

Proxy Voting Policy

Union Investment's voting guidelines

Union Investment sees its role as that of a responsible, active shareholder.

Union Investment portfolio managers regularly influence the management and business policy of public limited companies at annual general meetings. They act in the interests of investors and exclusively for the benefit of the invested assets. Union Investment supports all actions that will sustainably increase the value of a company in the long term and votes against any actions that go against this objective.

Union Investment expects companies to be managed responsibly and in such a way that social, ethical and environmentally relevant factors are taken into account in addition to purely financial targets. Union Investment will support targets based on those factors, provided they are in the long-term interests of shareholders and thus enhance long-term enterprise value. Because it focuses on investors' interests, Union Investment has also put in place organisational structures to avoid potential conflicts of interest with an adverse effect on investors that might result from exercising its voting rights. Further details can be found in Union Investment's Engagement Policy.

Details of proxy voting policy

We cast our votes in accordance with the current Union Investment Proxy Voting Policy. Based on this policy, the proxy advisory service IVOX Glass Lewis issues voting recommendations. The case-by-case review and final decision on whether or not to vote in line with this recommendation is taken by the Portfolio Management stewardship team at Union Investment. Proposals that are not covered by the Proxy Voting Policy are assessed individually on an arm's-length basis.

1. Shareholders' rights

Shareholders have the right to information and co-determination. Union Investment is opposed to multiple voting rights, restrictions on voting rights and special rights and will reject such proposals at the Annual General Meeting. Proposed amendments to the Articles of Association must always be justified and will be rejected by Union Investment if they impair shareholder rights.

Subsuming multiple voting items under one agenda item should be avoided. If it is not possible to vote on individual items such as specific elections or the ratification of specific actions separately, Union Investment will vote against the entire agenda item if it disagrees with any of the subsumed voting items.

Union Investment prefers face-to-face and hybrid general meetings. If the general meeting is held purely virtually, all shareholder rights must be fully protected. Union Investment is just as critical of shifting the answering of questions to the run-up to the general meeting as it is of a priori restrictions on the right to speak and ask questions. It must be ensured that all members of the management board and the supervisory board are present in person and verifiably on site during the entire general meeting. An amendment to the articles of association to introduce a virtual general meeting shall be limited to a maximum of two years. The company shall explain in detail how the full protection of shareholders' rights is guaranteed and under which conditions the authorisation of the executive

board to hold a purely virtual general meeting is to be used.

Any demonstrable impairment of the interests of minority shareholders should be avoided. A major shareholder should have the right to convene an Extraordinary General Meeting.

2. Requirements for management boards and supervisory boards

2.1. General requirements

Responsibilities within management and supervisory bodies (management boards, supervisory boards, committees) should be clearly defined and segregated.

Individual persons should not exercise undue power and it should be possible to monitor them adequately.

The members of the Supervisory Board and Executive Board should be competent and free from conflicts of interest. Both the Management Board and the Supervisory Board should have material expertise in the area of sustainability (ESG) for the business model that can be objectively verified (e.g. on the basis of a CV).

Candidates' qualifications for membership of a company's supervisory and management boards (e.g. career history, age, nationality, date of first appointment, duration and end date of current term of office, other directorships) should be disclosed in the agenda for the AGM if they have not been disclosed earlier. A profile of skills and expertise should be prepared that clearly illustrates how the relevant skills and expertise are covered by the individual board members.

The length of service of supervisory board members shall not exceed the duration set by the company or 15 years. The process of succession planning shall be reported transparently.

The supervisory board advises and supervises the management board and it is responsible

for monitoring and assessing the performance of the management board. Former management board members should not be appointed to supervisory bodies in the same company unless a cooling-off period of two years has been observed.

The supervisory board should examine its efficiency annually. Every three years, it should have its efficiency reviewed by an external body and report openly on this review.

Companies should report which individual members of its supervisory board have attended which supervisory board and committee meetings. A critical view is taken of the failure to provide this information, and of members whose attendance rate is less than 75 percent of meetings, unless there is good reason for the absences.

2.2. Composition

The composition of a company's supervisory board and management board should be suitably diverse. Aspects such as gender balance, age range, professional backgrounds and cultural heritage should be taken into account in this respect. The gender diversity on the supervisory board shall be at least 30 per cent. The company should report on its diversity policy – including the policy for the company as a whole – on a regular basis and disclose its diversity targets as well as the degree to which it is achieving these.

Supervisory boards should be independent, i.e. at least 50 per cent of its members should be independent. Employee representatives are deemed to be neutral, and they are not included when calculating the independent majority on a supervisory board.

Members of supervisory boards are deemed to be independent if they have no business relationship or personal relationship with the company or its management board that could cause a conflict of interest. These criteria must be met at the time of appointment and for the preceding five years. If supervisory board members receive any remuneration from the

company that is not connected with their duties as members of the supervisory board, they are not deemed to be independent. Supervisory board members are also not regarded as independent if they have been in their post for more than ten years, if they represent a shareholder whose stake equates to more than 10 per cent of the voting rights or if they were previously a member of the company's management board.

If there is serious doubt as to the competence and impartiality of a supervisory board, Union Investment will also vote against the independent candidates who have been proposed.

No more than two former members of a company's management board should be members of its supervisory board.

If several former management board members are nominated, Union Investment will always give preference to existing supervisory board members. The terms of office of supervisory board members should be scheduled in such a way that there are regular opportunities to adjust the composition and a smooth transition is ensured ('staggered board').

Union Investment takes into account the number of external supervisory board positions held when assessing the suitability of candidates as members of a supervisory board. The number of supervisory board seats held should not exceed five. An appointment as chair of a supervisory board counts as two seats. Any person who is a member of the management board should not sit on more than two supervisory boards of companies outside that company's group (the chairperson of a management board should not hold more than one external supervisory board position). Here, too, the role of chair of a supervisory board counts as two seats. The chairperson of a company's management board should not simultaneously chair the supervisory board of a company that does not belong to the same group.

When it comes to electing supervisory board members or re-electing the chairperson of the nominations committee, Union Investment takes a critical view if one or more of these composition requirements is not met.

2.3. Supervisory board chairperson

Union Investment is not in favour of the same person chairing both the company's management board and its supervisory board or the supervisory board and the audit committee. The same applies to a member of a management board becoming chairperson of the same company's supervisory board before a cooling-off period of two years has expired.

2.4. Committees

Supervisory boards should form committees with specialist expertise, such as an audit committee, a remuneration committee and a risk committee. Union Investment takes the composition of committees into account when assessing the suitability of candidates as supervisory board members. Senior positions on these specialist committees should be occupied by independent experts who represent the interests of investors in an appropriate manner. Most importantly, the chairperson should be independent. In addition, Union Investment is in favour of a composition where the majority of members of such committees are independent. A critical view is taken of committees with a lower proportion of independent members.

A company's nominations committee should consist exclusively of representatives of its shareholders. The audit committee shall include one financial expert with expertise in the field of accounting and one financial expert with expertise in the field of auditing, each of whom shall be nominated by name.

3. Remuneration of management and supervisory boards

3.1. General requirements

The remuneration of the members of the management bodies should be based on the long-term development of the company's value („pay for performance“) and should be easy to understand, transparent and communicable to society as a whole, as well as being commensurate with the remuneration of

managers and the workforce as a whole and with the remuneration of comparable companies. Remuneration must be geared towards sustainable corporate development and, in particular, must not encourage the taking of inappropriate risks.

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A remuneration committee should determine the amount, type and scope of the remuneration, as well as the criteria for entitlement to the variable remuneration components.

The same remuneration system should be applied to all members of a management board. It should comprise a fixed remuneration component as well as short-term and long-term variable remuneration components. Variable remuneration should make up a bigger proportion of the total target remuneration than the fixed component. Long-term variable remuneration should make up a bigger share of the total variable component than short-term variable remuneration. The target and maximum remuneration for the next financial year should be disclosed for each management board member. In addition, the relationship between target achievement and variable remuneration (‘pay for performance’) should be set out and transparency should be provided as to when and in what form remuneration will be paid.

Upper limits should be defined for the total amount of remuneration and all variable remuneration components. If Union Investment deems the upper limit for the total remuneration of a management board member or the

entire management board to be disproportionate compared with their performance or the remuneration paid by peer companies and no sufficient justification is provided, Union Investment reserves the right to reject the Management Board remuneration system in its entirety.

Where commitments regarding occupational pension provisions are agreed, these should be defined contributions, and should be linked exclusively to the fixed remuneration. No defined benefit dependent on final salary should be agreed or extended for new pension plans or the extension of existing policies.

It should be possible to reduce (malus) or reclaim (claw-back) the management board remuneration in the event of gross breaches of duty or grossly unethical behaviour, material breaches of the duty of care, or breaches of compliance and governance guidelines.

Severance packages and other contractual agreements between a company and its management board members are viewed critically. Members of the management board should not be compensated or rewarded for mismanagement. Companies should ensure that management board members' contracts of employment do not provide for payments in excess of two years' remuneration if they leave the board early (upper limit on severance pay) and that a maximum that is equivalent to the remaining period of their contract of employment is set. Terminations that occur within twelve months of an employment contract being extended should be scrutinised particularly closely. If a contract is terminated at the request of a management board member, or for cause that is the responsibility of the management board member, no severance payment should be made.

3.2. Structure of the variable remuneration component

Union Investment expects the following quality aspects to be applied to variable remuneration components:

- Appropriate personal investment in shares, comprising at least the amount of one gross annual fixed remuneration, to be reached within four years
- Strong focus on sustainable long-term company performance
- Integration of materially significant and ambitious ESG targets ('key sustainability indicators', e.g. for environmental and social aspects) into long-term variable remuneration; these targets should be derived from the company's sustainability strategy and should be quantitatively, transparent and verifiable
- Balanced consideration of at least two different key figures each for short-term and long-term variable remuneration, ensuring that performance indicators are not exclusively based on the share price
- Ambitious absolute and relative return targets based on an assessment period of at least three years for key figures relating to long-term variable remuneration; these targets should be aligned with the medium-term and long-term goals of the company
- Payment of long-term remuneration components after four years at the earliest
- Appropriate personal investment in shares, comprising at least the amount of one gross annual fixed remuneration, to be reached within four years
- Long-term horizon and transparency

A critical view is taken of retrospective changes to performance measures which make it easier to achieve specified targets. Adjusted key figures should not be used without proper justification.

The equity investments of management boards should be protected against breaches of insider trading regulations

by specific compliance processes (e.g. automated purchasing process on a pre-defined date).

3.3. Transparency

The remuneration report should disclose the total amount of remuneration, the financial and non-financial elements that are used in the calculation of the variable remuneration components and explanations regarding the relationship between target achievement and variable performance ('pay-for-performance relation'). The report should also provide information on payment dates and forms of payment, the maximum achievable remuneration amounts and any conditions attached to the remuneration. This information should be disclosed for each member of the management board individually by name. The contribution of each remuneration component to the long-term performance of the company should also be evident. The remuneration report should provide information about threshold values, targets and maximum values for the figures used in the calculation (KPIs), their weighting, and the target achievement for variable remuneration components for the last financial year. Explanations should be provided as to how the awarded remuneration components will be paid. It should also be disclosed how the remuneration of the management board has changed relative to the average remuneration of the workforce over the past five years. The remuneration report should be put to a vote on an annual basis. Discretionary remuneration adjustments (positive or negative) by the supervisory board should not exceed 20 per cent and should be explained in a transparent manner. Special payments should generally be avoided. In exceptional cases, the amount of the one-off payment must be disclosed along with a well-founded justification as to why the payment is in the interest of shareholders. Upper limits for remuneration must be observed.

A remuneration increase should be plausibly justified, with information regarding the peer group taken into account.

The remuneration of the board of management, and above all any planned material adjustments of the remuneration system, should be a regular subject of discussions between issuer and investor. The relevant dialogue should take place in good time before the AGM.

Major changes to the remuneration system for a company's management and supervisory boards should be added to the agenda for approval at its AGM. The remuneration scheme should be put before the AGM at regular intervals, at least once every four years. If a remuneration scheme is approved by fewer than 75 per cent of the votes, it should be improved and then put to the vote at the next AGM.

3.4. Special features of supervisory board remuneration

If supervisory board members receive performance-related remuneration components in addition to their fixed remuneration, this should reflect the long-term performance of the company. The long-term success factors should be disclosed. The remuneration of individual supervisory board members should also be disclosed.

4. Liability, responsibility and ratification of the acts of management

Union Investment will not ratify management acts when legal proceedings regarding corporate responsibility are under way or there is other evidence of serious misconduct. The same applies for any breach of, or failure to act in accordance with, ESG standards.

Union Investment takes a critical view of breaches of international standards and norms on environmental protection, human rights and labour law such as the UN Global Compact, and takes this into account in its voting decisions.

Union Investment does not approve of full exemption from liability for company executives.

If a company takes out D&O liability insurance for its management board, the policy should include an appropriate excess of at least 10 per cent of any claim.

5. Corporate actions

Capital increases are in the interest of shareholders, provided the new capital generates a return that is higher than the cost of capital. Union Investment does not differentiate between contingent and authorised capital. Union Investment is generally critical of large-scale capital increases and capital increases that do not include pre-emption rights. For this reason, requests to increase capital that do not confer pre-emption rights and that are for more than 10 per cent of share capital are generally rejected, as are increases in capital of more than 20 per cent of share capital, except in legitimate, exceptional cases.

When a company raises capital, it must always disclose the amount of its reserve capital and the ratio of reserve capital to share capital. Pre-emption rights should be regularly tradeable on stock exchanges.

If a company fails to find suitable investment opportunities that at least cover its capital costs, Union Investment prefers it to pay dividends rather than buy back shares. Consequently, Union Investment is critical of share repurchase programmes or the associated use of derivatives and will examine these on a case-by-case basis. It generally rejects share repurchase programmes if they are to be approved for more than two years, if the price at which the shares are to be repurchased exceeds the market price by more than 10 per cent or if the repurchase volume exceeds 10 per cent in the case of advance resolutions. This does not apply to share repurchase programmes established solely for remuneration purposes.

Legitimate reasons, explaining the company's long-term strategy for corporate actions, must always be provided for requests to approve capital increases or share repurchases.

6. Attitude towards takeovers

Takeover bids are examined on a case-by-case basis and assessed in terms of their added value for shareholders, their strategic focus and environmental and social impact. Takeover bids must not lead to a deterioration of the sustainability standards of the purchased or the purchasing company. Rather, the integration of the less sustainable company into the sustainability strategy of the more ambitious company must be ensured.

Union Investment only welcomes takeover bids that include an appropriate takeover premium. Union Investment will usually vote in favour of takeover bids, provided the purchase price reflects the fair value of the company's shares and shareholders cannot expect to obtain a higher price elsewhere.

Transactions that exceed a volume of 30 per cent of the acquiring company's market value must be put to a vote at the annual general meeting.

A company's management board should not take any actions that prevent the success of any takeover bid ('poison pill') if it has not been authorised to do so by its shareholders (AGM) or supervisory board.

7. Accounting and auditors

The accounting should take due account of important sustainability assumptions (such as CO₂ pricing), which should be in line with existing climate protection agreements. In addition, the recoverability of assets should be regularly and appropriately reviewed internally and externally, taking sustainability risks into account.

The „non-financial statement“ should be meaningful and externally verified with at least limited assurance („limited assurance“). An existing sustainability report should contain materially significant and verifiable statements. This includes, in particular, content that can be evaluated on a numerical basis.

The responsible external auditors should not be appointed for a period longer than five years. The name and initial appointment of the lead auditor should be stated in the annual report. The term of appointment of the auditing company must be reported.

Auditors should not take on any unreasonably extensive advisory mandates in the audited company. If the fees for consulting activities disproportionately exceed the fees for auditing activities, Union Investment will refuse to appoint such auditors.

8. Transparency

If a company's annual reports fail to meet the requirements of important disclosure standards or the minimum requirements regarded by Union Investment as prudent, Union Investment reserves the right to vote against the relevant agenda items.

As a signatory to the PRI (Principles for Responsible Investment), Union Investment calls on companies to support initiatives for increasing disclosure of sustainability data.

Companies should report transparently and comprehensively on the consideration of sustainability aspects in the corporate strategy, especially if the business model is exposed to particular risks. Among other things, the most important adverse effects on sustainability factors (Principal Adverse Impact, PAI) must be taken into account.

9. Environment and social affairs

9.1 Climate

Climate change is becoming an increasingly important factor in the valuation of companies. Union Investment therefore expects companies that are significantly affected by climate change or climate protection measures to adopt a systematic approach towards creating transparency about the associated opportunities and risks. The

consequences of climate change should be analyzed holistically. Potential risks and dependencies in the areas of water and biodiversity must also be taken into account.

As part of this approach, the implications of climate change should be analysed from a holistic point of view that also takes account of potential water and biodiversity risks. In addition to meaningful reporting of their greenhouse gas emissions (scope 1 to scope 3) based on generally accepted standards, Union Investment expects companies to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in an appropriate manner. For companies with a large market capitalisation (> €1 billion), Union Investment deems it appropriate that they should also publish reports based on the standards of the Carbon Disclosure Project (CDP).

In line with the Paris Agreement on climate change and Union Investment's membership of the Net Zero Asset Manager Initiative, all companies should define a dedicated climate change strategy for themselves that is specifically geared towards achieving the goal of climate neutrality (Scope 1–3) and the 1.5 degree scenario in terms of greenhouse gas emissions by no later than 2050. Ambitious short-term and medium-term targets should be defined to operationalise this long-term goal.

Union Investment explicitly welcomes companies taking a proactive approach by having their climate change targets validated by organisations such as the Science-Based Targets initiative. A credible climate change strategy requires both a quantifiable plan with measures to achieve emissions targets and transparency about sustainable revenue shares. Companies are expected to align their capital allocation with their net-zero ambitions. Furthermore, corporate lobbying and industry association work should appropriately reflect and disclose these climate protection targets. Union Investment expects companies' investment plans (CAPEX) to be in line with the 1.5 degree scenario and to be presented transparently.

Union Investment expects energy companies that are active in oil or gas production to refrain from expanding production in accordance with the International Energy Agency's net zero scenario. The actions of the Management Board or Supervisory Board as a whole will not be approved if the companies substantially expand production.

9.2 Say on Climate

Proposals for a climate protection plan (Say on Climate) are generally supported by Union Investment if the following criteria are met:

- Disclosure of all relevant greenhouse gas emissions (Scope 1, 2 and 3)
- Definition of a net-zero target as well as short- and medium-term targets that are aligned with the goals of the Paris Agreement and the 1.5 degree scenario
- Net-zero target covers at least 95 per cent of scope 1 to 3 emissions
- Progress is reported in accordance with the recommendations of the TCFD

If a vote on a Say on Climate (Transition Plan) receives less than 50 percent of the votes, a revised Say on Climate is to be put to the vote at the following Annual General Meeting on the basis of the main points of criticism to be identified by the company.

9.3 Biodiversity

Union Investment expects companies to have a biodiversity policy in place. Furthermore, companies should assess and report on the most important impacts of their business activities on nature and their dependencies on nature with regard to the protection of biodiversity. This applies in particular to the topics of deforestation and water and especially to companies whose business activities are particularly relevant to biodiversity (oil and gas, basic and consumer goods, metals and mining, utilities, agriculture and real estate).

9.4 Social

Union Investment expects the Management Board to take appropriate measures to protect human rights along the entire value chain in accordance with the UN Guiding Principles on Business and Human Rights. The Supervisory Board is responsible for actively monitoring the Management Board's strategy for dealing with risks relating to labor and human rights standards.

Companies should respect human and labor rights in all phases of their value chain. The basis for this is compliance with recognized and established standards and frameworks, such as the UN Guiding Principles on Business and Human Rights, the ILO core labour standards and the current OECD Guidelines for Multinational Enterprises.

In addition, as companies decarbonize, they should develop robust „just transition“ strategies and plans that consider the impact of their decarbonization strategies on workers, communities and other key stakeholders.

9.5 Voting behavior in the event of non-fulfillment

If companies repeatedly or seriously fail to meet their sustainability-related responsibilities, Union Investment will take this into account when discharging and (re-)electing members of the Management Board and Supervisory Board.

10. Shareholder proposals

Union Investment reviews shareholder proposals on a case-by-case basis and supports, in particular, proposals that promote the sustainable development of the business and thus benefit the long-term interests of shareholders. This includes, for example, proposals relating to improvements in the reporting on key ESG factors such as human capital management, human rights due diligence, diversity and inclusion, labour standards in the supply chain and transparency regarding the appropriate consideration of climate change in the company's reporting, corporate strategy or lobbying activities.

In the area of biodiversity, shareholder proposals are generally supported that call on companies not to operate in protected areas, areas of high biodiversity or areas that are considered ecologically sensitive, or to use materials extracted there. This also applies to requests to assess, report on and reduce key impacts and dependencies on nature in high impact sectors.

Other, but not exhaustive, examples of shareholder proposals worthy of support include proposals for transparency regarding a more appropriate consideration of climate change in reporting (transitory and physical risks alike), corporate strategy or lobbying, as well as the introduction of guidelines or regulations regarding the prohibition of discrimination and the promotion of equal opportunities.

Wording relating to natural persons in this Proxy Voting Policy explicitly includes all gender identities.

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