

Proxy Voting Policy

Union Investment Voting Policy

Union Investment sees its role as 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 the company in the long term and votes against any actions that go against this objective. Because it focuses on investors' interests, Union Investment has also put in place various organisational structures to avoid potential conflicts of interest with an adverse effect on investors that might result from exercising its voting rights.

Details of Union Investment proxy voting policy

Union Investment sees its role as a responsible active shareholder. The investors' interests are key. Basis of our voting behavior is the current Proxy-Voting-Policy of Union Investment.

Shareholders' rights

Union Investment votes against multiple voting rights and it will reject proposals for them at annual general meetings.

Shareholders are entitled to information and codetermination (e.g. to elect and appoint the members of a company's supervisory and management boards).

Major shareholders should have the right to convene extraordinary general meetings. No action should be taken that could be proven to harm the interests of minority shareholders.

Supervisory boards

A company's supervisory board should be independent.

It advises and supervises the management board and it is responsible for monitoring and assessing the performance of the management board.

A company's supervisory board should ensure that the composition of its management board is suitably diverse.

Independence of supervisory boards

Members of supervisory boards are deemed independent, provided they have no business relationship or personal relationship with the company or its management board that could cause a conflict of interest. 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.

Membership and composition of supervisory and management boards

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.

Supervisory and management board members should be competent and free of any conflicts of interest.

At least 50 per cent of the members of a supervisory board should be independent. Employee representatives are deemed to be independent, but they are not included when calculating the independent majority on a supervisory 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.

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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.

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 seats held on external supervisory boards should not exceed five. Any person who is a member of the management board of a listed company should not sit on more than two supervisory boards of companies outside that company's group (only one in the case of the chair of the management board), with chairmanship of a supervisory board being counted as equivalent to two seats. Union Investment takes a negative view if the number of seats held on external supervisory boards exceeds this standard.

Candidates' qualifications for membership of a company's supervisory and management boards (e.g. former terms of office, qualifications, age, nationality, career history and other directorships) must be disclosed in the agenda for the AGM if they have not been disclosed earlier. Supervisory board members should not be over the age of 75 at the time their term of office ends. The equivalent age limit for management board members is 65.

It should be possible for shareholders to ratify the actions of members of supervisory and management boards on an individual basis. Where this is not possible, Union Investment will vote against the ratification of the acts of a company's supervisory board members or management board members in their entirety if one of the members has failed to fulfil any of the criteria necessary for ratification. 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 members whose attendance rate is less than 75 percent of meetings, unless there is good reason for the absences.

Supervisory board chairpersons

Union Investment is not in favour of the same person acting as both the chairman of a company's management board and the chairman of its supervisory board. The same applies to a member

of a management board becoming chair of the same company's supervisory board or other supervisory body without complying with a cooling-off period of two years.

The chair (CEO) of a company's management board should not simultaneously chair the supervisory board of a company that does not belong to the same group.

Committees/other bodies

Union Investment takes into account the composition of committees when assessing the suitability of candidates as supervisory board members. Supervisory boards should form committees with specialist expertise. Senior positions on these specialist committees should be occupied by independent experts who represent the interests of investors in an appropriate manner. Union Investment's view is that the majority of members of such committees should be 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.

No former management board members should be appointed to other supervisory bodies in the same company without a cooling-off period of two years.

Remuneration

The remuneration of members of management and supervisory bodies should be transparent and in line with the long-term growth of the company's enterprise value. The remuneration granted to a company's management and supervisory boards should focus on the long-term performance of the company and it should not encourage excessive risks to be taken.

A committee should determine the level of and criteria for remuneration, and they should be fully disclosed to shareholders. When assessing remuneration, Union Investment takes into account market practice, industry norms (corporate governance codes, best-practice standards, etc.) and market-specific remuneration criteria.

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Provided they are in line with market and industry norms, Union Investment expects the following quality aspects to be applied to variable remuneration components:

- Appropriate personal investment
- Ambitious target return in absolute and relative terms
- Appropriate level
- Disclosure in the company's income statement
- Long time horizon and transparency
- Key 'non-financial' performance indicators ('key sustainability indicators', e.g. environmental or social factors)

Major changes to the remuneration system for a company's management and supervisory boards should be put on 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 voting rights, it should be improved and then put to the vote at the next AGM.

Quantifiable limits should be set for total remuneration and disclosure should be based on the remuneration tables specified by the German Corporate Governance Code.

Severance packages and other contractual agreements between a company and its managers are viewed critically. Managers should not be compensated or rewarded for mismanagement.

The total remuneration package paid to each individual and a breakdown of remuneration should be disclosed (by name) in the remuneration report that forms part of the corporate governance report.

In addition to fixed remuneration, supervisory board members should receive performance-related remuneration that reflects the long-term performance of the company. The long-term success factors should be disclosed.

Companies should ensure that management board members' contracts of employment do not provide for payments in excess of two year's 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's extension should be scrutinized particularly closely.

A critical view is taken of retrospective changes to existing share option schemes or performance measures which make it easier to achieve specified targets.

A critical view is taken of retrospective improvements to performance measures which make it easier to achieve specified targets.

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.

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.

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 subscription 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. Subscription rights should be regularly tradeable on stock exchanges.

If a company fails to find any investment opportunities that are suitable or at least cover its capital costs, Union Investment prefers it to pay dividends rather than buy back shares. Consequently, Union Investment does not support share repurchase programmes or the associated use of derivatives.

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.

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Attitude towards takeovers

Union Investment only welcomes takeover bids that include an appropriate takeover premium. Union Investment will 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.

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.

Auditors

External auditors should not be appointed for a period longer than five years. The auditor-in-charge should be named in the company's annual report.

Audit firms should not undertake overly extensive advisory roles at the companies they audit. If the fees paid to an audit firm for its advisory work at a company are disproportionately higher than those it receives for auditing the company, Union Investment will vote against appointing that audit firm.

Communications, disclosure and transparency

If a company's annual reports or other important disclosure standards fail to meet the minimum requirements regarded by Union Investment as prudent, Union Investment will abstain from voting on the agenda items relating to them, and in particularly striking cases it will vote against them.

All sustainability reports provided must be informative and any statements in them must be verifiable. This particularly applies to content that can be measured in statistical terms.

A negative view is taken of the failure to provide information about the attendance of supervisory board members at supervisory board meetings.

Social, ethical and environmental accountability

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 then support these targets, provided they are in the long-term interests of shareholders and thus enhance long-term enterprise value. A negative view is taken of violations of international humanitarian standards and norms such as the Oslo Convention on Cluster Munitions and comparable treaties. The non-financial declaration should be informative and, as a minimum, should be subject to a 'limited assurance' audit conducted by an external auditor.

As a signatory to the PRI (Principles for Responsible Investment), Union Investment encourages companies to support initiatives for increasing disclosure of sustainability data. Due to the increased relevance of carbon dioxide emissions for the valuation of a company, companies with a high market capitalisation (e.g. DAX30) as well as companies with a business model that is highly influenced by the climate change should join the Carbon Disclosure Project and provide transparency of their emissions. Companies should provide transparent, comprehensive reports about the incorporation of sustainability in their corporate strategies, particularly if their business model exposes them to special risks. German companies should be guided by the German Sustainability Code.

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READ THE PROSPECTUS BEFORE INVESTING

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Unless otherwise stated, all information, descriptions and explanations are dated 1 March 2018.