

AMX / DWS Low Carbon Fund

Global ESG Proxy Voting Guidelines

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SUSTAINABLE STEWARDSHIP PRINCIPLES

INTRODUCTION

The Asset Management Exchange (AMX) and asset manager DWS Group (DWS), working in partnership with Solactive, Minerva Analytics and Engagement International have developed an investment solution that allows pension schemes to express their stewardship preferences in pooled funds.

The new Sustainable Stewardship Service enables investors to align their investment and stewardship preferences and execute votes in alignment with their “Expression of Wish”.

Institutional investors in pooled funds have historically relied on the investment manager to execute a voting policy for the pooled fund. However, when investor preferences have diverged from the manager’s policy, they have been forced to accept the votes placed by the manager. With this new Sustainable Stewardship Service, global companies will now receive proxy votes from the AMX DWS pooled funds aligned with investor preferences where possible on key topics such as climate change, executive compensation, and board diversity.

VOTING & ENGAGEMENT

The Fund will exercise voting right to promote sound and sustainable corporate governance in investee companies. The fund has appointed [Minerva Analytics](#) in partnership with [Engagement International](#) to provide information, highlight controversial items, and a platform to execute informed shareholder votes with a fully integrated stewardship program.

The fund has developed and implemented policies and procedures to ensure that the fiduciary obligation to vote proxies in the best interest of its clients is fulfilled taking full account of local market regulations and good practices.

Based on that fiduciary obligation, the fund has produced the Guidelines described in this document. The Guidelines consider global best practice guidelines such as the [ICGN Global Corporate Governance Principles](#), the Association of Member Nominated Trustees’ (AMNT) [Red Line Voting Policy](#) and the [G20/OECD Principles of Corporate Governance](#).

How companies disclose and manage their environmental, social and governance (“ESG”) responsibilities are also incorporated into voting and engagement decisions. As such, the Guidelines consider internationally recognised sustainability-related initiatives such as the [UN Guiding Principles on Business and Human Rights](#), the [UN Global Compact](#) and [UN Sustainable Development Goals \(SDGs\)](#).

The Guidelines provide a general framework for the fund’s stewardship responsibilities, and they apply globally; however, they permit the discretion to reflect local laws or standards where applicable. The Voting Guidelines address a broad range of issues, including audit & reporting, board composition, executive remuneration, shareholder rights, and sustainability and risk management.

VOTING GUIDELINES

1. AUDIT AND REPORTING

1.1 REPORT AND ACCOUNTS

Financial statements and auditor reports are valuable documents not only to evaluate a company's annual performance but also to understand each company's governance, business model and long-term outlook.

We see the robustness of financial controls and integrity of financial statements as the basis for the healthy functioning of investee companies. We expect companies to provide their report and accounts signed off as complete by an independent, competent, and qualified auditor sufficiently ahead of the Annual General Meeting ("AGM") in accordance with high-quality auditing standards. Such audit reports provide an external and objective assurance to shareholders that the financial statements fairly represent the financial position and prospects of the company.

Where we have concerns regarding financial reporting and/or the quality of internal control and audit processes, we will vote against the resolution seeking to approve the annual report and accounts.

1.2 EXTERNAL AUDITOR

Shareholders rely on the information present in a company's annual report and accounts to make informed investment and voting decisions. We therefore place high importance on the independence of the external auditor.

We believe that high non-audit fees can undermine auditor independence and can affect the quality of audit. We expect companies to provide a clear breakdown of the fees paid for audit and non-audit services. We may oppose the (re-)election

of the external auditor in instances where the aggregate non-audit fees exceed the fees paid for audit-related services in the year under review, or 50% over a 3-year period.

We expect the role of the external auditor to be out to tender on a regular basis, at least every 10 years, and for the external audit firm to be rotated after 20 years' service, or after 24 years in the event of a joint auditor. Where there has been a change in the external audit firm, particularly when changed outside the usual rotation timeframe, we expect companies to explain the reasons for the change.

We will generally oppose the re-appointment of an auditor that has failed to reasonably identify and address issues that lead to a material restatement of the financial accounts, or if the lead audit partner has been linked with a significant auditing controversy.

1.3 CLIMATE CHANGE ACCOUNTING

We expect the annual report to contain an affirmation that climate risks are incorporated into the accounts via a statement that the directors have taken account of climate change and the goals of the Paris Agreement in signing off the company's financial statements.

The external auditor has an important role to play in ensuring management has adopted appropriate procedures in their accounting for climate and alerting shareholders of any weakness. We expect the external auditor to disclose how it has taken account of climate risks in the auditor report.

2. BOARD

2.1 COMPOSITION

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

We believe that the board should include an appropriate combination of executives and non-executive directors. As such, we consider at least 50% of the board should be comprised of demonstrably independent directors.

We believe increasing diversity and the range of perspectives on the board can enhance board effectiveness and decision-making. Consequently, we expect companies to adopt and disclose a policy on board diversity. We encourage companies to adopt measurable objectives for increasing gender diversity. We will vote against the chair of the nomination committee if we have concerns with the progress made on increasing female representation on the board.

2.2 EFFECTIVENESS AND EVALUATION

We expect boards to regularly assess their own effectiveness to ensure they are operating optimally and possess the right mix of backgrounds and competencies. We expect boards to undertake an internal evaluation annually and engage external assistance at least every three years. The board should disclose the outcome of the evaluation, and if applicable, any steps taken as a result.

2.3 DIRECTOR ELECTIONS

We support the re-election of directors at regular intervals to ensure the

effectiveness of the board and accountability to shareholders. Directors should be elected to the board preferably on an annual basis or stand for election at least once every three years. We consider it good practice for directors to stand for election on an individualised basis rather than by slate.

Directors in uncontested elections should be elected by a majority of the votes cast. In contested elections, plurality voting should apply. An election is contested when there are more director candidates than there are available board seats.

We consider it essential for companies to provide detailed biographical information on each director candidate before the vote at the meeting. We will vote against the election of a director where we have insufficient information to make an informed voting judgement.

2.4 ATTENDANCE AND COMMITMENT

All directors should be able to allocate sufficient time and attention to the company to discharge their duties alongside their other commitments. Overcommitment is considered a material governance risk as it could potentially compromise the quality of the board and, where directors hold full-time executive director positions, it can impact the discharge of their executive responsibilities.

We generally consider a director should not hold more than four other directorships in listed companies outside of the group. If the director serves as an executive, we consider the director should not hold more than two other listed roles, and in the case

of the chair of the board, not more than three other listed roles.

functions, we will consider opposing the chair and/or members of the committee.

The number of meetings attended by each director should be disclosed in the annual report. We will generally vote against a director whose attendance rate is less than 75% of board and committee meetings, unless we receive an appropriate explanation from the company.

2.5 LEADERSHIP

We believe it is good practice for the Chair to be independent on appointment.

We believe that combining the roles of the Chair and CEO can concentrate power, upset board balance, and should be discouraged. We will generally oppose such combinations unless there is assurance that the roles will only be combined on an interim basis (such as to allow for recruitment process). Where the roles are combined, we expect a Lead Independent Director to be appointed and for the board to be at least 50% independent in order to ensure an appropriate counterbalance.

2.6 BOARD COMMITTEES

We encourage boards to set up specialised committees to support the full board in performing its functions; including an audit committee, a nomination committee, and a remuneration committee.

We expect the audit committee to be comprised entirely of independent directors and to have relevant accounting or financial expertise. We also expect the remuneration committee to be wholly independent and for the nomination committee to be at least half-comprised of independent directors.

Where we have concerns with a committee's composition or with the fulfilment of a committee's oversight

3. CAPITAL

3.1 CAPITAL ALLOCATION

Companies should have clear dividend policies that set out a sustainable approach to distributing dividends and returning capital to shareholders. We will generally support companies distributing a dividend to shareholders, unless we have concerns with the dividend cover. Where a scrip dividend is to be implemented, we believe shareholders should be offered a cash alternative.

should not result in 'creeping control' in relation to a large shareholder.

When the company specifies its intention to use the authorisation during a takeover bid, we believe that the share buyback becomes an anti-takeover measure and will generally oppose the authority request.

3.2 SHARE ISSUE AUTHORITIES

We believe that pre-emption is an important shareholder right that should not be eroded. We will only support reasonable share issuance authorities, and, to this end, we will assess the impact of the authority on shareholder value in the long term and the dilutive effect of the issuance.

We will generally support share issuance authority requests provided:

- The authority does not exceed 66% of the issued share capital on an aggregate basis in the UK, or 50% on a global basis.
- The dis-application of pre-emption rights does not exceed 20% of the issued share capital.

3.3 SHARE BUYBACK AUTHORITIES

We will generally support a company proposal to implement a share buyback scheme up to a limit of 20%. We believe that buybacks at a significant premium to market price can be to the detriment of shareholders' interests and we will not support premiums above 10% of the market price. We believe share buybacks

4. CORPORATE ACTIONS

4.1 INVESTMENT DECISIONS

We support investment decisions, including mergers & acquisitions and related party transactions, that result in long-term benefits to shareholders and have good quality disclosure and approval of the independent advisor and directors. We will generally vote in line with the board's recommendation on investment decisions.

5. REMUNERATION

5.1 GENERAL PRINCIPLES

We believe remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

We expect companies to disclose the compensation paid to directors on an individual basis and with a level of detail which will permit shareholders to conduct a fair assessment of company practices.

We support annual votes on executive compensation as they provide shareholders with a regular communication channel to express their concerns regarding the company's executive compensation practices.

5.2 REMUNERATION POLICY

We are supportive of remuneration policies that are well-structured, fair, understandable, and with safeguards to avoid excessive or inappropriate payments.

We expect executive remuneration systems to contain an appropriate balance between fixed and variable pay. We expect companies to disclose an individual limit for incentive plans and consider increases in salary should be aligned with what is offered to the wider workforce. We will not

support changes in salary for the lead executive by more than 20% without a clear and compelling explanation.

When looking at the remuneration arrangements, we consider the level of linkage between the performance measures used in the incentive pay elements and the key performance indicators ("KPIs") defined by the company. We believe incentive pay should consider both financial and non-financial considerations and are therefore supportive of the introduction of ESG issues when setting performance targets.

We expect remuneration policies to include robust malus and clawback provisions for all incentive compensation elements of remuneration. In addition, we believe companies should require executives to build up a shareholding in the company of at least 2x annual salary in order to better align their interest with the interests of shareholders.

5.3 REMUNERATION REPORT

We expect companies to disclose the performance conditions used for incentive pay along with the targets set and the performance achieved against the targets for the year under review.

We consider the terms of incentive schemes should not be amended retrospectively. Where discretion has been used, we expect it to be clearly disclosed

with an explanation on how and why the discretion was applied.

We are generally opposed to additional one-off payments outside of the short-term and long-term incentive plans, such as retention awards and transaction bonuses, and will generally oppose the remuneration report if such awards are granted. When recruiting executive directors, companies should pay no more than is necessary and should fully justify payments to shareholders.

5.4 LONG-TERM INCENTIVE SCHEMES

We expect companies to provide an acceptable level of disclosure on long-term incentive plans. We support long-term incentives where:

- There is a minimum performance and vesting period of at least three years.
- Performance conditions are disclosed.
- Retesting of performance targets is not allowed.
- There is a limit on award size and no overly-diluting impact on shareholders.
- Clawback provisions are in place.
- There is no preferential treatment on a change of control.

5.5 NON-EXECUTIVE FEES

We believe that compensation for non-executive directors should be structured in a way that aligns their interests with the long-term interests of shareholders and does not compromise their independence. To this end, we are not in favour of non-executive directors receiving performance-based compensation, retirement benefits or excessive perks.

5.6 CONTRACTS AND SEVERANCE PAY

We expect companies to provide comprehensive disclosure on the termination provisions for executive directors. We believe that severance payments should be set at a reasonable level and will not support severance payments higher than 2x fixed pay.

We consider double-trigger change in control arrangements, which require both a change of control and termination, to be good practice. Vesting of equity awards on a change of control should be on a pro-rata basis that considers the time elapsed and attainment of any performance targets between the grant date and the transaction.

6. SHAREHOLDER RIGHTS

6.1 VOTING RIGHTS

We support the principle of “one-share, one-vote.” We will vote against the introduction of multiple-class capital structures or the creation of shares with voting rights disparity.

6.2 ANTI-TAKEOVER PROVISIONS

Shareholders should be consulted in takeover situations and should not have their rights curtailed. The board should not attempt to counter a takeover bid by making decisions which in prevent the shareholders from deciding on the takeover bid themselves, without first gaining the acceptance of the shareholders.

Anti-takeover devices should not be used to shield management and the board from accountability. We will vote against the introduction of anti-takeover provisions.

6.3 ARTICLE AMENDMENTS

It is common for management to put forward a resolution seeking shareholder approval to amend and/or update the articles of association. We will generally support article amendments provided the proposed changes are clearly outlined and disclosed in the meeting materials, and the amendments do not diverge from good practice or diminish shareholder rights.

6.4 VIRTUAL MEETINGS

Whilst we believe an online AGM should not be held without also offering a physical AGM where the company’s board and shareholders attend in person (known as a ‘hybrid meeting’), we recognise that in exceptional circumstances a physical AGM may not always be possible and in such

circumstances, a virtual-only AGM may be supported on a temporary basis.

We will generally support voting against article amendments to introduce the ability to hold virtual-only meetings if the proposed articles do not include a caveat that virtual meetings will only be held in exceptional circumstances, such as a result of a pandemic or national emergency, or where geographical barriers prevent physical travel.

6.5 VOTING AT MEETINGS

Meeting materials (including the notice of meeting, proxy card and annual report) should be published sufficiently ahead of the meeting to enable shareholders to vote in an informed manner.

Each substantive resolution should be voteable in its own right; therefore, the bundling of two or more matters for consideration under one resolution is strongly discouraged.

We are unsupportive of mechanisms that limit shareholder ability to exercise voting rights and/or diminish shareholder rights, such as supermajority voting provisions.

7. SHAREHOLDER PROPOSALS

7.1 GENERAL PRINCIPLES

Shareholder proposals are resolutions put forward by shareholders who want the board of a company to implement certain measures, for example around ESG or sustainability practices.

We value the right of shareholders to submit proposals to company general meetings. While we recognise different jurisdictions have different rules in place for the filing of shareholder proposals, we are generally supportive of initiatives that seek to introduce and/or enhance the ability to submit proposals.

We follow a framework for voting on shareholder proposals developed by [Minerva Analytics](#), our proxy voting agency. The framework enables votes in favour of resolutions that promote good corporate citizenship while enhancing long-term shareholder value, and against resolutions that are misaligned with good governance and shareholder value.

8. SUSTAINABILITY

8.1 TRANSPARENCY AND REPORTING

We believe companies that consider ESG factors as part of their business strategy generate enhanced shareholder value over the long term. We are therefore more supportive of companies with board-level responsibility for reviewing ESG risks and where a specific director or committee has been charged with.

We expect companies to disclose information on their exposure to and management of ESG risks and opportunities. The disclosure should be aligned to material sector, industry, and company-specific indicators.

To support consistency and comparability in the sustainability disclosure, we encourage companies to adopt an internationally recognised sustainability reporting standard and to implement independent verification procedures of their sustainability disclosures.

We recognise that the United Nations Sustainable Development Goals are an articulation of the world's most pressing sustainability issues and, as such, function as a globally agreed sustainability framework. We encourage companies to:

- assess the relevance of the UN Sustainable Development Goals to their business;
- incorporate material goals into their strategies and
- report on how they are responding to the SDGs.

We may vote against the report and accounts where we have concerns with a company's sustainability disclosures.

8.2 CLIMATE CHANGE

Climate change presents material financial risks and opportunities for businesses and investors. We expect investee companies to work towards mitigating climate change by making efforts to reduce carbon emissions and transition to a low-carbon economy.

We encourage investee companies to provide disclosure on climate-related issues, including on governance, strategy, risk management, and metrics and targets. In particular, we encourage companies to provide reporting in line with the recommendations of the [Task Force on Climate-related Financial Disclosures](#) (TCFD).

Where a company puts forward a resolution seeking approval of its climate transition plan, we will consider voting against if the plan is insufficiently aligned with the goals of the Paris Agreement.

8.3 POLITICAL DONATIONS

We do not support the use of shareholder funds for political donations. We will consider voting against the report and accounts where shareholders' funds have been used to make political donations without shareholder approval. Where an authority to incur political expenditure is sought, we will not support an authority that will allow donations to political parties or political candidate.