

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 the [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

Audit & Reporting

Report & 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. Audit reports provide an external and objective assurance to shareholders that the statements fairly represent the financial position and prospects of the company.

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

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 of 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.

Risk Management

The board of directors is responsible for overseeing the implementation of strategic and operational risk management, as well as ensuring there are appropriate internal audit and control systems in place.

Climate Change Accounting

Companies are at risk of material misstatement where their financial statements leave out the financial impacts associated with climate change and decarbonisation. As such, we encourage companies to incorporate climate-related risks when preparing both the annual financial statements and narrative reporting in a consistent manner.

To this end, we expect the annual report to contain an affirmation that climate risks are incorporated into account via a statement that the directors have taken account of climate risks 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.

Board

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.

The board of directors should be of a sufficient size and include an appropriate combination of executives and non-executive directors. We regard independent non-executive directors comprising half of the board as best practice. We will consider voting against non-independent non-executive directors where we have concerns with the level of independent representation and objectivity on the board.

Diversity, Equity & Inclusion

We consider diversity, equity and inclusion (DEI) to be strategically important to long-term business success and helps firms build more inclusive work cultures and harness the power of diverse thinking.

We believe investee companies should actively work towards balanced gender representation, diverse ethnic and cultural composition and socio-economic backgrounds, and other characteristics across their organisation, including at the board level, the executive level and throughout the workforce.

We believe it is important that a company's commitment to DEI has a strong tone from the top and expect companies to take action to increase diversity and the range of perspectives on the board of directors. In particular, we look for disclosure on:

- **Board Diversity Policy:** We expect there to be a disclosed policy on board diversity.
 - **Measurable objectives:** Boards should set measurable goals for increasing diversity and report on the progress towards achievement over a defined timeframe.
 - **Gender Diversity:** Whilst we recognise different market practice on gender

diversity, we wish to encourage good practice on this issue on a global basis and expect at least one-third of the board to comprise women. Companies listed in the UK are expected to comply with the Financial Conduct Authority diversity targets concerning at least 40% female representation and for at least one of the senior board positions (Chair, CEO, CFO or Senior Independent Director).

- **Ethnic Diversity:** We encourage all companies globally to consider board ethnic diversity disclosure and representation. Companies listed in the UK are expected to comply with listing rule recommendations regarding disclosure of ethnic diversity and to have at least one director from an underrepresented racial and/or ethnic community.

Where a company fails to meet these expectations, we will generally support voting against the chair of the nomination committee. Additionally, we generally support shareholder proposals that, if implemented, would enhance disclosure on employee and board diversity policies and practices such as reporting on meaningful workforce diversity data and disclosure of the median pay gaps across race and gender.

Effectiveness & 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.

We will generally vote against a director where the individual has been identified to have been involved in egregious actions related to their service on a publicly listed company which raises significant suitability concerns about the director's ability to effectively serve the best interests of shareholders, such as criminal

wrongdoing, regulatory investigations or breach of fiduciary duty.

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 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.

Attendance & 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 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 board chair, not more than three other listed roles.

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.

Leadership

We believe it is good practice for the chair of the board 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.

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 encourage boards to consider establishing additional committees as deemed appropriate, such as a committee with sustainability risk oversight.

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

Director Discharge

In certain markets it is common for a company to seek shareholder approval to grant discharge to members of the management board and members of the supervisory board. We will generally vote in favour of the item unless we have concerns regarding (legal) proceedings against the company or members of the board,

or where we have material concerns regarding governance practices at the company.

Capital

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.

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.

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 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.

Corporate Actions

Investment Decisions

We support investment decisions, including mergers & acquisitions, that result in long-term benefits to shareholders and have good quality disclosure and approval of the independent advisor and directors.

It is considered that the board is in the best position to determine a company's strategy, capital structure and reserves, and we will generally vote in line with the board's recommendation on investment decisions.

Related party transactions (e.g. between a major shareholder and the company) are important considerations for minority shareholders due to potential conflicts of interest and the risk that a related party may take advantage of its positions.

Boards should adopt safeguards for minority shareholders and disclose the process for approving, reviewing, and monitoring related party transactions and any inherent conflicts of interest. This should include the disclosure of relevant information on such transactions, the review of transactions by independent directors and an independent advisor and providing shareholders with a vote on material related party transactions.

Remuneration

Remuneration 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.

Remuneration Policy

We are supportive of remuneration policies that are well-structured, fair, understandable, and with safeguards to avoid excessive and/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 and/or total remuneration opportunity 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 sustainability-related issues when setting performance targets.

Sustainability-related performance metrics should be of high quality, measurable, specific, aligned with the company's strategy, and appropriately weighted. Companies that operate in high climate impact sectors should link a material portion of executive incentive pay with the company's climate transition plan and emissions reduction aligned with a 1.5°C net-zero goal.

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. It is recommended that executive directors hold a certain number of shares for at least a certain period of time after leaving the company.

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 mid-cycle and no re-testing of performance targets where the initial performance conditions were not met within the primary performance period should be permitted. 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.

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.
- No vesting is provided for relative performance below median.
- 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.

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.

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.

Shareholder Rights

Voting Rights

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

Where a share structure deviates from a one-share-one-vote, we expect boards to review such share structures regularly, consider disclosing voting results disaggregated by share class and adopt a reasonable sunset provision to phase out the structure (ideally, seven years or less from the date of the initial public offering).

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.

Entrenchment Devices

Accountability to shareholders is a core tenant of corporate governance. The accountability of management and directors can be compromised when charters and bylaws establish limitations on shareholder rights. These include supermajority voting, exclusive forum provisions, and denial of the right to call a special meeting and/or act by written consent. We will vote against the proposed introduction and/or continuation of mechanisms that limit shareholder ability to exercise voting rights and/or diminish shareholder rights.

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.

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.

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.

Shareholder Proposals

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.

Where a board excludes a shareholder proposal from the meeting agenda without regulatory consent, such as the established 'no action' process in the United States, we will generally support voting against the chair of the board and/or lead independent director.

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.

Sustainability

Transparency & Reporting

We believe companies that consider environmental and social 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 environmental and social risks and where a specific director and/or committee has been charged with oversight responsibility.

We expect companies to disclose information on their exposure to and management of environmental and social 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, such as the [International Sustainability Standard Boards](#) (ISSB) reporting standards, 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.
- Report on how they are responding to the SDGs.

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

Climate Change

Climate change is one of the most important challenges facing the world today and presents material financial risks and opportunities for

businesses and investors. We expect investee companies to disclose how they may be impacted by climate-related risks and opportunities, and how these factors are considered within their strategy. We expect investee companies to work towards adapting and 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](#) and/or the [ISSB's IFRS S2](#).

We encourage companies to develop a climate transition plan that discloses the strategy and actions the company intends it take to transition to a lower carbon economy and reach net zero. When assessing a company's transition plan, we encourage disclosure on:

- **Net-zero Commitment:** Companies should disclose a comprehensive commitment to reducing emissions to net zero by 2050 or sooner.
- **Aligned Targets:** Short, medium and long-term science-based targets aligned with 1.5 degrees.
- **Emissions Performance:** GHG emissions specifying scopes 1, 2 and 3 (breaking out material Scope 3 categories) over time.
- **Capex Alignment:** Transitioning from a fossil fuel economy to a low-carbon economy requires huge long-term investment and can only be achieved if new sources of capital are identified and directed towards those investments. Companies should explain how its capital allocation strategy aligns with its overall decarbonisation strategy and net zero goal and commitments to cease fossil fuel expansion.
- **Climate Governance:** Board-level oversight of climate-related risks and opportunities as well as incorporation of climate metrics in executive remuneration to incentivise delivery of the plan.

- **Climate Lobbying:** A commitment to aligning lobbying with the goals of the Paris Agreement. Companies should disclose their membership in trade associations and establish an annual monitoring and review process to ensure that direct and indirect lobbying activities are Paris-aligned.
- **Social impact:** Companies should consider the impacts of transitioning to a lower-carbon business model on their workers and communities and commit to decarbonising in line with the ILO's ['Guidelines for a Just Transition'](#).

Where a company puts forward a resolution seeking shareholder approval of its climate transition plan, we will consider voting against the plan if it is deemed to be insufficiently aligned with our disclosure expectations and the goals of the Paris Agreement to keep global warming to 1.5°C. We may also vote against the approval of the report & accounts and/or election of the chair of the board where we have concerns with a company's climate risk management and disclosure.

Nature & Biodiversity

We believe that the world cannot deliver on net zero commitments without also considering nature and biodiversity issues, including taking action to end commodity-driven deforestation.

When we refer to nature, we mean the natural world and all its living and non-living things, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment. Biodiversity is a part of nature, as is the variability among living organisms from all sources including the diversity within species, between species and of ecosystems

Depleting natural capital and biodiversity loss creates significant operational, regulatory, litigation, and reputational risk for investors and businesses alike, and negative economic repercussions globally.

We encourage companies, particularly those with high exposure to natural capital risks, to provide disclosure on how they manage nature-related dependencies and impacts, as

well as disclosure on the governance structures and processes, including appropriate metrics and targets, deployed to manage nature-based risks and opportunities. Company reporting should be aligned with good practice frameworks such as the Taskforce on Nature-related Financial Disclosure (TNFD).

Where we believe a company is not providing sufficient consideration of nature-related risks and opportunities in its corporate reporting, including on the prevention of biodiversity loss and deforestation in its supply chains, we may consider voting against the report and accounts or other relevant resolutions. We generally will also support shareholder proposals asking companies to report on their nature-related practices, policies and impacts.

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 candidates.

We are supportive of greater transparency around memberships of and monies paid to trade associations and lobbying groups. Boards should address instances where there are material inconsistencies between a company's publicly stated policy positions and advocacy of trade associations of which the company is a member, particularly advocacy around climate action and limiting nature and biodiversity loss.

Responsible Tax

It is considered good practice for a company's board to have a published tax policy indicating the company's approach to planning and negotiating tax matters, and to allow shareholders to monitor its handling of financial, regulatory and reputational risks in this area. We encourage companies to publish country-by-country tax reporting.