

# Proxy voting and corporate governance policy

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## Introduction

The exercise of voting rights is an important aspect of the investment management process and the fund manager's ability to influence corporate management and manage the performance of portfolios.

In addition, the disciplined and consistent exercise of voting rights is at the heart of good corporate governance. The advancement of corporate governance in itself is no guarantee of better investment returns, which is the overriding objective of Deutsche Asset Management (Australia) Limited ("Deutsche Asset Management") as a funds manager. However, institutions are in a critical position to ensure that companies remain directly accountable to their shareholders.

Deutsche Asset Management supports advancing the integrity and efficiency of the Australian capital markets for the benefit of all investors by playing an active role in corporate governance. Deutsche Asset Management considers "corporate governance" to be concerned with the way companies are governed, as distinct from the way the businesses within them are managed. Such issues include a governance structure and selection of directors. Falling into the field of corporate governance are concerns about corporate performance through involvement with strategy formulation and policymaking, and through top management supervision and accountability to the stakeholders.

## Policy on proxy voting and corporate governance

Deutsche Asset Management's overriding objective, as an investment manager is to maximise fund returns in line with clients' objectives, subject to an acceptable level of risk. This policy, including the advancement of corporate governance, will be applied in the context of this overriding objective. The exercise of voting rights is only one aspect of Deutsche Asset Management's investment management process. Deutsche Asset Management also participates in and influences corporate decision-making in other ways. For example, it regularly communicates with the senior management of companies to discuss matters of investment performance.

Deutsche Asset Management's aim is to review shareholder resolutions on a case by case basis when exercising voting rights, and to vote on all resolutions, regardless of materiality, where it has the authority and responsibility to do so.

In exercising its voting discretion, Deutsche Asset Management may take into account the following:

- Deutsche Asset Management tends not to become involved in the day to day management issues of companies, but rather exercises voting rights to ensure that companies act in the best interest of their shareholders;
- Deutsche Asset Management also exercises voting rights in appropriate cases in order to improve corporate governance;
- the size of holding and the likelihood that exercising voting rights will influence the outcome of the resolution;
- the nature of the issue;



- the advantage which may result from exercising voting rights including whether it will advance investment objectives;
- any client instructions as to exercising voting rights, whether for particular companies or particular issues;
- possible actions which may be taken instead of, or as well as, exercising voting rights, such as liaising with management or taking steps to initiate shareholder legal action; and
- other legal and ethical considerations, such as whether there may be any actual or potential conflict of interest in exercising voting rights.

Deutsche Asset Management's senior management reviews any proposed action. This includes circumstances where Deutsche Asset Management joins with other shareholders to take collective action or where the action will generate significant media interest. Refer to page 3 for voting in the international portfolios.

## Benefits

By delegating voting power to Deutsche Asset Management, a client can achieve the following benefits:

- consistency in the exercise of voting power with other investment objectives;
- benefit from Deutsche Asset Management's expertise in determining whether issues being voted on may affect investment returns and are consistent with other investment objectives;
- rely on Deutsche Asset Management to overcome practical difficulties in exercising voting rights, including monitoring holdings and forming views on each issue within a limited time; and
- contribute to higher standards of corporate governance by the disciplined and consistent implementation of Deutsche Asset Management's voting policy.

## Clients' instructions and consultation

The implementation of Deutsche Asset Management's voting policy is always subject to any directions from its clients.

Generally, Deutsche Asset Management does not seek the views of clients before exercising a vote or initiating shareholder action as to individual issues. This is due to the time constraints usually experienced in exercising proxy votes. This can arise from the number of resolutions to be considered in a diverse portfolio, the number of clients and the often-routine nature of many voting issues.

Some clients will from time to time direct Deutsche Asset Management on specific issues and Deutsche Asset Management will implement that direction to the extent that it is able.

Wherever possible Deutsche Asset Management will endeavour to liaise with any client that has a substantial investment in an entity where an issue has become contentious.

## Reporting to clients

Deutsche Asset Management keeps a register of how proxy votes are exercised. Information will be supplied to clients in accordance with their requirements. Any non-compliance with a client voting instruction is automatically reported.

## Implementation

Clients need to ensure that their custody arrangements require the custodian to inform Deutsche Asset Management of resolutions on a timely basis and to implement Deutsche Asset Management's directions as to the exercise of voting rights. If necessary, these arrangements will need to deal with how the custodian will exercise voting rights when it receives directions to vote differently on different issues from different clients. Clients also need to be aware that when they request the custodian to vote, the costs of voting in this instance will be borne by the client.

## **Voting by pooled investment vehicles managed by Deutsche Asset Management**

Investors in pooled investment vehicles managed by Deutsche Asset Management do not have a direct interest in the particular securities held by the vehicles. Voting rights are exercised by the Manager for such securities, subject to any restrictions in the documentation. Accordingly, such investors do not have the right to direct how these voting rights are exercised.

## **Voting in the Private Equity Portfolio**

Most investments in the Private Equity Portfolio managed by Deutsche Asset Management are minority shareholdings in unlisted, illiquid, often closely held entities. The exercise of shareholder voting rights is an important aspect of Deutsche Asset Management's Private Equity investment management process and its ability to influence corporate management. Accordingly, it is Deutsche Asset Management's policy in the Private Equity Portfolios to consider every resolution on a case by case basis, and to vote on any particular resolution.

## **Voting in international portfolios**

Where applicable, management of international assets is delegated by Deutsche Asset Management in Australia to relevant fund managers overseas. These relevant fund managers are registered and regulated by international regulators as applicable. An extensive due diligence and monitoring program is in place for assets managed under delegation by international fund managers.

Voting by international fund managers is in accordance with their own policies, not Deutsche Asset Management (Australia) Limited's policy.

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