

Active Ownership Report: 2018
Danske Bank Asset Management

February 2019



Danske Bank Active Ownership Report

Active ownership in Danske Bank

When customers entrust us with their assets and savings, it is our duty to serve their interests by providing investment solutions with the goal to deliver competitive and long-term performance. Our firm commitment to **Sustainable Investment with ESG Inside** is an integral part of this duty.

ESG Inside is about making better-informed investment decisions – addressing issues of risk, problems, and dilemmas, and influencing portfolio companies through **active ownership** to contribute to a positive outcome.

Active ownership – through direct dialogue and voting at the annual general meetings – is an important part of our ability to create long-term value to the companies we invest in and to our customers.

We believe it is more sustainable to **address ESG matters as investors** rather than refraining from investing when issues of concern or risks arise, leaving the problem to someone else to solve. Our portfolio managers are the change agents who can impact how companies manage their ESG risks and opportunities.

The aim of our **Active Ownership Report** is to provide our customers and stakeholders with regular updates on our progress and results.

The two parts of the report



Engagement Report 2018

Danske Bank Asset Management

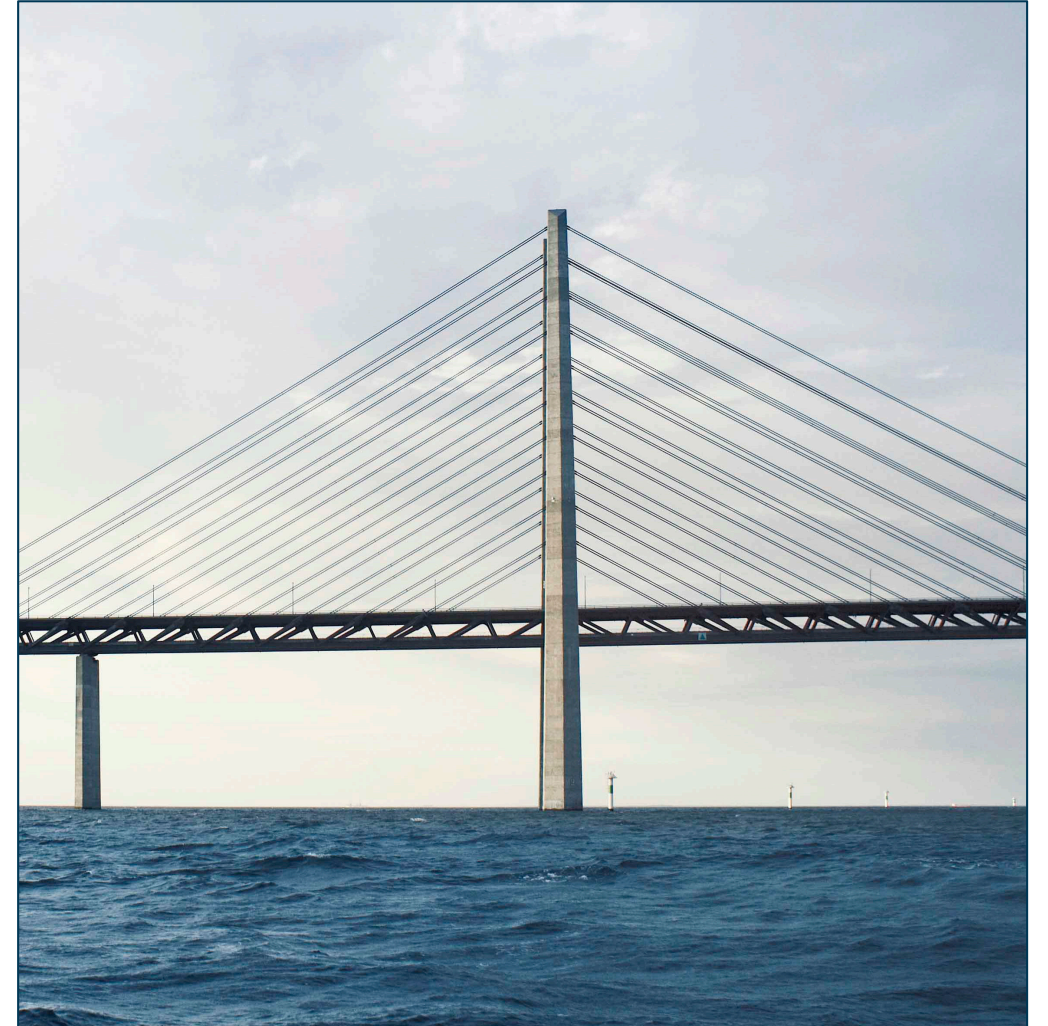


Engagement Report introduction





We believe that fund-manager-driven dialogue with companies is the most effective as the investment teams are the experts of their respective strategies and portfolios, and tasked with the buy/sell decision.

Our investment teams engage on a regular basis with companies on material ESG matters to understand their risks and opportunities, and to support their growth and development.

We log and monitor company dialogue and progress to ensure a structured engagement process.



In 2018, we have had the following engagement activities

Companies	422	
Country domiciles	34	
ESG engagement topics	59	
Interactions	643	



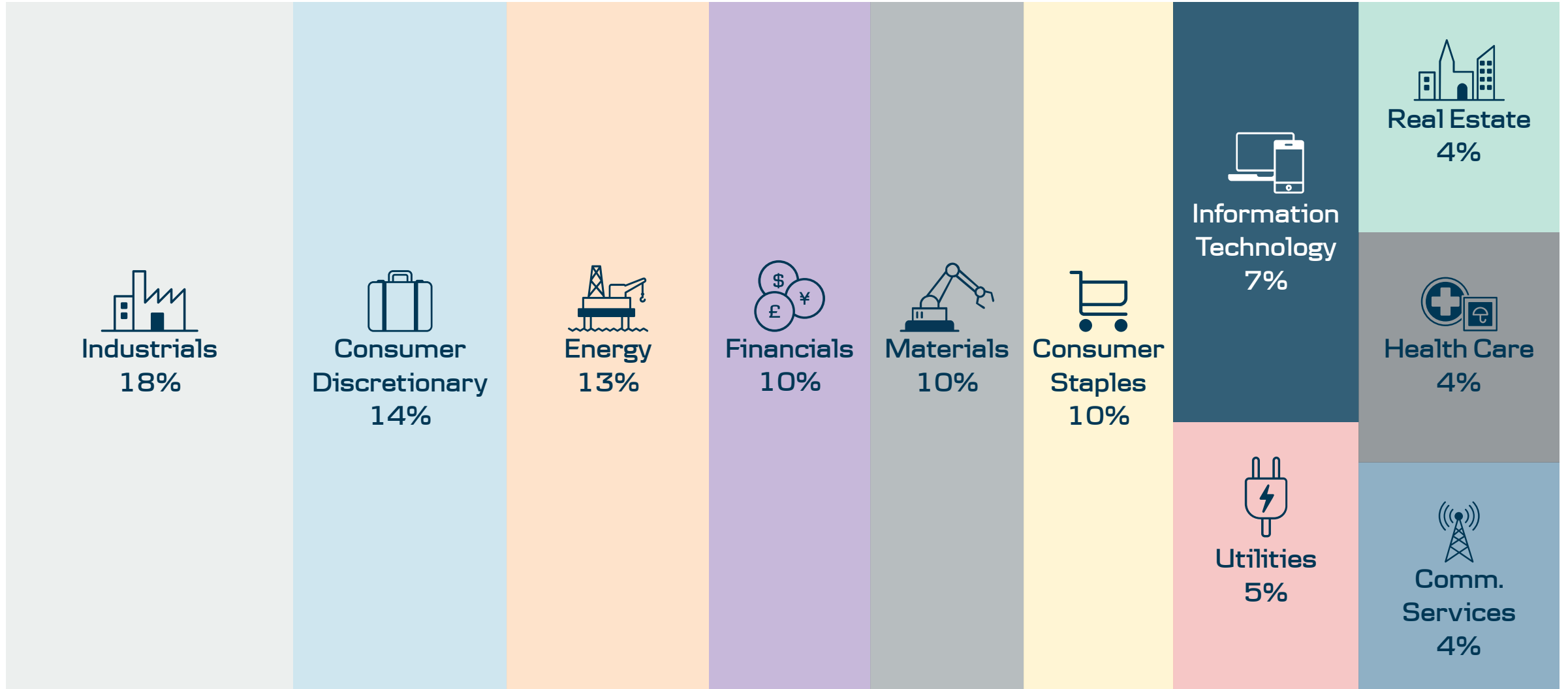


We have engaged primarily with small, mid & large cap companies





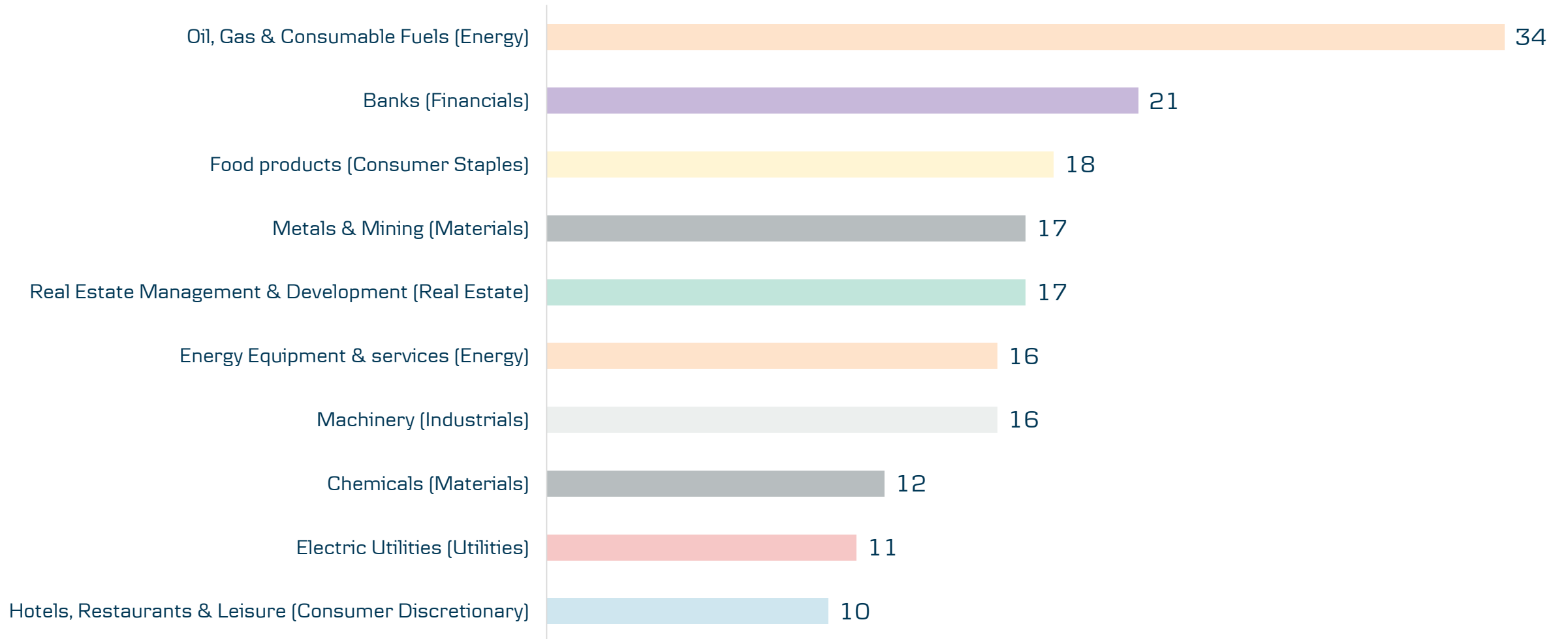
Sector distribution of companies we have engaged with during 2018



Note: We have used Global Industry Classification Standard (GICS) for sector classification.



10 most engaged industries during 2018





We engaged with companies in 34 country domiciles



Australia



Austria



Bermuda



Chile



China



Cyprus



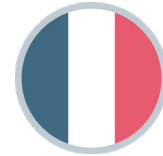
Denmark



Egypt



Finland



France



Germany



Greece



Hungary



India



Italy



Lithuania



Luxembourg



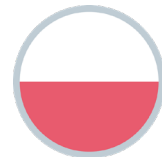
Malta



Netherlands



Norway



Poland



Portugal



Romania



Russia



Singapore

South
Africa

Spain



Sweden



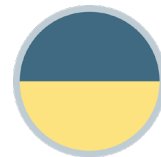
Switzerland



Turkey



UAE



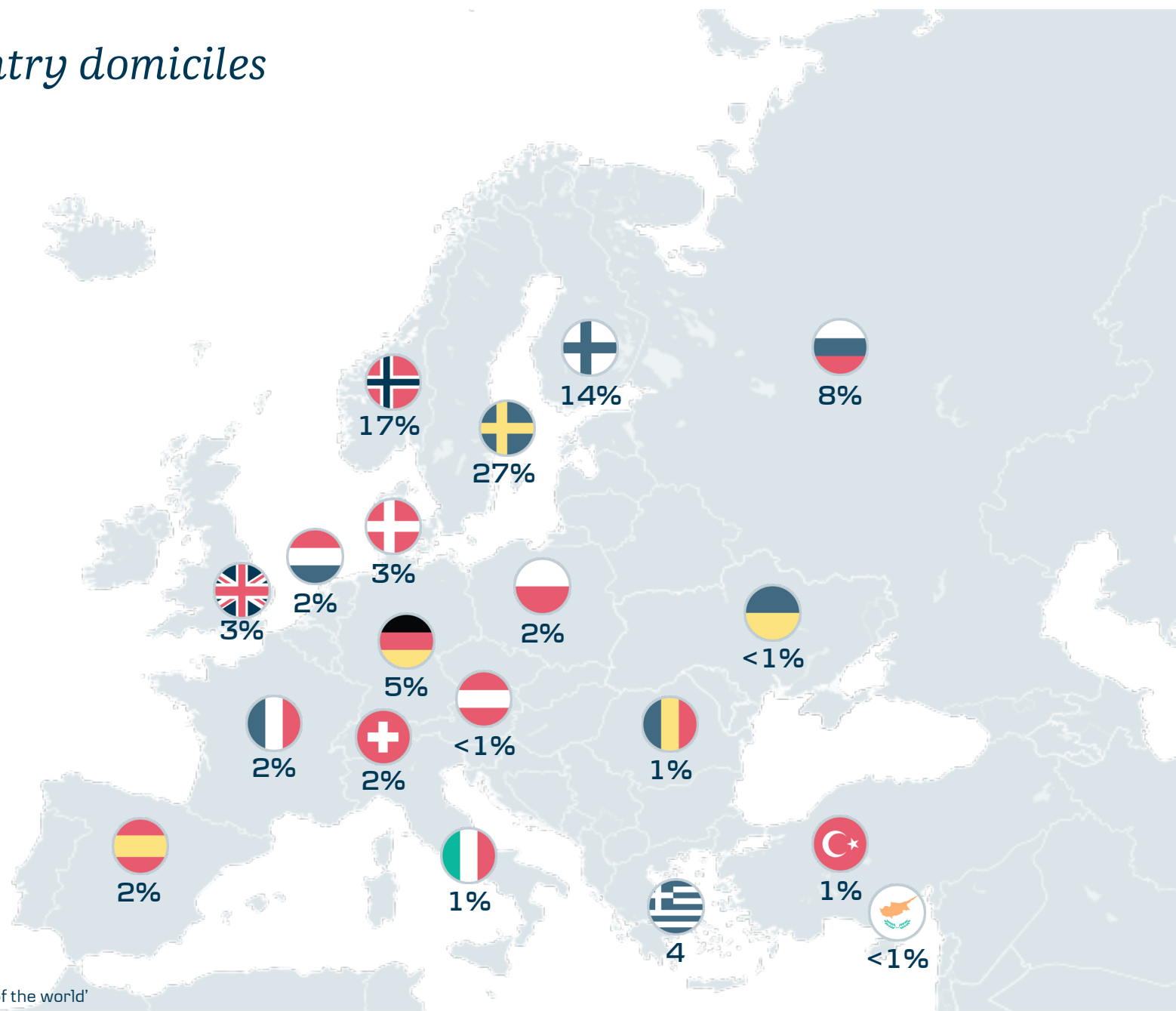
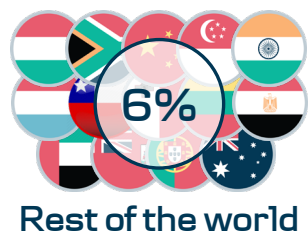
Ukraine

United
Kingdom

USA



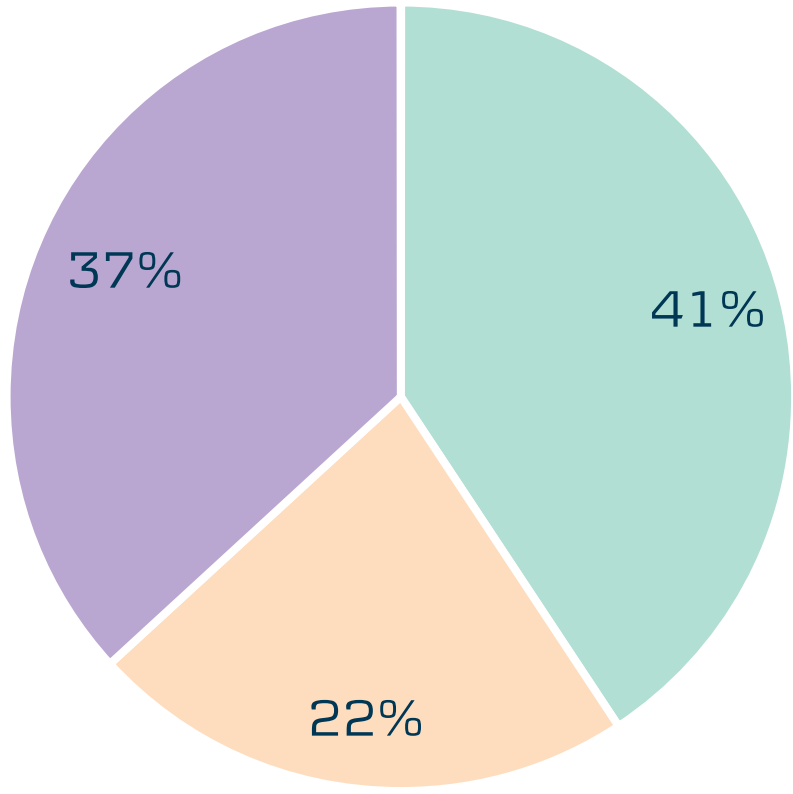
Company distribution across country domiciles



Note 1: 5 interactions lacks domicile data

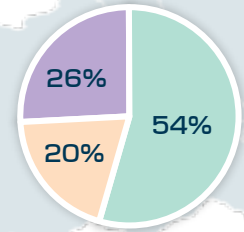
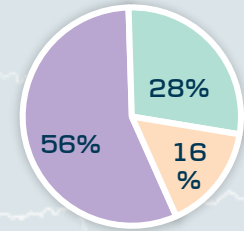
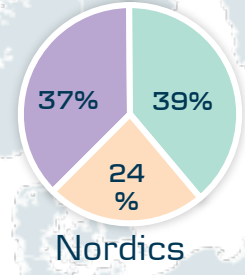
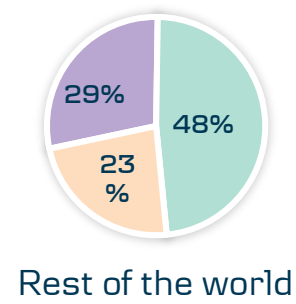
Note 2: Countries with 1 company or are outside map (excl. USA) are bundled in 'Rest of the world'

Split between ESG engagement themes



- = Environmental
- = Social
- = Governance

Split between ESG engagement themes across regions



- = Environmental
- = Social
- = Governance

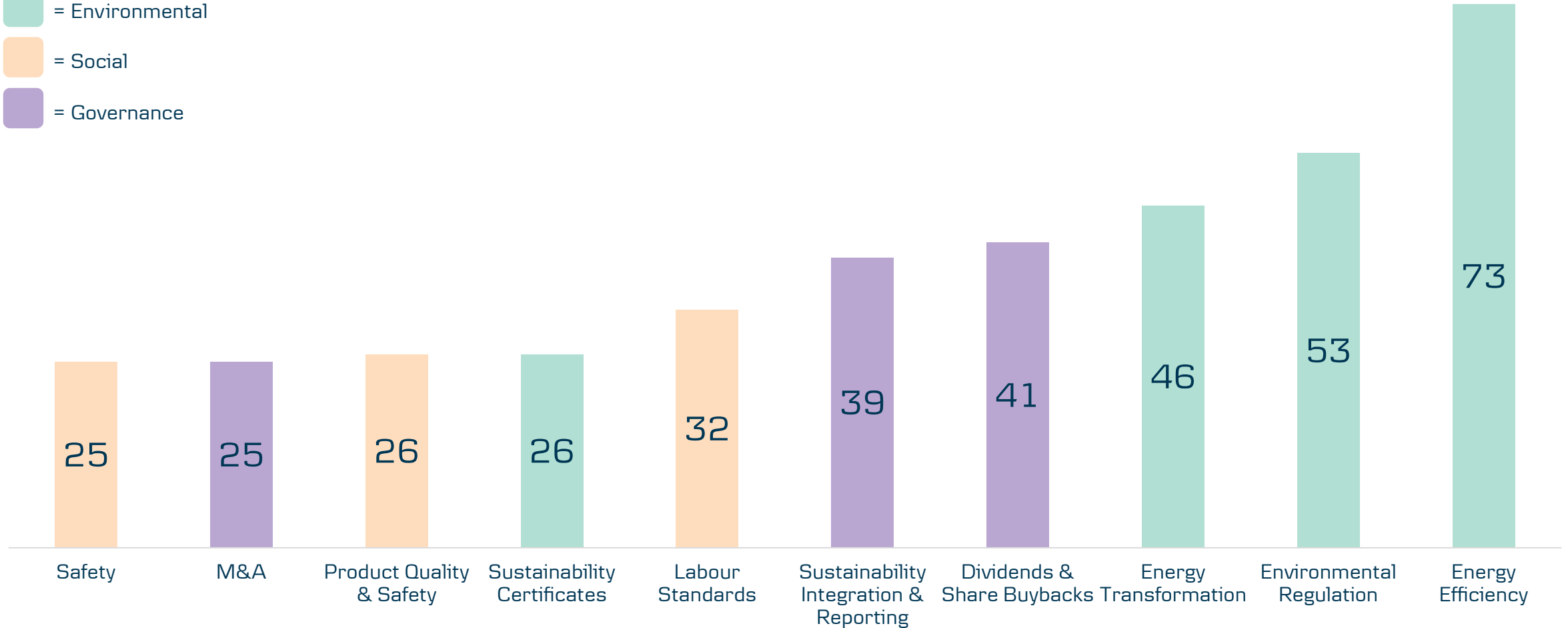


The following 59 ESG engagement topics have been addressed and discussed





Among the 59 ESG engagement topics, Energy efficiency, Environmental regulation, and Energy transformation are the most commonly discussed





Most frequent ESG engagement topics across each theme

Environmental

Rank	Topic	Count
1	Energy efficiency	73
2	Environmental regulation	53
3	Energy transformation	46
4	Sustainability certificates	26
5	Sustainable products	24
6	Environmental supply chain	19
7	Waste handling	17

Social

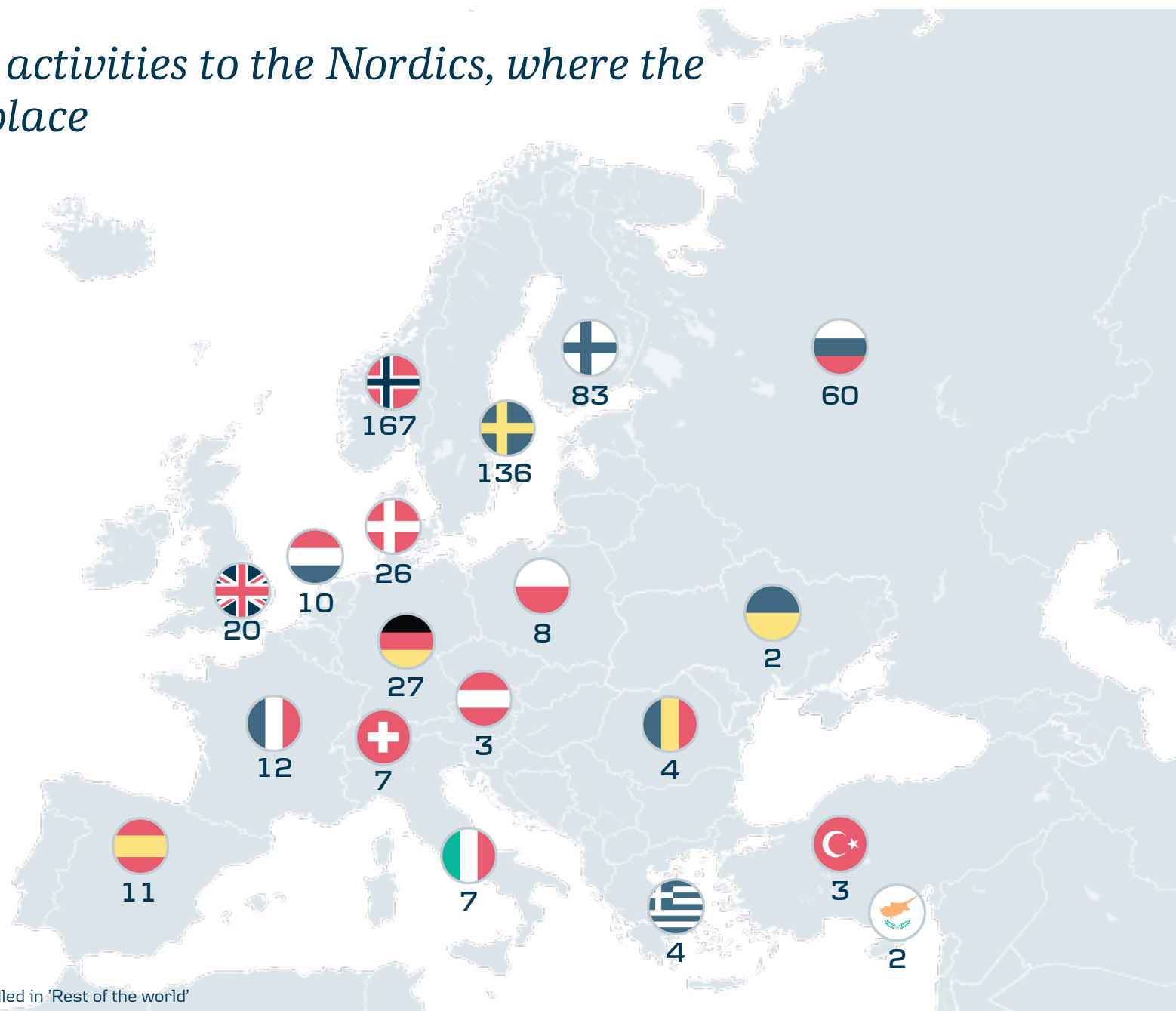
Rank	Topic	Count
1	Labour standards	32
2	Product quality & safety	26
3	Safety	25
4	Human capital & employee retention	25
5	Access & affordability	11
6	Equality & diversity	11
7	Responsible gaming	6

Governance

Rank	Topic	Count
1	Dividends & share buybacks	41
2	Sustainability integration & reporting	39
3	M&A	25
4	Anti-corruption issues & handling	21
5	Capital structure	20
6	ESG ratings	18
7	AML	17



We have focused our engagement activities to the Nordics, where the majority of our interactions took place



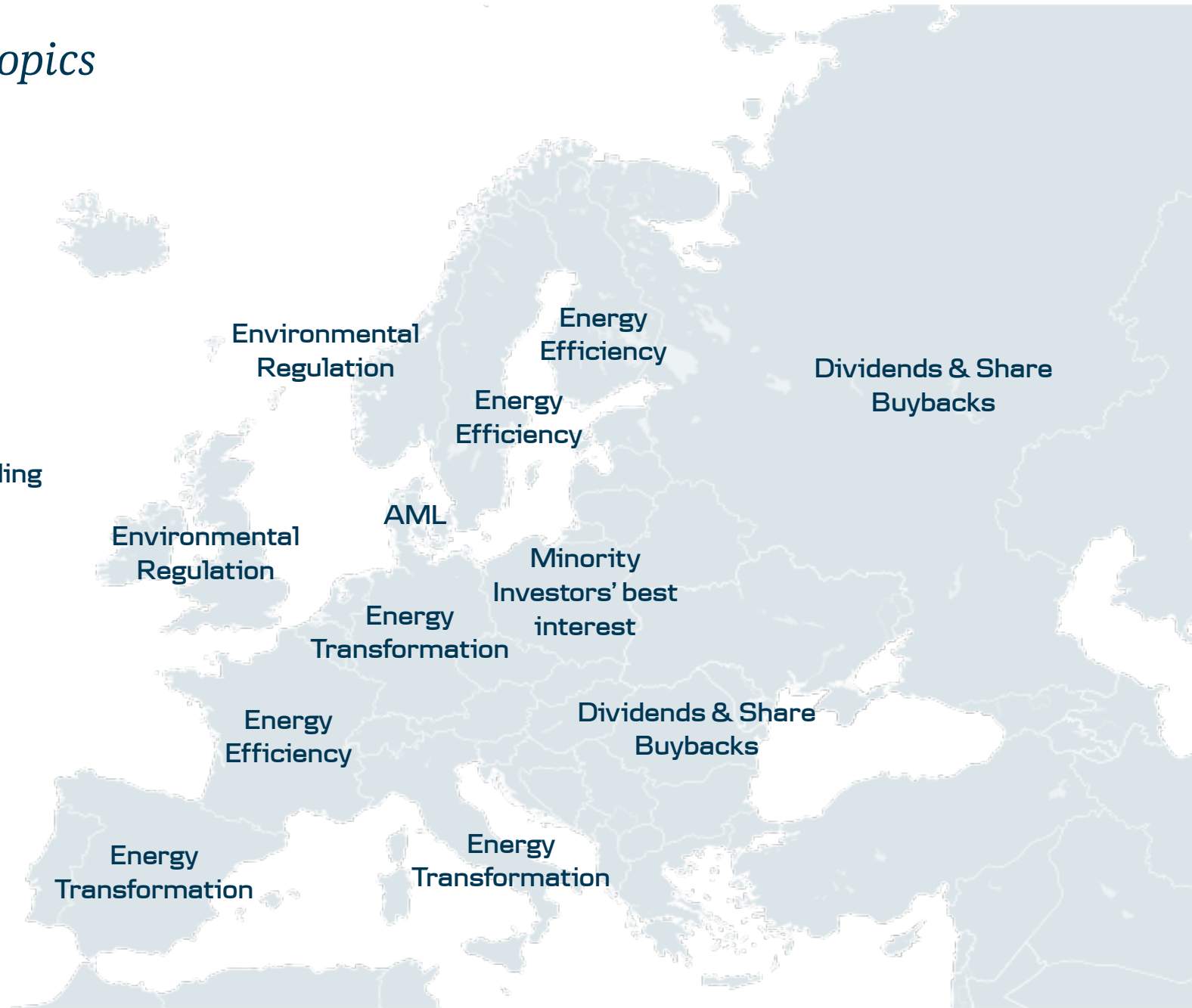
Note 1: 5 interactions lacks domicile data

Note 2: Countries with 1 interaction and/or countries outside map (excl. USA) are bundled in 'Rest of the world'



Most commonly addressed ESG topics

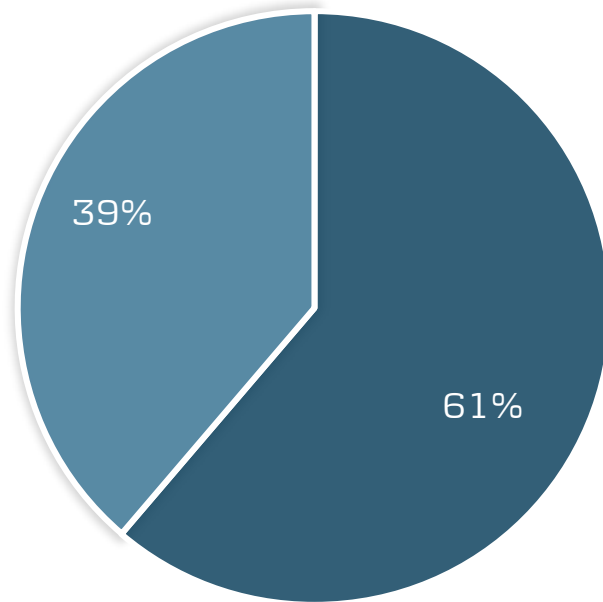
 Waste Handling







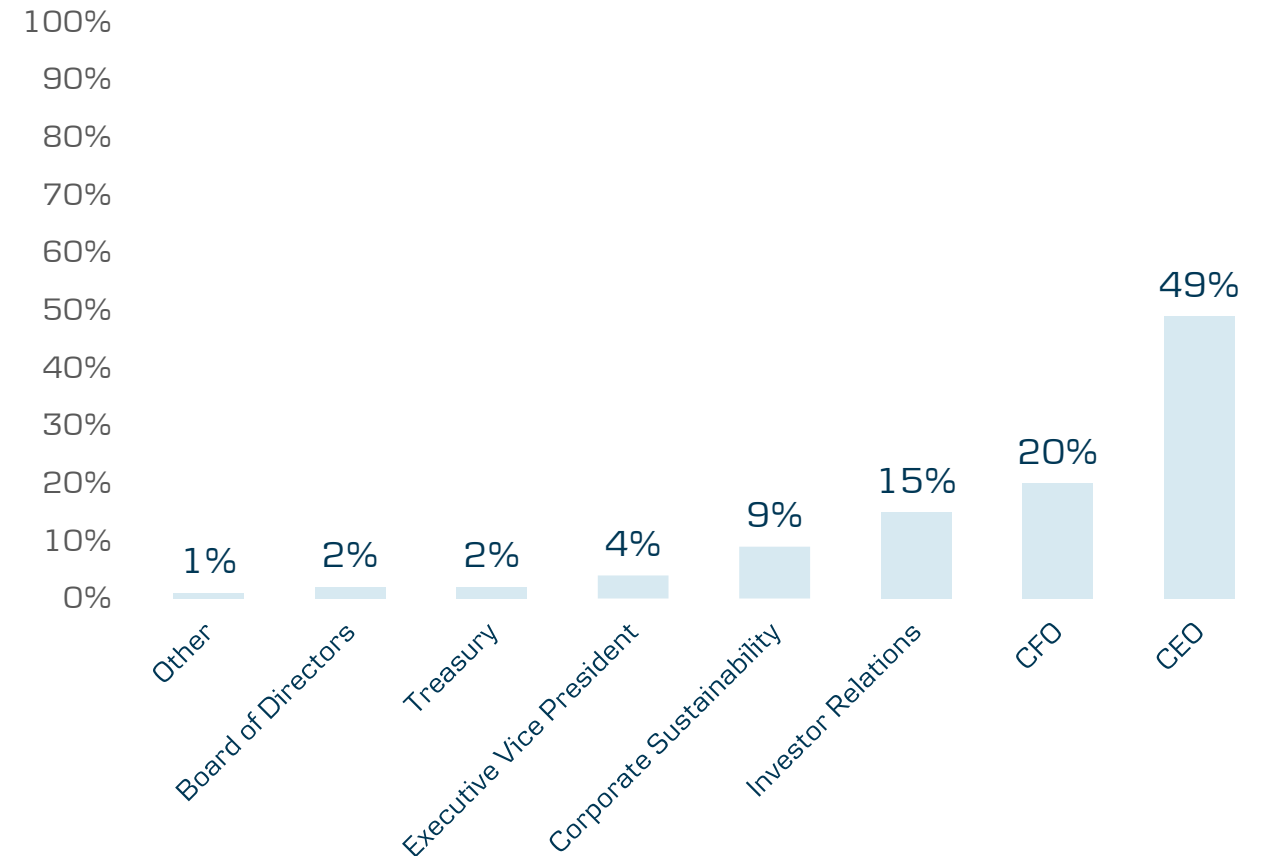
Interactions with companies have mainly been one-to-one and with the CEO

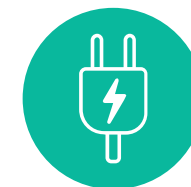
Type of meeting



-  = One-to-one
-  = With other investors

Level of participants





Engagement examples: Energy efficiency

Energy efficiency

The most common topic for our portfolio managers to engage on with companies during 2018.

Among the 643 engagements, 73 focused on energy efficiency, split between 35 during H1-18 and 38 during H2-18.

What is energy efficiency?

Energy efficiency, in simple terms, means using less energy to perform the same task - thus limiting energy waste. There are many benefits associated with this, such as reducing greenhouse gases (GHG), reducing the demand for energy imports as well as lowering costs on a both household and economy-wide level. Energy efficiency is the cheapest and often the most immediate way in order to reduce the use of fossil fuels. There are major opportunities for efficiency improvements in every sector of the economy, whether it is buildings, industry, construction, industry or energy generation.

Company examples of Danske Bank engagements:



Sector: Industrials

“Had a discussion with the company on how they are working to increase the efficiency in their aluminum production and hence lowering their CO2 costs.”



Sector: Energy

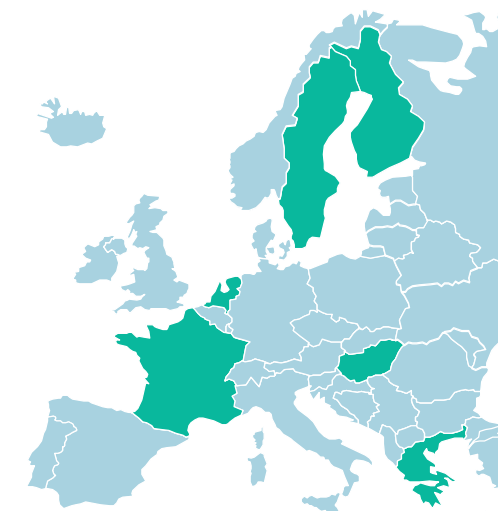
“Discussed managing emissions of greenhouse gases, using less energy more efficiently, flaring and burning of less gas during oil production, preventing spills and leaks of hazardous materials and using less fresh water in production.”



Sector: Industrials

“Discussion on how the company’s new glass innovations can help reduce the energy usage and thus lower CO2 emissions while maintaining or increasing the output.”

Where energy efficiency is the most engaged topic



- Energy efficiency
- Other topics



Engagement examples: Environmental regulation


Environmental regulation


The second most common topic for our portfolio managers to engage on with companies during 2018. Among the 643 engagements, 53 focused on environmental regulation, split between 33 during H1-18 and 20 during H2-18.


What is environmental regulation?

Environmental regulation is a collective term describing a variety of different type of regulations that address the effects of human activity on the natural environment. The core of environmental regulations address environmental pollution, but environmental regulations also focuses on the management of specific natural resources, such as minerals and forests. Environmental regulations strongly induce companies to appreciate the environmental dimensions of their operations. Companies must respond to regulatory structures established to protect the environmental quality.

Company examples of Danske Bank engagements:

 **Sector: Energy**
 “Discussions related to new aviation norms (Renewable Energy Directive II) and the maritime norms (IMO 2020) and how the company believes this will affect their current offering.”

 **Sector: Consumer Discretionary**
 “Discussed with company on environmental regulation in India which restricts the level of emissions and why they believe this puts the company in a favorable position to be able to meet the market demand.”

 **Sector: Industrials**
 “Had a discussion with the company on sulphur regulation legislation changes and what actions the company are taking to address this going forward.”

Typical environmental regulation engagement



Country: Germany



Sector: Utilities

\$14,800m
 Avg. market cap



Engagement examples: Energy transformation

Energy transformation

The third most common topic for our portfolio managers to engage on with companies during 2018.

Among the 643 engagements, 46 focused on environmental regulation, split between 17 during H1-18 and 29 during H2-18.

What is energy transformation?

What we mean with energy transformation is a shift from fossil energy resources to “greener” energy alternatives entailing a lower carbon footprint. The boom in green energy is partly driven by the decreasing cost for key energy technologies and equipment (such as wind turbines and solar panels). At the same time costs of fossil energy tend to rise. This happens in a time where the demand for energy around the world continues to be on the rise. A company’s approach to energy and carbon emissions can directly impact its cost structure, risk profile, resilience and brand value with its stakeholders.

Company examples of Danske Bank engagements:



Sector: Energy

“Discussed the potential to use the company’s gas transmission system in order to transport more green technology and thus utilizing power generated from renewable resources.”



Sector: Utilities

“Discussed with company on their target to become carbon free 2050 and how their process of getting there proceeds. They are implementing initiatives such as renewable energy generation and expanding networks to facilitate a higher share of renewables.”



Sector: Industrials

“Focused on the company’s new renewable energy offering. The company wants to operate as an integrator to combine solar/wind with battery/traditional backup power generation.”

Most common sub-topic



Renewable energy

In half of the engagements on this topic our portfolio managers discussed how the company can, or how they plan to, increase the degree of renewable energy in their operations or offering.

Voting Report 2018

Danske Bank Asset Management



Voting Report introduction

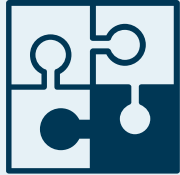
The annual general meeting is an opportunity to voice our opinion, vote on issues of key importance to the running of a company, and contribute to the good governance of the company.

We exercise the right to vote at annual general meetings of Nordic and European companies where we represent relevant holdings. Unless required by special circumstances, holdings in passively managed funds are not subject to voting activities.

We vote either by ourselves or through a service provider. We log and publish our voting records.



In 2018, we have had the following voting activities

Meetings **313** 

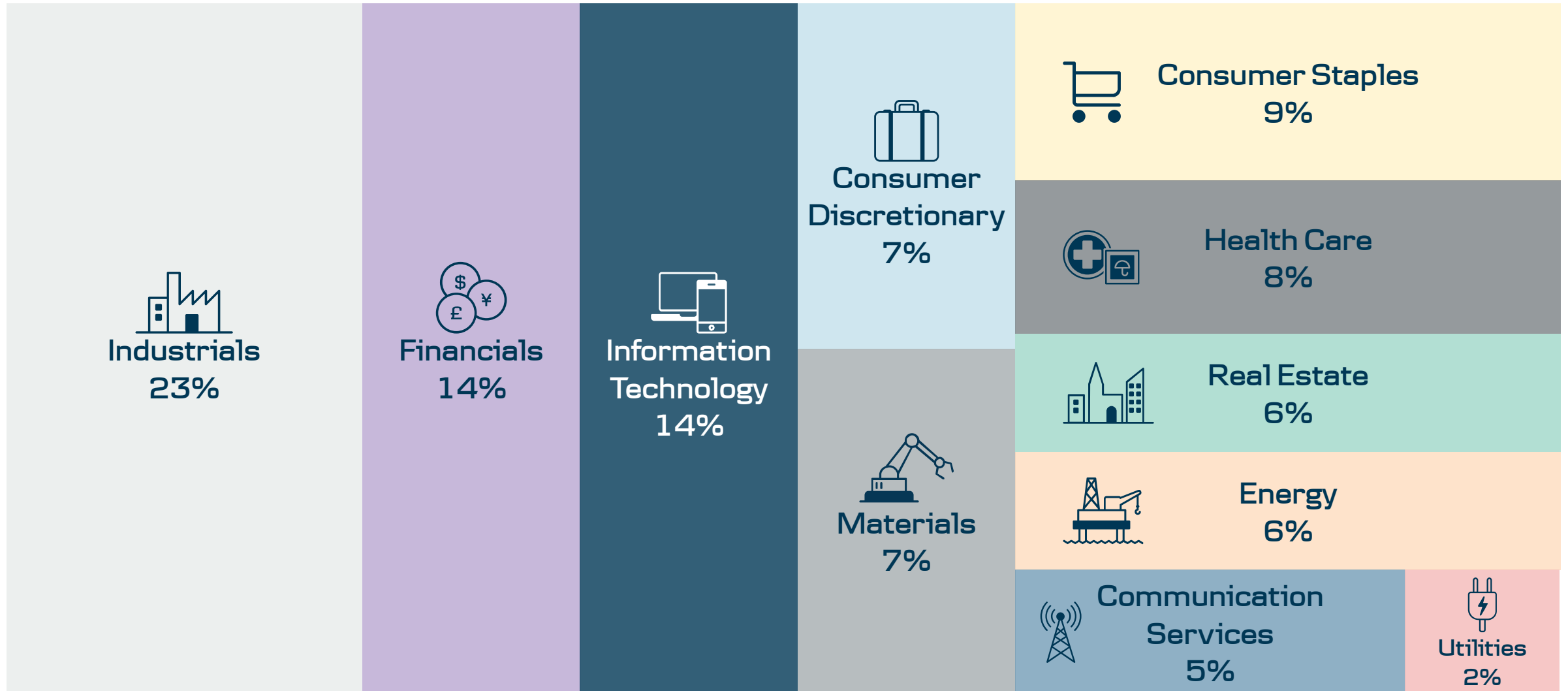
Country domiciles **22** 

Proposals **4,627** 





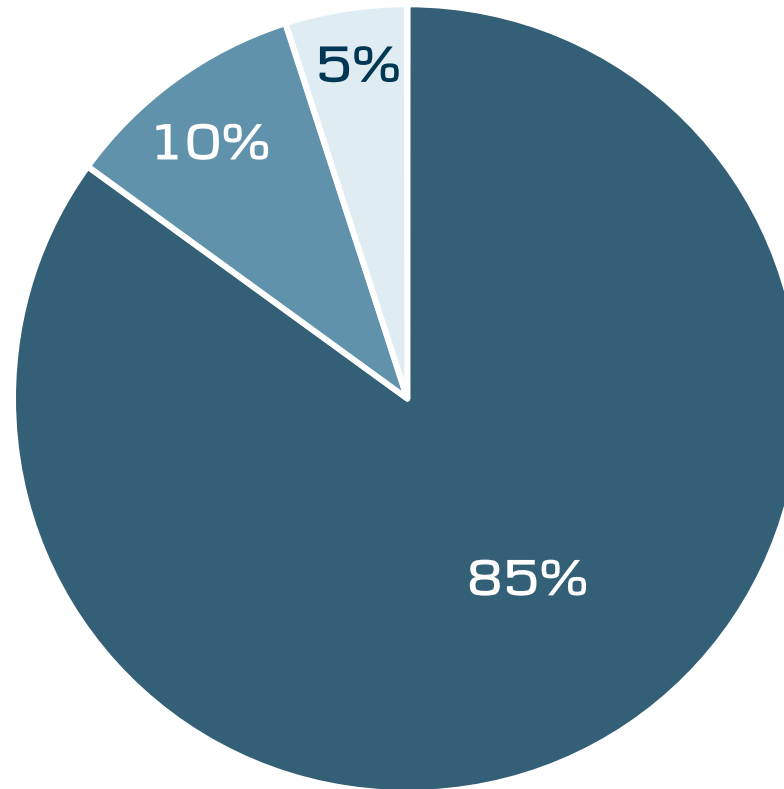
Sector distribution for our voting during 2018






Note: We have used GICS for sector classification.



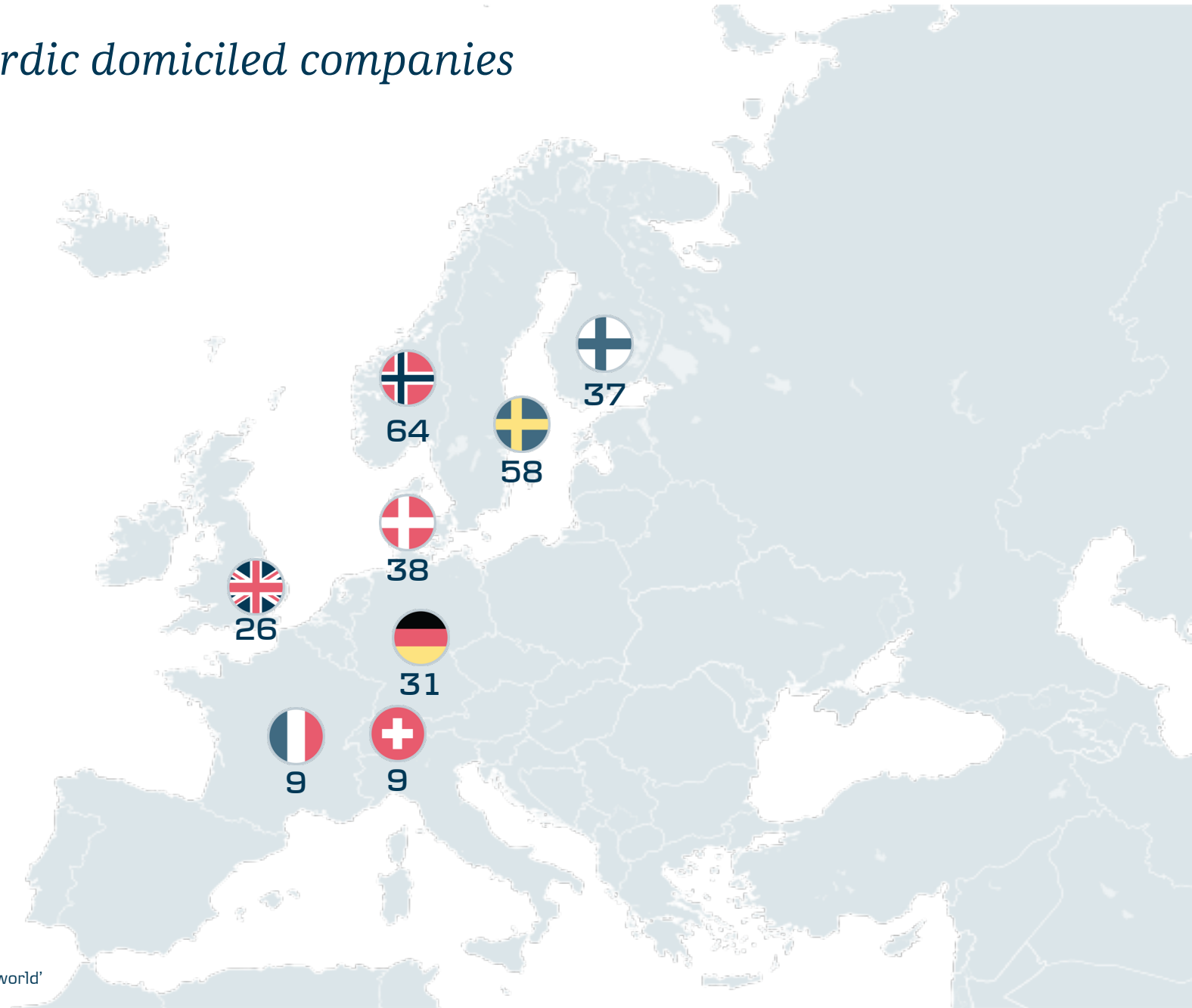
We voted primarily at Annual General Meetings (AGM)



-  = Annual General Meeting
-  = Annual/Special
-  = Special



We have voted mainly within Nordic domiciled companies



Note: Countries where we had 8 voting meetings or lower are bundled in 'Rest of the world'



We voted for companies adding up to 22 different country domiciles



Australia



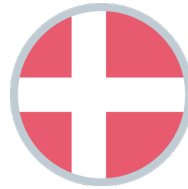
Austria



Bermuda



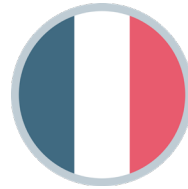
Canada



Denmark



Finland



France



Germany



Guernsey



Iceland



Ireland



Italy



Jersey



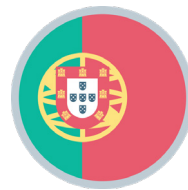
Luxembourg



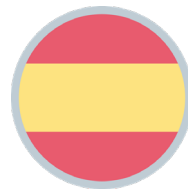
Netherlands



Norway



Portugal



Spain



Sweden



Switzerland

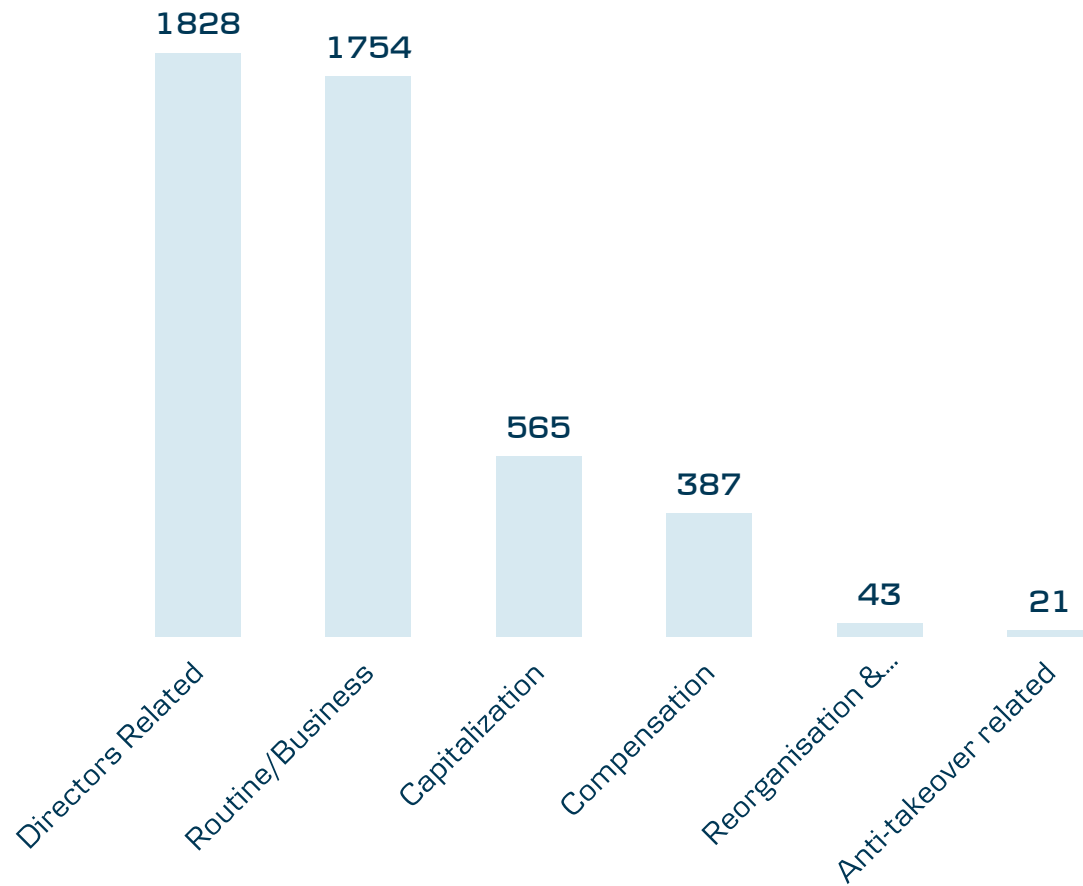
United
Kingdom

USA

Most of the proposals we have voted on have been Directors-related proposals

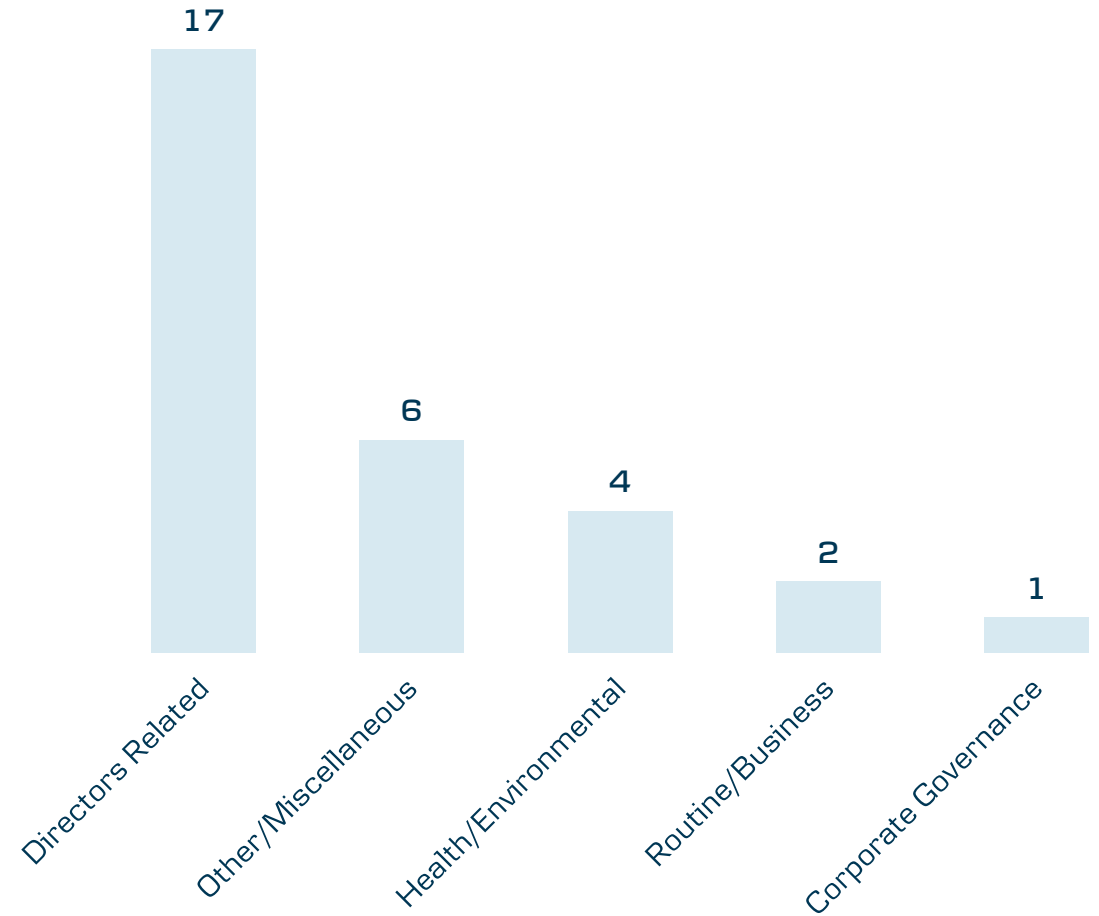
Management proposals

A total of 4,597 proposals

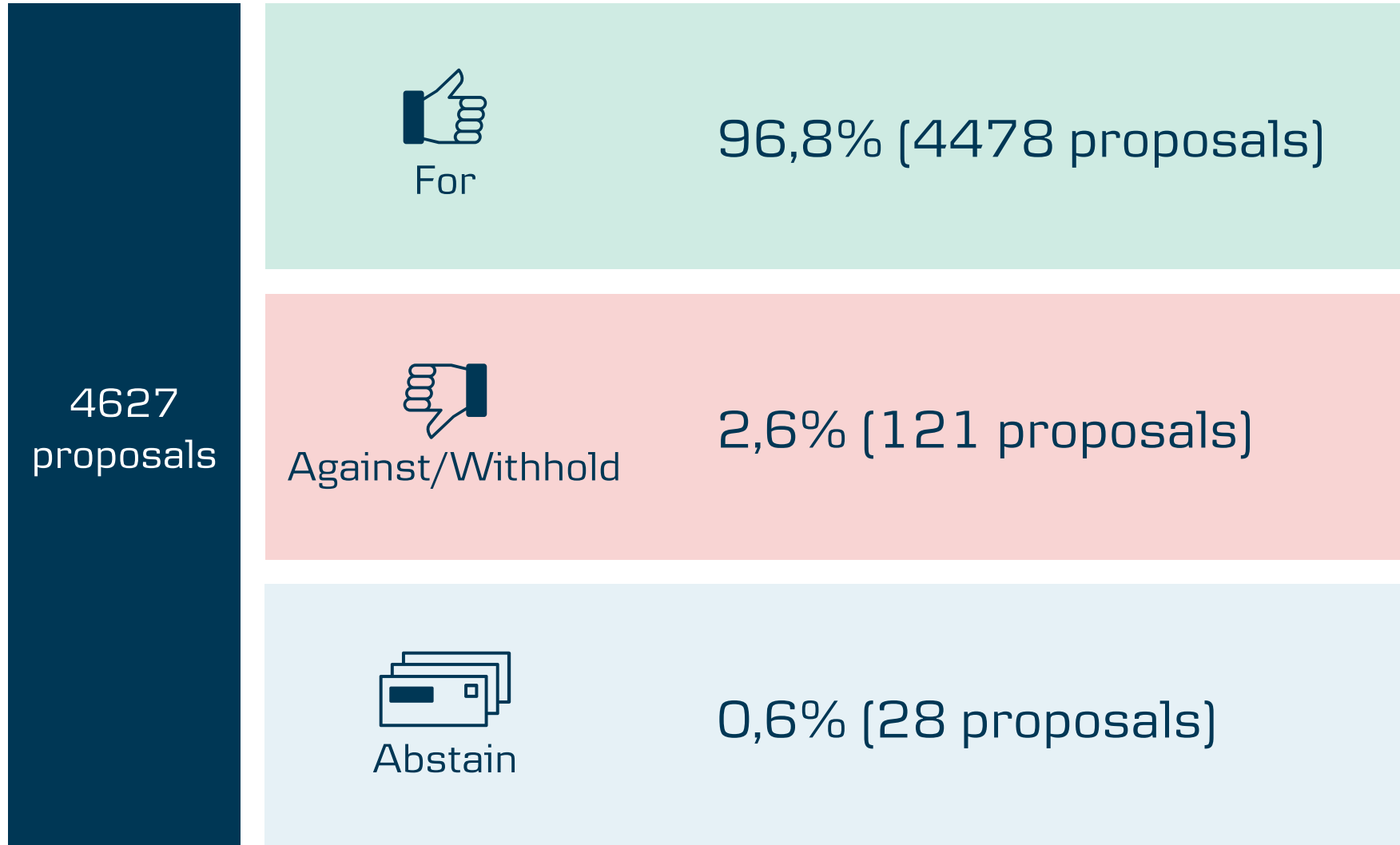


Shareholder proposals

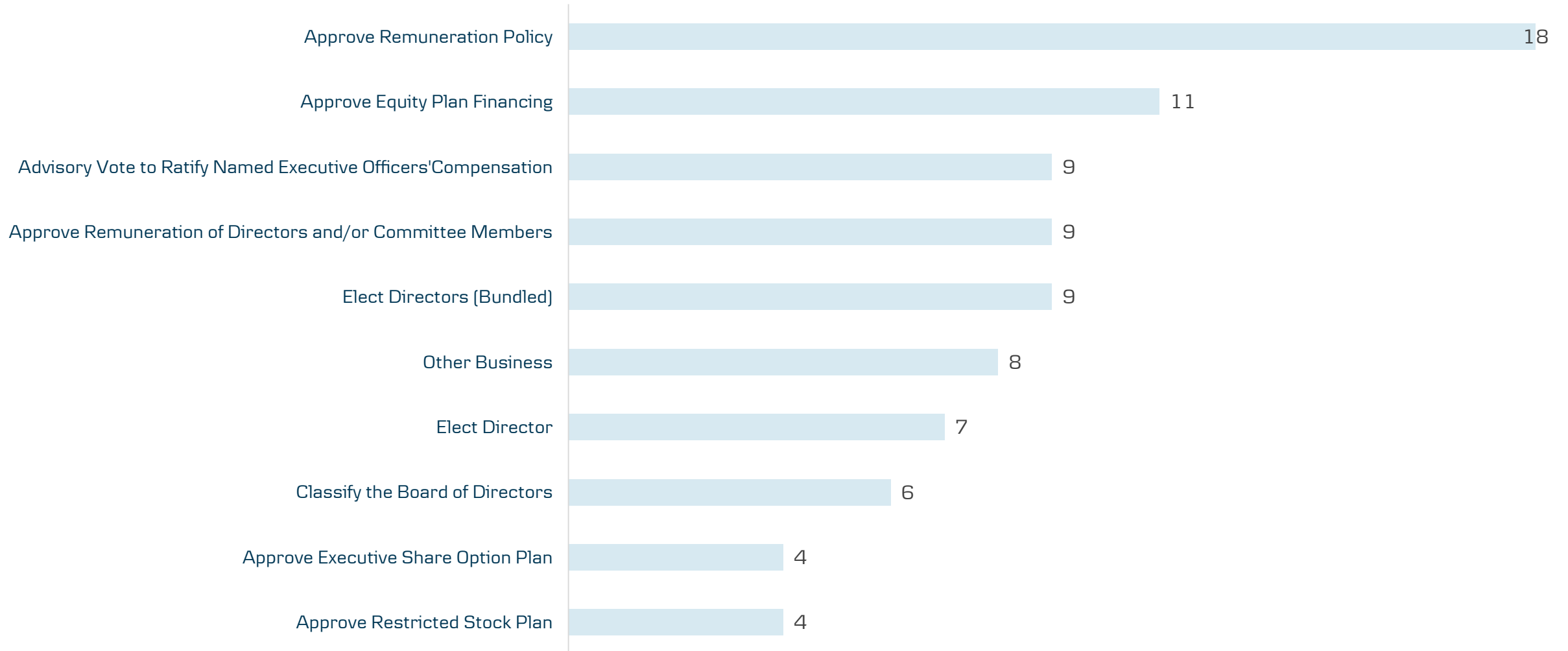
A total of 30 proposals



We predominantly voted FOR the proposals



*3% of votes for proposals were cast in contrary to management recommendations.
These are the 10 most common topics of these votes.*



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