

Active Ownership Policy

January 2024

1. Objective

This Policy aims to ensure an effective operationalisation of Danica Pension's ambitions and general commitment to Active Ownership enshrined by the Responsible Investment Policy while ensuring adherence to applicable laws, regulations, internal governance and rules, market standards and external commitments to which Danica Pension is a signatory¹.

2. Definitions

The below definitions apply to the terms used throughout the Policy. Any term not defined herein shall have the meaning as ascribed to it in the Responsible Investment Policy

Active Ownership	The use of rights and position of ownership to influence the activities or behaviour of investee companies by taking an active interest as an investor in investee companies' circumstances, development, and management, and by taking a long-term focus in the company.
Danica Pension	Danica Pension A/S
Environmental and Social materiality (also referred to as Impact Materiality)	External impacts of a company's activities and how the company significantly affects society and the environment, including Principal Adverse Impact.
ESG	Environmental, social and/or governance.
Financial Materiality	Any factor reasonably expected to significantly impact the financial condition or operating performance of a company or investment.
Group	Danica Pension with its subsidiaries.
Investment Management	The management of investments on behalf of clients
Principal Adverse Impact	A concept pertaining to those impacts of investment decisions that result in material negative effects on sustainability factors, (i.e. environmental social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters).
Responsible Investment Policy	The Responsible Investment Policy for Danica Pension.
Sustainability factors	Environmental, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters.
Sustainability risk	An environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

¹ See Appendix A.

Target group	The group of people, subsidiaries, areas and/or functions, for whom the governing information is intended to be directly applicable.
---------------------	--

3. Scope

The Policy covers the Active Ownership activities of Danica Pension that are associated with responsible investing. Unless specifically stated herein, the Policy is subject to the scope of the Responsible Investment Policy and therefore applies to Active Ownership relating to Investment Management activities.

The Policy does not apply to structured products, derivatives, or externally managed funds.

3.1 Target group

This Policy applies to all employees, functions and units in Danica Pension that exercise Active Ownership activities within the scope of the Policy. The Policy also applies to any employee, function and/or units in Group subsidiaries if adopted and/or incorporated by the subsidiary in accordance with applicable governance rules.

The Policy is supplemented by steering documentation mandated under the Responsible Investment Policy in respect to Sustainability Risk, Voting and any other steering documentation needed for an efficient implementation of the policy.

Danica Pension handles Active Ownership in accordance with our Policies and Instructions for Code of Conduct and Conflicts of Interest.

4. Content of the Policy

4.1 Active Ownership Approach

Danica Pension uses Active Ownership as a measure to protect the value of our clients' investments and to generate attractive returns. Danica Pension also leverages Active Ownership to influence the impact that investee companies' have on sustainability-related matters, and thereby make a positive contribution to society.

Although there is no one-size-fits-all approach when it comes to Active Ownership, Danica Pension exercises Active Ownership in, for example, the following situations:

- When required in order to protect the value of an investment; and/or
- When required in order to manage Principal Adverse Impacts, including adverse impacts managed through our Net Zero commitments under the Net Zero Asset Owner Alliance

Danica Pension seeks to be an active owner and to encourage and influence companies directly through dialogue, voting and collaboration with peers, like-minded investors and stakeholders. Danica Pension's Active Ownership approach is based on the belief that exercising Active Ownership in certain situations can facilitate the resolution of challenging issues more effectively than the imposition of exclusions and/or divesting, which could limit Danica Pension's opportunities to be a responsible investor and make a positive impact through dialogue.

4.2 Monitoring of investee companies

Active monitoring of investee companies is a prerequisite for Active Ownership and is therefore an integral part of Danica Pension's Active Ownership strategies and processes.

The investment- and Responsible Investment teams must always seek to identify and consider sustainability factors that could impact an investment (e.g. as sustainability risks), or be impacted by an investment (e.g. through Principal Adverse Impacts). This includes obligations to understand the companies' business models, strategies and ability to mitigate risks and leverage opportunities, and to assess the potential positive and negative impact of material financial factors and sustainability factors on performance and society.

The investment- and Responsible Investment teams review financial and sustainability information from multiple data sources (including but not limited to company reports and third-party investment research). The teams have access to required ESG data and research. Topics and scope may be regularly decided upon by the investment teams through an assessment of relevance, including financial and Environmental and Social materiality. Topics include strategy, financial and non-financial results, risk, capital structure, social and environmental effect, and proper corporate governance.

4.3 Managing conflicts of interest

The investment- and Responsible Investment teams shall pay particular attention to possible conflicts of interest when conducting Active Ownership activities. Conflicts of interest may arise from, but are not limited to:

- Affiliations
- Business relationships
- Cross-directorship
- Diverging interests of customers and beneficiaries
- Employees linked personally or professionally to an investee company

The teams must manage conflicts of interest according to the Danske Bank Group's Conflicts of Interest Policy as well as by

- Ensuring that any engagement is exercised in line with the best interest of the investors
- Having a forum that reviews voting decisions and engagement activities on a regular basis
- Mapping potential conflicts of interest and corresponding means of mitigation and periodically reviewing these
- Reporting of incidents and potential conflicts
- Creating 'Chinese Walls' and confidentiality between entities responsible for Active Ownership activities, investment management, and other entities to ensure neutrality and independency
- Having an escalation procedure that involves top management in the event of unforeseen conflicts of interest

4.4 Monitoring Active Ownership activities

Monitoring of Active Ownership activities are conducted by the Responsible Investment team using a proprietary tool developed for this purpose. The Active Ownership activities are disclosed in a semi-annual report online, whereas voting statistics are updated online two days after a general meeting has taken place.²

4.5 Ways of implementing Active Ownership

Active Ownership is exercised mainly through 1) Individual engagements, 2) Collaborative engagements, and 3) Voting.

² See the Danica Pension Voting Dashboard: <https://vds.issgovernance.com/vds/#/NzIzNDAx/#%2FNzIzNDAx%2F%23>

Engagement and voting practices are interrelated and feed into each other. As such, one activity can be the initiator or the complement of the other.

4.6 Individual Engagements

The investment and Responsible Investment teams engage on a regular basis with investee companies about material sustainability matters in order to seek improvement in performance and processes with the aim of enhancing and protecting the value of Danica Pension's investments.

Reasons for dialogue can be, but are not limited to, the following:

- Inform about voting decisions and guidelines
- Clarify publicly disclosed information from company
- Conduct research
- Identify and assess the quality of available data
- Understand performance and identify potential vulnerabilities
- Develop insights into risks and opportunities
- Identify potential regulatory developments and impacts

Specific guidance for dialogue is outlined in Engagement Guidelines that are to be developed and maintained to ensure effective implementation of engagement activities. As further detailed in the Engagement Guidelines, the teams are responsible for outlining which key sustainability issues to engage on and which standards companies are expected to adhere to in a given context. This can be done both in a proactive or reactive manner to address issues that may have already occurred.

The teams can interact with companies in various ways (e.g. letters, emails, one-to-one meetings, conferences, site visits, etc.) and with preferred company representatives (e.g. board, chairman, CEO, Investor Relations, Sustainability).

The teams must be aware of the risk that they may have obtained insider knowledge with a need to adhere to Danica Pension's Direktionsinstruktion for markedsmisbrug.

If an engagement is unsuccessful, the team can decide to escalate the engagement, vote at the general meeting, hold/maintain weighting, decrease weighting, and/or sell/divest.

4.7 Collaborative Engagements

When appropriate, Danica Pension collaborates with peers, like-minded investors and other relevant parties to exercise Active Ownership by engaging through joint dialogue and contributing collectively to make a positive impact. It might be appropriate to raise the issue with others in instances where Danica Pension's own engagement may have proven to be unsuccessful.

Collaborative engagements capture any interaction between a group of investors joining forces (where Danica Pension is one member) vis-à-vis the investee company on sustainability matters, with the goal of improving (or identifying the need to influence) sustainability practices and/or disclosure. Collaborative engagements also include contacting other investors to get support on engagement activities, discuss voting issues, and make proposals for general meetings. This can be done on an ad-hoc basis or through formal investor networks or membership forums. Cooperating with other shareholders takes place on a regular basis and is not subject to any frequency targets.

Danica Pension together with Danske Bank also participates in investor initiatives to encourage increased transparency and sustainability standards in companies and financial markets, such as the CDP (formerly the Carbon Disclosure Project), the Institutional Investors Group on Climate Change (IIGC), the Paris Pledge for Action, the Montréal Carbon Pledge, the Task Force on Climate-

related Financial Disclosures (TCFD), and the UN-supported Principles for Responsible Investment (PRI). The complete list of initiatives that Danica Pension is part of is available on the website.³

Decisions regarding collaborative engagement activities can be taken by an investment team, the Responsible Investment team, the ESG Integration Council, or the Responsible Investment Committee and are anchored in Danica Pension's fiduciary responsibility and regulatory requirements.

Collaborative engagements may, depending on the situation, be subject to market abuse and insider trading regulations and should follow Danica Pension's Direktionsinstruktion for markedsmisbrug and guidance provided by Danica and Group Legal.

Trading should not be conducted on the basis of knowledge of another investor's intentions, and collective engagement may, depending on the situation, be subject to flagging according to applicable regulation.

4.8 Voting

A company's general meeting is an opportunity for Danica Pension as an investor to voice our opinion on issues of key importance to corporate governance and to contribute to a company's sustainability performance. As a general guideline, Danica Pension supports company management; however, Danica Pension will exercise its shareholder rights to vote in line with our fiduciary duty, which is to consider what is in the best interests of our clients.

Danica Pension votes at the general meetings of companies where we represent relevant holdings in accordance with our outlined voting scope. We vote either by ourselves or through a service provider by proxy or in person by attending AGMs (or a combination of both).

Before voting, the Investment and Responsible Investment teams will assess resolutions and apply Voting Guidelines of the Danske Bank Group and market standards to each agenda item. The Danske Bank Group Voting Guidelines are available on the Danica Pension website.⁴

Danica Pension's proxy voting adviser provides:

- Notices of general meetings and comprehensive information about the companies, the voting items on the agenda and voting recommendations, and
- Voting recommendations based upon the Danske Bank Group's Voting Guidelines.

4.8.1 Voting scope

Danica Pension seeks to vote for all the shares held while also taking into account preconditions, resources, and the costs of exercising voting rights. The voting scope is therefore based on the following considerations:

- **Principle no. 1: At least 80% of Equity Portfolio Value – Aggregate Level**
Vote the largest holdings on an aggregated level (in terms of market value), meaning the sum of the voted holdings should exceed 80% of the total equity portfolio value (excluding Voting Scope Exemptions).

³ For further information, see Appendix A and [Vores tilgang og ambitioner \(danicapension.dk\)](https://www.danicapension.dk/Vores-tilgang-og-ambitioner) for the Danica Pension Group Responsible Investment Policy and International initiatives, goals and standards supported by Danica Pension.

⁴ See the Danica Pension Voting Guidelines: [danica-pension stemmeretningslinjer-2024.pdf \(danicapension.dk\)](https://www.danicapension.dk/danica-pension-stemmeretningslinjer-2024.pdf)

- **Principle no. 2: At least 80% of Equity Portfolio Value – Individual investment**
Vote the largest holdings on an individual portfolio in scope (in terms of market value), meaning the sum of voted holdings should exceed 80% of every individual equity portfolio value (excluding Voting Scope Exemptions).
- **Principle no. 3: Substantial ownership (>0.40%)**
Vote all shareholdings that have substantial ownership, meaning exceeding 0.40% of votes or capital in an investee company.
- **Principle no. 4: Environmental and social proposals and other issues of material importance**
Vote on issues of material importance meaning exercise voting rights if there are matters of specific concern. Matters of specific concern could be related to, for example, shareholder proposals regarding the environmental, social area, board diversification, political lobbying or media attention.
- **Principle no. 5: Companies relevant to commitments that Danica Pension supports**
Vote the shareholdings in companies relevant to initiatives that Danica Pension supports e.g. Danica Pension's commitment to Net Zero.
- **Principle no. 6: Sectoral approach**
Vote the shareholdings of companies operating in industries of: energy, utilities, steel, airlines, marine transportation, car manufacturing, and construction Materials.
- **Principle no. 7: Engagements**
Vote on issues related to specific present and previous engagements.

The exercising of voting is not conducted in the following situations:

- Voting at general meetings of companies whose shares are listed on markets involving excessive formalities or administrative costs
- Voting when it is difficult to justify the cost of exercising voting rights
- Voting at general meetings of companies that require blocking share
- Voting in countries for which custodians used do not offer proxy voting services
- Voting on loyalty shares

Acting as a fiduciary for customers, incremental income generation from the customers' asset base through securities lending is compared against the costs of abstained voting activity.

4.8.2 Voting Guidelines

Danica Pension votes on a variety of management and shareholder resolutions; however, the majority target corporate governance issues required under local listing requirements, including but not limited to: approval of directors, accepting reports and accounts, approval of incentive plans, capital allocation, reorganisations, and mergers. Danica Pension will vote according to the Voting Guidelines.

The Voting Guidelines consist of the following eight guiding principles for Corporate Governance, Environmental and Social matters:

1. The board should act in the best long-term interests of the company for the benefit of shareholders and should take into account relevant stakeholders. The board should have a sufficient mix of directors with adequate competence and independence appropriate to the company's operations. The chair of the board and CEO should not be the same person.
2. Remuneration of executive management should align with company and shareholder interest with the aim of achieving long-term performance and sustainable value

- creation. Remuneration of non-executive directors (NED) should reflect company size and complexity as well as NED's expertise and board position requirements.
3. The board should strive to achieve an effective and well-balanced capital structure. Capital exceeding the company's needs in relation to its long-term strategies should be distributed to the company's shareholders.
 4. Audit should be conducted by external auditors independent from the company and its management.
 5. Rights of all shareholders should be equal and protected. The principle of one-share-one-vote is preferred. Minority shareholders should have voting rights on key decisions or transactions, which can affect their interest in the company.
 6. All shares in a company carrying the same rights to the company's assets and profits should be treated equally in public offers to acquire shares.
 7. Companies should seek to establish an open dialogue with their shareholders. Information and disclosure should be clear, correct, and transparent.
 8. Companies should seek to manage financial and economic implications of environmental and social matters that may have an impact not only on the reputation but may also represent operational risks and cost to the business. The most significant impacts of operations that result in negative effects on sustainability factors, (i.e. environmental, social and employee-related matters, respect human rights, anti-corruption and anti-bribery matters) should be addressed by the companies.

4.9 Research and Training

The investment and Responsible Investment teams must obtain and maintain an appropriate level of competence to carry out their responsibilities and be aware of relevant requirements that is applicable to a specific asset class and investment strategy.

Tools, knowledge, research, education and subject-matter expertise will be provided by the Responsible Investment team to support Active Ownership processes.

The strength of this bottom-up approach is that Danica Pension's solid foundation of data, tools and resources will enable the investment teams to exercise Active Ownership in a meaningful way.

5 Escalation

The administrator of the Active Ownership Policy must report to the Executive Board the following significant breaches of the Policy:

- Overdue Policy exemptions
- Policy not approved annually

Any potential problematic case concerning the Group must be escalated in accordance with the Escalation Policy.

The Policy owner must escalate to the governing body in the event of breaches of their Policies and if the maintenance of their Policies is not able to be completed in accordance with the Responsible Investment Policy.

Appendix A

A non-exhaustive list of applicable sectoral regulations and external standards that have been taken into account by the Active Ownership Policy:

EU Regulations and Directives (as implemented under national laws):

- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 regarding the encouragement of long-term shareholder engagement (**Shareholders Rights Directive II**)
- Regulation (EU) 2019/2088 of the European Parliament and Council on sustainability related disclosures in the financial services sector (**Sustainable Finance Disclosure Regulation**)
- Regulation (EU) 2014/596 of the European Parliament and Council on market abuse (**Market Abuse Regulation**)

Directive (EU) 138/2009/EC of the European Parliament and Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) with thereto related delegated acts
External Standards and External Commitments:

- UN Sustainable Development Goals (**SDGs**)
- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- UN Principles for Responsible Investment
- G20/OECD Principles of Corporate Governance
- OECD Guidelines for Multinational Enterprises
- SASB
- The Danish Stewardship Code
- The Swedish Stewardship Code
- The Norwegian Stewardship Code
- The Finnish Stewardship
- Net-Zero Asset Owners Alliance
- The Task Force on Climate-related Financial Disclosures (TCFD) and CDP (formerly Carbon Disclosure Project)
- Emerging Markets Investor Alliance (EMIA)
- Climate Action 100+
- Institutional Investors Group on Climate Change
- Paris Pledge for Action
- The Montréal Carbon Pledge

The Danske Bank Group position statements

- Danske Bank Position Statement Agriculture
- Danske Bank Position Statement Climate Change February 2022
- Danske Bank Position Statement Fossil Fuels
- Danske Bank Position Statement Mining and Metals
- Danske Bank Position Statement Arms and Defence
- Danske Bank Position Statement Forestry
- Danske Bank Position Statement Human Rights