

Active Ownership Report: H1 2019
Danske Bank Asset Management

September 2019



Active Ownership Report: H1 2019

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 responsible to **address material ESG matters** as investors rather than refraining from investing when issues of concern arise, leaving the problem to someone else to solve. Our portfolio managers are the change agents who can impact companies to manage risks and opportunities.

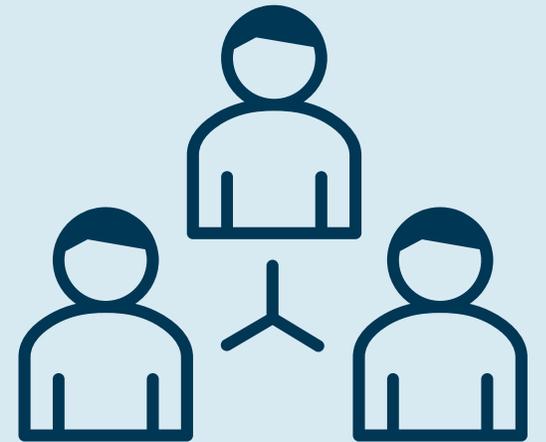
The aim of our **Active Ownership Report** covering two parts ‘**Engagement Report**’ and ‘**Voting Report**’ is to provide our customers and stakeholders with regular updates on our progress and results.

The two parts of the report



Active Ownership Report: H1 2019

Part 1: Engagement Report

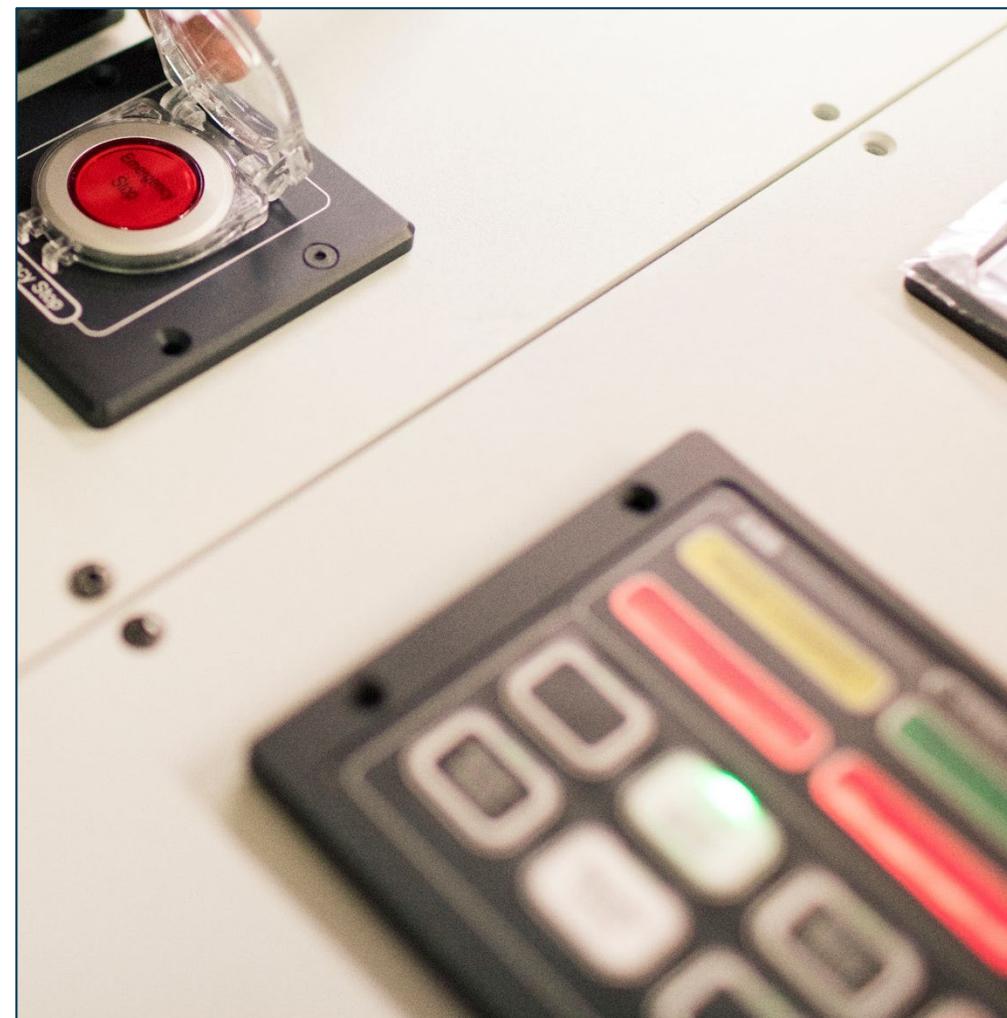


Engagement Report introduction

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.

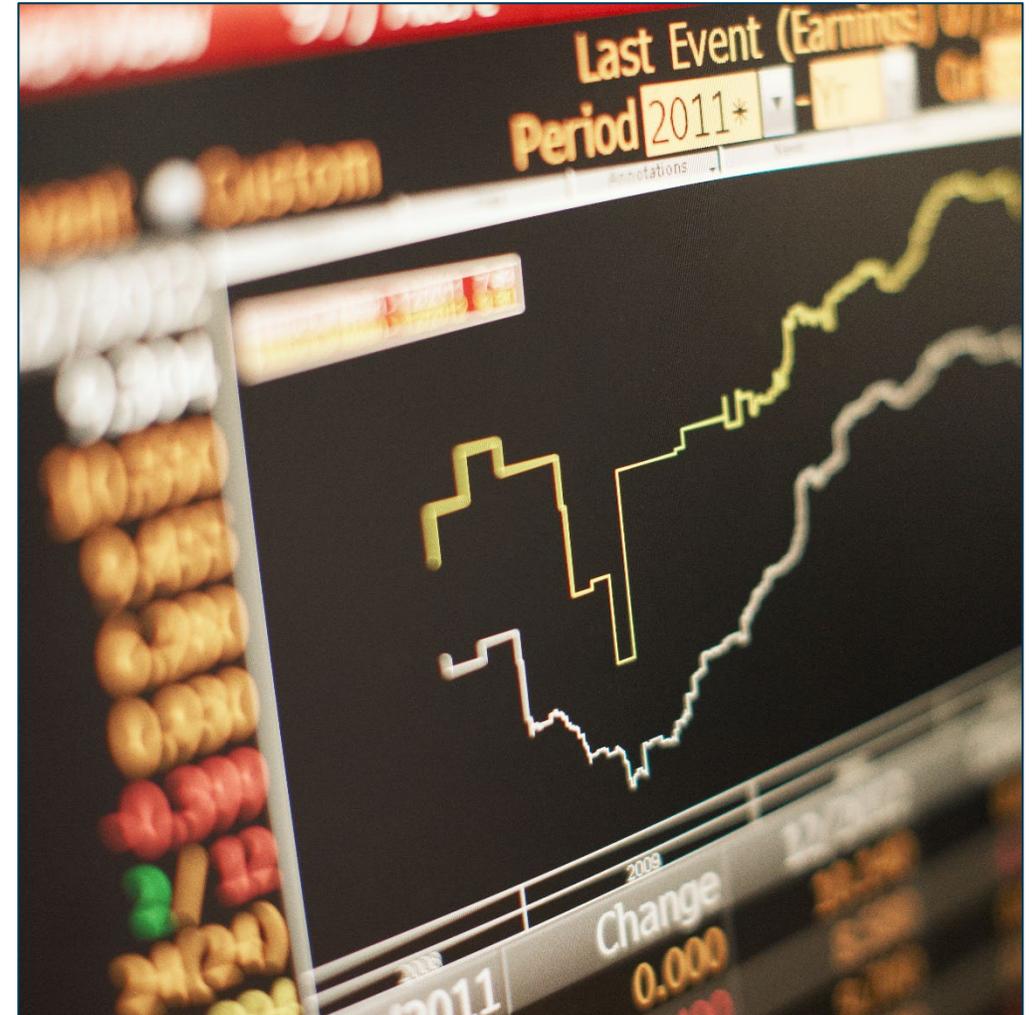
Our investment teams engage on a regular basis with companies on material ESG matters to understand their risks and opportunities, and to support their growth and development.

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



In H1 2019, we have had the following engagement activities

Companies	308	
Country domiciles	32	
ESG engagement topics	83	
Interactions	396	



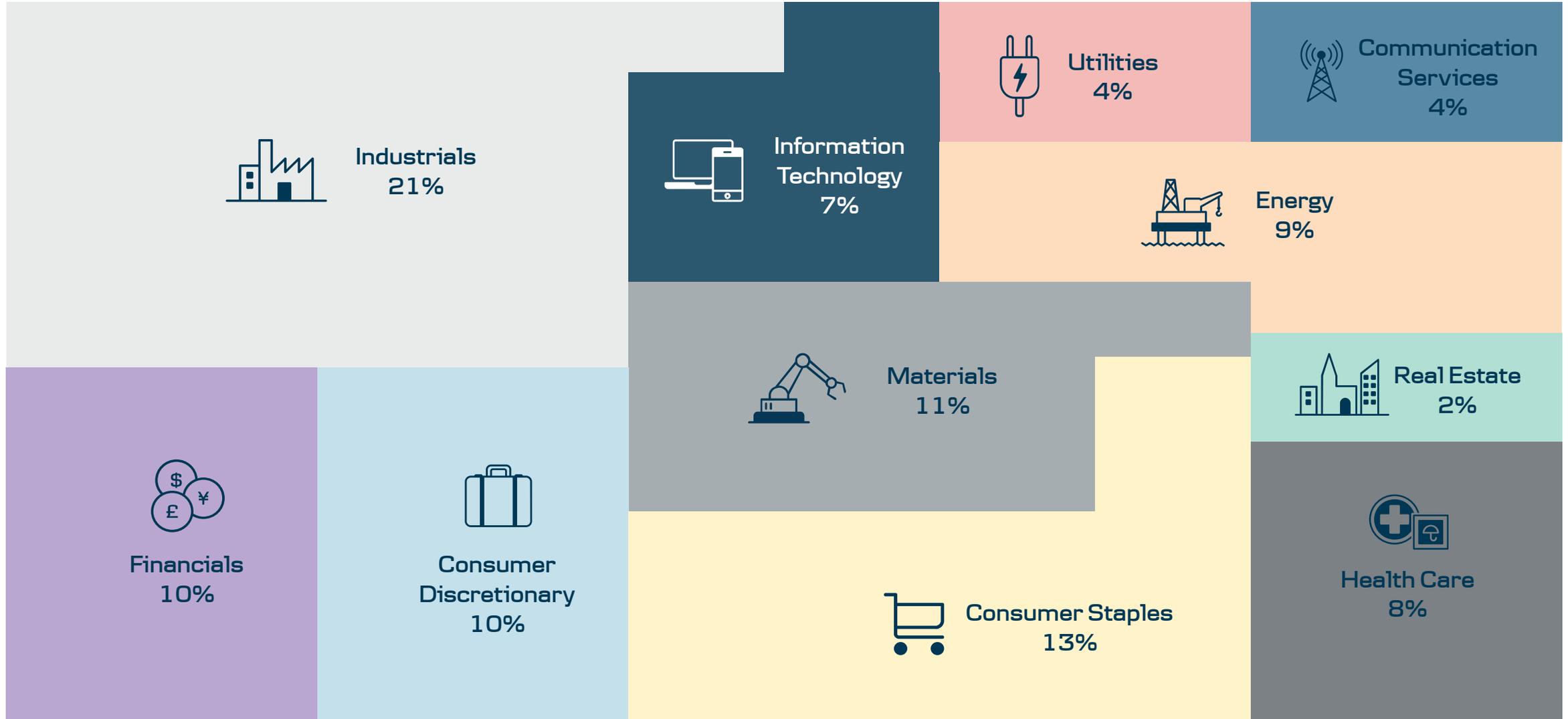


We have engaged primarily with small, mid & large cap companies





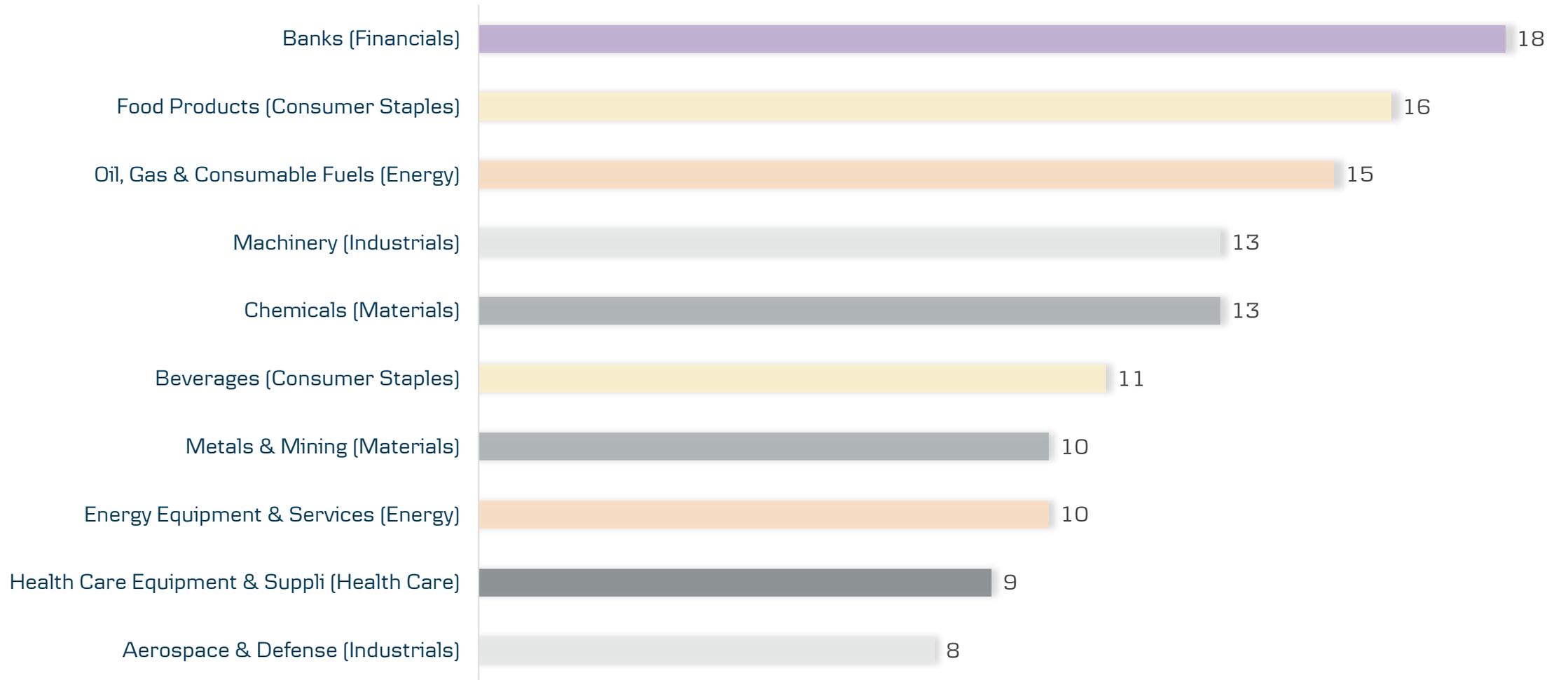
Sector distribution of companies engaged with during H1 2019





Top 10 industries most engaged with during H1 2019

Number of companies per industry (Sector in bracket)





Engagement with companies domiciled in 32 countries



Australia



Bahrain



Belgium



Canada



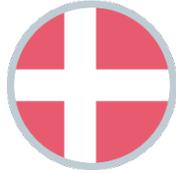
Chile



China



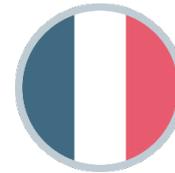
Cyprus



Denmark

Faroe
Islands

Finland



France



Germany



Greece



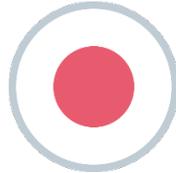
India



Ireland



Italy



Japan



Luxembourg



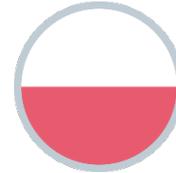
Mauritius



Netherlands



Norway



Poland



Portugal



Russia



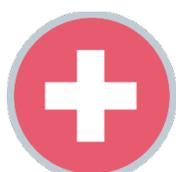
Slovenia

South
Africa

Spain



Sweden



Switzerland



Turkey



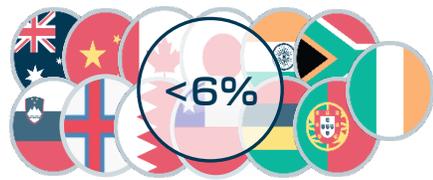
U.K.



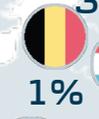
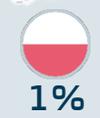
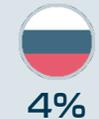
U.S.A.



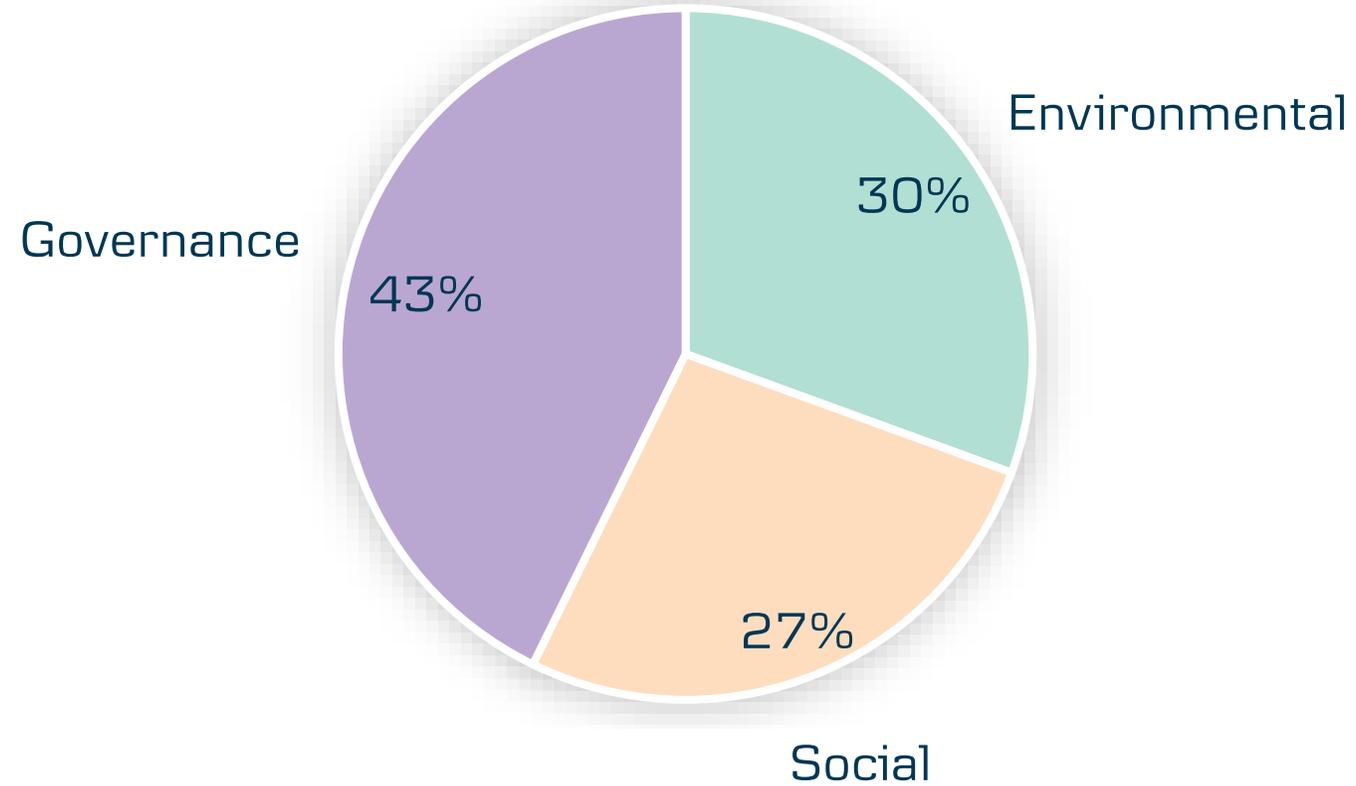
Company distribution across country domiciles



Rest of the world

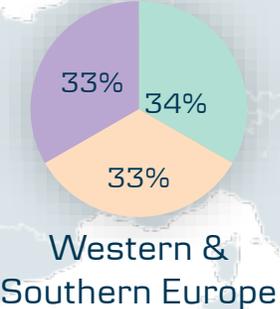
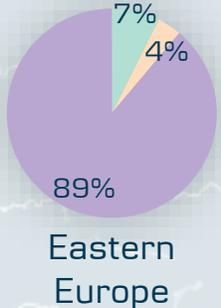
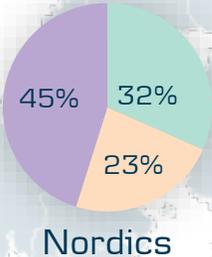
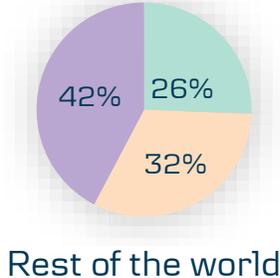


Split between ESG engagement themes



Split between ESG engagement themes across regions

-  = Environmental
-  = Social
-  = Governance





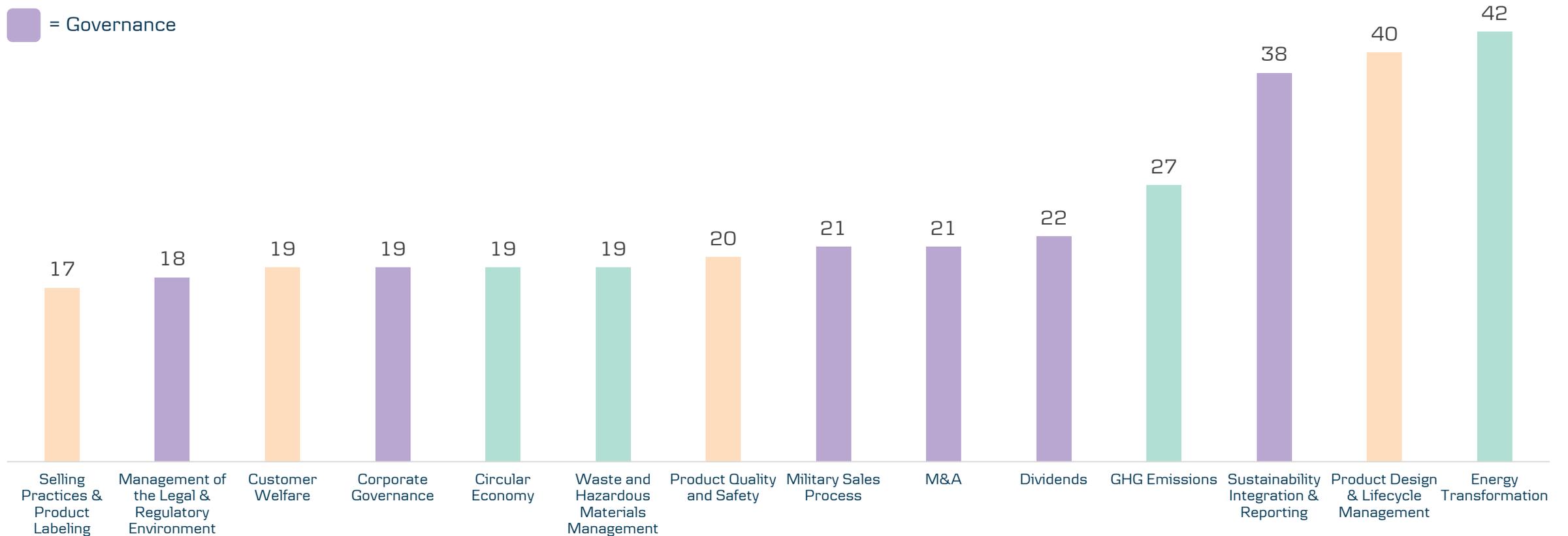
83 ESG engagement topics have been addressed and discussed





Top 3 among the 83 ESG engagement topics: Energy Transformation; Product Design & Lifecycle Management; and Sustainability Integration & Reporting

■ = Environmental
■ = Social
■ = Governance





Most frequent ESG engagement topics across the E, S, and G theme

Environmental

Rank	Topic	Count
1	Energy Transformation	42
2	GHG Emissions	27
3	Waste & Hazardous Materials Management	19
4	Circular Economy	19
5	Energy Efficiency	14
6	Water & Wastewater Management	13
7	Sustainable Products	11

Social

Rank	Topic	Count
1	Product Design & Lifecycle Management	40
2	Product Quality & Safety	20
3	Customer Welfare	19
4	Selling Practices & Product Labeling	17
5	Supply Chain Management	14
6	Business Model Resilience	11
7	Employee Engagement, Diversity & Inclusion	8

Governance

Rank	Topic	Count
1	Sustainability Integration & Reporting	38
2	Dividends	22
3	Military Sales Process	21
4	M&A	21
5	Corporate Governance	19
6	Management of the Legal & Regulatory Environment	18
7	AML Issues & Handling	12



The majority of company interactions took place in the Nordic region



Rest of the world



37



71



68



24



11



35



27



11



2



2



2



22



26



15



6



5



2



4



2

Note 1: Four company interactions lacks domicile data

Note 2: 'Rest of the world' covers countries with one company or that are outside map (excl. U.S.A.)



Most commonly addressed ESG topics across geography



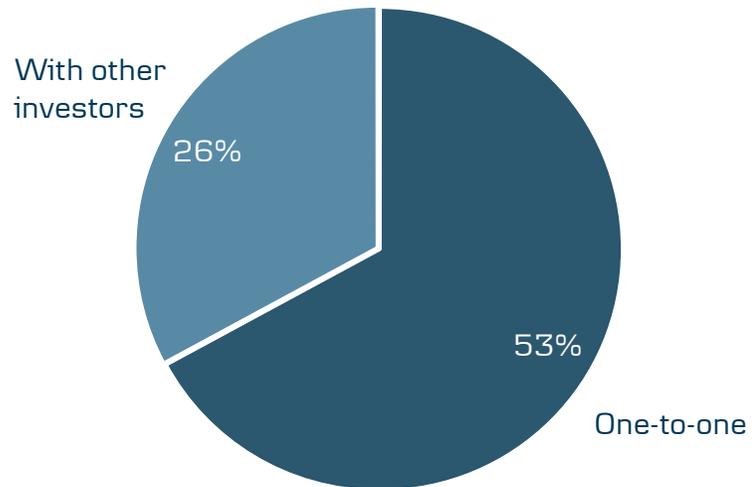
Sustainability Integration & Reporting



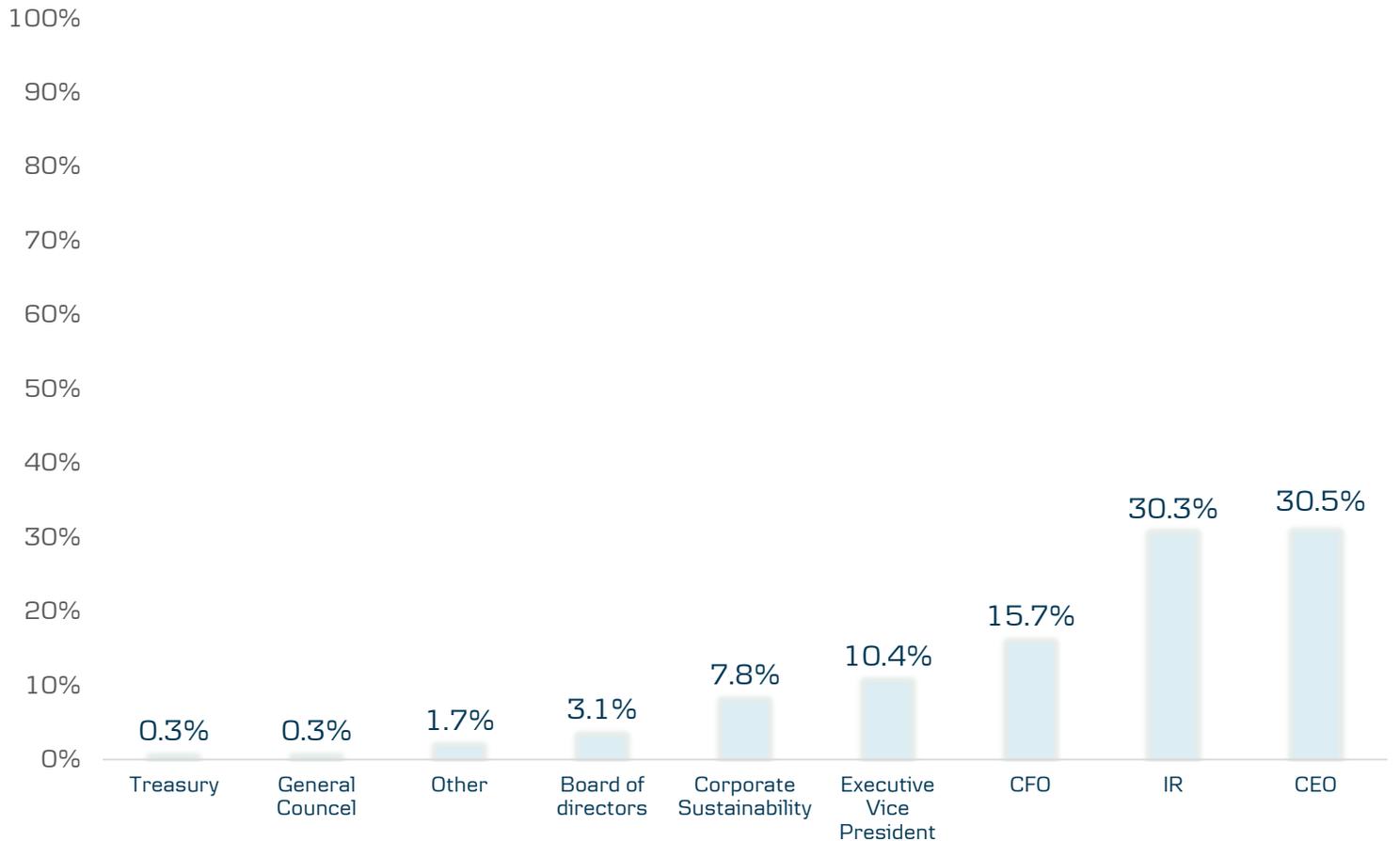


Company interactions are mainly one-to-one and with CEO and/or IR

Type of meeting



Level of participants



Engagement examples: Energy Transformation

Energy Transformation is most common topic for our portfolio managers to engage with companies on during H1 2019. Among the 396 engagements, 42 focused on energy transformation.

Definition

Energy transformation is a shift from fossil energy resources to “greener” energy alternatives entailing a lower carbon footprint.

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



Sector: Energy

“Discussed company’s view and impact on supply/demand of gas in Europe.”



Sector: Utilities

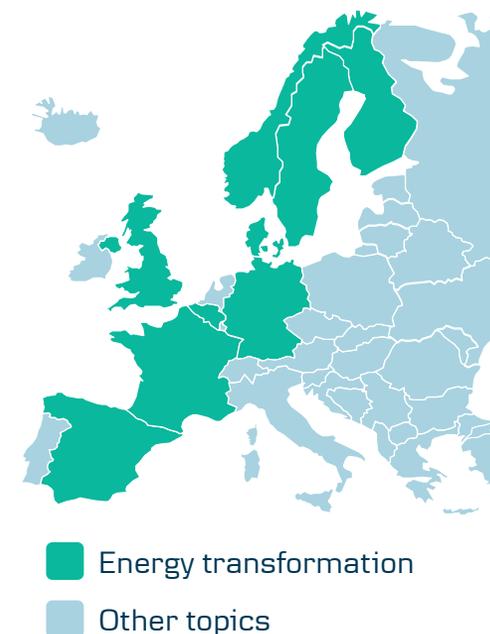
“The company’s usage of CO2 in production and production life of solar cells in their solar parks.”



Sector: Industrials

“The company’s usage and build out of renewables, the efficiency and recycling, and local impact .”

Topic addressed in the following countries



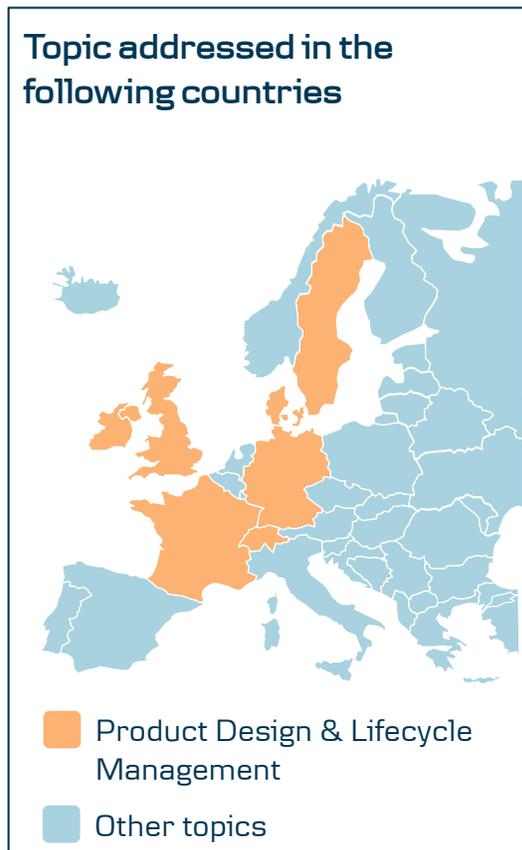
Engagement examples: Product Design & Lifecycle Management

Product Design & Lifecycle Management is the second most common topic for our portfolio managers to engage with companies on during H1 2019. Among the 396 engagements, 40 focused on product design & lifecycle management.

Definition
Product design and lifecycle management includes e.g. the managing of impacts of products and services, such as those related to packaging, distribution, use-phase resource intensity, and other environmental and social externalities that may occur during their use-phase or at the end of the life.

Company examples

-  **Sector: Consumer Staples**
“Reducing negative footprint throughout value chain for the company”
-  **Sector: Information Technology**
“The company’s research & development, innovation and digitalization processes”
-  **Sector: Materials**
“The company’s full cycle evaluation approach”



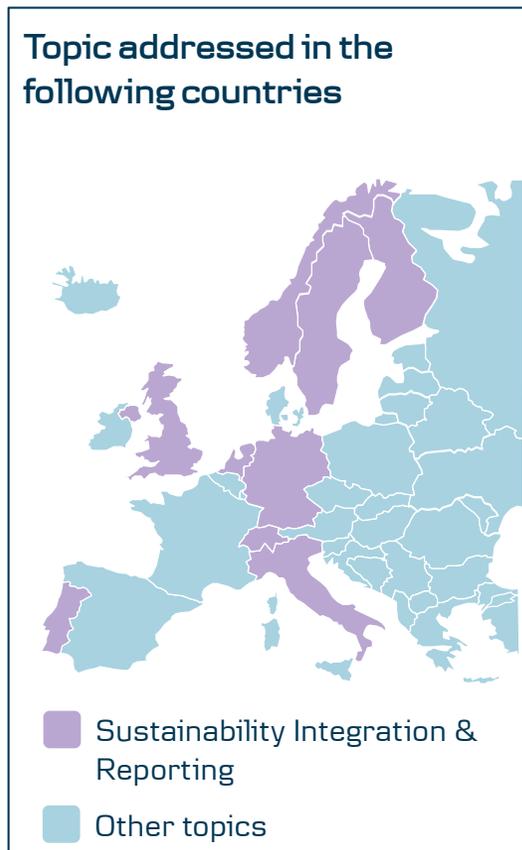
Engagement examples: Sustainability Integration & Reporting

Sustainability Integration & Reporting is the third most common topic for our portfolio managers to engage with companies on during H1 2019. Among the 396 engagements, 38 focused on sustainability integration & reporting.

Definition
Sustainability Integration & Reporting refers to companies' ability to address and report on the environmental, social and governance (ESG) concerns that are material to their business.

Company examples

-  **Sector: Materials**
"Discussed with company on their approach to sustainability"
-  **Sector: Energy**
"The company's environmental reporting, it strengths and weaknesses."
-  **Sector: Consumer Staples**
"The company's program of Sustainable Living Plan under new CEO."



Active Ownership Report: H1 2019

Part 2: Voting Report



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.

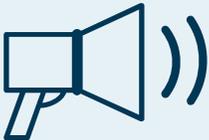
We vote either by ourselves or through a service provider. We log and publish our voting records.

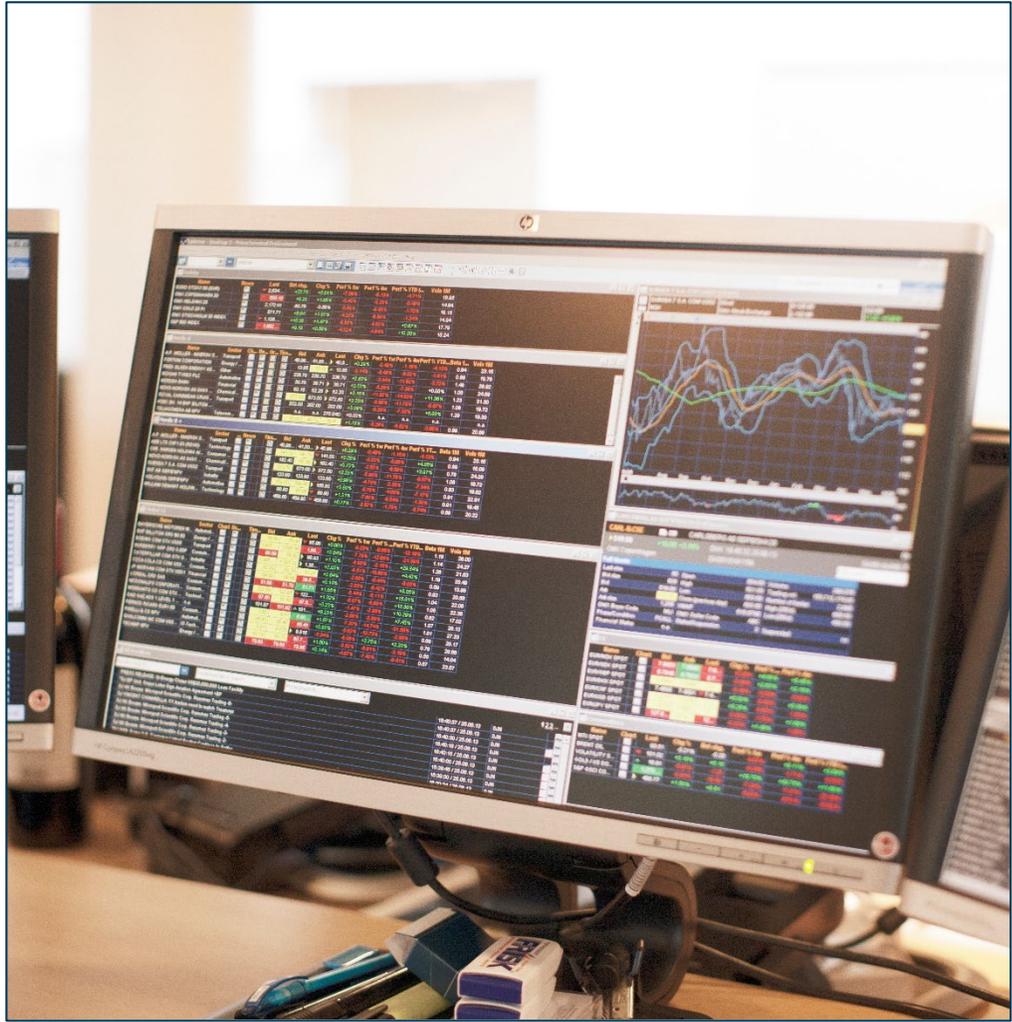


In H1 2019, we have had the following voting activities

Meetings **326** 

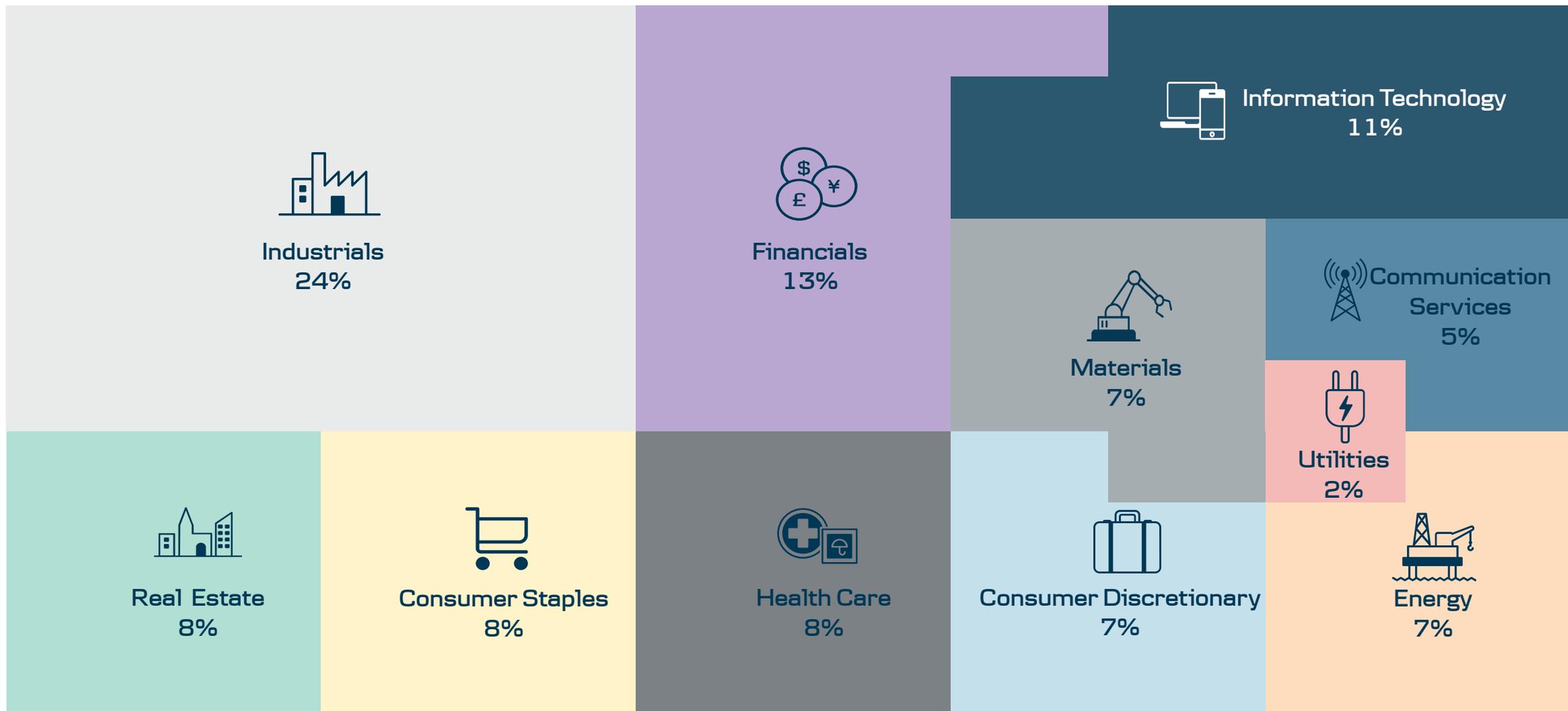
Country domiciles **28** 

Proposals **5,266** 



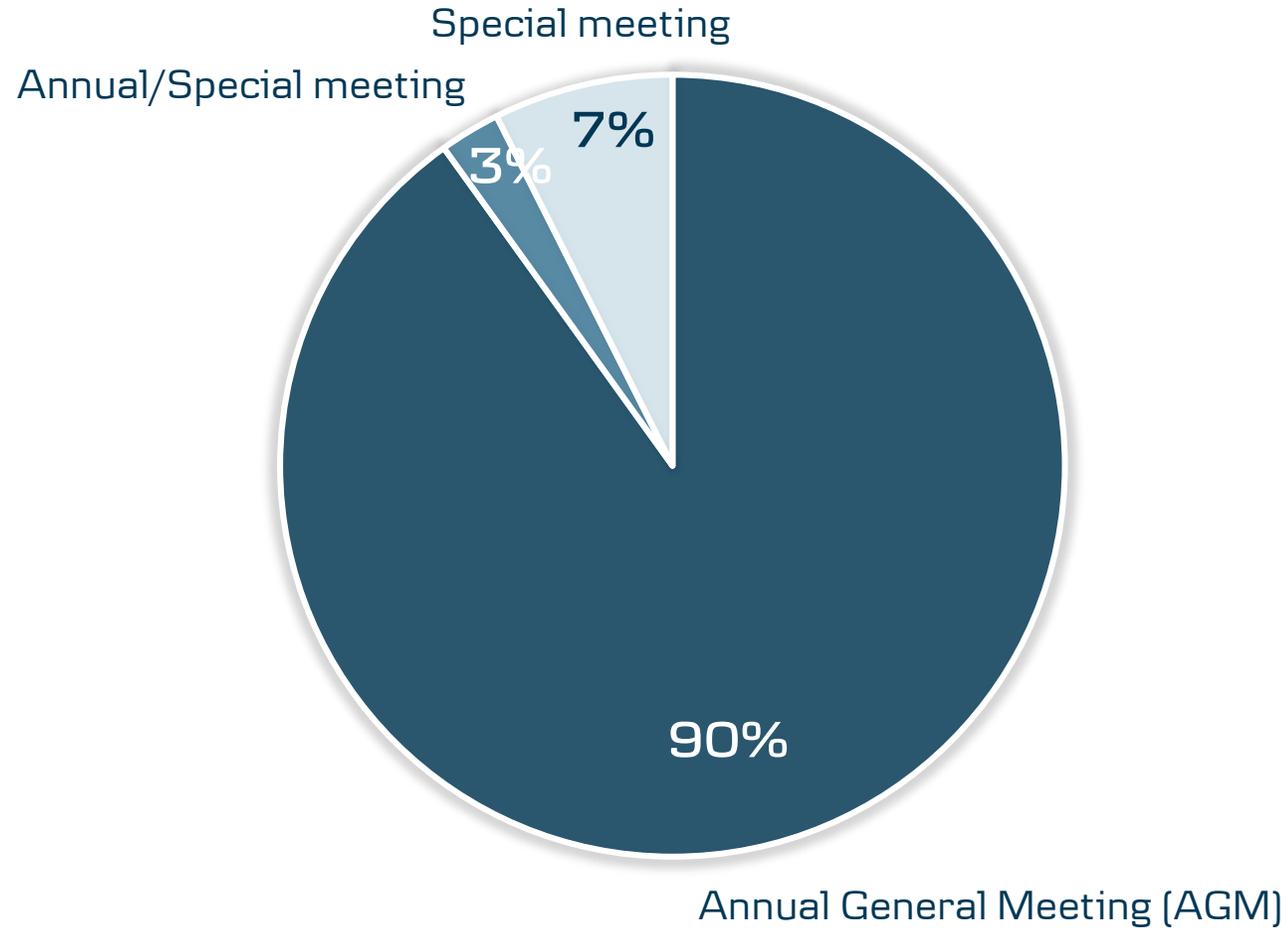


Sector distribution for our voting during H1 2019

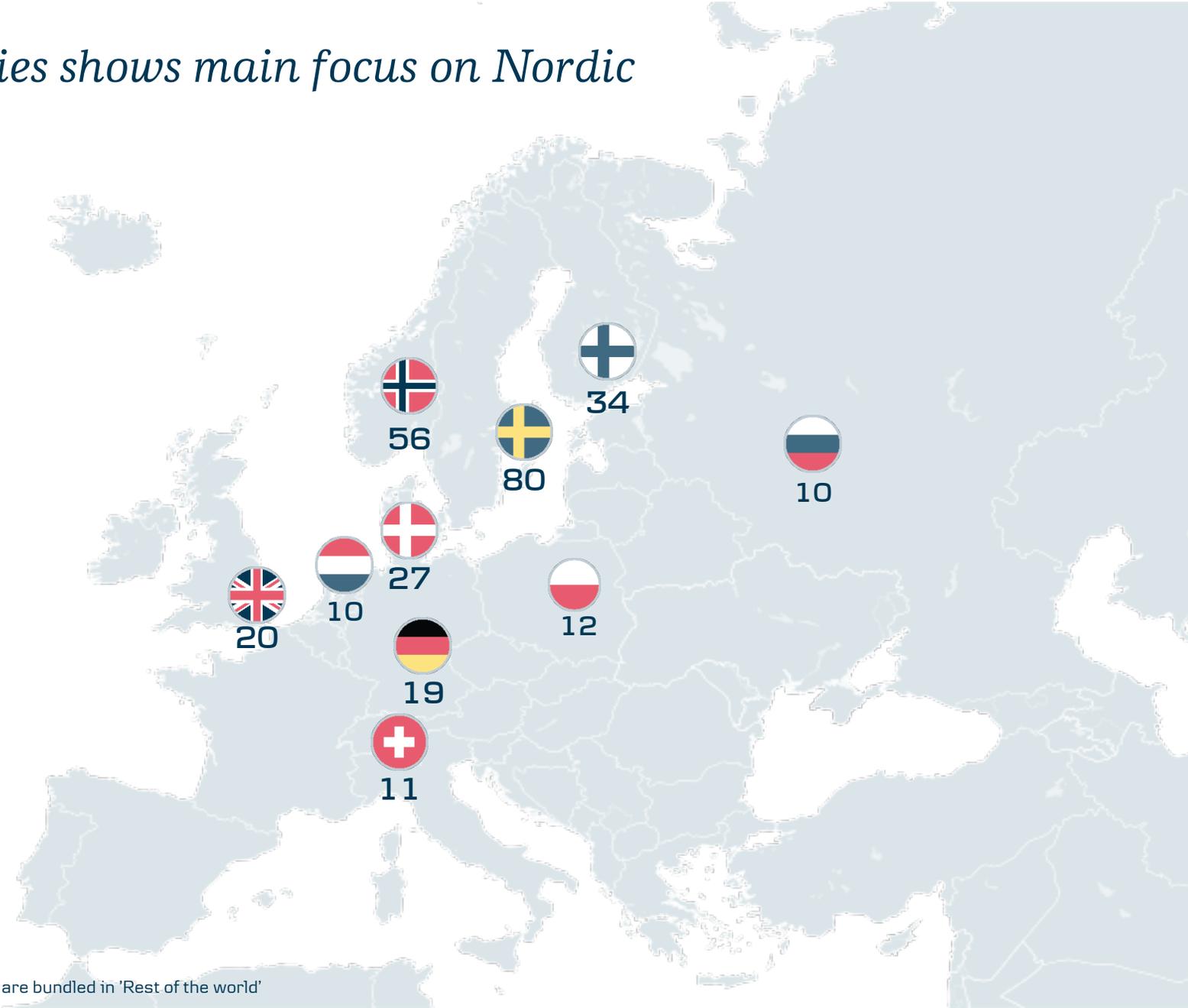




We voted primarily at Annual General Meetings (AGM)



Voting distribution across countries shows main focus on Nordic domiciled companies



Note: Companies domiciled in countries where we had eight voting meetings or lower are bundled in 'Rest of the world'



Voting distribution across 28 countries



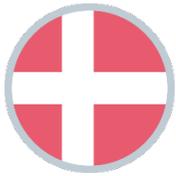
Bermuda



Cayman Islands



Cyprus



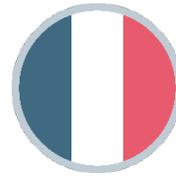
Denmark



Estonia



Finland



France



Germany



Greece



Guernsey



Hungary



Iceland



Ireland



Italy



Jersey



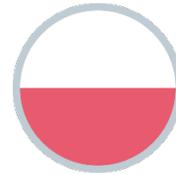
Luxembourg



Netherlands



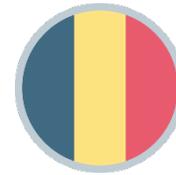
Norway



Poland



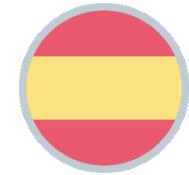
Portugal



Romania



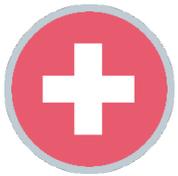
Russia



Spain



Sweden



Switzerland



Turkey



U.K.



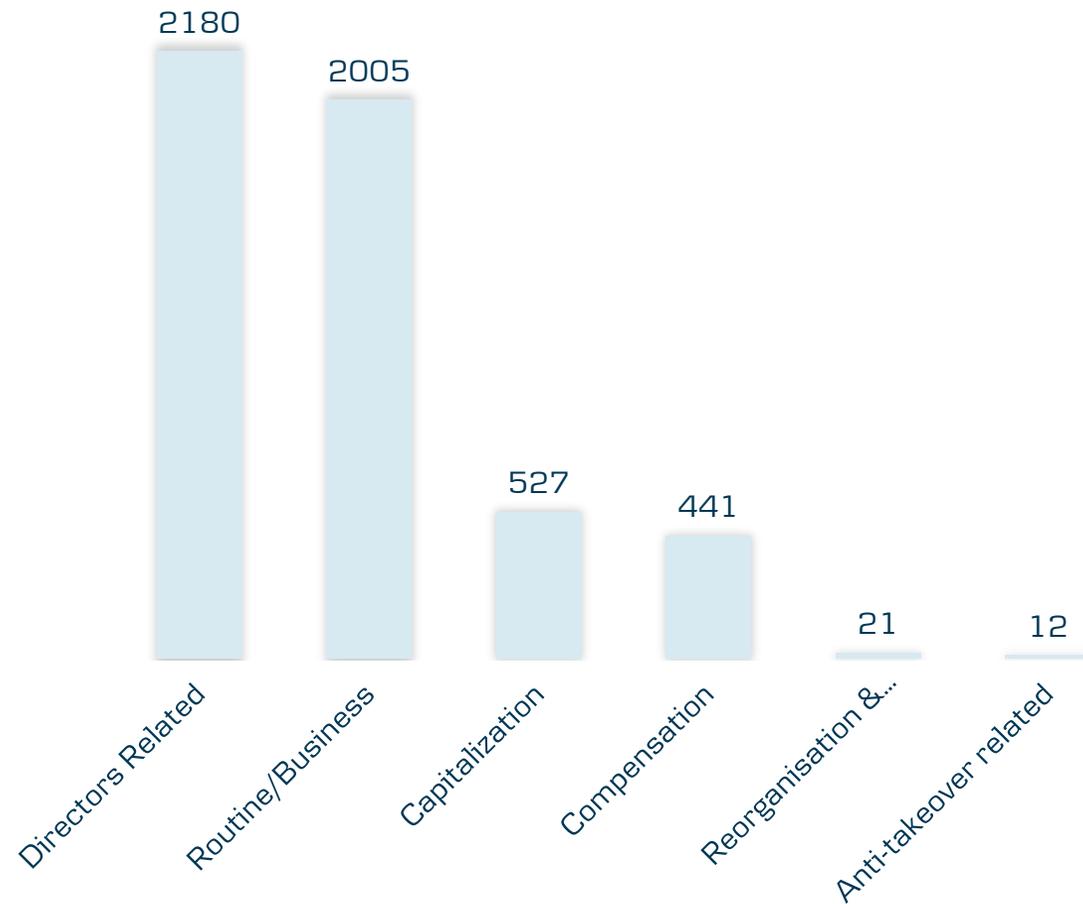
U.S.A.



Most of the voted proposals have been Directors-related

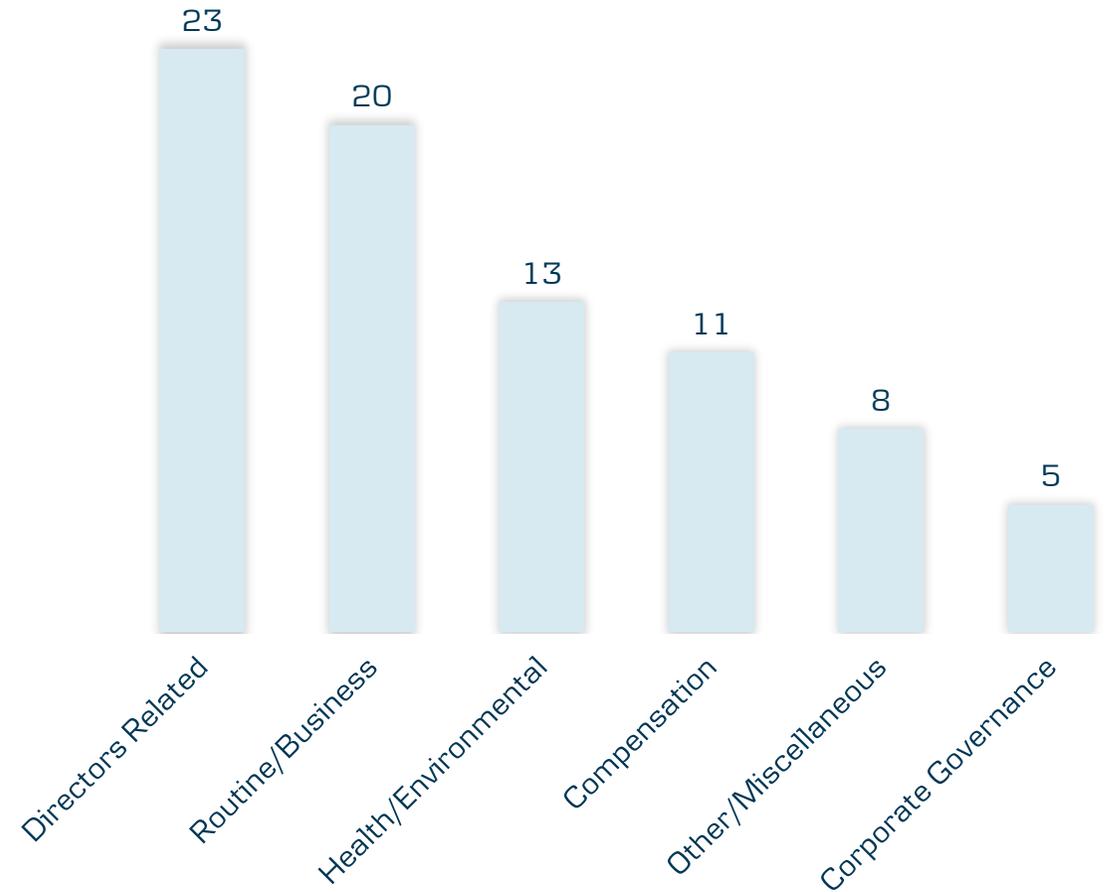
Management proposals

A total of 5,186 proposals



Shareholder proposals

A total of 80 proposals



We predominantly voted FOR the proposals

5,266
proposals



For

95,8% (5046 proposals)



Against/Withhold

2,6% (138 proposals)



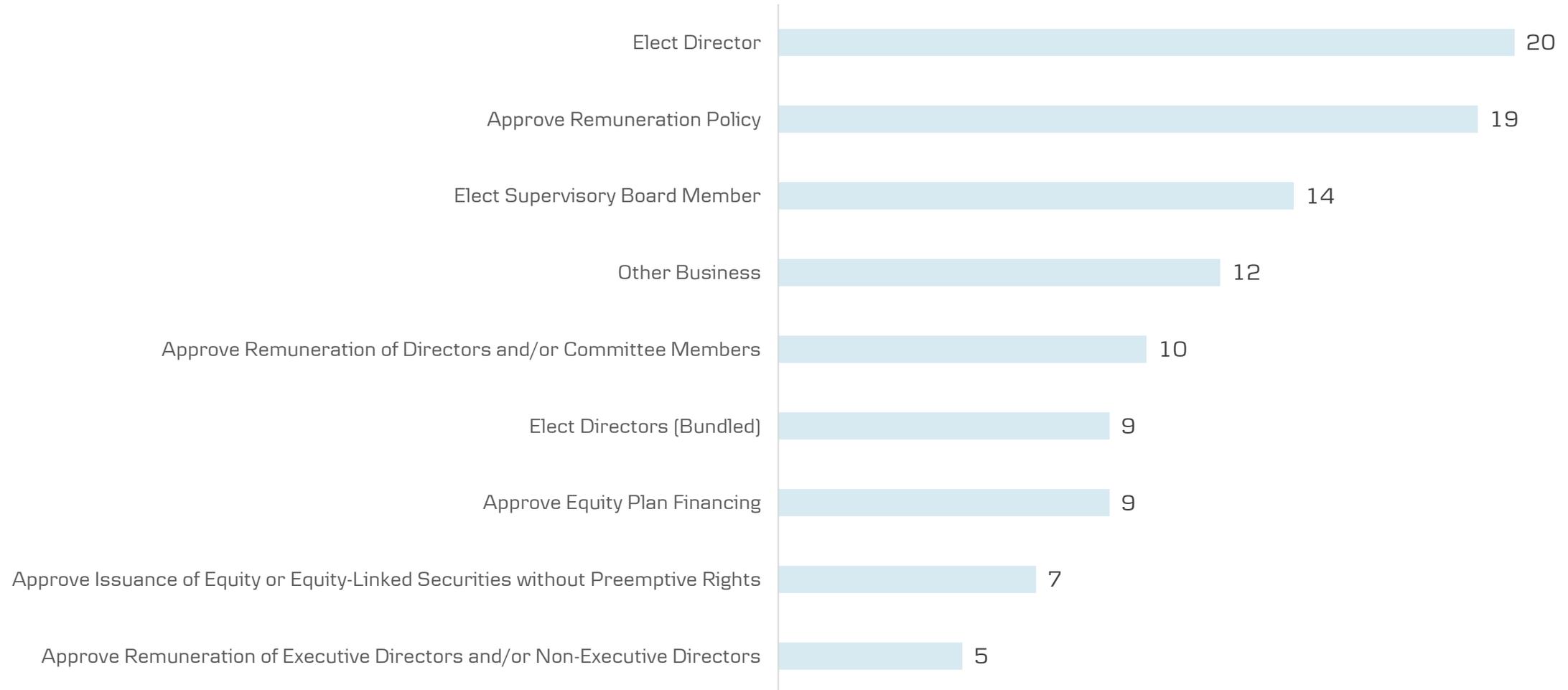
Abstain

1,6% (83 proposals)

Note 1: Across all voted proposals, one proposal with the type of 'Advisory Vote on Say on Pay Frequency' was voted on for one year in U.S.A.

Note 2: Two proposals were voted in varying ways for the same meeting agenda item.

10 most common topics where we have voted against management recommendations



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