

Voting Guidelines

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1. Purpose

These Voting Guidelines serve to guide voting activities in adherence to the Active Ownership Instruction.

Active Ownership is the use of rights and position of ownership to influence the activities or behaviour of investee companies. We regard Active Ownership as an effective mechanism to manage risks, maximise returns and contribute to a positive impact on society and the environment. It is embedded in our fiduciary duty to customers and beneficiaries to achieve the highest and most stable investment returns.

Voting refers to the exercise of ownership rights at General Meetings of companies where we own shares. We vote on management and/or shareholder resolutions to approve or disapprove of corporate governance as well as relevant environmental and social matters. We exercise voting by ourselves or by proxy through a third-party adviser.

We publish Active Ownership activities – dialogue, engagement and voting – on our website.

2. Scope and application

The Voting Guidelines apply to relevant investment teams and functions involved in voting activities on behalf of assets held by Asset Management or Danica. It is the responsibility of each manager to ensure that the Voting Guidelines are known and complied with where relevant within the employees' respective areas of responsibility. In addition, all employees need to understand and comply with relevant Policies and Directives, such as the Code of Conduct and Conflict of Interest Policy.

Voting is done on a variety of management and shareholder resolutions, of which the majority targets corporate governance issues required under local listing requirements, including but not limited to: approval of directors; acceptance of reports and accounts; approval of incentive plans; capital allocation; reorganisations; and mergers.

The investment teams assess resolutions and apply the Voting Policy and market standards to each agenda item. The investment teams have access to data, research and expertise, and voting decisions consider the sufficiency of information on particular matters.

3. Voting Guidelines

The Voting Guidelines set out to guide the investment teams' voting activities and to help investee companies and customers understand how we are likely to vote in a given situation.

The Voting Guidelines consist of the following eight overall 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 take into account relevant stakeholders. The board should have a sufficient mix of directors with adequate competences and independence appropriate to the company's operations. The Chair of the board and CEO should not be the same person.
2. Remuneration to executive management should align with company and shareholder interest, with the aim of achieving long-term performance and sustainable value creation. Remuneration to non-executive directors (NED) should reflect company size and complexity as well as the NEDs' 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. Audits should be carried out by external auditors independent of the company and its management.
5. The rights of all shareholders should be equal and protected. The principle of one-share-one-vote is recommended. Minority shareholders should have voting rights on key decisions or transactions that could 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 disclosures should be unambiguous, correct, and transparent.
8. Companies should seek to manage the financial and economic implications of environmental and social matters that may have an impact not only on the company's reputation but may also represent operational risks and costs to the business.

The Voting Guidelines take into account internationally recognised corporate governance standards, e.g., the G20/OECD Principles of Corporate Governance, as well as voluntary principles, such as the UN Global Compact and OECD Guidelines for Multinational Enterprises.

The Voting Guidelines also consider local regulations and/or guidelines such as the Danish Stewardship Code, the Finnish Corporate Governance Code, the Norwegian Code of Practice for Corporate Governance, and the Swedish Corporate Governance Code, as well as variation in legal and regulatory requirements between countries. Note that countries vary on whether corporate governance is regulated by rules-based legislation or by a comply-or-explain principle, and this needs to be considered in the application of the Voting Guidelines.

The Voting Guidelines primarily target ownership in listed companies in the Nordic countries and Europe where companies have issued shares for trading on regulated markets. The Voting Guidelines are also used as a foundation for companies outside the Nordic region and Europe, and for smaller companies that have issued shares for trading on other markets or platforms.

Voting decisions reflect information from several sources. The depth and specificity of voting evaluations will vary with the materiality of the investment and the issue.

Portfolio managers may also vote on proposals not specifically addressed by the Voting Guidelines but rather based on an evaluation of a proposal's likelihood of enhancing the long-term financial return or profitability of the company, or maximising long-term shareholder value.

A principled and consistent voting approach guides us in both complex and more straightforward voting situations. Many resolutions have common and predictable attributes that mean they can be voted on by the direct application of the relevant stance presented in the Voting Guidelines.

These common and predictable attributes are described in the following six chapters:

3.1 Operational Voting Decisions

3.2 Board of Directors

3.3 Capital Structure

3.4 Remuneration

3.5 Other Governance Issues

3.6 Environmental and Social Issues.

3.1 Operational Voting Decisions

3.1.1 Allocation of Income

Vote for approval of the allocation of income, unless:

- The allocation of income, including dividends and share repurchases, does not reflect the company's financial situation and strategy.

3.1.2 Appointment of External Auditors and Auditor-related Fees

Generally vote for proposals to (re)appoint external auditors and/or proposals authorising the board to fix auditor fees, unless:

- There are serious concerns about the effectiveness of the auditors;
- There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position;
- There are serious concerns about the statutory reports presented or the audit procedures used;
- Questions exist concerning any of the statutory auditors being appointed;
- The auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company;
- The name(s) of the proposed auditors has not been published
- The company's auditors are suddenly changed without explanation; or
- Fees for non-audit services exceed the audit-related fees and, if not properly explained by the board, questions arise about how the auditors' independence was assured.

In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (IPOs, bankruptcy emergencies, spinoffs) and the company publically discloses the amount and nature of those fees (which are an exception to the standard "non-audit fee" category), such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.

Under certain circumstances, for example when there are concerns about the audit procedures, independence of auditors, and/or name of auditors, we may vote against the audit.

Under certain circumstances, for example when there are concerns about the fees paid to the auditors, it is recommended to vote against the remuneration of the auditors if this is a separate voting item. If not, we may vote against electing the auditors.

See Appendix for specific guidelines concerning:

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- > Appointment of Audit Commission Members in Russia: [appendix p. 4](#).
 - > Denmark, Finland, Norway and Sweden: [appendix p. 4](#).
 - > Early Termination of Powers of the Audit Commission in Russia: [appendix p. 4](#).

3.1.3 Financial Results/Director and External Auditor Reports

Vote for approval of financial statements and director and auditor reports, unless:

- There are concerns about the accounts presented or audit procedures used; or
- The company is not responsive to shareholder questions about specific items that should be publicly disclosed.

3.1.4 Stock (Scrip) Dividend Alternative

Vote for most stock (scrip) dividend proposals.

Vote against proposals that do not allow for a cash option unless management demonstrates that the cash option is harmful to shareholder value.

3.1.5 Transact Other Business

Vote against other business when it appears as a voting item.

3.2 Board of Directors

The board should have a combination of competences (knowledge and experience) appropriate to the company's operations and phase of development.

The board, or the shareholder-led nomination committees in Nordic countries, should disclose the process for director nomination and election/re-election. Further, information should be disclosed about board candidates, including:

- Board member identities and rationale for appointment;
- Core competences, qualifications and professional background;
- Recent and current board and management mandates at other companies, as well as significant roles in organisations;
- Factors affecting independence, including relationship/s with controlling or major shareholders;
- Length of tenure;
- Board and committee meeting attendance; and
- Any shareholdings in the company.

With regard to elections to Corporate Assemblies and similar corporate bodies, disclosure should at least be in line with market practice.

The board should identify how sustainability issues impact risks to, and business opportunities for, the company. An annual evaluation of the board should consider board composition, diversity and how effectively the board and its members work to achieve objectives.

Diversity among the board of directors supports the company's business operations and long-term development. Examples of diversity principles include age, gender and international experience. If both genders are not represented on the Board of Directors, we may vote against the Proposal to the Board of Directors at the General Meeting.

Generally vote against the election or re-election of any non-independent directors (excluding the CEO) if less than one third of the board members are independent.

See Appendix for specific guidelines concerning:

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- > Board Independence in Denmark, Finland, Norway, Sweden and the UK: [appendix p. 4](#).
 - > Danske Bank's Classification of Directors – European Policy: [appendix p. 8](#).
 - > Danske Bank's Classification of Directors – Russian Policy: [appendix p. 10](#).
 - > Widely-held companies in Denmark, Finland, Norway and Sweden: [appendix 1 p. 11](#).
 - > Non widely-held companies in Denmark, Finland, Norway and Sweden: [appendix p. 12](#).
 - > Gender diversity in the UK & Ireland: [appendix p. 13](#).

3.2.1 Board Structure

Vote for routine proposals to fix board size.

Vote against the introduction of classified boards and mandatory retirement ages for directors.

Vote against proposals to alter board structure or size in the context of a fight for control of the company or the board.

See Appendix for specific guidelines concerning:

- > Denmark, Finland, Norway and Sweden: [appendix p. 13](#).

3.2.2 Bundling of Proposals

Vote against a bundled proposal if one or more items of significant governance importance raise serious concerns and shareholders have no opportunity to vote on each item individually at the General Meeting.

See Appendix for specific guidelines concerning:

- > Bulgaria, Croatia, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxemburg, Norway, Poland, Romania, Slovakia, Slovenia and Sweden: [appendix p. 14](#).

3.2.3 Combined Chair/CEO

Generally vote against the (re)election of combined chair/CEO. When a chairperson is also an employee of the company, a judgement must be made whether or not the situation is comparable to a combined chair/CEO, or if a clear demarcation exists between the chairperson and the executive management of the company (CEO).

See Appendix for specific guidelines concerning:

- > Denmark, Finland, Norway and Sweden: [appendix p. 14](#).

3.2.4 Composition of Committees

It is recommended that all members of the audit, remuneration and nomination committees are independent of the company and its executive management.

For widely-held companies, generally vote against the (re)election of any non-independent members of the audit committee in non-**Nordic** markets if this would mean that:

- Fewer than 50 percent of the audit committee members, who are elected by shareholders in such capacity or another – excluding, where relevant, employee shareholder representatives – would be independent or
- Less than one-third of all audit committee members would be independent.

See Appendix for specific guidelines concerning:

- > Committee of Representatives and Corporate Assembly Elections in Denmark and Norway: [appendix p.14](#).
- > Composition of Committees in Nordic and non-Nordic countries: [appendix p. 14](#).
- > Board and committee composition in the UK & Ireland: [appendix p. 17](#).
- > CEOs and Chairs in the UK & Ireland: [appendix p. 17](#).
- > Controlling shareholders in the UK & Ireland: [appendix p. 17](#).
- > Overboarding in the UK & Ireland: [appendix p. 21](#).

3.2.5 Director election

Vote for management or shareholder-led nomination committees' qualified nominees in the election of directors, unless:

- Adequate disclosure has not been provided in timely manner;
- There are clear concerns over questionable finances or restatements;

- There have been questionable transactions with conflicts of interest;
- There are any records of abuse against minority shareholder interests;
- The board fails to meet minimum corporate governance standards, ie, fails to comply with corporate governance codes and laws regarding the information required in the company's remuneration policy, remuneration report, corporate governance report or sustainability report;
- There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; or
- Repeated absences from board meetings have not been explained (in countries where this information is disclosed).

Under extraordinary circumstances, a vote against individual directors is recommended if:

- There have been material failures of governance, stewardship or risk oversight; or
- Egregious actions related to the director's service on other boards that raise substantial doubt about that director's ability to effectively oversee management and to serve the best interests of shareholders at any company.

For contested elections of directors, a case-by-case vote is recommended, determining which directors are best suited to add value for shareholders.

Proposals to grant the Board a mandate to elect additional Directors without shareholder confirmation shall generally not be supported.

See Appendix for specific guidelines concerning:

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- > Director Elections, Contested in Russia: [appendix p. 17](#).
 - > Director Elections, Non-Contested in Nordics and Europe, excluding UK & Ireland: [appendix p. 19](#).
 - > Director Terms in Continental Europe: [appendix p. 19](#).

3.2.6 Director, Officer and Auditor Indemnification and Liability Provisions

Vote for proposals seeking indemnification and liability protection for directors and officers on a case-by-case basis.

Vote against proposals to indemnify external auditors.

3.2.7 Discharge of Directors

Generally vote for the discharge of directors, including members of the management board and/or supervisory board, unless there is reliable information about significant and compelling controversies as to whether the board is fulfilling its fiduciary duties, as evidenced by:

- A lack of oversight or actions by board members that invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest; or
- Any legal proceedings (either civil or criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud and other illegal actions; or
- Other egregious governance issues where shareholders will bring legal action against the company or its directors.

See Appendix for specific guidelines concerning:

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- > Denmark, Finland, Norway and Sweden: [appendix p. 19](#).

- > Disclosure of Names of Nominees in Nordic countries and Europe, excluding the UK & Ireland: [appendix p. 20](#).
- > Early Termination of Powers of Board of Directors (Russia): [appendix p. 20](#).
- > Early Termination of Powers of General Director, CEO (Russia): [appendix p. 20](#).

3.2.8 Election of a Former CEO as Chairperson

Generally vote against the election of a former CEO as chairperson if there is a market practice that forbids this arrangement, unless the company can provide a strong justification as to why this non-standard governance arrangement is appropriate for their specific situation and for a limited period of time.

See Appendix for specific guidelines concerning:

- > Election of a Former CEO as Chair of the Board in Austria, Germany, the Netherlands: [appendix p. 20](#).
- > Election of Censors in France: [appendix p. 21](#).
- > Election of General Director, CEO (Russia): [appendix p. 21](#).
- > One Board Seat per Director in Belgium, France and Luxembourg: [appendix p. 21](#).

3.2.9 Overboarded Directors

We may vote against a candidate when the candidate holds a large number of board appointments, as that could affect the necessary time to fulfil a new board member commitment. Assessment criteria, besides assessing the candidate's competence, include:

- If the candidate has other board mandates in listed companies, and if so, how many;
- If the candidate holds a role as a non-executive chairperson in any listed company/ companies;
- If the candidate holds the role as an executive director;
- If the candidate represents a controlling shareholder.

An adverse vote recommendation will not be applied to a director within a company where he/she serves as CEO; instead, any adverse vote recommendations will be applied to his/her additional seats on other company boards. For chairpersons, negative recommendations would first be applied towards non-executive positions held, but the chair position itself would be targeted when they are being elected as chair for the first time, or when they hold three or more chair positions, on aggregate, or if the chairperson holds an outside executive position.

See Appendix for specific guidelines concerning:

- > Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden and Switzerland, the UK & Ireland: [appendix p. 21](#).
- > The Tasks of Directors in Nordic countries and Europe (excluding the UK & Ireland): [appendix p. 22](#).
- > Voto di Lista (Italy): [appendix p. 22](#).

3.3 Capital Structure

3.3.1 Capitalisation of Reserves for Bonus Issues/Increase in Par Value

Vote for requests to capitalize reserves for bonus issues of shares or to increase par value.

3.3.2 Capital Structure

Vote for proposals to reduce capital for routine accounting purposes unless the terms are unfavourable to shareholders.

Vote for proposals to reduce capital in connection with corporate restructuring on a case-by-case basis.

Vote for resolutions that seek to maintain, or convert to, a one-share-one-vote capital structure unless this risks leading to extra costs for the company, or risks diluting the share capital.

Vote against requests for the creation of dual-class capital structures, companies, or stocks with two or more classes of shares with different voting rights for each class.

Vote against the company's acquisition of outstanding shares if it risks changing the ownership structure or treating shareholders with the same economic rights unequally. In companies with a dual class system, including shares with multiple voting rights, a more suitable method to change the capital structure would be through dividend, or redemption of, shares, as these methods do not risk changing the ownership structure and would treat shareholders with the same economic rights equally.

Nordic legislation – and also the laws in several other **European** countries – allows dual-class capital structures.

The one share – one vote principle is recommended.

See Appendix for specific guidelines concerning:

- > Capital Structure in Denmark, Finland, Norway and Sweden: [appendix p. 22](#).

3.3.3 General Issuance

Guidelines regarding share issuance requests are divided into two categories; General issuance and Specific issuance.

Existing shareholders should have preferential rights to subscribe for new shares. Any deviations from preferential rights should be clearly justified.

Generally vote against directed share issuances for cash without pre-emptive rights for existing shareholders.

Vote for issuance requests with pre-emptive rights to a maximum of 50 percent over currently issued capital unless an issuance request exceeding 50 percent is specifically justified by the board and deemed appropriate. If there is a clear market practice suggesting lower levels, these should be adhered to unless there is a satisfactory justification.

Vote for cash and non-cash share issue requests without pre-emptive rights to a maximum of 10 percent of currently issued capital unless specifically motivated by the company's situation and needs for the duration of the authorisation period.

See Appendix for specific guidelines concerning:

- > General Issuance in Norway: [appendix p. 23](#).

3.3.4 Increases in Authorised Capital

Vote for non-specific proposals to increase authorised capital up to 100 percent over the current authorisation unless the increase would leave the company with less than 30 percent of its new authorisation outstanding and exceeds best-practice guidelines without any appropriate explanation. However, shareholders must have the final say over capital increases. If that is not the case, the increase in authorised capital will be treated as a general authority to issue shares.

Vote for specific proposals to increase authorised capital to any amount, unless:

- The specific purpose of the increase (such as a share-based acquisition or merger) does not meet the Voting Guidelines for the purpose being proposed; or
- The increase would leave the company with less than 30 percent of its new authorisation outstanding after adjusting for all proposed issuances.

Vote against proposals to adopt unlimited capital authorisations.

3.3.5 Preferred Stock

Vote for the creation of a new class of preferred stock or for issuances of preferred stock up to 50 percent of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders.

Vote for the creation of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets the Voting Guidelines on equity issuance requests.

Vote against the creation of a new class of preference shares that would carry superior voting rights to the common shares.

Vote against the creation of blank check preferred stock.

Vote for proposals to increase blank check preferred authorisations on a case-by-case basis.

3.3.6 Reissuance of Repurchased Shares

Vote for requests to reissue any repurchased shares unless existing shareholders have preemptive rights to these shares, or there is clear evidence of abuse of this authority in the past.

Vote for requests to reissue any repurchased shares if applying to non-cash issues without preemptive rights to a maximum of 10 percent of currently issued capital if specifically motivated by the company's situation and needs for the time of the authorisation period. This issue should be considered separate from authorities to issue new shares, and the shares available for reissuance should not count towards the ceiling for such authorities.

3.3.7 Share Repurchase Plans

Generally vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:

- A repurchase limit of up to 10 percent of outstanding issued share capital;
- A holding limit of up to 10 percent of a company's share capital in treasury ("on the shelf"); and
- A duration of no more than five years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice.

Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed case-by-case. Under certain circumstances, support such share repurchase authorities, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in the shareholders' interests. In such cases, the authority must comply with the following criteria:

- A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
- A duration of no more than 18 months.

In markets where it is normal practice not to provide a repurchase limit, evaluate the proposal based on the company's historical practice. However, companies should disclose such limits and, in the future, a vote against may be warranted at companies that fail to do so. In such cases, the authority must comply with the following criteria:

- A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf") and a duration of no more than 18 months.

In addition, vote against any proposal where:

- The repurchase can be used for takeover defences;
- There is clear evidence of abuse;
- There is no safeguard against selective buybacks; and/or
- Pricing provisions and safeguards are deemed to be unreasonable seen from a cost effectiveness perspective. In markets where a dual class system exists, the proposal should clarify that the least-expensive shares will be acquired at share repurchases and based on market practice.

Before a vote is cast, it is important to follow up on the methods the board plans to use for repurchase programmes, especially in situations where a company has issued shares with differentiated voting rights (as allowed in the Nordic countries with same economic rights to the company's assets and profits).

See Appendix for specific guidelines concerning:

- > Denmark, Finland, Norway and Sweden: [appendix p. 23](#).
- > Authorise Issue of Equity with and without Pre-emptive Rights in the UK & Ireland: [appendix p. 24](#).
- > Authorise Market Purchase of Ordinary Shares in the UK & Ireland: [appendix p. 24](#).

3.3.8 Specific Issuance

Vote on a case-by-case basis on all requests, with or without pre-emptive rights.

3.4 Remuneration

3.4.1 Equity-based Remuneration

Generally, vote for equity-based compensation proposals for employees if the plan(s) are in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:

- The volume of awards transferred to participants must not be excessive: the potential volume of fully diluted issued share capital from equity-based compensation plans must not exceed the following Voting Guidelines.
- The shares reserved for all share plans may not exceed 5 percent of a company's issued share capital, except in the case of high-growth companies or particularly well-designed plans, in which case a dilution of between 5 and 10 percent will be allowed: in this case, performance conditions must be attached to the plans which should be acceptable under the Voting Guidelines (challenging criteria).
- The plan(s) must be sufficiently long-term in nature/structure: the minimum vesting period must be no less than three years from date of grant.
- The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discounts.
- If applicable, performance standards must be fully disclosed, quantified and long-term, with relative performance measures preferred.

Demands for transparency and disclosure will be higher for larger remuneration schemes.

See Appendix for specific guidelines concerning:

- > Equity-based Compensation Guidelines in France: [appendix p. 24](#).

3.4.2 Remuneration to executive management

The board should explain how the company's remuneration policy contributes to the business strategy, long-term interests and sustainability of the company.

Remuneration plans for the executive director and the management should be assessed case-by-case.

Generally vote for the board's proposal regarding remuneration policy and its implementation unless:

- The company's statement on its remuneration policy is not clear and easily understandable;
- The overall remuneration to the executive management is excessive (relative to peers, company performance, and market practices);
- The remuneration structure, including the balance between fixed salary and variable remuneration, places too much focus on short-term growth. Long-term variable remuneration should comprise the main part of the variable remuneration. Short-term variable remuneration may not place the company's long-term development at risk;
- Consider that the maximum ratio between variable and fixed remuneration for identified staff in financial institutions shall, in specific situations that require the shareholders approval, not exceed 2:1;
- Variable remuneration is not linked to predetermined and measurable performance criteria aimed at promoting the company's performance over the long term and sustainable value creation;
- A maximum award limit is lacking in any short- or long-term remuneration program. Consider that the award levels for the different components of variable pay should have an upper limit, and that the quantum is reasonable when compared to the company's peers and long-term income generating capacity;
- Long-term share-based incentive programmes are not properly designed to increase alignment between the executive management and the company's shareholders;
- The vesting period or period from the commencement of an agreement to the date for acquisition of shares is deemed not relevant;
- The remuneration policy does not clarify in which situations severance pay would be allowed, and payment could be/or have been paid in the event of failure. Severance pay could be in excess of 24 months' pay or exceed any more restrictive provision pursuant to local legal requirements and/or market best practices;
- Information on remuneration-related proposals should be made available to shareholders in a timely manner.
- The level of disclosure of the proposed compensation policy and remuneration report shall be sufficient for shareholders to make an informed decision and shall be in line with local market best practice standards;
- Remuneration report disclosure is expected to include amongst others: amounts paid to executives, alignment between company performance and payout to executives, disclosure of variable incentive targets and according levels of achievement and performance awards made, after the relevant performance period (ex-post), and disclosure and explanation of use of any discretionary authority or derogation clause by the board or remuneration committee to adjust pay outcomes;
- Companies shall adequately disclose all elements of the compensation, including any short- or long-term compensation component must include a maximum award limit. Long-term incentive plans must provide sufficient disclosure of: 1) the exercise price/strike price (options); 2) discount on grant; 3) grant date/period; 4)

exercise/vesting period; and, if applicable, 5) performance criteria. Discretionary payments, if applicable.

The compensation assessment follows the Global Principles on Executive and Director Compensation below, which take into account global corporate governance best practice and underlying market-specific policies in all markets:

- Provide shareholders with clear, comprehensive compensation disclosures.
- Maintain appropriate pay-for-performance alignment with emphasis on long-term shareholder value.
- Avoid arrangements that risk “pay for failure”.
- Maintain an independent of the company and effective compensation committee.
- Avoid inappropriate pay to non-executive directors.

Conduct an annual pay-for-performance analysis to measure the alignment between pay and performance over a sustained period. With respect to companies in the European Main Indices, this analysis considers the alignment of the company’s performance and size of the CEO’s total pay with its peer group, as well as the alignment between the trends of CEO pay and company performance over time.

See Appendix for specific guidelines concerning:

- > Remuneration to executive management in Nordic countries and Europe, excluding the UK & Ireland): [appendix p. 25](#).
- > Share Matching Plans in Norway and Sweden: [appendix p. 25](#).
- > Stock Option Plans – Adjustment for Dividend in Denmark, Finland, Norway and Sweden: [appendix p. 25](#).

3.4.3 Remuneration to non-executive directors

The overall remuneration to non-executive directors should be reflective of the company’s size and complexity. Further, the members’ expertise and the amount of time should also be taken into consideration. Remuneration should be reasonable and sufficient to attract non-executive directors.

Generally vote for proposals to award cash fees to non-executive directors.

Vote against where:

- Documents (including general meeting documents, annual report) provided prior to the General Meeting do not mention fees paid to non-executive directors; and/or
- Proposed amounts are excessive relative to other companies in the country or industry.

Vote for proposals to award cash fees to non-executive directors unless the amounts are excessive relative to other companies in the country or industry.

Vote for non-executive director compensation proposals that include both cash and share-based components on a case-by-case basis.

Vote against proposals that bundle remuneration for both non-executive and executive directors into a single resolution.

Vote against proposals that include share options for non-executive directors.

Vote against proposals to introduce retirement benefits for non-executive directors.

See Appendix for specific guidelines concerning:

- > Denmark, Finland, Norway and Sweden: [appendix p. 25](#).
- > Remuneration in the UK & Ireland: [appendix p. 26](#).

3.5 Other Corporate Governance Issues

3.5.1 Anti-takeover Mechanisms

Generally vote against all anti-takeover proposals unless they are structured in a way that give shareholders the ultimate decision on any proposal or offer.

See Appendix for specific guidelines concerning:

- > France, the Netherlands, Norway: [appendix p. 28](#).

3.5.2 Articles of association

Vote case-by-case on proposals related to articles of association.

Same classes of shares shall be freely transferable without restrictions by clauses in the articles of association.

3.5.3 Auditor Report Including Related Party Transactions

Review all auditor reports on related-party transactions and screen for and evaluate agreements with respect to the following issues:

- Director Remuneration
- Consulting Services
- Liability Coverage
- Certain Business Transactions.

In general, expect companies to provide the following with regard to related-party transactions:

- Adequate disclosure of terms under listed transactions (including individual details of any consulting, or other remuneration agreements with directors and for any asset sales and/or acquisitions);
- Sufficient justification on transactions that appear to be unrelated to operations and/or not in shareholders' best interests;
- Fairness opinion (if applicable in special business transactions); and
- Any other relevant information that may affect or impair shareholder value, rights, and/or judgment.

Vote against these proposals in the event that the company fails to provide an annual report in a timely manner, generally at least 21 days prior to the meeting.

See Appendix for specific guidelines concerning:

- > France, UK & Ireland: [appendix p. 29](#).

3.5.4 Authority to Reduce Minimum Notice Period for Calling a Meeting

The notice period for calling GMs should be 21 days, or at least 14 days for an EGM if the company clearly states that the shorter notice period would not be used as a matter of routine for such meetings, but only when the flexibility is merited by the business of the meeting.

3.5.5 Mandatory Takeover Bid Waivers

Vote on proposals to waive mandatory takeover bid requirements on a case-by-case basis.

See Appendix for specific guidelines concerning:

- > UK & Ireland: [appendix p. 29](#).

3.5.6 Mergers and Acquisitions, Takeover bids and reincorporation proposals

Vote case-by-case on mergers and acquisitions. For every M&A analysis, generally review publicly available information as of the date of the report and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including valuation, market reaction, strategic rationale, conflicts of interest, equal treatment of shareholders and governance.

Vote against if the companies do not provide sufficient information upon request to make an informed voting decision.

See Appendix for specific guidelines concerning:

- > Sweden: [appendix p. 29](#).

3.5.7 Other Governance issues

Governance issues not covered by these guidelines are to be decided case-by-case.

3.5.8 Related-Party Transactions

When evaluating resolutions that seek shareholder approval on related-party transactions (RPTs), vote on a case-by-case basis considering factors including, but not limited to, the following:

- The parties on either side of the transaction;
- The nature of the asset to be transferred/service to be provided;
- The pricing of the transaction (and any associated professional valuation);
- The views of independent directors (where provided),
- The views of an independent financial adviser (where appointed);
- Whether any entities party to the transaction (including advisers) are conflicted; and
- The stated rationale for the transaction, including discussions of timing.

If a transaction is deemed problematic but was not put to a shareholder vote, it is recommended to vote against the election of the director involved in the related-party transaction or the full board.

3.5.9 Reorganisations/Restructurings

Vote on reorganisations and restructurings case-by-case.

3.5.10 Shareholder Proposals

Vote on all shareholder proposals case-by-case.

Vote for proposals that would improve the company's corporate governance or business profile at a reasonable cost.

Vote against proposals that limit the company's business activities or capabilities or result in significant costs being incurred with little or no benefit.

3.5.11 Virtual Meetings

Generally vote for proposals allowing for the convening of hybrid shareholder meetings if it is clear that the intention is not to hold virtual-only GMs.

3.6 Environmental and Social Issues

Issues covered by the Voting Policy include a wide range of environmental and social topics, including consumer and product safety, environment and energy, labour standards and human rights, workplace and board diversity, and corporate political issues. While a variety of issues goes into each analysis, the overall principle guiding all vote recommendations is how the proposal may enhance or protect shareholder value in either the short term or long term.

Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors should be considered:

- Whether the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
- Whether the company has already responded in an appropriate and sufficient manner to the issues raised in the proposal;
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;
- Whether the issue at hand is at a level of materiality sufficient to warrant action from the shareholders;
- The company's approach compared with any industry standard practices for addressing the issues raised by the proposal;
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
- If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and
- If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

Below are some specific environmental and social issues, together with examples of how proposals related to those issues will be approached.

3.6.1 Environmental issues

Environmental issues poses both risks and opportunities for companies. The following chapters outlines expectation on companies to disclose various environmental and climate-related metrics.

Apart from data disclosure, companies are expected to have appropriate governance structures to identify and mitigate climate-change related to the risks and opportunities their industry is facing. Several of the items below outlines expectations on companies' risk management and strategic planning, including target-setting, on environmental- and climate-related issues.

The guidelines below contain references to various reporting-, target-, and governance frameworks that serve as examples of well-established principles that companies can use for their disclosure and governance.

3.6.1.1 Emissions

3.6.1.1.1 Carbon emissions

Companies should set and Publish Targets for Greenhouse Gas Emissions Aligned with the Goal of the Paris Climate Agreement¹, if relevant. If the company has not published targets for

¹ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

greenhouse gas emissions (broken down by scope 1, 2 and 3 carbon emissions) or if these are considered to be insufficiently ambitious, a proposal to set and publish such targets is likely to be supported if the proposal is seen as reasonable in its scope and not detrimental to shareholder value.

Companies should communicate its efforts to mitigate and combat climate change and its governance over such issues, if relevant. Companies may use frameworks such as the Task-Force on Climate-related Financial Disclosures (TCFD) to outline their strategy and governance of climate related topics. Failure to do so in a transparent and accessible manner is likely to lead to the support of proposals requiring better disclosure.

3.6.1.1.2 Carbon footprint

Companies should have a clear reporting framework an estimation of the company's carbon footprint. Energy consumption and energy intensity should be reported including the types of energy sources and the share of renewables. This should primarily be done through major and widely adopted frameworks such as i.a. the CDP² or the Greenhouse Gas Protocol³. Available research, if appropriate, will be considered when evaluating the need for more extensive reporting. Companies should have an emissions reduction target as well as information about multi-year greenhouse gas emissions development. Plans for reductions should be informed by the needs for global emissions reductions in the Paris climate targets. Companies may use Science-Based Targets to demonstrate that their goals are consistent with the goal set out in the Paris accord.

3.6.1.1.3 Weighted average carbon intensity

Companies should have a clear reporting framework for its weighted average carbon intensity, if relevant. This should primarily be done through major and widely adopted frameworks. Available research, if appropriate, will be considered when evaluating the need for more extensive reporting.

3.6.1.1.4 Solid fossil fuel sector exposure

Proposals concerning Stranded Carbon Asset Risks should be evaluated with the Paris targets and framework as one of potentially several points of reference. Companies with large investments in carbon-based energy sources should have a clear risk-assessment framework and clearly disclose that framework. A lack of clear reporting on this issue will likely lead a proposal to increase reporting or to produce a new stand-alone report to be supported.

3.6.1.2 Energy

3.6.1.2.1 Total energy consumption from non-renewable sources and share of non-renewable energy consumption

Companies should have a clear reporting framework for its energy consumption and intensity should be reported including the total energy consumption from non-renewable sources and share of non-renewable energy consumption. This should primarily be done through major and widely adopted frameworks. Available research, if appropriate, will be considered when evaluating the need for more extensive reporting. If relevant and appropriate, companies should seek to switch from using fossil fuels to renewable energy sources. Plans for reductions should be informed by the needs for global emissions reductions in the Paris climate targets.

3.6.1.2.2 Breakdown of energy consumption by type of non-renewable sources of energy

Companies should have a clear reporting framework for its breakdown of energy consumption by type of non-renewable sources of energy. This should primarily be done through major and widely adopted frameworks. Available research, if appropriate, will be considered when

² <https://www.cdp.net/en>

³ <https://ghgprotocol.org/corporate-standard>

evaluating the need for more extensive reporting. Plans for reductions should be informed by the needs for global emissions reductions in the Paris climate targets.

3.6.1.2.3 Energy consumption intensity

Companies should have a clear reporting framework for its energy consumption and energy intensity. This should primarily be done through major and widely adopted frameworks. Available research, if appropriate, will be considered when evaluating the need for more extensive reporting. Plans for reductions should be informed by the needs for global emissions reductions in the Paris climate targets.

3.6.1.3 Biodiversity

3.6.1.3.1 Biodiversity and ecosystem preservation practices

Company reporting is expected to cover all relevant topics within biodiversity and ecosystem preservation practices and be in line with market practice, as well as with legal requirements, and sufficient to provide investors and other stakeholders with adequate information. This includes information report on biodiversity and ecosystem preservation policies and progress. Companies are expected to follow guidelines and expectations as set out in frameworks such as the UN Convention on Biological Diversity and the related Nagoya Protocol and Cartagena Protocol. If this is not the case, a proposal that demands further disclosure may be supported.

3.6.1.3.2 Natural species and protected areas

Company reporting is expected to cover all relevant topics within natural species and protected areas and be in line with market practice, as well as with legal requirements, and sufficient to provide investors and other stakeholders with adequate information. This includes information on operations that affect IUCN Red List⁴ species and/or national conservation list species. It also includes information on operations on cultural and natural sites on the UNESCO World Heritage List, wetlands covered by the Ramsar convention, and areas that fall under categories I-IV of the International Union for Conservation of Nature. If this is not the case, a proposal that demands further disclosure may be supported.

3.6.1.3.3 Deforestation

Companies are expected to prevent deforestation and protect natural forests such as old growth forests, bogs, mangroves and rainforests, as described in the high conservation value (HCV) concept. If a company can be assumed to have a supply chain that affects deforestation and similar fields, and if no fully appropriate policy or report is already published, a proposal requesting a Deforestation Impact Report may be supported.

3.6.1.4 Water

3.6.1.4.1 Water emissions

Companies are expected to provide reporting of water emissions in line with best practice in this field. The Corporate Water Disclosure Guidelines⁵ from the CEO Water Mandate is seen as a market norm and reporting according to these guidelines or an adequate substitute is expected. If the company's reporting is not deemed to be in line with demands a proposal requesting further disclosure may be supported.

3.6.1.4.2 Exposure to areas of high water stress

Companies are expected to provide reporting of exposure to areas of high water stress in line with best practice in this field. The Corporate Water Disclosure Guidelines from the CEO Water

⁴ <https://www.iucnredlist.org/>

⁵ <https://ceowatermandate.org/files/Disclosure2014.pdf>

Mandate is seen as a market norm and reporting according to these guidelines or an adequate substitute is expected. Specifically, companies should report on activities in areas with high water stress levels. If the company's reporting is not deemed to be in line with demands a proposal requesting further disclosure may be supported.

3.6.1.4.3 Untreated discharged waste water

Companies are expected to provide reporting on untreated discharged waste water in line with best practice in this field. The Corporate Water Disclosure Guidelines from the CEO Water Mandate is seen as a market norm and reporting according to these guidelines or an adequate substitute is expected. If the company's reporting is not deemed to be in line with demands a proposal requesting further disclosure may be supported.

3.6.1.5 Waste

3.6.1.5.1 Hazardous waste ratio

Information regarding hazardous waste ratios should be included in the current Waste Management Report or otherwise clearly reported by the company. If not, a proposal for the inclusion of these metrics may be supported. Companies are expected to not be laggards in relationship to peers in this area and to include data on gross waste per category. Proposals to improve reporting may be supported if sufficient reporting is not already in place.

3.6.1.5.2 Non-recycled waste ratio

Information regarding non-recycled waste ratios should be included in the current Waste Management Report or otherwise clearly reported by the company. If not, Danske Bank will consider supporting proposal which require inclusion of these metrics. Companies are expected to not be laggards in relationship to peers in this area and to include data on gross waste per category. Proposals to improve reporting may be supported if sufficient reporting is not already in place.

3.6.2 Social matters

Companies can enhance labor productivity and employee engagement by taking a long-term approach to managing workers in areas such as compensation and workers' rights. In addition to mitigating risks, improvements in labor productivity can help strengthen a company's reputation and reduce its cost of capital.

Companies can benefit from ensuring that their company culture and hiring and promotion practices embrace the building of a diverse workforce at management- and junior-level positions for improved decision making and better assisting various customer segments in a diverse population. Furthermore, such companies may benefit from decreased legal and regulatory risks, as well as improved reputational value.

Separately, companies need to pay attention to risks of forced labour in their own operations and supply chains to avoid regulatory sanctions and negative reputational effects. The guidelines below contain references to various reporting-, target-, and governance frameworks that serve as examples of well-established principles that companies can use for their disclosure and governance.

3.6.2.1 Social and employee matters

3.6.2.1.1 Implementation of fundamental ILO Conventions

Company policy and practice is expected to be in line with best practice in the market, as well as aligned with international conventions such as the ILO Conventions⁶ on social and labour issues including basic human rights, minimum wages, industrial relations, employment policy, social dialogue, social security and other issues. It includes expectations on companies to ensure a safe working condition, e.g. maximum set of working hours, and also covers the ensurance of equal treatment and working conditions for all employees, including migrant workers. If either of the two conditions is not fulfilled a vote for demanding enhanced policies will be strongly considered.

3.6.2.1.2 Gender pay gap

Company reporting should at least be in line with best practice in the market and gender pay equity is expected. Unadjusted Gender Pay Gap (in line with definition in UK legislation⁷) is seen as a positive complementary data point to the pay equity reporting. If overall reporting is not seen as sufficient the proposal may be supported. Demands for reports on Gender and Racial (US terminology) pay gap is made more complicated by the fact that categories of underrepresented minorities differ from country to country and such reporting therefore likely would be of little value. Still, if overall reporting is deemed clearly insufficient the proposal may still be supported.

3.6.2.1.3 Excessive CEO pay ratio

If either CEO pay in absolute terms or the CEO pay ratio is deemed to be excessive this will be a factor that will be considered before approving the company's remuneration report. Other factors to consider include the alignment of the company's performance and size of the CEO's total pay with its peer group, as well as the alignment between the trends of CEO pay and company performance over time. The CEO pay ratio will primarily be evaluated as a function of the absolute levels of executive pay, since an actual CEO pay ratio is not reported in most markets

3.6.2.1.4 Board gender diversity

Election of Directors

If both genders are not represented on the Board of Directors, it is likely to lead to a vote against the proposed Board of Directors at the General Meeting. Board gender diversity should be clearly reported.

Proposal to increase underrepresented gender representation on the Board of Directors

If both genders are not represented on the Board of Directors, it is likely to that a proposal to address this issue will be supported. If representation is low-to-moderate, the proposal may be supported if the company does not provide guidance for a path to more equal representation.

3.6.2.1.5 Insufficient whistle-blower protection

Companies are expected to have adequate whistle-blower protection policies. If that is not the case, or if there is reason to believe that these policies do not function as intended, proposals to strengthen these policies are likely to be supported.

3.6.2.1.6 Investment in investee companies without workplace accident prevention policies

Companies are expected to have adequate workplace accident prevention policies. If that is not the case, or if there is reason to believe that these policies do not function as intended, proposals to strengthen these policies may be supported.

⁶ <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm#:~:text=The%20ILO%20Governing%20Body%20has,forced%20or%20compulsory%20labour%3B%20the>

⁷ <https://www.gov.uk/guidance/gender-pay-gap-reporting-overview>

3.6.2.2 Human rights

3.6.2.2.1 Human rights policy

Companies are expected to have a full-spectrum Human rights policy, based on the Universal Declaration of Human Rights⁸, the ILO Declaration of Fundamental Principles of Rights at Work⁹, and The UN Guiding Principles on Business and Human Rights as referred to in the Danske Bank Position statement on Human rights¹⁰. If this is not the case, or if there is reason to believe that the policy does not function as intended, proposals to strengthen the policy is likely to be supported.

3.6.2.2.2 Human rights Due diligence

A company's Human rights policy is expected to contain a due diligence process to identify, prevent, mitigate and address adverse human rights impacts. If this is not the case, proposals to strengthen the policy may be supported.

3.6.2.2.3 Processes and measures for preventing trafficking in human beings

Companies are expected to have an adequate anti-trafficking policy in place, either as a standalone policy or as a part of another larger policy document. The policy is expected to be total supply chain initiative and suppliers shall also be covered by the policy, in line with Danske Bank's Supplier Code of Conduct¹¹. If that is not the case, or if there is reason to believe that the policy does not function as intended, proposals to strengthen the policy may be supported.

3.6.2.2.4 Operations and suppliers at significant risk of incidents of child labour

Companies are expected to have an adequate anti-child labour policy in place, either as a standalone policy or as a part of another larger policy document. The policy is expected to be total supply chain initiative and suppliers shall also be covered by the policy, in line with Danske Bank's Supplier Code of Conduct. If that is not the case, or if there is reason to believe that the policy does not function as intended, proposals to strengthen the policy is likely to be supported.

3.6.2.2.5 Operations and suppliers at significant risk of incidents of forced or compulsory labour

Companies are expected to have an adequate anti-forced labour policy in place, either as a standalone policy or as a part of another larger policy document. The policy is expected to be total supply chain initiative and suppliers shall also be covered by the policy, in line with Danske Bank's Supplier Code of Conduct. Risks of forced-labour in supply-chains should be monitored and reported. If that is not the case, or if there is reason to believe that the policy does not function as intended, proposals to strengthen the policy is likely to be supported.

3.6.2.2.6 Number and nature of identified cases of severe human rights issues and incidents

Demands for reports on ongoing or historic human rights are expected to be taken seriously by the company and will be considered on a case-by-case basis. The number and nature of identified cases of severe human rights issues and incidents shall be disclosed and failure to do so is likely to lead to support for proposals to increase transparency.

3.6.2.2.7 Exposure to controversial weapons (land mines and cluster bombs)

Companies are expected to be transparent concerning any involvement with or exposure to controversial weapons, such as land mines and cluster bombs. All weapons prohibited by

⁸ <https://www.un.org/en/universal-declaration-human-rights/>

⁹ <https://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm>

¹⁰ <https://danskebank.com/-/media/danske-bank-com/file-cloud/2018/9/danske-bank-position-statement-human-rights.pdf>

¹¹ <https://danskebank.com/en-uk/suppliers/Guidelinesandmanuals/Documents/Danske%20Bank%20Supplier%20Code%20of%20Conduct%20June%202020%20ENG.pdf>

international law or deemed controversial due to its indiscriminate effects or disproportionate harm is connected to investment restrictions.

3.6.2.3 Anti-corruption and anti-bribery

3.6.2.3.1 Anti-corruption and anti-bribery policies

Companies are expected to have an adequate and well-disclosed policy framework and procedures that are consistent with the United Nations Convention against Corruption. If relevant, companies should have policies meeting international regulations standards including: the FCPA; the UK Bribery Act; the Sarbanes Oxley Act; OECD and UNCAC guidelines. PEMEX is furthermore a signatory to external anti-corruption standards, such as UN Global Compact and EITI Strong anti-corruption policies includes zero-tolerance position on corruption for all employees, subsidiaries and suppliers, appropriate whistleblower channels, Non-Retaliation Policy, and sanctions for individuals and entities not honouring the policy. Failure to live up to this demand is likely to lead to support for proposals to strengthen the policy.

3.6.2.3.2 Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery

Companies are expected to have full transparency in matters of breaches of standards of anti-corruption and anti-bribery as well as convictions/fines for violation of these standards. A lack of transparency is likely to lead to support for proposals to increase reporting and transparency.

3.6.2.3.3 Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws

Companies are expected to have full transparency in matters of breaches of standards of anti-corruption and anti-bribery as well as convictions/fines for violation of these standards. A lack of transparency is likely to lead to support for proposals to increase reporting and transparency.

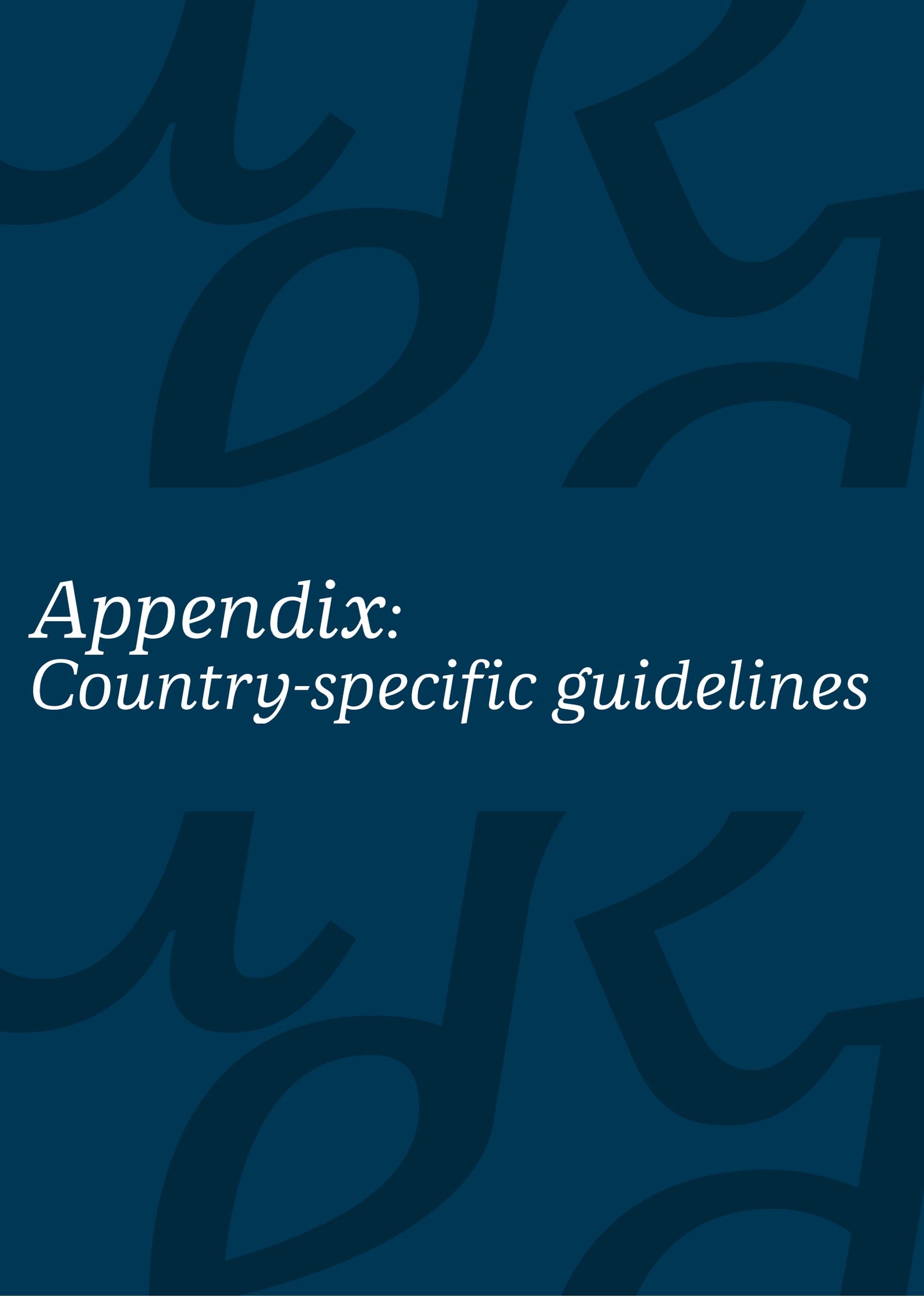
3.7 Appendix

The Voting Guidelines include Appendix with country-specific guidelines.

4. Review

Sustainable Investments team will, in cooperation with the relevant functions within Asset Management, evaluate adherence to the Voting Guidelines. Any differences in views or of material decisions related to the Voting Guideline can be addressed by the ESG Integration Council, which decides on the issue and can choose to report to the Sustainable Investment Committee.

The Sustainable Investment Committee and the ESG Integration Council will receive an annual update on the implementation of the Voting Guidelines.



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Country-specific guidelines*

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A.1 Operational Voting Decisions

Appointment of Audit Commission Members (Russia)

In Russia, vote for the election of the audit commission members where the number of nominees is equal to the number of seats on the audit commission unless:

- Adequate disclosure, including the nominees' names, has not been provided in a timely manner;
- There are serious concerns about the work and/or the composition of the audit commission;
- There are serious concerns about the statutory reports presented or the audit procedures used; and/or
- There are serious concerns over questionable finances or restatements.

Where the number of nominees exceeds the number of seats on the audit commission, vote case-by-case considering the following factors:

- Nominees' independence and potential conflicts of interest
- Nominees' qualifications, experience and past track record
- Current composition of audit commission

Appointment of External Auditors and Auditor-related Fees (Denmark, Finland, Norway, Sweden)

The [statutory/external] auditors of a listed company in all four major Nordic countries are appointed by the GM to audit the company's annual accounts. In Finland and Sweden, they also have the duty to review the Board's and the CEO's management of the company. Auditors of Nordic companies are obliged to report to the shareholders. Their work should not be influenced by the board or the executive management.

The Swedish Code recommends that a nomination committee proposes a statutory auditor and the statutory auditor's fees. The GM decides the auditor's fees in Finland, Norway and Sweden. The Danish Code recommends that the auditor's fees should be agreed between the Board of Directors and the auditor.

Early Termination of Powers of the Audit Commission (Russia)

Vote for the early termination of powers of the audit commission unless there are any concerns with this proposal.

A.2 Board of Directors

Board Independence (Denmark, Finland, Norway, Sweden, UK)

Independence is determined according to the European Classification of Directors for non-Nordic listed companies. For Nordic listed companies, independence is determined according to local Corporate Governance Codes. If a nominee cannot be categorised, that person will be considered non-independent and not included in the calculation.

Denmark

In **Denmark**, to be considered independent, a director may not (extract from the Danish Code):

- be or within the past five years have been a member of the executive board or senior staff member in the company, a subsidiary or an associated company;
- within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the Board of Directors, represent or be associated with a controlling shareholder;
- within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company;
- be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting;
- be part of the executive management in a company with cross-management representation in the company; or
- have been a member of the Board of Directors for more than 12 years, or be a close relative of persons who are not considered independent.

Even if a member of the Board of Directors is not covered by the above criteria, certain conditions may exist that will lead the Board of Directors to decide that one or more members cannot be regarded as independent.

If the Board of Directors determines that several members of the Board of Directors are associated with shareholders with significant influence, the Board of Directors should consider whether its composition is satisfactory in relation to independence. The Danish code states that it is the opinion of the Danish Committee that an indication of significant influence is when a shareholder holds more than 20 percent of the voting rights.

Finland

In **Finland**, the Code states that the board of directors shall evaluate the independence of the directors and report which directors are independent of the company and which are independent of significant shareholders. The board of directors shall re-evaluate the situation every year, and the evaluation shall be included in the company's Corporate Governance Statement. The evaluation must also indicate the rationale based on which a board member is found not to be independent (e.g. cross-ownership or familial relationship). An updated evaluation shall be published on the company's website if factors affecting the independence of a director change during the year.

In **Finland**, to be considered independent in relation to the company, a director may not (extract from the Finnish Code):

- have an employment relationship or service contract with the company;
- have had an employment relationship or service contract with the company in the last three years and such employment relationship or service contract has not been temporary;
- receive, or have received during the past year, not insignificant remuneration for services not connected to the duties of a director, e.g. consulting assignments, from the company or members of the company's operative management;
- belong to the operative management of another corporation which has or has had during the past year a customer, supplier or cooperation relationship with the company, and such relationship is or has been significant to the other corporation;
- be, or have been in the past three years, the auditor of the company, a partner or an employee of the present auditor, or a partner or an employee in an audit firm that has been the company's auditor in the past three years; or
- belong to the operative management of another company whose director is a member of the operative management of the company (interlocking control relationship).

In **Finland**, to be considered independent in relation to major shareholders, a director may not:

- be a significant shareholder, which is a shareholder who holds at least 10 percent of all company shares or the votes carried by all the shares, or who has the right or obligation to acquire the corresponding number of already issued shares;
- be a significant shareholder of the company or a director of a significant shareholder, or have a relationship such as referred to in the sub-sections above with a significant shareholder; or
- exercise direct or indirect control in a significant shareholder or is a director of a significant shareholder, or the director has a relationship, such as referred to above, with a party who exercises direct or indirect control in a significant shareholder.

In addition to the above-mentioned criteria in relation to the company and in relation to major shareholders, the Board of Directors may, based on an overall evaluation, determine that a director is not independent of the company or a significant shareholder. The following factors, inter alia, shall be taken into account when conducting the overall evaluation of independence:

- the director participates in the same performance-related or share-based remuneration scheme as the operative management of the company, which may be of substantial financial significance to the director;
- the director has served as a director for more than 10 consecutive years;
- a member of the director's family or a private or legal person closely related to the director is subject to circumstances such as described in this recommendation; or
- the company is aware of other factors that may compromise the independence of the director and the director's ability to represent all shareholders.

Norway

In **Norway**, to be considered independent, a director may not (extract from the Norwegian Code):

- have been employed by the company (or group where appropriate) in a senior position at any time in the last five years;
- receive any remuneration from the company other than the regular fee as a board member (does not apply to payments from a company pension);
- have, or represent, business relationships with the company;
- be entitled to any fees as a board member that are dependent on the company's performance or to any share options; or
- have any cross-relationships with executive personnel, other members of the Board of Directors or other shareholder-elected representatives, and has not at any time in the last three years been a partner or employee of the accounting firm that currently audits the company.

The criteria listed above may also be relevant for determining whether a member of the Board of Directors is independent of the company's main shareholder(s). Such an evaluation should then be carried out on the basis of the board member's relationship with the main shareholder(s), not the company.

The rationale for placing such emphasis on the independence of the Board of Directors is to ensure that the interests of shareholders in general are properly represented. Where a company's ownership is widely held, the independence of the board is principally intended to ensure that the executive personnel do not play too dominant a role relative to the interests of shareholders. Where a company has controlling shareholders, the independence of the board is principally intended to protect minority shareholders.

Sweden

In **Sweden**, a director's independence is determined by a general assessment of all factors that may give cause to question the individual's independence and integrity with regard to the

company or its executive management. Factors that should be considered include (extract from the Swedish Code):

- whether the individual is the chief executive officer or has been the chief executive officer of the company or a closely related company within the last five years;
- whether the individual is employed or has been employed by the company or a closely related company within the last three years;
- whether the individual receives a not insignificant remuneration for advice or other services beyond the remit of the board position from the company, a closely related company or a person in the executive management of the company;
- whether the individual has or has within the last year had a significant business relationship or other significant financial dealings with the company or a closely related company as a client, supplier or partner, either individually or as a member of the executive management, a member of the board or a major shareholder in a company with such a business relationship with the company¹;
- whether the individual is or has within the last three years been a partner at, or has as an employee participated in an audit of the company conducted by the company's or a closely related company's current or then auditor;
- whether the individual is a member of the executive management of another company if a member of the board of that company is a member of the executive management of the company;
- whether the individual has a close family relationship with a person in the executive management or with another person named in the points above if that person's direct or indirect business with the company is of such magnitude or significance as to justify the opinion that the board member is not to be regarded as independent.

In **Sweden**, a closely related company is defined in this context as another company which is directly or indirectly a subsidiary or associate ² of the company.

In order to determine a board member's independence and integrity, the extent of the member's direct and indirect relationships with major shareholders is to be taken into consideration. A member of the board who is employed by or is a board member of a company that is a major shareholder, is not to be regarded as independent.

In this context, a major shareholder is defined as controlling, directly or indirectly, at least ten percent of the shares or votes in the company. If a company owns more than 50 percent of the shares, ownership interest or votes in another company, the former is regarded as having indirect control of the latter company's ownership in other companies.

UK

In the **UK**, the board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director (extract from the UK Code):

- is or has been an employee of the company or group within the last five years;
- has, or has had within the last three years, a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;
- has close family ties to any of the company's advisers, directors or senior employees;

¹ This point is not to be regarded as applicable to a normal business relationship, such as a customer of a bank.

² An associated company is a company over which the company has a significant influence. The Swedish Corporate Governance Code states that such influence is normally held if a party has a shareholding of at least 20% of the votes in the company.

- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies,
- represents a significant shareholder; or
- has served on the board for more than nine years from the date of their first appointment.

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided. At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent.

The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary.

For companies in the FTSE 350, in line with the Code, at least half the board excluding the chair should comprise non-executive directors determined by the board to be independent. The audit committee should comprise at least three non-executive directors, and all members should be independent. The company chair should not be a member of the audit committee. The remuneration committee should also comprise at least three non-executive directors and again, all members should be independent. In addition, the company chair may also be a member of, but not chair the remuneration committee if he or she was considered independent on appointment as chairperson. A majority of the nomination committee should be independent non-executive directors.

For companies in the FTSE All Share below the FTSE 350, the board should establish audit and remuneration committees with at least two members on each committee, all of whom should be independent non-executive directors. The company chairperson may be a member of, but not chair, of either committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chair. A majority of the nomination committee should be independent non-executive directors. A director is classified as either an executive director or a non-executive director. Non-executive directors may be considered either independent or non-independent; an executive director is always considered to be non-independent.

The Chairperson may be either a non-executive or an executive, although the designation of an executive chairman could be interpreted negatively by investors as evidence of one individual combining leading the board with bearing some executive responsibility for the company's operations.

Classification of Directors - European Policy

Executive Director

- Employee or executive of the company
- Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.

Non-Independent Non-Executive Director (NED)

- Any director who is attested by the board to be a non-independent NED
- Any director specifically designated as a representative of a significant shareholder of the company
- Any director who is also an employee or executive of a significant shareholder of the company,

- Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material¹ connection with the dissident, either currently or historically,
- Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances)
- Government representative
- Currently provides (or a relative² provides) professional services³ to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year
- Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test⁴)
- Any director who has cross-directorships with executive directors or those in comparable roles
- Relative of a current or former executive of the company or its affiliates
- A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder)
- Founder/co-founder/member of founding family but not currently an employee
- Former executive (five-year cooling off period)
- Excessive years of service from date of first appointment, as determined by the EC Recommendation 2005/162/EC, local corporate governance codes⁵, or local best practice, is generally a determining factor in evaluating director independence
- Any additional relationship or principle considered to compromise independence⁶ under local corporate governance best practice guidance.

¹ For purposes of Danske Bank's director independence classification, "material" will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

² "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

³ Professional services can be characterised as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship

⁴ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organisation with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organisation with which the director is associated; or

A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.

⁵ For example, the EC recommendation 2005/162/EC's definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by Danske Bank's European policy, Danske Bank will follow the EC recommendations and apply stricter tenure limits where recommended by local corporate governance codes or established practice.

⁶ For purposes of Danske Bank's director independence classification, "material" will be defined as a standard of relationship financial, personal or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

Independent NED

- Not classified as non-independent (see above)
- No material connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

Classification of Directors – Russian Policy

Executive Director

- Employee or executive of the company
- Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.

Non-Independent Non-Executive Director (NED)

- Any director who is attested by both the board and nominating shareholders to be a non-independent NED. In case the shareholders' classification is not disclosed, any director, who is attested by the board to be a non-independent NED;
- Any director specifically designated as a representative of or who is considered related to a significant shareholder¹ of the company
- Any director who is also an employee or executive of a significant shareholder of the company
- Any director who is nominated by a significant shareholder, unless there is a clear lack of material² connection with the shareholder, either currently or historically
- Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances)
- Government representative
- Currently provides (or a relative³ provides) professional services⁴ to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year
- Any director who has conflicting or cross-directorships with executive directors or the chairman of the company
- Relative of a current or former executive of the company or its affiliates

¹ In Russia, a significant shareholder is defined as a shareholder controlling directly or indirectly 5 percent or more of the voting rights.

² For purposes of Danske Bank's' director independence classification, "material" will be defined as a standard of relationship financial, personal or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

³ "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

⁴ Professional services can be characterised as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relation

- A new appointee elected other than by a formal process through the General Meeting (such as contractual appointment by a substantial shareholder)
- Represents customer, supplier, creditor, banker, or other entity with which company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test⁵)
- Founder/co-founder/member of founding family but not currently an employee
- Former executive (five-year cooling off period)
- Excessive years of service from date of first appointment, as determined by local corporate governance codes⁶, or local best practice, is generally a determining factor in evaluating director independence
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- No material⁷ connection, either directly or indirectly, to the company (other than the board seat) or to a significant shareholder.
- In case of discrepancies between the classifications of a director provided by the board of directors of the company and by the nominating shareholders, a case-by-case analysis of independence is made based on publicly available evidence.

Definition of Widely-held companies (Denmark, Finland, Norway, Sweden)

A widely held company or a publicly listed/ traded company is a company that has issued securities/ shares through an initial public offering (IPO) in the primary market, has a mandated statutory basic paid up capital, and is traded on at least one stock exchange or in the over the counter (OTC) market. For Sweden, Norway, Denmark, Finland, this is based on membership on a local market index and/or MSCI EAFE companies.

A company is considered to be controlled for the purposes of the above-mentioned voting policies if a shareholder, or multiple shareholders acting in concert, control a majority of the company's equity capital (i.e. 50 percent + one share) or votes. If a company is majority-controlled by virtue of a shareholder structure in which shareholders' voting rights do not accrue in accordance with their equity capital commitment (e.g. unequal or multi-class share structures), the company will not be classified as controlled unless the majority shareholder/majority shareholding group also holds a majority of the company's equity capital.

For non-controlled companies

⁵ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organisation with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organisation with which the director is associated, or

A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organisation with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent, or

A business relationship may be material if it is considered that it may be of significance the director.

⁶ For example, the definition of independence in the Russian Corporate Governance Code (2014) provides that in order to remain independent, a non-executive director shall have served on the board of directors (supervisory board) for no more than seven years.

⁷ For purposes of Danske Bank's director independence classification, "material" will be defined as a standard of relationship financial, personal or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

Generally vote against the election or re-election of any non-independent directors (excluding the CEO) if:

- Fewer than 50 percent of the board members elected by shareholders – excluding, where relevant, employee shareholder representatives – would be independent; or
- Less than one third of all board members would be independent.

Greece and Portugal are excluded from the above-mentioned Provision (1.).

For controlled companies

Generally vote against the election or re-election of any non-independent directors (excluding the CEO) if less than one third of the board members are independent.

Definition of Non-widely held companies (Denmark, Finland, Norway, Sweden)

In **Denmark**, it is recommended by the Committee that at least half of the members of the Board of Directors elected by the general meeting be independent persons, in order for the Board of Directors to be able to act independently of special interests.

Independence means that the person in question does not have close ties to or represents the executive board, the Chairman of the Board of Directors, controlling shareholders, or the company.

If the Board of Directors determines that several members of the Board of Directors are associated with shareholders with significant influence, the Board of Directors should consider whether its composition is satisfactory in relation to independence. An indication of significant influence, according to the Committee, is when a shareholder holds more than 20 percent of the voting rights.

In **Denmark**, employee representatives are not independent. The Committee recommends that the members of the Board of Directors set up among its members an audit committee and that a chairperson is appointed who is not the chair of the board.

In **Finland**, the Board of Directors should evaluate the independence of the directors. The majority of the directors shall be independent of the company. At least two directors who are independent of the company shall also be independent of the significant shareholders of the company.

In **Norway**, the majority of the members elected to the Board of Directors by shareholders should be independent of the company's executive personnel and its main business contacts. The company's main shareholder or shareholders may serve on the Board of Directors, but at least two of its members should be independent of the company's main shareholder or shareholders.

Where a company has a corporate assembly, the members of the Board of Directors are elected by the corporate assembly. If, by agreement with its employees, a company with more than 200 employees does not have a corporate assembly, certain of the duties of the corporate assembly are transferred to the Board of Directors, including the election of the chair of the board. Where a company does not have a corporate assembly, employees have the right to elect members of the Board of Directors if the company has more than 30 employees (if a company has more than 200 employees but has not elected a corporate assembly, employees must be represented on the board).

In **Sweden**, a majority of the members of the board should be independent of the company and its executive management. Further, at least two of the members of the board who are independent of the company and its executive management are also to be independent in relation to the company's major shareholders. Major shareholders are defined as those controlling ten percent or more of the shares or votes in the company.

In order to determine a board member's independence and integrity, the extent of the member's direct and indirect relationships with major shareholders is to be taken into consideration. A member of the board who is employed by or is a board member of a company which is a major shareholder is not to be regarded as independent.

In this context, a major shareholder is defined as controlling, directly or indirectly, at least ten percent of the shares or votes in the company. If a company owns more than 50 percent of the shares, ownership interest or votes in another company, the former is regarded as having indirect control of the latter company's ownership in other companies.

The results of the nomination committee's deliberations are to be reported, ie, whether the nomination committee deems the candidate to be independent of the company and its executive management, as well as of major shareholders in the company. Where circumstances exist that may call this independence into question, the nomination committee has to justify its position regarding candidates' independence.

Gender Diversity (UK & Ireland)

If a company is a constituent of the FTSE 350 (excluding investment trusts) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review, Danske Bank will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis). Possible reasons for not voting against the chair of the nomination committee include compliance with the board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year.

Board Structure (Denmark, Finland, Norway, Sweden)

For **Norwegian** and **Danish** companies where shareholders vote at elections for members of the Corporate Assembly or Committee of Representatives, but not directly for the board of directors, the assessment should be made case-by-case.

Although currently uncommon, companies in **Denmark** and **Finland** are permitted to have a supervisory board, which in turn requires a two-tier system. In the **Finnish** Code, it is stated that **Finnish** listed companies as a rule use a one-tier system. **Sweden** has a one-tier system.

The board structure in the **Nordics** is often described as something between the structure used in Anglo-Saxon countries (one-tier system) and the system used in Continental **Europe** (two-tier system).

In **Norway**, large companies (more than 200 employees) must have a Corporate Assembly unless an agreement exists with the employees to abolish the Corporate Assembly. A Corporate Assembly does not have the same function as the Continental **European** supervisory board. The main duty is the election of the Board of Directors, but it also has duties in respect of supervision, issuing opinions and decision-making. A Corporate Assembly should consist of at least 12 members, of which 2/3 are elected by shareholders and 1/3 by the employees.

Even though the boards in listed **Nordic** companies mainly consist of non-executive directors, there are differences regarding executive managers' board membership. In **Denmark**, the CEO, and also other executive managers could be members of the board. In **Finland**, the CEO is allowed to be a member of the board. The **Swedish** Code recommends that no more than one member of the board may be a member of the executive management. In **Norway**, the CEO is not allowed to be a member of the board, and the **Norwegian** Code recommends that no other executive personnel should be members of the board.

Bundling of Proposals (several countries)

Vote against a bundled proposal if one or more items of significant governance importance raise serious concerns and the shareholders get no opportunity to vote on each item individually at the General Meeting.

Even though bundled proposals are not standard routine with regard to e.g. election of directors in most developed markets, it is a common practice for other proposals, such as resolutions regarding discharge from liability of the members of the Board of Directors and the CEO at many listed companies' General Meetings in **Finland** and **Sweden**. The practice of bundling proposals is also common in a number of other **European** countries, such as **Greece, Italy** and **Luxembourg**.

Bundling together proposals that could be presented as separate voting items is not considered good market practice in many countries, because bundled resolutions leave shareholders with an all-or-nothing choice. As director elections are one of the most important voting decisions that shareholders make, directors should be elected individually and where this is a market norm, deviations from that norm will lead to votes against the Board's re-election.

In **Norway**, shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election, according to the national corporate governance code. If each of the proposed candidates is judged to be qualified and appropriate for the position, the bundling of elections should not in itself lead to vote against the proposed candidates.

For **Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia**, vote against the election or re-election of any directors if individual director elections are an established market practice and the company proposes a single slate of directors. Bundled director elections in **Poland** may be supported for companies that go beyond market practice by disclosing the names of nominees in a timely manner.

Combined Chair/CEO (Denmark, Finland, Norway, Sweden)

The combined role of Chairperson and CEO does not exist in **Norway** and **Sweden**, as the combined role is not allowed. In **Denmark** and **Finland**, the combined role is found only in extraordinary situations. The combined role is more common in the United States and some other markets.

Committee of Representatives and Corporate Assembly Elections (Denmark, Norway)

For **Danish** and **Norwegian** companies, where shareholders vote at elections for members of the corporate assembly or committee of representatives, but not directly for the Board of Directors, vote case-by-case on corporate assembly and committee of representative elections based on the Board of Directors' compliance with Danske Bank's director election policy.

Composition of Committees (Nordic and non-Nordic countries)

For **widely-held companies**, generally vote against the (re)election of any non-independent members of the audit committee in **non-Nordic** markets if this would mean that:

- Fewer than 50 percent of the audit committee members, who are elected by shareholders in such capacity or another – excluding, where relevant, employee shareholder representatives – would be independent; or
- Less than one-third of all audit committee members would be independent.

For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.

For widely-held companies, generally vote against the (re)election of any non-independent members of the remuneration committee if:

- Fewer than 50 percent of the remuneration committee members, who are elected by shareholders in such capacity or another - excluding, where relevant, employee shareholder representatives - would be independent; or
- Fewer than one-third of all remuneration committee members would be independent.

For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.

For all companies

Generally, vote against the (re)election of executives who serve on the company's audit or remuneration committee. Danske Bank may vote against if disclosure is insufficient to determine whether an executive serves or will serve on a committee. If a company does not have an audit or a remuneration committee, Danske Bank may consider that the entire board fulfills the role of a committee. In such cases, Danske Bank may vote against the executives, including the CEO, up for election to the board. However, market practice and national code recommendations will also be considered.

For **non-Nordic** companies, generally vote against any non-independent non-executive director whose presence on the board, audit or remuneration committee renders the board or committee insufficiently independent, unless:

- The company discloses details of how the issue of concern will be resolved by the next AGM.

Non-independent non-executive directors serving on the nomination committee are assessed on a case-by-case basis.

Danske Bank will typically support the election and re-election of non-independent directors to the board if the overall board and committee composition is in line with the market-relevant code's requirements and they do not sit on the Audit or Remuneration committees.

Generally vote against the (re)election of executives who serve on the company's audit, remuneration or nomination committees in all **Nordic** countries, as codes and practices differ from e.g. Anglo-Saxon countries.

With reference to codes and practice in the **Nordic** area, vote for proposals to elect or appoint a shareholder-led nomination committee consisting mainly of non-board members.

Vote against (if no appropriate explanations are given) proposals in **Sweden** to elect or appoint such a nomination committee and the following conditions exist:

- A member of the executive management would be a member of the committee,
- More than one board member who is dependent on a single major shareholder would be on the committee
- The chair of the board would also be the chair of the committee. An exception is cases where the chair of the board is also a major owner and hence included in the nomination committee on that basis (also).

In cases where the principles for the establishment of the nominating committee, rather than the election of the committee itself, are being voted on, vote against the adoption of the principles if any of the above conditions are met for the current committee and there is no publicly available information indicating that this would no longer be the case for the new nomination committee.

In **Denmark**, it is recommended that the board establishes an audit committee and a remuneration committee. It is also recommended that a majority of a committee be independent. Further, it is recommended that the board establishes a nomination committee chaired by the Chairman of the board. There are no guidelines in terms of shareholder representation in the committee, as is the case in **Finland, Norway** and **Sweden**. In the **Danish Code**, it is recommended that the selection and nomination of candidates for the Board of Directors should be carried out through a thoroughly transparent process approved by the Board of Directors. It does not cover any alternatives.

In **Finland**, the Code states that the board may establish a nomination committee consisting of directors (as one option). If so, then the majority of such a nomination committee should be independent. The **Finnish Code** offers two alternative options in terms of nominations. The board may establish a nomination committee (a sub-committee, in this case, to the board, consisting of directors), or form a nomination board consisting of shareholders or representatives of shareholders. Both alternatives comply with the Code. The earlier model is the nomination committee consisting of directors who prepare a proposal, but since the last revision, there is a clear alternative to form a nomination board. In **Finland**, the Code states that a company shall establish an audit committee. The majority of the members must be independent of the company and at least one member should be independent of the company's significant shareholders. Further, it states that the board of directors may establish a remuneration committee and that the majority of the members of the committee shall be independent of the company.

The General Meeting's decision on the election of the Board of Directors is to be prepared by a nomination committee in **Sweden** and **Norway**.

In **Norway**, large companies are obliged by law to establish an audit committee, and it is recommended that other companies also should consider establishing an audit as well as a remuneration committee. The majority of the members of the audit committee should be independent. Further, membership of the remuneration committee should be restricted to members of the board who are independent of the company's executive personnel. The majority of the committee should be independent of the board of directors and the executive personnel. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election to the board. The nomination committee should not include the company's chief executive or any other executive personnel.

In **Sweden**, the nomination committee must have at least three members, one of whom shall be appointed committee chair. The majority of the members of the nomination committee should be independent of the company and its executive management. Neither the chief executive officer nor other members of the executive management are to be members of the nomination committee. At least one member of the nomination committee should be independent of the company's largest shareholder in terms of votes or any group of shareholders who act in concert in the governance of the company. Members of the Board of Directors may be members of the nomination committee but may not constitute a majority thereof. Neither the company chair nor any other member of the board may chair the nomination committee. If more than one member of the board is on the nomination committee, no more than one of these may be dependent on a major shareholder in the company. The chair of the board may chair the remuneration committee. The other shareholders' meeting-elected members of the committee should be independent of the company and its executive management. If the board considers it is more appropriate, the entire board may perform the remuneration committee's tasks, on condition that no board member who is also a member of the executive management participates in this work. Further, the Code states that if the board has established an audit committee, the majority of the committee's members are to be independent in relation to the company and its executive management. At least one of the members who is independent in relation to the company and its executive management has also to be independent in relation to the company's shareholders.

Board and committee composition (UK & Ireland)

Generally vote against any non-independent non-executive director whose presence on the board, audit or remuneration committee renders the board or committee insufficiently independent, unless:

- The company discloses details of how the issue of concern will be resolved by the next AGM.

Non-independent non-executive directors serving on the nomination committee are assessed on a case-by-case basis.

The re-election of a board chairperson who was not considered independent upon appointment (and who would not be considered independent on an ongoing basis) will be assessed on a case-by-case basis, taking into account the overall balance of the board and his/her committee responsibilities.

The election and re-election of non-independent directors to the board is normally supported if the overall board and committee composition is in line with the Code's requirements and they do not sit on the Audit or Remuneration committees.

For all companies in the FTSE All Share (excluding investment trusts), the independence of the company chair is assessed on appointment. Following his/her appointment, the chair is considered separately to the other directors. The chair may sit on certain board committees (as noted above) but a minimum level of representation of independent non-executives on the committees is expected.

If there is evidence of long-running, systemic issues around board and committee composition which the company seems unable or unwilling to address, the chair may receive a negative vote recommendation on his or her reappointment, given he or she retains overall responsibility for the board's corporate governance arrangements.

Controlling shareholders (UK & Ireland)

Following changes to the UK Listing Rules in 2014, which apply to companies with a controlling shareholder, the election or re-election of an independent director must now be approved by a normal ordinary resolution and separately approved by the minority shareholders. Both new applicants and existing listed companies must also have a written and legally binding relationship agreement with any controlling shareholder(s). Details of the relationship with the controlling shareholder should be disclosed to investors.

Regarding director's time, the UK Corporate Governance Code states that non-executive directors should have sufficient time to meet their board responsibilities. Further, it states that full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.

When applying this policy, the nature and scope of the various appointments and the companies concerned and whether any exceptional circumstances exist, will be considered. A stricter view may apply for directors who serve on the boards of complex companies, those in highly regulated sectors, or directors who chair a number of key committees.

Director Elections, Contested (Russia)

For contested elections of directors, Danske Bank will make its recommendation on a case-by-case basis, determining which directors are best suited to add value for shareholders.

The analysis will generally be based on, but not limited to, the following major decision factors:

- Company performance relative to its peers
- Strategy of the incumbents versus the dissidents/challengers

- Independence of directors/nominees
- Experience and skills of board candidates
- Governance profile of the company
- Evidence of management entrenchment
- Responsiveness to shareholders
- Whether a takeover offer has been rebuffed
- Whether minority or majority representation is being sought.

When analysing a contested election of directors, Danske Bank will generally focus on two central questions: 1) Is there proof that a board change is warranted and, 2) if so, are the recommended board nominees likely to effect positive change (i.e., maximise long-term shareholder value)

Regarding **Russia**, it is important to recognise that in the context of director elections by cumulative voting, shareholders do not vote against any nominee, but rather support some of the nominees. This is an important distinction, as in some cases shareholders may choose to support not all but rather a limited number of nominees. Further,

- Where the number of candidates is equal to the number of board seats, vote for all independent director nominees (per Danske Bank's classification of directors).
- Where the number of candidates exceeds the number of board seats, vote for all or a limited number of the independent director nominees (per Danske Bank's classification of directors) considering factors including, but not limited to, the following:
 - Past composition of the board, including proportion of independent directors vis-a-vis the size of the board,
 - Nominee(s) qualifications, knowledge, and experience,
 - Attendance record of the director nominees,
 - Company's free float.
- Where none of the director nominees can be classified as independent (per Danske Bank's Classification of Directors), Danske Bank will consider factors including, but not limited to, the following when deciding whether to recommend in favour of a candidate's (re)election:
 - A director nominee, while not classified as independent per Danske Bank's classification of directors, has been classified as independent per company's director classification criteria and/or any other directors classification criteria widely used in the market,
 - A director nominee possesses adequate qualifications, knowledge and experience,
 - There are no specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities.

Danske Bank may consider not supporting the election of an individual director in cases where:

- Adequate disclosure has not been provided in a timely manner;
- A director nominee has been involved in questionable transactions with conflicts of interest;
- A director nominee has breached fiduciary duties or engaged in willful misconduct or gross negligence in his/her capacity as a director that raises substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company;
- There are any records of abuses against minority shareholder interests;
- Material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company.

At companies on the main index, all nominees, if none of the proposed candidates can be classified as independent non-executive directors (per Danske Bank's Classification of Directors) may be recommended against.

Director Elections, Non-Contested (Nordics and Europe, excluding UK & Ireland)

Vote for management or shareholder-led nomination committees' nominees at the election of directors, unless:

- Adequate disclosure has not been provided in a timely manner;
- There are clear concerns over questionable finances or restatements;
- There have been questionable transactions with conflicts of interest;
- There are any records of abuses against minority shareholder interests;
- The board fails to meet minimum corporate governance standards;
- There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities, or
- Repeated absences at board meetings have not been explained (in countries where this information is disclosed).

Director Terms (Continental Europe)

Generally vote against the election or re-election of any director when his/her term is not disclosed or when it exceeds four years and adequate explanation for non-compliance has not been provided. In these markets, the maximum board terms are either recommended best practice or required by legislation. Under best practice recommendations, companies should shorten the terms for directors when the terms exceed the limits suggested by best practices. The policy will be applied to all companies in these markets, for bundled as well as unbundled items.

Vote against article amendment proposals to extend board terms. In cases where a company's articles provide for a shorter limit and where the company wishes to extend director terms from two or one to three years, for example, Danske Bank will recommend a vote against, based on the general principle that director accountability is maximised by elections with a short period of renewal.

In **Finland**, the entire Board of Directors should be elected annually at the annual general meeting.

In **Denmark**, the Committee recommends that members of the Board of Directors elected by the general meeting be up for election every year at the annual general meeting.

In **Norway**, vote against the election or re-election of any director when his/her term of office exceeds two years and adequate explanation for non-compliance has not been provided, according to recommendations from the **Norwegian** Code of Practice for Corporate Governance.

In **Sweden**, members of the board are to be appointed for a period extending no longer than to the end of the next annual general meeting.

Discharge of Directors (Denmark, Finland, Norway, Sweden)

Resolution by the GM on discharging the board and the executive management from liability used to be a tradition in all **Nordic** countries – at least to the extent that it refrains charge from liability of the board and the executive management. Nowadays it is only mandatory in **Finland** and **Sweden** and not commonly used in **Denmark** and **Norway**.

Disclosure of Names of Nominees (Nordics and Europe, excluding UK & Ireland)

Vote against the election or re-election of any and all director nominees when the names of the nominees are not available at the time the Danske Bank analysis is being written. This policy will be applied to all companies in these markets, for bundled and unbundled items.

Early Termination of Powers of Board of Directors (Russia)

Vote for the early termination of powers of the Board of Directors where such a proposal is supported by compelling justification.

Vote against proposals seeking to alter the composition of the board and resulting in the majority shareholder increasing its influence on the board.

Early Termination of Powers of General Director, CEO (Russia)

Vote for the early termination of powers of the general director where such a proposal is supported by compelling justification.

Vote against proposals to terminate the powers of the general director if such proposals are not supported by compelling rationale.

Election of a Former CEO as Chair of the Board (Austria, Germany, the Netherlands)

Generally vote against the election or re-election of a former CEO as Chair of the supervisory board or Board of Directors in **Austria** and the **Netherlands**.

In markets such as **Germany**, where the general meeting only elects the nominees and, subsequently, the new board's chair, generally vote against the election or re-election of a former CEO, unless the company has publicly confirmed prior to the general meeting that he will not proceed to become chair of the board.

Considerations should be given to any of the following exceptional circumstances on a case-by-case basis if:

- There are compelling justifications for electing or re-electing a former CEO as chair; or
- The former CEO is proposed to become the board's chair only on an interim or temporary basis; or
- The former CEO is proposed to be elected as the board's chair for the first time after a reasonable cooling-off period; or CEOs and Chairmen.

An adverse vote recommendation will not be applied to a director within a company where he/she serves as CEO; instead, any adverse vote recommendations will be applied to his/her additional seats on other company boards. For Chairs, negative recommendations would first be applied towards non-executive positions held, but the Chair position itself would be targeted where they are being elected as Chair for the first time or, when in aggregate their chair positions are three or more in number, or if the Chair holds an outside executive position. Take into account board positions held in global publicly listed companies outside the same group, defined as a group of companies in which a common parent company controls at least 50 percent + 1 share of equity capital, alone or in concert.

Executive directors or those in comparable roles within investment holding companies will generally be treated similar to non-executive directors when applying this policy.

Election of Censors (France)

For directors standing for (re)election at **French** companies, board appointments as censors in **French** publicly-listed companies will be taken into account. For widely held companies, generally vote against proposals seeking shareholder approval

- to elect a censor,
- to amend bylaws to authorise the appointment of censors, or
- to extend the maximum number of censors to the board.

However, vote case-by-case when the company provides assurance that the censor would serve on a short-term basis (maximum one year) with the intent to retain the nominee before his/her election as director. In this case, consideration shall also be given to the nominee's situation (notably overboarding or other factors of concern).

In consideration of the principle that censors should be appointed on a short-term basis, vote against any proposal to renew the term of a censor or to extend the statutory term of censors.

Election of General Director, CEO (Russia)

Generally vote for the election of the general director, unless there are significant concerns with the proposed candidate and/or compelling controversies with the election process exist.

One Board Seat per Director (Belgium, France, Luxembourg)

In cases where a director holds more than one seat on a single board along with the corresponding votes - manifested as one seat as a physical person plus an additional seat(s) as a representative of a legal entity - vote against the election/re-election of such legal entities and in favour of the physical person.

However, an exception is made if the representative of the legal entity holds the position of CEO. In such circumstances, vote in favour of the legal entity and against the election/re-election of the physical person. While such occurrences are rare, there have been cases where a board member may have multiple board seats and corresponding votes. Holding several board seats concurrently within one board increases this person's direct influence on board decisions and creates an inequality among board members. This situation has manifested in **Belgium, Luxembourg, and France**. This is not a good corporate governance practice, as it places disproportionate influence and control with one person.

Overboarded Directors (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, Switzerland, UK & Ireland).

Where directors in the **UK & Ireland** have multiple board appointments, a vote against directors who appear to hold an excessive number of board roles at publicly-listed companies, defined as follows, will be recommended:

- Any person who holds more than six mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.

In **Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland**, at widely-held companies, Danske Bank may vote against a candidate when the director holds an excessive number of board appointments, as defined by the following guidelines:

- Any person who holds more than six mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive director or those in comparable roles within investment holding companies when the company owns less than 10 percent of the company's capital or votes will generally be treated similarly to non-executive directors when applying this voting policy.
- Non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.

The Norwegian Code of Practice for Corporate Governance states in its commentary that each member of the board must have sufficient time available to devote to his or her appointment as a director. The commitment involved in being a member of a board can vary from company to company, and it is therefore not appropriate to set an absolute limit for the number of board appointments an individual should hold.

The Swedish Corporate Governance Code states that each director is responsible for committing the time required to carry out the work of the board in the context of the directors' other assignments and commitments.

In cases where a Director or Employee of Danske Bank A/S or one of its subsidiaries is considered overboarded, voting is abstained due to the potential conflict of interests. Danske Bank's Conflict of Interest Policy includes examples that may arise and principles for identifying and managing conflicts of interest.

The tasks of directors (Nordics and Europe, excluding UK & Ireland)

Directors are to devote the necessary time and care, and to ensure they have the competence required, to effectively safeguard and promote the interests of the company and its owners. Each director is to act independently and with integrity in the interests of the company and all of its shareholders.

Each director is to form an independent opinion on each matter considered by the board and to request whatever information he or she believes necessary for the board to make well-founded decisions.

Voto di Lista (Italy)

In **Italy**, director elections generally take place through the *voto di lista* mechanism (similar to slate elections). Since the **Italian** implementation of the **European** Shareholder Rights Directive (effective since Nov. 1, 2010), issuers must publish the various lists 21 days in advance of the meeting.

Since shareholders only have the option to support one such list, where lists are published in sufficient time vote case-by-case, determining which list of nominees is considered best suited for adding value to shareholders based, as applicable, on Danske Bank's European policies for Director Elections and for Contested Director Elections.

Those companies that are excluded from the provisions of the **European** Shareholder Rights Directive publish lists of nominees 10 days before the meeting. In the case where nominees are not published in sufficient time, vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, if appropriate, change vote recommendation to support one particular list.

A.3 Capital Structure (Denmark, Finland, Norway, Sweden)

Vote for proposals to reduce capital for routine accounting purposes unless the terms are unfavourable to shareholders.

Vote for proposals to reduce capital in connection with corporate restructuring on a case-by-case basis.

Vote for resolutions that seek to maintain a one-share, one-vote capital structure. Vote for resolutions that seek to convert to a one-share, one-vote capital structure if these are well-founded and present a reasonable path towards the new structure, or if the differentiated voting rights are seen to not be in the interests of the company and its shareholders in the long-term.

Vote against requests for the creation of dual-class capital structures or the creation of new or additional super-voting shares.

Vote against a company's acquisition of outstanding shares if it risks changing the ownership structure or treating holders of shares with the same economic rights unequally. In companies with a dual class system, including shares with multiple voting rights, a more suitable method to change the capital structure would be through dividends or redemption of shares, as these methods do not risk changing the ownership structure and would treat shareholders with the same economic rights equally.

Dual-class shares are allowed in the **Nordics**. However, multiple voting-shares are mainly seen in **Sweden**, but also in **Denmark** and **Finland**. In **Norway** almost all listed companies only have one class of shares.

In countries where a dual-class system is allowed, it is essential that holders of shares with the same economic rights, e.g. A- and B-shares in **Sweden**, are treated equally in all situations related to changes in capital structure and in connection with public takeovers.

The principle one-share-one-vote is recommended.

General Issuance (Norway)

General issuance requests should normally not allow for issuances to take place during a public bid for the company's shares. However, if the company can already be described as controlled (by a specific shareholder) the possibility to issue shares also during a public bid should not be a direct and sole cause for voting against the issuance request.

Share Repurchase Plans (Denmark, Finland, Norway, Sweden)

Generally vote for market repurchase authorities (share repurchase programmes) if the terms comply with the following criteria:

- A repurchase limit of up to 10 percent of outstanding issued share capital;
- A holding limit of up to 10 percent of a company's share capital in treasury ("on the shelf"); and
- A duration of no more than five years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice.

Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed case-by-case. Support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in the shareholders' interests. In such cases, the authority must comply with the following criteria:

- A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
- A duration of no more than 18 months.

In markets where it is normal practice not to provide a repurchase limit, evaluate the proposal based on the company's historical practice. However, companies should disclose such limits, and in the future a vote against may be warranted at companies that fail to do so. In such cases,

the authority must comply with the following criteria: A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"), and a duration of no more than 18 months.

In addition, vote against any proposal where:

- The repurchase can be used for takeover defences;
- There is clear evidence of abuse;
- There is no safeguard against selective buybacks; and/or
- Pricing provisions and safeguards are deemed to be unreasonable seen from a cost effectiveness perspective. In markets where a dual class system exists, the proposal should clarify that the least-expensive shares will be acquired at share repurchases, and based on market practice

Before a vote is cast, it is important to follow up on the methods the board plans to use for repurchase programmes, especially in situations where a company has issued shares with differentiated voting rights (as allowed in the **Nordic** countries with the same economic rights to the company's assets and profits).

For **Norway**, all transactions in the company's own shares should be carried out either through the stock exchange or at the prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the company's shares, the company should consider other ways to ensure equal treatment of all shareholders.

Authorise Issue of Equity with or without Pre-emptive Rights (UK & Ireland)

Generally vote for a resolution to authorise the issuance of equity, unless the authorisation conflicts with the general limitations for such authorisations, see Section 3.3.3.

Authorise Market Purchase of Ordinary Shares (UK & Ireland)

Generally vote for the resolution to authorise the market purchase of ordinary shares, unless:

- The authority requested exceeds the levels permitted under the Listing Rules; or
- The company seeks an authority covering a period longer than 18 months.

AGM agendas routinely include a resolution allowing companies to make market purchases of their shares. Usually support this resolution if it is no greater than 10 percent of the company's shares, provided that the maximum price paid is not more than 5 percent above the average trading price. Such authorities shall be requested annually, and the duration should be no longer than 18 months or until the next AGM, if sooner.

A.4 Remuneration

Equity-based Compensation Guidelines (France)

There are certain market-specific provisions for France:

- The potential volume from equity-based compensation plans must not exceed 10 percent of fully diluted issued share capital.
- In addition, for companies that refer to the AFEP-MEDEF Code, all awards (including stock options and warrants) to executives shall be conditional upon challenging performance criteria or premium pricing. For companies referring to the Middlesnext Code (or not referring to any code), at least part of the awards to executives shall be

conditional upon performance criteria or premium pricing. In both cases, free shares shall remain subject to performance criteria for all beneficiaries.

The company's average burn rate should not clearly exceed what is typical for its industry.

Remuneration to executive management

Remuneration plans for the executive director and management should be assessed case by case.

Remuneration to non-executive directors (Denmark, Finland, Norway, Sweden)

The **Norwegian** and **Swedish** Codes recommend that the nomination committee submit proposals on the director's remuneration to GM. The **Danish** Code recommends that the remuneration committee makes proposals to the Board of Directors for approval by the GM. The **Finnish** Code recommends that the board shall define the duties of the nomination committee, and usually one of its tasks is to prepare proposals for the GM regarding directors' remuneration.

The **Danish** Code recommends that the Board of Directors prepares a clear and transparent remuneration policy for the Board of Directors and the executive board. Recommend that the remuneration of members of the board does not include share options, as stated in the **Swedish** Code. Further, the **Finnish** Code recommends that a non-executive director does not participate in a share-based remuneration scheme.

The **Norwegian** Code recommends that the remuneration of the Board of Directors should not be linked to the company's performance and that the company should not grant share options to members of its board. Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.

Share Matching Plans (Norway, Sweden)

Generally consider the following factors when evaluating share matching plans in **Norway** and **Sweden**:

- For every share matching plan there should be a holding period.
- For plans without performance criteria, the shares must be purchased at market price.
- For broad-based share matching plans directed at all employees, accept an arrangement up to a 1:1 ratio, i.e. no more than one free share is awarded for every share purchased at market value.
- In addition, for plans directed at executives, we require that sufficiently challenging performance criteria should be attached to the plan. Higher discounts call for proportionally higher performance criteria.
- The dilution of the plan when combined with the dilution from any other proposed or outstanding employee stock purchase/stock matching plans must comply with the Voting Guidelines.

Stock Option Plans - Adjustment for Dividend (Denmark, Finland, Norway, Sweden)

Generally vote against substantial stock option plans in **Denmark**, **Finland**, **Norway** and **Sweden** if evidence is found that they contain provisions that may result in a disconnection between shareholder value and employee/executive reward, or if there are any provisions, performance measures or adjustments that result in undue award.

This policy applies to both new plans and amendments to already existing stock option plans. Make an exception if a company proposes to reduce the strike price by the amount of future special (extraordinary) dividends only.

Generally vote against if the potential increase in share capital amounts to more than 5 percent for mature companies or 10 percent for growth companies, or if options may be exercised below the market price of the share at the date of grant, or that employee options do not lapse if employment is terminated. Market practice should also be considered in this regard.

Remuneration (UK & Ireland)

The Voting Guidelines are aligned with the five remuneration principles for building and reinforcing long-term business success developed by the Pensions and Lifetime Savings Association in conjunction with a number of leading UK institutional investors, originally published in 2013. The principles state that:

- Remuneration committees should expect executive management to make a material long-term investment in shares of the businesses they manage;
- Pay should be aligned to the long-term strategy and the desired corporate culture throughout the organisation;
- Pay schemes should be clear, understandable for both investors and executives, and ensure that executive rewards reflect returns to long-term shareholders;
- Remuneration committees should use the discretion afforded them by shareholders to ensure that rewards accurately reflect business performance; and
- Companies and shareholders should have appropriately regular discussions on strategy and long-term performance.

While the Voting Guidelines approach to remuneration is informed by the Pensions and Lifetime Savings Association's voting guidelines, which contain the above principles, the Investment Association Principles of Remuneration, and The Directors' Remuneration Reporting Guidance produced by the GC100 and Investor Group, also influence the recommendations the Voting Guidelines make, as does the remuneration section of the UK Corporate Governance Code. In addition, Danske Bank has supplemented these other sources with its own remuneration guidelines for several years.

Approval of a new or amended LTIP (UK & Ireland)

Vote on the resolution to approve a new or amended LTIP on a case-by-case basis, paying particular attention as to whether:

- The LTIP is aligned with the company's strategy, is not over-complex and fosters an appropriately long-term mindset;
- The proposed award levels are appropriate, and, in the case of an amended plan, any increases to the previous award levels are well-explained;
- Any increase in the level of certainty of reward is matched by a material reduction in the size of awards;
- The maximum payout is capped;
- The vesting levels for threshold and on target performance are in line with market norms, with threshold vesting generally no higher than 25 percent. However, as much as 25 percent may be considered inappropriate if LTIP grants represent large multiples of salary;
- The LTIP is in line with the current remuneration policy;
- Change of control, good leaver, and malus/clawback provisions are present and the terms are in line with standard practice in the UK market;
- The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice;
- The scheme is operating within dilution limits that are aligned to the relevant UK market standards. Namely, no more than 10 percent of the issued share capital should be

issued under all incentive schemes in any rolling 10-year period, and no more than 5 percent of the issued share capital should be issued under executive (discretionary) schemes in any rolling 10-year period, in line with the guidelines established by the Investment Association; and

- There are no issues with the plan, which would be of concern to shareholders.

Where the plan contains multiple areas of non-compliance with good practice, the vote recommendation will reflect the severity of the issues identified. A small number of minor breaches may still result in an overall recommendation of a flagged “For”, whereas a single, serious deviation may be sufficient to justify an “Against” vote recommendation.

The Investment Association Principles emphasise that all new incentives or any substantive changes to existing schemes should be subject to prior approval by shareholders by means of a separate and binding resolution. When a new or amended LTIP is presented to shareholders for approval, consider the points listed above, plus others that are relevant to the specific plan. Relevant issues are discussed in more detail in the upcoming sections on the remuneration policy and report.

Remuneration Policy (UK & Ireland)

Vote on the resolution to approve the remuneration policy case-by-case, paying particular attention as to whether:

- The overall remuneration policy or specific scheme structures are not overly complex, have an appropriate long-term focus and have been sufficiently justified in light of the company’s specific circumstances and strategic objectives;
- The company’s approach to fixed remuneration is appropriate, with a particular focus on the extent to which pension contributions are aligned with those available to the wider workforce, as recommended by the UK Code;
- The award levels for the different components of variable pay are capped, and the quantum is reasonable when compared to peers, and any increase in the level of certainty of reward is accompanied by a material reduction in the size of awards;
- Increases to the maximum award levels for the LTIP and bonus have been adequately explained;
- Performance conditions for all elements of variable pay are clearly aligned with the company’s strategic objectives, with vesting levels and holding periods that are in line with UK good practice;
- Change of control, good leaver and malus/clawback provisions are in line with standard practice in the UK market;
- The shareholding requirement for executive directors is a minimum of 200 percent of base salary, with an appropriate post-employment shareholding requirement in place;
- Service contracts contain notice periods of no more than twelve months’ duration and potential termination payments are linked to fixed pay with no contractual entitlements to unearned bonus on termination;
- Non-executive directors do not receive any performance-related remuneration beyond their standard fees;
- The treatment of new joiners is appropriate, with particular attention paid to the use of buy-out awards, and that the potential for any additional awards is capped;
- The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice;
- There are no issues in the policy which would be of concern to shareholders;
- Where a policy contains multiple areas of non-compliance with good practice, the vote recommendation will reflect the severity of the issues identified. A small number of minor breaches may still result in an overall recommendation of a “For”, whereas a single, serious deviation may be sufficient to justify an “Against” vote recommendation.

The binding vote on the remuneration policy is forward-looking and in most cases will apply for three years.

Remuneration Report (UK & Ireland)

Vote on the resolution to approve the remuneration report case-by-case, where relevant taking into account the European Pay for Performance model outcomes with the qualitative review of a company's remuneration practices, paying particular attention as to whether:

- Any increases, either to fixed or variable remuneration, for the year under review or the upcoming year were well-explained and not excessive;
- The bonus received and/or the proportion of the LTIP which vested was a fair reflection of the performance achieved;
- Performance targets are measured over an appropriate period and are sufficiently stretching;
- Targets for the bonus or the LTIP are disclosed in an appropriate level of detail;
- Any exit payments to good leavers were reasonable, with appropriate pro-rating (if any) applied to outstanding long-term share awards;
- Any special arrangements for new joiners were in line with good market practice;
- The remuneration committee exercised discretion appropriately; and
- There are no issues in the report which would be of concern to shareholders.

A.5 Other Corporate Governance Issues

Anti-takeover Mechanisms (France, the Netherlands, Norway)

For the **Netherlands**, votes on recommendations regarding management proposals to approve protective preference shares will be determined on a case-by-case basis. In general, vote for protective preference shares (PPS) only if:

- The supervisory board needs to approve an issuance of shares and the supervisory board is independent within the meaning of Danske Bank's categorisation rules and the Dutch Corporate Governance Code (i.e. a maximum of one member can be non-independent);
- No call / put option agreement exists between the company and a foundation for the issuance of PPS;
- The issuance authority is for a maximum of 18 months;
- The board of the company-friendly foundation is fully independent;
- There are no priority shares or other egregious protective or entrenchment tools;
- The company states specifically that the issue of PPS is not meant to block a takeover, but will only be used to investigate alternative bids or to negotiate a better deal;
- The foundation buying the PPS does not have as a statutory goal to block a takeover; and
- The PPS will be outstanding for a period of maximum 6 months (an EGM must be called to determine the continued use of such shares after this period).

In **Norway**, the board of directors should not hinder or obstruct take-over bids for the company's activities or shares. An agreement with the bidder that limits the company's ability to arrange other bids for the company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders.

Also, in the event of a take-over bid for the company's shares, the company's board of directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid. If an offer is made for a company's shares, the company's board of directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should arrange

a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board's statement. Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting (or the corporate assembly where relevant). The above guideline is based on the Norwegian Corporate Governance Board's recommendations.

Following the Florange act of 2016, for **French** companies listed on a regulated market, generally vote against any general authorities impacting the share capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights,) if they can be used for antitakeover purposes without shareholders' prior explicit approval.

Mergers and Acquisitions, Takeover bids and reincorporation proposals (Sweden)

Shares carrying equal rights, i.e., A- and B-shares issued by many **Swedish** listed companies with differentiated voting rights vis-à-vis the company's assets and profits shall be treated equally in public offers to acquire shares. The fundamental principle shall be that the same price is offered for shares with the same economic rights.

Mandatory Takeover Bid Waivers (UK & Ireland)

Generally vote against mandatory takeover bid waivers.

The mandatory bid requirement, as contained in Rule 9 of the UK Takeover Code, seeks to prevent "creeping acquisitions" and to ensure that shareholders, other than the controlling shareholder, receive a control premium when control of the company shifts further to the large shareholder.

When the issue of new securities as consideration for an acquisition or a cash subscription would otherwise result in the controlling shareholder being obliged to make a general offer, the Takeover Panel will normally waive the obligation if there is an independent vote at a shareholders' meeting. Waivers are usually sought where a company proposes to institute a share buyback programme in which a large investor or concert party does not intend to participate.

In line with the Pensions and Lifetime Savings Association, Danske Bank will usually recommend a vote against Rule 9 waivers.

Related-Party Transactions (France, UK & Ireland)

In the **UK & Ireland**, under the Listing Rules the listed company must obtain the approval of its shareholders for certain transactions either beforehand or, if the transaction is conditional on that approval, before it is completed. The company must ensure that the related party does not vote on the relevant resolution and should take all reasonable steps to ensure that the related party's associates do not vote on the relevant resolution.

For **French** companies, all auditor reports on related-party transactions will be evaluated with respect to the following issues:

- Director Remuneration
- Consulting Services
- Liability Coverage
- Certain Business Transactions.