

Active Ownership Instruction

May 2023

1. Objective

This Instruction aims to ensure an effective operationalisation of Danske Bank’s ambitions and general commitment to Active Ownership enshrined by the Responsible Investment Policy while ensuring adherence to applicable laws,

regulations, internal governance and rules, market standards and external commitments to which Danske Bank is a signatory¹.

2. Definitions

The below definitions apply to the terms used throughout the Instruction. Any term not defined herein shall have the

meaning as ascribed to it in the Responsible Investment Policy.

Active Ownership	The use of rights and position of ownership to influence the activities or behaviour of investee companies based on financial and/or impact materiality considerations. Active ownership is exercised by taking an active interest as an investor in the investee companies’ circumstances, development, and management, and by adopting a long-term focus in the company in line with, for instance, the EFAMA Stewardship Code and the Shareholder Rights Directive II.
Danske Bank	Danske Bank A/S
Environmental and Social materiality (also referred to as “societal materiality” and “impact materiality”)	The inside-out impacts that an issuer’s/company’s economic and financial activities may have on sustainability factors
ESG	Environmental, social and/or governance.
Financial Materiality	The outside-in impacts that sustainability factors may have on a company’s/issuer’s economic and financial activities throughout their entire value chain (both upstream and downstream), affecting the value (returns) of such activities.
Group	Danske Bank with its subsidiaries.
Investment Management	The management of investments on behalf of clients
Principal Adverse Impacts	Negative impacts that investments might have on Sustainability Factors as measured through indicators defined in SFDR.
Responsible Investment Policy	The Responsible Investment Policy for Danske Bank.
Sustainability factors	Environmental, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters.
Sustainability risk	An environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

¹ See Appendix A.

3. Scope

The Instruction covers the Active Ownership activities of Danske Bank that are associated with responsible investing. Unless specifically stated herein, the Instruction is subject to the scope of the Responsible Investment Policy and therefore applies to Active Ownership relating to Investment Management activities. Active Ownership for non-retail discretionary mandates is managed according to specific contractual obligations.

The Instruction does not apply to structured products, derivatives, Danske Bank's capital market activities (including but not limited to market making, securities trading etc.) or externally managed funds.

3.1 Target group

This Instruction applies to all employees, functions and units in Danske Bank that exercise Active Ownership activities

within the scope of the Instruction. The Instruction also applies to any employee, function and/or units in Group subsidiaries if adopted and/or incorporated by the subsidiary in accordance with applicable governance rules.

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

Danske Bank handles Active Ownership in accordance with our Policies and Instructions for Code of Conduct and Conflicts of Interest. Furthermore, respective employees, functions and/or units are required to comply with the Danske Bank Group's Ownership Policy and/or specific Active Ownership or Voting Policies whenever relevant.

4. Policy Content

4.1 Active Ownership Approach

Danske Bank uses Active Ownership as a measure to protect the value of our clients' investments and to generate attractive returns. Danske Bank also leverages Active Ownership to manage Environmental and Societal Impact of our investments.

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

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

Danske Bank seeks to be an active owner and to encourage and influence companies directly through dialogue, voting and collaboration with peers, like-minded investors and stakeholders. Danske Bank's Active Ownership approach is based on the belief that exercising Active Ownership in certain situations can facilitate the resolution of challenging issues more effectively than the imposition of exclusions and/or divesting, which could limit Danske Bank's opportunities to be a responsible investor. By remaining invested and engaging with the companies we believe that we can influence the companies to properly manage sustainability risks, reduce their negative impact or maximise positive impact on the environment or other societal dimensions.

4.2 Monitoring of investee companies

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

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

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

4.3 Managing conflicts of interest

The Investment and Responsible Investment teams shall pay particular attention to possible conflicts of interest when

conducting Active Ownership activities. Conflicts of interest may arise from, but are not limited to:

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

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

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

4.4 Monitoring Active Ownership activities

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

4.5 Ways of implementing Active Ownership

Active Ownership is exercised mainly through 1) Individual engagements, 2) Collaborative engagements, and 3) Voting. Engagement and voting practices are interrelated and feed into each other. As such, one activity can be the initiator or the complement of the other.

4.6 Individual Engagements

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

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

- Inform about voting decisions and guidelines
- Clarify publicly disclosed information from company
- Conduct research
- Identify and assess the quality of available data

- Understand performance and identify potential vulnerabilities
- Develop insights into risks and opportunities
- Identify potential regulatory developments and impacts

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

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

The teams must be aware of the risk that they may have obtained insider knowledge with a need to adhere to Danske Bank's Market Abuse Policy and Market Abuse Directive.

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

4.7 Collaborative Engagements

When appropriate, Danske Bank collaborates with peers, like-minded investors and other relevant parties to exercise Active Ownership by engaging through joint dialogue and contributing collectively in respect to governance and sustainability dimensions. It might be appropriate to raise the issue with others in instances where Danske Bank's own engagement may have proven to be unsuccessful.

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

Danske Bank also participates in investor initiatives to encourage increased transparency and sustainability standards in companies and financial markets, such as the CDP (formerly the Carbon Disclosure Project), the Institutional

² See the Danske Bank Voting Dashboard: <https://vds.issgovernance.com/vds/#/NzIzNA==/>

Investors Group on Climate Change (IIGC), the Paris Pledge for Action, the Montréal Carbon Pledge, the Task Force on Climate-related Financial Disclosures (TCFD), and the UN-supported Principles for Responsible Investment (PRI). The complete list of initiatives that Danske Bank is part of is available on the website.³

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

Collaborative engagements may, depending on the situation, be subject to market abuse and insider trading regulations and should follow Danske Bank's Market Abuse Policy and Market Abuse Directive and guidance provided by Group Legal.

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

4.8 Voting

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

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

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

Danske Bank's proxy voting adviser provides:

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

4.8.1 Voting scope

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

Principle no. 1:

At least 80% of Equity Portfolio Value – Aggregate Level

Vote the largest holdings on an aggregated level (in terms of market value), meaning the sum of the voted holdings should exceed 80% of the total equity portfolio value (excluding Voting Scope Exemptions).

Principle no. 2:

At least 80% of Equity Portfolio Value – Individual investment

Vote the largest holdings on an individual portfolio in scope (in terms of market value), meaning the sum of voted holdings should exceed 80% of every individual equity portfolio value (excluding Voting Scope Exemptions).

Principle no. 3:

Substantial ownership (>0.40%)

Vote all shareholdings that have substantial ownership, meaning exceeding 0.40% of votes or capital in an investee company.

Principle no. 4:

Environmental and social proposals and other issues of material importance

Vote on issues of material importance meaning exercise voting rights if there are matters of specific concern. Matters of specific concern could be related to, for example, shareholder proposals regarding the environmental, social area, board diversification, political lobbying or media attention.

Principle no. 5:

Companies relevant to commitments that Danske Bank supports

Vote the shareholdings in companies relevant to initiatives that Danske Bank supports.

Principle no. 6:

Sectoral approach

Vote the shareholdings of companies operating in industries of: energy, utilities, steel, airlines, marine transportation, car manufacturing, and construction Materials.

Principle no. 7:

TOP 100 contributors

Vote the shareholdings of TOP 100 companies that contribute the most to the total equity portfolio's carbon footprint.

³ For further information, see Appendix A and <https://danskebank.com/sustainability/publications-and-policies-for-the-danske-bank-group-responsible-investment-policy-and-international-initiatives-goals-and-standards-supported-by-danske-bank>.

⁴ See the Danske Bank Voting Guidelines: <https://danskebank.com/-/media/danske-bank-com/file-cloud/2020/9/danske-bank-voting-guidelines.pdf?rev=07146429769e4a4bbc3f0af2c1b956b9>

**Principle no. 8:
Engagements**

Vote on issues related to specific present and previous engagements.

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

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

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

4.8.2 Voting Guidelines

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

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

1. The board should act in the best long-term interests of the company for the benefit of shareholders and should take into account relevant stakeholders. The board should have a sufficient mix of directors with adequate competence and independence appropriate to the company's operations. The chair of the board and CEO should not be the same person.
2. Remuneration of executive management should align with company and shareholder interest with the aim of achieving long-term performance and sustainable value creation. Remuneration of non-executive directors (NED) should reflect company size and complexity as well as NED's expertise and board position requirements.
3. The board should strive to achieve an effective and well-balanced capital structure. Capital exceeding the company's needs in relation to its long-term strategies should be distributed to the company's shareholders.

4. Audit should be conducted by external auditors independent from the company and its management.
5. Rights of all shareholders should be equal and protected. The principle of one-share-one-vote is preferred. Minority shareholders should have voting rights on key decisions or transactions, which can affect their interest in the company.
6. All shares in a company carrying the same rights to the company's assets and profits should be treated equally in public offers to acquire shares.
7. Companies should seek to establish an open dialogue with their shareholders. Information and disclosure should be clear, correct, and transparent.
8. Companies should seek to manage financial and economic implications of environmental and social matters that may have an impact not only on the reputation but may also represent operational risks and cost to the business. The most significant impacts of operations that result in negative effects on sustainability factors, (i.e. environmental, social and employee-related matters, respect human rights, anti-corruption and anti-bribery matters) should be addressed by the companies.

The Voting Guidelines are available online.⁵

4.9 Research and Training

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

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

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

Roles and responsibilities relating to Active Ownership:

- The Responsible Investment team is responsible for active ownership processes, the disclosure and reporting.
- Investment teams are responsible for engaging on a regular basis with investee companies on material sustainability-related matters to seek improvement in performance and processes in order to enhance and aiming to protect the value of investments while also aiming to analyse and assess the impacts that investments have on environment and other societal dimensions
- Investment teams, with the support of the Responsible Investment team, are responsible for defining the topic,

⁵ See the Danske Bank Voting Guidelines:
<https://danskebank.com/sustainability/sustainable-finance/responsible-investments>

- with whom, the frequency and the form of engagement interaction with target companies.
- Investment teams are responsible for voting at general meetings of investee companies on issues of key importance to corporate governance and the companies' sustainability performance. This includes holdings held by other investment managers.
 - Investment teams are responsible for executing on a voting scope (i.e. general meetings to exercise voting rights) taking into account preconditions, resources, and the costs of exercising voting rights.

- The Responsible Investment team is responsible for monitoring active ownership activities, developing and managing Engagement Guidelines and Voting Guidelines and setting up the framework for voting decisions.
- The Responsible Investment team is responsible for logging and reporting for the investors on active ownership activities (e.g. engagements, voting decisions, collaboration initiatives) including activities conducted by other investment managers.

5. Escalation

The administrator of the Active Ownership Instruction must report to the Executive Leadership Team the following significant breaches of the Instruction:

- Overdue Instruction exemptions
- Instruction not approved annually

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

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

6. Review

The Responsible Investment team will, in cooperation with the relevant business unit or group function, evaluate and adhere to the Active Ownership Instruction. In cases where there is a difference in views or in cases of material decisions related to this Active Ownership Instruction, these can be addressed by the Responsible Investment Committee, which decides

on the issue and which can choose to report to the Business Integrity Committee.

The Responsible Investment Committee and the ESG Integration Council will annually receive an update on the implementation of this Active Ownership Instruction.

7. Change Log

Date	Version number	Comments/changes
18 August 2020	Version 1.0	Instruction created
23 December 2020	Version 2.0	Alignment with the Shareholders Rights Directive II (SRDII)
26 August 2021	Version 3.0	Clarification of discretionary mandates are addressed
09 March 2021	Version 4.0	Alignment with the Sustainable Finance Disclosure Regulation (SFDR)
11 August 2022	Version 5.0	Alignment with updated Responsible Investment Policy Updated voting scope Further clarifications on how Principal Adverse Impacts are addressed in active ownership activities
01 June 2023	Version 6.0	Updated to align with the updated Responsible Investment Policy

Appendix A

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

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

- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 regarding the encouragement of long-term shareholder engagement (Shareholders Rights Directive II)
- Regulation (EU) 2019/2088 of the European Parliament and Council on sustainability related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation)
- Regulation (EU) 2014/596 of the European Parliament and Council on market abuse (Market Abuse Regulation)
- Directive (EU) 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
- Directive (EU) 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (AIFMD)
- Directive (EU) 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID II)

External Standards and External Commitments:

- UN Sustainable Development Goals (SDGs)
- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- UN Principles for Responsible Investment
- G20/OECD Principles of Corporate Governance
- OECD Guidelines for Multinational Enterprises
- SASB
- The Danish Stewardship Code
- The Swedish Stewardship Code
- The Norwegian Stewardship Code
- The Finnish Stewardship
- EFAMA Stewardship Code
- Net Zero Asset Managers Initiative
- Net-Zero Asset Owners Alliance
- The Task Force on Climate-related Financial Disclosures (TCFD) and CDP (formerly Carbon Disclosure Project)
- Emerging Markets Investor Alliance (EMIA)
- Climate Action 100+
- Institutional Investors Group on Climate Change
- ESG4Real
- LuxFLAG
- Paris Pledge for Action
- The Montréal Carbon Pledge
- ShareAction

The Danske Bank Group position statements

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