



Active Ownership Report: H1 2018

Danske Bank Asset Management

November 2018

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We seek to be active owners and influence companies directly through dialogue, voting as well as collaboration with peers, like-minded investors and stakeholders. Active ownership is an important tool to support our long-term value creation. It allows us to share our philosophy on and approach to investment and corporate governance with companies. We are convinced that it is more sustainable to stay invested and address environment, social, and governance matters through active dialogue with our portfolio companies rather than refraining from investing when issues of concern or risks arise.

Through dialogue, our portfolio managers can also share our expectations of companies in relation to their management of environmental, social and governance risks and opportunities. Furthermore, this helps us better understand our investee companies.

We regularly report on our approach for ESG integration with active ownership, our activities and our progress to customers. We aim to communicate in such a detail that our stakeholders can find answers to questions in a clear and effective way.

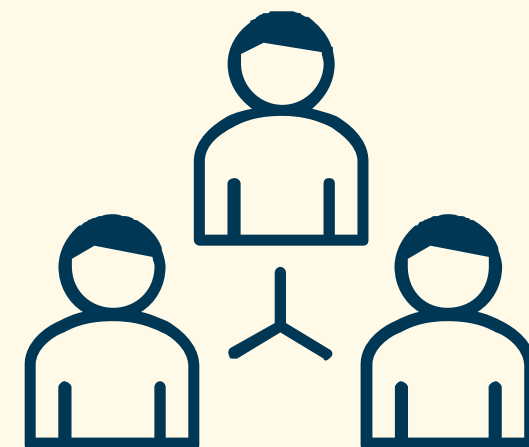
This report includes:

- *Engagement Report*
- *Voting Report*

Engagement Report

Danske Bank Asset Management

H1 2018



Introduction to this Engagement Report



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

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

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

During H1 2018, we have had the following engagement activities



Companies

238



Country domiciles

30




Interactions

341

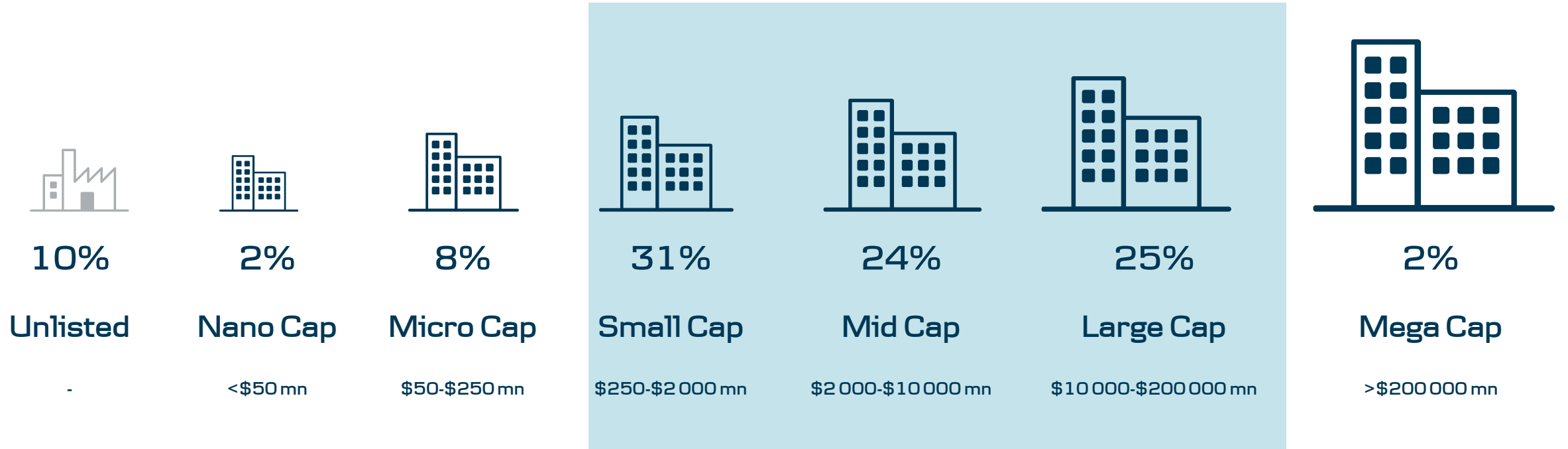


ESG topics

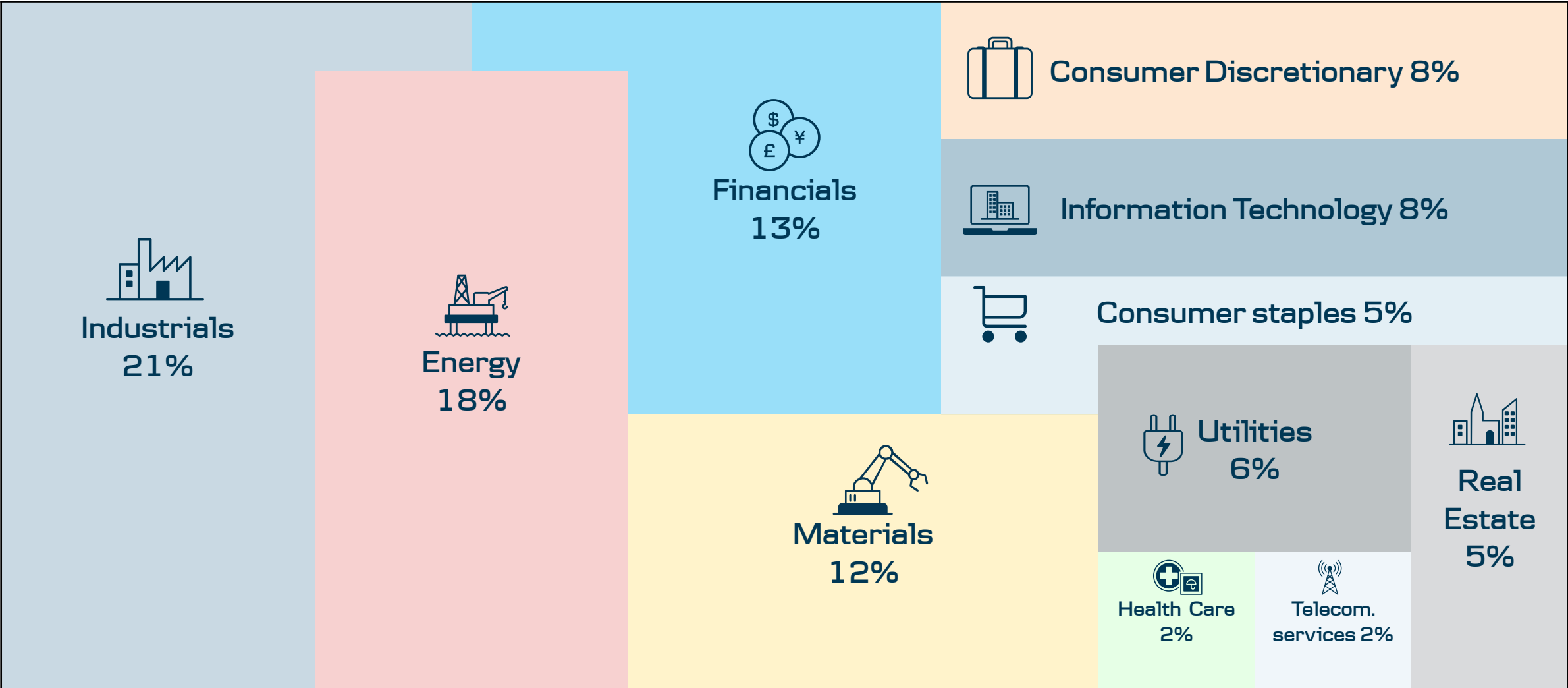
45



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



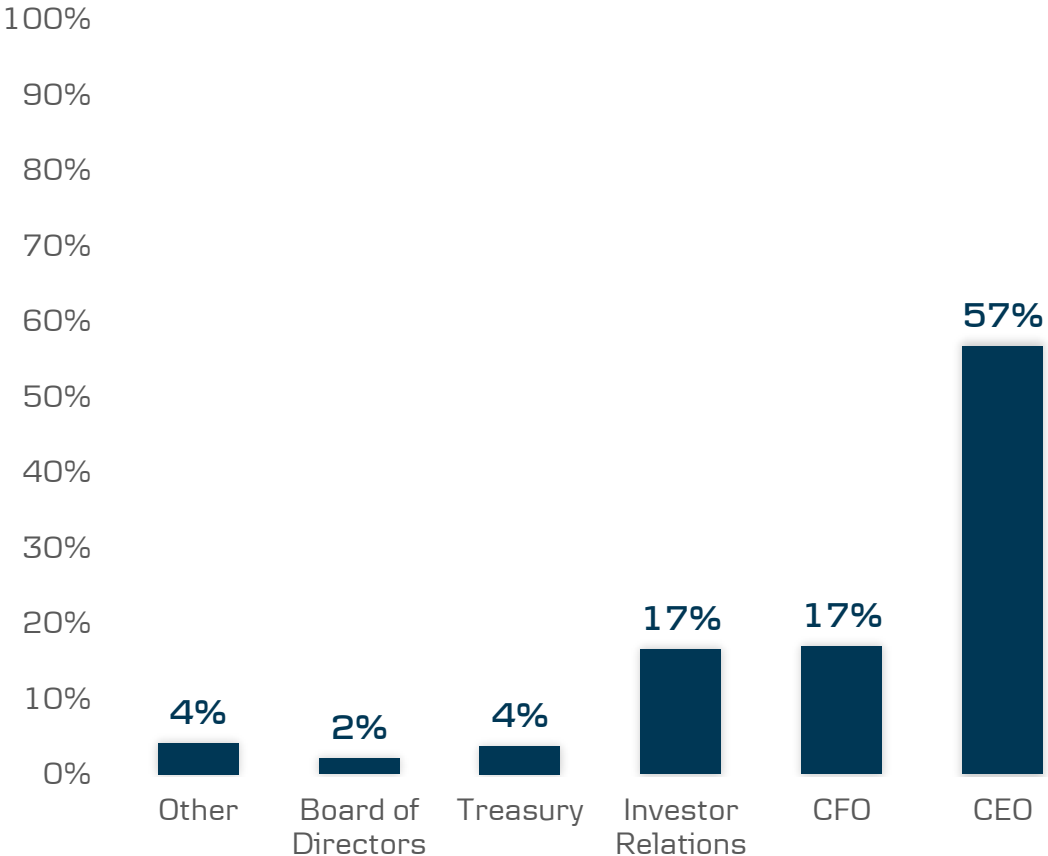
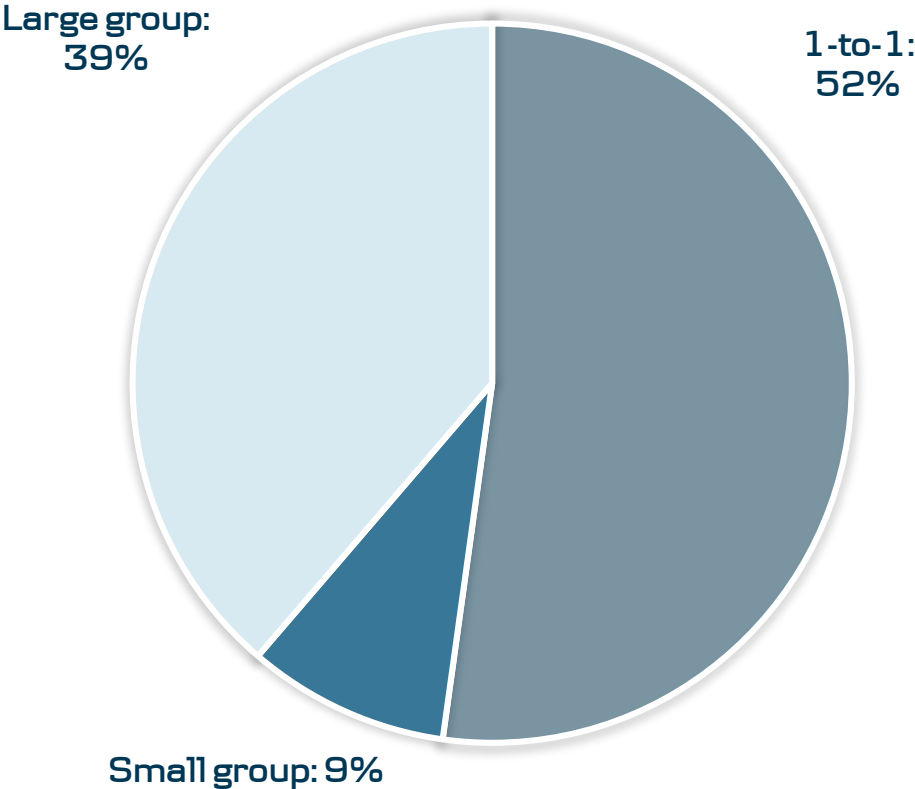
We have primarily engaged with companies in the Industrials, Energy, Financials, and Materials sectors



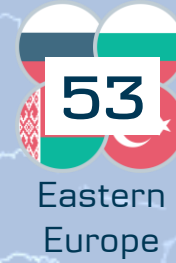
Most meetings have been 1-to-1 and with the CEO

Type of meeting

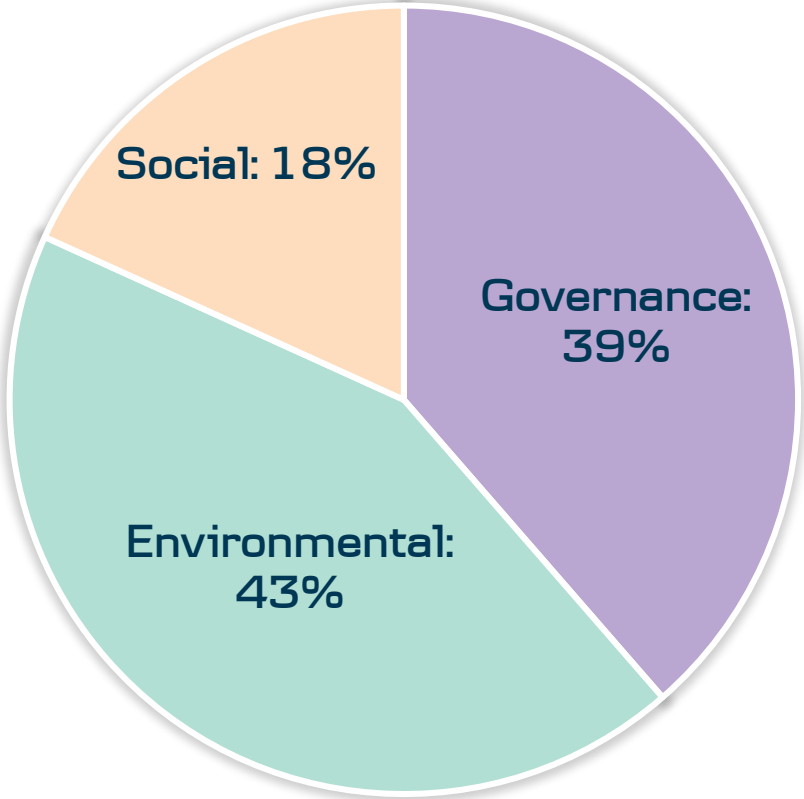
Level of Participants



Nordic companies have been in focus for our interactions

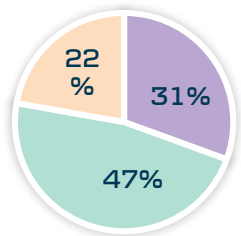


Split between overall engagement areas Governance, Environmental, and Social

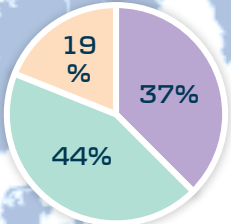


-  = Environmental
-  = Social
-  = Governance

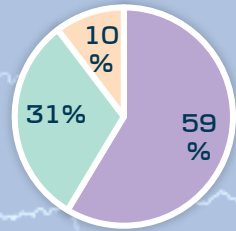
Split between overall engagement areas Governance, Environmental, and Social across regions



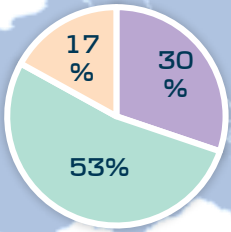
Rest of the world



Nordics



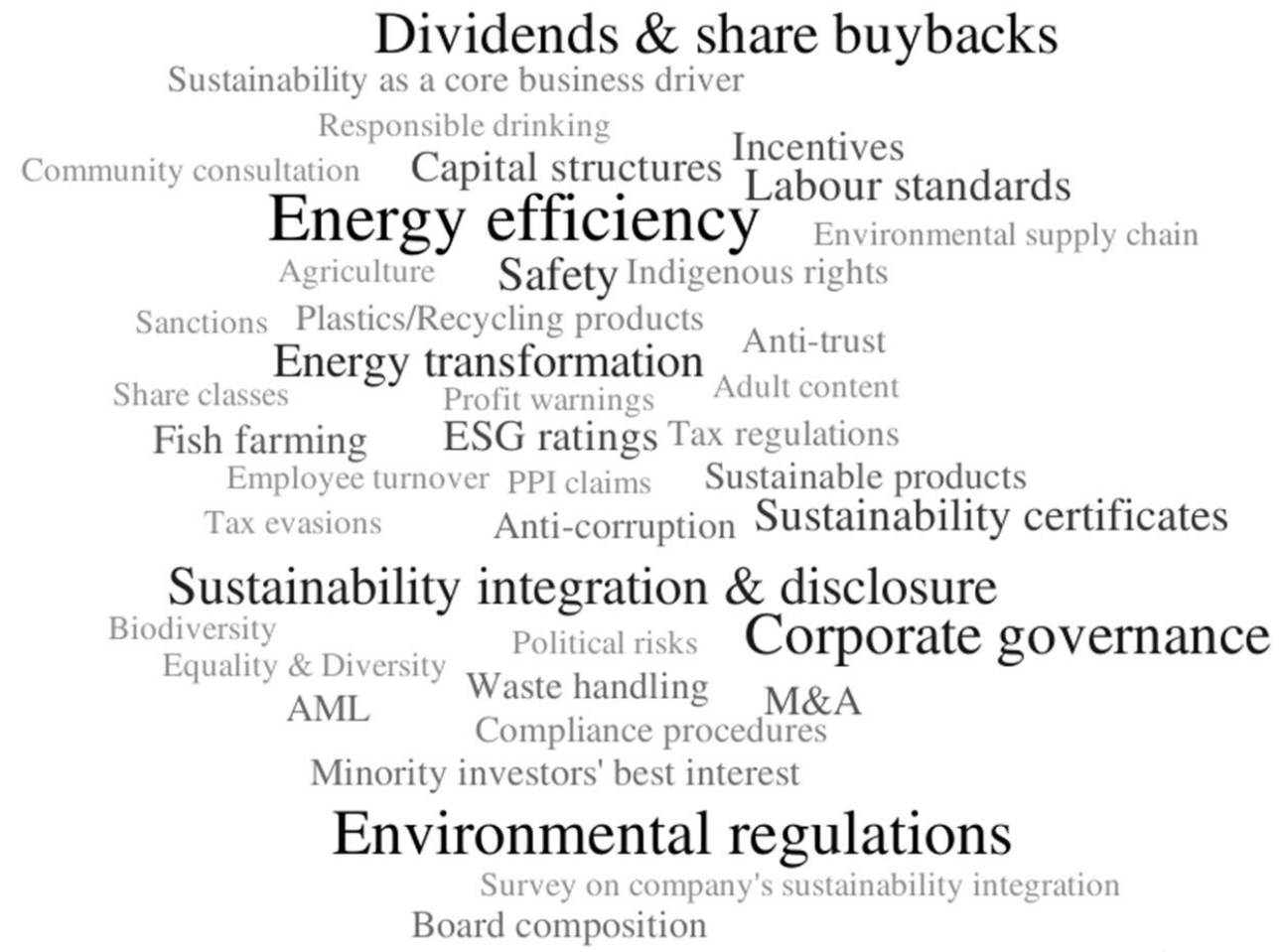
Eastern Europe



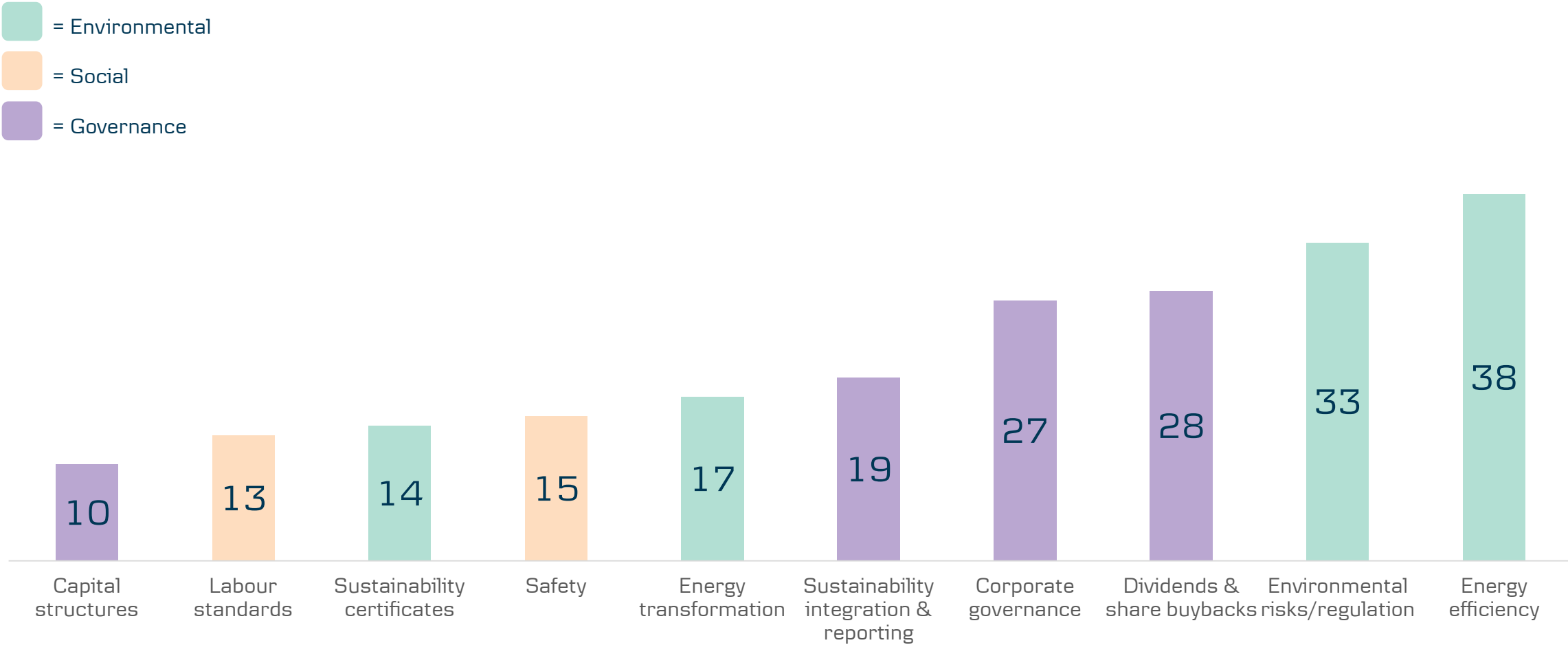
Western & Southern Europe

-  = Environmental
-  = Social
-  = Governance

The following 45 ESG topics have been discussed during the meetings



Among the 45 ESG topics discussed, Energy efficiency, Environmental risks, and Dividends & share buybacks are the most common



Most frequent ESG engagement topics

Environmental

Rank	Topic	Count
1	Energy efficiency	38
2	Environmental regulations	33
3	Energy transformation	17
4	Sustainability certificates	14
5	Fish farming	9
6	Sustainable products	7
7	Waste handling	6

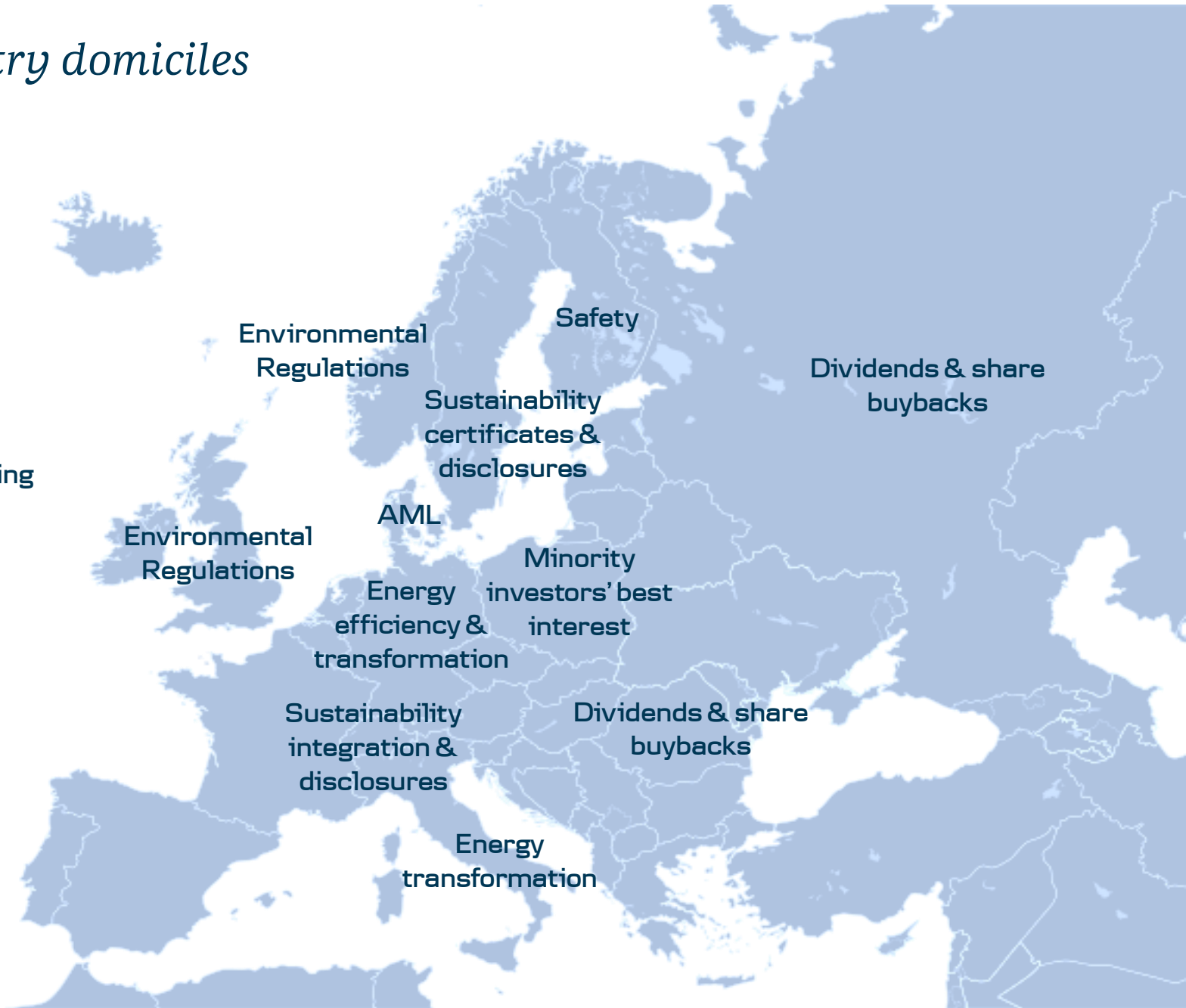
Social

Rank	Topic	Count
1	Safety	15
2	Labour standards	13
3	Human capital & employee retention	5


Governance


Rank	Topic	Count
1	Dividends & share buybacks	28
2	Corporate governance	27
3	Sustainability integration & disclosure	24
4	Capital structures	10
5	ESG ratings	10
6	Incentive structures	9
7	M&A	8


Spread of ESG topics across country domiciles





Engagement examples: Energy efficiency


Discussions on developing technique to de-methane their mines and use it for energy, will reduce their energy consumption significant. Also developing new technique to reduce NOX. 


Engaged on effects from improving KM/L for truck fleet 


Discussed environmental issues in which the Company stated it is in full compliance with EU rules and has a high CO2 efficiency. Also reduced water consumption. 


Discussions on 2016-2025 strategy and capex, which includes several projects with a positive environmental project 


Addressed digitalization. It uses a lot of electricity, but in terms of the carbon footprint, the issue of determining data on energy use in the company as completely as possible is therefore becoming more central. 


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


Discussed the transition from a wholesaler to a solutions provider with a focus on reducing energy consumption 


Talked about the start of environmental project and CAPEX associated with it. 

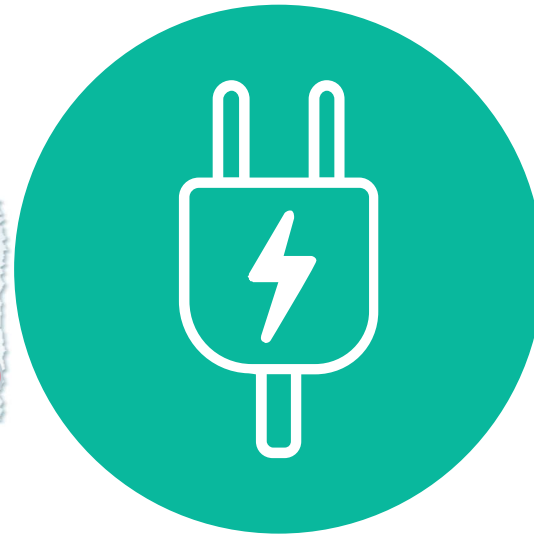
Dialog regarding environmental initiatives incl. reduction of flaring. 

Discussion on efficiencies associated with new airlines 

Discussed the potential of formaldehyde free decor papers. 

Focused on environmentally friendly ferry solutions. With 22 hybrid electric ferries under construction Fjord1 is leading this field. Also operates fleet of 12 LNG vessels. 

Focused on emissions. Kosovo project reduces emissions as one of Europe's most polluting assets is replaced with a modern lower emissions coal fired facility. The net addition of thermal assets highlights the strategic shift and breach of Danske's restrictions. 



Energy efficiency

Engagement examples: Environmental regulation

Discussed coal consumption and China as well as metal melting, scrubbing and other environmental exports in China that affect the industry



Addressed environmental concerns around new production plant



Had a discussion on sulphure regulation legislation changes & company action on it going forward



Talked about lobbying for policy makers to acknowledge the new tech within diesel in terms of emissions. Claim that new tech diesel engines cause less pollution vs traditional petrol engines. Regulatory pressure remains as well as consumer perception of pollution and risk of erosion of residual values.



Engaged on the possible consequences for locals and the factory due to the environmental challenges in Brazil



Discussion on scrubbers, bunker prices, environmental impact in China and implication of potential trade conflict



Discussed effects of LPG as fuel and scrubbers and plastics



Addressed IMO2020 / contamination



Potential impact of trade war and the coal situation in China



From an environmental and social perspective we discussed the challenges with terminal in Rotterdam



Addressed new regulation IMO / low sulfur fuel ctr installati scrubbers



Focused on environmental risk factors in operations



Environmental Regulation


Discussed pollution in fertilizer production




Discussions related to new aviation norms (ie. RED 2) and maritime norms (IMO) and how does these affect their current offering




Engagement examples: Dividends & share buybacks


Questioned the sustainability of 50% pay out ratio this year 

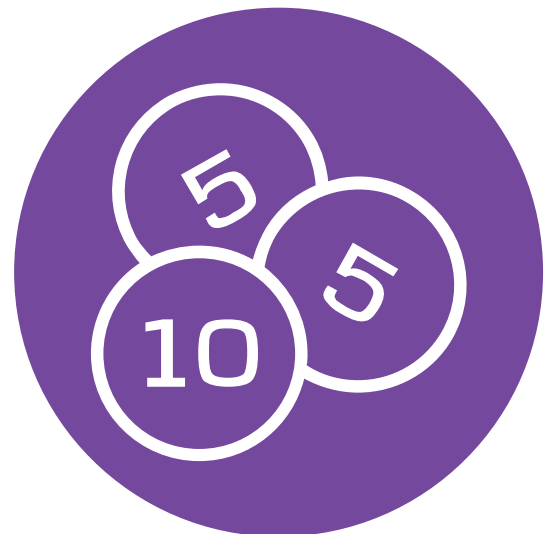
Pushed for higher dividend. 

Discussed dividend payout ratio and the chance of them paying 50% of profits in the event that the particular sale doesn't happen 


Discussed dividends and also what steps needs to be taken to receive an ESG rating 

Engaged on dividends and whether they will be adjusted on the back of one-offs 

Dialogue on new dividend policy: more than 75% of FCF and not less than RUB 5 per year per share. Ceiling is 100% of net profit. 



Discussions on dividend policy 


Discussed dividends and potential buyback (as per new strategy) 

Discussed sustainability of dividends and potential buy back 

Addressed dividend policy and treatment of minority shareholders 

Discussed the dividend policy and consequences of the FPSO contract 

Dividends & share buybacks

Discussion on dividends, the company hopes to restart dividends next year 

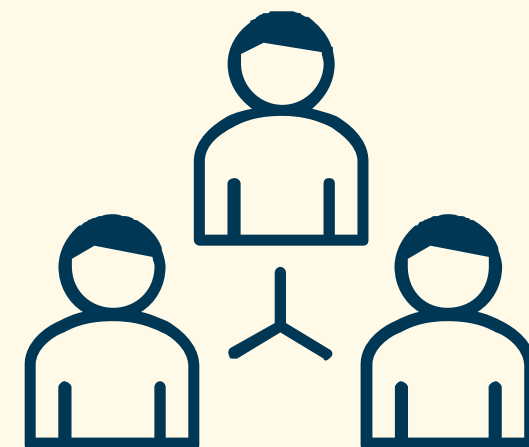
Advocating for a higher dividend payout 

Dialogues on resumption of dividend payments 

Voting Report

Danske Bank Asset Management

H1 2018



Introduction to this Voting Report



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

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

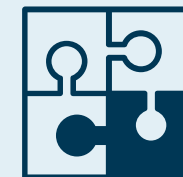
We vote either by ourselves or through a service provider. We log and publish our voting records.

In H1 2018, we had the following voting activities



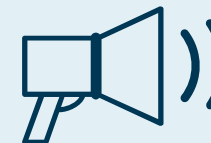
Meetings

279



Proposals

4,351

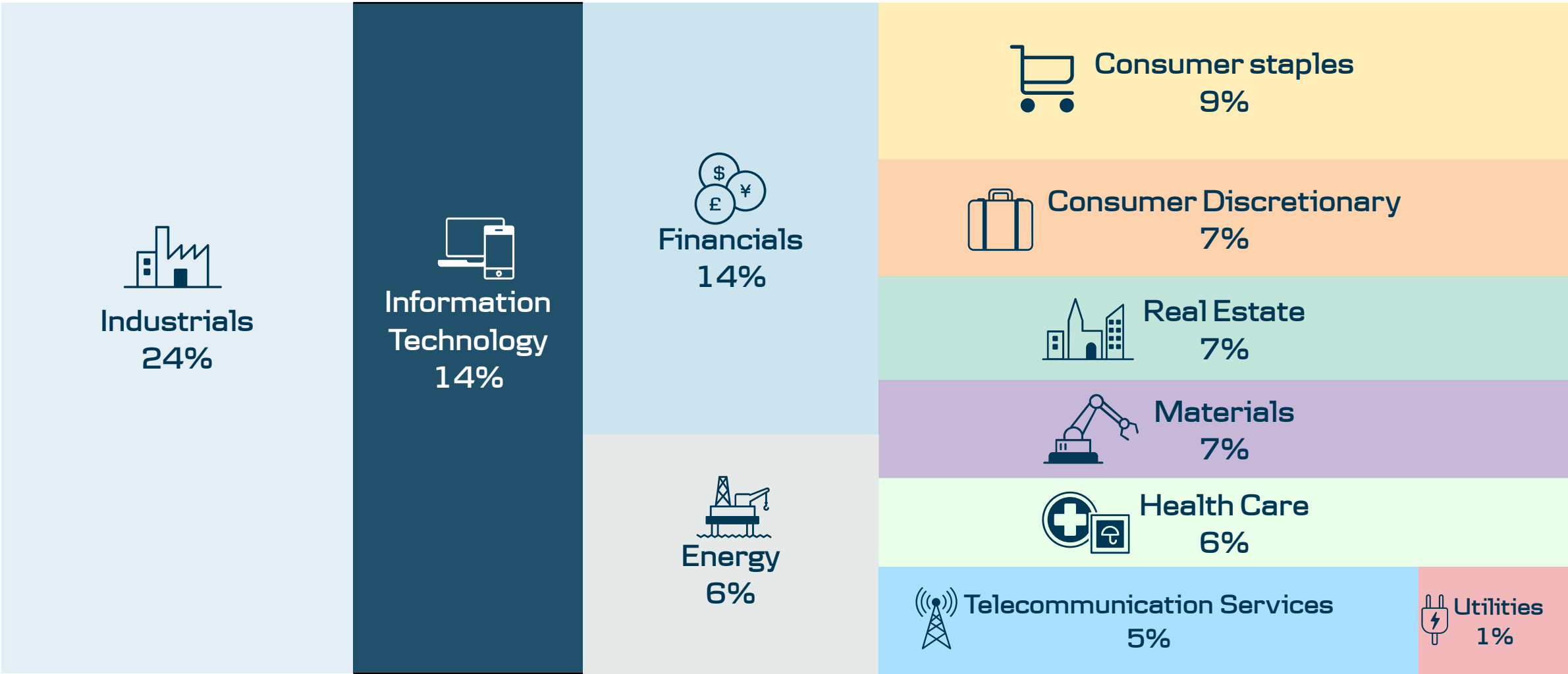


Country domiciles

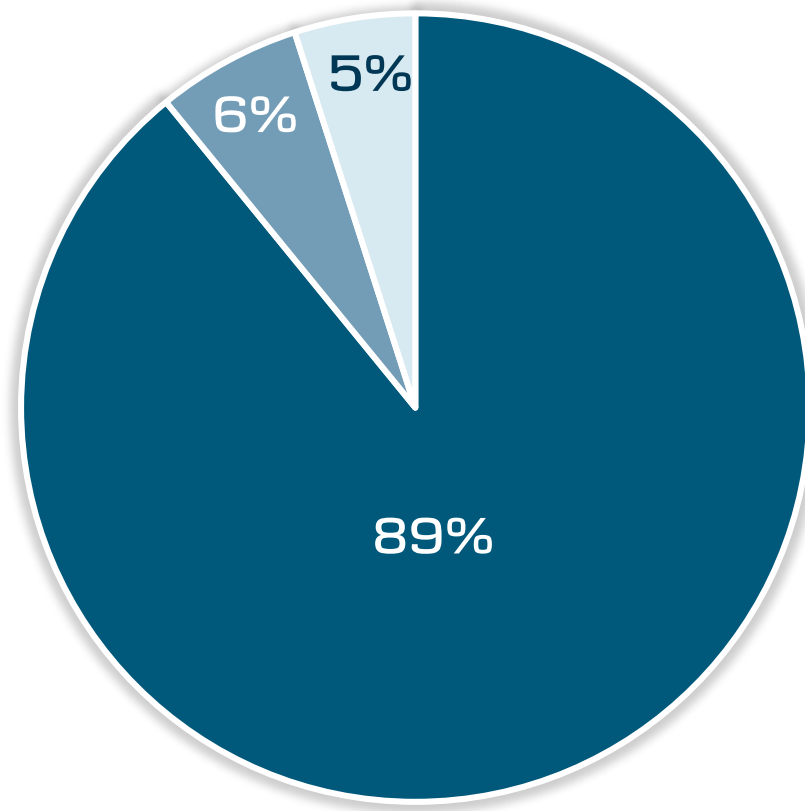
20






The sectors we have been most active in are Industrials, Information Technology, and Financials

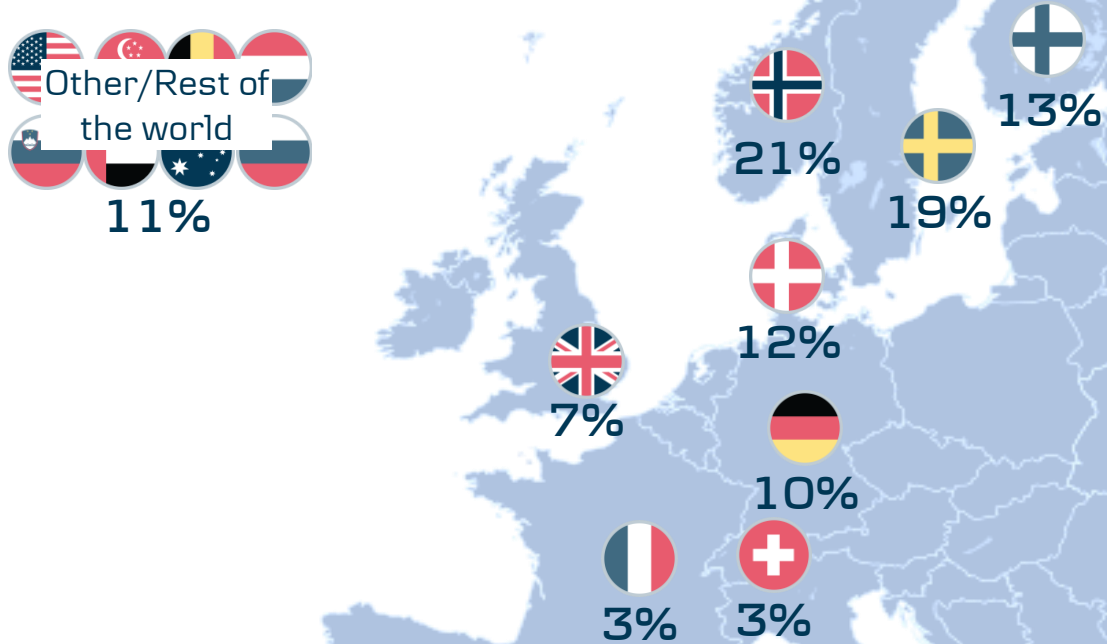


We primarily voted at Annual General Meetings (AGM)



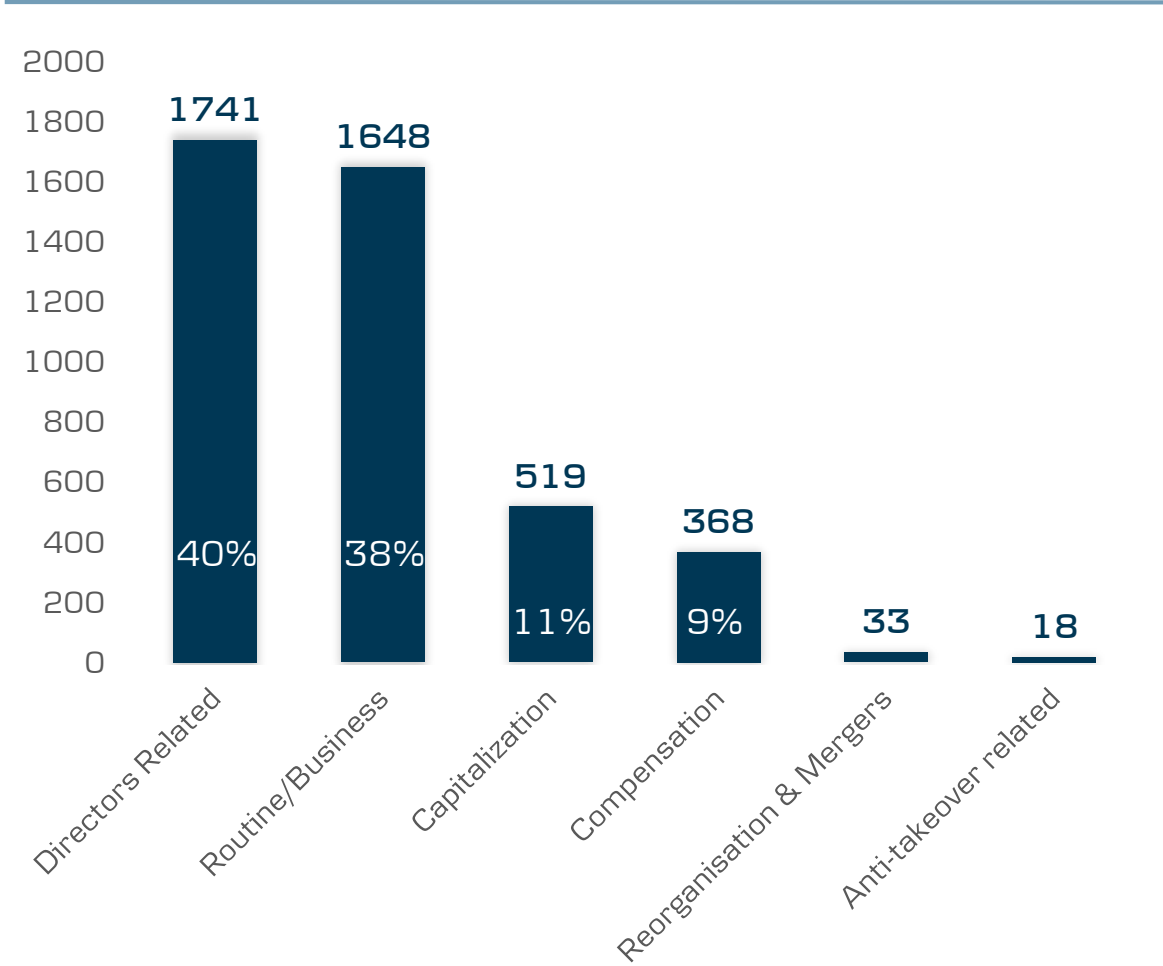
-  = Annual General Meeting
-  = Annual/Special
-  = Special

Most of the 279 meetings we have voted are in the Nordics

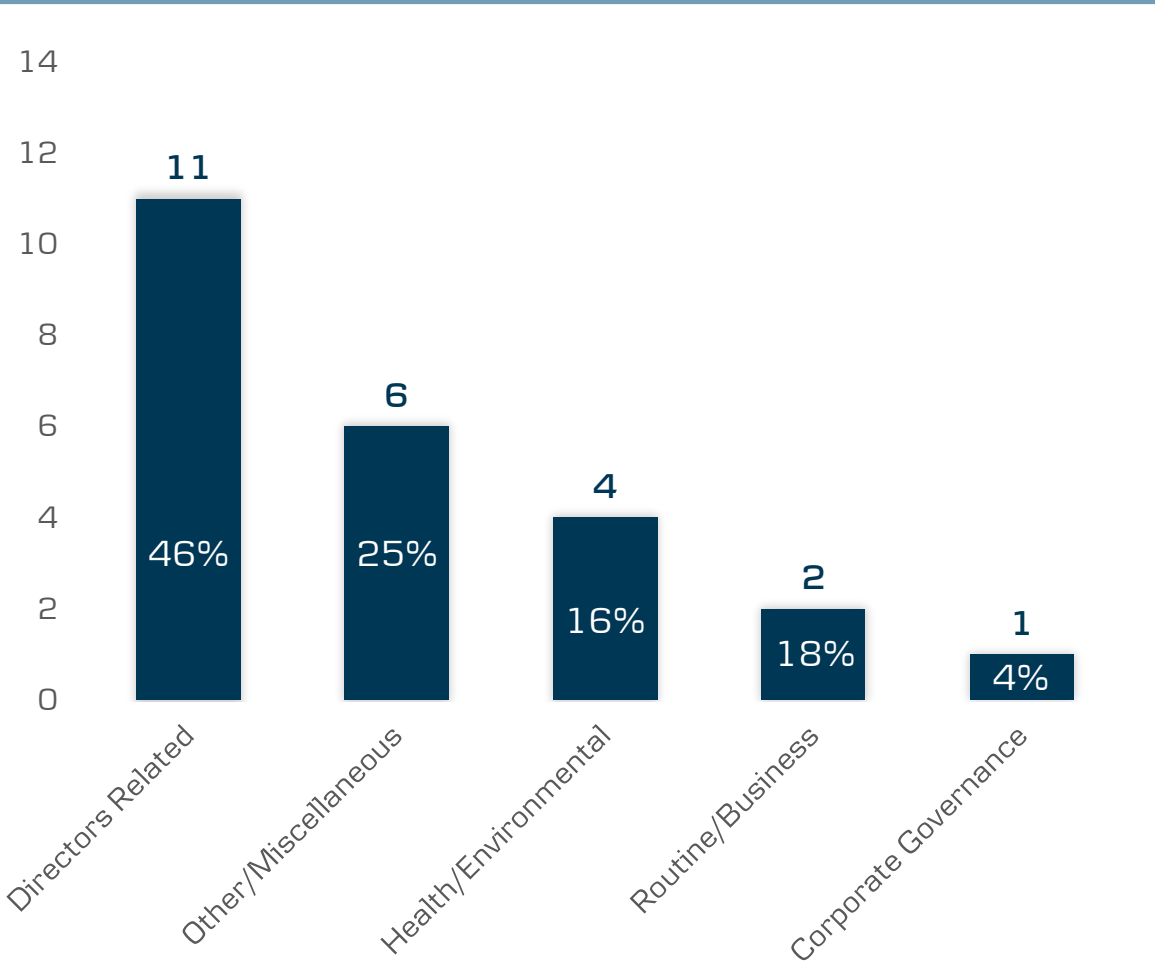


Most of the proposals we have voted on have been Directors related

From management
A total of 4,327 proposals

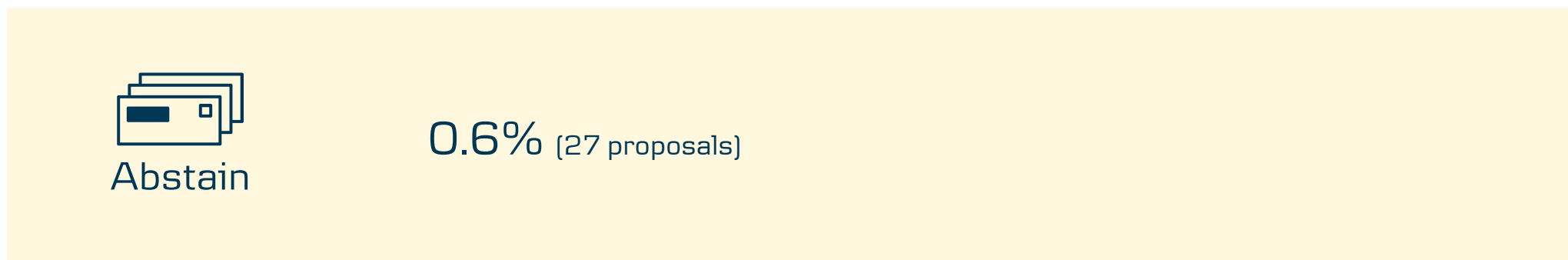
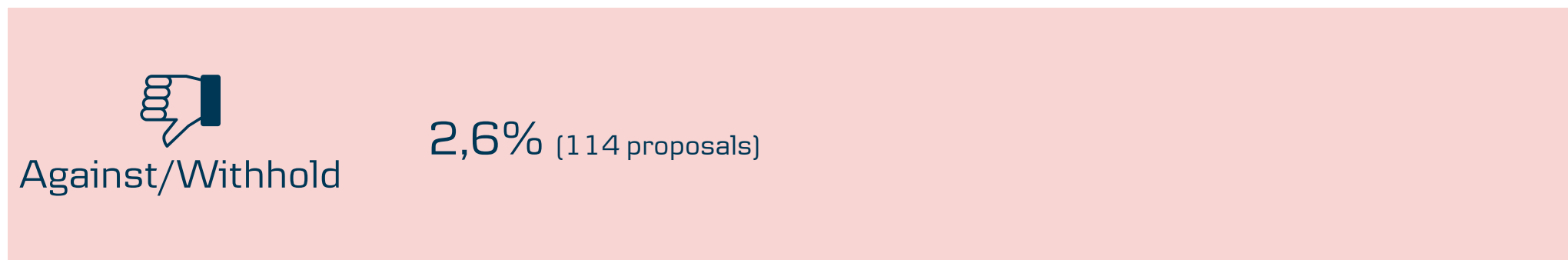
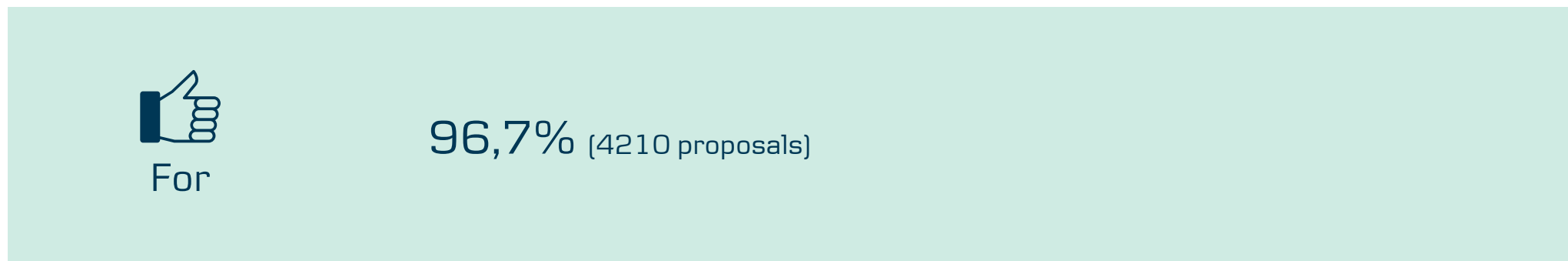


From shareholders
A total of 24 proposals



We primarily voted FOR the proposals

4,351 proposals



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Danske Bank Asset Management – a division of Danske Bank A/S
Holmens Kanal 2-12
DK-1092 Copenhagen, Denmark
Company reg. no.: 61 12 62 28
Tel. +45 45 13 96 00
Fax +45 45 14 98 03
<https://danskebank.dk/asset-management>