

Active Ownership Instruction

May 2024

1. Objective

This Instruction aims to ensure an effective operationalisation of Danske Bank’s ambitions and general commitment under the Responsible Investment Policy to conduct Active Ownership. The Instruction further ensures adherence to

applicable laws, regulations, internal governance and rules, market standards and external commitments to which Danske Bank is a signatory.¹

2. Definitions

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

ascribed to it in the Responsible Investment Policy.²

Active Ownership	The use of rights and position of ownership to influence the activities or behaviour of investee companies and other issuers based on financial and/or impact materiality considerations. Active ownership is 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. Active ownership is exercised primarily through engagement with the issuer, either directly or through collaborative initiatives with like-minded investors, and where relevant, voting at their general meetings.
Danske Bank or the Bank	Danske Bank A/S
Danske Bank Group or the Group	Danske Bank, its branches and its subsidiaries.
Engagement Guidelines	The Engagement Guidelines for Danske Bank
Enhanced Sustainability Standards	Danske Bank’s proprietary screening model that supports the exclusion of certain companies/issuers engaged in certain activities and conduct deemed harmful to society.
Environmental and Social materiality	The inside-out impacts that an issuer’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.
Principal Adverse Impacts	A principal adverse impact is any impact of investment decisions or advice that results in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters.
Proxy Voting Provider	An external provider of research, analysis and corresponding services that supports investors in the execution of votes at the general meetings of companies.
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.

¹ See Appendix A.

² See the Responsible Investment Policy at <https://danskebank.com/sustainability-related-disclosures>

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

3. Scope

The Instruction covers Active Ownership activities of Danske Bank that are associated with responsible investing and subject to the scope of the Responsible Investment Policy. This means that the Instruction concerns Active Ownership activities for assets managed by Danske Bank on behalf of our customers through investment products, such as managed portfolios, alternative investment funds, insurance-based investment products (IBIPs), pension products/ schemes, and UCITS funds as defined in the pre-contractual disclosures of the given investment product.

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 distributed by Danske Bank. Active Ownership for non-retail discretionary mandates is managed according to specific contractual obligations.

The Instruction applies differently depending on the asset class that Danske Bank is investing in. For example, for listed equities, both engagement and voting activities are in scope.

For fixed income and credit only engagement activities are in scope. As a general rule, active ownership is not exercised on illiquid alternatives, derivatives, commodities and real estate due the nature of such financial instruments and/ or exposures held through mutual funds that Danske Bank’s managed investments products are investing into.

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, that exercise Active Ownership activities within the scope of the Instruction as implemented in the relevant Group subsidiary. The Instruction is supplemented by other instructions and guidelines mandated under the Responsible Investment Policy in respect to Sustainability Risk Integration, Inclusions and Exclusions and any other instructions needed for an efficient implementation of the Responsible Investment Policy.

4. Active Ownership

Danske Bank can use Active Ownership as a measure to protect the value of our customers’ investments and to generate attractive returns. Active Ownership may also be leveraged as a measure to manage the Principal Adverse Impact of the investments we manage on behalf of our customers.

Our 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 as a responsible investor. By remaining invested and engaging, we believe that we are better positioned to influence companies and other issuers to properly manage Sustainability Risks, reduce their negative impact or maximise their positive impact on the environment or other societal dimensions.

Danske Bank seeks to represent customers’ assets as an active owner and to encourage and influence issuers directly through dialogue, and, as relevant, voting and collaboration with peers, like-minded investors and stakeholders.

We strive to target our engagement activities towards issuers, where we have identified immediate or long-term sustainability and/or governance related issues, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance. Engagements should be done when material environmental and/or social sustainability related issues have been identified. Here the investment teams are supported by processes and guidance provided by the Responsible Investment team. Engagement is also exercised as a tool to seek further clarification with issuers on matters such as data/research provided by third-party providers, and to establish a better understanding of our investments.

As such, engagements can be used to, among others:

- inform about voting decisions and our Voting Guidelines
- clarify available disclosures from the issuer
- increase insights and conduct research
- understand performance and identify potential vulnerabilities
- develop insights into risks and opportunities that could impact the issuer
- identify potential regulatory developments that could impact the issuer
- provide feedback to issuers on the development of their respective processes, strategies and/or management systems

4.1 Methods of exercising Active Ownership

Danske Bank exercises Active Ownership through 1) Individual engagements, 2) Collaborative engagements, and 3) Voting at General Meetings.

Engagement and voting are interrelated and for corporate issuers, these two methods can support each other.

For example, engagement or progress made thereunder may guide our decision on proposals tabled at a company's general meeting and conversely a proposal tabled may inform the focus or objectives of subsequent engagement with the issuer. As such, one activity can be the initiator or the complement of the other.

If Active Ownership is unsuccessful, the investment team or Responsible Investment team can decide to escalate the engagement. Examples of forms of escalation, include but are not limited to, the investment team using the outcome or progress of the engagement to inform their vote at the general meeting, hold/maintain weighting, decrease weighting, sell/divest our position and/or exclude. These actions are undertaken at the discretion of the relevant team's assessment on the severity of the issue in question and likelihood that continued efforts would lead to the desired outcome. As with all actions undertaken under this Instruction, the guiding principle determining the best course of action for escalation is Danske Bank's fiduciary duty to safeguard its clients' interests. If exclusion of the issuer from our investable universe is identified as the best course of action, it is subject to the process and governance outlined under the Danske Bank Exclusion Instruction.

4.1.1 Individual Engagements

Engagement activities is conducted through the Responsible Investment team in Danske Bank and/or the individual investment teams that are responsible for the given mandates.

Engagement may be exercised by the Responsible Investment team to support individual strategies and/or in the context of the broader processes and commitments, including but not

limited to the Enhanced Sustainability Standards Screening, and Net Zero and Biodiversity engagement targets given due considerations to the nature of the managed strategies and the considerations of our investors.

For actively managed strategies, engagement form part of the day-to-day management and monitoring of portfolios. Investment teams may engage with issuers when needed to seek improvement in performance and processes and/or when deemed required to enhance and protect the value of Danske Bank's investments. Investment teams may also engage with issuers as part of their due diligence for a given investment.

Engagements may consist of multiple interactions with an issuer. The interactions can take various forms, such as letters, emails, one-to-one meetings, active participation in organised events (e.g. conferences, site visits), and target representatives from the Board of Directors to Investor Relations, to state representatives etc.

The Engagement process is further defined in the Engagement Guidelines.

4.1.1.1 Engagement scope

Engagement is undertaken across asset classes for investment products where engagement form an integral part of the investment strategy and/or to manage Danske Bank's commitments. Engagement is in that respect treated as made on behalf of all managed investment products having that exposure.

The engagement scope of individual engagement activities is steered by below principles as further outlined in the Engagement Guidelines:

Principle no. 1: Materiality Assessment

Engage with issuers with negative operational performance and/or when a severe sustainability event has occurred that prompt Active Ownership activities, such as engagement. In addition, engagements are conducted with issuers for which engagement may improve the investment case or can mitigate investment risk based related to governance and/or sustainability issues.

Principle no. 2: Commitments

Engage with issuers that have been defined as part of target commitments established through Danske Bank's involvement in the Net Zero Asset Owner Alliance, Net Zero Asset Manager Initiative or through individual commitments established, such as with regards to the application of our proprietary Biodiversity Assessment Framework and Net-Zero Pathway Framework.³

³ See Net-Zero Pathway Framework for investee companies at <https://danskebank.com/sustainability-related-disclosures>

Principle no. 3:

Material exposure

Engagements with issuers are predominantly undertaken with investments where we manage an ownership stake exceeding a value of 75 DKK mil or have >0.40% ownership. However, on an ad-hoc basis engagement and due to specific commitments, engagements can be carried out with issuers where we hold a more limited ownership stake and/or where none of our managed strategies are currently invested.

As a main rule, engagements are not exercised in the following situations:

- with issuers involving excessive formalities or administrative costs
- under circumstances where it is difficult to justify the financial cost of exercising engagements

4.1.2 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 individual 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 issuer on sustainability matters, with the goal of improving (or identifying the need to influence) sustainability practices and/or disclosure. Collaborative engagements may also include contacting other investors to get support on engagement activities, and proposals tabled at general meetings. Cooperating with other stakeholders is not subject to any frequency targets and can be done on an ad-hoc basis or through formal investor networks or membership forums, such as Climate Action 100+ and Nature Action 100.

Danske Bank participates in investor initiatives to encourage increased transparency and sustainability standards in companies and financial markets. This includes, for instance, CDP (formerly the Carbon Disclosure Project), the Institutional Investors Group on Climate Change (IIGCC), the Paris Pledge for Action, and the Task Force on Climate-related Financial Disclosures (TCFD).

Decisions regarding collaborative engagement activities are taken by the Responsible Investment team. The Responsible Investment Committee is mandated authority to approve any new commitments that Danske Bank signs up for in respect to Responsible Investment (including engagement focussed commitments) and is also mandated to decide on engagement requests of material impact to the organisation.

Danske Bank's participation in collaborative engagements must always respect and comply with applicable competition laws, and Danske Bank's internal policies and guidelines relating to this.

4.1.3 Voting at General Meetings

A company's general meeting is an opportunity for Danske Bank to voice our opinion on issues of key importance to corporate governance and to contribute to the steering of a company's sustainability performance.

Danske Bank votes at the general meetings of companies where we represent relevant holdings, in accordance with our outlined voting scope, and where we have committed through managed investment products to exercise voting. We vote either by ourselves or through our Proxy Voting Provider.

In respect to managed investments, Danske Bank performs voting by proxy. This means that voting activities are exercised for investee companies, where our customers' have an ownership stake and have granted authority for Danske Bank to exercise voting on their behalf.

Our Proxy Voting Provider supports with:

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

The placing and operational management of the votes are conducted by our appointed custodian in the respective jurisdictions.

Before voting, an assessment of the recommendations received from the Proxy Voting Provider is conducted against the Voting Guidelines of the Danske Bank Group and market standards.

The Voting process is further defined in the Voting Guidelines.

4.1.3.1 Voting scope

Danske Bank seeks to vote all shares held by our customers, where we are mandated to exercise voting. Our voting activities may be constrained by preconditions, resources, and the costs of exercising voting rights, however, voting is always performed for assets within the voting scope. The voting scope covers all shares in investment products that through disclosures confirm to have voting activities performed. The voting scope is in that respect steered by the following principles:

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:

Issues of material importance

Vote on issues of material importance, which could be related to, for example, shareholder proposals regarding the environmental, social area, board diversification, political lobbying and/or media attention.

Principle no. 5:

Commitments

Vote the shareholdings in companies relevant to initiatives that Danske Bank has committed to, such as Climate Action 100+, the Net Zero Asset Manager Initiative, Nature Action 100.

Principle no. 6:

Engagements

Vote on issues related to specific present and previous engagements, taking into consideration the progress made under the engagement.

As a main rule, voting is not exercised in the following situations:

- at general meetings of companies whose shares are listed on markets involving excessive formalities or administrative costs
- under circumstances where it is difficult to justify the financial cost of exercising voting rights
- for investee companies domiciled in countries for which our custodians do not offer proxy voting services

4.2 Outsourced investment management activities

Active Ownership may be carried out by external managers that are responsible for managing sub-delegated strategies and segregated mandates on behalf of Danske Bank. Engagement activities undertaken by the managers with respect to these strategies are reported to the Danske Bank

for registration in the engagement registration application developed by Danske Bank for this purpose. Danske Bank remains responsible for the exercise of all voting activities in relation to these strategies.

4.3 Research and Training

Employees exercising Active Ownership 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 are provided by the Responsible Investment team to support Active Ownership processes.

4.4 Roles and responsibilities relating to Active Ownership:

- The Responsible Investment team is responsible for active ownership processes, the disclosure and reporting.
- The Responsible Investment team and Investment teams are responsible to exercise active ownership activities in line with what it outlined in pre-contractual disclosures of the given investment product.
- The Responsible Investment team and Investment teams are responsible for engaging on with investee companies in accordance with the Engagement scope.
- The Responsible Investment team and the 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.
- The Responsible Investment team and 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.
- Matters of specific concern could be related to, for example, shareholder proposals regarding the environmental, social area, board diversification, political lobbying or media attention.

5. Data Sources and Models

Continuous screening of managed portfolio and the investment universe is a prerequisite for Active Ownership and is therefore an integral part of Danske Bank's Active Ownership strategies and processes.

In relation to individual engagement activities, screening of the portfolio and investment landscape is performed annually through the Responsible Investment team to identify prospective prompts for active ownership efforts. The screening is supplemented by investment management activities performed by the individual investment teams on a continuous basis. The Responsible Investment team and the investment teams always seek to identify and consider such sustainability factors that could impact an investment or be impacted by an investment and the need to evaluate relevant corporate measures that could be implemented to address such actions.

For screening purposes, financial and sustainability information is leveraged 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.

No universally accepted framework (legal, regulatory, or others) currently exists in relation to sustainability-related

data, information, and assessments. As a financial institution investing globally in different asset classes, Danske Bank strives to the extent possible to leverage primary reported data and information. Where such is not available, best efforts are made to obtain data, including data estimates, information, and assessments through third-party providers or directly from investee companies, and/or by carrying out additional research or making own reasonable assumptions/estimations.

Sustainability-related data, information, and assessments is therefore not comparable to that of financial information. This implies a risk of misrepresentation of data on sustainability-dimensions or impacts associated to an investment. Despite diligent due diligence in the onboarding of data and other resource and cost proportional considerations in place to ensure the accuracy, completeness, and reliability of the data, it not possible to verify nor guarantee, directly or indirectly, the complete correctness of the underlying data. Therefore, a certain margin of error is still to be expected.

How sustainability-related data, information and assessments are utilized is subject to the specific models, methodologies, and processes applied and governed by Danske Bank's Responsible Investment Policy, Instructions as well as Guidelines.

6. Conflict of interest

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 these policies in their exercise of Active Ownership under this Instruction.

Conflicts of interest may arise from, but are not limited to:

- Affiliations
- Business relationships

- Cross-directorship
- Diverging interests of customers, beneficiaries and Danske Bank
- Employees linked personally or professionally to an investee company

Further information on our approach to identifying and managing conflicts of interest is available in the Guidelines on the management of Conflicts of Interest in Active Ownership.⁴

7. Disclosures

The registration and monitoring of engagement activities are conducted through an application developed for this purpose. The registration and monitoring of voting activities is maintained through a platform provided by our Proxy Service Provider.

Voting statistics are made available online on an ongoing basis, a day after a general meeting has taken place.⁵

Disclosures on the implementation of this Active Ownership instruction is provided through an annual report which is made available online.

Strategies which have confirmed that active ownership is performed will report on the activities performed through their respective annual disclosures.

⁴ See the Guidelines on the management of Conflicts of Interest in Active Ownership at <https://danskebank.com/sustainability-related-disclosures>

⁵ See the Danske Bank Voting Dashboard at <https://vds.issgovernance.com/vds/#/NzIzNA==/>

8. 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

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.

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.

9. Review

The Active Ownership Instruction is subject to regular reviews. Such reviews shall at least be conducted at an annual basis.

Material changes are subject to endorsement by the Responsible Investment Committee before the Active Ownership Instruction is brought forward for approval with the Head of LC&I in Danske Bank.

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

10. Change Log

Date	Version number	Comments/changes
August 2020	Version 1.0	Instruction created
December 2020	Version 2.0	Alignment with the Shareholders Rights Directive II (SRDII)
August 2021	Version 3.0	Clarification of discretionary mandates are addressed
01 March 2021	Version 4.0	Alignment with the Sustainable Finance Disclosure Regulation (SFDR)
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
April 2023	Version 6.0	Updated to align with the updated Responsible Investment Policy
April 2024	Version 7.0	Updated structure and additional clarifications on scope of active ownership activities, engagement scope, responsibilities of external managers, role of proxy providers.

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
- International Sustainability Standards Board (ISSB) of the IFRS
- The Danish Stewardship Code
- The Swedish Stewardship Code
- The Norwegian Stewardship Code
- The Finnish Stewardship
- EFAMA Stewardship Code
- Net Zero Asset Managers Initiative
- 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
- Paris Pledge for Action
- ShareAction