

Active Ownership Policy

1. Objective

This policy aims to ensure the effective operationalisation of Danica's approach to Active Ownership and adherence to applicable laws, regulations, internal governance and rules, as well international principles and market standards on active ownership and sound corporate governance.¹

2. Definitions

The definitions for the terms used throughout this policy are available in Appendix 1. Any term not defined herein shall have the meaning ascribed to it in the Responsible Investment Policy.

3. Scope and Target Group

The Policy covers activities that are subject to the scope of the Responsible Investment Policy. Meaning that for engagement the Policy applies to assets managed by Danica on behalf of customers through products, such as pension products/schemes as defined in the pre-contractual disclosures of the given product.

The Policy applies differently depending on the asset class. 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 derivatives, commodities and currencies due the nature of such financial instruments and/or exposures held through mutual funds that Danica's managed products are investing into.

Alternative investments, including investments in private equity, private debt, infrastructure and international real estate investments are not covered by our general processes on Active Ownership, but subject to a tailored approach as set out under the Danske Bank Group's Engagement Guidelines and the relevant investment strategies.

This Policy applies to all employees, functions and units that are involved in or oversee investment management.

The Policy 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.

3.1 Responsible Investment team

¹ A non-exhaustive list of the applicable sector regulations and standards that have been taken into in Danica's approach to Responsible Investment and Active Ownership is listed in the Responsible Investment Policy.

The responsible investment activities of Danica are supported by an internal Service Level Agreement between the Responsible Investment Team within Danske Bank Asset Management (the “Responsible Investment Team”) and Danica.

The Responsible Investment Team develop relevant instructions, guidelines and processes governing the consideration and management of societal impacts, including those relating to Active Ownership. Instructions issued pursuant to the Responsible Investment Policy are subject to review and approval by endorsement of the Responsible Investment Committee.

4. Active Ownership

As an asset owner, Danica acts as a steward of our customers’ assets. We aim to use Active Ownership for the assets we have under management to the benefit of our customers, and as a measure to protect shareholders’ rights and the value of investments. Addressing the long-term interests of our customers, we use Active Ownership to assess whether investments are managed responsibly in relation to financial, social and environmental aspects and, as relevant, to inform measures of escalation.

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 in accordance with commitments in those investment strategies.

4.1 Methods of exercising Active Ownership

Danica 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 and be the initiator of the other. For example, where relevant, we may use engagement to inform voting decisions on proposals at a company’s general meeting and conversely a proposal tabled may inform the focus or objectives of subsequent engagement with the issuer.

4.1.1 Individual Engagements

Engagements are carried out by Responsible Investment Team and/or Danica’s investment teams that are responsible for the given mandates including managers to whom investment activities have been sub-delegated.

Engagements may consist of multiple interactions with an issuer. These 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 and others.

When engaging on customers’ assets we strive to address identified immediate or long-term financial and non-financial performance, risk, capital structure as well as corporate governance and material environmental and/or social issues.

For actively managed strategies, engagement forms part of the day-to-day management and monitoring of portfolios. Investment teams may engage with issuers when needed to discuss and seek information on investment performance and processes and/or when deemed otherwise required to enhance and protect the value of Danica’s investments. Investment teams may also engage with issuers as part of their due diligence for a given investment. Engagements related to environmental and social aspects may be further

prioritised and organised by the Responsible Investment Team in accordance with the Engagement Scope. See Danske Bank Group's Engagement Guidelines for further information.

Engagements can be used to, among others:

- inform voting decisions and advice on the Danske Bank Group's Voting Guidelines ("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

The Engagement process is further defined in the Danske Bank Group's Engagement Guidelines ("Engagement Guidelines").

4.1.1.1 Engagement scope

The engagement scope of individual engagement activities is steered by the below principles and 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 an engagement.
- *Principle no. 2: Commitments*
Engage with issuers that have been defined as part of target commitments established through involvement in the Net Zero Asset Owner Alliance or through individual commitments established, as outlined in the Engagement Guidelines.^{2?}
- *Principle no. 3: Material exposure*
Engagements with issuers are predominantly undertaken with certain investments where environmental, social and/or governance screening processes³ have identified prospective grounds for engagement and we manage a stake exceeding a value of 75 DKK mil or >0.40% of the capital in an issuer. However, on an ad-hoc basis engagement and due to existing processes or commitments, engagements can be carried out with issuers where we hold a more limited stake and/or where none of our managed strategies are currently invested.

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

- In markets involving excessive formalities or administrative requirements
- Under circumstances where it is difficult to justify the financial cost of exercising engagements

² See Net-Zero Pathway Framework for investee companies at <https://danskebank.com/sustainability-related-disclosures>

³ See Enhanced Sustainability Standards Screening Process and Sustainable Investment Houseview at <https://danskebank.com/sustainability-related-disclosures>

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

4.1.2 Collaborative Engagements

Subject to regulatory limitations, internal governance and market practices, Danica may join collaborative engagement activities with peers, like-minded investors and other relevant parties when deemed appropriate under guiding principles approved by the Responsible Investment Committee.

Collaborative engagements capture any interaction between a group of investors vis-à-vis an issuer, with the goal of jointly addressing matters tied to the issuer, e.g. sustainability practices and/or disclosure.

Collaborative engagements can be done on an *ad-hoc* basis or through formal investor networks or membership forums, such as Climate Action 100+, Nature Action 100 and the Institutional Investors Group on Climate Change (IIGCC). These engagements are not subject to any targets in relation to frequency.

Danica participates in investor initiatives through Danske Bank that encourage increased transparency and sustainability standards in companies and financial markets. This includes, for instance, CDP.

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 Danica and 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 areas of Danica represented by decision making authority in the Committee. When such commitments have group-wide implications and impacts on other business units, the Business Integrity Committee has the mandate to decide on the participation of Danica.

4.1.3 Voting at General Meetings

A company's general meeting is an opportunity for investors to voice opinions on a company's corporate governance, financial and non-financial performance. Danica votes by proxy, or in-person, at general meetings. Our voting activities are guided by the Voting Guidelines and subject to the voting scope.

Our proxy voting provider supports with:

- Notices of general meetings and information about the companies, and the items on the agenda.
- Voting recommendations based upon the Voting Guidelines
- Communication of our vote instruction on relevant items,
- Collection, summary and disclosure of voting records.

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

The voting process is further defined in the Voting Guidelines.

4.1.3.1 Voting scope

Our voting activities may be constrained by preconditions, resources, and the costs of exercising voting rights, however, voting is sought to be performed on the assets identified within the voting scope.

The voting scope covers listed shares in products that through product specific disclosures confirm to have voting activities performed. The voting scope is in that respect steered by the following principles:

- *Principle no. 1: Majority of Equity Portfolio Value*
Vote the largest holdings on an individual portfolio in scope (in terms of market value), meaning the sum of voted holdings should exceed 50% of the individual equity portfolio value
- *Principle no. 2: 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. 3: 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. 4: Engagement Scope*
Vote on relevant equity shareholdings identified under the Engagement Scope.

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 requirements.
- 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 or where electronic voting may not be provided,
- for investee companies in markets which share-blocking is maintained.

4.2 Escalation of Active Ownership activities

If Active Ownership is unsuccessful, the matter may be escalated. Examples of forms of escalation, include but are not limited to, decreasing weighting, selling/divesting the position and/or, where relevant, exclusion of the issuer from the investable universe. As with all actions undertaken under this policy, the guiding principle determining the best course of action for escalation is Danicas fiduciary duty to safeguard its customers' 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 Group Exclusion Instruction.

4.3 Delegated 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 Danica. Danica remains responsible for the exercise of all voting activities in relation to these strategies.

4.4 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.

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 Danica's Active Ownership strategies and processes.

In relation to engagements, screenings of the portfolios and investment landscape are 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 as part of their monitoring of investments. The Responsible Investment Team and the investment teams seek to identify sustainability, governance and financial factors that could impact an investment or be impacted by an investment and the need to evaluate relevant 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. However, it is acknowledged that 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, Danica 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 are therefore not comparable to that of financial information. This implies a risk of misrepresentation of data on sustainability-dimensions or impacts associated with 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 is 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 the Responsible Investment Policy, Instructions as well as Guidelines.

6 Conflict of interest

Danica 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 Policy.

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

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

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

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.⁴ Disclosures on the implementation of this Active Ownership Policy 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.

8 Escalation of Policy breaches

Where a breach or potential breach of this policy has been identified, an Employee must notify the owner of the Active Ownership Policy. Where the breach is also defined as an event, this must be registered and categorised immediately in ORIS according to the Non-Financial Risk Event Escalation Instruction. The owner of the policy must report to the Executive Management on significant breaches to the Policy in accordance with the Non-Financial Risk Event Escalation Instruction.

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

⁴ See the Danica Pension Voting Dashboard at [VDS Dashboard \(jssgovernance.com\)](https://jssgovernance.com/VDS-Dashboard)

9 Review

The Responsible Investment Team will, in cooperation with the relevant business unit or group function, evaluate and adhere to the Policy. In case of any differences in views or in case of material decisions related to the Policy, these can be addressed by the Responsible Investment Committee who decides on the issue, and who can choose to report to the board of directors.

The Responsible Investment Committee will annually receive an update on the implementation of this Active Ownership Policy.⁵

Appendix 1 - 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 Policy⁶.

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.
Danica	Danica Pension, Livsforsikringsaktieselskab
Danske Bank	Danske Bank A/S
Engagement	Refers to the interactions between the investor and current or potential issuers (which may be companies, governments, agencies, municipalities, etc.) on financial, sustainability or other material topics. Engagements may be undertaken to seek information related to the sustainability and/or financial performance of the investment and/or to influence sustainability practices. Danske Bank exercises engagement directly with issuers or, if relevant, in collaboration with other investors and organisations.
Engagement Guidelines	The Engagement Guidelines for Danske Bank and Danica.

⁵ The Active Ownership Policy is an instruction in Danske Bank.

⁶ See the Responsible Investment Policy at [politik-for-ansvarlige-investeringer.pdf](#)

Enhanced Standards	Sustainability	Danske Bank's and Danica'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 an 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 Advisor		An external provider of research, analysis and corresponding services that supports investors in the execution of votes at the general meetings of companies.
Responsible Policy	Investment	The Responsible Investment Policy for Danica.
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.
Target group		The group of people, subsidiaries, areas and/or functions, for whom the governing information is intended to be directly applicable.
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 on corporate governance, environmental and social matters. We exercise voting by ourselves or by proxy through a third-party adviser.
Voting Guidelines		The Voting Guidelines for Danske Bank and Danica.

