



Policy for active ownership

February 2020



The policy for active ownership must lay down the framework for the pension fund's work with active ownership in listed companies and must ensure that the pension fund complies with the requirements in the Danish Financial Business Act sections 159 and 160.

The pension fund's approach to active ownership

The pension fund must, in cooperation with other shareholders, exercise active ownership towards portfolio companies to promote companies' long-term value creation as well as handle and minimise risks. Active ownership includes monitoring of companies, engaging in dialogue with selected companies, cooperation with other investors and, as far as possible, voting at companies' general meetings.

The pension fund's work with active ownership must be integrated in the overall investment policy.

In accordance with the overall investment policy, the policy for active ownership is based on the UN Global Compact, principles for responsible investments defined by PRI, the UN 17 Sustainable Development Goals, the Paris Agreement signed during the COP21 as well as the Danish recommendations regarding active ownership from the Committee on Corporate Governance.

The pension fund must aim to establish structures for the work with active ownership which are in accordance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Monitoring

The pension fund must establish structures which guarantee that companies, which the pension fund invests in, are monitored within relevant areas, i.a. strategy, financial and non-financial results, risk, capital structure, social and environmental impact as well as corporate governance. The actual monitoring must be ensured through terms of contract with the investment managers as well as monitoring of the investment manager.

Dialogue

The dialogue with listed companies must as a rule take place in cooperation with other shareholders through external advisers who represent several shareholders, through common shareholder initiatives or through investments managers. The pension fund must, bilaterally and in cooperation with others, communicate with relevant stakeholders in portfolio companies as required.

The pension fund must engage in dialogue with selected companies about subjects relating to financial risks and possibilities and subjects relating to risks and possibilities for the environment and people.

Engaging in dialogue with selected companies must be done for the purpose of:

- promoting companies' long-term value creation
- taking precautionary measures against potential adverse impact on the environment and people
- mitigate identified financial risks
- mitigate actual adverse impact on the environment and people.

If active ownership towards a company needs to be intensified, it can i.e. be done by way of more frequent meetings, meetings including executives in the company, intensified cooperation with other investors, submission of proposals to the company's general meeting and/or the pension fund can express its position at the company's general meeting.

Voting at general meetings

The pension fund must, as far as possible, vote at listed companies' general meetings where the pension fund is entitled to vote.

An external consultancy firm must assist the pension fund with systematic voting at general meetings.

The pension fund's voting is based on principles for good corporate governance, including specifically the ICGN Global Corporate Governance Principles and the OECD Guidelines for Multinational Enterprises. The pension fund may take regional and national practices into account.

The pension fund monitors the voting with primary focus on subjects relating to the environment and people.

Handling of actual and potential conflicts of interest

A board member or a chief executive are obliged to, without an incentive from others, to inform about circumstances that might cause a conflict of interest. The board member or chief executive in question must not participate in the handling of a matter where he/she might have a conflict of interest.

All employees must inform their immediate manager of any interest that the employee might have in relation to a business partner and/or in relation to an investment which the pension fund considers or already has in its portfolio. The pension fund's managers must handle potential conflicts of interest within their respective departments.

Reporting

Subject to confidentiality the pension fund must continually be transparent in its monitoring of and dialogue with portfolio companies. The pension fund must regularly publish its voting on portfolio companies' general meetings. The pension fund must annually publish information about how it has implemented its policy for active ownership, including among other things a description of its voting, use of proxy advisory services and, subject to confidentiality, information related to agreements and incentive structures in the pension fund's agreements with investments managers.

In case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.