

Report on Active Ownership 2019

Sydbank A/S

Report on active ownership – June 2020

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In 2016, at the request of the Danish Ministry of Industry, Business and Financial Affairs, the Committee on Corporate Governance issued a “Stewardship Code” formulating seven principles for active ownership for investors in Danish listed companies. The purpose of the code is to ensure investors’ contribution to value creation in Danish listed companies by exercising active ownership.

The recommendations are based on a “comply or explain” principle and in addition the committee recommends that an annual report be prepared giving an overview of efforts made in connection with the seven recommendations.

Below is Sydbank’s report on its stewardship activities in 2019 and how Sydbank has addressed the seven recommendations.

1. Recommendation: Engagement policy

It is recommended that institutional investors publicly disclose an engagement policy with respect to investments in shares in companies that are publicly listed in Denmark.

Sydbank complies with the recommendation.

Sydbank’s engagement policy is available on the Bank’s website. The policy describes the Bank’s strategy and how it exercises active ownership, including its position on issues such as dialogue, voting policy, monitoring, conflicts of interest as well as collaboration with other investors.

Sydbank’s engagement policy includes all listed companies.

2. Recommendation: Monitoring and dialogue

It is recommended that institutional investors monitor and engage in a dialogue with the companies in which they invest, taking due account of the investment strategy and the principle of proportionality.

Sydbank complies with the recommendation.

Sydbank strives to exercise active ownership by means of monitoring and dialogue. Active ownership via dialogue is exercised in accordance with a principle of proportionality, which is why Sydbank seeks to select companies where the Bank has such a significant portfolio allocation and/or significant equity interest that it is realistic to engage through dialogue. In addition high priority is assigned to there being strategic and management circumstances or considerations making it relevant to engage in dialogue with a given company.

Sydbank monitors all direct investments in Danish listed companies. Sydbank considers all investor relevant information that is published by the companies.

3. Recommendation: Escalation

It is recommended that institutional investors as part of the engagement policy determine how they may escalate their stewardship activities beyond regular monitoring and dialogue.

Sydbank complies with the recommendation.

In cases where Sydbank has concerns about a company's strategy, performance or similar issues and extraordinary dialogue with the company does not result in greater responsiveness to solve the problems, Sydbank's Responsible Investment Committee will decide whether further attempts should be made to influence the company. If, after several attempts, it proves not possible to influence the company in the desired direction, the company will be added to the exclusion list and be sold.

Sydbank coordinates its policy in this area with the management of the investment funds for which the Bank is the investment manager. The Bank publishes the official exclusion list via the relevant websites of the funds investing in the companies. A full overview is available on the website of *Investeringsforeningen Sydinvest*.

4. Recommendation: Collaboration with other investors

It is recommended that institutional investors as part of the engagement policy describe how they will act collectively with other investors in order to achieve a greater effect and impact.

Sydbank complies with the recommendation.

Extraordinary dialogue and contact with companies typically involves collaboration with other investors as all things being equal this is believed to be more effective than taking action alone.

Internationally Sydbank collaborates with other investors via its business partner *Sustainalytics*. By doing so it is possible to work together to influence a larger number of companies and thereby achieve a greater effect.

5. Recommendation: Voting policy

It is recommended that institutional investors as part of their engagement policy adopt a voting policy and are willing to publicly disclose whether and how they have voted.

Sydbank complies with the recommendation.

Sydbank endeavours to vote at all the general meetings of Danish listed companies and internationally the Bank undertakes a voting procedure via a "proxy voting provider" according to the principle of proportionality mentioned above.

Regarding the 2019 financial year Sydbank voted at a total of 48 companies (38 companies in Denmark and 10 companies outside Denmark). As regards the Danish companies Sydbank voted against the management's recommendation with respect to one or more items on the agenda in 6 of the 38 companies and the corresponding number as regards the foreign companies was 7 of the 10 companies.

Calculated on the basis of the total number of items to be voted on, Sydbank voted in favour of the management's recommendation in 99% of cases and against the management's recommendation in 1% of cases in Danish companies. The distribution as regards foreign companies was 80% in favour of and 17% against the management's proposal. The Bank abstained in 4% of cases. As regards the vast majority of items where Sydbank voted against the management, the question to be put to the vote concerned matters relating to improved corporate governance and reporting. For instance, Sydbank supported a proposal submitted by an investor regarding Facebook to make the chair of the board of directors independent as well as to establish risk reporting regarding the violation of civil and humanitarian rights in connection with the company's business activities. Similarly Sydbank backed a proposal submitted by an investor regarding Royal Dutch Shell to force the management to determine and make public binding targets for the reduction of greenhouse gas emissions.

Sydbank is willing to disclose further details about the outcome of the voting activity. In case of enquiries concerning specific companies Sydbank will disclose how it has voted.

6. Recommendation: Conflicts of interest

It is recommended that the engagement policy contain a description of how conflicts of interest in relation to stewardship are identified and managed.

Sydbank complies with the recommendation.

Sydbank's engagement policy describes how conflicts of interest are addressed and managed. In Sydbank's assessment no conflicts of interest relating to the portfolios exist at present. If any conflict of interest should arise, Sydbank's Responsible Investment Committee will convene to decide how to manage the conflict of interest in the best possible way.

Sydbank has formulated a conflicts of interest policy and a business procedure for this purpose regarding asset management.

7. Recommendation: Reporting

It is recommended that institutional investors at least annually report on their stewardship activities, including voting activity.

Sydbank complies with the recommendation.

This report concerning voting activity is available on Sydbank's website. A report on voting activity including any special deviations from the voting policy is submitted to Sydbank's Board of Directors annually.

Sydbank reports in detail on responsible investment in the Bank's CSR report, which is available on Sydbank's website (sydbank.com/about/investor-relations/corporate-governance). The report contains a more detailed description of the Bank's concrete initiatives and results within responsible investment.

Furthermore Sydbank publishes an annual report submitted to the PRI (formerly UNPRI) in compliance with the commitment of endorsing the internationally recognised principles for responsible investment.

RECOMMENDATION	COMPLIANCE	PARTIAL COMPLIANCE	NON-COMPLIANCE	EXPLANATION FOR PARTIAL COMPLIANCE/NON-COMPLIANCE WITH THE RECOMMENDATION
1. ENGAGEMENT POLICY IT IS RECOMMENDED that institutional investors publicly disclose an engagement policy with respect to investments in shares in companies that are publicly listed in Denmark.	X			
2. MONITORING AND DIALOGUE IT IS RECOMMENDED that institutional investors monitor and engage in a dialogue with the companies in which they invest, taking due account of the investment strategy and the principle of proportionality.	X			
3. ESCALATION IT IS RECOMMENDED that institutional investors as part of the engagement policy determine how they may escalate their stewardship activities beyond regular monitoring and dialogue.	X			
4. COLLABORATION WITH OTHER INVESTORS IT IS RECOMMENDED that institutional investors as part of the engagement policy describe how they will act collectively with other investors in order to achieve a greater effect and impact.	X			
5. VOTING POLICY IT IS RECOMMENDED that institutional investors as part of their engagement policy adopt a voting policy and are willing to publicly disclose whether and how they have voted.	X			
6. CONFLICTS OF INTEREST IT IS RECOMMENDED that the engagement policy contain a description of how conflicts of interest in relation to stewardship are identified and managed.	X			
7. REPORTING IT IS RECOMMENDED that institutional investors at least annually report on their stewardship activities, including voting activity.	X			