



Policy for active ownership

December 2023

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.

Active ownership framework

The pension fund must exercise active ownership towards portfolio companies. Active ownership must relate to 1) that the pension fund promotes environmental and social characteristics through active ownership, 2) considerations for adverse impact on sustainability factors, meaning impact from the pension fund's investments on environmental, social and governance conditions, 3) consideration for sustainability risks, meaning financial risks related to environmental, social and governance conditions which may have substantial adverse impact on the value of the pension fund's investments, and 4) how companies' long-term value creation is promoted.

Active ownership includes monitoring of companies, engagement 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.

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, the OECD Guidelines for Multinational Enterprises, the 6 principles for responsible investing defined by PRI as well as Recommendations for Corporate Governance from the Committee on Corporate Governance.

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 manager as well as monitoring of the investment manager.

Engagement and cooperation

Engagement with listed companies must as a rule take place be established in cooperation with other shareholders through external advisers who represent several shareholders, through investments managers or joint shareholder initiatives. Joint shareholder initiatives may be small groups of investors who jointly exercise active ownership towards a single company, it may be a small group who publicly comments on a specific theme or company, and it may also be larger groups of investors within the framework of PRI, Climate Action, IIGCC or other organisations. The pension fund must communicate with relevant stakeholders in portfolio companies bilaterally and in cooperation with others as needed.

The pension fund must engage with selected companies about subjects relating to financial risks and possibilities and subjects relating to environmental, social and governance conditions.

Engagement with selected companies must be established for the purpose of:

- preventing and alleviating actual and potential adverse impact on sustainability factors, meaning impact from the pension fund's investments on environmental, social and governance conditions
- promoting environmental and social characteristics
- preventing and alleviating identified financial risks, including sustainability risks
- promoting companies' long-term value creation.

If active ownership towards a company needs to be intensified, it can i.e. be done by way of more frequent meetings, meetings with executives in the company, the pension fund making public comments on the subject, intensified cooperation with other investors, submission of proposals to the company's general meeting, the pension fund voting against re-election of the company's chair and/or the pension fund expressing 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 when 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 consider regional and national practices.

The pension fund monitors the voting with primary focus on subjects relating to environment and social risks. When voting, the pension fund must as a rule vote in favor of shareholder proposals related to prevention of adverse impact on sustainability factors or promotion of environmental or social characteristics. In relation to escalation of active ownership, the pension fund has the possibility of voting against re-election of the board's chair.

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 may cause a conflict of interest. The board member or chief executive in question must not participate in the handling of a matter where the person in question may have a conflict of interest.

All employees must inform their immediate manager of any interest that the employee may have in relation to a business partner and/or 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 engagement 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.



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