Welcome to Computershare summer seminar

8 June 2023
Agenda

13:00  Welcome  
Michael Kjøller-Petersen  
Managing Director  
Computershare Denmark

13:10  The impact of ESG in the Due Diligence Process  
Sofie Jensen  
Director, Attorney  
Kromann Reumert

13:40  Highlights: Growing ESG focus at AGMs in 2023  
Kirsten van Rooijen  
CEO, Computershare Continental Europe

14:15  Break with refreshments

14:45  Shareholder Engagement  
Anne Pindborg  
Vice President, Head of Board Secretariat  
A.P. Møller - Mærsk A/S

15:15  Demystifying the complex state of ESG  
Emmanuel Artusa-Barrell  
ESG Manager UK & Europe  
Georgeson

15:45  Q&A and key take-aways  
Michael Kjøller-Petersen  
Managing Director  
Computershare Denmark
The impact of ESG in the Due Diligence Process

Sofie Jensen
Director, Attorney, Kromann Reumert
Impact of ESG in the due diligence process
Computershare Sommerseminar
8 June 2023
Sofie Jensen, Director, Attorney
Kromann Reumert
# Agenda

1. Drivers of ESG
2. Proxy advisors’ voting recommendations on certain ESG topics
3. "ESG regulation" - *New EU regulation on its way regarding ESG topics*
4. ESG in M&A transactions – *ESG due diligence*
5. Impact on M&A transaction terms?
Drivers of ESG
and why listed companies should care about ESG

INVESTOR FOCUS
Increased investor focus on sustainable investments and (long-term) shareholder value creation.

STAKEHOLDER FOCUS
Increasing demands from employees, customers etc. on ESG actions of companies and transparency.

NEW REGULATION
New “ESG regulation” introduced in particular by EU provide increased compliance requirements and increased documentation requirements.

STRATEGIC FOCUS
ESG is for some companies a strategic focus to gain competitive advantage (but beware of colour-washing).
Proxy advisors’ voting recommendations on certain ESG topics

**Glass Lewis**

On **board gender diversity**, Glass Lewis recommends **voting against** the election of the chair of the nomination committee if underrepresented gender accounts for **less than 30% of board seats** and the company has not provided a credible plan to address the issue (or higher domestic threshold, if applicable).

On **climate accountability**, for companies where GHG emissions represent a financially material risk, Glass Lewis recommends **voting against** director(s) where Glass Lewis finds that the company does not have **thorough climate-related disclosures** and/or **explicit and clearly defined oversight responsibilities**.

**ISS**

On **board gender diversity**, ISS recommends **voting against** the election of the chair of the nomination committee (or other directors) if underrepresented gender accounts for **less than 30% of shareholder-elected directors** in widely held companies (or higher domestic threshold, if applicable).

On **climate accountability**, for companies that have significant GHG emissions, ISS recommends **voting against** responsible incumbent director(s) where ISS finds that the company is **not taking minimum steps required to mitigate risks** related to climate change affecting the company and larger economy.

On **ESG proposals**, ISS recommends **voting case-by-case** focusing on how proposal may enhance or protect shareholder value in short or long term.
"ESG regulation"
- New EU legislation on its way regarding ESG topics

CSRD
Corporate Sustainability Reporting Directive
Expanding non-financial reporting and requires opinion of limited assurance. Expected to apply to large listed companies for financial years 2024 with reporting in 2025.

CSDDD
Corporate Sustainability Due Diligence Directive (proposal)
Companies will be obliged to use due diligence processes to identify, prevent, mitigate negative impacts on environment and human rights in their "chain of activities".

GCD
Green Claims Directive (proposal)
Aims at protecting consumers against greenwashing by requiring substantiation of "green claims" and third party verification.
ESG in M&A transactions

- ESG due diligence

Compliance
Compliance with existing ESG regulation – analysis of risks of non-compliance or reputational damage.

ESG "maturity"
Mapping of a company's "ESG maturity" or risks and opportunities, including which ESG initiatives the company has engaged in or initiated.
Impact on M&A transaction terms?

ESG warranties and SPA terms?
In the US a trend towards “ESG warranties” – e.g. the "Weinstein"-clause or "greenwashing"-clause. In Denmark currently no trend as such - compliance issues and disputes dealt with by customary compliance and no dispute warranties.

Promoting disclosures
ESG due diligence will contribute to additional disclosures and uncover additional risks (and opportunities).

Post-Closing action plan
Mapping of risks and opportunities can be used for post-Closing action plan with initiatives to promoting ESG initiatives in company.

Price impact?
Case-by-case specific.
Thank you!

Sofie Jensen
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13.40 – 14.15
Highlights: Growing ESG focus at AGMs in 2023

Kirsten van Rooijen
CEO, Computershare Continental Europe
GROWING ESG FOCUS AT AGMS IN 2023
European AGMs 2023
What trends do we see?

- Growing activism at the meeting since return to physical meeting
- In countries where virtual meeting is allowed, larger meetings are moving to virtual also to avoid activism during the meeting
- Slight increase in shareholder presence
- Activism groups starting training sessions to encourage retail shareholders to ask questions and how to behave at shareholder meetings
AGM protest are hijacking a shareholder event

- AGMs are like prisons, where there are more security guards than shareholders
- Airport Style Security / Strip searches – Where does it end?
- Is a virtual meeting the solution?
Climate activism is getting more aggressive also at the AGMs in Europe
ESG resolutions continue to be floated by NGO’s

In the 2023 Proxy Season

Limited Institutional driven initiatives

Less interest of companies to put forward a say on climate resolution

Investors are not following through on their threats to vote against the Chair
Investor support is sporadic and not uniform

- Companies in the oil & gas sector increased production and exploration not generating corresponding opposition for shareholder resolutions – Does financial performance trump ESG performance
- Proxy Advisor opposition to shareholder resolutions
- Multiple voting policies – Sustainable policy vs standard policies making the issue more complex
- Anti-ESG initiatives from the US are starting to show up in investor policies in Europe
80% is the new 90%

How are companies managing the results?

- **Investor engagement** further down
- **Reviewing** those that are voting more closely
- **Late instructions**
- **Proximity** is the new vote pipe
Development

Virtual AGMs to provide more interaction

- Enable live questions of shareholders during your AGM
- Question Management Tooling
- Requires Board preparation and ensure you have back-up procedures in place in case technology at shareholders fails.
14.45 – 15.15
Shareholder engagement

Anne Pindborg
Vice President, Head of Board Secretariat
A.P. Møller - Mærsk A/S
Shareholder Engagement

Introduction

“The good old days”

AGM 2023

Shareholder Activism

Engagement with Shareholders

AGM in the future
Shareholder Engagement

Introduction
Shareholder Engagement

"The good old days"
Indkaldelse til ordinær generalforsamling

Generalforsamlingen afholdes som fuldstændig elektronisk generalforsamling tirsdag den 28. marts 2023, kl. 15.00.

Dagsorden og fuldstændige forslag

A. Afhældelse af generalforsamlingen på engelsk med simultantolkning til og fra dansk. Bestyrelsen foreslår, at nærværende generalforsamling afvikles på engelsk med simultantolkning til og fra dansk.

B. Der afgives beretning om selskabets virksomhed i det foreløbige driftsår.

C. Den reviderede årsrapport fremlægges til godkendelse.


Bestyrelsen foreslår genvalg af Bernad Boc, Marc Engel, Arne Karlsson, og Amparo Moraleda.

Bestyrelsen foreslår endvidere, at derefter vælges som nyt medlem af bestyrelsen.

I. Valg af revision.
Shareholder Engagement

Engagement with Shareholders

- AGM
- Shareholder events
- IR - roadshows
- Publications – quarterly updates
- Open Investor days

Considerations

- Professional vs retail shareholders
- Venue/timezone
- Language
- Resources
Shareholder Engagement

Shareholder Activism

What is shareholder activism?

“AGM – or shareholder – activism aims to take the fight for a fairer, greener, healthier society to the heart of those companies fuelling the crises. At the annual general meetings (AGMs) of publicly listed companies, shareholders get to ask questions that matter to them, vote on resolutions and even file their own.”

Common topics of discussion when directors meet with shareholders

- ESG issues 43%
- Executive compensation 40%
- Strategy oversight 38%
- Board composition 38%
- Capital allocation 23%
- Shareholder proposals 23%
- Management performance 21%
- Risk management oversight 15%

“*The shareholder-base of companies is changing and becoming much more vocal. Investors are increasingly taking a more active interest in all company issues.*”
Shareholder Engagement

AGM in the future
15.15 – 15.45
Demystifying the complex state of ESG

Emmanuel Artusa-Barrell
ESG Manager UK & Europe, Georgeson
DEMYSTIFYING THE COMPLEX STATE OF ESG

EMMANUEL ARTUSA-BARRELL
ESG MANAGER UK & EUROPE

8 June 2023
The Complex ESG Landscape
The ESG Proposition

Material Issue

- Environmental
- Social
- Governance

Performance & Disclosure

- Stakeholder
- Remuneration
- Diversity
- Fair
- Natural Capital
- Human
- Climate Change
- Purpose
- Supply Chain
- ESG
- TCFD
- Biodiversity
- Conduct
- SASB
- Rating
- SDGs
- Modern Slavery
- Equitable
- Cybersecurity

Outcome

- Attract and retain capital
- Material risk management
- Support from Shareholders
- Attract talent
- Positive Community Perception

Georgeson
Management of ESG Matters Impacts Ongoing Investment and Voting Decisions

A company with strong ESG scores will be included in ESG-focused indices and attract long-term investors seeking strong risk-adjusted returns.

Companies with weak scores will with increased frequency experience fleeing investors and a dwindling stock price.

**NORGES BANK**
- Divested from Glencore (coal), RWE (coal) and Philip Morris (Tobacco)

**Amundi**
- Planning to divest from unconventional hydrocarbons by the end of 2022

**STATE STREET GLOBAL ADVISORS**
- Voting against ESG laggards identified by R-Factor ESG rating system

**Vanguard**
- 2022, Vanguard has expanded the number of sustainable funds in its offering

**Legal & General**
- Divesting climate laggards and overweighting climate leaders

**Fidelity**
- Building proprietary ESG rating system that will influence voting decisions

**BLACKROCK**
- Vote against directors at companies who have not provided disclosures in line with SASB and TCFD

**Schroders**
- 2021 began integrating ESG factors into their decision-making across all investments
A Vast Universe of Organisations Drive ESG Strategy

Issuers must navigate a complex and evolving patchwork of organisations to establish and manage ESG strategies.

- Reporting standards and regulation
- Investors initiatives and attention on key focus areas
- ESG data and rating market

Logos of various organisations involved in ESG.
REPORTING FRAMEWORKS, STANDARDS AND REGULATION
ESG Policy Tools and Guidance are Expanding

Of the policies identified by PRI, **96% have been developed since the year 2000**. The pace continues to increase as the PRI identified **225 new or revised policy instruments in 2021**, more than double the number in any previous year.

Cumulative number of policy changes per year (source: PRI). Across the world’s 50 largest economies, PRI finds that there are around 868 policy tools and guidance and more than 300 policy revisions which support, encourage or require companies and investors to consider all long-term value drivers, including (ESG) factors: [PRI | Policy (unpri.org)]
Jan 2025 (i.e. reporting 2026), large companies required to report against the CSRD. over 250 employees; over EUR 40 m net revenue; and/or over EUR 20 m total assets.

- **Sustainable Finance Disclosure Regulation (SFDR)** came into effect
- **CSRD** proposal adopted by the EC replacing NFRD

EU Sustainable Finance Taxonomy Regulation entered into force

- **CSRD**: Companies subject to reporting under the NFRD for years beginning on or after 1 Jan 2024 (i.e. reporting in 2025)

The **Regulatory Landscape** in Denmark is Changing Rapidly
Voluntary Frameworks are trying to create a global baseline

- **ISSB** provides the investor focus while **GRI** provides the multi stakeholder focus.
- **Countries** now considering incorporating ISSB into mandatory regulatory frameworks.
- **Quantity** of disclosure against ISSB depends on interoperability with CSRD and investor appetite.

ISSB Standards to be released July 2023

Reporting on the sub-set of sustainability topics that are material for enterprise value creation

Reporting on the significant impacts on economy, environment and people
ESG RATINGS
The Complex ESG Rating Process Makes the Route to Improvement a Difficult Task
ESG Ratings Contradict Each Other

Inconsistent scores across ESG Ratings Providers is problematic enough...

...however, a number of high-profile global investors have developed their own proprietary scoring systems to address their own frustrations with score correlation.
Denmark’s **MSCI ESG Scores** perform favourably when compared to European peers but are not ‘best in class’.
INVESTOR FOCUS AREAS
How do you see ESG initiatives evolving this year?

We encourage companies to enhance their climate strategies with board oversight to specifically address both risks and opportunities. Board oversight should include the adoption of sector-based decarbonisation where appropriate and available, along with actively participating in public policy engagements that enable industry-wide progress.

How do you see ESG initiatives evolving this year?

Our active ownership principles have six thematic priorities: climate change, natural capital and biodiversity, human capital management, human rights, diversity and inclusion, and corporate governance. Much of our engagement will be across ESG topics, but we chose these themes as the most material to the long-term value of our investee holdings.

How will you approach climate change engagement moving forward?

Amundi expects its investee companies to:

- **Commit to reducing** their overall carbon footprint at a pace that is compatible with reaching global carbon neutrality by 2050;

- **Disclose** their climate plan and their achievements, annually;

- **Submit** these items to an annual shareholder vote at their annual general meetings.
Georgeson’s Institutional Investor Survey

$47 Trillion AUM

including US and UK/EU participants with an average industry experience of 12 years through in-depth phone interviews.

- Climate Action 100+ Signatories: 83%
- Net Zero Asset Management Signatories: 80%
- Stewardship Code Signatories: 83%

Findings from survey 1/2 – ESG criteria in executive compensation

**Voting Decisions**
Will you take action against companies that do not incorporate ESG criteria into executive incentive plans?

- Case by Case
- Yes
- Not at this stage

**Challenges for Investors**
What challenges do you encounter when assessing non-financial ESG criteria in executive compensation?

- Related to Sector
- Quality of Metric
- Measurability of Metric
- Type of Metric
- Rigour of Metric

**Climate Metrics**
Should climate change-related metrics be part of annual bonus or long-term incentive plans?

**Social Metrics**
Should Social 'S' related metrics be part of annual bonus or long-term incentive plans?
Findings from survey 2/2 – Social Escalation

ESG Engagement
What Social 'S' related issues are your focus of attention during the off-season?

- Supply Chain
- Human Rights
- Diversity, Equity and Inclusion
- Human Capital Management

“Human capital management is a top priority. The cost of living will come into focus and there needs to be closer alignment with senior management. Paying for performance is one thing, adapting to the workforce is another important indicator.”

“"We look more closely at the lists of controversial companies in the human rights and supply chain areas and work with the appropriate committees to assess the risks and disclosures. If a company violates the principles of the UN Global Compact for three years in a row, it will be excluded from our funds.”
**Hot-topics for 2024**

**Biodiversity**

Mainstreaming biodiversity loss as ESG-related business issue gains steam

The loss of biodiversity has become a key part of environmental concerns around ESG, and the legal industry should pay special attention to the challenges and opportunities this area offers.

**E&S-related Activism**

EU ban on forever chemicals would hit bloc’s green transition, warns top industry boss

Chemours chief joins chipmakers in publicly pushing back against bloc’s proposal to restrict use of PFAS variants: “It’s really amazing to me that we would think of walking away from a group of chemistries . . . that enables the green economy.”
Focus areas for issuers

- **Reporting**: Stay ahead of regulatory developments by assessing the gaps in your reporting and by developing your internal data collection capabilities.

- **Educate**: Educate the board and management team so that they all have a high-level understanding of the ESG-related challenges your company (and its sector) face.

- **Data**: Focus on providing the ESG data investors are looking for and engage with the ESG Rating agencies they rely upon the most.

- **Benchmark**: Benchmark your disclosures and strategy against your peers in order to become a leader within your sector.

- **Alignment**: Ensure alignment with investor expectations and learn how to communicate with them to ensure the company gets the credit it deserves.
Contact

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ISS Global Benchmark (Climate) Policy Survey

Investor perceptions of Say on Climate proposals

The Survey received 417 responses: 205 responses from investors and investor-affiliated organizations, and 212 from non-investor respondents.

The summary of investor sentiment on the five climate issues that may impact the 2023 voting policy for Continental Europe:

1. Climate-related Board Accountability
   - 79% of investors surveyed consider it to be a material governance failure if a company is not providing adequate disclosure according to a framework such as the TCFD.

2. Climate Transition Plans
   - The investors surveyed want companies to prioritise setting adequately comprehensive and realistic medium-term targets for reducing emissions to net zero by 2050 (42%) and capital expenditures that align with long-term company strategy (41%).

3. Climate Risk as Critical Audit Matter
   - There was a clear consensus from the investor respondents that commentary by auditors within the Audit report on climate-related risks for significant emitters was favourable (75%).

4. Financed Emissions
   - 54% of investors believe that large companies in the banking and insurance sectors should fully disclose their financed emissions. Additionally, 51% believe these companies should have clear long-term and intermediary financed emissions reduction targets.

5. Climate Expectations
   - There is heightened focus amongst investors on targets being aligned with net-zero and that these targets have been verified (e.g. by the SBTi). There is also an expectation amongst the investor community that climate-related disclosures will become expectations in the future.
ISS Global Benchmark Policy Survey Results

Climate Board Accountability

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<th>What Constitutes a Material Governance Failure</th>
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| Absence of adequate disclosure with regards to climate-related oversight, strategy, risks and targets according to a framework such as the one developed by the Task Force for Climate-related Financial Disclosure. | ![79%](chart)
| Has not set realistic** medium-term targets (through 2035) for Scope 1 & 2 only (including direct emissions and those associated with purchased power). | ![50%](chart)
| Has not declared a "net-zero by 2050" ambition. | ![47%](chart)
| Has not set realistic** medium-term targets (through 2035) for Scope 1, 2 & 3 if Scope 3 is relevant (generally over 60% of company's footprint) (including the scopes above and emissions associated with goods bought, sold, and financed). | ![45%](chart)
| Is not showing or on track to show an absolute decline in GHG emissions for Scope 1, 2 & 3 if Scope 3 is relevant (generally over 60% of company's footprint) (including the scopes above and emissions associated with goods bought, sold, and financed). | ![36%](chart)

A strong majority of investor respondents (69%) chose at least one of those “targets” responses.
Company Climate Transition Plans

Top priorities when determining if a company's transition plan is adequate

- Whether the company has set adequately comprehensive and realistic medium-term targets for reducing operational and supply chain emissions (Scopes 1, 2 & 3) to net zero by 2050. 42%
- Whether the company's short- and medium-term capital expenditures align with long-term company strategy and the company has disclosed the technical and financial assumptions underpinning its strategic plans. 41%
- The extent to which the company's climate-related disclosures are in line with TCFD recommendations and meet other market standards. 37%
- Whether the company has sought and received third-party approval that its targets are science-based, such as from the Science Based Targets initiative. 32%
- Whether the company discloses a commitment to report on the implementation of its plan in subsequent years. 22%
- Whether the company has set adequately comprehensive and realistic medium-term targets for reducing operational emissions (Scopes 1 & 2) to net zero by 2050. 22%

Some investors believe submitting management say-on-climate plans for shareholder approval improperly shift the responsibility for a company’s climate transition plan away from the board and management toward its shareholders.
Do you favor seeing commentary from the auditors, in the auditor report, on climate-related issues (in the case of significant emitters)?

- Yes
- No
- Other

In comments, several respondents raised the question of whether auditors currently have the expertise to accurately gauge these risks. Others wrote that this issue is currently not a market norm but may develop quickly due to regulatory requirements that are being finalized in the U.S. and EU and as the International Sustainability Standards Board (ISSB) develops its sustainability standards.
ISS Global Benchmark Policy Survey Results

**Financed Emissions**

**Financed emissions expectations for large banking and insurance companies**

- **Disclosure** – Such companies should fully disclose financed emissions. 54%
- **Targets** – Such companies should have clear long term and intermediary financed emissions reduction targets for high emitting sectors. 51%
- **Targets** – Such companies should have a net-zero by 2050 ambition including financed portfolio emissions. 49%
- **Disclosure** – Such companies should publicly commit to disclose financed emissions at some point in the future by joining a collaborative group such as the Partnership for Carbon Accounting Financials (PCAF) &/or the Glasgow Financial Alliance for Net Zero 45%

It is worth mentioning that a low level of respondents consider companies should not disclose financed emissions and/or should only be expected to disclose/reduce their direct emissions.
84% believe that investors’ minimum expectations on thresholds for climate-related disclosure and performance are growing and will continue to increase over time.

Do you expect that investor expectations on climate disclosure and performance will change over time? If you answered yes, and you are an investor, how do you expect your thresholds to change?
Thank you for joining us today!

Sign up for our newsletter:
www.computershare.com/dk/nyhedsbrev

Follow Computershare Denmark on LinkedIn:
https://www.linkedin.com/company/computershare-denmark

If you have any questions, please do not hesitate to contact us at +45 4546 0999 or info@computershare.dk.