



Georgeson's 2016 Proxy Season Review

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issuers and investors

DENMARK

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Denmark

Denmark Highlights

- > The average quorum for the OMXC Large Cap companies surveyed has increased from 55% in 2015 to 56.77% in 2016.
- > In our OMXC Large Cap sample a total of two board resolutions at the AGM of Simcorp failed to gather sufficient support due to insufficient capital represented.
- > A total of 24 shareholder proposals were filed at the AGMs of Danske Bank, DFDS, Jyske Bank and Københavns Lufthavne. Of these, 23 proposals failed to gather sufficient support from shareholders and were rejected. One shareholder proposal was passed at Danske Bank (regarding a cap on golden handshakes).
- > Amongst the OMXC Large Cap companies surveyed, five companies received at least one against recommendation from ISS, for a total of eight resolutions, and 12 companies received at least one against recommendation from Glass Lewis, for a total of 15 resolutions.

1. VOTING IN DENMARK

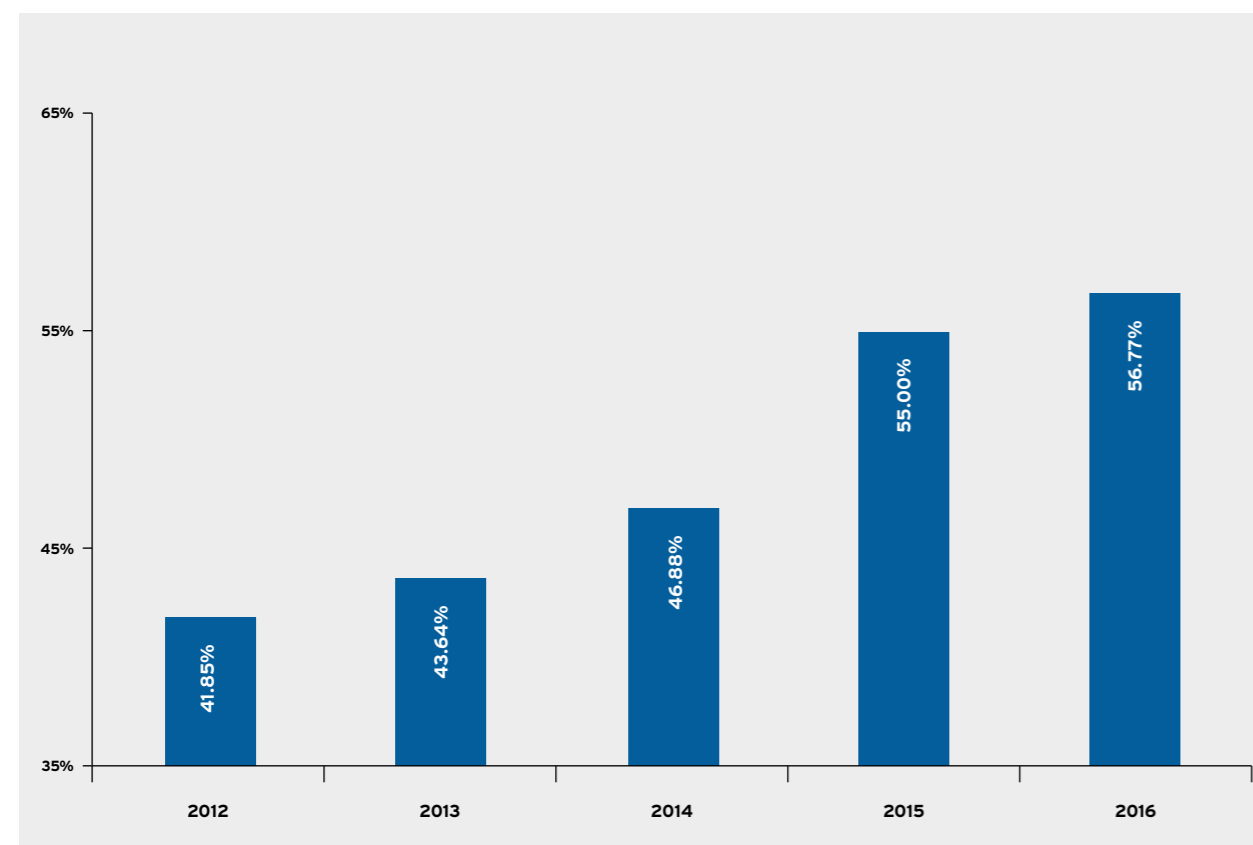
1.1 OMXC Large Cap quorum overview

We have reviewed the quorum levels of 26¹ of the 32 companies which comprise the OMXC Large Cap segment over the past five years. Nordea Bank and G4S have headquarters abroad and are therefore not included in this review. DONG Energy was listed in June 2016 and has not been included in this review as it has not held an AGM to date. In addition to this, three companies (Carlsberg, DFDS and Sydbank) do not disclose quorum levels and are therefore not included.

Foreign shareholders have come to play an increasingly important role in Danish companies as foreign ownership has increased significantly and now amounts to more than 56% of the shares in Danish companies². Consequently, institutional investors from abroad have become much more active at Danish AGMs and this has had significant influence on a number of the large companies. This is primarily due to general pressure on institutional investors to practice active ownership, stewardship codes for professional investors and new regulatory requirements encouraging the publication of voting records after the AGM.

The average quorum at the AGMs of OMXC Large Cap companies has increased slightly from 55% in 2015 to 56.77% in 2016. The below graph illustrates the evolution of the average of OMXC Large Cap quorums over the past five years.

Graph 1: Shareholder attendance levels of OMXC Large Cap companies between 2012 and 2016



¹ A.P. Møller - Mærsk, Chr. Hansen, Coloplast, Danske Bank, DSV, FLSmidth & Co., Genmab, GN Store Nord, H. Lundbeck, ISS, Jyske Bank, Københavns Lufthavne, NKT Holding, Novo Nordisk, Novozymes, Pandora, Rockwool International, Royal Unibrew, Scandinavian Tobacco Group, SimCorp, TDC, Topdanmark, Tryg, Vestas, William Demant Holding, Össur

² According to Danmarks Nationalbank

1.2 Rejected resolutions

Among the OMXC Large Cap companies that held their AGM between 1 August 2015 and 31 July 2016, two resolutions proposed by the board were rejected by shareholders at the AGM of Simcorp.

Within this sample a total of 24 shareholder proposals were also filed. These were proposed at the AGMs of Danske Bank, DFDS, Jyske Bank and Københavns Lufthavne. Out of these proposals 23 resolutions failed to gather sufficient support from shareholders and were rejected. One shareholder proposal was passed at Danske Bank.

Board proposals

Simcorp

Two board resolutions at the AGM of Simcorp failed to gather sufficient support as more than 50% of the share capital was not represented at the general meeting³

- Authority to issue new shares (issued in accordance with the Board's existing authority to increase the share capital) not to the bearer but in the name of the holder.
- Authority to the Board of Directors (in accordance with sections 182-183 of the Danish Companies Act) to approve distribution of extraordinary dividends.

An extraordinary general meeting⁴ was successfully convened to obtain approval of the proposals.

Shareholder proposals

A total of 24 shareholder proposals were filed at the AGMs of Københavns Lufthavne, Danske Bank, Jyske Bank and DFDS. Among these, 23 failed to gather sufficient support from shareholders and were therefore rejected.

One shareholder resolution at the Danske Bank AGM (regarding a cap on golden handshakes) was approved with over 97% votes in favour.

Danske Bank

At the AGM of Danske Bank five shareholder proposals were filed by seven shareholders:

- Danske Bank must stop new investments in non-renewable energy and scale down existing investments.
- At the next general meeting, a cap on golden handshakes must be presented for adoption.
- Danske Bank must support the introduction of a tax on speculation (FTT tax) at a European level.
- By the next general meeting, Danske Bank must have increased the number of traineeships.
- In the elections for the Bank's Board of Directors and in the appointment and promotion to executive positions in the Bank, consideration be given only to the background, education, and estimated appropriateness of the persons in question - independent of gender and age.

Four resolutions were rejected with dissent at over 97%⁵. The resolution regarding a cap on golden handshakes was approved with over 98% of the votes. It should be noted that shareholder resolutions are very rarely passed, but the resolution was supported by the management (as well as ISS and Glass Lewis).

³ <http://www.simcorp.com/-/media/files/investor/minutes-from-annual-general-meeting/minutes-annual-general-meeting-2016.pdf?la=en>

⁴ www.simcorp.com/-/media/files/investor/minutes-from-annual-general-meeting/simcorp-egm-2016.pdf?la=en

⁵ http://www.danskebank.com/da-dk/ir/Aktien/Aktionaerer/Documents/AGM%202016%20-%20DK%20+%20UK/VotesCastAGM_DanskeBank2016.pdf

DFDS

At the AGM of DFDS, three shareholder resolutions were filed by one shareholder:

- The Company's annual report shall be made available in a Danish and an English version and the Danish version shall also be made available in a printed version.
- The Company's routes Copenhagen-Oslo and Amsterdam-Newcastle are separated into a subsidiary.
- DFDS should not offer share options to the Company's management or senior employees.

All proposals were rejected with dissent at almost 99%⁶. Both ISS and Glass Lewis had issued against recommendations on these resolutions.

Jyske Bank

At Jyske Bank's AGM, four resolutions were proposed by six shareholders:

- Jyske Bank shall cease to make new investments in non-renewable energy and scale down existing investments.
- At the next general meeting a ceiling on golden handshakes should be introduced.
- Jyske Bank must support the introduction of a tax on speculation (FTT tax) at a European level.
- At its next annual general meeting, Jyske Bank shall have created more traineeships than since the last annual general meeting.

All resolutions were rejected with dissent at over 99%⁷. It should be noted that both ISS and Glass Lewis issued an against recommendation on the resolutions.

Københavns Lufthavne

At the AGM of Københavns Lufthavne, 12 shareholder proposals were filed by two shareholders:

- Ensure, in accordance with applicable aviation legislation, that circumstances which can increase the population of large birds within CPH's 13 km zone do not occur.
- Present a request to the Danish Nature Agency to designate and classify barnacle geese.
- Present a request to the Danish Nature Agency regarding annual regulation of the large birds.
- Cancellation of Saltholm wildlife reservation.
- Establishment of 4-6 feeding areas on Amager and Vestamager.
- Establishment of bird radar.
- Safety evaluation.
- Notify the relevant authorities, including the Danish Transport and Construction Agency and the Danish Nature Agency, about: (i) the frequency of warnings from the control tower to pilots about bird occurrences in connection with take-off and landing, and, (ii) the risk of liability in the event of air crash due to bird strikes.
- Present a request to the relevant authorities to assume full legal responsibility in the event of air crash due to bird strikes.
- Establishment of bird radar by way of renting existing radar systems.
- Criticize the adoption of BL 8-10.
- Disciplinary sanctions in relation to the employees who may have failed to attend to air travel safety.

All resolutions were rejected with dissent at over 99%⁸. Both ISS and Glass Lewis issued an against recommendation on these resolutions.

1.3 Contested resolutions

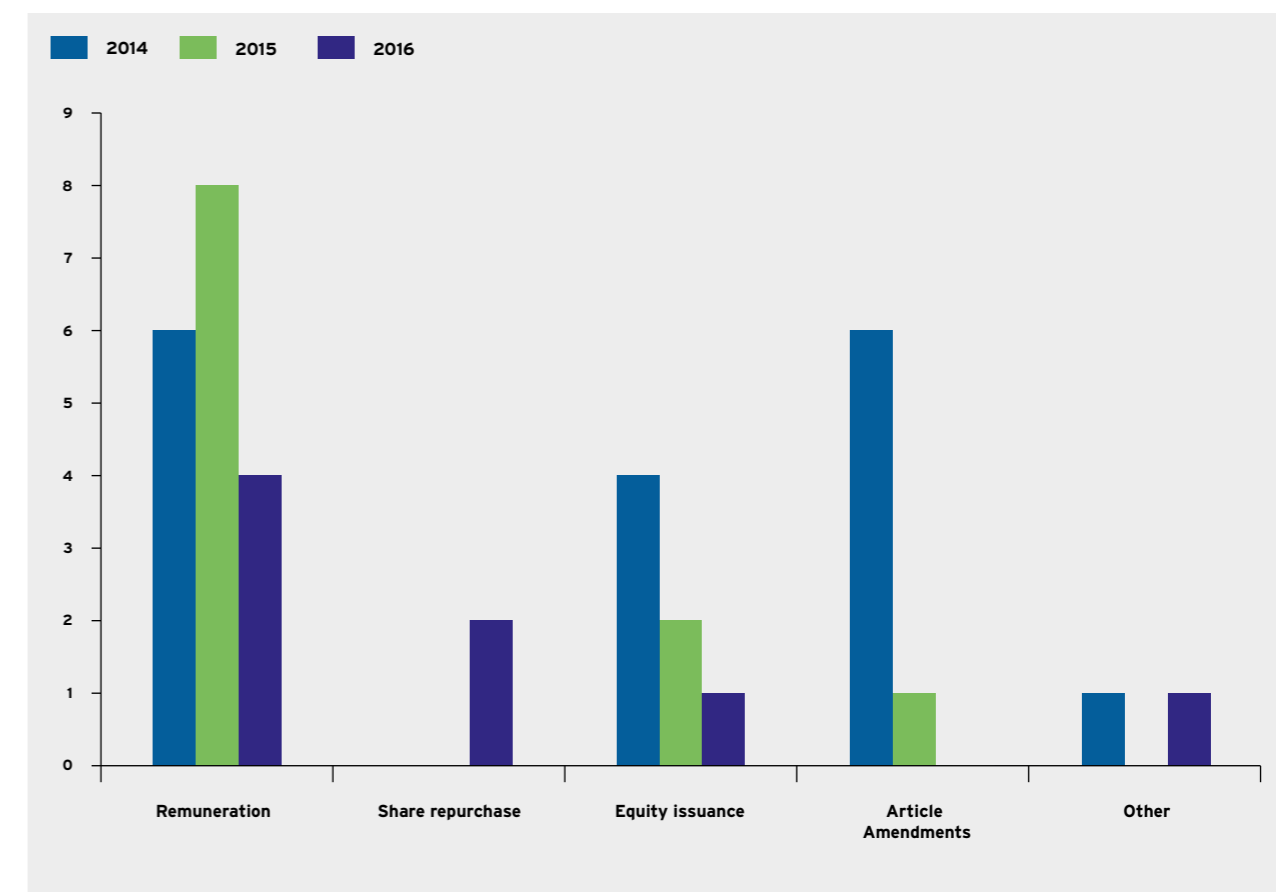
Amongst the 29 OMXC Large Cap companies in our sample that held their AGM between 1 August 2015 and 31 July 2016, only 18 disclose the precise vote results by resolution. While the other companies confirm whether the resolutions were passed, they do not disclose the number of shares voted in favour or against each proposal (as this is not a legal requirement).

Among our sample of OMXC Large Cap companies that held their AGM between 1 August 2015 and 31 July 2016 and provide detailed vote results, four companies saw at least one resolution receive more than 10% shareholder opposition. The total number of resolutions that received over 10% against votes amounted to eight (compared to 17 in 2014 and 11 in 2015).

The most commonly contested resolutions were the approval of remuneration guidelines and remuneration of directors (four resolutions). This was followed by share repurchase authorities (two resolutions) and equity issuance authorities (one resolution).

The graph below summarises the main categories of the resolutions that received more than 10% opposition from shareholders.

Graph 2: Main resolutions which received more than 10% against votes at the OMXC Large Cap companies surveyed (broken down by resolution type)



⁶ <http://www.dfdsgroup.com/Investors/AnnualGeneralMeeting/Documents/2016-AGM-Voting-result.pdf>

⁷ <https://investor.jyskebank.com/wps/wcm/connect/ffb9c2a5-b9cf-4063-b5a5-6b44da27d848/Afstemningsresultater-UK.pdf?MOD=AJPERES>

⁸ <https://www.cph.dk/globalassets/om-cph/om-cph/investor/2016/cph-agm-minutes--12-april-2016.pdf>

1.3.1 Remuneration

Under the Danish Companies Act (§139), the board of a listed company must prepare general guidelines for incentive based compensation for executive management and board members before entering into any specific agreement on incentive pay with a member of management. These guidelines must be considered and adopted by the AGM.

Among our sample the companies with the lowest level of support on remuneration resolutions were:

- > Genmab, remuneration of directors (56.22% in favour)
- > Genmab, remuneration guidelines (78.54% in favour)
- > William Demant, remuneration guidelines (79.54% in favour)
- > TDC, remuneration of directors (89.36% in favour)

In the case of Genmab's remuneration of directors resolution both ISS and Glass Lewis recommended an against vote. For Genmab's remuneration guidelines ISS recommended in favour of the resolution while Glass Lewis recommended an against vote. At William Demant both ISS and Glass Lewis recommended an against vote. At TDC both ISS and Glass Lewis recommended in favour of the resolution.

1.3.2 Share repurchase

Among our sample the companies with the lowest level of support on approval of share repurchase programs were:

- > Genmab (69.33% in favour)
- > NKT (83.32% in favour)

In both cases ISS recommended an against vote and Glass Lewis recommended in favour of the resolution.

1.3.3 Equity issuance

Among our sample the company with the lowest level of support on approval of equity issuance was:

- > William Demant (84.34% in favour)

ISS recommended an against vote, Glass Lewis recommended in favour of the resolution.

1.3.4 Allocation of income

Among our sample the company with the lowest level of support on approval of allocation of income was:

- > TDC (89,36% in favour)

Both ISS and Glass Lewis recommended in favour of the resolution.

2. PROXY ADVISORS

Many institutional investors rely on proxy advisory firms, such as ISS and Glass Lewis for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor can have an adverse impact on the vote outcome of a given resolution.

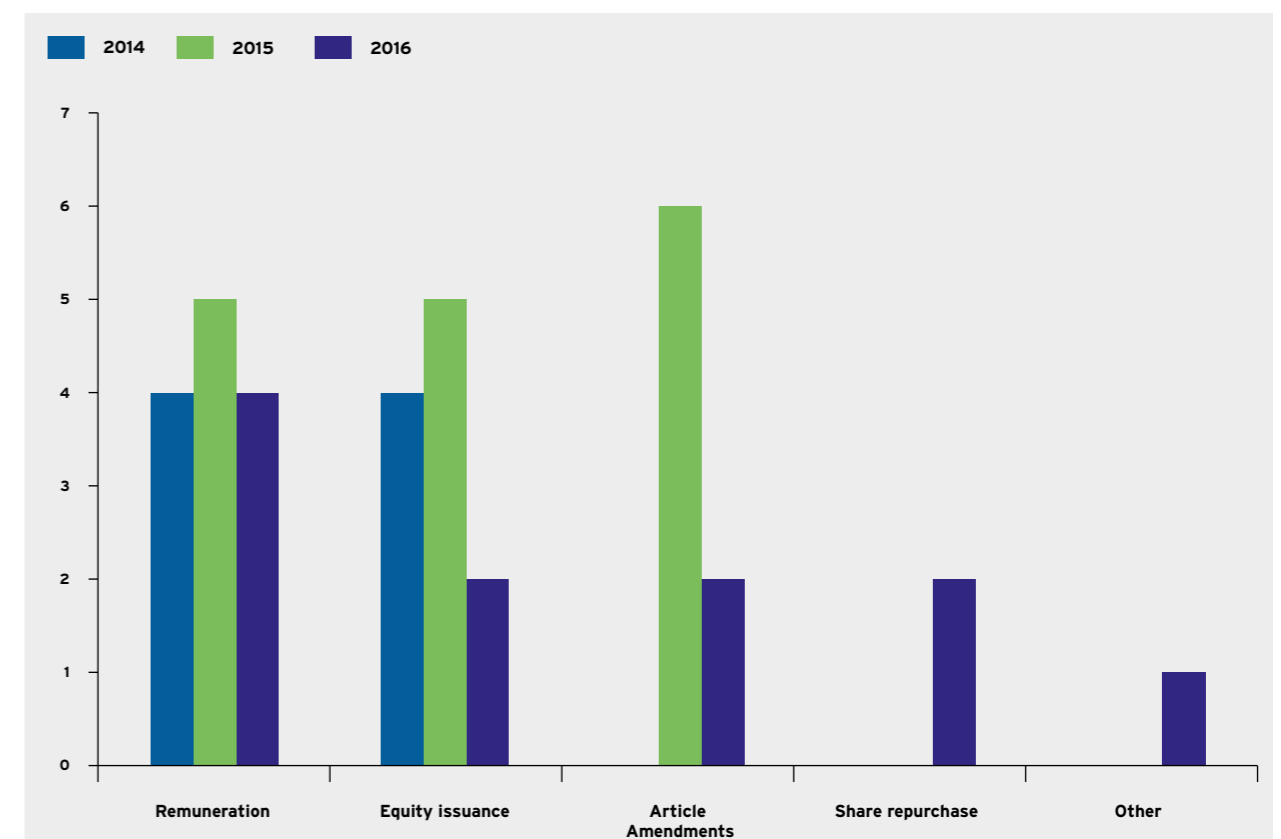
2.1 ISS

Institutional Shareholder Services⁹ (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers. ISS has over 1,600 clients, and approximately 900 employees spread across 18 offices in 12 countries and covers approximately 39,000 meetings in 115 countries. They were acquired by Vestar Capital Partners in March 2014. In Europe they have offices in Berlin, Brussels, Copenhagen, London, Paris and Stockholm.

Between 1 August 2015 and 31 July 2016, 5 out of the 26 OMXC Large Cap companies surveyed received at least one against recommendation from ISS. The remuneration-related resolutions received the highest number of against recommendations (four resolutions), followed by the approval of share issuance authorities (two resolutions) and share repurchase authorities (two resolutions).

Below is an overview of the number of against recommendations by ISS at the OMXC Large Cap AGMs we surveyed over the past three years. The graph shows that overall, the 2016 proxy season saw the lowest number of negative recommendations from ISS in the last three years. In 2016 the number of against recommendations amounted to 8 compared to 12 in 2015 and 15 in 2014.

Graph 3: Overview of the number of negative recommendations by ISS at OMXC Large Cap AGMs over the past three years



⁹ <http://www.issgovernance.com/about/about-iss/>

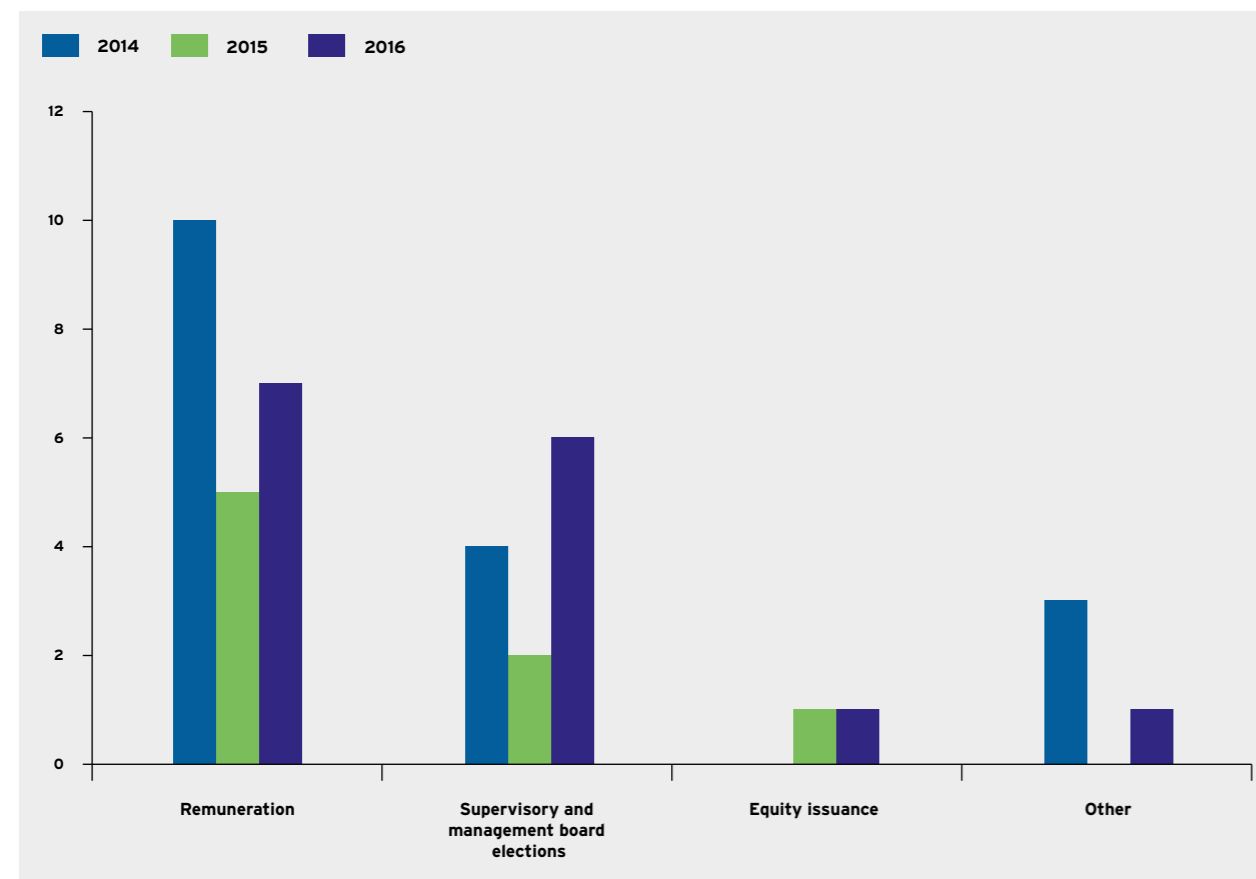
2.2 Glass Lewis

Glass Lewis¹⁰ is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms. Glass Lewis has over 1,200 clients and more than 360 employees. They cover more than 20,000 meetings in 100 countries. They are owned by the Ontario Teachers' Pension Plan Board and the Alberta Investment Management Corporation. In Europe they have offices in London, Limerick and Karlsruhe (since their acquisition of IVOX in June 2015).

Between 1 August 2015 and 31 July 2016, 12 out of the 26 OMXC Large Cap companies surveyed received at least one against recommendation from Glass Lewis. The approval of remuneration are the resolutions which have received the highest number of against recommendations (7 resolutions) followed by Supervisory Board or Management Board elections (6 resolutions) and equity issuance proposals (1 resolution).

Below is an overview of the number of negative recommendations by Glass Lewis at the 26 OMXC Large Cap AGMs we surveyed over the past 3 years. The graph shows that overall, the 2016 proxy season saw 15 against recommendations from Glass Lewis compared with 8 in 2015 and 17 in 2014.

Graph 4: Overview of the number of negative recommendations by Glass Lewis at OMXC Large Cap AGMs over the past three years



¹⁰ <http://www.glasslewis.com/about-glass-lewis/>

3. CORPORATE GOVERNANCE DEVELOPMENTS

3.1 Corporate Governance Code

The Danish recommendations on Corporate Governance are aimed primarily at Danish companies whose shares are admitted to trading on a regulated market. The objective is that the recommendations are appropriate for such companies and comply with Danish and EU company law, the OECD's Principles of Corporate Governance and recognised best practice.

The recommendations are based on, and supplement, company law and stock exchange regulation. The recommendations enable the individual company to organise its governance optimally in accordance with the "comply or explain" principle.

The Corporate Governance recommendations were last amended in November 2014¹¹.

3.2 Stewardship Code

The Danish government has appointed The Committee on Corporate Governance (Komitéen for god Selskabsledelse) to draft a code, based on the UK Stewardship Code, to steer Danish pension funds and other institutional investors towards more proactive engagement with company management and to ensure a focus on healthy, long-term corporate activity¹².

The draft proposal for the new code of active ownership was sent to hearing on 1 September 2016. The new code is expected to receive final approval by the end of 2016.

¹¹ https://corporategovernance.dk/sites/default/files/recommendations-ebs-12401-rapport-selskabsledelse-uk-5k-nov-2014_0.pdf

¹² <https://corporategovernance.dk/nye-medlemmer-til-komiteen-god-selskabsledelse>

Global locations

Georgeson Australia

Melbourne

Yarra Falls 452 Johnston Street
Abbotsford 3067 Vic
Australia

Sydney

Level 1
60 Carrington Street
Sydney 2000 NSW
Australia

Georgeson China

Suite 908-909
Tower W1 Oriental Plaza
1 East Chang An Ave
Dong Cheng District
Beijing 100738

Georgeson France

10 place Vendôme
75001 Paris
France

Georgeson Germany

Elsenheimerstr. 61-63
80687 Munich
Germany

Georgeson Hong Kong

46th Floor Hopwell Center
183 Queen's Road East
Wan Chai
Hong Kong

Georgeson Italy

Milan

Via L. Mascheroni 19
20145 Milano
Italy

Rome

Via Emilia 88
00187 Roma
Italy

Georgeson Netherlands

Westplein 11
3016 BM Rotterdam
The Netherlands

Georgeson South Africa

70 Marshall Street
Private Bag X116
Marshalltown Johannesburg
2107
South Africa

Georgeson Spain

Zurbarán 18 5ª pl.
Madrid 28010
Spain

Georgeson UK

Moor House
120 London Wall
London EC2Y 5ET
United Kingdom

Georgeson US

New Jersey

480 Washington Blvd
Jersey City NJ 07310
United States

New York

1290 Avenue of the Americas
9th Floor
New York NY 10104
United States

