



Georgeson's 2017 Proxy Season Review

Bridging the gap between
issuers and investors

DENMARK

| CERTAINTY | INGENUITY | ADVANTAGE |

Georgeson



Denmark





Denmark Highlights

- ▶ The average quorum for the OMX Large Cap companies surveyed has decreased from 63.43% in 2016 to 61.71% in 2017.
- ▶ In our OMX Large Cap sample, a total of two board resolutions failed to gather sufficient support at the AGM of Simcorp due to insufficient capital represented.
- ▶ A total of 24 shareholder proposals were filed at the AGMs of Danske Bank, Københavns Lufthavne, Nets, Nordea Bank, Novo Nordisk, TDC and Topdanmark. Of these, 10 proposals were withdrawn, 12 were rejected due to insufficient support and two were passed.
- ▶ In the 2017 season, 15 of the 38 OMX Large Cap companies surveyed received at least one against recommendation from ISS or Glass Lewis for a total of 24 management and shareholder resolutions.

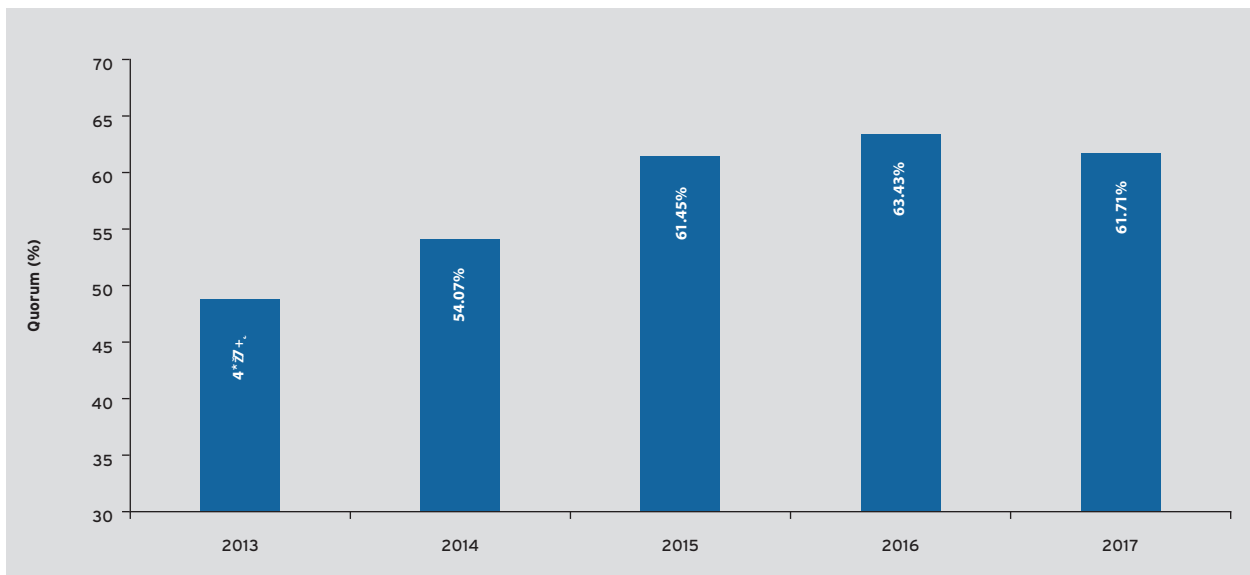
1. VOTING IN DENMARK

1.1 Quorum overview

Foreign shareholders have come to play an increasingly important role in Danish companies as foreign ownership has increased significantly over the past decade - from 32.5% of the shares in Danish companies in 2008 to 53.6% in July 2017¹. 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.

We have reviewed the quorum levels of the OMX Large Cap companies² over the past five years. The average quorum at the AGMs of OMX Large Cap companies has decreased from 63.43% in 2016 to 61.71% in 2017.

Graph 1: Average AGM quorum levels of the OMX Large Cap companies surveyed between 2013 and 2017.



¹ Source: Danmarks Nationalbank

² http://www.nasdaqomxnordic.com/index/index_info?Instrument=SE0001776667

1.2 Rejected resolutions

Among the 38 surveyed OMX Large Cap companies that held their AGM between 1 August 2016 and 31 July 2017, two resolutions proposed by the board failed to get sufficient support at the AGM of Simcorp.

Within our sample, a total of 24 shareholder proposals were also filed.

BOARD PROPOSALS

Simcorp

Two board resolutions at the AGM of Simcorp failed to gather sufficient support³. Both proposals were adopted by a majority of more than two thirds of both the votes cast and of the share capital represented at the AGM. However, as less than 50% of the share capital was represented at the AGM, the proposals were not adopted.

- Approve DKK 1 million reduction in share capital via share cancellation
- Approve creation of DKK 4 million pool of capital without pre-emptive rights

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: Danske Bank, Københavns Lufthavne, Nets, Nordea Bank, Novo Nordisk, TDC and Topdanmark. Among these, 10 shareholder proposals at the Nordea Bank AGM were withdrawn, 12 were rejected due to insufficient support (Danske Bank, Københavns Lufthavne, Nets, Novo Nordisk, TDC, Topdanmark) and two were passed at the AGM of Topdanmark.

Danske Bank

At the AGM of Danske Bank five shareholder proposals were on the agenda:

- Approve proposal requiring that company may not abolish cheques for its Danish personal and business customers.
- Require to release gender-specific remuneration statistics for its employees.
- Set a ceiling for employee share options at DKK 50,000, and no employees in a management or decision-making capacity regarding sale/exchange listing may have share options.
- Require Danske Bank to invest 5% of its net profit in green technology.
- Require Danske Bank to recognize and report on the UN's climate targets.

All resolutions failed to gain a significant level of support from shareholders (less than 5%), except for resolution five which had an 8% vote in favour.

ISS and Glass Lewis issued an 'against' recommendation on all the shareholder proposals except for five, on which Glass Lewis recommended shareholder support.

³ <http://www.simcorp.com/-/media/files/investor/agm-2017/agm-2017-minutes.pdf?la=en&hash=976608B62FE1C51E4FD75E6EE6DB3E9A5BACE6A0>

⁴ <http://www.simcorp.com/-/media/files/investor/agm-2017/extraordinary-general-meeting-26-april-2017/minutes-from-the-extraordinary-general-meeting.pdf?la=en&hash=3A1C7981669B766EF45A67FA93E5DF6E282200AE>

Københavns Lufthavne

At the AGM of Københavns Lufthavne one shareholder proposal was filed regarding:

- Nationwide fight against graylag geese and barnacle geese that are a risk to flight security.

The resolution was rejected with 99.9% negative votes.

ISS and Glass Lewis issued an 'against' recommendation on this resolution.

Nets

At the AGM of Nets two shareholder proposals relating to board remuneration were submitted:

- Shareholder Bjørn Hansen proposed a reduction of the Board of Directors' remuneration until such time as the share price once again reached DKK 150 per share.
- Shareholder Rene Christensen proposed that the third section in agenda item 5 concerning the possibility to pay additional fees to members of the Board of Directors for ad hoc tasks be deleted.

A written vote was conducted between the two shareholder proposals and the Board proposal. Both shareholder resolutions were rejected. Since the proposals were amendments to a board proposal, there were no proxy advisor recommendations on these resolutions.

Novo Nordisk

At the AGM of Novo Nordisk, two shareholder proposals were on the agenda:

- Free parking for the shareholders in connection with the informal Shareholders' Meeting.
- The buffet at the informal Shareholders' Meeting is served as set table catering.

The Chairman conducted an electronic vote on the two items, and both proposals were rejected by more than 99.5% of the votes.

ISS and Glass Lewis issued an 'against' recommendation on the resolutions.

TDC

At the AGM of TDC one shareholder proposal was filed:

- Ensure fixed-line network for Hjordis Engell.

The proposal was rejected with 99.5% negative votes.

ISS and Glass Lewis issued an 'against' recommendation on this resolution.

Topdanmark

At the AGM of Topdanmark, three shareholder resolutions were on the agenda:

- Approve cancellation of existing repurchase authorization.
- Amend articles regarding board decisions.
- Recommend board to comply with and report on the UN's climate targets.

Resolutions one and two were put forward by shareholder Sampo plc (as of 1 February 2017, Sampo's ownership interest was 41.7%, and adjusted for Topdanmark's holding of own shares, Sampo's voting stock was 45.7%), and both resolutions were passed. ISS had issued a 'for' recommendation on resolution one, while Glass Lewis issued an 'against' recommendation. Both ISS and Glass Lewis issued a 'for' recommendation on resolution two.

Resolution 3 was rejected, and both ISS and Glass Lewis had issued an 'against' recommendation on this resolution.

1.3 Withdrawn resolutions

NKT

At the AGM of NKT, a board proposal regarding the issuance of convertible bonds without pre-emptive rights was withdrawn by the company due to insufficient support from institutional investors.

The chairman concluded that the lack of support for the proposal was because investors found the overall authority excessive. This proposal was put forward in addition to a proposal to approve the creation of a DKK 200m pool of capital without pre-emptive rights, which was adopted at the AGM.

ISS had issued an 'against' recommendation, while Glass Lewis recommended in favour.

Nordea Bank

At the AGM of Nordea Bank, ten shareholder proposals were filed:

- Adopt a vision for absolute gender equality on all levels within the company.
- Instruct the board to set up a working group concerning gender and ethnicity diversification within the company.
- Require the results from the working group concerning item 20a to be reported to the AGM.
- Request board to take necessary action to create a shareholders' association.
- Prohibit directors from being able to invoice directors' fees via Swedish and foreign legal entities.
- Instruct the nomination committee to pay extra attention to questions concerning ethics, gender, and ethnicity.
- Instruct the board to prepare a proposal for the representation of small- and mid-sized shareholders in the board and nomination committee.
- Request board to propose to the appropriate authority to bring about a changed regulation in the area relating to item 20e.
- Request board to propose to the Swedish government legislation on the abolition of voting power differences in Swedish limited liability companies.
- Amend articles re: former politicians on the board of directors.

All ten proposals were withdrawn since the shareholder who had filed the questions was not present at the AGM to present his proposals. The chairman concluded that the proposals were not to be presented and thereby not being subject to a vote.

ISS and Glass Lewis had issued an 'against' recommendation on all resolutions except for nine, which Glass Lewis supported.

1.4 Contested resolutions

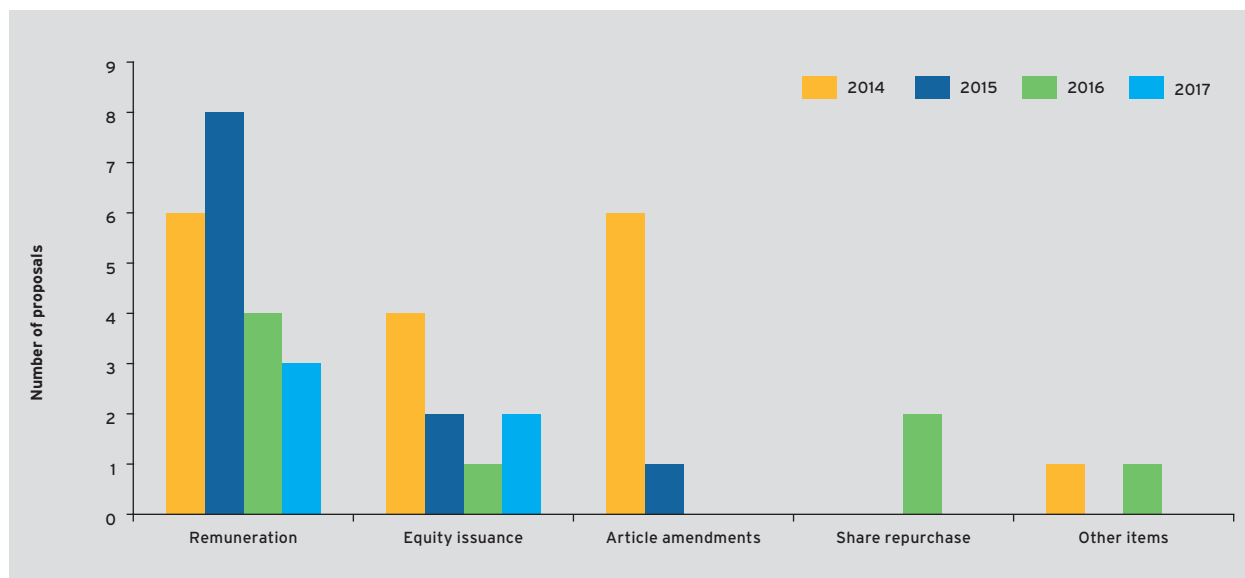
Amongst the 38 OMX Large Cap companies that held their AGM between 1 August 2016 and 31 July 2017, only 25 provide a precise breakdown of vote results by resolution. The remaining 13 companies only confirm whether the resolutions were passed, and they do not disclose the number of shares voted in favour or against each proposal (as this is not a legal requirement).

Of the 25 companies which provided detailed vote results, two companies saw at least one resolution receive more than 10% shareholder opposition for a total of five proposals in 2017 (compared to 17 in 2014, 11 in 2015 and 8 in 2016).

The most commonly contested resolutions were the approval of remuneration guidelines and remuneration of directors (three resolutions) followed by equity issuance authorities (two resolutions).

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

Graph 2: Number of resolutions which received more than 10% against votes in the OMX Large Cap (by resolution type) 2014-2017.



1.4.1 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 (34% against)
- > Genmab, guidelines for incentive based remuneration of directors (29% against)
- > NKT, guidelines for incentive based compensation for executive management and board (26% against)

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 a vote in favour of the resolution, while Glass Lewis recommended an 'against' vote.

For NKT's remuneration guidelines ISS recommended a vote in favour, while Glass Lewis recommended an 'against' vote.

1.4.2 Equity issuance

Among our sample the companies with the lowest level of support on approval of equity issuance were:

- > Genmab, authorize Board to issue up to 500,000 warrants to Employees; approve creation of DKK 500,000 pool of conditional capital to guarantee conversion rights (28% against)
- > NKT, approve creation of DKK 200 million pool of capital without preemptive rights (18% against)

At Genmab, ISS recommended an 'against' vote while Glass Lewis recommended a vote in favour. For the NKT resolution, both ISS and Glass Lewis recommended shareholders vote against the proposal.

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.

In the 2017 season, 15 of the 38 OMX Large Cap companies surveyed received at least one against recommendation from ISS or Glass Lewis for a total of 24 management and shareholder resolutions.

Please note that in this chapter, we focus on management proposals, and shareholder resolutions are thus not included in the graphs.

2.1 Institutional Shareholder Services (ISS)

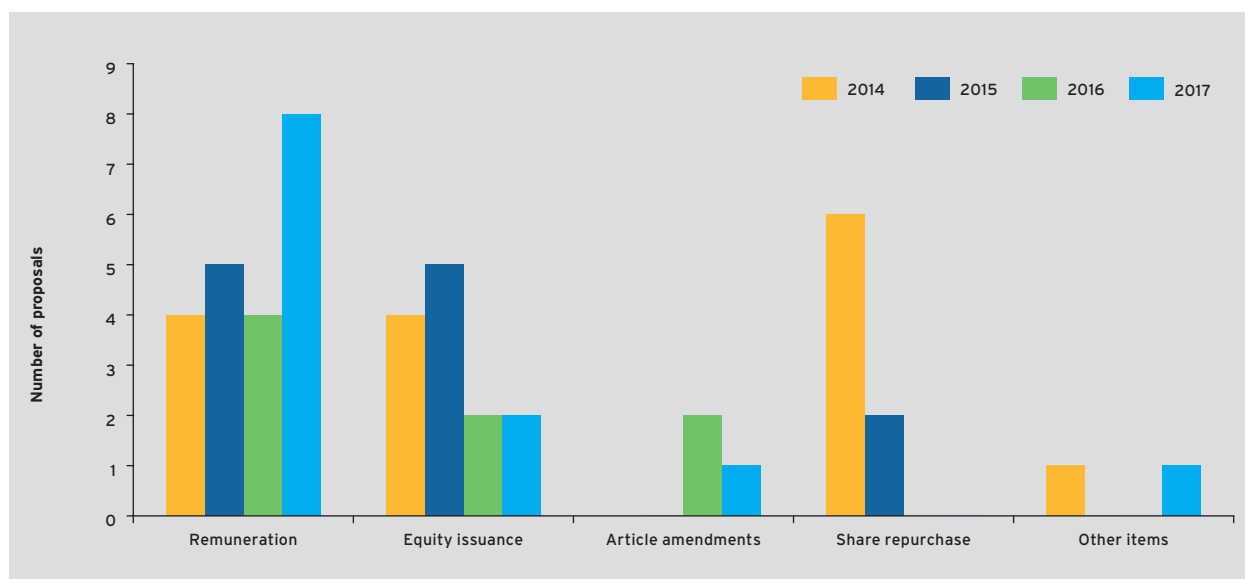
Institutional Shareholder Services⁵ (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

Between 1 August 2016 and 31 July 2017, 8 out of the 38 OMX Large Cap companies surveyed received at least one against recommendation from ISS.

A total of 12 negative recommendations were issued by ISS on resolutions put forward by management. Remuneration-related resolutions received the highest number of against recommendations, followed by equity issuance and share repurchase authorities.

Below is an overview of the number of against recommendations by ISS at the OMX Large Cap AGMs we surveyed over the past four years. In 2017 the number of against recommendations amounted to 12 compared to 8 in 2016, 12 in 2015 and 15 in 2014.

Graph 3: Overview of the number of against recommendations by ISS at OMX Large Cap AGMs over the past four years.



⁵ <http://www.issgovernance.com/about/about-iss/>

2.2 Glass Lewis

Glass Lewis⁶ is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

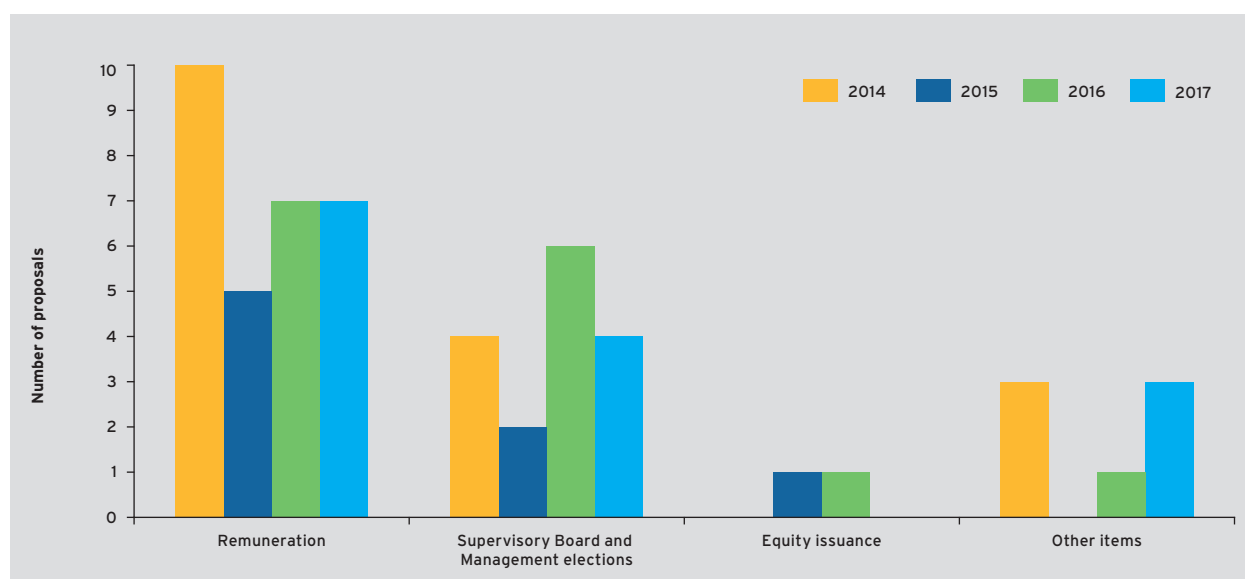
Between 1 August 2016 and 31 July 2017, 12 out of the 38 OMX Large Cap companies surveyed received at least one against recommendation from Glass Lewis.

A total of 14 negative recommendations were issued by Glass Lewis on resolutions put forward by management. Remuneration related resolutions received the highest number of against recommendations followed by Supervisory Board or Management Board elections.

It should be noted that Glass Lewis routinely recommends against on the agenda item 'Other business' which cannot be subject to a vote. These against recommendations have not been included in our survey.

Below is an overview of the number of negative recommendations by Glass Lewis at the OMX Large Cap AGMs we surveyed over the past four years. The graph shows that overall the 2017 proxy season saw 14 against recommendations from Glass Lewis compared with 15 in 2016, 8 in 2015 and 17 in 2014.

Graph 4: Overview of the number of against recommendations by Glass Lewis at the OMX Large Cap AGMs over the past four years.



⁶ <http://www.glasslewis.com/about-glass-lewis/>

3. CORPORATE GOVERNANCE DEVELOPMENTS

3.1 Recommendations on Corporate Governance

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.

On 7 July 2017, the Corporate Governance Committee published a proposal for revised recommendations on corporate governance.⁷

The Committee proposal draws special attention to value creation, management evaluation, management committees and the management's remuneration policy. There has also been a focus on incorporating elements from the amendment of the EU Shareholder Rights Directive, which is to be implemented in Danish law by mid-2019.

The new revised recommendations are expected to come into effect on January 1, 2018.

⁷ <https://corporategovernance.dk/forslag-til-reviderede-anbefalinger-god-selskabsledelse>

3.2 Stewardship Code

On January 1, 2017 the new Stewardship Code⁸ issued by the Corporate Governance Committee entered into force.

The 7 stewardship principles aim to promote companies' long-term value creation and thereby contribute to maximizing long-term return for investors. Thus, the Recommendations on Corporate Governance and the Stewardship Code are mutually reinforcing in serving a common purpose. The Stewardship Code should result in increased transparency as to how the individual investor chooses to exercise stewardship activities. Accordingly, the Code is not meant to establish a uniform approach for investors' exercise of stewardship activities.

Like the Recommendations on Corporate Governance, the stewardship principles are "soft law" to be applied on a "comply or explain" basis. Thus, investors can choose either to comply with a given principle or not, in which case the investor should give an explanation as to why and how the investor has chosen to act in that particular regard.

Danish investors - both institutional and private - are very aware of their ability to exercise active ownership. In the 2017 proxy season, the Danish institutional investor, ATP, was very active at 14 of the largest Danish AGMs including the ones of Nets, DONG Energy, A.P. Møller-Mærsk, Carlsberg and Genmab. As in previous years, it is usually remuneration that meets most resistance with ATP and other investors, a subject that has also received a great deal of attention in the Danish press.

Foreign shareholders continue to exercise active ownership via proxy votes. Numbers from Computershare Denmark show that the level of the attendance represented by proxy votes has reached a level around 25%, a significant increase from 13.9% in 2014 and 24.2% in 2015.

The approval rate of foreign proxy instructions has increased from 55% in 2014 to 66% in 2017.

Most foreign investors are not listed directly in the shareholder register of Danish companies, but in nominee accounts with global custodian banks. Rejected proxy instructions are primarily due to missing/invalid POAs (power of attorney) or invalid split voting in the proxy voting chain which often involve many players across borders.

It is expected that the approval rate will continue to increase in the coming years in the light of the EU Shareholder Rights Directive, which aims to improve active ownership, including facilitating cross-border voting for foreign investors.

⁸ <https://corporategovernance.dk/stewardship-code>

Global locations

Georgeson Australia

Level 4, 60 Carrington Street
Sydney, NSW 2001
Australia

Georgeson China

Suite 907-909
Tower W1 Oriental Plaza
1 East Chang An Avenue
Dong Cheng District
Beijing 100738

Georgeson France

10, place Vendôme
75001 Paris
France

Georgeson Germany

Elsenheimerstr. 61
80687 Munich
Germany

Georgeson Hong Kong

Hopewell Center (46F)
183 Queen's Road East
Wan Chai
Hong Kong

Georgeson Italy

Via Emilia 88
00187 Roma
Italy

Georgeson Netherlands

Westplein 11
3016 BM Rotterdam
The Netherlands

Georgeson South Africa

Rosebank Towers
15 Biermann Avenue
Rosebank 2196
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

1290 Avenue of the Americas
9th Floor
New York, NY 10038
United States



| CERTAINTY | INGENUITY | ADVANTAGE |

Georgeson