

Active Ownership Policy  
of  
Syd Fund Management A/S  
concerning:  
Investeringsforeningen Sydinvest  
Investeringsforeningen Sydinvest Portefølje  
Værdipapirfonden Sydinvest  
(hereinafter collectively referred to as the Funds)

August 2018

This policy applies to the activities carried out by Syd Fund Management A/S on behalf of the Funds in relation to active ownership.

## 1. Object

The object of exercising active ownership is to increase or preserve the value of assets in which the Funds have invested. The background for the policy is that active engagement with companies, in contrast to exclusion, makes it possible to trigger a price potential in the companies as problems are solved.

Together with more than 2,000 global institutional investors and service providers, Syd Fund Management has signed the UN Principles for Responsible Investment (PRI), which consist of six principles for responsible investment. The second principle obliges Syd Fund Management on behalf of the Funds to work for active ownership.

In November 2016 the Committee on Corporate Governance issued a “Stewardship Code”. The purpose of the code is to promote Danish companies’ long-term value creation and as a result investors’ long-term returns. The Funds will seek to comply with the code’s recommendations.

By active ownership is meant various types of engagement with a company’s management with a view to changing corporate behaviour. The engagement will mainly concern environmental, social and corporate governance (ESG) issues.

## 2. Strategy for exercising active ownership

Syd Fund Management monitors developments in the companies we have invested in and is ready to initiate a dialogue with the companies whenever this is deemed necessary in relation to ESG issues. As regards Danish listed companies the Funds are willing to engage in dialogue concerning the operation and strategy of companies in corporate governance terms. In this connection the Funds apply a proportionality principle according to which the size of holdings in Danish listed companies impacts the Funds’ decision on whether to engage in dialogue with the companies.

The Funds believe that the best way of exercising active ownership is by engagement with the companies, including voting on relevant agenda items at the companies’ general meetings. The aim is to influence the companies in which the Funds have invested to act more responsibly.

Voting at general meetings will primarily focus on the companies which the Funds consider to be most problematic and Danish companies. Voting focuses on the agenda items believed to hold the greatest potential for changing corporate behaviour in a more appropriate direction. The Funds do not consider the sale of shares in companies to be the only method of influencing changes at company level but believe that engaging with these companies is more effective. However a sale may be a possibility if the companies are not willing to enter into a dialogue or solve the problems.

## 3. Voting policy

The voting policy depends on whether the companies are Danish or foreign listed companies. The number of foreign listed companies invested in is considerably higher than the number of Danish listed companies and consequently it has not been possible to vote at all companies' general meetings if individual assessments of the individual companies must be made. As the ownership interest in foreign listed companies is typically quite modest, the possibilities of exercising influence on these companies are very limited.

### *In general*

Irrespective of geographical affiliation we vote at the general meetings of companies which have violated international conventions and norms.

### *Foreign listed companies*

As regards foreign listed companies we distinguish between companies from mature markets and new markets. The first-mentioned follow the general principles described above. This also applies to listed companies from new markets but in addition we have identified companies among these that are particularly challenged in terms of ESG issues and which in our assessment have a low readiness level to tackle these challenges and are therefore believed to be very vulnerable in relation to violations of international conventions and norms.

### *Danish listed companies*

In its "Stewardship Code" the Committee on Corporate Governance focuses for instance on institutional investors' voting policies for Danish listed companies. Principle 5: Voting policy has the following wording: "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." From the comments to this it appears that institutional investors should vote at all general meetings of Danish listed companies. We comply with this recommendation and therefore vote at all general meetings held by Danish listed companies in which we have invested.

### *Voting*

To facilitate the process of voting at general meetings Syd Fund Management has entered into a collaboration with Manifest, which is a company that specialises in proxy voting. Manifest monitors general meetings and ensures that voting rights are exercised in compliance with the objectives and strategies set out by Syd Fund Management on behalf of the Funds. Manifest prepares analyses of the companies before their general meetings and provides an IT platform for voting. Consequently the Funds have an overview of which agenda items will be put to the vote and control how their votes are cast. This ensures that conflicts of interest do not arise.

The Funds are prepared to disclose how they have voted at the general meetings.

## 4. Escalation and cooperation with other investors

The Funds exercise active ownership as regards all companies in their investment portfolios where it is known by the Funds and clear documentation exists that the company has violated widely accepted international conventions and guidelines on environmental and social issues. This is carried out in cooperation with other responsible institutional investors through the GES Engagement Forum. On behalf of investors, GES identifies the current issues, contacts the accountable companies, sets clear objectives for a constructive solution to the problems as well as a strategy for escalation and drives the engagement process together with investors.

Controversial companies are influenced through different types of engagement. The most important are:

Email correspondence with the companies

Conference calls with the companies

Meetings with company managements and experts in the field

Proxy voting at companies' general meetings

Submission of resolution proposals at companies' general meetings

Collaborative engagement initiatives with other institutional investors through the PRI Collaboration Platform.

In emerging markets, where the risk of problems in connection with the violation of human rights, workers' rights etc is greatest, the Funds exercise extended active ownership through the GES Engagement Forum. In addition to companies that violate international conventions, the Funds attempt to influence companies that carry out business activities which are especially exposed to corruption, child labour, environmental disasters etc without having established an adequate managerial preparedness to handle these risks. All things being equal, the lack of preparedness leads to higher risk premiums on shares and hence lower share prices. In contrast there will often be a basis for a price increase and consequently improved financial return if companies are influenced to establish better preparedness by way of policies, management systems and reporting as well as efficient ESG practices.

### ***Common to all engagement initiatives in which the Funds participate:***

The purpose of active ownership is to increase financial return.

Wherever possible, active ownership must be exercised in constructive collaboration with the accountable companies.

Wherever possible, active ownership must be exercised in cooperation with other responsible institutional investors.

If the engagement with controversial companies does not lead to a constructive dialogue and a development towards a solution to the problems, the shares will normally be sold.

Active ownership is not exercised as regards companies whose business concepts are assessed in advance to violate widely accepted international guidelines and conventions, such as cluster bombs, land mines and nuclear weapons, which is why no investments are made in this type of company.

## 5. Managing conflicts of interest

When exercising active ownership, conflicts of interest may arise, eg in relation to group relations, competitors or clients of Syd Fund Management. If analyses of eg agenda items at a company's general meeting show the existence of a conflict of interest, Syd Fund Management's Responsible Investment Committee will convene to decide how the Funds will manage this conflict of interest.

## 6. Information

The active ownership policy has been adopted by the Board of Directors of Syd Fund Management and is published on the Funds' websites. Investors who wish to gain insight into the measures taken on the basis of the active ownership strategy may obtain information at Syd Fund Management or the Funds.

***This document has been approved by digital signature by the Board of Directors of Syd Fund Management A/S. The page with the digital signature has no page number.***

The Board of Directors of Syd Fund Management A/S, 23 August 2018

Michael Andersen (Chairman)  
Karin Sønderbæk (Vice-Chairman)  
Steffen Ussing  
Hans Lindum Møller  
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