



VP SECURITIES
Investing in the future

AGM ANALYSIS 2018

ANALYSIS AND ASSESSMENT
OF THE DANISH ANNUAL
GENERAL MEETINGS IN 2018

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The analysis

Over the last five years, VP has gathered data from Danish AGMs in order to shed light on facts and development trends, so as to provide the best possible advice concerning the planning and execution of AGMs.

The analysis for 2018 is based on data from 66 AGMs, which were all supported with services from VP INVESTOR SERVICES from 2014 to 2018. The analysis solely includes data from AGMs.

The analysis includes data concerning listed companies and investment associations, and the term "investor" includes shareholders of listed companies and members of investment associations.

SUMMARY AND CONCLUSIONS

Two key trends dominated the 2018 AGM season: institutional investors are actively exercising their ownership rights and the digitisation of the AGM process intensified.

Active investors

- In recent years, the registered capital represented at AGMs has stabilised at around 50 per cent. The implementation of active ownership policies in accordance with new stewardship codes and the amended Shareholders' Rights Directive is expected to cause an increasing trend over the coming years.
- For a number of years, ATP was virtually the only Danish institutional investor present at AGMs, but in 2018 a number of additional institutional investors were active – and both voted at and attended AGMs.
- Companies seem to have established better and more regular dialogue with influential investors and proxy advisors – and have gained better insight into proxy advisors' policies and voting recommendations.
- Even though investors are actively exercising their ownership rights at AGMs, the debate at AGMs is limited and the number of ballots is low – which among other things reflects few proposals from shareholders (ballots are typically held as a consequence of these proposals) and a generally attractive economic climate for companies.
- The key issue for debate during the 2018 AGM season was remuneration, but we also saw more debate on the subject of over-boarding.

Intensified digitisation of AGMs, but no technical revolution

- The AGM production chain is becoming more and more digitised, with digital communication and electronic admission cards. This development is driven by the need for supply reliability and cost savings.
- The electronic admission card is a great success and will account for an increasing ratio over the coming years.
- Even though digitisation of the AGM production chain is increasing rapidly, we have not seen any breakthrough for the virtual or partly electronic AGM.
- Initially, we expect companies to test the relatively simple electronic solutions and to take a cautious and incremental approach to AGM innovation.
- The future trend for virtual and partly electronic AGMs is expected to be determined by the technological development, as well as the discussion of how company managements and shareholders want to use the AGM going forward.

Thanks to Klaus Søgaard, Partner at Gorrissen Federspiel; Henrik Olejasz Larsen, CIO at Sampension; and Monica Gregers Smidth, Legal Director at Carlsberg, for supplementing our 2018 AGM analysis with their experience and external views.

Happy reading!

Flemming Merring
Head of Investor Services

50 %

of the registered capital was represented at AGMs

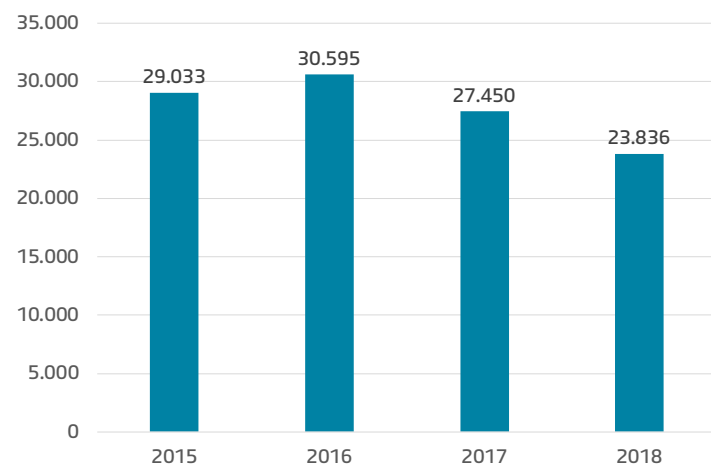
Remuneration was the key issue

66 AGMs

The analysis for 2018 is based on data from 66 AGMs

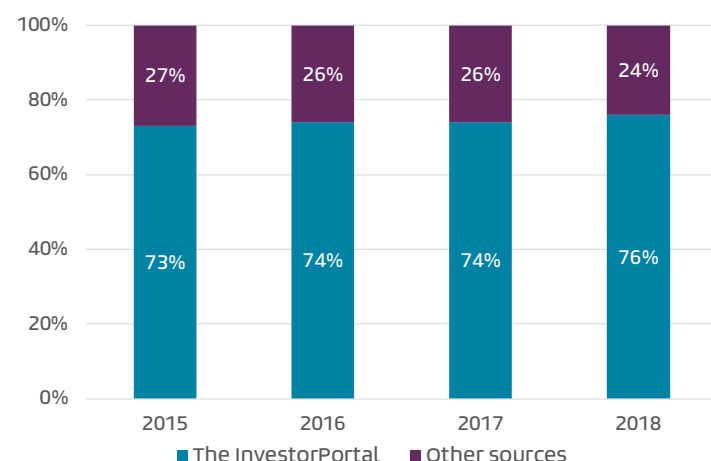
DIGITISATION

Number of registrations



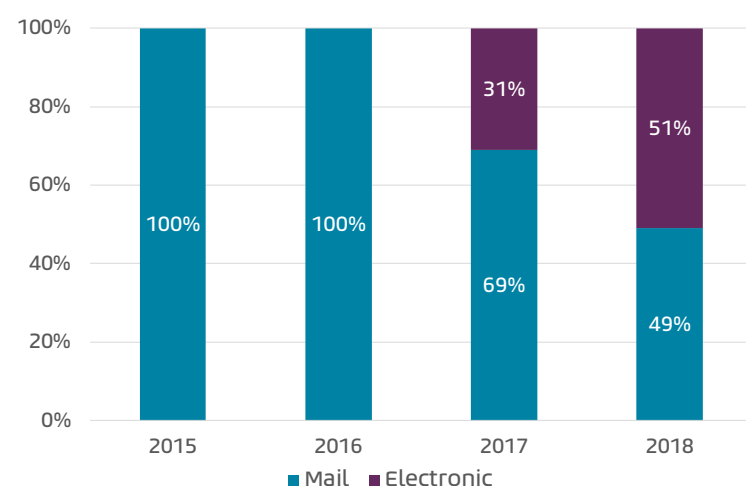
For the second consecutive year, the number of registrations decreased in 2018 compared to the average during the last five years.

Registration method



Registration via InvestorPortalen increased further in 2018 - around three out of four shareholders use electronic registration via the company's own website.

Electronic admission cards



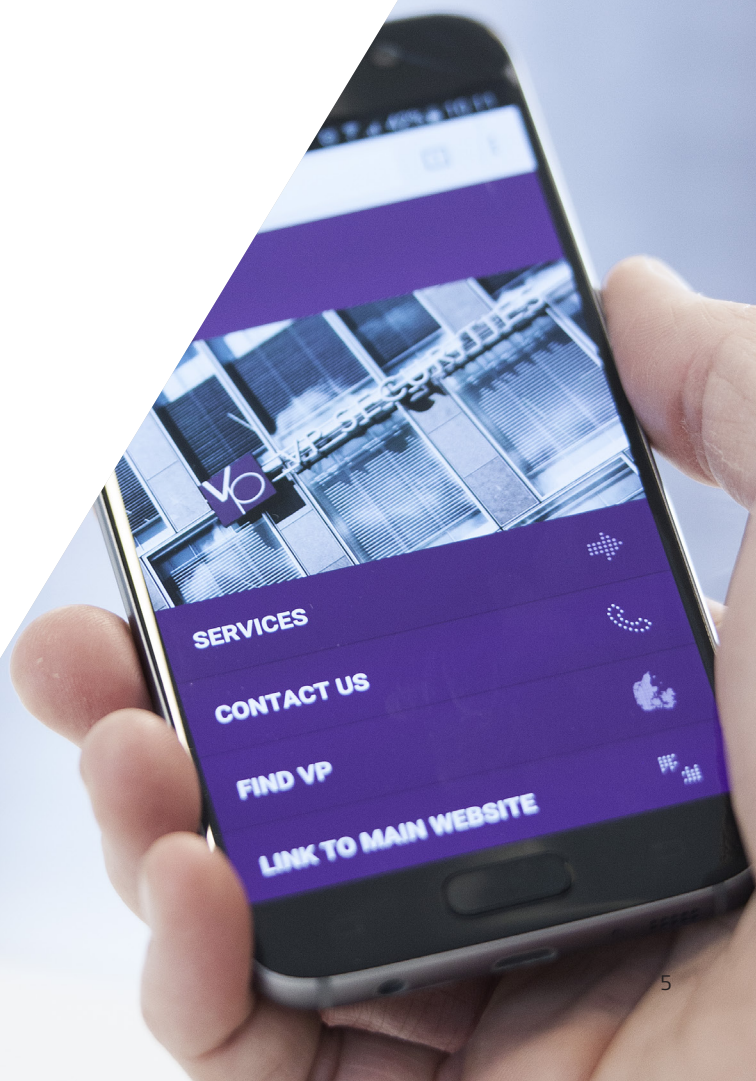
Just two years after their introduction, electronic admission cards account for 51 per cent of the total number of admission cards issued.

Digitisation trends

- Investors have accepted companies' conversion to electronic communication. In 2018, many companies decided that they would solely use electronic communication – based on the good experience from using InvestorPortalen and electronic admission cards, and also the effects of the revised Danish Post Act.
- One consequence of electronic communication appears to be a decrease in the number of registrations. The companies' e-mail address registers are still far from complete, so that many investors need to make an active effort to register and maintain their e-mail details, or to obtain information regarding AGMs. The decrease in the number of registrations may also reflect the positive development in most of the companies – and the absence of critical issues.
- The electronic admission card is a great success and will account for an increasing ratio in the coming years. Following the introduction of the electronic admission card, the digitisation of the production chain from website to AGM has been further intensified. This development is driven by the need for supply reliability and cost savings.
- Some of the large companies still use paper admission cards – once they introduce the electronic admission card, its ratio will increase significantly.
- The criterion for the further success of digitisation will be a fully integrated digital communication platform for the company's investors.
- Despite the rapid digitisation of the AGM production chain, we have not seen any breakthrough for the virtual or partly electronic AGM. The future trend for virtual or partly electronic AGMs is expected to be determined by the technological development, as well as the discussion of how company managements and shareholders want to use the AGM going forward.

VP's recommendations

- Companies should review and revise their Articles of Association to make optimum use of electronic platforms – and to keep shareholders informed of the coming changes in communication methods when AGMs are convened.
- Nudge shareholders towards using electronic admission cards in order to achieve the required supply reliability and improvements in efficiency.
- Harvest/update e-mail addresses whenever possible – and use e-mail campaigns, if possible.
- Consider how to continue the digitisation of the AGM production chain and the AGM, in order to support active ownership – and improve efficiency and make savings.
- Put the virtual or partly electronic AGM on the Board's agenda in order to discuss the future roadmap.



STILL WAITING FOR THE BREAKTHROUGH OF DIGITISATION OF AGMS

The AGM production chain is becoming more and more digitised, with digital communication and electronic admission cards. Online shareholder meetings are also receiving increasing attention, but in Denmark the AGM set-up is still more or less the same – and most companies are hesitant about introducing the latest technologies.

The virtual AGM is a full-blown digital solution, where the AGM is held electronically through a conference call dial-in, or by using web browser or app technology, or a combination of the two – and without a physical event. No listed Danish companies have opted for this solution yet, although a mutual fund, Sparinvest, has chosen this path.

In the years to come, we expect companies to test hybrid AGMs in different formats – i.e. formats with both a physical event and electronic access. At “true” hybrid AGMs, investors will be able to vote directly from their home or office, or on a mobile device, or put questions to the board via online platforms in real time. Initially, however, we expect companies to test the relatively simple solutions. In other words, we expect Danish companies – like European companies in general – to take a cautious and incremental approach to AGM innovation.

Even though hybrid or virtual AGMs will make it easier for shareholders to participate in AGMs, companies are well aware that hybrid AGMs may not suit retail investors in particular, who may lack the technological resources or skills to participate in online AGMs, or who may prefer traditional AGMs. Companies are also focused on technological issues.

In addition, shareholder and investment associations in Europe have expressed concerns about virtual-only meetings because the AGM is the only opportunity that shareholders have to meet and address the entire board. Moreover, as a rule proxy advisors ISS and Glass Lewis recommend voting against virtual AGMs, although they do support hybrid AGMs.



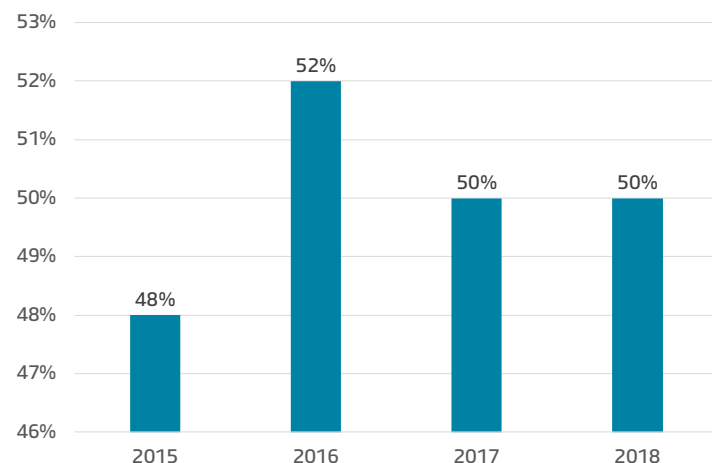
Flemming Merring, Head of Investor Services

“We assess our AGM format on a regular basis - including the new technological opportunities that are emerging. For the time being, we find that the existing AGM set-up is functioning well. We reach our different groups of shareholders in various different ways and seek to accommodate their demands - and it's our impression that retail investors in particular appreciate the AGM. This is a tradition and generally a good opportunity to meet the managements of the companies.”

Monica Gregers Smith, Legal Director, Carlsberg

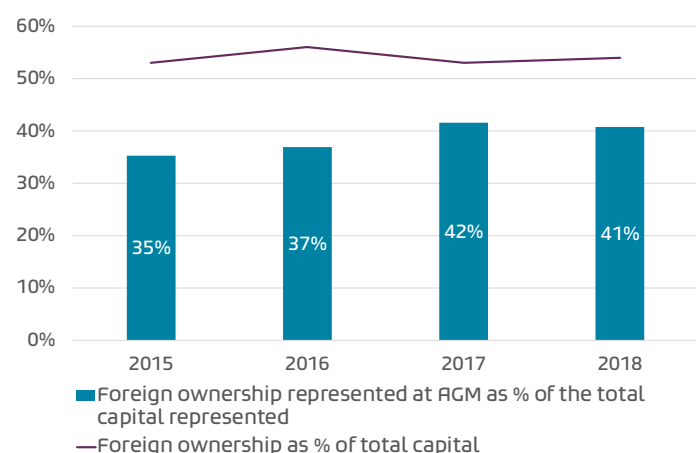
ACTIVE OWNERSHIP

Registered capital



During recent years, the registered capital has stabilised at around 50 per cent.

Capital investment and capital represented - Foreign investors



Foreign investors' ownership increased slightly in 2018, to 54 per cent of the Danish equities market - and has been constant at around the same level since 2014. During the same period, the foreign ownership ratio represented at AGMs increased from around 30 per cent to 40 per cent - and has now stabilised around this level.

Active ownership trends

- During recent years, the registered capital has stabilised at around 50 per cent and remained stable in 2018. The implementation of active ownership policies and the amended Shareholders' Rights Directive is expected to cause an increasing trend over the coming years. New technological opportunities to attend AGMs also support an increase in the capital registered.
- The foreign ownership represented at AGMs appears to have stabilised, but the foreign ownership ratio indicates that foreign influence may increase further. The passive investment trend may dampen this development, however, since the passive funds do not exercise their voting rights.
- Companies seem to have established better and more frequent dialogue with influential investors and proxy advisors – and have gained a better insight into proxy advisors' policies and voting recommendations.

VP's recommendations

- Companies should encourage shareholders to attend the AGM or to vote by proxy – and focus on the AGM as a decision-making body in dialogue with the shareholders.
- Create transparency about the voting and decision-making process and describe the registration/exercising of proxies for the AGM on the company's website.
- Analyse the company's ownership structure and consider how to "activate" the different segments of investors.
- Be open towards investors and invite proactive key investors to a dialogue with the company in order to support the exercising of active ownership and gain insight into investor issues.
- Be aware of the proxy advisor's focus areas and recommendations.
- Use evaluation of the AGM by the attending shareholders to gain an impression of how the shareholders perceive the AGM – and use their recommendations to improve the quality and attractiveness of the AGM.

MORE ACTIVE OWNERS

Active ownership is gradually unfolding among Danish institutional investors. For a number of years, ATP was virtually the only Danish institutional investor present at AGMs, but in 2018 a number of additional institutional investors were active – and both voted at and attended AGMs.

This change in behaviour is a result of the implementation of new policies on active ownership in accordance with the new stewardship codes. Recent trends point towards more active investors going forward and perhaps also achieving more debate at AGMs.

Foreign investors are also exerting active ownership to a greater extent and proxy advisors are playing a greater role. Institutional Shareholder Services (ISS) and Glass Lewis are still the most important proxy advisors, but we also more often see PIRC.

Increasingly active institutional investors entails that companies have to cope with more and more players – and often with different focus areas and policies, of which companies will need to be aware when planning AGMs. This also implies that companies with significant institutional holdings need to focus on the period before the AGM – and that in principle many decisions are taken before the AGM.

"In 2018, more institutional investors were active at AGMs – in the wake of implementing new policies on active ownership."



Klaus Søgaard, partner, Gorrissen Federspiel

INCREASED ENGAGEMENT WITH DANISH COMPANIES

In accordance with the Danish Stewardship Code and the forthcoming implementation of the revised Shareholders Rights Directive, in 2017 Sampension decided to increase its focus on active ownership. As from 2018, we systematically attended and voted at the AGMs of Danish C25 companies and of companies in which Sampension represents more than 3 per cent of the votes.

As Sampension's investments in Danish listed companies primarily take place through asset managers, we have not previously had much direct contact with companies, but we consider it important to intensify this contact in order to increase our visibility, partner up with managements and promote our core investment principles. If Sampension wishes to influence managements, however, we will initially make direct contact with companies, rather than using the AGM as a platform.

The topics on which we expect to focus in particular are the equal treatment of shareholders and management remuneration, and we are generally also critical of protection against takeovers.

Based on our impressions from the 2018 AGM season, we recommend that companies consider separation of the formal elements of the AGM from the broader presentation of the company's plans, products, etc. We believe that the value of both the formal and the more informative elements of the company's activities could be increased by holding an AGM followed by an information meeting covering themes with a broader interest.



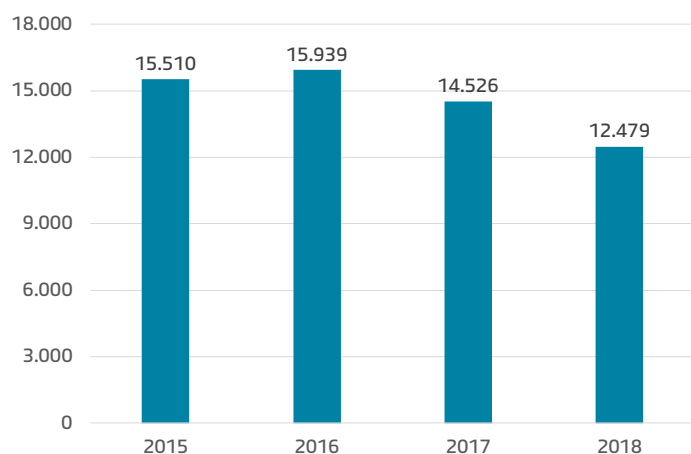
Henrik Olejasz Larsen, CIO, Sampension

"We've decided to step up our direct engagement with the Danish companies we have invested in. We vote at and attend AGMs - and promote our core investment principles."

Henrik Olejasz Larsen, CIO, Sampension

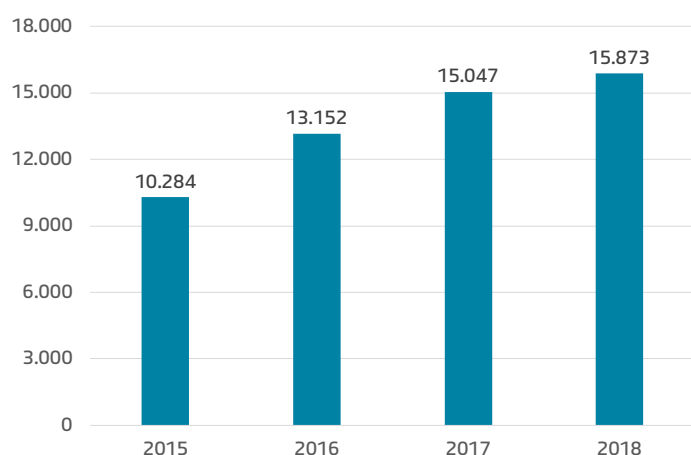
ACTIVE OWNERSHIP_{,continued}

Voting instructions – Danish investors



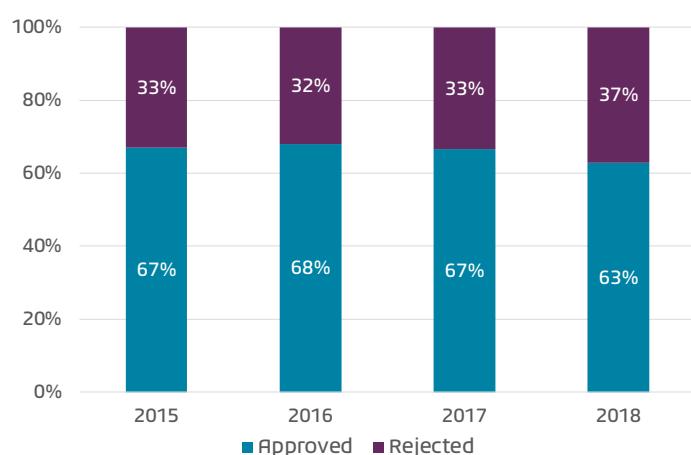
The number of voting instructions from Danish investors continued to decrease in 2018, which indicates that Danish investors either attend the AGM to exercise their voting rights or just stay away from the AGM.

Voting instructions – Foreign investors



The number of voting instructions from foreign investors continued to increase and in 2018 the number increased by 5 per cent. During the period from 2015 to 2018, the number of voting instructions increased by 54 per cent, with a stable foreign ownership share.

Approved voting instructions – Foreign investors



63 per cent of foreign voting instructions were approved by AGM chairmen in 2018, which is a small decline from the previous years. There is no clear trend for the period, even though the number of voting instructions received has increased significantly during the same period.

Voting instructions trends

- Danish investors' interest in assigning proxies decreased in 2017 and 2018 – which probably reflects the generally attractive economic climate for companies.
- We expect the number of voting instructions from Danish investors to increase moderately over the coming years, as a consequence of the increasing digitisation of the proxy process. In addition, there will also be greater focus on good governance recommendations and recommendations concerning active ownership, which will increase the focus on exerting influence, irrespective of the size of the investment.
- The number of voting instructions from foreign investors has increased significantly during the past five years, due to changes in legislation, increased political pressure to exert active ownership, or good stewardship, as well as investors' requirements concerning good governance.
- The trend of increased foreign voting instructions seems to be flattening out, however. One of the reasons is a shift towards passive index funds, which do not attend AGMs.
- Voting instructions from foreign investors are normally outsourced in consultation with proxy advisors, which draw up voting guidelines and policies. This means that large groups of foreign investors often vote in the same way on key issues.
- The ratio of approved voting instructions decreased slightly in 2018. Despite the increased efficiency in processing voting instructions, the proxy process is still complicated. The most important reason that voting instructions cannot be approved is that the underlying documentation is not presented or cannot be approved. We expect the ratio of approved voting instructions to increase in coming years, since the Shareholders' Rights Directive focuses on the implementation of processes that will make it easier for foreign investors to vote at AGMs.

VP's recommendations

- Use the company's website to clarify and emphasise the opportunity to assign proxies and give precise guidelines to investors on how to use voting instructions.
- Reach out to institutional investors in order to nudge active ownership – and facilitate dialogue with the principal Danish and foreign investors via frequent contact points.
- Be in dialogue with advisors/proxy advisors on important topics for the coming AGM season.
- To optimise foreign investors' opportunities to assign proxy votes, we recommend extending the AGM deadline to the maximum possible – the Danish Companies Act provides a window for the AGM to be convened between three and five weeks before the AGM is held.

"In recent years we've seen more activity from proxy advisors and our direct dialogue with shareholders has also intensified. We appreciate this dialogue and assume that our shareholders' behaviour is affected by the new stewardship codes."

Monica Gregers Smith, Legal Director, Carlsberg

OPPORTUNITIES TO SIMPLIFY THE PROXY VOTING PROCESS IN DENMARK

The proxy voting process in Denmark is both complicated and inefficient. Around 30 per cent of all voting instructions are dismissed due to non-compliance with the formalities – mainly the failure to obtain a proxy. In practice, the barriers experienced by private foreign investors are so high that in most cases they are prevented from exercising their administrative rights.

Yet there is light at the end of the tunnel, since the amended Shareholders' Rights Directive (SRD) adopted in April 2017 makes it possible to simplify the proxy voting process in Denmark. However, this requires Danish legislators to address the relevant issues and to have a wish to make the necessary amendments to existing Danish law.

Most of the capital is registered to nominee accounts in the VP system. This means that the de facto foreign shareholder is not registered by name in the relevant company's register of shareholders, even if the shareholder has a wish to be registered by name and thereby retain his or her administrative rights.

VP assumes that the amended SRD can pave the way for "nominee shareholders" to be registered in the company's register of shareholders and thereby authorised as shareholders who are entitled to vote. Therefore, no proxy will be required to be presented.

The nominee account holder will still have to vote according to the voting instructions, on the express authority and instructions of the de facto shareholder. As is the case today, this requires an agreement to be established between the shareholder and the nominee account holder who is the shareholder's designated representative in the register of shareholders.

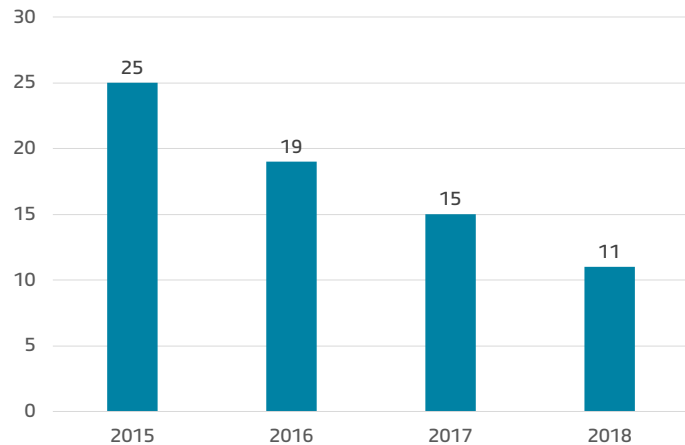
[Read the Memorandum of the possibility of simplifying the proxy voting process in Denmark - click here.](#)



Flemming Merring, Head of Investor Services

ACTIVE OWNERSHIP_{,continued}

Ballots



The number of ballots was still at a low level in 2018.

Ballot trends

- The number of ballots has been at a low level during recent years – reflecting, among other things, the steady increase in the number of authorisations with specific instructions, which make voting at AGMs irrelevant, fewer proposals from shareholders (ballots are typically held as a consequence of these proposals) and a generally attractive economic climate for companies.
- If companies chose to use E-voter, they no longer have a plan B with physical ballots.
- Even if companies use E-voter, they only hold ballots if necessary – and not for all items on the agenda.

VP's recommendations

- Establish an active dialogue with investors – to obtain knowledge of actual/potential investor issues and to ensure the quality of the proposals received.
- Be aware of proxy advisors' active topics and establish a dialogue concerning the drafting of the Board of Directors' AGM proposals.
- To increase the probability of a ballot, it is recommended to use E-voter, as this is a simple and effective way to hold ballots.

"Remuneration issues continue to be of concern to investors when they perceive incentive programmes and pay rises not to be justified by performance or to be out of proportion. But in 2018 we also saw an increased debate on over-boarding."

Klaus Søgaard, Partner, Gorrissen Federspiel

AGM services provided by VP

Below is a selection of the many attractive AGM services offered by VP INVESTOR SERVICES.

Shareholder register

VP offers an effective online solution for the company's shareholder register. The shareholder register fulfils all of the Danish statutory requirements and makes it easy to have an updated shareholder register that can be accessed, irrespective of geography. We assist with using the information in the shareholder register for analyses, AGMs and dialogue with shareholders.

AGM service

We help to plan and hold AGMs. As we run more than 100 AGMs per year, we can guarantee stability and security. We ensure that the AGM complies with statutory requirements and also promotes relations with the company's investors.

Proxy voting

Effective proxy voting is one of our areas of expertise. An effective process for proxy voting is an important element of companies' professional relationship with their investors. This makes it possible for foreign investors to vote without attending the AGM in person.

Electronic voting with E-voter

Voting with E-voter saves time and presents voting results quickly and effectively – and also makes the AGM more transparent.

Electronic AGMs

We make it possible to hold an electronic AGM. The focus is on the technology, security and content. The electronic AGM is a platform-based solution which makes it possible to significantly reduce the costs of holding an AGM.

Contact us

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