

## Our priorities and voting policy in 2024

Dear [REDACTED],

This letter, which is sent to all Danish companies in our portfolio, outlines key aspects of AkademikerPension's voting policy and engagement priorities for 2024.

Every year we seek a more in-depth dialogue with a select number of companies in our portfolio with the aim of understanding how core sustainability risks and opportunities are managed. We seek to engage in dialogue regarding topics of particular importance to our investment portfolio, our stakeholders, and society at large, and while we may, or may not, meet your company (again) for a sustainability deep-dive this year, we will, as always, vote on all agenda items at Danish annual general meetings.

Most of our priorities remain current from year to year in steady progress. For convenience, and as a reminder, we repeat our stance on a number of these topics, while we elaborate further where appropriate.

### Climate risks and transition plans

Climate action continues to top our ESG agenda in 2024. Investors are increasingly requesting corporate ambition, transparency, and action to make sure that companies are not left behind in the green transition that, we believe, will redefine most aspects of our societies.

As investors, we are deeply concerned that time is running out for avoiding irreversible climate change repercussions with potentially devastating effects for corporate balance sheets and investment portfolios longer term.

Adopting adequate climate transition plans, and following through, is ultimately the responsibility of the board of directors of a company. In the coming AGM season, AkademikerPension will again assess your company in this regard. For medium and high-emitting companies, as well as banks, it will, again this year, be our policy to not support election of board candidates at companies that still do not have

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sufficient Paris-aligned goals, policies, and reporting in place. We did so at a number of general meetings in 2023, and this is increasingly an approach adopted by investors and international proxy advisors.

### **Climate-related lobbying**

In light of the difficulty for policy makers globally to deliver policies that align with the goals of the Paris Agreement, we, and many other investors including investor initiatives Climate Action 100+ and the UN-convened Net-Zero Asset Owner Alliance, increasingly scrutinize corporate direct and indirect lobbying. Corporate lobbying should promote an orderly transition that manages climate-related financial risks to the economic system and future corporate income.

We expect companies to publicly commit to align their lobbying with the goals of limiting global temperature rise to 1.5 °C above pre-industrial levels. We also expect companies to actively assess and review their direct and indirect lobbying via business associations, and establish a framework for engaging with these, in cases of misalignment with the goals of the Paris Agreement.

### **Nature and biodiversity**

Biodiversity is gaining increased attention and with a substantial international agreement at COP15, and major environmental incidents unfolding on a regular basis in Denmark and elsewhere, we expect the issue to get even more attention from investors, companies, and regulators alike in 2024 and beyond.

Already, many companies have set goals and reported on their biodiversity dependencies and impacts. In 2024 we will engage with companies that are either at risk of lagging on this important topic or are particularly well-placed to lead the way forward.

Unlike climate, which has taken many years to mature, we expect biodiversity to move much faster into regulation, corporate strategy, action and reporting. A good example is The Taskforce on Nature-related Financial Disclosures and Nature Action 100 modelled on TCFD and Climate Action 100+, respectively.

### **Human rights due diligence and risk management**

Implementing and reporting on companies' human rights due diligence processes and findings have been an expectation since the adoption of the United Nations Guiding Principles on Business and Human Rights (UNGPs)<sup>1</sup> in 2011. However, studies<sup>2</sup> indicate that most companies still have not taken the necessary steps to demonstrate this.

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<sup>1</sup> Link: [United Nations Guiding Principles on Business and Human Rights](#) (2011)

<sup>2</sup> Links: [2023 Corporate Human Rights Benchmark](#) (2023, World Benchmarking Alliance) and [Documenting Respect for Human Rights](#) (2022, The Danish Institute for Human Rights)

We encourage boards to remember the obligations arising from your company's voluntary commitment to international human rights standards, as these are more far-reaching than the EU regulations coming into force. A mere compliance or tick-box exercise would be a lost opportunity as properly documented due diligence processes can help reduce long-term risks to your company, in our view.

We therefore urge companies to proactively approach this issue by acknowledging human rights risk assessment as an integral element in creating long-term value in an environment of complex global value chains and increased geo-political risk.

In 2023, we were pleased to see AkademikerPension's and LD Fonde's shareholder proposal on human rights due diligence successfully adopted with the support of management at one Danish company. Two other companies reassured shareholders that they would further improve their reporting in this area, even though our proposals did not receive a majority vote.

#### **Good corporate governance**

We kindly refer to our publication 'Expectations on Good Corporate Governance'<sup>3</sup> which describes our expectations in line with, and sometimes beyond, the recommendations from the Danish Committee on Good Corporate Governance.

Every company is unique and may need to adapt the recommendations, but we would like to express our clear preference for companies that follow the recommendations of the Committee on Good Corporate Governance, rather than those who explain why they deviate. This is reflected in our voting patterns. We may choose to deviate from our voting policy in this regard but will look for convincing arguments to do so.

In some areas our voting policy goes beyond the recommendations of the Committee on Good Corporate Governance. In areas such as remuneration, climate and sustainability concerns, diversity and inclusion, human rights due diligence and tax transparency we expect a more rigorous, ambitious, and transparent approach.

#### **Remuneration policies and reports**

Many remuneration policies and reports continue to challenge our preferences in terms of transparency, structure, and size of compensation. Policies should be clear and simple, and designed to motivate long-term strategic planning and value creation. Total remuneration should attract suitable talent, while the allocation between fixed and variable pay should encourage appropriate risk-taking. Reports should provide transparency.

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<sup>3</sup> AkademikerPension (2021): "Forventninger til god Selskabsledelse". Available on [akademikerpension.dk/publikationer](https://akademikerpension.dk/publikationer) ([link](#))

We encourage companies to present the reader with useful and clear overviews, as well as detailed explanations to clearly reflect the link between paid remuneration and meaningful key performance indicators.

We view the remuneration policies and reports as inherently intertwined, and we will not vote for the remuneration report, if we do not support the underlying policy. In 2023, we were again unable to vote in favour of remuneration reports for a majority of Danish companies. We continue to focus on remuneration policies and reports as part of our voting policy.

### **Diversity and inclusion**

We continue to vote against re-election of the nomination committee or the Chair of the Board of Directors if the board consists of less than 30% of the underrepresented gender. We can make exceptions based on valid grounds, but we continue to hold the view that equality, diversity, and inclusion form the basis for stronger and more robust businesses and are a key part of the solution to successfully navigating an environment of complexity and rapid changes.

Diversity and inclusion must permeate the entire organisation, and the 2023 annual report marks the initiation of new reporting requirements for diversity targets and policies at more management levels. Targets must be ambitious and realistic, and we will expect progress towards targets to be more expedient than has been the case at board level amongst most, larger Danish companies.

We assert that clear targets and policies are important for signalling priorities and guiding the direction of comprehensive people- and talent management strategies. Today's human resource management faces novel challenges: the influx of digitally native generations with different mindsets and distinct expectations, the shifting employee priorities and blurring lines between the office and the home due to COVID-19, the increased stress and anxiety caused by information overload and the escalating geopolitical divide. The workplace must address these challenges and create a conducive environment for attracting and retaining employees effectively. Thus, a well-defined human resource management strategy is an important prerequisite for success.

### **Better ESG data**

Under the EU Sustainable Finance Disclosure Regulation (SFDR), investors such as AkademikerPension are required to report on 'principal adverse impacts' indicators of our investments. There is currently a significant data gap, for example on corporate scope 3 emissions, and we urge companies to be highly transparent and to disclose relevant and robust ESG data points in line with the new EU regulatory reporting requirements.

**We welcome your feedback**

We know the list of issues raised above is long, and some of the challenges constitute “wicked problems” that are not easily fixed by any one company or its board of directors. This makes it all the more important for us to understand how your company seeks to navigate such complexity.

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As always, we would welcome your feedback to our letter and look forward to engaging with your company in 2024 or soon thereafter.

Kind regards,



Jens Munch Holst  
CEO



Anders Schelde  
CIO



Louise Jørring Gev  
Head of Equities

*AkademikerPension is an active investor with DKK 145bn in assets under management on behalf of our 160,000 scheme members. We also manage a Danish equity mandate on behalf of LD Fonde, and are a signatory to the UN Global Compact, Climate Action 100+, Nature Action 100, UN-convened Net-Zero Asset Owner Alliance, PRI, and the Investor Alliance for Human Rights. AkademikerPension is invested in Danish companies mainly through Kapitalforeningen MP Invest.*