

Vote Bulletin: Danske Bank A/S

Company	Danske Bank A/S
Market and Sector	Denmark, Financials
Meeting Date	16 March 2021
Key Resolutions ¹	<p>Item 4b: Re-elect Lars-Erik Brenoe as Director</p> <p>Item 4c: Re-elect Karsten Dybvad as Director</p> <p>Item 4d: Re-elect Raija-Leena Hankonen as Director</p> <p>Item 8: Approve Remuneration Report (advisory vote)</p> <p>Item 10: Approve Guidelines for Incentive-Based Compensation for Executive Management and Board</p> <p>Item 12.1: Criminal Complaint and Legal Proceedings Against Danske Bank's Board of Directors, Executive Leadership Team, Other Former and Current Members of Management, External Auditors as well as Signing Auditors</p>
Key Topics	Board composition and effectiveness, and remuneration
Board Recommendation	The Board recommended voting FOR the management items and AGAINST the shareholder proposal
BlackRock Vote	<p>We ABSTAINED from the re-election of the members of the remuneration committee (Items 4b, 4c, and 4d). We ABSTAINED from the re-election of the chairman (Item 4c). We voted AGAINST the remuneration proposals (Items 8 and 10) and the shareholder proposal (Item 12.1).</p> <p><i>Due to the plurality voting standard in Denmark, it is not possible to vote against director elections in Denmark when voting by proxy.</i></p>

Overview

Danske Bank A/S (Danske Bank) is a Nordic bank that operates through two business units (Personal & Business Customers and Large Corporates & Institutions) providing banking services, life insurance and pension products, mortgage finance, wealth management, real estate and leasing products and services. Danske Bank is listed in Denmark and A.P. Møller Holding Group is the largest shareholder with ~21% stake in the company.²

¹ Danske Bank, "[Annual general meeting of Danske Bank A/S 2021.](#)"

² Danske Bank, "[Largest shareholders.](#)"

Danske Bank continues to work on a number of remediation issues following weaknesses in its governance, compliance and control systems. It remains in discussions with various international authorities regarding the Estonia case, accepted a fine of DKK 9 million in relation to the Flexinvest Fri case,³ and a recent debt collection case in Denmark where data errors from a new IT system led the bank to collect out of date debt or larger amounts than what was owed. Danske Bank has created a dedicated website to provide regular progress updates in relation to the various aforementioned issues.⁴

During our engagements with the company over the past year, including the board, we have highlighted concerns on remuneration disclosure while also sharing our expectations on board composition, as discussed in our [EMEA proxy voting guidelines](#).

We abstained from the vote on the remuneration proposal to Approve Guidelines for Incentive Based Compensation for Executive Management and Board at the 2019 annual general meeting (AGM) and voted against the proposal at the 2020 AGM. In 2020, we also abstained from the re-election of members of the remuneration committee given our concerns on remuneration outcomes and disclosures. We wrote a [vote bulletin](#) explaining our rationales.

While this year's remuneration disclosures have marginally improved, we believe more needs to be done.

There has been an overhaul of the board and executive team in the last three years. Over the year, the Risk Committee continued to be chaired by Carol Sergeant who was part of the board during the Estonia-related governance failures. Additionally, the board's audit committee had a non-independent chair which runs counter to our expectations that key committees of the board should be chaired by an independent director. BIS believes it is good practice for the audit committee to be composed entirely of independent board members, including in markets where this is not a formal requirement.

We welcome the steps the company has taken to strengthen its sustainability and climate disclosures. It committed to map its current disclosures with the accounting metrics included in the Sustainability Accounting Standards Board (SASB) sector specific standard for Commercial Banks and to provide its first SASB disclosure in the 2021 annual reporting suite.⁵ BIS believes SASB is a globally relevant standard for reporting to investors because it is focused on achieving disclosure that is financially material, decision-useful, cost-effective, industry-specific, evidence-based and informed by market practitioners. [We have asked](#) companies to align their reporting with the Task Force on Climate-related Financial Disclosures (TCFD) framework and metrics provided in the SASB standards.

Rationale for BlackRock's Vote

Director elections: Items 4b, 4c, and 4d (ABSTAIN)

BIS withheld support from the re-election of members of the remuneration committee (Items 4b, 4c, and 4d).

BIS continues to see limited progress on the company's remuneration structure, disclosure and outcomes and we remain concerned on its governance practices and board composition. In line with our [EMEA proxy voting guidelines](#), we withheld support from the re-election of the three directors who are members of the remuneration committee. Due to the plurality voting standard in Denmark, it is not possible to vote against director elections when voting by proxy.

³ Danske Bank, "[Company announcement 3 Nov 2020](#)."

⁴ Danske Bank, "[Remediating legacy issues](#)."

⁵ Danske Bank, "[Sustainability Fact Book – Change Log](#)."

We withheld support from the re-election of the Chairman (item 4c) in relation to the non-independent chair of the audit committee over the prior year, consistent with our policy to hold the Chair accountable for board composition concerns. Moreover, we remain concerned over the role of Carol Sergeant as the risk committee chair and have raised this in our engagements.

Remuneration issues: Items 8 and 10 (AGAINST)

BIS voted AGAINST the proposals to Approve the Remuneration Report (Advisory) and Approve Guidelines for Incentive-Based Compensation for Executive Management and Board due to concerns about pay structures and disclosure.

We expect remuneration disclosures, related to both the report and guidelines, to provide investors with clarity on how the proposed policy is aligned with the company's strategy and shareholders' interests.

Currently, the performance criteria disclosure in the remuneration report provides insufficient details on the weight of each metric, there is no retrospective disclosure of targets, and there is insufficient information on how the individual performance was assessed. While the long-term incentives (LTI) peer group is disclosed, there is no information regarding how much of the award pays out at target or other vesting thresholds. In addition, the company continues to pay sign-on bonuses, in particular to the CFO and COO over last year with limited details in the remuneration report.

Despite marginal improvements on remuneration compared to last year, BIS remains concerned about the company's disclosures and structural issues such as the ability to grant cash sign-on awards without a link to performance conditions which, as discussed in our [EMEA proxy voting guidelines](#), we believe is not best practice as it does not align pay outcomes with performance, and LTI based on a single metric, relative total shareholder return (TSR). Disclosures should also explain how the remuneration committee sets targets to align with the company's stated strategy, assesses performance and determines that key performance indicators (KPIs) are sufficiently stretching to ensure pay is aligned with performance.

Shareholder proposal to file criminal complaint and legal proceedings: Item 12.1 (AGAINST)

BIS voted AGAINST the proposal requesting criminal proceedings and a complaint to be filed against the board, management, responsible team members and external auditors for ongoing issues related to governance failures at Danske Bank's debt collection department.

BIS did not believe support was warranted given the ongoing internal and external investigations, regulatory attention and remedial actions currently underway.⁶ Moreover, the Danish State Prosecutor for Serious Economic and Financial Crime has already denied a complaint regarding the opening of a criminal investigation of Danske Bank into fraud in relation to the debt collection matter.

Post-AGM update

Following the 2021 AGM, the bank announced the new composition of the board committees.⁷ We were pleased to see the appointment of an independent chair of the Audit Committee and a new Risk Committee chair.⁸

⁶ Danske Bank, "Annual general meeting of Danske Bank A/S 2021", page 8

⁷ Danske Bank, "Annual general meeting of Danske Bank 2021".

⁸ Danske Bank, "[our management](#)".

About BlackRock Investment Stewardship (BIS)

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Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance – and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our [Global Principles](#), [market-level voting guidelines](#), and [engagement priorities](#), material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.

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