

Guidelines for voting globally

This document describes DNB Asset Management's guidelines for voting at global General Meetings

Introduction

DNB Asset Management's (DAM) voting policy builds on best practice within active ownership, and DNB's Standard for Responsible Investments forms the basis for our approach to voting at General Meetings globally¹. DAM also follows established international norms and standards including the G20's/OECD's Principles of Corporate Governance, the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights, the UN Principles for Responsible Investment (PRI), and the OECD Guidelines for Multinational Enterprises. Moreover, the DNB Group has joined a number of international initiatives². Finally, DAM has published a series of expectations documents which also help to inform voting decisions³.

DAM's voting guidelines are applied on a case-by-case basis to cater to the specific circumstances of individual companies. The purpose is to support long term shareholder value and to act responsibly on behalf of our unit holders towards individual companies, shareholder communities and society as a whole.

Regional and local adaptation

There are local and regional differences in voting practices due to several factors including legal/regulatory frameworks and cultural differences. In addition to applying DAM's global guidelines described below, and in order to accommodate these regional/local differences, DAM seeks guidance from the following:

1. In several markets there are recognized local corporate governance codes. These provide valuable guidance, and DAM encourages companies to identify and explain any deviations from local codes of best practice (when local codes exist). Two examples of local codes are:
 - a. Norway: The Norwegian Code of Practice for Corporate Governance (NCGB or NUES)⁴. DAM has published a separate document detailing how we interpret and apply this code for the Norwegian market.⁵
 - b. Sweden: The Swedish Corporate Governance Board has issued a code widely used in Sweden.⁶
2. ISS has published a number of voting policies. For topics not covered below, DAM uses the applicable ISS Sustainability Proxy Voting Guidelines as a reference to inform voting decisions⁷.

Global guidelines that will inform DAM's voting

Based on best practice, DAM has defined a set of guidelines that are applicable globally (across all regions):

1. **Sustainable business practices, implementation and reporting on corporate governance**
 - a. DAM expects each company's Board of Directors to ensure that the company can deliver long-term value creation by addressing material risks and opportunities associated with sustainability (see also DAM's range of expectations documents³). As a minimum, the company should be operated in accordance with generally accepted guidelines for responsible business⁸.
 - b. DAM supports ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large⁸. However, in deciding whether to support a proposal, DAM will also consider a number of factors including:
 - Whether the proposal is well framed and reasonable.
 - Whether the company has already responded in an appropriate manner to the request embodied in the proposal.
 - Whether implementation of the proposal would achieve the objectives sought out in the proposal.

¹ https://www.dnb.no/portalfont/nedlast/en/about-us/corporate-responsibility/2019/190327_Standard_Responsible_Investments.pdf

² https://www.dnb.no/portalfont/nedlast/no/om-oss/resultater/2017/Support_to_global_initiatives_eng_2017.pdf

³ https://www.dnb.no/en/about-us/csr/sustainability-library.html?la=EN&site=DNB_NO

⁴ http://wpstatic.idium.no/nues.no/2018/10/NUES_eng_web_okt2018_2.pdf

⁵ https://www.dnb.no/portalfont/nedlast/en/about-us/Voting_Guidelines_for_Norway.pdf

⁶ http://www.corporategovernanceboard.se/the-code/current-code_3724

⁷ <https://www.issgovernance.com/policy-gateway/voting-policies/>

⁸ A non-exhaustive list of responsible business (ESG) subject matters are the following: Climate change risks and opportunities, greenhouse gas emissions disclosure & emissions reduction targets, water management, ocean management, biodiversity, energy efficiency, waste management, pollution of water, air and land (inclusive micro and macro plastics), deforestation and land-use, human rights, children's rights, labour rights and conditions, data security and privacy, supply chains (especially in emerging markets), product safety and quality, gender equality and diversity, corruption (including money laundering), board composition and remuneration, executive remuneration, sustainable taxation, and sustainability reporting. See also the UN Sustainable Development Goals (SDGs) <https://sustainabledevelopment.un.org/?menu=1300>

2. Equity and dividends

- a. Allocation of income, including dividends, should be consistent with the company's financial position, strategy and other reasonable investor expectations. Furthermore, DAM will carefully review resolutions to issue new shares – particularly if such requests will exceed the norm in the relevant market, and we will generally not vote for issuance requests without pre-emptive rights in excess of 10 percent of currently issued capital. Moreover, DAM will only vote for the authorization to repurchase shares in excess of 10 percent under special circumstances. Finally, when the Board seeks to waive current shareholders' pre-emption rights, it must strive to fairly benefit all shareholders.

3. Equal treatment of shareholders and transactions with close associates

- a. DAM supports the principle of equal treatment of all shareholders including minority and foreign shareholders.
- b. The principle of "One-share-one-vote" is important for ensuring equal shareholder rights. Any deviations from this principle should be properly justified by the Board.

4. Shares and negotiability

- a. The company should not limit any party's ability to own, trade or vote for shares in the company.

5. General meeting

- a. DAM considers the right to vote on material changes affecting the company to be a key shareholder right, including:
 - Election and removal of directors.
 - Changes to articles of association.
 - Changes concerning capital structure.

6. Nomination committee

- a. DAM encourages companies to have a nomination committee comprised of a majority of independent non-executive directors¹⁰. The duty is to propose candidates for election to the Board of directors, and if appropriate, also propose the fees to be paid to members of the Board. The members of the nomination committee should be selected to take into account the interests of shareholders in general. Furthermore, the nomination committee should have contact with shareholders, the Board of directors and the company's executive personnel as part of its work on proposing candidates for election to the Board. Lastly, the nomination process should be transparent - particularly in regards to how the Board candidates' competencies meet the needs of the enterprise/company, and how the committee considers a diverse⁹ pool of candidates of both genders.

7. Board of Directors: Composition, independence, remuneration, and work

- a. The composition of the Board of Directors should meet the company's need for expertise (including the necessary industry and international expertise), diversity⁹, and capacity.
- b. DAM considers at least 40% representation of each gender to be best practice today. If there is no gender diversity in the Board (proposed/planned), DAM will assess on a case by case basis whether it is justified, and vote accordingly.
- c. Board members are expected to devote sufficient time to fulfil one's duties. DAM will normally vote against proposed nominees that hold an excessive number (load) of outside directorships.
- d. The role of CEO and Chairman of the Board should be separated. DAM will normally vote against the election of a combined CEO-Chairman.
- e. Boards should be sufficiently independent¹⁰ from management, and significant shareholders, to ensure that they are able and motivated to effectively supervise management's performance for the benefit of all shareholders. The majority of Board members elected by shareholders should be independent from management, major shareholders, and related third parties.
- f. DAM may vote against directors individually, or potentially the entire Board, due to material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage (or mitigate) ESG risks and opportunities⁸.

⁹ Diversity is "an umbrella concept that recognizes that people, whilst similar in many ways, have different life experiences and characteristics, such as gender, age, race, ethnicity, physical abilities, religion and beliefs. Some diversity is primarily cultural (e.g. shared norms and behaviors), other may be biological (e.g. age, sex), and other yet is defined in personal terms (e.g. sexual orientation, [gender identity], religion)" – from OECD, 2018, "Diversity Statistics in the OECD: How do OECD Countries Collect Data on Ethnic, Racial and Indigenous Identity?"

¹⁰ Regarding classification of non-independent members of the Board of Directors, guidance is offered in the ISS Sustainability International and US Proxy Voting Guidelines <https://www.issgovernance.com/policy-gateway/voting-policies/>

RESPONSIBLE INVESTMENTS

- g. Audit and remuneration committees should have a majority of independent members and be independent from management¹⁰. For the audit committee, DAM will generally vote against the (re)election of any non-independent members of the audit committee if fewer than 50 percent of the audit committee members, who are elected by shareholders (excluding, where relevant, employee shareholder representatives) would be independent.
- h. DAM expects Board remuneration to be reasonable in relation to both market and sector practices. Furthermore, the proposal for the next year's remuneration should be clearly stated in the notice convening the general meeting. Finally, we strongly recommend that companies (shareholders) consider paying a substantial portion of the Board's fee directly in shares in the company – at market price and with schemes that support long-term ownership.

8. Risk management and internal control

- a. DAM expects the Board to ensure that internal risk management systems identify significant risks and opportunities related to sustainability, and ascertain whether the company operates in accordance with generally accepted guidelines for responsible business⁸ (see, amongst other things, the standards mentioned in the introduction).

9. Remuneration of executive personnel

- a. DAM expects a compensation model to be established for executive employees that motivates long-term value creation – preferably with a time horizon of at least five years. The expected remuneration should be reasonable and in line with market/sector practice. In addition, the Statement of Executive Compensation should be clear and specific in its description of all aspects of remuneration. Share schemes and option programs should also reflect a long-term view. DAM will normally not approve schemes with duration of less than three years or approve a redemption price below market price. DAM encourages a duration of at least five years for such programs (sum of vesting period and holding period).

10. Information and communication

- a. The company should strive for transparency and consistency in its communication (including material ESG-related risks and opportunities) – and the Board is responsible for all information provided. DAM may vote against certain items at general meetings (including financial statements, director report, auditor report) if the company is unresponsive to shareholders requests for information.

11. Take-overs

- a. Anti-takeover measures are often not in the interest of shareholders, and DAM expects such measures to be subject to shareholder approval. DAM will generally not support such measures.

12. Auditor

- a. DAM expects external auditors to act in an independent manner, and DAM may utilize its voting rights to demonstrate concerns related to independence, accounts or audit procedures.

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