

Guidelines for voting in Norway

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

Introduction

DNB Asset Management's (DAM) voting policy builds on best-practice within ownership administration. DNB's Group standard for responsible investments¹ and the Norwegian Corporate Governance Board's² (NCGB) recommendations on corporate governance for companies listed in Norway form the basis for our approach to voting at General Meetings in Norway. DAM also follows established international norms and standards including, amongst others, the G20's/OECD's principles for 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 initiatives³.

DAM's guidelines for voting seek to clarify DAM's expectations, interpretation and practices in regards to NCGB's recommendations. Voting shall be adapted to each situation, which means that a deep understanding of company-specific conditions is important in order to act responsibly on behalf of our unit holders towards individual companies, shareholder communities and society as a whole.

1. Implementation and reporting on corporate governance

Extract from NCGB:

- *The Board of Directors must ensure that the company implements sound corporate governance.*
- *The board of directors must provide a report on the company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report on the company's corporate governance must cover every section of the Code of Practice.*
- *If the company does not fully comply with the Code of Practice, the company must provide an explanation of the reason for the deviation and what solution it has selected.*

DAM expects the Board of Directors to ensure that the company can deliver long-term value creation by addressing material risks and opportunities associated with sustainable development. As a minimum, the company should be operated in accordance with generally accepted guidelines for responsible business (see, amongst other things, the standards mentioned in the introduction).

2. Business

Extract from NCGB:

- *The company's articles of association should clearly describe the business that the company shall operate.*
- *The board of directors should define clear objectives, strategies and risk profiles for the company's business activities such that the company creates value for shareholders.*
- *The company should have guidelines for how it integrates considerations related to its stakeholders into its value creation.*
- *The board of directors should evaluate these objectives, strategies and risk profiles at least yearly.*

3. Equity and dividends

Extract from NCGB:

- *The board of directors should ensure that the company has a capital structure that is appropriate to the company's objective, strategy and risk profile.*
- *The board of directors should establish and disclose a clear and predictable dividend policy.*
- *The background to any proposal for the board of directors to be given a mandate to approve the distribution of dividends should be explained.*

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

² <http://nues.no/english/>

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

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- *Mandates granted to the board of directors to increase the company's share capital or to purchase own shares should be intended for a defined purpose. Such mandates should be limited in time to no later than the date of the next annual general meeting.*

DAM will only vote for general authorisations to issue shares exceeding 10% under special circumstances. This restriction also includes any issuance of shares in connection with convertible loans. Furthermore, we expect that authorisations to issue shares do not contain clauses that prevent or discourage hostile takeovers (poison pill).

Similarly, DAM will only vote for authorisations to repurchase shares exceeding 10% under special circumstances. Furthermore, we expect that authorisations to repurchase shares do not contain clauses that prevent or discourage hostile takeovers (poison pill).

4. Equal treatment of shareholders and transactions with close associates

Extract from NCGB:

- *Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the board of directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.*
- *Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the company's shares, the company should consider other ways to ensure equal treatment of all shareholders.*
- *In the event of any not immaterial transactions between the company and shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.*

5. Shares and negotiability

Extract from NCGB:

- *The company should not limit any party's ability to own, trade or vote for shares in the company.*
- *The company should provide an account of any restrictions on owning, trading or voting for shares in the company.*

6. General meetings

Extract from NCGB:

- *The board of directors should ensure that the company's shareholders can participate in the general meeting.*
- *The board of directors should ensure that:*
 - *the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting*
 - *any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible*
 - *the members of the board of directors and the chairman of the nomination committee are present at the general meeting*
 - *the general meeting is able to elect an independent chairman for the general meeting*
 - *Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The company should design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.*

DAM expects the company to endeavour to have all case documents, including recommendations from the nomination committee, in place no later than three weeks before the General Meeting.

7. Nomination committee

Extract from NCGB:

- *The company should have a nomination committee, and the nomination committee should be laid down in the company's articles of association.*
- *The general meeting should stipulate guidelines for the duties of the nomination committee, elect the chairperson and members of the nomination committee, and determine the committee's remuneration.*

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- *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.*
- *The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive personnel. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election to the board. The nomination committee should not include the company's chief executive or any other executive personnel.*
- *The nomination committee's duties should be to propose candidates for election to the board of directors and nomination committee (and corporate assembly where appropriate) and to propose the fees to be paid to members of these bodies.*
- *The nomination committee should justify why it is proposing each candidate separately.*
- *The company should provide information on the membership of the committee and any deadlines for proposing candidates.*

DAM expects a well-founded recommendation from the nomination committee – particularly in regards to how the Board candidates' competencies meet the needs of the enterprise/company.

8. Board of Directors: Composition and independence

Extract from NCGB:

- *The composition of the board of directors should ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body.*
- *The composition of the board of directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the company's executive personnel and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s).*
- *The board of directors should not include executive personnel. If the board does include executive personnel, the company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board, cf. Section 9.*
- *The general meeting (or the corporate assembly where appropriate) should elect the chairman of the board of directors.*
- *The term of office for members of the board of directors should not be longer than two years at a time.*
- *The annual report should provide information to illustrate the expertise of the members of the board of directors, and information on their record of attendance at board meetings. In addition, the annual report should identify which members are considered to be independent.*
- *Members of the board of directors should be encouraged to own shares in the company.*

DAM expects that all companies that have their primary listing on the Oslo Stock Exchange (regardless of country of incorporation) have an acceptable rationale for any deviations from the recommendations in Chapter 8 (this is applicable not least to any members holding multiple roles within the Board/Management/Nomination Committee).

We emphasise the importance of each Board member having sufficient capacity to fulfil his/her role (i.e. having enough time to exercise his/her duties). We will usually vote against the election of Board candidates where, in our opinion, there is concern about their capacity.

9. The work of the Board of Directors

Extract from NCGB:

- *The board of directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.*
- *The board of directors should ensure that members of the board of directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors.*

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- *In order to ensure a more independent consideration of matters of a material character in which the chairman of the board is, or has been, personally involved, the board's consideration of such matters should be chaired by some other member of the board.*
- *The Public Companies Act stipulates that large companies must have an audit committee. The entire board of directors should not act as the company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.*
- *The board of directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the board who are independent of the company's executive personnel.*
- *The board of directors should provide details in the annual report of any board committees appointed.*
- *The board of directors should evaluate its performance and expertise annually.*

DAM expects the Board to ensure that the company can deliver long-term value creation by addressing significant risks and opportunities associated with sustainable development. As a minimum, the company should be operated in accordance with generally accepted guidelines for responsible business (see, amongst other things, the standards mentioned in the introduction).

10. Risk management and internal Control

Extract from NCGB:

- *The board of directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's guidelines etc. for how it integrates considerations related to stakeholders into its creation of value.*
- *The board of directors should carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.*

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 business (see, amongst other things, the standards mentioned in the introduction).

11. Remuneration of the Board of Directors

Extract from NCGB:

- *The remuneration of the board of directors should reflect the board's responsibility, expertise, time commitment and the complexity of the company's activities.*
- *The remuneration of the board of directors should not be linked to the company's performance. The company should not grant share options to members of its board.*
- *Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board.*
- *Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.*

DAM expects Board and top management remuneration to be reasonable in relation to both market and sector practices. Furthermore, the proposal for next year's remuneration should be clearly stated in the notice convening the AGM.

We strongly recommend the company consider paying a substantial portion of the Board's fee directly in shares in the company – at market price.

12. Remuneration of executive personnel

Extract from NCGB:

- *The board of directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the annual general meeting. The board of director's statement on the remuneration of executive personnel should be a separate appendix to the agenda for the general meeting. It*

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should also be clear which aspects of the guidelines are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines.

- *The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.*
- *Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should incentivise performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.*

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 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 programmes should also reflect a long-term view. DAM will normally not approve schemes with a duration of less than three years, nor would we normally approve a redemption price below market price. We encourage a duration of at least five years for such programmes (sum of vesting period and holding period).

We will only approve option programmes demanding more than 5% of share capital under special circumstances. Exceptions may be made, for example, for companies either in an early stage or in a strong growth phase, with well justified schemes.

13. Information and communication

Extract from NCGB:

- *The board of directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.*
- *The board of directors should establish guidelines for the company's contact with shareholders other than through general meetings.*

14. Take-overs

Extract from NCGB:

- *The board of directors should establish guiding principles for how it will act in the event of a take-over bid.*
- *In a bid situation, the company's board of directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. The board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.*
- *The board of directors should not hinder or obstruct take-over bids for the company's activities or shares.*
- *Any agreement with the bidder that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.*
- *Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.*
- *In the event of a take-over bid for the company's shares, the company's board of directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.*
- *If an offer is made for a company's shares, the company's board of directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should arrange a valuation from an independent expert. The valuation should include an*

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explanation, and should be made public no later than at the time of the public disclosure of the board's statement.

- *Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting (or the corporate assembly where relevant).*

15. Auditor

Extract from NCGB:

- *The board of directors should ensure that the auditor submits the main features of the plan for the audit of the company to the audit committee annually.*
- *The board of directors should invite the auditor to meetings that deal with the annual accounts. At these meetings the auditor should report on any material changes in the company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.*
- *The board of directors should at least once a year review the company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.*
- *The board of directors should establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit.*

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