

Responsible investment

Principles for voting

The purpose of these principles is to illustrate what Folketrygdfondet emphasises when we assess matters to be considered by the general meeting. Folketrygdfondet's principles for voting are the same as those set out in the Norwegian Code of Practice for Corporate Governance (NUES).

The general meeting is the shareholders' most important arena for the exercise of ownership rights. Folketrygdfondet votes at all the general meetings of companies in which we own shares. If we vote by proxy, we will always issue voting instructions.

Folketrygdfondet is concerned with ensuring that there is a good process leading up to the general meeting. We wish to have a thorough process in advance of general meetings. In general, we wish to vote in favour of board proposals. If we disagree with the board's proposal, we will explain our view to the company's board. We take a positive view of dialogue with the company prior to the general meeting.

In the following, we will explain how, in principle, Folketrygdfondet views several of the most common types of matters considered by general meetings.

AUTHORISATIONS RELATING TO CHANGES TO CAPITAL

A company's board must justify proposals relating to changes to capital. If the board requests authorisation to issue shares, both the size and the purpose of the authorisation will be thoroughly assessed. On an independent basis, we will assess each case individually and we will not normally vote in favour of share issue authorisations exceeding 10%. This ceiling will also include authorisations in connection with convertible loans unless concrete loan approval has been given and/or the need has been justified.

Authorisations that specifically concern the fulfilment of incentive programmes should be put forward separately.

ELECTION OF BOARD MEMBERS

Elections to the board must be related to defined competence requirements, and must meet the independence requirements in the NUES Code of Practice. Candidates should also have sufficient capacity to carry out their duties and they should not have other offices or assignments that can give rise to conflicts of interest. Where we find it correct and appropriate, we will submit input to nomination committees.

Executive personnel should not be board members. In order to ensure adequate supervision of the company's management, Folketrygdfondet believes that it is a prerequisite that board members are not recruited from the management.

COMPOSITION OF THE NOMINATION COMMITTEE

Companies should have a nomination committee. The members of the nomination committee must be independent in relation to individual board members, as stated in section 7 of the NUES Code of Practice. The independence of the nomination committee is important to ensure that all shareholders have the required confidence in the nomination committee's processes and recommendations.

REMUNERATION OF EXECUTIVE PERSONNEL

Folketrygdfondet has adopted guidelines for expectations of remuneration of executive personnel. We expect pay and other remuneration of the board and executive personnel to contribute to the company's strategy for long-term, sustainable value creation.

There must be clear criteria and conditions for executive pay declarations. We will assess whether the scheme is predictable, whether it is of unreasonable scope and/or is decided by external factors that the management cannot influence.

In the case of share-based programmes, Folketrygdfondet expects the boards to set a maximum ceiling for such programmes. If a ceiling is not set, Folketrygdfondet will normally vote against the scheme and pertaining authorisations.

Board members should not participate in a company's incentive schemes. This is in accordance with section 11 of the NUES Code of Practice. Since the board decides such incentive programmes and is responsible for their follow-up, board participation in such a programme could lead to an unclear division of roles and responsibilities between the board and the company's management.

SHAREHOLDER PROPOSALS

Shareholder proposals should respect the division of roles and responsibilities between the board and the general meeting. Folketrygdfondet expects the companies to identify, understand and address business-critical matters. Folketrygdfondet votes against shareholder proposals that entail micro-managing the company's board. We emphasise the board's recommendation in our assessment of shareholder proposals.