

# Storebrand and SPP Proxy Voting Policy

## - Implementation Guidelines

### Introduction

Storebrand Asset Management and SPP are committed to supporting the development of a future that our customers can look forward to. We believe our main contribution to this development is two-fold: first, we do not want our actions today to be at the expense of a prosperous tomorrow, and second, we are committed to providing the best possible financial returns for our customers.

Therefore, Storebrand/SPP uses voting as part of its engagement strategy to not only maintain and create value in listed companies, but also to shape a sustainable future aligned with the 2015 UN Sustainable Development Goals.

Storebrand/SPP has adopted Scandinavian governance codes<sup>1</sup> to serve as guidance in the implementation of these guidelines, as well as the International Corporate Governance Network's Global Stewardship Principles, a set of global governance principles recognized as best governance practice. The ICGN's principles also reflect and endorse the OECD principles of corporate governance.

These guidelines are to be used as an implementation tool for the *Use of Voting Rights* section of the Storebrand Group's Sustainable Investment Policy. Storebrand/SPP engages ISS proxy voting services, which is to implement these guidelines when casting votes on Storebrand/SPP's behalf.

### Voting on Management Proposals

These guidelines aim to cover shareholder meetings' agenda items, which thematically typically include:

- Value creation
- Composition of the Board
- The Board's shareholdings
- Incentive systems
- Capital expenditure (dividend/debt ratio)
- Annual reporting
- Audit and audit related proposals
- Climate change proposals

Storebrand/SPP will typically vote against management in the following situations:

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<sup>1</sup> Norwegian Regulations on Securities Funds Section 2-24 and NUES The Norwegian Code of Practice for Corporate Governance (2018), The Swedish Corporate Governance Code (2016); Swedish Investment Fund Association, Guidelines for Investment Fund Managers as Shareholders (2014)

- Excessive executive compensation
- Inadequate information ahead of meeting
- Poor quality and lack of diversity and independence of the board and its members
- Anti-takeover mechanisms
- Needless or unfair changes in capital structure

Storebrand/SPP will consider the following when deciding on how to vote on agenda items:

### 1. Business and Value Creation

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.

### 2. Board of Directors: Composition and Independence

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.

### 3. Nomination Committee

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. 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.

#### 4. Remuneration

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. 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. 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 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.

#### 5. Capital Expenditure-Equity and Dividends

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. 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.

#### 6. Capital Expenditure-Equal treatment of Shareholders and Transactions with Close Associates

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.

#### 7. General meetings-Adequate Information Ahead of General Meetings

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.

## 8. Take-overs

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. 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. Any transaction that is in effect a disposal of the company's activities, should be decided by a general meeting.

For voting process, securities lending, conflict of interest and inside information, please see Storebrand Group's Sustainable Investment Policy, Use of Voting Rights.

<https://www.storebrand.no/en/sustainability/guidelines/attachment/7747?ts=1685bc4f058>

## Voting on Shareholders proposals

In general, Storebrand will support shareholder resolutions requesting reporting or disclosure of environmental, social, governance issues, or seeking policies or measures that have a positive impact on investee companies' ESG performance. Storebrand will tend to vote in favour of resolutions encouraging measures or policies that may avoid that the company's behavior comes in conflict with the Storebrand standard for the environment, human rights and humanitarian law and corruption and economic crimes. The Storebrand standard defines what type of irresponsible corporate behavior Storebrand will avoid in its investments.

The voting guidance for shareholders proposals regarding ESG issues derives from the Storebrand standard and follows the conventions and guidelines described in the Storebrand standard.

This is a non-exhaustive list describing how Storebrand will tend vote in accordance to the documents referred above:

### 1. The Environment

Storebrand shall not invest in companies that contribute to or cause serious environmental damage. In general, *environmental damage* involves the act of discharging substances or energy into the environment (water, air, soil) in such quantities or concentrations that it inflicts damage to the environment, or to plant or animal life, or that it is detrimental to the health or well-being of humans. It can also result in biodiversity loss and damage to natural resources. The most serious cases can have irreversible effects.

Therefore, Storebrand/SPP expects companies to implement environmental policies and environmental management systems in alignment with main international environmental conventions and guidelines such as; The Rio Declaration on Environment and Development; The Basel convention on hazardous Wastes and Their Disposal; The Convention on Biological

Diversity or The Convention on Wetlands of International Importance. For a more exhaustive description, see Storebrand's Environmental standard and Policy on Deforestation.

In addition, two important principles guide assessments:

- 1) "*The Precautionary Principle*", which dictates that a lack of complete scientific certainty or proof should not be used as a reason to postpone implementing cost-effective measures to prevent environmental damage.
- 2) "*The Polluter Pays Principle*", which dictates that the party responsible for causing environmental damage should also pay to reduce or reverse it.

Considering all of the above, Storebrand will tend to vote for shareholder proposals that:

- Seek reporting or disclosure on company environmental practices, environmental impact or environmental risks
- Require to enforce the 'polluter pays' principle
- Require to enforce the 'the precautionary' principle
- Require measures to stop and or prevent negative impact on protected areas that fall under categories I-IV (IUCN), UNESCO World Heritage sites, or Ramsar Convention on wetlands
- Request that extractive industries companies refrain from operating in sites where the environmental consequences of an accident are unmanageable.
- Request that extractive industries companies create and enforce effective contingency plans for emergency situations.
- Request that companies adopt and implement policies to assess and reduce water risk link to company operations and its suppliers especially for those in water-stressed areas.
- Request companies to adopt all High Conservation Values (HCV) categories (biological, ecological, social and cultural)
- Seek integration of environmental requirements in their procurement and operational policies
- Seek to include clauses on environmental requirements in their contracts with subcontractors and suppliers
- Request that the company considers specific certifications for commodities such as MSC, FSC, RSPO, RTRS or Five freedoms of animals in its own operations and as requirement to suppliers.

### Climate Change:

In addition, Storebrand/SPP acknowledges climate change as one of the most challenging sustainability issues ever faced by humankind. Accordingly, Storebrand is a signatory of the Montréal Pledge, is part of the Portfolio Decarbonisation Coalition and the Institutional Investors Group on Climate Change (IICGC). It is committed to gradually decarbonise its portfolios as a way to meet the goals set by the 2015 Paris Agreement and it aims to Net-Zero GHG portfolios by 2050. Thus, Storebrand/SPP proxy voting implementation will also have a special focus on all climate change shareholder resolutions and expect companies to work towards the goals set by the Paris Agreement.

- Request reporting or disclosure on risk and opportunities linked to climate change
- Request the adoption and implementation of policies to prevent climate change, which may include concrete targets to reduce direct or indirect greenhouse gas emissions (GHG) and energy consumption in order to achieve the Paris Agreement goals.
- Request quantitative/qualitative disclosure of data on efforts to mitigate or reduce all GHG emissions
- Request quantitative/qualitative disclosure of data on efforts to manage or reduce energy consumption
- Request the adoption of policies or measures to prevent deforestation and protect natural forest as described in the High Conservation Value (HCV) categories.
- Request that companies report according to the Recommendations of the Task force on Climate-related Financial Disclosures (TCFD)
- Request increased allocation in more climate friendly investments such as renewables or solution stocks rather than on high-cost, high-carbon fossil fuel projects with a stranded asset risk.
- Request that the board or a member of the board is responsible for climate change strategies implementation and or sustainability in general
- Request that suppliers adopt and implement climate change preventive policies
- Request that financial companies report on climate change risk linked to their financial activities and more specifically on efforts to decarbonize portfolios.
- Oppose corporate lobbying intended to prevent regulation addressing climate change

The list of themes above are indicative of the type of resolutions Storebrand will tend to vote on. However, the list should not be considered exhaustive.

## 2. Human Rights and Humanitarian Law

Storebrand shall not invest in companies that are directly or indirectly involved in severe violations of human rights and/or humanitarian law or other international norms. Corporations have the greatest degree of control, and subsequently responsibility, within their own operations. However, corporate responsibility does not stop at the company's employee level, but also includes members of communities that are affected by the company's operations.

Therefore, Storebrand expects companies to implement policies and management systems in alignment with main international human rights conventions and guidelines such as: all ILO core conventions including ILO 169 on Indigenous and Tribal people. In addition to, the UN Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights; The UN Convention on the Rights of the Child; the UN Convention to Eliminate All Forms of Discrimination Against Women; the UN Guiding Principles on Business and Human Rights; the UN Charter; the Voluntary Principles on Security and Human Rights among others. For a more exhaustive description see Storebrand human rights standard and humanitarian law standards.

Considering all of the above, Storebrand will tend to vote for shareholder proposals that:

- Seek reporting or disclosure on company social practices, social impact or social risks, including alignment with UN Guiding Principles for Business and Human Rights (UNGP)
- Request adoption and or implementation of labour and human rights standards in alignment with core ILO conventions, main UN human rights conventions, UN Global Compact and OECD and/or IFC Guidelines
- Seek disclosure of processes and implementation of labour standards protecting employees working conditions, benefits, freedom of association and/or wages at the company's core operations and its suppliers as well as ensuring that the company and its suppliers do not use child labour and/or forced labour.
- Call for disclosure on processes to reduce gender inequalities including policies and targets.
- Call for the adoption of a living wage for the company's employees and its suppliers.
- Request disclosure of processes, impact assessments and implementation of policies respecting the rights of communities, especially during the acquisition of land such as adequate compensation, proper resettlement and/or guarantying access to water and other resources for displaced communities, the respect of indigenous peoples and their cultures and the proper application of Free Prior Informed Consent (FPIC).
- Request adoption and or implementation of standards in alignment with international humanitarian law, norms and guidelines such as: the UN Charter, Geneva and Hague conventions, UN Security Council Resolutions, the Voluntary Principles on Security and Human Rights, OECD Guidelines for multinationals in "weak governance" zones and/or UNGP & PRI Guidance on Responsible Business in conflict-affected and high-risk areas.
- Seek disclosure of risk assessment and risk management for operations or sales to conflict zones, fragile states, and authoritarian regimes.
- Seek adoption and implementation of policies related to the sourcing of minerals from conflict zones.
- Seek reporting on foreign military sales or offset agreements
- Request to report on policies and implementation of systems to guarantee product safety
- Request disclosure of company policies and procedures relating to data security, privacy, freedom of speech, information access and management, and Internet censorship

The list of themes above are indicative of the type of resolutions Storebrand will tend to vote on. However, the list should not be considered exhaustive.

### 3. Corruption and Economic Crime

Corruption is a form of financial crime and is defined as the misuse of a trusted position by giving/offering or receiving/accepting improper advantages. Corruption includes trading in influence, money laundering and attempts to conceal or prevent the investigation of such activities and includes activities in the public as well as private sector. Examples of other forms of financial crime are as follows; tax evasion, accounting fraud, embezzlement, insider trading and breaches of competition laws. Therefore, Storebrand expects companies to implement policies and management systems in alignment with; The UN Convention against Corruption, the Council of Europe Criminal Law Convention on corruption, The OECD Convention on

Combating Bribery of Foreign Public Officials, The OECD Guidelines for Multinational Enterprises and Principle 10 of the UN Global Compact.

Thus, Storebrand will tend to vote for shareholder proposals that:

- Seek reporting or disclosure on company anti-bribery and anti-corruption practices especially in countries with weak implementation of anti-corruption laws or weak anti-corruption laws.
- Request the adoption and implementation of policies and systems to fight bribery and corruption
- Request extractive industries' companies financial transparency on tax and country-by-country reporting including disaggregated data on a project-by-project basis, contract transparency and disclosure of audited information about the minerals they extract.
- Seek adoption and implementation of policies related to the sourcing of minerals from conflict zones.

The list of themes above are indicative of the type of resolutions Storebrand will tend to vote on. However, the list should not be considered exhaustive.

Furthermore, other factors such as the responsiveness of the company to the actual issues presented, the reasonableness of the proposal, the potential cost and benefits of implementing the proposal and shareholder benefit will also be taken into consideration. Storebrand reviews resolutions on a case-by-case basis.

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