

2020

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

NORWAY



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Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' Continental Europe Policy Guidelines by highlighting the key policies that we apply specifically to companies listed in Norway and the relevant regulatory background to which Norwegian companies are subject, where they differ from Europe as a whole. Given the growing convergence of governance regulations and practices across companies subject to European Union rules and directives, Glass Lewis combined our general approach to Continental European companies in a single set of guidelines, the Continental Europe Policy Guidelines, which set forth the underlying principles, definitions and global policies that Glass Lewis uses when analysing Continental European companies.

While our approach to issues addressed in the Continental Europe Policy Guidelines are not repeated here, we will clearly indicate in these guidelines when our policy for Norwegian companies deviates from the Continental Europe Policy Guidelines.

CORPORATE GOVERNANCE BACKGROUND

The Norwegian Public Limited Liability Companies Act (the "Companies Act") provides the legislative framework for Norwegian listed companies. The rules of Oslo Børs stipulate that companies must annually publish a statement on their principles of corporate governance in accordance with the Norwegian Code of Practice for Corporate Governance (the "Code").¹ A new edition of the Code was published in October 2018, which removes the requirement for companies to have just one class of shares. In addition, the nomination committee will be required to provide greater disclosure around individual candidates for election to the board of directors.

Although Norway is not a member of the European Union, as a member of the European Economic Area (EEA) it has implemented relevant directives of the European Commission into national law, so that the Norwegian corporate governance framework is substantially similar to the rest of Europe. Further, many best practices in Norway are based on pan-European principles, which are partly founded in recommendations by the European Commission that have been partially adopted by Norway.

SUMMARY OF CHANGES FOR THE 2020 NORWAY POLICY GUIDELINES

Glass Lewis evaluates and formally updates these guidelines on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarised below but discussed in greater detail in the relevant sections of this document:

EMPLOYEE REPRESENTATION AT BOARD LEVEL

We have updated these guidelines to formalise our recognition of the fact that legislation regarding employee representation has been interpreted in such a way that employee representatives commonly serve on board committees. As such, we will take this market practice into consideration when assessing committee composition at Norwegian companies.

VARIABLE INCENTIVE OPPORTUNITIES

We have updated these guidelines to formalise our recognition of the fact that companies in which the Norwegian state is a major shareholder are required to restrict (i) maximum annual bonus opportunities to 50% of base salary; and (ii) maximum long-term incentive opportunity to 30% of base salary.

¹ Or the equivalent code for companies with a primary listing on a foreign stock exchange.

A Board of Directors that Serves the Interests of Shareholders

Norway has a variety of possible board structures that are premised on varying levels of employee involvement at the board level. In Norway, unless otherwise agreed on with the company's employees, large companies (i.e. those with more than 200 employees) are required to have a two-tier board consisting of a corporate assembly (or board of representatives in the case of banks and insurance companies) and a board of directors.² Furthermore, at any company with more than 30 employees, employees have the right to be represented on the board of directors. If a company has more than 200 employees but has not elected a corporate assembly, employees must be represented on the board. In this scenario, shareholders elect two-thirds of the members of the corporate assembly and employees elect the remaining one-third.³ The shareholder-elected members represent the interests of shareholders in the election of the board of directors.

The corporate assembly is responsible for electing members to the board of directors and proposing auditor(s) for the general meeting's approval.⁴ In addition, the corporate assembly is responsible for general oversight of the board and the executive team. The board of directors is responsible for supervising the organisation and day-to-day management of the company. Members of management should not sit on the board of directors, which is responsible for the overall management and oversight of the company.

It is common for Norwegian companies in general, and smaller companies in particular, to reach an agreement with the company's employees on having a unitary structure. In both systems, the board of directors is responsible for managing the company, together with the managing director or CEO. According to the Code, the companies that are not required to establish a corporate assembly, based on an agreement with employees or a ruling by the Corporate Democracy Commission, should provide an explanation.⁵ We do not recommend that shareholders vote against directors or corporate assembly members based on the choice of board structure, which is negotiated directly with employees.

ELECTION OF THE CORPORATE ASSEMBLY

Glass Lewis will generally recommend voting for the nominees to the corporate assembly, unless we have serious concerns regarding the composition of the board of directors or the choice of auditor. Corporate assemblies are composed exclusively of shareholder representatives, and as such, independence-related concerns are generally not relevant. Moreover, most companies provide very little, if any, biographical information for nominees to the corporate assembly. Rather than evaluating nominees on their individual merits, we will evaluate members being re-elected based on their performance in electing and supervising the board of directors, which is the primary function of the corporate assembly.

If the board is sufficiently independent (see "Voting Recommendations Based on Independence") and there are no substantial issues for shareholder concern, we will generally recommend that shareholders vote for the nominees to the corporate assembly. We may recommend voting against members of the corporate assembly

that also are members of the nominating committee when there are substantial problems with the board of directors or the auditor.

² Article 6.4(3) of the Norwegian Public Limited Liability Companies Act (the "Companies Act").

³ Articles 6.35(3) and 6.35(4).

⁴ Articles 6.37(1) and 7.1(1).

⁵ Section 8 of the Norwegian Code of Practice for Corporate Governance (the "Code").

ELECTION OF THE BOARD OF DIRECTORS

In contrast to our analysis of the corporate assembly, we make voting recommendations for nominees to the board of directors, in part, based on independence concerns.

INDEPENDENCE

In Norway, we put directors into four categories based on an examination of the type of relationship they have with the company:

Independent Director — An independent director has no material⁶ financial, familial⁷ or other current relationships with the company⁸, its executives, or other board members, except for board service and standard fees paid for that service. An individual who has been employed by the company within the past five years⁹ is not considered to be independent. We use a three year look back for all other relationships.

Affiliated Director — An affiliated director has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company. We will normally consider board members affiliated if they:

- Have been employed by the company within the past five years;
- Have — or have had within the past three years — a material business relationship with the company;
- Own or control 10% or more of the company's share capital or voting rights;¹⁰
- Have served on the board for more than 12 years;¹¹ Have close family ties with any of the company's advisers, board members or employees; or
- Receive fees that are dependent on the company's performance or stock options.¹²

Inside Director — An inside director simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is

6 Per Glass Lewis' Continental Europe Policy Guidelines, "material" as used herein means a relationship in which the value exceeds: (i) NOK 350,000 (or 50% of the total compensation paid to a board member, or where no amount is disclosed) for board members who personally receive compensation for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) NOK 750,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm; (iii) 1% of either company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company); (iv) 10% of shareholders' equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

7 Per Glass Lewis' Continental Europe Policy Guidelines, familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if the director has a family member who is employed by the company.

8 A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

9 Section 8 of the Code. In our view, a five-year standard is appropriate because we believe that the unwinding of conflicting relationships between former management and board members is more likely to be complete and final after five years. However, Glass Lewis does not apply the five-year look back period to directors who have previously served as executives of the company on an interim basis for less than one year.

10 Article 2.4.1 of the Listing Rules for Equities on Oslo Børs.

11 EU Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Annex II. Article 1(h).

12 Section 8 of the Code.

paid as an employee of the company. In Norway, executive personnel should not be included on the board.¹³

Employee Representatives — As described above, in any company with more than 30 employees, the employees have the right to be represented on the board of directors. If a company has more than 200 employees but has not elected a corporate assembly, employees must be represented on the board.¹⁴ Glass Lewis does not take employee representatives into account when analysing the independence of Norwegian boards.

Voting Recommendations on the Basis of Board Independence

Glass Lewis believes a board will be most effective in protecting shareholders' interests when a majority of the directors are independent of the company and its executive management. In addition, at least two of the members of the board, who are independent of the company and its management, should also be independent of the company's significant shareholders (any shareholder who, directly or indirectly, owns 10% or more of the shares or the votes).¹⁵ Glass Lewis does not include employee representatives in its evaluation of the independence of the board of directors.

In the event that 50% or more of the members are affiliated with the company and its management and/or there are not at least two directors who are independent of the major shareholder, we typically recommend voting against some of the affiliate or insider directors in order to satisfy the abovementioned thresholds. However, we accept the presence of representatives of significant shareholders in proportion to their equity or voting stake in the company.

As outlined in our Continental Europe Policy Guidelines, we refrain from recommending to vote against directors who are not considered independent due to lengthy board tenure on that basis alone in order to meet recommended independence thresholds.

DUAL CLASSES OF SHARES

Norwegian companies may establish several share classes with differing voting rights by specifying them in the articles of association.¹⁶ The use of two different classes of shares usually results in very stable ownership structures where a single shareholder, such as the state or a founding family, may retain control of a company

even with a small equity interest. When a company has a dual class share structure, we will consider a shareholder's voting rights when assessing the independence of the board. We do not recommend voting against directors based solely on this issue.

OTHER CONSIDERATIONS FOR INDIVIDUAL DIRECTORS

Our policies with regard to performance, experience and conflict-of-interest issues are not materially different from our Continental Europe Policy Guidelines.

BOARD STRUCTURE AND COMPOSITION

Our policies with regard to board structure and composition are not materially different from our Continental Europe Policy Guidelines. The following is a clarification regarding best practice recommendations and law in Norway.

¹³ The Listing Rules for Oslo Børs specify that no members of a company's executive management team may serve on the board; however, exceptions may be granted.

¹⁴ Article 6.4(3) of the Companies Act.

¹⁵ Section 8 of the Code and Section 2.3.5 of the Listing Rules for Oslo Børs.

¹⁶ Article 4.1 of the Companies Act.

SEPARATION OF THE ROLES OF BOARD CHAIR AND CEO

Norwegian law does not allow the CEO to serve as the chair of the board of directors.¹⁷ In addition, the Corporate Governance Code recommends that neither the chief executive nor any other member of the executive management be a member of the board.¹⁸ We do not recommend that shareholders vote against directors based solely on this issue; however, we will take into account the presence of insiders when evaluating the independence of the board.

BOARD DIVERSITY

The Code recommends that the composition of the board of directors should ensure that the board meets the company's need for expertise, capacity and diversity. The Norwegian Public Limited Liability Companies Act stipulates that the board, and deputy members of the board, must represent both genders as follows: (i) if the board has two or three members, both genders must be represented; (ii) if the board has four or five members, each gender must be represented by at least two; (iii) if the board has from six to eight members, each gender must be represented by at least three; (iv) if the board has nine members, each gender must be represented by at least four; and (v) if the board has more than nine members, each gender must be represented by at least 40%.¹⁹

BOARD COMMITTEES

Norwegian companies must establish an audit committee, which under certain conditions may be fulfilled by the board as a whole.²⁰ The Code recommends that all companies consider establishing separate audit and remuneration committees.²¹ We may recommend voting against the board chair when a large board fails to establish separate audit and remuneration committees, particularly if the board is not sufficiently independent.

Our policies with regard to committee performance are not materially different from our Continental Europe Policy Guidelines.

Voting Recommendations on the Basis of Committee Independence

We believe that only non-executive board members should serve on a company's audit and remuneration committees.²² Further, we believe a majority of the members²³ of these committees should be independent from the company and its significant shareholders.²⁴ In line with the Norwegian Code, we may recommend voting against an executive director if the company has failed to establish an audit, remuneration or nominating committee or if the executive director is a member of said committees.

In addition, we note that the Norwegian law for employee representation states that employee representatives on the board of directors should be actively involved in the decision making of the board. This has been interpreted by the vast majority of companies as a requirement to include an employee representative as a member of a board committee. As such, we will take this market practice into consideration when we evaluate the composition of a committee.

¹⁷ Article 6.1(3) of the Companies Act.

¹⁸ Section 8 of the Code.

¹⁹ Article 6.11a of the Companies Act.

²⁰ Article 6.41 of the Companies Act and Article 1.2 of the Stock Exchange Regulations.

²¹ Section 9 of the Code.

²² EU Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Annex I. Articles 3.1 and 4.1.

²³ Article 6.42(1) of the Companies Act and Section 9 of the Code. With respect to the remuneration committee, the Code states that membership should be restricted to board members who are independent of the company's executive personnel.

²⁴ EU Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Annex I. Articles 3.1 and 4.1. We believe a majority of remuneration committee members should be independent of shareholders owning at least 50% of the share capital or voting rights. Given the importance of the audit committee's work, we believe that a higher level of independence from major shareholders is necessary. As such, we believe a majority of audit committee members should always be independent of the company and shareholders holding more than 20% or more of the company's share capital or voting rights.

NOMINATING COMMITTEE

In Norway, the nominating committee is generally not a subcommittee of the board of directors. Instead, the members are representatives of shareholders and are elected directly to the committee by shareholders at the annual general meeting. Pursuant to the Code, all public companies should establish a nominating committee.²⁵

In Norway, the nominating committee, as an agency for shareholders, is responsible for nominating and determining the remuneration of board members and members of the corporate assembly.

We believe shareholders should be able to have an annual say on the composition of the nominating committee. We further expect the company to disclose details on the individual candidates, including the names of the candidates and their ownership interests.

In our opinion it is the responsibility of the board to make sure these requirements are followed. We may recommend voting against the board chair when no separate vote on the nominating committee is offered and/or when insufficient information about the candidates for the committee has been disclosed. If the disclosure is insufficient, we may also recommend voting against the candidates for the nominating committee.

We believe that the size of the nominating committee should be in line with best practice recommendations for Europe. In our view, such committees should be composed of no no less than three members.²⁶

We believe that a majority of the members of the nominating committee be independent of the board of directors and executive management.²⁷ At least one member should not be a member of the corporate assembly or the board. Further, we believe that the presence of representatives of significant shareholders on this committee should not be excessive with regards to the proportion to their equity or voting stake in the company. Furthermore, no more than one member of the nominating committee should be a member of the board and such member should not offer themselves for reelection. Under no circumstance should the nominating committee include the chief executive officer or any other representative of the company's executive management.²⁸

Shareholders in Norway may also have a say on the guidelines of the nominating committee. The Code specifies that the general meeting should stipulate the guidelines for the duties of the nominating committee and that the guidelines should be laid down in the company's articles of association. We may recommend voting against the guidelines for the nominating committee where they deviate from best practice recommendations as described in these guidelines.

ELECTION PROCEDURES

Our policies with regard to election procedures are not materially different from our Continental Europe Policy Guidelines. The following are clarifications regarding best practice recommendations in Norway.

Although the Companies Act allows directors to serve as directors for up to four years²⁹, the Corporate Governance Code recommends that directors are elected for terms of no more than two years.³⁰ Given market practice in Norway, we will generally accept the presence of staggered boards, so long as director terms remain reasonable. We also prefer that director terms not exceed two years, giving shareholders the opportunity to have a say in the composition of the board on a more regular basis. We may recommend voting against the nominating committee when director terms exceed this limit and we have other concerns regarding the board.

²⁵ Section 7 of the Code.

²⁶ EU Commission Recommendation of 15 February 2005 on the committees of the (supervisory) board. Annex 1. Article 1.1.

²⁷ EU Commission Recommendation of 15 February 2005 on the committees of the (supervisory) board. Annex 1. Article 2.1.

²⁸ Section 7 of the Code.

²⁹ Article 6.6(1) of the Companies Act.

³⁰ Section 8 of the Code.

ELECTION OF BOARD MEMBERS AS A SLATE

In Norway, shareholders voting at the general meeting typically vote on nominees to the board, corporate assembly and nominating committee individually, in accordance with the Code.³¹ However, shareholders voting by proxy may only be given the choice of electing directors as a slate, due to reasons independent of the company. In such cases, we will typically recommend that shareholders voting by proxy vote for the slate of director nominees, unless we have very serious concerns about the composition or acts of the board. However,

where a company explicitly prevents shareholders from voting on nominees to the board separately, we generally recommend voting against the entire slate based on this issue. When determining whether to recommend voting against the entire slate, we will take into account a company's size, ownership structure and overall board independence.³²

LACK OF ADEQUATE DIRECTOR DISCLOSURE

Disclosure of biographical information for director nominees varies significantly between Norwegian companies. In line with our Continental Europe Policy Guidelines, where we believe shareholders have not been provided with sufficient information in order to make an informed decision regarding the election of a director, we recommend that shareholders vote against the candidate.

In Norway, we believe that a company's failure to provide information requested by the Code may warrant that shareholders vote against the nominee. Specifically, the Code states that a nominating committee should provide a justification for a nominee's competence, capacity and independence, including age, education, business experience, board tenure, attendance record, ownership interest and assignments in the company, as well as material appointments and assignments with respect to other institutions.³³

In our opinion it is the nominating committee's responsibility to provide information regarding candidates to the board in a timely fashion and we may recommend voting against the nominating committee chair when this information has consistently not been made available for shareholder review prior to the annual meeting.

³¹ Section 6 of the Code.

³² In general, we expect companies listed on the OBX to allow individual elections.

³³ Section 7 of the Code.

Transparency and Integrity in Financial Reporting

In Norway, shareholders are routinely asked to vote on a number of proposals regarding the audited financial statements, the appointment of auditor and dividends.³⁴ While we have outlined the principle characteristics of these types of proposals that we encounter in Norway below, our policies regarding these issues are not materially different from our Continental Europe Policy Guidelines.

ACCOUNTS AND REPORTS/CONSOLIDATED ACCOUNTS AND REPORTS

As a routine matter, Norwegian company law requires that shareholders approve a company's annual and consolidated financial statements, within six months following the close of the fiscal year, in order for them to be valid.³⁵

ALLOCATION OF PROFITS/DIVIDENDS

As in many European markets, Norwegian companies must submit the allocation of annual profits or losses for shareholder approval.

Further, the board of directors may be granted authority to distribute future dividends based on the company's annual accounts as approved by the general meeting, without seeking further shareholder approval.³⁶ Norwegian companies may also distribute current year's profits based on audited interim accounts if approved by a general meeting.³⁷

In most cases, we believe the board is in the best position to determine whether a company has sufficient resources to distribute a dividend to shareholders and that shareholders can voice any concerns regarding dividend payments through their votes on the allocation of profits or the election of directors, as appropriate, at the annual general meeting. Absent evidence of egregious conduct that may threaten shareholder value, we will generally support the board's proposed dividend distribution. Further, we will generally recommend that shareholders support proposals authorising the board to distribute future interim dividends without seeking shareholder approval each time, provided that the company has a reasonable dividend history and has provided adequate disclosure.³⁸

APPOINTMENT OF AUDITOR AND AUTHORITY TO SET THE AUDITOR'S FEES

In Norway, the auditor serves indefinitely until another auditor has been elected. Shareholders must approve the company's choice of a new auditor.³⁹ A company may not remove the auditor prior to the expiry of the service period without undue cause; an accounting treatment or audit related disagreement is not considered a due cause for removal.⁴⁰

³⁴ Article 5.6(2) of the Companies Act.

³⁵ Articles 5.6(1) and 5.6(2) of the Companies Act.

³⁶ Article 8.2(2) of the Companies Act.

³⁷ Article 8.2a of the Companies Act.

³⁸ Section 3 of the Code. The Norwegian Code stipulates that companies should establish a clear and predictable dividend policy which should be disclosed to shareholders. Further, when granting the board authority to distribute future dividends the company should provide an explanation on how the authority relates to the company's dividend policy.

³⁹ Articles 7.1(1) and 7.2(1) of the Companies Act.

⁴⁰ Article 7.2(2) of the Companies Act.

Norwegian companies are, however, required to seek annual shareholder approval of the authority to set auditor's fees.⁴¹ In accordance with our Continental Europe Policy Guidelines, we will generally recommend voting against these proposals when the fees paid to the auditor for non-audit-related services in the past fiscal year exceed the fees paid for audit-related services.

⁴¹ Article 7:1(2) of the Companies Act.

The Link Between Pay and Performance

In Norway, shareholders must approve a company's remuneration guidelines on an annual basis. In addition, shareholders are required to approve equity-linked remuneration plans and may be given a non-binding vote on a company's remuneration policy. Our policies regarding these matters do not differ materially from our Continental Europe Policy Guidelines. However, we do account for a company's compliance with best practice in Norway, as described below, when evaluating these proposals.

VOTE ON EXECUTIVE REMUNERATION (“SAY-ON-PAY”)

In Norway, shareholders must consider the board's declaration concerning the remuneration of the chief executive officer and senior management. An advisory vote is required on the board's guidelines for determining the executive remuneration. The guidelines for equity-linked remuneration⁴² are binding, and must be approved by the general meeting.⁴³ A company's articles of association may stipulate which guidelines are binding or advisory by nature.⁴⁴ The Code further strengthens these requirements by recommending a clearly disclosed separation between which aspects of the guidelines are advisory and which are binding, and that each of these aspects should be subject to a separate vote.⁴⁵

The Code emphasises the importance of linking variable remuneration to value creation for shareholders or the company's earnings performance over time, measurement of which should be based on relevant quantifiable factors. Incentive remuneration should also have an absolute cap. While these recommendations are broadly in line with European principles, we note that many Norwegian companies provide very little disclosure surrounding performance metrics used for determining remuneration.

Disclosure of remuneration practices is relatively poor in Norway when compared with other European markets. In many cases, companies do not provide any evidence of a link between pay and performance. We typically recommend voting against remuneration guidelines when a company has failed to demonstrate compliance with best practices, as described above, or sufficient information regarding performance metrics and incentive plans.

REQUIREMENTS FOR STATE-OWNED COMPANIES

We note that companies in which the Norwegian state is a significant shareholder are required to restrict (i) maximum annual bonus opportunities to 50% of base salary; and (ii) maximum long-term incentive opportunity to 30% of base salary.⁴⁶

While only companies with significant state-ownership are required to comply with these restrictions, we note that many Norwegian companies have chosen to voluntarily follow these guidelines. As such, we will take this into consideration when evaluating a company's remuneration structure.

⁴² Article 6.16a(2) of the Companies Act.

⁴³ Article 5.6(3) of the Companies Act.

⁴⁴ Article 6.16a(2) of the Companies Act.

⁴⁵ Section 12 of the Code.

⁴⁶ Guidelines for salaries and other remuneration paid to executives in companies with state ownership.

EQUITY-LINKED REMUNERATION PLANS

In Norway, companies must seek shareholder approval of equity-linked remuneration proposals. While our policy regarding these plans does not differ significantly from our Continental Europe Policy Guidelines, we note that Norwegian companies typically do not include performance conditions in equity-linked plans. As such, we generally evaluate proposed plans in the context of the remuneration policy as a whole.

DIRECTOR REMUNERATION PLANS

Pursuant to the Code, the remuneration of the board of directors should not be linked to the company's performance. While board members should be encouraged to invest part of their remuneration in shares of the company at market price, the company should not grant stock options to board members. In particular, they should not participate in any incentive or share option plans that might be made available to the executive management and other employees since this might weaken the board's independence.

Governance Structure and the Shareholder Franchise

In Norway, shareholders are asked to approve proposals regarding a company's governance structure, such as amendments to the articles of association or the ratification of board acts. Our policies regarding these issues are not materially different from our Continental Europe Policy Guidelines. Following is a clarification regarding best practice in Norway.

BUNDLED PROPOSALS

In Norway, distinct proposals are often bundled together as a single voting item, despite recommendations in the Code that shareholders be allowed to vote by proxy separately on each proposal.⁴⁷ When a company clearly indicates the intention to bundle proposals that could have a significant material effect on shareholders' rights, we may recommend that shareholders vote against the bundled proposal. However, we note that bundling certain proposals is common practice in Norway and we refrain from recommending to vote against such proposals on this basis alone. In these cases, if we have concerns regarding any proposal to be approved under a single voting item that would cause us to recommend voting against it separately, we will recommend voting against the bundled proposal.

⁴⁷ Section 6 of the Code.

Capital Management

Shareholders of Norwegian companies may be asked to approve authorities to issue shares or convertible bonds, or to repurchase and reissue shares. Our policies with regard to these issues do not differ materially from our Continental Europe Policy Guidelines.

AUTHORITY TO ISSUE SHARES OR CONVERTIBLE SECURITIES

Norwegian companies must seek shareholder approval to increase share capital through the issuance of shares.⁴⁸ In Norway, the board is entitled to issue non-convertible bonds and other debt instruments, while shareholders must approve or give the board authorisation when bonds can be converted into shares in the company.⁴⁹ We note that most Norwegian companies propose general authorities that are limited to a one-year timeframe, with maximum dilution of 10%. As such, in line with our Continental Europe Policy Guidelines, we typically recommend approval of these proposals.

AUTHORITY TO ISSUE SHARES AS A TAKEOVER DEFENSE

In accordance with the Norwegian Securities Trading Act,⁵⁰ companies may request shareholder approval to use an authority to issue shares in order to prevent or thwart a potential takeover. We believe that such authorities are not conducive to good corporate governance and can reduce management accountability by substantially limiting opportunities for shareholders.⁵¹ As such, we recommend that shareholders vote against any proposal that gives the board the latitude to use the authority as a takeover defense.

AUTHORITY TO REPURCHASE SHARES

We note that Norwegian law limits the number of shares which may be repurchased to no more than 10% of a company's capital. Furthermore, the authority to buy back shares cannot be granted for a period in excess of two years.⁵² Given this legal framework, we typically recommend voting for such proposals.

AUTHORITY TO REPURCHASE SHARES AS A TAKEOVER DEFENSE

In accordance with the Norwegian Securities Trading Act,⁵³ companies may request shareholder approval to repurchase and issue shares in order to prevent or thwart a potential takeover. We believe that such authorities are not conducive to good corporate governance and can reduce management accountability by substantially limiting opportunities for shareholders. As such, we recommend that shareholders vote against any proposal that gives the board the latitude to use the authority as a takeover defense.

AUTHORITY TO CANCEL SHARES AND REDUCE CAPITAL

In conjunction with a share repurchase program, companies often seek shareholder approval to cancel the repurchased shares.⁵⁴ We recommend voting for such proposals.

48 Article 10.14(3) of the Companies Act. The Public Companies Act stipulates that the general meeting may grant the board of directors the authority to increase the share capital for a period of time not exceeding two years. However, pursuant to the Corporate Governance Code, such authorities should be limited in time to no later than the date of the next annual general meeting (Section 3).

49 Article 11.2(1) of the Companies Act.

50 Article 6-17(2) of the Norwegian Securities Trading Act.

51 Section 14 of the Code also emphasises that the board should not hinder or obstruct takeover bids.

52 Articles 9.2(1) and 9.4(2) of the Companies Act. The Public Companies Act stipulates that the general meeting may grant the board of directors the authority to repurchase shares for a period of time not exceeding two years. However, pursuant to the Corporate Governance Code, such authorities should be limited in time to no later than the date of the next annual general meeting (Section 3).

53 Article 6-17(2) of the Norwegian Securities Trading Act.

54 Article 12.1 of the Companies Act.

DISCLAIMER

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