



NORGES BANK
INVESTMENT MANAGEMENT

Institutional Shareholder Services
via email: iss_norgessupport@issgovernance.com

Date: 26.08.2021
Your ref.: [Reference]
Our ref.: [Reference]

ISS voting policy

We refer to the ISS 2021 Benchmark Policy Survey and the Climate Policy Survey. Our [Global Voting Guidelines](#) describe the principles that guide our voting and explain which board proposals we would not support and which shareholder proposals we would support. As a customer of vote research and execution services from ISS we appreciate the opportunity to provide our perspective on key corporate governance issues.

Norges Bank Investment Management (NBIM) is a division of the Norwegian Central Bank, responsible for investing the Norwegian Government Pension Fund Global. The fund is globally diversified with assets valued at USD 1,356 billion as of 30 June 2021.

ISS solicits input on the remuneration of executives and the use of environmental and social criteria. NBIM has laid out its view on [CEO Remuneration](#) in a public position paper. NBIM emphasises the role of the board in ensuring that remuneration is driven by long-term value creation and aligns CEO and shareholder interests. NBIM prefers that a substantial proportion of total annual remuneration is provided as shares that are locked in for at least five and preferably ten years, regardless of resignation or retirement of the CEO. Allotted shares should not have performance conditions. We regard this as a transparent way of aligning the interests of the CEO with those of shareholders and the wider society. Performance conditions may be appropriate in short-term variable remuneration to reflect strategic, operational and financial achievements in the previous year. As part of these conditions, the board may decide to include non-financial performance conditions, depending on the company's business model and exposure to sustainability risks. Furthermore, ISS asks investors about their views when boards adjust existing incentive programmes due to disruptions like the ongoing pandemic. One of the advantages of remuneration models where the main incentive is long-term equity without performance conditions is that mid-cycle changes would not be necessary.

As a global investor, we rely on effective shareholder rights to protect our investments. Shareholder approvals at the general meeting should be obtained in an orderly and transparent manner for each item. Transactions, bylaw changes and other fundamental corporate decisions should not be presented in bundled items or as all-or-nothing decisions. The company should lay out the rationale for each voting item. Hybrid meetings provide for

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remote participation, but the added accountability offered by the possibility of physical presence should be maintained.

NBIM has published expectations of companies on climate change, alongside other environmental and social issues. These expectations specify how we believe companies should integrate relevant climate-related risks into their corporate strategy, risk management and reporting, and are primarily directed at company boards. We believe boards are accountable for the environmental and social outcomes of company operations, and we use our expectations to inform our proxy voting.

In line with the G20/OECD Principles of Corporate Governance, we believe that the responsibility for corporate strategy and operations is best placed in the hands of the board and management. We do not believe companies, as a standard practice, should submit strategic or operational plans for shareholder approval, and we therefore do not in general support a shareholder vote on companies' climate plans on a regular basis. However, we will hold the board to account for managing climate-related risks and opportunities, and we may withhold our support for the re-election of directors if the company has experienced material failures in the oversight, management, or disclosure of such risks.

Where a company's management or disclosure of climate risks does not meet our expectations, we will consider supporting well-founded shareholder proposals. We will support shareholder proposal that requests reasonable disclosure of the company's governance, strategy, risk exposures and performance data related to material sustainability risks. We will also support shareholder proposals that request the board to develop and implement a policy or framework where its management of a material sustainability risk appears inadequate.

In addition to this letter, we have provided responses to the Benchmark Policy Survey.

Yours sincerely

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