Engagement Guidelines Implementation in 2020

Information and general description of voting behavior in 2020

Voting and engagement was in 2020 implemented in line with our "Guidelines for engagement and exercise of voting rights", which states that the overall goal is to engage and vote in such a way that it contributes to holders in portfolios managed by AAM achieving the best possible risk-adjusted return. Our engagement was also in line with our "Guidelines for responsible investments" which states that investment decisions shall be consistent with sustainable activities, contribute to strong, balanced and inclusive growth and promote the UN Sustainable Development Goals, without doing significant harm to other environmental or social objectives.

Evaluation of the agenda and items on the General Meeting is an integrated and important part of our portfolio management. We evaluate the agenda independently of our ownership as % of the company. Many of our votes in 2020 were in favor of standard agenda items at the Annual General Meeting. This includes e.g. the election of a chairperson for the AGM, approval of the Notice of the General Meeting, election of a representative to sign the minutes, approval of fees to the auditor, etc. In 2020 we voted on most of the AGMs in companies where we held a large share ownership. However, in companies where we held a small or insignificant share ownership we often did not vote on formal agenda items.

Items at a number of Extraordinary General Meetings were considered by the portfolio managers in 2020, and voted for or against. For example the confirmation of new Board members, votes on acquisition/sales, or in favor of capital raises. We have experienced that it very often will be too late to alter the outcome of the General Meeting just through our votes. We, therefore, have the ambition to engage with the company management and discuss, for example, candidates for Board Members of terms of shares issues before the Notice of the General Meeting.

In a minority of cases we voted against agenda items in 2020. One example was a proposed 30% share issue authority to the board in a company our clients had holdings in. We beforehand raised concern with the company that we thought the percentage was too high, and discussed the issue with the Chairman of the board. We voted against the proposal at the General Meeting. Another example was a proposed merger between two companies, where our clients owned stocks in one of them. We believed that the terms of merger did not reflect the underlying economic realities in a fair way. We therefor voted against at the General Meeting.

Use of proxy advisors in 2020

We do not make use of proxy advisors.

Description of the most significant votes and engagements in 2020

Two oil service companies in 2020 proposed a merger where our clients owned stocks in one of them. Our analysis showed that the exchange conditions were in favor of the shareholders in the other company. We believed that the terms of merger did not reflect the underlying economic realities in a fair way. We agreed that for shareholders with interests in both companies, there was a good industrial rationale for merging the companies, but since there was not a possibility to vote for a change in the conditions we voted against the merger at the Extraordinary General Meeting. The views were taken up with the chairman of the board and flagged in a letter to the ownership department in NFD. None of the other shareholders were interested in changing the terms. The merger was approved by the EGM.

An IT company proposed a 30% share issue authority to the board. We have in the past mostly been positive to 10% issues and in some cases 20%, but we concluded that 30% is too high. Communicated this to the management, who signaled they would take our input to consideration going forward. We voted against at the General Meeting, but the authority was approved.

We engaged with the CFO and the board of Directors of a bank after a proposed dividend in the spring of 2020. The regulatory authorities had urged the banks to hold back on dividends because of the risks associated with Covid-19. We requested that the board would reconsider the proposal for the payment of dividends and that we would vote against. The proposed dividend was withdrawn shortly after.

In the beginning of 2020 we engaged with several companies that either did not respond or received a low score on the CDP Climate Change for 2019. We urged them to prioritize this going forward and most of them responded that they would. There was a clear improvement on the CDP 2020 by the companies we had contacted. Of the companies we contacted late in 2020 in regards to either low score or no response on the CDP 2020 reporting we got strong indications that they would prioritize this for 2021.

Engagement by portfolio managers can also be part of our running discussion/conversation with the company. For instance, if we want a company to improve its ESG disclosures, this is often a running discussion with company management. We find this often leads to improvements over time.