

2019



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[Folketrygdfondet's ownership role](#)

COMPANIES MUST SUCCEED OVER THE LONG-TERM

Our owner has set a clear objective: to deliver the highest possible returns over time. We achieve this through active management and active, responsible ownership.

The investment mandate for the Government Pension Fund Norway states that Folketrygdfondet is to deliver the highest possible returns over time. For the purposes of our day-to-day investment activities, we have translated this into two sub-goals:

- To achieve a better return than the market in general (excess return compared to benchmark indices).
- To support long-term value creation in companies and in the market.

These goals form the foundation of our investment philosophy. We engage in active management to achieve the goal of excess returns, while the goal of promoting corporate value creation is achieved through active, responsible ownership and the development of best practices and well-functioning markets. We find that the two goals are interdependent. Being an active owner makes us a better manager.

Our long-term returns depend on our portfolio companies' ability to deliver strong results over the long term, and on efficient and well-functioning markets. This is why we take an integrated approach to responsible investment. This involves conducting systematic follow-up of material opportunities and threats linked to environmental, social and governance (ESG) issues, and being an engaged owner that helps maximise companies' potential. This approach also benefits other shareholders and creditors. In our capacity as an owner, we engage with the individual portfolio companies irrespective of any over- or under-weighting relative to our benchmark index. This facilitates a higher long-term return for the Government Pension Fund Norway, in line with our mandate.

How we organise our responsible investment activities

Folketrygdfondet's board has adopted responsible investment principles (please see [ftf.no](#), English pages) which explain how we exercise our role as owner and creditor and integrate environmental and social considerations into our management of the

Government Pension Fund Norway. Responsibility for implementing the principles across the portfolio lies with Folketrygdfondet's CEO. In [Folketrygdfondets eierskapsutøvelse](#) (Folketrygdfondet's exercise of ownership rights – please see [ftf.no](#), English pages), the administration describes how we operationalise the principles in Folketrygdfondet's investment activities. Operational implementation has been delegated to the Chief Investment Officer Equities and the Chief Investment Officer Fixed Income. The equities department also has a dedicated ESG staff member. Folketrygdfondet's portfolio managers are responsible for covering material topics, including climate risk, in their investment analyses and company dialogues. In practice, this occurs through close cooperation within each department, in line with Folketrygdfondet's team-based management model. ESG is integrated into the investment process through the following measures, among others:

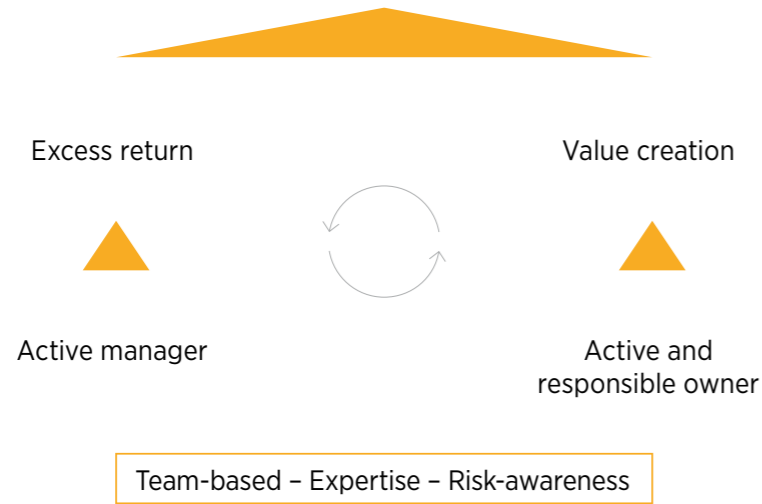
- Responsible investment is a permanent agenda item at front office morning meetings.
- Material sustainability topics are incorporated into company dialogues.
- ESG is integrated into investment decisions in the form of input to portfolio meetings and company analyses.
- ESG is a fixed item in the approval process for new equity investments in Norway.
- The equity and fixed income departments have an annual plan for responsible investment training, which prescribes at least one measure per quarter.
- Responsible investment is included in regular reports to the investment committee and the board of directors.

The finance and risk management department is closely involved in decisions concerning voting at general meetings and bondholder meetings. The compliance and legal department also participates in the assessment of general meetings of Nordic companies, and has overall supervisory responsibility for Folketrygdfondet's responsible investment procedures.

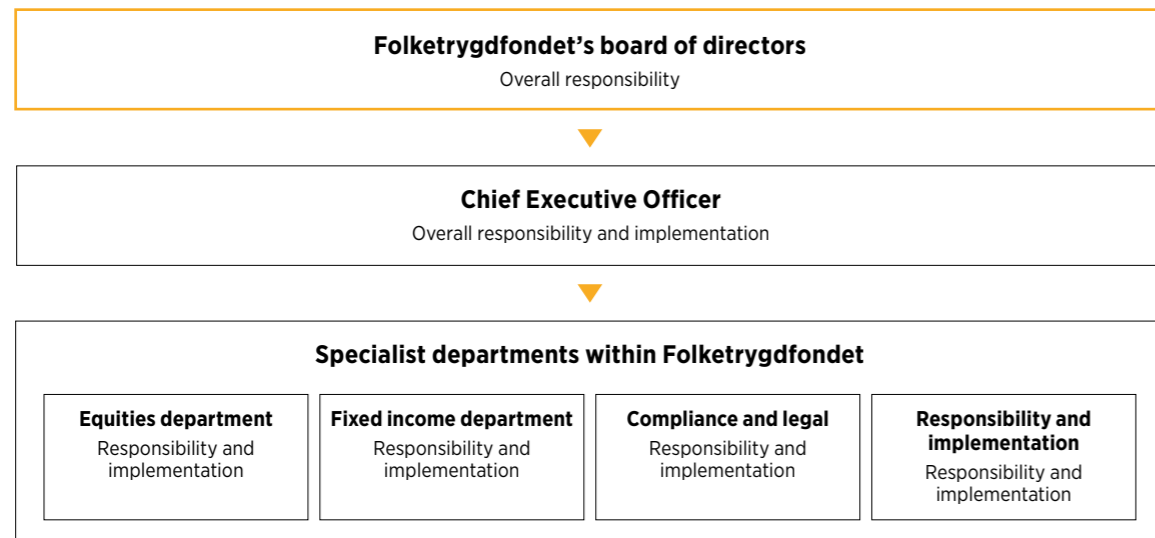
- Dialogue
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- Good practice development
- The fixed income portfolio

OUR INVESTMENT PHILOSOPHY SUMMARISED

HIGHEST POSSIBLE RETURNS OVER TIME



ORGANISATION



- Dialogue
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- Good practice development
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RESPONSIBLE INVESTMENT INSTRUMENTS

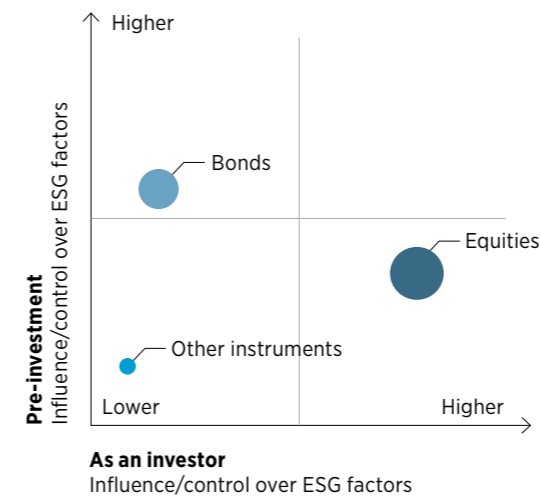
	ESG integrated into management	Exclusion	Dialogue with companies	Voting at general meetings/ bondholder meetings	Promote well-functioning markets
Norwegian equities	●	—	●	●	●
Nordic equities	●	●	●	●	●
Norwegian bonds (corporate)	●	—	●	●	●
Nordic bonds (corporate)	●	●	●	●	●
Government bonds	—	—	N/A	N/A	—
Other instruments	N/A	●	N/A	N/A	●

Folketrygdfondet shall not invest in companies excluded pursuant to the guidelines on observation and exclusion from the Government Pension Fund Global. An overview of exclusions is available on ftf.no. No companies were excluded or re-included during the period.

Illustration 10

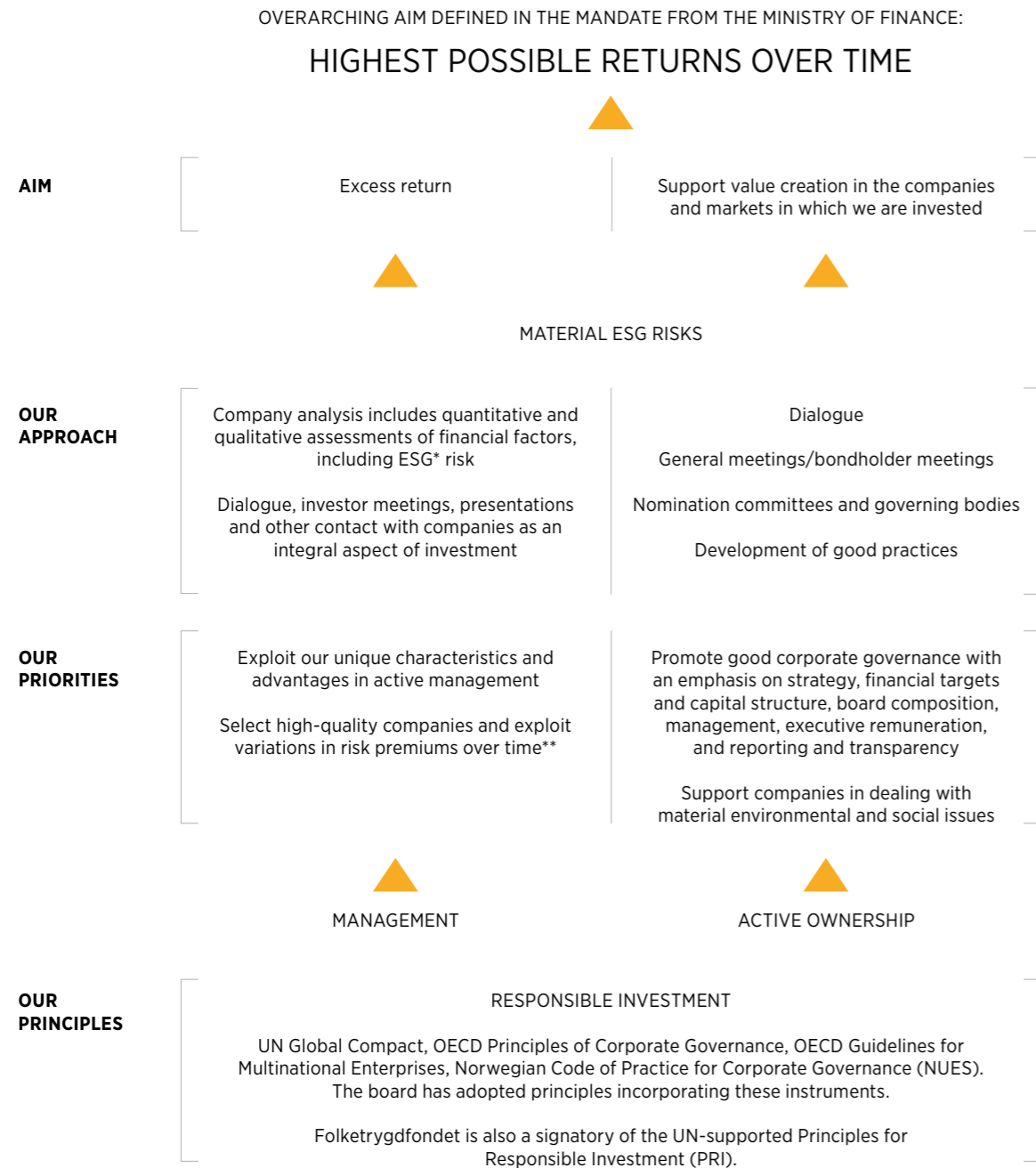
WE TAILOR OUR RESPONSIBLE INVESTMENT APPROACH TO OUR DIFFERENT FINANCIAL INSTRUMENTS

The size of the circle indicates the relative size of the instrument.



- Dialogue
- General meetings
- Nomination committees and governing bodies
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OUR RESPONSIBLE INVESTMENT APPROACH



Explanation of terms

* ESG: Environmental, social and governance issues.

** Exploit variations in risk premiums over time: exploiting the opportunities offered by variations in risk in the market over time. Buying securities when prices reflect excessively high risk and selling when prices reflect excessively low risk.



- Dialogue
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We tailor our responsible investment activities to our various portfolios

The investment mandate and our unique characteristics guide our selection of measures to promote responsible investment.

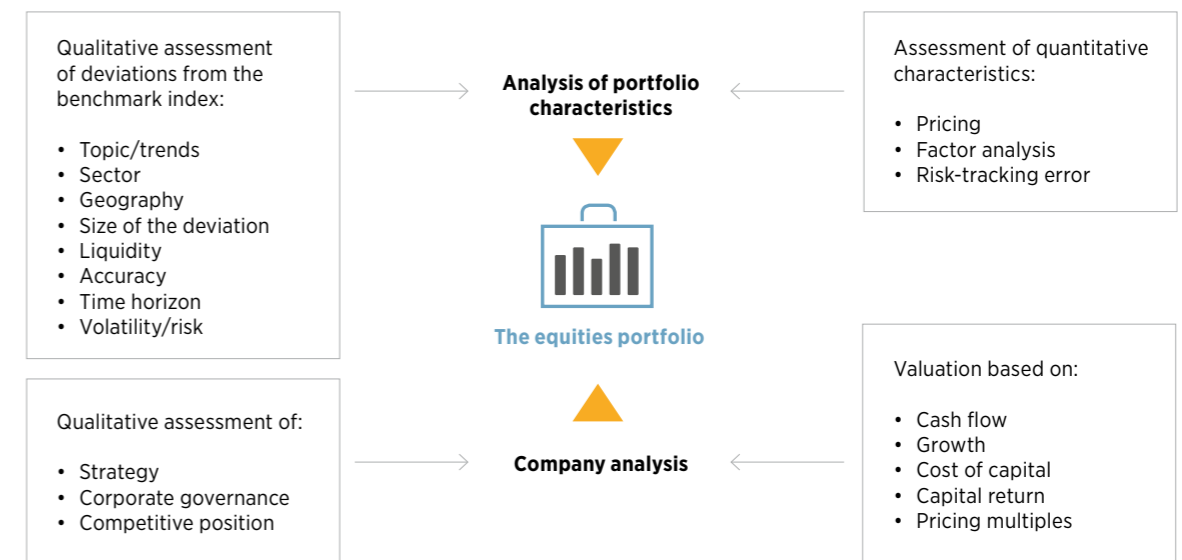
We adapt our efforts and the tools we use to our different financial instruments and portfolios. This is necessary to ensure that our responsible investment efforts serve the overarching aim of achieving the highest possible returns over time. In this assessment, we look to factors such as our influence over ESG issues pre- and post-investment. We prioritise contributing to well-functioning, legitimate, and efficient markets for all our financial instruments and portfolios. This includes supporting the development of strong national responsible investment standards.

For fixed income instruments, we have the greatest influence before we invest, since bondholders do not have ownership rights. We therefore focus on robust pre-investment ESG analysis to identify issues that may affect creditworthiness. For our equity investments, on the other hand, we have the greatest opportunity to influence ESG factors once invested, through our ownership rights. This

makes active ownership a priority for the equity portfolio. Other tools are used in connection with liquidity investments and currency hedging. Due to the low anticipated impact of ESG factors and the short investment horizon, these areas are not a priority in our responsible investment efforts, with the exception of procedures for recalling loaned-out shares prior to general meetings. In this context, we concentrate on promoting well-functioning and efficient markets.

The adaptation of responsible investment activities to Folketrygdfondet's distinctive characteristics is discussed further in the strategic plan for management of the Government Pension Fund Norway, which emphasises Folketrygdfondet's long investment horizon as a primary argument in favour of our integrated approach to responsible investment. ESG issues are examined in our assessments of potential high-quality investment targets, and to shed light on possible downside risk linked to failure to address ESG issues. The in-depth company knowledge Folketrygdfondet has gained from several decades of active management give us a broader perspective on individual companies' ESG efforts, and allows us to be a demanding owner.

OUR APPROACH TO ACTIVE MANAGEMENT



- Dialogue
- General meetings
- Nomination committees and governing bodies
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OUR COMPANY ANALYSIS SUMMARISED



Illustration 14



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Robust companies

As an active manager, we both select investment targets and over- and under-weight companies compared to the benchmark index. Our investment decisions reflect financial analysis, including ESG analysis, and ongoing contact with relevant companies. Our priority is to check whether companies have robust procedures in place for identifying, dealing with, and reporting on material issues. Folketrygdfondet has developed expectation documents that also contain relevant information for this work.

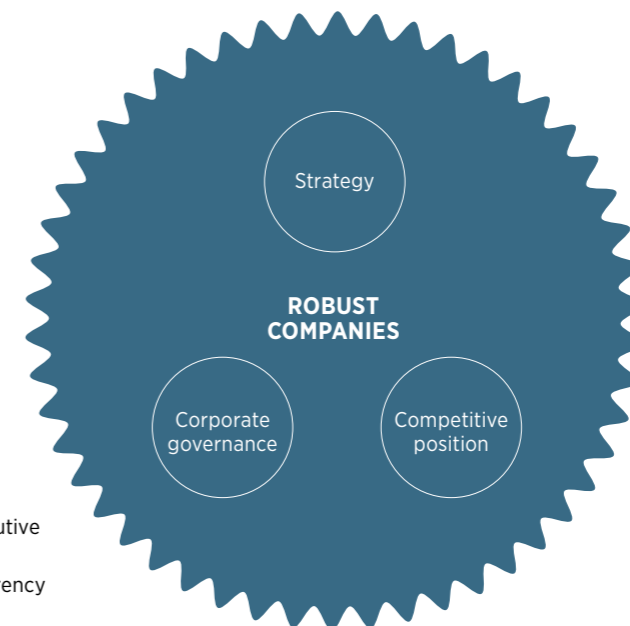
Our aim is to beat the market over the long term, i.e. to generate excess returns by exploiting our unique characteristics and advantages as an asset manager. To implement our mandate, we also focus on portfolio companies' ability to create value over the long term. Our long-term returns depend on strong, consistent performance by the companies in which we invest, and on efficient and well-functioning markets.

Qualitative assessment is crucial

In our experience, the most successful companies over time are characterised by effective corporate governance, a strong competitive position, and well-considered strategies. In practice, such companies have capable boards and managers as well as a clear, well-founded strategy for long-term value creation. They take a long-term view of resources and risk, and address risks and exploit opportunities related to sustainable development. We invest time and resources in qualitatively assessing factors related to strategy, corporate governance and competitive position. These assessments provide a starting point for our quantitative analysis of companies.

KEY TOPICS IN OUR QUALITATIVE ANALYSIS:

- Board composition
- Management and executive remuneration
- Reporting and transparency
- Social responsibility
- Ownership structure



- Clear, well-founded strategy for long-term value creation
- Return on capital and growth targets
- Efficient capital structure
- Integrated risk assessment
- Sustainable business model
- Consistent dividend policy

- Growth opportunities
- Competitive advantages
 - Barriers to entry
 - Pricing power
 - Cost leadership
 - Ability to change/adapt

Illustration 15



- Dialogue
- General meetings
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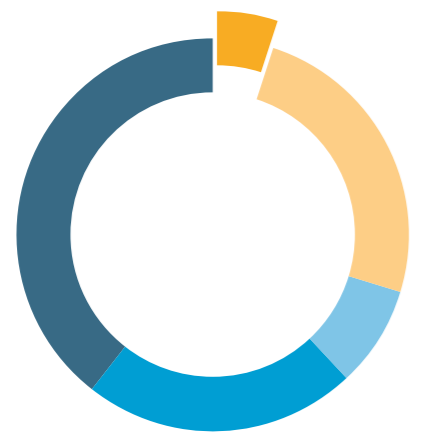
NORDIC OWNER WITH A PRIMARY FOCUS ON THE OSLO STOCK EXCHANGE

Folketrygdfondet is one of the largest financial investors on the Oslo Stock Exchange, as a top-three shareholder in 47 listed companies. Folketrygdfondet has far smaller shareholdings on the other Nordic exchanges.

The Government Pension Fund Norway follows clear guidelines laid down in the mandate from the Ministry of Finance. The fund capital is invested in securities listed on regulated exchanges in Norway, Denmark, Finland and Sweden. The investment distribution is 85 percent in Norway and 15 percent in the other Nordic countries. The investment mandate specifies that the highest permitted shareholding in any Norwegian company is 15 percent, and five percent for companies from the other Nordic countries.

It is important for companies to maintain contact with their largest shareholders, both on an ongoing basis and in connection with strategically important developments such as acquisitions and changes in capital structure. We are highly aware of our responsibility in this regard, and thus prioritise investing time and resources in ownership dialogues.

OWNERSHIP ON THE OSLO STOCK EXCHANGE



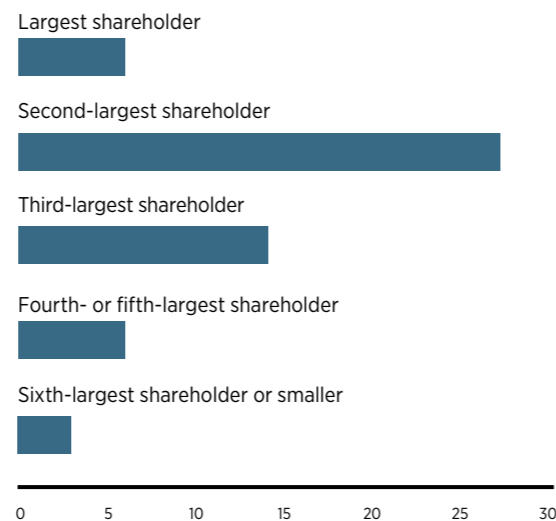
Folketrygdfondet	5.28%
Central and local government	24.68%
Norwegian financial owners	8.28%
Other Norwegian owners	22.55%
Foreign investors	39.21%

Sources: Oslo Stock Exchange monthly statistics and Folketrygdfondet as of 31 December 2019

Figure 21

FOLKETRYGDFONDET'S OWNERSHIP INTERESTS ON THE OSLO STOCK EXCHANGE

Number of companies in which Folketrygdfondet is among the largest shareholders.



Sources: Company websites, VPS and stock exchange notices. When a nominee account is specified as one of the largest shareholders, Folketrygdfondet estimates its placement. Owners with shared ownership interests are grouped together when Folketrygdfondet has information indicating this is correct.

Figure 22

- Dialogue
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FOLKETRYGDFONDET'S OWNERSHIP INTERESTS ON THE OSLO STOCK EXCHANGE

Companies in which Folketrygdfondet owned more than five percent of equity or was among the three largest shareholders as of 31 December 2019.

Company name	FTF's shareholding	FTF's shareholder ranking
Norwegian Property	14.79%	2
Nordic Semiconductor	13.35%	1
Storebrand	11.04%	1
Scatec Solar	10.65%	3
Atea	10.31%	2
Veidekke	10.31%	2
TGS-NOPEC	9.94%	1
Europris	9.76%	1
Norwegian Finans Holding	9.47%	2
Mowi	9.42%	2
AF Gruppen	9.30%	4
Bakkafrost	9.04%	1
Subsea 7	8.90%	2
Entra	8.85%	1
Norwegian Air Shuttle	8.21%	2
Tomra Systems	8.09%	2
Schibsted	7.99%	2
Orkla	7.95%	2
Nordic Nanovector	7.91%	2
SpareBank 1 SR-Bank	7.76%	2
Borr Drilling	7.60%	3
PGS	6.83%	3
Kongsberg Gruppen	6.80%	2
Norsk Hydro	6.76%	2
Yara International	6.72%	2
DNB	6.05%	3
SalMar	6.01%	2
Aker Solutions	5.52%	3
Lerøy Seafood Group	5.44%	2
Data Respons	5.35%	3
Golden Ocean Group	5.29%	2
Grieg Seafood	5.13%	3
Telenor	5.08%	2
BW LPG	4.95%	2
Aker	4.53%	2
Gjensidige Forsikring	4.29%	2
Equinor	3.44%	2
Elkem	3.36%	2
BW Offshore	3.32%	2
DNO	2.32%	2
Stolt-Nielsen	2.04%	2
Wilh, Wilhelmsen Holding	4.23%	3
Aker BP	4.12%	3
Adevinta	3.35%	3
Olav Thon Eiendomsselskap	2.65%	3
Wallenius Wilhelmsen	2.46%	3
Austevoll Seafood	2.42%	3
DOF	1.98%	3

Sources: Company websites, VPS and stock exchange notices. When a nominee account is specified as one of the largest shareholders, Folketrygdfondet estimates its placement. Owners with shared ownership interests are grouped together when Folketrygdfondet has information indicating this is correct. Folketrygdfondet's ownership interest includes loaned-out shares. (As of 31 December 2019, shares amounting to 5 percent of the market value of the fund's Norwegian shares were loaned out.)

Table 15

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FOLKETRYGDFONDET'S SHAREHOLDINGS IN INDIVIDUAL COMPANIES

The size of each bar reflects Folketrygdfondet's shareholding in that company as of 31 December 2019.

Oslo Stock Exchange Nasdaq Copenhagen Nasdaq Stockholm Nasdaq Helsinki

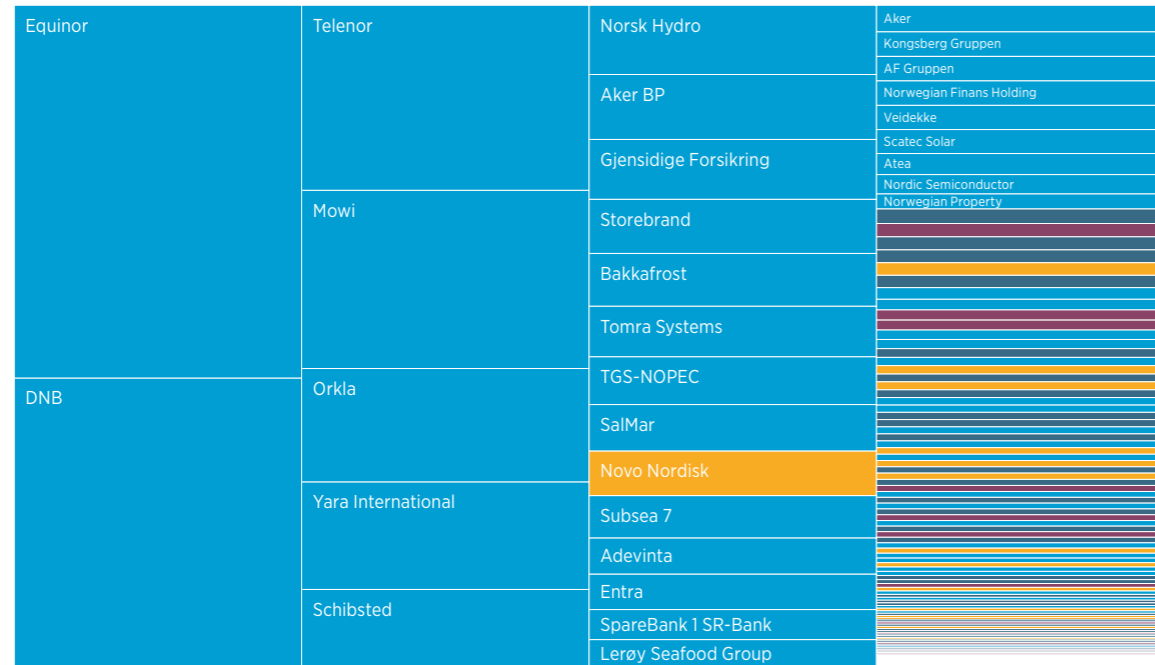


Figure 23

FOLKETRYGDFONDET'S LARGEST NORDIC INVESTMENTS

Company name	FTF's shareholding	Exchange
Net Entertainment	0.96%	Nasdaq Stockholm
Elekta	0.85%	Nasdaq Stockholm
Intrum Justitia	0.80%	Nasdaq Stockholm
SKF	0.53%	Nasdaq Stockholm
Essity	0.51%	Nasdaq Stockholm
Vestas Wind Systems	0.49%	Nasdaq Copenhagen
Nokia	0.49%	Nasdaq Helsinki
Lundin Petroleum	0.46%	Nasdaq Stockholm
SimCorp	0.46%	Nasdaq Copenhagen
Danske Bank	0.46%	Nasdaq Copenhagen
Demant	0.45%	Nasdaq Copenhagen
Arjo	0.42%	Nasdaq Stockholm
Epiroc	0.41%	Nasdaq Stockholm
Stora Enso	0.40%	Nasdaq Helsinki
Pandora	0.37%	Nasdaq Copenhagen
Telia	0.34%	Nasdaq Stockholm
Getinge	0.33%	Nasdaq Stockholm
Wihlborgs Fastigheter	0.33%	Nasdaq Stockholm
Sampo	0.32%	Nasdaq Helsinki
Nordea	0.31%	Nasdaq Stockholm

Table 16

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FOLKETRYGDFONDET'S SHAREHOLDINGS IN INDIVIDUAL COMPANIES

The size of each box reflects Folketrygdfondet's shareholding in that company as of 31 December 2019.

Energy Finance Consumables Communications Industry Materials Other

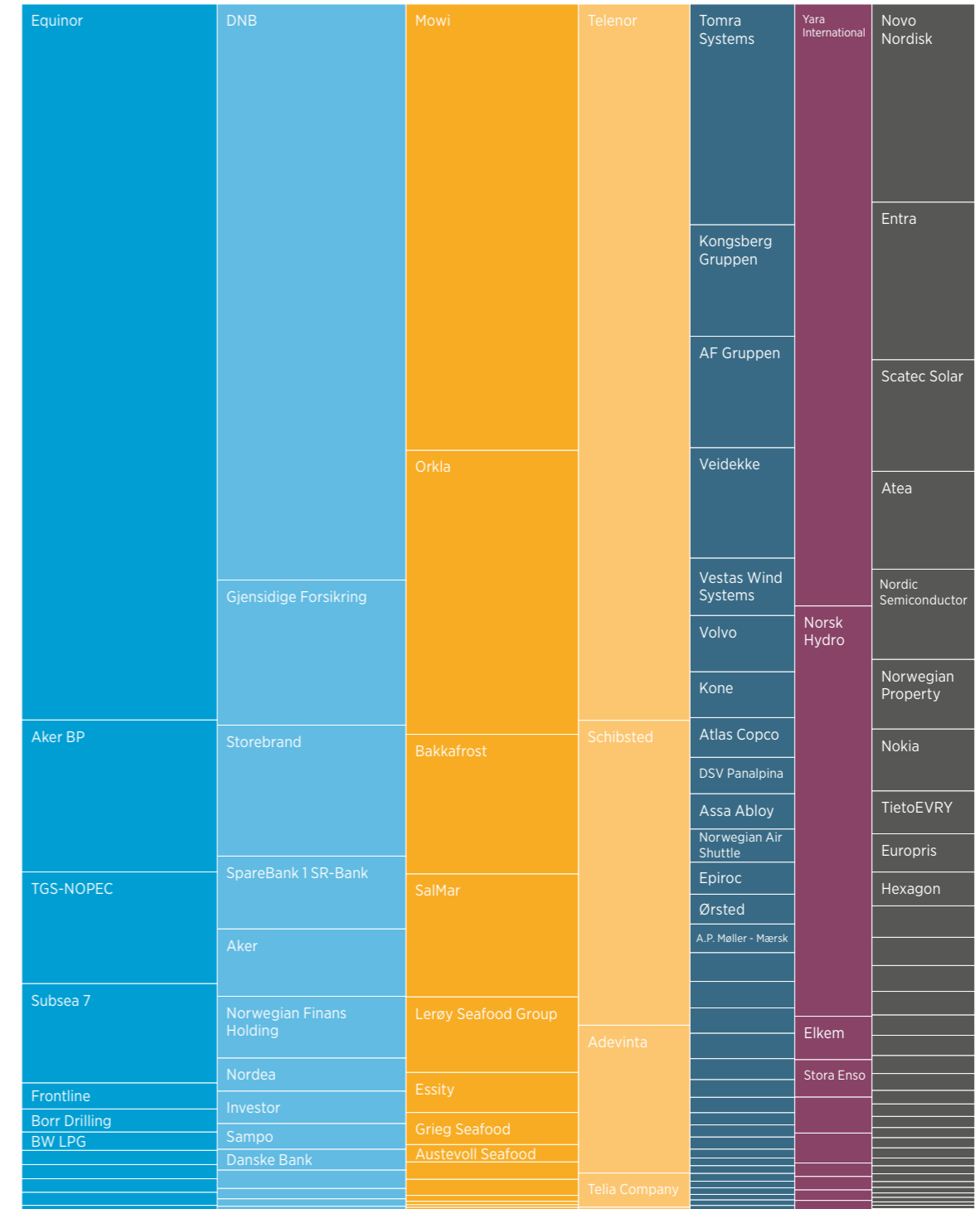


Figure 24

- Dialogue
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HOW WE EXERCISE OUR OWNERSHIP RIGHTS

Meetings with board chairs and management are the most common tool Folketrygdfondet uses in its active ownership. Other important arenas include general meetings, corporate assemblies and nomination committees.

Folketrygdfondet aims to be a demanding, reliable, and responsible owner.

Arenas

Active, constructive dialogue with portfolio companies is consistent with Folketrygdfondet's role as a large, long-term investor. Through meetings and other contact with the board chair and management, companies get to know us and we get to know them. The primary aim in most of our dialogues is to learn more about the companies.

It is important for us to know the companies, so that we can make sound investment decisions, assess capital requirements, and identify areas in which we can exert influence.

We devote considerable time and resources to active ownership, and always seek to ensure that the portfolio companies are aware of our expectations. We communicate the importance of addressing ownership issues and other material ESG topics in our broader active ownership efforts, but also in

specific cases in which the companies do not appear to be acting in line with our expectations. We address material risks in various ways, including through direct meetings with companies, joint initiatives with other investors and voting at general meetings.

Topics

We have defined five key ownership issues with which we engage and on which we express our views:

- strategy, capital structure, and financial targets
- board composition
- executive remuneration
- good corporate governance
- reporting and transparency

To make the dialogue as productive as possible for both parties, we have drafted a number of guidance documents on key topics. Please see ftf.no, English pages.

ACTIVE OWNERSHIP IN SEVERAL ARENAS:

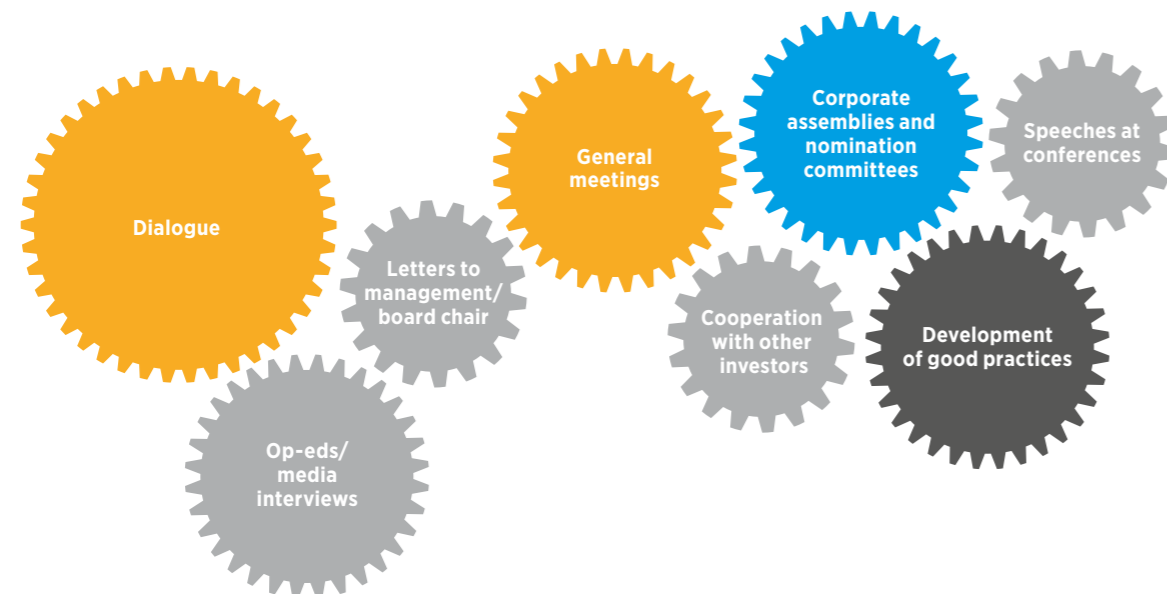


Illustration 16

- Dialogue
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The portfolios

Our active ownership in Danish, Finnish and Swedish companies follows the same principles as in Norwegian companies. However, Folketrygdfondet's shareholdings in the other Nordic markets are smaller and spread across a larger number of companies, and we adapt our active ownership activities accordingly. Further, the role of bondholder differs from the role of shareholder, not least because only shareholders have ownership rights. Relations between bondholders and issuers are governed by the relevant loan agreement, and there is limited dialogue with the issuer unless an undesirable event such as default occurs. Our bondholder engagement is therefore different from our shareholder engagement.

Active ownership challenges

We devote considerable time and resources to active ownership, and always seek to ensure that the portfolio companies are aware of our expectations. We communicate the importance of addressing ownership issues and other material ESG topics in our broader active ownership efforts, but also in specific cases in which the companies do not appear to be acting in line with our expectations. Companies increasingly understand our financial motivation for focusing on ownership issues and the handling of material ESG risk, and often have a mature approach to these topics. Nonetheless, it sometimes takes time for companies to operate in accordance with our expectations, in part because such matters are often complex and entail dilemmas and trade-offs.

OUR ACTIVE OWNERSHIP OBJECTIVES:



Objective	1. "We know the portfolio companies"	2. "They know us"
How	Know the companies	Influence the companies
Purpose	Increase our understanding of the companies	Improve the companies' awareness of and compliance with our principles and expectations
Arena	Dialogue	General meetings, dialogue, nomination committees, promote good practices
Indicator	Excess return	Support value creation in the companies in which we invest

Illustration 17

- Dialogue
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ACTIVE OWNERSHIP CHALLENGES:

Complexity



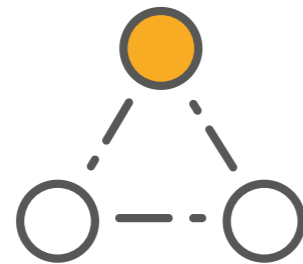
ESG-related issues are seldom clear-cut.

Long-term perspective



Change processes often take time, as does finding solutions that match Folketrygdfondet's expectations.

Distribution of roles and responsibilities



We emphasise dialogue and expect companies to initiate change processes.

We focus on preserving the appropriate distinction between the role of the board and that of the shareholders acting through the general meeting.

Illustration 18

- Dialogue
- General meetings
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Dialogue

COMPANY DIALOGUE

We monitor ESG issues of material importance to the portfolio companies that can impact us financially.

Folketrygdfondet is a large, long-term investor, and active and constructive dialogue with our portfolio companies is one of our most important activities as an owner. We aim to be available to the companies, and expect the companies to be available to us. Meetings and other contact with board chairs and management allow the companies get to know us, and vice versa. This is discussed further in *Folketrygdfondets eierskapsutøvelse* (Folketrygdfondet's exercise of ownership rights), which describes Folketrygdfondet's approach to company dialogue.

Our dialogue priorities are determined by company analyses and assessments of portfolio characteristics. In accordance with the investment mandate, we have been communicating clear expectations as to the handling of ownership, environmental and social issues for several years. To make our dialogue with companies as effective as possible, we have developed guidance documents on:

- strategy, capital structure and financial targets
- anti-corruption
- executive remuneration schemes
- climate issues
- human rights
- workers' rights
- environmental issues

Our approach

We monitor material risks in various ways, including through direct meetings with the portfolio companies, joint initiatives with other investors, and surveys. Folketrygdfondet generally conducts company dialogues alone. Nevertheless, we cooperate with other investors when this is a more effective way to help raise market standards and/or when doing so will save the company time by enabling it to communicate with several major shareholders simultaneously.

Our dialogue with managers and boards of directors also includes material ESG-related opportunities and challenges. Twice a year, Folketrygdfondet reviews the Norwegian equities portfolio to identify which companies it needs to contact in the half-year ahead, and which topics to raise.

Prior to all meetings with Norwegian companies, Folketrygdfondet reviews the meeting agenda to ensure the inclusion of relevant ESG issues. In other words, meetings with board chairs may cover not only financial targets and capital structure, but also the rights of workers in the supply chain. Where a more in-depth sustainability dialogue is needed, we schedule a meeting with relevant specialists at the company. In our experience, this model communicates that Folketrygdfondet takes an integrated view of sustainability, and that sustainability is an integral part of our investment philosophy.

HOW WE SELECT SUSTAINABILITY TOPICS

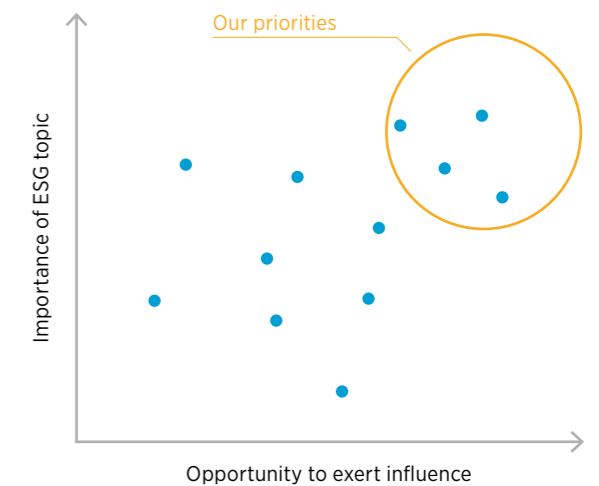


Illustration 19



Dialogue

- General meetings
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What do we hope to achieve?

In Folketrygdfondet's experience, it is difficult to measure the effect of our active ownership over time separately from our investment results. This is both because corporate change processes are often complex and prolonged and because Folketrygdfondet's role as an owner is integrated into our investment philosophy. In 2019, however, we started keeping an in-house log of changes in corporate practice in line with expectations we have communicated in our dialogue. Using the log, we intend to further refine our active ownership measures in support of value creation among the portfolio companies.

By focusing on ESG, we seek to promote well-functioning markets and sustainable development in the markets in which we invest. ESG-related questions are seldom clear-cut, and it can take time to reach solutions in line with our expectations. Folketrygdfondet's aim is to ensure that companies initiate and take responsibility for change processes. In our experience, many investors communicate similar messages, making it difficult to isolate the contribution made by Folketrygdfondet's active ownership. Nevertheless, Folketrygdfondet has noted increasing understanding of our financial motivation for focusing on governance issues and the handling of material ESG risks among companies, which often take a mature approach to such matters.

A further objective is to help companies overcome material ESG challenges and thereby secure the best possible foundation for long-term value creation. Both active management and active ownership presuppose thorough knowledge of the portfolio companies. In our experience, the goals of active

management and active ownership are mutually reinforcing. Our aim is to know the companies, and for them to know us. Dialogue with management and boards of directors gives us a basis for understanding performance, strategies, the competitive situation and growth opportunities – all key factors in good investment decisions. Moreover, our dialogues give us the opportunity to be a demanding owner and communicate our expectations to the companies. By doing so, we can contribute to positive developments and returns over time. Our active management therefore makes us a better owner, and our active ownership makes us a better active manager.

In 2019, Folketrygdfondet held 153 dialogue meetings with a total of 52 companies listed on the Oslo Stock Exchange, in addition to 78 meetings with 60 companies listed in Denmark, Sweden and Finland. The topics covered at these meetings included, among others, climate, strategy, capital structure and financial targets. The 2019 climate risk dialogue encompassed companies in the transport, real estate and building and construction sectors. Anti-money laundering measures were an important topic in discussions with the banking sector, driven particularly by revelations linked to the activities of Nordic banks in the Baltics.

This is discussed further in the section on individual dialogue topics below. For the first time, we have also reported on dialogue with Nordic companies. The aim is to present Folketrygdfondet's active ownership in the Nordic region. Although our ownership interest is lower in the Nordics than in Norway, we have found that Nordic companies place a high priority on engaging in dialogue with us.

Value creation dynamic	For Folketrygdfondet	For companies
COMMUNICATION Exchanging information	Signalling and defining ESG expectations	Clarifying Folketrygdfondet's expectations
	Seeking detailed and accurate corporate information	Putting challenges in context and eliminating misconceptions
LEARNING Producing and diffusing knowledge	Contextualising investment decisions	Gathering feedback, benchmarking and gap spotting
	Identifying and diffusing industry best practices	Developing knowledge of ESG issues
ORGANISATIONAL DEVELOPMENT Integrating ESG into strategies and operations	Improving ESG integration within Folketrygdfondet	Ensuring that the company's resource use and priorities are as required to deliver on investor expectations
	Building a long-term relationship with the company based on trust	Building trust among the company's long-term investors

Table adapted from PRI Guide to Active Ownership (2018); Gond (2017).

Dialogue

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STRATEGY, CAPITAL STRUCTURE AND FINANCIAL TARGETS

Well-founded strategic priorities are a prerequisite for efficient capital utilisation and profitability over time. That is why we expect the portfolio companies to adopt long-term financial targets and communicate these clearly to the market. We also see this as important for long-term value creation.

Research¹ and our own experience indicate that companies that have long-term financial targets and communicate these clearly achieve stronger profitability and value creation than companies without clear targets and a long-term perspective.

The Norwegian business sector faces substantial challenges and necessary restructuring. We consider companies' clear communication of their strategies and long-term financial targets to be extremely important. Such communication can help ensure the company operates efficiently and allocates capital to the most profitable projects.

What do we hope to achieve?

Our objective is maximum value creation both within the portfolio companies and in the market generally. Accordingly, we want companies to communicate long-term targets for their return on capital, growth and capital structure, to detail their tax policies and risk assessments, and to provide well-reasoned explanations for their strategic priorities. We assume that companies have a long-term strategy and a sustainable business model based on robust risk assessments, including of climate risk. The strategy should include a clear, consistent dividend policy. Clear communication of a company's dividend policy is a prerequisite for predictability.

There are several dividend policy models. What is critical is that each company selects the model that best matches the company's current operational phase and sector. An efficient capital structure is important to maximise long-term value creation. We expect that cash flow, after the deduction of growth and maintenance investments, will be distributed to shareholders. Dividends can be regarded as a residual. Any gaps between the long-term capital structure goal and actual capital structure should be explained. Insofar as possible, a dividend policy should specify the prioritised dividend form: cash or other dividend forms such as share buybacks/capital reductions.

From our perspective as an asset manager, this focus on communication is also about obtaining reliable data from companies. We want to have the best possible insight into the assessments, criteria and objectives that underpin the companies' strategies for long-term competitiveness, growth and profitability.

What are we doing?

We revised and updated our guide detailing our expectations regarding companies' work on strategy, capital structure and financial targets at the end of 2017 (please see ftf.no, English pages). The most important changes in our expectations relate to companies' communication of dividend policy, tax policy, and long-term strategy. The expectation document is available on ftf.no.

We seek to be a driving force for more effective capital allocation in companies and within the market, and we will contribute to long-term value creation. We and other investors will not take over the board's role and responsibilities. What we can do is to ask the right questions and expect good answers.

Developments in 2019

In 2019, Folketrygdfondet prioritised dialogue with the management and/or the board chairs of companies with the greatest potential for improvement. In 2018, the dialogue concentrated on communicating expectations and obtaining feedback from the companies. Over the past year, we devoted more time to giving companies concrete feedback on their communication of strategic targets to the market.

Folketrygdfondet has noted that following this dialogue, several companies have implemented considerable improvements in line with our expectation document. Examples include clearer communication of capital allocations and capital structure, specific plans for the allocation of excess liquidity and amended dividend policies linked to capital structure.

Plan for 2020

In 2020, Folketrygdfondet will continue to exercise active ownership in relation to this topic, focusing on companies with the greatest potential for improvement.

¹ Barton, Manyika, Williamson: Finally, Evidence That Managing for the Long Term Pays Off, HBR (2017)



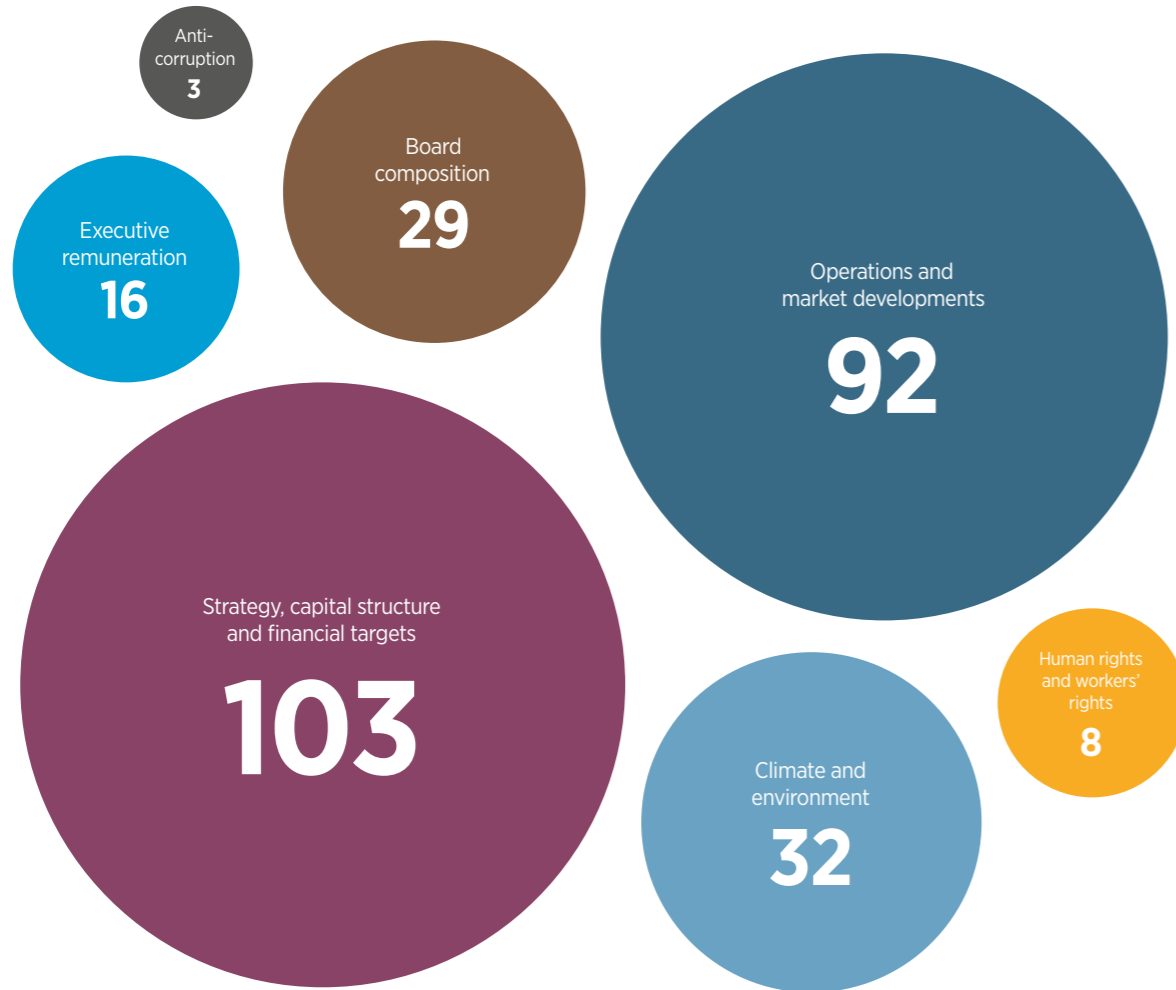
Dialogue

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153 DIALOGUES

Seven potential topics per dialogue

Number of times each topic has been raised:



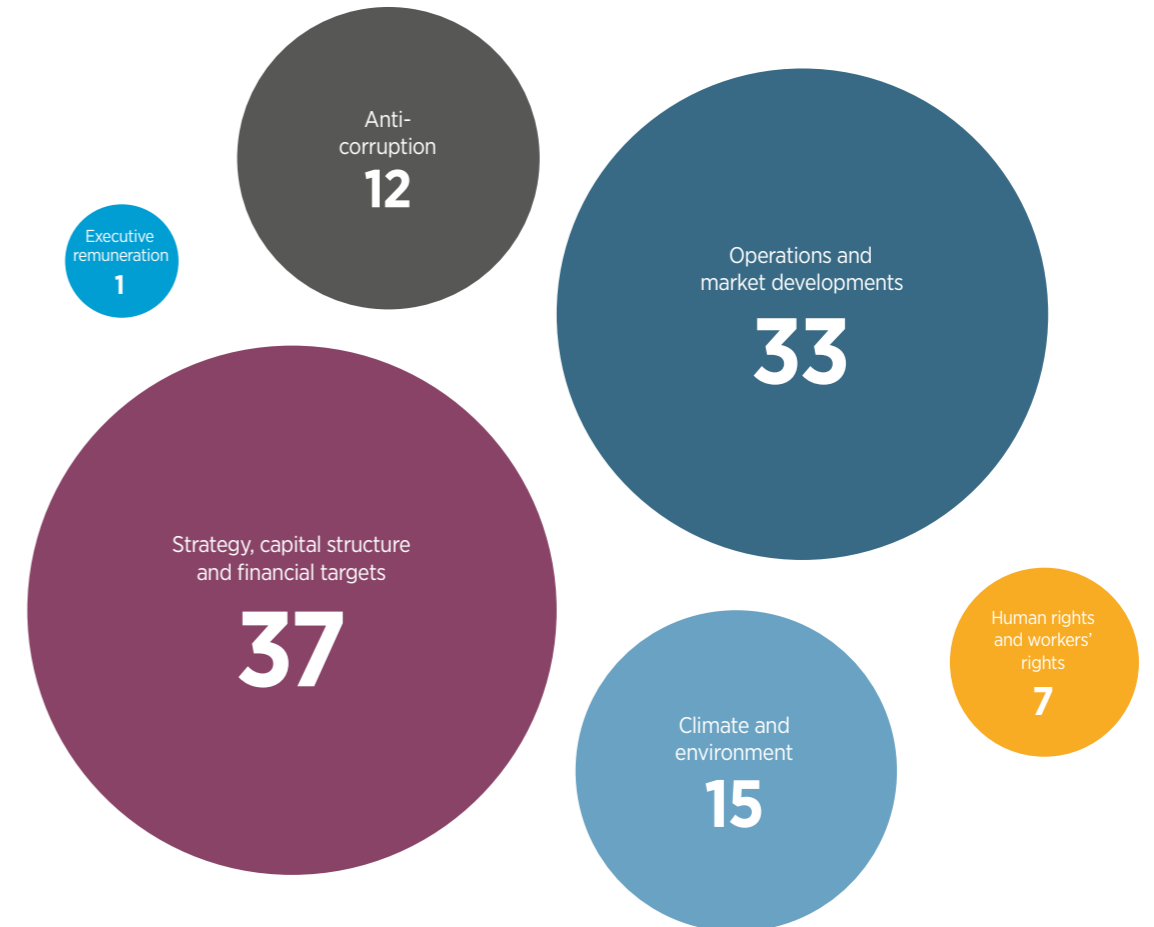
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78 DIALOGUES WITH NORDIC COMPANIES

Six potential topics per dialogue

Number of times each topic has been raised:



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CLIMATE AND ENVIRONMENT

Implementation of the TCFD recommendations was a priority in Folketrygdfondet's responsible investment work in 2019.

Climate risk is a material consideration for several of our portfolio companies. The significance of different climate risks for individual companies varies, depending on factors such as core activities.

What do we hope to achieve?

Our priority is to ensure that the portfolio companies understand the impact of their activities on the climate through greenhouse gas emissions, and the extent to which their business models and strategies are exposed to climate risk. The companies must consider which analyses and measures are required in order to identify and address climate risk.

Folketrygdfondet requires sound, reliable information for use in company analysis. We therefore welcome reporting by companies on their emissions and how they handle significant climate-related commercial opportunities and threats.

Such reports may cover greenhouse gas emissions, absolute and relative targets for emissions reductions, and a description of investments required to adapt to expected climate-related changes, including future legislation, customer demands and physical climate change.

What are we doing?

Climate has been an important topic in Folketrygdfondet's management of the Government Pension Fund Norway for several years. We have developed a guide (please see ftf.no, English pages) that sets out our expectations as to the portfolio companies' efforts to address climate challenges and their reporting on risks and opportunities, targets and results.

The purpose of the TCFD recommendations is to facilitate financially relevant climate-related reporting. The requested information can be divided into two main categories: 1) how companies affect the environment through greenhouse gas emissions; and 2) the extent to which companies' business models and strategies are exposed to climate risk. Folketrygdfondet supports the intention behind the recommendations.

We consider it positive and important that the recommendations cover both how companies are affected by climate change and how companies affect the climate. As a large, universal shareholder in

Norwegian and Nordic companies, Folketrygdfondet needs such information to make sound investment decisions and to understand how climate risk may affect the markets in which Folketrygdfondet invests. Our focus is on ensuring that the portfolio companies understand the environmental impact of their activities in the form of greenhouse gas emissions, and the extent to which their business models and strategies are exposed to climate risk. The companies must consider what analyses and measures are required in order to identify and address climate risk.

The recommendations cover four areas: governance, strategy, risk management, and targets and metrics. The recommendations are intended to be relevant to companies in different sectors, countries and regions. In addition, special recommendations are included for specific sectors and industries.

Governance

In 2018, Folketrygdfondet's board decided to update the responsible investment principles (please see ftf.no, English pages) in line with the TCFD recommendations. In addition, the administration updated the document Folketrygdfondets eierskapsutøvelse (Folketrygdfondet's exercise of ownership rights – please see ftf.no, English pages).

Strategy and risk management

Folketrygdfondet's mandate provides the starting point for the assessment of portfolio risk, including climate risk. As a long-term, active investor, Folketrygdfondet measures excess return relative to its benchmark index.

The benchmark index is composed of equities (60 percent) and bonds (40 percent), and is split between Norwegian investments (85 percent) and other Nordic investments (15 percent).

As an active manager, Folketrygdfondet has the opportunity to adjust portfolio weightings in response to changes in the financial risk profile. Our strategy for achieving excess returns is further explained in Folketrygdfondet's strategic plan (please see ftf.no, English pages), which identifies political developments, structural trends, sector dynamics and other material changes in framework conditions as some of the assessment factors included in our analyses. Our investment decisions are underpinned by broad-based information-gathering, analyses and contact with companies, including ESG analysis.

Folketrygdfondet's ability to generate excess returns in the short, medium and long-term is dependent on reliable assessments of market risk, including climate-related risk. Such assessments

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CORE ELEMENTS OF THE TCFD FRAMEWORK**Governance**

The organisation's governance around climate-related risks and opportunities.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk management

The processes used by the organisation to identify, assess and manage climate-related risks.

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Illustration 22

are therefore an integral part of our investment responsibilities. At the same time, it is vital for our long-term returns that the portfolio companies deliver robust long-term results.

Different scenarios for climate policy and atmospheric heating produce very different estimates of transition risk and physical risk. Accordingly, developing a robust methodology for climate-related scenario analysis is a prerequisite in order for such information to be useful and relevant for investors and companies. The TCFD recommendations recognise that the development and use of climate-related scenario analysis is still at an early stage, and calls for further methodological development. Thus far, we have not attempted to quantify the effect of different climate scenarios on the portfolio, having concluded that the scenario analysis models developed to date are insufficiently mature. This will be a priority in our climate risk-related work going forward. The Norwegian Government White Paper (NOU) 2018:17 – Climate risk and the Norwegian economy – is an important contribution in this regard.

Metrics and targets

We have conducted emissions analyses of the Norwegian equities portfolio since 2013. The analysis for 2019 measures greenhouse gas emissions for the

equities portfolio as a whole (weighted to reflect our ownership percentages), and makes a comparison with our benchmark index. Information access and quality are particular challenges in this regard. When companies do not report their emissions, we use estimates. Even when companies do report their emissions, difficulties arise with regard to a lack of standardisation and quality assurance. This is why Folketrygdfondet has prioritised better and more comprehensive climate reporting in its active ownership activities for several years.

Although an emissions analysis improves our understanding of climate-related risk in the portfolio, it also has significant limitations. For example, the analysis tells us nothing about how the companies in the portfolio are positioned with regard to legislative changes or the transition to a low-emission economy (transition risk). Further, it says little about how the portfolio will be impacted by physical climate change and resulting consequences (extreme weather, drought, floods and changes in raw material supply). The TCFD has addressed this complexity by recommending supplementation of emissions analyses with several additional tools, such as scenario analyses. Due to the weaknesses of the emissions analysis, it is used only as an indicator of climate risk, not as a metric by which the portfolio is managed.

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Developments in 2019

Corporate governance

Folketrygdfondet's climate risk-related corporate governance structure remained unchanged in 2019.

Strategy and risk management

To effect a meaningful expansion of their climate-risk analyses, investors generally require better information access, quality and standardisation. Key questions in this regard are whether aggregated company information accurately represents investors' climate risk and whether 'top-down' analyses of investor climate risk should be developed. Taking Folketrygdfondet's distinctive characteristics into account, it appears most sensible to start with a 'bottom-up' assessment of climate risk in the portfolio. This is why, in 2018, we collaborated with several other Norwegian investors to engage in active ownership with companies in industries identified by the TCFD as particularly exposed to climate-related risk.

Folketrygdfondet continued this dialogue with companies in the transport, building and construction, and real estate sectors in 2019. Further, climate risk is incorporated into Folketrygdfondet's ongoing dialogue with portfolio company management in Norway and the other Nordic countries. The insights gained through this dialogue are used to further evaluate the portfolio under different climate scenarios. One example of this is that our portfolio managers present their climate risk assessments for each of the priority sectors to Folketrygdfondet's investment committee. The purpose is to develop our own qualitative scenario analyses of potential developments by sector and company, to secure a more nuanced understanding of the portfolio's climate risk.

The environment and climate dialogue did not focus exclusively on climate risk in 2019, however. Other topics raised by Folketrygdfondet with portfolio companies included landscape restoration following mining operations, new EU rules on single-use plastics and the management of risk linked to salmon feed, escape of farmed salmon and salmon lice in the aquaculture industry.

Metrics and targets

Folketrygdfondet's CO₂e analysis* is based on our equity portfolio as of 31 December 2019. The figures are calculated using Bloomberg's analysis tool for measuring the carbon footprint of securities portfolios.

We use the targets in the TCFD recommendations. In other words, the targets include the portfolio's CO₂ intensity, adjusted for both our share of each company's market value (equity method) and each company's relative size within the portfolio (weighted average CO₂ intensity).

The analysis incorporates 2018 data on direct emissions (Scope 1) and indirect emissions from energy (Scope 2). Emissions estimates are used for companies that do not report emissions directly or to the CDP.

We use the following indicators in our emissions reporting related to equities:

1. The portfolio's absolute CO₂ emissions. The figure is based on the total emissions of the portfolio companies, adjusted to reflect our ownership percentages (tonnes of CO₂e).
2. The portfolio's CO₂ efficiency. The figure is based on the portfolio companies' emissions compared to our investment (tonnes of CO₂e/NOK million invested).
3. The weighted average of the portfolio's CO₂ intensity. The figure is based on the portfolio companies' total CO₂ emissions compared to sales (tonnes of CO₂e/NOK million in sales), adjusted to reflect the value of the shareholding in each company compared to the portfolio value.
4. The portfolio's CO₂ intensity. The figure is based on the portfolio companies' total CO₂ emissions compared to sales (tonnes of CO₂e/NOK million in sales), adjusted to reflect our share of the companies' market value.

Plan for 2020

In 2020, Folketrygdfondet will publish updated expectation documents on topics including climate change and the environment. The main reason for updating our climate-related expectations is to incorporate the TCFD recommendations and the UN Sustainable Ocean Principles into the documents. We will use our company dialogues to communicate our updated expectations. Folketrygdfondet will also continue its dialogue with companies in priority sectors, and will renew discussions with previous dialogue partners to gain insight into the evolution of their approach to climate risk over the past two years. Folketrygdfondet will also consider how portfolio climate-risk indicators can be integrated into existing risk management systems.

* CO₂e stands for CO₂ equivalent, and compares the emissions of different greenhouse gases relative to one unit of CO₂. It is calculated by multiplying the emissions of a given greenhouse gas by the gas's 100-year global warming potential. Source: Statistics Norway.

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CO₂ ANALYSIS FOR THE EQUITY PORTFOLIO AS OF 31 DECEMBER 2019 (31 DECEMBER 2018)

	Portfolio		Benchmark index		Difference	
	2019	2018	2019	2018	2019	2018
Percentage of companies that report their greenhouse gas emissions	83.21	80.76	80.81	77.80	-	-
TCFD Total CO ₂ emissions (tonnes of CO ₂ e)	3,819,713	2,571,012	237,555,047	161,735,488	-	-
TCFD Total CO ₂ emissions per NOK million invested (tonnes)	22.93	18.23	23.83	19.58	-0.94	-1.34
TCFD Weighted average CO ₂ intensity (weighted average tonnes/NOK million)	20.70	23.92	21.63	25.36	-0.94	-1.44
TCFD CO ₂ intensity (tonnes/NOK million in sales)	35.30	28.09	36.28	29.61	-0.98	-1.51

Table 18

Index: follow-up of TCFD recommendations	Folketrygdfondet's response
Governance	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Mandate for the management of the Government Pension Fund Norway, Ownership report, page 2 ("How we organise our responsible investment activities")
b) Describe management's role in assessing and managing climate-related risks and opportunities	Principles for responsible investment Folketrygdfondets eierskapsutøvelse (Folketrygdfondet's exercise of ownership rights) Ownership report, page 2 ("How we organise our responsible investment activities")
Strategy	
a) Describe the climate-related risk and opportunities the organisation has identified over the short, medium and long term	Ownership report, pages 21-23 ("Strategy and risk management")
b) Describe the integration of climate-related risks and opportunities into the organisation's businesses, strategy, and financial planning	Ownership report, pages 21-23 ("Strategy and risk management") Strategic plan, pages 9-12
c) Describe the resilience of the organisation's strategy	Ownership report, pages 21-23 ("Strategy and risk management")
Risk management	
a) Describe the organisation's processes for identifying and assessing climate-related risks	Ownership report, pages 21-23 ("Strategy and risk management") Strategic plan, pages 9-12
b) Describe the organisation's processes for managing climate-related risks	Ownership report, pages 21-23 ("Strategy and risk management")
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's risk management systems	Ownership report, pages 21-23 ("Strategy and risk management")
Metrics and targets	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Ownership report, pages 21-23 ("Metrics and targets")
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Ownership report, page 21-23 ("Metrics and targets")
c) Describe the metrics used by the organisation to measure climate-related risks and opportunities and performance by reference to such metrics	Ownership report, page 23 ("Metrics and targets")

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ANTI-CORRUPTION

Corruption undermines value growth in society and harms the operations of involved companies. At the individual level, the financial consequences of corruption may involve exclusion from markets, lost contracts, fines and prolonged legal proceedings.

As a financial investor, Folketrygdfondet therefore considers it vital that companies take anti-corruption efforts seriously. The portfolio companies are expected to combat all forms of corruption, including blackmail and bribery.

What do we hope to achieve?

In its capacity as an investor, Folketrygdfondet applies the clear requirement that the companies in which it invests may not be involved in corruption.

What are we doing?

The portfolio companies bear independent responsibility for protecting their operations, assets and reputations against corrupt practices. Companies must identify, address and report on material challenges. To clarify our expectations, we have prepared an anti-corruption guide (please see ftf.no, English pages). We address corruption risk in our dialogue with the boards and management teams of the portfolio companies where relevant.

Developments in 2019

In 2019, our anti-corruption dialogue concentrated on anti-money laundering measures in the banking sector. This was an important factor in the investment cases for several portfolio companies, due to provisions for potential fines, increased costs linked to regulatory compliance and increased spreads on bonds issued by certain financial institutions that are currently under investigation. Folketrygdfondet's aim for its dialogues is to understand how companies are working to prevent, detect and mitigate the risk of corruption and other financial crimes, including money laundering.

Anti-money laundering: Nordic banks in the Baltics

Investor visit to Latvia and Estonia

One of the most significant ESG risks faced by the portfolio in 2019 was the money laundering investigations launched into the activities of certain Nordic banks in the Baltic region. The financial sector accounts for a significant proportion of the Government Pension Fund Norway's benchmark indices for the equities and fixed income portfolios. To improve our understanding of the risks involved and how the portfolio companies are managing these, we participated in a joint investor visit to Latvia and Estonia in May 2019.

The trip included meetings with the managers of several Baltic branches of Nordic banks, local banks in both countries, the central banks of Latvia and Estonia, and the Estonian Financial Supervisory Authority. The impression gained through the dialogue is that the examined companies have made substantial improvements to their anti-money laundering measures over the past 10 years, but that the standards applied 10 years ago would probably not have fulfilled today's legal requirements. Money laundering risk has been high in these countries,

as illustrated by the Latvian bank ABLV, which lost access to the USD market in 2018 due to extensive involvement in both money laundering and sanction breaches.

The revelations concerning certain Nordic banks have resulted in substantial share price falls and reputational losses. How money laundering risk is handled represents a systemic risk in the banking sector. The use of digital tools to detect suspicious transaction patterns has already become a standard part of banking operations. Nevertheless, Folketrygdfondet has noted that the individual cases reported on by the media often concern more fundamental failures. Several of the cases are currently under investigation. As a long-term investor, Folketrygdfondet's role is to communicate its expectations and to ask questions about banks' strategies for preventing similar occurrences in future. Since both risks and regulatory requirements are increasing at a similar pace, we expect anti-money laundering to remain an important topic in our dialogue with companies in the financial sector in the years ahead.

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Plan for 2020

In 2020, Folketrygdfondet will publish revised expectation documents on various topics, including corruption. We will use our company dialogues to communicate our updated expectations. Folketrygdfondet uses a risk-based approach to set priorities for its dialogues with portfolio companies regarding corruption, money laundering and other financial crimes. We expect these issues to remain important topics for the banking sector in 2020.

HUMAN RIGHTS AND WORKERS' RIGHTS

We expect the portfolio companies to respect human rights and workers' rights. The appropriate measures depend on where in the supply chain risk arises.

Violations of human rights and workers' rights have a negative impact on economic growth, promote social inequality, and foster political and civil unrest. For companies, the impacts may entail operational disruption due to delays, reduced productivity and lower quality. Companies may also suffer reputational harm.

What do we hope to achieve?

We expect portfolio companies to avoid and prevent involvement in breaches of human and workers' rights by adopting a careful approach and conducting necessary analyses to survey their risk exposure. We expect the companies to operate in accordance with the OECD Guidelines for Multinational Enterprises.

What are we doing?

Portfolio company boards and management teams are responsible for ensuring that fundamental human and workers' rights are respected throughout the organisation, and that respect for such rights is integrated into the corporate culture. This includes assessing whether the business is at risk of involvement in human rights or workers' rights violations and where in the supply chain any such risks arise.

To clarify our expectations of the companies, we have prepared two guides, on human rights and workers' rights, respectively. We discuss risks associated with human rights and workers' rights in our dialogue with company boards and managers where relevant.

Developments in 2019

In 2019, we conducted dialogues concerning human and workers' rights with seven Norwegian and seven Nordic portfolio companies. In these dialogues, we concentrated on matters such as efforts to ensure employee safety in the building and construction industry, consultation with local communities regarding new mines and companies' efforts to address issues related to responsible shipbreaking. We have a particular focus on understanding the systems and processes companies adopt to manage these risks.

Traditionally, the risk of contributing to violations of human rights and workers' rights has been particularly relevant for companies with operations or supply chains in countries impacted by poverty, weak public institutions and/or undemocratic political governance. However, rapid technological developments are increasing the risk of human rights violations in other types of businesses. This makes human rights relevant to an increasing number of portfolio companies. For example, the risk of involvement in breaches of privacy has become more prominent in our portfolio, and is something we are addressing in our dialogue with companies.

Plan for 2020

In 2020, Folketrygdfondet will publish revised expectation documents on topics including human and workers' rights. We will use our dialogue with portfolio companies to communicate our updated expectations.

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DIALOGUE WITH NORWEGIAN COMPANIES, BY TOPIC, IN 2019 (2018)

Portfolio	Number of companies		Number of dialogue meetings	
	2019	2018	2019	2018
Financial targets and capital structure	46	37	103	63
Climate and environment	24	14	32	21
Anti-corruption	3	3	3	3
Human rights and workers' rights	7	6	8	6

Table 20

DIALOGUE WITH SWEDISH, DANISH AND FINNISH COMPANIES, BY TOPIC, IN 2019

Portfolio	Number of companies	Number of dialogue meetings
Financial targets and capital structure	33	37
Climate and environment	13	15
Anti-corruption	8	12
Human rights and workers' rights	7	7

Table 21

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WE ARE AVAILABLE TO THE PORTFOLIO COMPANIES

Our aim is to be a constructive and responsible owner. We ask challenging questions about important issues, but are also available to the companies.

In some cases, Folketrygdfondet asks a company for an update, feedback, clarification or action on a specific matter or in connection with a particular topic that we consider important for the company. At the same time, companies have their own priority topics and issues. We know that being a large shareholder entails certain responsibilities, and we prioritise being available to the companies in which we have invested.

Folketrygdfondet held 231 dialogue meetings with 112 companies last year – 153 meetings with 52 companies listed in Norway and 78 meetings with 60 companies listed in the other Nordic countries. These figures include telephone calls made instead of physical meetings, for example to discuss the composition of nomination committees.

This dialogue enables us to understand a company's strategy, operations, growth opportunities and risk profile, and thereby makes us a better active manager, not least because we can evaluate the portfolio companies' capital needs and strategic priorities.

Our meetings with companies often take place at a high level. We prioritise this form of working in relation to our equity investments, and devote considerable time and resources to direct company contact. In our ownership capacity, we use such meetings to discuss both specific incidents in a company and key ownership questions, including capital structure and financial targets. When it is helpful to have subject matter experts present, for example when discussing specific environmental or social issues, both Folketrygdfondet and the company ensure the participation of staff with the appropriate expertise.

We apply the same active ownership principles to our Norwegian and Nordic equity investments. However, we distinguish between active ownership within and outside Norway. One reason for doing so is that we generally have smaller ownership interests in Nordic companies. The graph illustrates this difference, in that dialogues are often conducted at a higher level in Norway than in the other Nordic countries. As of 2019, Folketrygdfondet has included a report on its dialogue with Nordic portfolio companies in its ownership report.

OVERVIEW OF OUR DIALOGUE PARTNERS



Figure 25

General meetings

WE PROTECT SHAREHOLDER INTERESTS

General meetings are a key arena for Folketrygdfondet's active ownership. In 2019, we voted against proposals put forward by the boards of 10 Norwegian companies because we determined that shareholder interests were set aside.

Voting at the general meetings of all the portfolio companies is a central aspect of Folketrygdfondet's active ownership. Whenever possible, we try to attend the general meetings of portfolio companies listed on the Oslo Stock Exchange in person.

What is the purpose?

All active ownership has the overarching purpose of supporting maximum value creation over time. In the vast majority of cases, we vote for board proposals at general meetings because we find them to be well founded and consistent with company strategy.

In some instances, however, we see that a board proposal challenges shareholder interests and recognised good corporate governance principles. Folketrygdfondet considers it important to be a strong representative of minority shareholders in Norwegian listed companies. Equal treatment of all shareholders is of fundamental importance. Along with other minority shareholders, we have a clear interest in compliance with the rules and protection of the interests of all shareholders.

From a longer-term perspective, good corporate governance is also about preserving confidence in the integrity of the Norwegian stock market.

What do we hope to achieve?

Over time, shareholders including Folketrygdfondet have successfully presented their views on the design and scope of executive remuneration schemes and board authorisations. This was also the case in 2019. Controversial pay and authorisation proposals were more common before, but are now the exception.

Developments in 2019

Whenever practicable, Folketrygdfondet published voting statements on ftf.no ahead of general meetings of Norwegian companies at which it planned to vote against one or more board proposals. We also sent letters explaining our voting decision to the boards or board chairs of affected companies after each meeting. Folketrygdfondet's aim is to communicate its active ownership and corporate governance principles clearly, to both company boards and the market in general. We always seek dialogue prior to a planned vote, and prefer to secure amendment of proposed matters in line with our expectations before the general meeting is held.

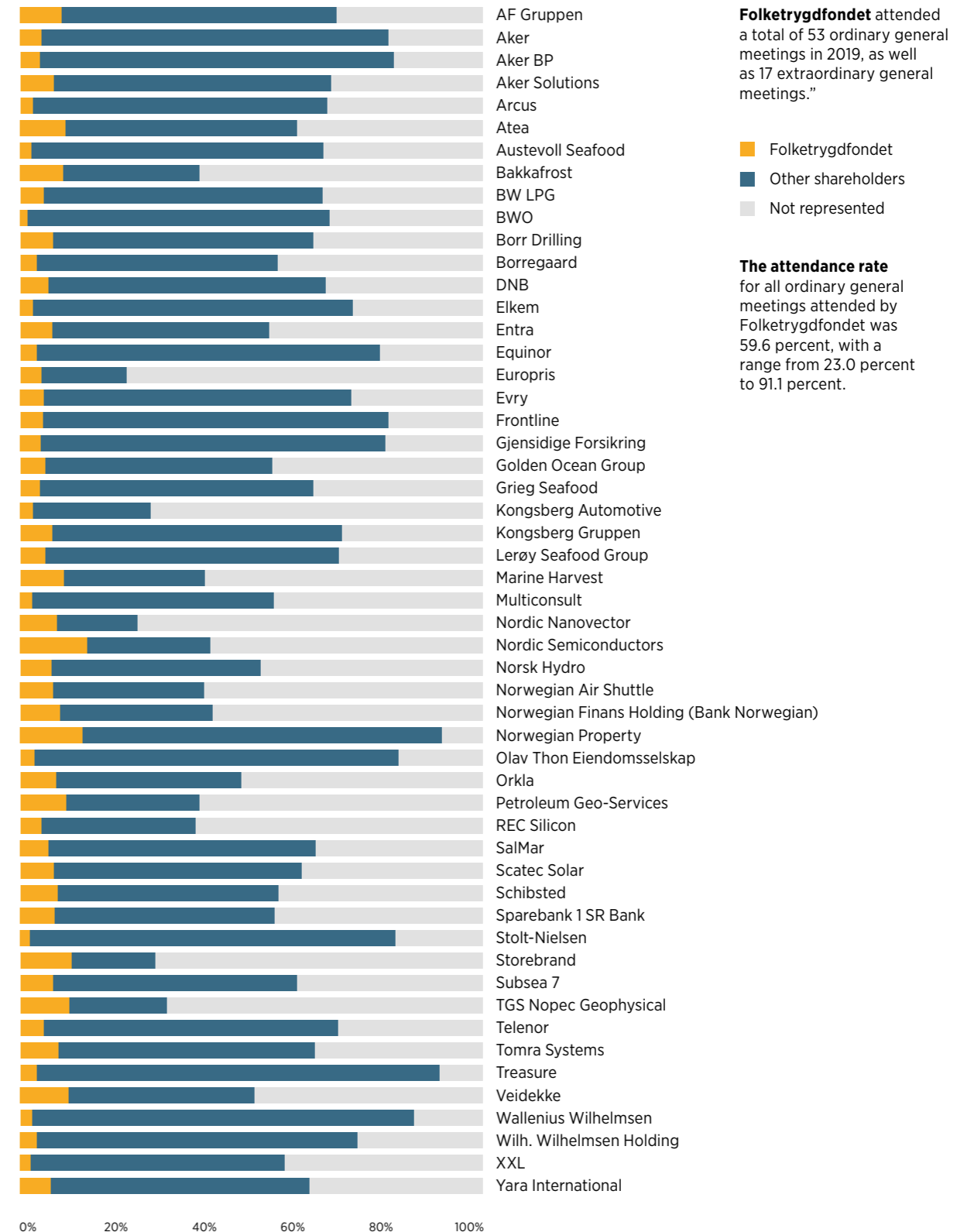
Our procedures for

General meetings

- Folketrygdfondet votes at the general meetings of portfolio companies.
- Wherever practicable, we aim to participate in person in the general meetings of companies listed on the Oslo Stock Exchange.
- If we vote by proxy, we always issue voting instructions.
- Prior to a general meeting, we conduct a thorough review of the agenda and vote in accordance with our principles, guidelines and assessments.
- Folketrygdfondet recalls all loaned-out shares in a given company prior to its general meeting.
- Our starting point is that we want to vote in favour of the board's proposals. If we disagree with a board proposal, we seek to explain our position before the general meeting.
- If we vote against a board proposal, we normally publish a voting statement on our website after the general meeting.
- Our aim is to help secure broad agreement on the general meeting agenda, and we consider pre-general meeting dialogue with the company a positive measure in this regard.

ATTENDANCE 2019 – NORWEGIAN COMPANIES

Ordinary general meetings that Folketrygdfondet attended.



Folketrygdfondet attended a total of 53 ordinary general meetings in 2019, as well as 17 extraordinary general meetings.”

Legend:
■ Folketrygdfondet
■ Other shareholders
■ Not represented

The attendance rate for all ordinary general meetings attended by Folketrygdfondet was 59.6 percent, with a range from 23.0 percent to 91.1 percent.

NORWEGIAN COMPANIES WHERE FOLKETRYGDFONDET VOTED AGAINST BOARD PROPOSALS

All proposals were adopted despite Folketrygdfondet's vote.

Company	Date	Type of matter Why we voted against	Percentage of votes against	
			Folketrygdfondet	Total
Norwegian Property	11 April 2019	Executive remuneration and authorisation to issue shares		
		Item 10 Statement on the setting of executive salaries and other remuneration	14,6	19,3
		Item 12c Board authorisation to issue shares (incentive scheme for board members)	14,8	19,5
		Item 14b Board authorisation to acquire own shares (incentive scheme for board members)	14,8	19,5
		<i>Reason:</i> Folketrygdfondet is fundamentally opposed to the issue of options to board members, and to board members performing additional tasks for the company beyond their board appointment. This also follows from section 11 of the Norwegian Code of Practice for Corporate Governance, which states that such arrangements may undermine board independence, particularly in relation to company management.		
		Principle 3 of the executive remuneration statement stated that one board member has an individual option agreement. The arrangement was further described in Note 22.4 and in section 1 of last year's (2018) nomination committee recommendation. Under the arrangement, the board member will provide advisory services to the company in addition to the board appointment, with payment by means of an option agreement. Since both the issue of options to board members and the entry into contracts with board members for advisory services are contrary to Folketrygdfondet's fundamental views and the Norwegian Code of Practice for Corporate Governance, Folketrygdfondet voted against the proposals.		
Stolt-Nielsen Limited	16 April 2019	Board composition		
		Item 3f Election of Niels G. Stolt-Nielsen as a board member	2,6	6,0
		<i>Reason:</i> Niels G. Stolt-Nielsen is the CEO of Stolt-Nielsen Limited. Section 8 of the Norwegian Code of Practice for Corporate Governance states that the board of directors should not include executive personnel. One of the board's main tasks is the supervision of company management, which includes appointment and dismissal of the CEO. Folketrygdfondet considers that board members can only supervise company management adequately if they are not recruited from among management.		
		Item 4 Board authorisation to appoint new board members	2,6	9,6
		<i>Reason:</i> The board of Stolt-Nielsen Limited requested authorisation from the general meeting to appoint new board members. Folketrygdfondet considers, as a matter of principle, that board members should be elected by the shareholders at a general meeting.		
Wallenius Wilhelmsen	25 April 2019	Composition of nomination committee		
		Item 12 Election of members of the nomination committee	2,9	3,6
		<i>Reason:</i> As a matter of principle, Folketrygdfondet considers that a nomination committee can only perform its functions if it is independent of the board of directors. This was not the case in this instance, as one of the members of the nomination committee was also a candidate for re-election to the board of directors. The agenda item did not permit individual voting for candidates, and Folketrygdfondet therefore voted against the nomination committee proposal as a whole.		
BW Offshore	20 May 2019	Board composition		
		Item 4 iii) Election of Carl Krogh Arnet as a board member	2,3	15,8
		<i>Reason:</i> Carl Krogh Arnet is the CEO of BW Offshore Limited. Section 8 of the Norwegian Code of Practice for Corporate Governance states that the board of directors should not include executive personnel. One of the board's main tasks is the supervision of company management, which includes appointment and dismissal of the CEO. Folketrygdfondet considers that board members can only supervise company management adequately if they are not recruited from among management.		
		Item 4 v) Board authorisation to appoint new board members	2,3	19,4
		<i>Reason:</i> The board of BW Offshore Limited requested authorisation from the general meeting to appoint new board members. Folketrygdfondet considers, as a matter of principle, that board members should be elected by the shareholders at a general meeting.		

Company	Date	Type of matter Why we voted against	Percentage of votes against	
			Folketrygdfondet	Total
BW LPG	24 May 2019	Board composition		
		Item 4 Board authorisation to appoint new board members	7,6	26,0
		<i>Reason:</i> The board of BW LPG Limited requested authorisation from the general meeting to appoint new board members. Folketrygdfondet considers, as a matter of principle, that board members should be elected by the shareholders at a general meeting.		
Evry	2 September 2019	Merger		
		Item 3 Merger	6,9	12,3
		<i>Reason:</i> Folketrygdfondet voted against the board's merger proposal. Folketrygdfondet conducted a dialogue with the management teams of both Evry and Tieto to improve its understanding of the rationale for the merger. It evaluated the synergies identified by the companies in terms of size, value and type. A considerable proportion of the synergies did not appear related to the actual merger. Rather, they were operational changes and strategic choices that Tieto could have implemented independently of a merger. Folketrygdfondet therefore questioned whether they truly constituted merger synergies. This in turn gave rise to increased uncertainty about the value of the synergies. The bid appeared more of an acquisition than a merger. In Folketrygdfondet's view, the announced premium did not reflect this adequately. Tieto's share price suffered a clear fall following announcement of the merger. The part of the merger consideration that comprised shares therefore appeared less attractive.		
		In its capacity as a long-term financial minority shareholder, and based on an overall assessment, Folketrygdfondet therefore voted against the board's merger proposal on the presented terms.		
Golden Ocean Group	13 September 2019	Board composition		
		Item 2 Board authorisation to appoint new board members	9,7	19,3
		<i>Reason:</i> The board of Golden Ocean requested authorisation from the general meeting to appoint new board members. Folketrygdfondet considers, as a matter of principle, that board members should be elected by the shareholders at a general meeting.		
Frontline	13 September 2019	Board composition		
		Item 2 Board authorisation to appoint new board members	6,1	12,7
		<i>Reason:</i> The board of Frontline requested authorisation from the general meeting to appoint new board members. Folketrygdfondet considers, as a matter of principle, that board members should be elected by the shareholders at a general meeting.		
Borr Drilling	27 September 2019	Board composition		
		Item 2 Authorisation for the board to appoint new board members	11,0	34,5
		<i>Reason:</i> The board of Borr Drilling requested authorisation from the general meeting to appoint new board members. Folketrygdfondet considers, as a matter of principle, that board members should be elected by the shareholders at a general meeting.		
XXL	27 September 2019	Share issue		
		Item 3 Capital increase through private placement	3,5	4,2
		Item 4 Board authorisation to increase share capital	3,5	3,5
		Item 5 Election of board chair	3,5	3,5
		<i>Reason:</i> Folketrygdfondet gives priority to equal treatment, and expects company boards to ensure that minority shareholder interests are safeguarded when transactions are implemented. Folketrygdfondet concluded that XXL's proposed share issue entailed unreasonable differential treatment of minority shareholders, and therefore voted against the transaction and the proposed new board chair.		
		In its assessment, Folketrygdfondet gave weight to the fact that shareholders participating in the XXL share issue would be granted a substantial discount relative to the most recent quoted share price. When a share issue is priced at a substantial discount, the board must take even greater care to ensure the equal treatment of all shareholders. This applies particularly to shareholders who do not participate in the private placement and whose shareholdings will be diluted. Folketrygdfondet expects a subsequent repair issue to be structured to give shareholders who do not participate in the private placing the greatest possible opportunity to maintain their relative ownership interest in the company. The size of the repair issue proposed by XXL was inadequate to ensure equal treatment.		

VOTED AT 90 NORDIC GENERAL MEETINGS

In 2019, Folketrygdfondet voted at a total of 90 general meetings of companies listed on stock exchanges in Sweden, Denmark and Finland.

In total, we voted against or abstained from voting on 39 proposals put forward by the boards of Swedish, Danish and Finnish companies. As of 2019, Folketrygdfondet has published a voting statement in both Norwegian and English on ftf.no when it has voted against a board proposal. Most of the board proposals we voted against in the Nordic portfolio related to executive remuneration statements and incentive schemes. We often find that executive remuneration statements contain insufficient information on the scheme in question, that incentive programmes lack individual performance requirements or that schemes include a strong discretionary element.

We voted against the election of individual board members in the case of eight Swedish companies because the CEO had been proposed as a board member. This not contrary to the Swedish Corporate Governance Code. However, Folketrygdfondet considers, as a matter of principle, that the CEO should not also be a board member, as the board appoints and sets the remuneration of the CEO (see fact box).

We also voted against candidates for the nomination committee of one Swedish company where the board chair was proposed as the chair of the nomination committee, which is contrary to the Swedish Corporate Governance Code. Folketrygdfondet also voted against an exemption from liability for the board and CEO of one Swedish company. The company planned to present an investigation report on money laundering allegations prior to the general meeting, but after the deadline for electronic voting. Although the report could have concluded that no errors had been made, experience indicates that such reports do not always represent the final word on a matter. Folketrygdfondet therefore voted against the exemption from liability.

We voted against auditor reappointment in relation to two companies. In one case, the board had proposed reappointment of the auditor for a period of four years. Shareholders should be given an opportunity to vote on auditor reappointment annually. In the second case, the fees for non-audit services exceeded the fees for audit services. Auditors are supposed to perform a control function, and their independence from the company is put at risk if they provide extensive advisory services in addition to auditing.

In 2019, shareholders in companies listed in Denmark submitted almost as many proposals to general meetings as shareholders in companies listed in Sweden. Of the 24 shareholder proposals made in Denmark in 2019, some 18 were made at Danske Bank's general meeting. Many of these proposals concerned issues falling outside the shareholders' remit as defined by the general principles governing the distribution of roles in listed companies. Folketrygdfondet voted for seven shareholder proposals. Six concerned matters that are normally proposed by the board of directors but which were formally proposed by shareholders representing a majority of the voting shares. The final proposal asked the company's board to consider how the A-shares and B-shares in the company could be given equal voting rights. In Folketrygdfondet's view, the proposal was advisory in nature and concerned an important topic for the board to evaluate, as Folketrygdfondet considers that all shares should carry equal voting rights.

Our procedures for

General meetings of Nordic companies

- Folketrygdfondet votes by proxy at the general meetings of the Nordic portfolio companies.
- The proxy authorisation always includes voting instructions.
- Prior to all general meetings, we conduct a thorough review of the agenda items, and vote in accordance with our principles, guidelines and assessments.
- Folketrygdfondet recalls loaned-out shares in the relevant company if we intend to vote against an agenda item based on a matter of principle.
- Our starting point is that we want to vote for board proposals. When we vote against a board proposal, we report this in the aggregated country statistics in the Ownership report.
- Our aim is to help ensure that agenda items are broadly supported, and that companies take a positive view of shareholder dialogue prior to general meetings.

VOTING RELATED TO COMPANIES LISTED IN DENMARK, FINLAND AND SWEDEN IN 2019

	Sweden	Denmark	Finland	Total
Total number of general meetings voted at	47	24	19	90
Total number of matters voted on	696	382	176	1 254
Board proposals				
• Against	32	7		39
• Abstained from voting	1	1		2
Board proposals where Folketrygdfondet has voted against/abstained from voting, by topic				
• Executive remuneration statement	21	5		26
• Board/board remuneration		1		1
• Auditor fees/auditor reappointment	1	1		2
• Nomination committee	1			1
• Against entire board/one board member	8			8
	1 (abstained)	1 (abstained)		2 (abstained)
• Exemption from liability of CEO and the board of directors	1			1
Shareholder proposals				
• Against	27	25		52
• For	5		2	7
• Abstained				

Table 23

Dilemmas and challenges

CEOs on the boards of Nordic companies

Folketrygdfondet seeks to vote consistently based on shared principles applicable to all portfolio companies. However, we recognise that this can be difficult when local corporate governance recommendations and market practice differ from country to country. One example is the election of the CEO to the board of directors. For companies registered in Norway, this is prohibited by the Public Limited Liability Companies Act. Moreover, the Norwegian Code of Practice for Corporate Governance recommends that no senior executives should be board members. Folketrygdfondet considers this an important principle, as one of the board's priority tasks is to supervise company management, a task that includes appointment and dismissal of the CEO. In our view, the board can only perform this supervisory function satisfactorily if the board members are not recruited from company management. This is why Folketrygdfondet consistently voted against the election of the CEO to the board in companies listed in Norway and registered abroad, which are not subject to the statutory prohibition.

Sweden takes a different approach. The Swedish Corporate Governance Code advises against the election of the CEO as the board chair, but permits election of the CEO as an ordinary board member. Folketrygdfondet has previously followed local recommendations in the different Nordic countries. However, in 2019 we decided to amend our practice related to the election of CEOs to company boards, for two reasons: to ensure greater consistency in our voting decisions and because we consider this an important principle for ensuring that company boards perform their functions properly. Folketrygdfondet has therefore voted against election of the CEO to the board of directors where candidates have been nominated individually. Where candidates have been nominated as a group, under a single agenda item, we have found it difficult to vote against the entire board for this reason alone. We also recognise that Swedish company boards disagree with how we have voted, and that it is unlikely that we will succeed in persuading companies to adopt our view. The number of such dilemmas and challenges has grown as our shareholdings in Nordic companies have increased. We will continue to address these developments in a transparent manner, and to communicate openly about the factors on which our decisions are based.

MEMBER OF 11 NOMINATION COMMITTEES

Folketrygdfondet considers it important to help ensure that the boards of the portfolio companies have strong expertise and the right composition. Folketrygdfondet expects the companies in which it invests to have a nomination committee.

Company boards are becoming more professional, and it is crucial that boards collectively possess the necessary skills. Nomination committees have therefore assumed an increasingly central role in recent years. Folketrygdfondet has helped to drive this development forward, not least through its participation in the Eierforum group of institutional investors and through the Norwegian Corporate Governance Board (NUES).

Our top priority is to make sure that the portfolio companies have reliable processes in place to elect competent boards. We therefore prioritise participating in the nomination committees of some of the companies in which we have invested. However, the number of nomination committees has to be limited due to the time-consuming nature of the work involved.

Folketrygdfondet does not participate in company boards, but was again represented on several corporate assemblies in 2019, in addition to the various nomination committees. Folketrygdfondet representatives were elected to three new nomination committees in 2019: Entra ASA, Norwegian Air Shuttle ASA and PGS ASA. Folketrygdfondet's representatives on the nomination committees of three companies – Gjensidige Forsikring ASA, Mowi ASA and Veidekke ASA – were replaced during the year. Compared to three years ago, Folketrygdfondet is now more broadly represented. The aim is to utilise staff members who are most familiar with individual companies, and to develop and refine expertise.

FOLKETRYGDFONDET'S REPRESENTATIVES ON NOMINATION COMMITTEES AND GOVERNING BODIES

Corporate assemblies

Equinor ASA	Chief Investment Officer Equities Nils Bastiansen	Deputy chair
Norsk Hydro ASA	Chief Investment Officer Equities Nils Bastiansen	Member
Telenor ASA	Portfolio Manager Lars Tronsgaard	Deputy chair

Nomination committees

Entra ASA	Portfolio Manager Tine Fosslund	Member
Gjensidige Forsikring ASA	Portfolio Manager Pernille Moen	Member
Mowi ASA	Deputy Director Equities Ann Kristin Brautaset	Member
Norwegian Air Shuttle ASA	Chief Investment Officer Equities Nils Bastiansen	Member
PGS ASA	Portfolio Manager Ole Jakob Hundstad	Member
Schibsted ASA	Deputy Director Equities Ann Kristin Brautaset	Member
Storebrand ASA	Chief Investment Officer Equities Nils Bastiansen	Member
Telenor ASA	Portfolio Manager Lars Tronsgaard	Member
TGS-Nopec ASA	Chief Compliance Officer and General Counsel Christina Stray	Member
Veidekke ASA	Portfolio Manager Tine Fosslund	Member
Yara International ASA	Deputy Director Equities Ann Kristin Brautaset	Member

PROMOTING WELL-FUNCTIONING MARKETS

Folketrygdfondet participates in external initiatives to develop good practices and standards for commercial activity. We consider this an important instrument for ensuring both well-functioning markets and robust long-term returns.

Folketrygdfondet participates in various forums to exchange information and experience with other investors and to support the development of new regulations and standards. Satisfactory long-term returns can only be achieved in well-functioning markets. Robust standards for commercial activity are a further prerequisite.

Cooperation with other investors is important for the adoption of good practices and commercial standards.

What are we doing?

We participate in Norwegian and international initiatives, and also cooperate on a case-by-case basis when prudent to protect our financial interests. In 2019, we worked to promote strong standards through the external initiatives in which we are engaged. For example, in the context of the Norwegian Society of Financial Analysts, we have contributed to the development of a professional development course on sustainable finance. The course is the first of its kind in Norway, and gives participants an introduction to central ESG standards and methodology.

Folketrygdfondet also submitted comments as part of two public consultations (please see ftf.no, English pages), on relevant topics. These included the Norwegian Government White Paper (NOU) 2018:17 Climate risk and the Norwegian economy and the Securities Act Committee's report on takeover offers.

Plan for 2020

In 2020, we will continue to promote robust standards through the external initiatives in which we are actively engaged. We also intend to participate in public consultations and otherwise give our input wherever relevant.

Folketrygdfondet wants to see more women in front-end finance

In May 2019, Folketrygdfondet and the Norwegian Society of Financial Analysts hosted a seminar on women in front-end finance.

It is vital for Folketrygdfondet's future recruitment that the investment industry is and remains an interesting career choice. Unfortunately, the industry has great potential for improvement in terms of recruiting and retaining women in asset management positions. A report issued by the Norwegian Securities Dealers Association in 2016 estimated that just three percent of front-end finance staff are women.

Folketrygdfondet has been a member of the Norwegian Society of Financial Analysts' women in front-end finance committee since its launch. In his capacity as host of the group's 2019 seminar, Folketrygdfondet CEO Kjetil Houg pointed out that a lack of diversity in front-end finance is a challenge for the industry as a whole. The purpose of the event was to create a professional and social arena for front-end finance staff in which women constitute the majority of participants. Folketrygdfondet will continue to do what it can to make the finance industry an attractive career choice for both women and men.



PARTICIPATION IN EXTERNAL INITIATIVES IN 2019

Initiative	Purpose	FTF appointments
Norwegian Institute of Directors	To promote value creation through good corporate governance. Promote the development of best practice standards for board work	<ul style="list-style-type: none"> Chief Compliance Officer and General Counsel Christina Stray, board member and member of the capital markets technical committee
Norwegian Society of Financial Analysts	To promote: <ul style="list-style-type: none"> public understanding of the function and importance of the capital markets in the Norwegian economy the provision of high quality financial analysis the efficient functioning of the capital market within appropriate operating parameters high ethical standards in financial analysis, asset management, advisory services and trading in financial instruments 	<ul style="list-style-type: none"> Chief Compliance Officer and General Counsel Christina Stray, board member and member of the equity committee Deputy Director Equities Ann Kristin Brautaset, member of the committee that awards the Stockman Prize Portfolio Manager Lars Tronsgaard, member of the portfolio committee Portfolio Manager Hege Kristine Huse, member of the bond committee Portfolio Manager ESG Annie Bersagel, member of the equity committee, the committee on women in front-end finance and the steering committee for the society's course on sustainable finance
Norwegian Corporate Governance Board (NUES)	To keep the Norwegian Code of Practice for Corporate Governance updated and to promote the code both in Norway and internationally	<ul style="list-style-type: none"> Chief Compliance Officer and General Counsel Christina Stray, committee chair and representative of the Norwegian Society of Financial Analysts
Eierforum group of institutional investors	To promote corporate governance best practices in Norway and drive forward further development of best practices. The forum is represented on the Norwegian Corporate Governance Board	<ul style="list-style-type: none"> Chief Investment Officer Equities Nils Bastiansen, member
Norwegian Forum for Responsible and Sustainable Investment (Norsif)	To promote and contribute to the development of the field of responsible investment in the Norwegian financial industry and among other stakeholders	<ul style="list-style-type: none"> Chief Compliance Officer and General Counsel Christina Stray, chair of the nomination committee Portfolio Manager Tine Fosslund, board member
CDP (formerly known as the Carbon Disclosure Project)	To prevent climate change and protect natural resources	<ul style="list-style-type: none"> Portfolio Manager ESG Annie Bersagel, representative
The UN-supported Principles for Responsible Investment (PRI)	To promote understanding of the investment and asset management implications of environmental, social and governance (ESG) issues	<ul style="list-style-type: none"> Portfolio Manager ESG Annie Bersagel, representative
Norsk restruktureringsforum (the Norwegian restructuring forum)	Prepare a recommendation on restructuring processes and establish a mechanism for further development of the recommendation	<ul style="list-style-type: none"> Portfolio Manager Lars Tronsgaard, member



The fixed income portfolio

INDUSTRY-WIDE EMPHASIS ON RESPONSIBLE FIXED INCOME INVESTMENT

The asset management industry has been giving increasing priority to responsible fixed income investment over the last couple of years. Interest in the topic is driven by both demand for more sustainable business practices and the large costs associated with failing to address key ESG issues.

In its capacity as a large, long-term investor, Folketrygdfondet makes financial assets belonging to the Norwegian population available to companies in the form of equity and loan capital. We recognise our special responsibility to manage the Government Pension Fund Norway in a way that both secures strong financial performance and is in accordance with recognised principles.

Our role as a responsible equity investor and owner has evolved and been communicated externally over a number of years. We have significantly strengthened our resources in this area in recent years in response to increasing demands linked to our role as a responsible fixed income investor and creditor.

Folketrygdfondet's aim is to achieve the highest possible returns over time. Responsible investment and ESG follow-up serve a financial purpose, and have been integrated into investment processes and the exercise of active ownership and creditor functions.

In addition to emphasising material ESG factors, responsible fixed income investment entails conducting an integrated assessment of how we fulfil our investment mandate to generate the highest possible returns and promote efficient markets. In our view, our investment strategy promotes broader market participation and liquidity, and more efficient allocation of capital through strong credit analysis.

We take a clear financial approach to responsible asset management, and our primary aims are therefore to ensure that our pre-investment credit assessments incorporate ESG factors, that we do not invest in companies whose deficient handling of such factors undermines their creditworthiness, and that such considerations are reflected in loan conditions and prices. In other words, our investment activities are focused not on selecting the most responsible and sustainability-oriented companies, but rather primarily on using ESG analysis in the evaluation of credit risk.

Relevant ESG factors are an integral part of our pre-investment credit analysis and ongoing issuer follow-up. Our analyses are based on the methodologies used by credit ratings agencies. Our ESG assessments are operationalised in a number of ways:

- as an integral part of credit analysis
- as an integral part of investment decisions
- ESG issues are discussed at company dialogue meetings
- company dialogues are noted and followed up on
- training and in-house awareness-raising

In addition to ongoing company follow-up, we actively monitor our investments in case a credit event or a need to revise a loan agreement arises. In our responsible investment role, we seek to find solutions that safeguard our financial interests and the functioning of the market in a sustainable, balanced manner.

In our experience, responsible investment focus fosters broader understanding, well-founded investment decisions and better-functioning capital markets. We consider that this enables us to achieve a higher expected return on our portfolio. Further, our approach supports well-functioning markets, efficient market pricing and improved allocation of capital – all important factors in long-term value creation. We therefore intend to refine this aspect of our investment strategy to maintain our position as a leading asset manager in the Nordic market, and to generate the highest possible returns.

As part of our promotion of more efficient markets, our expectations of issuers and managers in the credit market have now been integrated into a revised expectation document which will be published in 2020. This document covers our overall expectations of companies in whose shares and bonds we invest, and will be published on fff.no.

Folketrygdfondet's responsible fixed income investment

Three channels

- **The investment process**
 - Assess transaction terms and potential participation
- **The marketplace**
 - Promote a well-functioning marketplace
- **As a creditor**
 - Protect creditor rights

Our expectations of borrowers:

- Provision of adequate information to the market
- Equal treatment of creditors
- Understanding of how the bond market works
- Responsible operations and ESG follow-up

VOTED AT NINE BONDHOLDER MEETINGS

Folketrygdfondet takes a solution-oriented approach to bond loan renegotiations. In 2019, we voted at nine bondholder meetings.

Folketrygdfondet responds to all requests for bondholder meetings, and participates actively in negotiations to find solutions beneficial to both the bondholders and the company in question. We consider such involvement important both to protect the value of the individual bond and for the market in general.

In 2019, Folketrygdfondet voted at nine bondholder meetings. Seven of the matters involved loan agreement amendments, while two related to restructuring.

In addition to formal bondholder meetings, Folketrygdfondet regularly engages in dialogue with issuers, including through company presentations, roadshows and one-on-one meetings. In 2019, Folketrygdfondet had 141 meetings with 108 issuers.

We recommend

- adopting a proactive approach to defaults and making early loan-agreement waiver requests in the event of negative developments
- providing thorough information at bondholder meetings on how the company intends to comply with the loan agreement going forward
- making identical offers to all bondholders. It is unacceptable to pay higher fees to bondholders who accept a solution that “favours” the company
- providing comprehensive information to the bond market throughout the loan period, particularly if there are negative developments. Thorough reports, presentations and/or webcasts are recommended
- giving a clear presentation. Reliable information from management and a strong market history will have a positive impact on prices in the secondary market and in connection with any refinancing

Responsible investment is enshrined in our mandate

The investment mandate states that the primary goal of Folketrygdfondet's active ownership is to safeguard the financial interests of the Government Pension Fund Norway.

The mandate also specifies that active ownership shall be based on

- the UN Global Compact
- the OECD Principles of Corporate Governance
- the OECD Guidelines for Multinational Enterprises

Folketrygdfondet's board has adopted responsible investment principles that incorporate these guidelines. The board also expects Folketrygdfondet to comply with national and international standards such as:

- the UN-supported Principles for Responsible Investment (PRI)
- the Norwegian Code of Practice for Corporate Governance (NUES)

Folketrygdfondet is mandated to contribute actively to the development of robust national standards in the area of responsible investment.