

# 2022



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The background features a stylized mountain range rendered in various shades of blue. The mountains are composed of sharp, angular shapes, creating a geometric, low-poly aesthetic. The color palette transitions from a light, bright blue at the top to a darker, more saturated blue at the bottom, suggesting a gradient or atmospheric perspective. The overall composition is clean and modern.

# OWNERSHIP REPORT

## AN ACTIVE, RESPONSIBLE OWNER AND CREDITOR

Our owner has set us a clear objective: to deliver the highest possible returns over time. We achieve this by engaging in active management and being an active, responsible owner and creditor.

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

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

These goals form the basis for our investment philosophy. We take an active investment approach 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. In our experience, these goals are interdependent – being an active owner makes us a better investor.

It is decisive for our long-term returns that the companies we have invested in deliver strong results in the long term, and that the markets are efficient and well-functioning. We therefore take an integrated approach to responsible investment.

This means systematically following up material opportunities and threats linked to environmental, social and governance (ESG) issues, and being an active owner that contributes to maximising companies' potential. This also benefits other shareholders and creditors. In our capacity as owner, we engage with the individual portfolio companies irrespective of any over- or under-weighting relative to our benchmark index. This promotes 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 principles for responsible investment that describe how we exercise our role as owner and creditor and how we integrate environmental and social considerations in our management of the Government Pension Fund Norway. Responsibility for implementing the principles throughout the portfolio rests with the CEO. In the document Folketrygdfondets eierskapsutøvelse (Folketrygdfondet's active ownership approach), the management describe how the principles have been operationalised in Folketrygdfondet's investment activities. Responsibility for operational follow-up is delegated to the Chief Investment Officer Equities and the Chief Investment Officer Fixed Income, respectively. The Equities Department also has a member of staff dedicated to ESG issues.

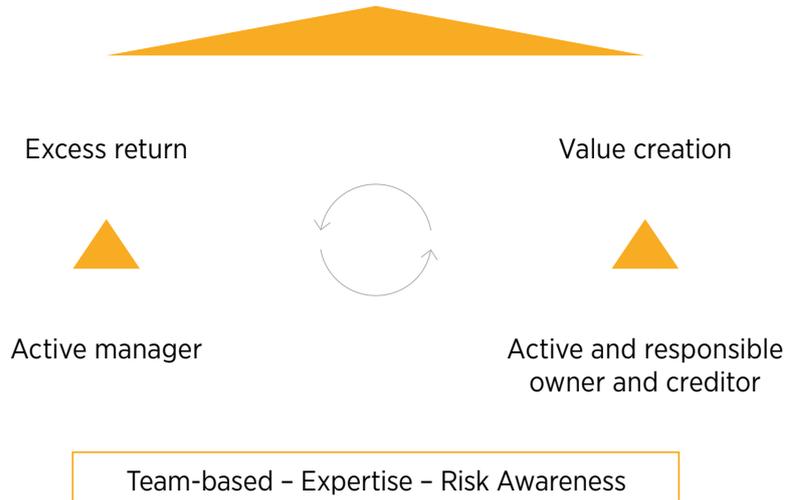
The portfolio managers are responsible for following up material issues, including climate risk, in their investment analyses and company dialogues. In practice, this is done through close cooperation within the department, in line with Folketrygdfondet's team-based investment model.

Of the other departments, the Finance and Risk Management Department is closely involved in connection with voting at general meetings and bondholder meetings.

The Compliance and Legal Department is also involved in the assessment of general meetings of Nordic companies, and the department has overall supervisory responsibility for Folketrygdfondet's responsible investment procedures.

OUR INVESTMENT PHILOSOPHY SUMMARISED

# HIGHEST POSSIBLE RETURNS OVER TIME



## ORGANISATION

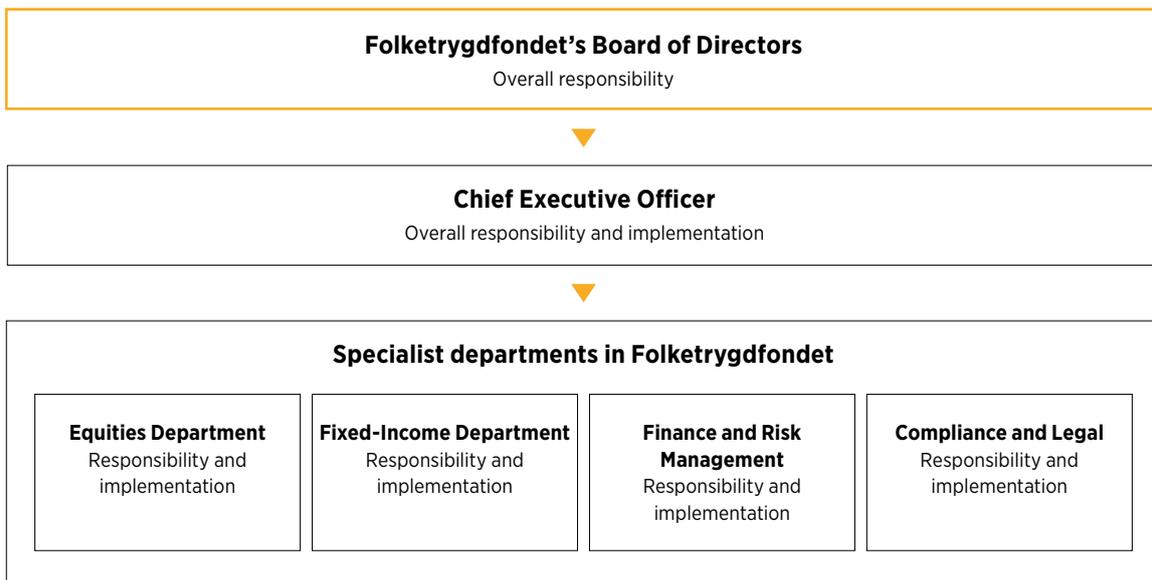


Illustration 9

- Dialogue
- General meetings
- Nomination committees and governing bodies
- Climate risk in the portfolio
- Development of best practice
- The fixed-income portfolio

RESPONSIBLE INVESTMENT INSTRUMENTS

	ESG integrated in investment approach	Exclusion	Dialogue with companies	Vote 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 that are excluded in accordance with the guidelines for observation and exclusion from the Government Pension Fund Global. A list of excluded companies is available at [ftf.no](http://ftf.no). One new company was excluded in 2022, and no new companies were re-included during the period.

Illustration 10

WE ADAPT OUR RESPONSIBLE MANAGEMENT TO THE DIFFERENT FINANCIAL INSTRUMENTS

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

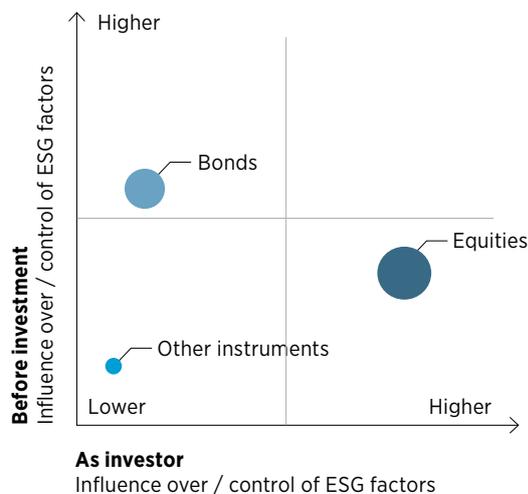
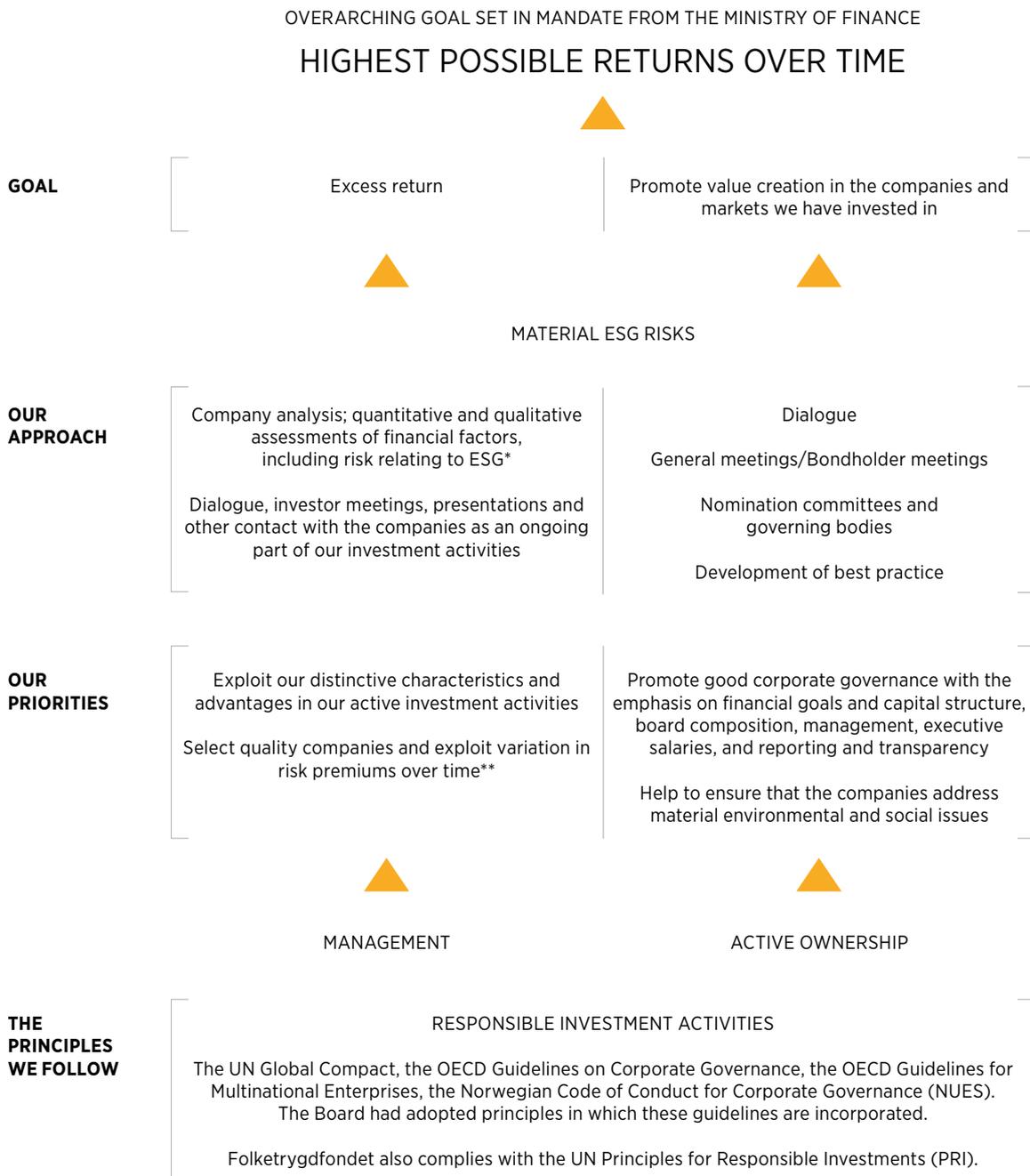


Illustration 11

OUR RESPONSIBLE INVESTMENT APPROACH



**Explanation of terms**

\* ESG = Environment, social and governance issues.

\*\* Exploit variation in risk premiums over time: Exploit opportunities that result from the risk in the market varying over time. Buy securities when the price reflects too high a risk and sell when the price reflects too low a risk.

Illustration 12

**We adapt our responsible investment approach to the different portfolios.**

Our investment mandate and our distinctive characteristics form the basis for which instruments we can use in our responsible investment activities.

We adapt our work and the tools we use to the different instruments and portfolios. This is necessary in order to ensure that our responsible investment approach supports the overarching goal of the highest possible return over time. In this assessment, we look at how we can influence factors relating to the environment, society and corporate governance before investing and as an investor. Our endeavours to promote well-functioning, legitimate and efficient markets are given priority, however, in all our financial instruments and portfolios. Part of this work consists of supporting the development of good standards for responsible investment.

In the case of bonds, our influence is greatest before we invest because, as bondholders, we do not have ownership rights. We therefore focus on carrying out good ESG analyses before investing in order to identify factors that can affect creditworthiness (ESG stands for environmental, social and governance issues, i.e. the environment, society and corporate governance). In the case of equities,

on the other hand, our possibility to exert influence is greatest once we have invested.

This is because an investor has ownership rights. Exercising ownership rights is therefore a priority in the case of equities. Other instruments are used in connection with liquidity investments and currency hedging. As a result of low expectations of influencing ESG factors and a short investment horizon, liquidity investments and currency hedging are not priority areas in our responsible investment approach, with the exception of our procedures for recalling loaned-out shares prior to general meetings. Here, we focus on contributing to well-functioning and efficient markets.

The adaptation of our responsible investment approach to Folketrygdfondet's distinctive characteristics is further discussed in the updated strategic plan for management of the Government Pension Fund Norway, where Folketrygdfondet's long investment horizon is emphasised as the primary argument for our integrated approach to responsible investment. ESG is part of our assessments when looking for quality companies, and to shed light on possible downside risks due to failure to address ESG issues. Knowledge of companies acquired over decades of active management also enables Folketrygdfondet to view a company's ESG approach in a broader context and to be a demanding owner.

**OUR APPROACH TO ACTIVE MANAGEMENT**

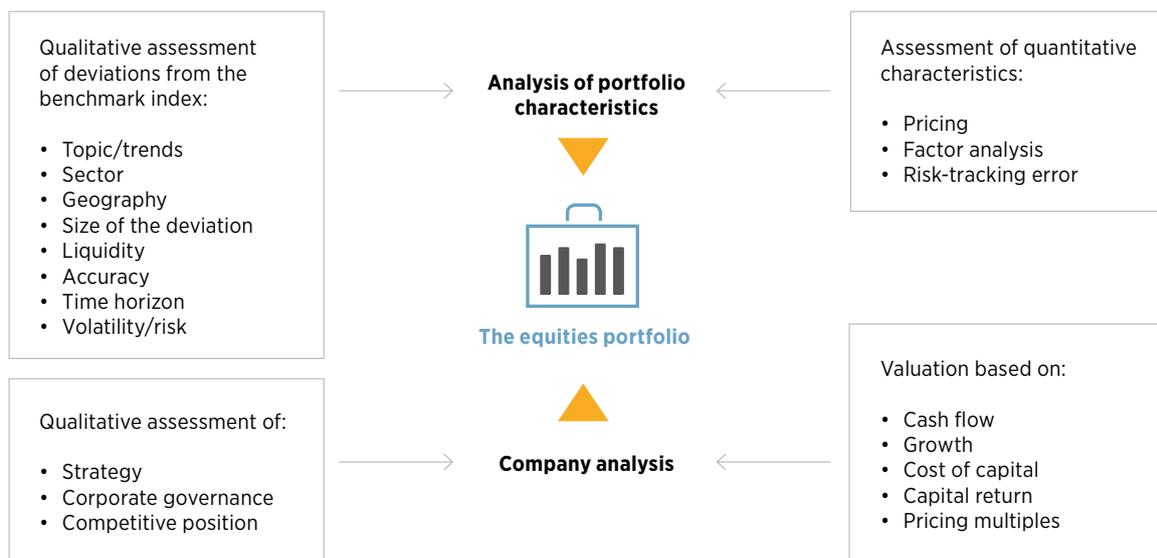


Illustration 13

OUR COMPANY ANALYSIS SUMMARISED

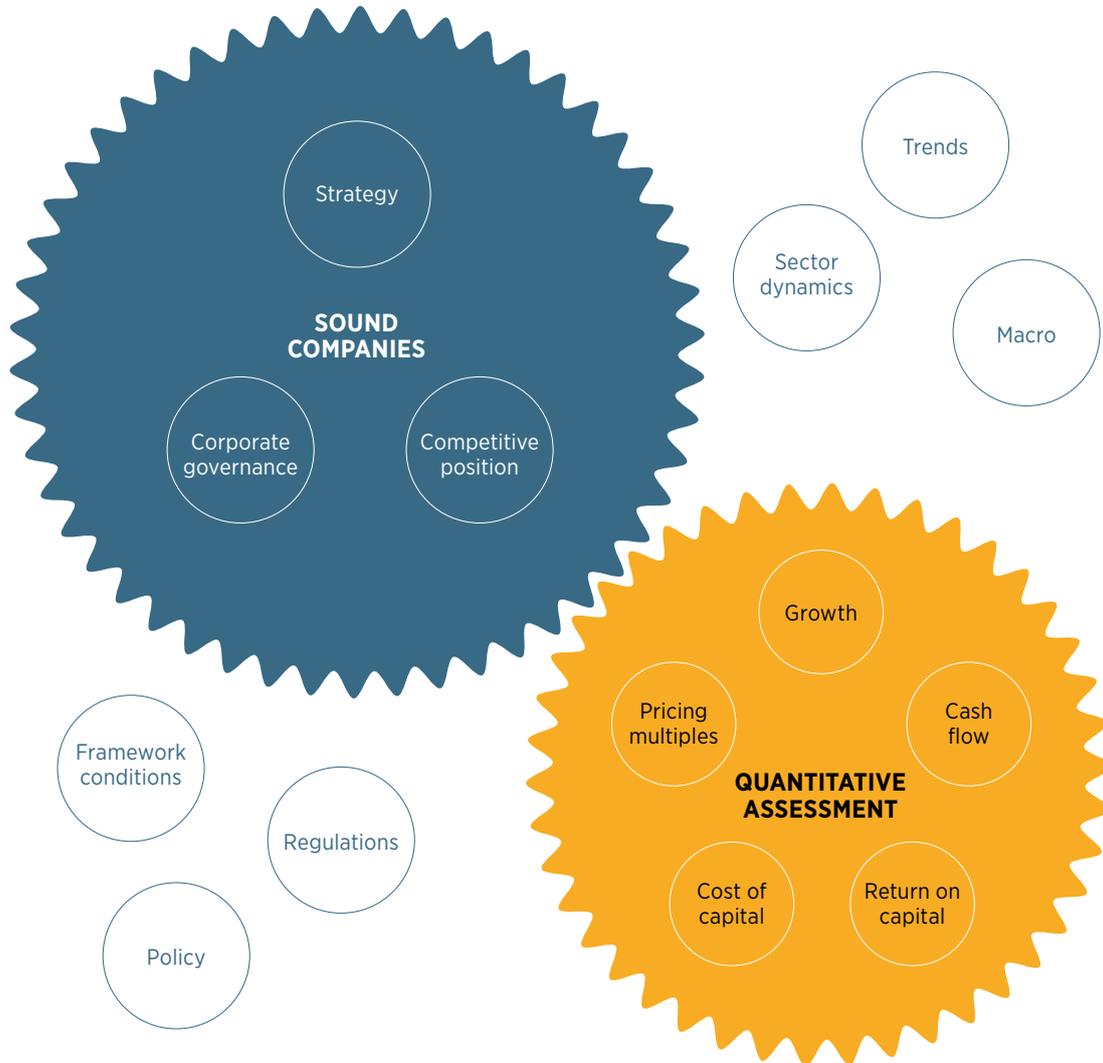


Illustration 14

- Dialogue
- General meetings
- Nomination committees and governing bodies
- Climate risk in the portfolio
- Development of best practice
- The fixed-income portfolio

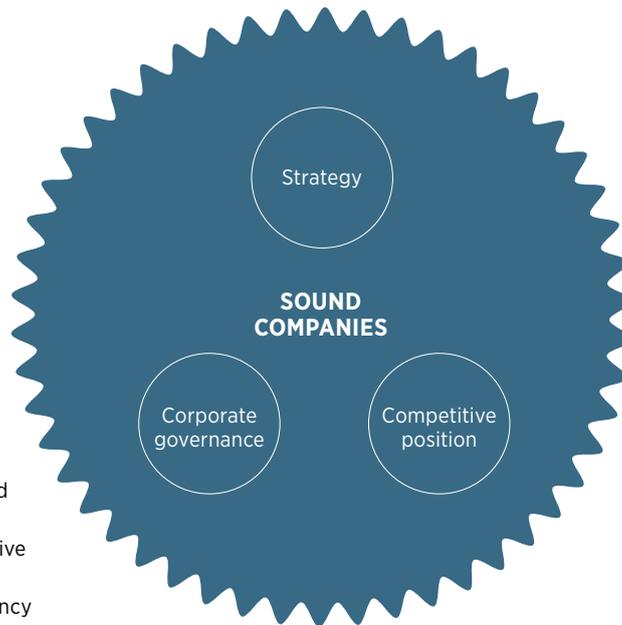
**Sound companies**

In our ongoing investment activities, we select companies to invest in, and we choose which companies we will be over- and underweighted in compared with the benchmark index. We base our investment decisions on financial analyses, including an assessment of material ESG risk, and ongoing contact with companies.

Our goal is to beat the broad market over time (generate excess returns) by exploiting our distinctive characteristics and advantages as an investor. At the same time, to fulfil our mandate, we are concerned with ensuring that the companies we have invested in create long-term value.

It is decisive for our returns over time that the companies we have invested in deliver strong results in the long term, and that the markets are efficient and well-functioning.

**KEY TOPICS IN OUR QUALITATIVE ANALYSIS:**



- A clear, well-founded strategy for long-term value creation
- Goal for return on capital and growth
- Efficient capital structure
- Coherent risk assessment
- Sustainable business model
- Predicable dividend policy

- Composition of the board of directors
- Management and executive remuneration
- Reporting and transparency
- Corporate social responsibility
- Ownership structure

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

Illustration 15

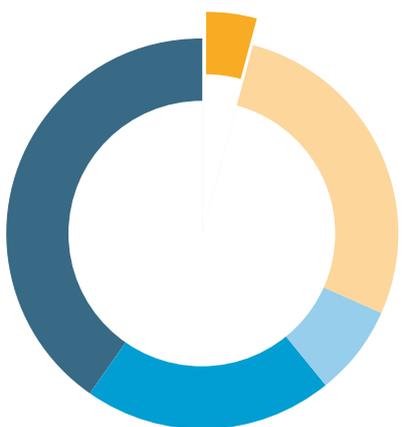
## A NORDIC OWNER WITH ITS PRIMARY FOCUS ON OSLO STOCK EXCHANGE

Folketrygdfondet is one of the biggest financial investors on Oslo Stock Exchange. It is among the top three owners in 43 companies listed on Oslo Stock Exchange. Its ownership interest is much smaller in the other Nordic countries.

The Government Pension Fund Norway is managed in accordance with clear guidelines set out in the mandate from the Ministry of Finance. The capital is invested in securities listed in Norway, Denmark, Finland and Sweden.

The distribution is 85 per cent in Norway and 15 per cent in the other Nordic countries. The mandate stipulates that the highest possible ownership interest in one company is 15 per cent in Norway and 5 per cent in the other Nordic countries.

### OWNERSHIP ON OSLO STOCK EXCHANGE



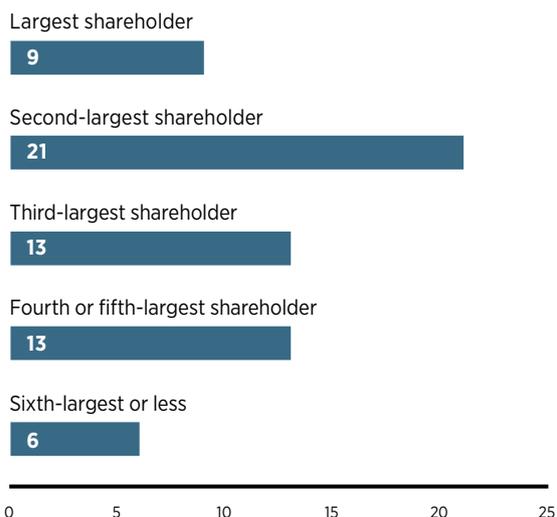
Folketrygdfondet	4.24%
Central and local government	27.66%
Norwegian financial owners	7.47%
Other Norwegian owners	20.44%
Foreign investors	40.19%

Source: VPS and Folketrygdfondet as of 31.12.2022

Figure 23

### FOLKETRYGDFONDET'S OWNERSHIP ON OSLO STOCK EXCHANGE

The number of companies in which Folketrygdfondet is among the largest owners



Source: The companies' websites, VPS and stock exchange announcements.

In cases where nominee accounts are stated as being among the largest shareholders, Folketrygdfondet has estimated its ranking. Owners with shared interests are grouped together if Folketrygdfondet has information to indicate that this is the case.

Figure 24

### FOLKETRYGDFONDET'S OWNERSHIP ON OSLO STOCK EXCHANGE AND EURONEXT GROWTH OSLO

Companies in which Folketrygdfondet owns more than 5 per cent of the capital or is among the three largest shareholders as of 31.12.2022

Company name	FTF's holding	FTF's owner ranking
Europris ASA	11.97%	1
Veidekke ASA	10.13%	2
Storebrand ASA	10.11%	1
Nordic Semiconductor ASA	9.93%	1
Borregaard ASA	9.46%	1
Elmera Group	8.90%	1
Scatec ASA	8.87%	3
Bakkafrost	8.85%	1
TGS-NOPEC Geophysical Company	8.83%	1
Kitron ASA	8.79%	1
Bonheur ASA	8.26%	3
Mowi ASA	8.09%	2
AF Gruppen	7.79%	4
Tomra Systems ASA	7.70%	2
Subsea 7 S.A.	7.68%	2
Crayon Group Holding ASA	7.62%	2
Schibsted ASA B-aksjer	7.54%	2
BW LPG Limited	7.14%	2
SpareBank 1 SR-Bank ASA	6.86%	2
Atea ASA	6.80%	2
Bouvet	6.80%	1
Orkla ASA	6.62%	2
Yara International ASA	6.14%	2
Kongsberg Gruppen ASA	5.96%	2
Norsk Hydro ASA	5.95%	2
DNB ASA	5.70%	4
Lerøy Seafood Group ASA	5.32%	2
Norwegian Air Shuttle ASA	5.02%	3
Aker Solutions ASA	4.78%	3
Telenor ASA	4.51%	2
Aker ASA	4.23%	2
DNO ASA	4.22%	2
SalMar ASA	4.20%	3
Elkem ASA	4.14%	2
Frontline Ltd	4.06%	3
Gjensidige Forsikring ASA	3.76%	2
Treasure ASA	3.67%	3
Equinor ASA	3.39%	2
Golden Ocean Group	3.16%	3
Aker Horizons ASA	3.01%	2
Hafnia Limited	2.65%	3
Stolt-Nielsen Limited	2.59%	3
Grieg Seafood ASA	2.59%	3
Wallenius Wilhelmsen ASA	2.30%	3
Olav Thon Eiendomsselskap ASA	2.26%	3

Source: The companies' websites, VPS and stock exchange announcements.

In cases where nominee accounts are stated as being among the largest shareholders, Folketrygdfondet has estimated its ranking. Owners with shared interests are grouped together if Folketrygdfondet has information to indicate that this is the case. Folketrygdfondet's ownership interests also include shares that are loaned out (as of 31 Dec. 2022, 4.84 per cent of the market value of Norwegian equities was loaned out).

Table 16

**THE SIZE OF FOLKETRYGDFONDET’S HOLDINGS IN INDIVIDUAL COMPANIES**

The size of the boxes represents Folketrygdfondet’s holding in the individual companies as of 31.12.2022.

■ Norway ■ Denmark ■ Sweden ■ Finland

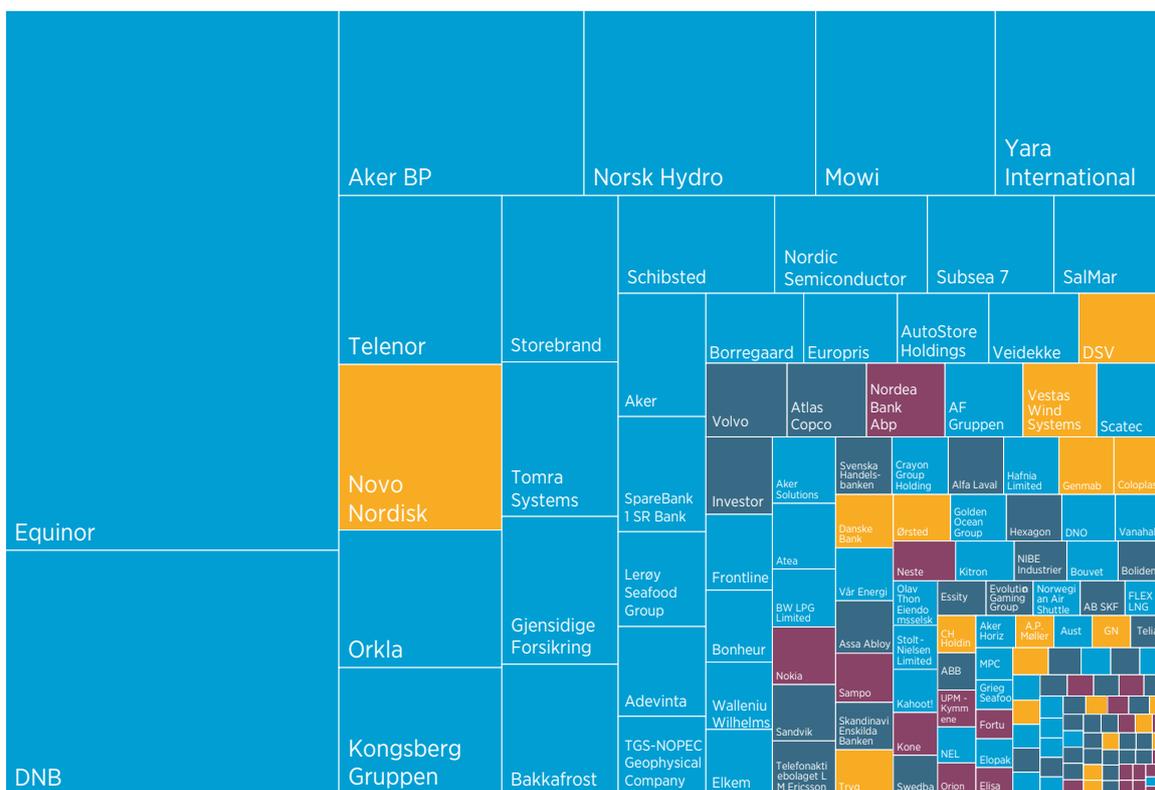


Figure 25

**NORDIC COMPANIES IN WHICH FOLKETRYGDFONDET HAS THE LARGEST HOLDING**

Company name	FTF's holding	Stock exchange
GN Store Nord A/S	0.84%	Nasdaq København
Alfa Laval AB	0.57%	Nasdaq Stocholm
H. Lundbeck A/S	0.56%	Nasdaq København
AB SKF	0.48%	Nasdaq Stocholm
Boliden AB	0.41%	Nasdaq Stocholm
Vestas Wind Systems A/S	0.40%	Nasdaq København
Intrum AB	0.39%	Nasdaq Stocholm
Danske Bank A/S	0.39%	Nasdaq København
DSV A/S	0.39%	Nasdaq København
Telefonaktiebolaget L M Ericsson	0.38%	Nasdaq Stocholm
Orion Oyj	0.35%	Nasdaq Helsinki
Svenska Handelsbanken AB (publ)	0.35%	Nasdaq Stocholm
Volvo	0.34%	Nasdaq Stocholm
Sandvik AB (publ)	0.34%	Nasdaq Stocholm
Christian Hansen Holding A/S	0.33%	Nasdaq København
Alleima AB	0.32%	Nasdaq Stocholm
Nordea Bank Abp	0.31%	Nasdaq Helsinki
Swedish Orphan Biovitrum AB (publ)	0.30%	Nasdaq Stocholm
Nokia Oyj	0.30%	Nasdaq Helsinki
Assa Abloy AB	0.27%	Nasdaq Stocholm

Table 17



## OUR APPROACH

Meetings with the chairs of the board and management of companies are the method Folketrygdfondet uses most to exercise its ownership rights. General meetings, corporate assemblies and nomination committees are other important arenas.

Folketrygdfondet's ambition is to be a demanding, predictable and responsible owner.

### The arenas

Maintaining an active and constructive dialogue with the companies is a method that suits Folketrygdfondet well because we are a large and long-term investor. Through meetings and other contact with the chair of the board and management, the companies get to know us and we get to know them. Getting to know companies is a main goal in most of our dialogues. It is important to us to know the companies if we are to make investment decisions, be able to assess capital needs and identify areas where we can exert influence. To ensure that such dialogues are as efficient as possible for both parties, we have prepared expectation documents on key topics.

We devote considerable time and resources to exercising ownership and work continuously to ensure that the companies are aware of our expectations.

We communicate the importance of addressing owner questions and other material ESG issues, but also in connection with concrete issues where we find that companies are not acting in accordance with our expectations. We follow up material risk in different ways, including through direct meetings with the companies, joint initiatives with other investors and through our voting at companies' general meetings.

### The portfolios

We follow the same principles in our exercise of ownership rights in Danish, Finnish and Swedish companies as in Norwegian companies. In the Nordic markets outside Norway, however, Folketrygdfondet's holdings are smaller and spread over more companies. How we exercise our ownership rights is adapted to this situation. Moreover, the role of bondholder differs from the shareholder role, among other things because only shareholders have ownership rights. For bondholders, the relationship with the company is regulated through loan agreements, and dialogue with the companies is limited unless undesirable events such as defaults occur. The format for Folketrygdfondet's role as bondholder, or creditor, is thereby different from our active ownership approach.

### Challenges relating to our exercise of ownership

Questions relating to corporate governance, social and environmental issues are rarely clear-cut, and it can take time to arrive at solutions that are in line with our expectations. Folketrygdfondet wishes to see companies initiating and taking responsibility for change processes.

We also find that many investors pull in the same direction, so that it is difficult to view Folketrygdfondet's contribution in isolation. We nonetheless find that the companies increasingly understand our financial motivation for focusing on ownership issues and the handling of material ESG risk, and they often adopt a mature approach.

ACTIVE EXERCISE OF OWNERSHIP IN SEVERAL ARENAS:

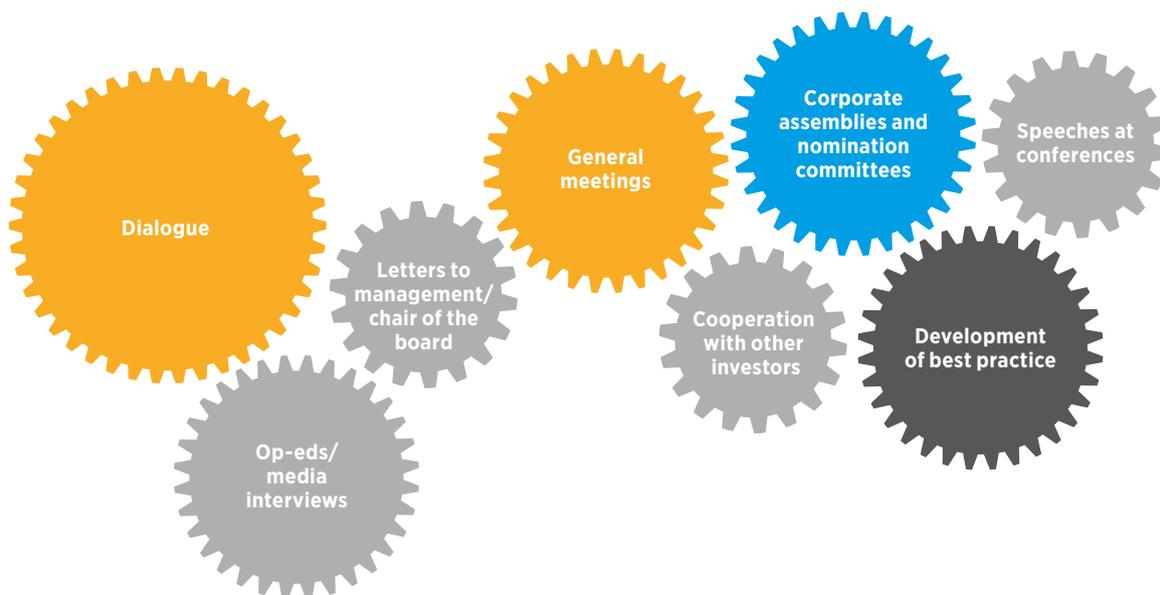


Illustration 16

OUR GOALS FOR EXERCISING OWNERSHIP:



Goals	1. 'We know the companies'	2. 'They know us'
How	Know the companies	Influence the companies
Purpose	To increase our understanding of the companies	To increase companies' knowledge of and compliance with FTF's principles and expectations
Arena	Dialogue	General meetings, dialogue, nomination committees contribute to good practice
Indicator	Excess return	Promote value creation in the companies we have invested in

Illustration 17

- Dialogue
- General meetings
- Nomination committees and governing bodies
- Climate risk in the portfolio
- Development of best practice
- The fixed-income portfolio

CHALLENGES RELATING TO OUR EXERCISE OF OWNERSHIP RIGHTS:

Complexity



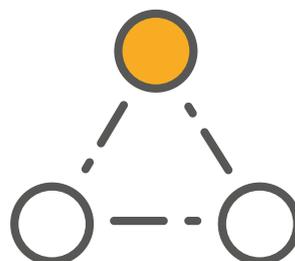
Questions relating to corporate governance, social and environmental issues are rarely clear-cut

Long-term perspective



Change processes are often prolonged. It can take time to achieve solutions that are in line with our expectations

Division of roles and tasks



We emphasise dialogue and that the companies initiate change processes

We are concerned with maintaining the normal division of roles between boards and general meeting

## FOLKETRYGDFONDET'S OWNER DIALOGUE

Our ambition is that the companies shall find Folketrygdfondet a good and constructive owner. We will ask demanding questions about significant matters, and we will be available to the companies.

Folketrygdfondet is a large, long-term investor, and active and constructive dialogue with companies is one of the most important activities in our ownership follow-up. Through meetings and other contact with the chair of the board and management, the companies get to know us and we get to know them. This is described in more detail at [ftf.no](http://ftf.no) in the document *Folketrygdfondets eierskapsutøvelse*, (Folketrygdfondet's active ownership approach) which describes how Folketrygdfondet approaches its dialogues with companies.

These dialogues give us a basis for understanding the companies' strategies, operations, growth opportunities and risk profile. It also makes us a better asset manager, not least because it enables us to assess the companies' capital needs and strategic priorities.

We apply the same principles for exercising ownership rights in relation to our investments in Norwegian and Nordic companies. We nonetheless distinguish between how we exercise ownership rights in the Nordic countries and the approach we take in Norway. Among other things, this is because our ownership interests are usually smaller in Nordic companies.

During the year, Folketrygdfondet held 216 (252) dialogue meetings with 89 (102) companies, including 183 (212) meetings with 64 (68) companies listed in Norway and 33 (40) meetings with 25 (34) companies listed in the other Nordic countries. The change to a higher proportion of physical meetings has led to less frequent meetings. It is not a goal in itself to hold as many meetings as possible, but rather to hold the right meetings.

We have held dialogue meetings with 92 per cent of the companies in the equities portfolio. In the Norwegian part of the portfolio, we met with 99 per cent of the companies, while we met with 55 per cent of the companies in the Nordic portfolio, measured by the market value of the companies. This difference reflects the fact that the Nordic portfolio has a longer 'tail' of many small holdings than the Norwegian portfolio. The Norwegian portfolio, by comparison, is more concentrated on a few major issuers.

LIST OF COMPANIES WE HAVE HELD DIALOGUE MEETINGS WITH (figures for 2021 in brackets)

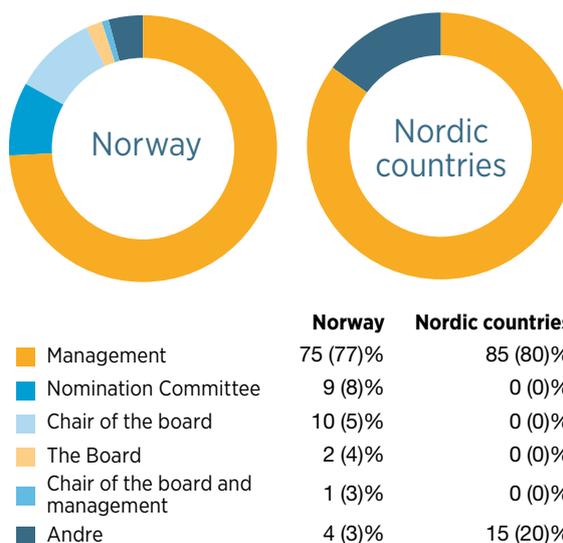


Figure 26

PROPORTION OF DIALOGUE MEETINGS BY COUNTRY (figures for 2021 in brackets)

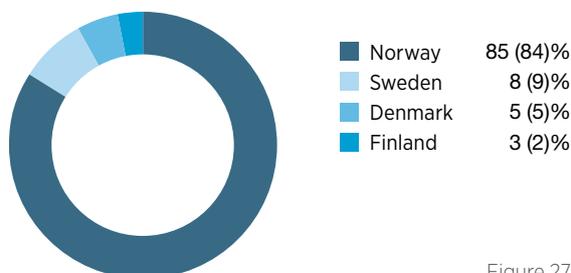


Figure 27

**Dialogue**

- General meetings
- Nomination committees and governing bodies
- Climate risk in the portfolio
- Development of best practice
- The fixed-income portfolio

**PROPORTION OF NORWEGIAN COMPANIES IN THE EQUITIES PORTFOLIO WITH WHICH FOLKETRYGDFONDET HAS BEEN IN DIALOGUE (% of market value)**



Figure 28

**PROPORTION OF NORDIC COMPANIES IN THE EQUITIES PORTFOLIO WITH WHICH FOLKETRYGDFONDET HAS BEEN IN DIALOGUE (% of market value)**



Figure 29

**PROPORTION OF THE EQUITIES PORTFOLIO WITH WHICH FOLKETRYGDFONDET HAS BEEN IN DIALOGUE (% of market value)**



Figure 30

**Our approach**

As a rule, Folketrygdfondet holds owner dialogues with companies individually. However, we collaborate with other investors in cases where this is a more expedient way of raising market standards. At the same time, we respect companies' need to save time by letting them communicate with several of their largest owners at a time.

Which topics are raised is decided on the basis of a company analysis and an assessment of portfolio characteristics. In line with our investment mandate, we have for several years set clear requirements for how ownership, environmental and social issues are addressed. To ensure that the owner dialogue is as efficient as possible, we have produced expectation documents relating to

- strategy, capital structure and financial targets
- anti-corruption
- remuneration of the board and executive personnel
- human rights and labour rights
- climate
- the environment
- the arranging of external financing

Our meetings with the companies will often be high-level meetings, from both the company's and our side.

We prioritise this work method and devote a lot of time and resources to our direct contact with the companies. As owner, we use such meetings to discuss both concrete events in a company and key ownership issues, such as capital structure and financial targets.

Before the meetings with Norwegian companies, Folketrygdfondet reviews the agenda to ensure that relevant questions relating to ownership, environmental and social issues are addressed. This means that a meeting with a company's chair of the board can discuss the company's financial targets and capital structure, and labour rights in the supplier chain. If a more in-depth dialogue about sustainability is required, we agree a meeting with relevant expert personnel in the company. This model reflects the fact that Folketrygdfondet has an overall view on sustainability and that it is integrated into our investment philosophy.

**What do we wish to achieve?**

Our goal for this work is that companies address material ESG issues and thereby have the best possible foundation for long-term value creation. In Folketrygdfondet’s experience, it is difficult to separate the effect of our active ownership approach over time from the results of our investments. This is because change processes in the companies are often complex and prolonged, and because Folketrygdfondet’s role as owner is an integral part of our investment philosophy.

Both active management and active ownership require in-depth knowledge of the companies, and we find that active management and an active ownership approach have a mutually reinforcing effect. Our active management therefore makes us a better owner, while our active ownership makes us a better active investor.

This is discussed in more detail under the individual dialogue topics below.

**How we prioritise**

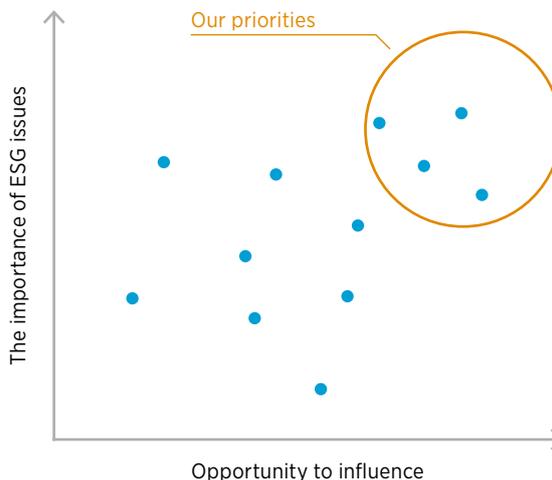


Illustration 19

**DIALOGUE MEETINGS BY SECTOR**  
(figures for 2021 in brackets)

Industry	Number of dialogues	Proportion of all meetings
Industry	37 (52)	17 (21)%
Consumables	31 (33)	14 (13)%
Energy	30 (15)	14 (6)%
Information technology	29 (37)	13 (15)%
Materials	19 (25)	9 (10)%
Finance	19 (28)	9 (11)%
Communication	17 (16)	8 (6)%
Healthcare	15 (21)	7 (8)%
Consumer goods	10 (10)	5 (4)%
Supply	7 (10)	3 (4)%
Property	2 (5)	1 (2)%

Table 18

**Dialogue**

General meetings  
 Nomination committees and governing bodies  
 Climate risk in the portfolio  
 Development of best practice  
 The fixed-income portfolio

## **STRATEGY, CAPITAL STRUCTURE AND FINANCIAL TARGETS**

Sound reasons for the companies' strategic priorities are a prerequisite for efficient capital use and profitability over time. We therefore expect the companies to set long-term financial targets and to clearly communicate them to the market. We believe that this is important for long-term value creation.

### **What do we wish to achieve?**

We wish to achieve the best possible returns in the companies and the markets in general. We therefore want the companies to communicate their long-term goals for returns on capital, growth and capital structure, to explain their tax policy and assessments relating to the risk profile, and to provide sound reasoning for their strategic priorities. We assume that the companies' strategies are long-term and based on a sustainable business model underpinned by sound risk assessments, including of climate risk. A clear and predictable dividend policy should also be part of this. This is explained in more detail at ff. no in the document *Folketrygdfondets forventninger knyttet til selskapenes strategi, kapitalstruktur og finansielle mål* (Folketrygdfondet's expectations of portfolio companies' strategies, capital structure and financial targets).

Seen from our perspective as asset manager, this is also about having good access to information from the companies. We want to have the best possible insight into what assessments, criteria and goals form the basis for the companies' strategies for ensuring their competitive position, growth and profitability over time.

### **What do we do?**

We want to be a driving force for more efficient capital allocation in both the companies and the markets, and we wish to contribute to long-term value creation. We and other investors shall not take over the responsibility and role of the boards of directors.

What we can do is to ask the right questions and expect good answers.

### **Development in 2022**

Folketrygdfondet's expectations of the companies' strategies, capital structure and financial targets are an integral part of our ongoing dialogue with the companies. In 2022, our strategic adaptations to the energy crisis were a recurring topic in many dialogue meetings, particularly with companies in the industrial and energy sectors. Other topics included the companies' strategies for meeting new regulatory requirements, both from the EU and new measures for ground rent taxation in Norway.

### **Plan for 2023**

Folketrygdfondet will continue its ongoing dialogue on this topic with companies' management and chairs of the board. We will give priority to making our expectations known.

### TOPICS AT NORWEGIAN DIALOGUE MEETINGS 2020

183 Dialogues with Norwegian companies:

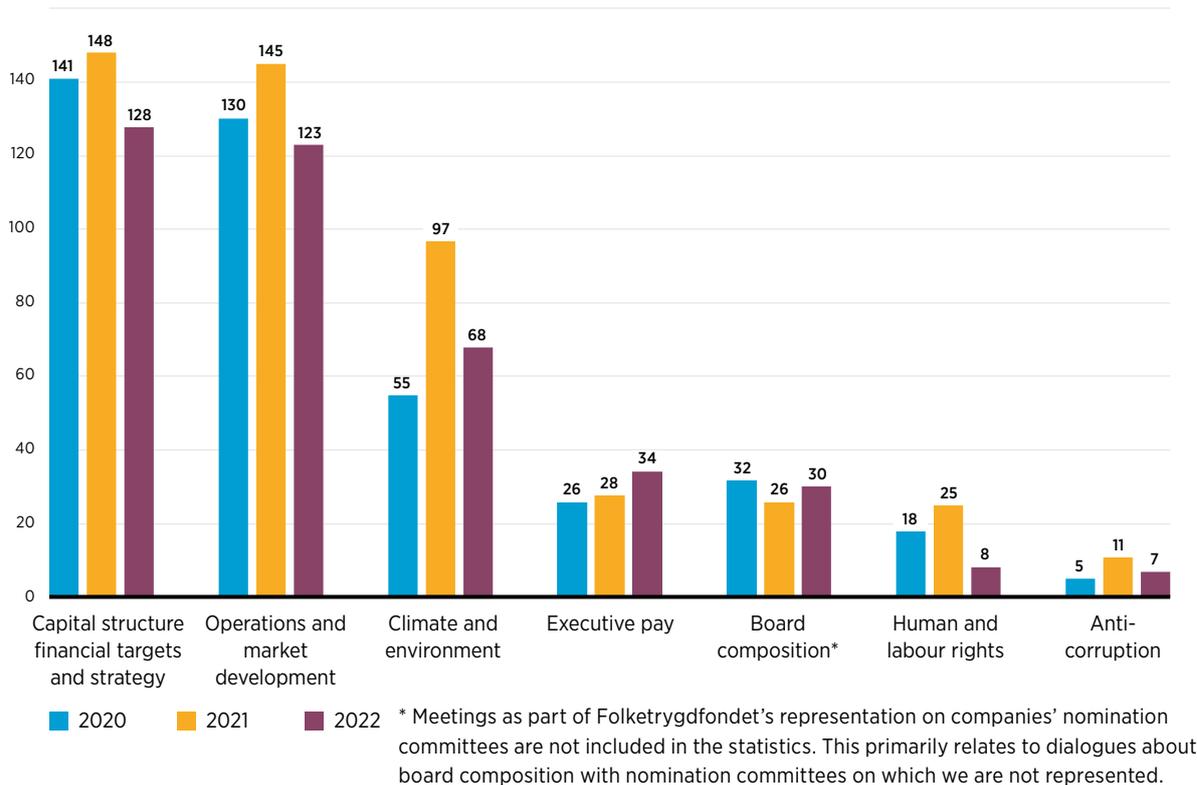


Figure 31

### TOPICS AT NORDIC DIALOGUE MEETINGS SINCE 2020

33 Dialogues with Nordic companies:

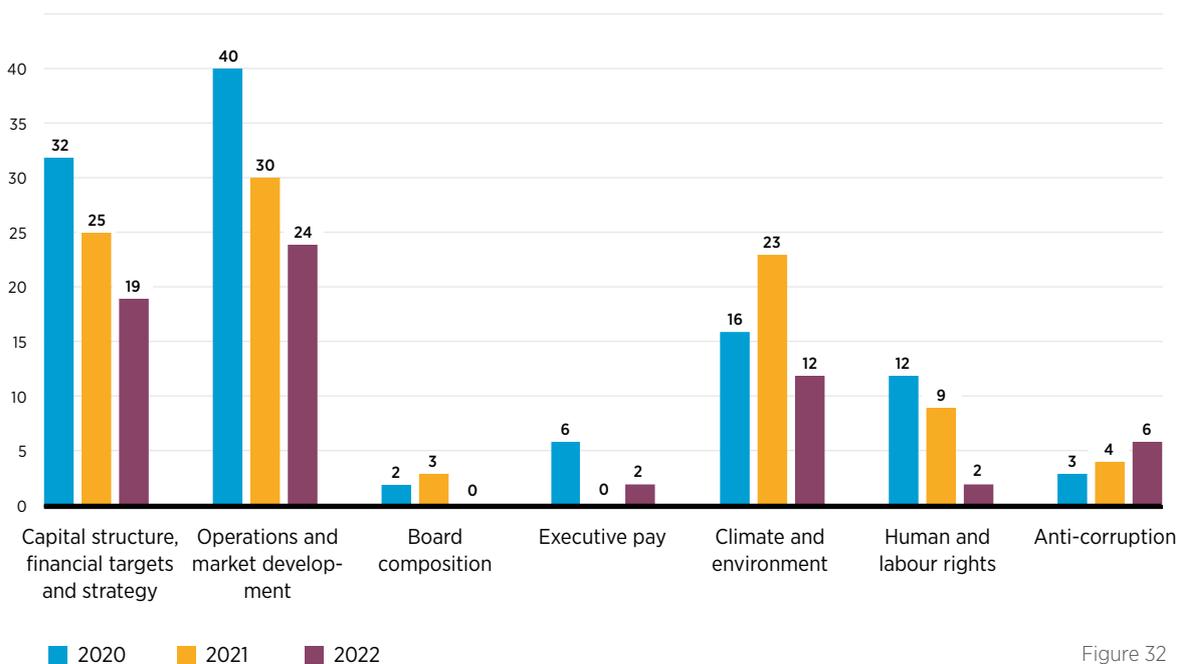


Figure 32

**Dialogue**

General meetings  
 Nomination committees and governing bodies  
 Climate risk in the portfolio  
 Development of best practice  
 The fixed-income portfolio

**CLIMATE AND THE ENVIRONMENT**

Climate was not as prominent a topic in 2022 as it was in 2021.

Climate risk is a material factor for several of the companies we have invested in. Which climate risks are most pertinent will vary between companies and will depend on several factors, for example what their core business is. This also applies to risk relating to other environmental issues. Biodiversity, for example, is often a material issue for companies in several marine-related industries.

**What do we wish to achieve?**

We want the companies to understand how their activities impact the environment, and the extent to which business models and strategies are vulnerable to climate and environmental risk. The companies must assess which analyses and measures are necessary in order to identify and manage risk relating to climate and the environment. This is discussed in more detail on the website [ftf.no](http://ftf.no) in the document *Folketrygdfondets forventninger til selskapenes arbeid med klima og miljø. (Folketrygdfondet's expectations of portfolio companies' strategies, capital structure and financial targets)*.

**What do we do?**

Folketrygdfondet endorses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Such information is important to a large, universal owner in Norway and the Nordic countries, if we are to make good investment decisions and understand how climate risk can be a systematic risk in the markets Folketrygdfondet invests in. We want the companies to understand how their activities impact the climate through the emission of greenhouse gases, and the extent to which business models and strategies are vulnerable to climate risk. The companies must assess which analyses and measures are necessary to identify and manage climate risk.

Folketrygdfondet also engages in a dialogue with companies about environmental topics that are not directly related to climate change. An example of this is the dialogue Folketrygdfondet has had with companies in the aquaculture industry for more than 10 years about challenges relating to feed, escaped fish and salmon lice.

**Development in 2022**

From 2019 to 2021, we found that climate risk became an increasingly relevant topic for a growing proportion of the portfolio. Moreover, the increase in multiples seen by companies with a 'green' profile was a strong incentive for all companies to explain how they address climate risk. The trend reversed slightly in 2022 because the war in Ukraine, increasing inflation and the energy shortage in Europe demanded the companies' full attention, at the same time as we saw a reversal of recent years' multiple expansion in 'green' companies. In Folketrygdfondet's experience, companies with long-term strategies for climate risk have not reversed their plans, but we do find that other topics have been more relevant to the companies' development in 2022.

**Plan for 2023**

In 2023, Folketrygdfondet will prioritise discussions about climate and the environment as part of its ongoing follow-up with companies' boards and management.

Index: Follow-up of the TCFD recommendations	Folketrygdfondet's response
<b>Governance</b>	
a) Describe the climate-related threats and opportunities the board has identified	Mandate for the management of the Government Pension Fund Norway, the Board's annual report, the Ownership report, page 2 ('How we organise our responsible investment activities')
b) Describe the management's role in identifying and managing climate-related threats and opportunities.	Principles for responsible investment, Folketrygdfondet's exercise of ownership rights, the Ownership Report page 2 ('How we organise our responsible investment activities')
<b>Strategy</b>	
a) Describe climate-related threats and opportunities the organisation has identified over the short, medium and long term.	Ownership Report, p. 20 'Climate and environment', pp. 34-37 ('Climate-related stress tests'), and p. 38 ('the UNEP FI case study')
b) Describe how climate-related threats and opportunities are integrated in the organisation's operations, strategy and financial planning.	Ownership Report, p. 20 'Climate and environment', pp. 34-37 ('Climate-related stress tests'), and p. 38 ('the UNEP FI case study')
c) Describe the robustness of the organisation's strategy, taking climate-related scenarios into consideration, including a scenario with 2°C or lower.	Ownership Report, pp. 34-37 ('Climate-related stress tests')
<b>Risk management</b>	
a) Describe the organisation's process for identifying and assessing climate risk.	Ownership Report, p. 20 'Climate and environment', pp. 34-37 ('Climate-related stress tests'), and p. 38 ('the UNEP FI case study'), and Strategic Plan, pp. 9-12.
b) Describe the organisation's process for managing risk.	Ownership Report, pp. 34-37 ('Climate-related stress tests')
c) Describe how the processes for identifying, assessing and managing climate risk are integrated into the organisation's risk management systems.	Ownership Report, p. 20 'Climate and environment', and pp. 34-37 ('Climate-related stress tests')
<b>Metrics and indicators</b>	
a) Describe the metrics the organisation uses to assess climate-related threats and opportunities, in line with its strategy and risk management process.	Ownership Report, pp. 34-37 ('Climate-related stress tests')
b) Report the portfolio's 'Scope 1', 'Scope 2' and, if relevant, 'Scope 3' greenhouse gas emissions, and related risks.	Ownership Report, pp. 34-37 ('Climate-related stress tests')
c) Describe the metrics the organisation uses to measure climate-related threats and opportunities, and how it has performed in relation to the metrics.	Ownership Report, pp. 34-37 ('Climate-related stress tests')

Table 19

**Dialogue**

General meetings  
 Nomination committees and governing bodies  
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 Development of best practice  
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**ANTI-CORRUPTION**

Corruption undermines the development of society's values and harms individual companies' business. For the individual company, the financial consequences of corruption include exclusion from markets, loss of contracts, the imposition of fines or prolonged legal proceedings.

For a financial investor like Folketrygdfondet, it is therefore important that companies take anti-corruption work seriously, and take steps to combat corruption in all its forms, including extortion and bribery.

**What do we wish to achieve?**

As an investor, Folketrygdfondet makes it very clear that the companies we invest in must not be involved in corruption.

**What do we do?**

It is up to each individual company to protect its business, values and reputation from corruption. The company must identify, handle and report significant challenges. To make our expectations clear to the companies, we have produced a guide to anti-corruption work. It is available on our website [ftf.no](http://ftf.no). We raise the risk of corruption in our dialogues with companies' boards and management when relevant.

**Development in 2022**

Folketrygdfondet has discussed anti-corruption measures with companies in sectors where the risk is high. Typical risk factors include operations in countries with a high corruption risk, operations in industries where big contracts with public counterparties are common, and the use of sales agents. Folketrygdfondet expects companies with exposure to one or more of these risk factors to exercise greater caution. The purpose of our dialogue is to understand how the companies work on preventing, uncovering and managing the risk corruption and other forms of economic crime, including money laundering, represent.

**Plan for 2023**

Folketrygdfondet takes a risk-based approach in its prioritisation of dialogues with companies about corruption, money laundering and other economic crimes.

**HUMAN AND LABOUR RIGHTS**

We expect companies to respect human and labour rights. Adequate handling of this issue depends on where in the value chain the risk arises.

Breaches and violations of human and labour rights have a negative impact on economic growth, contribute to increased social inequality and political and civil unrest. For companies, participation in such breaches and violations can lead to disruption of operations as a result of delays, lower productivity and quality. The companies' reputations can also be harmed.

**What do we do?**

It is up to the companies' boards and management to ensure that fundamental human and labour rights are respected by the whole organisation and that they are an integral part of the company culture. This entails establishing whether the business is exposed to breaches of human and labour rights and where in the value chain any such risk arises. To make our expectations clear to the companies, we have produced a guide to human and labour rights.

We raise the risk of breaches of human and labour rights in our dialogues with companies' boards and management when relevant.

**Development in 2022**

Several serious cases relating to operations in states where protection of human and labour rights is weak were discussed in Folketrygdfondet's dialogue with portfolio companies in 2021. This topic was not as relevant in 2022. Folketrygdfondet's dialogue with companies about this issue was to a greater extent based on taking a 'precautionary' approach.

**Plan for 2023**

The Norwegian Transparency Act entered into force in mid-2022. So far, this change has not affected the companies' communication with investors to any great extent. The reporting requirements in the Act will for the first time

form part of the companies' annual reports when reporting the 2022 financial year. We expect that the new requirements will increase transparency about material issues that will be relevant to discuss in our dialogue with companies in 2023.

**DIALOGUE WITH COMPANIES LISTED IN NORWAY BY TOPIC**

<b>Portfolio</b>	<b>Number of companies</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Strategy, capital structure and financial targets	58	63	55
Operations and market development	57	64	57
Climate and environment	38	45	32
Executive pay	25	24	22
Composition of the board	20	23	24
Human and labour rights	8	19	17
Anti-corruption	6	8	5

Table 20

**DIALOGUE WITH COMPANIES LISTED IN DENMARK, SWEDEN AND FINLAND BY TOPIC**

<b>Portfolio</b>	<b>Number of companies</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Strategy, capital structure and financial targets	16	24	28
Operations and market development	19	27	31
Climate and environment	11	21	14
Executive pay	2	0	6
Composition of the board	0	3	2
Human and labour rights	2	8	12
Anti-corruption	4	4	3

Table 21

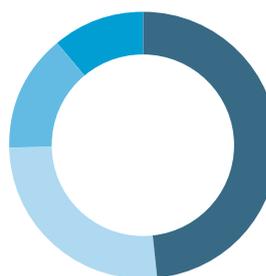
General meetings

## WE PROTECT SHAREHOLDER INTERESTS

In 2022, Folketrygdfondet voted at 182 general meetings of companies listed on the stock exchanges in Norway, Sweden, Denmark and Finland.

Voting at the general meetings of all the companies in which we are a shareholder is a key part of Folketrygdfondet's active ownership approach, and we did so again in 2022. As a rule, where practically possible, we endeavour to physically attend general meetings of companies listed on Oslo Stock Exchange.

**GEOGRAPHICAL DISTRIBUTION OF GENERAL MEETINGS (ANNUAL AND EXTRAORDINARY)**



Norway	88
Sweden	48
Denmark	26
Finland	20

Figure 33

### Our approach

	Norwegian companies	Nordic companies
Vote at the general meetings of companies in which we own shares	X	X
Participation	Where practically possible, we attend in person. Alternatively, we send a power of attorney with voting instructions	We always send a power of attorney with voting instructions
Before a general meeting, we thoroughly review the matters on the agenda and vote in accordance with our principles, guidelines and assessments	X	X
Lending of shares	We recall all loaned-out shares in the company in question in advance of the general meeting	We recall loaned-out shares in the company in question if an item on the agenda is a matter of principle that we wish to vote against
When we vote against a board proposal, this will be made public on the website ftf.no	Where practically possible, in advance of the general meeting	After the general meeting
A letter to the company's board and, if applicable, nomination committee when we vote against a board proposal	X	X

Table 22

## Development in 2022

The biggest change in 2022 was that, as a result of the EU's Second Shareholder Rights Directive having been implemented in Norwegian law, Norwegian companies for the first time published executive remuneration reports for approval by their general meetings. The law requires general meetings to approve executive remuneration at least once every four years, or in connection with significant changes. In addition, companies must prepare an annual executive remuneration report about implementation of the policy. Since the Directive entered into force in Norway in 2021, the executive remuneration reports were first produced in 2022. Folketrygdfondet found that the reports contained more granular information about the implementation of the companies' executive remuneration schemes than was the case prior to the entry into force of the legislation, and that they therefore give us a more informed basis for deciding how to vote.

In the vast majority of cases, we will vote for board proposals at the general meetings because we find them to be well-founded and in line with the company strategy. This also applies to proposals from shareholders, where Folketrygdfondet often follows the board's recommendation.

In some cases, however, we find that the board's recommendation challenges shareholder interests and recognised principles for good corporate governance. In Folketrygdfondet's view, being a strong representative of minority shareholders in Norwegian listed companies is an important task.

It is a fundamental principle for us that all shareholders are treated equally. We and other minority shareholders have a clear interest in the rules being followed and in all shareholders' interests being safeguarded. When Folketrygdfondet abstains from voting for a proposal, it is usually because we do not have enough information about the matter, for example if the nomination committee does not publish its recommendations concerning all candidates in good time before the meeting.

The table below shows how Folketrygdfondet voted in matters put forward by boards. For the Norwegian market, Table 25 lists instances of our voting against board proposals and the reasons for our voting, while Table 26 summarises votes against by type of matter at general meetings in all the Nordic countries.

Folketrygdfondet publishes a complete list of reasons for our voting on the website [ftf.no](http://ftf.no) for each instance of our voting against a board proposal, including the Nordic companies.

### BOARD PROPOSALS

	For	Against	Abstained	Total	For (%)	Against (%)	Abstained (%)
Norway	1,038	33	8	1,079	96.2%	3.1%	0.7%
Sweden	1,399	54	4	1,457	96.0%	3.7%	0.3%
Denmark	360	2	0	362	99.4%	0.6%	0.0%
Finland	219	0	0	219	100.0%	0.0%	0.0%
<b>Total</b>	<b>3,016</b>	<b>89</b>	<b>12</b>	<b>3,117</b>	<b>96.8%</b>	<b>2.9%</b>	<b>0.4%</b>

Table 23

#### *Publication of voting intentions*

If our point of view does not prevail, we vote against and publish a statement of our reasons. In 2022, for the fourth year running, where practically possible, we published Folketrygdfondet's intention to vote against one or more of the board's proposals in Norwegian companies at [ftf.no](http://ftf.no) before the general meetings.

For resource reasons, Folketrygdfondet publishes its grounds for voting in the Nordic companies after the meetings have been held. For the same reason, we have not entered into a dialogue with the companies prior to the meetings. Because Folketrygdfondet has larger holdings in Norway than in the Nordic countries, we have chosen to prioritise dialogue in advance of general meetings and advance announcement of our voting intentions in Norway.

*Letters to the companies' boards*

We sent letters stating the reasons for our voting to company boards in both Norway and the Nordic countries. In cases where Folketrygdfondet has previously voted against the same proposal, we have sent a new letter, but the reasons are published at [ftf.no](http://ftf.no). The reason for sending such letters is to ensure that we are a clear owner who explains which corporate governance principles we abide by and to invite the companies to engage in dialogue with us if they believe that there are important arguments that we should give consideration before voting at the next year's general meeting. We consistently receive feedback stating that the companies appreciate being informed about the reasons why we voted as we did.

## Folketrygdfondets eierskapsutøvelse

**Updated voting principles**

In 2022, we revised the document *Folketrygdfondets eierskapsutøvelse* (Folketrygdfondet's active ownership approach), and included a separate chapter on our voting principles. Many of these principles were already spread throughout the document, and in the reasons for voting published at [ftf.no](http://ftf.no). We nonetheless felt that it was necessary to gather all the principles in one place to make it easy for companies and our stakeholders to find out which principles we apply in our assessments. The publication of the principles therefore does not entail any changes to existing practice.

**SHAREHOLDER PROPOSALS**

	For	Against	Abstained	Total	For (%)	Against (%)	Abstained (%)
Norway	0	10	0	10	0.0%	100.0%	0.0%
Sweden	2	24	0	26	7.7%	92.3%	0.0%
Denmark	0	24	2	26	0.0%	92.3%	7.7%
Finland	0	0	0	0	N/A	N/A	N/A
<b>Total</b>	<b>2</b>	<b>58</b>	<b>2</b>	<b>62</b>	<b>3.2%</b>	<b>93.5%</b>	<b>3.2%</b>

Table 24

*Shareholder proposals*

The use of shareholder proposals varies between the Nordic countries. In all, 62 shareholder proposals were tabled at the general meetings of companies Folketrygdfondet has invested in, 52 of them in Sweden and Denmark, none in Finland and the remaining 10 in Norway. As many as 9 out of 10 shareholder proposals were tabled at Equinor's general meeting.

We note that many of these proposals concern matters that, based on general principles for the division of roles in a listed company, lie outside what the shareholders as a group are supposed to decide.

**What have we achieved?**

Folketrygdfondet devotes considerable resources to dialogue with companies in advance of general meetings. We focus in particular on Norwegian companies in which we, as a rule, are among the largest owners. In Norway, we inform the companies in advance that we intend to vote against one or more of the board's proposals.

In some cases, the company changes the proposals in accordance with Folketrygdfondet's expectations. In our view, the best outcome is that proposals that are not in the shareholders' interests are changed before the general meeting or never make it onto the agenda.

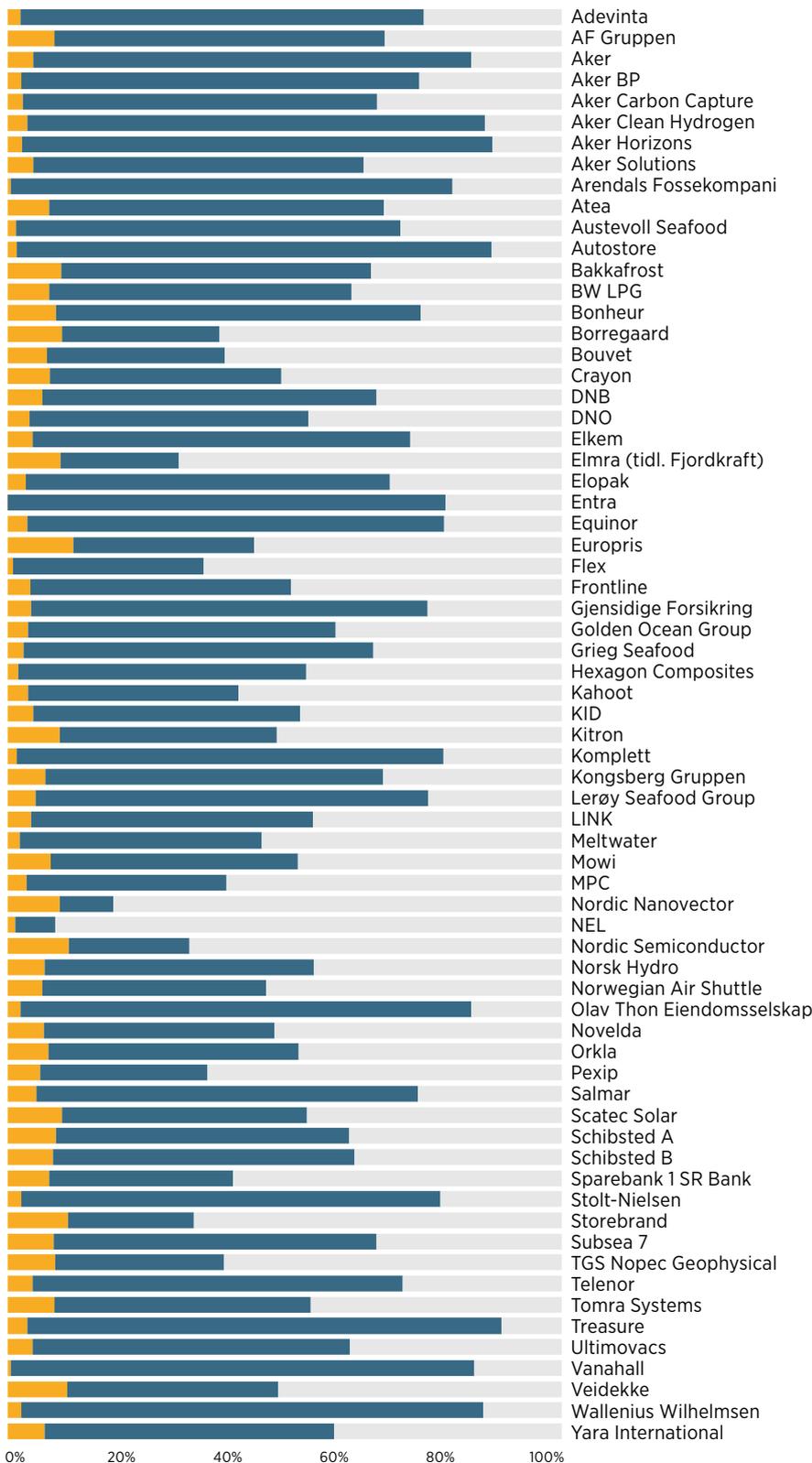
Even though Folketrygdfondet is a large owner, it is only rarely the case that a proposal we vote against is not passed by the shareholders as a whole.

As regards general meetings, the goal for our active exercise of ownership rights is to ensure that board proposals are in line with Folketrygdfondet's expectations. This applies in particular to our expectations as regards strategy, capital structure and financial targets, remuneration of the board and executive personnel, and the composition of the board. Cases where companies, as a result of our dialogue, have made changes in accordance with our expectations are registered internally.

In 2022, we registered several cases where proposals were changed or where proposals we voted against at the preceding general meeting were changed in accordance with our objections. This applies for example to a reduction in the size of a company's general authorisation to issue shares. As of the end of 2022, Folketrygdfondet was represented on 16 nomination committees and 2 corporate assemblies. In that connection, we have registered several improvements in the board composition in individual companies.

**ATTENDANCE 2022 – COMPANIES LISTED ON OSLO STOCK EXCHANGE AND EURONEXT GROWTH OSLO**

Annual general meetings in companies listed on Oslo Stock Exchange which Folketrygdfondet has attended



In 2022, **Folketrygdfondet** was represented at a total of 67 annual general meetings of companies listed on Oslo Stock Exchange, in addition to 21 extraordinary general meetings.

**Folketrygdfondet**  
**Other**  
**shareholders**  
**Not represented**

The **attendance percentage** for all annual general meetings at which Folketrygdfondet was represented was 60.1 per cent. Attendance varied between 8.7 per cent and 89.1 per cent.

Figure 34

## NORWEGIAN COMPANIES WHERE FOLKETRYGDFONDET VOTED AGAINST BOARD PROPOSALS

Company	Date	Type of matter   Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Treasure	15 March 2022	<i>Board composition and authorisation to issue shares</i>		
		<b>Item 8</b> Election of board members <i>Grounds:</i> We believe that the board should contribute more to highlighting the company's values and show consideration for minority shareholders in a good way. We therefore vote against the board members who are up for election.	4.0	14.1
		<b>Item 14</b> Authorisation of the board to purchase treasury shares <i>Grounds:</i> Buying back shares can be a good supplement to dividends. However, Treasure is a very illiquid share with a limited trading volume in the market and inefficient pricing. Buying back at these discount levels also favours those who do not sell, and we therefore believe that it is a poorer alternative than dividends that would have treated all shareholders equally. At the same time, it also further reduces free flow.	4.0	4.0
		<b>Item 15</b> Authorisation to increase the share capital <i>Grounds:</i> The share is traded at a substantial discount in relation to underlying values, and share issues at these levels could have unfortunate diluting effects for current shareholders.	4.0	14.1
Gjensidige	24 March 2022	<i>Amendments of Articles of Association concerning the election of board members</i>		
		<b>Item 11</b> Proposal to amend the company's Articles of Association <i>Grounds:</i> Proposing candidates for shareholder-elected board members in connection with elections at the general meeting is a task for the nomination committee of Gjensidige Forsikring ASA.  The board members who are elected shall represent all shareholders and are elected by the general meeting based on the principle of one share one vote. In principle, we believe that it is not right to give a single shareholder a special right enshrined in the Articles of Association to propose candidates for the company's board. Folketrygdfondet therefore votes against the proposal to amend the company's Articles of Association.	5.6	5.6
Stolt-Nielsen	21 April 2022	<i>Composition of the board</i>		
		<b>Item 3g</b> Election of Niels G Stolt-Nielsen as board member <i>Grounds:</i> Niels G Stolt-Nielsen is the managing director of Stolt-Nielsen Limited. Pursuant to the Norwegian Code of Practice for Corporate Governance, executive personnel should not be members of the board. One of the board's main duties is to supervise the company's management, including appointing and dismissing the managing director. In order to ensure adequate supervision of the company's management, Folketrygdfondet believes that it is a prerequisite that board members are not recruited from the management.  Folketrygdfondet therefore votes against electing Niels G Stolt-Nielsen as board member.	3.1	8.0
		<b>Item 4</b> Authorisation of the board to appoint new board members <i>Grounds:</i> The board of Stolt-Nielsen Limited requests the general meeting's authorisation to appoint new board members. Folketrygdfondet believes that, on principle, it is the shareholders through the general meeting who shall elect board members.  Folketrygdfondet therefore votes against granting the board authorisation to appoint new board members.	3.1	14.1

Company	Date	Type of matter   Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Ultimovacs	21 April 2022	<p><i>Executive remuneration and authorisation to issue shares</i></p> <p><b>Item 4</b> Approval of guidelines on the determination of pay and other remuneration for executive personnel</p> <p><i>Grounds:</i> Folketrygdfondet takes a positive view of remuneration systems that are targeted and performance-based. Incentive schemes should be linked to personal goals, company targets and goals aimed at ensuring good value creation for the shareholders over time. In the case of option programmes and other share-based programmes, we also expect boards to set a maximum limit on the scheme and ensure that the scope is not unreasonable.</p> <p>In Folketrygdfondet's view, since the option programme in Ultimovacs lacks such an upper limit, this proposal could therefore entail too large a transfer of values from shareholders to the company's employees. Folketrygdfondet therefore votes against the proposal in Item 4.</p>	7.2	15.5
		<p><b>Item 5</b> Approval of a report on executive pay and remuneration</p> <p><i>Grounds:</i> The report is based on a programme for the remuneration of executive personnel that does not set a maximum limit on option programmes and other share-based programmes. The lack of a maximum limit is not in line with Folketrygdfondet's expectations of executive remuneration in the company. Folketrygdfondet voted against the scheme itself last year and votes against the report this year on the same grounds.</p>	7.2	15.1
		<p><b>Item 14</b> Authorisation of the board to increase the share capital in connection with incentive programmes</p> <p><i>Grounds:</i> We refer to the explanation of our voting grounds in Item 4 in which we argue that the option scheme could potentially lead to too large a transfer of values from shareholders to employees. Folketrygdfondet therefore votes against the proposed decision to grant the board authorisation to increase the share capital in connection with the option programme.</p>	7.2	15.5
MPC Container ships	27 April 2022	<p><i>Executive pay</i></p> <p><b>Item 5</b> Guidelines for the pay and other remuneration of executive personnel</p> <p><i>Grounds:</i> Folketrygdfondet takes a positive view of remuneration systems that are targeted and performance-based. Incentive schemes should be linked to personal goals, company targets and goals aimed at ensuring good value creation for the shareholders over time. We expect boards to devise schemes that are simple and clear, have a maximum limit and a scope that is not unreasonable. As it is described, the incentive programme lacks such a maximum limit, and important details about the programme are lacking. In Folketrygdfondet's view, the proposal could potentially lead to the transfer of values from shareholders to the company's employees.</p>	8.8	18.6
		<p><b>Item 6</b> Advisory vote on a report on pay and other remuneration of executive personnel</p> <p>The report lacks a maximum limit and information about how the incentive structure contributes to value creation for shareholders over time. Folketrygdfondet votes against the report since this is not in line with our expectations of the companies' incentive programmes.</p>	8.8	18.6
Arendals Fosse-kompani	5 May 2022	<p><i>Composition of nomination committee</i></p> <p><b>Item 15</b> Election of members of the nomination committee</p> <p><i>Grounds:</i> In Folketrygdfondet's view, the members of the nomination committee must be independent of the individual board members. This follows from NUES, Section 7. The independence of the nomination committee is important to ensure that all shareholders have the required confidence in the nomination committee's processes and recommendations. It is fundamental to the work of the nomination committee that there is a clear division of roles and responsibility between the board and the nomination committee. That is not the case here, since the deputy chair of the company's board is standing for election as the chair of the nomination committee. It is not possible to vote for candidates individually. Folketrygdfondet therefore votes against the whole proposal from the nomination committee.</p>	0.8	0.8

Company	Date	Type of matter   Why we voted against	Votes against as %	
			Folketrygdfondet	Total
DNO	25 May 2022	<i>Executive pay and the composition of the nomination committee</i>		
		<p><b>Item 6a</b> The election of Bijan Mossavar-Rahmani as chair of the nomination committee</p> <p><i>Grounds:</i> In Folketrygdfondet's view, the members of the nomination committee must be independent of the individual board members. This follows from Section 7 of the Norwegian Code of Practice for Corporate Governance (NUES). The independence of the nomination committee is important to ensure that all shareholders have the required confidence in the nomination committee's processes and recommendations. It is fundamental to the work of the nomination committee that there is a clear division of roles and responsibility between the board and the nomination committee.</p>	7.2	8.7
		<p><b>Item 7</b> Stipulation of the remuneration of board members, the audit committee, the HSE committee and the compensation committee</p> <p><i>Grounds:</i> The remuneration of the chair of the board reflects the fact that the chair in practice functions as an executive chair of the board. This arrangement is not in line with Folketrygdfondet's expectations as regards the board's independence. It follows from NUES Section 8 that executive personnel should not be members of the board. One of the board's main tasks is to supervise the company's management. In Folketrygdfondet's view, in order to ensure adequate supervision of the company's management, it is a prerequisite that board members are not recruited from the management. Folketrygdfondet therefore votes against the proposal.</p>	7.2	13.1
Lerøy Seafood Group	23 May 2022	<i>Executive pay and the remuneration of board members</i>		
		<p><b>Item 5a</b> Stipulation of the remuneration of board members</p> <p><i>Grounds:</i> Pursuant to the Public Limited Liability Companies Act, the general meeting shall vote on the remuneration of the chair of the board and board members. The recommendation from the nomination committee in Lerøy Seafood Group ASA proposes that the chair of the board shall receive NOK 500,000 in remuneration. At the same time, the board has submitted a proposal to the general meeting in Item 5 a) that the chair of the board shall receive a consultancy fee of NOK 5,108,294. The fee will be paid by Laco AS, where the chair of the board is employed, and Laco AS will invoice Lerøy Seafood Group for the whole fee. There is a considerable difference between the nomination committee's proposed remuneration of the chair of the board and the proposal in Item 5 a)</p> <p>It follows from sound corporate governance and normal practice in listed companies that it is the nomination committee that shall propose the remuneration of board members, and that the general meeting shall vote on the proposal, cf. NUES section 7. Folketrygdfondet votes against the proposal in Item 5 a) since the fee for the chair of the board is not based on the nomination committee's recommendation.</p>	6.6	6.6
		<p><b>Item 6</b> Board of Directors' report on the pay and other remuneration of executive personnel</p> <p><i>Grounds:</i> Folketrygdfondet votes against Item 6 concerning the executive pay report. The executive pay report states that the chair of the board receives a consultancy fee from Laco AS, for which Lerøy Seafoods Group ASA is invoiced. In other words, the fee of NOK 5,108,294 is not based on the nomination committee's recommendation. The executive pay report shows that the company's remuneration of the chair of the board is not in accordance with sound corporate governance and practice in listed companies. On this basis, Folketrygdfondet votes against the executive pay report. We refer to our grounds for voting against Item 5 a).</p>	6.6	17.4
Austevoll Seafood	24 May 2022	<i>Composition of the board</i>		
		<p><b>Item 7a</b> Stipulation of the remuneration of board members</p> <p><i>Grounds:</i> Pursuant to the Public Limited Liability Companies Act, the general meeting shall vote on the remuneration of the chair of the board and board members. In Item 7 a), the nomination committee has submitted a proposal for the remuneration of board members, including remuneration of NOK 375,000 for the chair of the board. In the company's report on the remuneration of executive personnel, however, it is stated that the chair of the board receives a consultancy fee from Laco AS of NOK 3,081,000, for which Austevoll Seafood ASA is invoiced. The consultancy fee is related to work as chair of the board of Austevoll Seafood ASA. There is a considerable difference between the nomination committee's proposed remuneration of the chair of the board and the information about the remuneration of executive personnel in the board's report.</p> <p>Item 7 a) in the notice of the general meeting appears to be misleading since only part of the remuneration of the chair of the board is to be voted on. This is a violation of the Public Limited Liability Companies Act section 6-10. The chair of the board receives a fee over and above what the nomination committee recommends, which must be deemed to be in conflict with sound corporate governance and normal practice in listed companies, cf. NUES section 7. On this basis, Folketrygdfondet votes against Item 7 a).</p>	2.1	2.4
		<p><b>Item 12</b> Report on the remuneration of executive personnel</p> <p><i>Grounds:</i> Folketrygdfondet votes against Item 12 on the report on the remuneration of executive personnel. The report states that the chair of the board has received NOK 3,081,000 for work as chair of the board and as a consultancy fee. We refer to our grounds for voting against Item 7 a) and to the fact that the remuneration of the chair of the board is not based on the nomination committee's recommendation.</p>	2.1	15.6

Company	Date	Type of matter   Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Norwegian Air Shuttle	25 May 2022	<p><i>Executive pay</i></p> <p><b>Item 4</b> Advisory vote on a report on pay and other remuneration of executive personnel</p> <p>The report is based on a remuneration programme for executive personnel that can result in the issuing of up to 5 per cent new shares. The maximum limit is also set at a high level. Folketrygdfondet takes a positive view of remuneration systems that are targeted and performance-based. Incentive schemes should be linked to personal goals, company targets and goals aimed at ensuring good value creation for the shareholders over time. In the case of option programmes and other share-based programmes, we also expect boards to set a maximum limit on the scheme and ensure that the scope is not unreasonable.</p>	13.6	22.8
Kahoot!	27 May 2022	<p><i>Executive remuneration and authorisation to issue shares</i></p> <p><b>Item 7</b> Advisory vote on a report on pay and other remuneration of executive personnel</p> <p><i>Grounds:</i> In Note 21 to the accounts, it is stated that Glitrafjord AS, a company that is wholly owned by the chair of the board, has invoiced Kahoot! ASA USD 380,000 for consultancy services in 2021. It is not further specified what these consultancy services consist of. The payment to Glitrafjord AS is not mentioned in the report on pay and other remuneration of executive personnel. Folketrygdfondet believes that the reporting has shortcomings because it does not provide enough information to assess whether this payment should be deemed to be part of the remuneration of the CEO of Kahoot! ASA.</p>	9.6	24.8
		<p><b>Item 8</b> Approval of guidelines on the determination of pay and other remuneration of executive personnel</p>	9.6	26.1
		<p><b>Item 13</b> Authorisation of the board to increase the share capital in connection with the exercise of options and capital rights</p>	9.6	25.4
		<p><b>Item 14</b> Authorisation of the board to purchase treasury shares</p> <p><i>Grounds:</i> Folketrygdfondet expects boards to set a maximum limit on option programmes and share-based programmes. The incentive programme in Kahoot! ASA lacks such a maximum limit, so that approval of the authorisation in Item 13 could lead to the issue of up to 9.1 per cent new shares. In our view, the proposal could entail too large a transfer of values from shareholders to employees of the company. Folketrygdfondet therefore votes against Items 8, 13 and 14.</p>	9.6	9.6
Link Mobility	31 May 2022	<p><i>Executive remuneration and authorisation to issue shares</i></p> <p><b>Item 7</b> Advisory vote on the remuneration report</p> <p><i>Grounds:</i> The report is based on a programme for remuneration of executive personnel that does not set a maximum limit for option programmes and other share-based remuneration. The lack of a maximum limit is not in line with Folketrygdfondet's expectations of executive remuneration in the company. Folketrygdfondet voted against the scheme itself last year and votes against the report this year on the same grounds.</p>	7.8	30.1
		<p><b>Item 12</b> Board authorisation – Incentive programme</p> <p><i>Grounds:</i> We refer to our grounds for voting in Item 7. Folketrygdfondet takes a positive view of the management and board owning shares in the companies because this can ensure shared interests between the management and shareholders, and sound corporate governance and value creation over time. We expect boards to devise schemes that are simple and clear, have a maximum limit and a scope that is not unreasonable. The programme lacks an upper limit and could lead to the issue of a further 10 per cent new shares. In Folketrygdfondet's view, the programme is too large in scope and can lead to too large a transfer of values from shareholders to the company's employees. Folketrygdfondet therefore votes against the proposal to grant the board authorisation to increase the share capital in connection with the incentive programme.</p>	7.8	29.6
Meltwater	21 June 2022	<p><i>Executive pay</i></p> <p><b>Item 2b</b> Report on the remuneration of executive personnel</p> <p><i>Grounds:</i> The report only contains information about the remuneration of the company's board, and not executive personnel. In Folketrygdfondet's view, one of the main purposes of the report is to show how the company has complied with the guidelines for the remuneration of executive personnel endorsed by the general meeting. In the absence of information about the remuneration of executive personnel, it is not possible to assess compliance. Folketrygdfondet therefore votes against Item 2b.</p>	3.4	3.6
Link Mobility Group	12 July 2022	<p><i>Remuneration of the chair of the board</i></p> <p><b>Item 5</b> Remuneration of the chair of the board</p>	7.0	28.6
		<p><b>Item 6</b> Board authorisation</p> <p><i>Grounds:</i> Folketrygdfondet abides by the principle that options should not be granted to board members. The Norwegian Code of Practice for Corporate Governance Section 11 points out that such schemes can weaken the independence of the board, particularly in relation to the company's management. In this case, the nomination committee proposes that the chair of the board be compensated with 2,000,000 options in the company, in addition to ordinary remuneration. Since the granting of options to board members is in conflict with Folketrygdfondet's principles and the recommendation in NJES, Folketrygdfondet votes against the proposal in Item 5.</p>	7.0	28.3

Company	Date	Type of matter   Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Frontline Ltd.	30 Sept. 2022	<i>Composition of the board</i> <b>Item 2</b> Authorisation of the board to appoint new board members <i>Grounds:</i> The board requests the general meeting to authorise it to appoint new board members. Folketrygdfondet believes that, in principle, it is the shareholders through the general meeting who shall elect board members. Folketrygdfondet will therefore vote against granting the board authorisation to appoint new board members.	8.0	14.7
Golden Ocean Group Ltd.	30 Sept. 2022	<i>Composition of the board and amendments to the Articles of Association</i> <b>Item 2</b> Authorisation of the board to appoint new board members <i>Grounds:</i> The board requests the general meeting to authorise it to appoint new board members. Folketrygdfondet believes that, in principle, it is the shareholders through the general meeting that shall elect board members. Folketrygdfondet will therefore vote against granting the board authorisation to appoint new board members.	6.3	9.0
		<b>Item 10</b> Amendment of the company's Articles of Association <i>Grounds:</i> Pursuant to the proposed amendments, a simple majority of the votes cast at the general meeting will be sufficient to pass ordinary resolutions, including on a merger of the company. Folketrygdfondet believes that, in principle, requiring a simple majority in such matters will not sufficiently safeguard the rights of minority shareholders. Nor has the company provided any convincing justification for lowering the threshold for passing resolutions in this way.	6.3	6.7
Flex LNG Ltd.	30 Sept. 2022	<i>Board composition and amendments to the Articles of Association</i> <b>Item 2</b> Authorisation of the board to appoint new board members <i>Grounds:</i> The board requests the general meeting to authorise it to appoint new board members. Folketrygdfondet believes that, in principle, it is the shareholders through the general meeting who shall elect board members. Folketrygdfondet will therefore vote against granting the board authorisation to appoint new board members.	2.9	16.7
		<b>Item 10</b> Amendment of the company's Articles of Association <i>Grounds:</i> Pursuant to the proposed amendments, a simple majority of the votes cast at the general meeting will be sufficient to pass ordinary resolutions, including on a merger of the company. Folketrygdfondet believes that, in principle, requiring a simple majority in such matters will not sufficiently safeguard the rights of minority shareholders. Nor has the company provided any convincing justification for lowering the threshold for passing resolutions in this way.	2.9	3.1

Table 25

## MATTERS FOLKETRYGDFONDET HAS VOTED AGAINST (ABSTAINED FROM VOTING FOR)

	Norway	Sweden	Denmark	Finland	Total
Remuneration of executive personnel*	15	10 (1)	1		26
Authorisations to issue/buy back shares**	7				7
Election of members of the nomination committee	2 (2)	1			3
Against the whole board / one member	1 (6)	3 (2)			4
Against having the CEO on the board	1	22			23
Discharge of liability		18			18
Board authorisation to appoint new members		23			24
Own members	4				4
Amendment of the Articles of Association	3				3
Auditor		(1)	1		1
<b>TOTAL</b>	<b>33 (8)</b>	<b>54 (4)</b>	<b>2</b>	<b>0</b>	<b>89</b>

\* This includes both votes against binding votes on executive pay and board remuneration, respectively, and the advisory vote on the company's report on the remuneration of executive personnel.

\*\* Authorisations to issue shares also include authorisations relating to the company's incentive programme, and authorisations to purchase treasury shares and to issue convertible loans.

## FURTHER DEVELOPMENT OF WORK ON NOMINATION COMMITTEES

Folketrygdfondet is represented on 16 nomination committees in Norwegian companies. We also attended three corporate assemblies in 2022.

It is important to Folketrygdfondet to contribute to ensuring that the companies' boards have sound expertise and the right composition. Folketrygdfondet expects the companies we have invested in to have a nomination committee.

Board work is becoming professionalised, and the companies are dependent on having boards where the members have the right expertise. The role of nomination committees has therefore increased in importance in recent years. Folketrygdfondet has played a role in promoting this development, not least through our participation in the Institutional Investment Forum and the Norwegian Corporate Governance Board (NUES).

We primarily wish to ensure that the companies have sound processes for putting together competent boards. We prioritise this by participating in nomination committees in some of the companies we have invested in, but we have to limit this because it is time-consuming work. Folketrygdfondet is not represented on companies' boards, but, in addition to being represented on nomination committees, we also attended corporate assemblies in 2022. Folketrygdfondet's representatives were elected to two new nomination committees in 2022: TOMRA Systems ASA and SpareBank 1 SR-Bank ASA.

Folketrygdfondet's representatives relinquished their places on two nomination committees as a result of the sale of our ownership holdings: PGS ASA and Entra ASA. In addition, Norsk Hydro ASA did away with its corporate assembly at the general meeting in 2022, so that we were only represented on two corporate assemblies at year-end 2022. Folketrygdfondet is still represented on the company's nomination committee.

Folketrygdfondet has broad representation on the different companies' nomination committees. Our aim is to use the resources who know the companies best, and to build and develop expertise.

Since 2017, the number of nomination committees we are represented on has increased from 7 to 16, while the number of representatives of Folketrygdfondet has increased from 5 to 10. Folketrygdfondet's representatives meet regularly to discuss common issues relating to nomination committees' work. We have also introduced a systematic evaluation process whereby each representative evaluates the individual committee's work towards the adopted goals. Several portfolio managers take on this role, which also helps to increase our experience of active ownership across the organisation. We believe that this helps to strengthen our active investment approach.

### FOLKETRYGDFONDET'S REPRESENTATIVES ON NOMINATION COMMITTEES AND GOVERNING BODIES 2022

#### Corporate assemblies

Equinor ASA	Chief Investment Officer Equities Nils Bastiansen	Deputy chair
Telenor ASA	CEO Kjetil Houg	Deputy chair

#### Nomination committees

Gjensidige Forsikring ASA	Portfolio Manager Pernille Moen Masdal	Member
Kongsberg Gruppen ASA	Portfolio manager Karl Mathisen	Member
Mowi ASA	Deputy Director Equities Ann Kristin Brautaset	Member
Nordic Semiconductor ASA	Portfolio manager Eivind Lotsberg	Member
Norsk Hydro ASA	Chief Investment Officer Equities Nils Bastiansen	Member
Norwegian Air Shuttle ASA	Chief Investment Officer Equities Nils Bastiansen	Member
Orkla ASA	CEO Kjetil Houg	Member
Scatec ASA	Portfolio manager Annie Bersagel	Member
Schibsted ASA	Deputy Director Equities Ann Kristin Brautaset	Member
SpareBank 1 SR-Bank ASA	CEO Kjetil Houg	Member
Storebrand ASA	Chief Investment Officer Equities Nils Bastiansen	Member
Telenor ASA	Retired portfolio manager Lars Tronsgaard	Member
TGS-NOPEC Geophysical Company ASA	Chief Compliance Officer and General Counsel Christina Stray	Member
TOMRA Systems ASA	Portfolio manager Tine Fosslund	Member
Veidekke ASA	Portfolio manager Tine Fosslund	Member
Yara International ASA	Deputy Director Equities Ann Kristin Brautaset	Member



Climate risk in the portfolio

## CLIMATE-RELATED STRESS TESTS

### Background and investment model

Folketrygdfondet's mandate is the point of departure for assessing risk in the portfolio, including climate risk. We are a long-term, active investor, and we measure excess returns relative to our benchmark index. As an active investor, Folketrygdfondet is able to adapt the weightings in the portfolio as the financial risk situation changes. The strategy for achieving excess returns is described in detail in Folketrygdfondet's strategic plan on the website [ftf.no](http://ftf.no), where climate risk is discussed specifically.

Our investment decisions are based on broad access to information, analyses and contact with the companies. They include ESG analyses. Folketrygdfondet's ability to generate excess returns in the short, medium and long term depends on sound assessments of market risk, include risk as a result of climate change. Such assessments are thereby an integral part of our asset management assignment. At the same time, it is decisive for our long-term returns that the companies we have invested in deliver strong results in the long term.

### CORE ELEMENTS OF THE TCFD FRAMEWORK

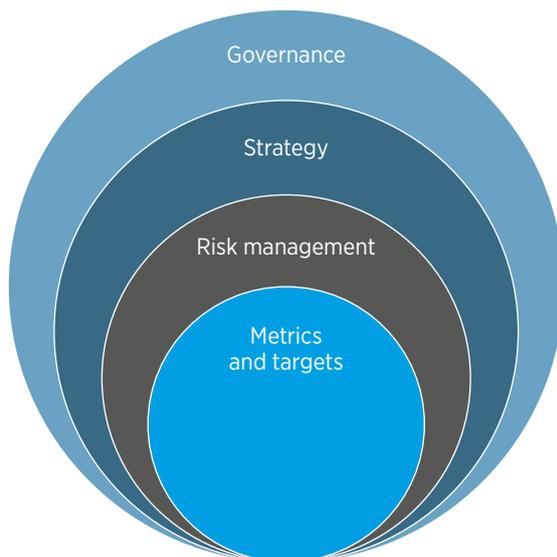


Illustration 20

#### 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.

### Bank of England (BoE) stress test

Different scenarios for climate policy and warming of the atmosphere will lead to major differences in transition risk and physical risk, respectively. Developing a robust method for climate-related scenario analyses is therefore a prerequisite if investors and companies are to find this information useful and relevant. The use of climate-related scenario analyses is still at an early stage. To meet the requirements in the recommendations of the *Task force on Climate-related Financial Disclosures*, Folketrygdfondet

published the results of the stress tests developed by the Bank of England (BoE). In this report, we present the results of new stress tests using the same assumptions and based on the portfolio as of year-end 2022. The results show that the two stress tests of the equities portfolio lead to a fall in value of 11–14 per cent (compared to a fall of 8–9 per cent the last time Folketrygdfondet applied the BoE stress test, in 2020). The difference is primarily due to the increase in the Government Pension Fund Norway's equity investments in companies engaged in the oil and gas sector.

The BoE outlines three scenarios:

- A. A rapid and chaotic transitional period with global measures being implemented quickly to ensure that global warming is below the two-degree target. The temperature in 2100 is well below the two-degree target. This maximises the transition risk.
- B. A long-term transitional period concluding in 2050. The transition takes place over a period of three decades and in an orderly manner. This also ensures that global warming is well under two degrees in 2100.
- C. A scenario in which climate measures fail and where global warming in 2100 is higher than four degrees.  
 In this scenario, there is no transition, only a continuation of the current policy. Physical risk is the dominant factor in this scenario.

The results of the three tests for the equities portfolio are illustrated in the graph below.

The total loss resulting from each of the three tests is fairly similar, entailing a fall in the value of the equities portfolio of between 11 and 14 per cent. In all the scenarios, the biggest contribution to the fall in value comes from Folketrygdfondet’s investments in oil production. The relatively large loss on other sectors in Scenario C is of particular interest. It indicates that also companies outside what are defined as climate-sensitive sectors will lose as a result of global warming that is out of control.

Compared with the stress test in 2020, the fall in value has increased as a result of greater exposure to the oil and gas sector in 2022, and reduced exposure to the renewables sector. In the 2020 analysis, investments in aquaculture were classified as ‘agriculture’ and made the biggest single contribution to the fall in value. In 2022, we have removed aquaculture from the agricultural sector, since we found that the aquaculture companies are facing a different kind of climate risk than companies normally classified as agriculture. Seen in isolation, this change reduces the fall in value, but it does not compensate for the increased exposure to oil and gas.

The assumptions in the analysis do not take into account the second-order effect of the estimated falls in value. For example, equities in banks with a high degree of exposure to the most exposed sectors in their loan portfolios will probably also suffer losses. Moreover, individual companies in sectors with apparently limited exposure to climate risk could also make major losses or gains based on company-specific factors, for example if a company is dependent on input factors produced by suppliers affected by a natural disaster. The analysis can thereby both overestimate climate risk in some sectors and underestimate it in others.

**BANK OF ENGLAND STRESS TEST OF GOVERNMENT PENSION FUND NORWAY’S EQUITIES PORTFOLIO (% CHANGE IN VALUE)**

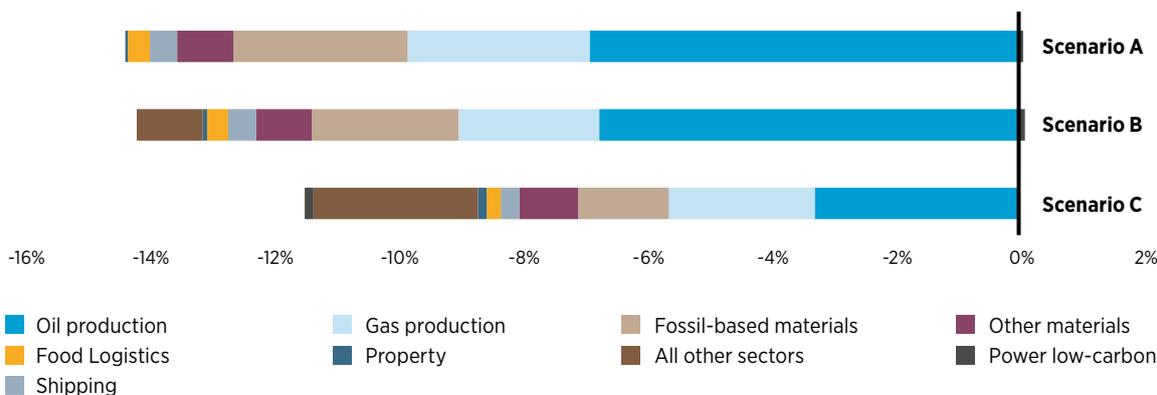


Figure 35

## CONCLUSIONS AND CHALLENGES

Analytical tools are becoming increasingly sophisticated in terms of both modelling climate scenarios and the collection of data to estimate potential costs and revenues for industries in different scenarios. There is nonetheless still a long way to go until we will be able to link this risk with prices of financial assets. The Bank of England stress test asks: If the market were to experience a shock so that everyone became aware that a certain scenario would transpire, what would the immediate consequence be for asset prices in the affected industries?

The relevant falls/gains in value are then estimated on a discretionary, but transparent basis based on simple assumptions. With reservations as regards possible errors and shortcomings in the data basis for the analytical tools, we can conclude that:

- The BoE stress test estimates a total fall in the value of the equities portfolio of the Government Pension Fund Norway of between 11 and 14 per cent in the different scenarios.
- The BoE stress test estimates that the financial climate risk is greatest for the Fund's investments in oil and gas production.
- Of all the affected sectors, it is only for the investments in low-carbon energy and electric vehicles in Scenario A (a swift and chaotic transition) and B (an orderly transition) that the stress test estimates an increase in value, which is much lower, however, than the total loss from negatively affected sectors.

### Carbon footprint

Since 2013, Folketrygdfondet has carried out emission analyses of the Norwegian equities portfolio. The analysis for 2022 measures emissions of greenhouse gases in the total equities portfolio, adjusted for our shareholding, and compares this with Folketrygdfondet's benchmark index. Access to and the quality of information are a challenge in this connection. Among the reporting companies, there are challenges relating to a lack of standardisation and quality assurance. More and better climate information has therefore been a topic in Folketrygdfondet's ownership follow-up for several years.

Even though an emissions analysis increases our understanding of climate risk in the portfolio, it also has major limitations. For example, the analysis does not tell us how the portfolio companies are positioned to deal with the consequences of legislative amendments or the transition to a low-emission economy (transition risk). Nor does it tell us much about the portfolio's exposure to physical climate change and related consequences (the impact of extreme weather, droughts, flooding and changed access to raw materials). TCFD addresses this complexity by recommending the use of several tools in addition to emissions analyses, for example scenario analyses. As a result of the weaknesses of the emissions analysis, we only use it as an indicator of climate risk, not as a metric for managing the portfolio. Folketrygdfondet's CO<sub>2</sub>e-analysis\* is based on our equities portfolio as of 31 December 2021. The figures are calculated using Bloomberg's analytical tools for measuring the carbon footprint of securities portfolios.

We use the indicators in the TCFD recommendations. This means that the indicators include the portfolio's CO<sub>2</sub> intensity, both adjusted for our share of the company's market value ('the equity method') and adjusted for the company's relative size in the portfolio ('weighted average carbon intensity'). The analysis used emission figures from 2021 for direct emissions (Scope 1) and indirect emissions from energy (Scope 2). Non-reporting companies are excluded from the analysis.

*We use the following indicators in our emissions reporting for equities:*

1. The portfolio's absolute CO<sub>2</sub> emissions. The figure is based on the companies' total emissions adjusted for our shareholding (tonnes CO<sub>2</sub>e).
2. The portfolio's CO<sub>2</sub> efficiency. The figure is based on the companies' total emissions adjusted to reflect our percentage shareholding (tonnes CO<sub>2</sub>e/ NOK million invested).
3. Weighted average portfolio CO<sub>2</sub> intensity. The figure is based on the sum of the companies' CO<sub>2</sub> emissions relative to sales (tonnes CO<sub>2</sub>e/ NOK million in sales) adjusted to reflect the value of the shareholding in each company compared to the portfolio value.
4. The portfolio's CO<sub>2</sub> intensity. The figure is based on the sum of the companies' CO<sub>2</sub> emissions relative to sales (tonnes CO<sub>2</sub>e/ NOK million in sales) adjusted to reflect our share of the companies' market value.

CO<sub>2</sub> ANALYSIS OF THE EQUITIES PORTFOLIO AS OF 31 DEC. 2022 (31 DEC. 2021)

	<b>2022</b>	<b>Portfolio 2021</b>	<b>Benchmark index 2022</b>	<b>Benchmark index 2021</b>	<b>Difference from benchmark index 2022</b>
Weight of companies reporting carbon emissions (percentage)	<b>98.77</b>	82.75	<b>97.42</b>	81.18	
TCFD total carbon emissions (tonnes of CO <sub>2</sub> e)*	<b>3,173,072</b>	3,317,107	<b>226,251,152</b>	239,417,632	
TCFD total carbon emissions per NOK million invested (tonnes)	<b>16.84</b>	19.19	<b>17.90</b>	19.43	<b>-1.06</b>
TCFD weighted average carbon intensity (weighted average tonnes/ NOK million)	<b>21.57</b>	25.38	<b>23.68</b>	26.58	<b>-2.11</b>
TCFD carbon intensity (tonnes/ NOK million in sales)	<b>26.63</b>	37.68	<b>28.73</b>	38.59	<b>-2.10</b>

Tabell 28

\* CO<sub>2</sub>e stands for CO<sub>2</sub> equivalent. This unit compares the emissions of different greenhouse gases with the global warming effect of one tonne of CO<sub>2</sub> over 100 years. Source: Statistics Norway.

Development of best practice

## PROMOTE WELL-FUNCTIONING MARKETS

Folketrygdfondet participates in external initiatives to develop good practice and standards for business activities. We believe that this is important to ensure well-functioning markets and good returns over time.

Folketrygdfondet participates in several forums for the exchange of information and experience with other investors and the development of new regulations and standards. We are dependent on well-functioning markets if we are to ensure good returns over time. Good standards for business activities are a prerequisite for this.

Cooperation with other investors is important if we are to win support for good practice and standards in the private sector.

### What do we do?

We participate in Norwegian and international initiatives. We also cooperate on individual cases when we believe this to be appropriate in order to safeguard our financial interests. Folketrygdfondet did not submit any consultation statements in 2022.

### Plan for 2023

In 2023, we will continue our efforts to contribute to good standards through the external initiatives we participate in. In addition, we wish to participate in public consultations and contribute other input where relevant.

### UNEP FI Pilot Project

In 2022, the UN environmental programme's finance initiative (UNEP FI) concluded its two-year TCFD pilot project for investors. The purpose of Folketrygdfondet's participation in the project was to develop expertise in climate risk in several parts of the organisation and to exchange experience with other investors globally. Folketrygdfondet took part in two modules, which resulted in the following publications: *The Climate Risk Tool Landscape: 2022 Supplement (March 2022)*, and *Steering the Ship: Creating Board-Level Climate Dashboards for Banks (July 2022)*. Both the reports are available at [unepfi.org/publications](https://unepfi.org/publications).

Based on Folketrygdfondet's experience of the project, we believe that the tools available on the market are still too immature to be used in our investment process. Rapid developments are taking place in this field, however, and we will continue to build our experience of mapping and monitoring climate risk in different ways.

## PARTICIPATION IN EXTERNAL INITIATIVES IN 2022

Initiative	Purpose	FTF appointments
Norwegian Institute of Directors	Promote value creation through good corporate governance. Promote the development of best practice standards for board work.	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, board member and member of the capital markets technical committee</li> </ul>
Norwegian Society of Financial Analysts	Promote: <ul style="list-style-type: none"> <li>public understanding of the function and importance of the capital markets in the Norwegian economy</li> <li>a high standard of financial analysis</li> <li>good framework conditions and a well-functioning capital market</li> <li>high ethical standards in financial analysis, asset management, advisory services and trading in financial instruments</li> </ul>	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, member of the equity committee</li> <li>Portfolio manager Pernille Moen Masdal, board member FFN, member of the equity committee, the events committee and the committee on women in front-end finance</li> <li>Chief Investment Officer Fixed Income Jørgen Krog Sæbø, member of the capital management committee</li> <li>Deputy Director Equities Ann Kristin Brautaset, chair of the committee that awards the Stockman Prize</li> <li>Chief Strategist Erlend Hellum, member of the bond committee</li> <li>Portfolio manager ESG Annie Bersagel, member of the financial information committee, chair of the technical committee on sustainable finance</li> <li>Communications Director Marika Nilsen, member of the committee on women in front-end finance</li> </ul>
Norwegian Corporate Governance Board (NUES)	To keep the Norwegian Code of Practice for Corporate Governance up to date, and make it known in Norway and abroad	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, committee chair and representative of the Norwegian Society of Financial Analysts</li> </ul>
Institutional Investment Forum	To promote corporate governance best practices in Norway and be a driving force for further development of best practices. The forum is represented on NUES	<ul style="list-style-type: none"> <li>Chief Investment Officer Equities Nils Bastiansen, member</li> </ul>
Norwegian Forum for Responsible and Sustainable Investments (Norsif)	To promote knowledge about, and contribute to the development of the field of responsible investments in the financial industry and among stakeholders	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, chair of the nomination committee</li> <li>Portfolio manager Tine Fosslund, board member</li> </ul>
CDP (formerly known as the Carbon Disclosure Project)	To prevent climate change and protect natural resources	<ul style="list-style-type: none"> <li>Portfolio manager ESG Annie Bersagel, representative</li> </ul>
The UN-supported Principles for Responsible Investment, PRI	To promote understanding of how issues relating to the environment, society and corporate governance impact investors and their asset management activities	<ul style="list-style-type: none"> <li>Portfolio manager ESG Annie Bersagel, representative</li> </ul>
Securities Act Committee	To examine how future EEA rules in the securities area should be implemented in Norwegian law	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, member</li> </ul>
UN environmental programme's finance initiative (UNEP FI) TCFD pilot project for investors	<ul style="list-style-type: none"> <li>To develop knowledge about climate risk</li> <li>To test different tools for climate-related scenario analysis</li> <li>To contribute to the development of international standards for measuring climate risk</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio manager Nadia Bendriss and Chief Financial Risk Adviser Rolf Brudvik, representatives</li> </ul>

Table 29

The fixed-income portfolio

## SUSTAINABILITY IS BECOMING AN INCREASINGLY IMPORTANT TOPIC IN THE BOND MARKET

2022 was yet another year characterised by high regulatory activity in the EU. New rules relating to sustainability and reporting affect both asset managers and issuers. Responsible fixed-income investment is the top priority for asset managers, and we see more and more issuers putting sustainability on the agenda.

As a large, long-term investor of society's financial assets, Folketrygdfondet has a special responsibility when we make equity and loan capital available to companies. We are responsible for managing the Government Pension Fund Norway with the goal of generating good financial results in line with recognised international and national principles.

Folketrygdfondet's goal is to achieve the highest possible return after costs over time, within the framework that applies to our investment activities. A sound return over time depends on well-functioning and efficient markets, and on sustainable development of the economy, society and the environment. Responsible investment is therefore an integral part of our management of the Government Pension Fund Norway.

Responsible fixed-income investment entails carrying out an overall assessment of our investment mandate. Our investment strategy is designed to promote a more liquid market with greater breadth, and good credit analyses ensure more efficient capital allocation. We also integrate material and relevant ESG factors in the analyses, thereby ensuring that our investment decisions are as well-founded as possible.

Our contribution to well-functioning markets:

- A diversified portfolio promotes greater breadth in the market
- Sound credit analyses promote more efficient capital allocation
- Investments in less liquid securities promote a more liquid marketplace
- A countercyclical investment strategy helps to reduce market fluctuations

We take a clear financial approach to responsible investment, and the objective is to ensure that consideration for environmental, social and governance (ESG) issues is reflected in our credit assessments before investing. Moreover, we can choose not to invest in companies where inadequate handling of such factors can undermine their creditworthiness unless this is reflected in the terms and pricing of loans. In other words, our investment decisions are not primarily based on choosing companies that stand out in relation to ESG, but rather on actively taking an ESG approach when assessing credit risk.

Relevant ESG factors are an integrated part of the credit analysis we carry out in connection with investment decisions and ongoing follow-up of issuers. The analysis is based on the rating agencies' methodologies. Operationally, ESG assessments are integrated in our investment activities in several ways:

- As an integrated part of the credit analyses
- As an integrated part of the investment decisions
- ESG-related issues are raised at meetings with the companies
- A log of our dialogue with companies is kept and followed up
- In-house training and awareness raising

We continuously follow up the companies we have invested in, and also follow up when loan agreements need revising or when credit events occur. As a responsible investor, we seek to find solutions that safeguard our financial interests and the functioning of the market in a good and well-balanced manner.

In our experience, a responsible investment and creditor focus fosters a broader understanding, more well-founded investment decisions and better functioning capital markets. We believe that this enables us to achieve a higher expected return on our portfolio.

Folketrygdfondet is a large, long-term investor, and we wish to have an active and constructive dialogue with issuers. We are in regular dialogue with issuers through company presentations and ‘roadshows’ as well as one-on-one meetings. Folketrygdfondet held 153 meetings with 108 issuers in 2022.

NUMBER OF MEETINGS WITH ISSUERS

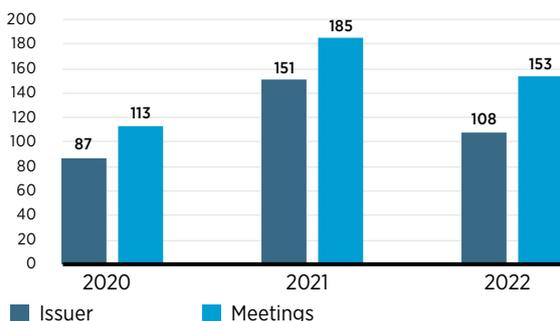


Figure 36

NUMBER OF ISSUERS PER COUNTRY

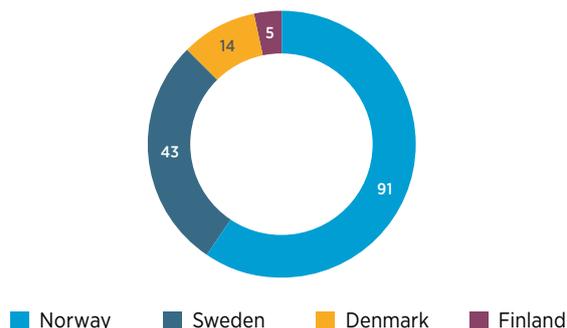


Figure 37

THE SIZE OF FOLKETRYGDFONDET’S BOND HOLDINGS WITH INDIVIDUAL ISSUERS

The size of the boxes represents Folketrygdfondet’s bond holding with the individual issuers as of 31 Dec. 2022.

Norway Sweden Denmark Finland

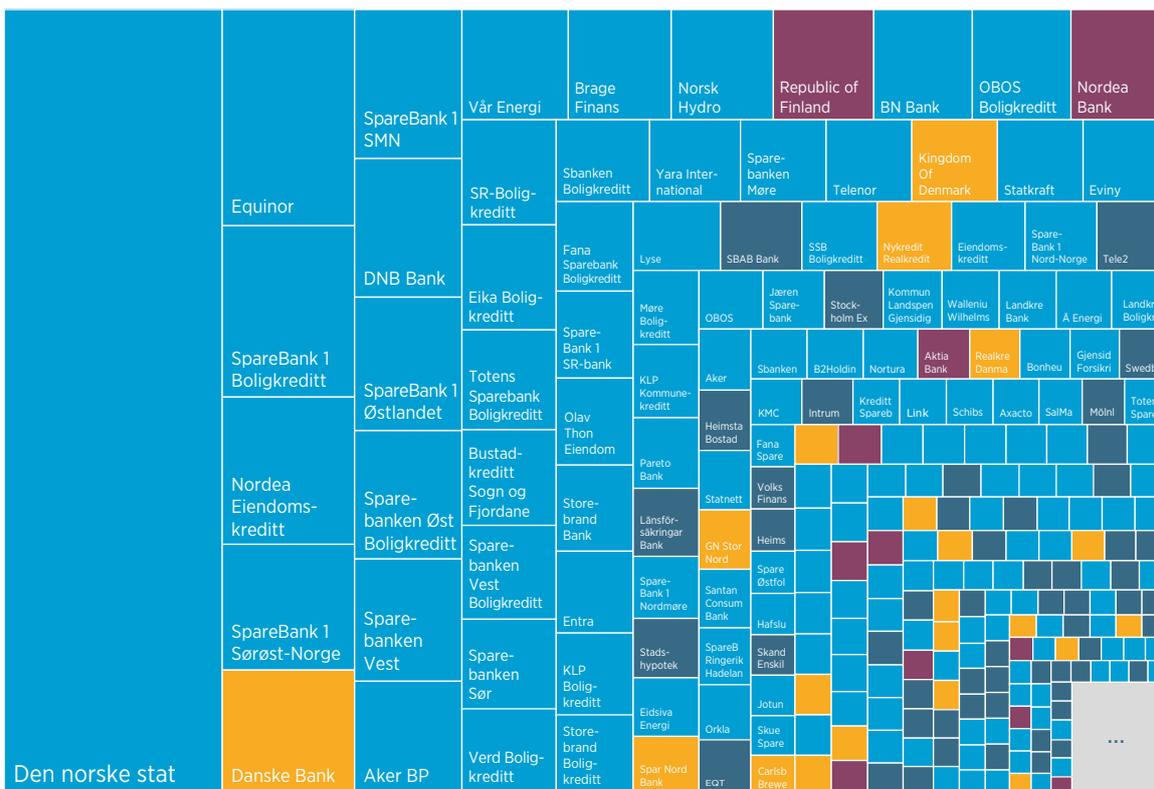


Figure 38

	ESG relevance	Scope for exerting influence	Reason	
<b>INCREASING RELEVANCE</b>	<b>STATE</b>	Low	-	Not considered relevant
	<b>BANKING/FINANCE</b>	High	Low	Large loans/companies, owner follow-up if relevant
	<b>INVESTMENT GRADE</b>	High	Low	Large loans/companies, owner follow-up if relevant
	<b>HIGH YIELD</b>	High	Medium	Will endeavour to influence

Table 30

**Development in 2022**

Folketrygdfondet has kept itself updated about sustainability-related market developments, and significant regulatory changes. We participate in relevant forums both in Norway and internationally where the main focus is on ESG. We closely monitor regulatory developments in the EU and Norway, since they can affect market stakeholders and the capital markets. We also closely monitor market developments and assess ongoing developments in the capital markets relating to the issue of sustainability instruments and any new such instruments on the market.

During the year, the Fixed-Income Department has focused on increasing its expertise in climate risk and on integrating ESG assessments in a larger part of the portfolio. Systematic work has been done on establishing a common ESG framework that maps risk relating to environment and social issues in the portfolio. The framework is based on a traffic light system that shows risk at sector level. The IG Industry portfolio has been mapped in accordance with this framework. A corresponding mapping has previously been carried out of the Banking portfolio.

Folketrygdfondet has also taken part in the second phase of a pilot project on climate risk tools organised by UNEP FI. It is a global partnership between the UN Environmental Programme and the finance sector. The programme has three goals: 1. To identify climate risk, 2. To measure climate risk, and 3. To manage climate risk, and various climate tools were tested in collaboration with other stakeholders. This helped to increase the Fixed-Income Department's expertise in climate risk. The programme was carried out in 2021 and 2022. Our participation has enabled us to assess different tools and contribute to the work on developing metrics and indicators.

**Plans for 2023**

We will continue to make active efforts to enhance our in-house expertise and will focus on further development of relevant tools for responsible fixed-income investment. We will continue our work on the ESG framework and will implement it across the fixed-income portfolio. We will also focus on further integrating ESG assessments into our fixed-income investment processes. We will work on metrics and indicators for our portfolio, in line with our ambitions for comprehensive reporting. ESG will continue to be a focus area, and we expect continued high activity. We will continue to take a clear financial approach to responsible investment and a comprehensive approach to fulfilling our investment mandate.

## VOTED AT SEVEN BONDHOLDER MEETINGS

Folketrygdfondet wishes to contribute to finding a solution when a bond issue has to be renegotiated. In 2022, we voted at seven bondholder meetings.

Folketrygdfondet responds to all requests for bondholder meetings, and we participate actively in negotiations aimed at finding solutions that are beneficial for both the bondholders and the company in question. We believe that this is important in order to protect the value of the individual bond, but also in relation to the general functioning of the market, which is important to ensure the highest possible return over time.

In 2022, Folketrygdfondet voted at seven bondholder meetings with five different issuers. Six of the meetings concerned changes to loan agreements, while one concerned a waiver of a term in the loan agreement.

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 about how the company intends to comply with the loan agreement going forward
- making identical offers to all bondholders. It is unacceptable to pay a higher fee to bondholders who accept a solution that 'favours' the company.
- providing comprehensive information to the bond market throughout the loan period, particularly if developments are negative. Thorough reporting, 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.

NUMBER OF BONDHOLDER MEETINGS WITH ISSUERS

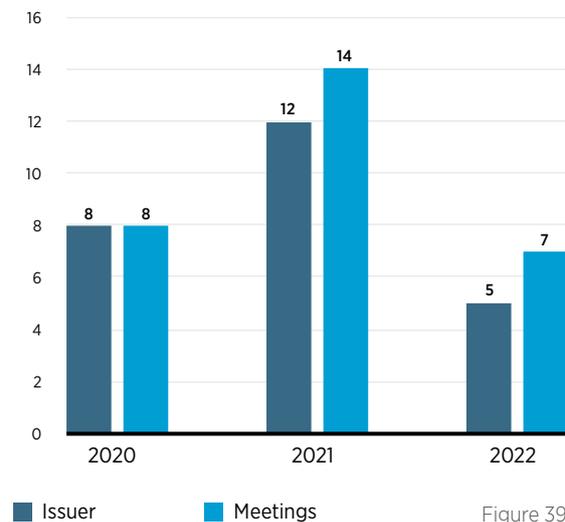


Figure 39

TOPIC AT BONDHOLDER MEETING

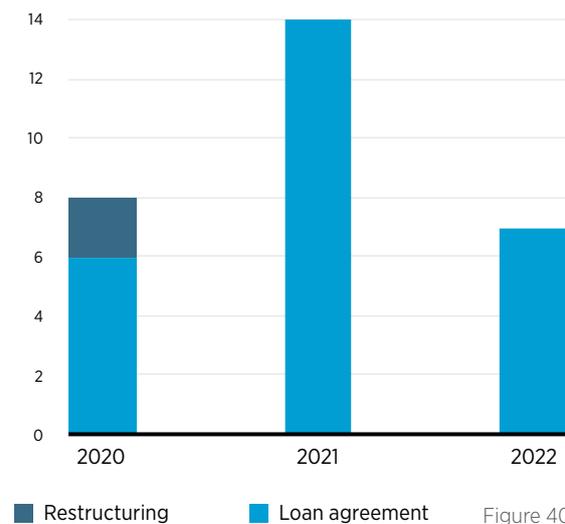


Figure 40

ftf.no

## Folketrygdfondet

Haakon VIIIs gate 2  
Postboks 1845 Vika, 0123 Oslo  
Tlf: 23 11 72 00  
[folketrygdfondet@ftf.no](mailto:folketrygdfondet@ftf.no)