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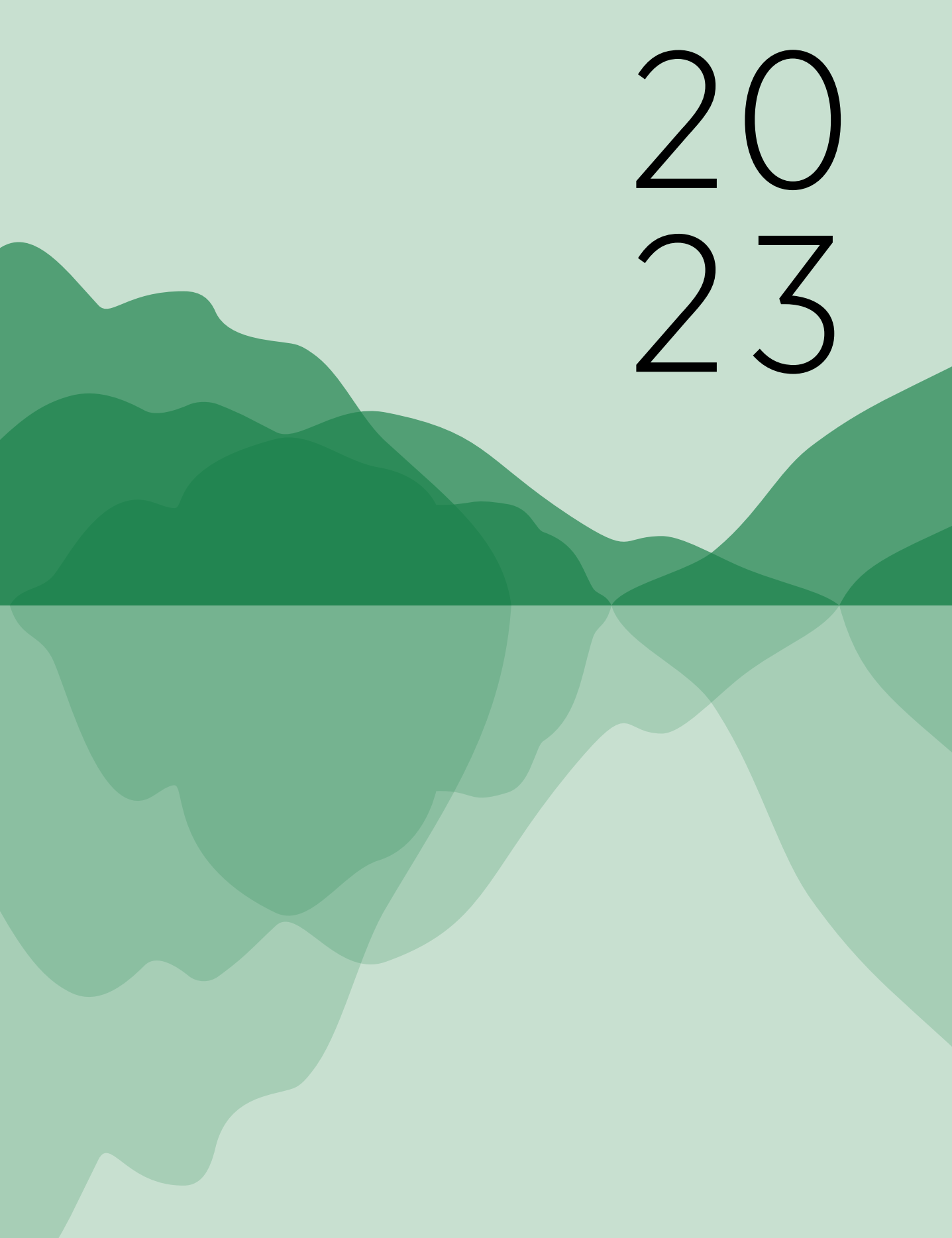
The background of the page is a light green gradient. Overlaid on this is a large, abstract graphic of a landscape. The landscape is composed of several overlapping, rounded shapes in various shades of green, from a very light, almost white-green to a dark forest green. These shapes represent hills and mountains. A horizontal line, slightly darker than the background, runs across the middle of the image, acting as a horizon line. The shapes above the line are reflected below it, creating a symmetrical effect that suggests a body of water or a reflection on a flat surface.

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Ownership report

The background of the page is a solid teal color. Overlaid on this are several layers of semi-transparent, wavy, organic shapes in various shades of green, creating a layered, mountain-like or water-like effect. The shapes are more prominent in the lower half of the page.

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 with 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 return, 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 threats and opportunities 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 'Folketrygdfondet's exercise of ownership rights', the management describes 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.

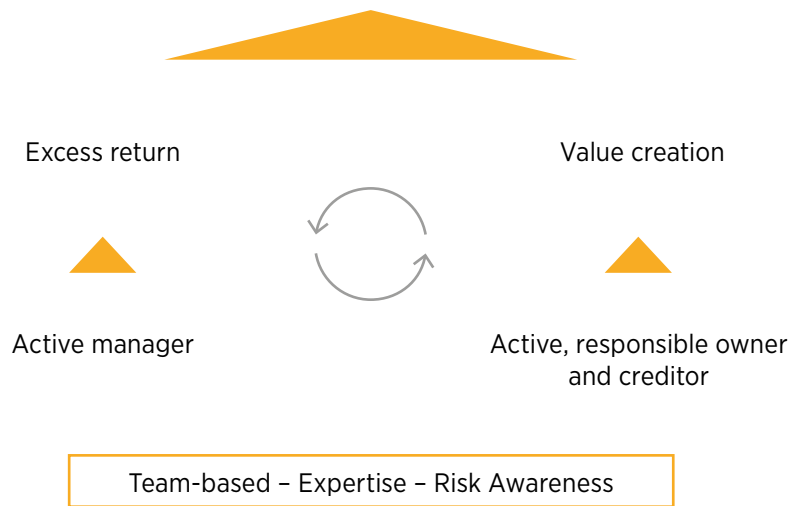
Of the other departments, the Finance and Risk Management Department is closely involved in connection with voting at general meetings and bondholder meetings.

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.

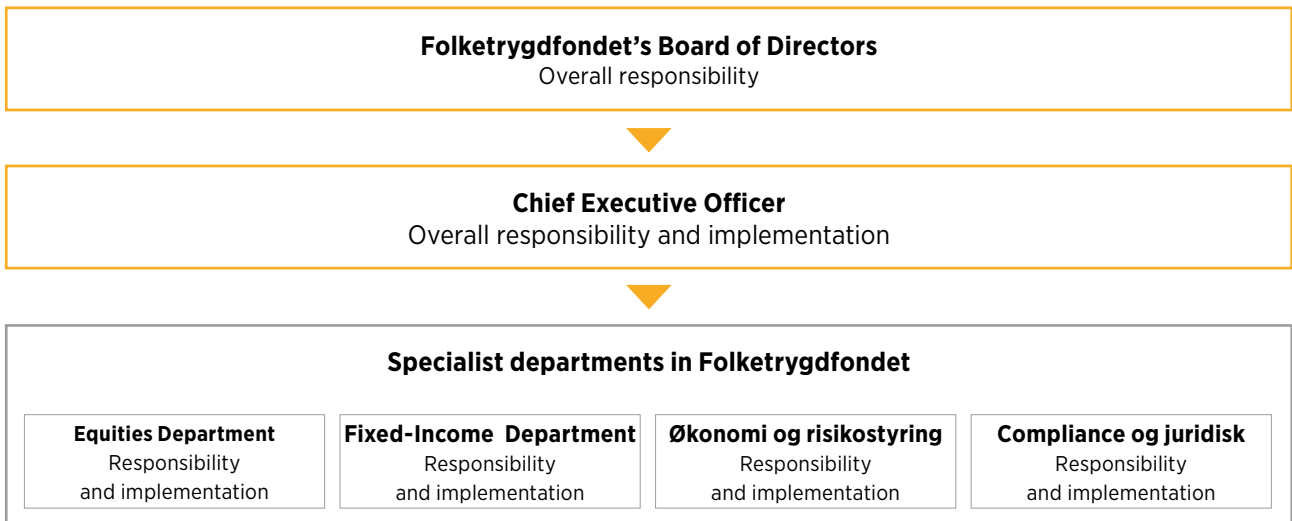
OUR INVESTMENT PHILOSOPHY SUMMARISED

Illustration 9

HIGHEST POSSIBLE RETURNS OVER TIME



ORGANSISATION



RESPONSIBLE INVESTMENT INSTRUMENTS

Illustration 10

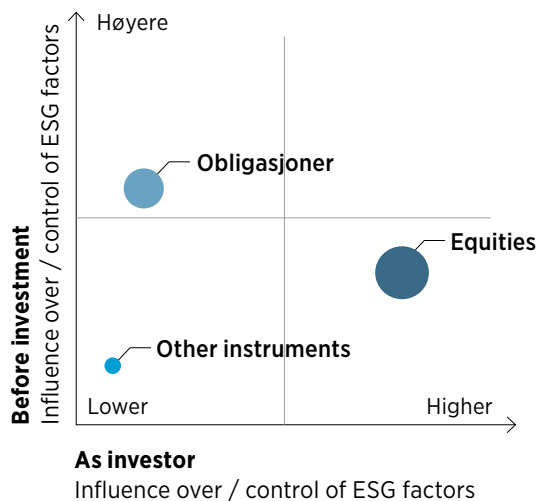
	ESG integrated in investment approach	Exclusion	Dialogue with companies	Vote at general meetings/ bondholder meetings	Promote well-functioning markets
Norwegian equities	●	–	●	●	●
Nordic equities	●	●	●	●	●
Norwegian bonds (corporate)	●	–	●	●	●
Nordic bonds (corporate)	●	●	●	●	●
Government bonds	–	–	N/A	N/A	–
Other instruments	N/A	●	N/A	N/A	●

Folketrygdfondet shall not invest in companies that are excluded in accordance with guidelines for observation and exclusion from the Government Pension Fund Global. A list of excluded companies is available at ftf.no. No companies were excluded or re-included in 2023.

WE ADAPT OUR RESPONSIBLE MANAGEMENT TO THE DIFFERENT FINANCIAL INSTRUMENTS

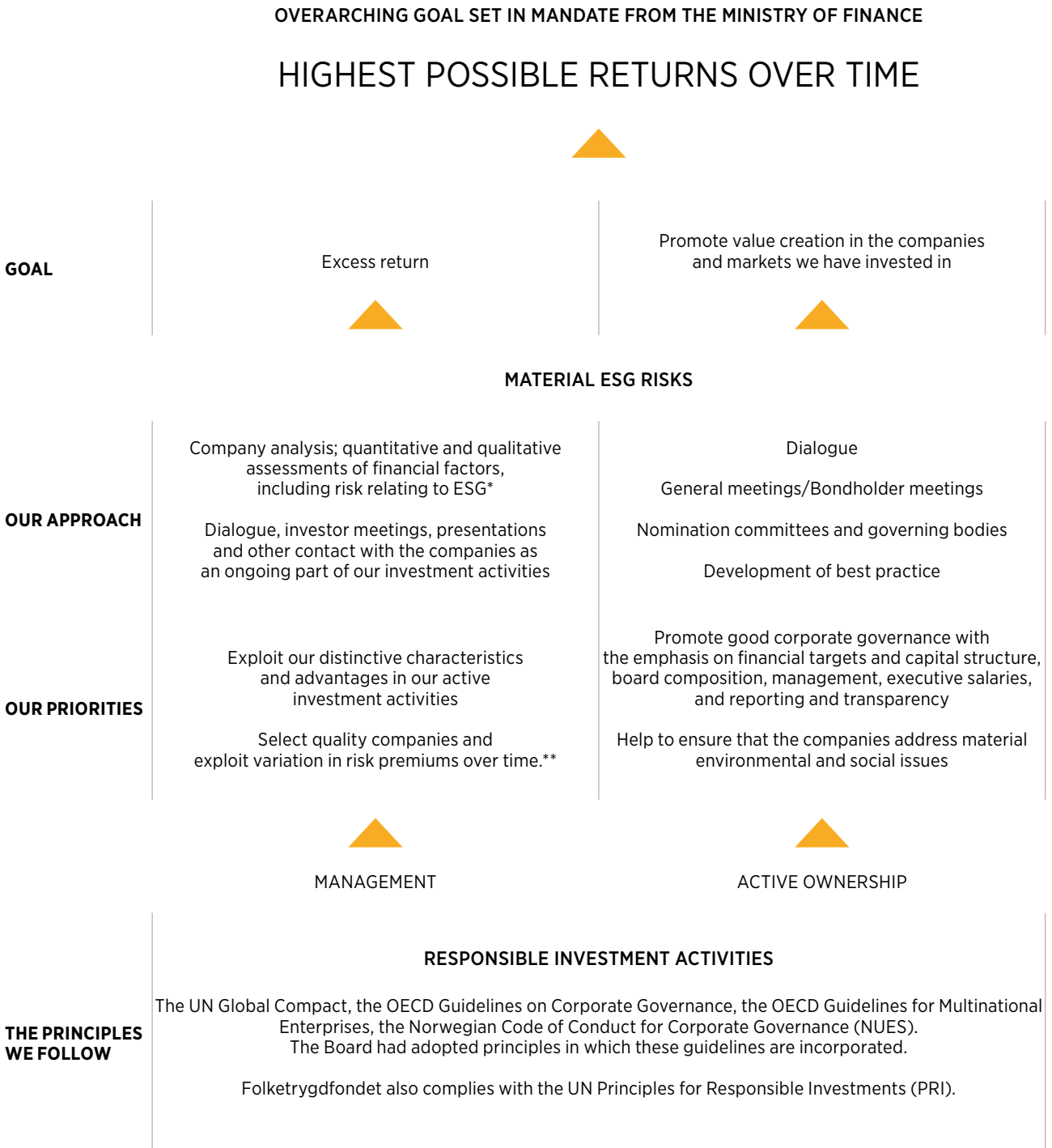
The size of the circle indicates the relative size of the instrument

Illustration 11



OUR RESPONSIBLE INVESTMENT APPROACH

Illustration 12



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.

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.

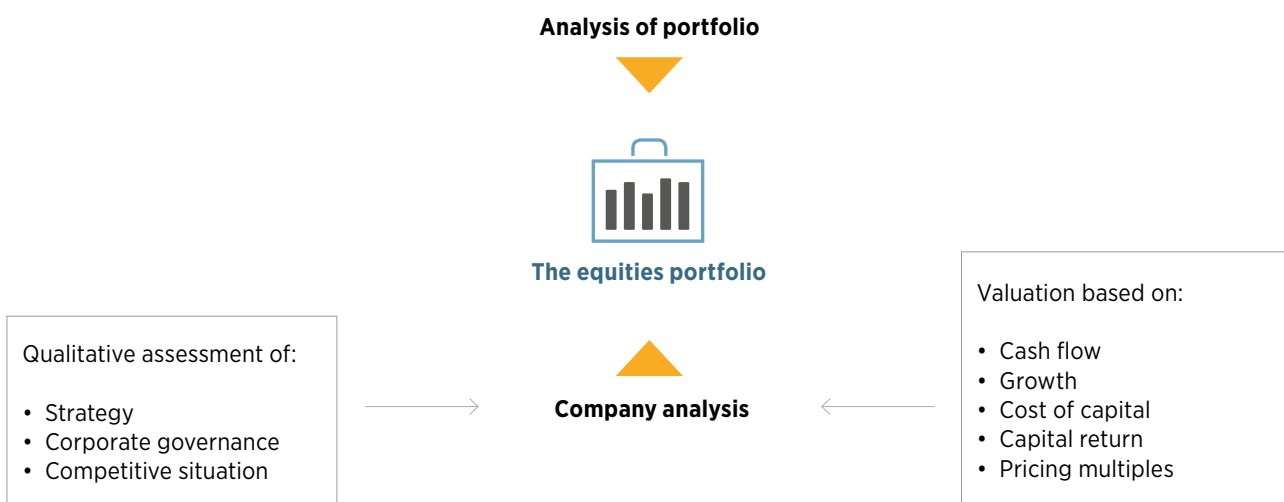
In the case of bonds, our influence is greatest before we invest because, as bondholders, we do not have ownership rights. We therefore focus on carrying out good ESG analyses before investing in order to identify factors that can affect credit-worthiness ESG stands for environmental, social and governance 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 because we have 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. The exception is our procedures for 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 an owner that makes demands.

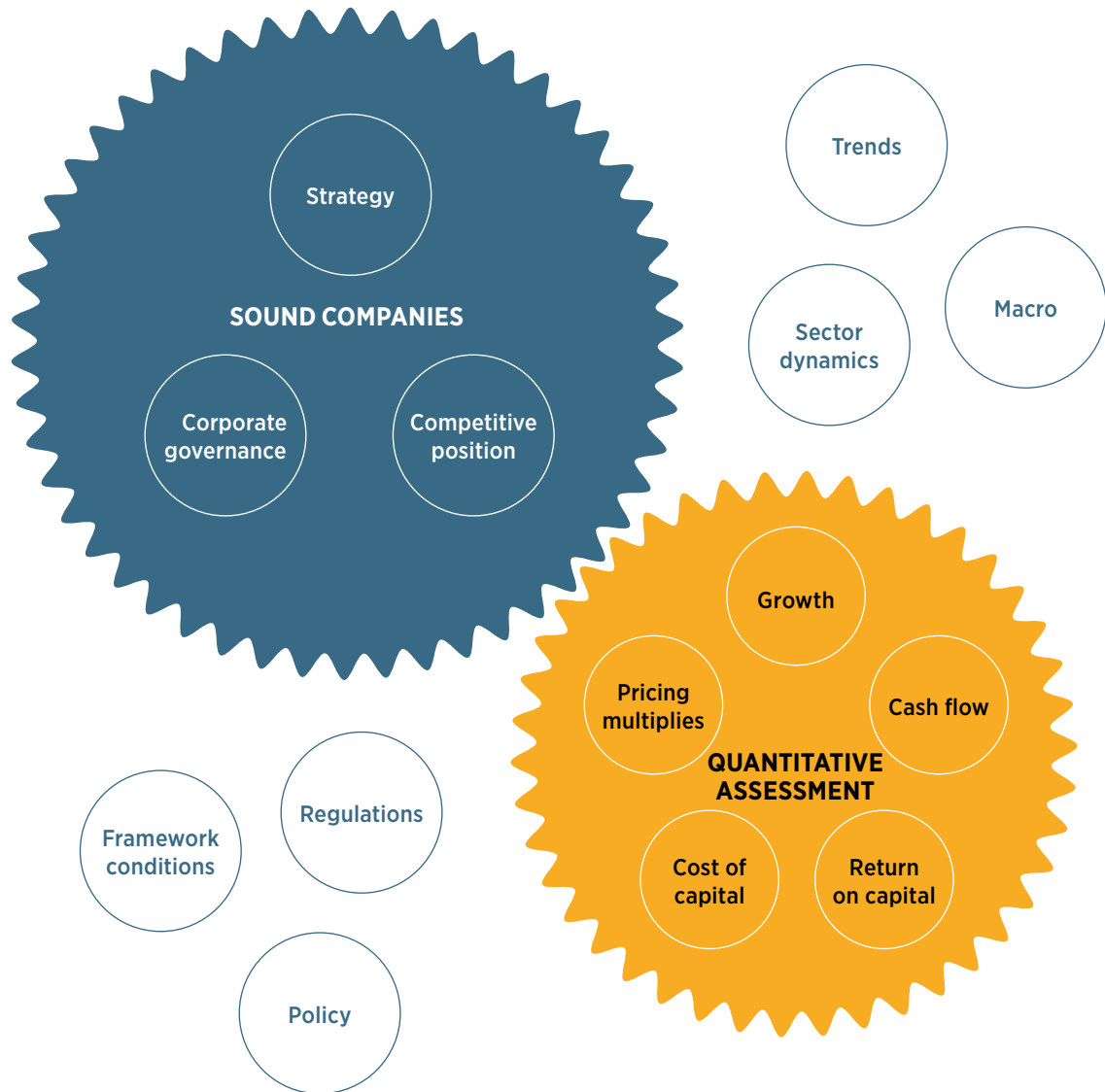
OUR APPROACH TO ACTIVE MANAGEMENT

Illustration 13



OUR COMPANY ANALYSIS SUMMARISED:

Illustration 14



Sound companies

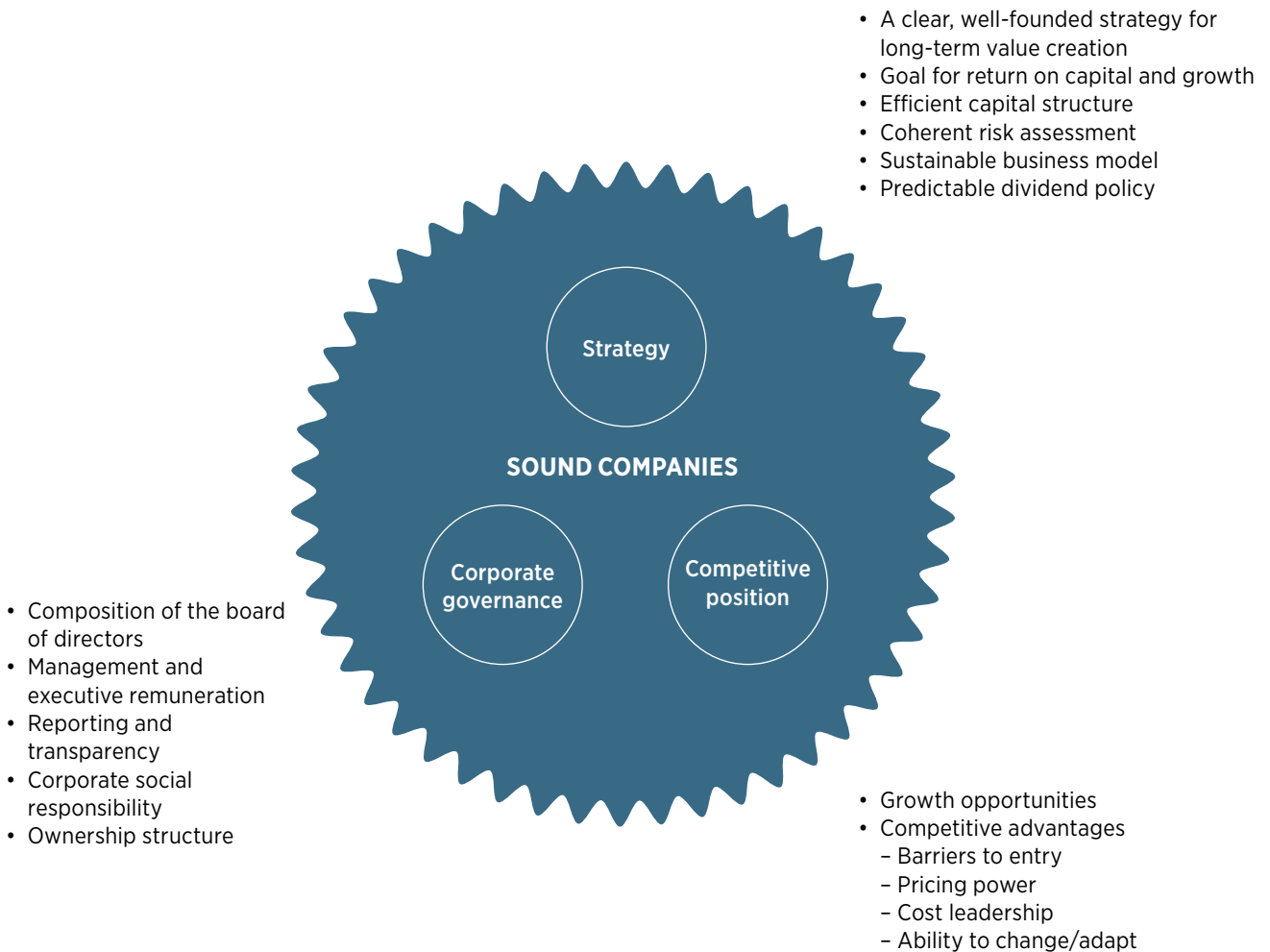
In our ongoing investment activities, we select companies to invest in, and we choose which companies we will be over- and underweighted in compared with the benchmark index. We base our investment decisions on financial analyses, including an assessment of material ESG risk, and ongoing contact with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

Illustration 15



A nordic owner with its primary focus on Oslo stock exchange

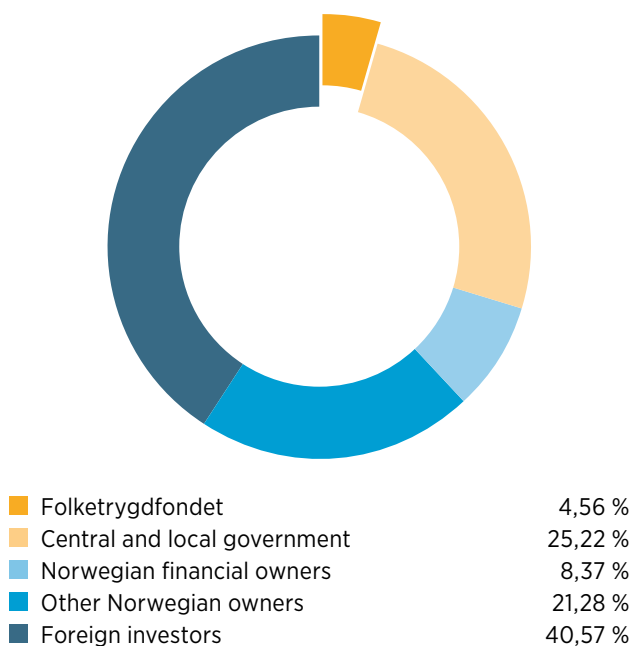
Folketrygdfondet is one of the biggest financial investors on Oslo Stock Exchangend, and is among the top three owners in 47 companies listed on Oslo Stock Exchange. Its ownership interest is much smaller in the other Nordic countries.

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

Figure 23

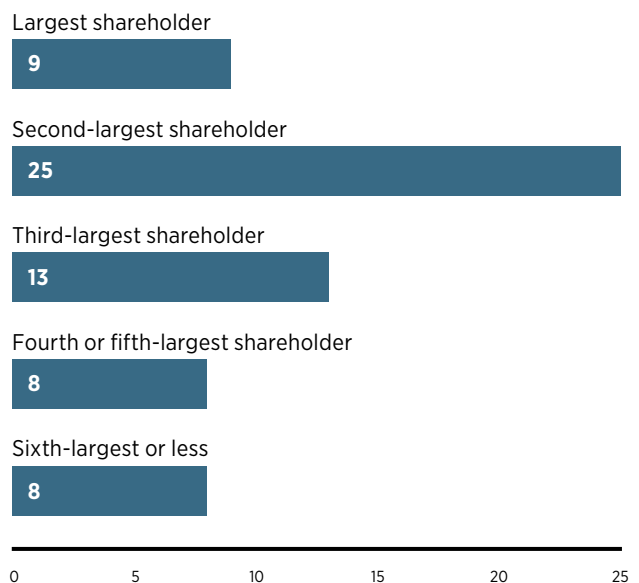


Source VPS and Folketrygdfondet as of 31 Dec. 2023

FOLKETRYGDFONDET'S OWNERSHIP ON OSLO STOCK EXCHANGE

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

Figure 24



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.

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

FOLKETRYGDFONDET'S OWNERSHIP ON OSLO STOCK EXCHANGE

Companies in which Folketrygdfondet owns more than 5 per cent of the capital or is among the three largest shareholders as of 31 December 2023.

Table 16

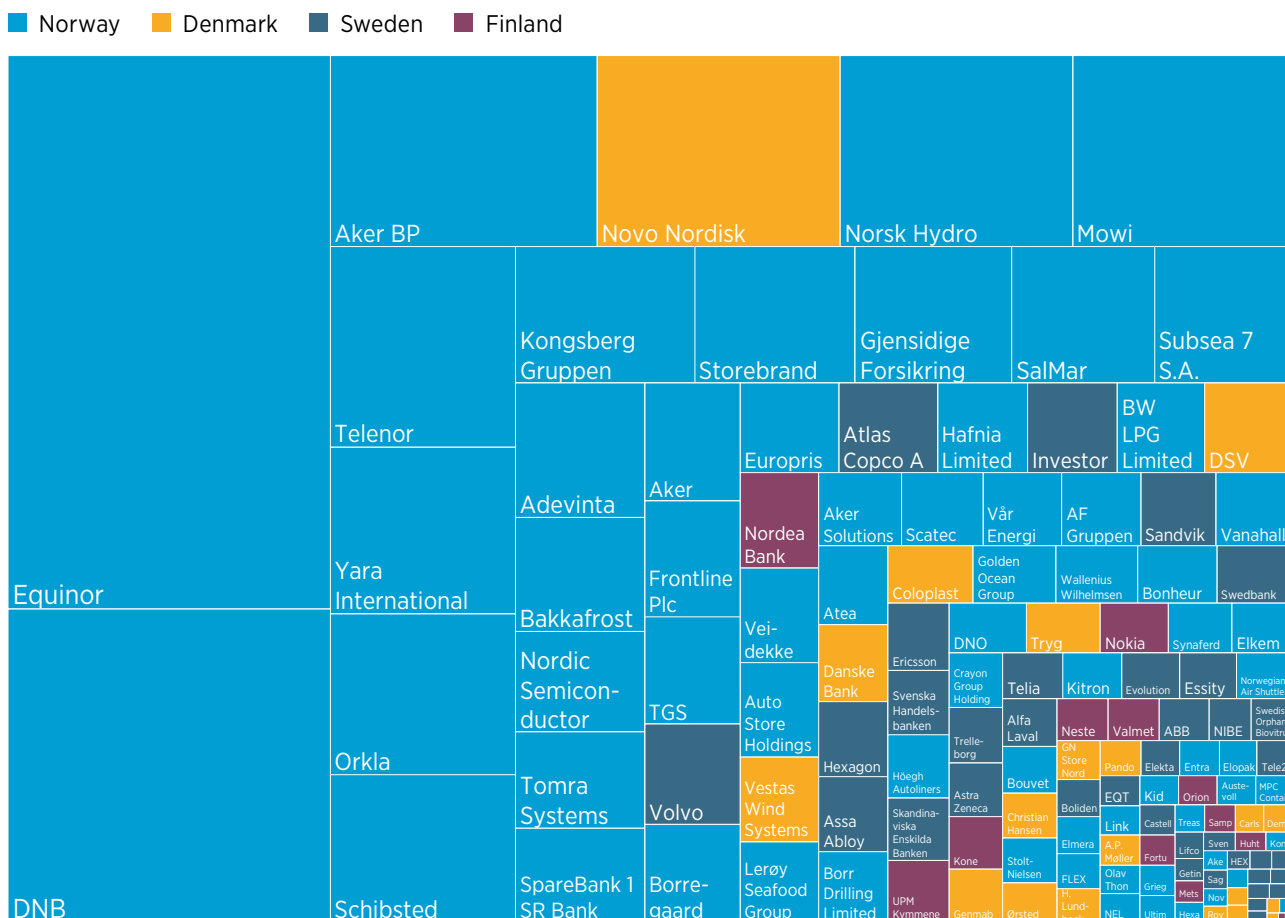
Company name	FTF's holding	FTF's owner ranking
Europris	13,43 %	1
TGS	11,52 %	1
Borregaard	10,68 %	1
Veidekke	10,57 %	2
Nordic Semiconductor	10,33 %	1
Storebrand	10,11 %	1
Bakkafrost	9,13 %	1
Scatec	8,95 %	3
Elmera Group	8,90 %	1
Mowi	8,71 %	2
Bonheur	8,53 %	3
AF Gruppen	8,36 %	4
Schibsted	8,18 %	2
Subsea 7	8,14 %	2
Kitron	8,00 %	1
Bouvet	7,86 %	1
Crayon Group Holding	7,58 %	2
DNO	7,55 %	2
Orkla	7,36 %	2
Atea	7,31 %	2
BW LPG	7,16 %	2
SpareBank 1 SR-Bank	7,00 %	2
TOMRA Systems	6,66 %	2
Yara International	6,58 %	2
Norsk Hydro	6,21 %	2
DNB Bank	5,92 %	3
Kongsberg Gruppen	5,83 %	2
Aker Solutions	5,72 %	3
Aker BP	5,35 %	4
SalMar	5,05 %	2
Lerøy Seafood Group	5,01 %	2
Norwegian Air Shuttle	4,87 %	3
Frontline	4,78 %	2
Golden Ocean Group	4,67 %	3
Gjensidige Forsikring	4,45 %	2
Telenor	4,44 %	2
Aker	4,44 %	2
Hafnia	4,40 %	3
Hoegh Autoliners	4,30 %	2
Elkem	4,26 %	2
LINK Mobility Group Holding	4,26 %	3
Treasure	3,73 %	3
Equinor	3,59 %	2
MPC Container Ships	3,49 %	2
Aker Horizons	3,02 %	2
Stolt-Nielsen	2,60 %	3
Grieg Seafood	2,59 %	3
Wallenius Wilhelmsen	2,42 %	3
Vaar Energi	1,42 %	3

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 loaned-out shares (as of 31 Dec. 2023, 3.08 per cent of the market value of Norwegian equities was loaned out). *Source: The companies' websites, VPS and stock exchange announcements.*

THE SIZE OF FOLKETRYGDFONDET'S HOLDINGS IN INDIVIDUAL COMPANIES

The size of the boxes represent Folketrygdfondet's holding in the individual companies as of 31 December 2023.

Figure 25



NORDIC COMPANIES IN WHICH FOLKETRYGDFONDET HAS THE LARGEST HOLDING

Table 17

Company name	FTF's holding	Stock exchange
Elekta	0,89 %	Nasdaq Stockholm
GN Store Nord	0,84 %	Nasdaq København
Valmet	0,77 %	Nasdaq Helsinki
Trelleborg	0,74 %	Nasdaq Stockholm
H. Lundbeck	0,59 %	Nasdaq København
Telia	0,53 %	Nasdaq Stockholm
Tryg	0,51 %	Nasdaq København
Orion	0,47 %	Nasdaq Helsinki
Danske Bank	0,45 %	Nasdaq København
Christian Hansen Holding	0,43 %	Nasdaq København
Telefonaktiebolaget L M Ericsson	0,41 %	Nasdaq Stockholm
Tele2	0,41 %	Nasdaq Stockholm
Vestas Wind Systems	0,40 %	Nasdaq København
Intrum	0,39 %	Nasdaq Stockholm
Sandvik	0,39 %	Nasdaq Stockholm
DSV	0,39 %	Nasdaq København
Coloplast	0,39 %	Nasdaq København
UPM-Kymmene	0,36 %	Nasdaq Helsinki
Boliden	0,36 %	Nasdaq Stockholm
Swedbank	0,36 %	Nasdaq Stockholm

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 produced 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 ownership issues 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.

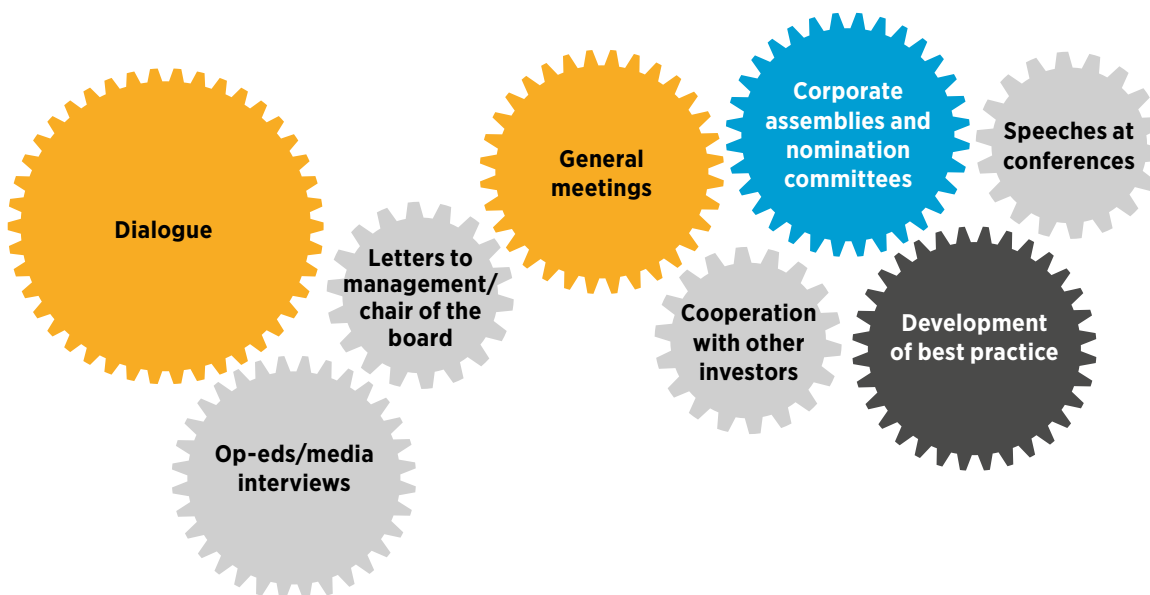
Challenges relating to our exercise of ownership

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.

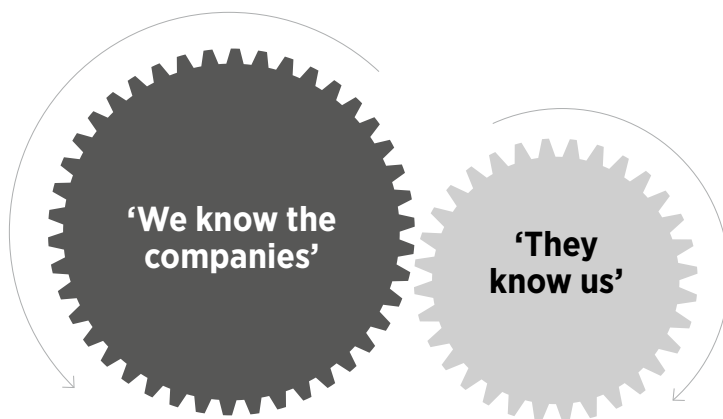
ACTIVE EXERCISE OF OWNERSHIP IN SEVERAL ARENAS:

Illustration 16



OUR GOALS FOR EXERCISING OWNERSHIP:

Illustration 17



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

CHALLENGES RELATING TO OUR EXERCISE OF OWNERSHIP RIGHTS:

Illustration 18

Complexity



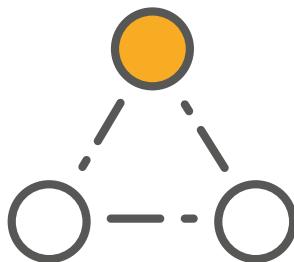
Questions relating to corporate governance, social and environmental issues are rarely clear-cut

Long-term perspective



Change processes are often prolonged. It can take time to arrive at 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 tasks between boards and general meetings

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 in the document '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.

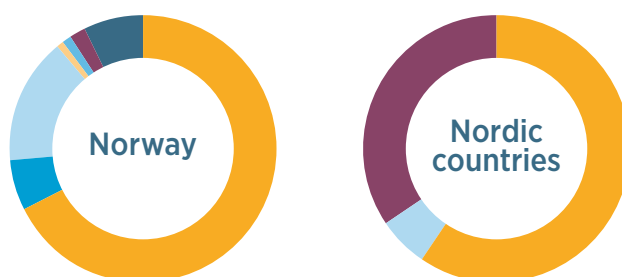
We apply the same principles for exercising ownership in relation to our investments in Norwegian and Nordic companies. We nonetheless distinguish between how we exercise ownership rights in the Nordic countries and the approach we take in Norway. Among other things, this is because our ownership interests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

During the year, Folketrygdfondet held 221 (216) dialogue meetings with 86 (89) companies, including 189 (183) meetings with a total of 60 (64) companies listed in Norway and 32 (33) meetings with a total of 26 (25) companies listed in the other Nordic countries.

We have held dialogue meetings with 89 (92) per cent of the companies in the equities portfolio. In the Norwegian part of the portfolio, we met with 97 (99) per cent of the companies, while we met with 54 (55) per cent of the companies in the Nordic portfolio, measured by the market value of the companies. The 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 2022 in brackets)

Figure 26

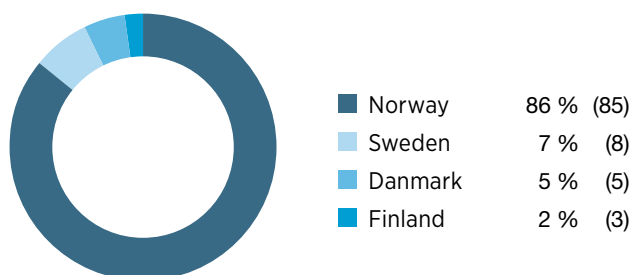


	Norway*	Nordic countries*
Management	67 % (75)	59 % (85)
Nomination Committee	6 % (9)	0 % (0)
Chair of the board	15 % (10)	6 % (0)
The Board	1 % (2)	0 % (0)
Chair of the board and management	1 % (1)	0 % (0)
IR	2 %	34 %
Other	7 % (4)	0 % (15)

* As of 2023, we have included meetings with Investor Relations (IR) in the figures.

NUMBER OF DIALOGUE MEETINGS PER COUNTRY* (figures for 2022 in brackets)

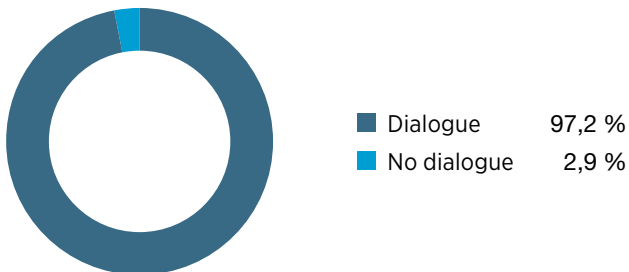
Figure 27



* As of 2023, we have included meetings with Investor Relations (IR) in the figures.

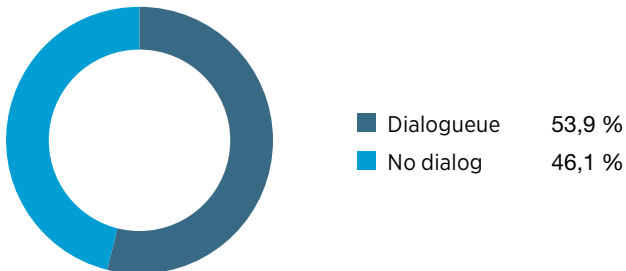
PROPORTION OF NORWEGIAN COMPANIES (AT 31 DEC. 2023) IN THE EQUITIES PORTFOLIO WITH WHICH FOLKETRYGDFONDET HAS BEEN IN DIALOGUE
(% of market value)

Figure 28



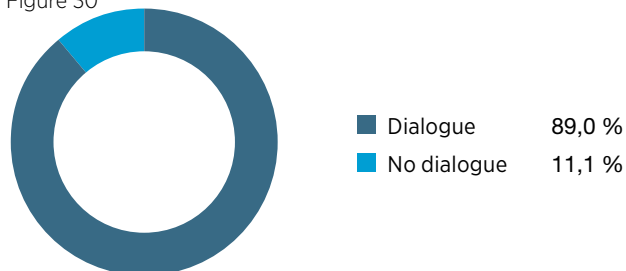
PROPORTION OF NORDIC COMPANIES (AT 31 DEC. 2023) IN THE EQUITIES PORTFOLIO WITH WHICH FOLKETRYGDFONDET HAS BEEN IN DIALOGUE
(% of market value)

Figure 29



PROPORTION OF ALL COMPANIES (AT 31 DEC. 2023) IN 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 governance, environment 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, both from 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 specific 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 corporate governance, environmental and social issues are addressed. This means that a meeting with a company's chair can discuss both 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 asset manager. This is discussed in more detail under the individual dialogue topics below.

HOW WE PRIORITISE

Illustration 19



DIALOGUE MEETINGS BY SECTOR IN 2023*

(figures for 2022 in brackets)

Table 18

Industry	Number of dialogues	Proportion of all meetings
Industry	45 (37)	20 (17) %
Consumables	30 (31)	14 (14) %
Energy	29 (30)	13 (14) %
Information technology	22 (29)	10 (13) %
Materials	20 (19)	9 (9) %
Finance	20 (19)	9 (9) %
Communication	18 (17)	8 (8) %
Healthcare	13 (15)	6 (7) %
Consumer goods	9 (10)	4 (5) %
Supply	9 (7)	4 (3) %
Property	6 (2)	3 (1) %

* As of 2023, we have included meetings with Investor Relations (IR) in the figures.

STRATEGY, CAPITAL STRUCTURE AND FINANCIAL TARGETS

Sound reasons for the companies' strategic priorities are a prerequisite for effective 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 targets 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 ftf.no in the document Folketrygdfondet's Expectations.

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 the assessments, criteria and goals that form the basis for the companies' strategy for ensuring 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 2023

In 2023, capital structure was an important topic, especially for companies in the most interest rate-sensitive sectors. After more than 15 years of falling interest rates, the steep hike in rates put a number of companies to the test. This was particularly relevant for companies in the real estate and renewables sectors.

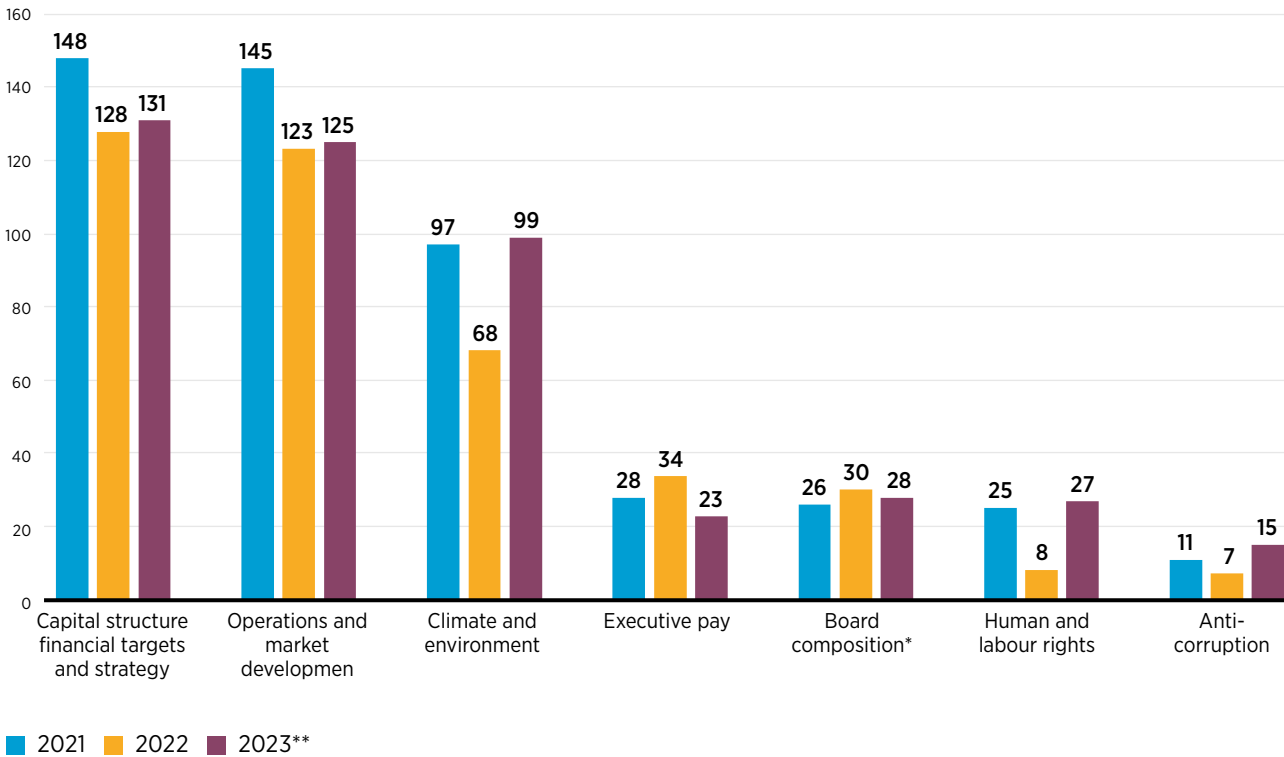
Plan for 2024

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

TOPICS AT NORWEGIAN DIALOGUE MEETINGS LAST THREE YEARS

189 dialogues with Norwegian companies*:

Figure 31



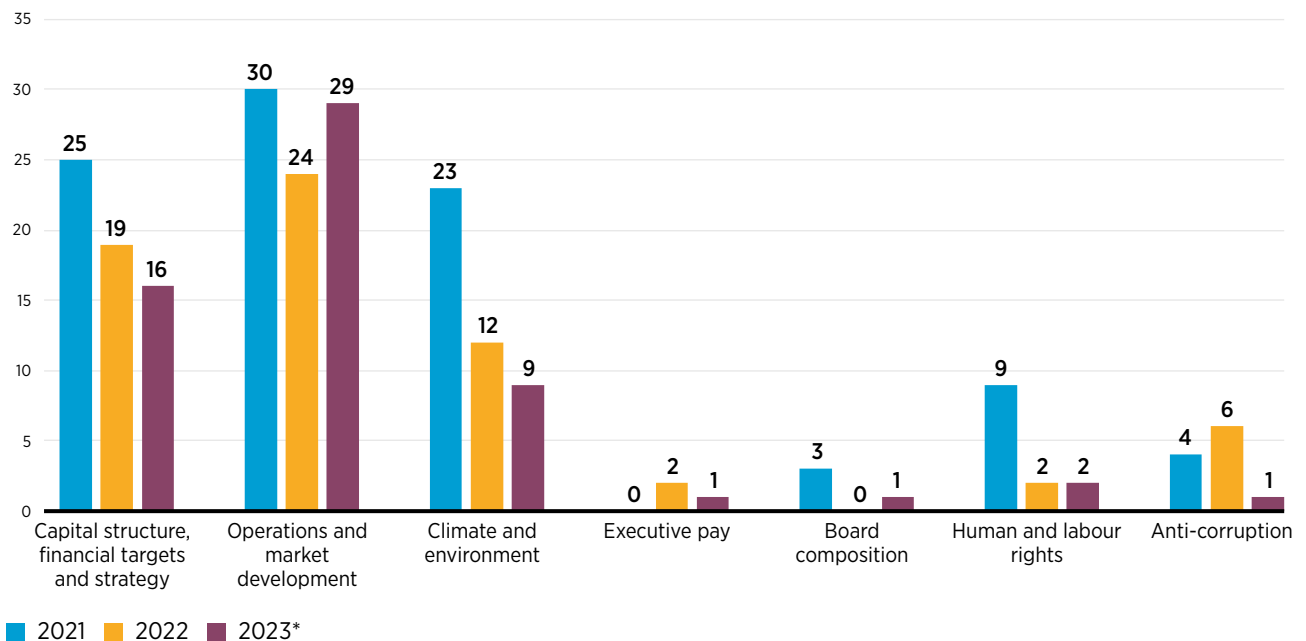
* Meetings as part of Folketrygdfondet’s representation on the companies’ nomination committees are not included in the statistics. This primarily relates to dialogues about board composition with nomination

** As of 2023, we have included meetings with Investor Relations (IR) in the figures.

TOPICS AT NORDIC DIALOGUE MEETINGS LAST THREE YEARS

32 dialogues with Nordic companies:

Figure 32



* As of 2023, we have included meetings with Investor Relations (IR) in the figures.

CLIMATE AND THE ENVIRONMENT

In 2023, the energy transition was still the main topic relating to the climate and environment.

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 and animal health, for example, are often material topics 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 what analyses and measures are necessary in order to identify and manage risk relating to climate and environment. This is discussed in more detail on the website ftf.no in the document Folketrygdfondet's Expectations.

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 2023

Folketrygdfondet entered into dialogue with companies regarding climate risk both through one-on-one meetings and in joint investor dialogue with other Norwegian owners.

Collaboration with the other Norwegian investors began in 2018, and the topic was expanded in 2023 to include the companies' approach to biodiversity. In our bilateral meetings with companies, the introduction of the EU's Carbon Border Adjustment Mechanism (CBAM) was a particularly topical issue, in addition to the expansion of the EU's Emissions Trading System to new industries. Another topic of particular interest was the companies' adaptations to the subsidy schemes under the US Inflation Reduction Act. Physical climate risk has also been a topical issue for companies in e.g. the financial industry, given the many major natural disasters that occurred this summer.

Plan for 2024

In 2024, Folketrygdfondet will continue to prioritise discussions about climate risk as part of its ongoing follow-up with the companies' boards and management. We also look forward to continuing our joint dialogue with other owners, expert communities and stakeholders.

Table 19

Index: Follow-up of the TCFD recommendations	Folketrygdfondet's response
Governance	
a) Describe the climate-related threats and opportunities the board has identified.	Mandate for the management of the Government Pension Fund Norway, Strategic Plan page 12 'Climate risk', Ownership Report page 75 '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, Ownership Report page 75 'How we organise our responsible investment activities'
Strategy	
a) Describe climate-related threats and opportunities the organisation has identified over the short, medium and long term.	Ownership Report page 93 'Climate and environment' and pp. 107-110 'Climate-related stress tests'
b) Describe how climate-related threats and opportunities are integrated in the organisation's operations, strategy and financial planning.	Strategic Plan page 12 'Climate risk', Ownership Report page 93 'Climate and environment' and pp. 107-110 'Climate-related stress tests'
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. 107-110 'Climate-related stress tests'
Risk management	
a) Describe the organisation's process for identifying and assessing climate risk.	
b) Describe the organisation's process for managing risk.	Strategic Plan page 12 'Climate risk', Ownership Report pp. 107-110 '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.	Strategic Plan page 12 'Climate risk', Ownership Report pp. 107-110 'Climate-related stress tests'
Metrics and targets	
a) Describe the metrics the organisation uses to assess climate-related threats and opportunities, in line with its strategy and risk management process.	Folketrygdfondet's Expectations, Ownership Report pp. 107-110 '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. 107-110 '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.	Folketrygdfondet's Expectations, Ownership Report pp. 107-110 'Climate-related stress tests'

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 that is available on our website ftf.no. We raise the risk of corruption in our dialogues with companies' boards and management when relevant.

Development in 2023

Anti-corruption has not been a frequent topic in Folketrygdfondet's dialogue with companies in 2023. In previous years, the dialogue has been marked by, for example, major revelations about money-laundering suspicions in the financial sector. We see that the legal processes relating to these cases are coming to an end. Folketrygdfondet's dialogue with companies about this issue has primarily been based on taking a 'precautionary' approach. For example, we mention anti-corruption in connection with the companies' materiality assessments of industries that are particularly exposed to corruption or other forms of economic crime.

Plan for 2024

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

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 on 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 2023

Based on the new reporting requirements set out in the Transparency Act, Folketrygdfondet entered into a dialogue with companies in several industries that are particularly exposed to the risk of complicity in human rights violations, for example the retail industry. More detailed reporting requirements relating to human rights risk have led the companies to assess their own value chains more closely. The risk is considered highest in the companies' supply chains, and Folketrygdfondet is keen to ensure that companies have good procedures for identifying risks and introducing measures.

Plan for 2024

Folketrygdfondet will continue to prioritise dialogue with companies with high inherent risk. Inherent risk will arise as a result of business models, forms of organisation and geographical exposure.

DIALOGUE WITH COMPANIES LISTED IN NORWAY BY TOPIC

Table 20

Portfolio	Number of companies		
	2023	2022	2021
Strategy, capital structure and financial targets	55	58	63
Operations and market development	52	57	64
Climate and environment	47	38	45
Executive pay	20	25	24
Composition of the board	25	20	23
Human and labour rights	20	8	19
Anti-corruption	13	6	8

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

Table 21

Portfolio	Number of companies		
	2023	2022	2021
Strategy, capital structure and financial targets	15	16	24
Operations and market development	25	19	27
Climate and environment	9	11	21
Executive pay	1	2	0
Composition of the board	1	0	3
Human and labour rights	2	2	8
Anti-corruption	1	4	4

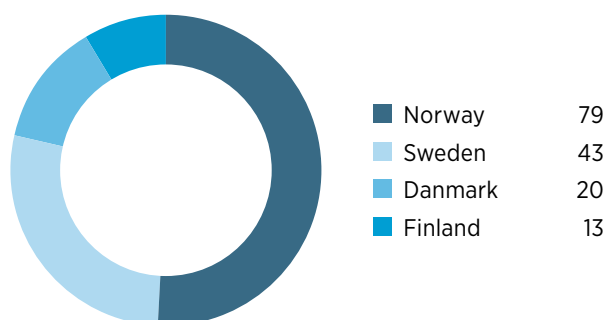
We protect shareholder interests

In 2023, Folketrygdfondet voted at 155 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 2023. 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)

Figure 33



OUR APPROACH

Table 22

	Norwegian companies	Nordic companies
Vote at the general meetings of companies in which we own shares	●	●
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 items on the agenda and vote in accordance with our principles, guidelines and assessments	●	●
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	●	●

Development in 2023

In 2023, takeover bids were made for several companies in which Folketrygdfondet is a shareholder. In several cases, the bid was submitted by a group consisting of the largest shareholders. Such takeover bids are demanding for the minority shareholders and it is important that the board, and the independent board members in particular, protect the interests of all shareholders. We have high expectations of the boards in these cases as well.

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 see 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. Table 25 lists instances of our voting against board proposals and the reasons for our voting in the Norwegian market, 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 for each instance of our voting against a board proposal, including the Nordic companies.

BOARD PROPOSALS

Table 23

	For	Against	Abstained	Total	For (%)	Against (%)	Abstained (%)
Norway	1082	42	1	1125	96,2%	3,7%	0,1%
Sweden	1240	42	0	1282	96,7%	3,3%	0,0%
Denmark	291	3	0	294	99,0%	1,0%	0,0%
Finland	191	1	0	192	99,5%	0,5%	0,0%
Total	2804	88	1	2893	98,0%	2,1%	0,1%

Publication of voting intentions

If our point of view does not prevail, we vote against and publish a statement about our reasons. In 2023, for the fifth 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 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 other 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 other Nordic countries. In cases where Folketrygdfondet has previously voted against the same proposal, we have not sent a new letter, but the reasons are published at 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 consider before voting at 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.

SHAREHOLDER PROPOSALS

Table 24

	For	Against	Abstained	Total	For (%)	Against (%)	Abstained (%)
Norway	0	9	0	9	0,0%	100,0%	0,0%
Sweden	0	19	0	19	0,0%	100,0%	0,0%
Denmark	0	9	2	11	0,0%	81,8%	18,2%
Finland	0	0	0	0	na	na	na
Total	0	37	2	39	0,0%	95,5%	4,5%

Shareholder proposals

The use of shareholder proposals varies between the Nordic countries. In all, 39 shareholder proposals were tabled at the general meetings of companies Folketrygdfondet has invested in; 30 of them in Sweden and Denmark, none in Finland and the remaining 9 in Norway. As many as 7 out of 9 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. Some proposals are detailed requirements relating to strategy and reporting, which the company, in our opinion, is best fit to address.

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' interest are changed before the general meeting or never make it onto the agenda.

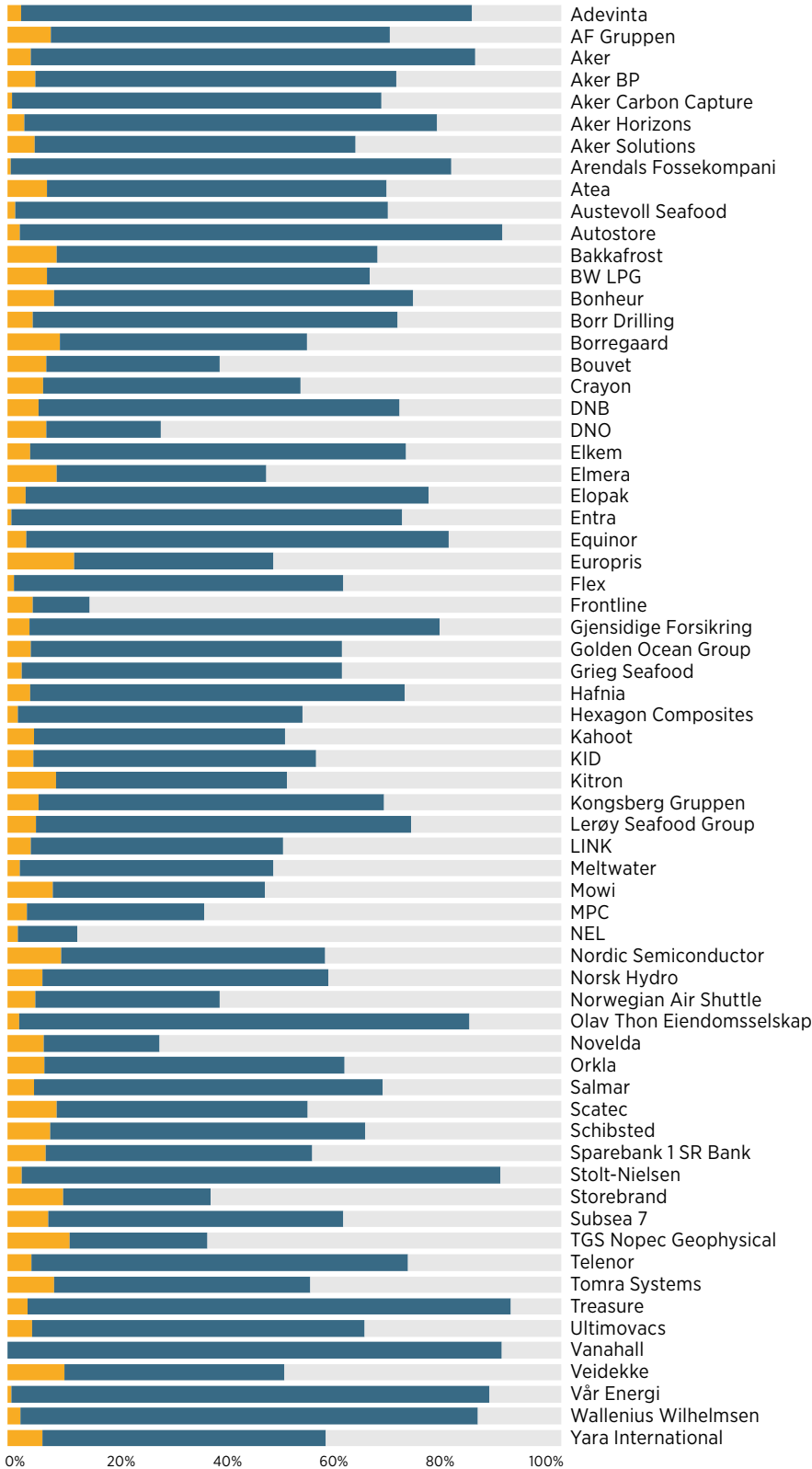
As regards general meetings, the goal for our active exercise of ownership rights is to ensure that board proposals are in line with Folketrygdfondet's expectations. This applies in particular to our expectations as regards strategy, capital structure and financial targets, remuneration of the board 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.

As of the end of 2023, Folketrygdfondet was represented on 14 nomination committees and 1 corporate assembly. In that connection, we have registered several improvements in the board composition in individual companies.

ATTENDANCE 2023 – COMPANIES LISTED ON OSLO STOCK EXCHANGE

Annual general meetings of companies listed on Oslo Stock Exchange that Folketrygdfondet has attended

Figure 34



In 2023, Folketrygdfondet was represented at a total of 65 annual general meetings of companies listed on Oslo Stock Exchange, in addition to 14 extraordinary general meetings.

- Folketrygdfondet
- Other shareholders
- Not represented

The attendance percentage (measured by number of votes in the company) for all general meetings at which Folketrygdfondet was represented was 61.6 per cent. Attendance varied between 12.6 per cent and 90.8 per cent.

NORWEGIAN COMPANIES WHERE FOLKETRYGDFONDET VOTED AGAINST BOARD PROPOSALS

Table 25

Company	Date	Type of matter Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Treasure	16 March 2023	<i>Board composition and authorisation to issue shares</i>		
		Item 8 Election of chair of the board <i>Grounds:</i> The board should contribute more to highlighting the company's values and show more consideration for minority shareholders' interests.	4,0	4,0
		Item 9 Election of board members <i>Grounds:</i> We refer to the grounds for Item 8.	4,0	4,1
		Item 12 Proposal to reduce the share capital by deleting own shares and amending the articles of association <i>Grounds:</i> The proposal to delete own shares is a consequence of the company's buy-back programme. Folketrygdfondet votes against authorising the board to acquire own shares in Item 13 and thus against the proposal to delete own shares in Item 12.	4,0	4,0
		Item 13 Authorisation of the board to acquire own shares <i>Grounds:</i> Treasure is an illiquid share and we believe that buying back shares is a poorer alternative than dividends, which to a greater extent treat all shareholders equally at the same time as dividends do not reduce free flow.	4,0	4,0
Subsea 7 S.A	18 April 2023	<i>Board member</i>		
		Item 9 Election of Treveri S.à r.l., a company registered in Luxembourg, as board member, with Kristian Siem as its permanent representative, to hold the office until the annual general meeting is held in 2025, or until a successor has been lawfully elected. <i>Grounds:</i> Folketrygdfondet considers the possibility of holding each board member personally accountable for the board's actions as crucial. As a matter of principle, we plan to vote against the election of Treveri S.à r.l, a company registered in Luxembourg, to the board, as we question whether Treveri S.à r.l can be held accountable for the actions of its permanent representative. Furthermore, the general meeting should elect board members. Treveri S.à r.l will be permanently represented by its sole owner, Kristian Siem. However, it is unclear whether a subsequent decision by Treveri S.à r.l. to appoint another permanent representative would require approval from the general meeting.	12,1	27,1
MPC Container ships	19 April 2023	<i>Executive pay</i>		
		Item 5 Guidelines for pay and other remuneration of executive personnel <i>Grounds:</i> Folketrygdfondet supports targeted, performance-based remuneration schemes for executive personnel. Incentive schemes should be linked to personal targets, company targets and goals aimed at ensuring value creation for shareholders. Boards should design clear, simple schemes with a maximum cap and reasonable scope. In Folketrygdfondet's view, MPC Container Ships' incentive scheme proposal lacks the necessary details, including a maximum cap, and may therefore lead to an excessive transfer of value from the shareholders to the company's employees.	9,8	31,6
Ultimovacs	20 April 2023	<i>Executive pay and authorisation to issue shares</i>		
		Item 4 Approval of the guidelines regarding stipulation of salary and other remuneration to the executive management <i>Grounds:</i> Folketrygdfondet takes a positive view of remuneration systems that are targeted and performance-based. Incentive schemes should be linked to personal targets, 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 cap for the scheme and ensure that the scope is not unreasonable. In Folketrygdfondet's view, since Ultimovacs' option programme lacks such a cap, this proposal could therefore lead to an excessive transfer of value from the shareholders to the company's employees.	6,9	14,9
		Item 14 Authorisation for the board to increase share capital in connection with incentive programmes <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 an excessive transfer of value 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.	6,9	14,9

Company	Date	Type of matter Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Stolt-Nielsen	20 April 2023	<i>Board composition</i>		
		<p>Item 3g Election of Niels G Stolt-Nielsen as board member</p> <p><i>Grounds:</i> Folketrygdfondet votes against the election of Niels G Stolt-Nielsen as board member based on the Norwegian Code of Practice for Corporate Governance's recommendation on independence, which advises against executive personnel on the board.</p>	2,9	5,2
		<p>Item 4 Board authorisation to appoint new board members</p> <p><i>Grounds:</i> Folketrygdfondet votes against granting the board authorisation to appoint new board members, as it considers, as a matter of principle, that board members should be elected by the shareholders at the general meeting.</p>	2,9	13,0
		<hr/>		
Entra	25 April 2023	<i>Authorisation and dividends</i>		
		<p>Item 5.2 Approval of annual accounts and board of directors' report for the 2022 financial year for Entra ASA, including the distribution of dividend</p> <p><i>Grounds:</i> Folketrygdfondet expects boards to have clear long-term strategies that include a dividend policy and risk profile. Dividends should be predictable, clearly communicated and regarded as residual. Due to Entra's negative financial development in 2022 and an ongoing sales programme to reduce its loan-to-asset ratio, Folketrygdfondet considers that the distribution of dividend for the second half-year 2022 does not support the company's value creation potential. It therefore votes against the distribution of dividend.</p>	1,0	1,3
		<p>Item 6 Authorisation to distribute half-yearly dividend based on approved annual accounts for 2022</p> <p><i>Grounds:</i> With reference to our grounds for voting in Item 5.2, in which we argue that the distribution of dividend does not support the company's value creation potential, Folketrygdfondet votes against the proposal to authorise the board to distribute a half-yearly dividend based on the approved annual accounts for 2022.</p>	1,0	1,8
		<hr/>		
Atea	27 April 2023	<i>Restructuring/acquisition</i>		
		<p>Item 7.2 Term of office of the Nomination Committee</p> <p><i>Grounds:</i> As a matter of principle, Folketrygdfondet believes that a nomination committee can only perform its duties if it is independent of the board. This is not the case in this instance, as the articles of association stipulate that the chair of the board shall be a member of the nomination committee. For this reason, Folketrygdfondet votes against Item 7.2.</p>	10,5	15,5
<hr/>				
Meltwater N.V.	2 May 2023	<i>Independence</i>		
		<p><i>Grounds:</i> Both the offer price and the proposed agreement structure put minority shareholders at a disadvantage. The offer price of NOK 18 per share does not adequately reflect the company's fundamental value. The proposed agreement structure gives minority shareholders the choice between accepting cash or rolling their shares into private offeror shares. For Folketrygdfondet, the roll-out option is not in line with our mandate. As a result, Folketrygdfondet can either accept the cash offer or vote against it.</p> <p>Based on an overall assessment, Folketrygdfondet will, as a long-term, financial minority shareholder, vote against the board's proposal for a merger based on the stated terms.</p>		
		<p>Item 2b Restructuring process</p> <p>(i)Restructuring proposal (merger) and</p> <p>(ii)restructuring proposal (share sale)</p>	3,2	24,9
		<p>Item 2c Conditional election of Nathan Pingelton as board member</p>	3,2	20,4
		<p>Item 2d Conditional amendment of articles of association</p> <p>(i)Conditional amendment of articles of association and</p> <p>(ii)authorisation to sign amendment</p>	3,2	20,2
		<hr/>		

Company	Date	Type of matter Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Arendals Fosse-kompani	4 May 2023	<i>Independence</i>		
		Item 14a Election of Morten Bergesen to the nomination committee <i>Grounds:</i> Folketrygdfondet believes that the members of the nomination committee should be independent of the board members, in line with Section 7 of the Norwegian Code of Practice for Corporate Governance. Independence is decisive for confidence in the nomination committee's processes. A clear division of roles and responsibilities between the board and the nomination committee is essential. As the deputy chair of the company's board is running for re-election as chair of the nomination committee, Folketrygdfondet will vote against Morten Bergesen being elected to the nomination committee.	0,8	1,5
		Item 14b: See grounds for voting in 14a)	0,8	0,8
		Item 14c: See grounds for voting in 14a)	0,8	0,8
Golden Ocean Group Ltd.	8 May 2023	<i>Authorisation</i>		
		Item 2 Authorisation for the board to appoint new board members <i>Grounds:</i> The board asks the general meeting for authorisation to appoint new board members. Folketrygdfondet believes that, as a matter of principle, board members shall be elected by the shareholders at the general meeting. Folketrygdfondet will therefore vote against granting the board authorisation to appoint new board members.	7,0	11,7
Flex LNG Ltd.	8 May 2023	<i>Authorisation</i>		
		Item 2 Authorisation of the board to appoint new board members <i>Grounds:</i> The board asks the general meeting for authorisation to appoint new board members. Folketrygdfondet believes that, as a matter of principle, board members shall be elected by the shareholders at the general meeting. Folketrygdfondet will therefore vote against granting the board authorisation to appoint new board members.	2,0	16,9
BW LPG Limited	15 May 2023	<i>Authorisation</i>		
		Item 15 <i>Grounds:</i> Folketrygdfondet believes that the authorisation to increase the share capital by 20%, without any specific purpose, is unnecessary. We therefore intend to vote against Item 15.	11,0	24,9
Lerøy Seafood Group	23 May 2023	<i>Remuneration of board members and executive personnel</i>		
		Item 5a Stipulation of the remuneration of board members <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 Lerøy Seafood Group ASA's nomination committee proposes that the chair of the board receive a consultancy fee from Laco AS of NOK 3,802,000, for which Austevoll Seafood ASA is invoiced. In the company's annual report, however, it is stated that the chair of the board received a consultancy fee in 2022 of NOK 3,800,000. 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 actual amount paid. It follows from sound corporate governance and normal practice in listed companies that it is the nomination committee that proposes the remuneration of board members, and that the general meeting votes on the proposal, cf. Section 7 of the Norwegian Code of Practice for Corporate Governance. Folketrygdfondet votes against Item 5 a) since the fee for the chair of the board is not based on the nomination committee's recommendation.	7,1	7,1
		Item 6 Remuneration report <i>Grounds:</i> Folketrygdfondet votes against Item 6 concerning the executive pay report. The annual report states that the chair of the board receives a consultancy fee from Laco AS, for which Lerøy Seafood Group ASA is invoiced. In other words, the fee of NOK 3,800,000 is not based on the nomination committee's recommendation. This 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).	7,1	16,5

Company	Date	Type of matter Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Olav Thon Eiendoms-selskap	24 May 2023	<i>Authorisation to acquire the company's shares and share issues</i>		
		<p>Item 7a Authorisation to acquire the company's own shares</p> <p><i>Grounds:</i> Buying back shares can be a good supplement to paying dividends. However, Olav Thon Eiendoms-selskap ASA is a very illiquid share with limited trading volume in the market and inefficient pricing. Buying back shares at these discount levels also favours those who are not selling, and Folketrygdfondet therefore believes it is a poorer alternative than dividends that would have treated all shareholders equally. At the same time, it further reduces free flow.</p>	2,6	2,6
DNO	25 May 2023	<i>Remuneration</i>		
		<p>Item 9 Stipulation of 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 Section 8 of Norwegian Code of Practice for Corporate Governance that executive personnel should not be members of the board. One of the board's main duties 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 among the management. Folketrygdfondet will therefore vote against the proposal.</p>	25,5	38,4
Austevoll Seafood	25 May 2023	<i>Remuneration</i>		
		<p>Item 7a Stipulation of 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 425,000 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 3,802,000, 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 to the general meeting appears to be misleading, since the shareholders will only vote over parts of the chair's remuneration. This is a violation of Section 6-10 of the Public Limited Liability Companies Act. 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. Section 7 of the Norwegian Code of Practice for Corporate Governance. On this basis, Folketrygdfondet votes against Item 7 a)</p>	2,1	3,4
		<p>Item 11 Remuneration report</p> <p><i>Grounds:</i> Folketrygdfondet votes against Item 11 on the report on the remuneration of executive personnel. The report states that the chair of the board has received NOK 3,802,000 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 aligned with the nomination committee's recommendation.</p>	2,1	16,9

Company	Date	Type of matter Why we voted against	Votes against as %	
			Folketrygdfondet	Total
Link Mobility	31 May 2023	<i>Remuneration</i>		
		Item 8 Remuneration report <i>Grounds:</i> The report is based on a programme for the remuneration of executive personnel that does not have a maximum cap on option programmes and other share-based compensation. The lack of a maximum cap is not in line with Folketrygdfondet's expectations of executive remuneration in the company. Folketrygdfondet also abides by the principle that options should not be issued to board members. This also follows from Section 11 of the Norwegian Code of Practice for Corporate Governance. It is clear from the executive pay report that the company has issued options to the chair of the board. For all the above reasons, Folketrygdfondet will vote against Item 8.	8,6	20,3
		Item 9 Approval of amended guidelines on pay and remuneration of executive personnel <i>Grounds:</i> Folketrygdfondet takes a positive view of the management and board owning shares in the companies because this can ensure aligned interests between the management and shareholders, as well as sound corporate governance and value creation over time. We expect boards to devise schemes that are simple and clear, have a maximum cap and a scope that is not unreasonable. The scheme lacks a maximum cap and could lead to the issue of a further 10 per cent new shares. In Folketrygdfondet's view, the scheme is too large in scope and can lead to an excessive transfer of value from shareholders to the company's employees.	8,6	12,5
Meltwater N.V.	30 June 2023	<i>Remuneration and discharge of liability</i>		
		Item 2b Remuneration report <i>Grounds:</i> The report only contains information about remuneration of the company's board, 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. Without information about executive remuneration, it is not possible to make that assessment.	4,6	10,5
		Item 4 Discharge of liability for board members <i>Grounds:</i> Folketrygdfondet considers the possibility of holding each board member personally accountable for the board's actions to be crucial.	4,6	20,6
Borr Drilling Ltd.	31 Aug. 2023	<i>Authorisation to appoint new board members</i>		
		Item 2 <i>Grounds:</i> The board of Borr Drilling Ltd requests the general meeting's authorisation to appoint new board members. Folketrygdfondet believes that, in principle, board members shall be elected by shareholders through the general meeting. Folketrygdfondet therefore votes against granting the board authorisation to appoint new board members.	6,5	50,0
		Item 4b Discharge of liability for non-executive director	4,6	21,6
Frontline Ltd.	12 Dec. 2023	<i>Authorisations and remuneration</i>		
		Item 11 <i>Grounds:</i> The proposal to waive shareholders' preferential rights is not sufficiently justified. The authorisation is for approximately 170% of the existing share capital, and can potentially lead to a significant dilution of existing shareholders. Without a good justification for the specific purposes of this, Folketrygdfondet cannot vote in favour of the proposal.	8,1	28,8
		Item 12 Reference is made to Item 11.	8,1	28,8
		Item 13 <i>Grounds:</i> Folketrygdfondet votes against both the executive pay report and the executive pay policy as they are not in line with Folketrygdfondet's expectations. We cannot see that a cap has been set for variable remuneration, and allocations made under the arrangement are not transparent. In addition, options are issued to members of the board, which is in violation of Chapter 11 of the Norwegian Code of Practice for Corporate Governance.	8,1	27,9
		Item 14 Reference is made to Item 13.	8,1	27,8

MATTERS FOLKETRYGDFONDET HAS VOTED AGAINST (ABSTAINED FROM VOTING FOR)

Table 26

	Norway	Sweden	Denmark	Finland	Total
Remuneration of executive personnel*	12	3	1		16
Authorisations to issue/buy back shares**	9	2	1		12
Election of members of the nomination committee	4	2			6
Against the whole board / one member	4 (1)	2	1		7 (1)
Against having the CEO on the board	1	16			17
Discharge of liability	2	17		1	20
Board authorisation to appoint board members	4				4
Dividend	2				2
Merger/acquisition approval	4				4
TOTAL	42 (1)	42	3	1	88 (1)

* 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 nomination committees' work

Folketrygdfondet is represented on 14 nomination committees in Norwegian companies. We also attended one corporate assembly in 2023.

It is important to Folketrygdfondet to contribute to ensuring that the companies 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 companies depend 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 the companies' boards, but, in addition to being represented on nomination committees, we also attended one corporate assembly in 2023.

Folketrygdfondet's representatives were elected to two nomination committees in 2023: AF Gruppen ASA and Norsk Hydro ASA. The previous Chief Investment Officer Equities has retired, and his position is therefore not included in the overview below.

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 14, while the number of Folketrygdfondet representatives has increased from 5 to 9. Folketrygdfondet's representatives meet regularly to discuss common issues relating to the work of a nomination committee. We have also introduced a systematic evaluation process whereby each representative evaluates the individual committee's work towards 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 2023

Table 27

Corporate assemblies

Telenor ASA	CEO Kjetil Houg	Deputy chair
-------------	-----------------	--------------

Nomination committees

Gjensidige Forsikring ASA	Portfolio Manager Pernille Moen Masdal	Member
Kongsberg Gruppen ASA	Chief Investment Officer Equities 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 Karl Mathisen	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
TGS-NOPEC Geophysical Company ASA	Portfolio Manager Ole Jakob Hunstad	Member
TOMRA Systems ASA	Portfolio Manager Tine Fossland	Member
Veidekke ASA	Portfolio Manager Tine Fossland	Member
Yara International ASA	Deputy Director Equities Ann Kristin Brautaset	Member
AF Gruppen ASA	Chief Compliance Officer and General Counsel Christina Stray	Member

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 manager, 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, 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 threats and opportunities.

Strategy

The actual and potential impacts of climate-related threats and opportunities on the organisation's business, 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 threats 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 has, over several years,

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 2023. The results show that the two stress tests of the equities portfolio lead to a fall in value of 10–11 per cent (compared with a fall of 11–14 per cent the last time Folketrygdfondet applied the BoE stress test, in 2022). The difference is primarily due to the reduction 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 a temperature increase of well below two degrees in 2100.
- C. A scenario in which climate mitigation 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 10 and 11 per cent.

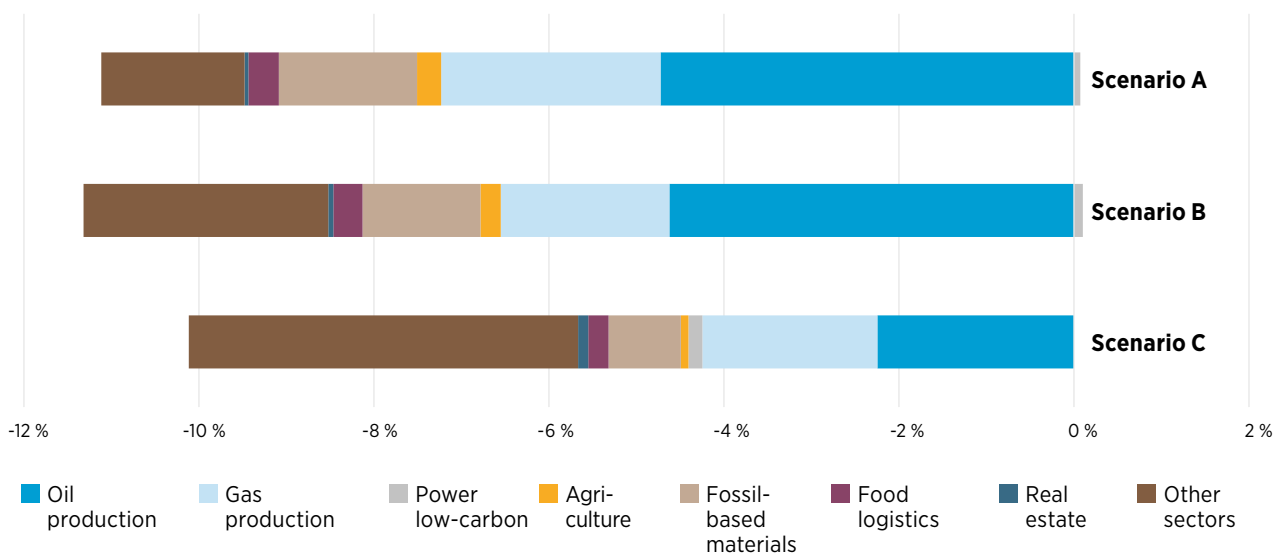
In all the scenarios, the biggest contribution to the fall in value comes from Folketrygdfondet's investments in oil production. The relatively large loss on other sectors in Scenario C is of particular interest. It indicates that also companies outside what are defined as climate-sensitive sectors will lose as a result of global warming that is out of control.

Compared with the stress test in 2022, the fall in value has been slightly reduced as a result of less exposure to the oil and gas sector in 2023.

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 whether 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 climate scenario modelling 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: In the event of a market shock that made everyone aware that a given scenario would materialise, 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 GPFN's equities portfolio of between 10 and 11 per cent in the different scenarios.
- The BoE stress test estimates that the financial climate risk is greatest for the GPFN'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 rapid, 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 2023 measures GHG emissions 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 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 say anything about 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, drought, flooding and changed access to raw materials). The 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 emissions analysis' weaknesses, we only use it as an indicator of climate risk, not as a metric for managing the portfolio. Folketrygdfondet's CO₂e-analysis (Table 28) is based on our equities portfolio as of 31 December 2022. 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 carbon intensity, both adjusted for our share of the company's market value ('the equity method') and for the company's relative size in the portfolio ('weighted average carbon intensity'). The analysis uses emission figures from 2022 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 CO₂ emissions. The figure is based on the companies' total emissions adjusted for our shareholding (tonnes of CO₂e).
2. The portfolio's CO₂ efficiency. The figure is based on the companies' total emissions adjusted to reflect our percentage shareholding (tonnes of CO₂e/ NOK million invested).
3. The portfolio's weighted average carbon intensity. The figure is based on the sum of the companies' CO₂ emissions relative to sales (tonnes of CO₂e/ NOK million in sales) adjusted to reflect the value of the shareholding in each company compared with the portfolio value.
4. The portfolio's carbon intensity. The figure is based on the sum of the companies' CO₂ emissions relative to sales (tonnes of CO₂e/ NOK million in sales) adjusted to reflect our share of the companies' market value.

CO₂ ANALYSIS OF THE EQUITIES PORTFOLIO AS OF 31 DEC. 2023 (31 DEC. 2022)*

Tabell 28

	Portfolio		Benchmark inde		Difference from benchmark index
	2023	2022	2023	2022	2023
Weight of companies reporting carbon emissions (percentage)	98,12	98,64	96,65	97,49	
TCFD total carbon emissions (tonnes of CO ₂ e)**	3 367 977	3 374 657	262 092 668	257 956 017	
TCFD total carbon emissions per NOK million invested (tonnes)	15,93	16,93	17,28	17,26	-1,35
TCFD weighted average carbon intensity (weighted average tonnes/ NOK million)	13,65	18,84	14,94	20,75	-1,29
TCFD carbon intensity (tonnes/ NOK million in sales)	20,64	26,57	22,49	28,34	-1,85

* Source: Bloomberg. The figures for 2022 deviate from the 2022 annual report due to updated emissions figures for certain companies.

** CO₂e stands for CO₂ equivalent. This unit compares the emissions of different greenhouse gases with the global warming effect of one tonne of CO₂ over 100 years.

Promoting 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 practices 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 submitted three consultation statements in 2023.

Plan for 2024

In 2024, 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.

CONSULTATION STATEMENTS SUBMITTED IN 2023

Table 29

Recipient	Topic	Date submitted
Ministry of Finance	The Fund in a changing world	4 January 2023
Ministry of Finance	Sustainability reporting – implementation of the Sustainability Reporting Directive	31 August 2023
Swedish Corporate Governance Board	Amendments to the Swedish Corporate Governance Code	18 October 2023

PARTICIPATION IN EXTERNAL INITIATIVES IN 2023

Table 30

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"> Chief Compliance Officer and General Counsel Christina Stray, board member and member of the capital market technical committee
Norwegian Society of Financial Analysts	Promote: <ul style="list-style-type: none"> public understanding of the function and importance of the capital markets in the Norwegian economy a high standard of financial analysis good framework conditions and a well-functioning capital market high ethical standards in financial analysis, asset management, advisory services and trading in financial instruments 	<ul style="list-style-type: none"> Chief Compliance Officer and General Counsel Christina Stray, board member FFN and member of the equity committee Portfolio Manager Pernille Moen Masdal, board member FFN, member of the equity committee and the committee on women in front-end finance Chief Investment Officer Fixed Income Jørgen Krog Sæbø, member of the capital management committee Deputy Director Equities Ann Kristin Brautaset, chair of the committee that awards the Stockman Prize Chief Strategist Erlend Hellum, member of the bond committee Portfolio Manager ESG Annie Bersagel, member of the financial information committee, chair of the technical committee on sustainable finance Portfolio Manager Tine Fosslund, member of the financial information committee
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"> Chief Compliance Officer and General Counsel Christina Stray, committee chair and representative of the Norwegian Society of Financial Analysts
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"> Chief Investment Officer Equities Karl Mathisen, member
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"> Chief Compliance Officer and General Counsel Christina Stray, chair of the nomination committee Portfolio Manager Tine Fosslund, board member
CDP (formerly known as the Carbon Disclosure Project)	To prevent climate change and protect natural resources	<ul style="list-style-type: none"> Portfolio Manager ESG Annie Bersagel, representative
The UN-supported Principles for Responsible Investment, PRI	To promote understanding of how issues relating to the environment, society and corporate governance impact investors and their asset management activities.	<ul style="list-style-type: none"> Portfolio Manager ESG Annie Bersagel, representative
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"> Chief Compliance Officer and General Counsel Christina Stray, member
Norwegian Fund and Asset Management Association	<ul style="list-style-type: none"> Assistance to members <ul style="list-style-type: none"> – professional and administrative Develop and enforce industry standards Promote knowledge of and interest in securities fund investment Stay up to date on international developments in the industry Produce market statistics 	<ul style="list-style-type: none"> Portfolio Manager Henning Lund, member of the fixed income committee

Responsible fixed-income investment central to our mission

Our investment mandate is based on a comprehensive approach to responsible management. Responsible management involves, among other things, contributing to sustainable capital allocation and efficient markets, as well as emphasising significant ESG factors. The topic of ESG continues to shape the capital markets.

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 and the Government Bond Fund 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 and the Government Bond Fund.

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 the 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

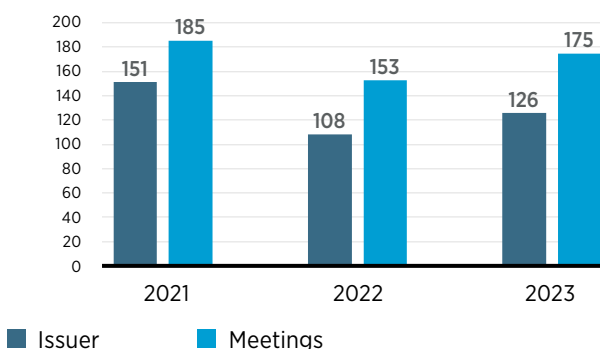
We continuously follow up the companies we have invested in, and also take action when loan agreements need revising or when credit events occur. As a responsible investor, we seek to find solutions that effectively safeguard our financial interests and the functioning of the market in a well-balanced 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. In 2023, Folketrygdfondet held 175 meetings with 126 issuers.

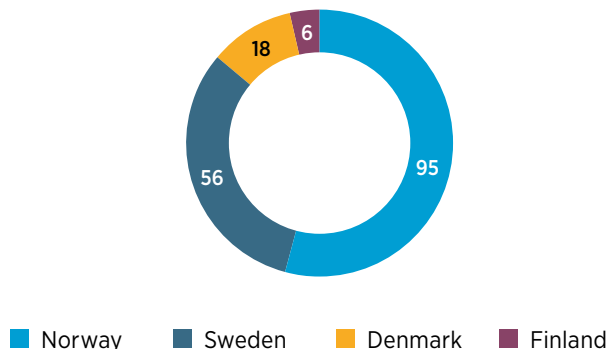
NUMBER OF MEETINGS WITH ISSUERS

Figure 36



NUMBER OF MEETINGS WITH ISSUERS PER COUNTRY

Figure 37



THE SIZE OF FOLKETRYGDFONDET’S BOND HOLDINGS WITH INDIVIDUAL ISSUERS

The size of the boxes represents the Government Pension Fund Norway’s bond holding with the individual issuers as of 31 December 2023.

Figure 38

■ Norway ■ Danmark ■ Sweden ■ Finland

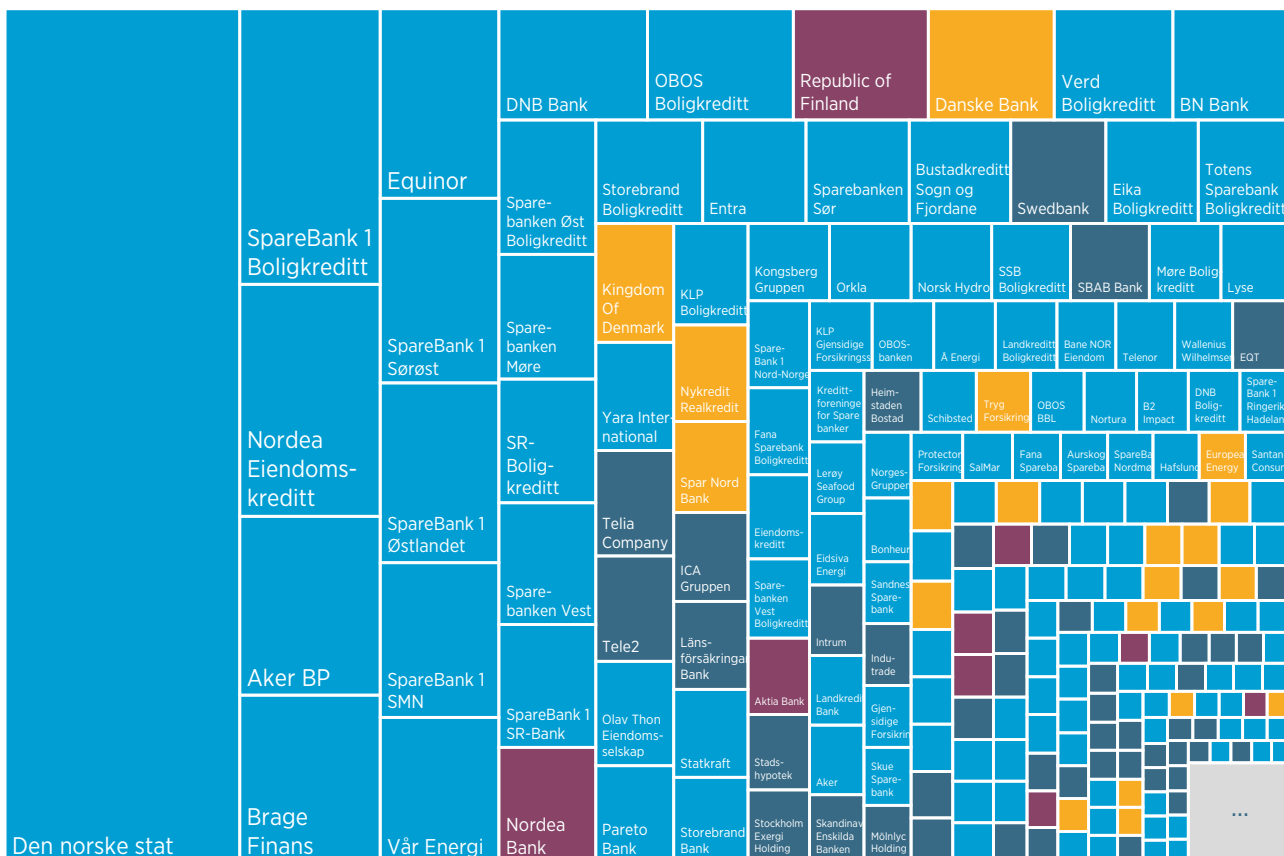


Table 30

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

Development in 2023

Folketrygdfondet closely monitors market developments and stays up to date about regulatory and sustainability developments of relevance to the market. 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 assess ongoing developments in the capital markets relating to the issue of sustainability instruments and any new such instruments on the market. We have started work on mapping how facilitators work on these instruments and the requirements that apply during this process.

During the year, the Fixed-Income Department has continued to focus on integrating ESG assessments in a larger part of the portfolio. The ESG framework we use maps risks relating to environmental and social issues in the portfolio. The framework is based on a traffic light system that shows risk at sector level. All credit issuers in the Government Pension Fund Norway have now been mapped in accordance with this framework.

Plans for 2024

We make continuous efforts to raise our in-house expertise and will focus on further developing relevant tools for responsible fixed-income investment. We continue to implement the ESG framework and align it in our analyses, thus integrating ESG assessments in our investment activities. We will develop good metrics and targets for our portfolio, in line with our ambitions for comprehensive reporting. We will also update our expectation document in line with recent years' developments in the capital markets. An assessment has already commenced and we will continue this work going forward. 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 twelve bondholder meetings

Folketrygdfondet wishes to contribute to finding a solution when a bond issue has to be renegotiated. In 2023, we voted at twelve 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 loan, but also in relation to the general functioning of the market, which is important to ensure the highest possible return over time.

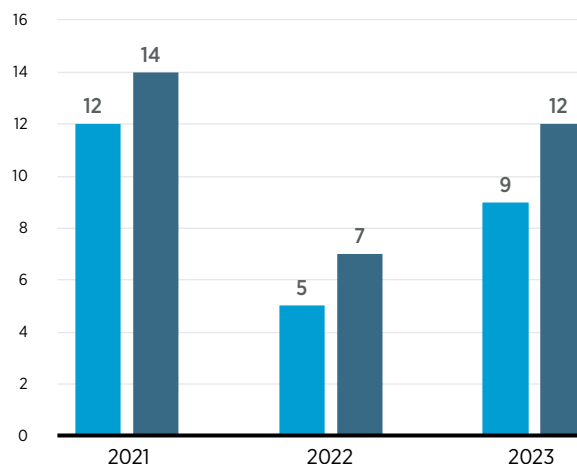
In 2023, Folketrygdfondet voted at twelve bondholder meetings with nine different issuers. One meeting concerned restructuring, changes to the loan agreement and a waiver of terms in the loan agreement. Nine of the meetings concerned changes to the loan agreement, and two meetings concerned a waiver of terms.

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 ISSUE

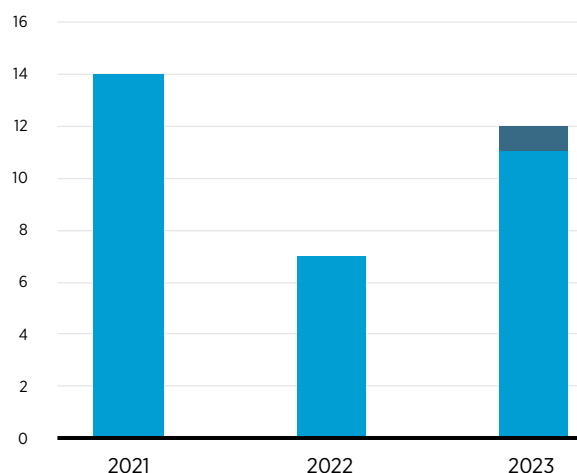
Figure 39



■ Issuer ■ Meetings

TOPIC AT BONDHOLDER MEETING

Figure 40



■ Restructuring ■ Loan agreement

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