

Folketrygdfondet

# Ownership report 2024



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# Responsible investment

Our owner has provided us with a clear mission: to deliver the highest possible returns over time. We achieve this through active management and by being a responsible owner and creditor.

We emphasise long-term value creation, responsible corporate governance and creditor management and well-functioning markets. The future value of the fund depends on the value created by the companies. As the largest institutional investor on the Oslo Stock Exchange,

we can influence the companies we invest in. That is why we assess how the companies are managed, the risks they face and how they impact the environment and society around them. We call this the exercise of our role as owner and creditor.

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## ILLUSTRATION 1. INSTRUMENTS IN OUR RESPONSIBLE INVESTMENT ACTIVITIES

Active ownership contributes to long-term value creation



## Integrated approach

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

We have set two sub-targets for our investment activities in order to achieve the highest possible returns over time.

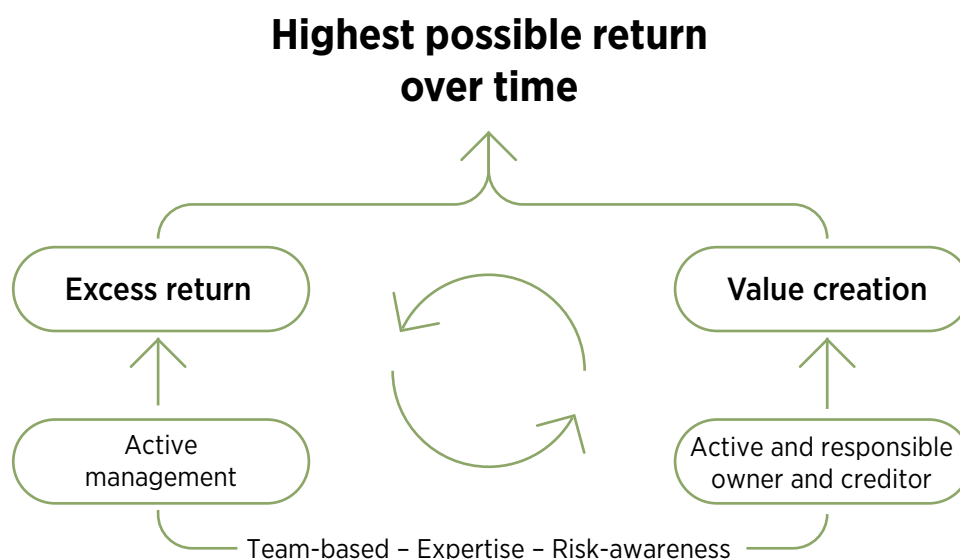
- We shall achieve a higher return than the market in general (excess return compared with benchmark indices)
- We shall support long-term value creation in companies and well-functioning markets

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 corporate value creation is achieved through being an active and responsible owner and creditor, as well as through the development of best practices and well-functioning markets.

In our experience, these goals are interdependent. Being an active owner and creditor makes us a better investor.

We systematically follow up material opportunities and challenges linked to environmental, social and governance (ESG) issues in order to be an owner that contributes to maximising companies' value creation. This also benefits other shareholders and creditors. In our capacity as owner, we are principled and engage with the individual portfolio companies irrespective of any over or under-weighting relative to our benchmark index. This facilitates higher returns in the long run.

### ILLUSTRATION 2. OUR INVESTMENT PHILOSOPHY SUMMARISED



# How we organise our work

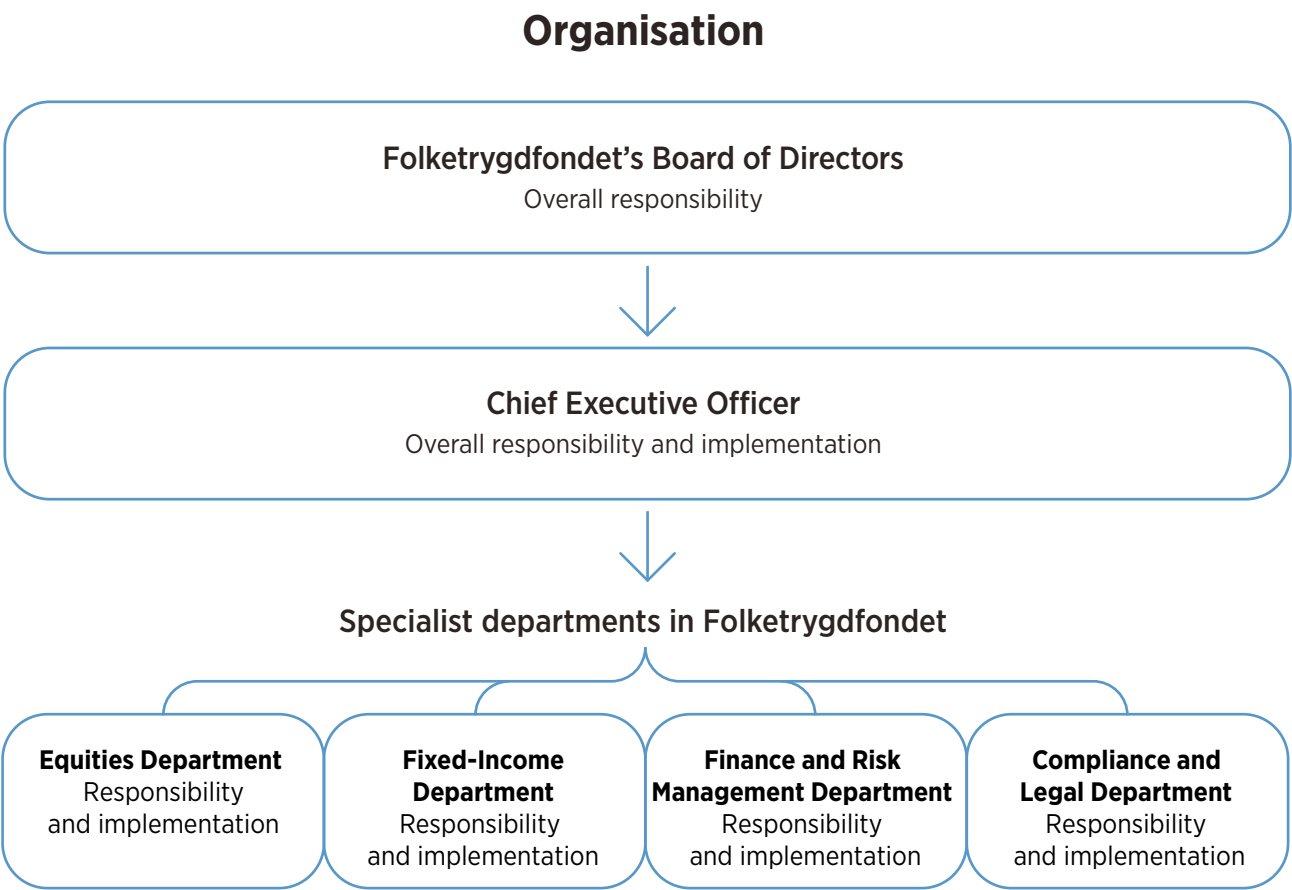
Folketrygdfondet's Board has adopted principles for responsible investment that describe how we exercise our role as owner and creditor and how we integrate environmental and social considerations in our management of the Government Pension Fund Norway.

Responsibility for implementing the principles throughout the portfolio rests with the CEO. In the document 'Folketrygdfondet's exercise of its role as owner and creditor', 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 themes.

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.

ILLUSTRATION 3. FOLKETRYGDFONDET'S ORGANISATION

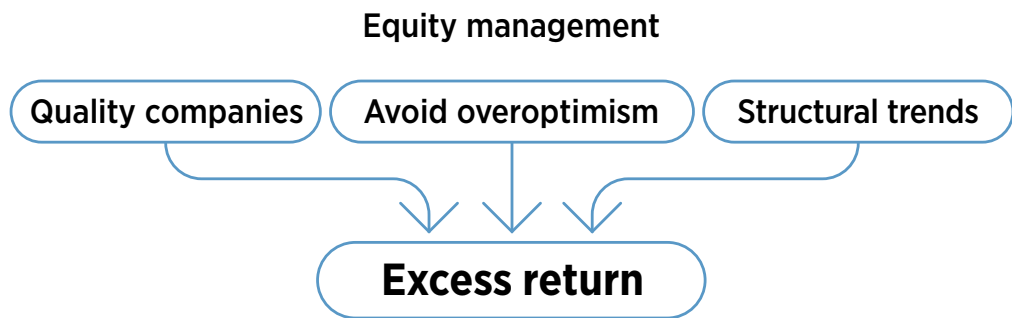


# Active management of the equities portfolio

All of Folketrygdfondets investment activities are active, and we carry out all such activities internally. Our goal is the highest possible returns within the framework of our mandate, and we have no other objectives (not impact investing).

We are a relative manager. This means that in our ongoing investment activities, we ourselves choose which companies and sectors we want to be overweight or underweight compared to the benchmark index. We employ three investment strategies in our equities management to generate higher returns than the benchmark index over time. They are greater exposure to quality companies, avoiding overoptimism and capitalising on structural trends.

ILLUSTRATION 4. OUR EQUITIES MANAGEMENT ENTAILS THREE MAIN STRATEGIES

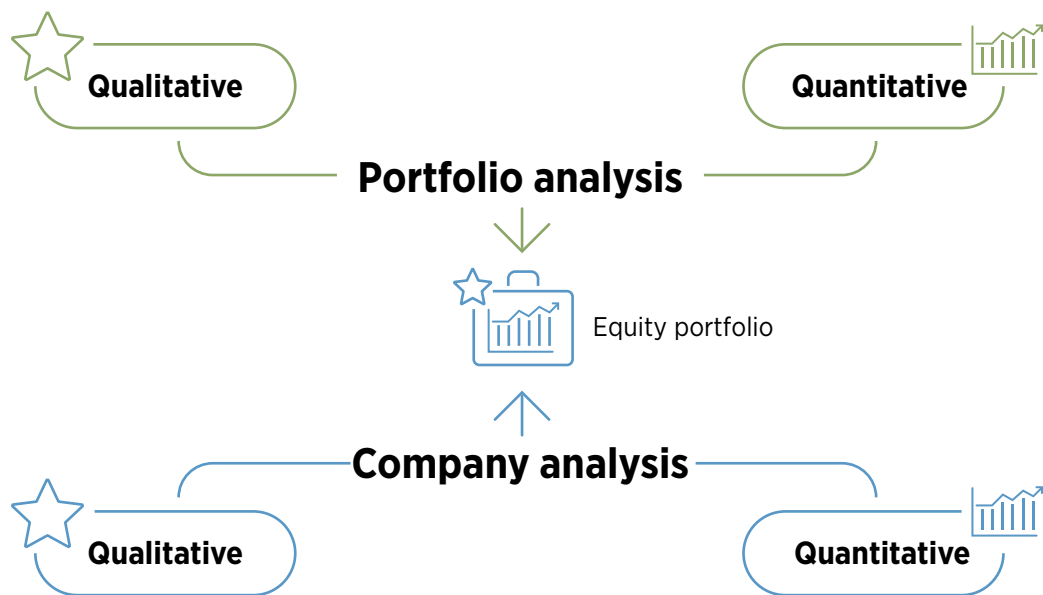


Our investment decisions are based on team-based management. The bulk of our investment activities entail analysing individual companies, where we use both a qualitative and quantitative approach to find the quality companies we want greater exposure to, as well as the companies where we want to avoid overoptimism with a smaller exposure.

Opportunities and risks related to ESG are integrated into the analysis.

We also analyse the portfolio from an overall perspective to identify deviations from the benchmark, both qualitatively and quantitatively speaking.

ILLUSTRATION 5. OUR APPROACH TO ACTIVE MANAGEMENT

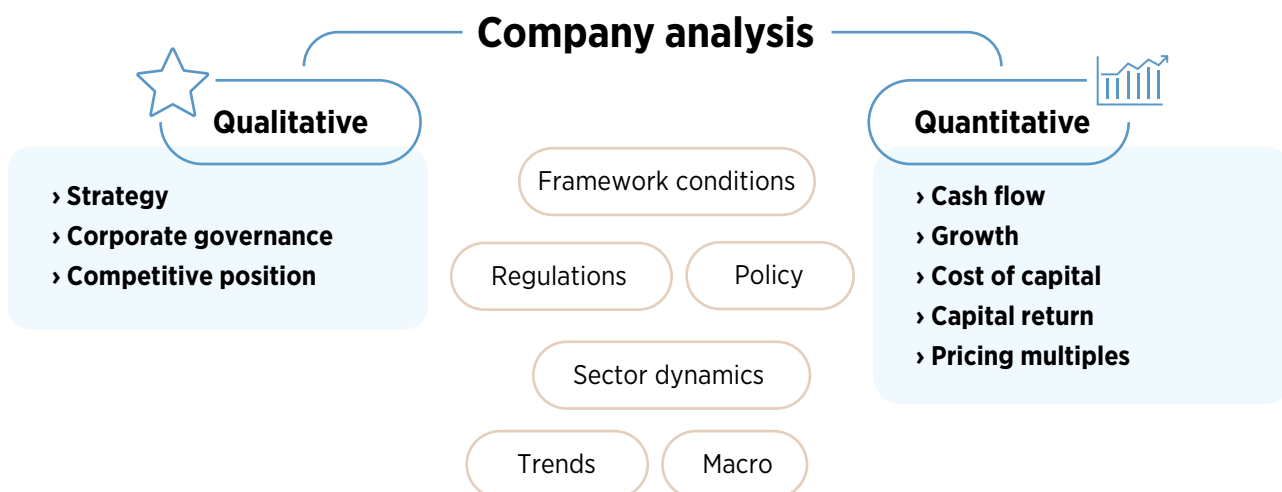


## Company analysis

Our equity team analyses the various companies in our investment universe and decides how the exposure in the various companies should be weighted relative to the benchmark index.

The portfolio managers carry out both a qualitative and a quantitative analysis of the respective companies.

### ILLUSTRATION 6. OUR COMPANY ANALYSIS SUMMARISED



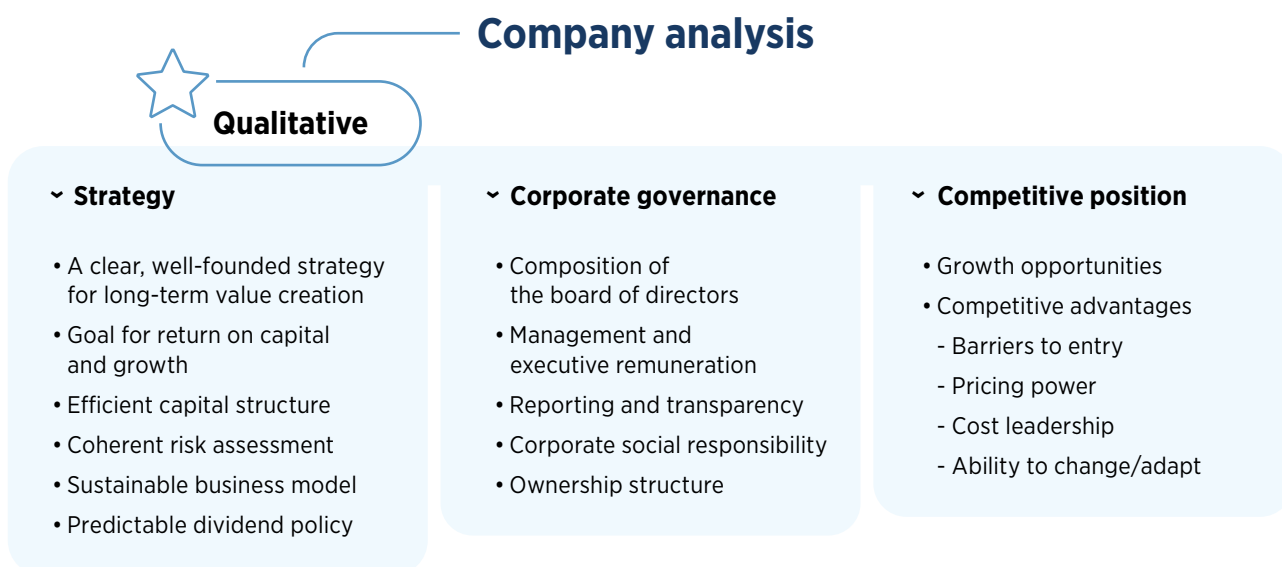
The qualitative part of the company analysis is what we have historically called the search for 'the good company'. We analyse the companies' strategy, governance and competitive position.

Much of the information we use is derived from the companies' communication and reporting, as well as our dialogue with the companies over time.

In addition, a number of market factors are considered, including framework conditions, regulations, policies, sector dynamics, trends and macros.

Based on the assumptions from the qualitative analysis, we perform a quantitative valuation of the companies based on cash flow, growth, cost of capital, return on capital and pricing multiples.

### ILLUSTRATION 7. OUR QUALITATIVE COMPANY ANALYSIS SUMMARISED

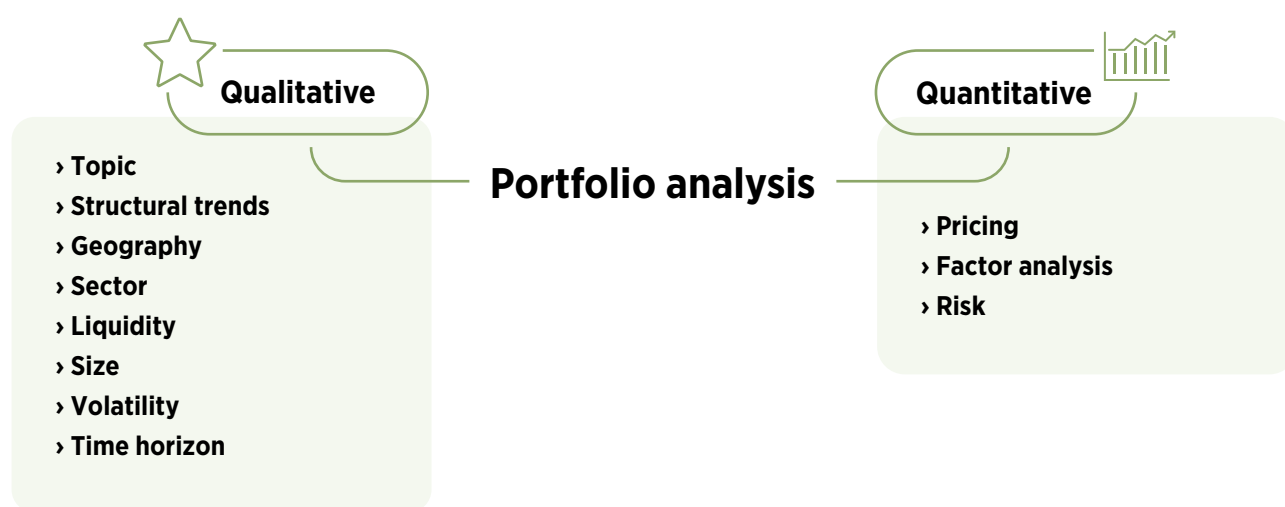


## Portfolio analysis

In the qualitative analysis of the portfolio, we look for opportunities for aggregated deviations based on topics, structural trends, geography, sector, liquidity, size, volatility and time horizon. In the quantitative analysis, factors such as pricing, factor analysis and risk are assessed to identify the need for changes at portfolio level.

Our goal is to generate excess returns by outperforming the broad market over time. This is to capitalise on our distinctive characteristics as an asset manager, such as our size and long-term perspective. It is decisive for our returns that the companies we have invested in deliver strong results over time, and that the markets are well-functioning and efficient. This contributes to good long-term value creation in the portfolio and ensures that we fulfil our mandate for the best possible return at an acceptable risk.

### ILLUSTRATION 8. OUR PORTFOLIO ANALYSIS SUMMARISED





## How we exercise our ownership

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 (ESG) before investing and as an owner.

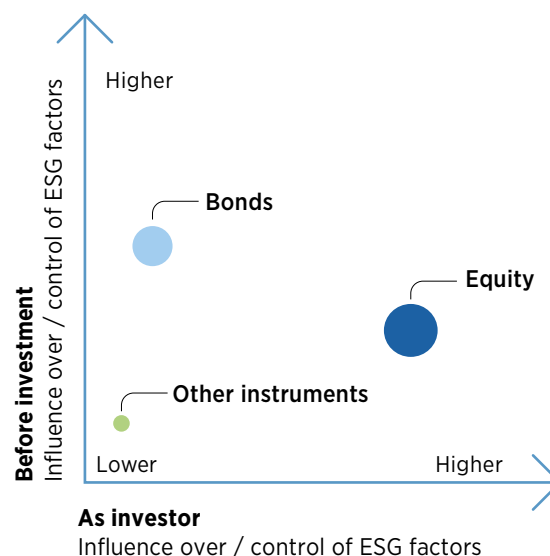
In our fixed-income investments, for example, we have the greatest influence before we invest because we do not have ownership rights as a creditor. We therefore carry out good analyses of ESG issues before investing in order to identify factors that can affect creditworthiness.

In our equities management, on the other hand, our possibility to exert influence is greatest once we have invested, because we gain ownership rights when we buy shares. That is why the instruments we use to exercise our ownership rights are prioritised in our equities management.

In the management of other instruments such as liquidity investments and currency hedging, we have low expectations of influencing ESG factors and a short investment horizon. For this reason, these instruments are not prioritised areas in our work on responsible investment. However, we ensure that loaned-out shares are recalled in advance of general meetings.

### ILLUSTRATION 9. WE ADAPT OUR RESPONSIBLE MANAGEMENT TO THE DIFFERENT FINANCIAL INSTRUMENTS

The size of the circle indicates the relative size of the instrument measured in market value.



## The principles we follow

As a basis for Folketrygdfondet's responsible investment activities and exercise of ownership rights, the Board of Directors has adopted principles based on the UN Global Compact, the OECD Guidelines for Corporate Governance, the OECD Guidelines for Multinational Enterprises and the Norwegian Code of Practice for Corporate Governance.








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, our holdings are smaller and spread over several companies, and we adapt our exercise of ownership rights accordingly.

Our long-time horizon means that our endeavours to promote well-functioning markets are given priority in all our financial instruments and portfolios. We have set out expectations for the companies in which we are invested, and we work actively to support the development of good standards for responsible investment.

ESG is also part of our assessments of quality companies, also to shed light on possible downside risks due to failure to address ESG issues.

Knowledge of companies acquired over decades of active investments also enables us to view a company's approach to ESG in a broader context and to be an owner that makes demands for long-term value creation.

### ILLUSTRATION 10. INSTRUMENTS IN OUR RESPONSIBLE INVESTMENT ACTIVITIES

	Expectations 	Company dialogue 	Voting 	Nomination committees and corporate assemblies 	Ethical exclusions* 	Contribute to well-functioning markets 	Cooperation with other investors 
Norwegian equities	✓	✓	✓	✓	—	✓	✓
Nordic equities	✓	✓	✓	—	✓	✓	✓
Norwegian bonds (corporate)	✓	✓	✓	N/A	—	✓	✓
Nordic bonds (corporate)	✓	✓	✓	N/A	✓	✓	—
Government bonds	✓	N/A	N/A	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 can be found on our website. No companies were excluded or re-included in 2024.

Environmental, social and corporate governance issues are complex, and it can take time to arrive at solutions that are in line with our expectations. We wish 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. Nevertheless, we find that the companies understand our financial motivation for focusing on ownership issues and the handling of material ESG risk.

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#### ILLUSTRATION 11. CHALLENGES RELATING TO OUR EXERCISE OF OWNERSHIP RIGHTS



### **Complexity**

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



### **Long-term perspective**

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



### **Division of roles and tasks**

We emphasise dialogue and that the companies initiate change processes.

We are concerned with maintaining the normal division of tasks between boards and general meetings

# Clear expectations for companies

Folketrygdfondet is the largest institutional investor on the Oslo Stock Exchange and is among the three largest owners in 48 companies. As a financial investor, we therefore have clear expectations of the companies we invest in.

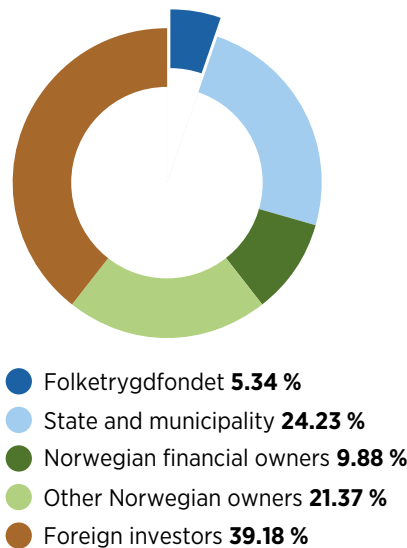
Folketrygdfondet follows both national and international standards for responsible investment. The expectations are based on information from our dialogue with companies, academics and trade organisations, as well as recognised standards such as the UN Global Compact and the Norwegian Code of Practice for Corporate Governance.

As a financial investor, we have clear expectations of the companies' handling of environmental, social and corporate governance issues. This helps to reduce the risk in the portfolio and thereby maximise returns in the long term.

Our goal is to make the dialogue with companies as efficient and targeted as possible. Our expectation documents show which guidelines we expect the companies to have in place and how we expect the companies to follow up and report within each area.

**You can read more in the expectations document published on our website.**

**FIGURE 1. OWNERSHIP ON THE OSLO STOCK EXCHANGE**

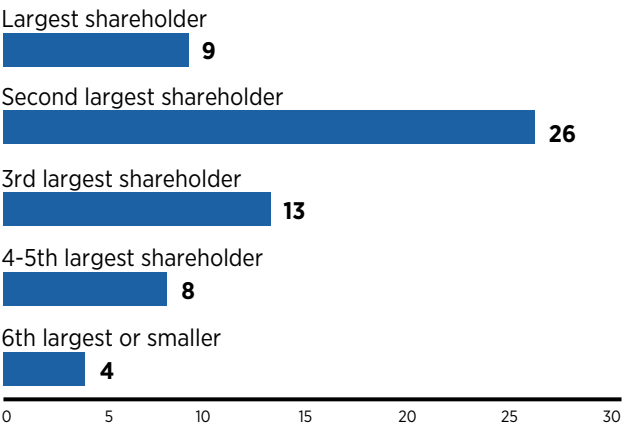


Source: VPS and Folketrygdfondet as of 31 Dec. 2024



**FIGURE 2. FOLKETRYGDFONDET'S OWNERSHIP ON THE OSLO STOCK EXCHANGE**

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



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.

**TABLE 1. FOLKETRYGDFONDET'S OWNERSHIP ON THE 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 2024.

Company name	FTF's holding	FTF's owner ranking
Europris	14.20 %	1
Nordic Semiconductor	12.62 %	1
Borregaard	12.05 %	1
Veidekke	11.21 %	2
Storebrand	10.65 %	1
Kid	10.59 %	1
Crayon Group Holding	10.44 %	2
Kitron	10.14 %	1
Mowi	9.93 %	2
Bakkafrost	9.87 %	1
Scatec	9.34 %	2
Subsea 7	8.93 %	2
Elmera Group	8.90 %	1
Norwegian Air Shuttle	8.89 %	2
TGS	8.74 %	1
Schibsted	8.61 %	2
Bonheur	8.55 %	3
AF Gruppen	8.39 %	4
Orkla	8.13 %	2
Bouvet	7.86 %	2
Yara International	7.83 %	2
Atea	7.60 %	2
TOMRA Systems	7.42 %	2
DNO	7.30 %	2
Norsk Hydro	6.94 %	2
DOF Group	6.60 %	3
SalMar	6.53 %	2
DNB Bank	6.20 %	3
Hafnia	6.08 %	2
Aker Solutions	6.00 %	3
Frontline	5.85 %	2
BW LPG	5.81 %	3
Aker BP	5.73 %	4
Kongsberg Gruppen	5.60 %	2
Cadeler	5.33 %	3
SpareBank 1 Sør-Norge	5.27 %	4
Lerøy Seafood Group	5.05 %	2
Gjensidige Forsikring	4.76 %	2
Telenor	4.73 %	2
Höegh Autoliners	4.67 %	2
Aker	4.58 %	2
Elopak	4.37 %	3
Vår Energi	4.37 %	3
Elkem	4.28 %	2
AutoStore Holdings	4.24 %	3
Equinor	3.99 %	2
Treasure	3.73 %	3
Golden Ocean Group	3.72 %	3
MPC Container Ships	3.52 %	3
Stolt-Nielsen	2.97 %	2
Wallenius Wilhelmsen	2.06 %	3

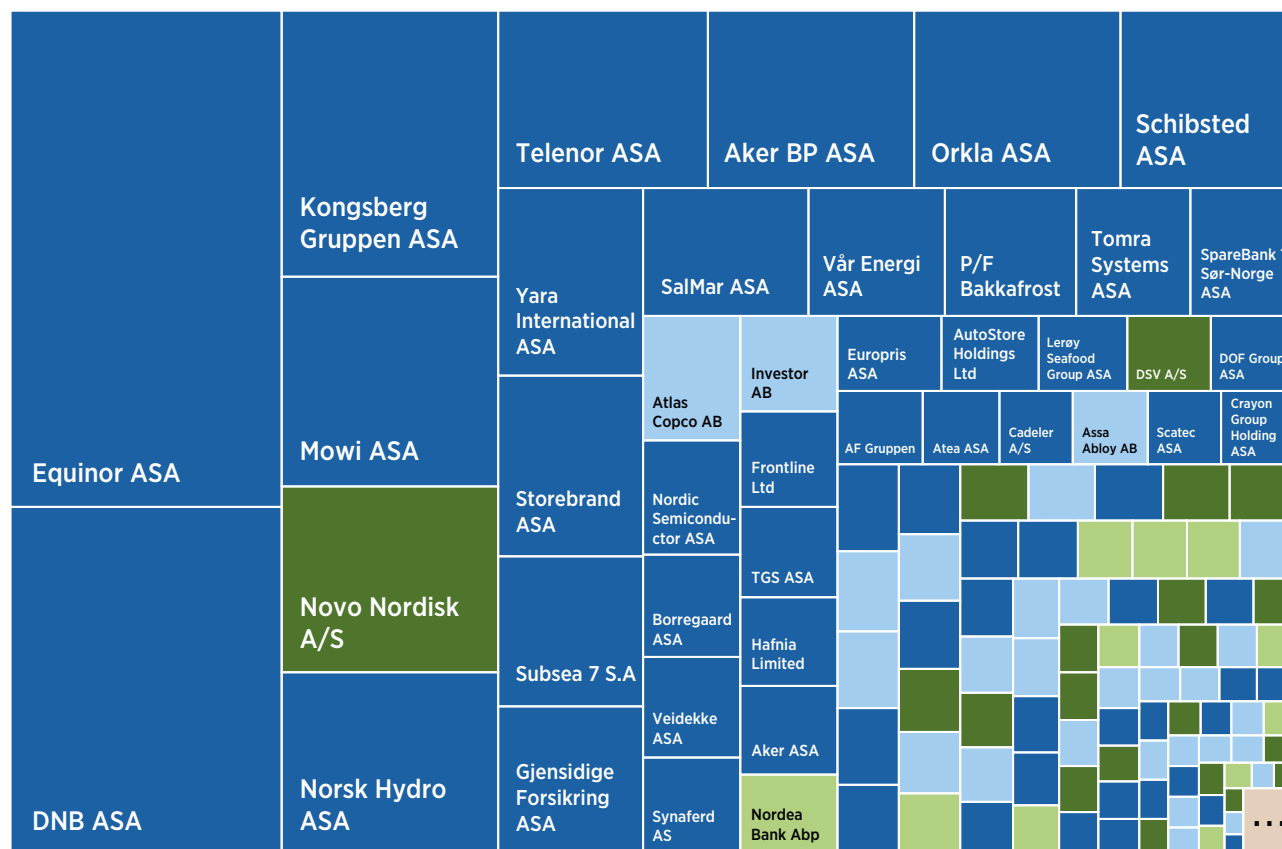
In cases where nominee accounts are stated as being among the largest shareholders, Folketrygdfondet has estimated its ranking. Owners with shared interests are grouped together if Folketrygdfondet has information to indicate that this is the case. Folketrygdfondet's ownership interest also includes loaned-out shares (as of 31 Dec. 2024, 1.94 per cent of the market value of Norwegian equities was loaned out).

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

**FIGURE 3. THE SIZE OF FOLKETRYGDFONDET'S HOLDINGS IN INDIVIDUAL COMPANIES**

The size of the boxes represents Folketrygdfondet's holding in the individual companies as of 31 December 2024.

● Norway ● Denmark ● Sweden ● Finland



**TABLE 2. NORDIC COMPANIES IN WHICH FOLKETRYGDFONDET HAS THE LARGEST HOLDING**

Company name	FTF's holding	Stock exchange
Karnell Group Ab (Publ)	3.24 %	Nasdaq Stockholm
FL Smidth & CO.	1.49 %	Nasdaq København
GN Store Nord A/S	1.18 %	Nasdaq København
Bravida Holding AB	1.18 %	Nasdaq Stockholm
ISS A/S	1.09 %	Nasdaq København
Kinnevik AB	1.04 %	Nasdaq Stockholm
Elekta AB (publ)	0.89 %	Nasdaq Stockholm
Tele2 AB	0.83 %	Nasdaq Stockholm
Metso Oyj	0.80 %	Nasdaq Helsinki
Valmet Oyj	0.71 %	Nasdaq Helsinki
Tryg A/S	0.54 %	Nasdaq København
H. Lundbeck A/S	0.51 %	Nasdaq København
Gefinge AB	0.48 %	Nasdaq Stockholm
Castellum AB	0.47 %	Nasdaq Stockholm
Elisa Oyj	0.47 %	Nasdaq Helsinki
UPM-Kymmene Oyj	0.41 %	Nasdaq Helsinki
Swedbank AB (publ)	0.41 %	Nasdaq Stockholm
Vestas Wind Systems A/S	0.41 %	Nasdaq København
Nordea Bank Abp	0.40 %	Nasdaq Helsinki
AB SKF	0.40 %	Nasdaq Stockholm

# Active dialogue over many years

Meetings with the chairs of the board and management of companies are the method we use most to exercise our ownership rights. Our ambition is for the companies to perceive Folketrygdfondet as a good owner.

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.

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.

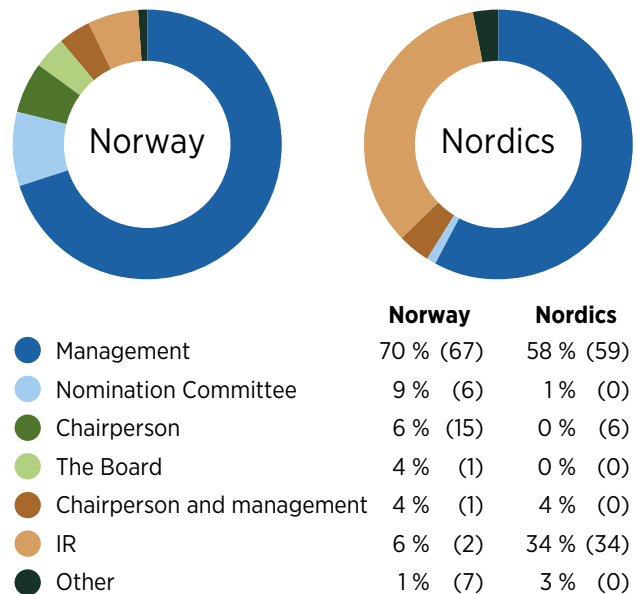
We apply the same principles for exercising ownership in relation to our investments in Norwegian and Nordic companies. We nonetheless distinguish between how we exercise ownership in the Nordic countries and the approach we take in Norway. Among other things, this is because our ownership interests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

During the year, Folketrygdfondet held 299 (2023: 221) dialogue meetings with 136 (86) companies, including 202 (189) meetings with a total of 72 (60) companies listed in Norway and 97 (32) meetings with a total of 64 (26) companies listed in the other Nordic countries.

We have held dialogue meetings with 91 (89) per cent of the companies in the equities portfolio measured by the market value of the companies. In the Norwegian part of the equities portfolio, we met with 98 (97) per cent of the companies, while we met with 58 (54) per cent of the companies in the Nordic portfolio, also measured by the market value of the companies. This difference reflects the fact that the Nordic portfolio has a longer 'tail' of many small holdings than the Norwegian portfolio. The Norwegian portfolio, by comparison, is more concentrated on a few major issuers.

**FIGURE 4. LIST OF COMPANIES WE HAVE HELD DIALOGUE MEETINGS WITH**

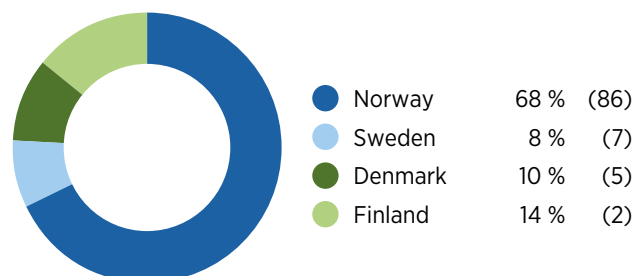
Figures for 2023 in brackets\*



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

**FIGURE 5. NUMBER OF DIALOGUE MEETINGS PER COUNTRY**

Figures for 2023 in brackets\*



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

## Our approach

As a rule, Folketrygdfondet holds owner dialogues with companies individually, but we collaborate with other investors in cases where this is a more expedient way of contributing to well-functioning markets. 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 environmental, social, and corporate governance issues are addressed. To ensure that the owner dialogue is as efficient as possible, we have produced expectation documents relating to

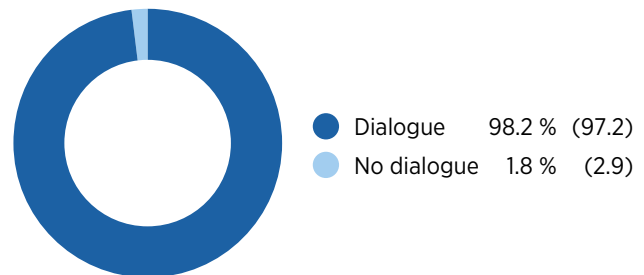
- strategy, capital structure and financial targets
- anti-corruption
- remuneration of the board and executive personnel
- human rights and labour rights
- climate
- the environment
- external financing arrangements

Our meetings with the companies will often be high-level meetings, from both the company's and our side. We prioritise this work method and devote a lot of time and resources to our direct contact with the companies. As owner, we use such meetings to discuss both specific events in a company and key ownership issues, such as capital structure and financial targets.

Prior to meetings with Norwegian companies, we review the agenda to ensure that relevant questions relating to environmental, social and corporate governance issues are addressed. This means that a meeting with a company's chair of the board can discuss the company's financial targets and capital structure, as well as labour rights in the supplier chain. If a more in-depth dialogue about ESG is required, we agree a meeting with relevant expert personnel in the company. This model reflects that ESG is an integral part of our investment activities.

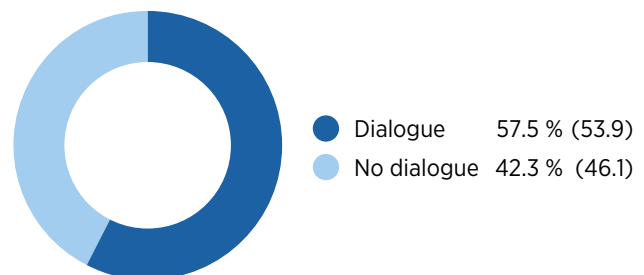
**FIGURE 6. PROPORTION OF NORWEGIAN COMPANIES IN THE EQUITIES PORTFOLIO THAT FOLKETRYGDFONDET HAS HELD DIALOGUE MEETINGS WITH.**

Percentage of market value as of 31 December 2024.  
Figures for 2023 in brackets.



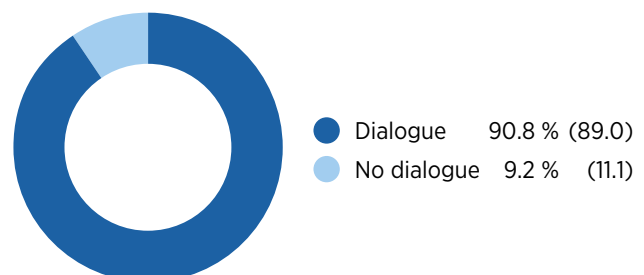
**FIGURE 7. PROPORTION OF NORDIC COMPANIES IN THE EQUITIES PORTFOLIO THAT FOLKETRYGDFONDET HAS HELD DIALOGUE MEETINGS WITH.**

Percentage of market value as of 31 December 2024.  
Figures for 2023 in brackets.



**FIGURE 8. PROPORTION OF THE EQUITIES PORTFOLIO THAT FOLKETRYGDFONDET HAS HELD DIALOGUE MEETINGS WITH.**

Percentage of market value as of 31 December 2024.  
Figures for 2023 in brackets.





## What do we wish to achieve?

Our goal is for our ownership to help companies manage significant ESG risks in order to create the best possible basis for long-term value creation. However, 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 ESG is an integral part of our investment activities.

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 positive and mutually reinforcing effect.

Our active management 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.

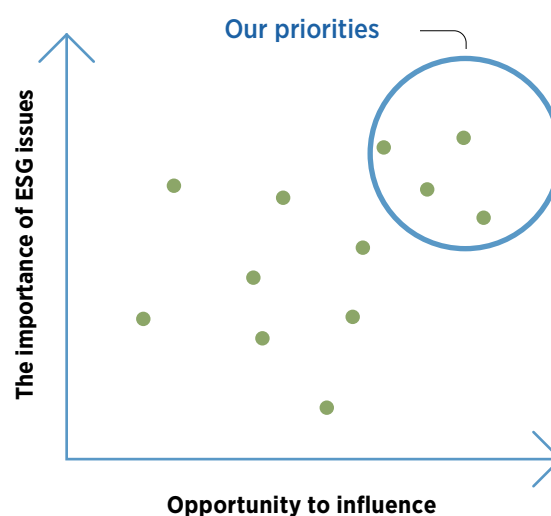
### ILLUSTRATION 12. DIALOGUE MEETINGS BY SECTOR IN 2024

Figures for 2023 in brackets\*

Sector	Number of dialogues	Proportion of all meetings
Industrials	106 (45)	35 % (20)
Consumer Goods	31 (30)	10 % (14)
Energy	20 (29)	7 % (13)
Technology	26 (22)	9 % (10)
Basic Materials	23 (20)	8 % (9)
Financials	30 (20)	10 % (9)
Telecommunications	16 (18)	5 % (8)
Health Care	14 (13)	5 % (6)
Consumer Discretionary	20 (9)	7 % (4)
Utilities	10 (9)	3 % (4)
Real Estate	3 (6)	1 % (3)

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

### ILLUSTRATION 13. HOW WE PRIORITISE



## 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 want 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](https://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 what assessments, criteria and goals form the basis for the companies' strategies for ensuring their competitive position, growth and profitability over time.

### What do we do?

We want to be a driving force for more efficient capital allocation in both the companies and the markets, and we wish to contribute to long-term value creation. We and other investors shall not take over the responsibility and role of the boards of directors. What we can do is to ask the right questions and expect good answers.

### Development in 2024

Many companies have experienced slower growth and greater geopolitical uncertainty in recent years. Slower growth and lower investments in several sectors led to capital structure and capital allocation being key topics in many of our meetings in 2024.

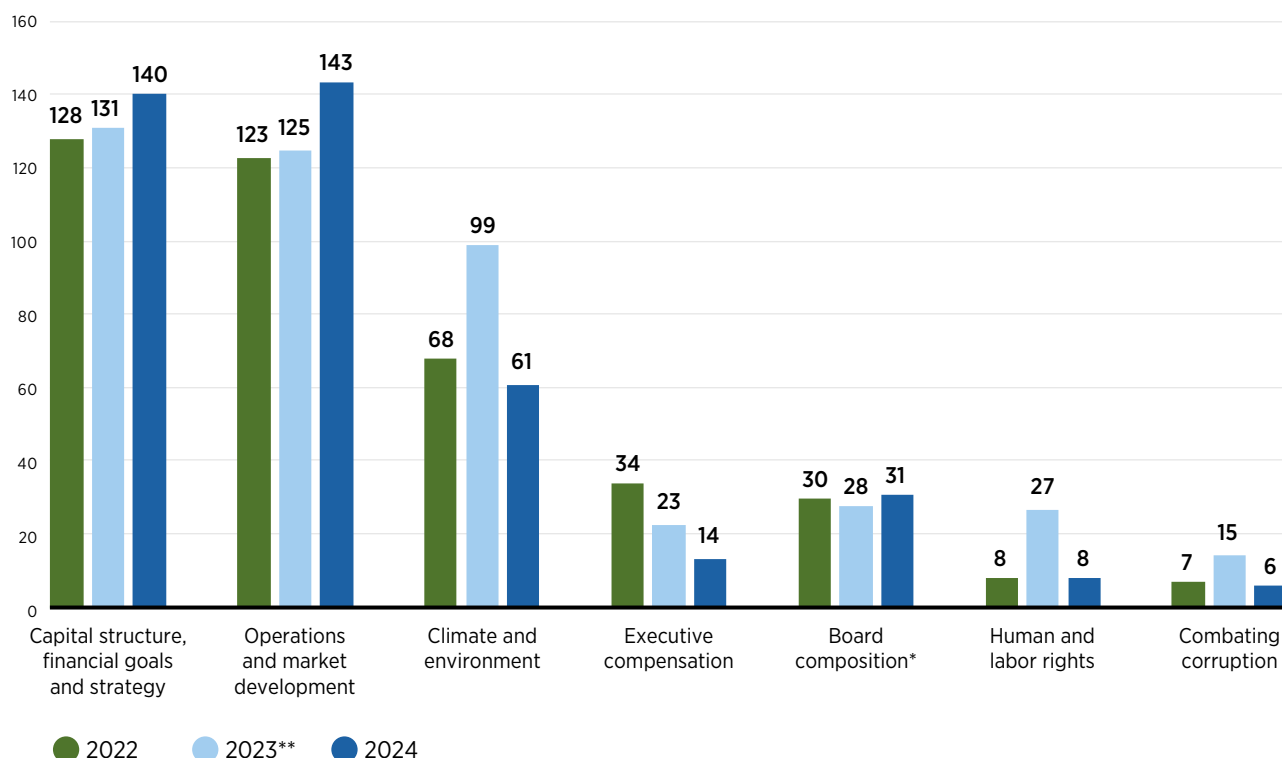
Issues such as mergers and acquisitions, as well as delisting from the Oslo Stock Exchange, have also been part of the dialogue throughout the year.

### Plan for 2025

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.

**FIGURE 9. TOPICS AT NORWEGIAN DIALOGUE MEETINGS LAST THREE YEARS**

202 dialogues with Norwegian companies:

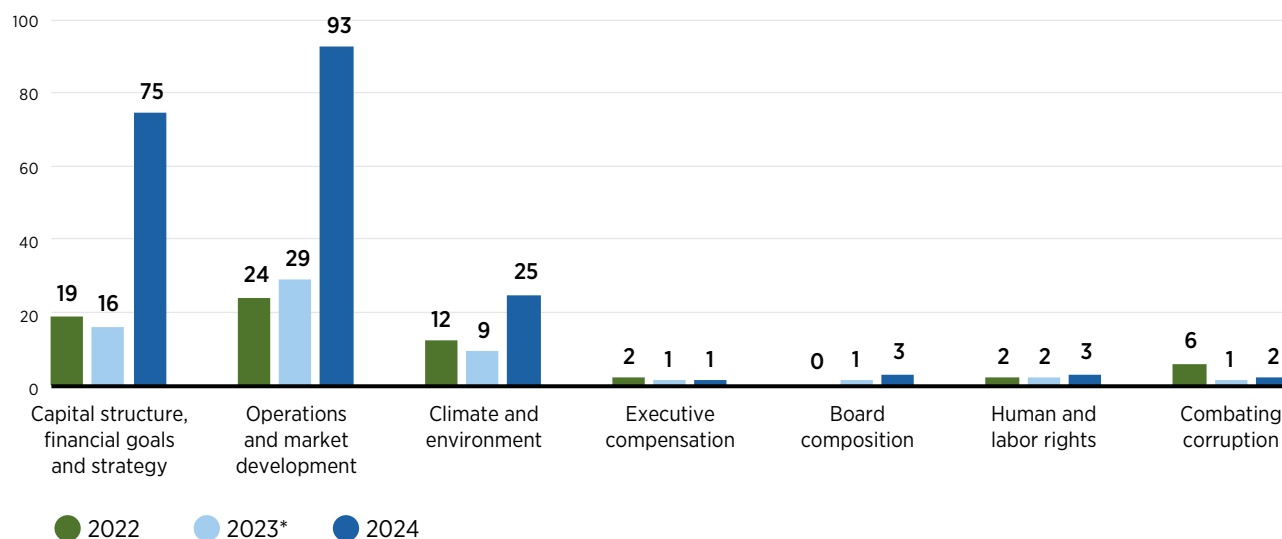


\* Meetings as part of Folketrygdfondet's representation on the companies' nomination committees are not included in the statistics. This primarily relates to dialogues about board composition with nomination committees on which we are not represented.

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

**FIGURE 10. TOPICS AT NORDIC DIALOGUE MEETINGS LAST THREE YEARS**

97 dialogues with Norwegian companies:



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

## Climate and environment

In 2024, 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 want to achieve?

We want the companies to understand how their activities impact the environment, and the extent to which business models and strategies are vulnerable to climate and environmental risk. The companies must assess which analyses and measures are necessary to identify and manage climate risk. This is discussed in more detail on the website [ftf.no](http://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, institutional 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 we invest 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. We also engage in a dialogue with companies about environmental topics that are not directly related to climate change. An example of this is our dialogue with companies in the aquaculture industry for more than 10 years about challenges relating to feed, escaped fish and salmon lice.

### Development in 2024

We had many dialogues with the companies regarding climate risk. In 2024, we also had a special focus on the salmon industry and their strategies and risks related to the environment. We sent letters to the board of several of the companies in the industry and followed up with separate meetings related to the companies' strategy and operational challenges in this area. For many companies, the use of natural resources is an important part of their business model. Good returns in the long term require sustainable development, also in an environmental sense. A lack of focus on environmental challenges can lead to a weakened competitive position and operational constraints, for example through emission limits and costs associated with regulatory compliance, as well as degradation of shared natural resources. On the other hand, the environment can also create opportunities for new business models.

### Plan for 2025

In 2025, we will continue to prioritise discussions about climate risk as part of our ongoing follow-up with companies' boards and management. We also look forward to continuing our joint dialogue with other owners, expert communities and stakeholders.

Read more about our follow-up of the TCFD's recommendations on page 109.

## Anti-corruption

We require that the companies we invest are not involved in any form of corruption.

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

### What do we want to achieve?

For a financial investor, 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 do?

It is up to the 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 an expectations document on anti-corruption work that is available on our website [ftf.no](https://ftf.no). We raise the risk of corruption in our dialogues with companies' boards and management when relevant.

### Development in 2024

Anti-corruption has not been a frequent topic in Folketrygdfondet's dialogue with companies in 2024. In previous years, the dialogue has been characterised 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. Our 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 2025

We take a risk-based approach in our 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 and 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 want to achieve?

We expect companies to respect human and labour rights.

### 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 an expectations document 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 2024

Based on the new reporting requirements set out in the Transparency Act, we have 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 we are keen to ensure that companies have good procedures for identifying risks and introducing measures.

### Plan for 2025

We will continue to prioritise dialogue with companies with high inherent risk. Inherent risk will arise as a result of the business model, form of organisation and geographical exposure.

**TABLE 3. DIALOGUE WITH COMPANIES LISTED IN NORWAY BY TOPIC**

Topics	Number of companies where the topic has been raised		
	2024	2023	2022
Capital structure, financial targets and strategy	70	55	58
Operations and market development	68	52	57
Climate and environment	38	47	38
Executive compensation	11	20	25
Composition of the board of directors	21	25	20
Human and labour rights	6	20	8
Anti-corruption	3	13	6

**TABLE 4. DIALOGUE WITH COMPANIES LISTED IN SWEDEN, DENMARK AND FINLAND, BY TOPIC**

Topics	Number of companies where the topic has been raised		
	2024	2023	2022
Capital structure, financial targets and strategy	56	15	16
Operations and market development	62	25	19
Climate and environment	21	9	11
Executive compensation	1	1	2
Composition of the board of directors	3	1	0
Human and labour rights	3	2	2
Anti-corruption	2	1	4

# Responsible creditor

We take a clear financial approach to responsible fixed-income investment, and the objective is to ensure that consideration for environmental, social and corporate governance 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.

## What do we do?

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.

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. Our analyses are based on the rating agencies' methodologies.

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. We are in regular dialogue with issuers through company presentations and 'roadshows' as well as one-on-one meetings. In 2024, Folketrygdfondet held 218 meetings with 138 issuers.

FIGURE 11. NUMBER OF MEETINGS WITH ISSUERS

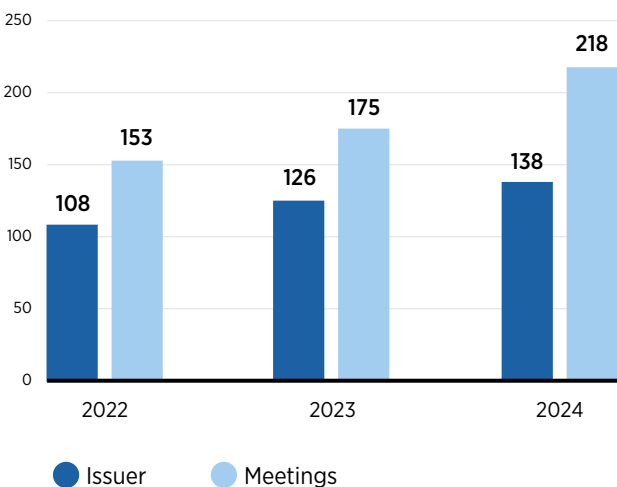
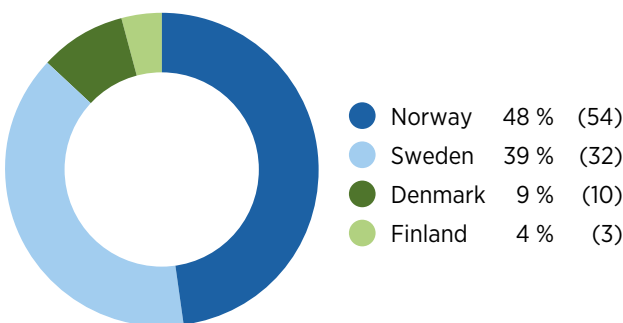
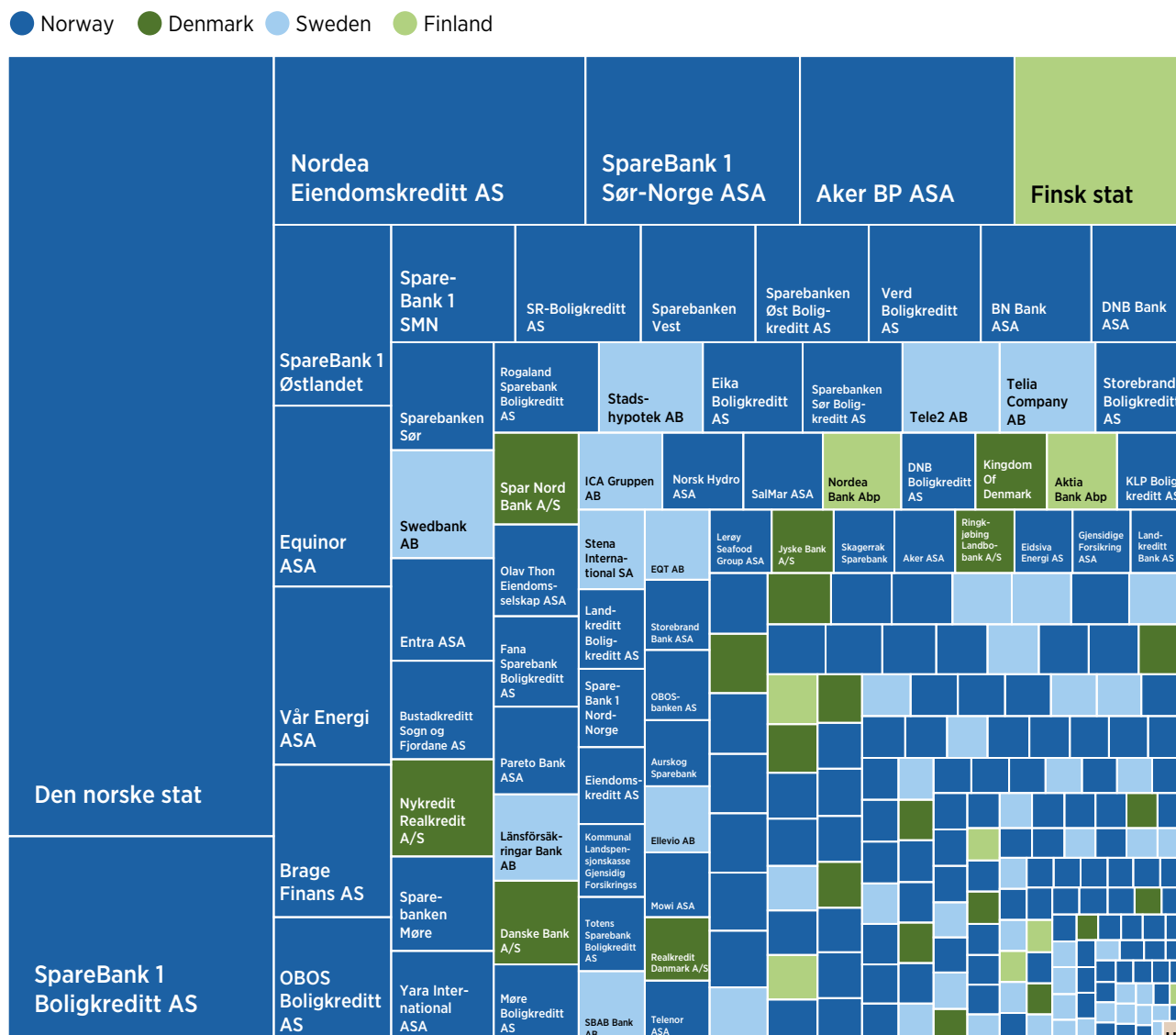


FIGURE 12. NUMBER OF MEETINGS WITH ISSUERS PER COUNTRY

Figures for 2023 in brackets



The size of the boxes represents the Government Pension Fund Norway's (GPFN) bond holding with the individual issuers as of 31 December 2024.



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



## Development in 2024

Folketrygdfondet has continuously kept abreast of the development of regulatory conditions and sustainability issues that are of importance to the market and that affect market participants and the capital markets. We participate in relevant forums and engage in dialogue with other stakeholders. We continue to see a high level of activity in the issue market, including issues of sustainability bonds. We see that several companies have included sustainability in their strategy and reporting, and this is often included as one of several topics in our dialogue with them.

Over the course of the year, we have mapped out how the facilitators work with sustainability bonds and the requirements that apply in this process. In this connection, we have engaged in dialogue and/or held meetings with selected facilitators and relevant organisations. We have focused in particular on how facilitators work with sustainability bonds, what expectations are placed on the process, what requirements are placed on structure and documentation, and guidance for issuers who are to issue such bonds. We have received good information that we will use in our work on the expectations document.

The Fixed-Income Department uses an ESG framework to map environmental, social and corporate governance risks in the portfolio. The framework is based on a traffic light system that shows risk at sector level. We have mapped all credit issuers in the Government Pension Fund Norway (GPFN).

## Plan for 2025

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 anchor this work in our analyses and integrate ESG assessments into our investment activities. We will continue to work on good metrics and targets for our portfolio, as well as comprehensive reporting. We will continue to work on our expectations document and use it actively in our dialogue with companies and other stakeholders. ESG will continue to be a focus area, and we expect continued high activity.

### 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 use our right to vote actively

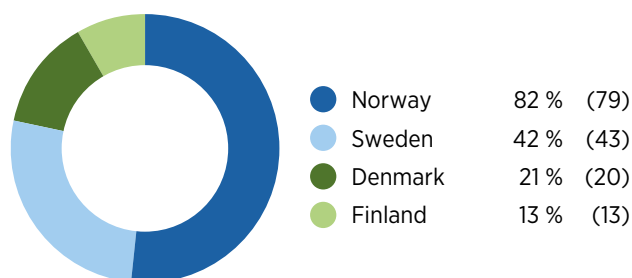
In 2024, Folketrygdfondet voted at 158 general meetings of companies listed on the stock exchanges in Norway, Sweden, Denmark and Finland.

We vote at the general meetings of all the companies we are invested in, which we also did in 2024 with one exception. Since 2019, we have also published our voting intention prior to the general meeting in cases where we vote against one or more of the board's proposals in Norwegian companies. We do this so that other investors have access to our views. This is also in line with the goals we have set in our strategic plan.

For resource reasons, we publish our reasons for voting in the Nordic companies after the meetings have been held. For the same reason, we have not had a dialogue with the companies prior to the meetings. We have larger holdings in Norway than in the other Nordic countries, which is why we have chosen to prioritise dialogue in advance of general meetings and advance announcement of our voting intentions in Norway.

**FIGURE 14. GEOGRAPHICAL DISTRIBUTION OF GENERAL MEETINGS**

Number of annual and extraordinary meetings. Figures for 2023 in brackets.



**TABLE 6. HOW WE EXERCISE OUR VOTING RIGHTS**

	Norwegian companies	Nordic companies	Norwegian issuers (industry and finance)	Nordic issuers (industry and finance)
Voting in line with our principles	✓	✓	✓	✓
When we vote against a board proposal, we publish our voting intention in advance	✓	—	—	—
Letter to the board with our explanation for voting against their proposal	✓	✓	—	—
Participation	Either by attendance or by power of attorney with voting instructions	We always send a power of attorney with voting instructions	Where practicable. Alternatively, we send a power of attorney with voting instructions	We always send a power of attorney with voting instructions
Lending of shares	We recall all loaned-out shares before the general meeting where practicable	Call back loaned-out shares if we intend to vote against items on the agenda	N/A	N/A

## Development in 2024

In 2024, takeover bids were made for several companies in which Folketrygdfondet is a shareholder. Takeover bids are demanding, 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 in favour of 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 shareholder proposals.

In some cases, however, we find that the board's recommendation challenges shareholder interests and recognised principles for good corporate governance. Part of our mandate is to contribute to well-functioning markets, and as the largest institutional investor on the Oslo Stock Exchange, it is an important task to be a strong representative of minority shareholders in Norwegian listed companies.

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 we abstain from voting in favour of a proposal, it is usually because we do not have enough information about the matter, for example if the nomination committee does not publish its recommendations concerning all candidates in good time before the meeting.

The table below shows how Folketrygdfondet voted in matters put forward by boards. For the Norwegian market, Table 32 lists instances of our voting against board proposals and the reasons for our voting, while Table 33 summarises votes against by type of matter at general meetings in all the Nordic countries.

**TABLE 7. BOARD PROPOSALS**

	For	Against	Abstain	Total	For (%)	Against (%)	Abstain (%)
Norway	1,129	24	2	1,155	97.7	2.1	0.2
Sweden	1,316	34	1	1,351	97.4	2.5	0.1
Denmark	318	6		324	98.1	1.9	
Finland	195	2		197	99.0	1.0	
<b>Total</b>	<b>2,958</b>	<b>66</b>	<b>3</b>	<b>3,027</b>	<b>98.1</b>	<b>1.9</b>	<b>0.1</b>

## Letters to the companies' boards

We sent letters stating the reasons for our voting to the company boards in both Norway and the other Nordic countries. In cases where we have previously voted against the same proposal, we have not sent a new letter, but the reasons are published on our website. 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.

**TABLE 8. SHAREHOLDER PROPOSALS**

	For	Against	Abstain	Total	For (%)	Against (%)	Abstain (%)
Norway	0	12	0	12	0.0	100	0.0
Sweden	0	8	0	8	0.0	100	0.0
Denmark	3	4	0	7	42.9	57.1	0.0
Finland	0	1	0	1	0.0	100	0.0
<b>Total</b>	<b>3</b>	<b>25</b>	<b>0</b>	<b>28</b>	<b>10.7</b>	<b>89.3</b>	<b>0.0</b>

### Shareholder proposals

The use of shareholder proposals varies between the Nordic countries. In all, 28 shareholder proposals were tabled at the general meetings of companies Folketrygdfondet has invested in; 16 of them in Sweden, Denmark and Finland combined and the remaining 12 in Norway. As many as 8 out of 12 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?

We spend considerable resources on company dialogue ahead 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.

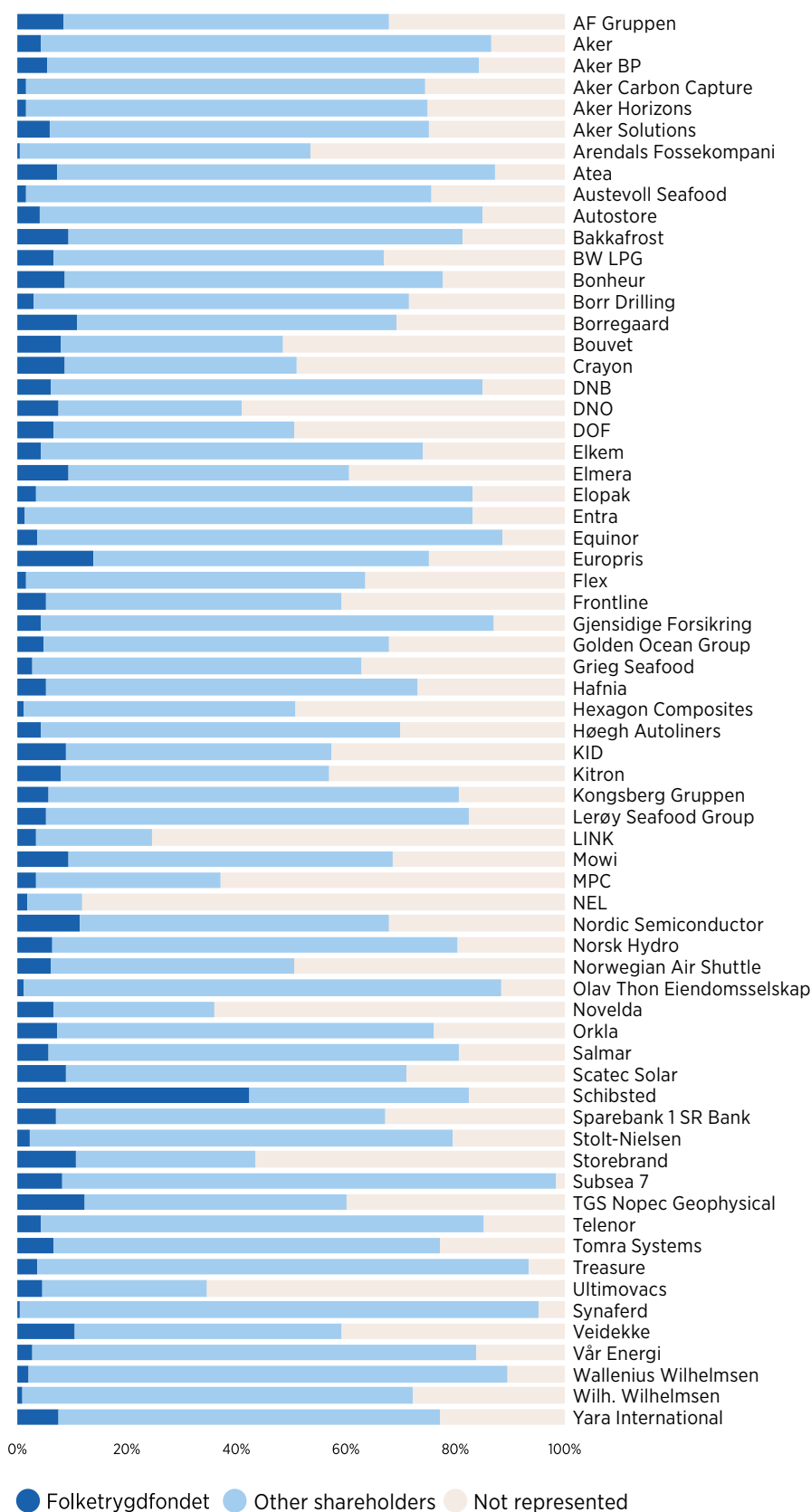
In some cases, the company changes the proposals in accordance with our expectations. In our view, the best outcome is that proposals that are not in the shareholders' interest are changed before the general meeting or never make it onto the agenda.

As regards general meetings, the goal for our active exercise of ownership rights is to ensure that board proposals are in line with our 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 of directors. 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 2024, 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.

## FIGURE 15. ATTENDANCE 2024 – COMPANIES ON THE OSLO STOCK EXCHANGE

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



In 2024, **Folketrygdfondet** was represented at a total of 66 annual general meetings in companies listed on the Oslo Stock Exchange or in unlisted Norwegian companies, in addition to 16 extraordinary general meetings.

**The attendance percentage** (measured as the number of votes in the company) for all annual general meetings at which Folketrygdfondet was represented was 69.4 per cent. Attendance varied between 11.8 per cent and 98.4 per cent.

**TABLE 9. NORWEGIAN COMPANIES WHERE FOLKETRYGDFONDET VOTED AGAINST BOARD PROPOSALS**

Company	Date	Type of matter  Why we voted against	Folketrygdfondet Vote against as %	Total Amount
Treasure	7 March 2024	<i>Board composition and share buyback</i>  <b>Item 9b</b> Grounds: We believe that the board should contribute more to highlighting the company's values and show more consideration for minority shareholders' interests. We therefore vote against the board members who are up for re-election.  <b>Item 13</b> Grounds: Buybacks can supplement dividends, but Treasure is illiquid with low trading volume and inefficient pricing. Buybacks at the current discount level favour non-selling shareholders, making them less favourable than dividends that treat everyone equally. In addition, buybacks further reduce free float.	4.0 4.0	5.3 4.0
Ultimovacs	18 April 2024	<i>Executive pay, remuneration and authorisation to issue shares</i>  <b>Item 4 Approval of guidelines on the stipulation of pay and other remuneration of executive personnel</b> Grounds: Folketrygdfondet supports targeted, performance-based remuneration schemes linked to personal and company targets for long-term value creation. A reasonable maximum cap is expected for share-based and option programmes. Since Ultimovacs' option programme lacks such a cap, Folketrygdfondet votes against the proposed decision in Item 4, as it could lead to an excessive transfer of value from the shareholders to the company's employees.  <b>Item 13 Authorisation for the board to increase share capital in connection with incentive programmes</b> Grounds: We refer to the explanation of our voting grounds in Item 4, in which we argue that the scheme could lead to an excessive transfer of value from shareholders to employees.	12.8 12.8	19.8 20
MPC Container Ships	17 April 2024	<i>Executive pay and other remuneration</i>  <b>Item 5 Advisory vote on a report on pay and other remuneration of executive personnel</b> Grounds: The report lacks a maximum cap and key details on executive pay, which is not in line with Folketrygdfondet's expectations. Folketrygdfondet therefore votes against the report.	9.4	43.4
Stolt-Nielsen Limited	18 April 2024	<i>Authorisation</i>  <b>Item 4 Authorisation of the board to appoint new board members</b> Grounds: Folketrygdfondet is of the opinion that board members should be elected by the shareholders in the general meeting and therefore votes against authorising the board of Stolt-Nielsen Limited to appoint new members.	2.9	13.9
Entra	23 April 2024	<i>Authorisation</i>  <b>Item 13 Authorisation to raise a convertible loan</b> Grounds: It is proposed that the general meeting authorises the board of directors to raise a convertible loan corresponding to a capital increase of up to 10 % of the company's share capital. This authorisation is not linked to a specific purpose. At the same time, it is proposed in Item 12 that the Board of Directors be given a general authorisation to increase the company's share capital by a further 10 %. This means that the proposals together give the board an issue authorisation totalling 20 % of the share capital. In accordance with Folketrygdfondet's principles for voting, we usually vote against issue authorisations that exceed 10 % of the share capital. In order to limit the total authorisation to 10%, Folketrygdfondet therefore votes against the proposal in Item 13.	1.5	1.9

Company	Date	Type of matter  Why we voted against	Folketrygdfondet		Total
			Vote against as %		Amount
Golden Ocean Group Ltd.	29 April 2024	<i>Authorisation</i> <b>Item 2 Authorisation of the board to appoint new board members</b> Grounds: Folketrygdfondet is of the opinion that board members should be elected by the shareholders in the general meeting and therefore votes against authorising the board to appoint new members.	6.9		10.7
Flex LNG Ltd.	29 April 2024	<i>Authorisation</i> <b>Item 2 Authorisation of the board to appoint new board members</b> Grounds: Folketrygdfondet is of the opinion that board members should be elected by the shareholders in the general meeting and therefore votes against authorising the board to appoint new members.	2.6		19.2
Arendals Fosse-kompani	15 May 2024	<i>Nomination committee</i> <b>Item 14a Election of Morten Bergesen to the nomination committee</b> Grounds: 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 ensures confidence in the nomination committee's processes and a clear division of roles. Since the deputy chair of the company's board is running for chair of the nomination committee, Folketrygdfondet votes against the election of Morten Bergesen.	0.9		1.4
Norwegian Air Shuttle	15 May 2024	<i>Authorisation</i> <b>Item 15 Authorisation to raise a convertible loan</b> Grounds: It is proposed that the general meeting authorises the board of directors to raise a convertible loan corresponding to a capital increase of up to 10 % of the company's share capital. This authorisation lacks a specific purpose. In addition, it is proposed in Item 13 that the Board of Directors be given a general authorisation to increase the company's share capital by a further 10%. Together, the proposals in items 13 and 15 give the board a total issue authorisation of 20 %. In line with Folketrygdfondets principles for voting, where issue authorisations normally shall not exceed 10 %, Folketrygdfondet votes against Item 15 to limit the authorisations to 10 %.	12.2		41.5
Olav Thon Eiendoms-selskap	15 May 2024	<i>Authorisation</i> <b>Item 6a Authorisation to acquire the company's own shares</b> Grounds: Buybacks can supplement dividends, but the stock is illiquid and inefficiently priced. Folketrygdfondet considers buybacks to be a poorer alternative than dividends, as they further reduce the already low free float of shares.	1.4		1.4
		<b>Item 6b Authorisation to increase the share capital</b> Grounds: The share is traded at a substantial discount in relation to underlying values, and share issues at these levels could have unfortunate diluting effects for current shareholders.	1.4		1.4

Company	Date	Type of matter  Why we voted against	Folketrygdfondet		Total Amount
			Vote against as %		
DOF Group	23 May 2024	<i>Remuneration and remuneration report</i>			
		<p><b>Item 10.1 Remuneration to members of the Board of Directors</b></p> <p>Grounds: 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 10.1 a), the nomination committee has submitted a proposal for the remuneration of board members, including remuneration of USD 150,000 for the chair of the board and USD 100,000 for the members.</p> <p>However, in the company's annual report for 2023, note 29, it is stated that the chair of the board, board members and management of the company have had and used a right to subscribe for shares in the company. The shares were subscribed at a 25 per cent discount of NOK 23 and have a lock-in period of up to three years.</p> <p>The right to shares at a discount is considered linked to the work done for the DOF Group. As of 10 May 2024, the chair of the board and the CEO have each made a profit of NOK 49 million on the subscription. There is therefore a considerable difference between the nomination committee's proposed remuneration of the chair of the board and the board members and the information presented in Item 10.1.</p> <p>Since only parts of the board's remuneration are to be voted on, Item 10.1 in the notice of the general meeting appears misleading. This is a violation of Section 6-10 of the Public Limited Liability Companies Act. The chair of the board and board members receive 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.</p>	13.2	16.3	
		<p><b>Item 11 Advisory vote on the remuneration report</b></p> <p>Grounds: The remuneration report does not contain information about the share scheme for the chair of the board, board members and management of the company mentioned above. There is thus a significant difference between actual remuneration and the remuneration report. Reference is made to Section 6-16 a of the Public Limited Liability Companies Act, which stipulates that the remuneration report must provide a 'comprehensive overview of paid and outstanding salaries and remuneration'. The right to shares at a discount is considered linked to the work done for the DOF Group. The share scheme has a large scope and no cap on gains</p> <p>In addition, a share and/or option scheme is described in section 5 of the report on the remuneration of executive personnel. In the case of option programmes and share-based programmes, we expect boards to set clear limits for the scheme and ensure that the scope is not unreasonable. As the guidelines lack a description of the annual and/or total limit, it is Folketrygdfondet's view that the share and option scheme is too open-ended in scope and may thus entail an excessive transfer of value from the shareholders to the company's employees.</p>	13.2	35.3	
Austevoll Seafood	29 May 2024	<i>Remuneration</i>			
		<p><b>Item 7 a) Report on the remuneration of executive personnel</b></p> <p>Grounds: 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 3,495,000, for which Austevoll Seafood ASA is invoiced. The consultancy fee is related to work as chair of the board of Austevoll Seafood. There is a considerable difference between the nomination committee's proposed remuneration of the chair of the board and the information about the remuneration of executive personnel in the board's report.</p> <p>Item 7 a) in the notice of the general meeting appears to be misleading, since the shareholders will only vote over a portion 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>	1.9	1.9	



Company	Date	Type of matter  Why we voted against	Folketrygdfondet	Total Amount
			Vote against as %	Vote against as %
Austevoll Seafood	29 May 2024	<b>Item 11 Report on the remuneration of executive personnel</b> Grounds: 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 3,920,000 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.	1.9	19.3
DNO	6 June 2024	<i>Nomination committee chair and remuneration</i> <b>Item 5(a) The election of Bijan Mossavar-Rahmani as chair of the nomination committee</b> Grounds: Folketrygdfondet believes that 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 (NUES). Independence is important to ensure shareholder confidence in the nomination committee's processes and recommendations. It is fundamental to the work of the nomination committee that there is a clear division of roles and responsibility between the board and the nomination committee.	18.1	26.7
		<b>Item 7 Stipulation of remuneration of board members, the audit committee, the HSE committee and the compensation committee</b> Grounds: The remuneration reflects the fact that the chair functions as an executive chair of the board, which is not in line with Folketrygdfondet's expectations as regards the board's independence and is in violation of Section 8 of the Norwegian Code of Practice for Corporate Governance (NUES), which states that executive personnel should not be members of the board. The board's control function requires independence from management. Folketrygdfondet therefore votes against the proposal.	18.1	47.0
Borr Drilling limited	14 August 2024	<i>Election of board member</i> <b>Item 8 Election of Patrick Schorn as board member</b> Grounds: Patrick Schorn is CEO of Borr Drilling Limited. In line with the Norwegian Code of Practice for Corporate Governance ,  Folketrygdfondet believes that executive personnel should not be members of the board to ensure independent oversight of management. Folketrygdfondet therefore votes against electing Patrick Schorn as board member.	4.0	5.8
Borr Drilling limited	1 October 2024	<i>Delisting</i> <b>Item 1 Delisting from the Oslo Stock Exchange</b> Grounds: Borr Drilling is one of the larger companies listed on the Oslo Stock Exchange, which gives the company considerable attention from Norwegian investors, financial analysts, financial institutions and other European investors. This attention, combined with extensive knowledge of the drilling industry, has probably given the company advantages in the form of increased access to debt and equity financing. Norwegian and other non-US investors own a significant share of Borr Drilling, which is traded on both the Oslo Stock Exchange and the New York Stock Exchange.  Many Norwegian and European fund managers have a mandate to invest only in companies listed in Norway, including in the OSEBX index, or listed in another European country. A delisting from the Oslo Stock Exchange would force these fund managers, including Folketrygdfondet, to sell their shares. This will result in Borr Drilling permanently losing a significant base of Norwegian and European institutional investors.  Folketrygdfondet will vote in line with its mandate to protect the financial interests of the Government Pension Fund Norway and promote well-functioning markets. We believe that the benefits of maintaining the listing on the Oslo Stock Exchange are significant for both the company and investors. We will therefore vote against the proposal for delisting from the Oslo Stock Exchange.	7.0	8.4

Company	Date	Type of matter  Why we voted against	Folketrygdfondet Vote against as %	Total Amount
Frontline PLC	12 Dec. 2024	<i>Authorisation and remuneration</i> <b>Item 10 og 11</b> Grounds: 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 explanation of the specific purposes of this, Folketrygdfondet cannot vote in favour of the proposal.	8.9	32.3
		<b>Item 12</b> Grounds: Folketrygdfondet votes against the proposal concerning the executive pay report, as this policy is not in line with Folketrygdfondets 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.	8.9	32.3
			8.9	30.7

**TABLE 10. MATTERS FOLKETRYGDFONDET HAS VOTED AGAINST (ABSTAINED FROM VOTING FOR)**

	Norway	Sweden	Denmark	Finland	Total Amount
Remuneration of executive personnel*	7 (1)	6	1	2	16 (1)
Authorisations to issue/buy back shares**	7	3	2		12
Guidelines for the nomination committee / - members	2	1			3
Against board member (incl. management excluding CEO)	2	6	1		9
Against having the CEO on the board	0	18			18
Discharge of liability	0		2		2
Board authorisation to appoint board members	3				3
De-listing	1				1
Directors' remuneration etc.	2 (1)				2 (1)
Against appointment of auditor		(1)			(1)
<b>Total</b>	<b>24 (2)</b>	<b>34 (1)</b>	<b>6</b>	<b>2</b>	<b>66 (3)</b>

\* This includes both votes against binding votes on executive pay and directors' 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.

# Voted at ten bondholder meetings

Folketrygdfondet wishes to contribute to finding constructive solutions when a bond issue has to be renegotiated. In 2024, we voted at ten bondholder meetings.

We respond 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 2024, Folketrygdfondet voted at ten bondholder meetings with eight different issuers.

Two meetings concerned restructuring, six 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 online presentations 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.

FIGURE 16. NUMBER OF BONDHOLDER MEETINGS WITH ISSUERS

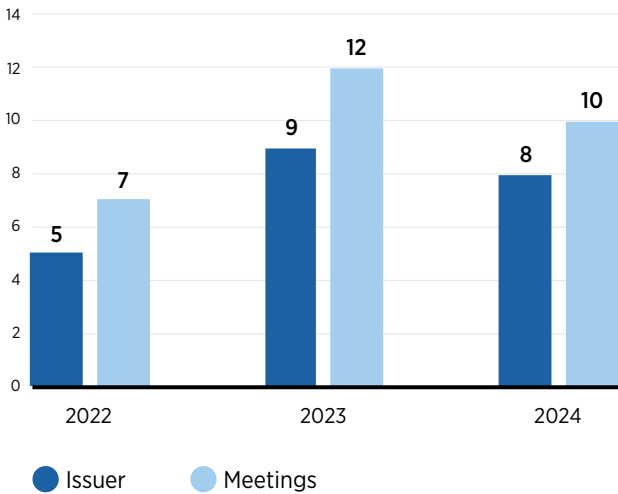
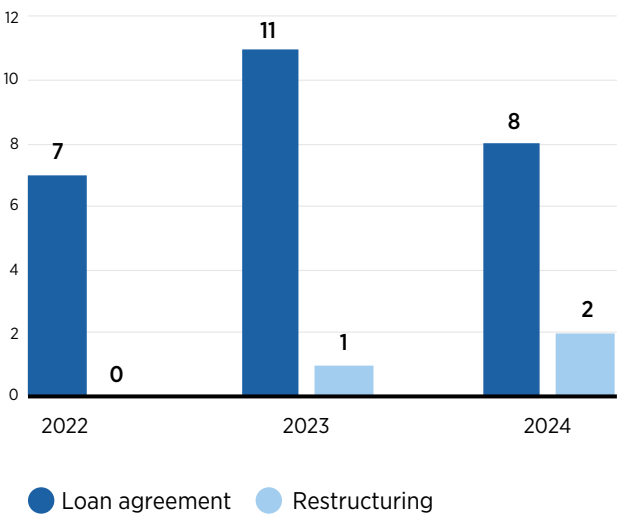


FIGURE 17. TOPIC AT BONDHOLDER MEETING



# Further development of nomination committees' work

Folketrygdfondet is represented on 14 nomination committees in Norwegian companies. We also attended one corporate assembly in 2024.

We are concerned with companies having boards with good expertise and the right composition, and we expect the companies we are invested in to have a nomination committee. This is in line with the goals we have set in our strategic plan.

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. We have 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 the 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 2024.

Folketrygdfondet's representatives were elected to one new nomination committee in 2024: Europris ASA. In addition, Folketrygdfondet is no longer represented in Scatec ASA.

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 representatives of Folketrygdfondet has increased from 5 to 9. Our representatives meet regularly to discuss common issues relating to the work of the 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.

**TABLE 11. FOLKETRYGDFONDET'S REPRESENTATIVES ON NOMINATION COMMITTEES AND GOVERNING BODIES 2024**

## Corporate assemblies

Telenor ASA	CEO Kjetil Houg	Member
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## Valgkomiteer

AF Gruppen ASA	Chief Compliance Officer and General Counsel Christina Stray	Member
Europris ASA	Portfolio manager Tine Fosslund	Member
Gjensidige Forsikring ASA	Portfolio Manager Pernille Moen Masdal	Member
Kongsberg Gruppen ASA	Portfolio manager Bjarte Espedal	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
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 Fosslund	Member
Veidekke ASA	Chief Investment Officer Equities Karl Mathisen	Member
Yara International ASA	Deputy Director Equities Ann Kristin Brautaset	Member

# We contribute to well-functioning markets

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

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

Through the Institutional Investment Forum, Folketrygdfondet has good contact and dialogue on both general and company-specific topics involving the largest investors on the Oslo Stock Exchange. Among other things, we have organised a nomination committee seminar to motivate more institutional investors to get involved in nomination committee work. The collaboration in NUES, where Folketrygdfondet is indirectly represented, helps us to ensure updated and appropriate standards for corporate governance. Through Finance Society Norway, where Folketrygdfondet is represented on the board and several committees, we work together to focus on topics that are important for the Norwegian financial market.

when we believe this to be appropriate in order to safeguard our financial interests. Folketrygdfondet submitted one consultation statement in 2024. This is in line with the goals we have set in our strategic plan.

We also actively participate in relevant conferences to share our views and promote good practices for both asset management and corporate governance. Examples include guest lectures at universities around Norway, financial conferences organised by relevant players and active participation through positions in relevant forums. In 2024, 19 Folketrygdfondet employees gave a total of 63 presentations, guest lectures, talks, panel discussions and participated in podcasts. In addition, we share our opinions in the media, especially on issues that are relevant to our expectations.

## Plan for 2025

In 2025, 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.

## What do we do?

We participate in Norwegian and international initiatives. We also cooperate on individual cases

**TABLE 12. CONSULTATION STATEMENTS SUBMITTED IN 2024**

Recipient	Topic	Date submitted
Ministry of Finance	Consultation - government asset management in Tromsø	5 April 2024

**TABLE 13. PARTICIPATION IN EXTERNAL INITIATIVES IN 2024**

Initiative	Purpose	Representative from
Norwegian Institute of Directors	Promote value creation through good corporate governance.  Promote the development of best practice standards for board work.	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, board member and member of the capital markets technical committee</li> </ul>
Finance Society Norway	Promote: <ul style="list-style-type: none"> <li>public understanding of the function and importance of the capital markets in the Norwegian economy</li> <li>a high standard of financial analysis</li> <li>good framework conditions and a well-functioning capital market</li> <li>high ethical standards in financial analysis, asset management, advisory services and trading in financial instruments</li> </ul>	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, board member FFN and member of the equity committee</li> <li>Portfolio manager Pernille Moen Masdal, board member FFN, member of the equity committee and the committee on women in front-end finance</li> <li>Chief Investment Officer Fixed Income Jørgen Krog Sæbø, member of the capital management committee</li> <li>Deputy Director Equities Ann Kristin Brautaset, chair of the committee that awards the Stockman Prize</li> <li>Chief Strategist Erlend Hellum, member of the macro committee</li> <li>Analyst Joakim Kvamvold, member of the bond committee.</li> <li>Portfolio manager Tine Fossland, member of the financial information committee</li> </ul>
Norwegian Corporate Governance Board (NUES)	To keep the Norwegian Code of Practice for Corporate Governance up to date, and make it known in Norway and abroad	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, committee chair and representative of the Finance Society Norway</li> </ul>
Institutional Investment Forum	To promote corporate governance best practices in Norway and be a driving force for further development of best practices. The forum is represented on NUES	<ul style="list-style-type: none"> <li>Chief Investment Officer Equities Karl Mathisen, member</li> </ul>
Securities Act Committee	To examine how future EEA rules in the securities area should be implemented in Norwegian law	<ul style="list-style-type: none"> <li>Chief Compliance Officer and General Counsel Christina Stray, member</li> </ul>
CDP (formerly known as the Carbon Disclosure Project)	To prevent climate change and protect natural resources	<ul style="list-style-type: none"> <li>Portfolio manager ESG Annie Bersagel, representative (until 31 August 2024)</li> </ul>
The UN-supported Principles for Responsible Investment, PRI	To promote understanding of how environmental, social and corporate governance issues impact investors and their asset management activities.	<ul style="list-style-type: none"> <li>Portfolio manager ESG Annie Bersagel, representative (until 31 August 2024)</li> </ul>
The Norwegian Fund and Asset Management Association	<ul style="list-style-type: none"> <li>Assistance to members               <ul style="list-style-type: none"> <li>– professional and administrative</li> </ul> </li> <li>Develop and enforce industry standards</li> <li>Promote knowledge of and interest in securities fund investment</li> <li>Stay up to date on international developments in the industry</li> <li>Produce market statistics</li> <li>Portfolio manager Henning Lund, member of the fixed income committee</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Manager Henning Lund, member of the fixed income committee</li> </ul>

# Climate risk and stress tests

Folketrygdfondet follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and carries out climate-related stress tests developed by the Bank of England on the equities portfolio of the Government Pension Fund Norway.

**TABLE 14. TCFD INDEX**

Folketrygdfondet's follow-up of the TCFD recommendations		References
<b>Governance</b>		
a) Describe the climate-related threats and opportunities the board has identified	<ul style="list-style-type: none"> <li>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. Other than our investment activities, Folketrygdfondet's activities are affected to a limited extent by climate-related threats and opportunities.</li> <li>According to the Management Mandate for the Government Pension Fund Norway, Folketrygdfondet shall integrate the work on responsible investment in the management of the fund. Climate risk is given a special mention in the strategic plan adopted by the board. It also states that Folketrygdfondet shall have clear expectations of the companies' management of climate risk.</li> <li>Sustainability, including climate risk, is included as part of the board's risk discussions.</li> <li>The annual review of responsible investment activities with the board covers work on sustainability and climate, assessment of climate risk in the portfolio, including development trends and future priorities.</li> <li>The board adopts an annual ownership report in which Folketrygdfondet's work on sustainability and climate is addressed.</li> </ul>	<p>Management Mandate for the Government Pension Fund Norway, Strategic Plan, p. 10 'Climate risk', Ownership Report p. 86</p> <p>'Our approach'</p>
b) Describe the management's role in identifying and managing climate-related threats and opportunities.	<p><b>Folketrygdfondet's activities:</b></p> <ul style="list-style-type: none"> <li>It is important to Folketrygdfondet's activities that climate and environmental requirements are a priority in all procurements. In procurements carried out in accordance with the Public Procurement Act and Regulations, the environment and climate will be considered and included as part of the assessment of which supplier to choose.</li> </ul> <p><b>Folketrygdfondets investment portfolio:</b></p> <ul style="list-style-type: none"> <li>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. Both the Equities and Fixed-Income Departments have a dedicated resource for environment, society and corporate governance.</li> <li>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.</li> <li>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.</li> </ul>	<p>Principles for Responsible Investment, Folketrygdfondet's Exercise of Ownership Rights, Ownership Report p. 86</p> <p>'Our approach'</p>



## Strategy

<p>a) Describe the climate-related threats and opportunities Folketrygdfondet has identified over the short, medium and long term.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Climate-related threats could lead to reduced returns in the investment portfolios as a result of climate change, physical risk and the transition to low-emission societies.</li> <li>• The financial risk is greatest for the GPFN's investments in oil and gas extraction, which constitute a significant part of the investment universe.</li> <li>• In the GPFN's portfolio, only investments in low-carbon energy are identified as opportunities for value increase, though these are significantly lower than the value loss from oil and gas extraction.</li> <li>• Climate risk can also result in lost opportunities due to delayed portfolio adjustments as a result of climate change.</li> <li>• Climate change, physical risk and the transition to low-emission societies can also provide opportunities for investment strategies that identify positive return opportunities in the investment portfolios.</li> </ul>	<p>Ownership Report p. 90 'Climate and environment' and pp. 112-115 'Climate-related stress tests'</p>
<p>b) Describe how climate-related threats and opportunities are integrated in Folketrygdfondet's operations, strategy and financial planning.</p>	<ul style="list-style-type: none"> <li>• For Folketrygdfondet, the management of the GPFN is most important for the organisation's handling of climate-related threats and opportunities.</li> <li>• Folketrygdfondet's management of the GPFN's assets is based on the goal of achieving the highest possible return over time within the limits of the given mandates. It follows from the Management Mandate for the Government Pension Fund Norway that good long-term returns are dependent on sustainable economic, environmental and social developments. Climate risk is therefore an integral part of the investment processes in the same way as other financial factors, and represents both opportunities and threats for the companies.</li> <li>• Dialogue with companies is an important tool for addressing the long-term climate risk in the portfolio and is followed up through both ownership and creditor management. Our impact is different for the equities and fixed-income portfolios. In our equities management, we normally have the greatest influence when we are invested in the company, while in our fixed-income investments we normally have the greatest influence prior to the investment when the loan agreements and terms are formulated.</li> <li>• We take an active investment approach to achieve the goal of highest possible returns over time. The goal of promoting corporate value creation is achieved through being an active, responsible owner and creditor and through the development of best practices and well-functioning markets. By exercising our ownership and creditor rights, we contribute to the companies' strategies, ensuring that they are solid, and that capital is channelled into profitable investments in the transition to a low-emission society. 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.</li> <li>• Folketrygdfondet's responsible investments are based on the UN Global Compact, the OECD Guidelines on Corporate Governance, the OECD Guidelines for Multinational Enterprises, the Norwegian Code of Conduct for Corporate Governance (NUES).</li> <li>• We take an integrated approach to responsible investment. It is necessary to assess all types of risks associated with the investments. Climate-related threats and opportunities are analysed and considered as an integral part of our portfolio management. Significant opportunities and threats related to physical, transition and liability risks are analysed and assessed at company level, as are other risks. Climate considerations are an integral part of the credit assessments of issuers in the fixed-income portfolio. The goal is to ensure that climate-related considerations are properly reflected in our credit assessment so that we can make a correct assessment of the investments.</li> <li>• We support initiatives that can contribute to good and standardised reporting of climate risk.</li> <li>• As an active manager, Folketrygdfondet is able to adapt the portfolio as the financial risk situation changes. To assess the portfolio's market risk, including climate risk, climate-related stress tests are conducted systematically.</li> <li>• A common investment philosophy and team-based organisation of investment activities in Folketrygdfondet is a strength in the work on climate risk.</li> </ul>	<p>Strategic Plan, p. 10 'Climate risk', Ownership Report p. 90 'Climate and environment', pp. 112-115 'Climate-related stress tests'</p>



c) Describe the robustness of Folketrygdfondet's strategy, taking climate-related scenarios into consideration, including a scenario with 2°C or lower.	<ul style="list-style-type: none"> <li>Folketrygdfondet uses the MSCI ESG Manager analysis tool to measure climate risk in the portfolio. Stress tests conducted with MSCI's analysis tool for the GPFN's equities portfolio estimate a total fall in value of: <ul style="list-style-type: none"> <li>– between 10 and 15 per cent in the various scenarios where temperatures increased by 2-3 degrees.</li> <li>– 27 per cent in the scenario where the temperature did not increase by more than 1.5 degrees. In the latter scenario, it was primarily the transition risk that affected the fall in value. The stress test estimates that the financial climate risk is greatest for the GPFN's investments in oil and gas production.</li> </ul> </li> <li>With reservations as regards possible errors and deficiencies in the data used, our assessment is that the portfolio can withstand a scenario of up to 2 degrees based on stress tests. If a maximum increase of 1.5 degrees is assumed, the portfolio is more vulnerable to falls in value due to transition risk.</li> <li>MSCI's analysis tool shows that 93.4 per cent of the companies in the portfolio have goals and strategies for reducing carbon emissions, and 58.2 per cent of the companies have strategies that are in line with the Paris Agreement. The limited fall in value in the 2-degree scenario, together with a high proportion of companies with clear targets and strategies for reducing greenhouse gases, is an indication that Folketrygdfondet's strategy for managing climate risk in the portfolio through exercising the role of owner and creditor and portfolio adjustments is a robust strategy.</li> </ul>	Ownership report, pp. 112-115 'Climate-related stress tests'
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## Risk management

a) Describe Folketrygdfondet's process for identifying and assessing climate risk.	<ul style="list-style-type: none"> <li>Climate risk is an integral part of Folketrygdfondet's risk management and investment activities. We analyse, identify and assess climate risk in all the companies in our investment portfolio. All sustainability risks are assessed in this process, including climate risk.</li> <li>We measure the carbon footprint of all companies and the entire portfolio, and the portfolio is stress-tested for various climate-related scenarios.</li> <li>The analyses include an assessment of how the companies' strategy and business model affect the climate through emissions and greenhouse gases, as well as an assessment of how vulnerable the company is to climate risk.</li> </ul>	Strategic Plan, p. 10 'Climate risk', Ownership Report p. 90 'Climate and environment' and pp. 112-115 'Climate-related stress tests'
b) Describe Folketrygdfondet's process for managing climate risk.	<ul style="list-style-type: none"> <li>We follow up material climate risk in different ways, including through direct meetings with the companies, joint initiatives with other investors and through our voting at companies' general meetings.</li> <li>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.</li> <li>The dialogue Folketrygdfondet has with the companies as an owner and investor is an important arena in the work to manage climate risk. To ensure that such dialogues are as efficient as possible for both parties, we have produced expectation documents on key topics, including climate risk. We devote considerable time and resources to exercising ownership and work continuously to ensure that the companies are aware of our expectations. All meetings where climate risk has been on the agenda are registered.</li> <li>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.</li> </ul>	Strategic Plan, p. 10 'Climate risk', Ownership Report, pp. 112-115 'Climate-related stress tests'
c) Describe how the processes for identifying, assessing and managing climate risk are integrated into Folketrygdfondet's risk management systems	<ul style="list-style-type: none"> <li>The processes for identifying, assessing and managing climate risk are integrated into our team-based investment model. The portfolio managers carry out the analyses and risk assessments of the companies, including climate-related risks.</li> <li>Portfolio systems measure and display portfolio and company risk. The management of climate risk and identification of necessary measures for ownership follow-up are registered and followed up in a joint system for ownership follow-up.</li> <li>Based on the analyses of the companies and the portfolio, an assessment is made of whether it is necessary to adjust the portfolio composition and/or ownership follow-up of companies.</li> </ul>	Ownership Report p. 90 'Climate and environment' and pp. 112-115 'Climate-related stress tests'

## Metrics and targets

<p>a) Describe the metrics Folketrygdfondet uses to assess climate-related threats and opportunities, in line with its strategy and risk management process.</p>	<ul style="list-style-type: none"> <li>• Since 2013, Folketrygdfondet has carried out emission analyses of the Norwegian equities portfolio. As a result of the weaknesses of the emissions analysis, we only use it as an indicator of climate risk, not as a metric for managing the portfolio. In addition to emission analyses, scenario analyses are also used to assess the climate risk in the portfolio.</li> <li>• Our assessment of climate-related threats and opportunities as part of the company's strategy and risk management process includes analyses of all the companies in the portfolio to identify their strategic opportunities in relation to climate change and their vulnerability to climate risk. The aim of this process is that, through ownership follow-up and portfolio adjustments, we can contribute to the highest possible return and net zero emissions globally.</li> <li>• MSCI's analysis tool indicates whether the investment portfolio, both on the equity and fixed-income side, is in line with various emission reduction plans, especially the Paris Agreement. Folketrygdfondet also performs stress tests of the portfolio. In the ownership report, we also show different measures of CO2 emissions for the portfolio and benchmark index, and their development over the past year.</li> <li>• Folketrygdfondet is constantly developing its efforts to identify and manage climate risk in the portfolio. In 2024, we acquired ESG Manager from MSCI. The system enables deeper and more detailed assessments of the climate risk in the portfolio, including which measures may be relevant.</li> </ul>	<p>Folketrygdfondet's Expectations, Ownership Report, pp. 112-115 'Climate-related stress tests'</p>
<p>b) Report the portfolio's 'Scope 1', 'Scope 2' and, if relevant, 'Scope 3' greenhouse gas emissions, and related risks.</p>	<ul style="list-style-type: none"> <li>• An analysis of greenhouse gas emissions in the equities portfolio as of 31 December 2024 shows that 96 per cent (96 as of 31 December 2023) of the companies in the portfolio report carbon emissions. Relevant data related to carbon emissions for the portfolio is (figures for 2023 in brackets): <ul style="list-style-type: none"> <li>– Scope 1+2: 1,970,285 tonnes (2,075,013 tonnes).</li> <li>– Carbon intensity per NOK million invested is 8.3 tonnes (9.5 tonnes),</li> <li>– The weighted average per NOK million invested is 11.5 tonnes (12.4 tonnes).</li> <li>– The carbon intensity in relation to the sales of the companies in the portfolio is 6.4 tonnes/NOK million (17.3 tonnes/NOK million).</li> </ul> </li> <li>• The analysis of greenhouse gas emissions in the portfolio shows a reduction over the past year in both the total emissions for the portfolio and a decrease in all the parameters that show the carbon intensity of the portfolio.</li> </ul>	<p>Ownership report, pp. 112-115 'Climate-related stress tests'</p>
<p>c) Describe the metrics Folketrygdfondet uses to measure climate-related threats and opportunities, and how Folketrygdfondet has performed in relation to the metrics.</p>	<ul style="list-style-type: none"> <li>• As a result of the weaknesses of the emissions analysis, we only use it as an indicator of climate risk, not as a metric for managing the portfolio.</li> <li>• We work to ensure that the companies in our portfolio contribute to net zero emissions globally</li> <li>• When exercising our role as owner and creditor, we will ensure that our companies contribute to achieving global net zero emissions. Our follow-up will focus on the need for companies to understand their own role and need to contribute to global net zero emissions.</li> </ul>	<p>Folketrygdfondet's Expectations, Ownership Report, pp. 112-115 'Climate-related stress tests'</p>

### Climate-related stress tests

Folketrygdfondet's mandate is the point of departure for assessing risk in the portfolio, including climate risk.

Our investment decisions are based on broad access to information, analyses and contact with the companies, as well as ESG analyses. Our ability to generate excess returns in the short, medium and long term depends on sound assessments of market risk, including risk as a result of climate change. Such assessments are thereby an integral part of our investment mandate. It is also decisive for our long-term returns that the companies we have invested in deliver strong results in the long term.

Please note that the analyses below are not directly comparable with the figures in last year's report. The reason for this is a change of source, tools and an adjustment of the calculation methods employed.

### Carbon footprint

Since 2013, we have carried out emission analyses of the Norwegian equities portfolio. The analysis for 2024 measures emissions of greenhouse gases in the total equities portfolio, adjusted for our shareholding, and compares this with our benchmark index. We use the enterprise value to allocate emissions to equity and loan capital. Around 97 per cent of the companies in the equities portfolio are included in the analysis.

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 weaknesses of the emissions analysis, we only use it as an indicator of climate risk, not as a metric for managing the portfolio.

The emissions analysis is only a snapshot. Folketrygdfondet's CO<sub>2</sub>e-analysis (Table 15) is based on our equities portfolio as of 31 December 2024. The figures are calculated using the MSCI ESG Manager analysis tool.

**ILLUSTRATION 14. CORE ELEMENTS OF THE TCFD FRAMEWORK**



#### **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.

We use the indicators in the TCFD recommendations. This means that the indicators include the portfolio's carbon intensity, adjusted both for our share of the company's enterprise value (EVIC) and for the company's relative size in the portfolio ('weighted average carbon intensity'). The analysis used emission figures from 2024 for direct emissions (Scope 1) and indirect emissions from energy (Scope 2). Non-reporting companies are excluded from the analysis.

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

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

**TABLE 15. CO<sub>2</sub> ANALYSIS OF THE EQUITIES PORTFOLIO AS OF 31 DEC. 2024**  
(21 DEC. 2023)<sup>1</sup>

	Portfolio		Benchmark index		Difference from benchmark
	2024	2023	2024	2023	2024
Weight of companies reporting carbon emissions (per cent)	95.7	95.7	97.1	96.2	
TCFD total carbon emissions (tonnes CO <sub>2</sub> e) <sup>2</sup>	1,970,285	2,075,013	2,103,800	2,179,328	
TCFD total carbon emissions per million NOK invested (tonnes)	8.3	9.5	8.8	10.0	-0.50
TCFD Weighted average carbon intensity (weighted average tonnes/million NOK)	11.5	13.9	12.4	15.0	0.90
TCFD carbon intensity (tonnes/million NOK in sales)	16.4	17.1	17.3	18.3	0.90

1. Source: MSCI, the figures for 2023 deviate from the annual report 2023 due to a change in source and calculation method..

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

**Stress tests based on NGFS<sup>1</sup> scenarios**

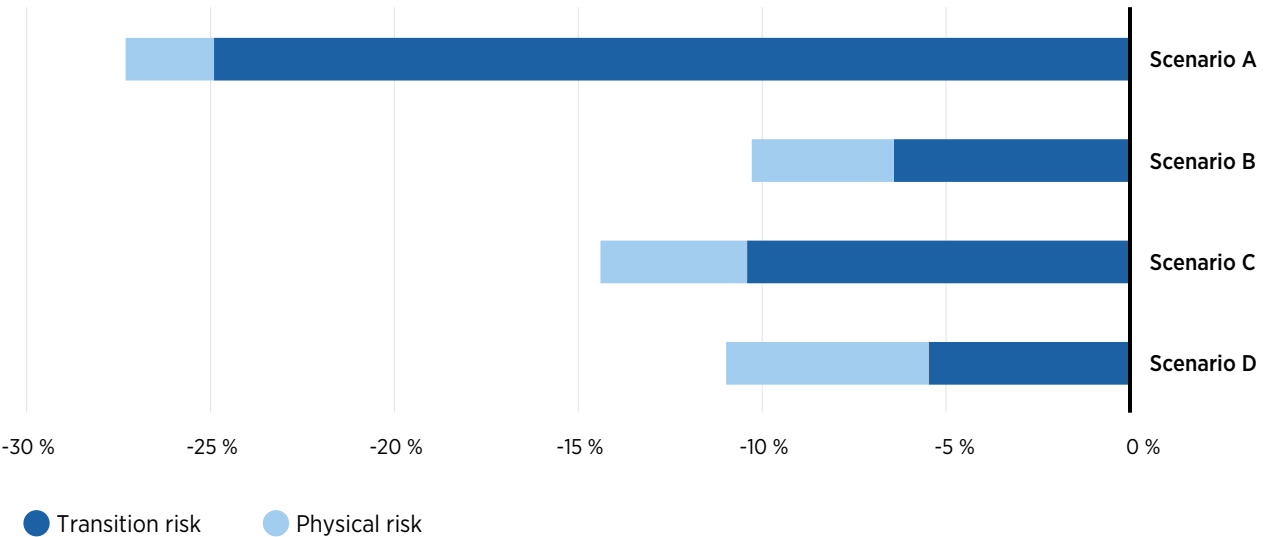
Different scenarios for climate policy and warming of the atmosphere will lead to major differences in transition risk and physical risk, respectively. Developing a robust method for climate-related scenario analyses is therefore a prerequisite if investors and companies are to find this information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

For several years, we have published the results of the stress tests developed by the Bank of England (BoE), which is in line with the recommendations of the Task Force on Climate-related Financial Disclosures. In this report, we have developed this further by presenting the results of stress tests conducted in the MSCI ESG Manager tool. The tests are based on NGFS scenarios (Phase IV) based on a regional model for investment and development (REMIND), which integrates economic development with developments in climate and energy systems.

1. The Network for Greening the Financial System (NGFS) is a global network of central banks and supervisors working together to promote sustainability and manage climate risk.

**FIGURE 18. BANK OF ENGLAND'S STRESS TEST OF THE GPFN'S EQUITIES PORTFOLIO**

Change in value in per cent.



We have calculated the results of four stress tests on the equities portfolio:

- A A scenario with an orderly transition period in which the 1.5 degree target is achieved in 2100
- B A scenario with an orderly transition period, but where only the 2 degree target is reached in 2100.
- C A scenario in which the transition period is disorganised, and the emission cuts do not come steadily. The temperature increase here is 2 degrees in the year 2100.
- D A scenario in which the temperature increase ends up at 3 degrees in the year 2100. In this scenario, it is assumed that only voluntary and already planned cuts are implemented.

The results of the four tests for the equities portfolio are illustrated in figure 39.

The total loss resulting from tests B, C and D is fairly similar, entailing a fall in the value of the equities portfolio of between 15 and 10 per cent. In scenarios B and C, the loss of value from transition risk makes up the largest single contribution. In Scenario D, the contribution from physical risk is about the same as the contribution from transition risk.

Scenario A has by far the largest loss; in this scenario, the loss in value is as much as 27 per cent of the equities portfolio. The contribution from transition risk dominates and indicates a loss of 25 percentage points.

## Conclusions and challenges

Analytical tools are becoming increasingly sophisticated in terms of both modelling climate scenarios and the collection of data to estimate potential costs and revenues for industries in different scenarios. The analyses estimate developments over long periods of time and are thus naturally subject to great uncertainty, both in terms of climate change itself and its impact on economic variables such as share prices.

Despite this, it seems likely that the equities portfolio is most exposed to transition risk, and that abrupt changes in climate policy will have a negative impact on the equities portfolio.

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