

Folketrygdfondet

Ownership Report 2008

Folketrygdfondet manages
the Government Pension Fund – Norway



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THE OWNERSHIP POLICIES AND PRACTISES

Folketrygdfondet (“FTF”) has since 1 January 2008 been incorporated as a company by special statute, charged with managing the Government Pension Fund – Norway (the “GPFN”) on behalf of the Ministry of Finance. Folketrygdfondet shall, in its own name and in compliance with the guidelines laid down by the Ministry of Finance, invest the capital of by the GPFN in financial instruments in Norway and the Nordic region with a view to maximizing returns over time, given a prudent level of risk.

Ownership policies and practises make important contributions to the safeguarding of both shareholder value and a well-functioning financial market. Folketrygdfondet is responsible for exercising the ownership rights associated with the equities in which we are invested. The objective of the ownership policies and practises is to safeguard the financial interests of the Government Pension Fund – Norway. FTF devotes considerable resources to this effort, and we want to fully disclose our ownership policies and practises. This is the background against which we publish an Ownership Report. Herein we present, inter alia, the principles laid down by the Board of Directors of Folketrygdfondet in relation to our ownership policies and practises, and we present our efforts in, and our experiences from, this area over the last year.

We spent much time during the 2007 season of Shareholder’s Meetings on examining matters relating to executive salaries. The background to this was the new provision in the Public Limited Companies Act to the effect that the Annual Shareholders’ Meeting shall deliberate the statement from the Board of Directors as to the determination of salaries and other remuneration for executive personnel. We found in many cases that we were unable to vote in favour of the proposals submitted by the Board of Directors of a company. Amongst the reasons for this could be, for example, that the proposals contained no cap on the annual remuneration of management, and thus did not conform to the principles adopted by FTF in relation to remuneration models and executive salaries. We wished to be transparent about the reason why we did not vote in favour of a submitted proposal, and therefore attached considerable weight to presenting the reasons for our voting in the Shareholders’ Meeting. We have also during this year’s season of Shareholder’s Meetings had a special focus on matters relating to executive salary principles. However, we have this year noted that a number of companies have acted on feedback given by the shareholders during last year’s Shareholders’ Meeting. We consider this a positive development, and an indication that the companies are responsive to the views expressed by their shareholders.

We have this year chosen, based on the feedback we received following the publication of the Ownership Report last year, to post the comments we have made in this year’s Shareholders’ Meetings on our website; www.fff.no.

Folketrygdfondet is of the view that our investments should be ethically sound, and that this requirement will contribute to promoting long-term value creation and, thereby, to safeguarding our shareholder values. Consequently, ethics is a qualitative investment criterion to which we attach considerable weight. In the Ownership Report we present the activities and the follow-up efforts of Folketrygdfondet when it comes to the integration of ethics in our asset management activities. We have established, inter alia, a systematic, electronic media monitoring process to keep track of whether the companies in which we are invested are linked to key ethical themes like corruption, human rights, child labour and the environment. Main aspects of our efforts relating to ethics are presented in the Report.

The ownership structure of companies listed on the Oslo Stock Exchange has changed over time. There are several different types of investor groups, for example institutional investors, private companies, public sector owners, etc., and these groups manage their ownership interests in different ways and with varying degrees of active involvement. The Institute for Research in Economics and Business Administration (“SNF”) has carried out research on developments in the role of owners on the Oslo Stock Exchange over the period 1994-2007 in order to better understand developments in the various investor groups’ ownership involvement in different companies and sectors/industries. The objective of the project is to quantify and analyse the portfolios of the various investor groups and the ownership structure of the listed companies. The analysis is a useful basis for understanding the past and present role of FTF as owner, and we have therefore opted to discuss the main findings from this research in our Ownership Report.

As per 30 June 2008, Folketrygdfondet managed assets somewhat in excess of NOK 113 billion, of which somewhat in excess of NOK 58 billion was invested in 56 companies listed on the Oslo Stock Exchange. The role as manager of the Government Pension Fund – Norway means that our efforts are subject to stringent requirements as far as proper management is concerned. It is important, both to the Government Pension Fund – Norway, and to the companies in which its assets are invested, to have responsible, predictable and sound ownership policies and practises on the part of Folketrygdfondet. We hope that the present Ownership Report will serve as a positive contribution in this regard.

Oslo, 27 August 2008

Olaug Svarva
Managing Director

THE OWNERSHIP PRINCIPLES OF FOLKETRYGDFONDET

1. The ownership policies and practises of Folketrygdfondet are based on the premise that Folketrygdfondet is a responsible long-term financial investor, aiming to maximize returns over time, given a prudent level of risk.
2. The ownership policies and practises of Folketrygdfondet are based on the UN Global Compact, the OECD Guidelines on Corporate Governance and Multinational Enterprises and the Norwegian Code of Practise for Corporate Governance.
3. Folketrygdfondet shall attend to its ownership interests on the basis of a set of qualitative investment criteria within the areas of ethics and corporate governance. Evaluation against such criteria shall form an integral part of the investment methodology of Folketrygdfondet, and of its ongoing asset management effort.
4. Folketrygdfondet shall exercise a high degree of diligence in its treatment of ownership issues, and act in such a manner that no doubt is cast on the role of Folketrygdfondet as a responsible financial investor, or on the independence and neutrality of Folketrygdfondet in relation to other stakeholders.
5. Folketrygdfondet shall conduct its affairs in a responsible and predictable manner, and be conscious of the responsibility for negative consequences that may result from passivity on the part of shareholders.
6. The financial interests of Folketrygdfondet shall be attended to by way of management monitoring, on an ongoing basis, financial developments on the part of the companies in which Folketrygdfondet is invested, hereunder by attending investor presentations held by the companies and by meeting with management representatives of the companies when deemed desirable.
7. Folketrygdfondet may be represented on the Election Committees, Shareholders' Committees and Corporate Assemblies of companies. Folketrygdfondet is not permitted to be represented on the Boards of Directors of companies.
8. Folketrygdfondet should attend the Shareholders' Meetings of companies. In those cases where Folketrygdfondet is unable to attend Shareholders' Meetings, it may appoint representatives of the company or others as proxies to vote on behalf of Folketrygdfondet.
9. Folketrygdfondet may, for purposes of attending to its interests, engage in cooperation with other investors when deemed to be appropriate.
10. Folketrygdfondet shall seek to avoid being placed in an insider position on the basis of information received from the companies.
11. Folketrygdfondet shall, for purposes of realising the defined objectives, evaluate the composition of the portfolio on an ongoing basis, and make adjustments to such composition through the purchase and sale of securities.
12. Folketrygdfondet shall prepare an annual report on its ownership policies and practises. The report shall be available to the general public. The reporting shall be done with due care and discretion, and no company-sensitive information shall be published.

SHAREHOLDERS' MEETINGS 2008

Folketrygdfondet (FTF) has had an active season of Shareholders' Meetings in 2008, and has attended 22 Annual Shareholders' Meetings and one Extraordinary Shareholders' Meeting of companies that form part of our Norwegian equity portfolio. In total, we have made addresses to four Shareholders' Meetings, and we have on five occasions demanded that our objections be recorded in the minutes of a Shareholders' Meeting. These addresses have related, in particular, to matters involving executive salary principles, and FTF has attached weight to explaining our views by reference to the ownership principles of Folketrygdfondet and the principles adopted by Folketrygdfondet in relation to remuneration models. Folketrygdfondet has voted against submitted proposals on 16 matters. The addresses we have made to this year's Shareholders' Meetings have been posted on our website; www.ftf.no.

Active season of Shareholders' Meetings in 2008

The shareholders exercise supreme authority over a company through the Shareholders' Meeting. The Shareholders' Meeting is charged with approving the annual accounts and the annual report, hereunder the distribution of dividends. It shall, in addition thereto, deliberate other matters that fall under the auspices of the Shareholders' Meeting pursuant to statute or the Articles of Incorporation. Such matters include, for example, the statement of the Board of Directors as to the determination of salaries and other remuneration for executive personnel.

When Folketrygdfondet receives a notice of a Shareholders' Meeting, the agenda is reviewed thoroughly. We place a special emphasis on assessing the authorisations requested by the Board of Directors of the company. It is decided, based on the assessment carried out, how FTF shall vote and who shall represent our shares in the Shareholders' Meeting. Representatives of FTF will, if possible, attend the Shareholders' Meetings.

The Public Limited Companies Act includes, as from 2007, a provision to the effect that the Annual Shareholders' Meeting shall deliberate the statement of the Board of Directors as to the determination of salaries and other remuneration for executive personnel, and that an advisory vote shall be held as to the guidelines adopted by the Board of Directors for the determination of executive salaries. FTF has attached weight to communicating what basic principles we believe should underpin executive salaries and remuneration models. Our principles relating to remuneration models are, inter alia, made public on our website. We devoted considerable resources during the 2007 season of Shareholders' Meetings to examining matters relating to executive salaries. We found in many cases that we were unable to vote in favour of the proposals submitted by the Board of Directors of a company, and we attached considerable weight to presenting the reasons for our voting in the Shareholders' Meetings. We have during this year's season of Shareholders' Meetings noted that a number of companies have acted on feedback given during last year's Shareholders' Meeting. We consider this a positive development, and an indication that the companies are responsive to the views expressed by their shareholders.

Representatives of Folketrygdfondet participated in 22 Annual Shareholders' Meetings and one Extraordinary Shareholders' Meeting during the spring of 2008. In addition, we have appointed the Chairperson of the Corporate Assembly, the Chairperson of the Board of Directors or another person as proxy on 26 occasions, of which 22 appointments have included complete instructions as to how votes should be cast. In total, we have voted against submitted proposals on a total of 16 matters in 13 Shareholders' Meetings.

In 2008, the addresses made by FTF representatives to the Shareholders' Meetings, as well as letters explaining our voting, have been made public on the Folketrygdfondet website. Here can be found the addresses made to the Extraordinary Shareholders' Meeting of Norske Skog and the addresses made to the Shareholders' Meetings of Tandberg, Rieber & Søn and Awilco. As far as the Shareholders' Meeting of Acergy is concerned, a letter to explain our voting was sent to the Chairman of the Board of Directors.

What Folketrygdfondet has placed a special focus on

Folketrygdfondet has a special focus on what authorisations we, as shareholders, grant to the Board of Directors. This pertains, in particular, to the overall scope of the authorisations and to the grounds invoked by the Board of Directors in respect thereof. It is important, in order to ensure thorough and sound deliberation of matters, that the Shareholders' Meeting is provided with sufficient information about the matters submitted for deliberation. We have a special focus on authorisations relating to remuneration models and share issues. As far as the appointment of Directors is concerned, we wish to ensure a sound process through focusing on the role and duties of the Election Committee.

Remuneration models

Option schemes and other equity-linked incentive schemes shall be approved by the Shareholders' Meeting. Folketrygdfondet's experience is, also from this year's season of Shareholders' Meetings, that the degree to which satisfactory information about executive salary schemes is disclosed in the notices of Shareholders' Meetings is varying. Furthermore, these matters are dealt with differently in different Meetings. We are of the view that the disclosure has often been very general in nature, and not particularly informative.

Folketrygdfondet believes that it is important to emphasise the following messages to ensure the sound deliberation of incentive schemes:

- The schemes have to be clearly explained in the notice of Meeting.
- The resolution should specify which criteria and terms form part of the scheme.
- The schemes should be deliberated as separate matters in a Shareholders' Meeting, and not simply as part of other authorisations requested by the Board of Directors.

The Board of Directors of Folketrygdfondet has, as part of its effort to safeguard shareholder value, stipulated principles for the evaluation of executive salaries and remuneration models on the part of businesses in which FTF holds ownership interests. In most cases where FTF has this year chosen to make an address, or to vote against submitted proposals, such actions have been based on an assessment to the effect that the proposals submitted by the Boards of Directors of companies have not, to a sufficient extent, been in conformity with these principles. In particular, the requirement for a cap on the annual remuneration of management has often not been observed. Folketrygdfondet will continue to base its overall assessment of the proposals submitted to Shareholders' Meetings in relation to executive salaries and executive salary principles on its adopted principles for the evaluation of remuneration models.

Authorisations to issue shares

Folketrygdfondet has also devoted resources to matters relating to authorisations for the repurchase of shares and authorisations to issue shares. In some of these matters the Boards of Directors have requested large-scale authorisations to issue shares, and the shareholders have been requested to waive their pre-emptive right to subscribe for shares. We are of the view that a general authority to issue shares should normally not represent more than ten percent of the share capital. Folketrygdfondet does not wish to waive its pre-emptive right to subscribe for shares beyond this level without being presented with a specific and sound reasoning on the part of the company. If there is a need for a share issue in excess of ten percent, one should, as a main rule, convene a new Shareholders' Meeting when the need for such share issue arises. In cases of large-scale general authorisations to issue shares, without a satisfactory justification, Folketrygdfondet has voted against granting the Board of Directors such authority.

Election Committee

We deem it important for companies to have well-functioning Boards of Directors, with a composition capable of attending to the interests of the company and all of its shareholders in a good manner.

Many companies listed on the Oslo Stock Exchange have established an Election Committee. The most important duty of the Election Committee is to examine the work and composition of the Board of Directors, and to propose new candidates for appointment to the governing bodies of the company by the Shareholders' Meeting. The Election Committee shall ensure a good process for appointments to governing bodies, with the proposed candidates enjoying the support of the main shareholders, and to ensure that the interests of all shareholders are attended to.

The composition of Election Committees is important. We are of the view that the members of an Election Committee should, as a matter of principle, be independent from, and disinterested in, the persons that are to be appointed. To ensure this, Directors should not be members of the Election Committee. FTF has voted against submitted proposals for the composition of the Election Committee in cases where this principle has not been adhered to.

We believe, as a matter of principle, that all companies should have an Election Committee. In 2007, we placed a special focus on companies in our Norwegian equity portfolio that did not have an Election Committee. We wrote to all the companies that did not have an Election Committee, and we followed up on this communication by addressing the Annual Shareholders' Meetings. Thus far, none of the companies have complied with our request, but we will continue to raise the issue of the establishment of Election Committees in meetings with the companies.

Folketrygdfondet has positive experience with the role of Election Committees. In many cases we are approached by Election Committees with requests for suggestions, and the Committees ensure thorough processes vested in the stakeholders. As per year end, the Norwegian equity portfolio of FTF comprised 48 companies. 40 of these companies have an Election Committee, and we are represented on six of them. We have been approached by 13 Election Committees from amongst the remaining 34 companies, with invitations to submit feedback and suggestions as to the composition of the Boards of Directors. In recent years the Election Committees have stepped up communications with the shareholders, typically by letter. FTF takes a favourable view of the developments towards improved dialogue between Election Committees and shareholders, and we have answered all the communications we have received. This appropriately vests the process towards the appointment of Directors in the shareholders, and improves understanding of the submitted proposals for the composition of governing bodies.

Special matters in 2008

There are, in particular, four matters that we would like to highlight in connection with the 2008 season of Shareholder's Meetings. A more thorough explanation of our voting in the matters mentioned below is available on the FTF website, www.ftf.no, where all our explanations to Shareholders' Meetings of voting decisions are posted.

- Folketrygdfondet voted against the executive salary statement at the Shareholders' Meeting of Tandberg. The reason for this was that no cap had been put on the annual remuneration of managers. The outcome of the vote was that the statement was voted down.
- Folketrygdfondet voted against the option scheme at the Shareholders' Meeting of Acergy. The reason for this was that the scheme might comprise up to 10 percent of the share capital of the company. The outcome of the vote was that the scheme was voted down.
- Folketrygdfondet made an address to the Shareholders' Meeting of Rieber & Søn concerning the low yield on, and liquidity in, the shares of the company. It was emphasised that it is the responsibility of the Board of Directors to evaluate, on an independent basis, the company's strategy, capital structure and stock exchange listing from the perspective of the ownership structure and liquidity characterising the shares of the company.

- Folketrygdfondet voted against the executive salary statement at the Shareholders' Meeting of Awilco. The reason for this was that the statement did not describe the executive salary principles or the scope thereof in sufficient detail. The statement also encompassed synthetic stock options, without a satisfactory description of the scheme. The outcome of the vote was that the statement was approved. The company since convened an Extraordinary Shareholders' Meeting for purposes of approving the allotment of synthetic stock options

Future efforts

Folketrygdfondet will continue to attach considerable weight to assessing the matters to be deliberated by Shareholders' Meetings. Our assessment of, and voting on, the matters put forth for deliberation will be based on the ownership principles of Folketrygdfondet and on Folketrygdfondet's principles relating to remuneration models. We will continue to present the outcome of our efforts in our annual Ownership Reports.

PRINCIPLES RELATING TO REMUNERATION MODELS

Folketrygdfondet's Principles relating to Remuneration Models

1. Guidelines for the remuneration of executive personnel shall be set out in the Annual Report. The same applies to all elements of the remuneration of the Chief Executive Officer and each member of senior management.
2. Incentive-based salary schemes shall be based on actual performance over and above what could normally be expected, shall be evaluated in view of general market developments, and shall not be based on developments in the company share price.
3. There should be a maximum cap on the annual remuneration of management that is not perceived to be unreasonable in view of actual performance. Nor should the scope of pensions, other supplementary benefits or severance pay be unreasonable.
4. The incentive schemes shall be designed such as to motivate, to the maximum extent possible, management to long-term value creation and the creation of robust organisations with a good working environment.
5. One should facilitate the investment of a portion of any paid-out performance bonus in company equities, for purposes of ensuring a long-term perspective and correct strategic choices.
6. Proposals for authorisations to grant options shall specify the allotment criteria, and should calculate the real value of the option schemes, accounting implications for the company and potential dilution effects.
7. When using option schemes, the strike price should be adjusted annually. As far as equity-based schemes and options are concerned, a significant portion of the equities should be held for a minimum of three years.
8. The Directors shall not be encompassed by incentive schemes

ETHICS

- an Integrated Aspect of the Investment Activities

Ethics have been integrated into the investment profile of Folketrygdfondet ever since we were permitted to invest in equities in 1991. Ethical business conduct and the importance of sound values and attitudes have since that time been key elements of our investment approach. The investment philosophy of Folketrygdfondet has been premised on substantive analysis and a search for high-quality companies that merit investment. We have sought to invest in companies characterised by good operations and favourable returns, as well as high standards in terms of corporate governance, values and ethical attitudes. This has contributed to good return performance over time, and we have achieved a 1.4 percentage point annual excess return relative to the market over the last decade.

Ethics are important

In 2004, Folketrygdfondet (FTF) adopted ethical guidelines governing our investment activities. We have since then put in place a system for implementing ethics and ethical assessments, and ethics are currently an integrated aspect of our ownership policies, practises and principles. FTF attaches weight to performing our role as a responsible financial player in a sound manner, and to conducting our affairs appropriately as far as good corporate governance is concerned. For this reason we focus our attention on the Boards of Directors and management teams of companies when it comes to ethical issues. The attitudes and involvements of the Board of Directors and senior management define the standard in terms of how a corporate organisation addresses such issues.

FTF is a selective investor that seeks to invest in companies with operations and management of good quality. This includes high-quality corporate attitudes and actions in relation to ethical issues. It is important, in this context, for the companies to have introduced a sound framework within the area of ethics, and for such framework to be promoted and followed up on within the organisation. Recognised principles and guidelines have been adopted in the international arena, such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

The Storting has determined that Folketrygdfondet shall not make investments entailing an unacceptable risk that the Government Pension Fund contributes to unethical actions or omissions. Such contributions would impede sustainable development and long-term value creation, and might thereby reduce the return achieved by Folketrygdfondet over time.

Efforts relating to ethics in the Norwegian equity portfolio

The management methodology of FTF encompasses both quantitative and qualitative assessment criteria. Ethical factors are defined as forming part of the qualitative investment criteria that underpin the investment decisions. Folketrygdfondet's ethical principles relating to its investment activities are based on the premise that laws and regulations shall be complied with, and that companies shall conduct their affairs in conformity with generally accepted ethical norms. We are keen for companies to have signed international conventions like the UN Global Compact or the OECD Guidelines for Multinational Enterprises. Our ethical principles define a set out

issues that we examine specifically. These themes include corruption, human rights, child labour and the environment.

As far as the management of Norwegian equities is concerned, Folketrygdfondet has chosen positive selection and ownership policies and practises as tools in this effort. We believe that these tools are the most appropriate based on the investment philosophy and profile of FTF as a responsible, financial and long-term investor in the Norwegian stock market.

Positive selection means that we actively choose to invest in the companies that meet our requirements. This implies that the companies also have to meet our requirements within the area of ethics.

In order to evaluate whether a company operates in violation of the norms we have defined as our ethical principles, we examine the information disclosed by the company through its reporting or other information available in the public domain. In addition, ethical issues are raised in meetings with company management. We have also, for purposes of a more detailed assessment of the ethical standards of companies, sent a questionnaire to the companies that are included in our Norwegian equity portfolio. This questionnaire covers matters like the company's general principles and guidelines in relation to ethical issues, as well as the distribution of responsibility, communications and organisation as far as the area of ethics is concerned. The attitudes of senior management to the environment, human rights, corruption and unethical conduct are also addressed in the questionnaire. Good corporate governance originates in an interaction between attitudes, principles and guidelines within a framework characterised by a clear distribution of responsibility and control systems. We therefore attach particular weight to these three main aspects in our communications with the companies.

Ownership policies and practises are important tools in enabling us to attend to our investments in the best possible manner. If there arise situations that give cause to question how companies in which we are invested handle ethical issues, we will raise the matter with corporate management. We wish to thereby influence companies to remedy unacceptable conditions. This is the type of ownership policies and practises we will pursue in order to attend to the interests of Folketrygdfondet and ensure that our views prevail. We will also cooperate with other investors if appropriate. We primarily

voice our opinions through dialogue with the companies, but if such approach does not succeed we will contemplate raising the matter in the Shareholders' Meeting. If the latter approach does not work either, we will eventually have to consider the divestment of our holdings in the company. However, we evaluate the relevant measures on the basis of a materiality criterion in each individual case.

Activities in 2007 and 2008

Folketrygdfondet's ethical principles relating to its investment activities were prepared in 2004, and were last reviewed and revised in the autumn of 2007. In addition to the ethical principles relating to our investment activities being published in this Ownership Report, they are also available on the FTF website; www.ftf.no.

Our ethical principles apply to Folketrygdfondet's portfolio in its entirety. However, we use different methods in following up on the various parts of the portfolio.

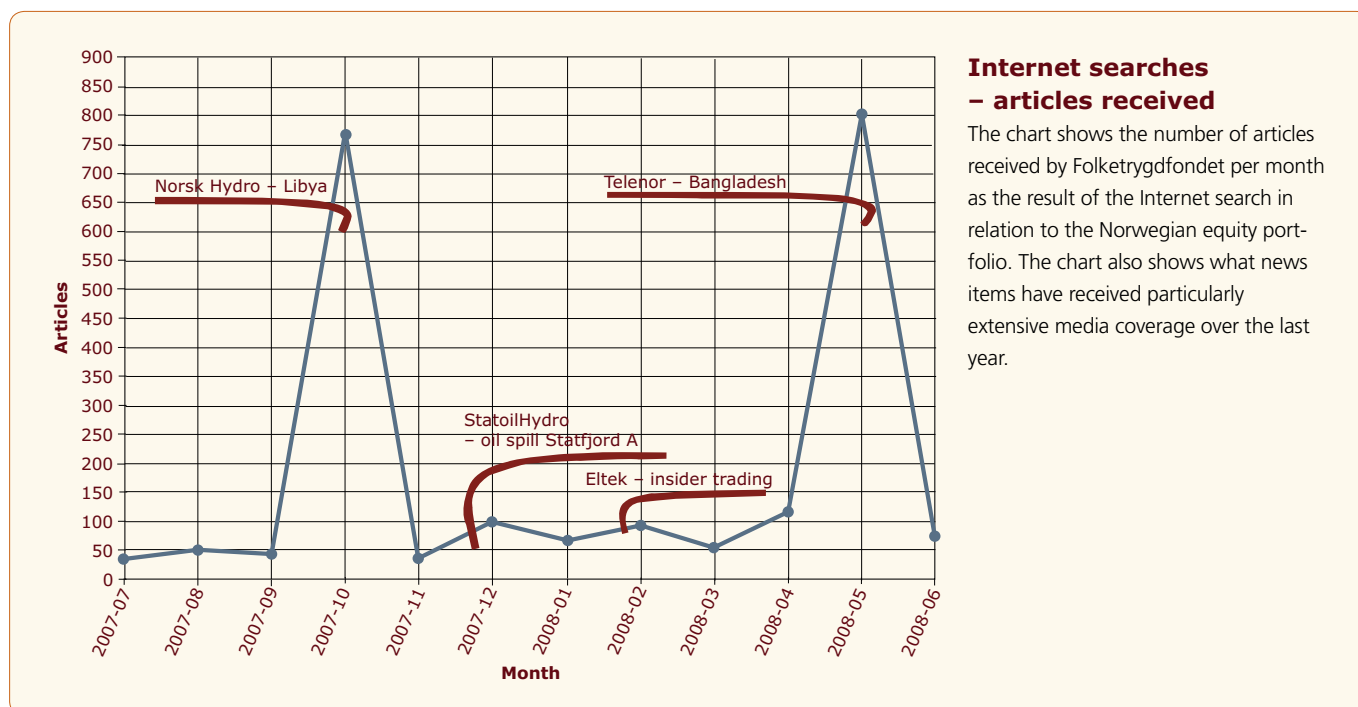
The investment profile of FTF suggests that ownership policies and practises are the most appropriate tools for following up on the Norwegian equity portfolio. If there arise situations that give cause to question the affairs of a company in which we are invested, we raise the matter with the company. We wish to thereby influence the company to remedy unacceptable conditions. Fixed-income investments do not carry the same ownership rights, and thereby do not imply the same ownership responsibilities, as equity investments. Nevertheless, FTF addresses both ethical and other issues in relation to our fixed-income investments as well, and relevant measures will

be contemplated and implemented if violations of the FTF investment principles are uncovered. Any measures we choose to implement in respect of Norwegian companies where we have both equity and fixed-income holdings will apply to both forms of investment.

As far as investments in Nordic equities or interest-bearing securities issued by Nordic companies are concerned, we adhere to the decisions made by the Ministry of Finance on the basis of the recommendations from the Council on Ethics for the Government Pension Fund – Global. This means that if the Ministry of Finance decides that the Government Pension Fund – Global shall refrain from investing in certain companies, then the relevant securities will also be excluded from the FTF investment universe.

Internet searches

The portfolio managers of Folketrygdfondet continuously monitor the equity and fixed-income portfolios through systematic and electronically-based Internet searches in editorial sources worldwide. At present, more than 80,000 sources are monitored, and more than half a million news articles are searched daily. The searches are systemised, and FTF is notified if the companies in our portfolio are linked to key ethics themes like corruption, human rights, child labour and the environment. This enables us to keep trace of whether the companies comply with their own guidelines within the area of ethics. Corresponding monitoring is also in place for all of our fixed-income investments.



Internet searches – articles received

The chart shows the number of articles received by Folketrygdfondet per month as the result of the Internet search in relation to the Norwegian equity portfolio. The chart also shows what news items have received particularly extensive media coverage over the last year.

The number of hits from the continuous Internet searches over the period from 1 July last year to 30 June this year was 2,245 news items from more than 400 sources. In 8 out of 10 cases these news items come from the Norwegian media. Sweden is dominant when it comes to the Nordic region. German media are clearly dominant over UK media as far as European coverage is concerned. It is interesting to note that news about events in Norwegian companies are covered to such an extent by foreign media. Ethical issues are, generally speaking, most frequently addressed by financial periodicals.

The following news items have received the most media attention over the last year:

- Norsk Hydro's activities in Libya – October 2007
- StatoilHydro's oil spill on Statfjord A – December 2007
- Eltek management charged with insider trading – February 2008
- Telenor's activities in Bangladesh – May 2008

Folketrygdfondet has followed up on these matters as stipulated in our ethical principles. The companies have explained the issues and described what measures they have implemented to resolve the situations. FTF has thus far taken note of these explanations and descriptions.

Survey

Company follow-up constitutes an important part of the ethics effort. In 2006, we carried out a comprehensive survey amongst the companies in the Norwegian equity portfolio. In 2008, we have worked on a corresponding survey aimed at the companies that are new to the portfolio. In addition, companies that failed to respond to the 2006 survey have been followed up anew. This work is in progress, and it is thus too early to present findings from this survey.

The survey from 2006 has throughout 2007 and 2008 been used as a basis for the follow-up of the companies in which we are invested. We have in meetings with company management teams used the survey responses of the companies to follow up on special themes. The companies with the weakest performance have received the most attention from us.

UNPRI signatory

Folketrygdfondet has in 2008 formally approved and become a signatory to the UN Principles for Responsible Investment (UNPRI). The UN Principles for Responsible Investment are an initiative promoted by the United Nations Environment Programme Finance Initiative and the UN Global Compact. The initiative is aimed at asset owners, investment managers and their professional service partners, who are all encouraged to sign up to the principles. We are of the view that the principles can contribute to raising awareness in the financial markets of areas that merit attention as part of efforts to ensure sound long-term value creation in the business sector. The principles are concerned with being a responsible and active owner through integrating environmental, social and corporate governance themes in asset management activities and in ownership policies and practises. By signing up to the UN Principles for Responsible Investment an organisation commits itself to a "Comply or Explain" principle. We have in a separate article in the Ownership Report explained how Folketrygdfondet follows up on UNPRI.

Ethical cooperation project with other financial investors

Folketrygdfondet has decided to participate in a cooperation project with several other large financial investors. The project is called Sustainable Value Creation – Investor Cooperation to Promote Sustainable Development and Long-Term Value Creation in Norwegian Listed Companies. The purpose of the project is to actively influence Norwegian listed companies in the direction of responsible and sustainable development, because this is an important prerequisite for long-term value creation. The concept of sustainable value creation calls on companies to create financial, environmental and social value. Concern for the stakeholders of companies shall also be dealt with in a responsible manner. Good corporate governance is an important element in ensuring sustainable value creation.

The project distributes, on behalf of the investors, a questionnaire to all companies included in the Oslo Stock Exchange Benchmark Index. Examples of questions that the companies are requested to respond to are whether they have guidelines that address key elements within responsible and sustainable business operations, to whom these guidelines apply, where they are vested, how they are implemented, as well as compliance reporting. The responsibility of the Boards of Directors within this area is also a theme under the survey. The investors supporting the initiative are DnB NOR Kapitalforvaltning, Vital, Nærings- og handelsdepartementet, Alfred Berg, StatoilHydro Kapitalforvaltning, Nordea, Odin, Storebrand, Gjensidige and KLP, in addition to Folketrygdfondet.

Accumulation of knowledge

Since Folketrygdfondet's ethical principles relating to its investment activities form an integral part of its asset management methodology, and therefore a part of our daily asset management work, it is important for asset managers to have fundamental and sound knowledge within the area. It is also important for us to share a joint understanding as to the scope of the issues. FTF has in 2008 held internal seminars where ethical issues have been the theme, in order to further increase awareness amongst employees and enhance the knowledge of portfolio managers within this area. The effort to accumulate ever-improved knowledge within the area of ethics forms a significant and continuous part of the culture of the asset management organisation, and of the investment philosophy of Folketrygdfondet.

ETHICAL PRINCIPLES

relating to the investment activities

1. Folketrygdfondet shall not make investments entailing an unacceptable risk that the Government Pension Fund contributes to unethical actions or omissions. Such contributions would impair sustainable development and long-term value creation, and might thereby reduce the returns achieved by Folketrygdfondet over time.
2. Folketrygdfondet is a selective investor, seeking to invest in companies with high quality operations and management. This also includes high quality in terms of companies' ethical attitudes and behaviour.
3. Folketrygdfondet expects the businesses in which it invests to comply with applicable laws and regulations.
4. Folketrygdfondet expects the companies to observe internationally recognised conventions, like the UN Global Compact and the OECD Guidelines for Multinational Companies.
5. Folketrygdfondet evaluates businesses' management and practises in relation to human rights, child labour, corruption and the environment. These matters are evaluated in view of the products manufactured, actual production processes, production locations, customer relations, corporate culture/management culture, company ownership structure and ownership interests. Folketrygdfondet examines, *inter alia*, whether companies produce, themselves or through entities controlled by them, weapons that violate fundamental humanitarian principles in their normal use.
6. Folketrygdfondet makes evaluations on the basis of information available to the general public and information disclosed by the companies themselves. The evaluations attach weight to the attitude of management, and to the company's awareness and control of the abovementioned issues.
7. As far as investments in Norwegian equities are concerned, Folketrygdfondet makes use of positive selection and ownership policies and practises to contribute to adequate quality of the ethical attitudes and behaviour of the companies in which it has invested. Folketrygdfondet may divest its holdings in the company if necessary changes are not implemented.
8. Folketrygdfondet monitors all fixed-income investments. Companies that violate the ethical principles of Folketrygdfondet are excluded from the investment universe unless the violations are remedied.
9. As far as investments in Nordic equities or fixed-income securities issued by Nordic companies are concerned, Folketrygdfondet takes into account the decisions made by the Ministry of Finance on the basis of the recommendations rendered by the Council on Ethics for the Government Pension Fund – Global. Folketrygdfondet will therefore refrain from investing in companies that the Ministry of Finance has decided to exclude from investment.
10. Folketrygdfondet shall publish, on an annual basis, the outcome of its efforts relating to ethically sound investments. The reporting shall be done with due care and discretion, and no company-sensitive information shall be published.

THE UN PRINCIPLES

for Responsible Investments

Folketrygdfondet (FTF) has in 2008 become a signatory to the UN Principles for Responsible Investment. The principles are a laudable initiative, which may contribute to enhanced awareness in financial markets of issues that are important to take into consideration as part of the effort to ensure long-term value creation in the business sector.

The UN Principles for Responsible Investment were launched on 27 April 2006, at the behest of the UNEP Finance Initiative and the UN Global Compact. The principles are based on the premise that a responsible owner and investor should integrate Environmental, Social and Corporate Governance (ESG) issues into their asset management.

The six UN Principles for Responsible Investment are set out below. We have in respect of each principle commented on what Folketrygdfondet is doing to follow up on the principle in question.

1. We will incorporate ESG issues into investment analysis and decision-making processes

Folketrygdfondet has adopted ethical principles relating to its investment activities, and has integrated these into its investment methodology and its ongoing asset management work.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices

The principles adopted by FTF for its ownership policies and practises are set out in the Ownership Principles of Folketrygdfondet. *These form the* basis for our follow-up efforts within the areas of corporate governance and ethics. The Ownership Principles are made public on the FTF website.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest

FTF has carried out a survey, in which we have requested companies included in our portfolio to disclose information about the companies' internal guidelines relating to ethical issues. We assume, *inter alia*, that the companies in which we hold ownership interests operate within the UN Global Compact. It follows from this that the companies should report on how they pursue ESG issues.

4. We will promote acceptance and implementation of the Principles within the investment industry

Folketrygdfondet has adopted ethical principles relating to its investment activities. It follows, *inter alia*, from the principles that FTF evaluates corporate management and practises in relation to human rights, child labour, corruption and the environment. The principles are made public on the FTF website.

5. We will work together to enhance our effectiveness in implementing the Principles

FTF cooperates with other investors for purposes of attending to our interests. This is reflected in the Ownership Principles of Folketrygdfondet. *Such cooperation may involve* ethical issues when appropriate.

6. We will each report on our activities and progress towards implementing the Principles

Folketrygdfondet prepares an annual report on our ownership policies and practises. In such report we describe, *inter alia*, what activities FTF has carried out to attend to our interests as owner and investor.

PARTICIPATION IN GOVERNING BODIES

Folketrygdfondet (FTF) may, pursuant to the Ownership Principles of Folketrygdfondet, be represented on the Election Committees, Shareholders' Committees and Corporate Assemblies of companies. FTF shall not be represented on the Boards of Directors of companies. The below overview is updated as per June 2008, and shows what appointments are held by employees of Folketrygdfondet.

Corporate Assemblies:

Norske Skog ASA	- Portfolio Manager Ann Kristin Brautaset	<i>member</i>
Norsk Hydro ASA	- Deputy Managing Director Lars Tronsgaard	<i>member</i>
Orkla ASA	- Managing Director Olaug Svarva	<i>member</i>
	- Portfolio Manager Ann Kristin Brautaset	<i>alternate</i>
StatoilHydro ASA	- Managing Director Olaug Svarva	<i>chairperson</i>
Telenor ASA	- Managing Director Olaug Svarva	<i>vice chairperson</i>
DnBNOR ASA	- Director Nils Bastiansen	<i>member</i>
DnBNOR Bank ASA	- Director Nils Bastiansen	<i>member</i>
DnBNOR Boligkreditt AS	- Director Nils Bastiansen	<i>alternate</i>
Vital Forsikring ASA	- Director Nils Bastiansen	<i>member</i>
Storebrand ASA	- Managing Director Olaug Svarva	<i>member</i>
	- Deputy Managing Director Lars Tronsgaard	<i>alternate</i>

Nomination Committees:

EDB Business Partner ASA	- Director Nils Bastiansen	<i>member</i>
Orkla ASA	- Managing Director Olaug Svarva	<i>member</i>
Oslo Børs ASA	- Managing Director Olaug Svarva	<i>member</i>
Prosafe SE	- Director Nils Bastiansen	<i>alternate</i>
Schibsted ASA	- Director Nils Bastiansen	<i>member</i>
StatoilHydro ASA	- Managing Director Olaug Svarva	<i>chairperson</i>
Storebrand ASA	- Managing Director Olaug Svarva	<i>member</i>
Veidekke ASA	- Managing Director Olaug Svarva	<i>member</i>
Yara ASA	- Managing Director Olaug Svarva	<i>member</i>

OWNERSHIP STRUCTURE DEVELOPMENTS

on the Oslo Stock Exchange over the period 1994–2007

Folketrygdfondet (FTF) has been invested in Norwegian equities since 1991 and is one of the larger financial investors on the Oslo Stock Exchange. It did already in the early 1990s develop ownership principles and a conscious attitude to the role of ownership policies and practises in attending to the financial interests of the Fund. The Norwegian stock market has since then undergone major changes. In order to enhance knowledge of the changes, and of the consequences thereof as far as the ownership policies and practises are concerned, the Institute for Research in Economics and Business Administration (SNF) has carried out a research project that focuses on ownership developments on the Oslo Stock Exchange over the period 1994–2007. The objective of the project is to quantify and analyse the portfolios of the various investor groups and the ownership structure of the listed companies, in order to gain an improved understating of the ownership involvement of investors in the various companies and sectors/industries. Main findings from the research are discussed in the following. The full report is posted on www.ftf.no and www.snf.no.

The research

The project was commissioned by Folketrygdfondet. The background is that the stock market in Norway has, like in other countries, undergone major changes since the early 1990s. The capital markets have been deregulated and internationalised, the restrictions on foreign holdings have been abolished, the investors have become more professionalised, corporate governance requirements have become stricter, there is a focus on ethical requirements in relation to companies and investors, and supervision and monitoring systems have evolved. There have also been major structural changes within the business sector. Government-held companies have been (partially) privatised and listed, and the stock market has been characterised by both periods of strong share price increases and steep share price declines.

The SNF research does not aim to shed light on all of these developments. It focuses on developments in the ownership structure over the period 1994–2007. The objective is to quantify and analyse the portfolios of the various investor groups and the ownership structure of the listed companies, in order to gain an improved understating of the ownership involvement of investors in the various companies and sectors/industries.

Government has since 2000 partially privatised Statoil, Telenor and Cermaq. The aggregate value of these companies and the ownership interests retained by government have a strong impact on all analyses of the ownership structure on the Stock Exchange that are based on averages. Although the privatisations imply increased private and reduced government ownership in these companies, the listing of the companies implies a steep increase in the overall government ownership interests on the Oslo Stock Exchange. These three companies have therefore been excluded from the analyses made for the period as a whole, for reasons of comparability over time. Foreign companies that only have a partial registration in the Norwegian Central Securities Depository (VPS) have also been excluded from the research, as one cannot obtain a full overview of their ownership structure.

General developments on the Oslo Stock Exchange over the period 1994–2007

In order to put the main aspects of the research into perspective it may be useful to provide some background information on general developments on the Oslo Stock Exchange over the period examined.

The period 1994–2007 may be split into three separate periods of approximately equal duration. The period 1994–97 was characterised by good economic growth and share price increases on the Oslo Stock Exchange. Thereafter followed a very volatile period during the years 1998–2002. These years were characterised by weaker economic growth, a steep decline in share prices in 1998, strong share price increases (in large part associated with an IT bubble) in 1999, and a marked decline in share prices in 2000–2002. Developments since 2003 have been characterised by high economic growth and robust share price increases in the stock market. The number of listed companies has varied in line with share price developments; from 124 companies at the bottom (in early 1994) to 213 at the top (in 1998) and 210 companies at the end of 2007, of which 185 companies had a full registration.

The Oslo Stock Exchange has been characterised by a highly lopsided company structure throughout this period. In 1994, the 10 largest companies accounted for 61.5 percent of the stock market value of the Norwegian companies, and for 72.4 percent of the stock market value as per yearend 2007 (including the partially privatised companies StatoilHydro, Telenor and Cermaq). In 1994, Norsk Hydro was by far the largest company on the Oslo Stock Exchange, and accounted for 24.7 percent of the stock market value of the Norwegian companies. Following the spinoff of the fertiliser business as Yara and the merger of the oil and gas business with Statoil, Hydro accounted for 5.0 percent of the overall stock market value of the Norwegian companies as per yearend 2007, whilst StatoilHydro and Telenor accounted for 28.0 and 11.3 percent, respectively, as per yearend 2007.

Developments throughout the 1990s were characterised by major changes within the financial industry. Government held, as per the beginning of 1994, large ownership stakes in several banks as a result of the banking crisis. Government divested all of its interests in Fokus Bank and Kreditkassen over time, both of which banks were acquired by foreign banks. Government ownership interests in DnB were also reduced, but increased considerably in 1999, when DnB acquired Postbanken, following which it was again reduced in connection with the merger with Sparebanken NOR in 2003.

Moreover, the period under investigation has been characterised by major corporate changes. Few of the largest companies from 1994 are amongst the largest ones at present, or they do not, if still included, have exactly the same product portfolio. The manufacturing conglomerate Norsk Hydro is now purely an aluminium company. HafslundNycomed underwent a de-merger in 1997, and the pharmaceutical business was acquired by foreign interests. The media and brewery businesses of Orkla have been spun off to foreign interests, which the company has acquired Elkem and become a large owner in the energy company REC. The oil company Saga was acquired by Hydro in 1999, prior to the acquisition of Hydro's oil and gas business by Statoil in 2007. The companies Aker and Kverner have both spun off parts of their businesses, and merged other parts of their businesses. The IT bubble resulted in some companies being characterised by a very large stock market value for a brief period of time, until most of that value evaporated in the subsequent share price collapse.

The Oslo Stock Exchange was formerly known as a significant shipping exchange. Some of the shipping companies (Bergesen and Høegh) have been de-listed, but others have been added (like for example Frontline). After the industry classification on the Oslo Stock Exchange was changed in 2001, and brought into conformity with international standards, the shipping companies are included in the Energy sector. The Energy sector has grown rapidly, both in number of companies and in market value, not least as the result of an uncommonly steep increase in the oil price, and the sector accounted for 47 percent of overall stock market value by yearend 2007.

The SNF report – some main findings

The calculations made in the SNF report provide a numerical illustration of the large and important changes that have taken place in the Norwegian stock market over the course of the 14 years covered by the analysis.

Ownership sectors

Although the Oslo Stock Exchange differs from the international stock exchanges in several respects, some of the changes that have occurred reflect development tendencies that have, to a varying extent, also characterised the international markets. The most important exception is the significant increase in government ownership as the result of the partial privatisations of Statoil and Telenor in 2000 and 2001. These resulted in the government ownership portion increasing from 14.7 percent in September 2000 to 38.8 percent in September 2001. The government ownership portion was reduced to 28.7 percent as per yearend 2007, following

the spinoff of Yara in 2004, the partial privatisation of Cermaq in 2005 and Statoil's acquisition of the oil and gas business of Norsk Hydro in 2007.

If the privatised companies Telenor, Statoil and Cermaq are excluded from the analysis, developments take on a somewhat different hue. Developments in the ownership structure since 1994 are then primarily characterised by the large and steadily increasing ownership portion held by foreign investors, from 27.6 percent in 1994 to 43.7 percent in 2007. The increase has been particularly steep for the category nominee-registered shareholders, i.e. foreign investors who invest via nominee accounts, which has increased from 7.6 to 26.7 percent. The group foreign shareholders also includes foreign companies owned by Norwegians, but it is not known what portion of the ownership interests these represent.

Another group that has significantly increased its ownership portion is the category private companies. This ownership group, which mainly comprised limited companies, has increased its ownership portion from 18.7 to 28.3 percent over the period 1994–2007, most of which increase has taken place in recent years.

Consequently, foreign investors and (Norwegian) private companies accounted for 72 percent of ownership interests on the Oslo Stock Exchange as per yearend 2007 (when Telenor, StatoilHydro and Cermaq are excluded). This implies that other government ownership interests have been in relative decline since 1994. This is illustrated by the fact that the ownership portion of the group central and local government (the public sector) has been reduced from 21.8 to 13.9 percent from January 1994 until December 2007. This group of owners also includes Folketrygdfondet, which accounted for an ownership portion of 3.6 percent in 1994 and 3.0 percent in 2007.

It should be noted that the government ownership portion has not been undergoing a steady decline. Quite the reverse; the ownership portion decreased from 1994 until 1998–99, following which it increased to almost 25 percent in 2004, and was then almost halved over the subsequent three years. The unsteady development in the ownership portion has to do with both company and market factors. The decline in the ownership portion in the 1990s has to do with, inter alia, government divestment of ownership interests in banks, but must also be seen in the context of share price developments in the various industries, hereunder the strong share price performance of IT companies until 2000. Correspondingly, the increase in the government ownership portion until 2004 reflects the inter-industry differences in share price developments during the stock exchange downturn from the autumn of 2000 until the beginning of 2003. In addition to company-specific changes (hereunder DnB's acquisition of Postbanken), Folketrygdfondet also increased its ownership portion during this period. Similarly, the reduction in the government ownership portion since 2004 has to do with a relative reduction in government ownership interests as a consequence of company-specific changes (hereunder DnB's merger with Sparebanken NOR and the spinoff of Yara and the oil and gas business from Norsk Hydro) and with inter-industry differences in share price developments.

Developments since 1994 for two groups of institutional investors show partly similar, but otherwise highly noteworthy, developments. These are the collective investment undertakings and life insurance companies/pension funds. The collective investment undertakings significantly increased their ownership portion from 1994 until the end of 1999, when their ownership portion was close to 9 percent. This reflected a considerable inflow of savings to collective investment undertakings during these years, which implied, on the other hand, that the ownership portion of the ownership category private individuals was reduced year by year (as has been the trend for many years). The ownership portion of collective investment undertakings fell significantly during the 2000–2003 period of downturn, as the result of large amounts being withdrawn from the undertakings.

However, the ownership portion of collective investment undertakings on the Oslo Stock Exchange has also been declining during the strong upturn that was experienced over the period 2004–2007, and accounted for only 4.7 percent by yearend 2007, despite collective investment undertakings having received a considerable capital inflow over these years. The reduction in the ownership portion presumably has to do with Norwegian-managed collective investment undertakings increasingly investing their capital in foreign markets.

The ownership group life insurance companies/pension funds expanded its investments in equities during the 1990s, but its ownership portion on the Oslo Stock Exchange remained more or less unchanged at just under 10 percent. The life insurance companies reduced their ownership portion somewhat, whilst the ownership portion of pension funds was somewhat increased. The ownership portion of these groups has declined steeply since the beginning of 2000, from in excess of 9 percent in late 1999 to only 2.1 percent as per yearend 2007. The reduction is partly because the life insurance companies reduced their equity investments considerably during the 2000–2003 downturn, and partly because the life insurance companies and the pension funds have – like the collective investment undertakings – placed more of their equity investments on foreign stock exchanges. In aggregate, the collective investment undertakings and the life insurance companies/pension funds have since the late 1990s reduced their ownership portion on the Oslo Stock Exchange by more than half, and accounted by yearend 2007 for an ownership portion of only 6.8 percent. The reduction in the ownership portion of these two groups is of about the same magnitude as the increase in the ownership portion of foreign investors over the same period.

The SNF report concludes that the changes that have taken place in the ownership structure on the Oslo Stock Exchange since 1994 have resulted in the portion of shareholder groups that are presumed to be active owners having declined from about 45 percent to about 25 percent. By active owners are meant owners that participate in Shareholders' Meetings, accept directorships or otherwise actively seek to influence the business management of the companies.

This conclusion should be considered in the context of another development. There has since the mid 1990s been increased awareness, amongst both investors and individual companies,

of the importance of good corporate governance, and there has in Norway – like in other countries – been prepared written standards and guidelines for good corporate governance, which the listed companies are expected to adhere to under the principle of «Comply or Explain». This theme is not addressed in the SNF report on the ownership structure on the Oslo Stock Exchange.

Ownership concentration

The SNF report contains analyses of the degree of ownership concentration on the Oslo Stock Exchange. It concludes that there would appear to have been a significant increase in ownership concentration on the Oslo Stock Exchange, in particular over the last two - three years of the period under examination. The privatised companies Telenor, StatoilHydro and Cermaq are also excluded from this part of the analysis.

The analysis of ownership concentration shows, inter alia, that the average ownership portion of the largest shareholder of all listed Norwegian companies has increased from 27.2 to 29.2 percent from January 1994 until December 2007. If the companies are weighted by market value, the increase in the portion held by the largest owner is greater; from 27.2 to 30.3 percent on average. Furthermore, the average ownership portion held by the largest shareholder has increased by more for small-cap companies (from 26.6 to 31.2 percent) than for large-cap companies (from 27.5 to 28.0 percent). The smallest companies that account for a total of 10 percent of market value are regarded as small-cap companies for these purposes, whilst the remainder of the listed companies are regarded as large-cap.

It may be mentioned in this context that the largest shareholder holds an ownership portion in excess of 50 percent in 16.8 percent of the listed companies.

It is also clear from the figures that there has been an increase in concentration when we look at the overall ownership portion of the five largest shareholders. The overall ownership portion of the five largest shareholders for all listed companies has increased from 51.8 percent in 1994 to 54.8 in percent 2007. If the companies are weighted by value, the overall ownership portion of the five largest shareholders has increased from 48.4 to 56.5 percent, which reflects the fact that the ownership portion of the five largest shareholders has increased by more in large-cap than in small-cap companies.

The same picture emerges if we look at the overall ownership portion of the 10 largest shareholders. The average ownership portion for all companies has increased from 63.4 percent in 1994 to 66.0 percent in 2007. In addition to the 10 largest shareholders accounting for close to two thirds of ownership on average, The figures show that the average ownership portion declines steeply within the group comprising the largest owners. Whilst the largest owner on average holds an ownership portion of 29.2 percent, owners nos. 2 to 5 accounted for an ownership portion of 25.6 percent in total, whilst owners nos. 6 to 10 accounted for only 11.4 percent in total. Although average figures may conceal large differences, these figures illustrate an ownership structure that is fairly typical of Norwegian listed companies. Consequently, the

average figures also indicate that the «average» listed companies have a fairly small number of owners that hold, in aggregate, a sufficiently large ownership portion as to encourage the active exercise of ownership rights. The objection is that dominant owners are traditionally considered to represent a risk of unfair treatment of the minority shareholders, and may in the worst case result in the share price reflecting a lack of control discount.

Folketrygdfondet

Folketrygdfondet is one of the largest financial investors on the Oslo Stock Exchange, with a portfolio valued at about NOK 60 billion. This implies that FTF will often be amongst the ten largest shareholders of the companies in which we hold equities.

Folketrygdfondet cannot, under the applicable rules, own more than 15 percent of the share capital of any one company. FTF's ownership portion will be less than 10 percent in most companies, but FTF has at times been the largest shareholder of certain companies characterised by diffused ownership. FTF held equities of 48 companies as per yearend 2007. The ownership portion in four of the companies was in excess of 10 percent. The equity portfolio comprised 39 companies at the beginning of 1994. The ownership portion exceeded 10 percent in four of the companies at that time as well. More than half of the companies included in the portfolio in 1994 are no longer part of the portfolio. In most cases this is because the companies have been de-listed, having in some case been merged with, or acquired by, other Norwegian or foreign companies.

Folketrygdfondet seeks to act as a long-term shareholder and an investor that makes company selections on the basis of a substantive assessment of return perspectives, risk considerations and the managerial and organisational quality of companies. Evaluation of the corporate governance and ethical awareness of the companies has formed an integral part of the overall investment assessment. FTF adopted guidelines on ownership policies and practises already in the early 1990s. The guidelines were drafted on the basis of experience gained from specific investment and company matters we were confronted with, and in the acknowledgement that FTF as a large investor and shareholder could neither refrain from attending to our financial interests, nor neglect to exercise a minimum of ownership responsibility.

Summary

The project carried out by SNF demonstrates that there have been significant changes in the ownership structure on the Oslo Stock Exchange and in the portfolios of investors during the course of the period under analysis. The changes imply that there now appears to be fewer active owners in the Norwegian market. The portion of foreign shareholders, and in particular those investing via nominee accounts, is on the increase. Norwegian financial investors, like life insurance companies and collective investment undertakings, have reduced their ownership portions on the Oslo Stock Exchange correspondingly. These have invested in other securities markets instead. At the same time, there has been increased concentration amongst shareholders, and it is on average a rather small number of owners that hold a sufficiently large ownership portion as to provide an incentive to actively exercise ownership rights. These facts are of relevance to Folketrygdfondet, as its ownership policies and practises are influenced by the remainder of the shareholder structure and by how the other shareholders exercise their ownership rights. In this respect the analysis forms a useful basis for understanding the past and present ownership role of FTF.

Moreover, these developments highlight the necessity of Folketrygdfondet assuming responsibility as owner in the companies in which we are invested, in order to safeguard our financial interests. It is important to both the Government Pension Fund – Norway and to the companies in which the capital is invested to have responsible, predictable and sound ownership policies and practises on the part of Folketrygdfondet.

OTHER RELEVANT INFORMATION

The following documents are available on the Folketrygdfondet website, www.ftf.no:

- Act of 21 December 2005 No. 123 relating to the Government Pension Fund
- Act of 29 June 2007 No. 44 relating to Folketrygdfondet
- Articles of Incorporation for the company by special statute Folketrygdfondet
- Regulations of 7 November 2007 No. 1228 relating to the Management of the Government Pension Fund – Norway
- Guidelines for the management of the Government Pension Fund – Norway
- Management agreement for the Government Pension Fund – Norway
- The Ownership Principles of Folketrygdfondet
- Folketrygdfondet's ethical principles relating to its investment activities
- Folketrygdfondet's principles relating to remuneration models

The Ministry of Finance website, www.finansdepartementet.no, provides links to, *inter alia*:

- Fiscal Budget for 2008
- Report No. 16 (2007–2008) to the Storting, On the Management of the Government Pension Fund during 2007
- Proposition No. 2 (2005–2006) to the Odelsting, On the Act relating to the Government Pension Fund
- Proposition No. 49 (2006–2007) to the Odelsting, On the Act relating to Folketrygdfondet
- Information concerning the Council on Ethics for the Government Pension Fund – Global

The website www.nues.no contains, *inter alia*:

- Norwegian Code of Practise for Corporate Governance

The website www.unpri.org can provide more detailed information concerning:

- UN Principles for Responsible Investment
- UN Global Compact

www.oecd.org offers information about:

- OECD Principles of Corporate Governance
- OECD Guidelines for Multinational Companies

The Government Pension Fund shall support
government savings for the funding of the pension
expenditure of the National Insurance Scheme



Folketrygdfondet

Haakon VIIs gate 2
P.O. Box 1845 Vika, NO-0123 Oslo
Tel: 23 11 72 00
Fax: 23 11 72 10
e-mail: folketrygdfondet@ftf.no