

PRI Reporting and Assessment survey 2011 Full Responses

Your organisation:

Norwegian Ministry of Finance on behalf of the Norwegian Government Pension Fund Norway

Organisational overview

This section determines which questions in the survey are relevant to your organisation. Your organisation's characteristics also play a role in determining your peer group for benchmarking. Therefore, please ensure you provide accurate answers.

You will be provided with an *Other* category in some questions, but please only use this option if the alternatives listed do not represent you in any way, as this may prevent you from having results comparable with peers.

You will not be able to continue the online survey until you have completed fully both this section and the 'Governance, policy and strategy' section. However, you can prepare your answers for the following sections by reviewing the full list of questions and explanatory notes on the [PRI extranet](#).

This section may require you to collect information from multiple sources. We strongly recommend you begin collecting this information as soon as possible and before commencing the survey.

This section of the survey is not scored.

Q 2 What category best describes your organisation?

Please select **one category** which best represents your **primary activity**.

Asset owners (AOs)

Reserve - sovereign or government controlled fund

Q 6 Please indicate the number of staff your organisation employs and select the level of complexity that best describes your organisation?

Approximate number of staff: 45

Level of complexity of organisation: Moderately complex

Q 7 What were your organisation's total assets under management as of 31 December 2010, including the assets of all your consolidated subsidiaries?

	billions	millions	thousands	units
Total AUM:	134	900	000	000
Currency:	Norwegian Krone (NOK)			

Date of assets under management figure

	year	month	day
Date:	2010	December	31

The amount you indicated above is roughly equal to the amount calculated below in United States Dollars. Please confirm that this figure is approximately correct before proceeding. Exchange rates are from the International Monetary Fund.

Source: [IMF Exchange Rate archive, December 2010](#)

	billions	millions	thousands	units
Total AUM in USD:	22	911	704	416

Q 8 Please provide an approximation of your average asset mix for 2010 or your most recent count, in %.

(For asset classes you hold in insignificant amounts you may choose not to list them and will not be asked related questions. +/- 5% is sufficient; the sum of all the fields must be 100 %)

Asset class	Internal active	Internal passive	External active	External passive
Listed equity (developed markets)	60 %	%	%	%
Listed equity (emerging markets)	%	%	%	%
Fixed income - sovereign and other non-corporate issuers	10 %	%	%	%
Fixed income - corporate issuers	30 %	%	%	%
Private equity	%	%	%	%
Listed real estate or property	%	%	%	%
Non-listed real estate or property	%	%	%	%
Hedge funds	%	%	%	%
Commodities	%	%	%	%
Infrastructure	%	%	%	%
Cash	%	%	%	%
Other - please specify:	%	%	%	%

Please contact the PRI Secretariat at assessment@unpri.org before indicating that more than 10% of your assets fall into the 'Other' category. A response of 'Other' may render the benchmarking results less useful for you and your peers.

If you manage balanced or multi-asset class products with listed equity, fixed income and potentially other asset classes, the relative assets in these funds need to be separated out into the different asset classes.

Total (must add up to 100%): 100 %

Q 9 Please provide the following information based on your asset classes holdings:

(rough estimates of +/- 5% are fine; when negligible, please leave as zero)

B. What percentage of your assets invested in publicly listed companies are invested in companies where your organisation or external investment managers have significant control? Significant control implies that active ownership can influence change more so than proxy voting and engagement alone. 0 %

Governance, policy and strategy

This section is focused on the governance, policies and strategies guiding your organisation's approach to responsible investment (RI). 'Policy' in this section may refer to one overall RI policy or multiple policies that address various elements of RI or ESG issues. Some questions in this section are scored, while other questions are not scored but do determine the applicability of subsequent questions.

Please make sure you provide accurate answers. You will not be able to enter this section unless you have completed the "Organisational overview" section. **You will not be able to continue the survey until you have finalised this section.** However, if you wish to begin preparing your answers for the following sections, you may do so by reviewing the full list of questions and explanatory notes in the manual provided on the [PRI extranet](#). This section will be scored separately from the six Principles.

Q 11 Please provide a description of how your governance, policies and strategies address RI and ESG issues.

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

Folketrygdfondet manages the Norwegian Government Pension Fund Norway (GPFN) on behalf of the Norwegian Ministry of Finance and therefore follows the guidelines concerning responsible investment activities as mandated by the owner. The mandate's chapter 2 explicitly addresses both RI and ESG issues. The chapter stipulates guidelines both for Folketrygdfondet's work with responsible management, active ownership and contribution to the development of good national standards for responsible investment. The mandate directly addresses the integration of ESG factors in the management. The mandate is available at <http://www.ftf.no/images/Marketing/Rammeverk/Management%20mandate%20for%20the%20Government%20Pension%20Fund%20Norway%202011.pdf>.

In order to implement the guidelines for responsible investment activities as mandated by our owner, Folketrygdfondet has developed Ownership principles and Ethical principles relating to the investment activities that have been approved by Folketrygdfondet's Board. Together, the principles describe how Folketrygdfondet shall carry out its investment activities as a responsible owner and long-term financial investor, and are publicly available on our website at www.ftf.no.

As directed by the Ethical principles, Folketrygdfondet's primary approach to RI in Norway is engagement with companies and the exercise of our ownership rights in order to fulfill our duty as a responsible and long-term investor. We carry out an in-depth ESG analysis of companies in the Norwegian equity portfolio to help identify eventual inadequacies relating to an individual company's approach to, and handling of, ESG issues, as well as any ESG-related risks that could negatively impact the long-term viability and financial performance of both the company and Folketrygdfondet. We have also, for a number of years, procured an internet search service which conducts a daily screen of thousands of news sources to identify instances when companies in which we invest are implicated in unethical or irresponsible activity. In the event that a company's activities are determined to be in breach of Folketrygdfondet's ethical principles or that the company's performance in terms of ESG issues is deemed to be inadequate, we will meet with the company's management in order to address and resolve the problem. Furthermore, the Ownership Principles stipulate that Folketrygdfondet attend all Shareholders' Meetings of companies in Norway, either in person or by proxy. In 2010 Folketrygdfondet fulfilled this requirement.

For investments in the Nordic region outside of Norway, Folketrygdfondet does not pursue direct engagement with companies on ESG issues. Rather, it is the Council on Ethics for the Government Pension Fund Global (GPF) that provides evaluation of these investments and will recommend to the Ministry of Finance that a company be excluded from the investment universe in the event that the company's activities are found to be inconsistent with the guidelines issued by the Ministry of Finance. If the Ministry of Finance decides to uphold the recommendation of the Council on Ethics and exclude a Nordic issuer of financial instruments from the investment universe then Folketrygdfondet will be alerted and will divest all holdings in the specified issuer. The Ministry of Finance may also decide to put a company on an observation list. In 2010 Folketrygdfondet went through the process of selecting a proxy voting service in order to enable us to vote for our shares in companies in the Nordic region outside of Norway. The result of this process is that we entered into an agreement with a proxy voting service and were able to increase the total number of votes in the Nordic equity portfolio from 2009 to 2010, though we were not able to vote for 100% of the shares. It is, however, our aim to achieve a 100% voting record in 2011.

Folketrygdfondet reports annually on its ownership policies and practices as well as its efforts relating to responsible investment activities, and these reports are made publicly available at www.ftf.no.

The Ministry of Finance is also involved in research which can cast light on issues linked to RI practices. In 2010 the Ministry took part in three different cross-industry projects - one on universal ownership (with PRI), one on sustainable investments (with the World Economic Forum) and one on the effects of climate change on institutional investors. Taking part in international projects, debates and meeting places is beneficial in guiding the Ministry's wider strategy for responsible investments.

Q 12 Do you have a policy or a set of policies that make specific reference to responsible investment, and if so, do they cover environmental, social, and governance issues?

Please select "Yes" or "No": Yes

If "Yes", which issue(s) does it cover? Environmental
Social
Governance

Q 13 For the following asset classes, to what extent has your policy or approach to responsible investment been incorporated into internal management processes (e.g. business planning, strategic planning, or similar)?

Extent that your approach has been incorporated into internal management processes

Please select:

Asset class

"Large", "Moderate", "Small" or "Not at all"

Listed equity (developed markets) Large

Fixed income - sovereign and other non-corporate issuers Small

Fixed income - corporate issuers Moderate

Q 14 Within your organisation:

- What roles are present?
- Who has a clear responsibility related to responsible investment implementation? and
- Are there incentives and/or training on RI/ESG issues?

	Roles present in your organisation	Responsibilities on RI/ESG	Incentives	Training
	Please check all that apply		Please choose among "Yes, for all", "Yes, for some" or "No"	
Board of trustees or board of directors and their committees	Yes	Yes	N/A	No
Chief Executive Officer or Chief Investment Officer or equivalent	Yes	Yes	No	Yes, for all
Other senior management	Yes	Yes	No	Yes, for all
Portfolio managers	Yes	Yes	No	Yes, for all
Analysts				
Researchers				
RI or ESG specialist	Yes	Yes	No	Yes, for all
Other - please specify:				

Q 15 Select any of the following RI, ESG and/or SRI approaches that you or your external investment managers currently apply in the investment decision making process.

Please note that this question helps determine which questions you will be asked in subsequent sections, so please carefully review the definition of each possible answer.

Please select all those that are relevant
(columns are visible based on your answer
to Q8 on asset classes breakdown)

	Internally managed	Externally managed
Exclusion based on ethical criteria	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Screening as a way to avoid the potential negative publicity surrounding the companies/sectors in question as it may adversely reflect on you or your manager's brand/license to operate	<input type="checkbox"/>	<input type="checkbox"/>
Screening based on a belief that exclusion or inclusion of certain investments from your investment universe can have a material effect on portfolio performance	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis within individual investment decisions, possibly including these factors into valuation and investment performance models	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Themed investing	<input type="checkbox"/>	<input type="checkbox"/>
None of the above (this reply excludes any of the above)	<input type="checkbox"/>	<input type="checkbox"/>

Q 17 Please select any of the following active ownership activities that you, your external service providers or your external investment managers have undertaken in 2010 on behalf of your organisation?

Please note that this question helps determine which questions you will be asked in subsequent sections, so please carefully review the definition of each possible answer.

You may select any approach you or your external managers, service providers or partner entities adopt on your behalf

(Proxy) voting related to listed equity investments in the following asset classes: Listed equity (developed markets), listed equity (emerging markets), or listed real estate/property (including the votes on listed securities held in hedge funds).



File and/or co-file shareholder resolutions on listed companies.

Engagement on ESG issues with listed equity or fixed income issuers in the following asset classes: listed equity (developed markets), listed equity (emerging markets), listed real estate/property, listed securities held in hedge funds, or fixed income - corporate issuers.



Ownership and engagement activities focused on ESG issues related to investments in the following asset classes: Listed equities which permit a significant control, sovereign and other non-corporate fixed income, private equity, non listed real estate/property, hedge funds, infrastructure, or other.

None of the above (this reply excludes any of the above).

Q 18 Please add any overall comments and clarifications related to governance, policy and strategy here.

In terms of our policies for responsible investment covering ESG issues (Q 12), Folketrygdfondet has developed a comprehensive set of ethical principles which serve as a subset to the broader ownership principles. The ethical principles address requirements of social and environmental responsibility in the companies Folketrygdfondet invests in as well as discuss how Folketrygdfondet uses corporate governance efforts to contribute to the ethical behaviour of the companies in which it has invested. To further elaborate on how our policies are integrated in internal management processes (Q 13), we would like to specify that Norwegian equities (approximately 85% of all equities by total assets) is the area where ESG considerations have been the most incorporated. In this asset class the main RI approach is engagement. A comprehensive ESG analysis is done on each company in the Norwegian equities portfolio and is used as a basis for engagement with company management. 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 GPF. Folketrygdfondet will therefore refrain from investing in companies that the Ministry of Finance has decided to exclude from the investment universe.

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

This section focuses on the integration of ESG considerations into the investment process. The questions are split into three sections. Only questions relevant to your organisation will be displayed, based on your responses to Q 8 (your investment management structure and asset class breakdown).

The three sections are:

- I. Internally and actively managed investments;
- II. Externally and actively managed investments; and
- III. Passively (both internally and externally) managed investments.

Some questions in this section are scored. Any question that is scored, but is not relevant to your organisation, based on your investment management structure and asset class breakdown or other responses, will not affect your overall score for Principle 1.

You do not need to complete Principle 1 questions before completing questions for other Principles. While completing this section you are free to navigate to any of the other sections of the survey without losing answers already completed.

Definitions

Please note that this section of the survey focuses on investment decision-making processes and how ESG issues are integrated in these processes. It does not address the integration of ESG issues in other parts of your organisation and/or activities, such as the running of offices (e.g. how you manage your own organisation's waste) or your organisation's collaboration with other investors on ESG issues.

ESG Integration, as addressed in this section of the survey, relates to the consideration of ESG issues alongside traditional financial measures, based on the belief that ESG issues can affect the performance (risk and/or return) of investment portfolios (to varying degrees across companies, sectors, regions, and asset classes and through time).

Integration is considered to be:

- screening based on the belief that exclusion or inclusion of certain investments in the investable universe can effect materially on the portfolio's financial performance; and/or
- ESG analysis within individual investment decisions based on the belief that such analysis can effect materially on the investment's financial performance.

Please note the view that ESG issues can influence investment returns based either on:

1. The premise that performance on these issues will eventually be reflected in financial and operational outcomes and that externalised costs in the future will be priced and have an impact on revenue growth, margins, etc.; or,
2. The premise that the way in which the market rates or prices the stock will be affected even in the absence of an impact on financial or operational performance.

Exclusion of stocks or sectors from portfolios or down-weighting them based on the possibility that an association with the stocks may adversely affect the owners profile or brand amongst stakeholders is **not** regarded as integration. Also, exclusion based on ethical considerations of sectors is not considered ESG integration. However, screening based on norms that are believed to be material in the investment process are included in the above definition of integration.

Q 19 Please provide a description of your organisation's approach to this Principle. For example, how do your organisation's investment analysis and decision-making processes incorporate ESG issues?

If your assets are managed both internally and externally, please describe how you address this in both portions of your assets. In addition, please describe any activities you may be doing to integrate ESG issues into the management of those investments that passively track indices (if you use this approach).

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

It is the Ministry's ambition to continue to integrate considerations of good corporate governance and environmental and social issues into more aspects of our investment strategy and management. The instruments the Fund has at its disposal shall be used with a view to:

- promoting good corporate governance and greater awareness of social and environmental issues among companies in which the Fund has holdings
- helping companies in the portfolio respect fundamental ethical norms
- promoting sustainable development in an economic, environmental and social sense
- promoting good corporate governance as well as organisation of financial markets that safeguard the Fund's interest as a financial investor
- precluding the Fund from having investments that conflict with Norway's obligations under international law
- avoiding investments in companies that contribute to or engage in grossly unethical activities

The Fund's approach to principle 1 is influenced by the mandate for the management of the Fund set by the Ministry of Finance in January 2010. The mandate specifically states that the operational manager FTF shall integrate considerations of good corporate governance and environmental and social issues in its investment activities, in line with internationally-recognised principles for responsible investment. Integration of these considerations shall occur in respect of the Fund's investment strategy and role as financial manager. Folketrygdfondet shall develop internal guidelines that indicate how the considerations expressed above are integrated into the investment activities of the various asset classes.

Failure to address ESG issues in our investment portfolio will have a negative impact on the Fund's absolute returns over time. We also believe that proper attention to, and management of, ESG issues at the company level is an indicator of the quality of the overall management of a company, and we are dedicated to investing in companies with high quality operations and management.

As a result of the relatively small size of Folketrygdfondet's Norwegian equities portfolio, in addition to FTF being a large shareholder, we are able to carry out in-depth ESG analyses of the companies we invest in and actively engage with each of the companies on ESG issues, working with them to improve their performance related to these issues over time.

Q 20 What percentage, by asset class, of your organisation's assets under active management internally integrate the consideration of RI/ESG issues in investment decision making processes - such as researching ESG information and/or constructing/managing portfolios - and to what extent?

Please note that the percentages requested here are different from the data in Q8.

Asset class	What percentage of assets under active management internally (see example in notes) (+/- 5 per cent is sufficient)	Research (gathering and analysing)	Portfolio construction and management
Listed equity (developed markets)	100 %	Large	Large
Fixed income - sovereign and other non-corporate issuers	100 %	Small	Small
Fixed income - corporate issuers	100 %	Moderate	Moderate

Q 21 For the assets under active management internally that integrate the consideration of RI/ESG issues, to what extent do you have a process for monitoring the capability of investment analysts, portfolio managers and other relevant investment professionals on how they integrate the consideration of RI/ESG issues into investment analysis and decision-making processes?

Applies only to investments that include integration of RI/ESG issues as indicated in Q20.

Monitoring

Please select:

"Large", "Moderate", "Small" or "Not at all"

Asset class

Listed equity (developed markets)

Large

Fixed income - sovereign and other non-corporate issuers

Small

Fixed income - corporate issuers

Moderate

Q 25 Please add any overall comments and clarifications related to Principle 1 here. Please also describe any significant activities relating to Principle 1 not already captured by your answers above.

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

This section is focused on active ownership and is divided into three parts. You will see only those questions relevant to your organisation.

The first part addresses voting related to listed investments. The second part addresses non-voting engagement activities undertaken by your organisation or on your behalf by third parties with listed equity and corporate fixed income issuers. For the purpose of this survey, the term 'engagement' refers to non-voting contact with companies to discuss concerns regarding ESG issues. The third part addresses ownership and engagement practices for other asset classes such as sovereign and other non-corporate fixed income issuers, private equity, non-listed real estate/property, hedge funds, and infrastructure. This third section also covers any listed equities where investors have significant control (as defined in Q9, explanatory note [B]).

The third section is necessary to account for the differing levels of influence that investors may acquire when investing in other asset classes versus those of listed equities.

The contents and parts for this section of the survey are therefore:

1. Voting and engagement activities related to listed equity investments undertaken by:
 - A. internal staff;
 - B. external parties (e.g., service providers and external managers).
2. Engagement activities related to corporate fixed income issuers;
3. Ownership and engagement activities for sovereign and other non-corporate fixed income, private equity, non-listed real estate and property, hedge funds, and infrastructure, as well as listed equities when they represent significant control.

While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Please note that for this survey, proxy voting activities entail any casting of votes at AGMs and the filing or co-filing of resolutions. Engagement activities refer to all interactions with investee companies that are not related to voting activities. Engagement activities should seek to achieve relevant information and promote better ESG performance by companies. Such activities involve usually written communications, phone calls and meetings with management. For indirect investors in certain asset classes, such as private equity, infrastructure, and non-listed real estate, active ownership may not be possible with the underlying asset. Active ownership in this case should be viewed as engaging with third party managers to consider and interact on ESG issues with underlying holdings. Working with governments to modify laws, rules and regulations in favour of ESG issues should not be counted as engagement in this part of the survey and it will be addressed separately in Principle 4 and 5.

Q 26 Please provide a description of your organisation's approach to this Principle. For example, how is your organisation an active owner and how does it incorporate ESG issues in its ownership policies and practices?

Describe both your voting activities and any other engagement activities you undertake across the different asset classes you hold.

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

Folketrygdfondet is committed to being an active owner and long term responsible investor and therefore incorporates ESG issues into its ownership policies and practices to a large extent. It is our policy to be represented, in person or by proxy if necessary, at all Shareholders' Meetings of companies in the Norwegian equity portfolio. Folketrygdfondet's policy for voting on proposals submitted at Shareholders' Meetings includes a thorough assessment of the proposals put forward with consideration of our internal principles for responsible investment activities. In addition to voting at Shareholders' Meetings Folketrygdfondet engages with companies in the Norwegian equities portfolio on ESG issues when such issues arise or it is discovered, through our in-house ESG analysis, that a company has not implemented necessary measures to manage environmental and social issues and reduce or avoid potential ESG related risks which could negatively impact both the long-term viability of the company and our own investment. Folketrygdfondet's policies for voting and engagement are publicly available in the annual ownership report.

In the Norwegian fixed income portfolio (corporate issuers) Folketrygdfondet has positions in many of the same companies that are included in the Norwegian equity portfolio. Portfolio Managers in the fixed income division are kept abreast of eventual ESG issues in Norwegian companies in which the Fund is invested and, while engagement takes place with companies via the Equity division, information regarding ESG issues is also integrated into the management of the Norwegian fixed income portfolio.

In the Nordic equity portfolio Folketrygdfondet's policy is to vote for its shares via a proxy voting service whose voting policy addresses ESG issues and is in accordance with Folketrygdfondet's Ethical and Ownership principles.

Q 27 Do you have a (proxy) voting policy, and, if so, does it address environmental, social and governance (ESG) issues?

Do you have a voting policy? Yes

If Yes, please select all that apply: Environmental
Social
Governance

Q 28 For listed equities, please indicate the ratio of (proxy) votes cast, either directly or via third parties (such as an external service providers or external investment manager), against those you could have cast in 2010 for at least one of the following measures:

- by ballots item or resolution;
- by meetings (e.g. AGMs, EGMs, special);
- by listed assets under management.

	Please answer for at least one of these measures, if available please provide others as well			We do not track our listed equity voting activities
	Ballot items	Meetings	Listed assets	
Actually cast vs. all you could have cast	%	60 %	90 %	

Q 29 For listed equities, who makes voting decisions on behalf of your (or your client's) organisation? Please rank the importance of the different groups listed below based on the proportion of decisions made by that group.

Please note that subsequent questions will be asked specifically on the group that you list as most important and - if specified - of the second and third most important. Only the activities of the most important will be scored.

Please select from:
 "Internal investment manager or other internal staff"
 "Internal voting or governance group"
 "External investment manager"
 "External proxy voting service"
 "External service provider" or
 "Other third party voting support entity"

Most important:	Internal investment manager or other internal staff
Second most important:	External proxy voting service
Third most important:	

Q 30 For those listed equity votes you cast:

a. to what extent is information related to voting items gathered and analysed before voting decisions are made; and

b. do you monitor whether voting is done in accordance with your voting instructions?

a. Information gathered and analysed	b. Monitor voting
Please select "Large", "Moderate", "Small" or "Not at all"	Please select "Yes, for all", "Yes, for some" or "No, we make no effort to ensure"
Large	Yes, for all

Q 31 Do you pro-actively inform your listed equity companies of your rationale when you abstain or vote against management recommendations?

Please select one: Yes, for all

If "Yes", please indicate how this disclosure is communicated to companies.

If answering "No", please explain why.

Voting rationale is communicated to companies at the AGM when voting occurs in person, or by letter when voting is carried out by proxy.

Q 33 For listed equity votes that your external manager or service provider casts on your behalf, to what extent did you monitor that voting decisions were analysed and made in accordance with your (proxy) voting policy?

Please select
"Large", "Moderate", "Small" or "Not at all"

Please select one: Large

Q 34 How does your listed equity securities lending programme address voting?

Please select one: We recall all securities for voting on all ballot items

Q 35 To what extent do you and/or your agents review shareholder resolutions put forward by other shareholders to determine whether or not to support the resolution?

Please select
 "Large", "Moderate", "Small", "Not at all" or
 "We do not vote on shareholder resolutions"

Voting - managed internally	Large
Voting - managed externally	Large

Q 37 Do you have a written engagement policy or other documents that direct engagement with listed equity and fixed income issuers; if so, do these policies address environmental, social and governance (ESG) issues?

Asset class	Engagement policy or other documents	Do they address E, S or G
	Please select "Yes" or "No"	Please select all that apply
Listed equities	Yes	Environmental Social Governance
Fixed income - corporate issuers	No	

Q 38 Who engages with listed equity or fixed income issuers on behalf of your (or your client's) organisation? Please rank the importance of the different groups listed below based on the engagements undertaken by that group.

Please note that subsequent questions will be asked specifically on the groups that you list here. Only the activities of the most important will be scored (except for question 39 where all will be scored).

Please select from:
 "Internal staff"
 "External engagement service provider(s)"
 "External investment manager(s) "
 "Other external entity"

Most important:	Internal staff
Second most important:	
Third most important:	
Fourth most important:	

If "Other external entity" is selected, please list it here.

Q 39 In total, how many listed equity and fixed income issuers did your organisation engage with or were engaged with on your organisation's behalf on ESG issues in 2010, by level of engagement?

Please do not double count. Engagements that are listed in one column should not be repeated in another. Choose to list them where the highest level of effort is being applied. Consider both individual and collaborative engagements carried out during the year.

	Internal staff	External engagement service provider(s)	External investment manager(s)	Other external entity
Extensive engagement	13			
Moderate engagement	4			
Basic engagement	0			
We do not track these engagement activities				

Q 40 Approximately what proportion of the engagements with listed equity or fixed income issuers undertaken by your organisation or on your organisation's behalf addressed environmental, social or governance (ESG) issues?

(+/- 5% rounding is sufficient)

	Internal staff	External engagement service provider(s)	External investment manager(s)	Other external entity
Environmental	30 %	%	%	%
Social	10 %	%	%	%
Governance	60 %	%	%	%
We do not track these engagement activities				

Q 41 To what extent do you assess and monitor the ESG engagement competency and capabilities of the following groups?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Internal staff	Large
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Q 42 Given your (or your client's) engagement policy and/or approach to engagement, to what extent do you or do the third parties acting on your behalf, have a process for identifying and prioritising ESG related engagement opportunities?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Internal staff	Large
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Q 43 To what extent do you or your third party engagement providers or investment managers set ESG engagement objectives and evaluate engagement successes?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Internal staff	Large
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Q 44 To what extent do you or your external investment manager integrate the information gained from ESG engagements into the investment decision-making process?

Please select:
 "Large", "Moderate", "Small" or "Not at all"

Internal staff Large

Q 46 What percentage of engagements with listed equity and fixed income issuers that ended in 2010 were deemed successful?

	Internal staff	External engagement service provider(s)	External investment manager(s)	Other external entity
Engagement success	75 %	%	%	%

What measures does your organisation or its external service provider(s) and or external manager use to assess the impact and success of engagement with listed equity and fixed income issuers, and how did you perform in 2010 based on those measures?

Engagements are deemed successful when the company is responsive to the concerns raised by Folketrygdfondet and takes steps to improve their performance in the area(s) of concern.

Q 51 Please add any overall comments and clarifications related to Principle 2 here. Please also describe any significant activities relating to Principle 2 not already captured by your answers above.

While Folketrygdfondet does not have a set, written voting policy addressing ESG issues, all voting is executed in line with FTFs Ethical and Ownership principles which do address ESG issues. Folketrygdfondet's policy is that all Shareholders' Meetings of companies in the Norwegian equities portfolio are attended by either a representative from the Folketrygdfondet management team or a proxy when necessary.

In 2010 Folketrygdfondet went through the process of selecting and contracting the services of a proxy voting service which would enable us to vote at Shareholders meetings of the companies in which we are invested in the Nordic region outside of Norway. Glass, Lewis & Co., the proxy voting firm that we have selected to use, has a voting policy that addresses ESG and Folketrygdfondet has determined that this policy tallies with our Ethical principles and Ownership principles. Furthermore, Folketrygdfondet evaluates proposals to be voted upon on an individual basis to make sure that that the recommendations of the proxy voting service are not contrary to our principles.

Due to the fact that Folketrygdfondet did not have an agreement with a proxy voting service in the first part of 2010, we were not able to execute voting for 100% of our shares in 2010. However, the total amount of votes cast did increase from 2009 and we aim for a voting record of 100% in 2011.

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

Principle 3 is about ensuring that information related to ESG issues is disclosed by companies and other entities in your organisation's investment universe. It is closely related to your activities on Principle 1 and Principle 2.

This section lists questions regarding:

- Who seeks ESG disclosure information for your organisation;
- The level of detail and content that is sought;
- The information you may be seeking regarding norms, standards, codes of conduct or international initiatives related to RI/ESG.

While completing this section you are free to move to other sections of the survey without losing work you have already done.

Q 52 Please provide a description of your organisation's approach to this Principle. For example, how does your organisation seek appropriate disclosure on ESG issues by the entities in which it invests?

Note that this text - in addition to being part of the full survey - will also be part of the survey's *Executive Summary*. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

Folketrygdfondet believes that ESG disclosure from the companies in which we are invested is of the utmost importance. We rely on information relating to companies' handling of ESG issues to make informed and responsible investment decisions and we expect a high level of transparency on the part of the companies in terms of ESG disclosure.

In 2009 we went through a process of assessing different ESG risks in our investment portfolios and subsequently chose to focus on several issues which we believe could pose significant risks at both the company and portfolio level. One focus area we have decided to focus on is Reporting and Communication on ESG issues because we know that we can only manage the risks we are aware of, and without adequate reporting from the companies our awareness of potential problems is diminished. This focus on ESG Reporting and Communication has held a significant position in our dialogue and engagement with companies in 2010 and will continue to do so in the future.

Folketrygdfondet takes several different, mutually reinforcing approaches to encouraging ESG disclosure from the companies we are invested in. First and foremost, we encourage all companies to adhere to international standards and initiatives such as the OECD Guidelines for Multinational Enterprises and the UN Global Compact. Whether or not a company adheres to these principles and, in the case that the company is a signatory to the UN Global Compact, if the company has produced the required Communication on Progress (COP), is included in the company specific ESG analysis that is used as a basis for dialogue with the company management.

Folketrygdfondet is also a member of the Sustainable Value Creation in Norway, a project in which we have participated since 2008, along with a group of Norway's largest institutional investors. The aim of the project is to influence companies listed on the Oslo stock exchange to develop sustainably while at the same time create long-term value for their owners. On behalf of the participating investors the project sends a survey to all companies in the Oslo Børs Benchmark Index, asking them to explain their policies and activities regarding sustainability, human rights, labour rights, environment and corruption among others in terms of adopted guidelines and commitments, implementation and adherence, communication and reporting, and board accountability. The results from the most recent round of the project's questionnaire in 2009 have been included in Folketrygdfondet's ESG analyses of Norwegian companies and used as a basis for engagement in 2010.

Furthermore, Folketrygdfondet became a signatory investor to the Carbon Disclosure Project (CDP) 2010 and we have decided to continue our support for the CDP in 2011. The CDP is an independent, not-for-profit organization with world's largest database of primary corporate climate change data which, on behalf of signatory investors, sends an annual information request to companies asking them to disclose information regarding greenhouse gas (GHG) emissions as well as business risks and opportunities associated with climate change. As a signatory investor, Folketrygdfondet has access to company responses via the CDP Database and we have included results from CDP 2010 into our internal ESG analyses of Norwegian companies.

Finally, when a company is found to have an inadequate level of ESG disclosure this issue is brought up by Folketrygdfondet in meetings with the company's management and it is conveyed that we expect increased communication on these issues in order to evaluate and manage ESG-related risks in the investment portfolio.

Q 53 Who asked for and/or collected from your organisation's investee companies (or other investment entities) information about their ESG policies, practices or performance in 2010?

Please select all that apply

Internal staff

External investment manager(s)

External engagement service provider(s)

External research providers

Brokers / dealers

Other - please specify:

1. Carbon Disclosure Project, 2. Sustainable Value Creation Initiative

None of the above: Investee companies, or other investment entities, were not asked to provide information about their ESG policies, practices or performance in 2010 (please specify below why not)

If investee companies were not asked, please specify why.

Q 54 To what extent did you or your external agent(s) seek appropriate disclosure on ESG issues by the investees and, where necessary, encourage investee companies to produce standardised and/or systematic reporting about their ESG policies, practices or performance in 2010?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Asset class

Listed equity (developed markets) Large

Fixed income - sovereign and other non-corporate issuers Small

Fixed income - corporate issuers Moderate

Q 55 In which format or mechanism have you or your third party agents requested reporting on ESG policies, practices or performance?

Reporting formats

Please select all that apply

Integrated with regular financial reports

Standalone corporate (social) responsibility or sustainability reports

Global Reporting Initiative (GRI)

Carbon Disclosure Project (CDP)

Global Framework for Climate Risk Disclosure

Communication on Progress (COP) by the United Nations Global Compact

Country-level company form of the Extractive Industries Transparency Initiative (EITI)

Submission of a tailored survey

Other reporting framework by an industry or association - please specify:

None of the above

Q 56 To what extent did you or your third party agents seek information from companies regarding their practices related to norms, standards, codes of conduct or international initiatives/ declarations/ conventions related to ESG issues in 2010?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Large

Q 57 Please add any overall comments and clarifications related to Principle 3 here. Please also describe any significant activities relating to Principle 3 that are not already captured by your answers above.

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

Principle 4 is about promoting the acceptance and implementation of the Principles for Responsible Investment (PRI) among your clients, service providers, partners, brokers/dealers and other investment industry players. In addition, it is about working with governments, regulators and international bodies to address and define approaches relating to ESG issues.

While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Q 58 Please provide a description of your organisation's approach to this Principle. For example, how does your organisation promote the acceptance and implementation of the Principles within the investment industry?

Please describe how you support the incorporation of ESG factors in the investment industry via mandates, incentives, Request for Proposals (RfPs), policy discussions etc. Please, indicate how your organisation does this in relation to clients and/or beneficiaries, peers or other entities.

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

The Norwegian Ministry of Finance regularly discusses the Principles, and the opportunities and challenges associated with their implementation in meetings with other big global asset owners. The Ministry is also a PRI signatory and has an active RI agenda. The Ministry meets peers through the UN PRI activities, at the International Forum of Sovereign Wealthfunds and in other more general RI-related events and contexts. The Ministry of Finance has especially included integration of ESG related factors, and asset ownership and contributions to the development of good international standards for responsible investment in the mandate to Folketrygdfondet.

It is one of Folketrygdfondet's Ownership principles that we coordinate with other institutional investors when possible and appropriate on all issues related to our ownership activities, including ESG and related initiatives we are involved in. Folketrygdfondet is currently involved in two forums that promote ESG, and to a significant extent the Principles of the UN PRI, within the investment industry. The first forum is the Sustainable Value Creation project that we participate in along with the largest institutional investors in Norway and, in 2009, Sweden. The aim of the project is to bring investors together to influence companies listed on the stock exchange to develop sustainability while at the same time create long-term value for their owners. The second forum is Eierforum (Owner forum), an informal group of investors representing the major institutional investors in Norway, which has produced a list of "10 rules of good shareholder accountability".

Q 59 Did you include RI/ESG considerations when working with service providers and/or external investment managers in 2010 (where applicable)?

Specifically when:

- a. searching for service providers or external managers;
- b. agreeing on service requirements;
- c. structuring incentive schemes.

Service providers or external managers	a. Searches	b. Agreements	c. Incentives	We do not work with this type of provider
	If you work with this type of service provider, please select "Yes, for all", "Yes, for some" or "No"			
Brokers / dealers	No	No	No	
External engagement service provider				✓
Investment consultant				✓
Investment research provider	Yes, for some	Yes, for some	No	
Proxy voting service provider	Yes, for all	Yes, for all	No	

Other - please specify:

Q 60 To what extent did you encourage peer organisations and/or your institutional clients and/or other investment industry players to consider RI/ESG issues in 2010?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Large

Q 61 Does your broker evaluation process (which determines how you allocate commissions to brokers) include an ESG component, and/or do you have a budget to pay for broker research on ESG issues?

Please select:
"Yes" or "No"

Please select: No

Q 62 To what extent do you identify ESG issues and suggest them to brokers or other investment research providers for research?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Small

Q 63 To what extent did you engage in dialogue, lobbying or initiatives pertaining to government policy and/or industry regulations related to RI/ESG issues in 2010?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Large

Q 64 Please add any overall comments and clarifications related to Principle 4 here. Please also describe any significant activities relating to Principle 4 not already captured by your answers above.

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

Principle 5 is about collaborating with others in your implementation of responsible investment. The questions in this section are designed to capture the many ways in which signatories collaborate (for example by using the PRI Clearinghouse), and thus may overlap with areas discussed previously in the survey. However, the focus here is only those activities that involve working with others to implement the Principles.

While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Q 65 Please provide a description of your organisation's approach to this Principle. For example, how does your organisation work with other parties to enhance its implementation of the Principles?

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

We consider collaboration with other investors to be a very important tool in achieving our own responsible investment goals as well as advancing the acceptance and integration of ESG considerations in the investment industry. Folketrygdfondet's involvement in formal investor initiatives such as the Eierforum (Owner forum) in Norway and the Sustainable Value Creation project in Norway and Sweden are two ways in which we work with other parties to enhance our implementation of the Principles.

We are also involved in a number of more informal collaborations with other Norway-based Institutional investors on company-specific engagements as well as researching and engaging on ESG issues at the industry level. By pooling resources and knowledge and working with other institutional investors, we are better able to seek appropriate disclosure on ESG issues from companies we are invested in as well as incorporate ESG considerations into our investment analysis and ownership activities.

Another example of this type of collaboration is that Folketrygdfondet became a signatory investor to the Carbon Disclosure Project (CDP)2010. We have also joined several of the webinars hosted by PRI and have found them to be a very good source of information for investors, from investors and investment managers, on important contemporary ESG issues. We have also participated in the establishment of a PRI network for the Nordic region to share information about the PRI and its implementation with other investors in the region.

Q 66 To what extent did you collaborate with other investors in regard to the Principles, and what Principle did you collaborate most on?

Extent of Collaboration	Principle you collaborated most in
Please select: "Large", "Moderate", "Small" or "Not at all"	Please select: Principle 1, 2, 3, 4 or 6
Large	Principle 3

Q 67 Did you log in to the PRI Engagement Clearinghouse in 2010 and if so, how did you use it?

Logged in?	If Yes, please select all that apply
Yes	Used it as a learning tool or keep up to date with current engagements

Q 68 Did your organisation participate in any RI/ESG-issue related associations?

Among those you did participate in, please select:

- the first, second and third most important to your organisation, and
- for the three most important, to what extent your organisation participated.

For those not listed, please use the 'Other' field.

Associations	Please select all that apply	Please select only one "Most important", one "Second most important" and one "Third most important"	Only for these three most important, please select to what extent: "Large", "Moderate" or "Small"
Carbon Disclosure Project (CDP)	✓	Second most important	Moderate
Other (1) - please specify: Sustainable Value Creation Initiative in Norway	✓	Most important	Large
Other (2) - please specify: NUES - The Norwegian Code of Practice for Corporate Governance	✓	Third most important	Moderate
Other (3) - please specify: Eierforum (Owner forum) - a corporate governance initiative in Norway	✓		
Other (4) - please specify: Supported the formation of the UN PRI Scandinavia Network	✓		

Q 69 Please add any overall comments and clarifications related to Principle 5 here. Please also describe any significant activities relating to Principle 5 not already captured by your answers above.

The Ministry cooperates with with other asset owners and stakeholders through the UN PRI and the IFSWF, and regularly takes part in other international initiatives.

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

Principle 6 is about your organisation's reporting of responsible investment activities (as opposed to Principle 3 which relates to the reporting of your investees or potential investees). The questions in this section focus on how you disclose your activities regarding the implementation of the Principles and where that disclosed information can be found.

While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Q 70 Please provide a description of your organisation's approach to this Principle. For example, in what ways does your organisation report your implementation of the Principles? Please include any sort of disclosure and transparency practices you have adopted.

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

Folketrygdfondet publicly discloses information on policies and practices concerning ESG integration in our investment activities in the annual ownership report. In 2010 the Ownership Report included a description of the UN PRI and an overview of the Principles, as well as a summary of the measures taken by Folketrygdfondet to follow up on each of the six Principles.

The Ministry of Finance will publicly disclose companies that are excluded, along with the reason for their decision. The Ministry reports annually on the management of the Fund to the Norwegian Parliament - this reports also gives a status on the RI related work.

Q 71 To what extent did you disclose, either to clients/beneficiaries or publicly, your policy and/or approach to incorporating ESG issues into investment analysis and decision-making processes in 2010?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Large

If you disclosed, please indicate how this disclosure can be obtained - a web address (URL) would be sufficient. If answering *not at all*, please explain why not.

*Yes, you did disclose:
how can it be obtained* This information is disclosed publicly in Folketrygdfondet's ownership report, available at <http://ftf.no/images/Marketing/Rapporter/061010%20Ownership%20Report%202010%20original.pdf>. In addition to our own disclosure, our owner, the Norwegian Ministry of Finance has published a new strategy document on RI, available at http://www.regjeringen.no/upload/FIN/brosjyre/2010/spu/english_2010/index.htm. Information about excluded companies can be found on <http://www.regjeringen.no/en/dep/fin/Selected-topics/the-government-pension-fund/responsible-investments/companies-excluded-from-the-investment-u.html?id=447122>. Most of the companies listed are not part of the FTF universe which is Nordic, not global.

*Did not disclose publicly:
please explain why not*

Q 72 Did you disclose your voting policy in 2010?

Please select one: Yes - disclosed publicly

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained* Ownership report, available at <http://ftf.no/images/Marketing/Rapporter/061010%20Ownership%20Report%202010%20original.pdf>

*Did not disclose publicly:
please explain why not*

Q 73 Did you disclose your (proxy) voting record in 2010, and if so:

- How much of your voting record did you disclose?
- Did you disclose the explanations/reasons for voting as you did?
- How frequently did you disclose?

Did you disclose? (please select one)	How much of your voting (please select one)	How much explanation? (please select one)	How frequently? (please select any applicable)
Yes - disclosed publicly	Some votes	Explained some votes	Disclosed annually Disclosed continuously (soon after votes are cast)

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained* Disclosed annually in ownership report, available at <http://ftf.no/images/Marketing/Rapporter/061010%20Ownership%20Report%202010%20original.pdf>
In some instances we also publish an explanation of votes case soon after the voting takes place on Folketrygdfondet's website: www.ftf.no.

*Did not disclose publicly:
please explain why not*

Q 74 Did you disclose your non-proxy voting active ownership and engagement policies or other documents that direct these activities?

Please select one: Yes - disclosed publicly

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained* Ownership report, available at <http://ftf.no/images/Marketing/Rapporter/061010%20Ownership%20Report%202010%20original.pdf>

*Did not disclose publicly:
please explain why not*

Q 75 To what extent did you disclose (either to clients/beneficiaries or publicly) your non-proxy voting RI/ESG issue-related active ownership and engagement activities, results and progress in 2010?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Moderate

If you disclosed, please indicate how this disclosure can be obtained - a web address (URL) would be sufficient. If answering *not at all*, please explain why not.

*Yes, you did disclose:
how can it be obtained* Ownership report, available at <http://ftf.no/images/Marketing/Rapporter/061010%20Ownership%20Report%202010%20original.pdf>

*Did not disclose publicly:
please explain why not*

Q 76 Did you disclose (either to clients/beneficiaries or publicly) RI/ESG activities, results and progress related to Principle 3, Principle 4 or Principle 5 in 2010?

Please select "Yes, disclosed publicly", "Yes - disclosed to clients or beneficiaries only" or "Not at all"

Principle 3 Yes - disclosed publicly

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained* Ownership report, available at <http://ff.no/images/Marketing/Rapporter/061010%20Ownership%20Report%202010%20original.pdf>

*Did not disclose publicly:
please explain why not*

Please select "Yes, disclosed publicly", "Yes - disclosed to clients or beneficiaries only" or "Not at all"

Principle 4 Yes - disclosed publicly

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained* Ownership report, available at <http://ff.no/images/Marketing/Rapporter/061010%20Ownership%20Report%202010%20original.pdf>

*Did not disclose publicly:
please explain why not*

Please select "Yes, disclosed publicly", "Yes - disclosed to clients or beneficiaries only" or "Not at all"

Principle 5 Yes - disclosed publicly

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained* Ownership report, available at <http://ff.no/images/Marketing/Rapporter/061010%20Ownership%20Report%202010%20original.pdf>

*Did not disclose publicly:
please explain why not*

Q 77 Please add any overall comments and clarifications related to Principle 6 here. Please also describe any significant activities relating to Principle 6 not already captured by your answers above.

We did not publicly disclose our full voting record in 2010 because we did not yet have the system in place to do so.