



The Royal Ministry of  
Trade, Industry and Fisheries

Meld. St. 6 (2022–2023) Report to the Storting (white paper)

# Greener and more active state ownership

The State's direct ownership of companies





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# Greener and more active state ownership

## The State's direct ownership of companies

*Recommendation from the Ministry of Trade, Industry and Fisheries of 21 October 2022,  
approved in the Council of State on the same day.  
(Støre Government)*

## 1 Introduction and summary

### 1.1 Introduction

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Norway is facing a decade of major challenges. The Government is working to get more people into employment, create activity throughout the country, even-out social and geographical disparities, reduce greenhouse gas emissions, contribute towards a green transition of the business sector, improve the efficiency of the public sector and make Norway a better country for everyone to live in. As a sub-goal on the road to net zero emissions and a low-carbon society, the Government has set a restructuring goal for the economy by 2030. This is formulated in the Government platform as a goal of cutting Norwegian emissions by 55 per cent compared with 1990. This means that the Government has a national goal of restructuring both the quota and non-quota sector. The purpose is for the entire Norwegian business sector to transition to a low-emission society. The Government believes that this should be achieved in society as a whole, including through an active and forward-looking policy for the business sector. The Government wants state ownership, together with private ownership, which is the main rule in Norwegian business, to support these ambitions.

The interaction between a competitive and innovative business sector and an actively participating state is a pivotal aspect of the Norwegian social model. The Government's work on the «Norwegian Model» for public procurements is an important part of the Government's efforts to promote safe and responsible working conditions, and to preserve the Norwegian working life model. Earlier this year, the Government launched «the Green Industrial Initiative», which presents how Norway shall succeed in establishing new green industrial projects and strengthening existing industries.

The Hurdal Platform (the political platform for the Government) states that the Government will prepare a new white paper on ownership policy with the objective of State capital and ownership contributing to increased exports, the development of new, green value chains and more profitable jobs. State ownership will be exercised in a more active manner to promote public interests related to climate and sustainability, wages and working conditions, local ripple effects, value creation throughout the entire country, apprenticeships, the fight against social dumping and moderation in executive pay.

The State shall be an active, responsible and long-term owner that contributes to the profitabil-

ity and development of the companies. The white paper on ownership policy demonstrates how state ownership can contribute to the highest possible return and good services, while also ensuring that the companies operate responsibly and contribute to accelerating the «green transition». This white paper on ownership policy sets a clear direction for state ownership.

The State's direct ownership comprises companies where the State's ownership is managed directly by a ministry. Since 2002, a report to the Storting on the State's overall direct ownership (a so-called white paper on ownership policy) has been presented in each parliamentary session. In the white paper on ownership policy, the Government describes *why* the State has direct ownership interests in companies, *what* the State owns, including the State's rationale for its ownership and the State's goal as an owner of each company. The white paper also describes *how* the State exercises its ownership, including the State's principles for good corporate governance and the State's expectations of the companies.

State ownership in Norway is a success and contributes to strengthening national ownership. Through direct state ownership, the Norwegian State owns assets worth a total value of NOK 1.179 billion<sup>1</sup>. The State presently has direct ownership of 70 companies which are managed by 12 ministries. These companies employ more than 300,000 people and consist of everything from leading listed companies to research institutes, defence industries, performing arts institutions, investment companies, health trusts and companies that manage significant natural resources such as forests, hydropower and petroleum resources. Private ownership is the main rule in the Norwegian business sector; however, together with other forms of public ownership, state ownership makes an important contribution to national ownership in Norway.

A number of developments and trends impact how the activities of the companies and the State's exercise of ownership should be structured. Among these developments are increased societal expectations of how companies can contribute to solving societal challenges. Climate change, energy transition, international unrest, increasing inequality, urbanisation and the consequences of the coronavirus pandemic have impacted societal development in recent years. At the same time, digitalisation and the development of new technol-

ogy are still important factors. In addition, macro-economic changes, developments in the capital market and demographic changes may impact the companies to a greater or lesser extent. The State's ownership policy endeavours to take these developments into account.

In this white paper the key framework conditions for ownership policy remain unchanged, and continue to incorporate generally recognised corporate governance principles, standards and conventions. The Government has also further developed and adapted its ownership policy to the opportunities and challenges of this decade, with a view to generate increased value creation throughout Norway and to maintain sound and sustainable management of state ownership.

The most significant changes in ownership policy are as follows:

- The consideration of sustainability in the State's goal as owner has been clarified and strengthened.
- New and further developed rationale for state ownership.
- The rationale for state ownership and the State's goal as owner have been reviewed and updated for each company.
- The classification of the companies has been simplified and changed from three to two categories.
- The State's ten principles for good corporate governance have been adjusted to reflect that the State shall be an active and responsible owner with a long-term perspective.
- Additional and clearer expectations of the companies. This particularly applies to the areas of climate, biodiversity and ecosystems, risk management, transparency and reporting, working conditions and wages and other remuneration.

The Government has a pragmatic approach to what the State should own. Unlike the previous white paper on ownership policy, reducing state ownership is no longer a goal in itself. State ownership shall be assessed in light of whether it is the best measure for achieving societal goals, or whether other measures are better suited. It may be applicable to both increase and reduce state ownership in line with what is considered to be in Norway's strategic interests. The State shall use the entire «business policy toolbox», including state ownership, when this is the best solution.

There is disparate access to resources in different parts of the country. Rural areas may, more so than in central areas, experience barriers and market failures that hinder restructuring and

<sup>1</sup> As of 31 December 2021. See the State Ownership Report for 2021.



value creation. This provides different framework conditions for the companies depending on where they have their operations, for example, access to relevant collaborative partners and labour with relevant expertise. The State can, both through adapted policy instruments and ownership, contribute to counteracting these types of barriers and market failures, and in so doing, contribute to local ripple effects and value creation throughout all of Norway. The national policy instrument actors play a key role in the work on realising the goals within regional and rural business development. Among other things, the partly state-owned Innovasjon Norge will contribute to triggering socio-economically profitable business development throughout the country. For its part, wholly state-owned Siva shall contribute to triggering profitable business development by making infrastructure and joint resources available to companies and regional business and knowledge communities.

#### *An active owner with a long-term perspective*

The Government has clarified in the State's ten principles for good corporate governance that, in addition to being a responsible owner, the State shall also be an active owner with a long-term perspective.

The State being an active owner means that the State, within the framework conditions for the State's exercise of ownership, works to ensure that the company has good goal attainment. The State achieves this by having explicit goals as owner in each company, setting clear expectations of the companies, and by following up the companies' goal attainment and efforts regarding the State's expectations. Follow-up typically takes place through voting at the general meeting, including election of board members, and other means of exercising ownership. Owner dialogue with the Board and management is a key part of exercising ownership. Among other things, owner dialogue enables the State to ask questions that are relevant to the company's long-term potential for generating a return. As part of the exercise of ownership, the State may also present shareholder proposals. The State regularly considers participating in transactions that contribute to achieving the State's goal as an owner. The fact that the State as an owner has a long-term perspective means that the State is focussed on the companies being managed in such a way that they generate high returns and good goal attainment in the long term.

#### *Additional rationale for state ownership*

A starting point for why the State is an owner is that there are certain instances in which the market alone does not produce the best socio-economic result, and that in these instances state ownership is the best policy instrument for alleviating market failure. In this white paper, the Government has expanded and renewed the rationale for state ownership, and the reasons apply across the categories.

If Norway is to succeed in the transition to a low-emission society, significant investments and new solutions will be required. New technology, new products, new infrastructure and cooperation will need to be developed within a number of industries. This is reflected in the rationale of having *head office functions in Norway*.

*Facilitating sustainable restructuring and increased value creation* has been introduced as a new rationale, based on there being some areas in which there may be multiple barriers and market failures which hinder restructuring and value creation in the Norwegian economy. Examples of this may be insufficient research and innovation, too few high-growth start-ups and early-stage companies, the need for a more rapid transition to sustainable value creation, a lack of investor expertise and capital market failure.

*Infrastructure, monopolies and assigned rights* is a new rationale that takes into consideration that parts of the infrastructure and services may be natural monopolies or have the character of monopolies that may be appropriate for the State to own, thus ensuring that the services offered are the best possible for society. Contributing to good national infrastructure is a key task of the public sector. State ownership can result in socio-economically profitable infrastructure development.

*Public goods and/or social and geographical distribution* is also a new rationale which ensures that, in some cases, the benefit to society could be increased by the State, contributing to activities or a wider range of goods and services than what would have occurred in a free market. *For example, this applies to healthcare, research, culture and aid/development.*

In addition, the Government has continued the updated rationales relating to civil protection and emergency preparedness, as well as energy and natural resources.

For some companies, there is no longer a special rationale for state ownership. The State's goal as owner in these companies is achieved through

continued ownership or through value-creating corporate transactions, including divestments. The State will obtain the necessary authorisation from the Storting if potential transactions are considered to be a good alternative. An overview of the State's authority can be found at [eierskap.no](http://eierskap.no).

The State's ownership is dynamic. This entails that the State, including for companies with a special rationale, will consider any proposals for value-creating corporate transactions which may result in changes to the State's ownership interest. The Government will consider this in such instances, and, in the event of a change in the State's ownership interest, will present the matter to the Storting.

In connection with the presentation of the supplementary report on energy policy<sup>2</sup>, the Government announced that an external study will be carried out to assess how the State can contribute to building a coherent value chain for hydrogen produced with low or no emissions, where production, distribution and use are developed in parallel. State ownership as a possible measure will be included in the study. The potential establishment of a hydrogen company must be assessed in relation to the State's rationale for state ownership and other relevant measures.

#### *The State's goal as owner*

In this white paper, the consideration of sustainability in the State's goal as an owner has been clarified and strengthened. For companies that primarily operate in competition with others, the goal is the *highest possible return over time in a sustainable manner*. For public policy companies, i.e. companies that primarily do not operate in competition with others, the goal is *sustainable and the most efficient possible attainment of public policy goals*. It is important for the State that the companies are managed responsibly, which entails acting in an ethical manner and identifying and managing the company's impact on people, society and the environment. A company will generally not be able to generate returns and remain competitive over time without balancing economic, social and environmental factors.

<sup>2</sup> Report to the Storting (White Paper) No. 11 (2021–2022) *Supplementary Report to Report to the Storting (White Paper) No. 36 (2020–2021) Putting Energy to Work – Long Term Value Creation from Norwegian Energy Resources*.

#### *Simplified categorisation of the companies*

The system for categorising companies in which the State has an ownership interest is continued, but simplified in this white paper on ownership policy. The companies are divided into two categories based on the State's goal as owner. The companies where the State's goal is the highest possible return over time in a sustainable manner have been placed in *Category 1*. These are companies that primarily operate in competition with other companies. The companies for which the State's goal is sustainable and the most efficient possible attainment of public policy goals have been placed in *Category 2*. These are companies that do not primarily operate in competition with other companies.

The companies in the present Category 1 were previously divided into two categories based on whether or not the State had a special rationale for its ownership. It is no longer considered necessary to divide the companies based on this, because the most important factor when categorising the companies is the State's goal as owner in each of the companies. Combining the former Categories 1 and 2 into the current Category 1 does not impact the State's exercise of ownership in these companies.

#### *The State's expectations of the companies*

In this white paper, the Government has further developed and strengthened the State's expectations. This particularly applies to the areas of climate, biodiversity and ecosystems, risk management, transparency and reporting, working conditions and wages and other remuneration.

By defining additional and clearer expectations of the companies, the State wishes to be a more active owner that contributes to attaining the State's goal as an owner. The State's expectations are largely based on recognised guidelines, international good practice and the expectations of other leading investors.

When concerning climate change, the State expects the companies to set targets and implement measures to reduce greenhouse gas emissions in the short and long-term in line with the Paris Agreement's goal of limiting temperature increases, which means that the world's emissions of CO<sub>2</sub> will be reduced to net zero by 2050, and to report on goal attainment. Similarly, the State expects the companies to set goals and implement measures to reduce the negative

impact on biodiversity and ecosystems, and to report on goal attainment.

It is important that the companies can offer competitive remuneration; however, it is neither in the interests of the companies nor the State as an owner that the companies pay more than necessary to retain and attract the necessary expertise. The Government is focussed on limiting the wage differences in society, and announced in the Hurdal Platform that the Government will pursue an executive pay policy in companies fully or partly owned by the State that is based on moderation, and where bonuses will be heavily restricted. For companies in Category 2, the Government will introduce a new expectation in the guidelines for executive pay that these companies shall not have separate bonus schemes for senior executives. For companies in Category 1, the Government will use the guidelines to reduce the expectation of a maximum permitted bonus limit from 50 per cent to 25 per cent. The Government also has a new expectation for the companies that differences in the remuneration of senior executives and other employees are taken into consideration when assessing moderation, and that the company provides specific justification for salary adjustments that are higher for senior executives than for the company's other employees.

Among other things, the companies differ in terms of their size, industry and international presence. The work that the companies do within all of the areas in which the State has expectations should be adapted to the companies distinctive nature, size, risk exposure and other factors that are of importance for each individual company.

*The framework conditions for the State's exercise of ownership remain unchanged – the state's ten principles for good corporate governance*

The framework conditions for the State's exercise of ownership have remained unchanged since the early 2000s and are now expressed in the State's ten principles for good corporate governance. These have worked well and have gradually obtained broad political consensus. Important elements, which are still used as a basis in this white paper on ownership policy, include:

- The division of roles between the owner, the board and the general manager set out in company law.
- Generally recognised principles and standards for corporate governance.
- The State's authority as owner is exercised through the general meeting.

- Competent boards of directors.
- A clear distinction between the State's role as owner and other roles.
- State ownership shall not give companies with a state ownership interest undue competitive advantages or disadvantages compared to companies without a state ownership interest.

These framework conditions for the State's exercise of ownership provide predictability for the companies and capital markets. This has been a prerequisite for the companies being able to further develop their activities and to create value. The Government will continue to pursue a responsible ownership policy based on established framework conditions. In this white paper, the Government has made it clear through the State's ten principles for good corporate governance that, in addition to being a responsible owner, the State shall also be an active owner with a long-term perspective. Furthermore, it is included in the principles that the State shall be transparent about how it votes at general meetings. Transparency regarding the State's ownership, and how this ownership is exercised, is crucial to successful state ownership. The State's authority as owner shall be exercised through the company's general meeting.

With this as a starting point, the ownership policy is clarified and further developed. Regular development of the State's ownership policy through white papers on ownership policy and follow-up of this are the Government's most important measures for ensuring good management of the State's ownership interests. Norway aims to be an international leader in the exercise of state ownership.

## 1.2 Summary

The following is a summary of Chapters 2–12 of the white paper.

### **Why the State is an owner and the State's goals as owner**

*Why the State is an owner*

The starting point for why the State presently has direct ownership in companies is that the market alone does not provide the best socio-economic result. The State has six different rationales for when state ownership may be an appropriate measure for meeting various societal needs:

- Head office functions in Norway
- Civil protection and emergency preparedness

- Energy and natural resources
- Facilitating sustainable restructuring and increased value creation
- Infrastructure, monopolies and assigned rights
- Public goods and/or social and geographical distribution

Even if the State has a rationale for when direct state ownership is a beneficial measure, state ownership may also entail potential challenges. The State's ownership policy, which is presented in this white paper, aims to mitigate these challenges and to contribute to the best possible goal attainment in each of the companies.

#### *The State's goal as owner*

The consideration of sustainability is clarified in the State's goal as owner. For companies that primarily operate in competition with others, the goal is the *highest possible return over time in a sustainable manner*. For public policy companies, i.e. companies that primarily do not operate in competition with others, the goal is *sustainable and the most efficient possible attainment of public policy goals*.

It is important for the State that the company is managed responsibly, which entails acting in an ethical manner and identifying and managing the company's impact on people, society and the environment. A company will generally not be able to generate returns and remain competitive over time without balancing economic, social and environmental factors.

#### *Categorisation of the companies*

The companies are divided into two categories based on the State's goal as owner. The companies that primarily operate in competition with others are in Category 1. The companies that do not primarily operate in competition with others are in Category 2.

*Category 1* comprises the companies where the State's goal is the highest possible return over time in a sustainable manner.

*Category 2* comprises the companies for which the State's goal is sustainable and the most efficient possible attainment of public policy goals.

The State's rationale for ownership and the State's goal as owner are presented for each company in Chapter 7.

#### **What the State owns**

The State's direct ownership currently comprises 70 companies. The State's ownership is substantial in terms of both the number of companies and their total value. At year-end 2021, the value of the State's ownership interests in companies where the State's goal as owner is the highest possible return over time in a sustainable manner was estimated to be NOK 999 billion. The State's shares listed on Oslo Stock Exchange accounted for NOK 844 billion of the total value. In the other companies, the State's share of book equity minus minority interests amounted to NOK 180 billion at year-end 2021.

The State regularly assesses the rationale for its ownership and its goal as an owner in each company to ensure that these are updated and relevant, and to enable the State to efficiently solve different tasks or safeguard different needs.

#### **How state ownership is exercised**

##### *The State shall be an active owner*

The State's exercise of ownership shall contribute to the attainment of the State's goal as an owner, whether this be the highest possible return over time in a sustainable manner or sustainable and the most efficient possible attainment of public policy goals. Among other things, this occurs through the State setting clear expectations of the companies, electing competent boards, systematically following up the companies, voting at general meetings, and being transparent about its exercise of ownership.

The State shall be an active owner with a long-term perspective. Active ownership shall be exercised in accordance with the division of responsibilities and roles laid down in company law between the State as owner of companies, on the one hand, and the board and general manager on the other. Together with the State's ten principles for good corporate governance, the division of roles laid down in company law establishes the framework conditions for how the State follows up its ownership interests. State ownership shall not be an obstacle to exercising value-creating ownership. The State as owner will actively utilise the room to manoeuvre within these framework conditions in line with the practices of good and responsible private owners.

The State is transparent about its ownership and exercise of ownership through, among other things, white papers, the State Ownership Report and the Government's website. In its capacity as

owner, the State manages substantial assets on behalf of society as a whole. Transparency creates predictability and is important if the general public is to trust that these assets are being managed in an optimal manner. Democratic considerations are thereby safeguarded. As a result of the State's extensive ownership in Norway, transparency is also important if investors are to have trust in the Norwegian capital market.

#### *The State's ten principles for good corporate governance*

The State's principles for good corporate governance and the State's goal as an owner together form the basis for how the State exercises its ownership within the framework of company law. The key elements of the framework conditions for the State's exercise of ownership are collated in the State's ten principles for good corporate governance, see Chapter 10 and Figure 10.1.

#### *The State's expectations of the companies*

By defining clear expectations of the companies, the State wishes to contribute to attaining the State's goal as an owner. Clear communication of the expectations also contributes to transparency regarding what is important to the State as an owner, and what the State will follow-up when exercising its ownership.

The companies' work on the different areas in which the State has expectations should be adapted to the distinctive nature, size, risk and issues of importance to each company. The expectations are largely based on good practice and internationally recognised guidelines.

The State has expectations of the companies relating to ambitions, goals and strategies, social, environmental and financial factors, and corporate governance. The State's expectations are described in more detail in Chapter 11 and summarised in Figures 11.10 and 11.11. Examples of good practice in selected areas have also been provided as inspiration for the companies' work.

#### *Board composition and remuneration that contribute to goal attainment*

The State has expectations of the companies relating to ambitions, goals and strategies, social, environmental and financial factors, and corporate governance. The State is not represented on the boards. One of the most important tasks of the State as an owner is to contribute to the composi-

tion of competent and well-functioning boards of directors that meet the needs of the companies and safeguard the interests of all shareholders.

Relevant expertise shall be the State's main consideration in its work on the composition of boards of directors. If the requisite expertise is available, the State shall place an emphasis on capacity and diversity.

The remuneration of the companies' governing bodies is decided by the owners at the general meeting, or, if relevant, by the corporate assembly. Having the right remuneration can be crucial in terms of attracting and retaining board members with relevant and good expertise, and contributes to ensuring that board members devote sufficient time to the position. When assessing the remuneration of the board, the State emphasises that the remuneration reflects the board's responsibility, expertise, time spent on board work, and complexity of the company's activities. The Government also has a focus on there being a moderate level of remuneration. This means that remuneration shall not be higher than is necessary for contributing to the board having relevant and good expertise and should reflect the board's responsibilities and workload.

#### *Follow-up of the companies shall contribute to the attainment of the State's goals*

The State's goal as an owner is the starting point for how it exercises ownership. As a responsible owner, it is the Government's desire that the State's exercise of ownership will contribute to goal attainment and promote responsibility in the companies in which the State has ownership interests. When following up the various companies, the State will place emphasis on factors that are of importance to goal attainment and the areas in which the State can best contribute to goal attainment in both the short and long term.

The State holds regular meetings with the companies. Through contact with the companies, the State can raise matters, ask questions and communicate points of view that the company can consider in relation to its activities and development. Such dialogue is intended to serve as input to the company, not instructions or orders.

By following up the companies, the State seeks to understand how the companies work in an integrated and systematic manner with the State's expectations and how this contributes to the State's goal as an owner.

The State's goal as owner in the companies in Category 1 is the highest possible return over

time in a sustainable manner. When the State assesses a company's return over time, the total return achieved is normally compared with a calculated required rate of return, comparable companies and, if relevant, benchmark indices.

For companies in Category 2, the State's goal as owner is sustainable and the most efficient possible attainment of public policy goals. Among other things, the companies' goal attainment and efficiency are assessed on the basis of the company's reporting and the State's owner dialogue with the company. It may be relevant in this context to look at comparable enterprises, the company's development over time and other evaluations of the business.

The results achieved and the company's outlook are discussed with the company's board and management. In the event of poor goal attainment over time or significant deviations from the State's expectations, the State will consider how this can be followed up. This primarily takes place through the owner dialogue.

The State generally takes a positive view of strategic initiatives and transactions in the companies that can be expected to contribute to the attainment of the State's goal as owner.

#### *Distinguishing between the State's different roles and fair competition*

The State has several roles, for example, as regulatory and supervisory authority, principal and

owner. In order to create legitimacy for the various roles, the State should be aware of the role it has assumed at any given time, and, by its actions, clearly distinguish the role of owner from the State's other roles. Considerations that are not justified by the State's goal as an owner must be addressed by using policy instruments other than state ownership.

State ownership shall not give companies with a state ownership interest different competitive conditions in comparison with companies without a state ownership interest.

#### *Organisation of the State's ownership management*

The Central Ownership Unit, which is the Ownership Department in the Ministry of Trade, Industry and Fisheries, serves as a resource centre and centre of expertise for the State's direct ownership, both in relation to other ministries and internally within the Ministry of Trade, Industry and Fisheries. Unless special considerations dictate otherwise, the State's ownership interests in the companies in Category 1 shall be managed by the Central Ownership Unit. Unless special considerations dictate otherwise, the State's ownership interests in the companies in Category 2 shall be managed by the relevant sector ministry.

*Part I*  
*Why the State is an owner*





## 2 Historical background

Business activities initiated by the State, existing business activities that were taken over by the State, and the production of goods and services by state-owned undertakings are the background to the State's present-day direct ownership of companies.

### *Business activities initiated by the State*

Political objectives relating to industrial development, civil protection and emergency preparedness, and ownership of natural resources have been the primary motives behind the State's involvement in new business activities.

Many European countries established business activities during the post-war years. The international and domestic capital markets were subject to stringent regulations, and access to private capital was limited. In Norway, the State provided capital to achieve industrial development that was desirable for political reasons. The State's role between the 1940s and the 1960s in companies such as Årdal and Sunndal Verk, Norsk Jernverk, Norsk Koksverk and SAS can be viewed in light of this. When oil and gas production started on the Norwegian continental shelf in the 1970s, there was a clear political ambition to develop a Norwegian oil industry and to ensure control of these substantial resources. Den norske stats oljeselskap (later Statoil and then Equinor) was established in 1972. The then Ministry of Industry emphasised<sup>1</sup> that this would both provide better opportunities for maintaining ownership of the oil resources and that it could «play a key role in realising the State's policy in the establishment of an integrated Norwegian oil community».

Another rationale for state ownership has been civil protection and emergency preparedness. Defence materiel was manufactured by the state-owned undertakings Kongsberg Våpenfabrikk, Horten Verft and Raufoss Ammunisjonsfabrikker. These undertakings were established in the 19th

century and were organised under the Norwegian Armed Forces before they were split off into separate companies in 1947. The companies also later ventured into other industrial production. The State has continued its ownership of the munitions activities through Nammo, and of the production of other military materiel through Kongsberg Gruppen. Horten Verft went into compulsory liquidation in 1987.

The State has had various policy instruments at its disposal for channelling capital into the business sector. State loan schemes such as Noregs Småbruk- og Bustadbank (the Norwegian smallholdings and housing bank), Fiskarbanken (the national fisheries bank) and Industribanken (the industry bank) were established already before the Second World War. Even more were established in the post-war years, and in 1992, several of the loan schemes were merged into the Norwegian Industrial and Regional Development Fund. In 2003, the fund was merged with other business-oriented institutions to create Innovasjon Norge, which the State owns together with the county authorities. The credit markets were gradually liberalised in the 1980s; however, there are several areas in which the State has seen need to support access to capital for newly established companies or specific industries. This was part of the rationale behind the establishment of Argentum Fondsinvesteringer, Investinor and Nysnø Klimainvesteringer.

### *Existing business activities that were taken over by the State*

The State acquired a major stake in Norsk Hydro following the Second World War. Yara International was divested from Norsk Hydro in 2004.

During the banking crisis of the 1990s, the State took over the shares in a number of Norwegian banks as a result of the State having infused fresh capital to enable the banks to continue to operate. The State thereby gained ownership of large parts of the Norwegian banking system. The banks were later privatised; however, the State

<sup>1</sup> Proposition No. 113 (1971–72) to the Storting: *On the establishment of the Norwegian Petroleum Directorate and a state-owned oil company, etc.*

### Box 2.1 Equinor – 50 years of industrial development

Equinor is an international technology and energy company whose main activity is the production of oil and gas. The company also has downstream operations and activities in renewable energy, such as offshore wind farms and solar energy. The company is a major seller of crude oil, condensate and natural gas on a global scale.

Equinor was established as a company wholly-owned by the Norwegian State in 1972 under the name Den norske stats oljeselskap AS and will celebrate the 50th anniversary of its founding in 2022. The petroleum resources on the Norwegian continental shelf provide a basis for creating substantial value for society, and Equinor has interests in many licences on the Norwegian continental shelf. The company was listed on the stock exchange in 2001. Since its establishment, Equinor ASA has become a key player in the Norwegian petroleum industry, and has made a significant contribution to developing Norway into a modern industrial country. Norway is today one of the world's most productive petroleum producers, which has also proven well-suited to developing technology for offshore oil and gas activities.

Equinor markets and sells the State's oil and gas from the SDFI portfolio together with its

own volumes, a task that was stipulated in the company's articles of association prior to the company being listed in 2001. The company was merged with Norsk Hydro's oil and gas division in 2007.

Equinor has prepared a plan for energy transition at the company in 2022. The plan describes Equinor's strategy for the transition to a more diverse energy company, which will continue with significant petroleum activities, but will place increasingly greater emphasis on renewable energy and low carbon solutions. The plan is based on the Group's overarching strategy with three pillars: An optimized oil and gas portfolio, high value growth within renewable energy and establishing new market opportunities within low carbon solutions. Among other things, the company has ambitions to increase the percentage of investments in renewable energy and low-carbon solutions from 4 per cent in 2020 to 50 percent in 2030. The company aims to achieve net zero greenhouse gas emissions by 2050.

Source: Equinor and the State Ownership Report for 2021.

has maintained an ownership interest in DNB Bank.

#### *Production of goods and services by state-owned undertakings*

Goods and services have been produced by state-owned undertakings, which have later been hived off into separate companies.

Based on the recommendation of the Hermansen Committee,<sup>2</sup> several government agencies were granted greater operational autonomy in the 1990s and 2000s. A number of government corporations were also converted into companies. This often coincided with the introduction of regulatory reforms that facilitated the establishment of new markets. Examples include the conversion of Statskraftverkene into Statkraft and Statnett and Televerket into Telenor in the 1990s. The State

has since also converted state-owned undertakings into companies, such as Entra in 2000 and Mesta in 2003.

Since the 2000s, several comprehensive reforms have been introduced that have led to the establishment of companies for which the State has set public policy goals. One example is the regional health authorities, which were established when the State took over the specialist health services from the county authorities and delegated these to companies with greater operational autonomy. A number of companies have also been established in the transport sector. Among other things, the government agency the Civil Aviation Authority was converted into Avinor, the majority of Bane NOR was split from the former Norwegian National Rail Administration, and Nye Veier took over some of the Norwegian Public Roads Administration's development tasks. The railway reform led to the establishment of several companies under direct state ownership in 2017, when Entur, Mantena and Norske tog were

<sup>2</sup> Norwegian Official Report (NOU) 1989: 5 *A better organised State*.

### Box 2.2 Mo industripark (Mo Industrial Park)

On 10 July 1946, the Storting agreed to the construction of a Norwegian ironworks in order to make Norway more self-sufficient in steel following the Second World War. Construction of the ironworks took nine years and operations at Norsk Jernverk commenced in April 1955. World steel production rose steadily until 1975 and in line with economic growth; however, the demand for steel slowed from the mid-1970s. It gradually became clear that operations at Norsk Jernverk were not profitable and had to be wound up, and in 1988 the Storting therefore decided to discontinue the State's ownership of Norsk Jernverk, as part of a comprehensive restructuring of state-owned industry in Mo i Rana. The Storting allocated a total of NOK 983

million for the restructuring of the ironworks. Mo Industripark AS took over most of the building stock following the restructuring process that occurred between 1989 and 1992. Originating from the former state-owned ironworks, the industrial park currently has over 100 companies which employ approximately 2,600 people. There are also several billion kroner in investment decisions being made that will create new jobs and significant export revenues. Mo Industrial Park is an example of restructuring in societies that were previously more unilaterally dependent on a cornerstone company.

Source: Mo Industripark AS (Annual Report 2020 and website).

hived off from the then NSB Group (now Vygruppen). The Government has announced that it will review the organisation and corporate structure of the railway sector in order to contribute to easier everyday life for passengers, and to enable the railway service to increase its competitiveness in relation to other forms of transport. If the review involves changes to the State's rationale for ownership or the State's goal as an owner for one or more of the companies in the railway sector, the Government will return to the Storting regarding this.

#### *Development in the scope and exercise of state ownership*

The current system of state ownership is the result of pragmatic choices made in a number of individual cases. In the post-war years and into the 1970s and 1980s, considerations such as national production, employment and regional development were often prioritised over the companies operating efficiently and profitably. The State also infused capital to save companies from crises and covered substantial financial losses. Necessary improvements in efficiency and restructuring were postponed or never carried out. This contributed to weak commercial orientation on the part of the board and management and reduced value creation for both the companies and the State.<sup>3</sup>

Many countries around the world reduced the scope of their state ownership in the 1980s and

1990s. This did not happen on the same scale in Norway. There are several reasons for this, one of them being that Norway did not have the same need as many other countries to reduce its national debt. However, companies with state ownership were not shielded from structural changes during this period. For example, the Storting approved the restructuring and downsizing at Norsk Jernverk in Mo i Rana in 1988.<sup>4</sup>

Based on previous experience of, among other things, weak commercial orientation and reduced value creation, several steps were taken to strengthen the Norwegian state's exercise of ownership from the end of the 1990s. Submission of the first white paper on ownership policy to the Storting in 2002, which set out an overall policy for the State's ownership based on generally accepted corporate governance principles, should be viewed in connection with the need for ownership decisions being made on a solid, professional basis, that there is a high degree of transparency surrounding ownership and that the State does not act in an arbitrary manner.<sup>5</sup> The central principles underlying the State's exercise of ownership, and the distinction between the State's role as

<sup>3</sup> Norwegian Official Report (NOU) 1989: 5 *A better organised State*.

<sup>4</sup> Proposition No. 113 (1987–88) *Relating to Rana and Norsk Jernverk AS*.

<sup>5</sup> Report to the Storting No. 22 (2001–2002) *Reduced and Improved State Ownership*.

owner and its other roles, have remained in force through changing governments.

In recent years, the State has regularly considered whether it should continue to own companies, and if so, what the ownership interests should be. Several changes were made to the State's ownership in the 2000s.<sup>6</sup> The State has reduced its ownership interest in some companies, for example through the listing of Telenor and Equinor. In several other companies, the State has sold all its shares. For example, in Arcus,

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<sup>6</sup> See the Government's website on state ownership for an overview of changes in the State's ownership interests, including companies established after 2000.

BaneTele, Cermaq, SAS, Veterinærmedisinsk Oppdragssenter, Entra and Ambita. At the same time, the State has also provided new equity to some companies to support their development, for example, Kongsberg Gruppe.<sup>7</sup> In addition, for some of the companies, the reorganisation of the State's use of policy instruments has led to adjustments in the State's rationale for ownership and the State's goal as an owner.

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<sup>7</sup> Proposition 118 S (2017–2018) *Adjustments to the national budget for 2018 under the Ministry of Trade, Industry and Fisheries (Kongsberg Gruppen ASA – the State's participation in the rights issue).*

### 3 Social development and trends

There are a number of developments and trends that impact how industrial and business actors in Norway organise their activities. The same developments and trends may also have consequences for how the State should organise its exercise of ownership. Among these developments are increased societal expectations of how companies and other actors can contribute to solving major societal challenges. Climate change, energy transition, international unrest, increasing inequality, urbanisation and the consequences of the coronavirus pandemic have influenced social development in recent years, while digitalisation and the development of new technology are still important factors. Macroeconomic changes, developments in the capital market and demographic changes may also affect companies to a greater or lesser extent. Investors, customers, employees and society at large also express expectations that companies need to balance financial, social and environmental considerations to enable returns to be achieved over time within sustainable limits. Trust from the companies' stakeholders is an important competitive parameter.

How companies adapt to changes in the outside world and stakeholder expectations impacts the opportunities and ability of companies to create value. The development and need for continuous further development of the companies' ambitions, goals and strategies place greater demands on the work carried out by the boards. Competent owners and boards with the ability to understand a company's situation, challenges and opportunities can influence the company's ability to realise its potential for value creation.

As an owner, the State emphasises that companies with state ownership work to achieve the State's goals as an owner, see chapter 5. Good goal attainment means that the companies are profitable and sustainable, and are given sufficient latitude for being able to adapt to changing environments and to manage changes to risk. This is reflected in the further development of the State's expectations of the companies (Chapter 11) and how the State exercises its ownership (Chapter 12).

#### *Globalization in reverse and international unrest*

Several years of increased global trade has given Norwegian companies access to larger markets, stronger competition and access to ideas, new technology, capital and input factors. The business sector's ability to restructure has been decisive to efficient resource allocation and hence economic growth. However, in recent years, the movement towards a more globalised world has slowed, with protectionist measures in several countries and increased rivalry between the great powers. The global economic centre of gravity has shifted to the south and east. China, India and other emerging economies are becoming increasingly more important to world trade, and the emergence of China as an economic superpower has altered the geopolitical balance.<sup>1</sup>

Russia's war of aggression against Ukraine and the sanctions imposed against Russia have impacted economies and business sectors both globally and in Norway. There has been a reduction in trade between the affected countries and the rest of the world. Russia's belligerent actions have also created increased uncertainty in a number of areas. This can weaken the trust of consumers and companies, which in turn can reduce consumption and investment.

The coronavirus pandemic in recent years has also contributed to major challenges in global supply lines, and may have contributed to reinforcing protectionist tendencies. Prices for a number of commodities have also been impacted by the situation, which has contributed to higher global inflation and higher interest rates.

The protectionism that is emerging across the globe affects Norway, which is a small, open economy. The integration of countries with access to a large supply of labour, such as China and India, into the world economy, combined with technological developments, has exerted pressure on wage levels in large parts of the Western world. The positive gains from international trade and

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<sup>1</sup> Report to the Storting (White Paper) No. 14 (2020–2021) *Long-term Perspectives on the Norwegian Economy 2021*.

technological development have not been evenly distributed among the populations of these countries. Norway benefits from binding cooperation, which in international terms, entails rule-based rather than power-based relationships. Strong global economic growth over the past 20–30 years, particularly in Asia, has contributed to a strong demand for energy and for extended periods this has resulted in high oil and gas prices that are of importance to the Norwegian economy.

Norway is among the countries with the lowest inequality; however, like most other countries, income inequality has increased over the past 30 years. A stronger concentration of capital income, a somewhat more skewed distribution of salary income and demographic changes are factors that have contributed to more uneven income distribution.<sup>2</sup> Studies that make use of a more complete metric for income<sup>3</sup> than official statistics indicate there is a significantly higher level of income inequality and distribution of the tax burden in Norway. This is due both to the large share of gross incomes that accrue among the top 1 per cent with the highest incomes and the fact that the tax rate among the top 1 per cent is sharply declining in relation to increased income.<sup>4</sup> International megatrends such as globalisation and digitalisation also have an impact on income distribution. If economic inequality becomes too excessive, this can create challenges. For example, major economic inequality can impair individual opportunities, create social unrest and weaken trust between people and important social institutions.<sup>5</sup> Greater inequality can also be detrimental to economic growth for countries in the long term.<sup>6</sup>

### *Climate change and loss of biodiversity*

Climate change is among the greatest global challenges of our time. Many are already noticing the negative consequences of global warming; however, the biggest costs and consequences are still some decades into the future. This timeframe dif-

<sup>2</sup> Report to the Storting (White Paper) No. 14 (2020–2021) *Long-term Perspectives on the Norwegian Economy 2021*.

<sup>3</sup> Including personal owners' share of retained earnings in private companies, the value of housing services and capital gains on real estate and securities (Statistics Norway Report 2021/33 – Economic inequality in Norway in the twenty-first century).

<sup>4</sup> Statistics Norway Report 2021/33 – Economic inequality in Norway in the twenty-first century.

<sup>5</sup> Report to the Storting (White Paper) No. 14 (2020–2021) *Long-term Perspectives on the Norwegian Economy 2021*.

<sup>6</sup> OECD 2015: In It Together: Why Less Inequality Benefits All.

### **Box 3.1 The Norwegian Model**

The Nordic countries are characterised by parties in the labour market, the government, the national assembly and important institutions working together to contribute to a sustainable welfare society. In Norway, this means of cooperation is referred to as *the Norwegian Model*. Key features of the model are economic governance, public welfare policy, strong parties in the labour market and an organised labour market. The intention is that this will collectively contribute to economic growth, employment, coordinated wage bargaining, universal welfare schemes and cooperation between the parties in the labour market. The model has contributed to combining efficiency and equality.

A key part of the Norwegian model is *the tripartite cooperation* between the parties in the labour market (the organisations that represent employers and employees) and the State regarding matters pertaining to the labour market, including wage bargaining. Through coordinated wage bargaining, the parties shall contribute to preventing the business sector from having a cost level that makes it challenging to compete internationally. Coordinated wage bargaining also contributes to wage developments that preserve minor differences and reduce inequality.

Source: The Norwegian model (NHO), The Norwegian model (LO), The Nordic model (FAFO).

ferentiates climate change from other more immediate challenges, and makes the problem particularly difficult to manage.<sup>7</sup>

The Paris Agreement's goal of limiting the increase in temperatures will require global CO<sub>2</sub> emissions to be reduced to net zero by 2050. An orderly and sufficiently rapid restructuring process following such a scenario can contribute to lower risk and costs for companies and society as a whole when compared with other scenarios. Over time, climate policy will shift demand more strongly towards goods and services with low

<sup>7</sup> Climate risk and the Government Pension Fund Global – Managing risks associated with climate change and the green transition (Report from an expert group appointed by the Ministry of Finance).

greenhouse gas emissions, and will also strengthen incentives for the innovation of emission reduction technology and the development of new business models and markets. The energy transition and the transition to a more circular economy are examples of developments that may influence whether a company will succeed in creating value in the long term.

Through the Paris Agreement, Norway has committed to reducing greenhouse gas emissions by at least 50 per cent and up to 55 per cent by 2030 compared with 1990. The climate goal is enshrined in the Climate Change Act and will be achieved in cooperation with the EU. As a sub-goal on the road to net zero emissions and a low-carbon society, the Government has set a restructuring goal for the economy by 2030. This is formulated in the Government platform as a goal of cutting Norwegian emissions by 55 per cent compared with 1990. This means that the Government has a national goal of restructuring both the quota and non-quota sector. The purpose is for the entire Norwegian business sector to transition to a low-emission society.

The failure to implement and coordinate climate-related measures on a global scale could lead to increased levels of conflict such as trade wars, changing migration patterns, unrest in energy markets and shortages of input factors. At the same time, climate-related measures have also contributed to resistance in several countries and local communities. In Norway, there are conflicts related to the development of wind power and the introduction of climate-based taxes. Climate change and more heightened levels of conflict will increase both the direct and indirect risks for companies. Predictable and gradually stricter climate policy can reduce the climate risk that companies face.

Biodiversity is declining faster than at any point in human history. Human activity has resulted in changes to 75 per cent of the natural environment on land and the loss of more than 85 per cent of the world's wetlands. These changes have serious consequences for 66 per cent of the marine environment.<sup>8</sup> The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) estimates that half of the world's gross domestic product is wholly or partly dependent on services provided by nature, and that land degradation costs the world more than ten per cent of gross domestic product annually.

While the overall status of Norwegian ecosystems is relatively good when compared with the rest of the world, Norway also faces challenges. Land-use encroachment and land-use change are the most important factors that are impacting ecosystems and biodiversity both globally and in Norway.

There is a clear link between climate and biodiversity challenges. Climate change is gradually becoming a significant explanatory factor behind the loss of biodiversity. At the same time, ecosystems store large quantities of carbon, and well-preserved biodiversity is important for climate adaptation in order to make nature and society more resilient to climate change. Nature-based solutions that are beneficial for both the climate and nature are therefore crucial for reducing emissions and strengthening the ability of society to adapt to climate change.

Negotiations for a new global framework for nature under the Convention on Biological Diversity (Biodiversity Convention) are presently taking place.<sup>9</sup> Norway is working to ensure that the framework includes specific and ambitious targets for the protection and sustainable use of biodiversity, and a new mechanism for better achieving these targets. Stricter regulations represent a restructuring risk and should be taken into consideration by companies that are largely dependent on natural resources.

#### *Increased expectations of sustainability, responsible business conduct and reporting*

In order to contribute to global sustainable development, in 2015 the United Nations General Assembly adopted new sustainable development goals up to 2030. The 2030 Agenda is the world's action plan for sustainable development. The 2030 Agenda has been established through 17 Sustainable Development Goals and 169 targets. The goals apply to most areas of society. The goals view the environment, economy and social development in context. The goals have gained global acceptance as a common reference and framework. The Sustainable Development Goals call for joint efforts by governments, civil society, academia and companies. The business sector is crucial for achieving the Sustainable Development Goals, and the goals can act as a framework for companies to meet societal expectations. The Sustainable Development Goals represent the main political pathway for solving the greatest national and

<sup>8</sup> Global Assessment Report on Biodiversity and Ecosystem Services (IPBES Secretariat).

<sup>9</sup> The Convention on Biological Diversity (cbd.int).

global challenges of our time. Report to the Storting (White Paper) No. 40 (2020—2021) Goals with meaning – Norway’s action plan to achieve the sustainability goals by 2030, was considered by the Storting in spring 2022, cf. Recommendation 218 S (2021–2022).

There is an increasing expectation for companies to reduce the negative external effects that their operations have on people, society and the environment. International normative guidelines and principles such as the United Nations Guiding Principles on Business and Human Rights (UNGP), and the OECD Guidelines for Multinational Enterprises, contribute to providing a common understanding of what companies are expected to do. However, the development has been slow, and there has thus been greater legal regulation in this area in recent years. Several countries, including Norway, have introduced legislation relating to responsible business conduct, which is relevant for companies with international operations or global supply chains. An example of this is the Norwegian Transparency Act, which entered into force on 1 July 2022. The purpose of the Act is to promote enterprises’ respect for fundamental human rights and decent working conditions and ensure that the general public has access to information.<sup>10</sup> The Act requires companies of a certain size to conduct due diligence assessments, and imposes a duty to disclose information regarding the company’s work on due diligence assessments. Read more about the Transparency Act in Chapter 11.2. A number of other countries are also exploring legislation in this area, and the European Commission recently presented a proposal for a directive on due diligence for sustainability in companies.

Many companies operate globally, while tax rules are national and not necessarily harmonised between countries. This may entail a risk of tax base erosion in many countries and allow for the transfer of profits to low-tax jurisdictions. At the same time, the digitalisation of the economy means that it is no longer as clear as to which country has the right to tax multinational companies. The challenges associated with taxing multinational enterprises are issues that many countries face and that require international solutions. International tax cooperation has yielded significant results in recent years, including the extensive sharing of information between countries.<sup>11</sup>

The tax behaviour and tax policies of companies is therefore an area that has received greater attention.

There is an increased expectation in society that companies need to create value in a sustainable manner. Several investors who describe themselves as responsible integrate consideration for people, society, climate and the environment into their investment activities. Many investors, consumers, employees and other stakeholders have greater expectations that companies will contribute to resolving economic, social and environmental challenges that society is facing. Among other things, several international investors have called on companies to more clearly define their roles beyond creating shareholder value, citing that this is closely linked to the company’s ability to supply products that society demands, recruit committed employees and create value over time. Several stakeholders have undertaken various initiatives to define what constitutes sustainable investments and how this can be reported.

In 2019, the EU presented a strategy for green energy (European Green Deal) that will create a more sustainable and competitive business sector in Europe. The goal is climate neutrality by 2050, and a 55 per cent cut in greenhouse gas emissions by 2030 when compared to 1990 levels. As part of this strategy, the EU has launched the regulatory package «Fit for 55» with proposed amendments to many of the EU’s directives and regulations in the areas of climate, transport and energy. In recent years, the EU has adopted or proposed a number of regulatory amendments with the aim of making capital markets better able to finance sustainable projects and activities. A key measure is the classification system for sustainable economic activity (taxonomy). The Taxonomy Regulation establishes criteria for what can be considered sustainable activities that contribute to achieving the EU’s environmental goals. The regulation requires large companies to submit annual reports on the extent to which they engage in or finance activities that satisfy these criteria. The system will contribute to preventing «greenwashing» and serve as a tool for making it easier for investors to assess whether investments are in line with long-term European climate and environmental goals and provide companies with incentives to restructure.

Another measure in the EU’s work on sustainable finance includes new requirements for sus-

<sup>10</sup> Act relating to enterprises’ transparency and work on fundamental human rights and decent working conditions (Transparency Act).

<sup>11</sup> Report to the Storting (White Paper) No. 14 (2020–2021) *Long-term Perspectives on the Norwegian Economy 2021*.



tainability reporting. In June 2022, a provisional political agreement was reached between the European Parliament and the European Council on a new Corporate Sustainability Reporting Directive (CSRD). The Directive replaces the EU Non-Financial Reporting Directive (NFRD) and amends several EU directives in the accounting, reporting and auditing areas. In the Directive, the reporting obligation is expanded significantly to apply to all enterprises that are considered large under the EU definition and all listed companies with the exception of so-called micro-enterprises.<sup>12</sup> The reporting requirements will be introduced in stages. The purpose of the Directive is to improve sustainability reporting from companies and thereby facilitate restructuring in line with the EU's Green Deal. The Directive shall be complemented by reporting standards.

Regulatory changes as a result of «Fit for 55» and the EU's strategies for sustainable finance will have significance for Norwegian companies and the Norwegian business sector.

#### *Digitalisation and major technological changes*

Technological developments involving increased digitalisation are creating far-reaching changes in the economy and society. New technology and digitally driven innovation mean that machines can increasingly perform tasks more reliably and at a lower cost than humans, and in doing so replace manpower. New goods and services with their associated work tasks that require other types of labour are also being developed. This development is expected to continue at a rapid pace, and will necessitate restructuring of the labour market. If the companies are to remain competitive over time, this requires further development and renewal of employee competence in line with technological developments, innovation and new working methods.

Technologies such as advanced robots and artificial intelligence can reduce the need for physical trade and investment in traditional fixed assets. Technological changes provide opportunities for increased value creation; however, they also bring with them changes in risk that companies should address. Examples of the latter may be shorter lifetimes for goods and services, the increasing dominance of certain companies, privacy challenges, cyber-crime and the need for rapid adjustments to business models. The rapid

technological development means that companies should regularly assess the strategic direction that can provide the highest probability of future value creation. In some situations, it may be most profitable to be an early mover, while in other contexts it may be sensible to await developments.

Digitalisation has made it easier for companies to sell directly to customers in other countries without establishing a physical presence in the country. This has resulted in increased competition in a number of industries, and intensified certain competitive challenges. Among other things, economies of scale and network effects have resulted in high market shares for a small number of large, global companies. As mentioned, this has also resulted in an increased focus on the taxation of these types of companies, because they do not always pay tax at the location where earnings occur, which can play a part in distorting competition.

Civil protection, including cyber security, is impacted both by developments in our own society and by global trends. There has been increased awareness in recent years concerning foreign investment and how some countries use this and other economic policy instruments to achieve strategic and political objectives at the expense of other countries' national security interests. The digitalisation of society creates new solutions, but also creates dependencies and vulnerabilities that cut across sectors, areas of responsibility and national borders and which impact companies. Critical societal functions such as energy supply, electronic communications and financial services depend on long digital value chains, which create vulnerabilities; however, companies in other sectors should also pay close attention to cyber security.

Technological development is about more than just digitalisation. A great deal is also occurring in the energy sector in areas such as offshore wind and solar, carbon capture and storage, and battery technology. A «technology race» may develop between the major powers to secure the dominant position in certain technological areas that will be expected to have a major impact on value creation and matters related to civil protection.

#### *Macroeconomics and developments in the capital market*

The coronavirus pandemic has triggered extensive and expansionary monetary and fiscal meas-

<sup>12</sup> Report to the Storting (White Paper) No. 12 (2021–2022) *Financial Market Report 2022*.

ures around the globe, and several countries have high levels of government debt. Many central banks have raised their policy rates, and we are presently seeing rising inflation and a heightened risk of stagflation. Bond yields have been low for a long time; however, they are now rising. Macroeconomic drivers can change rapidly, and it is therefore uncertain as to how monetary policy will develop in the period ahead.

Macroeconomic developments and developments in capital markets impact companies' cost of capital when concerning both the cost of debt and equity. It is difficult to predict the long-term real interest rates, the market risk premium, companies' systematic risk and optimal capital structure. In terms of companies' strategic development, capital allocation, investments and capital costs will be key variables when assessing earnings prospects. A complicated question is how sustainability factors influence the cost of capital for the company as a whole or for the individual business areas. These are important questions for the companies' owners and boards.

#### *Demographic changes*

Population development, migration, urbanisation, aging of the population, low birth rates in the Western world, changing attitudes and life patterns between generations and public health are key aspects of societal development.

Global population growth is expected to continue, which could significantly exacerbate climate challenges and a number of other challenges. However, the population is expected to decline in parts of the Western world. Continued urbanisation may alter the political balance of power between urban and rural areas.

Climate change, regional conflicts and disputes, wars and economic development often trigger migration. If the climate challenges are not solved and sea levels rise, many parts of the world could become uninhabitable. When economic prosperity reaches a certain level, more people will have the financial means to relocate. Integrating people with different backgrounds and cultures can be a difficult task and may create new challenges; however, diversity is also positive and can create opportunities.

Many countries are also experiencing a change in the population composition due to an ageing population. This entails an increased need for services for the elderly, something which may require significant societal resources. Increased life expectancy also creates increased opportunities for utilising the resources that older people possess.

Younger generations live and work in new ways. Digital technology means more for everyday life. These generations may also have different expectations regarding the type of work, work-life balance, gender equality and sustainability.

Companies may experience a fight to attract and retain talent. The type of work, skills development and continuing education will be of key importance. Flexible working methods may also be an attractive advantage, and the coronavirus pandemic has demonstrated that home offices are becoming more important for many employees.

#### *Consequences for the State's exercise of ownership*

The State follows up the aforementioned developments in its owner dialogue with the companies and endeavours to understand how changes in the outside world impact the companies and how the companies work to remain informed and take these factors into account in their operations. It is also important for the State to understand whether the developments indicate a change in the risk to which the companies are exposed, and whether the companies are managing this in an appropriate manner.

Social development is reflected in the State's goal as an owner, where sustainability considerations are more clearly integrated, see Chapter 5. The State's expectations of the companies have also been further developed to better reflect these development trends, and this white paper places particular emphasis on considerations pertaining to the areas of ambitions, goals and strategies (Chapter 11.1), responsible business conduct (Chapter 11.2), human rights and decent working conditions (Chapter 11.3), climate (Chapter 11.4), biodiversity and ecosystems (Chapter 11.5), wages and remuneration (Chapter 11.10), risk management (Chapter 11.11) and transparency and reporting (Chapter 11.13).

## 4 Rationale for state ownership

Why the State should have direct ownership in companies, which companies the State should own and with what ownership interest are key topics when concerning state ownership. The answers to these questions will depend on an assessment of whether there is a need and desire for state measures in a particular area to solve a problem or task, and whether state ownership is the most appropriate measure. Other relevant measures may be regulation, subsidies, taxes, duties, grants, public procurement, purchases of goods and services or the establishment of government agencies (state enterprises), etc. An assessment of whether measures are required and desirable, and which measures are most suitable, will provide answers to whether state ownership is appropriate and what rationale the State has for owning a company.

Transparency about why the State is an owner of companies can contribute to a better understanding of state ownership among the companies, competitors, other shareholders, lenders and other stakeholders. Chapter 4.1 specifies reasons for when state ownership may be an appropriate measure.

### 4.1 When state ownership may be an appropriate measure

As shown in Chapter 2, there are various reasons for the development of state ownership. The State has increased or reduced its ownership interest over time in line with State objectives. A starting point for why the State has ownership interests in companies is that the market alone does not always provide the best socio-economic result. In this white paper, the reasons for when state ownership can be a beneficial measure have been expanded and further developed. This will also contribute to strengthened national ownership.

This chapter outlines when state ownership may be an appropriate measure. The rationales are relevant both for the companies that primarily operate in competition with others (Category 1) and for the companies that do not primarily operate in competition with others (Category 2). Chapter 7 describes why the State is currently an owner in each of the companies. For some companies, the rationale for ownership may be based on several of the factors discussed below, see Figure 7.1.

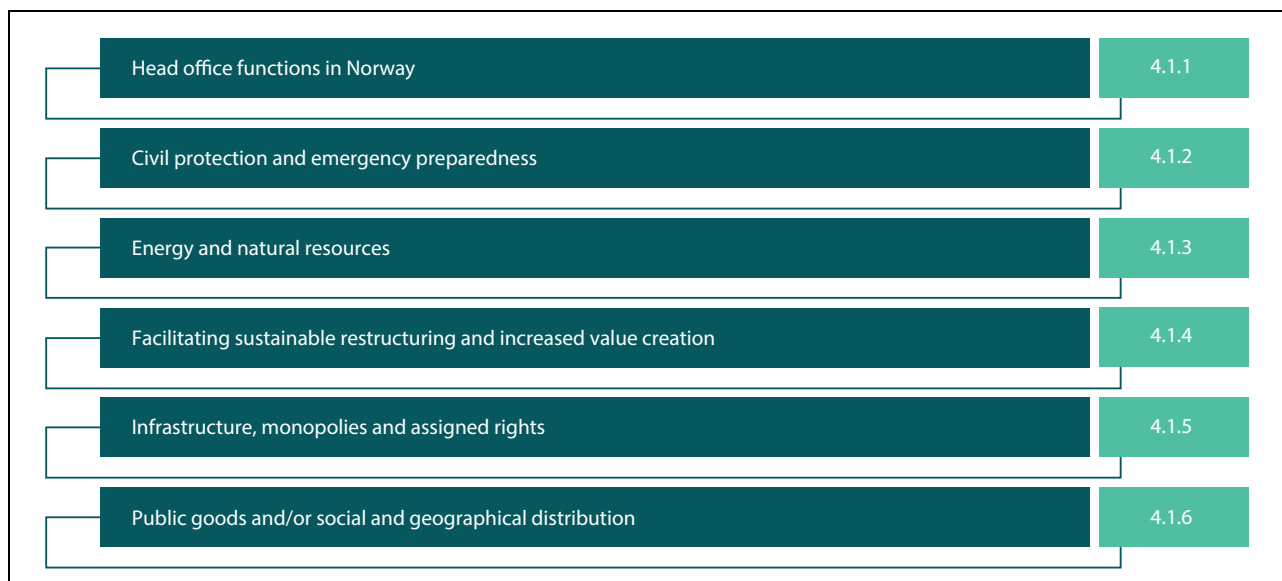


Figure 4.1 Rationales for state ownership.

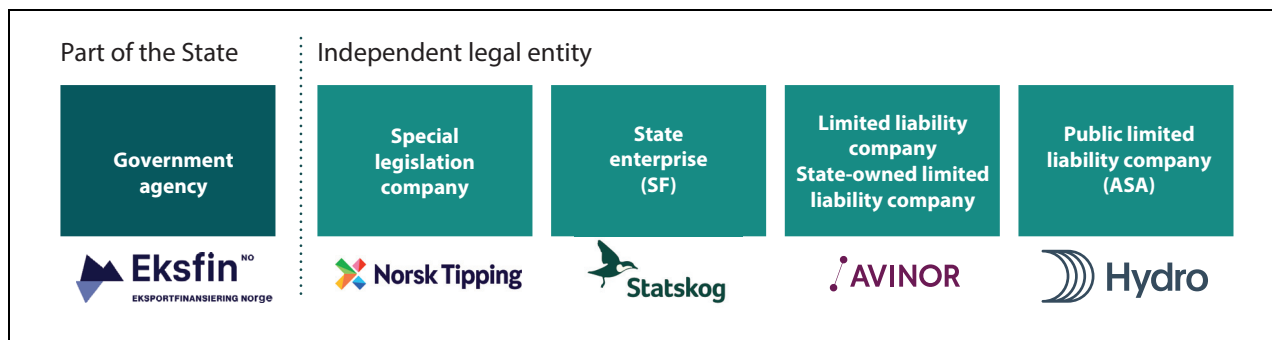


Figure 4.2 Different means in which the State can organise activities, with examples.

#### 4.1.1 Head office functions in Norway

Head office functions of large and internationally leading companies in Norway are thought to have positive effects on the Norwegian economy, and these can thereby contribute to increased overall value creation for society. The decision-makers, specialists, researchers, strategists and staff groups are often located at the head office. These are functions that often require a high level of expertise. Having head offices in Norway can also contribute to increased demand for specialised services and help develop a network of subcontractors and partners both nationally and internationally. This contributes to cooperation and knowledge transfer, which are considered positive for the Norwegian business sector and development throughout the country.

The knowledge that decision-makers possess about investment opportunities and framework conditions is often greater in their home country, which is a factor that could influence investment decisions. Furthermore, companies with activities in multiple countries may wish to prioritise their domestic markets during periods of turbulence and weak international growth, of which there have been signs in, for example, the financial sector. These types of decisions could potentially have positive ripple effects both nationally and locally, which may also have a positive impact on developments in rural areas and contribute to geographical distribution.

Continued long-term State ownership in large and internationally leading companies that are headquartered in Norway can contribute to maintaining and further developing resourceful expert and technology groups in Norway that are of importance to the transition to a low-emission society.

The location of a head office often has a historical context, and it is rare for a head office to be

relocated. However, changes in ownership and mergers are important driving forces when concerning head office changes. Retaining state ownership in certain companies may therefore be appropriate for helping to ensure that head offices remain in Norway. The extent to which the Norwegian economy is affected by individual companies having head office functions in Norway is uncertain. If the consequence of state ownership is that the company will not be organised in the most rational possible manner, this may reduce the value of the company. However, for companies where the State's rationale for ownership is to retain a Norwegian head office, it is assumed that head office functions in Norway have positive effects for the Norwegian economy.

#### 4.1.2 Civil protection and emergency preparedness

Norwegian defence industry capacity in certain technological areas of expertise is vital for developing defence material adapted to Norwegian conditions. Having an adequate defence industry capacity reduces undesirable dependence on other nations and their defence industries. A competent defence industry means that Norway is also able to supply technology and solutions that meet the needs of our allies.

In recent years, social development and the geopolitical situation have contributed to an increased focus on emergency preparedness, for example, food production and emergency storage of infection control equipment, vaccines, medicines and grain. There is also greater focus on securing critical input factors, production, services and infrastructure.

Regulation is the primary policy instrument used for safeguarding considerations relating to national security, civil protection and emergency preparedness. Examples of such regulation are

the Business and Industry Preparedness Act, the Power Contingency Regulations, the Security Act and the Electronic Communications Act. State transfers to manufacturers, contracts with private actors or other forms of cooperation with business actors that are administered and managed through the respective sector ministries are examples of other policy instruments.

In special cases, the State may consider it necessary to prevent undesirable interests from obtaining access to information, influence or control over companies that are of importance to national security, civil protection or emergency preparedness. This can be achieved by, among other things, making the companies subject to the Security Act or by owning a specific stake in certain companies.

#### **4.1.3 Energy and natural resources**

Norway has significant energy and natural resources. Natural resources are largely localised and normally subject to government regulation. Therefore, irrespective of ownership, the State will have some control over the resources and has various means of regulating the management of these resources. As a general rule, revenues that the community receives from energy and natural resources are collected through the tax system. Auctions are also used in some areas. State ownership is also used to collect a larger share of the revenues from energy and natural resources for the community and for greater control over these resources, with a view towards long-term development in the best interests of the country.

#### **4.1.4 Facilitating sustainable restructuring and increased value creation**

There may be a number of barriers and market failures that hinder restructuring and value creation in the Norwegian economy. Examples of this may be insufficient research and innovation, few high-growth start-ups and early-stage companies, the need for a transition to sustainable value creation, a lack of investment expertise and capital market failure. Some of these can be counteracted with direct state involvement through various measures, for example, grants, advice, provision of infrastructure and investment instruments. In some instances, state ownership may be the most appropriate measure. Rural areas may, more so than in central areas, experience barriers and market failures that hinder restructuring and value creation. The State can, both through

adapted policy instruments and ownership, contribute to counteracting these types of barriers and market failures, and in so doing, contribute to value creation and ripple effects throughout all of Norway.

#### **4.1.5 Infrastructure, monopolies and assigned rights**

Contributing to good national infrastructure is a key task of the public sector. State ownership can enable the socio-economically profitable development and operation of infrastructure.

Parts of infrastructure and services are often natural monopolies or have features of monopolies. Monopolistic infrastructure includes, for example, roads, railways, airports, power grids and various forms of physical and digital networks. Infrastructure, monopolies or monopolistic activities will normally only form part of, or parts of, a value chain.

Socially justified monopolies have also been established to limit the availability and consumption of certain products, such as alcoholic beverages and gambling.

The regulation of monopolies can contribute to a better supply of goods and services to society. It can be difficult to adequately regulate private monopolies, and it may therefore be appropriate in some instances for the State to own these forms of businesses.

In order to safeguard various social considerations in certain sectors, the State has granted rights to companies through legislation, agreements, licences or letters of assignment. Some companies with these rights are natural monopolies, have monopolistic features and/or operate in markets that do not function in an optimal manner. These companies can exercise considerable market power, and state ownership may be appropriate in some cases as a supplement to regulation.

#### **4.1.6 Public goods and/or social and geographical distribution**

In some cases, the social benefit may be increased by the State contributing to activities or a broader supply of goods and services than would have occurred in a free market. For example, this applies to healthcare, research, culture and aid/development. These types of goods and services often have the feature of being public goods for which social and geographical distribution are

desirable; moreover, they have positive ripple effects beyond the individual.

The most important state initiative for contributing to the better supply and distribution of public goods is through publicly financed measures such as grant schemes, state purchases or other appropriations via the national budget. It is often appropriate for activities that are wholly, or to a large extent, financed by the State, to be organised in the form of a government agency or, if relevant, as a company owned by the State.

#### 4.2 Different rationales mean different ownership interests

The State's rationale for its ownership is fulfilled by the State owning a specific percentage of the company, often through provisions in the articles of association. For each of the companies, the State considers what ownership interest is appropriate for fulfilling the State's rationale for ownership.

Maintaining head office functions in Norway usually requires the State to own more than one-third of the company. This gives the State negative control of the company's articles of association, including the location of the head office.<sup>1</sup>

State ownership based on civil protection and emergency preparedness normally suggests that the State should own more than half the company. This helps to prevent outside interests from acquiring majority shareholding or gaining influencing through positions on the board.

In many instances, the considerations constituting the rationale for state ownership suggest a need to have provisions pertaining to the company's activities in the articles of association without needing to take into account the support of other shareholders. In such cases, it is expedient that the company is wholly-owned by the State.

In all the cases mentioned above, special circumstances can make other ownership interests relevant.

If the State changes the rationale for the ownership in a company, it may necessitate a change in the State's ownership interest so that the ownership interest is appropriate for fulfilling the rationale. Changes in the rationale may also

necessitate amendments to the company's articles of association.

#### 4.3 Organising State tasks in companies

The performance of state tasks can be organised as part of the public administration, and then often as a government agency, or as an independent legal entity, typically a form of company, cf. Figure 4.2. The choice of organisation may be linked to how closely the State wishes to manage the activities.

When the State uses the company form of organisation as a policy instrument, it entails a different set of framework conditions for the management than if the tasks were performed by a government agency. A government agency makes decisions on behalf of the State, and based on the minister's authority. In principle, the minister has direct constitutional and parliamentary responsibility for all decisions that are made by a government agency. An independent legal entity, on the other hand, has the authority to make decisions in its own name and at its own risk. The relationship between the State as owner and a company follows from the legislation governing the applicable corporate form. The different corporate forms used for state ownership and the legal framework conditions that apply to these are described in Chapter 9.2.<sup>2</sup>

There are also other ways in which companies differ from government agencies. One difference is that the companies' revenues normally come from the sale of goods or services in a market, while most government agencies generally have these expenses covered by appropriations via the national budget. When a company receives revenues from the State, the arrangement between the State and the company is either organised as a contractual relationship or in the form of an assignment that the State orders from the company, and not as a relationship between a superior and a subordinate government agency. Another difference is that a company must have its own capital base, equity and, if relevant, external

<sup>1</sup> The current Limited Liability Companies Act does not require limited companies to specify in their articles of association where the head office is located. This was previously a statutory requirement in the Limited Liability Companies Act.

<sup>2</sup> In official statistics, some of the companies are classified as part of the public administration. Statistics Norway classifies the companies' sector affiliation based on multiple criteria, including whether a material part of the company's revenues stem directly from appropriations via the national budget. This applies to, for example, the regional health authorities, Nye Veier and the theatres. The companies are nonetheless independent legal entities.

financing (loans) to finance the company's assets. Ordinary government agencies do not have equity.<sup>3</sup> Furthermore, a company can normally become insolvent<sup>4</sup>, which is not something that is applicable for government agencies, since they are part of the State.

One consequence of organising activities as a company is a greater distance between the company's activities and the State. The need for detailed political control of an enterprise therefore warrants the use of government agencies.

As a result of reduced control, organisation in a company can also allow the activities to have greater operational, strategic and financial independence than in a government agency. For that reason, several reforms have resulted in the establishment of new companies. One example is the establishment of the regional health authorities.

The need for professional independence from political control may also be an argument in favour of the enterprise taking the form of a company. In light of this, several enterprises engaged in cultural and asset management are organised as companies, including a number of dramatic art companies and the Norwegian Broadcasting Corporation (Norsk rikskringkasting – NRK). The corporate form restricts access to political control, which may be desirable in order to clarify that decisions of a professional, editorial or artistic nature are independent. Professional independence can also be desirable for enterprises that administer grants or support schemes and that engage in research and development. In these instances, formal independence may discourage (the perception of) inappropriate political handling or interference. One method of doing this is to establish a company, which is something the State has done in the case of, for example, the Enova and Simula Research Laboratory. Professional independence can also be achieved through other forms of organisation. For example, for a

period during the 1990s, NRK was organised as a foundation. Another alternative is to continue to allow the activity to be performed by a government agency, but to enshrine independence on certain matters into law, which is a solution used for, among others, the university and university college sector.

The company form of organisation is also used for activities with exclusive rights to sell to customers. A company can more flexibly adapt its activities to, among other things, customer needs, however without the requirement of generating a return. This applies to, for example, Vinmonopolet and Norsk Tipping, both of which have an exclusive right to sell products that are subject to restrictions based on public health considerations. The latter consideration is achieved in part through taxes and marketing restrictions; however, the State also owns the companies to avoid the desire of private actors to make a profit from stimulating increased sales.

The company form of organisation may also be expedient if the business involves an element of market-oriented activities, for example, due to it investing in commercial markets or offering products in a market in competition with others. In such instances, the rules governing state aid in the EEA Agreement will normally provide guidelines for the financing of this part of the activities, cf. Chapter 9.4.

Furthermore, the desire to limit the State's liability can be an additional consideration when the State organises an activity as an independent legal entity. By choosing the company form of organisation, the State is, in principle, only liable for the capital invested in the company.

#### 4.4 Other potential benefits and challenges for the State as owner

Chapter 4.1 lists the instances in which state ownership may be an appropriate measure. The interaction between an adaptable, innovative and competitive business sector and an actively participating state is a characteristic of the Norwegian social model. Norway has had more success than many other countries where the state has a more hands-off approach.

As a long-term and financially strong owner, the State can make a significant contribution towards strengthening long-term ownership in Norway. The State can, both alone or together with other long-term owners, contribute to ownership stability and work to develop Norwegian

<sup>3</sup> The accounts of government agencies whose financial statements are based on the central government's accounting standards will present a balance sheet that formally includes an equity element (the State's capital). Among other things, the purpose of presenting a balance sheet is to provide better information and a better overview and management of large investments.

<sup>4</sup> The exception is the regional health authorities, where the owner has unlimited liability for the company's obligations, see Section 7 of Act No. 93 of 15 June 2011 relating to health authorities and health trusts, etc., and Petoro, where the State is directly liable for any obligation incurred by the company, and where insolvency and debt settlement proceedings cannot be instituted against the company, see Section 11-3 of Act No. 72 of 29 November 1996 relating to petroleum activities.

companies and expertise in Norway over time. State ownership must be managed in an active and professional manner, whereby a long-term perspective, predictability and responsibility are the characteristics of the State's exercise of ownership. When state ownership is exercised in a professional and competent manner, the State can be a good, long-term and value-creating owner.

State ownership is significant and the State's rationale for ownership is not purely motivated by interests relating to asset management or savings. This can also bring with it potential challenges. To avoid possible challenges relating to this, the State has gradually become more professional in how it exercises ownership, and the Norwegian State's exercise of ownership has garnered international recognition.<sup>5</sup>

The following is an overview of possible challenges associated with state ownership. The State places an emphasis on managing these challenges as best as possible by exercising good and professional ownership, cf. Part III of the white paper.

#### *More roles and considerations that do not promote the State's goal as owner*

The State has various roles that allow for potential conflicts between these roles<sup>6</sup>, and uncertainty may arise as to whether the State's other functions are exercised with the aim of providing benefits to its own companies. The State has many goals and tasks through the different roles that it plays, and often has to strike a balance between conflicting interests when implementing policies. Active exercise of ownership based on political guidelines that do not promote the State's goal as an owner can lead to misallocation of resources in the company, inefficient operations and weakened competition, and thereby impair goal attainment and destroy value. It can also contribute to reducing confidence in the Norwegian capital market, where the State is a major player through its ownership interest.

To avoid such conflicts between roles, the State distinguishes between its role as an owner and other roles that govern the company's activities. Since the late 1990s, management of the

State's ownership in the companies has gradually been strengthened, and companies that primarily operate in competition with others have largely been concentrated in the Central Ownership Unit at the Ministry of Trade, Industry and Fisheries. This has helped to reduce the risk and suspicion of conflicting roles and management of the companies according to goals other than the State's goal as owner through its ownership. A clear understanding of roles and a high level of awareness in the ministries regarding the State's different roles are essential, and the exercise of ownership must continue to be organised to avoid conflicting roles and ensure that the State's goal as the owner is the guiding principle.

At the same time, through its other roles such as policy maker and administrative authority, the State exercises potentially great power over citizens. Substantial state ownership increases the risk of concentration of power in the hands of the State at the expense of ordinary citizens.

#### *Prerequisites for exercising value-creating ownership*

Most private owners with large ownership interests take an active role through positions on the board. As a major owner, the State has significant influence over the election of board members, expresses clear expectations of the companies and follows up the companies through the owner dialogue and general meeting. However, based on its different roles and in order to avoid political interference in and responsibility for the company's decisions, the State has opted not to be represented on the companies' boards.

The absence of active ownership can result in management-controlled companies that prioritise considerations other than the interests of the owner.

Traditional literature on ownership discusses theories on the challenges associated with delegating responsibility from the owners to the board and management.<sup>7</sup> This is based on what is known as the principal-agent problem. The problem arises when an agent, for example the board and management, manages assets and makes decisions on behalf of a principal (the owner), but

<sup>5</sup> See, for example, OECD (2018): Economic Surveys: Norway 2018.

<sup>6</sup> The State is responsible for regulating markets, and may also be a major purchaser while also owning companies that operate in the market. The State can also be responsible for awarding licences and for making various individual decisions that determine what a company can and cannot do.

<sup>7</sup> The board is responsible for managing the company in accordance with the interests of the company, within the framework of the law and decision by the general meeting. The interests of the company concern what is best for the company as an independent legal entity in the short and long term, cf. Proposition 135 L (2018–2019) pages 94–95. The interests of the company usually align with the interests of the shareholders.



the interests of the actors differ and the agent possesses relevant information that the principal does not have. This can be intensified in connection with state ownership as a result of the distance between the real owner (the people), the party exercising ownership (the ministries) and the company's board and management. The State's ownership policy and exercise of ownership seek to counteract principal-agent problems through, cf. among other things, clarity regarding the State's goals as an owner, the State's expectations of the companies and their follow-up, as well as the State's guidelines for executive remuneration.

#### *Access to external capital*

A company's assets are normally financed through a combination of equity and debt. When a company raises capital from the markets, the price of capital will reflect the investors' and lenders' assessment of the company's future outlook and risk. The capital market thereby contributes to ensuring that the capital is allocated where it yields the highest return in relation to the risk.

It is unfortunate if lenders have an expectation that the State as owner will implicitly guarantee the companies and infuse new capital if the com-

panies default on their loans. Companies with state ownership will then incur lower financing costs than would otherwise have been the case, which may lead to resources being diverted away from companies and sectors where these would have contributed to greater returns. The State is therefore clear that it is only liable for the capital invested in the company to the same extent as any other owner.

For companies that do not primarily operate in competition with others and that perform tasks that are of critical importance to society, it can sometimes be potentially challenging to establish full credibility for the claim that the State will allow creditors to seize control of the company's assets if the company experiences payment difficulties. If, as a result of this, the market prices loans to these companies at a lower cost, this may adversely affect the investments made in the company. This could mean that projects which would not be considered profitable with financing at market costs will nonetheless be realised. The companies can then expand their activities without this necessarily being socio-economically profitable. The State has chosen to impose lending restrictions on several companies, cf. Chapter 12.4.

## 5 The State's goal as owner

The State is a responsible and active owner with a long-term perspective. The State places emphasis on ensuring that public assets are managed in a way that contributes to generating a return and inspires confidence among the general public.

When assessing the companies' goal attainment, owners and other stakeholders are now more focussed than they were before on how the companies create value. It is important for the State that the company is managed responsibly, which entails acting in an ethical manner and identifying and managing the company's impact on people, society and the environment. A company will generally not be able to generate returns and remain competitive over time without balancing economic, social and environmental factors.

### 5.1 The highest possible return over time in a sustainable manner

The State's goal as owner in the companies that primarily operate in competition with others is the highest possible return over time in a sustainable manner. The State's goal shall be attained in accordance with the provisions stipulated in the articles of association.<sup>1</sup>

- *Highest possible* means that *the return* must be maximised by the company seeking to generate the highest possible value from the equity. The goal of maximising returns is a prerequisite for good resource allocation in each of the companies. In principle, a company cannot create value and remain competitive if its ownership and operation are not based on the goal of the highest possible return over time within an acceptable level of risk. It is the company's total return, including dividends, that forms the basis for assessing goal attainment.
- *Over time* means that the State is an owner with a long-term perspective and assesses the companies' goal attainment in the short and long term.

<sup>1</sup> See Chapters 5.4 and 9.3.4.

- *In a sustainable manner* presupposes that the companies balance economic, social and environmental factors in a manner that contributes to the highest possible return over time without reducing the ability of future generations to meet their own needs.

### 5.2 Sustainable and most efficient possible attainment of public policy goals

The State's goal as owner in the companies that do not primarily operate in competition with others is sustainable and the most efficient possible attainment of public policy goals. The State's public policy goals vary between the companies, and are specified in Chapter 7.2. For all companies, the goal has to be attained in a sustainable manner and as efficiently as possible.

- *Sustainable* presupposes that the companies balance economic, social and environmental factors in a manner that contributes to long-term goal attainment without reducing the ability of future generations to meet their own needs.
- The *most efficient possible* attainment of public policy goals means that resources are allocated to activities that result in both the highest possible public policy goal attainment and that the activities are carried out as cost-effectively as possible. For example, this can entail that the company works to achieve the highest possible goal attainment with the available resources, or delivers on a given goal with as few resources as possible within an acceptable risk.

Clearly defined goals are generally a prerequisite for good resource allocation in each of the companies. For most companies, it will be relevant that the public policy goal can be maximised.

For the wholly-owned companies, the State's rationale for ownership and the State's public policy goal as an owner will normally be reflected in the provision stipulating the companies' activities (object) and any other provisions in the compa-

nies' articles of association.<sup>2</sup> In the partly-owned companies, the State cooperates with other shareholders on the drafting of the company's articles of association. The State's rationale for ownership is fulfilled by the State owning a certain percentage of the company, and usually through provisions in the company's articles of association.

Some of the companies may also engage in activities that are in competition with others. For these activities, the State normally has the goal of the highest possible return over time in a sustainable manner.<sup>3</sup> The rules relating to state aid also set limits for this.<sup>4</sup> See also chapter 9.6 regarding special framework conditions for companies that perform assignments for the State

### 5.3 Categorisation of companies with state ownership

Since 2006, the companies in the State's portfolio have been categorised based on the State's goal as owner and partly based on the rationale for ownership. In this white paper, the companies have been placed into two categories based on the State's goal as owner.<sup>5</sup> The companies in the present Category 1 were previously divided into two categories based on whether or not the State had a special rationale for its ownership. The Government does not consider it appropriate to categorise the companies in this manner, because the most important aspect when categorising the companies is clarity regarding the State's goal as an owner of the companies. This simplification in the categorisation of the companies does not entail changes to the State's exercise of ownership.

<sup>2</sup> For special legislation companies, the company's activities (object) are also defined in statutes.

<sup>3</sup> When the State acts as a market operator, it is obligated to act in accordance with the «market economy operator principle» in EEA law. In instances when this is appropriate and in line with EEA legislation, the State may have goals other than the highest possible return over time in a sustainable manner for these types of financial activities.

<sup>4</sup> When the state acts as a market operator, it is obligated to act in accordance with the requirements which the rules in the EEA Agreement set for market operators («market economy operator principle») to avoid the investment being deemed a financial benefit for the recipient pursuant to Article 61 (1) of the EEA Agreement, cf. the EEA's Guidelines on the Notion of State Aid of 18 January 2017 and further reference in Chapter 9.4.

<sup>5</sup> For various reasons, some companies have not been categorised, see Chapter 7.3.

#### *Category 1 – Goal of the highest possible return over time in a sustainable manner*

This category comprises the companies for which the State's goal as owner is the highest possible return over time in a sustainable manner. The companies in this category primarily operate in competition with others. The State's rationale for ownership in each company is presented in Chapter 7.1 and fulfilled by the State owning a certain percentage of the company, and potentially through provisions in the articles of association.

#### *Category 2 – Goal of sustainable and the most efficient possible attainment of public policy goals*

This category comprises the companies where the State's goal is sustainable and the most efficient possible attainment of public policy goals. The companies in this category do not primarily operate in competition with others. The State's rationale for ownership and the State's goal as owner in each company are presented in Chapter 7.2 and fulfilled by the State owning a certain percentage of the company, most often through provisions in the articles of association.

Some of the companies in Category 2 may also engage in some activities in which they operate in competition with others. In such cases, the State's goal is normally the highest possible return over time in a sustainable manner for this limited part of the company's activities, cf. Chapter 5.2

### 5.4 Why the State is an owner and the State's goal as owner are regularly assessed<sup>6</sup>

Regular assessments of why the State is an owner and the State's goal as owner in each company contribute to ensuring that the ownership is up-to-date and relevant, and enable the State to effectively address different needs. Such an assessment is carried out for all of the companies in the State's portfolio in connection with each white paper on ownership policy. The Government normally presents a white paper on ownership policy to the Storting during each parliamentary term. The State's ownership in individual companies can also be assessed in other contexts as required.

The normal starting point for the assessments is the needs that the State must safeguard and

<sup>6</sup> This follows from the Regulations on Financial Management in Central Government, cf. Chapter 9.5.2

whether state ownership is an appropriate measure, cf. Chapter 4. These assessments, and whether or not the company primarily operates in competition with others, determine what goal the State as owner should have and what constitutes an appropriate ownership interest. As a starting point, the above assessments are also made if the State is considering establishing a new company.<sup>7</sup>

*Companies that primarily operate in competition with others*

For companies that primarily operate in competition with others, the State considers whether changes should be made to the State's rationale for ownership in the company, or potentially whether the ownership interest should be changed. There is also an assessment of whether

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<sup>7</sup> See also DIFI (Agency for Public Management and eGovernment) (2014): «From state to market – Guide to hiving off enterprises from the State» and Instructions for the Preparation of Central Government Measures («Instructions for Official Studies»).

the State's needs can be met more effectively by using other measures.

Any changes to the rationale for state ownership will usually take place over time, for example, as a result of developments and competition in a market. It may therefore be applicable to reduce or increase state ownership in existing and new companies.

*The companies that do not primarily operate in competition with others*

For companies that primarily do not operate in competition with others, the State considers whether there is still a need for a state measure in this area. The State also assesses whether it is still appropriate to have a company rather than organise the enterprise as a government agency, or alternatively whether, for example, regulation, subsidies, taxes, public purchases of goods and services, either alone or in combination, are more suitable measures.

*Part II*  
*What the State owns*



## 6 Overview of state ownership

The State’s direct ownership comprises companies where the State’s ownership is managed directly by a ministry. This currently includes 70 companies, divided among twelve ministries, see Figure 6.3. Figure 6.3 also shows which category each of the companies belongs to, cf. Chapter 5.3. Chapter 7 provides a brief overview of the companies, including a statement of why the State is an owner and the State’s goal as an owner in each of the companies.

The State’s direct ownership is substantial when concerning both the number of companies and their value, and, when viewed in relative terms, it is more extensive than many other Western countries.

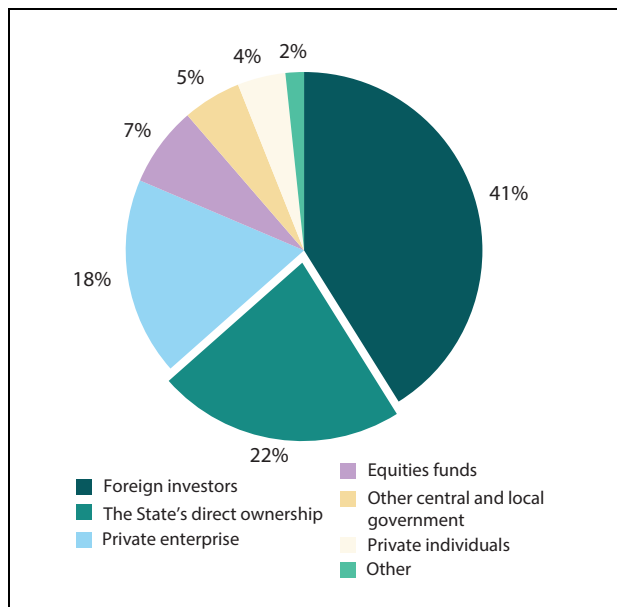
At year-end 2021, the value of the State’s ownership interests in companies for which the State’s goal as an owner is the highest possible return over time in a sustainable manner (Category 1), was estimated to be NOK 999 billion. The State’s shares listed on the Oslo Stock Exchange

accounted for NOK 844 billion of the total value. The market value of the State’s shares in the company is used for the listed companies. The State’s share of book equity less minority interests is used for the unlisted companies, which may deviate significantly from the actual market value.

The State directly owns more than one-fifth of the total value on the Oslo Stock Exchange. As of the present date, the State is a direct shareholder in eight listed companies.

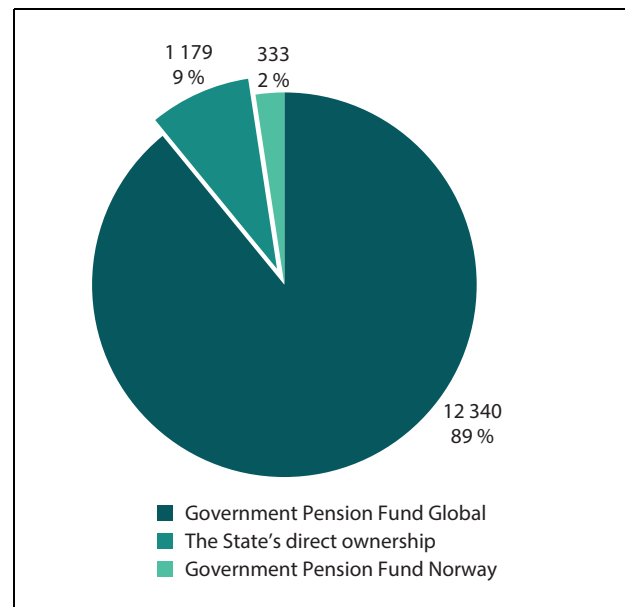
Valuations may be less relevant for companies in which the State’s goal as an owner is sustainable and the most efficient possible attainment of public policy goals (Category 2). The State’s share of book equity less minority interests in these companies was NOK 180 billion at the end of 2021. In 2021, these companies administered approximately NOK 207 billion in grants from the State and had turnover of NOK 310 billion.

The State’s direct ownership comes in addition to substantial financial wealth through the Gov-



Figur 6.1 Ownership structure on Oslo Stock Exchange at the end of 2021. Percentage of market value.

Source: Euronext Securities Oslo and the Ministry of Trade, Industry and Fisheries.



Figur 6.2 The Government Pension Fund and the State’s direct ownership at the end of 2021. NOK billion.

Source: Norges Bank, the Ministry of Trade, Industry and Fisheries and Folketrygdfondet.

ernment Pension Fund, which consists of the Government Pension Fund Global (GPF) and the Government Pension Fund Norway (GPFN). The Government Pension Fund Global is invested globally outside of Norway and is managed by Norges Bank. The Government Pension Fund Norway is invested in all of the Nordic countries except for Iceland (although primarily in Norway), and is managed by Folketrygdfondet. The Government Pension Fund differs from the State's direct ownership in several ways. One difference is that, through direct ownership, the State has substantial ownership interests in a small number of companies, while the goal of the investments in the Government Pension Fund is to have a broad spread across different types of financial assets.

#### *State ownership in other countries*

Other countries also have direct state ownership. It is most natural to compare Norway with the

other Nordic countries, which also have relatively substantial state ownership.

The Swedish state is a shareholder in 45 wholly and partly owned companies, two of which are listed. The total value of the Swedish state's portfolio is approximately NOK 799 billion.<sup>1</sup> The Finnish state is a shareholder in 68 wholly and partly owned companies, four of which are listed. In addition, the Finnish state has ownership interests in 12 listed companies through the holding company Solidium. The total value of the Finnish state's portfolio is approximately NOK 469 billion.<sup>2</sup> The Danish state owns shares in 30 wholly and partly owned companies, three of which are listed on the stock exchange.

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<sup>1</sup> The Swedish Ministry of Enterprise and Innovation (2022): «Annual report for state-owned enterprises 2021». The value is converted from SEK to NOK at the exchange rate as of 31 December 2021.

<sup>2</sup> Publications of the Finnish Government 2022:32: «Report on State Annual Accounts 2021 Annex 4 State corporate holdings». The value is converted from EUR to NOK at the exchange rate as of 31 December 2021.



Overview of the State's direct ownership by ministry					
Ministry and company	Holding	Category	Ministry and company	Holding	Category
<b>Ministry of Finance</b>			Andøya Space AS	90%	2
Folketrygdfondet (special-legislation company)	100%	*	Argentum Fondsinvesteringer AS	100%	1
<b>Ministry of Defence</b>			Baneservice AS	100%	1
Rygge 1 AS	100%	*	DNB Bank ASA	34%	1
<b>Ministry of Health and Care Services</b>			Eksportfinans ASA	15%	1
Helse Midt-Norge RHF	100%	2	Equinor ASA	67%	1
Helse Nord RHF	100%	2	Fiskeri- og havbruksnæringens forskningsfinansiering AS	100%	2
Helse Sør-Øst RHF	100%	2	Flytoget AS	100%	1
Helse Vest RHF	100%	2	Innovasjon Norge (special-legislation company)	51%	2
Nordisk Institutt for Odontologiske Materialer AS	49%	2	Investinor AS	100%	1
Norsk Helsenet SF	100%	2	Kongsberg Gruppen ASA	50.004%	1
AS Vinmonopolet (special-legislation company)	100%	2	Mantena AS	100%	1
<b>Ministry of Climate and Environment</b>			Mesta AS	100%	1
Bjørnøen AS	100%	2	Nammo AS	50%	1
Enova SF	100%	2	Nofima AS	56.8%	2
Kings Bay AS	100%	2	Norges sjømatråd AS	100%	2
<b>Ministry of Local Government and Regional Development</b>			Norsk Hydro ASA	34.26%	1
Electronic Chart Centre AS	100%	2	Nysno Klimainvesteringer AS	100%	1
Kommunalbanken AS	100%	1	Petoro AS	100%	2
Norid AS	100%	2	Posten Norge AS	100%	1
<b>Ministry of Culture and Equality</b>			Siva - Selskapet for Industrivekst SF	100%	2
Carte Blanche AS	70%	2	Space Norway AS	100%	2
AS Den Nationale Scene	66.67%	2	Statkraft SF	100%	1
Den Norske Opera & Ballett AS	100%	2	Store Norske Spitsbergen Kulkompani AS	100%	2
Filmparken AS	77.6%	2	Telenor ASA	53.97%	1
Nationaltheatret AS	100%	2	Yara International ASA	36.21%	1
Norsk rikskringkasting AS	100%	2	<b>Ministry of Petroleum and Energy</b>		
Norsk Tipping AS (special-legislation company)	100%	2	Gassco AS	100%	2
Rogaland Teater AS	66.67%	2	Gassnova SF	100%	2
Rosenkrantzgate 10 AS	3.07%	*	Statnett SF	100%	2
Talent Norge AS	33.33%	2	<b>Ministry of Transport</b>		
Trøndelag Teater AS	66.67%	2	Avinor AS	100%	2
<b>Ministry of Education and Research</b>			Bane NOR SF	100%	2
Simula Research Laboratory AS	100%	2	Entur AS	100%	2
Universitetssenteret på Svalbard AS	100%	2	Norske tog AS	100%	2
<b>Ministry of Agriculture and Food</b>			Nye Veier AS	100%	2
Graminor AS	28.2%	2	Spordrift AS	100%	2
Kimen Sävarelaboratoriet AS	51%	2	Vygruppen AS	100%	1
Statskog SF	100%	2	<b>Ministry of Foreign Affairs</b>		
<b>Ministry of Trade, Industry and Fisheries</b>			Norfund (special-legislation company)	100%	2
Akastor ASA	12.08%	1			
Aker Solutions ASA	12.23%	1			

\* Not categorised

Figure 6.3 Overview of the State's direct ownership by ministry.

## 7 Review of the companies with state ownership

The companies with state ownership have been divided into two categories depending on the State's goal as owner. Category 1 comprises the companies with the goal of achieving the highest possible return over time in a sustainable manner, and Category 2 includes the companies with the goal of sustainable and the most efficient possible attainment of public policy goals. The companies are presented alphabetically in the two different categories in Chapters 7.1 (Category 1) and 7.2 (Category 2). The companies that are not categorised are presented in Chapter 7.3.

For each company, a description is provided of its activities, the State's ownership and, where applicable, special framework conditions for the company. Further information about the companies is provided each year in the State Ownership Report.<sup>1</sup>

### 7.1 The companies in Category 1

#### Akastor ASA

##### *About the company*

Akastor invests in companies within the oil supplier industry. The company has a flexible investment mandate for active ownership and long-term value creation. At year-end 2021, Akastor's investment portfolio had total capital employed of NOK 5.1 billion. The company's largest investment is a 50 per cent stake in HMM, which is a joint venture between MHWirth (formerly owned by Akastor) and Baker Hughes SDS. Akastor is listed on the Oslo Stock Exchange and has its head office in Bærum.

At year-end 2021, the company had 431 employees and a market value of NOK 1.5 billion. Operating revenues in 2021 were NOK 953 million.

##### *State ownership*

The State has no special rationale for its ownership in Akastor. The State owns 12.08 per cent of the shares in Akastor.

The State's goal as owner is the highest possible return over time in a sustainable manner.

In the budget proposal for 2023, the Government has proposed retaining the authority to partly or fully reduce the State's ownership in Akastor.

#### Aker Solutions ASA

##### *About the company*

Aker Solutions delivers integrated solutions, products and services to the global energy industry. The company's innovative solutions enable low-carbon oil and gas production and the development of renewable solutions to meet future energy needs. Aker Solutions is listed on the Oslo Stock Exchange and has its head office in Bærum.

At year-end 2021, the company had 15,012 employees and a market value of NOK 11.5 billion. Operating revenues in 2021 were NOK 29.5 billion.

##### *State ownership*

The State has no special rationale for its ownership in Aker Solutions. The State owns 12.23 per cent of the shares in Aker Solutions.

The State's goal as owner is the highest possible return over time in a sustainable manner.

In the budget proposal for 2023, the Government has proposed retaining the authority to partly or fully reduce the State's ownership in Aker Solutions.

#### Argentum Fondsinvesteringer AS

##### *About the company*

Argentum Fondsinvesteringer (Argentum) is an asset manager that primarily invests in private equity funds in Norway and Northern Europe. These funds invest in non-listed companies where

<sup>1</sup> See the Government's website on state ownership.

they see potential for increased value creation and can contribute knowledge, capital and networks. Argentum also manages capital for private investors. The company was established in 2001. Argentum's head office is situated in Bergen.

At year-end 2021, the company had 27 employees and book equity of NOK 13.3 billion. Operating revenues in 2021 were NOK 4.6 billion.

#### *State ownership*

The State's rationale for ownership in Argentum is to maintain an investment company, aimed at active owner funds, with head office functions in Norway. The State owns 100 per cent of the shares in Argentum.

The State's goal as owner is the highest possible return over time in a sustainable manner.

### **Baneservice AS**

#### *About the company*

Baneservice provides railway-related maintenance services and new installations. The company was divested from what was then known as the Norwegian National Railway Administration in 2005. Baneservice's head office is in Oslo.

At year-end 2021, the company had 606 employees and book equity of NOK 421 million. Operating revenues in 2021 were NOK 1.6 billion.

#### *State ownership*

The State's rationale for ownership in Baneservice is to have a provider of railway-related operation and maintenance services and the development of installations for railway-related activities. The State owns 100 per cent of the shares in Baneservice.

The State's goal as owner is the highest possible return over time in a sustainable manner.

### **DNB Bank ASA**

#### *About the company*

DNB Bank (DNB) is Norway's largest financial services group and one of the largest in the Nordic region. The Group offers a broad range of financial services, including loans, saving, investments, payment services, advisory services, real estate brokering, insurance and pension for private and corporate customers. The State acquired the DNB shares during the banking crisis of the 1990s. DNB is listed on Oslo Stock Exchange and is headquartered in Oslo.

At year-end 2021, the company had 9,659 employees and a market value of NOK 313.2 billion. Net interest income in 2021 was NOK 38.7 billion.

#### *State ownership*

The State has an ownership interest in DNB to maintain a leading financial services company with head office functions in Norway. The State owns 34 per cent of the shares in DNB.

The State's goal as owner is the highest possible return over time in a sustainable manner.

### **Eksportfinans ASA**

#### *About the company*

Eksportfinans manages a portfolio of loans to the Norwegian export industry, foreign buyers of Norwegian capital goods, and the municipal sector in Norway. A large proportion of the loans are guaranteed by Eksportfinansiering Norge (Eksfin) or banks. The company also manages a portfolio of international securities. Eksportfinans has not granted new loans since 2012, which was when Eksportkreditt Norge AS (now Eksfin) took over responsibility for providing new State-supported export credits. The company was established in 1962 and is now owned by 22 commercial and savings banks in addition to the State, which acquired its ownership interest through a private placement in 2001. Eksportfinans' head office is in Oslo.

At year-end 2021, the company had 20 employees and book equity of NOK 6 billion. Operating revenues in 2021 were NOK 118 million.

#### *State ownership*

The State has no special rationale for its ownership in Eksportfinans. The State owns 15 per cent of the shares in Eksportfinans. In addition to the State, the largest owners in Eksportfinans are DNB Bank ASA with 40 per cent, Nordea Bank AB Norway Branch with 23 per cent, Danske Bank AS with 8 per cent and Sparebanken Øst with 5 per cent.

The State's goal as owner is the highest possible return over time in a sustainable manner.

### **Equinor ASA**

#### *About the company*

Equinor is an international technology and energy company whose main activity is the production of

oil and gas. The company also has downstream operations and activities in renewable energy, such as offshore wind farms and solar energy. The company is a major seller of crude oil, condensate and natural gas on a global scale. Equinor markets and sells the State's oil and gas together with its own volumes, cf. the Owner's Instruction that was stipulated in the articles of association prior to the company's listing in 2001. The company was established as a company wholly-owned by the State in 1972. Equinor is listed on Oslo Stock Exchange and the New York Stock Exchange and is headquartered in Stavanger.

At year-end 2021, the company had 21,126 employees and a market value of NOK 768.5 billion. Operating revenues in 2021 were NOK 782 billion.

#### *State ownership*

The State's rationale for ownership in Equinor is to maintain a leading energy company with head office functions in Norway. The State owns 67 per cent of the shares in Equinor.

The State's goal as owner is the highest possible return over time in a sustainable manner.

#### *Special framework conditions for the company*

The Marketing Arrangement (Avsetningsordningen) is a special framework condition for the State's ownership in Equinor. The arrangement entails that Equinor markets and sells oil and gas from the State's Direct Financial Interest (SDFI) together with its own volumes. The objective of the Marketing Arrangement is to obtain the highest possible total value from the SDFI volumes and Equinor's volumes, and to ensure an equitable distribution of the total value creation. The Marketing Arrangement has been implemented through a separate instruction (Owner's Instruction) adopted in the articles of association at Equinor's general meeting on 25 May 2001 prior to the listing of the company. It is necessary for the implementation of the Marketing Arrangement that the State is the majority owner in Equinor.

#### **Flytoget AS**

##### *About the company*

Flytoget operates a rail passenger transport service between Drammen and Oslo Airport. The company was established in 1992 to develop the

Gardermoen Line and the company has operated a passenger transport service on this line since Oslo Airport opened in 1998. Flytoget's head office is in Oslo.

At year-end 2021, the company had 324 employees and book equity of NOK 814 million. Operating revenues in 2021 were NOK 567 billion.

##### *State ownership*

The State's rationale for ownership in Flytoget is to have a provider of passenger rail services and to maintain the rail service to and from Oslo Airport. The State owns 100 per cent of the shares in Flytoget.

The State's goal as owner is the highest possible return over time in a sustainable manner.

For passenger rail transport covered by the negotiations with the Norwegian Railway Directorate for the direct allocation of transport agreements for Eastern Norway, the State's goal as owner is sustainable and the most efficient possible attainment of public policy goals.

#### **Investinor AS**

##### *About the company*

Investinor's objective is to promote better access to capital in the early-phase market through the following business activities: 1) Active direct investments, 2) Follow-up of seed funds, 3) Follow-up of pre-seed funds, 4) Co-investment Fund for Northern Norway, 5) Fund and investment matchings, and 6) Follow-up of funds managed from Northern Norway. The company was established in 2008. Investinor's head office is in Trondheim.

At year-end 2021, the company had 32 employees and book equity of NOK 5.6 billion. Operating revenues in 2021 were NOK 173 million.

##### *State ownership*

The State's rationale for ownership in Investinor is to contribute to capital access for companies in an early phase of development. The State owns 100 per cent of the shares in Investinor.

The State's goal as owner is the highest possible return over time in a sustainable manner.

##### *Special framework conditions for the company*

The company's articles of association specify special guidelines for the company's investments.

**Kommunalbanken AS***About the company*

Kommunalbanken offers long-term loan financing to the municipal sector. The enterprise was established in 1926 and converted into a limited liability company in 1999. Kommunalbanken's head office is in Oslo.

At year-end 2021, the company had 94 employees and book equity of NOK 19 billion. Interest income in 2021 was NOK 3.5 billion.

*State ownership*

The State's rationale for ownership in Kommunalbanken is to offer stable, long-term and effective financing to the municipal sector. The State owns 100 per cent of the shares in Kommunalbanken.

The State's goal as owner is the highest possible return over time in a sustainable manner.

*Special framework conditions for the company*

The purpose of the company is to only provide loans to municipal and county authorities, IKS (intermunicipal companies) and other companies that undertake local authority business, against a local or central government guarantee or other suitable security.

**Kongsberg Gruppen ASA***About the company*

Kongsberg Gruppen supplies high technology systems and solutions to customers in the energy, offshore, shipping, fisheries, defence and space industries. The company is a continuation of the State-owned Kongsberg Våpenfabrikk, which was dissolved in 1987. Kongsberg Gruppen is listed on the Oslo Stock Exchange and has its head office in Kongsberg.

At year-end 2021, the company had 11,122 employees and a market value of NOK 51.1 billion. Operating revenues in 2021 were NOK 27.4 billion.

*State ownership*

The State's rationale for ownership in Kongsberg Gruppen is to maintain a high-tech industrial company with head office functions in Norway and to have control of a strategic defence industry supplier. The State owns 50.004 per cent of the shares in Kongsberg Gruppen.

The State's goal as owner is the highest possible return over time in a sustainable manner.

**Mantena AS***About the company*

Mantena provides maintenance services to train operators in the Nordic region, primarily the maintenance of locomotives, carriages and multiple units. The company also maintains components and maintains and repairs rolling stock. The company was demerged from Vygruppen AS in 2017. Mantena's head office is in Oslo.

At year-end 2021, the company had 967 employees and book equity of NOK 204 million. Operating revenues in 2021 were NOK 1.6 billion.

*State ownership*

The State's rationale for ownership in Mantena is to have a provider of maintenance and workshop services for rolling stock. The State owns 100 per cent of the shares in Mantena.

The State's goal as owner is the highest possible return over time in a sustainable manner.

**Mesta AS***About the company*

Mesta is Norway's largest contracting company in the operation and maintenance of roads. The company also has extensive activities within road and rail construction projects such as tunnel rehabilitation, rock and landslide protection, wharf and bridge maintenance and road safety. Mesta is also the largest operator within electrical engineering on roads and tunnels. The company was divested from the Norwegian Public Roads Administration in 2003. Mesta's head office is situated in Bærum.

At year-end 2021, the company had 1,696 employees and book equity of NOK 652 million. Operating revenues in 2021 were NOK 5.3 billion.

*State ownership*

The State's rationale for ownership in Mesta is that the company possesses important expertise for the operation and maintenance of transport infrastructure. The State owns 100 per cent of the shares in Mesta.

The State's goal as owner is the highest possible return over time in a sustainable manner.

**Nammo AS***About the company*

Nammo supplies high-technology products to the aerospace and defence industry. The core business includes the development and production of rocket motors, military and sports ammunition, shoulder-launched weapons systems and environmentally-friendly demilitarisation services. The company was founded in 1998 through a merger of Nordic munitions companies with a view to strengthen security of supply in the Nordic region. Nammo's head office is at Raufoss in Vestre Toten.

At year-end 2021, the company had 2,662 employees and book equity of NOK 3.2 billion. Operating revenues in 2021 were NOK 7 billion.

*State ownership*

The State's rationale for ownership in Nammo is to maintain a high-tech industrial company with head office functions in Norway and to have control of a strategic defence industry supplier with a significant part of its activities in Norway. The State owns 50 per cent of the shares in Nammo. The State has a shareholder agreement with Patria Oyj, which owns 50 per cent of the company, that grants the owners extended shareholder rights.

The State's goal as owner is the highest possible return over time in a sustainable manner.

**Norsk Hydro ASA***About the company*

Norsk Hydro (Hydro) is a leading aluminium and energy company with operations throughout the entire aluminium value chain, from energy production to bauxite extraction and alumina refining, the production of primary aluminium, aluminium extrusions and aluminium recycling. The State acquired a major stake in Hydro following the Second World War. Hydro is listed on the Oslo Stock Exchange and is headquartered in Norway.

At year-end 2021, the company had 31,264 employees and a market value of NOK 144 billion. Operating revenues in 2021 were NOK 150 billion.

*State ownership*

The State's rationale for ownership in Hydro is to maintain a leading industrial company with head office functions in Norway. The State owns 34.26 per cent of the shares in Hydro.

The State's goal as owner is the highest possible return over time in a sustainable manner.

**Nysnø Klimainvesteringer AS***About the company*

Nysnø Klimainvesteringer (Nysnø) aims to help reduce greenhouse gas emissions by making investments that directly or indirectly contribute to this. The company invests in non-listed companies and funds aimed at non-listed companies with business operations in or out of Norway. The investment universe includes companies that are in early phases of development and the investments are primarily concentrated on new technology in the transition from technological development to commercialisation. The company was established in 2017 and has been operational since autumn 2018. Nysnø's head office is in Stavanger.

At year-end 2021, the company had 12 employees and book equity of NOK 2.5 billion. Operating revenues in 2021 were NOK 89 million.

*State ownership*

The State's rationale for ownership in Nysnø is to contribute to capital access for companies in an early phase of development that reduces greenhouse gas emissions. The State owns 100 per cent of the shares in Nysnø.

The State's goal as owner is the highest possible return over time in a sustainable manner.

*Special framework conditions for the company*

The company's articles of association specify special guidelines for the company's investments.

**Posten Norge AS***About the company*

Posten Norge is one of the largest mail and logistics groups in the Nordic region. The company is positioning itself for long-term growth in the logistics segment, particularly within e-commerce, through investments in innovation and sustainability. Posten Norge markets itself using two brands: Posten, which is the service offered to the Norwegian people, and Bring, which is the service offered to all corporate customers and private customers outside of Norway. The company's head office is situated in Oslo.

At year-end 2021, the company had 12,561 employees and book equity of NOK 7.3 billion.

Operating revenues in 2021 were NOK 24.7 billion.

#### *State ownership*

The State's rationale for ownership in Posten Norge is to maintain nationwide statutory postal services in Norway. The State owns 100 per cent of the shares in Posten Norge.

The State's goal as owner is the highest possible return over time in a sustainable manner.

#### *Special framework conditions for the company*

The Ministry of Transport has appointed Posten Norge as the provider with a duty to deliver postal services. The State exercises its authority by purchasing services from Posten Norge to ensure nationwide provision of postal services. The State regulates the content and quality of the services through the Postal Services Act.

#### **Statkraft SF**

##### *About the company*

Statkraft is Europe's largest producer of renewable energy and a major player in the European energy market. The focal point of Statkraft's activities is in Norway through the company's Norwegian hydropower business. The company can also invest in profitable projects internationally and has production and trading activities in a number of other European countries, as well as selected markets in Asia and South America. The company was divested from Statskraftverkene in 1992. Statkraft's head office is in Oslo.

At year-end 2021, the company had 4,782 employees and book equity of NOK 105 billion. Operating revenues in 2021 were NOK 41.3 billion.

#### *State ownership*

The State's rationale for ownership in Statkraft is to own Norwegian hydropower resources and maintain a leading energy company with head office functions in Norway. The State owns 100 per cent of Statkraft.

The State's goal as owner is the highest possible return over time in a sustainable manner.

Statkraft is a company that plays an important role in the development of renewable energy. In light of the State's rationale for ownership and the fact that Statkraft is a wholly-owned state company, the State has a particular focus on the com-

pany appropriately assessing and balancing risk in its future growth plans, including with regard to demanding markets.

#### **Telenor ASA**

##### *About the company*

Telenor is a global mobile operator with 172 million mobile subscriptions. The company was established in 1994 through the conversion of Tel- everket into a limited liability company. Telenor is listed on the Oslo Stock Exchange and has its head office in Bærum.

At year-end 2021, the company had 16,000 employees and a market value of NOK 194 billion. Operating revenues in 2021 were NOK 110 billion.

#### *State ownership*

The State's rationale for ownership in Telenor is to maintain a leading telecommunications company with head office functions in Norway, and to have control of communications infrastructure that is critical to society. The State owns 53.97 per cent of the shares in Telenor.

The State's goal as owner is the highest possible return over time in a sustainable manner.

#### **Vygruppen AS**

##### *About the company*

Vygruppen (Vy) is a transport group with operations in Norway and Sweden. Activities consist of rail passenger services, rail freight transport and bus services, as well as other activities with a natural connection to this. The company was divested from the State in 1996 and has been organised as a State-owned limited company since 2002. Vy's head office is in Oslo.

At year-end 2021, the company had 12,457 employees and book equity of NOK 3 billion. Operating revenues in 2021 were NOK 15.3 billion.

#### *State ownership*

The State's rationale for ownership in Vy is to have a provider that can meet the State's need for the transport of passengers and freight by rail. The State owns 100 per cent of the shares in Vy.

The State's goal as owner is the highest possible return over time in a sustainable manner.

For passenger rail transport covered by the negotiations with the Norwegian Railway Directorate for the direct allocation of transport agree-

ments for Eastern Norway, the State's goal as owner is sustainable and the most efficient possible attainment of public policy goals.

*Special framework conditions for the company*

In its role as sector authority, the Ministry of Transport is responsible for setting the framework conditions for Vy's activities as a rail operator. This takes place via the national budget, the agency management of the Norwegian Railways Directorate as coordinating operator for the railway sector and management of sector-specific laws and regulations. Via the Norwegian Railway Directorate, the State currently purchases services from Vy and other rail operators in order to have a nationwide passenger rail service. The content and quality of the services depend on how much the State is willing to pay for the services. This is decided in connection with the annual national budgets. The State achieves its public policy goal through purchases of passenger rail services and other regulations.

The Government has decided to cease further competitive tendering of passenger rail transport. The operation of the rail service in Eastern Norway has been divided into two packages, Østlandet 1 and Østlandet 2, and these will be allocated directly to Vy and/or Flytoget.

**Yara International ASA**

*About the company*

Yara International (Yara) is a global leading crop nutrition company with a portfolio of nitrogen-based products for industrial use. Yara is listed on the Oslo Stock Exchange and is headquartered in Oslo.

At year-end 2021, the company had 17,800 employees and a market value of NOK 113 billion. Operating revenues in 2021 were NOK 143 billion.

*State ownership*

The State's rationale for ownership in Yara is to maintain a leading industrial company with head office functions in Norway. The State owns 36.21 per cent of the shares in Yara.

The State's goal as owner is the highest possible return over time in a sustainable manner.

## **7.2 The companies in Category 2**

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**Andøya Space AS**

*About the company*

Andøya Space provides services relating to space and atmospheric research, environmental monitoring and technology testing and verification. The company also contributes to knowledge development and interest in these areas. The company is in the process of establishing a launch base for small satellites at Andøya. The Norwegian Armed Forces are a significant customer of Andøya Space for activities related to testing and training activities with missiles and other advanced weapon systems. Andøya Space has roots that date back to when the undertaking was established in 1962 and was split off as a limited liability company in 1997. The head office is in Andøya.

At year-end 2021, the company had 130 employees and book equity of NOK 146 million. Operating revenues in 2021 were NOK 173 million.

*State ownership*

The State's rationale for ownership in Andøya Space is to have national control of a launch complex for small satellites and testing facilities for the Norwegian Armed Forces and Norwegian defence industry, as well as to ensure that Norwegian business and industry, research communities and public administration have good access to infrastructure for testing technology and scientific research and dissemination. The State owns 90 per cent of the shares in Andøya Space.

The State's goal as owner for the part of the activities financed through basic allocations via the national budget and through the international Esrangle Andøya Special Project (EASP) agreement is efficient operations and enhanced Norwegian technological and scientific expertise. For activities that are in competition with others, the State's goal is the highest possible return over time in a sustainable manner.

*Special framework conditions for the company*

About 25 per cent of the company's revenues originate from the EASP Agreement. The EASP Agreement is a multilateral agreement between Germany, France, Switzerland, Sweden and Norway. The countries that participate in the project



pay an annual contribution to fund launch activities for researchers from the respective countries. The EASP Agreement guarantees a basic income for the rocket launch site on Andøya.

The subsidiary Andøya Space Education AS receives an annual basic allocation from the Directorate of Education with the associated grant letter.

## **Avinor AS**

### *About the company*

Avinor owns, operates and develops a nationwide network of airports for the civilian sector and provides a joint air navigation service for both civilian and military aviation. The company's activities encompasses 45 airports in Norway, including control towers, control centres and other technical infrastructure for flight navigation. Avinor also has commercial revenues from services provided in connection with the airports. The company was established in 2003 through the conversion of the public sector enterprise Norwegian Civil Aviation Authority (*Luftfartsverket*). Avinor's head office is in Oslo.

At year-end 2021, the company had 2,744 employees and book equity of NOK 12.5 billion. Operating revenues in 2021 were NOK 9.3 billion.

### *State ownership*

The State's rationale for ownership in Avinor is to ensure the operation and development of a nationwide network of airports, as well as civil and military air navigation services. The State owns 100 per cent of the shares in Avinor.

The State's goal as owner is a cost-efficient, safe operation and development of State-owned airports and air navigation services.

### *Special framework conditions for the company*

Avinor's activities are part of the State's overall sectoral policy in the area of aviation. In its role as owner, the Ministry of Transport decides which airports the company will develop and operate. Avinor also has to perform socially mandated tasks in accordance with the instructions from the Ministry of Transport as owner and sector authority. These tasks include an emergency ambulance service.

In its role as sector authority, the Ministry of Transport sets the framework for Avinor's activi-

ties through the National Transport Plan and by the Ministry regulating Avinor's tax revenues, granting licences to Avinor's airports, designating Avinor as a provider of air navigation services, and being responsible for safety regulations, etc., in connection with aviation.

Avinor receives revenues from airport and air navigation services in the form of charges paid by the airlines. The regulated revenues normally account for just under half of Avinor's total revenues, while other revenues are linked to commercial activities. A co-funding arrangement is used between the airports, which entails that unprofitable airports are financed by the profit generated by profitable airports, especially Oslo Airport.

## **Bane NOR SF**

### *About the company*

Bane NOR is responsible for the planning, development, management, operation and maintenance of the national rail network, for traffic management, and for the management and development of railway property. The rail and property activities, including the property activities organised in the subsidiary Bane NOR Eiendom AS, shall together support the company's objectives. Bane NOR was founded in 2016, and in 2017, the majority of the activities of the administrative agency the Norwegian National Rail Administration (*Jernbaneverket*) were transferred to Bane NOR. In 2017, Bane NOR also transferred its property activities to ROM Eiendom AS from Vygruppen AS. Bane NOR's head office is in Oslo.

At year-end 2021, the company had 3,335 employees and book equity of NOK 11.8 billion. Operating revenues in 2021 were NOK 14.3 billion.

### *State ownership*

The State's rationale for ownership in Bane NOR is to ensure the management and development of national railway infrastructure and railway property. The State owns 100 per cent of Bane NOR.

The State's goal as owner is cost-effective management and development of a safe and accessible railway infrastructure and railway-related property activities based on socio-economic profitability assessments. For the commercial property activities, the State's goal as an owner is the highest possible return over time in a sustainable manner.

### *Special framework conditions for the company*

Bane NOR's activities are part of the State's overall sectoral policy in the railway sector, which are carried out in cooperation between the Ministry of Transport, the Norwegian Railway Directorate and Bane NOR. The Ministry of Transport has overall responsibility for strategic management of the sector. This takes place through the Ministry's role as owner and sector authority. The Norwegian Railway Directorate has been assigned responsibility for the overall coordination of the railway sector. Among other things, this includes responsibility for long-term planning and for entering into and following up commercial agreements with stakeholders in the railway sector.

In its role as sector authority, the Ministry of Transport sets the framework conditions for Bane NOR's activities through the national budget and the National Transport Plan. As sector authority, the Ministry of Transport also sets the framework for Bane NOR's activities through agency management of the Norwegian Railway Directorate, administration of the Ministry's overarching agreement with Bane NOR, and administration of sector-specific statutes and regulations.

Through the Ministry of Transport, the State has entered into an overarching agreement with Bane NOR which assigns the company responsibility for results and compliance with financial frameworks. The underlying agreements between the Norwegian Railway Directorate and Bane NOR for the purchase of services are executed within the framework of the Ministry of Transport's overarching agreement with the company. Bane NOR is primarily financed by appropriations via the national budget. The Norwegian Railway Directorate is allocated its budgets by allocation letter and then enters into agreements for the purchase of services that reflect the Storting's appropriation decisions.

### **Bjørnøen AS**

#### *About the company*

Bjørnøen owns all the land and some buildings of cultural historical value on Bjørnøya island. Bjørnøya is a nature reserve and most of the island is protected. Bjørnøen was taken over by the State in 1932 and placed under the management of Kings Bay AS, which also provides management services to Bjørnøen, in 1967. Bjørnøen's head office is in Ny-Ålesund.

At year-end 2021, the company had no employees and book equity of NOK 4.1 million. Operating revenues in 2021 were NOK 0.2 million.

#### *State ownership*

The State's rationale for ownership in Bjørnøen is to manage the State's ownership of the land on Bjørnøya. The State owns 100 per cent of the shares in Bjørnøen.

The State's goal as owner is to manage the State's ownership of the land on Bjørnøya.

### **Carte Blanche AS**

#### *About the company*

Carte Blanche is Norway's national company of contemporary dance and the only permanent contemporary dance ensemble in Norway. The company was established in 1988 and produces and presents performances created by renowned and new Norwegian and international contemporary dance choreographers. Carte Blanche is located in Bergen.

At year-end 2021, the company had 32 employees and book equity of NOK 12.4 million. Operating revenues in 2021 were NOK 45.1 million.

#### *State ownership*

The State's rationale for ownership in Carte Blanche is to contribute to ensuring that everyone has access to dramatic art. The State owns 70 per cent of the shares in Carte Blanche.

The State's goal as an owner is a high level of artistic quality to a wide audience.

### *Special framework conditions for the company*

The company is primarily funded through public grants. The Ministry of Culture and Equality sets the goals, framework conditions and guidelines for its share of the grant in an annual grant letter.

### **AS Den Nationale Scene**

#### *About the company*

Den Nationale Scene (DNS) is one of Norway's five national dramatic art institutions. The theatre's vision is to create engaging, entertaining and relevant theatre of high artistic quality for a broad audience. The theatre is an extension of Ole Bull's Det Norske Theater, which was established in 1850. The State became part-owner in 1972. Den Nationale Scene is located in Bergen.

At year-end 2021, the company had 134 employees and book equity of NOK 75.5 million. Operating revenues in 2021 were NOK 160 million.

#### *State ownership*

The State's rationale for ownership in Den Nationale Scene is to contribute to ensuring that everyone has access to dramatic art. The State owns 66.67 per cent of the shares in Den Nationale Scene.

The State's goal as an owner is a high level of artistic quality to a wide audience.

#### *Special framework conditions for the company*

The company is primarily funded through public grants. The Ministry of Culture and Equality sets the goals, framework conditions and guidelines for its share of the grant in an annual grant letter.

### **Den Norske Opera & Ballett AS**

#### *About the company*

Den Norske Opera & Ballett AS, the Norwegian National Opera & Ballet, is Norway's largest institution for music and the dramatic arts, with Oslo Opera House as the main arena for presenting this. The company was established in 1957.

At year-end 2021, the company had 630 employees and book equity of – NOK 26.7 million. Operating revenues in 2021 were NOK 719 million.

#### *State ownership*

The State's rationale for ownership in Den Norske Opera & Ballett is to contribute to ensuring that everyone has access to opera and ballet. The State owns 100 per cent of the shares in Den Norske Opera & Ballett.

The State's goal as an owner is a high level of artistic quality to a wide audience.

#### *Special framework conditions for the company*

The company is primarily funded through grants from the State. The Ministry of Culture and Equality sets the goals, framework and guidelines for the grant in an annual grant letter.

### **Electronic Chart Centre AS**

#### *About the company*

Electronic Chart Centre (ECC) contributes to improved safety at sea, on land and in the air, through the development and operation of a database of electronic navigational charts. The company was divested from the Norwegian Mapping Authority in 1999 and makes a contribution to Norway's leading role in maritime safety. ECC's head office is in Stavanger.

At year-end 2021, the company had 19 employees and book equity of NOK 5.9 million. Operating revenues in 2021 were NOK 33.4 million.

#### *State ownership*

The State's rationale for ownership in ECC is to ensure the management and provision of authorised electronic navigational data, which is an exclusive right granted to the company. This exclusive right relates to the operation of the intergovernmental PRIMAR Partnership. The State owns 100 per cent of the shares in ECC.

The State's goal as owner is safe and efficient maritime transport by managing and providing authorised electronic navigational data.

#### *Special framework conditions for the company*

Most of ECC's revenues stem from an agreement with the Norwegian Mapping Authority concerning the development and operation of electronic nautical charts for PRIMAR. PRIMAR is a collaboration on official chart data that involves several countries. The agreement between PRIMAR and ECC was entered into based on an internal scheme for public purchase arrangements ('utvidet egenregi').

### **Enova SF**

#### *About the company*

Enova's primary policy instrument is investment support. The company's tasks are outlined in more detail in an agreement between the Ministry of Climate and Environment and Enova on the management of the Climate and Energy Fund. The company was established in 2001. Enova's head office is in Trondheim.

At year-end 2021, the company had 82 employees and book equity of NOK 36.1 million. Operating revenues in 2021 were NOK 152 million.

### *State ownership*

The State's rationale for ownership in Enova is to compensate for a number of market failures related to, among other things, the development and introduction of new climate and energy technologies and solutions. The State owns 100 per cent of Enova.

The State's goal as owner is making the most effective possible contribution towards meeting Norway's climate commitments and the transition to a low-emissions society, in line with the applicable management agreement.

### *Special framework conditions for the company*

Enova manages the Climate and Energy Fund, which is intended to be a long-term source of funding for the activities. The Climate and Energy Fund is funded by a parafiscal charge on electricity grid tariffs, transfers via the national budget and interest earned on the balance of capital.

Enova was established in order to effectively utilise the funds that have been made available. The primary element is overarching management through four-year management agreements between the Ministry of Climate and Environment and Enova for the funds from the Climate and Energy Fund. The agreement sets the framework for Enova's operations, targets for the activities and requirements for reporting. The management agreement gives Enova a long-term financial framework and considerable professional freedom to focus its efforts on areas that provide the greatest opportunities for influencing developments. The annual budget framework for Enova's operations is determined in the annual letter of assignment from the Ministry of Climate and Environment.

## **Entur AS**

### *About the company*

Entur develops and supplies digital infrastructure and related services within travel planning and ticket sales in the public transport sector. The company offers a competition-neutral, national travel planning service that is intended to make it easy for travellers to plan and purchase tickets for journeys, irrespective of whether the journey involves one or more public transport companies. Entur cooperates with the public transport operators to collect, refine and share public transport data for all of Norway on an open digital platform. In addition, Entur works together with several

transport enterprises to better utilise data in the transport sector. The company was demerged from Vygruppen AS in 2017. Entur simultaneously took over responsibility for services which were previously supplied by Norsk Reiseinformasjon AS, along with ownership of the company Interoperabilitetstjenester AS. These companies provided services within the collection and publication of timetable data and electronic ticketing. Entur's head office is in Oslo.

At year-end 2021, the company had 260 employees and book equity of NOK 93 million. Operating revenues in 2021 were NOK 557 million.

### *State ownership*

The State's rationale for ownership in Entur is to develop and supply digital infrastructure and related travel planning and ticketing services for rail companies and other the public transport operators nationwide, including to manage ticket sales and being able to provide competition-neutral travel information to public transport passengers. The State owns 100 per cent of the shares in Entur.

The State's goal as owner is cost-efficient development and operation of travel planning and ticketing services for the public transport sector.

### *Special framework conditions for the company*

Entur's activities are part of the State's overall sectoral policy in the railway sector. In its role as sector authority, the Ministry of Transport sets the framework conditions for Entur's activities through the national budget and the National Transport Plan. As a sector authority, the Ministry of Transport also sets the framework conditions for Entur's activities through agency management of the Norwegian Railway Directorate as coordinating operator for the rail sector and administration of sector-specific statutes and regulations.

The Norwegian Railway Directorate requires passenger train companies that have traffic agreements with the State to enter into an agreement with Entur for providing ticketing services. Entur's revenues in these areas are therefore covered by State appropriations for publicly purchased passenger rail transport.

In addition, the Norwegian Railway Directorate enters into an agreement for the purchase of services from Entur related to the collection and publication of public transport data, the develop-

ment and operation of a national travel planning service and electronic ticket sales for other public transport services. These tasks are partly financed via the national budget and partly by a fee collected by the Norwegian Railway Directorate.

Entur has been commissioned by the Ministry of Transport as sector authority to coordinate and contribute to cross-sectoral cooperation on data in the transport sector, and the company is responsible for managing the funds allocated for this cooperation.

### Filmparken AS

#### *About the company*

Filmparken offers facilities for recording films, including studios and offices, in Jar in Bærum. The State has been involved in film production and studio operations in Jar since 1948.

At year-end 2021, the company had eight employees and book equity of NOK 25 million. Operating revenues in 2021 were NOK 15 million.

#### *State ownership*

The State's rationale for ownership in Filmparken is to facilitate the production of films in Norway. The State owns 77.6 per cent of the shares in Filmparken, while the City of Oslo owns 11.6 per cent. The remaining 10.8 per cent of the shares are owned by around 80 municipalities and one bank.

The State's goal as owner is high-quality film production.

### Fiskeri- og havbruksnæringens forskningsfinansiering AS

#### *About the company*

Fiskeri- og havbruksnæringens forskningsfinansiering (FHF) manages funds for industry-based research and development. The undertaking was established in 2000 and converted into a limited liability company in 2019. FHF's head office is in Tromsø.

At year-end 2021, the company had 18 employees and book equity of NOK 111 million. Operating revenues in 2021 were NOK 363 million.

#### *State ownership*

The State's rationale for ownership in FHF is to strengthen funding of marine research and development. The State owns 100 per cent of the shares in FHF.

The State's goal as owner is to facilitate increased value creation, environmental adaptation, restructuring and innovation in the fisheries and aquaculture industry.

#### *Special framework conditions for the company*

FHF is financed by the fisheries and aquaculture industry through a statutory research levy on the export value of fish and fish products, cf. Act No. 68 of 7 July 2000 relating to a Research and Development Levy in the Fisheries and Aquaculture Industry. Use of the funds is regulated by the Regulations relating to a Research and Development Levy in the Fisheries and Aquaculture Industry.

### Gassco AS

#### *About the company*

Gassco is the operator for the integrated gas transport system from the Norwegian continental shelf to Europe. The gas transport system is a natural monopoly that consists of pipelines, processing facilities, platforms and gas terminals on the European continent and in the UK. Gassco conducts activities on behalf of the gas infrastructure owners on their account and risk. The shippers pay regulated transport tariffs that provide the owners with a reasonable return. Gassco does not make a profit or loss from its operations. The company was established in 2001. Gassco's head office is at Karmøy.

At year-end 2021, the company had 359 employees and book equity of NOK 15 million. Operating revenues in 2021 were zero.

#### *State ownership*

The State's rationale for ownership in Gassco is to ensure a single neutral and independent operator for the integrated gas transport system and to facilitate efficient utilisation of the resources on the Norwegian continental shelf. The State owns 100 per cent of the shares in Gassco.

The State's goal as owner is the efficient operation and comprehensive further development of the gas transport system on the Norwegian continental shelf.

#### *Special framework conditions for the company*

Gassco has general and special responsibilities as operator. The general operatorship involves the management of processing facilities, pipelines, platforms and gas terminals pursuant to Act No.

72 of 29 November 1996 relating to Petroleum Activities and requirements set out in legislation relating to health, safety and the environment. The general operatorship is exercised on behalf of the gas infrastructure owners at their expense and risk. The special operatorship involves tasks relating to system operation, capacity administration and infrastructure development, cf. the Petroleum Activities Act and Petroleum Regulations.

The costs of operating the transport system are covered by the users through a tariff, cf. the Regulations relating to the Stipulation of Tariffs etc. for Certain Facilities, which also provides the owners with a reasonable return on the capital invested. Gassco does not make a profit or loss from its operations.

### **Gassnova SF**

#### *About the company*

Gassnova manages the State's interests relating to the capture, transport and geological storage of carbon dioxide. This includes promoting technological development and the development of expertise for cost-effective, forward-looking CCS solutions, and acting as an advisor to the Ministry of Petroleum and Energy in the work with CCS. Gassnova was established as a government agency in 2005 and converted into a state enterprise in 2007. The subsidiary TCM Assets AS was established in 2017 and has the objective of owning and leasing facilities for CO<sub>2</sub> to an operating company (TCM DA). Gassnova's head office is in Porsgrunn.

At year-end 2021, the company had 37 employees and book equity of NOK 78.6 million. Operating revenues in 2021 were NOK 129 million.

#### *State ownership*

The State's rationale for ownership in Gassnova is to safeguard the State's interests relating to carbon capture and storage (CCS). The State owns 100 per cent of Gassnova.

The State's goal as owner is to contribute to technological development and the development of expertise for cost-effective, forward-looking CCS solutions.

#### *Special framework conditions for the company*

The company is primarily funded via the national budget. The Ministry of Petroleum and Energy stipulates guidelines for the funds and the company's activities in an annual letter of assignment.

### **Graminor AS**

#### *About the company*

Graminor's social mission is to deliver new plant varieties to the agricultural and horticultural industries that are suited to Norwegian and Nordic growing conditions. This assignment involves the development of Norwegian plant varieties, representation and testing of foreign varieties and pre-base production. Graminor's head office is located at Bjørke Forsøksgård in Hamar.

At year-end 2021, the company had 36 employees and book equity of NOK 77.1 million. Operating revenues in 2021 were NOK 80 million.

#### *State ownership*

The State's rationale for ownership in Graminor is to deliver new plant varieties to the agricultural and horticultural industries that are suited to the Norwegian and Nordic climate in order to contribute to food security in Norway. The state owns 28.2 per cent of the shares in Graminor.

The State's goal as owner is the sustainable and most efficient possible development of high-quality plant varieties. Activities in competition with others must be managed with the same goals as the State's overarching goals as owner of companies that primarily operate in competition with other companies (Category 1).

#### *Special framework conditions for the company*

Through the Agricultural Agreement, the State supports plant breeding programmes that are socio-economically profitable and important for the agriculture and horticulture industry, but not commercially profitable. Graminor applies for such support from the Norwegian Agriculture Agency, which issues a grant letter when funds are granted.

### **Innovasjon Norge (special-legislation company)**

#### *About the company*

Innovasjon Norge's statutory objective is to act as a policy instrument used by the State and county authorities to realise value-creating business development throughout Norway. The company administers business-oriented schemes on behalf of various ministries, county authorities and other public stakeholders. The schemes have the same main objective of triggering commercially and socio-economically profitable business development and unleashing regional business opportuni-

ties. Innovasjon Norge was established in 2003 and is headquartered in Oslo.

At year-end 2021, the company had 749 employees and book equity of NOK 1.6 billion. Operating revenues in 2021 were NOK 1.3 billion.

#### *State ownership*

The State's rationale for ownership in Innovasjon Norge is to provide the business sector with business-oriented schemes in order to spur commercially and socio-economically profitable business development, including business opportunities in the regions. The State owns 51 per cent of Innovasjon Norge, while the county authorities own 49 per cent of the company.

The State's goal as owner is to trigger commercially and socio-economically profitable business development throughout the country.

#### *Special framework conditions for the company*

The company's activities are regulated by Act No. 130 of 19 December 2003 relating to Innovasjon Norge. Innovasjon Norge is a key player in the policy instrument system for the business sector and conducts its activities in close cooperation with the authorities and other policy instrument actors. The company's activities are primarily financed by grants, user fees and market revenues from its public assignments. Innovasjon Norge's loans are financed through credit from the State. The company's assignments are specified and established in separate letters of assignment.

### **Kimen S varelaboratoriet AS**

#### *About the company*

Kimen S varelaboratoriet AS (Kimen) is Norway's centre of expertise relating to seed quality and seed analysis and is the national reference laboratory for seed analysis. The undertaking has existed for more than 130 years and was converted into a limited liability company in 2004. The laboratory is accredited by ISTA (International Seed Testing Association) for germination analysis, seed health, purity and moisture content determination of all relevant seeds and can issue international seed certificates. The laboratory is the only one of its kind in Norway and the accreditation guarantees quality and national expertise within this specialist field. Kimen's head office is located in  s.

At year-end 2021, the company had 19 employees and book equity of NOK 10.6 million. Operating revenues in 2021 were NOK 14.2 million.

#### *State ownership*

The State's rationale for ownership in Kimen is to maintain a national centre of expertise in seed quality and seed analysis in Norway. The State owns 51 per cent of the shares in Kimen.

The State's goal as owner is the most efficient and high-quality seed analyses and services. Activities in competition with others must be managed with the same goals as the State's overarching goals as owner of companies that primarily operate in competition with other companies (Category 1).

#### *Special framework conditions for the company*

The Norwegian Food Safety Authority has a knowledge support agreement with Kimen and purchases services from Kimen through this agreement.

### **Kings Bay AS**

#### *About the company*

Kings Bay owns and is responsible for operating and developing the infrastructure in Ny- lesund. The company's operations include accommodation, catering, organising air transport services, maritime services, emergency preparedness, engineering services and water and electricity supply. Ten research communities from different nations are permanently based in Ny- lesund, and every year approximately 20 different research communities carry out research projects in and around Ny- lesund. The company's head office is in Ny- lesund.

At year-end 2021, the company had 29 employees and book equity of NOK 22 million. Operating revenues in 2021 were NOK 82.2 million.

#### *State ownership*

The State's rationale for ownership in Kings Bay is to have a Norwegian research station in Ny- lesund for international world-class research collaborations that contribute to supporting the overarching objectives of Norway's Svalbard policy. The State owns 100 per cent of the shares in Kings Bay.

The State's goal as owner is that the company's properties, buildings and infrastructure are

operated, maintained and developed as efficiently as possible to enable Ny Ålesund research station to develop as a Norwegian platform for international world-class research collaboration.

*Special framework conditions for the company*

The State's Svalbard policy and the framework conditions defined for the development of activities in Ny-Ålesund have a bearing on the company's activities. Furthermore, the Government's policy for research and higher education on Svalbard and the research strategy for Ny-Ålesund define the framework conditions for the research conducted there, and thereby also for the company's activities. The company receives an annual grant from the Ministry of Climate and Environment with the associated grant letter relating to major investments and, if applicable, operations.

**Nationaltheatret AS**

*About the company*

Nationaltheatret is one of five national dramatic art institutions in Norway and develops Norwegian dramatic art. The theatre's performances aim to be bold and relevant, and the theatre shall be open and engaging to the public. The theatre was established in 1899 and became State-owned in 1972. Nationaltheatret is located in Oslo.

At year-end 2021, the company had 324 employees and book equity of NOK 7.9 million. Operating revenues in 2021 were NOK 280 million.

*State ownership*

The State's rationale for ownership in Nationaltheatret is to contribute to ensuring that everyone has access to dramatic art. The State owns 100 per cent of the shares in Nationaltheatret.

The State's goal as an owner is a high level of artistic quality to a wide audience.

*Special framework conditions for the company*

The company is primarily funded through grants from the State. The Ministry of Culture and Equality sets the goals, framework and guidelines for the grant in an annual grant letter.

**Nofima AS**

*About the company*

Nofima is an industry-oriented research institute that emphasises the practical application of research results. The company helps to ensure that new research-based knowledge and ideas with commercial potential create jobs through sustainable production, new products and services. Nofima conducts research on assignment for the aquaculture industry, the fisheries industry, the onshore and offshore-based food industry, the supplier industry, the feed supplier and ingredients industry, and public administration. The company was founded in 2008. Nofima's head office is in Tromsø.

At year-end 2021, the company had 393 employees and book equity of NOK 217 million. Operating revenues in 2021 were NOK 677 million.

*State ownership*

The State's rationale for ownership in Nofima is to facilitate research activity and research infrastructure in the aquaculture, fisheries and food industries, in areas that are not funded by the market and that are of importance to society. The State owns 56.8 per cent of the shares in Nofima.

The State's goal as owner is the highest possible value creation from the company's research activities.

*Special framework conditions for the company*

The Ministry of Trade, Industry and Fisheries allocates grants for the company and issues the pertaining letter of allocation, among other things to safeguard the research infrastructure.

**Nordisk Institutt for Odontologiske Materialer AS**

*About the company*

Nordisk Institutt for Odontologiske Materialer AS (Nordic Institute of Dental Materials) (NIOM) is a Nordic cooperative body for dental biomaterials. The company's research, material testing, standardisation and research-based educational activities target the dental health services and health authorities in the Nordic countries. NIOM helps to ensure that patients in the Nordic countries receive safe, well-functioning biomaterials. The undertaking was established in 1972 as an institute organised under the Nordic Council of Minis-



ters and was converted into a limited liability company in 2009. NIOM's head office is located in Oslo.

At year-end 2021, the company had 28 employees and book equity of NOK 18.8 million. Operating revenues in 2021 were NOK 41 million.

#### *State ownership*

The State's rationale for ownership in NIOM is to ensure Nordic influence in the management of the company. The State owns 49 per cent of the shares in NIOM. Norwegian Research Centre owns 51 per cent of the shares.

The State's goal as an owner is to contribute to the best possible quality and patient safety in the use of dental materials in the Nordic countries.

#### *Special framework conditions for the company*

The Directorate of Health and the Nordic Council of Ministers provide grants for the company and issue the pertaining letters of allocation.

### **Norfund (special-legislation company)**

#### *About the company*

Norfund is the State's investment fund for business development in developing countries. The company invests venture capital in sustainable businesses, which contributes to economic development and job creation through viable and profitable businesses. Returns on the investment portfolio are reinvested. The company was established in 1997. Norfund's head office is in Oslo.

At year-end 2021, the company had 111 employees and book equity of NOK 32.1 billion. Operating revenues in 2021 were NOK 6 billion.

#### *State ownership*

The State's rationale for ownership in Norfund is to have a targeted policy instrument that can develop viable and profitable business activities in developing countries that would otherwise not have been initiated due to the high risk. The State owns 100 per cent of Norfund.

The State's goal as owner is to stimulate increased employment and sustainable economic development in developing countries. Norfund also manages the Climate Investment Fund, for which the State's goal is the highest possible reduction or avoidance of greenhouse gas emissions by investing in renewable energy in developing countries.

#### *Special framework conditions for the company*

Norfund's activities and investments are regulated by Act No. 26 of 9 May 1997 relating to the Norwegian Investment Fund for Developing Countries and the company's articles of association. Norfund shall be a minority investor and prioritise investments in Sub-Saharan Africa and the least developed countries in renewable energy and risk-exposed sectors that yield particularly high development effects.

Norfund has been allocated funds via the national budget since its formation. The company is not subject to earnings requirements over and above the profitable business requirement.

### **Norges sjømatråd AS**

#### *About the company*

Norges Sjømatrådet (Norwegian Seafood Council) shall promote the value of Norwegian seafood through joint marketing, work on market information, market access, PR/information and preparedness. The company shall also seek to develop new and further exploit established markets and strengthen and cement the reputation of Norwegian seafood. The company was founded in 1991. Norges sjømatråd's head office is in Tromsø.

At year-end 2021, the company had 72 employees and book equity of NOK 305 million. Operating revenues in 2021 were NOK 467 million.

#### *State ownership*

The state's rationale for ownership in Norges sjømatråd is to facilitate joint marketing, market information and market access that will contribute to greater volumes and increased revenues from the export of Norwegian seafood. The State owns 100 per cent of the shares in Norges sjømatråd.

The State's goal as owner is to maximise the export value of Norwegian seafood.

#### *Special framework conditions for the company*

The company is financed through a statutory market fee on all exports of Norwegian fish and seafood, cf. Act No. 9 of 27 April 1990 relating to the Regulation of Exports of Fish and Fish Products. The company's activities are regulated by the Regulations relating to the Regulation of Exports of Fish and Fish Products.

## **Norid AS**

### *About the company*

Norid is the registry entity for the Norwegian country code top-level domains .no (Norway), .sj (Svalbard and Jan Mayen) and .bv (Bouvetøya). The company assigns, administers and registers these top-level domains in accordance with the agreement with the international manager of top-level domains. Only the .no domain is open for registrations. Norid manages the registration service and domain name service for the top-level domains. The company was founded in 2003. Norid's head office is in Trondheim.

At year-end 2021, the company had 21 employees and book equity of NOK 79 million. Operating revenues in 2021 were NOK 50 million.

### *State ownership*

The State's rationale for ownership in Norid is to have control over vital, national internet infrastructure. The State owns 100 per cent of the shares in Norid.

The State's goal as owner is the provision of secure and accessible registration and domain name services for internet users.

### *Special framework conditions for the company*

The company is financed by subscription fees. The allocation of domain names takes place in accordance with private law and does not involve the exercise of state authority. Norid determines the rules for allocating domain names within the framework of the Norwegian Domain Regulations. The Domain Regulations place an emphasis on cost-effectiveness, a high level of technical quality, non-discrimination, predictability, transparency and user and national interests.

## **Norsk Helsenett SF**

### *About the company*

Norsk Helsenett is responsible for operating and developing secure, robust and expedient national ICT infrastructure that meets the need for efficient interaction between all of the stakeholders in the health and care sector (the Health Network). This includes the development and operation of a number of national services such as helsenorge, the Core Record System, and Electronic Data Interchange (EDI). The customer group consists of all the health trusts, municipalities, general

practitioners and other providers in the health and care sector, along with a number of third-party suppliers who provide services to them via the Health Network. The company was founded in 2009. Norsk Helsenett's head office is in Trondheim.

At year-end 2021, the company had 845 employees and book equity of NOK 451 million. Operating revenues in 2021 were NOK 2.2 billion.

### *State ownership*

The State's rationale for ownership in Norsk Helsenett is to have direct control of the enterprise that makes necessary digital infrastructure available to the health and care sector. The State owns 100 per cent of Norsk Helsenett.

The State's goal as owner is to facilitate an expedient and secure digital infrastructure for efficient interaction between all parts of the health and care services, and to contribute to the simplification, rationalisation and quality assurance of electronic services for the benefit of patients and society at large.

### *Special framework conditions for the company*

The company has a tripartite funding model comprising grants from the Ministry of Health and Care Services to perform national tasks, membership fees for access to and use of the Health Network, and the sale of other services. The framework conditions for the tasks the company is to perform are stipulated in an annual letter of assignment from the Ministry of Health and Care Services. This includes framework conditions for the performance of tasks relating to the operation and development of national services and information security.

## **Norsk rikskringkasting AS**

### *About the company*

Norsk rikskringkasting (NRK) provides a broad range of media services through three TV channels, 13 DAB radio channels, the streaming services NRK TV, NRK Super and NRK Radio, the websites www.nrk.no and www.yr.no, and mobile phone content. The company has a presence at 50 locations and has ten regional offices that provide news from across Norway to the entire country. NRK also has ten foreign correspondents. The company was founded in 1933. NRK's head office is located in Oslo.

At year-end 2021, the company had 3,214 employees and book equity of NOK 1.8 billion. Operating revenues in 2021 were NOK 6 billion.

#### *State ownership*

The State's rationale for ownership in NRK is to have a non-commercial public broadcaster in Norway. The State owns 100 per cent of the shares in NRK.

The State's goal as owner is to provide high-quality, non-commercial public broadcasting services that meet society's social, democratic and cultural needs.

#### *Special framework conditions for the company*

NRK's public service remit is set out in NRK's societal mission (NRK-plakaten) and the company's articles of association. According to its public broadcasting remit, NRK shall, among other things, support and strengthen democracy, strengthen the Norwegian language, identity and culture, and be universally available. The company's activities are also governed by general rules set out in Act No. 127 of 4 December 1992 (Broadcasting Act) and associated regulations. The Norwegian Media Authority supervises how NRK fulfils its obligations as a public broadcaster.

#### **Norsk Tipping AS (special-legislation company)**

##### *About the company*

Pursuant to the Norwegian Gaming Act, Norsk Tipping has exclusive rights to offer a range of gambling activities in Norway. In accordance with the rules laid down by the Ministry of Culture and Equality, the company shall offer gambling in a socially acceptable form under public control, with a view to prevent the negative consequences of gambling. At the same time, through efficient operations, the company shall ensure that as much of the gambling proceeds as possible goes towards socially beneficial causes. The company was founded in 1946. Norsk Tipping's head office is in Hamar.

At year-end 2021, the company had 404 employees and book equity of NOK 485 million. Operating revenues in 2021 were NOK 43.7 billion.

#### *State ownership*

The State's rationale for ownership in Norsk Tipping is to facilitate a responsible gambling ser-

vice, prevent the negative consequences of gambling, and ensure that as much as possible of the revenues from the company's gambling operations go towards the purposes referred in the Norwegian Gambling Act. The State owns 100 per cent of Norsk Tipping.

The State's goal as owner is to channel the desire of Norwegians to gamble into moderate and responsible services.

#### *Special framework conditions for the company*

The company is regulated by Act No. 103 of 28 August 1992 relating to Gaming etc., and associated regulations, guidelines and gambling rules. The new Gambling Act, which will regulate Norsk Tipping's activities, will enter into force on 1 January 2023. The Norwegian Gaming and Foundation Authority monitors Norsk Tipping's performance of its assignment. Pursuant to its articles of association, the company may be instructed by the Ministry of Culture and Equality by letter.

#### **Norske tog AS**

##### *About the company*

Norske tog procures, owns and manages rolling stock. The company enters into agreements with rail operators that have a traffic agreement with the Norwegian Railway Directorate for the lease of rolling stock. The company was demerged from Vygruppen AS in 2017. Norske tog is headquartered in Oslo.

At year-end 2021, the company had 51 employees and book equity of NOK 3.3 billion. Operating revenues in 2021 were NOK 1.2 billion.

#### *State ownership*

The State's rationale for ownership in Norske tog is to have a provider of rolling stock on competition-neutral terms. The State owns 100 per cent of the shares in Norske tog.

The State's goal as owner is cost-effective procurement and leasing of rolling stock.

#### *Special framework conditions for the company*

Norske tog's activities are part of the State's overall sectoral policy in the railway sector. In its role as sector authority, the Ministry of Transport sets the framework conditions for Norske tog's activities through the national budget and the National Transport Plan. As a sector authority, the Ministry of Transport also sets the framework condi-

tions for Norske tog's activities through agency management of the Norwegian Railway Directorate as coordinating operator for the rail sector and administration of sector-specific statutes and regulations.

The Norwegian Railway Directorate's rolling stock strategy and assessment of applications for the residual value guarantee from Norske tog ensure that the quality and size of Norske tog's supply of rolling stock is adapted as much as possible to the public passenger train service, which is subject to State purchases. The Norwegian Railway Directorate requires passenger train companies that have a traffic agreement with the State to enter into rolling stock leasing agreements with Norske tog. Norske tog's revenues in these areas are therefore covered by State appropriations for publicly purchased passenger rail transport.

### **Nye Veier AS**

#### *About the company*

Nye Veier plans, constructs, operates and maintains sections of national roads, and is planning and constructing a section of railway (Ringerike Line). The company's development portfolio comprises 1,269 kilometres of main roads and 40 kilometres of double track railway, with an estimated development cost of NOK 270 billion (measured in 2022 NOK). High socio-economic profitability is prioritised in road development. The company has been in ordinary operation since 2016. Nye Veier's head office is located in Kristiansand.

At year-end 2021, the company had 189 employees and book equity of NOK 2 billion. Operating revenues in 2021 were NOK 6.8 billion.

#### *State ownership*

The State's rationale for ownership in Nye Veier is to safeguard national road and rail infrastructure and contribute to quicker, more efficient and more comprehensive development of parts of the national road and rail network than can be achieved with a traditional approach. The State owns 100 per cent of the shares in Nye Veier.

The State's goal as owner is the highest possible socio-economic profitability in the road and rail projects for which the company has been assigned responsibility.

In light of the Government having proposed in Proposition 1 S (2022–2023) to return Ringerike Line to Bane NOR and suspend further planning of the joint Ringerike Line and E16 Skaret–Høgkastet–Hønefoss project, the Government intends

to adjust the State's rationale for ownership and the State's goal as an owner in Nye Veier, such that the company's area of activity is specified to include road infrastructure and road projects.

#### *Special framework conditions for the company*

Nye Veier's activities are part of the State's overall sectoral policy in the roads sector. In its role as sector authority, the Ministry of Transport sets the framework conditions for Nye Veier's activities through the national budget and the National Transport Plan. As sector authority, the Ministry of Transport also sets the framework conditions for Nye Veier's activities through the administration of sector-specific statutes and regulations.

Nye Veier is financed through appropriations via the national budget and road toll revenues. The company enters into development agreements with the Ministry of Transport for each individual road project the company prioritises for development, including specific propositions considered by the Storting for agreements in which a road toll contribution has been assumed.

### **Petoro AS**

#### *About the company*

Petoro manages the commercial aspects of the State's Direct Financial Interest (SDFI) in the petroleum sector on the Norwegian continental shelf and other associated operations on behalf of the State. Under the SDFI scheme, the State participates as a direct investor in petroleum operations on the Norwegian continental shelf. Petoro is the licensee for the State's interests in production licences, fields, pipelines and onshore facilities. The company itself is not responsible for the marketing and sale of the State's oil and gas. This is the responsibility of Equinor ASA in accordance with the instructions adopted at the company's general meeting (Owner's Instruction). Petoro is responsible for ensuring that Equinor's sale of the State's oil and gas takes place in accordance with the Owner's Instruction. The company was established in 2001. Petoro's head office is in Stavanger.

At year-end 2021, the company had 70 employees and book equity of NOK 28 million. Operating revenues in 2021 were NOK 288 million.

#### *State ownership*

The State's rationale for ownership in Petoro is to ensure proper management of the SDFI assets and thereby generate resource rents from activi-

ties on the Norwegian continental shelf. The State owns 100 per cent of the shares in Petoro.

The State's goal as owner is the highest possible value and revenues from the SDFI.

#### *Special framework conditions for the company*

Act No. 72 of 29 November 1996 relating to the Petroleum Activities provides the legal basis for the company's activities. Net revenues from the sale of SDFI shares are transferred to the Government Pension Fund Global. Petoro's management of SDFI is financed by administrative grants from the Ministry of Trade, Industry and Fisheries, with a pertaining letter of assignment.

### **Regional health authorities (special legislation companies)**

#### *About the companies*

The regional health authorities in Norway are Helse Midt-Norge, Helse Nord, Helse Sør-Øst and Helse Vest. The companies are responsible for ensuring that the populations of their respective regions have access to high-quality and equitable specialist health services. The companies also have statutory functions within research, education and the training of patients and next-of-kin. The regional health authorities were established in 2002 when the State took over responsibility for the specialist health services from the county authorities. The respective head offices of the regional health authorities are located in Stjørdal, Bodø, Hamar and Stavanger.

At year-end 2021, Helse Midt-Norge had 21,596 employees and book equity of NOK 13 billion. Operating revenues in 2021 were NOK 25.5 billion.

At year-end 2021, Helse Nord had 19,010 employees and book equity of NOK 11.5 billion. Operating revenues in 2021 were NOK 20.7 billion.

At year-end 2021, Helse Sør-Øst had 81,030 employees and book equity of NOK 43.3 billion. Operating revenues in 2021 were NOK 95.9 billion.

At year-end 2021, Helse Vest had 32,075 employees and book equity of NOK 18.3 billion. Operating revenues in 2021 were NOK 33.7 billion.

#### *State ownership*

The State's rationale for ownership in the regional health authorities is to ensure that specialist

health services in Norway are available to everyone who needs them when they need them, irrespective of age, gender, place of residence, personal finances and ethnic background. The State owns 100 per cent of the regional health authorities.

The State's goal as owner is to achieve high-quality and equitable specialist health services, and to facilitate research and teaching.

#### *Special framework conditions for the company*

The regional health authorities are regulated by, among other things, Act No. 93 of 15 June 2001 relating to health authorities and health trusts etc., and associated regulations. The Ministry of Health and Care Services finances the specialist health services and sets conditions for the funds in annual letters of assignment.

### **Rogaland Teater AS**

#### *About the company*

Rogaland Teater is a regional theatre that engages in theatre activities in Stavanger and the surrounding region, as well as tours. The children's and youth theatre, where children perform for children in a professional setting, is an integrated part of the theatre. The theatre was established in 1883 and the State became a part-owner in 1972. Rogaland Teater is located in Stavanger.

At year-end 2021, the company had 119 employees and book equity of NOK 65.8 million. Operating revenues in 2021 were NOK 114 million.

#### *State ownership*

The State's rationale for ownership in Rogaland Teater is to contribute to ensuring that everyone has access to dramatic art. The State owns 66.67 per cent of the shares in Rogaland Teater.

The State's goal as an owner is a high level of artistic quality to a wide audience.

#### *Special framework conditions for the company*

The company is primarily funded through public grants. The Ministry of Culture and Equality sets the goals, framework conditions and guidelines for its share of the grant in an annual grant letter.

### **Simula Research Laboratory AS**

#### *About the company*

Simula Research Laboratory (Simula) conducts basic and applied research in selected areas within the field of information and communication technology, and thereby contributes to innovation in society. Simula strives to be an excellent research community that solves fundamental problems within science and technology, mentors outstanding researchers and leaders, and develops commercial companies. The company was established in 2001. Simula's head office is in Bærum.

At year-end 2021, the company had 209 employees and book equity of NOK 167 million. Operating revenues in 2021 were NOK 267 million.

#### *State ownership*

The State's rationale for ownership in Simula is to contribute to basic and applied research and education within information and communication technology, including digital security. The State owns 100 per cent of the shares in Simula.

The State's goal as owner is high-quality research and education and the best possible innovation within information and communications technology, including digital security.

#### *Special framework conditions for the company*

The company is partly funded by grants from several ministries and the Research Council of Norway, with associated grant letters.

### **Siva – Selskapet for Industrivekst SF**

#### *About the company*

Siva – Selskapet for Industrivekst (Siva) is part of the policy instrument system for the business and industry sector. The company manages the instruments Norwegian Catapult, Incubator Programme, Business Garden Programme, Ownership in Innovation Companies and Real Estate Investments. The catapult centres enable companies to gain access to an internationally leading industrial testing infrastructure and expertise that most would not otherwise have had access to. Through its property investments, the company aims to lower entry barriers for the establishment of commercial activity in areas or industries where market mechanisms make entry especially difficult. Through its innovation activities, Siva

facilitates the establishment and development of enterprises in business and knowledge communities and links them together in regional, national and international networks. The company was established in 1968. Siva's head office is in Trondheim.

At year-end 2021, the company had 53 employees and book equity of NOK 1.7 billion. Operating revenues in 2021 were NOK 834 million.

#### *State ownership*

The State's rationale for ownership in Siva is to have a policy instrument for facilitating the ownership and development of companies and business and knowledge communities throughout Norway. SIVA has a particular responsibility for promoting growth in rural areas. The State owns 100 per cent of Siva.

The State's goal as owner is to trigger profitable business development by making infrastructure and joint resources available to companies and regional business and knowledge communities.

#### *Special framework conditions for the company*

The Government has proposed that, from 2020, the company is to receive grants from the Ministry of Trade, Industry and Fisheries and the county authorities, with framework conditions and guidelines outlined in associated annual letters of assignment.

### **Space Norway AS**

#### *About the company*

Space Norway develops and operates space-related infrastructure to meet national user needs and facilitate value creation based on space-related activities in Norway. The company collaborates with other national communication and space organisations. The company was established in 1995 when it was split from the Norwegian Space Centre foundation. Space Norway's head office is in Oslo.

At year-end 2021, the company had 42 employees and book equity of NOK 1.3 billion. Operating revenues in 2021 were NOK 654 million.

#### *State ownership*

The State's rationale for ownership in Space Norway is to develop, manage and own safety-critical, space-related infrastructure that meets important

needs in Norwegian society. The State owns 100 per cent of the shares in Space Norway.

The State's goal as owner is to offer cost-effective, space-related infrastructure that is developed and managed in a sound manner and meets important needs in Norwegian society. For activities that are in competition with others, the State's goal is the highest possible return over time in a sustainable manner.

#### *Special framework conditions for the company*

The company shall normally limit activities that are in direct competition with commercial players, unless special circumstances indicate otherwise. Any commercial activities shall contribute to achieving the State's public policy goal.

### **Spordrift AS**

#### *About the company*

Spordrift business areas are the operation and maintenance of railway infrastructure and associated project activities. The company safeguards a socially critical function as Norway's largest contractor within railway operation and maintenance. Spordrift was established by Bane NOR SF in 2019. The Ministry of Transport took over ownership in January 2021. Spordrift's head office is in Oslo.

At year-end 2021, the company had 1,267 employees and book equity of NOK 189 million. Operating revenues in 2021 were NOK 2.2 billion.

#### *State ownership*

The State's rationale for ownership in Spordrift is to have a supplier that is able to operate and maintain the national rail network. The State owns 100 per cent of the shares in Spordrift.

The State's goal as owner is the cost-effective operation and maintenance of the national rail network. For the commercial part of the company's activities, the State's goal as an owner is the highest possible return over time in a sustainable manner.

#### *Special framework conditions for the company*

Spordrift currently manages its activities on the basis of a direct purchase agreement for operation and maintenance services with Bane NOR SF in accordance with the rules for public purchase arrangements ('utvidet egenregi'). The competitive tendering of operation and maintenance ser-

vices on the national rail network has been suspended. Bane NOR SF will conduct a renewed assessment of what parts of these services should be purchased directly from Spordrift and which parts can potentially be purchased through competition.

### **Statnett SF**

#### *About the company*

Statnett is the transmission system operator in the Norwegian power system, and is responsible for socio-economically rational operation and development of the transmission grid. The company is responsible for ensuring that there is a balance at all times between the production and consumption of electric power in Norway. Statnett has a monopoly on owning and operating the transmission grid in Norway. The company was established in 1992 when Statskraftverkene was split into Statnett and Statkraft SF. Statnett's head office is in Oslo.

At year-end 2021, the company had 1,647 employees and book equity of NOK 21.5 billion. Operating revenues in 2021 were NOK 14.4 billion.

#### *State ownership*

The State's rationale for ownership in Statnett is that the company owns the transmission grid in Norway and is responsible for system operation. The State owns 100 per cent of Statnett.

The State's goal as owner is socioeconomically rational operation and development of the national transmission grid for electric power.

#### *Special framework conditions for the company*

The Norwegian System Operation Regulations regulate Statnett's role as system operator and associated tasks. Statnett is also subject to a number of direct regulations pursuant to the Energy Act, including provisions relating to quality of supply, the obligation to offer access to the network, and the formulation of tariffs.

As the sector authority, the Ministry of Petroleum and Energy makes individual decisions and stipulates framework conditions for the sector. The Ministry of Petroleum and Energy is also the licensing authority charged with evaluating applications from Statnett for installations over a certain threshold, and serves as the appellate authority for licences awarded to Statnett by the Norwe-

gian Directorate of Water Resources and Energy (NVE).

Tariffs from customers connected to the transmission grid provide the financing for Statnett. The regulatory authorities for energy are responsible for determining Statnett's annual revenue framework.

### **Statskog SF**

#### *About the company*

Statskog SF is Norway's largest landowner and manages around one-fifth of mainland Norway's surface area. This land is virtually all mountains and uncultivated wilderness. The company also safeguards and develops all assets on public land and guarantees public access to hunting, fishing and outdoor recreation in Norway. Statskog is also Norway's largest forest owner, with around 6 per cent of the productive forest area. Statskog's commercial activities comprise forestry, wilderness management and other land and property management. The company was established in 1993 when it was converted from the Directorate for State Forests. Statskog's head office is in Namsos.

At year-end 2021, the company had 113 employees and book equity of NOK 1.9 billion. Operating revenues in 2021 were NOK 331 million.

#### *State ownership*

The State's rationale for ownership in Statskog is to have control over important forest and wilderness areas and to ensure sustainable management of state-owned forest and mountain areas and the resources found therein, including to facilitate public hunting, fishing and outdoor recreation, etc. The State owns 100 per cent of Statskog.

The State's goal as owner is the sustainable management of these areas through efficient operations and satisfactory financial results over time.

#### *Special framework conditions for the company*

Statskog performs statutory tasks stipulated in the provisions in the Act relating to Forestry, etc., in the State Commons and the Mountain Act. The Ministry of Agriculture and Food enters into agreements with Statskog that set out specific framework conditions for Statskog's performance of these and other public policy tasks. Statskog also receives an annual grant letter and letter of

assignment from the Ministry of Agriculture and Food.

Hunting, logging, trapping and fishing on state-owned land outside of the State commons managed under the Mountain Act are regulated in regulations pertaining to this that have been adopted by the Norwegian Environment Agency.

The protection of land owned by Statskog and the voluntary protection of private land is the primary strategy for achieving the Government's goal of protecting 10 per cent of the forest in Norway. Unlike the protection of private land, where the forest owners voluntarily offer land for protection, or state commons, where protection is based on the principles of voluntary protection, the protection of Statskog's ordinary land is based on a mapping and prioritisation process carried out by the protection authorities. Decisions pertaining to protection are made in the ordinary manner, and Statskog is compensated in the same fashion as other land owners.

### **Store Norske Spitsbergen Kulkompani AS**

#### *About the company*

Store Norske Spitsbergen Kulkompani (Store Norske) manages coal mining operations in Mine 7, residential property activities, commercial buildings, logistical services, renewable energy projects and a mining museum on Svalbard. Store Norske is also responsible for remediation of the former coal mining activities in Svea and Lunckefjell. The company was established in 1916 and the State became the owner in the 1930s. Store Norske's head office is located in Longyearbyen.

At year-end 2021, the company had 134 employees and book equity of – NOK 418 million.<sup>2</sup> Operating revenues in 2021 were NOK 283 million.

#### *State ownership*

The State's rationale for ownership in Store Norske is to contribute to the continued existence and further development of the community in Longyearbyen and to ensure that it develops in a manner that underpins the overriding aims of Norway's policy for Svalbard. The State owns 100 per cent of the shares in Store Norske.

<sup>2</sup> The Group's equity is impacted by negative equity in the subsidiaries Store Norske Spitsbergen Grubekompani AS and Store Norske Gruvedrift AS due to provisions related to the remediation project in Svea and Lunckefjell and future remediation obligations in Mine 7. See the company's 2021 annual report for more information on this.



The State's goal as owner is the cost-effective and stable production of coal for the coal-fired power station in Longyearbyen and cost-effective management and development of residential housing in Longyearbyen. For commercial buildings, industrial activities and other activities, the State's goal as owner is the highest possible return over time in a sustainable manner.

#### *Special framework conditions for the company*

The most important consideration is that all of the company's activities must be carried out to support the general objectives of Norway's Svalbard policy. With the exception of ordinary bank overdrafts or similar, the company cannot raise external debt without the consent of the Ministry of Trade, Industry and Fisheries. Any significant changes to the company's strategy, including any new activity, must be discussed with the Ministry of Trade, Industry and Fisheries at an early stage.

Remediation of the coal operations in Svea and Lunckefjell is primarily financed by the State. Goals, framework conditions and guidelines related to the remediation work are set out in an annual letter of assignment from the Ministry of Trade, Industry and Fisheries.

#### **Talent Norge AS**

##### *About the company*

Talent Norge provides expertise, development opportunities and financial support to talented artists. The company prioritises initiatives aimed at talented artists who are either just about to complete their higher arts education or have recently graduated. The target group comprises both performing and creative artists in all forms and expressions of art. Talent Norge collaborates with influential organisations, institutions and communities within the Norwegian cultural sector. The company was established in 2015. Talent Norge's head office is in Oslo.

At year-end 2021, the company had eight employees and book equity of NOK 8 million. Operating revenues in 2021 were NOK 124 million.

##### *State ownership*

The State's rationale for ownership in Talent Norge is to contribute to developing the best talent in Norway in a partnership between the State and private players, and thereby contribute to promoting art and culture of a high international

standard and more world-class artists. The State owns 33.3 per cent of the shares in Talent Norge.

The State's goal as owner is to contribute to the development of the best artistic talents in Norway.

#### *Special framework conditions for the company*

The company is partly funded through grants from the State. The Ministry of Culture and Equality sets the goals, framework conditions and guidelines for the grant in an annual letter of assignment. The company collaborates with private contributors who make equal private contributions to the initiatives.

#### **Trøndelag Teater AS**

##### *About the company*

Trøndelag Teater is a regional theatre that engages in theatre activities in Trondheim and the surrounding region, including tours/guest performances. The theatre was established in 1937 and the State became a part-owner in 1972. Trøndelag Teater is located in Trondheim.

At year-end 2021, the company had 148 employees and book equity of NOK 16.5 million. Operating revenues in 2021 were NOK 127 million.

##### *State ownership*

The State's rationale for ownership in Trøndelag Teater is to contribute to ensuring that everyone has access to dramatic art. The State owns 66.67 per cent of the shares in Trøndelag Teater.

The State's goal as an owner is a high level of artistic quality to a wide audience.

#### *Special framework conditions for the company*

The company is primarily funded through public grants. The Ministry of Culture and Equality sets the goals, framework conditions and guidelines for its share of the grant in an annual grant letter.

#### **Universitetscenteret på Svalbard AS**

##### *About the company*

The University Centre in Svalbard (UNIS) offers study programmes and conducts research based on Svalbard's geographic location in the High Arctic and the special advantages afforded by the opportunity of using nature as a laboratory. The study programmes supplement the education pro-

vided at universities on the mainland and form part of ordinary study programmes. UNIS' fields of study are Arctic biology, Arctic geology, Arctic geophysics and Arctic technology. The company was established in 2002 and replaced the former foundation, University Courses in Svalbard, established by the four Norwegian universities in 1994. UNIS' head office is in Longyearbyen.

At year-end 2021, the company had 119 employees and book equity of NOK 60.1 million. Operating revenues in 2021 were NOK 192 million.

#### *State ownership*

The State's rationale for ownership in UNIS is to have an institution for university studies and research on Svalbard that contributes to supporting the overarching objectives of Norway's Svalbard policy. The State owns 100 per cent of the shares in UNIS.

The State's goal as owner is to have high-quality education and research based on the natural advantages afforded by Svalbard's location in the High Arctic.

#### *Special framework conditions for the company*

The company is primarily financed by grants from the Ministry of Education and Research, with an associated grant letter.

### **AS Vinmonopolet (special-legislation company)**

#### *About the company*

Vinmonopolet has the exclusive right to sell products containing more than 4.7 per cent alcohol by volume to consumers. The company is one of the most important instruments in Norway's alcohol policy and contributes to limiting alcohol consumption within society by regulating availability. The alcohol policy is expressed through effective social control, measures to create positive attitudes, and the absence of promotional activities. The company was established in 1922 and the State became the owner in the 1930s. Vinmonopolet's head office is situated in Oslo.

At year-end 2021, the company had 1,935 employees and book equity of NOK 665 million. Operating revenues in 2021 were NOK 21.7 billion.

#### *State ownership*

The State's rationale for ownership in Vinmonopolet is to exclude private financial interests as motivation for the sale of alcoholic beverages containing more than 4.7 per cent alcohol by volume, and to contribute to the sale taking place in a controlled manner. The State owns 100 per cent of Vinmonopolet.

The State's goal as owner is to limit the harmful effects of alcohol for individuals and society at large.

#### *Special framework conditions for the company*

The company is regulated by Act No. 18 of 19 June 1931 relating to Aktieselskapet Vinmonopolet. The framework conditions for the company's operations are also regulated by legislation such as the Act relating to the sale of alcoholic beverages, etc., and the Alcohol Regulations. In addition, the Ministry of Health and Care Services issues an annual letter of assignment to the company.

## **7.3 Companies that are not categorised**

### **Folketrygdfondet (special-legislation company)**

Folketrygdfondet manages the Government Pension Fund Norway (GPFN) in accordance with a mandate stipulated by the Ministry of Finance. The company is 100 per cent owned by the State. The GPFN invests in listed shares and bonds in Norway, Sweden, Denmark and Finland.

At year-end 2021, the market value of the GPFN was NOK 333 billion. The return is added to the GPFN on an ongoing basis.

Folketrygdfondet also manages the Government Bond Fund. The fund was established on 27 March 2020 and has a framework for the purchase of bonds of up to NOK 50 billion. It was established to contribute increased liquidity and capital to the credit bond market due to the coronavirus pandemic. By the end of 2021, the fund had invested NOK 8 billion in the credit bond market.

Folketrygdfondet has 49 employees and is located in Oslo.

The Ministry of Finance presents annual reports to the Storting regarding the company and its management of the GPFN.

Folketrygdfondet shall endeavour to achieve the highest possible return over time for both

funds when measured in Norwegian kroner and after costs.

### **Rosenkrantzgate 10 AS**

Rosenkrantzgate 10 is a property company whose only asset is the property at the address Rosenkrantzgate 10 in Oslo. The company's activities involve leasing premises in this property. The building houses Oslo Nye teater, which has a preferential right to lease premises in the building.

The State owns 3.07 per cent of the shares in Rosenkrantzgate 10. The City of Oslo owns 78.89 per cent of the shares, 16.69 per cent of the shares are in unknown ownership, and the remainder are owned by Oslo Nye Teater AS and private individuals. The State's holding is the result of a previous engagement/ownership in Oslo Nye Teater, which is now wholly-owned by the City of Oslo.

The State has no special rationale for its ownership in company. The sale of the shares has been difficult in light of there being unknown shareholders in the company. In 2017, the shares of the unknown owner were deposited with Norges Bank for 20 years. During this period, these shares can be released to shareholders who can prove that they are the owners. The company can claim ownership of the shares at the end of the deposit period.

### **Rygge 1 AS**

The company establishes and owns infrastructure (test cell) at Rygge Air Base used for post maintenance testing of engine components for F-35 fighter jets. The test cell is an important part of the engine depot for the maintenance of these engines, and is leased to Kongsberg Aviation Maintenance Services AS, formerly Aerospace Industrial Maintenance Norway AS (AIM Norway), which is responsible for the engine depot and uses the test cell in its maintenance production. Rygge 1 was previously a subsidiary of AIM Norway. The State took over ownership through a distribution of all of the shares in Rygge 1 as a dividend in kind in 2019 prior to the completion of the sale of the shares in AIM Norway to Kongsberg Defence & Aerospace AS.

The State owns 100 per cent of the shares in Rygge 1.

The State's goal as owner is to contribute to enabling the establishment of an engine depot in Norway. The test cell has now been completed and put into operation, and an assessment is now being conducted concerning whether the company shall be dissolved and the test cell placed under the portfolio of the Norwegian Defence Estates Agency.

Overview of rationale for state ownership by ministry and company			Overview of rationale for state ownership by ministry and company		
<b>Rationale for state ownership (Chapter 4.1):</b>					
A: Head office functions in Norway			E: Infrastructure, monopolies and assigned rights		
B: Civil protection and emergency preparedness			F: Public goods and/or social and geographical distribution		
C: Energy and natural resources			*Referred to in a separate report to the Storting		
D: Facilitating sustainable restructuring and increased value creation			**The State has no special rationale for its ownership		
Ministry and company	Holding	Rationale	Ministry and company	Holding	Rationale
<b>Ministry of Finance</b>			<b>Ministry of Finance</b>		
Folketrygdfondet (special-legislation company)	100%	*	Andøya Space AS	90%	B
<b>Ministry of Defence</b>			<b>Ministry of Finance</b>		
Rygge 1 AS	100%	-	Argentum Fondsinvesteringer AS	100%	A
<b>Ministry of Health and Care Services</b>			<b>Ministry of Finance</b>		
Helse Midt-Norge RHF	100%	F	Baneservice AS	100%	E
Helse Nord RHF	100%	F	DNB Bank ASA	34%	A
Helse Sør-Øst RHF	100%	F	Eksportfinans ASA	15%	**
Helse Vest RHF	100%	F	Equinor ASA	67%	A
Nordisk Institutt for Odontologiske Materialer AS	49%	F	Fiskeri- og havbruksnæringens forskningsfinansiering AS	100%	F
Norsk Helsenet SF	100%	E	Flytoget AS	100%	E
AS Vinmonopolet (special-legislation company)	100%	E	Innovasjon Norge (special-legislation company)	51%	D
<b>Ministry of Climate and Environment</b>			<b>Ministry of Finance</b>		
Bjørnøen AS	100%	E	Investinor AS	100%	D
Enova SF	100%	D	Kongsberg Gruppen ASA	50.004%	A and B
Kings Bay AS	100%	E	Mantena AS	100%	E
<b>Ministry of Local Government and Regional Development</b>			<b>Ministry of Finance</b>		
Electronic Chart Centre AS	100%	E	Mesta AS	100%	E
Kommunalbanken AS	100%	D	Nammo AS	50%	A and B
Norid AS	100%	B and E	Nofima AS	56.8%	E and F
<b>Ministry of Culture and Equality</b>			<b>Ministry of Finance</b>		
Carte Blanche AS	70%	F	Norges sjømatråd AS	100%	F
AS Den Nationale Scene	66.67%	F	Norsk Hydro ASA	34.26%	A
Den Norske Opera & Ballett AS	100%	F	Nysno Klimainvesteringer AS	100%	D
Filmparken AS	77.6%	F	Petoro AS	100%	C
Nationaltheatret AS	100%	F	Posten Norge AS	100%	E
Norsk rikskringkasting AS	100%	F	Siva - Selskapet for Industrivekst SF	100%	D
Norsk Tipping AS (special legislation company)	100%	E	Space Norway AS	100%	B
Rogaland Teater AS	66.67%	F	Statkraft SF	100%	A and C
Rosenkrantzgate 10 AS	3.07%	**	Store Norske Spitsbergen Kulkompani AS	100%	B
TalentNorge AS	33.33%	F	Telenor ASA	53.97%	A and B
Trøndelag Teater AS	66.67%	F	Yara International ASA	36.21%	A
<b>Ministry of Education and Research</b>			<b>Ministry of Petroleum and Energy</b>		
Simula Research Laboratory AS	100%	F	Gassco AS	100%	E
Universitetssenteret på Svalbard AS	100%	F	Gassnova SF	100%	D
<b>Ministry of Agriculture and Food</b>			<b>Ministry of Petroleum and Energy</b>		
Graminor AS	28.2%	B	Statnett SF	100%	E
Kimmen Sávarelaboratoriet AS	51%	B	<b>Ministry of Transport</b>		
Statskog SF	100%	C and F	Avinor AS	100%	B and E
<b>Ministry of Trade, Industry and Fisheries</b>			<b>Ministry of Transport</b>		
Akastor ASA	12.08%	**	Bane NOR SF	100%	B and E
Aker Solutions ASA	12.23%	**	Entur AS	100%	E
			Norske tog AS	100%	E
			Nye Veier AS	100%	E
			Spordrift AS	100%	E
			Vygruppen AS	100%	E
			<b>Ministry of Foreign Affairs</b>		
			Norfund (Special legislation company)	100%	F

Figure 7.1 Overview of rationale for state ownership by ministry and company.

*Part III*  
*How state ownership is exercised*



## 8 The State shall be an active owner

The Government has clarified through the State's ten principles for good corporate governance that the State shall be an active and responsible owner with a long-term perspective, see Chapter 10. The State's exercise of ownership shall contribute to the attainment of the State's goal as an owner, whether this be the highest possible return over time in a sustainable manner or sustainable and the most efficient possible attainment of public policy goals, see Chapter 5. Among other things, this takes place by the State setting clear expectations of the companies, electing competent boards, systematically following up the companies, and voting at general meetings, see Figure 8.1.

Norway is considered to be far ahead internationally in terms of the exercise of state owner-

ship.<sup>1</sup> Among other things, this is due to the fact that a broad political consensus has developed over time regarding the key elements of the framework conditions and principles for the State's exercise of ownership in line with generally recognised principles for corporate governance. This has contributed to predictability for the companies and the capital market, which has been a strength of Norwegian state ownership.

The Government's ambition is that the Norwegian State's exercise of ownership shall be in accordance with the best international practice. The State shall be an active owner with a long-term perspective in line with good and responsi-

<sup>1</sup> See, for example, OECD (2018): Economic Surveys: Norway 2018.

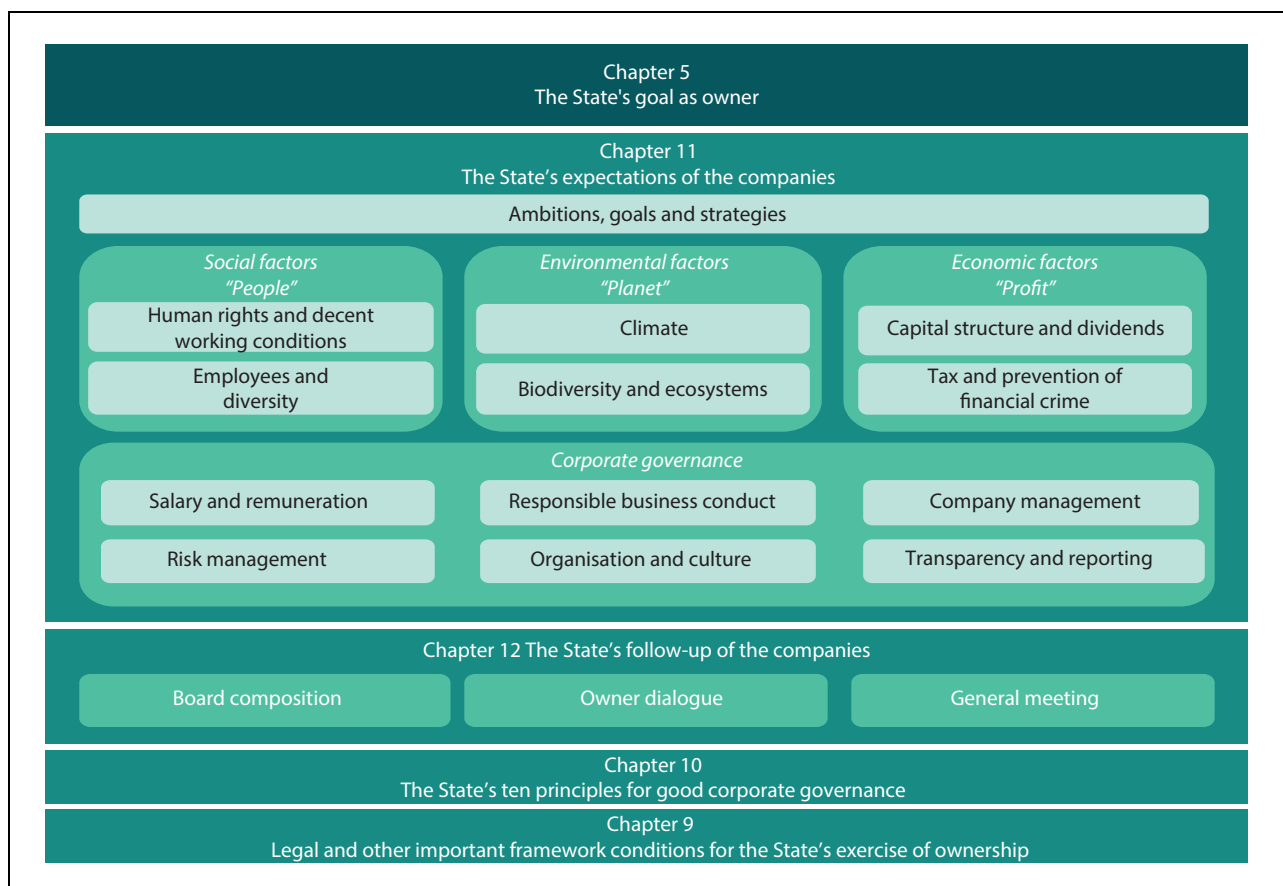


Figure 8.1 The State's exercise of ownership.

ble private owners. The Government will continue to further develop and professionalise the State's exercise of ownership in order to contribute to public assets being managed and developed as best as possible. The State's exercise of ownership should be carried out as competently and consistently as possible across the ministries. The good and uniform exercise of ownership strengthens trust in the State as owner and contributes to increased goal attainment.

## 8.1 How the State shall be an active owner

Active ownership shall be exercised in accordance with the division of responsibilities and roles laid down in company law between the State as owner of companies, on the one hand, and the board and general manager on the other.<sup>2</sup> Together with the State's ten principles for good corporate governance, the division of roles laid down in company law establishes the framework conditions for the State's exercise of ownership. The State as owner will actively utilise the room to manoeuvre within these framework conditions in line with the practices of good and responsible private owners. State ownership shall not be an obstacle to exercising value-creating ownership. Among other things, the State shall, in the following manner, be an active owner within the division of roles and responsibilities upon which company law is based:

### *Use of the general meeting*<sup>3</sup>

- *Voting on matters that, by law, must be presented to the owners:* By voting at the general meeting, the State will actively use its ownership authority in matters that, by law, have to be presented to the general meeting, see Chapter 9.3. Among other things, this applies to the election of the board, specification of board remuneration, approval of the annual accounts and any annual report, distribution of dividends, election of the auditor, approval of the auditor's fee, approval of the board's guidelines for executive remunera-

<sup>2</sup> The companies with state ownership are organised into different legal corporate forms, see Chapter 9.2. For the sake of simplicity, reference is exclusively made to relevant provisions of the Limited Liability Companies Act. Similar provisions generally apply to public limited companies, state-owned enterprises and most special legislation companies.

<sup>3</sup> For the sake of simplicity, «general meeting» is used as a collective term for the companies' highest decision-making body, see Chapter 9.3.1.

tion, advisory voting on the board's remuneration report, amendments to articles of association, changes in share capital, etc. Active use of voting rights is particularly relevant in the event of poor goal attainment in the company over time or significant deviations from the State's expectations; however, it may also be relevant when the State wishes to express its view regarding the board's ambitions for the company. In these cases, the State as owner may also exercise its voting rights to change the composition of the board or change the company's capital structure, see Chapter 12.6.

- *Voting on matters that the board chooses to present to the owners:* The general meeting may hand down decisions on all matters that, pursuant to law or the articles of association, must not be made by other company bodies. The board will not normally present matters to the general meeting that the board is responsible for pursuant to company law. However, there may be good reasons for the board selecting to present matters of significant strategic importance to the company at the general meeting. The State will exercise its voting rights in such matters unless these matters are of such a nature that they violate the division of responsibilities and roles between the owners and the board upon which company law is based.
- *The right to have matters considered at the general meeting:* The State will exercise its right as owner to have matters considered at general meetings when this is relevant and in accordance with principles pertaining to company law. Among other things, the State may request that the general meeting considers the election of the board (even if the board is not up for election), that the board's guidelines for executive remuneration be presented to the general meeting once more (even if they have not been amended), amendments to the company's articles of association and other matters of importance to the owner. However, the State exercises caution when instructing companies on individual matters.<sup>4</sup> This is because it undermines the division of roles and responsibilities set out in company law, see Chapter 9.3.
- *The right to convene an extraordinary general meeting:* The State will exercise its right as owner to request that the board convenes an extraordinary general meeting when this is rel-

<sup>4</sup> Due to special legislation, some of the special legislation companies may have divergent practices.



evant and in accordance with principles pertaining to company law.

- *Explanation of vote:* In order to clarify the State’s perspective or the assessments behind the State’s voting, the State will, if necessary, use an explanation of vote not only when the State votes against a decision, but also when the State votes in favour of the board’s proposal. The State will normally request that the explanation of vote is recorded in the minutes. Among other things, the purpose of this is to be transparent about the State’s exercise of ownership.

#### *Election of board members*

- The board is responsible for the management of the company. The State generally has a significant ownership interest and by being involved in electing the boards has the opportunity to influence the company’s management by contributing to ensuring that the company has a competent and well-functioning board. The State’s ownership policy dictates that all boards and board members are subject to an annual assessment, irrespective of whether they are up for re-election. Among other things, the purpose of the assessments is to determine the board and the board members’ contribution to the company’s goal attainment and work with the State’s expectations, and whether the board has the correct expertise, see Chapter 12.5. In the event of poor goal attainment over time or significant deviations from the State’s expectations, the State may vote at the general meeting to replace all or parts of the board.

#### *Regulation in the articles of association*

- Through the company’s articles of association, the owners set the framework for the board’s management and the general manager’s day-to-day operation of the company. Company law stipulates that certain matters need to be regulated in the articles of association. However, the legislation does not prevent other matters from being regulated in the articles of association unless otherwise stipulated in the individual statute. For example, for most unlisted companies, the State has stipulated in the articles of association that the board must submit guidelines and an annual report on the remuneration of senior executives to the general meeting in accordance with Sections 6-16 a and 6-16 b of the Public Limited Liability Companies Act and associated regulations. Amendments to the arti-

cles of association must be approved by the general meeting.<sup>5</sup> If necessary, the State will also exercise its right to propose amendments to the articles of association to the general meeting in order to establish the company’s activities in line with, among other things, the State’s rationale for ownership and goal as owner.

#### *Set clear expectations*

- The board is responsible for managing the company; however, the State as owner sets and follows up specific expectations of the boards. By setting expectations of the boards, the State contributes to achieving the State’s goal as owner. As the expectations are specific, the concerns of the State as an owner are made clear to the boards. However, it is up to the boards to consider how the companies can best work with the various expectations tailored to their activities. When the State assesses the work and composition of the board, the company’s work with the various areas of expectations and the board’s contribution to this are assessed.

#### *Use of owner dialogue*

- The State actively uses owner dialogue to follow up the companies’ results and goal attainment, including the companies’ work on the State’s expectations, and other relevant topics and issues. Quarterly meetings are the core part of the owner dialogue; however, the State typically also holds other meetings on specific topics with the executive management and the board, see Chapter 12.1. Through the owner dialogue, the State will raise matters, ask questions and communicate points of view that company management can consider in relation to its activities and development. This serves as input to the company management, not as instructions or orders. The board shall manage the company in accordance with the interests of the company and all shareholders, and must make their own specific assessments and decisions. Matters that require the owners’ support must be considered at the general meeting.
- In addition to quarterly meetings, meetings on special topics and ad-hoc meetings, the State will have an annual meeting with the entire board if this is considered appropriate. Among

<sup>5</sup> Amendments to the articles of association require at least a 2/3rds majority of both votes cast and the share capital represented at the general meeting.

the reasons for the State having these meetings as owner is to develop a good dialogue with the board, raise relevant expectations and discuss the company's goal attainment.

- As part of the annual board assessment for companies that are wholly-owned by the State, the State will meet with all owner-elected board members and the general manager. The State will also endeavour to conduct interviews with board members elected by and among the employees, cf. Chapter 12.5. In the companies with a nomination committee, the committee is the body that conducts this dialogue.
- The State will normally also conduct onboarding meetings with newly-elected board members in the companies that are wholly-owned by the State. Onboarding meetings also help the board members to gain a better understanding of the State's rationale for ownership and the State's goal as an owner of the company in question, as well as the State's expectations of the companies.

*Offer knowledge sharing through professional seminars*

- The State has a large portfolio of companies. The State will hold professional seminars for the companies to contribute to knowledge sharing on various relevant topics that are of importance to the companies' goal attainment.

*Support for, and possible participation in, transactions that contribute to goal attainment*

- The State will assess any potential initiatives presented by the company that are expected to contribute to the State's goal as an owner. The State will act in accordance with market practices when conducting a dialogue about, and in the event of, potential participation in share capital increases or other transactions that are expected to increase a company's value, see Chapter 12.7.

## **8.2 The State shall demonstrate transparency about its ownership and exercise of ownership**

In its capacity as owner, the State manages substantial assets on behalf of society as a whole. Transparency is decisive in order to give the general public, co-owners and potential new shareholders, competitors, lenders and others insight

### **Box 8.1 State Ownership Report**

The State Ownership Report is the annual report for the State's direct ownership in companies and shall contribute to providing a high degree of transparency. The report provides an overview of the ownership scope and key figures, the State's rationale and goals for its ownership in each of the companies, and information about the State's exercise of ownership. In addition, the report contains information about each company, including the companies' goals and goal attainment, important events during the year in question, financial developments and significant key figures, including the companies' greenhouse gas emissions. The report also contains information about the companies' reporting on the State's expectations, as well as overviews of board members, remuneration of the board and general manager and the gender balance of the board and management group. The report is published in June each year on the Government's state ownership website ([www.eierskap.no](http://www.eierskap.no)).

into how the State exercises its ownership, among other things, to be able to evaluate the State as an owner and determine whether there is fair competition between companies with and without a state ownership interest. Transparency creates predictability and is important if the general public is to trust that these assets are being managed in an optimal manner. Democratic considerations are thereby safeguarded. As a result of the Norwegian state's extensive ownership, transparency is also important if investors are to trust the Norwegian capital market.<sup>6</sup>

Since 2002, a report to the Storting on the State's overall direct ownership in companies (white paper on ownership policy) has been presented in each parliamentary session.

In addition, each year the Ministry of Trade, Industry and Fisheries presents the State Ownership Report, which provides an overview and description of the State's direct ownership in companies in the preceding year, see Box 8.1.

<sup>6</sup> Cf. the State's principle no. 2 for good corporate governance. See also OECD (2015): «The OECD Guidelines on Corporate Governance of State-Owned Enterprises» provide guidance regarding good practice for transparency in state ownership.

## 9 Legal and other important framework conditions for the State's exercise of ownership

The legal framework conditions for the State's exercise of ownership are primarily established through the constitutional framework in the Constitution of Norway, and provisions in company law pertaining to the division of roles between an owner and the company's management, which consists of the board and general management. This chapter provides an overview of the most important framework conditions for the State's exercise of ownership pursuant to the Constitution of Norway and company law.<sup>1</sup> The provisions in the EEA Agreement relating to state aid are also discussed. Other laws, for example, the Public Administration Act, Freedom of Information Act, Securities Trading Act and Competition Act, also impose legal requirements on the State's exercise of ownership.<sup>2</sup> These are not discussed here.

In addition to legislation, there are several other rules and regulations that are of importance to the State's exercise of ownership. This chapter discusses rules pertaining to the right of civil servants, members of parliament and members of the government to hold directorships, as well as regulations for financial management in the State.

This chapter also discusses the OECD Guidelines on Corporate Governance of State-Owned Enterprises<sup>3</sup> and the Norwegian Code of Practice for Corporate Governance.

<sup>1</sup> Sector-specific legislation that sets framework conditions for the State's exercise of ownership in companies within specific sectors, for example, Act No. 17 of 10 April 2015 relating to financial undertakings and financial groups is not discussed in this report.

<sup>2</sup> The Act of 10 February 1967 relating to procedure in cases concerning the public administration, Act No. 16 of 19 May 2006 relating to public access to documents in the public administration, Act No. 75 of 29 June 2007 relating to securities trading, and Act No. 12 of 5 March 2004 relating to competition between undertakings and control of concentrations.

<sup>3</sup> OECD (2015): «OECD Guidelines on Corporate Governance of State-Owned Enterprises» and OECD (2019): «Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises».

### 9.1 Constitutional framework – the government administers the State's ownership<sup>4</sup>

Pursuant to Article 19 of the Constitution, the Government administers the State's shares in private and public limited liability companies and ownership in companies organised in other corporate forms, such as state enterprises and special legislation companies. Pursuant to Article 12, second paragraph of the Constitution, the administration of state ownership is delegated to various ministries. The Minister's administration of ownership is exercised under constitutional and parliamentary responsibility.

Pursuant to Article 19 of the Constitution, the minister must administer the State's ownership in companies in accordance with parliamentary resolutions concerning the individual company, general statutory provisions and other parliamentary resolutions. The provision expressly authorises the Storting to instruct the Government in matters pertaining to state ownership.

The Storting has no direct relationship with the companies with a state ownership interest. Parliamentary resolutions concerning companies with a state ownership interest must be resolved by the company's general meeting in order to legally bind the company, unless the resolutions are set out in law.

Article 19 of the Constitution does not grant the minister authority to change the State's ownership interest in a company, for example through the purchase or sale of shares, resolutions regarding or participation in capital increases or support for other transactions that change the State's ownership interest. Such actions must be based on a

<sup>4</sup> See Knudsen, G. and Fagernæs, S. O. (2017): «The Minister's management of the State's ownership in companies wholly or partly owned by the State. Relationship to the Storting and the company's management» section 2 for a detailed description of the constitutional and parliamentary responsibilities.

parliamentary resolution whereby the minister is granted authorisation.

Several of the listed companies have so-called buyback programmes in which the company is authorised to purchase its own shares in the market with a plan to cancel the shares. A contractual framework has been established for such cases to ensure that the State's ownership interest in the company remains unchanged during the buy-back programme. In line with previous white papers on ownership policy and practice, the minister may in such cases, without obtaining the consent of the Storting, endorse the State's contribution to such share buy-back programmes and enter into agreements in line with the established contractual framework on the condition that the State's ownership interest in the company remains unchanged.

The Storting's appropriation authority pursuant to Article 75 (d) of the Constitution also entails that the Storting's consent is required for changes in the State's ownership interest in a company and for decisions on capital infusions that lead to government expenditure.

Companies in which the State has ownership interests will usually be able to purchase and divest shares in other companies and acquire or dispose of parts of business activities when this is a natural part of the adaptation of the company's object-specific activities, without the approval of the Storting being required. For companies where the State is the sole shareholder, the consent of the Storting must be obtained regarding decisions which would significantly alter the State's commitment or the nature of the company's activities.<sup>5</sup> When the State is a joint shareholder, the question of whether the matter should be discussed by the Storting in advance will arise for matters of such scope that they must be brought before the general meeting (for example, demergers or mergers). Depending on the size of the State's ownership interest in the company, it may be necessary to present the matter to the Storting; however, the clear general rule is that matters concerning the purchase and sale of shares in other companies, including the purchase and sale of subsidiaries, are the responsibility of the company's management, cf. footnote 5.

<sup>5</sup> Cf. Recommendation No. 277 (1976–77) to the Storting: Recommendation from the Standing Committee on Foreign Affairs and Constitutional Matters on the Storting's monitoring of the public administration, pages 18-19, and Knudsen, G. and Fagernæs, S. O. (2017): «The Minister's management of the State's ownership in companies wholly or partly owned by the State. Relationship to the Storting and the company's management» section 2.5.

It is established practice for the Government to present to the Storting the rationale for state ownership and the State's goal as an owner of each company with a direct state ownership interest.

The Office of the Auditor General of Norway conducts audits of the minister's (the ministry's) administration of the State's ownership, and reports to the Storting accordingly. The Office of the Auditor General's monitoring of the administration of the State's ownership is described in more detail in Chapter 3 (Corporate control) of the Instructions for the Activities of the Office of the Auditor General.<sup>6</sup>

## 9.2 Corporate forms used for state ownership

The companies with state ownership are organised into different legal corporate forms, see Figure 4.2. Among the common features of these corporate forms are that they are based on a clear division of roles between the owner and the company management, consisting of the board and the general manager, and that the management of the company is the board's responsibility.<sup>7</sup> Another common feature of the corporate forms used for state ownership is that the State's liability as owner is limited to the equity invested in the companies, and that the companies therefore may go bankrupt.<sup>8</sup>

The companies that primarily operate in competition with others are also subject to the same legislation as privately owned companies.<sup>9</sup> Relevant legislation will, for example, include the Accounting Act, Auditors Act, Competition Act, Securities Trading Act, tax laws and, if applicable, sector-specific legislation. The companies that do not primarily operate in competition with others

<sup>6</sup> Further details regarding the Office of the Auditor General's monitoring of the State's ownership of companies can be found in Knudsen, G. and Fagernæs, S. O. (2017): «The Minister's management of the State's ownership in companies wholly or partly owned by the State. Relationship to the Storting and the company's management» section 3.1.

<sup>7</sup> For some of the companies, restrictions on the board's duties and responsibilities are stipulated by law.

<sup>8</sup> The exception is the regional health authorities, where the owner has unlimited liability for the company's obligations, see Section 7 of Act No. 93 of 15 June 2011 relating to health authorities and health trusts, etc., and Petoro, where the State is directly liable for any obligation incurred by the company, and where insolvency and debt settlement proceedings cannot be instituted against the company, see Section 11-3 of Act No. 72 of 29 November 1996 relating to petroleum activities.

<sup>9</sup> The Limited Liability Companies Act contains some special provisions for state-owned limited liability companies; see Chapters 9.3.2 and 9.3.3.

are normally also subject to such legislation. Some of the companies also fall under the scope of the Freedom of Information Act and/or the rules for public procurements.<sup>10</sup>

The following corporate forms are used for the State's ownership:

#### *Partly owned private and public limited liability companies*

With the exception of Innovasjon Norge, all of the companies in which the State is a part-owner are organised as private or public limited liability companies. These companies are subject to the general provisions of the Limited Liability Companies Act and the Public Limited Liability Companies Act.

#### *State-owned limited liability companies<sup>11</sup>*

A state-owned limited liability company is a limited liability company in which the State owns all the shares, cf. Chapter 20, II of the Limited Liability Companies Act. The majority of the companies that are wholly-owned by the State are organised as state-owned limited liability companies, regardless of the State's rationale for ownership and the State's goal as owner. These companies are subject to the general provisions of the Limited Liability Companies Act<sup>12</sup> with certain special provisions that are set out in Sections 20-4 to 20-7, see Chapters 9.3.2 and 9.3.3.

#### *State enterprise*

State enterprises are organised in accordance with the Act relating to state enterprises.<sup>13</sup> State enterprises cannot have owners other than the State. The State currently has several enterprises organised in accordance with this act. State enterprises are largely regulated in the same manner as state-

owned limited liability companies, however with some exceptions, see Chapters 9.3.2 and 9.3.3.

#### *Special legislation companies*

The term special legislation companies covers a small, diverse group of companies. A common characteristic of these companies is that they are regulated by special legislation adopted for the individual company.<sup>14</sup> With the exception of Innovasjon Norge, it has been laid down in law that the State shall be the sole owner of the special legislation companies. The regional health authorities are a specific form of special legislation company. The specialist health service is organised as regional health authorities and health trusts. The former can only be established and owned by the State, while the latter, which provide health services and support functions, can only be established and owned by the regional health authorities. Rules that deviate from the provisions of the Limited Liability Companies Act may apply to the special legislation companies, including the authority assigned to the company's board. It is a typical feature of several of the special legislation companies that specific matters must be presented to the owner.

#### *Choice of corporate form*

Having multiple corporate forms for companies that are wholly-owned by the State result in different and non-uniform framework conditions for the State's exercise of ownership. The OECD Guidelines on Corporate Governance of State-Owned Enterprises recommend that governments simplify and standardise the legal corporate forms used for companies with a state ownership interest.<sup>15</sup> Private limited liability companies are a well-known corporate form, including outside Norway. This corporate form is the most commonly used for companies with a state ownership interest, irrespective of the State's rationale for ownership and the State's goal as owner. The company law framework that is set out in the Limited Liability Companies Act ensures predictability in the

<sup>10</sup> Act No. 17 of 19 May 2006 relating to public access to administration documents, and Section 2 of Act No. 73 of 17 June 2016 relating to public procurements, Section 1-2 of the Regulations relating to Public Procurement and Section 1-2 of the Regulations relating to Procurement in the Supply Sectors.

<sup>11</sup> Another form of organisation is state-owned public limited liability companies, which are public limited liability companies in which the State owns all the shares, see Chapter 20 II of the Public Limited Liability Companies Act. This corporate form is not currently used.

<sup>12</sup> Deviating rules have been enshrined in law for companies such as Petoro, see Act No. 72 of 29 November 1996 relating to the Petroleum Activities provides the legal basis for the company's activities.

<sup>13</sup> Act No. 71 of 30 August 1991 relating to state enterprises.

<sup>14</sup> The companies currently organised pursuant to special legislation adopted for the individual company are: Folketrygdfondet (Act No. 44 of 29 June 2007), Norfund (Act No. 26 of 9 May 1997), Innovasjon Norge (Act No. 130 of 19 December 2003), Norsk Tipping (Section 3 et seq of Act No. 103 of 28 August 1992), Vinmonopolet (Act No. 18 of 19 June 1931) and the regional health authorities (Act No. 93 of 15 June 2001).

<sup>15</sup> See OECD (2015): «OECD Guidelines on Corporate Governance of State-Owned Enterprises» Chapter II Item A. See also Chapter 9.5.3.

State's exercise of ownership, for the companies, the State and other stakeholders alike. Other corporate forms are used where these are well suited and there is a special rationale for doing so, cf. Chapter 9.3.2 and 9.3.3.

## 9.3 Company law framework

### 9.3.1 The minister's authority in the company

The legal basis for the minister's authority as owner in a limited liability company is Section 5-1 of the Limited Liability Companies Act, which reads as follows: «The shareholders exercise supreme authority in the company through the general meeting.» A corresponding provision applies to public limited liability companies, state enterprises and most special legislation companies.<sup>16</sup> For state enterprises and some special legislation companies, the term «corporate assembly» is used instead of «general meeting»; however, the reality is the same. In this white paper, the term general meeting is used as a collective term for both.

The general meeting may hand down decisions on matters that, pursuant to law or the articles of association, must not be handed down by other company bodies.

Pursuant to the Limited Liability Companies Act and corresponding provisions in other company legislation, the general meeting shall, among other things, elect board members,<sup>17</sup> determine the remuneration of the board members, approve the annual accounts and, if applicable, the annual report, determine the distribution of dividends,<sup>18</sup>

elect the auditor, approve the auditor's fee, and resolve changes to the share capital and amendments to the articles of association.

The provision in Section 5-1 of the Limited Liability Companies Act entails that the general meeting has authority over the board and may issue instructions to the board. These may be general instructions or special instructions relating to individual matters. However, the general meeting's authority to issue instructions is not unlimited. The board must not comply with instructions that are in violation of law or the articles of association. The board's primary obligation is with the company as an independent legal entity. In principle, the board is obligated to comply with instructions issued by the general meeting within the framework set out in the Limited Liability Companies Act.

For companies with multiple shareholders, legislation pertaining to limited liability companies sets requirements for the protection of minority shareholders. The board cannot be instructed to make decisions that are contrary to the principle of equality or the collective interests of the shareholders.<sup>19</sup>

The State exercises caution when instructing companies on individual matters.<sup>20</sup> This is because it undermines the division of roles and responsibilities set out in company law. The State's liability as owner is limited to the capital invested. Pursuant to Section 6-12 of the Limited Liability Companies Act/Public Limited Liability Companies Act, the board is responsible for the day-to-day management of the company. If the

<sup>16</sup> The exceptions are Folketrygdfondet and Vinmonopolet, which do not have general meetings, cf. Act No. 44 of 29 June 2007 relating to Folketrygdfondet and Act No. 18 of 19 June 1931 relating to Aktieselskapet Vinmonopolet. Therefore, other rules apply for these companies when this white paper refers to the general meeting.

<sup>17</sup> In companies that have a corporate assembly, this body is, in principle, responsible for electing board members, cf. Section 6-37(1) of the Public Limited Liability Companies Act and Section 6-35(1), second sentence of the Limited Liability Companies Act. However, state-owned limited liability companies are exempt from this rule, cf. Section 20-4(1) of the Limited Liability Companies Act. Pursuant to Section 6-35(1) of the Limited Liability Companies Act/Public Limited Liability Companies Act, private and public limited liability companies with more than 200 employees must have a corporate assembly, where two-thirds of the members are elected by the general meeting and one-third are elected by, from and among the employees. However, pursuant to Section 6-35(2) of the Limited Liability Companies Act/Public Limited Liability Companies Act, it may be agreed that the company shall not have a corporate assembly in return for expanded board representation for the employees. Few companies currently have a corporate assembly.

<sup>18</sup> When the general meeting decides on the amount of the dividend for private and public limited liability companies, this must remain within the limits decided by the board, cf. Section 8-2 of the Limited Liability Companies Act/Public Limited Liability Companies Act. However, this does not apply to state-owned limited liability companies and state enterprises. In state-owned limited liability companies and state enterprises, the general meeting is not bound by the dividend proposal made by the board or corporate assembly and may adopt a higher dividend than that proposed by the board or corporate assembly, cf. Section 20-4(4) of the Limited Liability Companies Act and Section 17 of the Act relating to state enterprises. See Chapter 9.3.2 for further details. For public limited liability companies with a corporate assembly, it may be stipulated in the articles of association that the decision to distribute dividends must be made by the corporate assembly.

<sup>19</sup> See more on the minister's authority to issue instructions through the general meeting in Knudsen, G. and Fager-næs, S. O. (2017): «The Minister's management of the State's ownership in companies wholly or partly owned by the State. Relationship to the Storting and the company's management» section 5.5.

<sup>20</sup> Due to special legislation, some of the special legislation companies may have divergent practices.

board is issued instructions through the general meeting, the responsibilities can be pulverized, and the State may be held liable. The fact that the State is cautious about issuing instructions on individual matters must also be viewed in connection with the corporate form having been selected to grant company management the freedom to act. Corporate legislation is based on an assumption of mutual trust between the shareholders and a company's board. If shareholders issue instructions to the board, this may be perceived as the board not having the shareholders' trust, and could thus result in the board members resigning from their positions. Active use of instructions at the general meeting may also affect the parliamentary and constitutional liability that can be asserted vis-à-vis the minister if the minister, through a resolution of the general meeting, makes decisions that are customarily the preserve of the company's board.

Another aspect of Section 5-1 of the Limited Liability Companies Act is that the minister has no authority within the company in the absence of the general meeting structure<sup>21</sup>.

### 9.3.2 The company's management manages the company

Limited liability companies and the other corporate forms used for companies with a state ownership interest are based on a clear division of roles between the company's owners, on the one hand, and the company's management, consisting of the board and the general manager, on the other.

Pursuant to Sections 6-12 the Limited Liability Companies Act and corresponding provisions in other company legislation, management of the company falls within the authority of the board. It is the board's duty to ensure that the company's activities are properly organised. The board shall stipulate plans and budgets for the company's activities to the extent that this is necessary. The board shall also remain informed about the company's financial position and ensure that its activities, accounts and asset management are subject to adequate control.

The board appoints the general manager.<sup>22</sup> The board shall supervise the day-to-day management and the company's activities in general. The

<sup>21</sup> There will be other arrangements for special legislation companies that do not have a general meeting.

general manager is responsible for the day-to-day management of the company's activities, cf. Sections 6-14 of the Limited Liability Companies Act/Public Limited Liability Companies Act. This means that the general manager must follow up the decisions made by the board. The board and the general manager shall manage and lead the company based on the interests of the company and the owners and in line with the company's articles of association and other decisions made by the general meeting. The board and the general manager are responsible for ensuring that the company is operated in accordance with applicable laws and rules. In their management of the company, the board members and the general manager are subject to personal liability in damages and criminal liability as stipulated in company law.

#### *Limitations in the management's management of companies wholly-owned by the State*

For wholly state-owned companies, the law stipulates certain special provisions that limit the general rules described above, and which grant the State as owner extended control.<sup>23</sup>

In state-owned limited liability companies and state enterprises, the general meeting is not bound by the dividend proposal made by the board or corporate assembly and may adopt a higher dividend than that proposed by the board or corporate assembly, cf. Section 20-4(4) of the Limited Liability Companies Act and Section 17 of the Act relating to state enterprises.

<sup>22</sup> Pursuant to Section 6-2 of the Limited Liability/Public Limited Liability Companies Act, the authority to appoint the general manager may be assigned to the general meeting/corporate assembly in the articles of association. Corresponding provisions have not been included for all of the special legislation companies.

<sup>23</sup> For state-owned limited liability companies, it has been enshrined in law that the King in Council may review the corporate assembly or board's decisions in matters concerning a) investments of a considerable scope in relation to the company's resources and b) rationalisation or reorganisation of operations that entail major changes to or reallocation of the workforce, if important social considerations so indicate, cf. Section 20-4(2) of the Limited Liability Companies Act. According to section 4.4 of Knudsen, G. and Fagernæs, S. O. (2017): «The Minister's management of the State's ownership in companies wholly or partly owned by the State. Relationship to the Storting and the company's management» this authority has never been exercised.

For state enterprises, it has also been enshrined in law that matters assumed to have a significant bearing on the object of the enterprise or which will significantly alter the enterprise's nature shall be submitted to the owner in writing before the board makes its decision, cf. Section 23, second paragraph of the Act relating to state enterprises. The Act also stipulates that the minutes of board meetings shall be sent to the ministry that manages the State's ownership of the state enterprise, cf. Section 24, third paragraph of the Act relating to state enterprises. Sending minutes of board meetings to the ministry is normally not considered sufficient to keep the owner informed about a specific matter.

Specific restrictions on the board's authority have been enshrined in law for the regional health authorities, cf. Sections 30–34 of the Act relating to health authorities and health trusts.<sup>24</sup> Legislation that places restrictions on the board's authority also applies to the other special legislation companies and certain other companies.<sup>25</sup>

### 9.3.3 Special rules for companies wholly-owned by the State

The Limited Liability Companies Act contains some special provisions for state-owned limited liability companies, cf. Chapter 20, II of the Limited Liability Companies Act. In addition to what is described in Chapter 9.3.2 concerning restrictions in the management's management of companies wholly-owned by the State, one of the differences between state-owned limited liability companies and limited liability companies not wholly-owned by the State is that the general meeting elects the shareholder-elected members to the board even if the company has a corporate assembly, cf. Section 20-4(1) of the Limited Liability Companies Act.<sup>26</sup>

A requirement for both genders to be represented on the boards also applies to state-owned limited liability companies and their wholly-owned subsidiaries, cf. Section 20-6 of the Limited Liability Companies Act. The same requirement applies

to state enterprises, special legislation companies and public limited liability companies.<sup>27</sup>

Special rules also apply to the convening and holding of general meetings, cf. Section 20-5 of the Limited Liability Companies Act. Among other things, this provision states that if the general manager or a member of the board or corporate assembly disagrees with the resolution adopted, the person in question shall demand that his/her dissenting opinion be recorded in the minutes of the meeting. A similar provision also applies for state enterprises.<sup>28</sup>

In addition, the Office of the Auditor General has an extended right to supervise the minister's administration of the State's ownership of wholly state-owned companies, including the right to be notified of and attend the general meeting, cf. Section 20-7 of the Limited Liability Companies Act and Section 45 of the Act relating to state enterprises.

### 9.3.4 The minister's authority as owner is influenced by the ownership interest<sup>29</sup>

The basic company law principles and the relationship between the minister and the company's management are generally independent of the State's ownership interest. However, when the State owns a limited liability company together with others, the provisions of the Limited Liability Companies Act that safeguard the interests of individual shareholders will have a bearing on the minister's relationship with and influence over the company. This entails that, in these instances, the exercise of the State's ownership can differ to some extent from cases where the State is the sole owner.

When the State is a part-owner in a company, the minister's authority is limited by, among other things, the principle of equality set out in company law, cf. Section 4-1 of the Limited Liability Companies Act/Public Limited Liability Companies Act,

<sup>24</sup> A more detailed account is provided in section 6.2 of Knudsen, G. and Fagernæs, S. O. (2017): «The Minister's management of the State's ownership in companies wholly or partly owned by the State. Relationship to the Storting and the company's management».

<sup>25</sup> One such example is Petoro, for which it has been enshrined in law that the board has a duty of submission to the general meeting in certain matters, cf. Section 11-7 of the Act of 29 November 1996 relating to petroleum activities.

<sup>26</sup> Only a small number of the wholly-owned companies have a corporate assembly.

<sup>27</sup> See, among other things, Section 19 of the Act relating to state-owned enterprises and Section 6-11a of the Public Limited Liability Companies Act.

<sup>28</sup> See Section 42, second paragraph of the Act relating to state-owned enterprises, which states that, if a member of the board, the managing director or the enterprises' auditor disagrees with the ministry's decision in the corporate assembly, his or her dissenting opinion shall be entered in the minutes.

<sup>29</sup> Various differences resulting from ownership interests are described in more detail in sections 8.7 and 11 of Knudsen, G. and Fagernæs, S. O. (2017): «The Minister's management of the State's ownership in companies wholly or partly owned by the State. Relationship to the Storting and the company's management».



and the rule prohibiting abuse of the general meeting's authority, cf. Section 5-21 of the Limited Liability Companies Act/Public Limited Liability Companies Act, which are also applicable to other shareholders.<sup>30</sup> The provision relating to abuse prohibits the general meeting from adopting resolutions that are liable to grant certain shareholders or others an unreasonable advantage at the expense of other shareholders or the company. This entails that the State, even as a majority shareholder, is prohibited by law from favouring itself at the expense of the other shareholders in the company. This is particularly relevant if the State as an owner wishes to assign the company tasks that are not in the company's interests. In addition to the protection provided from the principle of equality and abuse provision, there are also a number of other provisions in company law that safeguard individual shareholders.

The following is a general overview of how a part-owner can influence a company pursuant to company law based on the applicable ownership interests:

9/10

An ownership interest of nine-tenths or more of the share capital and a corresponding share of the votes in a limited liability company entitle the majority shareholder to a compulsory buy-out of the other shareholders in the company.<sup>31</sup>

*2/3 – qualified majority*

An ownership interest of two-thirds or more of the share capital and a corresponding share of the votes in a limited liability company gives the shareholder in question control over decisions that require a two-thirds majority under company law. This includes decisions to amend the company's articles of associations, decisions on mergers or demergers, increases and reductions in share capital, raising convertible loans, and conversion or dissolution of the company.

*1/2 – simple majority*

An ownership interest of more than half the share capital and a corresponding share of the votes in a

limited liability company give the shareholder in question control over decisions that require a simple majority of the votes cast at the general meeting. This includes the approval of the annual accounts, including the distribution of dividends, the election of members to the board<sup>32</sup> or corporate assembly, board remuneration, election of the auditor and approval of the auditor's remuneration.

*1/3 – negative majority*

An ownership interest of more than one-third of the share capital and a corresponding share of the votes in a limited liability company give the shareholder in question negative control over decisions that require a two-thirds majority. This enables the owner to oppose amendments to the articles of association, changes in the company's capital and other decisions of material importance, cf. the paragraph concerning a two-thirds majority.

## 9.4 The EEA Agreement – prohibition on state aid

The provisions in the EEA Agreement are neutral with regard to public and private ownership.<sup>33</sup> The prohibition on state aid stipulated in Article 61(1) also applies to companies with a state ownership interest. This limits the State's opportunities to place emphasis on non-commercial interests when exercising ownership in companies that engage in economic activity pursuant to Article 61(1) of the EEA Agreement. The purpose of the rules is to create equal competitive conditions.

Six conditions must be met in order for a measure to be defined as state aid, cf. Article 61(1) of the EEA Agreement: the aid recipient must be an undertaking and the aid must be granted by the public authorities, favour certain undertakings or the production of certain goods or services, confer an economic advantage on the recipient, distort competition and have the potential to affect trade between the EEA states.

In order to determine whether investments entail an advantage for the company and can thereby constitute state aid pursuant to Article 61(1) of the EEA Agreement, the European Court of Justice and the European Commission have developed the so-called Market Economy Investor Prin-

<sup>30</sup> For listed companies, the principle of equality is also described in Section 5-14 of Act No. 75 of 29 June 2007 relating to securities trading.

<sup>31</sup> Cf. Section 4-26 of the Limited Liability Companies Act and Section 4-25 of the Public limited Liability Companies Act.

<sup>32</sup> The board is elected by the corporate assembly if such a body has been established.

<sup>33</sup> See Articles 125 and 59 (2).

ciple<sup>34</sup>. If the State contributes capital on the basis of different considerations and terms to what a comparable private investor would be assumed to have required, this may indicate that the capital contribution involves an economic advantage for the company in question that may constitute state aid pursuant to Article 61 (1) of the EEA Agreement, provided that the other conditions are met. This means that the State must operate in accordance with the Market Economy Investor Principle when investing in a company, provided that all of the criteria in Article 61 (1) of the EEA Agreement are met, in order to avoid an investment becoming state aid.

The EFTA Surveillance Authority (ESA) supervises compliance with the state aid regulations in Norway. The question of whether state aid has been provided can also be examined by Norwegian courts.

## 9.5 Other important framework conditions for the State's exercise of ownership

### 9.5.1 Restrictions on the right to hold directorships

Civil servants and senior officials employed in a ministry or in other central government administrative bodies that regularly consider matters of material importance to the company or relevant industry are not eligible for election to the boards of such companies. This is stipulated in the Personnel Handbook for State Employees (Statens Personelhåndbok).<sup>35</sup> The purpose of the prohibition is to prevent impartiality issues and constellations that weaken trust in the public administration's decisions.

Furthermore, the Storting has decided that members of the Storting should not be elected to offices in companies subject to the Storting's control, unless it can be assumed that the member in question will not stand for re-election.<sup>36</sup> As a general rule, political leadership also cannot retain or accept paid or unpaid directorships.<sup>37</sup>

The Disqualification Act<sup>38</sup> also contains provisions that provide for the possibility of imposing a period of disqualification on politicians, civil servants and other state employees when they move to a position outside the government administration.

### 9.5.2 Regulations on Financial Management in Central Government

«The Regulations on Financial Management in Central Government»<sup>39</sup> contain guidelines on the State's exercise of ownership. Among other things, the purpose of the regulations is to ensure that the State's assets are managed in an efficient and proper manner. Section 10 of the Regulations states that:

*«Agencies with overall responsibility for (...) independent legal entities wholly or partially owned by the central government, shall draw up written guidelines on how management and control powers shall be executed for each individual company or for groups of companies. (...)*

*The central government shall, within the framework of applicable laws and rules, manage its ownerships in accordance with general principles of corporate governance with special emphasis on:*

- a) that the chosen form of incorporation, the company's articles of association, financing and the composition of its board are expedient in relation to the company's object and ownership,*
- b) that the exercise of ownership ensures equal treatment of all owners and underpins a clear division of authority and responsibility between the owning entity and the board of directors,*
- c) that goals set for the company are achieved,*
- d) that the board of directors functions in a satisfactory manner.*

*Governance, monitoring and control including appropriate guidelines shall be adjusted to the size of the central government shareholding, the distinctive characteristics of the company, risk profile and significance.»*

<sup>34</sup> Market Economy Investor Principle (MEIP). Also known as Market Economy Operator (MEO).

<sup>35</sup> See section 10.14.1 of the Personnel Handbook for State Employees, cf. Report No. 9 to the Storting, cf. Recommendation No. 91 (1969–70) to the Storting on the appointment of civil servants to boards of directors, councils, etc.

<sup>36</sup> Recommendation No. 277 (1976–77) to the Storting; Recommendation from the Standing Committee on Foreign Affairs and Constitutional Matters on the Storting's monitoring of the public administration, page 15.

<sup>37</sup> Section 6.2 of the Political Leadership Handbook (Håndbok for politisk ledelse). The rule includes exceptions for various positions that are not considered to be problematic.

<sup>38</sup> Act No. 70 of 19 June 2015 relating to a duty of disclosure, disqualification and abstaining from dealing with certain matters for politicians, civil servants and state employees.

<sup>39</sup> Prepared by the Ministry of Finance. Adopted by Royal Decree of 12 December 2003. Most recently amended 31 August 2021.

Section 16 goes on to state that:

*«All agencies shall ensure that evaluations are performed to obtain information on efficiency, achievement of objectives and results within the agency's entire area of responsibility and activities or within parts thereof. The evaluations shall focus on the appropriateness of, for instance, ownership, organisation and instruments, including grant schemes. The frequency and scope of the evaluations shall be based on the agency's distinctive characteristics, its risk profile and its significance.»*

The framework for the State's exercise of ownership, as described in this white paper, is in accordance with the aforementioned provisions.

### 9.5.3 The OECD Guidelines on Corporate Governance of State-Owned Enterprises<sup>40</sup>

The OECD has adopted guidelines on corporate governance of companies with a state ownership interest (referred to as the SOE Guidelines) and for anti-corruption and integrity in companies with a state ownership interest (referred to as the ACI Guidelines). The guidelines contain recommendations concerning frameworks for state ownership and good corporate governance of companies with a state ownership interest. The guidelines are intended for the government authorities of the member states; however, by describing a set of good practices, they also provide guidance for the board and general manager of companies with a state ownership interest. The guidelines apply to companies with a state ownership interest that engage in economic activity,<sup>41</sup> either exclusively or in combination with the pursuit of public policy goals.<sup>42</sup>

The SOE Guidelines aim to (i) professionalise the state as an owner, (ii) make companies with a state ownership interest operate with the same efficiency and the same degree of transparency as well-run private companies, and (iii) contribute to fair competition between companies with and without a state ownership interest. The guidelines

are a supplement to the OECD Principles of Corporate Governance.<sup>43</sup>

The corporate governance guidelines state that the purpose of state ownership shall be to create value. The guidelines contain recommendations on the following main topics: rationales for state ownership, the state's role as an owner, state-owned enterprises in the marketplace, equitable treatment of shareholders, responsible business conduct, transparency, and the responsibilities of the boards.

Key elements of the SOE Guidelines include recommendations relating to frameworks that promote fair competition when companies with a state ownership interest engage in economic activities. It is clear from the annotations to the guidelines that, when companies with a state ownership interest engage in economic activities, such activities must be carried out without any undue advantages or disadvantages relative to other companies. The overarching recommendation relating to fair competition (a level playing field) is elaborated on through several sub-recommendations, including that there should be a clear separation between the state's ownership function and other state functions, transparency regarding cost and revenue structure for companies that combine economic activities and public policy goals, and that the companies shall, as a general rule, be subject to the same legislation as other companies and financing on market terms.

The ACI Guidelines supplement the SOE Guidelines by providing supplementary guidance to the member states on how to fulfil their role as active and informed owners in the specific area of anti-corruption and integrity. The ACI Guidelines include recommendations on how the member states should organise state ownership and promote integrity, as well as how the member states as owners should follow up the companies in relation to this.

The Norwegian State's exercise of ownership is essentially in accordance with the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

### 9.5.4 The Norwegian Code of Practice for Corporate Governance

The Norwegian Corporate Governance Board (NCGB) consists of representatives of different interest groups for owners, issuers of shares and Oslo Stock Exchange.<sup>44</sup> The Board prepares and

<sup>40</sup> OECD (2015): «OECD Guidelines on Corporate Governance of State-Owned Enterprises» and OECD (2019): «Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises».

<sup>41</sup> The term «economic activity» is defined in more detail in the guidelines.

<sup>42</sup> The guidelines are only applicable to companies in which the state is the controlling owner.

<sup>43</sup> G20/OECD (2015): «Principles of Corporate Governance.»

updates the Norwegian Code of Practice for Corporate Governance. The objective of the Code of Practice is that companies listed in regulated markets shall have corporate governance that more comprehensively clarifies the division of roles between shareholders, the board and executive management than what is required by law. The Code of Practice is intended to strengthen confidence in the companies among shareholders, the capital market and other stakeholders.

The Code of Practice is primarily aimed at companies with shares listed in regulated markets in Norway, but is also relevant for unlisted companies. The Code of Practice chiefly addresses the companies' boards; however, several of the recommendations are also relevant for owners. This includes recommendations 2 (Business), 3 (Equity and dividends), 4 (Equal treatment of shareholders), 5 (Shares and negotiability), 6 (General meetings), 7 (Nomination committee), 8 (Board of directors: composition and independence) and 11 (Remuneration of the board of directors). The Code of Practice is a supplement to the State's own corporate governance principles.

## 9.6 Special framework conditions for companies that perform assignments for the State

The State awards assignments directly to several of the companies with a state ownership interest. This usually applies to companies in Category 2, but occasionally also to companies in Category 1. The awarding of such assignments is related to the State's rationale for ownership and the State's goal as an owner. The ability to award assignments directly to companies is regulated by the regulations for public procurements, the state aid regulations, the Regulations on Financial Management in Central Government and any special legislation applicable to the company. For companies that perform assignments for the State, the State will follow up the companies as the principal, regulatory authority and/or supervisory authority in addition to its capacity as owner. In such instances, the role played by the State should be clearly stated, see Chapter 12.8.

<sup>44</sup> The Ministry of Trade, Industry and Fisheries is a member of the Institutional Investor Forum, which in turn is a member of NCGB.

Examples of assignments the State can award to such companies include management of government schemes, construction and management of infrastructure, provision of goods and services and statutory monopolies. When the State instructs companies to perform assignments, the assignment is normally accompanied by financial compensation allocated via the national budget or through other regulated revenues.

The Regulations on Financial Management in Central Government can provide guidelines for the company's performance of the assignment when concerning both funds transferred to the company and any State assets that the company manages. The State normally follows up assignments through letters of assignment/grant, reporting and dialogue, and, if applicable, goal and performance management systems.

The State can also enter into agreements to purchase services from a company. In such an event, the assignment and the financial compensation will normally be regulated in the agreement. Agreements are followed up through reporting from and dialogue with the company.

Companies with assignments from or agreements with the State can be fully or partly user-financed. The right of companies to charge a fee for goods or services, or exclusive rights to a market (monopoly), is adopted by the Storting.

Some companies may also have dedicated supervisory bodies charged with following up the assignments.<sup>45</sup>

Companies that engage in economic activities as defined in state aid law, in addition to having assignments or agreements financed by the public sector, must separate these activities in their accounts.<sup>46</sup> Such a distinction highlights the company's revenues and expenses, contributes to preventing illegal state aid through cross-subsidisation from non-commercial to commercial activities and allows for efficient supervision by the State as owner and principal/contracting party.

<sup>45</sup> Examples include Norsk rikskringkasting AS and Norsk Tipping, whose assignments are supervised by the Norwegian Media Authority and the Norwegian Gaming and Foundation Authority, respectively.

<sup>46</sup> Such a requirement for separate accounts for companies that engage in both economic and non-economic activities pursuant to the EEA Agreement and which are owned by the public sector or have non-economic activities financed by/that received funds from the public sector, follows from EU case law and provides guidelines for how the state aid rules are interpreted under EEA law.

## 10 The State's ten principles for good corporate governance

There has long been broad political consensus regarding the key framework conditions for the State's exercise of ownership. This has created predictability for the companies and the capital market, which has been a strength of Norwegian State ownership. The key elements of the framework conditions for the State's exercise of ownership are collated in the State's ten principles for good corporate governance. The State's principles for good corporate governance and the State's goal as an owner together form the basis for how the State exercises its ownership within the framework conditions set out in Chapter 9.

In this white paper, the Government has clarified through Principle 1 that, in addition to being a responsible owner, the State shall also be an active owner with a long-term perspective.

As a *responsible owner* the State promotes responsibility in the companies. It is important for the State that the companies are managed responsibly, which entails acting in an ethical manner and identifying and managing the company's impact on people, society and the environment.

The State being an *active owner* entails that the State shall contribute to the companies' goal attainment within the framework conditions for the State's exercise of ownership. The State achieves this by setting explicit goals as owner in each company, setting clear expectations of the companies, and actively following up the companies' goal attainment and efforts regarding the

State's expectations. See Chapter 8.1 on how the State is an active owner.

The State having a *long-term perspective* as owner means that the State is focussed on the companies being managed in such a way that they achieve a high level of goal attainment in both the short and long term. This does not prevent the State from supporting or participating in transactions that can be expected to contribute to achieving the State's goal as an owner, see Chapter 12.7.

Furthermore, it is specified in Principle 2 that the State shall be transparent about how it votes at general meetings.<sup>1</sup> The State's voting at general meetings has normally been available to the public by the companies publishing their minutes on their websites. Going forward, the State will actively publish its voting records unless special considerations dictate otherwise, for example, if publication could be detrimental to the company's interests.

The principles are reflected in the State's goal as an owner, the State's expectations of the companies, how the State follows up the companies, including the State's work on board elections, and how the State has organised the follow-up of the State's ownership.

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<sup>1</sup> For the sake of simplicity, «general meeting» is used as a collective term for the companies' highest decision-making body, see Chapter 9.3.1.

<b>The State's ten principles for good corporate governance</b>	
<b>Principles</b>	<b>See Chapter</b>
1. The State shall be an active and responsible owner with a long-term perspective.	5, 8.1, 11, 12
2. The State shall demonstrate transparency in relation to the State's ownership, exercise of ownership and voting at the general meeting.	8.2
3. The State's exercise of ownership shall contribute to the attainment of the State's goals as an owner. This takes place through expectations of the companies, voting at general meetings and other means of exercising ownership.	5, 8.1, 11, 12
4. The State's exercise of ownership is based on the division of roles and responsibilities between the owner, the board of directors and the general manager set out in company law, and on generally recognised principles and standards for corporate governance.	8.1, 9, 12
5. The State's authority as owner shall be exercised through the general meeting.	9.3, 9.5.4, 12.1
6. The board of directors is responsible for managing the company. The State shall assess the company's goal attainment and its efforts regarding the State's expectations, and the board's contribution in this context.	9.3, 12
7. Relevant expertise shall be the State's main consideration in its work on the composition of boards of directors. Given expertise, the State shall emphasise capacity and diversity.	12.5
8. The State shall exercise its ownership in accordance with the principle of equal treatment of shareholders set out in company law.	9.3.4, 12
9. The State's role as owner shall be kept separate from its other roles.	12.8, 12.9
10. State ownership shall not give companies with a state ownership interest undue competitive advantages or disadvantages compared to companies without a state ownership interest.	9.4, 9.5.3, 12.8

Figure 10.1 The State's ten principles for good corporate governance.

## 11 The State's expectations of the companies

By defining clear expectations of the companies, the State wishes to be an active owner to contribute to attaining the State's goal as an owner. Clear communication of the expectations also contributes to transparency regarding what is important to the State as an owner, and what the State will follow-up when exercising its ownership.

Pursuant to company law, the board is responsible for managing the company, while the general manager is responsible for the day-to-day management of the company's activities. The State's expectations as owner are communicated to the companies' boards. For companies that are organised as groups, the expectations apply to the entire group.

Several of the State's expectations are in areas where the specific work is normally followed up by the company's day-to-day management (referred to as «management» in this chapter and Chapter 12). However, it is the board's responsibility to assess how the company should emphasise and work with the various expectations and to follow up the work. The State assumes that the board is aware of the State's expectations.

Unless otherwise specified, the expectations apply to all companies. Among other things, the companies differ in terms of their size, industry and international presence. The companies' work within the different areas in which the State has expectations should be adapted to the companies' distinctive nature, size, risk exposure and factors that are of importance for each individual company.

The State's expectations are largely based on recognised guidelines, international good practice and the expectations of other leading investors.

The State's goal as an owner for the companies in Category 1 is the highest possible return over time in a sustainable manner, and sustainable and the most efficient possible attainment of public policy goals for the companies in Category 2. Attainment of the State's goals as owner presupposes that the companies consistently integrate financial, social and environmental factors into the companies' ambitions, goals, strategies and corporate governance, see Figure 11.1. Common to all of the State's expectations is that they shall contribute to the attainment of the State's goal as owner.

The State's expectations of the companies are set out in bullet points in this chapter. The expectations are summarised in Figures 11.10 and 11.11. The expectations are explained in more detail under the bullet points.

This chapter also describes good practice in selected areas as stated in separate boxes and figures. This serves as an inspiration for the companies' work.

### 11.1 Ambitions, goals and strategies

The State expects that:

- The company defines and implements ambitions, clear goals and strategies.
- The company includes the work with the United Nations Sustainable Development Goals in the company's strategies and actively works to follow this up in day-to-day operations.
- The company's risk assessment is an integrated part of the company's strategies.
- The company defines clear key performance indicators and measures the company's goal attainment and implementation of the strategies.

#### *Ambitions, goals and strategies*

The State places emphasis on the companies having an ambition, i.e. a view on the purpose of the company's existence, beyond generating a return to the owners. In other words, a company's ambition describes the company's role in society, including the long-term benefit the company provides to its customers, local communities and other stakeholders. A well-defined ambition can provide direction for the company's work with strategy, culture and long-term capital allocation. For the companies in Category 2, the company's ambition and role in society will often follow from the State's rationale for ownership and the State's goal as owner.

It is important for the State that the board develops clear goals and strategies which present how the company will generate the highest possible return over time in a sustainable manner, or



Figure 11.1 The State's expectations of the companies structured in accordance with financial (profit), social (people) and environmental factors (planet), as well as corporate governance.

sustainable and the most efficient possible attainment of public policy goals. If a company in Category 2 also has activities that are in competition with others, it is important for the State that separate goals and strategies are defined for the public policy activities and activities that are in competition with others. Clear goals and strategies provide the company with direction and are expected to contribute to the company prioritising and allocating resources to areas that make the greatest contribution towards goal attainment. This includes how the company understands, protects and develops its competitive advantages and value drivers in both the short and long term.

For some companies, transactions and other structural measures may be appropriate for helping to achieve the State's goal as owner. The State places an emphasis on the board having a conscious attitude towards and assessing these opportunities, and the State will consider any initiatives that are put forward.<sup>1</sup>

<sup>1</sup> See Chapter 12.7, which specifies that the State takes a positive view of transactions that are intended to contribute to achieving the State's goal as owner.

The board is responsible for setting ambitions, goals and strategies for the company within the framework of its articles of association. However, as a long-term owner, the State is focussed on engaging in dialogue with the company concerning this, including what underpins the company's goals and strategies and how these are operationalised and followed up.

The highest possible return over time in a sustainable manner or sustainable and the most efficient possible attainment of public policy goals require the company to be sustainable. A sustainable company balances economic, social and environmental factors in a manner that contributes to long-term goal attainment without reducing the ability of future generations to meet their own needs. Among other things, this entails that the company identifies and manages the opportunities and risks associated with sustainability and integrates these into the company's strategies and corporate governance using materiality analyses.

Risks and opportunities associated with climate change and biodiversity are examples of value drivers that should be identified and man-



**Box 11.1 Circular economy**

Stronger features of a circular economy are essential for achieving global climate goals and protecting nature, and constitute a strategic assessment for several companies. The extraction and use of natural resources has increased sharply over the past 20 years and is expected to double between 2015 and 2050.<sup>1</sup>

The essence of the circular economy is to retain the value of materials, products and resources that are in circulation in the economy for as long as practically possible and economically viable, and return these to the value chain at the end of the life cycle in order to, among other things, reduce the generation of waste. The transition to a more circular economy often

requires that new means are found for meeting needs, that new and more sustainable products and business models are developed and that materials are used in new ways. For many companies, there are risks associated with linear value chains, and the transition to more circular value chains may be necessary for future access to input factors and continued operations. At the same time, more circular processes and business models can generate cost savings or create new competitive advantages and business opportunities.

<sup>1</sup> The International Resource Panel (IRP).

aged in the companies’ strategy work. The State’s specific expectations in these areas are set out in Chapters 11.4 and 11.5.

The ability to adapt and innovate can be crucial to a company’s future development and goal attainment. Good innovation processes, the ability to identify and understand changes in the external environment and how these impact the company’s activities, as well as research and development, are normally vital for supporting the company’s strategy. For example, the company’s ability to

develop and adopt circular business models and processes may be key to reducing risk and increasing opportunities for the company in the transition to a low-emission society.

*United Nations Sustainable Development Goals*

The United Nations Sustainable Development Goals are the global plan for sustainable development. The goals, which will apply until 2030, are intended to promote economic growth and eradi-



Figure 11.2 United Nations Sustainable Development Goals

Source: United Nations

cate poverty, combat inequality and stop climate change. The Sustainable Development Goals call for joint efforts by governments, civil society, academia and companies. Many companies have defined a selection of goals as being of key importance to their activities. Good practice for companies is to use the Sustainable Development Goals as a framework for integrating sustainability and responsible business conduct into the company's strategies. This requires that the company familiarises itself with relevant sustainable development goals and associated targets, identifies how the company impacts and is impacted by these throughout the entire value chain and is open about this.

*Strategic risk assessment*

When developing the company's goals and strategies, it is crucial that the company exploits strategic opportunities, protects itself against threats and formulates plans based on risk capacity and risk appetite. Risk capacity depends on factors such as expertise, access to capital and other resources. Different goals and strategies means there are different risks, and determining how much and which types of risk the company is willing to accept is part of the board's strategy work. The State expects that the company's strategies

are adapted in such a way that they are within the company's risk capacity. In instances involving significant strategic investments, for example, when establishing activities in new geographical areas or in new or adjacent activities, it is essential to be aware of the consequences that the strategic choices will have for the company's risk profile and whether it deviates from the company's risk appetite and ability to manage this. A conscious risk assessment is an integral part of good strategy work and can be essential for the company's goal attainment. The company's transparency in this area is of vital importance to the State's follow-up of its ownership, cf. also Chapter 11.13.

A good risk assessment includes a materiality analysis that follows the principle of double materiality in order to identify areas of significant risk and opportunity for the company, see Figure 11.3. This form of analysis addresses both the risk of changes and the impact that externalities have on the company and risks of the company's activities impacting people, society and the environment. These risks can often overlap and good due diligence work dictates that both should be managed. A company that monitors developments in externalities, defines its role in society and understands the stakeholders and local community can better understand changes in, for example, customer preferences, the competitive situation and tech-

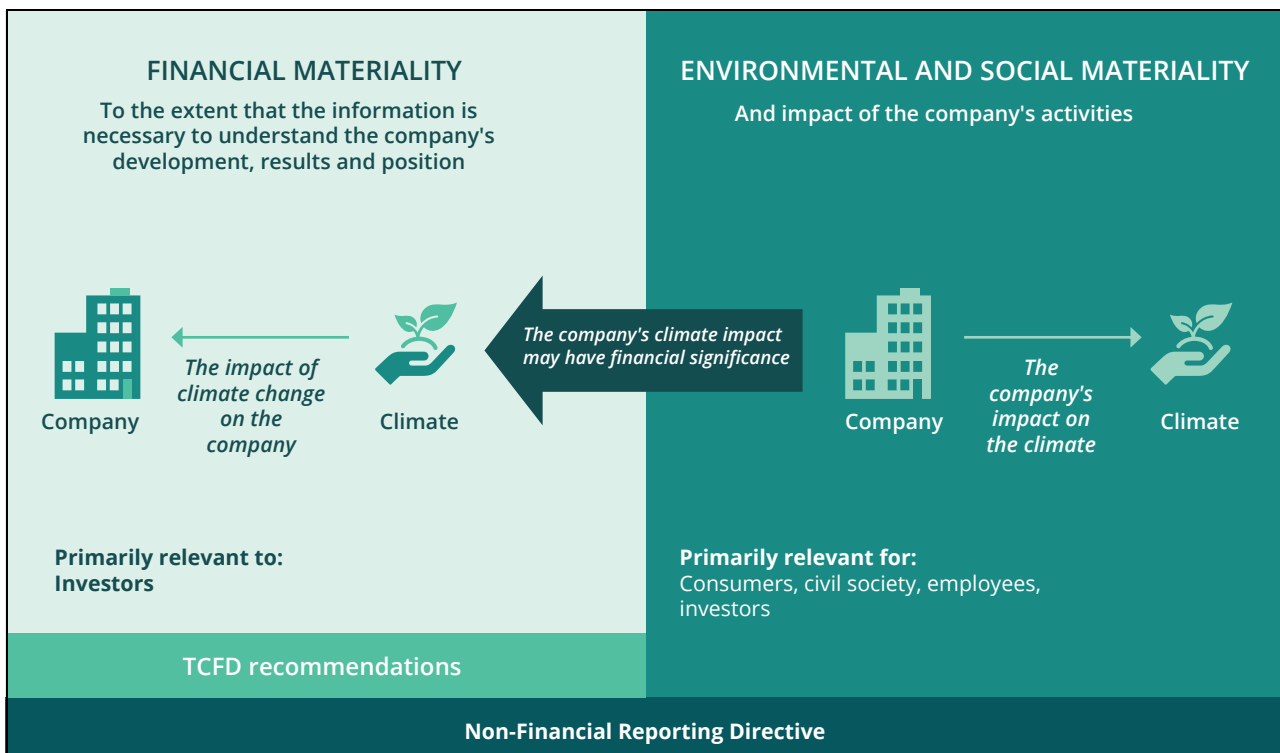


Figure 11.3 Principle of double materiality in the Non-Financial Reporting Directive

Source: European Commission

nology, and thereby what impacts the risk situation and opportunities for goal attainment.

The State engages in dialogue with the board regarding the company's risk profile and whether the risk profile is balanced when based on the State's rationale for ownership and the State's goal as an owner when this is deemed relevant.

*Key performance indicators and measurement of goal attainment and implementation of the strategies*

Of decisive importance to the company attaining its goals is that the strategy is implemented into its activities in a sound manner, for example, through action plans with clear milestones at relevant levels of the organisation.

The preparation of relevant key performance indicators<sup>2</sup> can help in steering the company in the right direction, the implementation of strategies and better and fact-based decision-making. Good key performance indicators enable the owners, board and management to follow up the company's goal attainment and measures.

<sup>2</sup> Key performance indicators (KPI) and objectives and key results (OKR) refer to measurable amounts that can be linked to strategy implementation and goal attainment. Target figures are normally defined for most key performance indicators.

Key performance indicators are defined for the areas that the company has identified as being of material importance and for which the company has set goals. Insights from the indicators are used to make fact-based decisions and to implement measures. It is of importance to the State that the most important key performance indicators relating to the company's goals and strategy and action plans are consistently reported from the organisation to the board and owners. It is also relevant that the company reports on the development in goal attainment over time.

In order for the State, the board and management to be able to assess goal attainment for companies in Category 2, it is essential that these companies prepare goals, key performance indicators and target figures for both public policy goal attainment and efficient operations. Public policy goal attainment can be difficult to measure, and there may be a need to use additional key performance indicators, see Box 11.2. If companies in Category 2 also have activities that are in competition with others, it is essential that separate key performance indicators are prepared for this part of the company's activities. For activities in competition with others, it will be relevant to implement target rates of return for the activities.

**Box 11.2 Goals, strategies and key performance indicators for companies in Category 2**

The Norwegian Agency for Public and Financial Management (DFØ) has developed a model for enterprises that have public policy goals, which is known as the result chain (resultatkjeden). This can be used to describe what is occurring in the enterprise and the consequences this has for users and society. The arrows in the model show the causal connections between the differ-

ent boxes. The result chain can be used in the work with goals, strategies and key performance indicators. Goals, key performance indicators and target figures can be linked to the most important matters in the different boxes, which can form the basis for a hierarchy of goals.

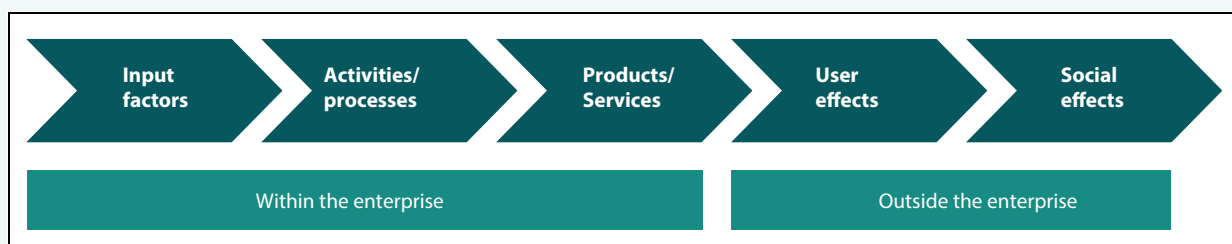


Figure 11.4

Source: DFØ (2010): Performance measurement – goal and performance management in the State.

## 11.2 Responsible business conduct

The State expects that:

- The company leads the field in the work on responsible business conduct.
- The company conducts due diligence based on recognised methods.

### *Leads the field in the work on responsible business conduct*

To lead the field in the work on responsible business conduct entails acting in an ethically responsible manner and complying with best practice in this area at all times. This involves having good guidelines and systems for identifying and managing the potential and actual negative consequences the company's activities have on people, society and environment. This includes both its own activities and the supply chain. The work is endorsed by the board and integrated into the company's goals, strategies and other corporate governance. The work with responsible business conduct is adapted to the activities, distinctive characteristics, risk and size for each company.

To lead the field in the work on responsible business conduct also entails that the company complies with recognised guidelines such as the OECD Guidelines for Multinational Enterprises, United Nations Guiding Principles on Business and Human Rights (UNGP), and the principles in the ILO's core conventions. It also involves setting goals and implementing measures relating to responsible business conduct that have been identified as significant, as well as being transparent about goal attainment and using recognised reporting standards for transparency regarding sustainability and responsible business conduct, see Chapter 11.13. State-owned companies are of major public interest, and responsible business conduct helps to strengthen trust in and the legitimacy of the companies.

### *Conduct due diligence*

Due diligence assessments are carried out in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGP) and the OECD Due Diligence Guidance. This involves identifying, preventing and limiting, as well as explaining how the company manages the actual and potential negative impact or harm its activities have on people, society and the environment. Due diligence assessments also include

having systems in place to rectify any negative impact or harm that is caused by the company.

A number of countries have included requirements for the implementation of due diligence assessments in their national laws. Norway has adopted the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act). The Act requires large enterprises to carry out due diligence assessments related to fundamental human rights and decent working conditions in their own activities and in the supply chain, and to provide an annual report on this work. The Act applies irrespective of where the company carries out its activities. In the spring of 2022, the European Commission submitted a proposed directive that, if adopted, will require larger companies to conduct due diligence assessments of both human rights and key environmental aspects.<sup>3</sup> The State's expectation that the company conducts due diligence assessments in accordance with recognised methods such as the OECD Due Diligence Guidance is thematically broader than the scope of the Transparency Act, since, in addition to human rights and decent working conditions, it also covers matters relating to, among other things, climate and nature, as well as corruption. The OECD Due Diligence Guidance is summarised in Figure 11.5.

Due diligence assessments are risk-based and involve prioritisation, which means that the risks that are assumed to be the most serious are prioritised first. Due diligence assessments depend on context, which in some cases will require particularly in-depth assessments. Good systems and routines are therefore of key importance, including for evaluating and improving the company's due diligence assessments. The work on due diligence assessments is endorsed by the board and integrated into the company's goals, strategies and guidelines.

Due diligence assessments require the company to have a meaningful dialogue with stakeholders, with particular emphasis on those who are or may be adversely affected by the company's activities. Different stakeholder groups, for example, children, women and indigenous peoples, may have different perceptions of how they are or may be adversely affected by the company's activities. It will therefore be relevant for many companies to pay particular attention to the rights of these groups in their due diligence

<sup>3</sup> Proposal for a Directive on corporate sustainability due diligence and annex (European Commission).

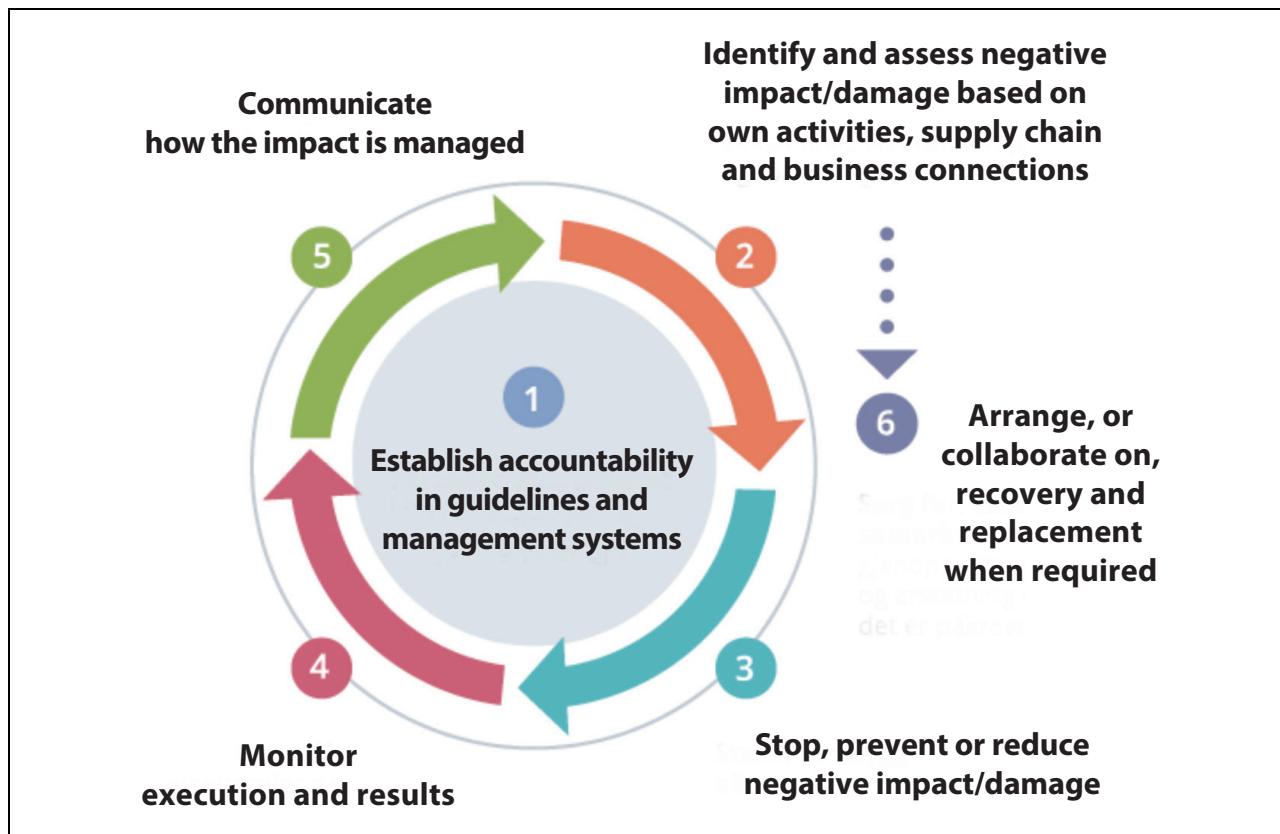


Figure 11.5 OECD's Due Diligence Guidance for Responsible Business Conduct.

Source: OECD's Due Diligence Guidance for Responsible Business Conduct.

assessments. See also the expectations regarding human rights and decent working conditions in Chapter 11.3.

### 11.3 Human rights and decent working conditions

The State expects that:

- The company respects human rights and workers' rights and is a leader in promoting decent working conditions in the company's own activities and in the supply chain.
- The company encourages its own employees to organise themselves and promotes the right to free unionisation in the supply chain.

*Respect human rights and workers' rights and be a leader in promoting decent working conditions.*

International human rights and workers' rights are rooted in key UN conventions and ILO's core conventions, see Box 11.3. The rights that are considered to be the most important will vary for dif-

ferent companies and are identified through due diligence assessments, see Chapter 11.2.

Respecting human rights and workers' rights entails that the company works in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs), ILO's core conventions and relevant chapters in the OECD Guidelines for Multinational Enterprises, cf. Chapter 11.2. This applies both to the company's own activities and the entire supply chain. Larger companies have statutory duties under the Transparency Act.

It is also of importance to the State that companies which operate in, trade with or have business contacts linked to conflict areas<sup>4</sup> demonstrate respect for international humanitarian law<sup>5</sup> and

<sup>4</sup> Conflict areas (conflict zones, etc.) refer to areas with armed conflict or other situations of widespread violence, even if this violence has not reached the threshold for armed conflict. For more on the definition of armed conflict see Joint Articles 2 and 3 of Geneva Convention IV of 1949 (GK IV) and Articles I and II of the Additional Protocol to GK IV.

<sup>5</sup> See the OECD Guidelines for Multinational Enterprises, Commentaries No. 40 to Chapter IV Human Rights.

### **Box 11.3 Human rights and ILO conventions**

#### *Human rights conventions*

The United Nations human rights norms consists of nine key UN conventions.<sup>1</sup> Together with the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights constitute the core of the international human rights conventions and set out the normative standard that companies should, as a minimum, use as a basis for their due diligence assessments. Other key conventions for companies' due diligence assessments include the United Nations Convention on the Rights of the Child, Convention on the Elimination of all Forms of Discrimination Against Women, and ILO Convention 169 concerning Indigenous and Tribal Peoples in Independent Countries.

#### *The ILO's core conventions*

The ILO's conventions and recommendations set minimum standards for the labour market. The ILO's ten core conventions constitute minimum rights to be respected in the labour market, and are divided into four main categories: freedom of association and the right to collective bargaining, prohibition of child labour, prohibition of forced labour and prohibition of discrimination.

The ILO's ten core conventions:

1. Convention No. 87 on the Freedom of Association and Protection of the Right to Organise (1948).
2. Convention No. 98 on the Right to Organise and Collective Bargaining (1949).
3. Convention No. 29 on Forced Labour (1930) and Protocol to Convention No. 29 on Forced Labour (2014).
4. Convention No. 105 on the Abolition of Forced Labour Convention (1957).
5. Convention No. 138 on the Minimum Age for Admission to Employment (1973).
6. Convention No. 182 on the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (1999).
7. Convention No. 100 on Equal Remuneration for Men and Women Workers for Work of Equal Value (1951).
8. Convention No. 111 on the Discrimination in Respect of Employment and Occupation (1958).
9. Convention No. 155 on Occupational Safety and Health and the Working Environment (1981).
10. Convention No. 187 on the promotional framework for occupational safety and health (2006).

<sup>1</sup> For information regarding the United Nations conventions see (<https://www.un.org/en/global-issues/human-rights>).

avoid contributing to, or supporting violations of these rules. Instances such as these require particularly extensive due diligence assessments.<sup>6</sup>

Among other things, leading the field in the work for decent working conditions means working systematically with health, safety and the environment (HSE) in the workplace and that employees in their own activities and in the supply chain are paid a living wage.

<sup>6</sup> For guidance on this, see Heightened Human Rights Due Diligence for Business in Conflict-Affected Contexts: A Guide | United Nations Development Programme ([undp.org](http://undp.org)).

#### *Unionisation*

The right to organise and collective bargaining is a key part of the ILO's core conventions and the Norwegian model. It is important for the State that the company encourages its own employees to unionise, and that the company applies its respect for employees, trade unions and participation in its international activities and to its business contacts. For companies with international activities, this may include entering into global framework agreements.

## 11.4 Climate

The State expects that:

- The company identifies and manages risks and opportunities relating to climate and integrates these into the company's strategies.
- The company sets targets and implements measures to reduce greenhouse gas emissions in both the short and long term in line with the Paris Agreement, and reports on goal attainment. The targets shall be science-based when available.
- The company reports on direct and indirect greenhouse gas emissions and climate risk, and uses recognised standards for reporting greenhouse gas emissions and climate risk.

*Identifies and manages risks and opportunities related to climate*

It is essential for the companies' future goal attainment that they succeed in the transition to a low-emission society. The Paris Agreement's goal of limiting the increase in temperatures will require global CO<sub>2</sub> emissions to be reduced to net zero by 2050. An orderly and sufficiently rapid restructur-

ing process that is in line with this can contribute to lower risk and costs for the company, owners and society at large when compared with other scenarios.

The State places emphasis on the company identifying risks, opportunities and needs for restructuring its operations as a result of the goals of the Paris Agreement and integrating these into its strategies. This may involve conducting scenario analyses to assess climate risk and identifying the company's room to manoeuvre. As a follow-up to the Paris Agreement there are ongoing regulatory developments in Norway and internationally, and capital markets and stakeholders have stricter expectations of the companies. A company operating its activities in line with the goals of the Paris Agreement could reduce its risk and cost of capital and contribute to competitiveness over time. The transition to a low-emission society also represents major opportunities that can provide competitive advantages for companies that make ambitious investments in developing new unique solutions within green technology. As is the case in other areas, the company's investments in research and development could play a key role.

### Box 11.4 Science-based climate targets

Achieving the goals of the Paris Agreement requires net zero CO<sub>2</sub> emissions by 2050. However, the choice of emissions paths up to 2050 is of major importance to how serious the consequences of climate change will be, and thus also for the company's future goal attainment.

International efforts are being made to define science-based emissions paths for various sectors that enable companies to set emissions targets that are science-based and in line with the Paris Agreement. Science-based climate targets lend credibility to companies' climate-related work and are increasingly becoming an expectation of the companies' stakeholders, including owners.

The Science Based Targets Initiative (SBTi) is currently among the foremost initiatives in defining science-based emissions paths. SBTi has defined emissions paths for a number of industries, and emissions paths for several other industries are being developed. For companies that do not fall under the defined industries, a generic emissions path has been defined in line

with a goal of limiting global warming to 1.5 degrees. SBTi's Corporate Net-Zero Standard provides specific guidance, criteria and recommendations for supporting the business sector's commitment to net zero emissions in line with the 1.5-degree target.

In order to have climate targets approved by SBTi, the company must present credible plans for emissions cuts up to both 2030 and 2050. A key part of SBTi's methodology is that the company has to first reduce emissions from its own operations (so-called «scope 1 and 2») and value chain (so-called «scope 3»), before the company can start neutralising emissions that are considered «inevitable» through, for example, purchasing carbon credits that comply with standards with a high level of environmental integrity. A company will first be climate neutral when its total greenhouse gas emissions are reduced in line with the 1.5 degree target, and thereafter that the remaining emissions are neutralized by the permanent removal of equivalent volumes from the atmosphere.

*Set targets and implement measures to reduce greenhouse gas emissions*

It is important for the State that the company sets short and long-term targets in line with the goals of the Paris Agreement, and that these are followed up with concrete action plans. Where available, emission reduction targets are based on science-based methods. In order to set targets, it is essential to have an overview of the company’s direct and indirect greenhouse gas emissions, see Figure 11.6. Goals and action plans are adapted to each company’s activities, distinctive characteristics, risk and size.

*Good reporting on goal attainment, greenhouse gas emissions and climate risk*

The State expects the company to be a leader in promoting transparency and reporting. This entails that the company uses recognised reporting standards to report on risks, opportunities, goals, greenhouse gas emissions and goal attainment, see also Chapter 11.13. For companies subject to the EU’s proposed Corporate Sustainability Reporting Directive (CSRD), reporting on greenhouse gas emissions and climate risk will be required by law. In Norway, the Securities Act Commission has been assigned a mandate to study how the proposed directive should be implemented into Norwegian law.

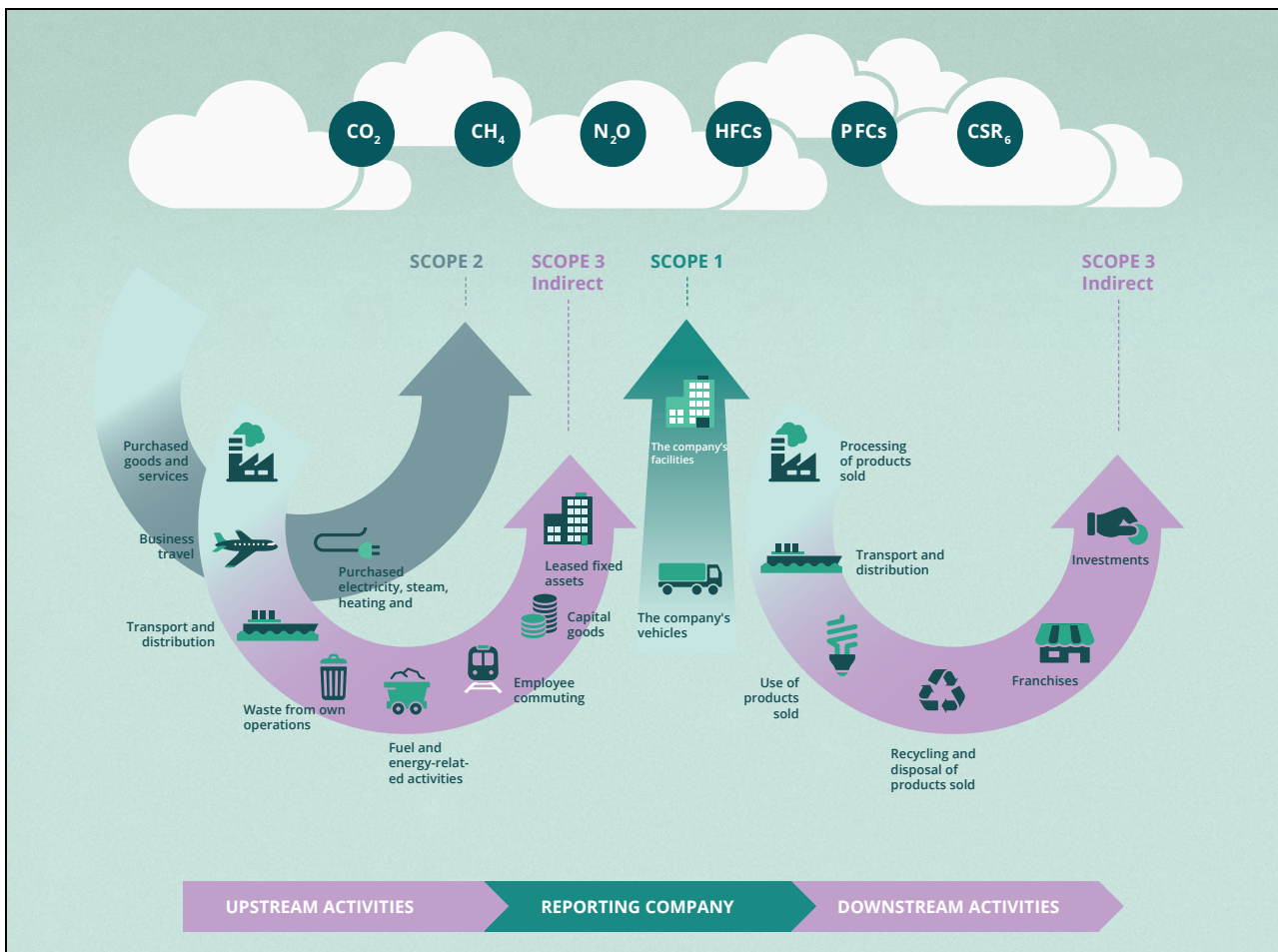


Figure 11.6 Direct and indirect greenhouse gas emissions.

Source: GHG Protocol – Technical Guidance for Calculating Scope 3 Emissions.



**Box 11.5 Climate risks and opportunities – TCFD**

The Task Force on Climate Related Financial Disclosures (TCFD) was established by the G20 – Financial Stability Board to assess financial uncertainty related to climate risk. The purpose was to improve the information available to investors, creditors and insurance providers relating to the impact of climate change on companies. The TCFD recommends that companies report on the following four climate-related areas:<sup>1</sup>

1. The involvement of the board and management in assessing climate risks and opportunities.
2. The company's climate risks and opportunities in the short, medium and long term, as

well as how these impact the company and the company's strategy and financial planning, including the resilience of the strategy in various climate scenarios.

3. How climate risk is identified, managed and integrated into the company's other risk management practices.
4. The company's greenhouse gas emissions, including the company's climate-related indicators, goals and results.

<sup>1</sup> TCFD (2017): «Final Report – Recommendations of the Task Force on Climate-related Financial Disclosures».

**11.5 Biodiversity and ecosystems**

The State expects that:

- The company identifies and manages risks and opportunities relating to nature and integrates these into the company's strategies.
- The company sets goals and implements measures to reduce its own negative impact and increase its positive impact on biodiversity and ecosystems, and reports on goal attainment.
- The company uses recognised standards for reporting on natural hazards and impact on biodiversity and ecosystems.

*Identifies and manages risks and opportunities related to nature*

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has documented that human activity has significantly altered nature across the globe, and that a number of ecosystems are threatened as a result. This may have consequences for the companies' future goal attainment. According to the World Economic Forum (WEF), more than half of global value creation is moderately or highly dependent on nature and ecosystem services.<sup>7</sup> The State places emphasis on the company identifying and managing strategic and financial risk associated with loss of biodiversity and degradation of eco-

systems. This includes physical nature risk, transition risk and liability risk, see Box 11.6 on nature risk.

Furthermore, it is important for the State that the company identifies and exploits opportunities that exist in the shift towards more nature-positive and circular business models, see Box 11.1 on circular economy and Box 11.7 on nature-positive business models. As is also the case for climate, early adaptation can provide competitive advantages in this area. Scenario analyses can be a useful tool for assessing the company's nature risk and identifying alternative courses of action.

*Reduce negative impact and increase positive impact on biodiversity and ecosystems*

Identifying and reducing one's own negative impact on biodiversity and ecosystems includes conducting due diligence assessments of the company's impact on nature and ecosystems, being transparent about one's own impact, setting goals and implementing measures to reduce the negative impact, as well as being transparent about goal attainment.

Together with capital market and stakeholder expectations, regulatory developments in the field will contribute to greater focus on reducing the negative impact on nature. This could be significant for future goal attainment through, among other things, lower capital costs and reduced reputational risk. For some companies, reducing the need to extract new resources from nature through increased use of circular production pro-

<sup>7</sup> World Economic Forum (WEF) and PWC (2020): Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy.

**Box 11.6 Nature risk**

Nature risk in this context is the risk of strategic and financial consequences for the business sector and society related to the loss of nature, or linked to the transition to a society where the use of nature takes place within the earth's tolerance limits.<sup>1</sup> The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has published a number of studies concerning the state of nature and ecosystem services that nature provides. In its first assessment report from 2019, the IPBES reported that more than 1 million species are threatened with extinction and that three-quarters of the earth's land surface has already been altered as a result of human activity. Together with the Intergovernmental Panel on Climate Change (IPCC), the IPBES has identified the link between climate change and the loss of nature and biodiversity. Climate change causes changes in nature, and changes in nature cause climate change. Like climate risk, nature risk entails physical risk and transition and liability risk.

*Physical nature risk* is the risk associated with the consequences of physical changes in nature resulting from human impact. Loss of nature has direct and indirect consequences for the business sector through, for example, shortages in raw materials or erosion that makes infrastructure vulnerable to damage. *Transition risk* is the risk of political

and market changes or stricter regulations that change the conditions for business activities. *Liability risk* includes the risk of possible lawsuits or claims for damages resulting from nature loss that the company caused or contributed to.<sup>2</sup>

In connection with the following up of the EU's strategy for sustainable finance, the European Commission will prepare a report on nature risk in the EU, which will examine approaches and methods for measuring such risks and outlining possible measures. The Government has also appointed a committee on nature risk (the Nature Risk Committee) which will present a report by 31 December 2023. Among other things, the Nature Risk Committee will assist in clarifying the concept of nature risk, make it known and contribute to its uniform use in Norwegian enterprises. The Committee shall also shed light on the exposure of Norwegian industries and sectors to nature risk, and assess how this risk can be analysed and presented at a national level.

<sup>1</sup> Deloitte and the World Wildlife Fund (WWF) (2022): The nature agreement and nature risk – significance for Norwegian business and industry.

<sup>2</sup> World Economic Forum (WEF) and PWC (2020): Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy.

cesses will be critical for access to raw materials and continued operations.

The companies can increase their positive impact on nature by, among other things, restoring damaged nature or switching to nature-positive business models, see Box 11.7.

Water scarcity also represents an increasing threat to parts of the world's population and a potential financial risk for companies that have water-intensive processes in their own activities or in their supply chains. For a number of companies in which the state has an ownership interest, responsible water management and the development of more circular production processes could therefore reduce risk.

#### *Reporting on nature risk and impact on biodiversity and ecosystems*

The State expects the companies to be leaders in promoting transparency and reporting. This entails that the companies are transparent about their own impact on nature and ecosystems. It

**Box 11.7 Nature-positive business models**

Nature-positive business models go beyond simply reducing the negative impact on nature by also contributing to strengthening or rebuilding ecosystems. One example is the use of nature-based solutions, defined by the European Commission as «solutions inspired and supported by nature that provide environmental, social, and economic benefits.»<sup>1</sup> Nature-based solutions will often be much more cost-effective in the long term than alternative solutions, and include green infrastructure and green buildings that will be able to withstand, for example, floods and urban runoff. Within bio-based industries (agriculture, forestry and aquaculture), agroecological farming methods can contribute to protecting and rebuilding nature.<sup>2</sup>

<sup>1</sup> European Commission (2018): Nature-based solutions research policy.

<sup>2</sup> Deloitte and the World Wildlife Fund (WWF) (2022): The nature agreement and nature risk – significance for Norwegian business and industry.

also involves using recognised standards to report on nature risk, and reporting on opportunities, goals and goal attainment for negative and positive impacts, see Box 11.8 and Chapter 11.13 for further reference.

## 11.6 Tax and prevention of financial crime

The State expects that:

- The company has an appropriate, well-considered and justified tax policy and is transparent about where financial value is created and where tax is paid.
- The company works systematically to prevent financial crime such as corruption and money laundering in its own activities and in the supply chain.

### Tax policy

The payment of tax is a significant contribution that companies make towards common welfare

benefits and well-functioning social institutions in the countries and local communities where the companies operate. Among other things, tax is used for public goods that companies also benefit from.

Extensive international efforts have long been underway to counteract harmful tax competition and international tax adjustments. Norway actively supports international tax cooperation, and has introduced several measures against international tax adjustments. These measures include interest limitation rules and withholding tax on interest, royalties and lease payments for certain physical assets.<sup>8</sup>

A justified tax policy describes and provides grounds for the main principles that the company applies in the area of tax, including the main principles for the company's reporting.

An appropriate and well-considered tax policy helps to counteract tax base erosion and profit shifting. This is achieved not only by complying

<sup>8</sup> Report to the Storting (White Paper) No. 14 (2020–2021) *Long-term Perspectives on the Norwegian Economy 2021*.

### Box 11.8 Reporting on nature and nature risk

There are several initiatives working on the development of standards for reporting on nature and nature risk. Below are some of the processes that are currently underway.

In connection with the EU's development of a new Corporate Sustainability Reporting Directive (CSRD), detailed reporting standards are being developed in a number of environmental areas, including a standard for reporting on ecosystems and biodiversity.<sup>1</sup>

With regard to nature risk, an international working group is developing a research-based framework for managing and reporting nature risk (Taskforce on Nature-related Financial Disclosures, TNFD). Among other things, the framework will build upon the methodology developed by the Taskforce on Climate-related Financial Disclosures (TCFD) and will be completed in 2023. TNFD will provide investors, financial institutions and companies with a better overview of their strategic and financial risks related to nature. The purpose of the framework is to contribute towards channelling capital away from investments that have a negative impact on nature, and into investments that do not have a negative impact.

In addition, the Science Based Targets Initiative (SBTi) is working on developing an international framework for science-based targets (SBTs) for nature in the areas of biodiversity, water, land and the ocean. A first draft of the methodology is expected during 2022.

Companies can find further guidance regarding nature reporting in the EU taxonomy for sustainable financial activities, in Chapter VI on environmental protection in the OECD Guidelines for Multinational Enterprises, in the UN Convention on Biological Diversity, in Sustainable Development Goal 15 on life on land with associated targets and indicators, and in the UN's forthcoming Nature Agreement<sup>2</sup>, as well as in existing recognised industry standards for sustainable activities.

<sup>1</sup> European Financial Reporting Advisory Group (EFRAG) (2022): draft standard on biodiversity and ecosystems.

<sup>2</sup> Negotiations on a global nature agreement are ongoing, and all UN member states that have signed the Convention on Biological Diversity (CBD) will meet in Montreal, Canada in December 2022 for a new negotiating meeting.

with the wording of tax laws, but also the intention behind the tax laws in the countries where the company operates. Guidance on what is considered to be an appropriate and well-considered tax policy for multinational enterprises is provided in, among other things, the considerations behind the OECD/G20 Inclusive Framework on Base and Profit Shifting (BEPS) project.<sup>9</sup> An important consideration in the BEPS project is that tax is paid where economic value is created, and that companies' transfer prices are in line with the arm's length principle<sup>10</sup> in accordance with the guidelines in the OECD Transfer Pricing Guidelines<sup>11</sup> and national law in the countries where the companies are located.

Some countries attract certain types of enterprises by offering particularly favourable tax rules, for example, for patents and intellectual property rights. This can be regarded as harmful tax competition, which distorts competition between companies and facilitates tax adjustments. The consequences of tax adjustments and harmful tax competition are both reduced total tax revenues from multinational enterprises and adverse economic effects from the impact on competitive conditions in the global economy.

#### *Prevention of financial crime*

Corruption and other financial crime such as tax evasion and money laundering are prohibited. The prevention of corruption presupposes that the company has good and up-to-date anti-corruption programmes that are endorsed by the board and are adapted to the risk in the company's own activities and among suppliers and other business contacts. Prevention of money laundering requires particularly good programmes for customer due diligence. Updated guidelines and programmes that are endorsed by the board and are in line with good practice contribute to the company reducing its own risk and preventing financial crime from occurring.

<sup>9</sup> The OECD and G20 countries' BEPS project (Base Erosion and Profit Shifting) is an initiative between states to prevent erosion of their tax bases.

<sup>10</sup> The pricing of goods and services within a group shall be determined in accordance with the arm's length principle, i.e. as if the transaction had taken place between independent parties, cf. NOU 2014: 13 *Capital taxation in an international economy*, section 1.4.4.3.

<sup>11</sup> OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022.

## **11.7 Capital structure and dividends**

The State expects that:

- The company has a capital structure adapted to the company's goals, strategies and risks and normally in line with other well-run companies in the same industry. The company will provide grounds for any significant deviations from this.
- The listed companies communicate what they deem to be an appropriate capital structure and dividend level to the market. The non-listed companies communicate their assessments of the capital structure and dividend level to their owner(s).

#### *Capital structure*

Good resource allocation and utilisation of capital are crucial for goal attainment. An optimal capital structure is well-adapted to the company's goals and strategies, the risks associated with the company's activities and the company's ability and opportunities to create returns that exceed the cost of capital. An optimal and market-based capital structure promotes the company's value development or the effective attainment of public policy goals. Companies with either very low or very high debt ratios will often have a higher cost of capital, which can impact their competitiveness and prospects for growth and profitability over time. A balance sheet that is too strong, which give the company easy access to liquidity, increases the risk of misinvestments and less efficient allocation of capital. Correspondingly, a balance sheet that is too weak may, among other things, result in attractive investments not being made.

The starting point for an optimal capital structure for the companies in Category 1, and companies in Category 2 with activities in competition with others, is that they have the amount of capital necessary to operate profitably and make investments with expected returns that exceed the cost of capital over time. Correspondingly, the situation for the companies in Category 2 that only have public policy activities will be that they have capital in order to be able to operate efficiently and make investments that promote effective public policy goal attainment. Capital exceeding this should be returned to the owners, and possibly to the lenders if the debt should be reduced.

The board is responsible for ensuring that the company has an optimal and market-based capital structure, which requires the board to conduct an

assessment based on, among other things, the company's goals, strategies, risk, cost of capital, financing, competitiveness and profitable investment opportunities. Grounds must be provided for significant discrepancies between the actual capital structure and what is considered optimal and market-based. If the company is of the view that there is a difference between an optimal and market-based capital structure, the grounds for this should also be communicated to the owner/owners.

### *Dividends*

Dividends provide the owner(s) with a direct return and are also a means of adjusting the company's capital structure. An appropriate dividend level promotes long-term value development and the most efficient possible attainment of public policy goals.

In some cases, it may be appropriate for the company to buy back shares for the purpose of cancellation in addition to paying dividends, which some listed companies choose to do based on factors such as shareholder preferences. It will normally be the case that the State will want cash dividends, and share buy-backs should be regarded as a supplement to this. The State will conduct a specific assessment in each instance of whether it is appropriate for the State to support and participate in a share buy-back programme, see also Chapter 9.1.

### *Further information regarding companies in Category 2*

Many companies in Category 2 are financed via the national budget or by regulated revenues, and the State therefore often places restrictions on the companies' ability to borrow or distribute dividends. Even if the State may have imposed certain restrictions on the company's financing, it is essential that the board considers at all times the optimal capital structure and how it can be adjusted as required. If the company is only financed with equity, it is relevant to assess whether the equity is justifiable based on the risk and scope of the company's activities. If the company has stipulated in its articles of association that it shall not distribute dividends, the capital structure can be adapted by engaging in dialogue with the State concerning the need for adjusted grants/regulated revenues.

### *Transparency*

The State places an emphasis on the boards being transparent about their assessments relating to capital structure and dividends in order to have a dialogue with the board concerning these matters. For companies in Category 2 that also have activities in competition with others, the State places emphasis on the companies being transparent about the use of capital from activities in competition with others that may be used to finance public policy activities. As a general rule, this should be subject to normal dividend assessments. If commercial revenues are used to finance public policy activities, it is of importance to the State that the company is transparent about the amount and what these funds are used for. Transparency is important both for public insight and for the State as owner and board to be able to adequately follow up the company, including the company's goal attainment.

## **11.8 Organisation and culture**

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The State expects that:

- The company's organisation is efficient and promotes attainment of the company's goals and supports the company's strategies.
- The company's culture is established, managed and developed in such a way that it promotes attainment of the company's goals and supports the company's strategies.

### *Organisation*

The board is responsible for ensuring that the company's activities are adequately organised. The State places emphasis on the board regularly assessing whether the company's organisation promotes the company's goals and supports the company's strategies, and whether its resources are being used efficiently.

Most companies face major or minor restructuring processes. The need for restructuring and innovation may lead to new ways of organising a company's activities and the need for new expertise and perspectives.

In order to develop more flexible and competitive activities which can more rapidly and better adjust to changes in markets and externalities, and to increase efficiency, new organisational forms and models may be required. Increased autonomy, cooperation across functions and the use of temporary groups with responsibility for

### **Box 11.9 Psychological safety**

A standard definition of psychological safety is that there is a common perception that it is safe to take interpersonal risks when part of a group, and that people will not humiliate, dismiss or punish each other for expressing opinions or thoughts. The degree of psychological safety can have an impact on learning, innovation, safety and quality. A high degree of psychological safety makes it easier to talk about errors and unfortunate events. This enables groups of people and the organisation to learn from mistakes and incidents and thereby improve the quality of services and products.

Psychological safety is particularly important in enterprises that face a high degree of uncertainty and internal dependencies within the enterprise. For many enterprises, the need to adapt to a more sustainable business model will be an example of a situation characterised by both uncertainty and internal dependencies.

Psychological safety takes place at the group level in the organisation, and managers therefore play a key role in facilitating this in the units they are responsible for. Among other things, managers can help create safety in groups by:

- Defining the work tasks as problem solving that require the views and opinions of all members of the group.
- Encouraging change in the group by exhibiting the desired behaviour, including that it is acceptable to make mistakes and be vulnerable. Recognising their own weaknesses, which will encourage the group to have the confidence to express their opinions.
- Making a curious and development-oriented mindset the norm by asking questions oneself and encouraging group managers to do the same.

Source: Edmondson (1999).

results are examples of methods of organising activities.

#### *Culture*

The company's culture influences and is influenced by employee behaviour and thereby the company's ability to attain goals and to act responsibly. The factors that affect a company's culture are complex and difficult to measure; however, company culture is expected to be influenced by, among other things, the company's ambition, values and strategies and how these are communicated and complied with at all levels of the organisation. Formal and informal incentives, performance management systems and decision-making and organisational structures also influence a company's culture.

The attitudes and conduct of managers are also decisive in developing the desired culture. For example, communication from and attitudes of managers determine how the rest of the organisation acts and communicates. Another example is how hiring, promotions and remuneration schemes impact employee satisfaction and behaviour. For example, when appropriate, different

models for profit sharing can create a team culture. A greater sense of community can motivate and contribute to increased goal attainment.

The board has a particular role in ensuring that management facilitates and maintains a culture that enables attainment of the company's goals and supports the company's strategies. This is also described in Chapter 11.12 concerning the organisation of the board's work. This not only involves follow-up and assessment, but also advising management on developing the desired culture.

For example, a value-creating and responsible culture can be achieved by rewarding behaviour that contributes to long-term value creation, encourages openness about challenges and objections and creates lower thresholds for reporting censurable conditions. Such a culture is characterised by employees being able to freely express their opinions, be listened to, share their expertise and be themselves without fear of social sanctions. A high degree of trust between employees and managers contributes to creating a good working environment where challenges and efficiency are valued. Psychological safety is considered to be of decisive importance in creating this type of culture.

## 11.9 Employees and diversity

The State expects that:

- The company has clear goals and measures for promoting and triggering the value of increased diversity, equality and inclusion in all parts of the organisation.
- The company works systematically with the development and recruitment of employees in line with the company's goals and strategies.
- The company uses professional and vocational training and apprenticeships when this is relevant to the company's access to the right expertise in the short and long term.

### *Diversity, equality and inclusion*

Diversity of background and experience contribute to providing different perspectives, which give companies a broader basis for making good decisions. Companies that are able to attract employees from a broad segment of the population better position themselves in the battle for the best talent and can appear as more attractive employers and thus have a competitive advantage.

The State places emphasis on the company unleashing the value of greater diversity by identifying and utilising the expertise in its own organisation and applying this to solve tasks.

What constitutes relevant diversity will vary between the companies. Different life and work experience, education, values, gender, geographical affiliation, cultural background, age, disability and sexual orientation can contribute to providing the company with expanded and valuable perspectives.

The Gender Equality and Anti-Discrimination Act states that all Norwegian enterprises must work in an active, targeted and systematic manner to promote gender equality and to prevent discrimination. Employers with more than 50 employees are also obligated to report on gender equality work in the annual report or other publicly available documents. The State places emphasis on the company promoting gender equality by working actively for equality, equal opportunities and equal rights, both in recruitment and in the career development of all employees in the company.

There are still not enough women in the upper echelons of Norwegian business and industry, including in companies with state ownership. The proportion of women in the management groups of state-owned companies varies between the companies and is generally lower at the levels below the senior management group. It is important for the State that the company works to achieve a more equitable gender balance. The

### Box 11.10 Different aspects of diversity

Diversity is a collective term used to describe personal differences such as individual characteristics like gender, age, disability or cultural background, and also differences in perspective, behaviour and identity. In other words, diversity

describes both observable and unobservable differences that may be of significance to relationships at the workplace, approaches to work tasks and productivity for the organisation. The differences can be roughly divided as follows:

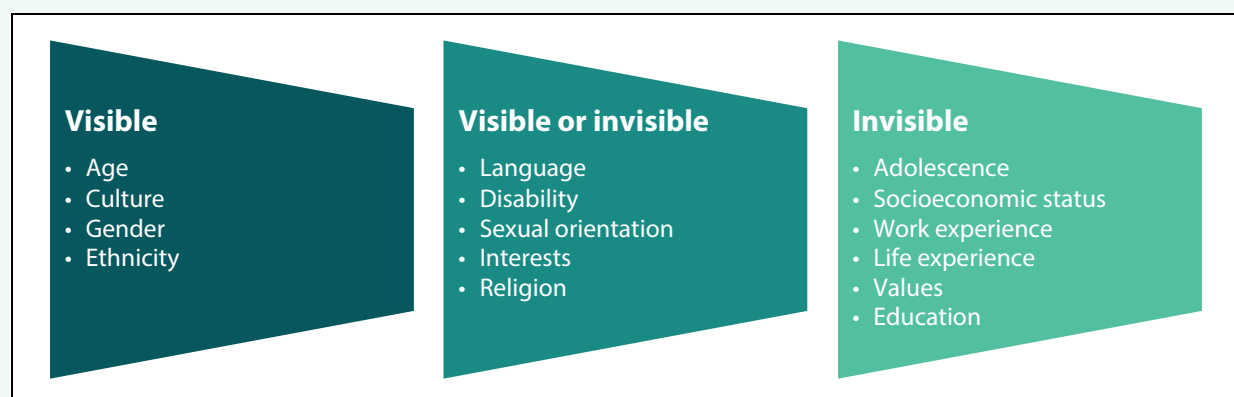


Figure 11.7

State also places emphasis on the company working for equal pay between women and men at all levels of the company, including for senior positions. Equal pay between genders and the limited use of temporary employment and undesired part-time work can also contribute to equality and in building a culture in which employees experience a sense of fairness.

The State places emphasis on the board setting clear goals and taking ownership of the company's work in this area. Among other things, this involves assessing whether the company has a culture and measures that promote and unleash the value of diversity, gender equality and inclusion, thereby enabling the company to achieve its goals.

#### *Employee development, expertise and apprenticeships*

The State places emphasis on the company having good personnel strategies and development and recruitment plans which contribute to ensuring that the company has the managers and employees with the requisite expertise needed for the company to implement its strategies and attain its goals. This presupposes that the company identifies the expertise that it has available and will require in the future.

Internal competence-building and further development of employees are vital. Many companies may find it challenging to obtain the necessary expertise. The use of professional and vocational training and the recruitment of apprentices may be a relevant means of accessing or developing the right expertise in the short and long term.

#### **Box 11.11 Work with diversity, gender equality and inclusion**

Working systematically with diversity, gender equality and inclusion is about building diversity expertise in management at all levels, having flexibility and the ability to understand different perspectives, identifying the link between diversity and value creation, using language that builds a common identity and promotes mutual respect, and being aware of one's own and other people's preferences, modes of action and forms of communication. A key part of this work is to link diversity in the organisation to value creation and task solving.

Companies that work well with diversity, gender equality and inclusion incorporate this into their strategies and work with this in the same manner as for other priority areas. The starting point is awareness of what this means for the company's activities, any potential imbalances and reasons for this, and the development of goals, strategies and specific measures with clear milestones. Measures are implemented for each area, and progress is measured and reported. The board is involved and the general manager and other management are held accountable for the company's results.

The measures considered most appropriate are adapted to, among other things, the com-

pany's size, challenges and industry, and may involve a selection or variation of the measures below:

- Openness about a desire for greater diversity, including targets in this area.
- Active use of role models for underrepresented groups.
- Awareness regarding the wording of job advertisements to ensure that they motivate a diverse group of applicants.
- Targeted recruitment processes and requirements/goals for diversity among candidates, including in the final round.
- Requirements/goals for diversity among members of internal leadership development programmes and on succession lists for key positions at all levels.
- Measures that contribute to leadership talents with different backgrounds and experience gaining line experience.
- Special career development initiatives for underrepresented groups, such as mentoring, sponsorship and networking schemes.
- Equal pay pool to even out inequalities in pay that can only be explained by gender.



## 11.10 Salary and remuneration

The State expects that:

- Remuneration and other incentives used by the company promote attainment of the company and owner's goals.
- The remuneration of senior executives is competitive, but not market-leading, and is set with due regard to the principle of moderation.
- The primary element of the remuneration scheme for senior executives is fixed salary.
- Remuneration of senior executives is not unreasonable, and does not have adverse effects on the company nor undermines its reputation.
- The company is transparent about the structure, level and development of remuneration of senior executives, including that the remuneration schemes are clearly understandable to owners, senior executives and other stakeholders.
- Differences in the remuneration of senior executives and other employees are taken into consideration when assessing moderation, and the company should provide specific justification for salary adjustments for senior executives that are higher than the average salary adjustments for the company's other employees. This assessment shall also take into account the wage growth (in terms of Norwegian kroner) for other employees.
- The company complies with the State's Guidelines for the Remuneration of Senior Executives in Companies with State Ownership.

The expectations regarding the remuneration of senior executives are supplemented and further detailed in the State's Guidelines for the Remuneration of Senior Executives in Companies with State Ownership.

### *Incentives*

Incentives refers to different means of motivating and rewarding performance and the desired conduct in an organisation. Good incentives contribute to better implementation of the company's strategies and goal attainment, and promote motivation, loyalty and appropriate risk-tasking. Remuneration is a key part of the incentives; however, criteria that form the basis for assessing promotions and the type of conduct that is valued in the organisation are also examples of incentives, cf. Chapter 11.9. Employees are also controlled by intrinsic motivation, i.e. the individual's inner drive and desire to do a good job regardless of

external motivations such as remuneration. Many of the companies with a state ownership interest are of major importance to the Norwegian business sector or the industry to which they belong, and are attractive workplaces for managers and employees. In a work context, intrinsic motivation can contribute to employees performing well and a working environment that fosters development.

The companies in which the State has an ownership interest differ considerably in terms of size, industry and complexity. Appropriate incentives and the correct level and structure of remuneration will therefore vary. The companies shall have the opportunity to recruit and retain the desired expertise by being able to offer competitive remuneration and other incentives.

### *Remuneration of senior executives (executive salaries)*

The State has a general expectation that remuneration and other incentives used by the company promote attainment of the company and owner's goals. This expectation also guides the remuneration of senior executives.

It is essential that the companies can offer competitive remuneration that enables them to recruit and retain good managers. Pay conditions are an important means of attracting and retaining such expertise.

In order to assess what constitutes a competitive, but not market-leading, level of remuneration, factors such as experience, seniority, expertise and pay conditions that are common in other, similar companies must normally be taken into consideration. For senior executives working in the Norwegian executive pay market, equivalent *Norwegian* companies should normally be the reference point. For unlisted companies, other *unlisted* Norwegian companies should normally be considered. The board should be aware that comparisons with other companies, for example, through the use of reference groups, may have an adverse effect on salaries, particularly if the reference group does not consist of a representative sample of companies.

At the same time, it is important for the State to ensure that there is moderation. This is important for safeguarding the company's long-term interests, among other things, by avoiding the company's reputation being undermined by executive salaries contributing to creating unreasonable disparities in the company and society at large. Moderation can also prevent an unreasonable transfer of value from owners to senior executives.

Based on this, the State expects the remuneration of senior executives to be competitive, but not market-leading when compared with similar companies, and that the board takes moderation into account when determining and adjusting remuneration. The individual remuneration components (fixed salary, pension and other benefits) must be assessed both individually and collectively in relation to the State's expectations. The consideration of moderation, together with the expectation of competitive remuneration, entails that the remuneration must not be higher than necessary to attract and retain the desired expertise.

The Norwegian working life model is based on a culture and tradition of relatively small differences in salary when compared with other countries. Among other things, the consideration of moderation suggests that the board takes into account differences in the level of remuneration for senior executives and other employees. If senior executives receive an annual adjustment in their fixed salary higher than the average for other employees, it is important for the State that the company provides the grounds for this. Moderation further entails that, when conducting their assessment of salary adjustments for senior executives, the board and general manager take into account the salary adjustment (in terms of NOK) for other employees. It may also be relevant to consider the total remuneration. If the growth in total remuneration, or in certain remuneration elements, is higher for senior executives than for other employees, either in terms of percentage or krone value, the State places emphasis on the board providing specific grounds for this in the company's remuneration report. When considering the company's remuneration report at the general meeting, the State will assess the company's rationale in relation to the State's expectations. The Government considers that raising awareness of wage levels, including that equal percentage increases result in different krone-related increases, is essential to curbing wage growth for senior executives and preventing the pay gap between managers and other employees from increasing, because this could potentially have a negative impact on the company's reputation and development. If the State finds that the grounds rationale provided by the board is not in line with the State's expectations, the State can vote against the remuneration report.

For performance-based remuneration schemes, the State places emphasis on these types of schemes promoting goal attainment for the owner.

Good schemes for performance-based remuneration reflect the company's goals and strategies and are designed to create an alignment of interest between the owners and senior executives. In practice, performance-based remuneration should not be used as a fixed salary element, nor should remuneration depend on the development in external factors over which managers have no control, for example, developments in commodity prices. As a general rule, performance-based remuneration should reflect the results that exceed expectations, which is something that requires good assessments of factors such as criteria and entry points.

It can be challenging to find suitable criteria and entry points for determining performance-based remuneration. There are also differing views regarding when performance-based remuneration contributes to good incentive effects. In a society where the value of relatively small differences in pay is emphasised as being a positive factor, it may appear to be a negative factor that the pay gap between management and employees is greater during years in which the company is doing well. The Government is of the view that fixed salaries should constitute, to a greater extent, the majority of the remuneration paid to senior executives. The expectation of a maximum achievable bonus for companies in Category 1 will therefore be reduced from 50 to 25 per cent of fixed salary in the State's guidelines for executive remuneration. For listed companies, the expectation of the total limit for bonuses and equity programmes will be correspondingly reduced from 80 to 55 per cent. It can be particularly challenging for companies in Category 2 to find good criteria that reflect the company's goals and strategies, and the State will therefore include an expectation in the State's guidelines for executive salaries that companies in Category 2 do not use separate bonus schemes for senior executives.

It is the board that is responsible for assessing whether the level of remuneration of senior executives is in line with the State's expectations. It should not be automatic that a reduced bonus limit results in an increase in the fixed salary. The State as owner considers the board's assessments and rationale in connection with its review of the remuneration report and guidelines on the determination of salary and other remuneration to senior executives at the general meeting.

In companies that use performance-based remuneration, the board should consider whether it is more appropriate to use a collective bonus scheme in the form of profit sharing, which can

give all employees a sense of ownership in the company's results. If the companies use these types of collective schemes, the schemes should be designed in such a way to avoid excessive disparities in the potential payments for senior executives and other employees.

The State expects that the companies will not offer senior executives remuneration schemes that are unreasonable, have adverse effects for the company or damage its reputation.

The State places emphasis on the board taking ownership of, and working actively with, the specification and follow-up of the company's executive remuneration policy, and that the reporting of executive salaries is in line with the State's expectations. Transparency regarding the structure, level and development of the remuneration of senior executives is important for the owners being able to assess the schemes and public trust in the company. It is important for the State that performance-based remuneration schemes are understandable, and that the owner and the individual senior executives are able to understand what is required to achieve this remuneration and how the criteria are assessed. It is of further importance to the State that the company's guidelines and remuneration reports reflect the boards' assessments relating to, among other things, how the remuneration contributes to the company's goals and strategies, and how the boards have ensured that, when determining and adjusting the remuneration, it is competitive but not market-leading, and has considered moderation.

For listed public limited liability companies, it is stipulated by law that the board must present guidelines and reports on salary and other remuneration to senior executives at the general meeting, cf. Sections 6-16a and 6-16b of the Public Limited Liability Companies Act and associated regulations. In other companies in which the State has an ownership interest<sup>12</sup>, the State will propose to include this in the articles of association to also enable the owners to consider the board's guidelines for remuneration of senior executives and the remuneration report at the general meeting.<sup>13</sup> These types of amendments to the articles of association have been implemented for most of the companies in the State's portfolio. An informed vote at the general meeting requires a compre-

hensible description of all elements of the remuneration and what they entail in terms of payments. It is good practice for the annual remuneration report to following applicable guidance documents, including a template for the remuneration report, prepared in accordance with the provisions in the Shareholder Rights Directive.<sup>14</sup>

The State has prepared guidelines for executive remuneration in companies with a State ownership interest. This is a separate «expectations document» that sets out and details all of the State's expectations relating to executive remuneration. The State's guidelines for executive remuneration present the matters that the State assigns emphasis to in the voting process when the board's guidelines for executive remuneration and remuneration report are considered. In addition to general expectations of the companies' remuneration schemes, the State's guidelines for executive remuneration also contain specific expectations relating to the special remuneration elements of bonus, pension and severance pay. The State's guidelines also contain comments, explanations and examples related to both the general and specific expectations. The State's guidelines are being revised in the light of the aforementioned changes to the State's expectations regarding executive remuneration.

When concerning voting at general meetings in connection with executive remuneration, see Chapter 12.4.

### 11.11 Risk management

The State expects that:

- The company has effective strategic and operational risk management and good internal control that are integrated into the company's strategy and decision-making processes.

Risk management and internal control are tools for good decision-making processes and the sound operation of the company and for the board to supervise the management. This contributes to increased goal attainment for the company.

Several of the companies in which the State has an ownership interest are large enterprises that operate in complex environments where the risk situation and business models can change rapidly. It is therefore essential to identify relevant risks, including risks that are not easy to quantify

<sup>12</sup> Which are not «small enterprises» pursuant to the Accounting Act.

<sup>13</sup> In companies where the State is a joint owner together with others, the State seeks to reach an agreement with other shareholders to enshrine this in the articles of association.

<sup>14</sup> Directive (EU) 2017/828 of the European Parliament and of the Council (Shareholder Rights Directive).

### **Box 11.12 What are risk and risk management?**

Risk management means that the board and management are aware of and manage risks that can impair goal attainment, and that this is integrated into the company's strategy and decision-making processes. Risk management consists of two main parts:

- Risk assessments: risk identification, risk analysis and risk evaluation/prioritisation.
- Risk management: formulating risk-reducing measures and follow-up of risk.

Circumstances or events that occur and impact goal attainment can either have negative or positive consequences, both of which are equally important for the board and management to follow-up.

It is standard practice to evaluate risk in two parts. The first part is the probability of the risk occurring and the second part is the expected

consequence of the risk if it occurs. The results of both assessments indicate how high the individual risk is.

Risk management helps the company to prioritise and make better decisions. The board has a particular responsibility for risk management, because it is the board that is responsible for the company's overall goal attainment and risk management at different levels and in the various areas of the business.

Risk can be caused by internal or external factors, and can be both operational and strategic. Good management and control require that risks throughout all of the company's activities are managed; however, that prioritisation is based on materiality.

Source: DFØ.

and which may be dependencies and vulnerabilities that cross sectors, areas of responsibility and national borders. Examples of the latter may be exposure to countries with unstable governance systems, shorter lifecycles for goods and services, vulnerability in supply lines, increasing dominance of individual companies, cybercrime, industrial espionage and vulnerabilities related to physical and digital infrastructure that are critical to business activities.

Effective risk management requires risk assessments to be integrated into the company's strategy, core business and decision-making processes. A good risk management system enables the company to identify, evaluate and report risk, and allows the company to respond strategically, operationally and financially when necessary to manage and implement necessary measures. This includes having the necessary emergency prepar-

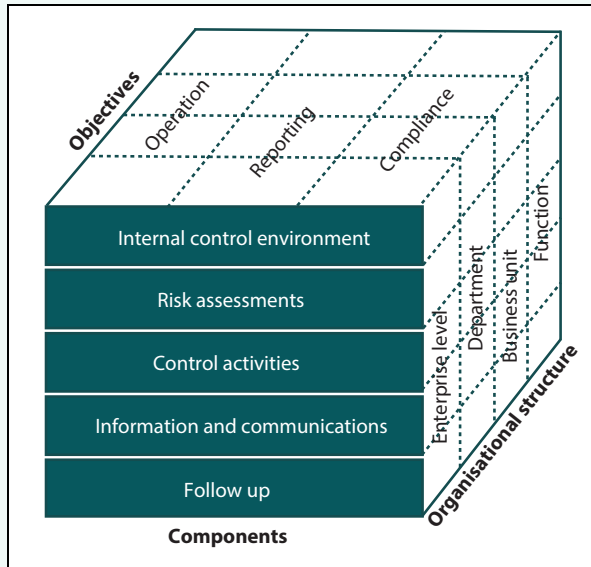
edness for crisis management. The purpose of risk management and internal control is to manage, not eliminate, risks.

It is important for the State that the board has an opinion on the company's risk management and internal control. Effective risk management requires that the reporting from management to the board provides a balanced account of all significant risks and how the company manages these.

Some companies have established a separate internal audit as part of their internal control process. In such instances, it is essential for good internal control that a system has been established for the board to receive regular reports, and otherwise, as needed. If a company does not have a separate internal audit, good internal control will then require specific consideration of how similar information may be sent to the board regularly or as needed.

**Box 11.13 The COSO Framework**

COSO's Internal Control–Integrated Framework<sup>1</sup> enables organisations to develop internal control systems that allow them to adapt to changing business environments and framework conditions, mitigate risks to acceptable levels, and support sound decision making and governance of the organisation.



Figur 11.8

<sup>1</sup> The Committee of Sponsoring Organisations of the Treadway Commission (COSO) is an organisation that publishes reports and frameworks for risk management and internal control.

COSO defines internal control as a *process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance*. This entails that the internal control:

- is geared to the achievement of objectives in one or more separate categories.
- is a process consisting of ongoing tasks and activities.
- is effected by people – not merely about policy and procedure manuals, systems, and forms, but about people and the actions they take at every level of an organisation to affect internal control.
- is able to provide reasonable assurance, but not absolute assurance, to an entity's senior management and board of directors.
- is adaptable to the entity structure.

The COSO Framework specifies a direct relationship between the *objectives*, which are what an entity strives to achieve, *components*, which represent what is required to achieve the objectives, and the *organisational structure* in the form of operating units, the legal business structure, etc.

Source: COSO.

## 11.12 Company management

The State expects that:

- The company complies with the Norwegian Code of Practice for Corporate Governance where relevant, adapted to the company's operations.
- The board follows best practice for board work, adapted to the company's operations.

### *The Norwegian Code of Practice for Corporate Governance*

The Norwegian Code of Practice for Corporate Governance is primarily intended for companies with shares listed on regulated markets in Norway.<sup>15</sup> The Code of Practice is also relevant for unlisted companies. As stated in the Code of Practice, compliance with this must be based on a

«comply or explain» principle. The Code of Practice states that the company shall provide a consolidated report for the company's corporate governance. This is adapted to the company's activities.

### *Organisation of the board's work*

The State places emphasis on the board working well and contributing to the State's goal as owner. A good board organises and prioritises its work and utilises its collective expertise in order to effectively contribute to the company's goals and carry out the board's supervisory duties. It is a prerequisite that the board members have suffi-

<sup>15</sup> See Chapter 9.5.4 for a more detailed description of the Code of Practice.

cient capacity, are dedicated and expend sufficient effort in the execution of their positions.

A good board sets clear expectations and is constructive in its dialogue with management. A good board serves as a resource and discussion partner for the management, while at the same time understanding its role as a non-operative unit in the company. As the closest point of contact for management, the chair of the board plays a particular role in this dialogue. The interaction between the owners, the board and management is also crucial, because it influences the company’s possibilities for goal attainment. Good interaction is characterised by transparency, mutual respect and trust.

Good board work is characterised by being forward-looking and contributing to a long-term perspective, which is essential for the company to remain relevant, competitive and create value for both the owners and other stakeholders. Previously, the primary emphasis was on control and compliance. However, there has now been a shift towards more strategic and result-oriented work that supports, guides and challenges the management. The board’s supervisory duties have also been expanded in recent years, a trend that has been driven by greater complexity, stricter regula-

tory requirements and a technological shift, all of which increasingly impact operations and development. The high pace of change in society makes it necessary for the board to allocate sufficient time and to work systematically with the company’s strategy and hold regular strategic discussions with the management. These changes impose increased requirements on the board’s expertise and work, and mean more time is set aside for the position.

The aforementioned factors have an impact on how the board organises its work. For example, an annual strategy meeting outside of the usual schedule for board meetings is now good and established practice; however, this is not necessarily sufficient. Good strategy work normally also requires ongoing strategy work throughout the entire year, because this provides the board with a better opportunity to follow up and discuss matters during an increasingly changing period of time. Good strategy work requires regular reassessments of the direction in which the company is heading, as well as «deep dives» into certain issues. A changing world and rapid changes place greater demands on the company’s ability to adapt and quickly change course.

**Box 11.14 Example of the board’s annual schedule**

The overview below lists examples of various items on the board agenda and how they can be followed up up throughout the year. For listed com-

panies, there are a number of additional activities for the board, such as capital market days and prospectus work.

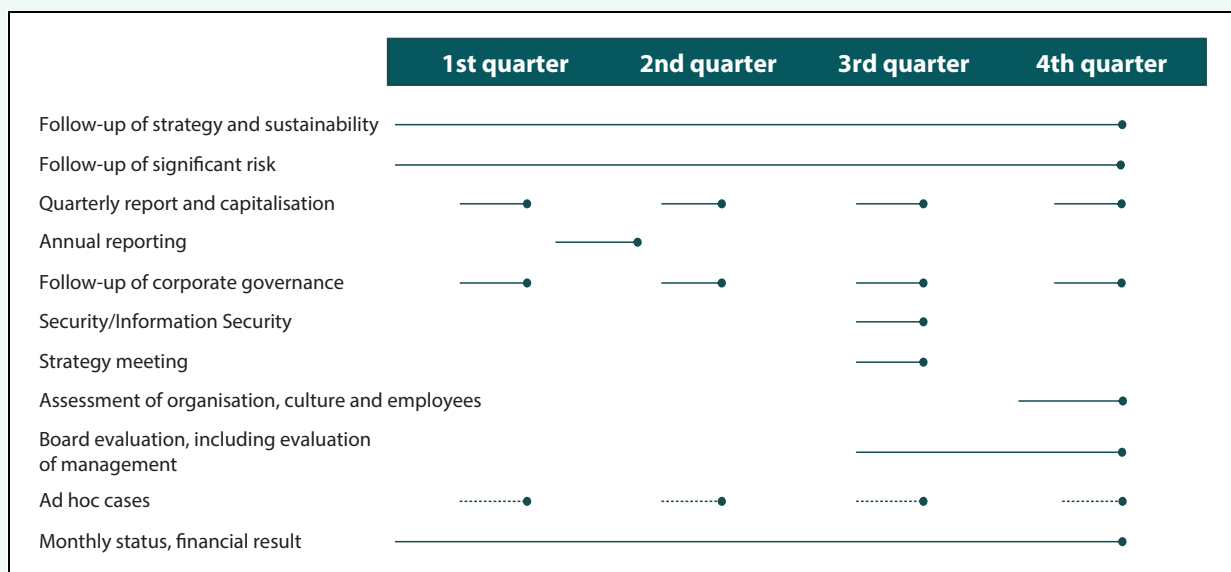


Figure 11.9

**Box 11.15 The board's focus on corporate culture**

The following questions may be useful in the board's work of better understanding the culture of the company and contributing towards the company developing in the right direction:

- What/how is the current corporate culture?
- Culture represents the sum total of values, opinions and assumptions that shape the organisation's behaviour. These «unwritten rules» guide the thousands of decisions made by employees throughout the entire company every single day. The board should therefore ask: What are these unwritten rules that everyone just knows but cannot necessarily be clearly formulated?
- How well does the corporate culture align with the company's strategy?
- A high-performing organisation in which corporate culture and strategy align produces better results and employee engagement. The board should therefore ask: What organisational behaviour is required to achieve the company's strategy?
- What is the difference between the current and ideal/desired company culture?
- Good managers can describe both the current corporate culture and the desired culture. The Board should ask: What cultural obstacles will we face in order to create the

desired culture and how will they be overcome?

- How do we consider culture in our succession plans?
- Culture evolves over time. The board will need to understand how talent management systems, employee evaluations and management recruitment may influence the future culture of the company. The board should ask to what extent the management styles of different individuals influence the culture the company is striving to achieve.
- The increased workload and complexity of the board's work mean that there is little scope to consider issues regarding corporate culture unless the issue is explicitly part of the board's agenda. Therefore, where in the board's annual calendar should the consideration of corporate culture be scheduled?
- By placing culture on the board's agenda, and by asking the right questions, the board can contribute to ensuring that the corporate culture supports the business strategy while also maintaining the division of responsibilities between the board and management.

Source: Spencer Stuart (2017): «Boardroom Best Practices». Translated by the Ministry of Trade, Industry and Fisheries.

The board is responsible for organising its work and is responsible for the decisions it makes.<sup>16</sup> As a consequence of an increased workload and complexity, the effective and expedient organisation of the board's work is of decisive importance. Most boards choose to organise themselves into various subcommittees and some also establish ad hoc committees or utilise other types of expertise.

The chair also has a special responsibility for ensuring that the board functions well. This already starts with a good onboarding programme for new board members. Furthermore, the chair's responsibilities also include structuring the board's work by setting the agenda and considering relevant matters at the right level to enable the

board to correctly prioritise its time and effort. The chair's responsibilities also involve facilitating good discussions, including ensuring that each board member's expertise, and thus the board's overall expertise, is utilised as best as possible and that the board members can openly express their views. When matters are discussed, the chair should ensure that all aspects of the matter are well elucidated and then summarise the main points. The board is a collective body, and the perspectives and quality of discussions are of decisive importance. Mutual respect for each other's views results in the constructive exchange of opinions, which is expected to make a positive contribution to decision-making processes. The chair of the board is responsible for contributing to a board culture that facilitates this at all times.

One of the board's most important tasks is the appointment of the general manager. Structured board work related to this is characterised by the board having a succession plan for the company's

<sup>16</sup> The individual board members may be held liable under the law of damages and criminal law, for example, if the board has not ensured that financial management of the company is subject to adequate controls.

**Box 11.16 The board's evaluation of its own work**

The Norwegian Code of Practice for Corporate Governance states that the board should evaluate its work and expertise on an annual basis. When evaluating its work, it is good practice for the board to consider the board's composition, expertise and manner in which it functions, both individually and as a group, in relation to the goals set for the work. A good board evaluation includes assessments of the board's competence requirements when viewed in relation to the company's strategy, and the extent to which the board appears to create value for the company. Many boards regularly make use of external advisers at regular intervals to facilitate their own evaluation.

A good board evaluation is tailored to the specific board and its needs, and defines a clear purpose for the evaluation. In order to review

the effectiveness of the board, the following areas will typically be relevant:<sup>1</sup> 1) whether the board's mandate is clear to the board members, 2) whether the board's composition promotes effective decision-making and supports the company's strategy, 3) board members' commitment, preparation and attendance, including how the chair facilitates discussion, 4) the board's group dynamic, 5) how the board follows up its tasks, 6) whether the board receives quality information in a timely manner, and adequate support and training from management, and 7) the role of the board committees and the committees' composition and reporting to the board.

<sup>1</sup> Korn Ferry (2018): «High Performance Boards & Board Reviews».

**Box 11.17 Onboarding programme for newly elected board members<sup>1</sup>**

Good board practice involves ensuring that the company has an onboarding programme for newly elected board members. The programme is intended to provide new board members insight into the company's activities and strategy, and is tailored to suit the individual board members' background. Through an onboarding programme, the company will typically grant the

board member access to official documents, provide a «deep dive» into board documents, budgets and strategic plans, hold meetings with the management and, if relevant, arrange visits to the company's different locations.

<sup>1</sup> Spencer Stuart (2018): «New Director Onboarding: 5 Recommendations for Enhancing Your Program.»

general manager high on the agenda and regularly ensuring that there is a well-qualified selection of potential candidates.<sup>17</sup> Good boards also follow up long-term management development in the company in general, including ensuring that this supports the company's strategies.

Good boards also follow up that management cultivates a culture that aligns with the company's goals, values and strategies, cf. Chapter 11.8.

<sup>17</sup> In their article «Bringing Science to the Art of CEO Succession Planning» consulting firms BCG and Egon Zehnder provide an example of a structured review of relevant elements in this process.

**11.13 Transparency and reporting**

The State expects that:

- The company leads the field in its work on transparency and reporting and makes use of recognised reporting standards.
- The company promotes a culture of transparency and is transparent about and reports on all matters of material importance in such a manner that the information provides owners and the general public with a true and fair depiction of the company's activities.



*Leads the field in the work on transparency and reporting*

Good and transparent reporting is vital to the company's trust among owners and in the capital market. Since the State manages its ownership interests on behalf of the population, the general public having an insight into matters of material importance to the company's activities is also important for there to be trust in the State as owner. Transparency is also vital for gaining the public's trust that there is fair competition between companies with and without a State ownership interest.

The board is responsible for the company's activities and for ensuring that the company reports in a manner that provides a comprehensive and fair depiction of the company's activities and potential for returns or attainment of public policy goals.

Good corporate reporting is a prerequisite for good exercise of ownership, because it provides insight into the company's ability to create value in the short and long term. Access to relevant and timely information makes it possible for the State to assess the company in relation to the State's goal as an owner. Transparency and good reporting are also drivers for, among other things, good strategy work, business development, access to capital, and operational and financial improvements in the company.

Leading the field in the work on transparency and reporting means that the company's reporting is relevant, balanced and comparable over time, and that the company applies the best available reporting standards in the area that are adapted to the company's activities and industry. It further entails that the company integrates important strategic and financial information, including sustainability information, that provides a comprehensive and fair depiction of the company's activities and the opportunities for future goal attainment. Examples of reporting standards for financial information are the International Financial Reporting Standards (IFRS) or generally accepted accounting principles. The reporting standards for sustainability in general, and climate in particular, are constantly evolving. It is therefore essential that the company considers which reporting standard is best adapted to its activities and which meets the State's expectations of transparency in this area, see the expectations relating to climate, Chapter 11.4 and biodiversity and ecosystems, Chapter 11.5. Box 11.18 discusses various reporting standards that, in addition to those

discussed in the aforementioned chapters, are presently considered the recognised standards, as well as standards that are under development and intended to further integrate sustainability and climate reporting into other reporting. Irrespective of reporting standards, the company must independently develop methods for providing information to enable different stakeholder groups to be as well informed as possible.

It is important for the State that the annual report, together with the directors' report, annual accounts and associated note information constitute the company's most important information channel. The annual report shall provide comprehensive information about the company and clarify the board's responsibilities. A good annual report is based on an integrated approach and contains significant strategic and financial information as well as information regarding sustainability, and is both retrospective and forward-looking. Information on capital markets days and quarterly presentations, or found in other channels such as websites, is a good supplement to contribute to transparency regarding the company's operations.

*Culture of transparency and reporting of matters of material importance*

Being transparent about and reporting on all matters of material importance so that the information provides a true and fair depiction of the company's activities means that the information provides a good and comprehensive description of the company's ability to attain goals, which, among other things, makes it possible to assess whether future earnings will exceed the company's cost of capital. The State places emphasis on ensuring that reporting enables there to be an understanding of the future range of outcomes and development trends, including that the reporting contains information on various scenarios and their significance for the company's strategy. This includes information that reflects how the company assesses, among other things, strategic issues, capital allocation decisions, restructuring and major investments.

The need for owners and other stakeholders to obtain a true and fair depiction of the company may entail that it is not sufficient for the company to only report in accordance with the minimum statutory disclosure requirements. For example, there may be information about both financial and non-financial indicators (including intangible assets) and sustainability indicators that provides

an insight into the company's competitive advantages and plans for increasing competitiveness.

In the area of sustainability, it will be expedient that the company is transparent about its assessments of areas of significant risk and opportunity for its activities, see also Chapter 11.1. Reporting on matters of material importance requires that the results of the company's materiality assessment, including stakeholder dialogue, are presented in the company's annual report, in addition to goals, measures and goal attainment.

In the area of climate, it may be important for companies to report on climate risks and opportunities and how these are integrated into the company's business model and strategy. This includes the annual report specifying the targets and measures that have been implemented to reduce greenhouse gas emissions in the short and long term and goal attainment, see Chapter 11.4. Correspondingly, it will be expedient for the annual report to also state the goals and measures that the company has implemented to reduce its own negative impact and increase its positive impact on biodiversity and ecosystems, see Chapter 11.5. On the whole, it will be essential that the company places climate and sustainability in a strategic context, including how climate and sustainability are

expected to impact the company's ability to generate a return or attain public policy goals. It may be important to provide information regarding plans for the financing of related investments.

Being owned by the State means that unlisted companies have a high degree of transparency regarding matters of material importance, not only with regard to their owners, but also the general public. This means that, unless special considerations suggest otherwise, unlisted companies are equally as transparent as listed companies; however, the reporting should be adapted to the distinctive nature, activities, risks, resources and size of the individual companies.

The State manages substantial assets on behalf of the Norwegian people. This means that important information about the companies should be readily available to the general public. A company's official annual report may be in English in situations in which the company deems this appropriate and has been granted the necessary exemptions from the language requirement in the Securities Trading Act and the Accounting Act. Since State ownership is managed on behalf of the Norwegian people, it is desirable that companies with a State ownership interest publish a Norwegian version of the annual report that is available

### Box 11.18 Reporting standards for sustainability

Good reporting for sustainability information may include complying with either general standards or standards that have been developed for relevant industries. Applicable existing standards that cover the full range of sustainability topics or individual areas include GRI standards, SASB standards, the GHG Protocol and the Taskforce on Climate-related Financial Disclosures (TCFD).

In addition to existing standards, development work is underway both in the EU and internationally with new standards for sustainability reporting. In June 2022, a provisional political agreement was reached between the European Parliament and the European Council on a new Corporate Sustainability Reporting Directive (CSRD). The directive will replace the current Non-Financial Reporting Directive (NFRD). The CSRD shall be complemented by the European Sustainability Reporting Standards (ESRS), and the European Financial Reporting Advisory Group (EFRAG) has been tasked with drafting

these. Companies subject to the CSRD requirements will be obligated to follow these standards. The CSRD provides guidance for reporting standards, including specifying information that the companies have to publicly disclose regarding various environmental issues, including information relating to the six environmental goals in the EU taxonomy for sustainable economic activities, and companies' plans which ensure that their business models and strategies are in line with the transition to a sustainable economy and the goals of the Paris Agreement. Internationally, the IFRS Foundation works with common global reporting standards in the field of sustainability through the International Sustainability Standards Board.

Source: GRI-Standards, IFRS Foundation, Greenhouse Gas Protocol, Task Force on Climate-related Financial Disclosure (TCFD), Corporate Sustainability Reporting Directive (CSRD) and European Financial Reporting Advisory Group (EFRAG).

no later than the date of the notice of the general meeting.

In addition to the general expectations of transparency and reporting in this chapter, the State has specific expectations relating to transparency and reporting in Chapters 11.4 (climate), 11.5 (biodiversity and ecosystems), 11.6 (tax and prevention of financial crime), 11.7 (capital structure and dividends), 11.10 (wages and remuneration) and 11.12 (company management).

#### *Further information regarding companies in Category 2*

Being transparent about and reporting on all matters of material importance to the companies in Category 2 means, among other things, that the company is transparent about and reports on public policy goal attainment and efficient operations. Companies that have parts of their activities in competition with others submit separate reports for both public policy activities and activities in competition with others.

In order to be transparent to the public about the company's goal attainment and for the State to be able to monitor this, it is essential that the company is transparent about and reports on goals, key performance indicators and target figures for both public policy goal attainment and efficient operations. This must be adapted to each company because the State's goal as an owner varies between the companies in Category 2.

Separate reporting for public policy activities and any activities that are in competition with others<sup>18</sup> provides the general public with a better insight into the company and enables the board and the State as owner to follow up the company's goal attainment in each of the areas.

#### *Exchange of information with the owner*

As a starting point, the State expects that the company is transparent about matters that are of material importance to the general public. It is also important for the State to receive information in the owner dialogue about how the company complies with the State's expectations, see Chapter 12.1. However, certain limitations may apply to what a company can and should disclose, for example, business-sensitive information.

Companies that are wholly-owned by the State can choose to disclose more information to the owner than they make public. Among other things, this enables the State to efficiently follow up the company and its goal attainment. The State normally engages in dialogue with the companies concerning the content and frequency of reporting to the owner.

In companies that are partly owned by the State, the State as an owner will not normally have access to more information than the other shareholders.<sup>19</sup> However, the board may decide that the company needs to exchange information with certain major shareholders if the board considers there to be reasonable grounds for doing so based on the company's interests and the common interests of all shareholders. One example of this could be if a requirement for being able to conduct a transaction is that larger owners vote in favour of it at the general meeting. Another example could be matters that are expected to attract a great deal of attention and where the company therefore has a special need to inform certain large owners. See more details about the owner dialogue in Chapter 12.1.

In instances in which the State awards assignments to companies with a State ownership interest, the State can define separate reporting requirements through its other roles. This usually applies to companies in Category 2 and is often related to appropriations.

<sup>18</sup> The requirement for accounting separation for companies which engage in both economic and non-economic activities pursuant to the EEA Agreement, and are owned by the state or where the non-economic activity is financed/receives funds from the state, follows from EU case law and therefore from EEA law, which Norway is directly bound by.

<sup>19</sup> The legal framework for the exchange of information is further described in Knudsen, G. and Fagernæs, S. O. (2017): «The Minister's management of the State's ownership in companies wholly or partly owned by the State. Relationship to the Storting and the company's management» sections 7 and 8.

<b>The State's expectations of the companies</b>	
<b>Topic</b>	<b>The State expects that:</b>
<b>Ambitions, goals and strategies</b> (11.1)	<ul style="list-style-type: none"> <li>• The company defines and implements ambitions, clear goals and strategies.</li> <li>• The company includes the work with the United Nations Sustainable Development Goals in the company's strategies and actively works to follow this up in day-to-day operations.</li> <li>• The company's risk assessment is an integrated part of the company's strategies.</li> <li>• The company defines clear key performance indicators and measures the company's goal attainment and implementation of the strategies.</li> </ul>
<b>Responsible business conduct</b> (11.2)	<ul style="list-style-type: none"> <li>• The company leads the field in the work on responsible business conduct.</li> <li>• The company conducts due diligence based on recognised methods.</li> </ul>
<b>Human rights and decent working conditions</b> (11.3)	<ul style="list-style-type: none"> <li>• The company respects human rights and workers' rights and is a leader in promoting decent working conditions in the company's own activities and in the supply chain.</li> <li>• The company encourages its own employees to organise themselves and promotes the right to free unionisation in the supply chain.</li> </ul>
<b>Climate</b> (11.4)	<ul style="list-style-type: none"> <li>• The company identifies and manages risks and opportunities relating to climate and integrates these into the company's strategies.</li> <li>• The company sets targets and implements measures to reduce greenhouse gas emissions in both the short and long term in line with the Paris Agreement, and reports on goal attainment. The targets shall be science-based when available.</li> <li>• The company reports on direct and indirect greenhouse gas emissions and climate risk, and uses recognised standards for reporting greenhouse gas emissions and climate risk.</li> </ul>
<b>Biodiversity and ecosystems</b> (11.5)	<ul style="list-style-type: none"> <li>• The company identifies and manages risks and opportunities relating to nature and integrates these into the company's strategies.</li> <li>• The company sets goals and implements measures to reduce its own negative impact and increase its positive impact on biodiversity and ecosystems, and reports on goal attainment.</li> <li>• The company uses recognised standards for reporting on natural hazards and impact on biodiversity and ecosystems.</li> </ul>
<b>Tax and prevention of financial crime</b> (11.6)	<ul style="list-style-type: none"> <li>• The company has an appropriate, well-considered and justified tax policy and is transparent about where financial value is created and where tax is paid.</li> <li>• The company works systematically to prevent financial crime such as corruption and money laundering in its own activities and in the supply chain.</li> </ul>
<b>Capital structure and dividends</b> (11.7)	<ul style="list-style-type: none"> <li>• The company has a capital structure adapted to the company's goals, strategies and risks and normally in line with other well-run companies in the same industry. The company will provide grounds for any significant deviations from this.</li> <li>• The listed companies communicate what they deem to be an appropriate capital structure and dividend level to the market. The non-listed companies communicate their assessments of the capital structure and dividend level to their owner(s).</li> </ul>
<b>Organisation and culture</b> (11.8)	<ul style="list-style-type: none"> <li>• The company's organisation is efficient and promotes attainment of the company's goals and supports the company's strategies.</li> <li>• The company's culture is established, managed and developed in such a way that it promotes attainment of the company's goals and supports the company's strategies.</li> </ul>

Figure 11.10 The State's expectations of the companies.

<b>The State's expectations of the companies</b>	
<b>Topic</b>	<b>The State expects that:</b>
<b>Employees and diversity</b> (11.9)	<ul style="list-style-type: none"> <li>• The company has clear goals and measures for promoting and triggering the value of increased diversity, equality and inclusion in all parts of the organisation.</li> <li>• The company works systematically with the development and recruitment of employees in line with the company's goals and strategies.</li> <li>• The company uses professional and vocational training and apprenticeships when this is relevant to the company's access to the right expertise in the short and long term.</li> </ul>
<b>Salary and remuneration</b> (11.10)	<ul style="list-style-type: none"> <li>• Remuneration and other incentives used by the company promote attainment of the company and owner's goals.</li> <li>• The remuneration of senior executives is competitive, but not market-leading, and is set with due regard to the principle of moderation.</li> <li>• The primary element of the remuneration scheme for senior executives is fixed salary.</li> <li>• Remuneration of senior executives is not unreasonable, and does not have adverse effects on the company nor undermines its reputation.</li> <li>• The company is transparent about the structure, level and development of remuneration of senior executives, including that the remuneration schemes are clearly understandable to owners, senior executives and other stakeholders.</li> <li>• Differences in the remuneration of senior executives and other employees are taken into consideration when assessing moderation, and the company should provide specific justification for salary adjustments for senior executives that are higher than the average salary adjustments for the company's other employees. This assessment shall also take into account the wage growth (in terms of Norwegian kroner) for other employees.</li> <li>• The company complies with the State's Guidelines for the Remuneration of Senior Executives in Companies with State Ownership.</li> </ul>
<b>Risk management</b> (11.11)	<ul style="list-style-type: none"> <li>• The company has effective strategic and operational risk management and good internal control that are integrated into the company's strategy and decision-making processes.</li> </ul>
<b>Company management</b> (11.12)	<ul style="list-style-type: none"> <li>• The company complies with the Norwegian Code of Practice for Corporate Governance where relevant, adapted to the company's operations.</li> <li>• The board follows best practice for board work, adapted to the company's operations.</li> </ul>
<b>Transparency and reporting</b> (11.13)	<ul style="list-style-type: none"> <li>• The company leads the field in its work on transparency and reporting and makes use of recognised reporting standards.</li> <li>• The company promotes a culture of transparency and is transparent about and reports on all matters of material importance in such a manner that the information provides owners and the general public with a true and fair depiction of the company's activities.</li> </ul>

Figure 11.11 The State's expectations of the companies.

## 12 The State's follow-up of the companies shall contribute to the attainment of the State's goals as owner

The key elements of the framework conditions for the State's exercise of ownership are collated in the State's ten principles for good corporate governance, see Chapter 10. The State is an active and responsible owner with a long term perspective and achieves this by, among other things, clearly communicating what the State wants to achieve with its ownership of each company, expressing clear expectations of the companies and following up the boards on goal attainment and work with the State's expectations, and when voting at the general meetings. The State's follow-up of the companies shall contribute to the attainment of the State's goals as owner.

The State's ownership follow-up is based on the division of roles and responsibilities between the owner, the board, and general manager set out in company law, and on generally recognised principles and standards for corporate governance. The State shall be a predictable owner and systematically follow up the companies. Good owner follow-up of the companies requires the State to have a good insight into the company's activities as well as sufficient expertise and resources.

The State shall exercise its ownership in accordance with the principle of equal treatment of shareholders set out in company law. A company's ability to attract capital is dependent on investor confidence that no shareholders are given unfair opportunities to promote their interests at the expense of other shareholders. As a part-owner with significant ownership interests in several companies, it is decisive that the State contributes to achieving equal treatment between shareholders.

In principle, the State as an owner does not have access to more information than what can be provided to other shareholders, and the State cannot demand more information. However, the board may decide that the company shall exchange information with certain large shareholders if the board considers there to be reasonable grounds for doing so based on the company's interests and the common interest of all share-

holders, see Chapter 11.13. The State shall not act unlawfully on the basis of information about the company that other shareholders are not aware of.

### 12.1 The State engages in owner dialogue with the company – ownership authority is exercised at the general meeting

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The State's authority as owner is exercised at the general meeting. This typically applies to the approval of the annual accounts and, if applicable, annual report, including the distribution of dividends, election of board members and specification of board remuneration, approval of guidelines for executive remuneration and remuneration report, election of auditor and approval of remuneration to the auditor, the buy-back and cancellation of shares, as well as decisions on capital changes and other amendments to the articles of association. The State as owner may also require that certain matters be considered at the general meeting. The State will exercise this right when relevant and if it does not violate the division of roles upon which company legislation is based, see Chapter 8.1.

The State as owner cannot exercise authority in the company outside of the general meeting.<sup>1</sup> However, like other shareholders, this does not prevent the State from receiving information from and engaging in dialogue with the company outside of the general meeting. Such contact is required to give the owners the necessary insight to be able to follow-up their ownership in an expedient manner and make good decisions at the general meeting. Dialogue based on confidence and trust is a prerequisite for good cooperation between the company and the owner. The State will also engage in dialogue with co-owners when

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<sup>1</sup> See Chapter 9.3.1. Other arrangements may apply to special legislation companies.

relevant. The flow of information from a company to its owners can take place through different channels, for example, interim and annual reports and other publicly available information, the general meeting, and meetings with the owners.

The State holds regular meetings with each company. This and other contact with the company is referred to as owner dialogue. Through the owner dialogue, the State can raise matters, ask questions and communicate points of view that the company can consider in relation to its activities and development. Such dialogue is intended to serve as input to the company, not instructions or orders. The board shall manage the company in accordance with the interests of the company and all shareholders, and must make specific assessments and decisions. Matters requiring the approval of the owners must be considered at the general meeting.

The core of the State's owner dialogue with the company is usually regular meetings every quarter, as is customary between companies and other large owners. What are considered relevant and important topics to be discussed at these meetings will depend on the State's goals as owner and the company's activities and situation. The meetings normally involve a review of the company's development and future prospects, various matters relating to the State's expectations, as well as specific issues. The matters that are reviewed will vary between the companies and over time. In addition to the regular meetings, the State engages in dialogue with the company regarding special topics or issues as required.

It is the board that decides who represents the company at meetings with the shareholders.<sup>2</sup> In order to have direct dialogue with the board, the State normally requests that the chair of the wholly-owned companies regularly participates in the meetings, and that the chair of the partly-owned companies participates as often as possible. The State normally also engages in dialogue with the chair in addition to the regular meetings. The State also holds an annual meeting with the entire board if this is considered appropriate. If the board is not represented at meetings, the State expects that the management will provide the board with insight into the content of the owner dialogue.

<sup>2</sup> Cf. Point 13 of the Norwegian Code of Practice for Corporate Governance, which states that the board should establish guidelines for the company's contact with shareholders other than through the general meeting.

The State places emphasis on the board members having a good understanding of the State's rationale for its ownership and the State's goal as an owner of the company in question, as well as the State's expectations of the companies. Therefore, among other things, the State normally holds onboarding meetings with newly elected board members in the companies that are wholly-owned by the State.

## 12.2 Owner follow-up is based on the State's goal as owner, the State's expectations and materiality.

By expressing clear expectations of the companies, the State wants to contribute to attaining the State's goal as an owner in a sustainable manner. This requires the companies to balance financial, social and environmental factors without reducing the ability of future generations to meet their own needs. The expectations reveal the issues that are of importance to the State, while also providing the companies with latitude for finding the best solution.

The board is responsible for the management of the company. The State assesses the company's goal attainment, work with the state's expectations and the board's contribution to this. The State contributes to goal attainment by, among other things, holding the board accountable for this. The State is not represented on the boards.<sup>3</sup> Therefore, one of the most important tasks of the State as an owner is to contribute to the composition of competent and well-functioning boards of directors that safeguard the company's needs and the interests of the shareholder community, see Chapter 12.5.

Assessments of the companies' goal attainment and work on the State's expectations are made on an ongoing basis and normally summarised annually as part of the planning of the State's ownership follow-up, and adjusted as necessary. This forms the basis for the State's priorities in its ownership follow-up over the coming year and indicates, among other things, which issues should be followed up in the owner dialogue with the companies. The priorities are based on the expectations that are considered to be significant for the companies' goal attainment and areas where the State can best contribute to this. The State engages in dialogue with the board regard-

<sup>3</sup> Or other governing bodies. See also Chapter 9.5.1.

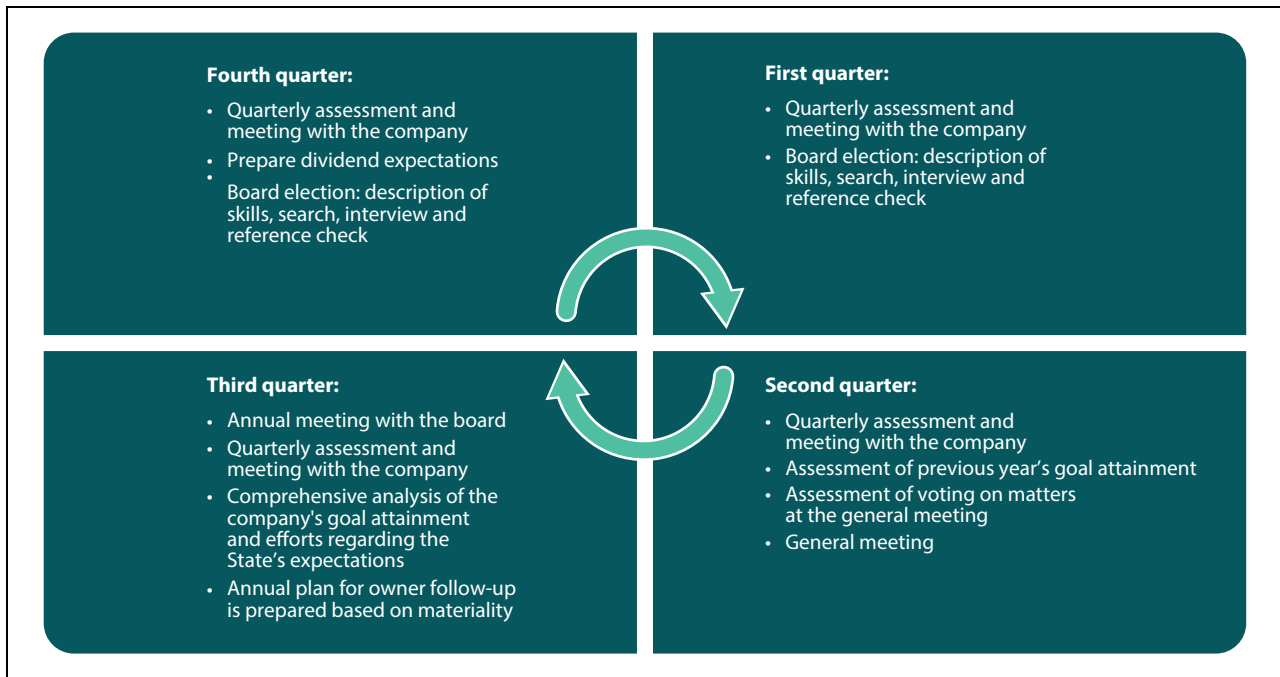


Figure 12.1 Example of the State's ownership follow-up throughout the year

ing the matters that the State as owner considers to be most important to follow up.

### 12.3 Assessment of the company's goal attainment

The State's follow up of the companies shall contribute to the attainment of the State's goal as owner, whether this be the highest possible return over time in a sustainable manner (for companies in Category 1) or sustainable and the most efficient possible attainment of public policy goals (for companies in Category 2).

#### *Follow-up of the highest possible return over time in a sustainable manner*

When the State assesses the company's return over time in a sustainable manner, the State normally assesses the development in the value of the company's equity. To calculate the company's value-adjusted equity, cash flow and multiple analyses are used, among other things, where different scenarios are weighted. The company's achieved total return (change in value and dividend, adjusted for any capital contributions and share buy-backs) is then assessed in relation the State's calculated required rate of return,<sup>4</sup> developments in comparable companies and any benchmark indices. These assessments are carried out

on a regular basis for companies in Categories 1 and for relevant activities in the companies in Category 2 if this part of their activities is of material importance.

The State communicates long-term required rates of return to the companies in Category 1, and to companies in Category 2 when relevant. Long-term required rates of return generally apply for a period of up to five years, and should contribute to predictability for the company. In the event of significant changes in the company's activities, the long-term required rate of return will be reassessed.

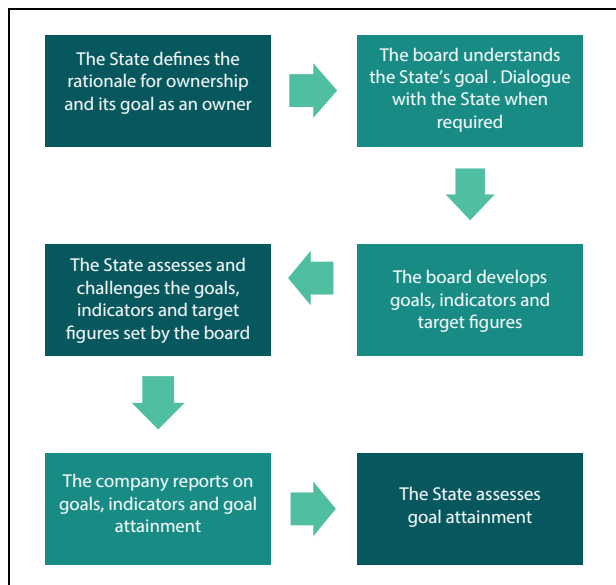
Recognised methods are used when calculating the company's required rate of return. The total return achieved, the company's potential for a long-term return and the State's required rate of return are discussed with the board and management.

#### *Follow-up of sustainable and most efficient possible attainment of public policy goals*

Since the State's public policy goals vary between the companies, there is a need for an individually adapted evaluation of the company's goal attainment. In line with the State's goal as an owner, the

<sup>4</sup> The EEA Agreement also imposes constraints on how return targets are set in order to prevent distortion of competition, see Chapter 9.4.





Figur 12.2 Example of dialogue in connection with goals, indicators and targets in wholly-owned companies.

State establishes the framework for the company's activities. This primarily takes place through the company's articles of association. However, it is essential that, within this framework, the company has sufficient room to manoeuvre and predictability in order to achieve the State's goal as efficiently as possible. The State engages in dialogue with the company regarding how the public policy goal should be understood and how the company operationalises and measures this. The State normally also engages in dialogue regarding whether the company should work to achieve the maximum possible goal attainment with the given resources or should deliver on a set goal with the fewest possible resources.

Among other things, the company's goal attainment and efficiency are assessed on the basis of the company's reporting and the state's owner dialogue with the company. It may be relevant in this context to look at comparable enterprises, the company's development over time and other evaluations of the business. The results achieved and the company's outlook are discussed with the company's board and management.

The activities of a number of the companies in Category 2 are wholly or partly financed via government budgets or through regulated revenues, and some of the companies are subject to special legislation. The State will therefore often also follow up the company's goal attainment through roles other than that as owner, for example as cli-

ent, contracting party and regulatory and/or supervisory authority. Follow-up of the company through other roles may therefore be partly in addition to the owner follow-up.<sup>5</sup> The State must be aware of its various roles and clearly communicate to the company what role the state may be engaged in any given time.

#### 12.4 Assessment of the company's work on the State's expectations

As a responsible and active owner, the State has expectations of the companies that relate to ambitions, goals and strategies, social, environmental and financial factors, and corporate governance. The State will follow up how the companies work in an integrated and systematic manner with the state's expectations in these areas and how this contributes to the State's goal as an owner, see Figure 12.3. The following is a description of how certain specific areas of expectation will be followed up.

##### *Ambitions, goals and strategies*

The State expects that the companies define and implement ambitions, clear goals and strategies. Following up the company's goals and strategies and how this supports the company's ambition is a good starting point for the owner dialogue. It is important for the State to understand the company's strengths and weaknesses, and potential market opportunities and threats that may impact the company's development. The purpose of this dialogue is to create a shared understanding between the board and the owner about material opportunities and risks to the company's value creation and the State's goal attainment.

In the owner dialogue, the State will follow-up whether the strategies are adapted to the long-term risk that the company is exposed to, and that this in turn reflects the company's willingness and ability to take risks. In instances involving significant strategic changes, for example, when establishing a presence in new geographical areas or in new or adjacent activities, the State will seek to use the owner dialogue to understand the consequences that such strategic choices may have for the risk profile and whether this deviates from the risk appetite and the company's ability to manage risk. The State will also engage in dialogue with

<sup>5</sup> See more about the State's follow-up in other roles in Chapter 9.6.

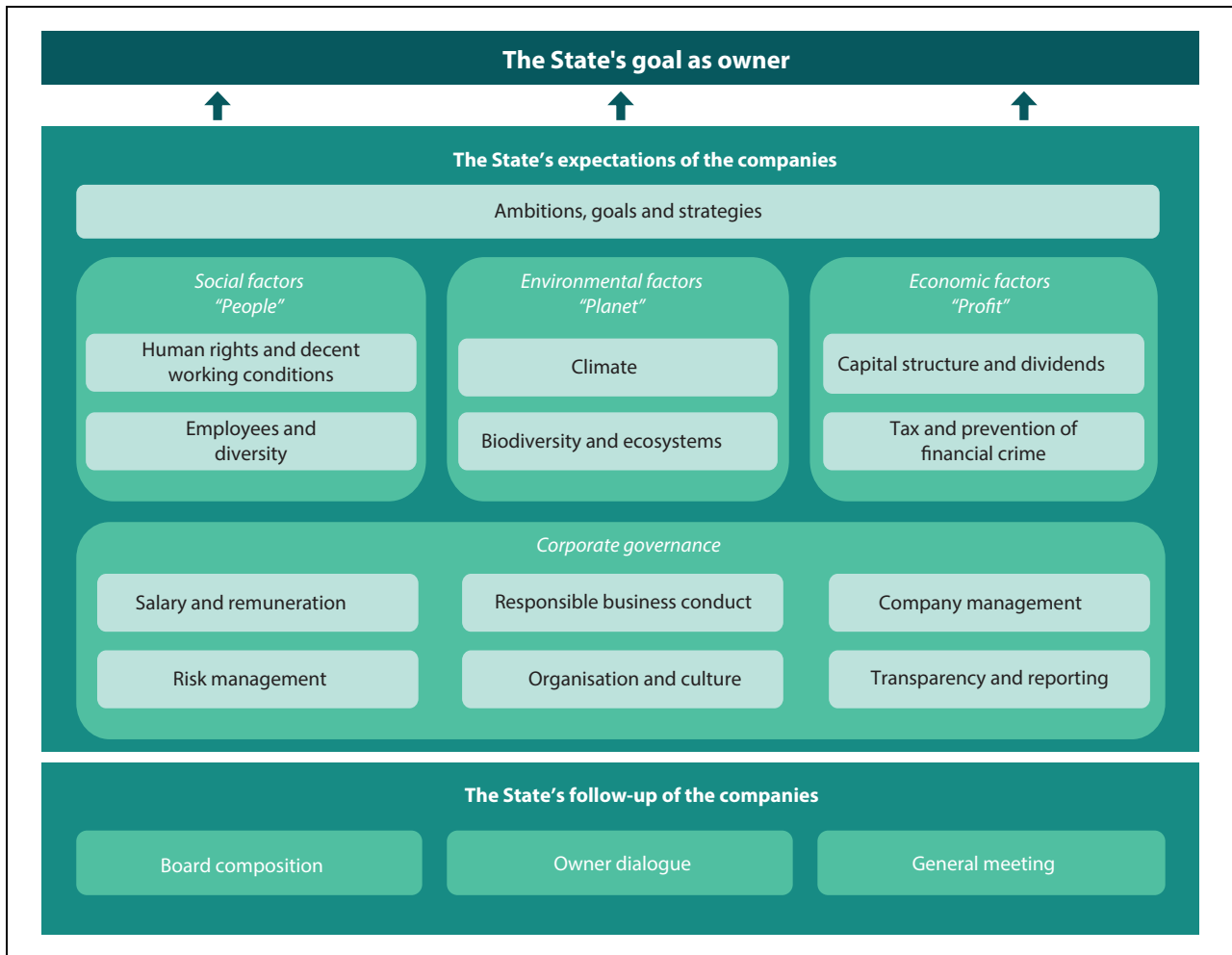


Figure 12.3 The State's ownership follow-up.

the company on whether the risk profile appropriately supports the State's rationale for ownership and its goal as an owner.

The State also assesses the company's goals, key performance indicators and targets<sup>6</sup>, and uses the owner dialogue to challenge the company about whether these are good and relevant. It is also important to follow up developments in the company's results and assess whether these are in line with the company's stated objectives.

*Human rights and decent working conditions*

The State places emphasis on promoting responsibility among the companies and therefore has expectations of the companies with regard to human rights and decent working conditions. Follow-up of these expectations will be included in the owner dialogue based on the level of impor-

tance for each company. If the company has its own activities or suppliers in areas where there is an elevated risk of violations of human and workers' rights, the State will engage in closer dialogue regarding the company's due diligence assessments and the measures that have been implemented to ensure that the company respects human rights and has decent working conditions.

*Employees and diversity*

In its ownership follow-up, the State assesses whether the company has clear goals and measures that contribute to promoting and unleashing the value of increased diversity, equality and inclusion in all parts of the company's organisation. The State will also understand how the company works systematically with the development and recruitment of employees, including whether the company has personnel strategies and development and recruitment plans adapted to the company's competence requirements. In addition to

<sup>6</sup> For some companies in Category 2, it will not be appropriate to set target figures for all key performance indicators.

the owner dialogue, when following up this area of expectations, it may be relevant to take into account good practice, comparable companies and developments over time.

#### *Climate, biodiversity and ecosystems*

The State has clear expectations of the companies when concerning climate, biodiversity and ecosystems. In its ownership follow-up, the State assesses how the company identifies and manages risks and opportunities related to climate, biodiversity and ecosystems, sets goals and implements long and short-term measures. Among other things, the company's goal attainment in these areas is based on the company's reporting and the owner dialogue. The State will also follow up whether the company's measures support the goals of the Paris Agreement and whether the company has selected recognised reporting standards. Among other things, it is relevant to look at comparable companies, developments over time and other external assessments of the company's activities. The company's plans and results achieved are discussed with the company's board and management.

#### *Capital structure and dividends*

An appropriate capital structure promotes the company's value development or efficient attainment of public policy goals. The board is responsible for the company's capital structure, but decisions made at the general meeting concerning dividend and capital adjustments will affect the capital structure. When proposals that will have an impact on the capital structure are put to a vote at the general meeting, the State will emphasise whether the proposal promotes efficient goal attainment. In this assessment, it is relevant to consider, among other things, the company's goal attainment, strategy, investments, competitiveness, industry conditions, opportunities and risks going forward, any comparable companies and whether the company's utilisation of capital is efficient. If the State considers a company's capital structure to be inexpedient, the capital structure should be adjusted through, for example, the distribution of dividends or capital contributions.

Several of the companies in Category 2 and some of the companies in Category 1 are subject to restrictions on their ability to take out loans. This may be particularly relevant if the company is financed via the national budget or through regulated revenues or performs socially critical func-

tions. The reason for the loan restrictions is that it can be challenging to make it fully credible that the State will allow creditors to take control of the assets of such companies. If, as a result of this, the market prices loans to such companies at a lower rate, this will impact the investments that are made and, in turn, will mean that projects that would not have been considered profitable with the financing costs that another company would incur are nevertheless implemented. Borrowing in companies that are not financed on market terms can result in undesirable risk for the State. It can also result in more funds being spent on an activity than what the State would prefer. Any restrictions on borrowing set by the owner are reflected in the company's articles of association.

Dividends from a company provide the owner with a continuous direct return (relevant for the companies in Category 1, and some of the companies in Category 2), and enables an adjustment of the capital structure that is relevant for all of the companies. The board is responsible for proposing the allocation of the company's annual profit, including how much of this, if any, should be distributed as dividends.

The State as an owner communicates both long-term and annual dividend expectations to the companies in Category 1, and to companies in Category 2 when relevant. Long-term expectations generally apply for a period of up to five years, and should contribute to predictability for the company. Annual expectations are adapted to the company's situation and capitalisation.

The State's expectations and decisions regarding dividends shall contribute to attainment of the State's goal as an owner. The expected dividend is determined based on factors such as the State's assessments of the company's capital structure, competitiveness and industry dynamics, earnings prospects, cash flow and capital requirements, including expected profitable investment opportunities, and how the dividend contributes to goal attainment. The State engages in dialogue with the company regarding this and annually communicates its dividend expectations to the board, before the board presents its dividend proposal to the general meeting.

The distribution of dividends is decided at the general meeting after the board has submitted a proposal for distribution or other allocation of the profit. As a general rule, the general meeting may not adopt a resolution to distribute dividends that exceed the amount proposed by the board; however, state-owned limited liability companies and state enterprises are not bound by the board's pro-

posal for the distribution of dividend at the general meeting.

Dividends to the State are recognised as revenue in the national budget. When the national budget is presented in autumn, the companies' annual accounts, relevant market conditions and other material information that form part of the basis for the board and owners' assessment of dividends for the general meeting the following year are largely unknown. The Government therefore presents proposals for dividends based on estimates which contain significant uncertainties regarding a number of underlying factors. For listed companies, dividends are budgeted in the same manner as for the previous year. For unlisted companies, the Government's estimates in the national budget will be based on various distributable reserves, for example, profit for the year, cash earnings or equity. Updated dividend estimates will be presented to the Storting in the revised national budget for the current budget year.

For companies in Category 2 that are financed via the national budget or have regulated revenues, annual dividends will often not be appropriate; however, they can nevertheless be used to adjust the capital structure of these companies. Several of the companies in Category 2 also have some activities that are in competition with others or other revenues from which it is natural to pay dividends.

#### *Corporate governance*

How and on which basis decisions are made in a company are vital for good goal attainment. The State therefore has a number of expectations of the company's corporate governance. These expectations relate to responsible business conduct, organisation and culture, salaries and remuneration, risk management, company management and transparency and reporting, see Figure 12.3. Follow-up of these expectations will be included in the owner dialogue based on their importance to the company's goal attainment.

In addition to assessing the company's corporate governance in relation to the State's expectations, it may be relevant to consider good practice, comparable companies and activities, and developments over time.

#### *Remuneration of senior executives*

At the general meeting, the State shall cast a binding vote on guidelines for determining the remuneration of senior executives, and an advisory

vote on the remuneration report. The board's guidelines must be presented to the general meeting at least every four years and in the event of any «significant change». The remuneration report must be presented to the annual general meeting. The rules are specified in the Public Limited Liability Companies Act and apply to listed companies; however, they are also implemented by amending the articles of association for most of the unlisted companies in the State's portfolio, and provide the owners with greater influence over the remuneration of senior executives. For companies that have not implemented such amendments to the articles of association, the State's follow-up of expectations of executive salaries will be assessed based on other grounds.

The State normally engages in close dialogue with companies regarding executive remuneration, and when engaging in this dialogue the State has a particular focus on understanding the company's remuneration schemes and how these meet the State's expectations. See more about the State's expectations of executive salaries in Chapter 11.10 and in the State's Guidelines for the Remuneration of Senior Executives in Companies with State Ownership.

Among the questions that the State will ask in the owner dialogue is how the remuneration schemes support the goals of the company and the goals of the State as owner. Questions may also be asked about what the board considers to be a competitive, but not market-leading, salary level and how the board takes moderation into account in the company's executive salary policy and when determining specific remuneration. For performance-related remuneration, the State seeks to understand how criteria and entry points for bonuses are determined and measured in relation to the set goals and strategies of the companies. Furthermore, the State may request information regarding the basis for comparing salary levels, etc., which are used for the board's assessments when, for example, changes are proposed to the remuneration schemes or in the event of significant increases in salary levels.

The State's final assessment of the company's executive salary policy and remuneration that is paid is expressed through voting on the company's guidelines and remuneration report at the general meeting. The State assesses the company's remuneration schemes, remuneration paid and the board's grounds in relation to the State's expectations, and will, in principle, vote against schemes that are contrary to the State's guide-

lines. Exceptions may be considered if deviations from the State's guidelines are adequately justified in the board's guidelines or remuneration report. In instances in which the State votes against the board's proposal, or otherwise has objections or remarks even if voting in favour, there is normally an explanation of vote. In the remuneration report for the subsequent financial year, the board must explain how the result of the general meeting's vote, including any explanation of vote from the State, have been taken into account.

#### *Transparency and reporting*

The State as owner approves the company's annual accounts and, if relevant, the annual report, at the general meeting, and in connection with this conducts an assessment of whether the company's transparency and reporting are in line with the State's expectations. In its assessment, the State will normally consider good reporting practices, comparable companies and activities, and developments over time. It may also be relevant to use evaluations and recommendations from external actors to assess the quality of the company's reporting.

In the owner dialogue, the State may have views and input regarding the company's reporting and whether the company demonstrates good transparency. The State will place emphasis on the company demonstrating transparency and reporting in a manner that provides a comprehensive and fair depiction of the company's position and future opportunities for generating a return.

### **12.5 Board composition and remuneration shall contribute to the attainment of the State's goal as owner**

The State is not represented on the boards.<sup>7</sup> One of the most important tasks of the State as an owner is to contribute to the composition of competent and well-functioning boards of directors that meet the needs of the companies and safeguard the interests of all shareholders.

Board members are elected by the general meeting in accordance with the main rule in the Limited Liability Companies Act, and normally for a term of up to two years.<sup>8</sup> However, the composition of the board is assessed on a continuous

basis, according to the company's performance and needs and the board members' contributions. Board members may therefore be replaced during the term of office.

In companies wholly-owned by the State, the State nominates and elects board members at the general meeting.

Several companies partly owned by the State have established dedicated nomination committees elected by the general meeting in accordance with the Norwegian Code of Practice for Corporate Governance. The system for nomination committees is not regulated by law.<sup>9</sup> The duties of the committee are normally to nominate candidates for election to the board and the nomination committee, or possibly the corporate assembly, and to propose the remuneration to be paid to members of these bodies to the general meeting, or possibly the corporate assembly.<sup>10</sup> In accordance with the Norwegian Code of Practice for Corporate Governance, the members of the nomination committee should be selected to safeguard the common interests of all shareholders. The State will normally propose that an employee from the ministry that manages the State's ownership of the company be elected as a member of the nomination committee.

In companies partly owned by the State that do not have a nomination committee, the State nominates candidates for the board in cooperation with the other shareholders.

#### *Considerations relating to the composition of the board*

Relevant expertise shall be the State's main consideration in its work on the composition of boards of directors. Given expertise, the State shall emphasise capacity and diversity.

<sup>7</sup> Or other governing bodies. See also Chapter 9.5.1.

<sup>8</sup> In companies that have a corporate assembly, the assembly elects the members of the board, cf. Section 6-37(1) of the Public Limited Liability Companies Act and Section 6-35(1) second sentence of the Limited Liability Companies Act. This does not apply to state-owned limited liability companies, where the board is elected by the general meeting even if the company has a corporate assembly, cf. Section 20-4(1) of the Limited Liability Companies Act.

<sup>9</sup> An exception is the Regulations relating to Financial Institutions and Financial Groups, which require a nomination committee to be established in financial institutions whose total assets under management have exceeded NOK 20 billion for more than twelve months.

<sup>10</sup> The duties of the nomination committee are normally determined by the general meeting through the company's articles of association and instructions for the nomination committee that are approved by the general meeting.

Expertise is about relevant experience and background as well as personal qualities. When selecting board members, the State emphasises management experience, board experience, and relevant industry experience with good results. The board should consist of people who, on the whole, have a good understanding of the industry in which the company operates and relevant management experience, which enables the board to support and challenge the company's management on strategic and other important matters. Experience from restructuring, digitalisation, and finance as well as a solid strategic perspective normally also constitute relevant expertise. For the companies in Category 2, a good understanding of the state's goal as an owner and the state's different roles will also be relevant.

The board should collectively have relevant expertise that enables it to assess risks and opportunities related to financial, social and environmental issues, and thus contribute to goal attainment.

When electing board members, the State will also place an emphasis on personal qualities which, among other things, enable them to function well as a collegial body. Examples of such qualities may be a high level of integrity, independence, interpersonal skills, creativity, ability to innovate, as well as commitment to the company's objective and ability to safeguard the company's interests in a sound manner. For the chair of the board, good leadership skills, such as the ability to facilitate open and trust-based discussions, will also be emphasised.

Using the required expertise as its starting point, the State will contribute to ensuring that each board has the relevant diversity. Diversity of opinion provides different perspectives and facilitates open, well-informed discussions that may, in turn, result in better decisions. Diverse perspectives can reduce the risk of groupthink, and complex problems are often best solved when considered from different points of view. Different perspectives can be obtained through, among other things, different work experience, education, gender, age, geographical affiliation and cultural background. The State specifically assesses what constitutes relevant diversity for each individual company. The State aims to have the most equal possible representation of both genders on the boards.

Furthermore, the State places an emphasis on the capacity of relevant candidates to make a contribution to the board and that they devote sufficient time and effort to the office of board mem-

ber. The candidate's other positions and offices shall be compatible with the time it is reasonable to expect the candidate to have to devote to the applicable board position.

In accordance with the Norwegian Code of Practice for Corporate Governance, the composition of the board should ensure that it can operate independently of any special interests.

In principle, the above-mentioned considerations are also applicable to the State's work with the composition of other governing bodies, for example, corporate assemblies and nomination committees.

#### *The State's processes for work relating to board elections/nomination committees*

All boards and board members are subject to an annual assessment, irrespective of whether they are up for re-election. Among other things, the purpose of the assessments is to determine the board and the board members' contribution to the company's goal attainment and work with the State's expectations. There is also an assessment of whether the board's composition, work method (internally on the board and with the management), expertise and effort indicate a need for changes to the board. The size of the board is also considered. Among other things, the assessment depends on the required expertise, the size and complexity of the company, and the interest of maintaining the board as an effective decision-making body. In order to contribute to boards that function well over time, the State endeavours to facilitate good succession processes (plan for replacement of board members) and continuity.

In companies that are wholly-owned by the State, the State conducts interviews with all owner-appointed board members and the general manager of the company as part of the aforementioned assessment process. The State also endeavours to conduct interviews with board members elected by and among the employees. The State seeks to maintain a dialogue with the chair of the board during the work of considering possible changes to the board.

In companies that have a nomination committee, the committee is tasked with assessing the composition of the board and nominating candidates for the board; however, the State carries out its own assessments in these cases. Through the nomination committees, where one of the members is normally an employee of the relevant ministry, the State seeks to contribute to ensuring that the nomination committee's work is in

accordance with best practice and the Norwegian Code of Practice for Corporate Governance. It is crucial that the nomination committee has access to necessary expertise in order for the committee to carry out the tasks for which it is responsible.

In companies partly owned by the State that do not have a nomination committee, the above-mentioned processes will be used as a basis insofar as they are appropriate.

#### *Considerations when determining the remuneration of the board and other governing bodies*

One of the State's most important tasks as an owner is to ensure there are competent and well-composed boards that contribute to goal attainment. The remuneration of the companies' governing bodies is decided by the owners at the general meeting.<sup>11</sup> This is separate from the remuneration of senior executives, which is determined by the board and general manager.

Having the right remuneration can be crucial for attracting and retaining people with relevant and good expertise, and to contribute to board members devoting sufficient time to ensuring that the work in this position is performed well.<sup>12</sup>

When assessing the level of remuneration paid to the board, the State places emphasis on the following considerations:

- The remuneration of board members must reflect the board's responsibilities, expertise, time spent, and the complexity of the company's activities in accordance with the Norwegian Code of Practice for Corporate Governance.
- The remuneration must be at a moderate level. This means that remuneration shall not be higher than is necessary for contributing to the board having relevant and good expertise and should reflect the board's responsibilities and workload.

Developments in recent years have shown that the work required of board members is becoming increasingly more extensive and demanding. This is partly due to increased legal regulation in several different areas, which has resulted in the board having been assigned more duties and

areas of responsibility as part of its work on following-up compliance and reporting.<sup>13</sup> It is vital for the company's development that the correct decisions are made, and the consequences of incorrect decisions can be devastating. The State's expectations of boards increase in line with the expanded duties and areas of responsibility. Changes to the company's framework conditions and rules also require more follow-up from individual board members, and may result in greater complexity, and thereby increased demands for the board's expertise and use of time. This particularly applies to listed companies and companies with extensive activities outside Norway. It may also apply to companies which are part of a sector that has been significantly reformed. In an increasingly changing world, it is natural to expect further legal regulation, for example, as a consequence of the implementation of international regulations. The fact that the board is increasingly involved in the companies' strategy work has generally also resulted in boards having to devote more time to their work, cf. Chapter 11.12 on the organisation of the board's work. Correspondingly, the complexity of the company's activities may change or requirements for the board's use of time may increase as a result of a significant expansion in the company's activities. Conversely, the time used by the board may be reduced as a result of a significant reduction in the company's activities or their complexity.

The State conducts a specific assessment of the remuneration paid to governing bodies in each company prior to the general meeting, cf. the considerations described above.

The State will normally propose, or in companies that have a nomination committee, will support:

- Growth that is in line with general wage growth in Norway when the State considers the remuneration of the board to be at a correct level. This is both to ensure moderation and to maintain an appropriate level of remuneration over time.
- Growth that exceeds ordinary wage growth when the State considers the remuneration of the board to be too low in relation to a specific assessment of the board's responsibilities, expertise, time used and the complexity of the company's activities. This means that increases in remuneration that are significantly higher than ordinary wage growth are only possible

<sup>11</sup> For companies with a corporate assembly, the remuneration is determined by the corporate assembly.

<sup>12</sup> In OECD (2015): Chapter II, Section F.7 of the OECD Guidelines on Corporate Governance of State-Owned Enterprises specifies that a company's remuneration policy should foster the long-term interest of the enterprise and attract and motivate qualified candidates.

<sup>13</sup> See, among others, PwC «Board of Directors' Handbook 2022».

when the State finds this to be necessary in order to contribute to ensuring that the remuneration is at the correct level, particularly in order to attract and retain relevant and good expertise.

- Reduced remuneration or zero growth when the State considers the remuneration to be excessive, for example, when the scope of the company's activities has been significantly reduced.

The State's assessment of the level of board remuneration will normally take comparable Norwegian companies into consideration.

The chair of the board is remunerated in accordance with the scope of the duties and responsibilities that this position entails and will therefore normally have a higher level of remuneration than the other members of the board. For example, in addition to having the responsibilities as an ordinary board member, the chair of the board is specifically responsible for organising the board's work<sup>14</sup> and dialogue with management and shareholders. If relevant, the chair also devotes time to ambassadorial activities and other external representation.<sup>15</sup> For board members who are also members of board committees, special remuneration for this work will be considered in each specific instance. For board members domiciled abroad, the State will normally support additional remuneration as compensation for the inconvenience of longer travel time.

The remuneration of the board should not be linked to the company's performance, cf. Norwegian Code of Practice for Corporate Governance. An assessment of the remuneration of the board in line with the considerations described above may also entail an increase in the remuneration paid to the boards of companies with weak results and which are experiencing a difficult situation.

Share ownership provides a commonality of interests between the board member and the owner. The State therefore encourages board members at the listed companies to own shares in the company in accordance with the Norwegian Code of Practice for Corporate Governance, and may, in light of this, support any proposals from the nomination committee or the corporate assembly that require that parts of the board remuneration to be invested in shares in the company at the market price. Proposals for board

remuneration having to be invested in shares will not normally be a reason for a significant increase in total remuneration.

Remuneration of other governing bodies, such as the corporate assembly and the nomination committee, is assessed on the basis of the same considerations as remuneration for the board.

## **12.6 Follow-up in the event of poor goal attainment over time or significant deviations from the State's expectations**

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In the event of poor goal attainment over time or significant deviations from the State's expectations, the State will consider how this can be followed up.

The reasons for this and options for improving the company's situation are discussed in the owner dialogue. It may be expedient for the company or owner to carry out specific analyses. It will usually be natural to follow up the company's plans for improving its performance with the board and management as part of the owner dialogue.

If the owner dialogue is unsuccessful, the State can exert influence through decisions at the general meeting. This applies both in the event of poor goal attainment over time or significant deviations from the State's expectations. Whether the State should exert influence through decisions at the general meeting and, if so, in what manner, will vary depending on factors such as the company's situation and the reasons for the poor goal attainment or deviations from expectations.

The State may provide an explanation of vote when there is a need to clarify the State's position or when the State as owner otherwise has objections or remarks. An explanation of vote can be provided both when the State votes for and against the board's proposal. The State will normally request that the explanation of vote is recorded in the minutes.

In the event of poor goal attainment over time or significant deviations from expectations without the company having achieved successful improvements, it is natural that the board will consider the need for adaptations or changes in the company. The situation and how the board deals with it will form the basis for the State's assessments of the composition of the board.<sup>16</sup>

<sup>14</sup> See Chapter 11.12 regarding the organisation of the board's work.

<sup>15</sup> BCG (2019): «Time spent on board work».

<sup>16</sup> See Chapter 12.5 regarding the process for electing board members.



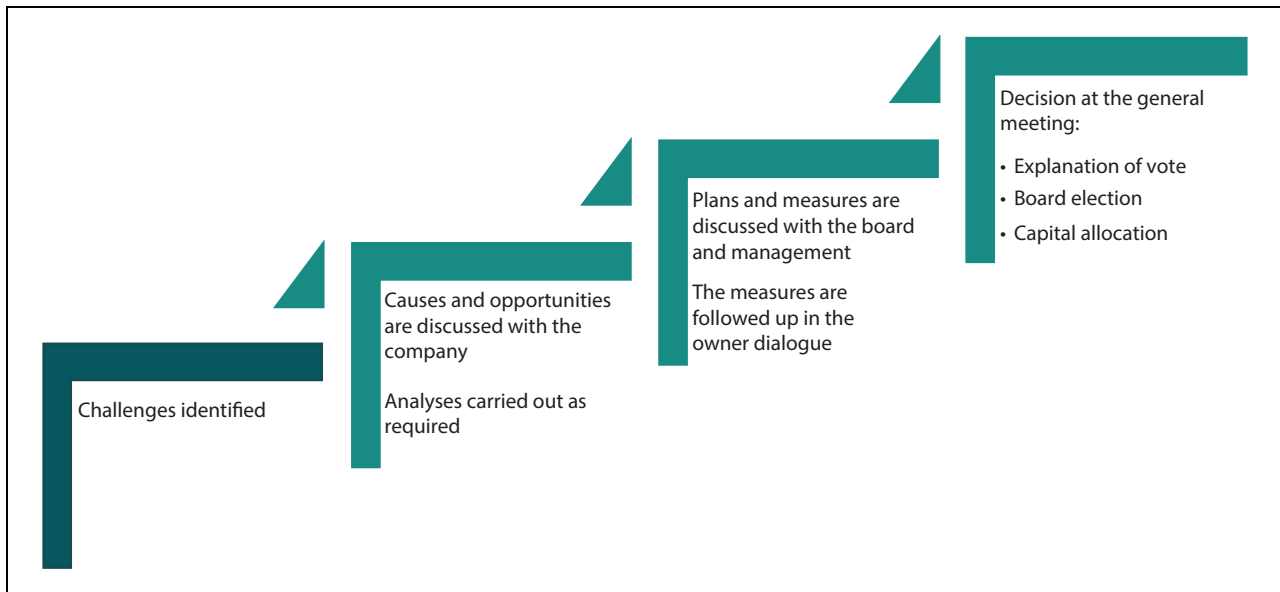


Figure 12.4 Follow-up in the event of poor goal attainment or significant deviations from the State's expectations.

The company's goal attainment will also influence how the State votes on other matters that are considered at the general meeting, for example, capital infusion and dividends.

ble for other companies to adjust the State's ownership interest, for example, if the State's rationale for ownership changes and can be adequately safeguarded with a different ownership interest.

### 12.7 The State takes a positive view of transactions than can contribute to the attainment of the State's goal as owner

The State generally takes a positive view of strategic initiatives and transactions in the company that can be expected to contribute to the attainment of the State's goal as owner. This may entail changes to the State's ownership interest in individual companies. It may therefore be applicable to both increase and reduce State ownership in existing and new companies. The State shall act in a manner that enables the company to exploit good business opportunities, and the State will therefore consider any initiatives presented by the company. The State will act in accordance with market practices when conducting a dialogue about and in the event of potential participation in share capital increases or other transactions.

For unlisted companies in which the government is authorised by the Storting to fully or partly adjust the State's ownership interest, the State will normally engage in dialogue with the boards about what may be the optimal ownership structure and the timing of any changes in the State's ownership interest. It may also be applica-

### 12.8 Distinguishing between the State's different roles and fair competition

The State has several roles, for example, as regulatory and supervisory authority, principal and owner. Among other things, the State formulates laws and regulations, determines fees and charges, awards licences and grants, purchases services, carries out supervisory activities and hands down decisions in individual cases. In order to create legitimacy for the various roles, the State should be aware of the role it has assumed at any given time, and, by its actions, clearly distinguish the role of owner from the State's other roles. Considerations that are not justified by the State's goal as an owner must be addressed by using policy instruments other than state ownership.

State ownership shall not give companies with a state ownership interest undue competitive advantages or disadvantages compared to companies without a state ownership interest. The State must not abuse its power and influence through other roles to promote its interests as owner. Companies in which the State has an ownership interest are therefore subject to regulatory and supervisory authorities in the same manner as companies in which the State has no ownership

interest. The State must also refrain from making political decisions or exercising authority in a manner that grants illegitimate advantages or disadvantages to the companies with a State ownership interest when compared with other companies.

## 12.9 Organisation of the State's ownership management

Responsibility for managing the State's direct ownership is currently divided between twelve ministries.<sup>17</sup> Irrespective of whether the State's role as owner and executive authority is exercised by the same or different ministries, the State's role as owner shall be distinct from its other roles. Management of the State's ownership interests in a number of companies has gradually been consolidated into the Ministry of Trade, Industry and Fisheries. Several ministries have also delegated different roles to different departments or otherwise organised the follow-up of the companies in such a way that the ministry's is clear about this distinction when conducting its activities.

### *The role of the central ownership unit*

The Central Ownership Unit, which is the Ownership Department in the Ministry of Trade, Industry and Fisheries, serves as a resource centre and centre of expertise for the State's direct ownership, both in relation to other ministries and internally within the Ministry of Trade, Industry and Fisheries. This entails coordinating the ministries' processes for board election work, assisting other ministries and departments as required, organising competence building seminars and meetings, and helping to disseminate good practices. Among other things, the latter includes developing methods and guidelines for assessing the company's goal attainment and the company's work with the State's expectations, cf. Chapter 12.3 and 12.4. The central ownership unit is involved in processes that can result in changes to the State's ownership interest in a company, in the state's rationale for ownership or in the event of changes to the State's goal as owner. The measures referred to above shall contribute to the most competent and uniform exercise of ownership across the ministries.

In addition, the Central Ownership Unit seeks to disseminate good practices among the compa-

nies, and participates in various forums to foster good standards for good corporate governance, as well as other tasks relating to state ownership. This includes participation in the Working Party on State Ownership and Privatisation Practices in the OECD and the Institutional Investor Forum<sup>18</sup> in Norway.

Direct state ownership in Norway is extensive; the ministries manage substantial assets, and the companies in which the State is an owner are of vital importance to the Norwegian business sector. Based on factors such as this, in this white paper on ownership policy the Government proposes more active management of the State's direct ownership, and has the ambition of strengthening ownership management by providing the central ownership unit at the Ministry of Trade, Industry and Fisheries with additional expertise and capacity. Expertise and capacity when exercising ownership management shall result in good assessments of companies' ambitions, goals and strategy. These assessments shall provide a basis for expanded support for, and follow-up of, other ministries, and more active and value-creating exercising of ownership in dialogue with the companies' boards and management.

### *The State's ownership interests in the companies in Category 1 are primarily managed by the central ownership unit*

Unless special considerations call for other solutions, the State's ownership interests in the companies in Category 1 shall be managed by the central ownership unit. Consolidating ownership management of the companies that primarily operate in competition with others contributes to separating the State's role as owner from the State's other roles and strengthens confidence in the State's exercise of ownership and other roles. This consolidation also contributes to making the exercise of ownership more professional and efficient. This is in line with the OECD's recommendation for organising ownership follow-up of state ownership. Further consolidation of the responsibility for managing the State's ownership interests in the companies in Category 1 into the central ownership unit is assessed on a regular basis.

<sup>17</sup> See Figure 6.3.

<sup>18</sup> The Institutional Investor Forum is a dialogue forum comprising a number of Norwegian investment managers that raise and discuss issues relating to ownership. The forum is also represented on the Norwegian Corporate Governance Board (NCGB).

**Box 12.1 Good practice for managing the role as owner and other roles in the same ministry**

- A high level of awareness of the State's responsibilities, tasks, decision-making authority and freedom of action in the different roles. This can be formulated for each role, for example, in the form of an annual plan, and be communicated to the company to promote a shared understanding of the State's different roles.
- Regular overall assessments of the State's different roles. On the whole, the State's management and follow-up in its different roles should be logical and appropriate. There should be as little overlap as possible between the different roles, and the execution of each role should be in accordance with good practice. On the whole, the division of roles should provide the company with sufficient freedom of action and predictability in order to attain the State's goal as an owner as efficiently as possible. The company should have an opportunity to provide input regarding the above-mentioned assessments.
- A clear organisational division between the role as owner and other roles. This can, for example, be the division at section or departmental level. If the role as owner and other roles are filled by the same section or department, it is essential that there is a high level of awareness of the state's responsibilities, tasks, decision-making authority and freedom of action in the different roles.
- A clear distinction between the role as owner and other roles in relation to the company. Where relevant, a meeting schedule can be devised for each role to ensure that the company is always aware of the capacity in which the ministry is acting at any given time. The ministry's role should normally also be stated in the communication with the company. Similarly, the company should clearly express which of the ministry's roles the different enquiries and input are addressed to.

*The State's ownership interests in the companies in Category 2 are primarily managed by the relevant sector ministry*

Unless special considerations call for other solutions, the State's ownership interests in the companies in Category 2 are presently managed by

the relevant sector ministry. This provides an opportunity to conduct a more holistic assessment of the policies for the respective sectors. This type of organisation requires internal procedures to avoid an unfortunate mixing of roles. It can also influence the State's follow-up as owner, see Chapter 9.6.

## 13 Financial and administrative consequences

Using state ownership when it is the most effective means of achieving the State's intentions, defining expedient goals as owner in each company and effectively following up ownership will contribute to better goal attainment for the State and efficient utilisation of the State's resources.

The ongoing management of the State's ownership is covered within the applicable budget framework.

The Government can be authorised to reduce the State's ownership interest in individual companies. If these transactions take place through the sale or acquisition of shares or capital contributions, this normally entails changes in the State's investment of capital and entry in the State's capi-

tal accounts. Reference is also made to the more detailed description of principles and practices for budgeting loan transactions in the Yellow Book (Gul bok).

The Ministry of Trade, Industry and Fisheries

r e c o m m e n d s :

Recommendation from the Ministry of Trade, Industry and Fisheries of 21 October 2022 on Greener and more active state ownership – The State's direct ownership in companies, will be sent to the Storting.

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