



# PRINCIPLES FOR RESPONSIBLE INVESTMENT MANAGEMENT IN NORGES BANK

LAID DOWN BY THE EXECUTIVE BOARD 18 MARCH 2015,  
LAST AMENDED 24 JUNE 2020

## Purpose and objective

The principles for responsible investment management in Norges Bank are laid down in accordance with Chapter 4 of the management mandate for the Government Pension Fund Global which outlines requirements to the Bank's work with responsible investment management, including the requirement to set guidelines for its contribution to the development of international standards. Norges Bank manages the Fund with the objective to achieve the highest possible return within the requirements set out in the management mandate. The Fund is a financial investor and diversifies its investments across a large number of markets and securities. Responsible investment management shall support the objective of the fund by furthering the long-term economic performance of our investments and reducing financial risks associated with the environmental, social and governance practices of companies in which we have invested.

Norges Bank will give priority to the areas of standard setting, ownership and risk management. The Bank will promote good governance and well-functioning, legitimate and efficient markets. The Bank will, as a starting point and where appropriate, base its practices on internationally recognised standards such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises. For government bond investments, the UNCTAD Principles on promoting responsible sovereign lending and borrowing provides useful guidance. For investments in unlisted real assets, additional relevant standards will be applied.

The Bank will report publicly on its responsible investment management.

## Standard setting

Norges Bank will contribute to the development of market practices that will benefit the long-term interest of the fund. As a long-term, global and broadly diversified investor, the fund benefits from well-functioning markets, good corporate governance and sustainable business practices.

The Bank will contribute its knowledge and expertise as a market participant to develop relevant standards, including those related to regulations, listing requirements, codes of best practice and norms in and across markets. While contributing to the development of these standards, Norges Bank may interact with international organisations, financial market regulators, stock exchanges, national corporate governance codes, industry bodies and other relevant market participants.

The Bank may also participate in relevant international fora or become a member, or an affiliated party, of organisations insofar as they contribute to promoting well-functioning markets, good corporate governance or sustainable business practices. These include groups of investors,



academics, companies and other market participants. Participation in government or government-related organisations and initiatives shall be approved by the Executive Board.

When interacting with standard setters and participating in relevant fora or organisations, the Bank will clarify that it is contributing in its capacity as an investment manager and market participant.

Norges Bank expresses its own principles in multiple forms, such as expectations to companies, voting principles, positions on single issues, wider ownership policies or other forms that the Bank sees fit. The Bank may also express support for investor statements. The Bank will express its principles in ways that facilitates wider market impact. The Bank will base its contribution to the development of standards on its public policies on responsible investment, where these are relevant.

Norges Bank will contribute to academic research within the area of responsible investment management in order to increase knowledge of matters relevant to the long-term return and risk in the fund. This is further described in the Executive Board Principles for contribution to research.

## Ownership

Norges Bank will seek to influence companies in its role as a financially motivated shareholder, in accordance with the management mandate for the Fund. The Bank will exercise ownership to safeguard the long-term value of its portfolio.

As a minority shareholder in listed companies, ownership activities will be conducted according to priorities that take into account factors such as market, sector and company characteristics, the significance of the investment, ownership share and rank, and whether ownership activities are likely to be effective. Ownership activities will primarily take the form of voting and company interaction.

Norges Bank will seek to vote its shares at all shareholder meetings. Voting will have a principled basis yet cater to the specific circumstances of the individual company. The Bank will report on its voting activities and may choose to publish vote decisions and rationales prior to meetings.

The board of the company is responsible for business strategy and operations. Norges Bank will support good corporate governance by directing its efforts primarily at the board and its chair. The Bank may also interact with management. Ownership activity will be an integrated part of company interaction. Publicly stated positions may underpin engagement with individual companies.

Investments in unlisted real estate and renewable energy infrastructure assets shall be managed in a responsible and environmentally sustainable manner. For unlisted real estate investments, the focus areas for environmental matters are energy efficiency, water consumption and waste management.

Norges Bank will communicate its expectations to investment partners and asset managers for unlisted real estate and renewable energy infrastructure assets on integration of environmental, social and governance considerations in the management of Norges Bank's unlisted real assets, and engage in dialogue on responsible investment matters.



## Risk management

Risk factors associated with environmental, social and corporate governance related issues will be considered as an integrated part of the overall risk analysis. Risk includes a number of direct effects on the Fund from these factors. Norges Bank manages a diversified global portfolio with a long investment horizon and will take into consideration significant negative external effects arising from the activities of companies. This will include regular assessments of externalities that may indirectly influence the long-term value of the fund's investments. The risk assessments will include consideration of risk factors associated with countries, industries, companies or selected themes.

Risk issues may be identified, analysed, monitored, and strategically considered for ownership activity, continued risk monitoring or activity directed at market standard setters. Risk analysis may also provide a basis for investment decisions. Risks and opportunities related to environmental, social and corporate governance issues will be integrated in position taking in individual securities or other assets. Risk assessments may lead to portfolio level exposure adjustments or restrictions affecting specific markets, sectors or companies. Accordingly, Norges Bank may divest from companies that are closely associated with unsustainable business models or practices.

## Observation and exclusion

Norges Bank will decide on observation and exclusion of companies from the portfolio. These are based on recommendations from the Council on Ethics, or on its own initiative for specific criterion, in accordance with the management mandate laid down by the Ministry of Finance. Observation and exclusion of individual companies or product groups are regulated by separate guidelines set by the Ministry. Evaluation of companies by the Council may be on the initiative of the Council itself or of Norges Bank.

Norges Bank will make product-based exclusions from the portfolio in accordance with the guidelines. The Bank may exclude companies based on conduct. Prior to such decisions, the Bank will consider a broad set of factors and actions as set out in the guidelines.

All observations and exclusions of individual companies will be reviewed regularly to assess whether or not the conditions for observation or exclusion are still met.

Decisions by Norges Bank on exclusion and observation, as well as revocations, will be reported on a quarterly basis together with the associated recommendations from the Council on Ethics.