



# PRINCIPLES FOR RESPONSIBLE INVESTMENT MANAGEMENT IN NORGES BANK

LAID DOWN BY THE EXECUTIVE BOARD 18 MARCH 2015,  
LAST AMENDED 8 FEBRUARY 2023

## Purpose and objective

Responsible management forms an integral part of the management of the investment portfolio. 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's long-term return depends on sustainable economic, environmental and social development, as well as on well-functioning, legitimate and efficient markets. Responsible investment management will 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.

The principles for responsible investment management in Norges Bank are laid down in accordance with the management mandate for the Government Pension Fund Global. This outlines requirements for the Bank's work with responsible investment management, including the requirement to set principles for its responsible investment management. The mandate makes clear that the bank should seek to establish a chain of tools for its responsible investment management, emphasise the long-time horizon for the management of the investment portfolio, as well as its basis in broad diversification of the investment. It also stipulates as a long-term goal for responsible investment that the companies in the portfolio have operations that are aligned with the global net zero GHG emissions targets according to the Paris agreement.

Norges Bank will give priority to the areas of standard setting, investment management and ownership activities in its responsible investment management. The Bank will promote good governance and well-functioning, legitimate and efficient markets. In line with international standards, the Bank commits to respect human rights and will carry out ongoing environmental and social due diligence of the investment portfolio to promote responsible business conduct with companies it invests in. The Bank will 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. We will develop our work on climate risk management in line with internationally recognised principles and standards.

Responsible investment management will be underpinned by transparency and good communication about the Bank's priorities, activities and results. The Bank will report publicly on its responsible investment management.



## Standard setting

At the market level, Norges Bank will contribute to the development of principles and standards that benefit the long-term interest of the fund.

The Bank will contribute with 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. The Bank will prioritise contributions to the development of standards for corporate governance, corporate disclosures, responsible business conduct and climate risk. While contributing to the development of these standards, Norges Bank will 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, sustainable business practices or responsible business conduct. These include groups of investors, academics, companies and other market participants. New initiatives and relationships shall be subject to assessments of costs, complexities and benefits prior to joining, and taking into account the fund's special characteristics. 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. The Executive Board approves participation in government or government-related organisations and initiatives.

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.

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.

## Investment management

At the portfolio level, the Bank will monitor the investments and integrate environmental, social and governance related information in its investment decision making across all asset classes. Such information and analysis will be made available to investment decision makers. Investment decision makers will be expected to consider material environmental, social and governance information in their investment process. Selection and monitoring of external managers will also integrate such considerations.

Risk factors associated with environmental, social and corporate governance related issues, including climate risk, will be included in the enterprise risk management framework of the fund. Risks will be identified, analysed, monitored, and strategically considered for ownership activity, continued risk monitoring or included in engagements with market standard setters. Analysis of risks and opportunities related to environmental, social and corporate governance issues may also provide a basis for investment decisions. 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 associated with unsustainable business models or practices.



Investments in unlisted real estate and renewable energy infrastructure assets will be managed in a responsible and environmentally sustainable manner. For the management of unlisted real estate investments, the focus areas within environmental matters will include, amongst others, carbon emissions, 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.

## Ownership activities

At the company level, Norges Bank will seek to influence companies in its role as a financially motivated shareholder. The Bank will exercise ownership to safeguard the long-term value of its portfolio. This will include an ambition that all portfolio companies align their business operations with the goals of the Paris Agreement.

Publicly stated expectations and positions may underpin engagement with individual companies. 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. The Bank may collaborate with other shareholders to promote its interests effectively.

Ownership activities will primarily take the form of company interaction and voting at shareholder meetings. Norges Bank will support good corporate governance and long-term value creation by directing its engagement efforts to the board and its chair. Engagement with the companies' executive teams will follow up more detailed expectations. Ownership activity will, where relevant, be integrated with company interactions informing investment processes.

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 choose to publish vote decisions and rationales prior to meetings. Where companies fail to meet the Banks expectations and positions, the Bank will consider voting against the board's recommendation at shareholder meetings or filing its own shareholder proposals.

## Observation and exclusion

Observation and exclusion of individual companies or product groups are regulated by separate Guidelines for Observation and Exclusion from the Government Pension Fund Global (the Guidelines) set by the Ministry of Finance. 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 criteria, in accordance with the Guidelines. Evaluation of companies by the Council will 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.



## Reporting

Norges Bank will report on decisions on observation and exclusion, as well as revocations, on an ongoing basis together with the associated recommendations from the Council on Ethics as applicable. Where the Bank acts on its own initiative, it will provide the basis for its decision. The Bank will, furthermore, provide an account of decisions made pursuant to the Guidelines as part of its semi-annual and annual reporting. Progress in cases where the exercise of ownership rights was chosen to reduce the risk of future norm violations will be reported annually.

The Bank will report at least annually on its responsible management efforts, the measures used and the effect of the exercise of ownership rights, including the progress companies are making in setting net zero targets, as well as how the principles for responsible management are integrated in the management of the fund.

The Bank will measure and report on the exposure of the fund to climate risk, using different methods. The reporting will include results of stress tests of the fund's resilience against different climate scenarios, including a scenario aligned with 1.5C rise in median global temperature. It will also cover assessments of future emission pathways, the extent to which portfolio companies have net zero targets aligned with the Paris agreement and other metrics covering the fund's exposure to climate and environment-related business activities. The reporting will build on applicable, internationally recognised standards.