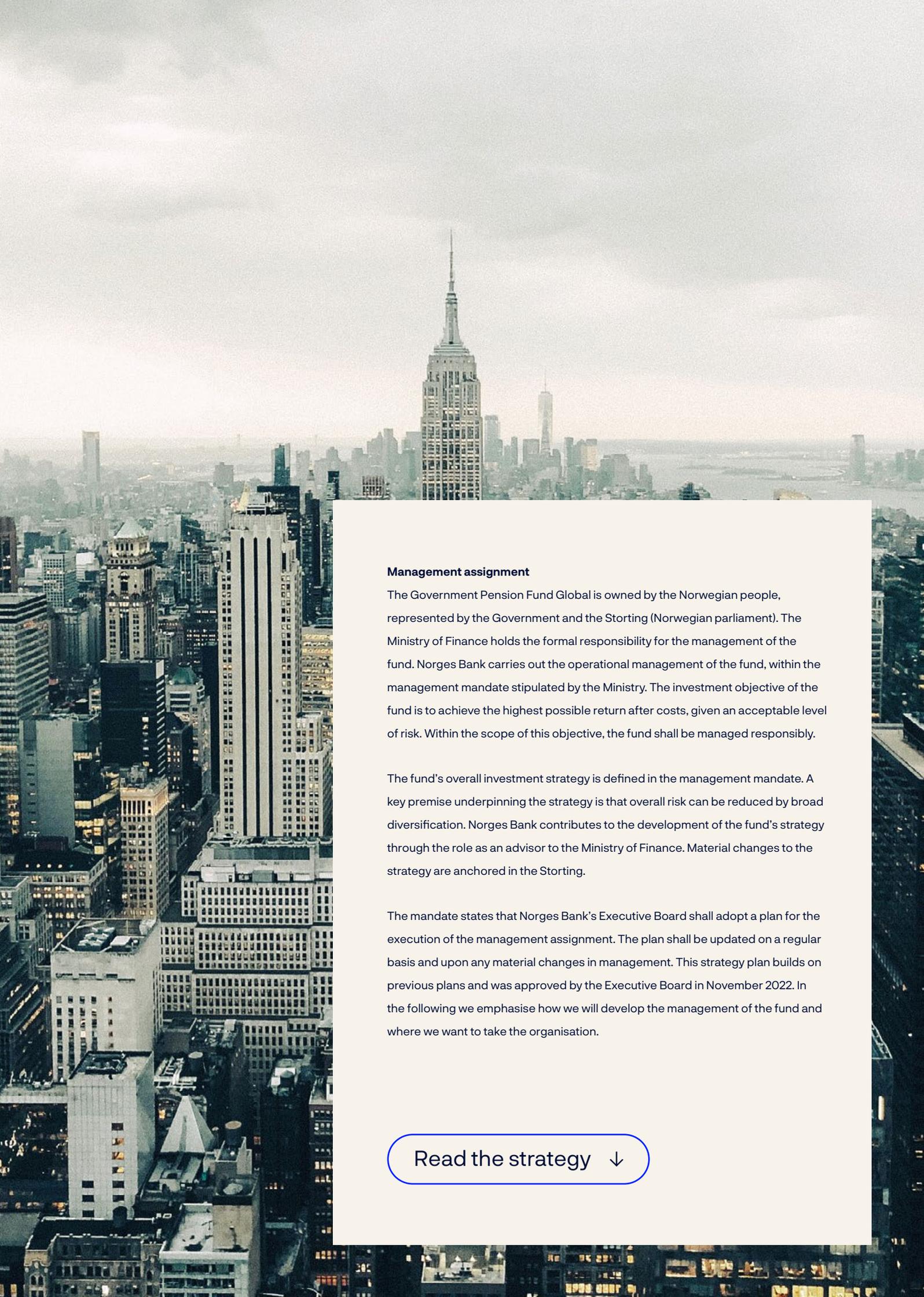


Norges Bank Investment Management Strategy 25





Management assignment

The Government Pension Fund Global is owned by the Norwegian people, represented by the Government and the Storting (Norwegian parliament). The Ministry of Finance holds the formal responsibility for the management of the fund. Norges Bank carries out the operational management of the fund, within the management mandate stipulated by the Ministry. The investment objective of the fund is to achieve the highest possible return after costs, given an acceptable level of risk. Within the scope of this objective, the fund shall be managed responsibly.

The fund's overall investment strategy is defined in the management mandate. A key premise underpinning the strategy is that overall risk can be reduced by broad diversification. Norges Bank contributes to the development of the fund's strategy through the role as an advisor to the Ministry of Finance. Material changes to the strategy are anchored in the Storting.

The mandate states that Norges Bank's Executive Board shall adopt a plan for the execution of the management assignment. The plan shall be updated on a regular basis and upon any material changes in management. This strategy plan builds on previous plans and was approved by the Executive Board in November 2022. In the following we emphasise how we will develop the management of the fund and where we want to take the organisation.

[Read the strategy](#) ↓



A fund for future generations

We manage the fund on behalf of the Norwegian people. Responsible and long-term management ensures that the fund will benefit both current and future generations.

We use a range of investment strategies to manage the fund in a risk-controlled manner, aligned with our mandate. We will exploit our characteristics as a large and long-term investor to achieve the highest possible return in a responsible way.

Our people, technology, and processes are key to achieving our goal. We shall be a diverse and inclusive organisation where we all work towards our mission to safeguard and build wealth for current and future generations. To succeed in a challenging, fast-paced working environment, we also believe it is important to have fun at work. We want to be the leading large investment fund in the world.

Performance

Performance ●

Technology ●

Operational robustness ●

People ●

Communication ●



Our goal is to achieve the highest possible return



The Ministry of Finance decides the overall investment framework through our management mandate. The mandate specifies which asset classes we can invest in, defines the benchmark index, and lays down certain constraints and requirements. We manage the fund with the objective of achieving the highest possible return after costs with acceptable risk. We place great emphasis on being a responsible investor.

The fund strategy has been developed gradually over time. We contribute to the development of the fund's investment strategy through our role as an advisor to the Ministry of Finance. Proximity to the portfolio and our experience from the management of the fund provide good basis for strategic advice to the asset owner. We have a dedicated team responsible for preparing advice to the Ministry and doing supporting analysis relevant for the development of the fund's investment strategy. We develop customized analytical tools and make extensive use of internal and external data sources. To further support our advisory activities and assure the quality of our work, we collaborate with peers and academics.

Central to the management mandate is the benchmark index consisting of 70 percent equities and 30 percent fixed income. We manage the fund close to this index. However, we believe some investment opportunities diversify the fund beyond the reference index, particularly unlisted assets. All our investment processes have active elements. This improves our ability to achieve the highest possible return and to be a responsible owner.

We take advantage of the fund's long horizon and limited short-term liquidity needs when we invest. We can withstand large fluctuations in the fund's value and make investments whose underlying value may take a long time to realise. Our long horizon enables us to act differently from other investors in difficult and illiquid markets. We believe that the most profitable investment opportunities arise in volatile markets.

Performance ●

Technology ●

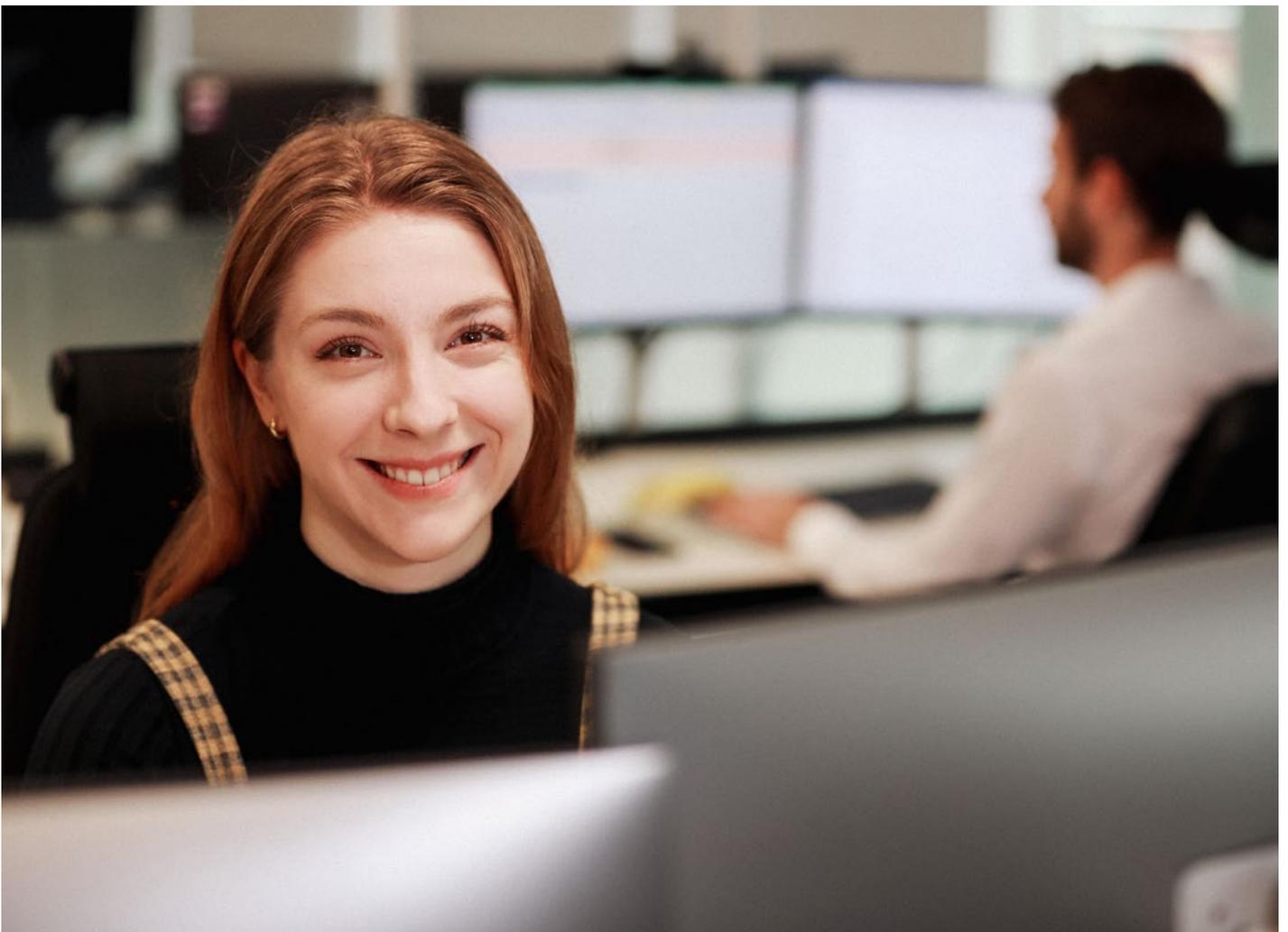
Operational robustness ●

People ●

Communication ●

The fund's size offers economies of scale. We can be innovative and implement new ideas at little additional cost. Being a large active participant in capital markets makes us an attractive business and trading partner. The fund's size can also provide investment opportunities in unlisted markets, that might not be accessible to all investors.

Financial markets are constantly evolving. As an active and responsible investor, we must be willing and able to quickly adapt to new risks and opportunities. We believe speed is a mindset and that organisations that can make the right decisions quickly, generally outperform. To succeed, we will work hard to promote efficiency in all processes. We will avoid complacency and hubris





We will strengthen our long-term mindset, be patient, and vary active risk as market conditions change.

Investment strategies

We use a range of investment strategies in our management of the fund. They are grouped into three main categories: market exposure, security selection, and fund allocation. Our investment strategies are complementary and tailored to our characteristics – a large fund with a long horizon. We report risk and performance according to these three main strategies. The three main strategies are pursued across equity, fixed income, and real asset management.

In this strategy period we will strengthen our long-term mindset, be patient, and vary active risk as market conditions change. This allows us to take advantage of the best opportunities when they arise. Variations in asset prices can be related to behavioural factors or leverage causing pro-cyclicality. Long-term investors are well-positioned to take advantage of such variations. We will seek to buy when others want to sell and sell when others want to buy.

- We will promote psychological safety so that our portfolio managers dare to be contrarian and avoid herd behaviour. We will further develop our investment simulator to analyse our investment decisions, systematically learn from our mistakes, and provide portfolio managers with feedback so that they can make better decisions in the future.
- We will take allocation positions both to manage the fund's total risk profile and exploit periods when we believe variations in asset prices are excessive. We will take such positions across equities, fixed income, and real assets as part of our fund allocation strategy. Our active risk-taking will vary as market conditions change.



70%

equities in the
benchmark index

Equities

The fund's benchmark index consists of 70 percent equities. Our equity management is based on two main strategies: market exposure and security selection based on fundamental research. These strategies enable us to achieve exposure to the broad equity market as expressed in our equity benchmark, while at the same time enhancing returns based on company analysis.

Market exposure

We manage the largest part of our equity portfolio internally through our market exposure strategy. We invest broadly in the companies in the benchmark but seek to avoid mechanical benchmark replication with its high trading costs. We also enhance return by following a diversified set of index refinement strategies, such as corporate action and capital market strategies.

For a large fund, it is critical to manage and trade the portfolio efficiently. This is particularly important going forward, with potentially large capital flows in and out of the fund combined with large market fluctuations.

- We will improve our traders' ability to plan, source liquidity, and trade efficiently through closer collaboration between our traders and internal portfolio managers.
- We will take advantage of market developments and new technologies to further automate our trading process to cost-efficiently implement our investment decisions.

Our size makes us an attractive partner in capital market events. Investors who are passive in such events may risk less allocation than desired. To reduce the likelihood of this, we work actively with facilitators and companies considering such transactions. A large, stable capital base and the best credit standing also make us an attractive partner for securities lending. The fund's characteristics enable us to achieve higher earnings on securities lending than the average investor.



We will continue to access companies directly to deepen our understanding of industry and company dynamics.

- We will enhance portfolio returns by continuing to take active positions around corporate actions and capital market events.
- We will continue to lend our equities responsibly and seek to capture more of the income while maintaining acceptable counterparty risk. We will explore the opportunity to insource a larger part of our lending activities to increase net income.

Security selection

Our security selection strategy is based on fundamental research. In this strategy, we benefit from our unique access to companies as a large and long-term owner. We will continue to access companies directly to deepen our understanding of industry and company dynamics. Our internal and external managers are specialists who have built strong skills in collecting and analysing information. Specialised expertise and delegated authority enable investment decisions independent of consensus.

- We will take sector risk when risk-reward is particularly attractive and use our specialist knowledge to identify trends that make us expect higher long-term returns in some sectors than others.
- We will expand our forensic accounting and behavioural analysis to reduce exposure to companies we expect to underperform.
- We will identify quality companies and take slightly larger stakes when we have reason to believe they will outperform.
- We will use external managers in segments and markets where we believe they will enhance returns. In some markets, we also believe external managers will reduce the risk of our investments by avoiding certain companies with problematic business models and weak corporate governance.
- We will pursue the opportunity to invest in companies before they list (pre-IPO). This would give us access to companies earlier in the company life cycle and potentially enhance returns.

30%

fixed income in the benchmark

Fixed income

The fund's benchmark consists of 30 percent fixed income. The fund is invested in a broad range of bonds issued by governments and related institutions, as well as companies. The main purpose of our fixed income portfolio is to dampen fund volatility, provide liquidity, and harvest risk premia in the bond market.

Fixed income management is based on two main strategies: market exposure and security selection based on fundamental research. In the strategy for market exposure, we seek to achieve the desired benchmark exposure as cost-effectively as possible while ensuring that the fixed income portfolio fulfils its objective. We also enhance returns by being active in capital market events and taking more short- to medium-term positions based on fundamental research and temporary differences in prices of similar bonds. In our strategy for security selection, we seek to improve returns through in-depth company analysis and by harvesting risk premia in the corporate bond market.

- We will leverage technology and integrate analytics in our trading process to allow for simplification and automation where beneficial, and to improve our decisions on where, when, and with whom we trade.
- We will invest in selected segments outside the benchmark to diversify the portfolio and harvest risk premia.
- We will invest our corporate bond portfolio based on company research and utilise our company knowledge across equities and fixed income.
- We will continue to develop our fixed-income lending and actively size our lending exposure depending on market conditions and acceptable counterparty risk.



Real assets

We invest in real assets to improve diversification as part of our fund allocation strategy. Our real asset investments include listed and unlisted real estate and unlisted infrastructure for renewable energy. The fund's characteristics make us an attractive partner for unlisted investments and provide investment opportunities that might not be accessible to all investors. We invest alongside high-quality partners with extensive sector experience both within real estate and renewable energy infrastructure. We want to build long-term relationships with our main partners.

Real estate

- We will target a real estate portfolio of 3–7 percent of the fund. The portfolio consists of listed and unlisted real estate under a combined strategy.
- We will use the flexibility in the combined strategy to access growing sectors and segments in a cost-efficient way. We will enhance return by using the liquidity in the combined strategy to exploit periods of disruptions in real estate markets.
- We expect to pursue more development projects in the coming years to adapt our investments to increased demand for energy efficiency and flexibility in buildings. To access the most attractive assets at acceptable risk we will invest alongside best-in-class investment partners with a proven development track record.

Renewable energy infrastructure

- We will continue to build a portfolio of high-quality renewable energy infrastructure assets – mainly in wind and solar power. We will build a portfolio with stable cash flows and limited risk to the principal investment.
- We will investigate new opportunities related to the energy transition and consider investments in the storage and transmission of renewable energy.
- We will consider investing in funds for renewable energy infrastructure to explore new markets and technologies.



We will be a global leader in responsible investment

The management mandate requires responsible investment to be an integral part of the management of the fund. Responsible investment and active ownership support long-term value creation and our goal of highest possible return. Managing climate-related risks and opportunities is a key priority. We have a financial interest in an orderly energy transition in line with the Paris Agreement. We will drive the companies we invest in towards net zero emissions by 2050.

We work with responsible investment and ownership at three levels. We work at the market level to elevate global standards for all companies. We work at the portfolio level to monitor Environment, Social and Governance (ESG) information and integrate this into the management of the fund. We work at the company level to promote good governance and sustainable business practices. We will be a transparent and result-oriented owner. We will continue to develop our activities in collaboration with companies, peers, academia, and other stakeholders.

Market

We engage with standard setters, market participants, and exchanges to promote well-functioning and efficient markets. International principles contribute to improved standards in all markets.

- We will push for mandatory corporate sustainability reporting and environmental and social due diligence to improve company performance and the quality and availability of ESG data.
- We will sharpen our expectations on climate change and human rights and communicate our views on audit practices and consumer interests.
- We will engage and share expertise with other investors to promote best practices more effectively. We will increase our engagement in industry initiatives and with emerging market standard setters.



We will ask companies to commit to business activities aligned with net zero emissions by 2050.

Portfolio

We invest globally and our investments are exposed to environmental and social developments that affect the global economy. We want our investments to be resilient to the effects of such developments.

- We will develop our ESG database and analytical tools to make ESG information more relevant, reliable, and available to the organisation.
- We will further develop our principles for climate risk management and integrate climate risk measurement in our portfolio analysis to identify risks and opportunities.
- We will make the buildings we own more energy efficient to improve return-risk characteristics and to reach our goal of net zero emissions by 2050 for our unlisted real estate portfolio.

Company

We promote long-term value creation in the companies we invest in and lend to. We set clear goals for all ownership activities. We prioritise stewardship engagements with our largest holdings and companies with material sector and company specific risks.

- We will contribute to long-term value creation by supporting and challenging companies on their governance and sustainability priorities and following up on the results.
- We will use voting more actively to promote our investor views and hold boards accountable. We will consider filing shareholder proposals if companies fail to meet our expectations.
- We will ask companies to commit to business activities aligned with net zero emissions by 2050 and to set short- and medium-term reduction goals for direct and material indirect emissions.

Technology

Performance ●

Technology ●

Operational robustness ●

People ●

Communication ●



We will become the leading technology organisation in investment management.



Technology is key to fulfilling our management assignment in a secure and robust way. Our IT infrastructure is based on a cloud platform, which ensures flexibility and scalability. We focus on innovation and building our own solutions with our own people. To succeed, we need to attract, develop, and retain the best people.

- We will improve our IT infrastructure and remove legacy solutions not suited for our cloud platform. Better adapting our IT infrastructure to the cloud enables us to standardise, automate, and reduce daily maintenance.
- We will simplify and reduce bureaucracy in our processes. This enables us to faster develop and launch new solutions based on new technology and our changing needs.
- We will improve data management, quality and accessibility through a new strategy for our data warehouse.



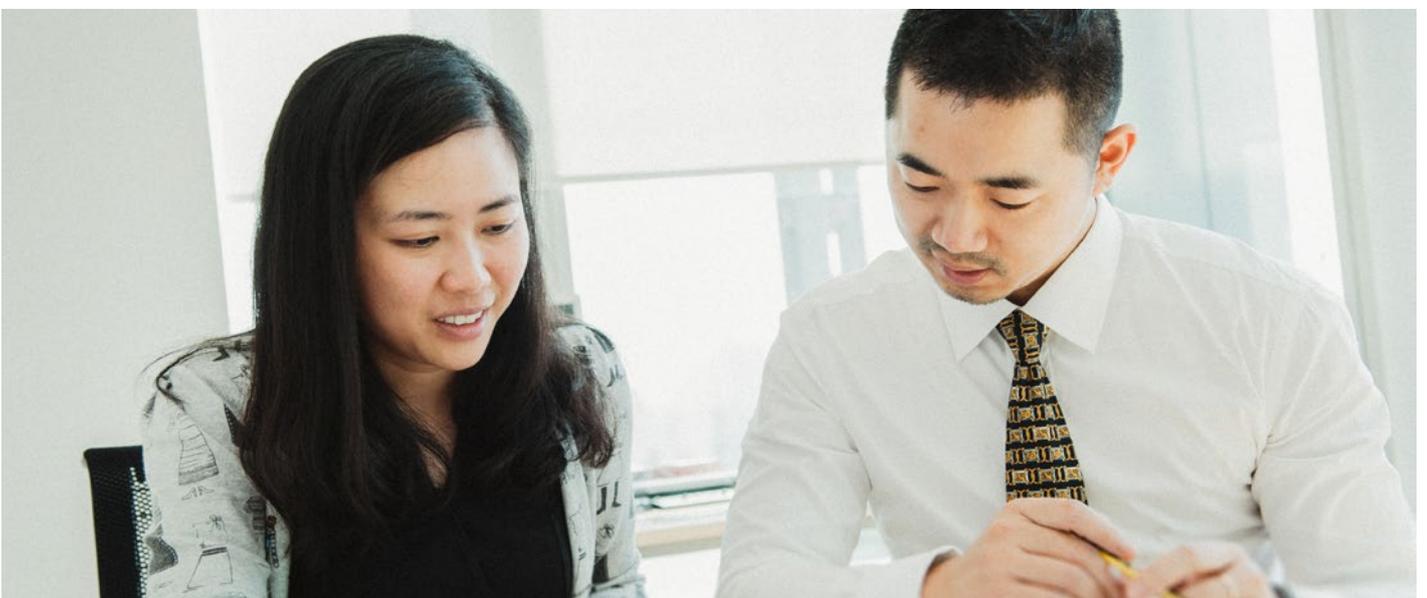
We will create a leading technology community within our organisation and be a magnet for technology talents within the financial sector.

Our investment processes are technology-driven and based on vast amounts of data and analytics. It is crucial that we strike the right balance between internally built solutions and external solutions for the efficiency and robustness of these processes.

- We will develop order management and trading solutions tailored to our needs. We will also buy adaptable and well-proven solutions externally when appropriate.
- We will use our immense set of market and non-market data to support machine learning with the aim of strengthening our investment processes.

We will create a leading technology community within our organisation and be a magnet for technology talents within the financial sector. We will continue to invest in our solutions and people, to ensure technology development is as efficient as possible.

- We will reduce reliance on consultants. We will hire and develop our own people to become more robust and build the proud technology culture we strive for.
- We will encourage closer collaboration with investment areas. A close relationship between technology and the rest of the organisation ensures that technology developments are tailored to our needs.



Operational Robustness

Performance ●

Technology ●

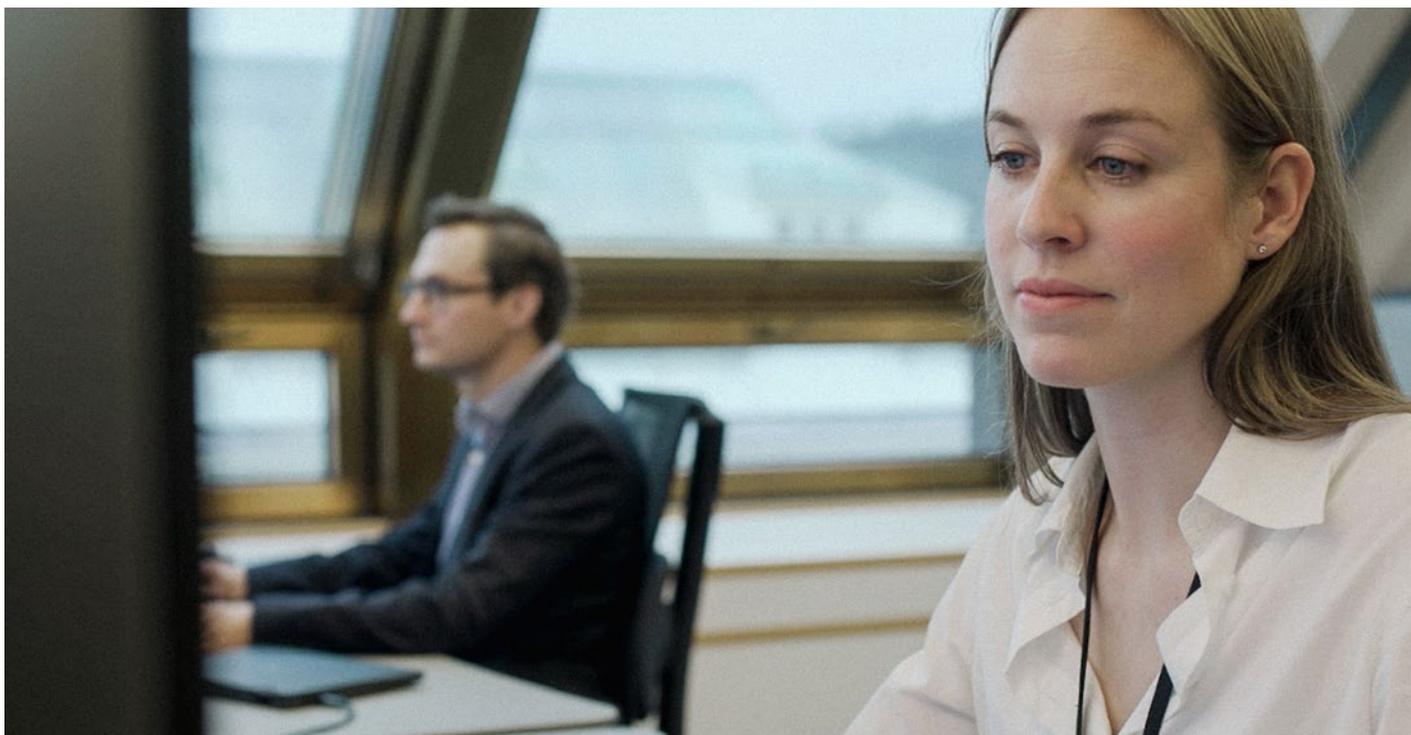
Operational robustness ●

People ●

Communication ●



Our people, processes, and systems are key to safeguarding the fund's assets.



Operational robustness is essential to achieving our goal of highest possible return in a secure and cost-efficient way. We have comprehensive compliance and risk management frameworks where risks are identified, assessed, and integrated in our decision processes. A strong compliance and risk management culture is critical for an effective control environment. We will safeguard Norges Bank's legal, tax, commercial, and operational interests through use of appropriate legal means.

- We will maintain the highest standard of conduct and integrity. We will further develop our training and awareness program to ensure adherence to laws, regulations, and best practices.
- We will continue to promote a no-blame culture when incidents occur. This ensures that incidents are reported and assessed as quickly as possible. We must learn from our mistakes and continuously improve.



Geopolitical risk could become more important in the management of the fund in the coming years.

Our management assignment is complex and involves a high number of transactions and processes. We have chosen to have one global custodian to enable a robust and efficient model for instructing transactions and for safekeeping our assets. Despite a high degree of automation, the efficiency of our processes ultimately relies on our people.

- We will strengthen teams that are highly dependent upon specialist skills and key individuals to improve operational robustness. We will increase internal mobility to encourage innovation and knowledge sharing.
- We will ensure that our processes are supported by technology that increases the robustness and efficiency of the organisation.

Geopolitical risk could become more important in the management of the fund in the coming years. Also, organised cyber-criminals are becoming more specialised, sophisticated, and well-funded.

- We will monitor geopolitical risk and develop our scenario analysis and stress tests to strengthen our ability to assess these risks.
- We will strengthen security governance and embed appropriate security controls in our processes.
- We will strengthen business continuity and crisis management, including our IT disaster recovery capabilities. This enables us to better respond to cyber-attacks and recover more quickly from such attacks.

People

Performance ●

Technology ●

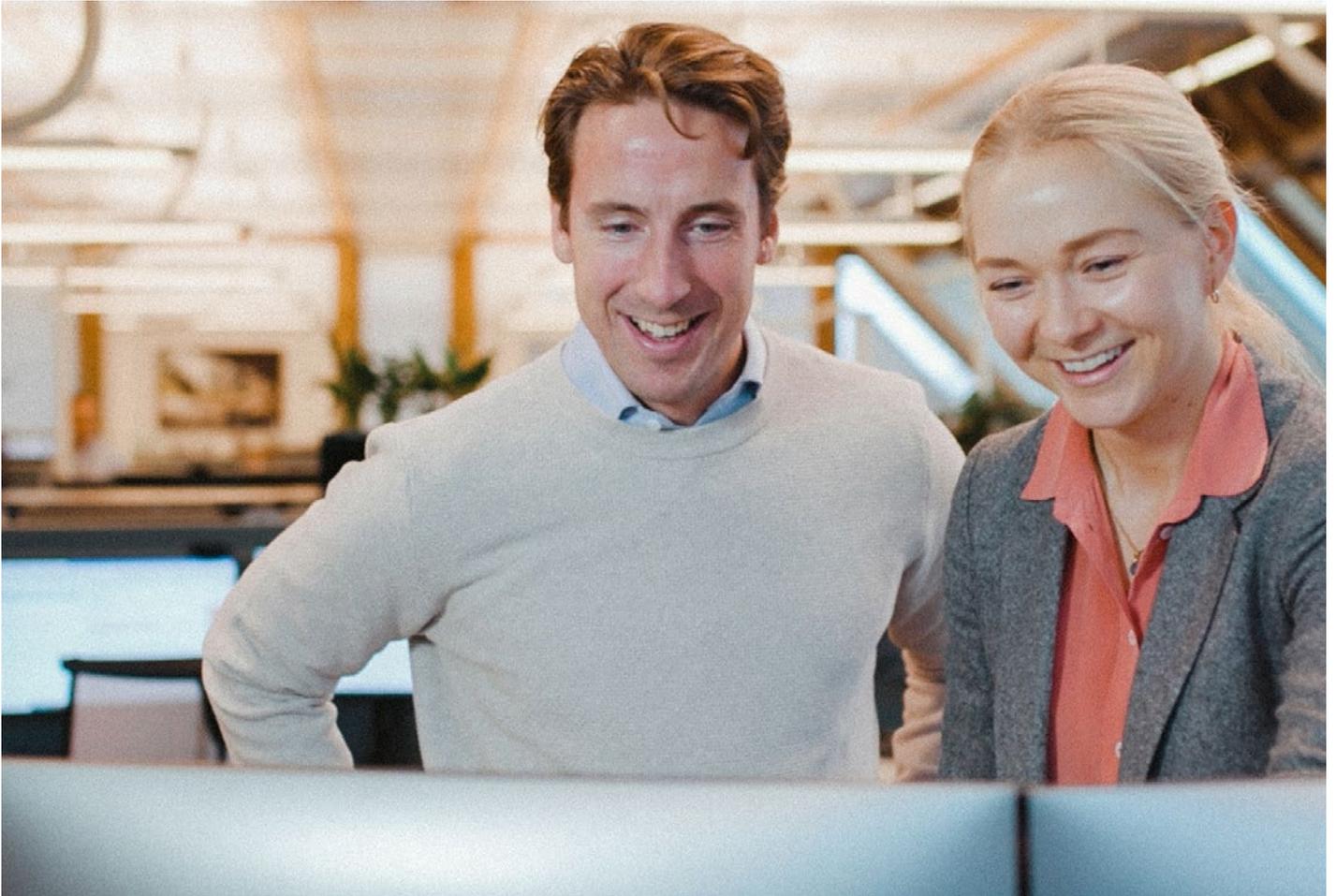
Operational robustness ●

People ●

Communication ●



We seek to attract, develop, and retain the best people.

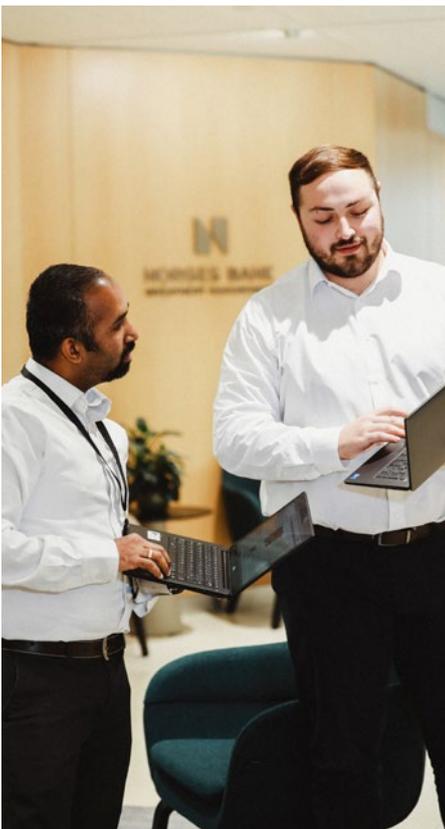


People are the driving force behind our success and our most important resource. We will grow the organisation in prioritised areas to ensure capacity, quality, and robustness. However, we will remain lean, flexible, and cost-efficient. To succeed in a challenging, fast-paced working environment, we believe it is important to have fun at work.

We want to be a diverse and inclusive organisation where we all work towards a common goal. The more diverse we are, the broader our perspectives will be, the more creative we become, and the better decisions we make. We must be willing to experiment, fail, and to learn from our mistakes.



We believe in life-long learning and continuous feedback.



- We will promote a culture of trust and respect to build psychological safety. We want our leaders to be good people managers and to truly care about their colleagues and recognise them beyond their role in the organisation. We will encourage a good work-life balance to promote health and wellness.
- We will encourage mobility across offices and teams to promote collaboration and to share specialist knowledge throughout the organisation. We have investments in close to 70 countries and an international presence is essential to fulfilling our assignment.

We believe in life-long learning and continuous feedback. We have defined three areas where we want all employees to develop: data analytics, feedback, and simplification. These are competencies we believe are crucial to our organisation.

- We will give our employees responsibility early and offer a flexible career path. Work experience with us should be transformational, not transactional.
- We will improve all stages of the employment experience, from recruitment to offboarding. We believe that each step of the working relationship is important to succeed as an organisation.
- We will offer world-leading summer intern and graduate programs to become the number one choice for students.

The strength of our teams determines our success. Teamwork is a force multiplier.

- We will further enhance our high-performing teams by promoting trust and open communication. We will use a multidisciplinary approach in the way we develop our teams.

Communication

Performance ●

Technology ●

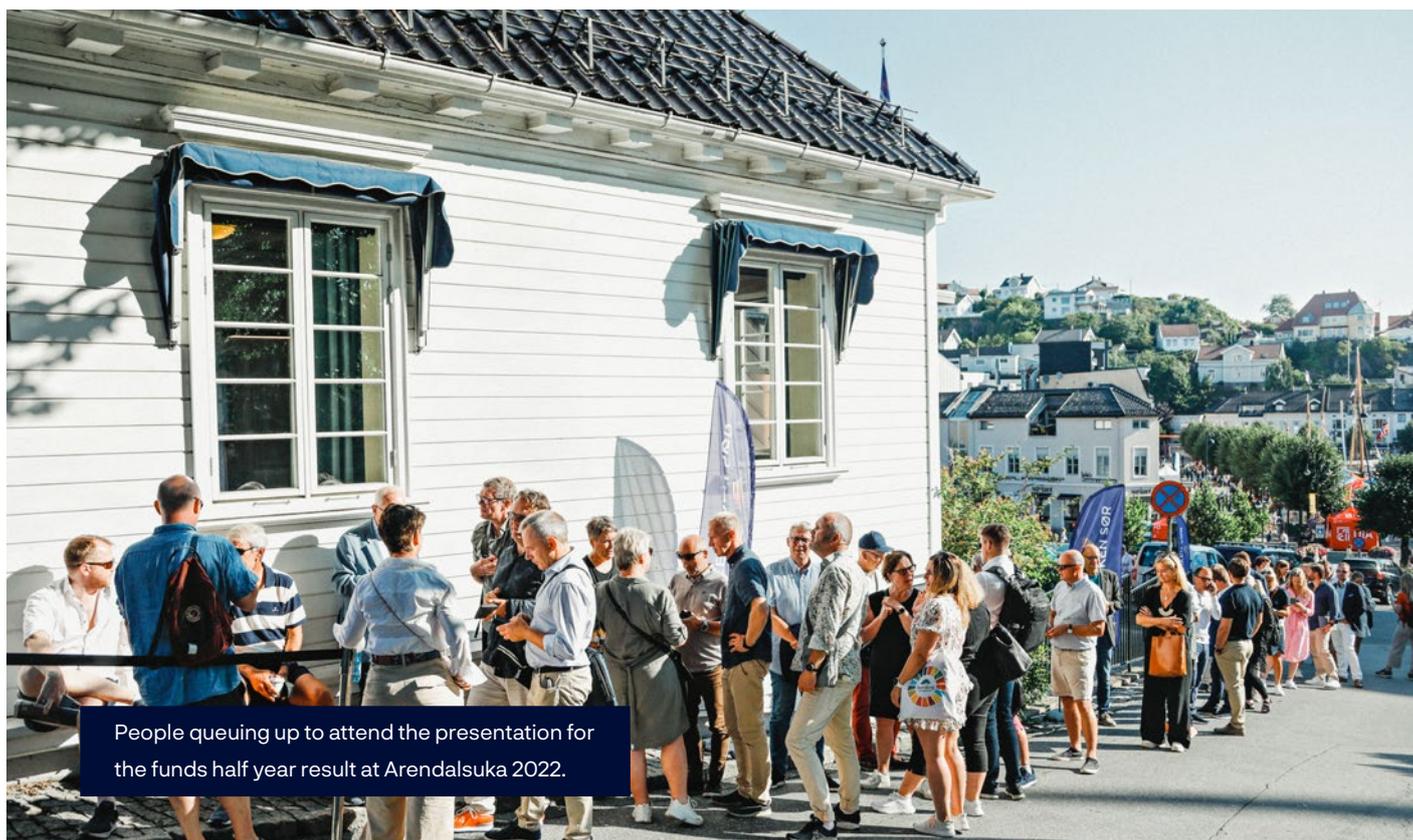
Operational robustness ●

People ●

Communication ●



We will be the most transparent investment fund in the world.



Managing the fund on behalf of the Norwegian people requires transparency. Transparency builds trust and knowledge about the fund, both in Norway and internationally.

Our main target group is our owners – the Norwegian people. We will place particular emphasis on reaching younger target groups where the knowledge about the fund is lower. As the world's largest public investment fund, international target groups are also important for the fund.

- We will further develop good and professional relations with Norwegian and international traditional media. We work with international media to strengthen the understanding of the fund's role as a financial investor.



We will have a special focus on spreading knowledge about our investment strategies and how we use technology.

- We will promote more subject-matter experts as spokespeople and speakers at conferences, universities and schools, and other relevant forums to build knowledge in different groups in society.

Through our communication we want to achieve a good understanding of our core mission, how we work in the fund, the risks the fund is exposed to, and how we exercise our role as an owner. We will have a special focus on spreading knowledge about our investment strategies and how we use technology. To achieve this, we need to communicate complex messages in a simple way.

- We will analyse and experiment with new forms of two-way communication and platforms, such as social media, to reach our target groups in the best possible way.
- We will analyse and improve our approach to communication related to recruitment to attract the brightest people.
- We will adapt our website to a more universal digital format. This will increase the accessibility, readability, and searchability.
- We will adapt our visual identity to digital communication. We will ensure consistent naming of the organisation and the fund across all our communications material and channels.

A high-performing organisation depends on efficient internal communication. Internal communication is a driver for strategy execution, employee engagement, and culture building. We will further develop our internal channels and events to ensure efficient communication.

- We will use internal communication to reinforce our strategic direction and our performance culture. We will engage the whole organisation in doing so, facilitating more employee initiatives and two-way communication.
- We will increase management's visibility and strengthen our leadership communication to ensure efficient information sharing.