



NORGES BANK
INVESTMENT MANAGEMENT

London Metal Exchange
10 Finsbury Square
London EC2A 1AJ

Date: 17.12.2018

LME position paper on responsible sourcing

We refer to the *London Metal Exchange (LME) position paper on responsible sourcing*, published in October 2018, and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Government Pension Fund Global. NBIM is a globally diversified investment manager with assets of NOK 8,488 billion (USD 1,038 billion) at the end of 2017. We work to safeguard and build financial wealth for future generations.

As a long-term investor, we consider our returns over time to be dependent on sustainable development in economic, environmental and social terms. The long-term legitimacy of sectors and markets depends, among other things, on operations and products that are ethically acceptable. In addition, the way companies address supply chain risks may affect their performance and prospects. We believe companies should fulfil their objective within accepted principles for responsible business conduct. They should understand the broader consequences of their operations on society and the environment, set their own priorities to address these, and account for associated outcomes.

As an investor in companies that may source metals on the LME, we support its objective of ensuring that its listed suppliers are compliant with international standards for the responsible sourcing of metals. We also agree with the need to strengthen due diligence in the cobalt supply chain, where risks of human rights violations are particularly high. We believe the LME can play a role in promoting best practices and in supporting market convergence.

The reference standard for the LME's proposed responsible sourcing regime is the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). We support this approach. The OECD Guidance provides a useful risk-based framework, which requires companies to have an adequate supply chain management system in place, including policies and measures for detecting, preventing and responding to various risks in the supply chain (such as human rights and children rights violations, hazardous working conditions, environmental damage, corruption and tax evasion).

Norges Bank Investment Management is a part of Norges Bank – The Central Bank of Norway

POSTAL ADDRESS
P O Boks 0179 Sentrum
NO-0107 Oslo

OFFICE ADDRESS
Bankplassen 2.
Oslo, Norway

Tel. +47 24 07 30 00
Fax +47 24 07 30 01
Web www.nbim.no

Registration of
Business Enterprises
NO 937 884 117 MVA



This standard is in line with NBIM's expectations of companies we invest in¹. We consider that ensuring the respect of human rights and children's rights in direct operations and supply chains is inherent to good business practice and risk management. As stated in the OECD Guidance, we believe companies should seek to follow the UN Guiding Principles on Business and Human Rights. We also expect companies to address environmental risks, have strong anti-corruption policies, and exhibit appropriate, prudent and transparent tax behaviour. This should be an integrated part of company strategy.

Furthermore, the OECD Guidance asks companies to report publicly on their supply chain due diligence policies and practices. This is particularly important for us as an investor, as we rely on public disclosures when making investment and ownership decisions. On social and environmental matters, for instance, NBIM expects companies to disclose action plans, governance structures, operational procedures, and risk and impact assessments. We also expect companies to report on progress they have made, using metrics that enable year-on-year comparison. We encourage the LME to ensure that its listed suppliers report, as part of their regular reporting, on their supply chain due diligence efforts and on challenges they might be facing.

Generally, we find the use of certification schemes helpful to provide minimum assurance to stakeholders. The LME mentions that, in the future, environmental issues might be added to its core responsible sourcing requirements. NBIM would welcome such an addition, given that the way companies manage material environmental risks can affect their performance and prospects.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully

A blue ink signature of Carine Smith Ihenacho.

Carine Smith Ihenacho
Chief Corporate Governance Officer

A blue ink signature of Severine Neervoort.

Severine Neervoort
Senior Analyst, Policy Development

¹ See NBIM expectations on: [climate change](#), [ocean-sustainability](#), [water management](#), [children's rights](#), [human-rights](#), [tax-and-transparency](#) and [anti-corruption](#).