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Giant Norway fund relaxes controversial exclusion policy

Norges Bank to favour initial lobbying engagement where possible.



by **Hugh Wheelan** | March 2nd, 2010

The giant NOK2.5trn (€316bn) Norwegian Global Pension Fund is softening its controversial, hard-line stance on corporate exclusions in favour of putting more companies on watch and lobbying for change.

The decision follows a significant review of the way Norges Bank, which runs the fund's assets, engages with and excludes companies from its investment portfolios. Norwegian Finance Minister, Sigbjørn Johnsen, said: "In some cases, it is more useful to put a company under observation than to exclude; for example, if there is uncertainty about how the situation will develop. We monitor the companies that have been placed on this watch-list closely to see if they implement measures to remedy the situation before we make a final decision on whether to exclude the company or not." The development relaxes the fund's previous position under which it tended to blacklist companies where it deemed there was risk of unethical complicity. The fund's controversial "naming and shaming" of companies has made global newspaper headlines. It has also been a political football in Norway. Politicians – including Johnsen – had regularly called for strengthening of the fund's 'engagement' lobbying process with companies of

concern before choosing the nuclear option of blacklisting. The government said new engagement guidelines for the fund would enable it to consider "alternative measures" before a company is excluded on grounds of grossly unethical behaviour. It said active ownership or 'observation' might reduce the risk of continued violations of ethical norms better than exclusion, which leaves the fund with no influence once shares are sold. The minister said Norges Bank would be beefing up its active ownership policy. The new guidelines, he said, also include "ambitious requirements" for the fund to integrate best ESG practices, transparency and reporting into investment, reflecting what he called "international developments". Underlining the commitment, the Ministry of Finance has also signed the UN Principles for Responsible Investment (PRI), making it one of the first governments to do so.

The Ministry of Finance has also announced the reversal of its January, 2006, decision to blacklist United

Technologies Corp. from the fund's portfolio because of its involvement in the manufacture of nuclear weapons. It said the fund's Council on Ethics had notified them that the company had withdrawn from the business.