NORGES BANK
INVESTMENT MANAGEMENT

Organisation for Economic Co-operation and
Development
2 rue Andre Pascal
75016 Paris

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Revision of the G20/OECD Principles of Corporate Governance

We refer to the Organisation for Economic Co-operation and Development (OECD)'s consultation on the revision of the G20/OECD Principles of Corporate Governance.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. The fund's market value was 11,657 billion kroner at the end of the first half of 2022. We are a globally diversified investment manager with an equity portfolio consisting of minority stakes in listed companies. We work to safeguard and build financial wealth for future generations.

The G20/OECD Principles for Corporate Governance ('the Principles') are an important global standard, which forms the basis for our positions on governance matters. We are grateful for the opportunity to contribute our views on some of the revisions proposed in the consultation document.

Shareholder rights and transparency

Voting is one of the most important tools for investors to manage their responsibilities and exercise their rights. The OECD Principles highlight the need to eliminate impediments to cross-border voting and the right of shareholders to obtain relevant information on a timely basis. Yet, investors still encounter obstacles in the exercise of our voting rights, which we have outlined in our *Asset Manager Perspective on the Shareholder Voting Process.*[1] The Principles could be more specific on best practices to eliminate impediments to cross-border voting.

We welcome the amendments seeking to increase transparency, by recommending the public disclosure of voting decisions, for instance. NBIM aims to be transparent and publishes its voting intentions five days before each shareholder meeting. We also welcome the efforts towards better shareowner identification, asking that record ownership be complemented with current information about beneficial ownership.

[1] https://www.nbim.no/en/publications/asset-manager-perspectives/2020/asset-manager-perspective-shareholder-voting-process/

Role and composition of the board

As a minority shareholder, we are one of many contributors of equity capital to a company. Most decision-making authority rests with the board of the company. The board should guide company strategy, monitor management performance and provide accountability to shareholders. We welcome the clarifications on the role of the board proposed in the consultation document, such as ensuring that material sustainability matters are considered and taking into account the interests of stakeholders.

Regarding the oversight of the company's risk management, we find the following addition relevant "*boards should ensure that they have adequate processes in place within their risk management frameworks to handle non-operational, but company-relevant risks, such as health crises, supply chain disruptions and geopolitical tensions".*

We expect board members to act independently, have the right balance of experience and skills to carry out their duties, and to be accountable for their decisions. We welcome the proposed revisions that would increase transparency around the nomination of board members and their independence. We also agree that it is good practice to extend the search to a broad range of people, to promote diversity on the board and respond to the evolving nature of risks.

Executive remuneration

We agree that executive remuneration should give the CEO the right incentives to focus on long-term value creation. We also note the observation that remuneration policies '*may not fulfil their goal if they are frequently adjusted in the absence of a significant change in the business strategy or a structure transformation of the context in which the company operates".* In our view, share-based remuneration is an efficient mechanism to align the interests of management with those of shareholders, and to promote long-term value creation. We prefer simple and transparent remuneration plans that include a substantial equity component with a lengthy lock-in period, over complex long-term incentive plans.

Audit, prevention of fraud and unethical practices

We welcome the recommendation that shareholders and external auditors should have the possibility to communicate directly on the findings of the annual audit. We also welcome the suggestion that to improve auditor independence and audit quality, a system of audit oversight and audit regulation can play an important role.

Another important addition proposed to the Principles is ensuring that stakeholders can freely communicate their concerns about illegal or unethical practices to independent members of the board. We also support the requirement that companies have a whistleblowing policy and safe harbours in place, so that employees and stakeholders can report acts of fraud, corruption, or unethical behaviours, such as harassment and discrimination.

Tax and transparency

Our expectations of companies on tax and transparency[2] rest on three main principles: first, that taxes should be paid where economic value is generated; second, that company tax arrangements are a board responsibility; and third, that public country-by-country reporting is a core element of transparent corporate tax disclosure.

We welcome the clear reference in the revised Principles to board responsibility in the oversight of lobbying, finance and tax planning strategies. This is something we emphasize in our dialogue with companies. We expect boards to ensure they receive reporting sufficient to affirm that the company's tax affairs are managed consistently and in accordance with their chosen policy. Multinational enterprises should in this regard routinely assess their exposure to tax risk.

Sustainability

As a long-term investor, we expect companies to address and report on material sustainability issues that could affect their future performance. As part of its oversight role, we expect the board to integrate material sustainability risks and opportunities into the company's strategy, risk management and reporting. Boards should also understand the broader environmental and social consequences of company operations, set their own priorities and account for the associated outcomes.

We welcome the emphasis on sustainability in the consultation document and the recognition of the role of the board on these matters. In its final version, the OECD could envisage integrating the new elements on sustainability into the existing sections of the Principles, rather than in a separate chapter.

The consultation document mentions on several occasions the importance for companies to manage climate related risks and opportunities. This is a priority topic for NBIM. As expressed in our recently published 2025 Climate Action Plan, our ambition is for our portfolio companies to achieve net zero emissions by 2050. We expect companies to adopt a strategy and implementation plan to address climate change risks and opportunities. Companies should set science-based short-, medium-, and long-term emission reduction targets in line the goals of the Paris Agreement.

The wording of the revised guidelines might need to be amended, to reflect that companies must address all material sustainability risks and opportunities, not only climate change. The Principles could mention human capital management as an example. It is a material topic, increasingly important for value creation and profitability. We believe that companies that invest in their workers, both own employees and workers in the value chain, are more successful in the long run. We expect companies to have a strategy signed off by the board for how they are going to invest in their employees to secure, growth, innovation, as well as good and safe workplaces. Another example of sustainability risk that we increasingly discuss with companies

[2] NBIM, Tax and transparency, expectation towards companies. Our expectations are primarily directed at company boards and intended to serve as a starting point for our interaction with multinational enterprises on the topic of tax and transparency

is how they take biodiversity and sustainable use of ecosystems into account in their business activities.

Finally, we welcome the focus on better corporate sustainability reporting in the revised Principles. To inform our investment decisions, risk management processes and ownership activities, we need information on companies' exposure to sustainability risks and opportunities, how these are managed, and relevant performance metrics. As a global investor, we need this information to be reported in a consistent and comparable manner across markets. That is why we are supportive of the International Sustainability Standards Board (ISSB)'s mission to develop a comprehensive global baseline of corporate sustainability disclosures. The OECD could refer directly to the upcoming IFRS Sustainability Standards in its Principles.

We remain at your disposal should you wish to discuss these matters further.

Yours faithfully,

Carine Smith Ihenacho
Chief Governance and Compliance Officer

Severine Neervoort
Lead ESG Policy Advisor