



**NORGES BANK**  
INVESTMENT MANAGEMENT

Chairman  
Principles for Responsible Investment  
PRI Association  
25 Camperdown Street  
London, E1 8D

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## **Response to the PRI consultation on sustainable financial system, principles and impact**

Norges Bank Investment Management welcomes the opportunity to provide comments to the PRI's consultation on sustainable financial system, principles and impact.

Norges Bank Investment Management is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. As of 31 March 2016, the fund held global assets of USD 856 billion.

The PRI's consultation concerns four broad topics:

1. Research into the obstacles to a sustainable financial system within market practices, structures and regulation, which the PRI and its signatories should work together to address.
2. The extent to which the PRI should use the Sustainable Development Goals (SDGs) as a framework to encourage and measure the 'real world' impact of responsible investment activity by signatories on the environment and society.
3. Whether the Principles should be updated to reflect the issues raised in the consultation paper and with a reference to the promotion of a sustainable financial system that benefits society as a whole.
4. How the PRI should define and measure its own success over the next decade.

We wish to take this opportunity to comment generally on some of the questions the PRI asks. You can find our response to the specific questions set out in the consultation in the appendix to this letter. The response has also been delivered through the online portal.

### **Research agenda**

We consider our long-run return to be dependent on sustainable development in economic, environmental and social terms, as well as well-functioning, legitimate and efficient markets. We endorse the PRI's ambition to support research into the sustainability of financial markets.

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We believe that the objective of this ambition could be to support the development of theoretical and empirical analysis to uncover, investigate and assess potential obstacles to achieving a sustainable financial system. In our view, such research should not be premised on an assumption that investors can or should necessarily address such obstacles or inefficiencies, or that they have a responsibility to do so. Such a research ambition may nevertheless over time provide a basis for new insights on financial dynamics and implications. This may provide signatories with knowledge that can inform their own priorities and decisions. In our own work we have made the promotion of academic research to understand the portfolio's long-term risk and return a priority.

### **Impact and SDGs**

As a long-term and global financial investor, we support the ambitions of the Sustainable Development Goals (SDGs). The SDGs are of relevance to investors. They give useful indication of the direction of international efforts to address global challenges. Action taken by governments and companies to promote the SDGs may result in potential investment opportunities and changes to investment risk. We believe the PRI's involvement and eventual guidance in this area should be reflective of the context of the SDGs as global policy ambitions, their implications for companies, and the role of investors in promoting the SDGs and, as the case may be, affecting change.

We do not believe that measuring global policy impact – let alone real-life outcomes - should be a key concern for the PRI. Such outcomes will depend on global policy coordination and regulation, as well as economic, physical and social relationships and dynamics. The efforts of signatories – and the PRI's work - will be several steps removed from such outcomes. Similarly, we do not believe the PRI should attempt to capture impacts of signatories' responsible investment activities on the SDGs via its Reporting Framework. Our objections to this concern questions of both principle and practice.

We believe it is useful and appropriate for investors to set goals, communicate priorities, and as relevant, report milestones and results from their responsible investment management. We understand that the PRI sees a need for more accountability from signatories and clearer demonstration of their strategies and activities as responsible investors. However, we question whether assessing and rating 'positive impacts', in the form of signatory contributions to the SDGs, other metrics or actual outcomes<sup>1</sup>, is an appropriate role for the PRI/PRI reporting.

The objective of most responsible financial investors is to maximise returns according to their investment mandates. It should be possible to be a responsible investor without directly linking outcomes of activities to SDGs or other policy goals. Accordingly, using 'SDG-impacts' as a benchmark for measuring responsible investment achievements may give rise to unclear or multiple outcomes.

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<sup>1</sup> Except those demonstratively following from a particular activity or decision by the investor. Measuring such impacts on, for example, standards, companies, risk or return can be very complex exercises. The PRI may have role to provide technical guidance to members on this.





Measuring impact can be a very complex exercise both methodologically and in practice. We believe it would be challenging to define relevant and consistent reporting metrics across strategies, asset classes and investor types. We would recommend that the PRI solicit the views of academics and experts outside the area of responsible investment to assess both the premises for, merits and practicalities of such impact assessments.

### **Revision of Principles**

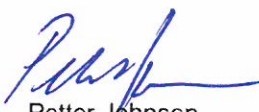
We do not think the Principles should be revised with a reference to the need for signatories to promote a sustainable financial system that benefits society as a whole. We understand the PRI's reasons for considering such a principle. We nevertheless believe that the argument for amending the Principles works better as a rationale for acting as a responsible investor, in line with the original six Principles to which signatories have committed their support.

Investors have a clear interest in well-functioning markets and market outcomes, which over time contribute to sustainable economic, social and environmental development. Investors can choose to promote sustainable development through responsible investment management, for example active ownership, standard setting activities or dedicated investments. Investors nevertheless do not – and are not supposed to – assume responsibility or account for the functioning of markets or market outcomes in a broad sense. Should the PRI nevertheless conclude that the further consideration of such an additional principle is appropriate, we recommend a thorough process of asset owner consultation, in line with the process preceding the agreement on the original Principles.

### **Long-term success for the PRI**

Norges Bank Investment Management believes the PRI should maintain its role as a signatory-based and asset owner-led initiative supporting investors and other relevant actors in their responsible investment activities. The PRI should be measured on how it fulfils its support and educational tasks, not in terms of any direct or indirect potential impact the PRI organisation itself may have on sustainability issues. The PRI's success should not be assessed on a stand-alone basis, independent from the signatories' own efforts to integrating ESG and other tenets of responsible investment in their management.

Yours sincerely,

  
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