



NORGES BANK
INVESTMENT MANAGEMENT

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Response to the signatory consultation on the PRI strategic plan 2018-21

Norges Bank Investment Management welcomes the opportunity to provide comments to the PRI's consultation on the strategic plan for the period 2018-21.

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. The fund had assets of USD 957 billion at 30 June 2017.

You can find our response to the specific questions in the appendix to this letter. The response has also been delivered through the online portal.

In addition to giving our response to the four questions set out in the consultation, we wish to take this opportunity to comment generally on some aspects of the proposed strategy and the Blueprint. We support the PRI and its ambition with the Blueprint to provide a framework and to state a vision for how the PRI and the wider responsible investment community should progress over the next decade.

We have previously given our comments to the two formal consultations that formed the basis for the Blueprint and the strategy; i) Sustainable financial system, principles and impact in August 2016 and ii) Proposals and methods to strengthen PRI signatory accountability in September 2017.

Strengthen, deepen and expand PRI's core work

We agree with the PRI chair in his message that the core of PRI's work should continue to focus on supporting comprehensive ESG incorporation and strong stewardship of the companies that investors influence. We also agree with the importance of empowering asset owners as key to moving responsible investment forward. We support PRI's ambition to increase signatories' understanding of how to exercise their rights as active owners and to coordinate collaborative engagements to increase investors' collective influence. The focus on enhancing the PRI web-page further to create an efficient hub for all signatories, across type, size and geography, will contribute to making learning resources available to signatories.

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

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Research agenda

In the consultation on sustainable financial system, principles and impact, PRI expressed the ambition to support research into the sustainability of financial markets. We support this ambition and believe supporting such research, as well as general research on sustainability and responsible investment, to be a key function of PRI.

Assessments of environmental, social and governance risks by investors rest on premises that are still not fully understood or described. There is a need to promote the development of theoretical and empirical analysis to uncover, investigate and assess potential obstacles to achieving a sustainable financial system. We encourage PRI to frame initiatives around this ambition.

New insights on financial dynamics and implications of environmental, social and governance risks may provide signatories with knowledge that can inform their own priorities and decisions. Over time, we believe such research may make it clearer how sustainability affects markets and investments. 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 the 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.

Investors operate within a framework of principles and guidelines, amongst others, standards covering responsible business conduct or corporate governance. Many investors will decide to work to promote topics related to the SDGs and report on such efforts. We support PRIs ambition of providing insights on the SDGs, and on how implementation of the goals are likely to impact the financial market and investors.

Most responsible investors invest according to a financial objective. We welcome the SDGs within such an objective. Using 'SDG-impacts' as a benchmark for measuring responsible investment achievements must avoid creating unclear or multiple objectives. It should be possible to be a responsible investor and signatory of PRI, without directly linking objectives and outcomes of activities to SDGs or other policy goals.

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. In this way, reporting on activities and results become appropriate to the context and strategic choices of individual investors.



Measuring impact can be a very complex exercise. We believe it would be challenging for PRI to define relevant and consistent reporting metrics across strategies, asset classes and investor types. We therefore do not think PRI should attempt to capture impacts of signatories' responsible investment activities on the SDGs via its Reporting Framework at this stage. We would recommend that 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. Learning from such analysis can be directly relevant for signatories in their broader reporting efforts.

We reiterate our support for PRI, the principles, and remain at your disposal should you wish to discuss the topics raised in this letter further.

Yours sincerely

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Appendix

PRI Open Consultation

PRI Strategic plan 2018-21

Submission from Norges Bank Investment Management, November 2017

Question 1:

Will the proposed strategy effectively start the delivery of the blueprint? Are the proposed initiatives the right ones and the right level of ambition for this initial period?

PRI presents a number wide reaching initiatives. In general, there is a lack of details to allow us to fully understand what the various initiatives contain in practice, and how they will be implemented. It is also challenging to understand which and how initiatives will be prioritised within the three-year period, as compared to the ambitions set out in the Blueprint for the full ten-year period. The strategy does not clearly spell out KPIs and there is no description of risks potentially affecting the fulfilment of the various objectives and initiatives. Finally, there is little description of how the final selection of initiatives is reached and prioritised vis a vis other potentially relevant initiatives.

Question 2:

Are the strategy objectives the right ones? Are we focusing on the right objectives in each of the nine Blueprint areas?

Empowering asset owners: We support the objective of empowering asset owners as key to move responsible investment forward. We believe asset owner education to be central, both when it comes to engaging with asset managers, and to better understand expectations on asset owners through new disclosure recommendations such as the TCFD. Furthermore, understanding the concept of responsible investment and the broader trends emerging within this area remains relevant. Such understanding may usefully be premised on the functioning of markets, role of institutional investors, implications of delegated asset management and principles for corporate governance.

Make the investment case for the SDGs: As a long-term and global financial investor, we support the ambitions of the SDGs as we see they are of relevance to investors. Action taken by governments and companies to promote the SDGs may result in potential investment opportunities and changes to investment risk.

We support PRIs ambition to provide insights on the SDGs and on how implementation of the goals may affect financial markets and investors. We are however concerned that using 'SDG-impacts' as a benchmark for measuring responsible investment achievements may give rise to unclear or multiple objectives, depending on signatories' investment mandates.



Investors are accountable for the outcomes of their activities, and may report on them at the appropriate level of detail. Investors can choose to promote the SDGs through standard setting, ownership or investments. Investors nevertheless do not, and are not supposed to, assume responsibility of policy goals or account for the functioning of markets or market outcomes in a broader sense. Most responsible investors have a financial objective for their investments. It should be possible to be a responsible investor and signatory to PRI, without directly linking outcomes of activities to SDGs or other policy goals. We do not believe that measuring global policy impact should be a key concern for PRI.

Champion climate action: As an investor, we benefit from the timely disclosure of high-quality data and access to material qualitative and quantitative sustainability information. We welcome the ambition of aligning PRI Reporting Framework with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The TCFD works to promote effective climate-related disclosures to support informed investment decisions, and improve the understanding of the financial system's exposure to climate-related risk. The TCFD's structuring of climate reporting around governance, strategy, risk management and metrics and targets is broadly in line with our published climate change expectations. We have highlighted that the understanding of and methodologies for investors' action on climate change are at an early stage. To us, this implies that one should be cautious about prescription of specific climate strategies, or prioritise one type of action over another. We wish to contribute to practice development on a broad scale, thereby realising a more complete and appropriate opportunity set for investors' ability to address climate change.

Question 3:

Does it work for you? How will this proposed strategy affect or influence your organisation? To what extent will it support you in your work to integrate ESG issues?

The objective for the management of the Norwegian Government Pension Fund Global is the highest possible return with an acceptable level of risk. Responsible investment supports this objective and is an important and integral part of Norges Bank Investment Management's mandate. 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

As a PRI signatory, we report on our responsible investment strategy and activities through PRI annual reporting, as well as in our own reporting publications. We regard the PRI website and its content as an important source of information for responsible investment analysis and activities.

Question 4:

Are the enablers right? Is the PRI taking the right actions for the delivery of the strategy?

PRI's strategic focus on digital platforms to enhance communications capacity and increase collaborations seems to be well aligned with the ambition to increase the number of signatories further, both in absolute numbers and across geographies.



We have also noted the ambition to segment signatories on the new website platform, and to deliver targeted information. The strategy does not contain much information on what such segmented information should contain, so we find it hard to assess the appropriateness and efficiency of this ambition. At the general level, we reiterate our support of PRI's role as a consistent and general platform for responsible investment practice, building on the PRI-principles.