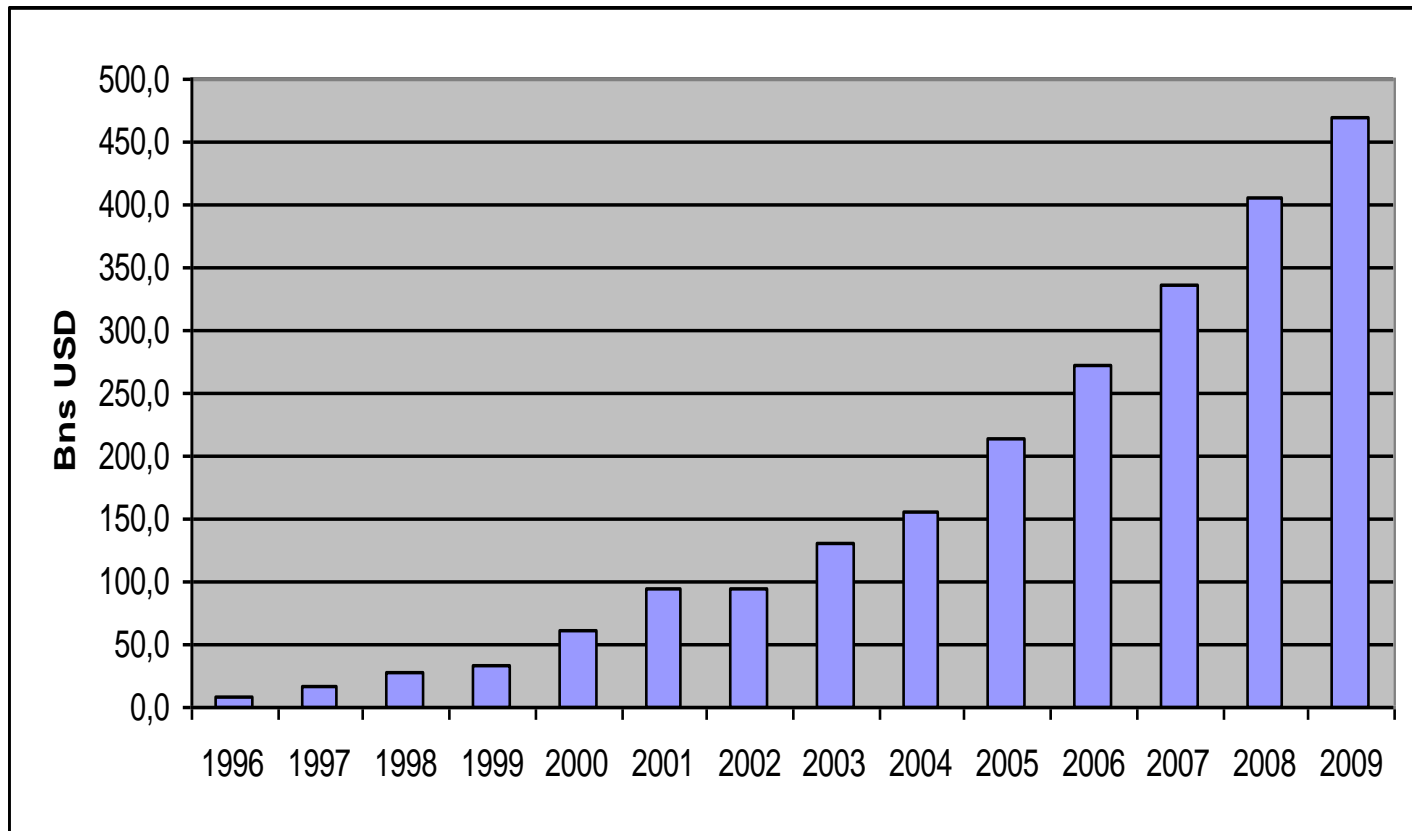


Ethical Guidelines for the Norwegian Government Pension Fund - Global

<http://odin.dep.no/fin/engelsk>

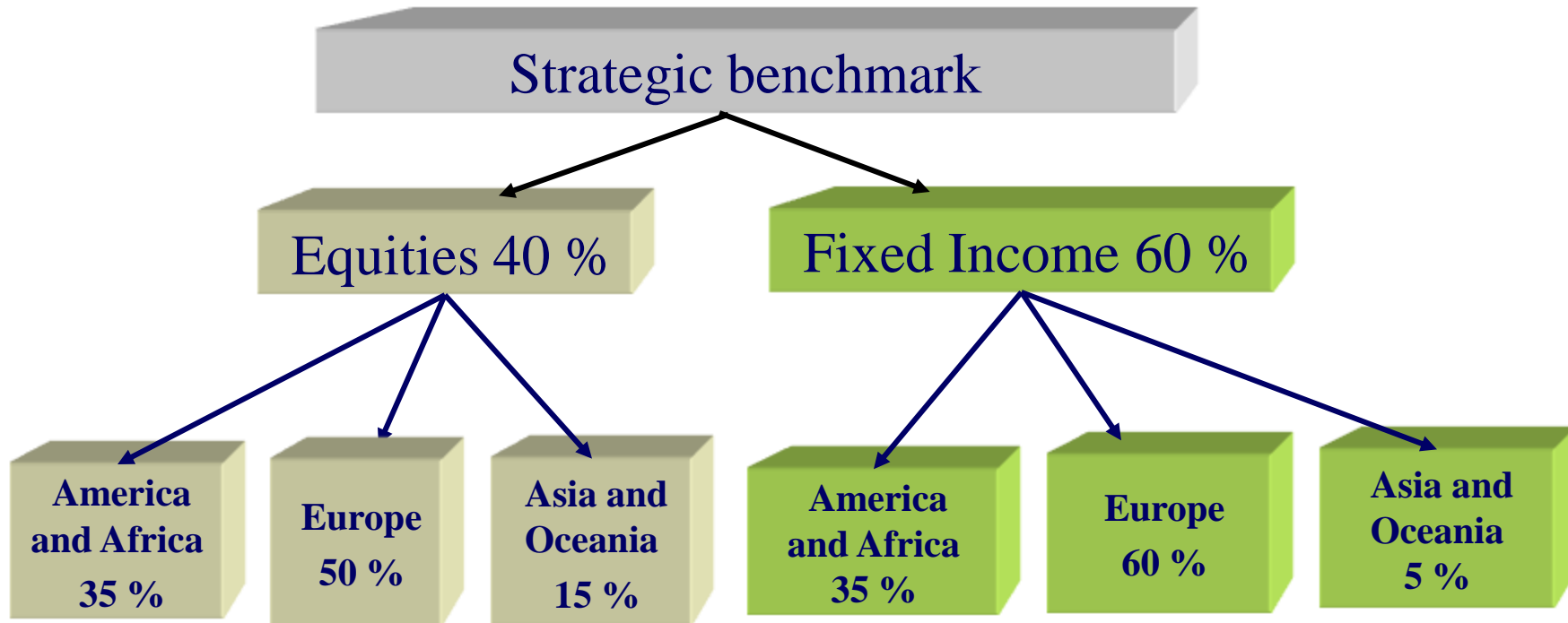
The Fund's market value 1996–2009

Billion USD, year end



Source: Ministry of Finance, NB07

Benchmark for the Pension Fund – Global



Equity index:

FTSE All World Index
Large & Mid Cap
Approx. 2200 equities

Fixed income index:

Lehman Brothers Global Aggregate/Global Real
Government / Agency / Corporate / Securitized
Approx. 7500 bonds

Two ethical obligations of the Fund

- Future generations should derive benefit from the petroleum wealth
=> achieve a sound return in the long term
- Respect basic rights of those affected
=> not be invested where there is an unacceptably high risk that the Fund will be complicit in grossly unethical conditions

A three-track strategy

- *Exercise of ownership rights*
=> to promote long-term financial returns
- *Negative screening*
=> to prevent inclusion of companies that produce weapons whose normal use is in violation of fundamental humanitarian principles
- *Ad-hoc exclusion from companies*
=> where there is an unacceptable risk of complicity in gross or systematic breaches of ethical norms

Responsibility

- Exercise ownership rights
=> Norges Bank
- Negative screening and exclusion
 - ⇒ The Ministry of Finance
based on advise from a the
 - ⇒ **Advisory Council on Ethics**

The exercise of ownership rights

The primary objective of Norges Bank's exercise of ownership rights for the Government Petroleum Fund is to safeguard the Fund's financial interests. The exercise of ownership rights shall be based on a long-term horizon for the Fund's investments, and broad investment diversification in the markets that are included in the investment universe. **The exercise of ownership rights shall primarily be based on the UN's Global Compact and the OECD Guidelines for Corporate Governance and for Multinational Enterprises.** Norges Bank's internal guidelines for the exercise of ownership rights shall stipulate how these principles are to be integrated into the exercise of ownership rights.

The Mandate of the Council on Ethics:

The Council shall issue recommendations on negative screening of one or several companies on the basis of production of **weapons that through normal use may violate fundamental humanitarian principles**.

The Council shall issue recommendations on the exclusion of one or more companies from the investment universe because of acts or omissions that constitute an unacceptable risk of contributing to:

- Serious or systematic **human rights violations**, such as murder, torture, deprivation of liberty, forced labour, the worst forms of child labour and other forms of child exploitation
- Grave breaches of individual rights in situations of **war or conflict**
- Severe **environmental** degradation
- Gross **corruption**
- Other particularly serious violations of **fundamental ethical norms**

Negative screening

- **weapons that through normal use may violate fundamental humanitarian principles:**
- **The principle of proportionality**
(Unnecessary suffering and superfluous injury)
- **The principle of distinction**
(Distinction between military objectives and civilian objects)

Negative screening of weapons producers

- **Arms prohibited under treaty law (for Norway)**
- Chemical weapons
- Biological weapons
- CCW: blinding laser, incendiary, undetectable fragments
- AP mines

- **Other arms:**
- Cluster bombs/munitions
- Nuclear weapons

Excluded weapons' producers

- **Boeing Co.**
- **Finmeccanica Sp.A.**
- **Honeywell International Inc.**
- **Northrop Grumman Corp.**
- **United Technologies Corp.**
- **Safran SA**
- **Alliant Techsystems Inc.**
- **EADS Co (European Aeronautic Defence and Space Company)**
- **EADS Finance BV**
- **General Dynamics Corporation**
- **L3 Communications Holdings Inc.**
- **Lockheed Martin Corp.**
- **Raytheon Co.**
- **Thales SA.**
- **Singapore Technologies Engineering**
- **Poongsan Corp.**

Ad-hoc exclusion

Unacceptable risk of being complicit in:

- Serious or systematic **human rights violations**,
- Grave breeches of individual rights in situations of **war or conflict**
- Severe **environmental** degradation
- Gross **corruption**
- Other particularly serious violations of **fundamental ethical norms**

Excluded companies:

- **Kerr-McGee Corporation**
(Originally complicity in serious violations of fundamental ethical norms, taken in again in 2006)
- **Wal-Mart Stores Inc**
(complicity in serious or systematic violations of human rights standards, including labour rights standards)
- **Freeport McMoRan Copper & Gold Inc**
(Complicity in severe environmental damage)

Non Excluded companies

-
- **Total** (Not considered an unacceptable risk of complicity to human rights violations in the future)

The Procedure

- Case comes in (NGOs, press, Ministry, Council, Secretariat)
- The Council decides to take case up to consideration
- Collection and quality check of information
- Writing a recommendation
- Sending the draft recommendation to the company
- Final recommendation is submitted to the Ministry
- Political treatment of the recommendation
- Decision by the Ministry of Finance
- Sale of the stock and bonds (The Central Bank)
- Publication

Cases made public so far

- Kerr-McGee
- Cluster weapons (8 companies)
- Legal opinion on AP mines
- Nuclear weapons (7 companies)
- Total
- EADS
- Wal-Mart
- Freeport
- Poongsan

All recommendations in full text and the
Guidelines are publicly available at

<http://www.etikkradet.no>