



NORGES BANK

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

/2020

This report is an extract from Norges Banks Annual Report of 2020.
The complete report is available at www.norges-bank.no/en/

Additional information on responsible investments in the GPF is
available at www.nbim.no

Corporate social responsibility and sustainability

Norges Bank performs its mission by promoting economic stability in Norway and managing substantial assets on behalf of the Norwegian people.

In its activities, Norges Bank is committed to maintaining high ethical standards, respecting human rights, acting in a socially responsible manner and complying with current legislation and rules. The Bank takes climate challenges seriously. Norges Bank does not accept any form of discrimination or corruption.

Norges Bank's corporate social responsibility includes responsible investment activities, transparent and clear communication, research and knowledge-sharing, ethical business conduct and the promotion of gender equality, diversity and a sound working environment.

CORPORATE SOCIAL RESPONSIBILITY REPORTING REQUIREMENTS IN ACCOUNTING ACT (SECTION §3-3C)

Large companies are required to "submit reports on the company's actions to take account of human rights, labour rights and social conditions, the external environment and anti-corruption as an integral part of their business strategies and day-to-day operations and vis-à-vis stakeholders".

This report gives an account of Norges Bank's approach to its mission in the context of corporate social responsibility (CSR):

- The most important element of Norges Bank's CSR strategy is its mission to promote economic stability in Norway and ensure efficiency and reliability in investment management.
- In addition, the Bank's influence on human rights, labour rights and social conditions, the external environment and anti-corruption is mainly exerted through its responsible investment activities.
- Norges Bank's CSR strategy also includes transparent and clear communication, research and knowledge-sharing, ethical business conduct and the promotion of gender equality and a sound working environment.

Climate change and the performance of Norges Bank's mission

Climate change and measures to mitigate its effects affect the Norwegian and global economy and hence Norges Bank's core tasks.

The earth is gradually becoming warmer. Global warming leads to more extreme weather events and gradually rising sea levels. The goal of the Paris Agreement is to limit global warming to 2°C and preferably not more than 1.5 °C. To achieve this, greenhouse gas emissions must be cut sharply. Norway has committed to reducing emissions by at least 50% of 1990 levels by 2030 and aims to be a low-carbon economy in 2050. Meeting this objective requires an economic transition – through policy measures, changes in preferences and technology.

Climate risk, ie uncertainty associated with future, unexpected climate-related events, has long been on the agenda in the management of the Government Pension Fund Global (GPFG). Work on climate-related topics is a more recent initiative for the rest of the Bank and there is still a great deal we do not know about the economic and financial consequences of climate change. Increasing Norges Bank's expertise on climate-related issues will be in focus across all the Bank's tasks and mandates in the period ahead.

Climate change and monetary policy

Climate change and adjusting to a low-carbon economy affect large parts of the Norwegian economy and thereby monetary policy. Climate change may lead to more extreme weather events, such as periods of drought and flooding, which can destroy crops,

buildings and infrastructure. Measures to slow global warming may also affect the structure of the economy. Policy measures, such as higher carbon prices, may for example influence both overall inflation and activity in a number of sectors. Flexible inflation targeting is a good starting point for managing new developments and shocks generated by climate change.

Norges Bank is working on advancing the level of expertise and understanding of how climate-related changes influence the macroeconomy and monetary policy, both internally and through international cooperation. In 2020, Norges Bank contributed to the Network for Greening the Financial System's (NGFS) report [Climate change and monetary policy: initial takeaways](#). Norges Bank's Regional Network also had a special feature entitled, Climate-related adjustments in the business sector. There were blog posts on Bankplassen.no and a research project with the title, [Climate risk and commodity currencies](#).¹

Climate risk and financial stability

Climate change and the transition to a low-carbon economy will be one of the greatest challenges facing Norwegian firms in the years ahead. Borrowers who are unable to tackle these changes adequately will pose risks to the banking sector.

¹ For more information, see: Brekke, H. and S. K. Erlandsen (2020) "Klimatilpasninger i næringslivet" [Climate-related adjustments in the business sector]. Blog post on the Bankplassen blog, 19 May (Norwegian only).

NORGES BANK'S MEMBERSHIP OF THE NETWORK FOR GREENING THE FINANCIAL SYSTEM (NGFS)

Norges Bank has been a member of the Network for Greening the Financial System (NGFS) since 2018. NGFS is a network of central banks and supervisory authorities that build knowledge by exchanging experiences and best practices and conducting analyses and applying methods for managing environmental and climate risks relevant to financial authorities and the financial sector. In 2020, Norges Bank was involved in work on NGFS reports on climate risk and scenario analysis, climate change and its relevance for monetary policy and on responsible investment. At the end of 2020, NGFS had 83 members (central banks and supervisory authorities) and 13 observers (international organisations).

For more information on NGFS and its work, see ngfs.net.

Norwegian banks are primarily exposed to transition risks through lending to firms with high emissions that thus risk being subject to higher taxes or having to depreciate assets. Four sectors stand out as sources of high emissions: transport, manufacturing, international shipping and oil-related industries. These sectors account for a moderate share of Norwegian banks' lending.

Physical risks are also relevant for Norwegian banks. In climate models focusing on a higher average global temperature, Norway is one of very few countries that might experience a productivity increase if the temperature rises. This does not mean that Norway is insulated against the negative effects of physical climate change. First, Norway is also affected by the increase in extreme weather events caused by a higher temperature. Second, climate change could entail changes in local climate and biological systems that could have unforeseen consequences. Furthermore, Norway will be affected via the impact of climate change on more vulnerable countries. Norwegian banks must also be prepared for the possibility that their exposures may also be affected indirectly.

Climate change is a global challenge that must primarily be addressed by the political authorities, using instruments other than those available to central banks. Central banks and supervisory authorities can, within their mandates, promote financial stability by ensuring that the financial sector includes climate risks in risk assessments and communicates relevant information and ensuring that all risks are backed by sufficient capital.

Furthermore, Norges Bank is planning to conduct a more quantitative assessment of climate risk for Norwegian banks. The Bank is also closely following international work on new reporting requirements and continues to participate in the NGFS workstream on financial stability.

See further discussion in *Financial Stability Report 2020*.

Responsible investment, Government Pension Fund Global (GPFG)

The GPFG is required to be a responsible investor. The Executive Board has laid down principles for responsible investment at Norges Bank. Responsible investment supports the GPFG's objective of the highest possible return over time within the limits of the management mandate in two ways: first, by promoting long-term economic development through the GPFG's investments, and second, by reducing the financial risk associated with the environmental and social conduct of the GPFG's investee companies. Corporate governance, the environment and social conditions that could have an impact on the GPFG's return over time are also assessed. This is integrated into the GPFG's work on standards and into its active ownership and investment activities.

The Ministry of Finance has established guidelines for the observation and exclusion of companies from the GPFG. The guidelines contain criteria for exclusion based on companies' products or on conduct. The Council on Ethics and Norges Bank are responsible for following up these guidelines. Decisions on the observation and exclusion of companies from the GPFG are made by Norges Bank's Executive Board, based on recommendations from the Council on Ethics. The Council on Ethics is an independent body established by the Ministry of Finance.

The investment management mandate requires responsible investment to be an integral part of the management of the GPFG. The GPFG is tasked with safeguarding and building financial wealth for future generations. The GPFG's long-term return is

dependent on sustainable growth, well-functioning markets and good corporate governance. Responsible investment is also included in Norges Bank's annual report on the management of the GPFG. The Bank's work on responsible investment can be divided into three main areas:

1. Setting standards
2. Exercising ownership rights
3. Investing responsibly

Setting standards

Norges Bank seeks to contribute to well-functioning markets and good corporate governance. Standards provide consistency across markets and can raise the bar for all companies.

Norges Bank contributes to developing relevant international standards, participates in consultations and engages regularly with international organisations and regulators in major markets. Norges Bank participated in 16 public consultations relating to responsible investment in 2020. All of the Bank's consultation responses are published on www.nbim.no. The consultations addressed important issues, such as common standards for sustainability reporting, shareholder rights and sustainable business practices.

Norges Bank's *Asset Manager Perspective* on sustainability reporting was published in 2020. Better sustainability reporting is a priority for the GPFG. As an investor, the GPFG depends on accurate, relevant and timely information on its investee companies. The GPFG wants to understand the environmental and social issues that could affect the companies' long-term profitability and how the companies manage relevant risks and opportunities.

Norges Bank observed that the quantity of reporting is increasing, but that further standardisation was needed to ensure relevance and comparability. Reporting requirements based on globally accepted, financially material and standardised sustainability metrics were called for.

There is increasing focus on sustainable development and companies' role in society. During 2020, the Bank responded to 13 consultations on sustainability reporting in the markets in which the GPFG is invested.

The GPFG has drawn up clear expectations of its investee companies since 2008. The purpose is to explain the Bank's expectations regarding how the companies address relevant global challenges in their business. The expectations form a basis for the GPFG's dialogue with companies, and the companies' work is measured annually against the Bank's expectations. Expectations on climate change and human rights were updated in 2020. The GPFG also published five new position papers on board independence, unequal voting rights, equity issuances, related-party transactions and corporate sustainability reporting.

Exercising ownership rights

Norges Bank is responsible for promoting good corporate governance in the GPFG's investee companies. Voting is one of the most important tools the GPFG has as a shareholder for safeguarding the GPFG's assets. At year-end 2020, the GPFG owned a stake in 9 123 companies across the globe. Norges Bank voted on 121 619 resolutions at 11 871 general meetings in 2020. The Bank voted in line with the board's recommendation in 95.1% of the resolutions and at 73.4% of the general meetings, which was on a par with the Bank's

voting in 2019. The GPFG aims to be consistent and predictable in its voting. Consistency means that the voting decisions taken by the GPFG can be explained by the GPFG's principles. Predictability means that the companies can understand why the GPFG votes the way it does. The voting guidelines are publicly available. In 2020, the GPFG began to publish an explanation when it voted against the board's recommendation. The explanations are based on the GPFG's public voting guidelines and are intended to promote greater transparency around the GPFG's priorities as a shareholder.

As a long-term investor, the GPFG engages in regular dialogue with the largest companies to promote good corporate governance and responsible business practices. The GPFG held a total of 2 877 meetings with 1 209 companies. The size of the GPFG's investments provides access to company board members, senior management and specialists. The GPFG is interested in understanding how companies are governed and how they address key sustainability issues. In addition to meetings, the GPFG also communicates with investee companies in writing. The GPFG had written contact with 650 companies in the portfolio in 2020.

Norges Bank collaborates with companies, investors and other stakeholders to improve the information made available to the market and promote responsible business practices. This is particularly relevant where a number of companies in the same industry or value chain face the same challenges.

The GPFG annually assesses companies' reporting on governance structure, strategies, risk management and targets against the

GPFG's published expectations. Norges Bank conducted a total of 4 158 such assessments in 2020. The GPFG assessed the reporting of 1 521 companies on climate change, 694 on human rights, 494 on children's rights, 500 on water management, 250 on anti-corruption, 250 on ocean sustainability, 249 on deforestation and 200 on tax.

The companies assessed represented 74.8% of the equity portfolio's market value at year-end 2020.

The GPFG contacts companies with weak or limited reporting and encourages them to make improvements by, for example, participating in established reporting initiatives. In 2020, the Bank sent letters to 127 companies about their reporting on topics covered by the GPFG's expectation documents.

A larger improvement was observed on average among the companies contacted by the GPFG about poor sustainability reporting in 2019 than among those that were not contacted. The average improvement in performance at the companies contacted was 9.8 percentage points. The overall improvement at the companies covered by the GPFG's assessments was 6.5 percentage points. The difference was greatest for companies contacted about tax transparency, climate change and deforestation, and smallest for human rights and water management. Overall, the GPFG noted improvements at 50% of the companies contacted.

Norges Bank supports initiatives whereby companies join forces to find common standards for sustainable business conduct.

These initiatives work best when a number of companies in a particular industry or value chain face the same challenges. The starting point for the Bank's expectations of companies is that boards should establish suitable strategies, control functions and reporting procedures.

Investing responsibly

Responsible investment is an integral part of the GPFG's investment strategy, which aims to identify long-term investment opportunities and reduce the GPFG's exposure to unacceptable risks.

Norges Bank sees opportunities in investing in companies with solutions that promote more environmentally friendly economic activity. These investments could have positive effects on other companies and society in general, including reduced emissions, lower energy costs and more efficient use of resources. Companies producing these technologies could in turn profit from changes in demand and market regulation. The GPFG invests in such companies partly through dedicated environment-related mandates.

Norges Bank encourages companies to move from words to numbers in their reporting to provide a better understanding of financial risks and opportunities. Performing analyses of this kind requires relevant, comparable and reliable data on governance, environmental and social factors. The Bank analyses greenhouse gas emissions from companies in the GPFG portfolio and various climate scenarios for the GPFG. Reliable data from the companies and in-depth analysis are cornerstones of the Bank's ownership work.

The GPFG has analysed the carbon footprint of portfolio companies since 2015. This analysis provides an insight into the level of greenhouse gas emissions from the GPFG's investee companies and can also shed light on risks and opportunities across industries. Reporting on greenhouse gas emissions still varies in frequency and quality, and many companies still do not report emissions data.

Based on the GPFG's percentage holdings in each company, the GPFG equity portfolio's total emissions amounted to 92.4m tonnes of CO₂ equivalents in 2020. This is almost double Norway's total emissions in 2020 of 50.3m tonnes of CO₂ equivalents, as reported by Statistics Norway. Emissions from companies in the GPFG's equity portfolio were 14% lower than in 2019 and 12% lower than for the benchmark index.

The companies in the GPFG's equity portfolio emitted around 133 tonnes of CO₂ equivalents per USD million of revenue. This is referred to as the equity portfolio's carbon intensity and was 9% below that of the benchmark index in 2020.

The difference in estimated carbon intensity between the portfolio and the benchmark index can largely be attributed to the GPFG's investments in basic materials, industrials and utilities, which have a lower carbon intensity than the companies in the benchmark index.

The corporate bond portfolio's carbon intensity is 14% below that of the benchmark index. This is mainly because the GPFG's investments in industrial companies have a lower carbon intensity than the benchmark index.

The GPFG identifies long-term investment opportunities by analysing investee companies' operations and the impact they have on the climate and the environment, and sees opportunities in companies that contribute to more environmentally friendly economic activity. At the end of 2020, the GPFG had invested NOK 100bn in shares in 90 companies under dedicated environmental mandates.

Equity investments under the environmental mandates returned 34.3% in 2020. The annualised return on the equity investments since the GPFG's inception in 2010 has been 9.5%. The environmental mandates are now managed entirely in-house. The GPFG invests in three main types of environmental activity. Companies must have at least 20% of their business in one of these defined environmental segments to be included in the GPFG's investment universe. These three segments are: 1) low-carbon energy and alternative fuels, ii) clean energy and energy efficiency and iii) natural resource management.

Norges Bank may decide to divest from companies if, after an overall assessment, the Bank no longer wishes to be a shareholder for ethical or sustainability reasons. Exclusions on ethical grounds are made in line with guidelines issued by the Ministry of Finance. Risk-based divestment may be appropriate if the GPFG considers that the company poses a particularly high long-term risk, where investment is not substantial and where active ownership is not considered a viable approach. By not investing in such companies, the GPFG's exposure to unacceptable risks is reduced.



In 2020, the GPFG divested from 32 companies following risk assessments related to environmental, social and governance issues. The GPFG has divested from a total of 314 companies since 2012. Risk-based divestments have made a positive contribution to the cumulative return on the equity portfolio of around 0.41 percentage point, or 0.02 percentage point annually, since 2012.

For more information on the GPFG's responsible investment activities, see the *Responsible Investment Report* published by Norges Bank.

Responsible investment, Norges Bank's foreign exchange reserves

Norges Bank has a consistent approach to responsible investment and climate risk management. The main purpose of the bond portfolio in the foreign exchange reserves is to ensure that the foreign exchange reserves are sufficiently liquid for Norges Bank to fulfil the objectives of monetary policy, promote financial stability, meet Norway's international commitments as a member of the IMF and promote well-functioning markets. This is why Norges Bank exclusively invests the foreign exchange reserves in sovereign bonds with relatively low credit risk and whose liquidity characteristics are deemed satisfactory to meet the objectives of the foreign exchange reserves. Climate-related issues will therefore have little bearing on the composition of the bond portfolio in the foreign exchange reserves. Based on the percentage holdings in the individual companies, total emissions in the equity portfolio were 1.1m tonnes of CO₂ equivalents in 2020.

The equity portfolio of the foreign exchange reserves is managed by Norges Bank Investment Management (NBIM) in accordance with the guidelines laid down by the Governor of Norges Bank. The equity portfolio is managed responsibly in the same manner as the GPFG's equity portfolio. NBIM exercises active ownership and addresses climate risk in its management of the foreign exchange reserves and the GPFG by setting clear expectations of companies, voting at all general meetings where the GPFG is a shareholder and conducting a dialogue with selected companies.

Decisions on risk-based divestment from individual companies that NBIM finds appropriate for the GPFG's equity portfolio are also applied to the equity portfolio of the foreign exchange reserves.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The most widely recognised framework for climate-risk reporting has been developed by the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD was set up by the G20's Financial Stability Board (FSB) in 2016 and submitted its recommendations in 2017. The recommendations specify what should be reported within four areas: governance, strategy, risk management, and metrics and targets. Norges Bank supports the intention of the recommendations and is of the opinion that the framework will promote more universal and consistent reporting across jurisdictions. Norges Bank has supported projects that underpin the TCFD framework.

An overview of Norges Bank's status for 2020 in relation to the recommendations in the TCFD framework is given below:

TCFD - MAIN AREAS



1. Governance

Disclose the organisation's governance around climate-related risks and opportunities, including the role of the board and management.

In 2018, the Executive Board developed a strategy for climate and sustainability that sets out environmental objectives and measures for the organisation. The implementation of this strategy is integrated in Norges Bank's governance system, executed by the various departments and formulated in action plans. A reference group for climate and sustainability has been established, chaired by a deputy governor of Norges Bank.

Climate change has been a focus area for the management of the GPFG since 2006. The Executive Board of Norges Bank has laid down principles for the responsible management of the GPFG, has oversight over the GPFG's responsible investment strategy and reviews the annual responsible investment report. The Executive Board makes decisions on observation and exclusion of companies from the GPFG. The guidelines for observation and exclusion also include a conduct-based climate criterion. The Executive Board has established a preparatory and advisory ownership committee for matters pertaining to the GPFG's responsible investment activities and decisions regarding observation and exclusion. Norges Bank has a consistent strategy for responsible investment and climate risk management. The same principles and process for responsible investment management are applied in the management of the equity portfolio of the foreign exchange reserves.

In 2019, the Executive Board presented a report to the Ministry of Finance on its climate risk work in the GPFG. The Executive Board decides which companies should be put under observation or excluded from the GPFG. The guidelines also include a conduct-based climate criterion.

2. Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses and strategy.

Climate change and measures to mitigate its effects have an impact on the Norwegian and global economy and hence on Norges Bank's performance of its core tasks: monetary policy, financial stability and the management of the GPFG.

Climate change is one of a number of risk factors affecting the management of the GPFG and the foreign exchange reserves. The GPFG has dedicated environment-related investment mandates. Climate scenario analyses are conducted to advance the understanding of the GPFG's resilience to, for example, a rise in global temperatures. The GPFG's investment universe and benchmark index presuppose certain climate-relevant adaptations. Companies involved in coal mining and coal-fired utilities are excluded from the GPFG's investment universe according to set thresholds. Oil and gas exploration and production companies have been removed from the GPFG's benchmark index.

3. Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

In 2020, Norges Bank continued its efforts to increase knowledge about climate risk in its organisation. A suite of complementary tools is used to identify and assess climate risk to which the GPFG is exposed.

Climate risk has been discussed in the reports [Financial Stability 2019](#) and [Financial Stability 2020](#). The [Financial Stability 2021](#) report will present a more quantitative assessment of climate risk for Norwegian banks. Norges Bank participated in the preparation of the NGFS report [Climate change and monetary policy: initial takeaways](#) which was published in June 2020. The report shows the breadth of questions that should be analysed to better understand how climate change affects the macroeconomy and monetary policy.

4. Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, including information on Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions.

Norges Bank has received Norwegian Eco-lighthouse certification and has oversight over and measures various key metrics, including GHG emissions from its own activities. (For more information on Norges Bank's carbon account for the operation of the Bank's head office, see page 15.)

Norges Bank has measured and published the carbon footprint of the GPFG's equity portfolio since 2015. The TCFD's recommendations for asset managers are followed when calculating the GPFG's carbon footprint and when measuring the carbon footprint of the foreign exchange reserves equity portfolio. As the understanding of the implications of climate change for financial investments develops, the GPFG will explore how specific climate-related targets can contribute to the efficient management of these risks.

For more detailed information on the management of the GPFG, see the *Responsible Investment Report* published by Norges Bank.

Norges Bank's climate and sustainability strategy

Norges Bank's climate and sustainability strategy sets out environmental objectives and measures for Norges Bank's activities. There is no time horizon. Specific objectives and measures will be adjusted to preconditions and options in various operational areas and locations.

1. Norges Bank will contribute to sustainable developments within the framework of its mission and responsibilities.

- A. We will ensure that climate and sustainability considerations are integrated throughout.
- B. We will assess our interface with the external physical environment.
- C. We will use targeted measures to limit the Bank's negative effect on the environment.
- D. We will provide the facilities to enable employees and suppliers to make choices that take account of climate and sustainability considerations.

2. Established sustainable management practices will be integrated in the management of the Bank.

- A. We will conduct operations in line with recognised environmental standards.
- B. We will be environmentally responsible and promote health in the workplace.
- C. We will choose cost-effective sustainable measures that meet the Bank's needs.

3. Norges Bank staff will have environmental competence in the operational areas where this is appropriate.

- A. We will contribute to the spread of knowledge concerning the importance of climate change for economic developments and stability.
- B. We will use our environmental competence to understand our own effect on the environment and identify measures.
- C. We will assess climate and sustainability risk in investment management in order to protect the GPFPG's assets in the long term.

4. Norges Bank will be transparent about its climate and sustainability work.

- A. We will inform the public through transparent and active communication.
- B. Our communication will contribute to knowledge-based social debate.

Norges Bank's operations from a sustainability perspective

Norges Bank's carbon account

Norges Bank is a certified Eco-lighthouse.¹ The certification applies to the operation of the head office at Bankplassen 2 and provides access to tools for measuring and improving the organisation's environmental performance.

As part of the Eco-lighthouse certification, Norges Bank prepares an annual carbon account for the operation of the head office. The account includes direct emissions (scope 1), indirect emissions (scope 2) and other indirect emission sources (scope 3). The aim is to include more indirect sources of emissions

over time, such as emissions related to cloud-based IT services. Norges Bank recently introduced a requirement for green construction and operation of data centres to ensure that resources are used efficiently and renewably sourced.

Table 4 presents the carbon account for Norges Bank's head office for 2019 and 2020.

Norges Bank's largest source of emissions from its own operations is official air travel. In 2020, this source accounted for a total of 54% (64% in 2019) of overall emissions. The decline in emissions between 2019 and 2020 largely reflects the Covid-19 pandemic.

¹ For more information, see the [Eco-lighthouse website](#).

Table 4 Greenhouse gas emissions in tonnes CO₂

		2019	2020
 Direct emissions (scope 1)	Official travel by car	25	34
	Heating of head office (diesel)	2	4
 Indirect emissions (scope 2)	Remote heating	154	69
	Electricity	1 310	1 092
 Other indirect emissions (scope 3)	General waste (compressed)	29	23
 Other indirect emissions (scope 3)	Official air travel*	2 760	1 430
Total greenhouse gas emissions in tonnes CO₂		4 280	2 651

* Emissions from official air travel refers to all Norges Bank employees

A range of measures have been introduced in recent years to improve environmental performance. Recycling has increased partly owing to the deployment of centralised recycling stations in office areas. The share of meeting rooms equipped for video conferencing has increased substantially. Disposable food and drink containers have been replaced with greener alternatives at the head office and the largest offices abroad.

The most important ongoing emission reduction measures are the continued use of video conferencing in lieu of official air travel, the replacement of ventilation generators and other technical installations with more energy-efficient versions and expanded environmental requirements for all relevant procurement.

Responsible procurement and supplier follow-up

Norges Bank is subject to public procurement regulations. In 2020, the Bank procured goods and services totalling approximately NOK 4.3bn. Important procurement categories are external management, IT system development and operations, and goods and services related to the operation of offices.

All suppliers with access to the Bank's premises or systems are responsible for ensuring that their employees performing services or work for the Bank are aware of the ethical rules covering issues such as human rights, labour rights, corruption, discrimination and gifts. Norges Bank is responsible for requiring wage and working conditions under the regulation on terms and conditions for wages and working conditions in public contracts. Suppliers and any sub-suppliers must be able to present documentation of

their compliance with wage and working conditions. In 2020, 26 controls were carried out and three violations were found. These were rectified as requested by Norges Bank. The Public Procurement Act includes a requirement that limits the number of tiers in the supply chain for procurement from sectors where work-related crime is a particular challenge. Norges Bank accepts no more than two tiers of sub-suppliers.

Norges Bank wants a responsible and sustainable supply chain and sets environmental requirements for procurement where relevant. Examples of such requirements may be documentation of implemented measures to limit the supplier's own negative environmental impact, or relevant environmental information on products and services such as the use of chemicals and waste management. Suppliers and contract terms and conditions are regularly followed up to identify any violations, and measures are implemented when necessary.

The work of monitoring sustainability risk and responsible investment is described in greater detail in the section on responsible investment of the GPFG and the foreign exchange reserves and applies to all the GPFG's investee companies, including those managed externally. In emerging markets, the GPFG mostly uses external managers. Some of these markets have inherently higher sustainability risk.

Managers are required to consider corporate governance and environmental and social conditions in their investment activities. This is followed up as a part of the GPFG's annual assessment of managers. Assessments are

also made of the managers' approach to corporate social responsibility as a part of the selection process. Sustainability risk in the underlying investee companies is also assessed. Evaluations of over 1 300 companies in emerging markets were conducted in 2020.

Responsible real estate investment in the Government Pension Fund Global (GPF)

Norges Bank Investment Management (NBIM) integrates sustainability measures into business plans for the GPF's properties and collaborates with other investors to develop tools for measuring climate risk in real estate markets.

The sustainability performance of the real estate portfolio is measured against the Global Real Estate Sustainability Benchmark (GRESB) on an annual basis. The real estate portfolio scored 79 out of a possible 100 points in 2020, a decline from 80 points in 2019. In 2020, 82% of the GPF's portfolio of large office and retail buildings were green-certified, up from 79% in 2019. In addition, 34 logistics properties were green-certified for sustainable design and construction.

Real estate investments are exposed to climate risk. NBIM estimates that 4% of the portfolio, in value terms, is located in areas where flooding has occurred along the coast or in rivers at least once in the past 100 years. In 2020, an external analysis was commissioned of the future vulnerability of the most exposed real estate investments in the US, which concluded that the long-term risk of floods in some areas could become substantial in the most extreme climate scenario.

National and local authorities have increasingly begun implementing long-term plans for reducing greenhouse gas emissions that will impact the real estate sector. Through collaboration with other investors, the Bank has supported the Carbon Risk Real Estate Monitor (CRREM), a research project that, in 2020, published emission paths in the period to 2050 for selected real estate markets that are consistent with a carbon budget in line with the Paris Agreement. NBIM uses this tool in its wider work of measuring climate risk in the real estate portfolio.

Ethical conduct for Norges Bank's Executive Board and employees

As central bank and manager of the GPF, Norges Bank has been given considerable authority and trust. It is important to safeguard Norges Bank's reputation and promote a high level of ethical awareness and integrity among the Bank's employees. The Executive Board has laid down ethical principles to promote a uniform attitude to ethical issues at Norges Bank. The ethical principles were last amended on 24 June 2020, with effect from 15 August 2020. The reason for the most recent changes was a need for adjustments owing to the reorganisation of the Bank of 10 December 2019 and the new central bank act of 1 January 2020. Some clarifications and changes of relevant provisions in the principles have also been made.

These principles reflect the Bank's commitment to maintaining high ethical standards, respecting human rights, exercising corporate social responsibility and complying with current legislation. The ethical rules for example apply to employees' own-account trading, activities outside the Bank, gifts and loyalty to the Bank in general.

The Ministry of Finance has laid down a regulation on impartiality and conflicts of interest for members of Norges Bank's Executive Board and the members of the Monetary Policy and Financial Stability Committee. In spring 2020, Norges Bank revised its own rules for external members of these two bodies on issues including impartiality and conflicts of interest and restrictions on own-account trading.

Norges Bank does not accept any form of corruption. An anti-corruption framework and programme has been established. Key elements of the anti-corruption work are management leadership, risk management, ethical rules, processing whistleblower reporting, purchasing procedures, background checks of staff and suppliers, financial reporting and systematic training and controls. In 2020, 90 of NBIMs operational support employees took part in training that focused on handling conflicts of interest and anti-corruption. In 2020, no cases related to corruption were confirmed.

Norges Bank places considerable emphasis on training staff and fostering awareness of the most important areas of ethical risk. All new employees complete a training programme to ensure that they know and understand the rules, which includes one-on-one training, e-learning and an introductory dilemma training course. To ensure that all employees have the necessary knowledge of the rules, a compulsory test is conducted using an e-learning tool. By completing an annual test, employees confirm that they have read and understood the rules and are aware of the consequences of non-compliance.

The Executive Board has laid down principles for internal disclosure of wrongdoing (whistleblowing) at Norges Bank. Whistleblowing procedures have been established whereby employees and supplier personnel can anonymously report unethical or unlawful conduct. Employees and supplier personnel are encouraged to report any wrongdoing. Whistleblowing reports are processed in line with established case processing rules. One whistleblowing report was submitted in 2020.

Working at the Bank

Norges Bank's staff are central to the Bank's operations. Norges Bank works systematically to attract and recruit top candidates from leading national and international specialist environments. The Bank is a knowledge-based institution that expects high standards of its staff with regard to expertise and performance. The Bank promotes continuous career development with a focus on challenging professional tasks in day-to-day work and through targeted courses and study programmes. To further develop as an organisation, the Bank aims for gender balance and to actively make use of the advantages provided by a high degree of diversity in the workforce.

Diversity and gender equality

Diversity in the workforce is the best starting-point for further development of an international organisation. The Bank seeks diversity in the form of skills, experience and outlook by recruiting from across nationalities, genders, age, background and education. To strengthen this work, a diversity and inclusion initiative was launched across the Bank's operational areas in 2020. Working with external organisations and networks provides a valuable exchange of experience and opportunities to learn from the best.

A long-term initiative to increase the diversity of applicants to the Bank is the Education Centre, an interactive learning centre for upper secondary school pupils. The Centre's purpose is to stimulate learning and reflection on fundamental economic questions and thereby

increase interest in the field of economics and Norges Bank as an employer.

In 2020, the number of student internships at Norges Bank increased, with a view to promoting diversity, new ideas and perspectives and contributing to challenging established practices. The relaunch of NBIM's trainee programme is an example of how the Bank works actively to attract a broad range of applicants.

When appropriate, the Bank can engage retired staff on a temporary basis to retain experienced labour and allow staff to continue to be part of working life after retirement.

Norges Bank works systematically towards achieving a 40% minimum of both genders. At the end of 2020, the total share of women on the staff of Norges Bank was 33%, of which the share was 25% in NBIM, 33% in NBCBO and 57% in NBA. In 2020, 48% of new hires in NBIM were women, which shows that the strategic work of promoting gender balance has produced results.

Wages reflect the duties and responsibilities of a position. Wages are determined on a case by case basis and also reflect the position holder's expertise, experience and performance. Table 5-7 shows the Bank's breakdown of gender and wages in different job categories. The overview shows fixed salaries at end-2020 for permanent staff at the head office. All employees working with investment decisions are entitled to

Table 5 Gender balance and wages in different job categories at Norges Bank

Norges Bank	Median wage		Share of employees		Wage gap		
	Men	Women	Men	Women	Men	Women	Gap
Department Director	1 750 606	1 467 593	82%	18%	100%	84%	16%
Head of Section	1 300 000	1 150 000	73%	27%	100%	88%	12%
Special Advisor	1 159 860	1 033 498	74%	26%	100%	89%	11%
Senior Advisor	895 467	860 217	65%	35%	100%	96%	4%
Advisor	672 500	670 000	51%	49%	100%	100%	0%
Executive officer	634 213	657 866	47%	53%	96%	100%	4%
Total Norges Bank	970 000	835 000	65%	35%	100%	86%	14

Table 6 Gender balance and wage in different job categories at Norges Bank Investment Management¹

Norges Bank	Median wage		Share of employees		Wage gap		
	Men	Women	Men	Women	Men	Women	Gap
Head of Section	1 550 000	1 345 000	83%	17%	100%	87%	13%
Special Advisor	1 312 500	1 175 000	82%	18%	100%	90%	10%
Senior Advisor	950 000	935 000	70%	30%	100%	98%	2%
Advisor	680 000	720 000	63%	37%	94%	100%	6%
Total NBIM	1 047 500	930 000	74%	26%	100%	89%	11%

¹ There are too few of each gender in the most senior job categories at NBIM for this part to be publicly disclosed for privacy reasons. Correspondingly, there are too few of each gender with performance-based pay in the different job categories for this part to be publicly disclosed.

Table 7 Gender balance and wage in different job categories at Norges Bank Central Banking Operations and Norges Bank Administration

Norges Bank	Median wage		Share of employees		Wage gap		
	Men	Women	Men	Women	Men	Women	Gap
Department Director	1 371 427	1 370 767	76%	24%	100%	100%	0%
Head of Section	1 115 516	1 085 391	63%	37%	100%	97%	3%
Special Advisor	1 059 103	985 020	70%	30%	100%	93%	7%
Senior Advisor	852 743	800 000	59%	41%	100%	94%	6%
Advisor	617 000	661 510	44%	56%	93%	100%	7%
Executive officer	634 213	655 956	48%	52%	97%	100%	3%
Total NBCBO and NBA	907 276	784 105	59%	41%	100%	86%	14%

performance-based pay, regardless of gender. In order for these to be disclosed, there must be at least five of each gender. There are too few of each gender with performance-based pay in the different job categories to publicly disclose this wage overview. Correspondingly, there are too few of each gender in the most senior job categories at NBIM for that part to be publicly disclosed. There are no differences in other staff benefits.

Tables 5-7 show that there is variation across operational areas and job categories. Wage differences between women and men at the executive level, particularly in NBIM, partly reflects the shorter seniority of the women in executive positions. The gender balance reflects the competitive situation in the market. Fewer women than men apply for executive positions in the Bank and for financial sector positions in general. At the end of 2020, the gender balance for the two lowest job categories was in line with the targets. The Bank will step up efforts to encourage promotion of women in middle management and strengthen its focus on recruiting external female candidates.

Table 8 shows the share of employees in Oslo that are temporary, on parental leave or voluntarily working part-time.

On average, women in Norges Bank had 23 weeks of parental leave in 2020, while men averaged 11 weeks. These figures only show the number of weeks of parental leave in 2020 and not the total number of weeks of leave taken by the individual employee.

The main priority areas for reaching the target of 40% women and increased diversity are recruitment, reputation management, career development, flexibility and the working environment.

- **Recruitment**

The bank is making targeted efforts to ensure greater diversity in the recruitment process, both among staff on the employer side and in the pool of candidates called in for interviews. Efforts are being made to formulate job advertisements to attract more women via the Bank's marketing profile, and external recruitment agencies are being required to focus on greater diversity and women candidates. Further, checkpoints have been introduced in the recruitment process to ensure that applicants are treated objectively and fairly, as well as guidelines for wage setting and wage reporting to prevent gender discrimination.

Table 8 Share of employees in Oslo that are temporary, on parental leave or voluntarily working part-time.

Temporary employees as a percentage of all employees		Average parental leave in number of weeks		Voluntarily working part-time as a percentage of all employees	
Men	Women	Men	Women	Men	Women
5%	4%	11	23	4%	5%

- **Reputation management**

The Bank pursues a conscious strategy to highlight the important roles held by women at the Bank by ensuring that they are well represented at events where Norges Bank is represented. Female staff are encouraged to participate in networks and external events such as career conventions, giving presentations at relevant academic institutions and events such as the Norwegian Association of Economists' "Kandidattreff" (a yearly event providing an arena for employers and students to meet) and Women's Finance Day.

- **Career development**

To achieve the desired gender balance, the Bank must retain female staff in the organisation and ensure equal opportunities related to, among other things, professional development and career. The Bank works to raise awareness among executives of the importance of providing female employees with the challenges that qualify them for higher positions. Promotions are discussed in management groups to ensure diversity and equality across operational areas.

Workforce planning, with successor planning for executive and key positions, will be a priority in 2021. This will provide the Bank with better tools to assess competence within the organisation and work systematically to develop women for more senior positions.

Norges Bank has a scheme whereby employees temporarily work in other departments or are seconded to another institution. This is important for building a culture where staff can gain new

experience and new perspectives. Being part of a new environment promotes the development of professional and cultural competence as well as insight into and understanding of the diversity in our organisation.

- **Flexibility**

Guidelines will be introduced so that employees can continue to enjoy greater flexibility after the pandemic. Greater emphasis on flexible workdays with the opportunity to work more from home, for example, makes it more attractive for employees with caring responsibilities to take on new roles at a higher level.

- **Working environment**

The annual staff survey provides feedback on whether the Bank is a working environment where employees enjoy their work and that facilitates an appropriate work-life balance. This includes risk analysis related to gender discrimination.

In 2020, an independent survey on harassment was established to raise awareness on the subject. The plan for 2021 is for all Norges Bank employees to complete internal courses on diversity and inclusion, including awareness-raising to prevent harassment and discrimination in the workplace. At the Bank's New York office, this is mandatory annual training.

As a measure to promote diversity and inclusion and to create a family-friendly culture, a 16-week gender-neutral leave of absence in connection with childbirth has been introduced, which is longer than legally required in the countries where the Bank has offices.

Salary and remuneration arrangements

Norges Bank's Executive Board sets the limits for the Bank's salary and remuneration schemes and monitors how they are put into practice.

The salary levels at Norges Bank are expected to be competitive, but not industry-leading. Norges Bank employs external consultants to perform annual comparisons of salary levels with other employers. The Executive Board's Remuneration Committee, which comprises three of the Board's external members, ensures that matters pertaining to salary and remuneration schemes are thoroughly and independently discussed.

The Executive Board sets a salary ceiling for the executive management of NBCBO and salary bands for the NBIM executive management team. The governor of Norges Bank determines annual salaries for executive managers and others in NBCBO who report to the governor, as well as for the CEO of NBIM within the band set by the Executive Board. Salaries for other senior executives at NBIM are determined by the CEO of NBIM in accordance with the salary bands set by the Executive Board.

Salaries for employees working directly on investment decisions and certain other employees may be performance-based. Principles for the performance-based pay scheme have been established in regulations issued pursuant to the Securities Fund Act with necessary adjustments. Performance-based pay is designed to promote and provide incentives for sound risk management and control, counteract excessive risk-taking and

avoid conflicts of interest. Performance-based pay is calculated based on performance as measured against set targets for the performance of the GPFG, of the group and of the individual employee. Accrued performance-based pay is paid over several years, with 50% paid the year after it is accrued while the remaining 50% is held back and paid over the following three years. For employees with performance-based pay greater than 100% of their fixed salary, 40% is paid the year after it is accrued, while the remaining 60% is held back and paid over the following three years. The amount held back is adjusted for the return on the GPFG. Members of the NBIM leader groups and the executive management of NBCBO do not receive performance-based pay.

Health, environment and safety

Owing to the Covid-19 pandemic, most Norges Bank employees worked remotely for much of the time in 2020. Considerable effort has been made to provide support to employees and executives in a difficult situation, including through managerial training. The goal has been to promote solid work routines, create digital fora and inspire social activity. There has also been close collaboration with the Bank's health service to provide ergonomics support for those working remotely in order to reduce the risk of musculoskeletal disorders.

Norges Bank's priority is protecting the health and safety of all those who work in the Bank. In 2020, seven workplace accidents or injuries directly relating to work conducted at Norges Bank's office premises or conference and holiday facilities were reported. No workplace

accidents or injuries were reported as occupational injuries to the Norwegian Labour Inspection Authority in 2020.

The Bank's safety representatives carry out the important work of safeguarding the interests of employees in matters relating to the working environment. They are consulted in the planning and follow-up of measures relevant to the working environment. The employees in each safety area elect their safety representative. The senior safety representative, who is on the Bank's Working Environment Committee, is subsequently elected from among the elected safety representatives.

The Bank has well-equipped fitness facilities for employees and has provided facilities so that employees can cycle to work. In the ongoing upgrade of the head office, focus is given to improving the indoor climate and increasing flexibility.

In autumn 2020, a new staff survey was conducted that provides better opportunities for analysis and benchmarking. The Bank's Working Environment Committee, comprising management and employee representatives, assesses the working environment and climate of collaboration at the Bank as positive.

Sickness absence and inclusion in the workplace

Sickness absence at the Bank remained stable at a low level of 1.7% in 2020. This is a decline from 2019 (2%), owing to fewer registered self-certified sickness absences, which are likely the result of extensive remote working during

the pandemic. The IA agreement 2019-2022 now covers working life throughout Norway and underpins the work of preventing sickness absence. The Bank has extended the policy of additional self-certified sick leave for employees, in line with IA Agreement guidelines. The Bank accommodates employees needing adaptations to their workstations and has throughout the pandemic urged employees to contact the Bank's health services to prevent sickness absence resulting from remote working to obtain other accommodations than normally provided in the Bank's offices. The Bank accommodates older employees to enable them to extend their professional careers in line with national objectives. Remodelling projects at the Bank are based on the principles of universal design and the Bank provides protective equipment as needed.

The annual staff survey is conducted to collect feedback on the working environment, in order to ensure that employees enjoy working at the Bank and that the Bank provides the basis for a good work-life balance.

Collaboration with trade unions

Norges Bank's management has close contact with the trade unions at the Bank. Forums for discussion include the Co-determination and Personnel Committee, the Bank's Working Environment Committee and regular contact meetings. Two employee representatives attend Executive Board meetings when administrative matters are on the agenda.



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