

Norges Bank Sustainability and corporate social responsibility 2021



This report is an excerpt from the Executive Board's annual report, which is included in Norges Bank's Annual Report for 2021. Read the full report on www.norges-bank.no

For more details on responsible investment in the Government Pension Fund Global, go to www.nbim.no

Foreword

Sustainable development and climate risk are important issues that Norges Bank must address in the fulfilment of its mission. This report shows the breadth of our sustainability work, as central bank and manager of the Government Pension Fund Global and in the Bank's role as employer and workplace.

Central banks and supervisory authorities have increasingly recognised the importance of climate change and climate risk in recent years. A sound understanding of how climate change and the transition to a low-carbon society affect the economy and the financial system is an important premise for central banks in their conduct of monetary policy and work on financial stability. Norges Bank therefore deepened its engagement with international organisations and other central banks in 2021, including through events such as the workshop on this topic for Nordic central banks hosted by Norges Bank in Oslo in October 2021.

Since 2009, Norges Bank Investment Management (NBIM) has formulated its expectations of how companies in the Government Pension Fund Global (GPFG) investment portfolio should address climate risk. In 2021, we made it clear that companies are expected to have a climate plan that includes emission reduction targets consistent with the Paris Agreement. We also published new expectations of how companies should take account of biodiversity and ecosystems in their business operations. The GPFG has noted an appreciable improvement in company reporting on, and management of, climate risk. Companies in the GPFG portfolio with the highest levels of exposure to climate risk are assessed annually. In the period between 2019 and 2021, we noted that the share of companies demonstrating very sound climate risk management increased from 27% to 50%.

As an investor, the GPFG aims to be an active owner. And it is as an owner the GPFG can exert influence. This does not mean that we should invest in every company. Since 2012, NBIM has divested from 366 companies with business models not considered to be sustainable and where opportunities to influence these companies were minimal. In addition, NBIM has begun to assess the sustainability risk of companies due to enter the GPFG's benchmark index. We believe that this gives us a better picture of

sustainability risk in our portfolio and more opportunities to follow up the actions taken by companies to address it.

Norges Bank further developed its sustainability strategy in 2021. The strategy describes how we will through our governance ensure that sustainable choices are available to our employees and partners on an everyday basis. It also describes how we as an employer will foster a culture of diversity, inclusion and equal opportunities. We have for instance signed up to the Women in Finance Charter, an initiative that was launched to increase the proportion of women in senior managerial roles in Norway's financial sector.

Sound reporting requires transparency about performance, metrics and targets. This has been an important goal for this report, which includes data on everything from the overall carbon footprint of GPFG portfolio companies and Norges Bank's own carbon accounts to data on gender balance and salaries. Progress has been made in some areas, but in others, there is still some way to go. However, we believe transparency is essential if we are to achieve our goal: to promote sustainable development.



A handwritten signature in black ink that reads "Ida Wolden Bache".

Ida Wolden Bache
Governor of Norges Bank



Through its management of the Government Pension Fund Global, Norges Bank is a major investor in global capital markets.

Mission and sustainability strategy

Our work on sustainability and corporate social responsibility is essential for the fulfilment of our mission in line with legislation and society's needs.

Norges Bank's mission is to promote economic stability in Norway and manage the assets in the Government Pension Fund Global (GPFG) with the objective of achieving the highest possible return within the limits of acceptable risk. Norges Bank is committed to maintaining high ethical standards, respecting human rights, being socially responsible and complying with applicable laws and regulations.

Through its management of the GPFG, Norges Bank is a major investor in global capital markets. The Bank can exert most influence on environmental and social conditions and anti-corruption through its responsible investment activities. The Bank engages in responsible management of the GPFG and the foreign exchange reserves through for instance dialogue with the companies in the investment portfolio, voting at general meetings and the exclusion of companies on the basis of established guidelines.

Sustainability strategy

Norges Bank's sustainability strategy is divided into three main areas with specified objectives for each area. The full strategy plan can be found on Norges Bank's website.

Climate change and the environment

- We are committed to reducing emissions from our own operations in line with the goals of the Paris Agreement.
- We will assess and manage climate-related and environmental risks in investment management to promote long-term value creation and be a global leader in responsible investment.
- We will work to improve our understanding about how climate change affects economic developments and stability.

Society and social conditions

- We will promote a culture of diversity, inclusion and equal opportunities.
- We will promote professional development so that staff enjoy their jobs, feel challenged and have the expertise to meet the challenges of the future.
- We will promote human rights and labour rights through our procurement and supply chain management processes.

Governance, ethics and culture

- We will enable our staff and partners to make sustainable choices.
- We will report on our work to promote sustainability in line with best practice.
- We will support the development of standards for well-functioning markets, good corporate governance and responsible business conduct.

Reporting in accordance with Section 3-3c of the Accounting Act

Norges Bank is subject to Section 3-3c of the Accounting Act. We are required to "report what the undertaking does to integrate human rights, labour rights, equality and non-discrimination, social conditions, environmental considerations and anti-corruption work into its business strategies in its day-to-day operations and in relation to its stakeholders". The Bank fulfils this requirement through this report.

The report follows the same structure as the sustainability strategy: climate change and the environment, governance, ethics and culture, and society and social conditions.



Climate change and the environment

Climate change and mitigation measures affect the economy and the financial system and therefore also influence how we work on our core tasks.

[Work on climate change and climate risk at Norges Bank](#)

Global warming is leading to more extreme weather and gradually rising sea levels. The Paris Agreement aims to limit global warming to below 2°C, and preferably no more than 1.5°C. To achieve this, emissions must be substantially reduced. Norway aims to reduce its greenhouse gas emissions by 55% from the 1990-level by 2030 and to be a low-carbon society by 2050. In order to achieve these goals, the economy must be restructured, which requires policy measures, preference changes and investment in technology.

Climate risk refers to risks brought by future physical climate change and transition risks that may occur as we move towards a low-carbon society. Climate risk has long been on the agenda in the management of the GPFG. In recent years, other areas of the Bank have carried out analyses of the impact of climate change on macroeconomic developments and financial stability. Nevertheless, there is still a great deal we do not know about the economic and financial implications of a changing climate. Going forward, strengthening our expertise on climate-related issues will be in focus across all the Bank's tasks and mandates.

The most widely recognised framework for climate risk reporting has been prepared by the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD was appointed by the G20 countries' Financial Stability Board in 2016 and submitted its recommendations in 2017. The recommendations specify how organisations should work

with and report on climate risk and governance. Norges Bank supports the intention of the recommendations and believes that the framework can contribute to more universal and consistent reporting across jurisdictions. Based on the TCFD, the Network for Greening the Financial System (NGFS) has prepared recommendations for central banks. Norges Bank contributed to this work.

In connection with the annual UN Climate Change Conference (COP26), Norges Bank published a statement presenting the Bank's ambitions for its climate-related work.

[Work on climate change and climate risk in central banking operations](#)

A good understanding of how climate change and the transition to a low-carbon society affect the economy and the financial system is an important premise for central banks to be able to conduct monetary policy and promote financial stability in a sound manner.

The NGFS is a network for central banks and supervisory authorities, and Norges Bank became a member in 2018. The network provides a forum for sharing experiences and best practices, performs analyses and designs methods for managing environmental and climate risk relevant to the financial authorities and the financial sector. Norges Bank will continue its close cooperation with international organisations such as the NGFS, BIS, IMF and other central banks to strengthen our common understanding of the macroeconomic effects of climate change.

In 2021, Norges Bank organised a [Nordic workshop](#), “Climate change and central banking – a Nordic perspective”, to share views and experience on how central banks can work with climate-related issues.

Climate change and monetary policy

Measures to reduce greenhouse gas emissions will affect the structure of the economy and thereby the monetary policy stance. In addition, the increased global frequency of extreme weather events generated by climate change may also affect the Norwegian economy and make monetary policy trade-offs more demanding. The policy rate is not suitable as an instrument to mitigate the effects of climate change, but in periods of structural changes and considerable uncertainty owing to climate-related changes, it may be even more important for monetary policy to contribute to price stability and stability in the real economy.

Norges Bank is working to increase our understanding of how climate-related changes affect the Norwegian economy and monetary policy.¹ In 2021, we explored how enterprises in our Regional Network are affected by climate-related changes² and analysed the effect of the climate transition on mainland investment.³ As the climate transition is largely an energy transition, we have also devoted special attention to energy market analysis.⁴

Climate risk and financial stability

An important part of Norges Bank’s mission is to promote a robust financial system.

A rapid and abrupt restructuring could involve a risk to financial stability. The transition to lower greenhouse gas emissions and new regulation entails transition risk for the Norwegian economy in the years ahead. High-emission firms will have the greatest need for restructuring, and banks with large exposures to these firms will thus be most vulnerable to transition risk. Analyses published by Norges Bank in 2021 show that Norwegian banks’ direct exposure to firms vulnerable to higher carbon prices is moderate.

Banks are also exposed to physical climate risk in that exposures can suffer losses as a result of damage. Damage can also affect the value of collateral used to secure a loan. Analyses of real estate held by banks as collateral show that Norwegian banks’ exposure to “known” physical climate risk is low. However, the consequences of future climate change may be far more wide-reaching than is now assumed. Banks should take such risk into account when assessing new exposures.

Going forward, Norges Bank will continue its work to conduct quantitative assessments of climate risk for Norwegian banks and participate in international efforts to develop new reporting requirements. Norges Bank also participates in the NGFS’s workstream on financial stability.

For more information, see the [Financial Stability Report 2021](#).

Climate risk in investment management

Climate risk and the Government Pension Fund Global

The GPFG’s exposure to climate risk derives from the potential impact of climate change on the GPFG’s investments, and how companies and authorities take climate change into account and adapt to it. Managing climate risk is part of the responsible management of the GPFG. This is further described in the section “Responsible management of the Government Pension Fund Global”.

Through contributions to the establishment of standards, investors’ expectations and active ownership, Norges Bank seeks to ensure that the companies in the portfolio are well equipped to manage climate transition risks and opportunities. Over the past two years, Norges Bank has been in dialogue with companies that collectively account for about 54% of the GPFG equity portfolio’s carbon footprint. By divesting from particularly high-emission companies, Norges Bank has reduced its exposure to climate risk.

Norges Bank has analysed the carbon footprint of the companies in the portfolio since 2015. The analysis provides insight into the level of carbon emissions from portfolio companies. The analysis can also shed light on risks and

1 See box in [Monetary Policy Report 1/21](#).

2 See Brekke, Eger and Erlandsen (2021). (In Norwegian only.)

3 See box in [Monetary Policy Report 2/21](#).

4 See Winje (2021), Naug and Winje (2021) and boxes in [Monetary Policy Report 3/21](#) and [Monetary Policy Report 4/21](#).



opportunities across industries. Greenhouse gas emission reporting 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, total emissions for the GPFG's equity portfolio amounted to 90m tonnes of CO₂-equivalents in 2021. Emissions from the companies in the GPFG's equity portfolio were 2% lower than in 2020 and 5% lower than for the benchmark index.

The companies in the GPFG's equity portfolio released about 140 tonnes of CO₂-eq per million USD in revenue. This is referred to as the equity portfolio's carbon intensity. In 2021, it was 4% lower than for the benchmark index.

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

The bond portfolio's carbon intensity is 23% lower than the carbon intensity of the benchmark index. This is mainly because carbon intensity for the industrial companies in the GPFG's portfolio is lower than for the industrials in the benchmark index.

As a large, global and diversified investor, Norges Bank benefits from the interaction across markets, the portfolio and the companies. At market level, Norges Bank supports the TCFD framework and promotes sustainability reporting

in line with recognised standards such as the Sustainability Accounting Standards Board and the Global Reporting Initiative. At the portfolio level, Norges Bank reviews its overall exposure and assesses whether the Bank should divest from companies with particularly high risk, within the limits of the mandate. At company level, Norges Bank follows up whether company boards of directors conduct adequate supervision of climate-related risks and opportunities and companies' climate plans.

Property management

Real estate investments have a longer time horizon than most of the GPFG's other investments. Both rapid onset events such as extreme weather events and more gradual changes such as rising sea levels and flooding can damage the buildings Norges Bank invests in, directly through damage to or closure of buildings or indirectly through negative effects such as higher insurance premiums or altered settlement patterns.

In all the cities where the GPFG has real estate investments, local authorities have legislated specific short- and long-term emission reduction targets. To manage regulatory risk, we measure the emissions from our unlisted real estate investments and work to reduce these emissions. Many of our tenants are international companies aiming to reduce their greenhouse gas emissions. This may motivate them to seek premises in energy-efficient buildings with low emissions. At the end of 2020, 82% of the buildings in our unlisted real estate portfolio had a green building certification.

Going forward, Norges Bank has three clear ambitions for the GPFG's unlisted real estate portfolio: (i) continue to be a global leader in responsible investing, (ii) to increase the share of renewable energy used in the Bank's buildings, and (iii) to prepare Norges Bank's buildings to achieve long-term zero emission goals by working continuously to reduce emissions in the real estate portfolio.

To measure improvement in the management of the real estate portfolio, Norges Bank uses tools such as the global norm for sustainable real estate management, the Global Real Estate Sustainability Benchmark (GRESB). In 2021, the GPFG's real estate portfolio achieved a total score of 84/100, compared with 79/100 in 2020, and outperformed comparable investment portfolios also reporting to the GRESB by 6%.

Another tool is the Carbon Risk Real Estate Monitor (CRREM), which has published emission pathways up to 2050 consistent with the Paris Agreement for various real estate markets. Norges Bank uses this tool to compare the GPFG's real estate portfolio's emissions with the CRREM's emission pathways. For new investments, the Bank also measures historical energy consumption and compares the building's emissions with the CRREM's emission pathways before a decision is made to buy a new building.

Climate risk in the foreign exchange reserves

The foreign exchange reserves consist of a fixed income portfolio and an equity portfolio totalling about NOK 600bn. The main purpose of the fixed income portfolio is to ensure that the foreign exchange reserves are sufficiently liquid for Norges Bank to fulfil monetary policy objectives. The fixed income portfolio therefore consists exclusively of sovereign bonds issued by low-risk countries that are deemed to be sufficiently liquid to fulfil the purpose of the foreign exchange reserves. Climate-related issues will therefore have little impact on the composition of the fixed income portfolio.

The Executive Board has decided that the equity portfolio will be managed according to the same principles and strategies for responsible investment as the equity investments in the GPFG.

Based on the percentage holdings in each company, total emissions for the foreign exchange reserves' equity portfolio

amounted to 0.8m tonnes CO₂-eq in 2021. Carbon intensity, ie emissions in tonnes of CO₂-eq per million USD in revenue, was 115 tonnes of CO₂-eq per million USD in 2021.

Norges Bank has divested from a total of 58 companies in the foreign exchange reserves' equity portfolio based on environmental, social and governance risk assessments. An additional 42 companies were excluded from the foreign reserves' benchmark index and 10 companies were put under observation based on ethical guidelines. No new decisions of this kind were made in 2021.

Impact of Norges Bank's physical operations on the climate and the environment

Carbon accounts

Norges Bank prepares annual carbon accounts for the operation of its own offices. In 2021, several new sources and locations were added. The carbon accounts for previous years have therefore been revised.

Norges Bank's carbon accounts include direct emissions from the use of fossil fuels (Scope 1), indirect emissions from purchases of electricity and heat (Scope 2) and other indirect sources of emissions from purchased goods and services (Scope 3).

Chart 7 Carbon emissions from Norges Bank's physical operations, in CO₂-equivalents by source in 2021

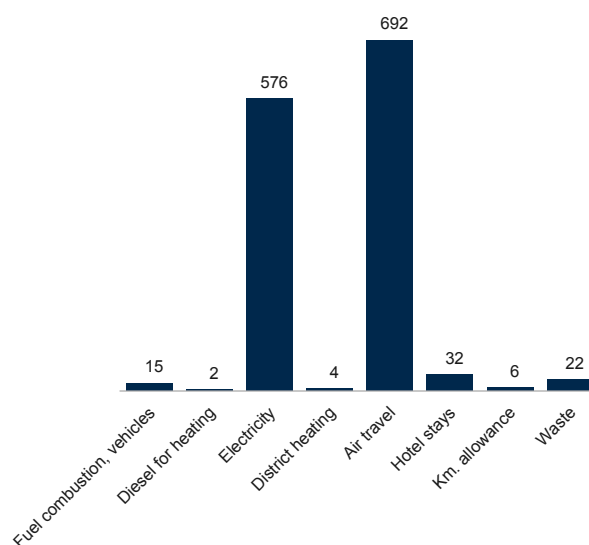


Chart 7 shows emissions in 2021 by emission source. The largest source of emissions was air travel, accounting for 51% of total emissions. Office electricity consumption accounted for 43% of total emissions.

In 2021, Norges Bank's greenhouse gas emissions came to of 1 349 tonnes CO₂-eq. This is an increase of 4% since 2020 and corresponds to 1.4 tonnes CO₂-eq per employee.

The decrease in emissions from 2019 to 2020 is largely related to the Covid-19 pandemic. Travel was still limited in 2021, which contributed to keeping Norges Bank's carbon footprint low compared with 2019.

Norges Bank aims to reduce emissions in line with the ambitions of the Paris Agreement and will work systematically on emission mitigation and reduction measures.

The most important ongoing emission mitigation measures are still the use of video conferencing rather than air travel, the replacement of ventilation units and other technical installations with more energy-efficient alternatives and expanding environmental requirements for all relevant procurements.

A number of climate-related and environmental measures have been implemented in recent years. Recycling has increased with the introduction of centralised recycling stations in office areas. More meeting rooms are now equipped for video conferencing. Disposable food and drink containers have been replaced by greener options at Norges Bank's head office and the largest offices abroad.

The goal is to further develop the carbon accounts over time by including an increasing number of sources, such as emissions from the operation of data centres. Norges Bank requires data centres to be constructed and operated in an eco-friendly manner to ensure efficient resource utilisation and use of renewable sources.

Eco-lighthouse

Norges Bank is certified under the Eco-lighthouse certification scheme⁵. The certification applies to the operation of the Bank's head office at Bankplassen 2 in Oslo and provides access to tools for measuring and improving the Bank's environmental performance.

Norges Bank's physical operations at the Oslo office will be re-certified during the first quarter of 2022, and new criteria for banking and finance developed by Eco-Lighthouse will be included.

Table 2 Annual carbon accounts for Norges Bank for 2019, 2020 and 2021.

Carbon emissions, in tonnes of CO ₂ equivalents		2019	2020	2021	Change 2020–2021
Direct emissions (scope 1)	Fuel combustion, vehicles	20	27	15	-42%
	Diesel for heating	1	3	2	-16%
Indirect emissions, energy (scope 2)	Electricity	772	649	576	-11%
	District heating	4	2	4	156%
Indirect emissions, other (scope 3)	Air travel	8 378	571	692	21%
	Hotel stays	450	20	32	63%
	Km. allowance	11	6	6	10%
	Waste	31	24	22	-11%
Total carbon emissions		9 667	1 300	1 349	4%

⁵ See the Eco-Lighthouse certification scheme (eco-lighthouse.org)

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 in 2016 and submitted its recommendations in 2017. The recommendations specify the information that should be disclosed within four areas: governance, strategy, risk management, and metrics and targets. Norges Bank supports the intention of the recommendations and considers that the framework will promote more universal and consistent reporting across jurisdictions. The following section presents an overview of Norges Bank's status for 2021 in relation to the recommendations in the TCFD framework.

Governance

TCFD requirement: Disclose the organisation's governance around climate-related risks and opportunities, including the role of the Board and management.

Norges Bank's Executive Board has primary responsibility for the strategy process related to climate change and climate risk. Themes related to climate change and the Norwegian economy are discussed by the Monetary Policy and Financial Stability Committee. Norges Bank also has a reference group for climate change and sustainability that is chaired by a deputy governor. The reference group has a key advisory role in the design of the Bank's climate change and sustainability strategy. The strategy, first approved by the Executive Board in 2018, was revised in 2021 to include a broader strategy for sustainability. The new strategy will be integrated into Norges Bank's governance system, implemented by the various departments and specified in action plans.

The Executive Board of Norges Bank has laid down principles for the responsible management of the GPFG, has oversight over the GPFG's strategy and reviews the annual reporting on responsible management.

The Ministry of Finance has established guidelines for the observation and exclusion of companies from the GPFG based on companies' products or conduct. The Council on Ethics, an independent body established by the Ministry of Finance, and Norges Bank are responsible for following up on these guidelines. Norges Bank's Executive Board decides which companies to observe or exclude from the GPFG based on recommendations from the Council on Ethics. By not investing in such companies, we reduce the Bank's exposure to unacceptable risk, including climate risk.

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. The same principles and process for responsible investment management are applied in the management of the equity portfolio of the foreign exchange reserves.

Strategy

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

Norges Bank's sustainability strategy sets out how the Bank will assess and manage climate-related and environmental risks in its investment management in order to promote long-term value creation and be a global leader in responsible investment management. Climate change is one of many risk factors affecting the management of the GPFG and the foreign exchange reserves. The GPFG is a broadly diversified and market-weighted portfolio and will generally have the same financial climate risk profile as the underlying markets and sectors it is invested in. The GPFG also has dedicated environment-related investment mandates.

Norges Bank's investments will be well positioned to face climate change, and the Bank will integrate climate and environmental considerations further in the investment process. Norges Bank places particular weight on developing strategies to analyse and manage climate risk and on being a driving force for effective reporting standards for climate risk.

The strategy also calls for an increased understanding of the effects of climate change on economic developments and stability and for the further development of analyses examining climate-related impacts.

Risk management

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

In 2021, Norges Bank continued its efforts to increase its understanding of climate risk in the organisation. A suite of complementary tools is used to identify and assess climate risk to which the GPFG is exposed. An assessment of climate change as a financial risk to the GPFG was presented in a paper published in August.

The GPFG's equity portfolio has been stress-tested against the Paris Agreement goals. Using tools such as the Climate Value-at-Risk MSCI-tool, climate scenarios have been constructed for temperature rises of 1.5°C, 2°C and 3°C in the period to 2080. When today's equity portfolio is stress-tested against these scenarios, we find that the point estimates for long-term losses are between 1% and 9%, or between NOK 100bn and NOK 800bn, respectively, given the current value of the GPFG. There is considerable uncertainty surrounding each of the point estimates, and actual outcomes may be very different. More detailed information can be found in the *Responsible Investment Government Pension Fund Global* report.

The carbon footprint of the GPFG and the carbon intensity of investments are estimated annually and carbon emission profiles for all the portfolio companies are analysed. In 2021, for instance, 1 500 analyses were conducted of the reporting by portfolio companies in climate-exposed

industries to assess whether these companies were equipped to manage climate risk. For more detailed information, see the section on responsible investment in the GPFG.

Climate risk is discussed in the *Financial Stability Report 2021*, which presents a quantitative assessment of Norwegian banks' climate risk. Borrowers that are not resilient to climate change and the transition to a low-carbon economy pose a risk to the banking sector. Norwegian banks must be prepared for the potential impact of climate change and climate policy measures on their exposures.

Metrics and targets

TCFD requirement: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Norges Bank has measured and published the carbon footprint of the GPFG's equity portfolio since 2015. We follow the TCFD's recommendations for asset managers when we calculate the GPFG's carbon footprint and the carbon footprint of the foreign exchange reserves equity portfolio. As the understanding of the implications of climate change for financial investments develops further, the GPFG will explore how specific climate-related targets can contribute to the efficient management of these risks. For more information, see the section on responsible management of the GPFG and the responsible investment report.

Norges Bank follows up and measures carbon emissions from its own physical operations. For more details, see Norges Bank's carbon accounts on page 11.



Corporate governance, ethics and culture

Norges Bank is committed to maintaining high ethical standards, respecting human rights and being socially responsible. The Executive Board has laid down ethical principles for the Bank's employees and principles for responsible investment.

Responsible business conduct

Norges Bank's Executive Board has laid down ethical principles designed to foster a common attitude towards ethical issues among all Norges Bank's employees. The principles state that the Bank must maintain a high level of ethical standards, respect human rights, be socially responsible and comply with applicable laws and regulations. The rules include employees' own-account trading, activities outside the bank, gifts, and loyalty to the bank in general.

The Ministry of Finance has laid down its own rules on impartiality for members of Norges Bank's Executive Board and members of the Monetary Policy and Financial Stability Committee. The Executive Board has adopted its own supplementary rules on, among other things, impartiality and restrictions on own-account trading for the external members of these two bodies.

Norges Bank has zero tolerance for all forms of corruption. An anti-corruption framework and programme have been established that includes executive-level support, risk management, ethical rules, processing of whistleblower reports, procurement procedures, background checks of staff and suppliers, financial reporting and systematic training and controls. In 2021, 519 of NBIM's operational support employees took part in training focused on handling conflicts of interest and anti-corruption. There were no confirmed incidents related to corruption in 2021.

Norges Bank attaches considerable importance to training and raising awareness of the most important ethical risk

areas. Measures include one-to-one training and introductory courses on dilemma training, annual tests and confirmation of test completion from all employees, and a dedicated training programme for all new employees.

The Executive Board has laid down principles for internal whistleblowing on misconduct at Norges Bank. Whistleblowing procedures have been established so that Bank staff and employees of the Bank's suppliers can report unethical or illegal behaviour anonymously. All whistleblowers are to be treated in an appropriate manner, in accordance with the case processing rules for whistleblowing and external and internal whistleblowing requirements, and without the risk of retaliation against the whistleblower. In 2021, two whistleblowing cases were reported.

Responsible management of the Government Pension Fund Global (GPFG)

The GPFG is a responsible investor. The Executive Board has laid down principles for responsible investment management at Norges Bank. The objective of the management of the GPFG is to achieve the highest possible return within the limits of acceptable risk. Responsible investment management supports the GPFG's objective in two ways: first, by promoting long-term value creation, and second, by reducing the financial risk associated with the environmental and social practices of the portfolio companies.

The management mandate requires work on responsible investment to be integrated into the management of the GPFG. The GPFG's mission is to safeguard and develop

financial assets for future generations. The GPFG's long-term return depends on sustainable growth, well-functioning markets and good corporate governance. The Bank's work on responsible investment can be divided into three main areas: the market, the portfolio and the companies.

Market

The GPFG is a global fund. It owns a small part of more than 9 000 listed companies worldwide and relies on global solutions to solve common challenges such as climate change.

Norges Bank contributes to the development of relevant international standards. The Bank participates in consultations and has regular contact with international organisations and regulators in the most important markets. In 2021, Norges Bank participated in 14 public consultations related to responsible investment management. All consultation responses are published on the GPFG's website www.nbim.no. The consultations concern important issues such as good corporate governance, climate-related reporting and responsible business conduct.

Norges Bank supports initiatives where companies or investors join forces to find common standards for sustainable business conduct. Such initiatives work best when several companies in one industry or value chain face the same challenge.

Since 2008, Norges Bank has formulated clear expectations of portfolio companies on how they address relevant global challenges in their operations and how boards of directors should establish appropriate strategies, control functions and reporting procedures. Expectations form the basis for dialogue with the companies, and the companies' work is measured against these expectations on an annual basis. In 2021, Norges Bank presented new expectations on how companies should take biodiversity and sustainable use of ecosystems into account in their business activities. Expectations concerning climate change and children's rights were also updated through the year. As part of Norges Bank's work on nature-related issues and biodiversity, NBIM became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) in 2021. The TNFD was launched in June 2021 as an industry initiative aimed at

developing a framework for reporting and managing nature-related risks.

In addition, Norges Bank published a new position paper on board diversity. Diversity gives the board of a company other perspectives and different approaches that can contribute to better decisions. Board diversity can also strengthen the credibility of the company. The board should have a formal nomination process to identify potential candidates who can contribute to diversity. Boards where each gender is not represented by at least 30% should consider setting targets for gender diversity and report on progress towards this goal.

Portfolio

Norges Bank assesses corporate governance and sustainability in order to gain a better understanding of risks and opportunities in the GPFG's investments. The Bank monitors how the portfolio is exposed to risks and identifies industries and companies for further follow-up.

Norges Bank encourages companies to move from words to numbers in their reporting to provide a better understanding of financial opportunities and risks. Performing analyses requires relevant, comparable and reliable data on environmental, social and governance conditions. The Bank analyses carbon emissions from companies in the portfolio and various climate scenarios for the GPFG.

Norges Bank annually assesses companies' reporting on governance structure, strategy, risk management and objectives based on the GPFG's published expectations of portfolio companies. Norges Bank completed a total of 4 196 such assessments in 2021, comprising 1 500 assessments of reporting on climate change, 701 on human rights, 500 on children's rights, 500 on water management, 250 on anti-corruption and on sustainable use of marine resources, 268 on deforestation, 200 on tax and 27 on biodiversity.

The companies assessed accounted for 75.8% of the equity portfolio's market value at the end of the year. Companies with poor or limited reporting are contacted and encouraged to improve their reporting by, among other things, participating in established reporting initiatives. In 2021, letters were sent to 110 companies about their reporting across the expectation areas.

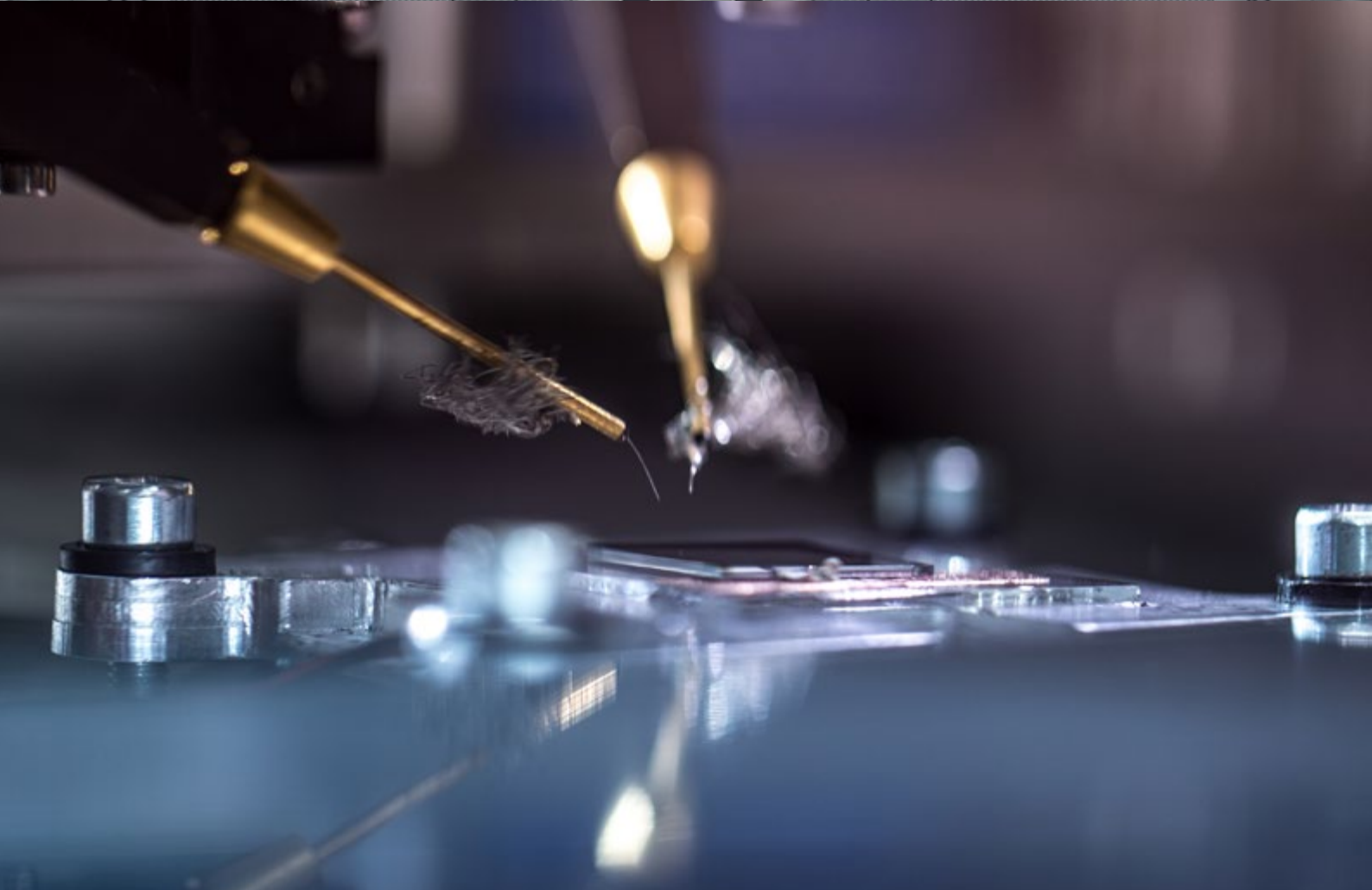
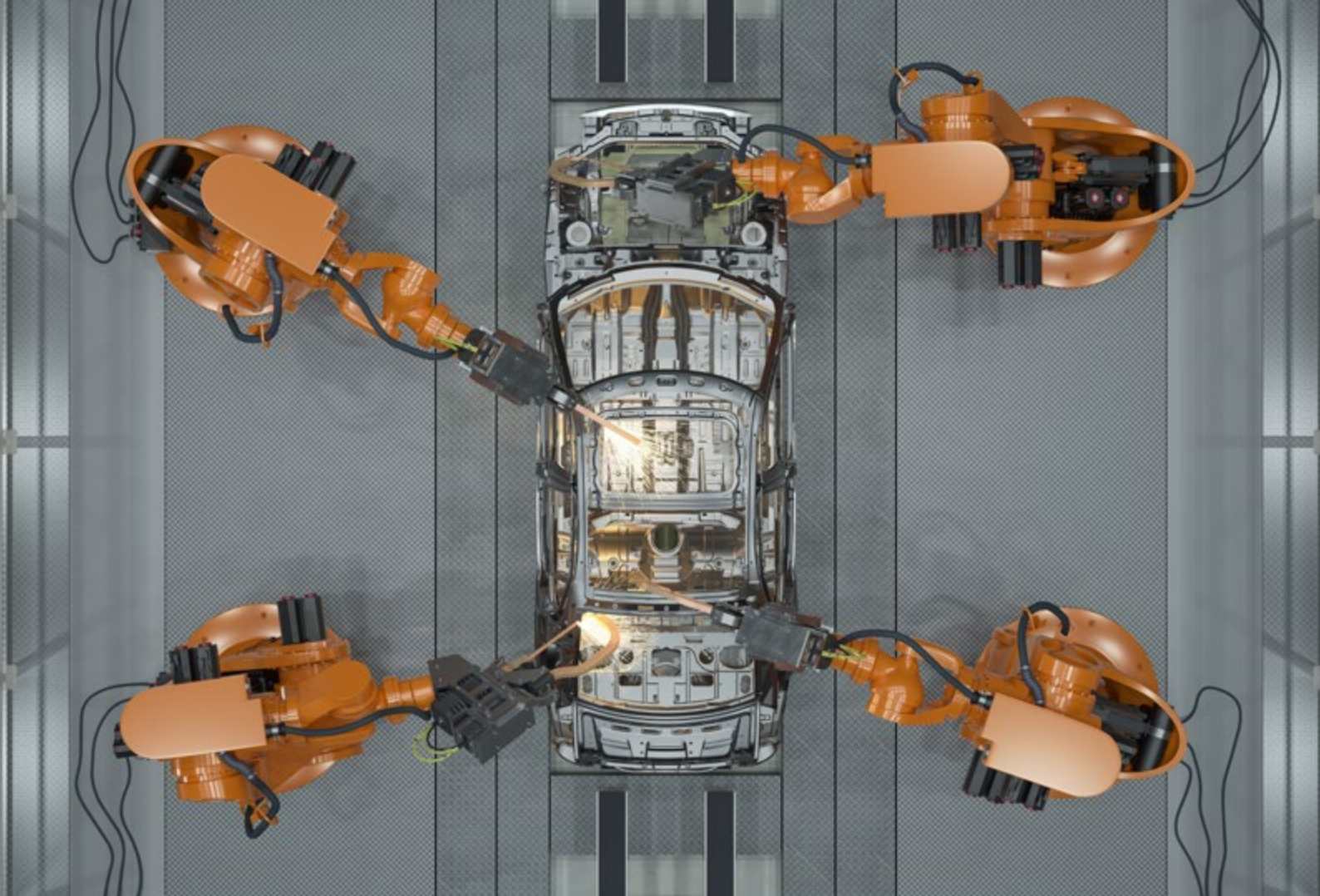
A larger improvement was observed on average among the companies contacted about poor sustainability reporting in 2021 than among those that were not contacted. The companies contacted improved on average by 11.9 percentage points. Overall, the companies improved by 4.7 percentage points. The companies that improved most were contacted about climate change, human rights and the sustainable use of marine resources and those that improved least were contacted about water management, tax and transparency. Overall, an improvement was observed in 64.9% of the companies contacted.

Norges Bank has three main approaches to identifying and managing risks associated with environmental, social and governance issues in the portfolio. The first is pre-screening companies due to enter the GPF's benchmark index for equities. The second is continuous monitoring of companies in the portfolio through daily analyses of news reports, as well as more in-depth thematic analyses of specific markets and sectors. The third approach is conducting annual due diligence on the portfolio companies, assessing them against the expectations Norges Bank sets for sustainability.



Norges Bank assesses corporate governance and sustainability to gain a better understanding of risks and opportunities in the GPF's investments.

Carine Smith Ihenacho, Chief Governance and Compliance Officer at Norges Bank Investment Management.



When Norges Bank identifies high-risk companies, further analyses are conducted to assess whether dialogue should be initiated with the company, the Bank's voting should be changed, or whether the company should be considered for risk-based divestment.

In emerging markets, the GPFG can also benefit from external managers' in-depth knowledge of the markets, industries and companies in which the GPFG is invested. This is especially important as it can often be more difficult to obtain relevant company data in emerging markets.

Norges Bank identifies long-term investment opportunities by analysing companies' activities and impacts on the climate and the environment and sees potential in companies that contribute to a greener economy. These investments can have positive ripple effects for other companies and society as a whole, such as lower emissions, lower energy costs and more efficient use of resources. Companies producing such technology will be able to take advantage of changes in demand and market regulation. The GPFG invests in such companies for instance through environmental mandates that are managed internally.

At year-end 2021, the GPFG had invested NOK 107.7bn in shares in 86 companies through the environmental mandates. This resulted in a return of 21.6% in 2021. Since the GPFG's inception in 2010, the annualised return on equity investments has been 10.4%.

The GPFG invests in three main types of environmental activity, and at least 20% of a company's operations must be in one of these in order for the company to be included in the GPFG's environmental investment universe: 1) low-carbon energy and alternative fuels, 2) clean energy and energy efficiency and 3) natural resource management.

Norges Bank can divest from companies in order to limit the GPFG's exposure to unacceptable risk. This applies in particular to activities that inflict substantial costs on other companies and society as a whole and that are therefore not sustainable in the long term. Risk-based divestment may be appropriate if the GPFG considers that the company poses particularly high long-term risk, if the GPFG's investments are not substantial and if active ownership is not regarded as an appropriate tool.

In 2021, Norges Bank divested from 52 companies following risk assessments related to environmental, social and governance issues. The GPFG has divested from a total of 366 companies since 2012. Risk-based divestments have contributed positively to the cumulative return on equity investments by about 0.44 percentage point, or 0.02 percentage point annually, since 2012.

Companies

As a long-term investor, the GPFG is in regular dialogue with the largest companies to promote good corporate governance and responsible business conduct. The GPFG held a total of 2 628 meetings with 1 163 companies and had written contact with 486 companies in the portfolio in 2021. The size of the GPFG's investments provides access to board members, senior executives and specialists in the companies. 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 portfolio companies in writing.

Voting is one of the most important tools the GPFG has as a shareholder to safeguard the GPFG's assets. At the end of 2021, the GPFG held a stake in 9 338 companies worldwide.

Norges Bank voted on 116 525 matters at 11 601 general meetings in 2021. The GPFG voted in line with the board's recommendation in 95.2% of matters and 72.9% of general meetings. This was on a par with the Bank's voting in 2020. The GPFG aims to be consistent and predictable in its voting at companies' general meetings so that the voting decisions made can be explained with reference to the GPFG's principles and so that companies can understand why the GPFG votes as it does. The voting guidelines are publicly available.

In 2021, the GPFG began publishing its vote five days before general meetings. The GPFG's voting intentions are available on the website, www.nbim.no. Users can search for individual companies or download the full dataset of the GPFG's votes since 2013 and get daily updates on voting intentions five days before a company's general meeting.

The Ministry of Finance has laid down guidelines for the observation and exclusion of companies from the GPFG based on the companies' products or conduct. The Council on Ethics and Norges Bank are responsible for following up these guidelines. The Council on Ethics is an independent body established by the Ministry of Finance. Decisions concerning 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. By not investing in such companies, the GPFG reduces its exposure to unacceptable risks that could undermine the GPFG's credibility. In 2021, Norges Bank excluded 12 companies, placed three new companies under observation and decided to exercise active ownership in the case of one company. In addition, the Bank revoked the exclusion of five companies and ended the observation of four companies. Further details on responsible investment can be found in the Bank's *Responsible Investment Report*.



Society and social conditions

Norges Bank's employees are the heart of the organisation. The Bank aims to have a working environment of mutual respect, where it is safe to share and challenge each other's views and where there are equal opportunities for everyone.

Norges Bank works systematically to attract and recruit top candidates from leading national and international institutions. The Bank promotes continuous career development, including through targeted courses and study programmes. To further develop the organisation, the Bank aims to achieve gender balance and to actively make use of the advantages provided by a high degree of diversity in the workforce.

At year-end 2021, Norges Bank had 940 permanent employees. Of these, 519 were in Norges Bank Investment Management (NBIM), 264 in Norges Bank Central Banking Operations (NBCBO) and 150 in Norges Bank Administration (NBA). In addition, seven employees worked at the Office of the Supervisory Council. The Bank has employees from a total of 33 nations and offices in Oslo, London, New York, Singapore and Shanghai.

Equality and diversity

Norges Bank aims to be recognised as a leading institution in its fields of expertise and believes that increased diversity and inclusion make us better. We believe that diversity promotes a wider range of perspectives, increased creativity and better decisions.

The Bank seeks diversity in the form of knowledge, experience and perspectives by hiring across nationalities, gender, age, background and education. In order to strengthen this work, a diversity and inclusion initiative was established across the Bank's operational areas in 2020. Collaboration with external organisations and networks provides a valuable exchange of experience and the

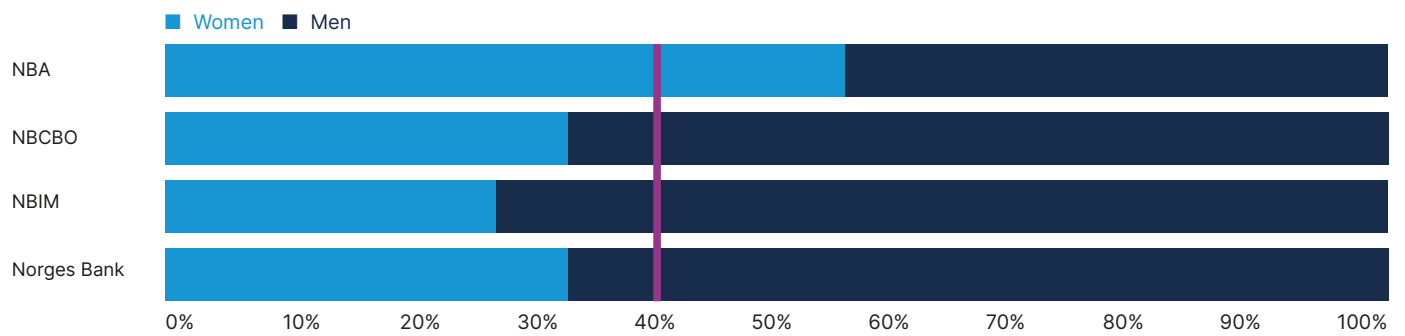
opportunity to learn from the best. Various activities and initiatives focusing on diversity and inclusion are undertaken annually, including celebrating International Women's Day and Pride, as well as events in connection with World Mental Health Day.

The main areas for measures to promote diversity are reputation management, recruitment, career development, flexibility and the working environment.

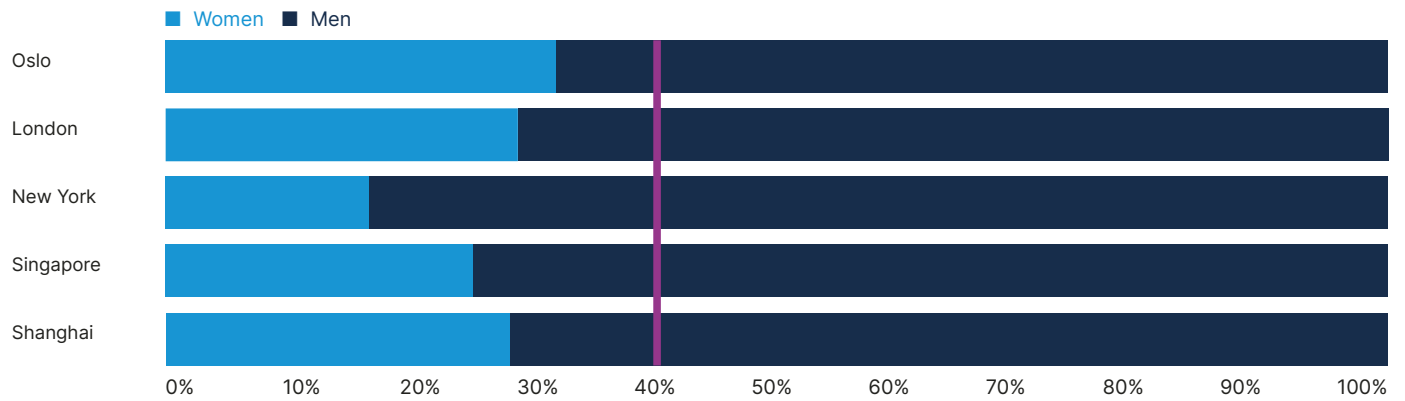
The Bank works systematically to ensure greater diversity in the recruitment process, both among participants in the process and the candidates invited for interview. Job advertisements are designed to attract more diverse candidates, and external recruitment agencies are required to comply with diversity recruiting requirements. Checkpoints have also been established in the hiring process to ensure that applicants are treated on an objective and fair basis, as well as guidelines for wage determination and wage reporting to ensure gender equality.

In 2021, the Bank worked to raise its profile among students and school pupils through the Knowledge Centre and through corporate presentations and lectures, with a particular focus on technology students. Through the Norges Bank Teaching Initiative and NBIM Teach, Bank staff give series of lectures in economics and finance at universities. In addition, a nationwide case competition is held annually for students interested in macroeconomics and the central bank's core tasks. This contributes to increased understanding of and interest in the Bank's tasks

Gender balance by operational area



Gender balance by office



and builds public trust. The Bank pursues a conscious strategy to highlight the important role played by female staff in the Bank by ensuring that they are well represented at all events.

In 2021, NBIM re-established its graduate program and established a summer internship program. These attract a wide range of employees. For 2021, the proportion of women offered a place on these programmes was 67% for the graduate program and 40% for the internship program. All employees who participated in the selection process for the programmes were given training in diversity awareness in recruitment.

Norges Bank works systematically to achieve gender balance and to bring the share of each gender to at least 40% in the Bank as a whole. The share of women in Norges Bank at year-end 2021 was 34%, an increase from 33% in 2020 and 32% in 2019.

The proportion of female staff in NBIM was 27%, an increase from 25% in 2020. In recent years, efforts have been made to increase the proportion of women in NBIM. In 2021, 42% of new hires were women, which shows that the strategic work to promote gender balance in recruitment has yielded results.

As part of the Bank's efforts to strengthen the gender balance, Norges Bank signed the Women in Finance Charter in 2021, whose purpose is to increase the proportion of women in leading positions in Norway's financial sector. Then Deputy Governor, now Governor, Ida Wolden Bache is the Bank's representative. By signing the Charter, Norges Bank has committed to:

- setting internal targets for gender balance in leadership and senior positions
- selecting one member of the management team to have dedicated responsibility for gender balance and inclusion
- publishing status and progress reports on the Bank's website
- having an ambition for progress towards the targets to be reflected in leadership remuneration.

Salary and compensation schemes

The Executive Board sets the limits for the Bank's pay and compensation schemes and monitors how they are put into practice. The wage level is expected to be competitive, but not industry-leading.

Salaries are set on an individual basis and reflect the position holder's level of responsibility, tasks, qualifications, experience and performance. Tables 3 to 5 show the Bank's breakdown of the gender balance, fixed salaries and total pay in different job categories at the end of 2021 for permanent employees at the head office. All employees involved in investment decisions are eligible for performance pay irrespective of gender. For data protection reasons, there must be at least five of each gender in a job category to be able to publish pay data. There are too few women in the top categories at NBIM to publish pay data. In the service category, there are too few men. The tables do not include performance pay as there are too few women with performance pay in each category.

Tables 3 to 5 show that there is variation across the operational areas and job categories. Differences in salary between women and men at the executive level, particularly in NBIM, largely reflect the predominance of men in investment management positions. These positions generally offer higher salaries in the market. The differences in pay between men and women at the senior level, particularly in investment management, partly reflect the shorter seniority of women in executive positions. The gender balance reflects the fact that fewer women than men apply for executive positions in the Bank and for positions in the financial sector in general. At the end of the year, the gender balance for the two lowest job categories was in line with the targets in all parts of the Bank. The Bank will step up its efforts to promote women in middle management positions and its efforts to recruit female candidates from the external market.

Table 3 Gender balance and salaries in different job categories at Norges Bank.

Norges Bank	Median fixed salary		Share of employees		Wage gap – women's pay as percentage of men's pay
	Men	Women	Men	Women	
Department Director	1 686 000	1 573 000	76%	24%	93%
Head of Section	1 410 000	1 258 000	68%	32%	89%
Special Advisor	1 204 000	1 080 000	71%	29%	91%
Senior Advisor	945 000	900 000	65%	35%	95%
Advisor	700 000	707 000	51%	49%	101%
Executive Officer	713 000	718 000	47%	53%	101%



Table 4 Gender balance and salaries in different job categories in Norges Bank Central Banking Operations and Norges Bank Administration.

NBCBO and NBA	Median fixed salary		Share of employees		Wage gap – women's pay as percentage of men's pay
	Men	Women	Men	Women	
Department Director	1 511 000	1 502 000	74%	26%	99%
Head of Section	1 166 000	1 187 000	60%	40%	102%
Special Advisor	1 081 000	1 076 000	63%	37%	100%
Senior Advisor	886 000	845 000	58%	42%	95%
Advisor	647 000	669 000	42%	58%	103%
Executive Officer	713 000	718 000	47%	53%	101%

Table 5 Gender balance and salaries in different job categories in Norges Bank Investment Management.

NBIM Oslo	Median fixed salary		Share of employees		Wage gap – women's pay as percentage of men's pay
	Men	Women	Men	Women	
Head of Section	1 525 000	1 450 000	76%	24%	95%
Special Advisor	1 355 000	1 175 000	86%	14%	92%
Senior Advisor	1 000 000	975 000	73%	27%	99%
Advisor	745 000	745 000	62%	38%	100%



Norges Bank wants to ensure that our colleagues enjoy their jobs. feel challenged and have the relevant expertise to meet the challenges of the future.

Career development

The Bank works to raise awareness among managers of the importance of ensuring variation in background and experience among employees and giving employees challenging tasks that qualify them for more senior positions. In order to achieve the desired gender balance and retain female staff in the organisation, the Bank is working to ensure equal opportunities for career development, especially in investment and technology. Promotions are discussed in management groups to ensure diversity and equal treatment across areas.

The Bank has a scheme whereby employees gain experience by working temporarily in other departments or locations in Norges Bank, or at other central banks and relevant institutions, to allow employees to gain experience from similar organisations nationally and internationally.

Flexibility

Norges Bank has increased its focus on flexible workdays to make it more attractive for employees to take on new roles at a higher level. In 2021, a trial scheme was introduced offering staff the opportunity to work from home for up to two days a week. The Bank also facilitates a gradual transition to retirement when requested by an employee and can engage retired staff on a temporary basis, thereby retaining experienced staff and allowing them to continue to participate in working life after retirement.

Norges Bank offers gender-neutral parental leave of 16 weeks on top of 10 weeks of maternity leave for employees at all the Bank's offices abroad. This is a broader scheme than is required by law in the countries where the Bank has offices.

Table 6 shows the share of temporary employees, employees on parental leave and part-time employees in Oslo.

In 2021, Norges Bank has worked with the trade unions to update agreements and harmonise the working conditions in the Bank in line with Strategy 2022 – One Bank. In this year's collective wage negotiations, Norges Bank, the Finance Sector Union of Norway and non-unionised employees in NBA negotiated a revised agreement, which entails changes in working hours (37.5 hours excluding the lunch break) and wages. Similar terms were agreed on by the Federation of Norwegian Professional Associations and non-unionised staff in NBCBO in autumn.

Health, safety and the environment

Norges Bank aims to have a positive and inclusive working environment characterised by a spirit of cooperation. We want to ensure that our colleagues enjoy their jobs, feel challenged and have the relevant expertise to meet the challenges of the future. The Bank conducts an annual staff survey and shorter pulse surveys as necessary to measure employee engagement, well-being and health, as well as to identify discrimination and undesirable behaviour.

Owing to the Covid pandemic, most of Norges Bank's employees worked from home for some of the time in 2021. Norges Bank took steps to provide solid support for employees and managers in a challenging situation. With flexibility and good IT solutions, this arrangement has continued to work well. The Bank's health service has provided ergonomics support for those working from home in order to reduce the risk of musculoskeletal disorders. The Bank also offers a wide range of fitness activities and has

Table 6 Share of employees in Oslo in temporary positions, on parental leave or working part-time.¹

	Men	Women
Temporary employees	3.1%	2.9%
Part-time employees	0.6%	1.1%
Average number of weeks of parental leave	13	18

¹ Figures show the average number of weeks of parental leave taken in 2021 and not the total weeks of leave taken by the individual employee.

provided facilities to enable employees to cycle to work. In the ongoing upgrade of the head office, the focus is on improving the indoor climate and increasing flexibility.

The Bank's safety representatives carry out the important work of safeguarding the interests of employees in matters relating to the working environment. The safety representatives are consulted in the planning and follow-up of measures relevant to the working environment.

Five workplace accidents or injuries directly relating to work at Norges Bank's office premises or conference and holiday

facilities were reported in 2021, none of which needed to be reported to the Norwegian Labour Inspection Authority as occupational injuries.

Sickness absence and inclusion in the workplace (IA)

Sickness absence at the Bank remained stable at a low level of 1.7% in 2021. This is stable compared with 2020. The IA agreement for 2019–2022 now covers all workplaces in Norway and underpins the efforts to prevent sickness absence. The Bank has continued its 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 service to obtain other accommodations than normally provided in the Bank's offices in order to prevent sickness absence resulting from remote working. The Bank accommodates older employees to enable them to extend their professional careers in line with national objectives.

In the staff survey for 2021, there was a particular focus on the psychosocial working environment and factors that contribute to a positive and inclusive working environment. For employees and managers in the New York office, a mandatory course on bullying and harassment is conducted annually.

The Working Environment Committee, which consists of representatives of both management and employees, assesses the working environment and the climate of cooperation at the Bank as positive.

Working with the 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.

In 2021, the Confederation of Vocational Unions (YS) and the Employers' Association Spekter negotiated a new main agreement on behalf of the Bank and its employees. A new point in the agreement states that to promote sustainable development, climate- and environment-related measures in the Bank will be included in the cooperation between the Bank and the unions.

This means that Norges Bank must involve and discuss measures to promote sustainable development in the Bank with the trade unions and employees. In addition, environmental accounts must be submitted to the union representatives.

Responsible procurement and supply chain management

Norges Bank procured goods and services totalling approximately NOK 3.9bn in 2021. The largest procurement categories are external management services, IT system development and operation, and goods and services related to the operation of offices. This places a responsibility on Norges Bank as a responsible procurer. It is important that the Bank takes an active role in all its procurements to promote respect for human rights and the environment in its supply chain.

Norges Bank is subject to public procurement regulations and is responsible for specifying requirements for wage and working conditions pursuant to the regulations relating to wage and working conditions in public contracts. Suppliers and any subcontractors must upon request be able to document compliance with wage and working conditions. In 2021, 26 controls were carried out among the Bank's suppliers. One violation was found, where the wages paid were lower than the negotiated minimum. The wage was subsequently corrected by the supplier. The Public Procurement Act includes a requirement that limits the number of tiers in the supply chain for procurement from sectors with a high incidence of work-related crime, such as construction and cleaning services. Norges Bank accepts no more than two tiers of subcontractors. All suppliers with access to the Bank's premises or systems are responsible for ensuring that personnel performing services or work for Norges Bank are aware of the ethical rules.

Norges Bank also wants a responsible and sustainable supply chain and sets environmental requirements for procurements where relevant.

The management of the GPFG requires specific insight into markets around the world. In emerging markets, the GPFG mostly uses external managers. Sustainability risk is inherently higher in some of these markets. Managers are required to take environmental, social and governance factors into account in their investment activities. This is followed up as part of the GPFG's annual assessment of managers. In addition, managers' approach to corporate social responsibility is assessed as part of the selection process.

Based on common procurement guidelines, Norges Bank further developed a comprehensive framework for supply chain management across the Bank in 2021. This will be implemented in 2022 and may contribute to even better assessment and follow-up of existing and new suppliers.

Cooperation and initiatives

International cooperation

Norges Bank engages in extensive international cooperation. In addition to formalised international cooperation, Norges Bank has regular contact with the Nordic central banks, the European Central Bank and other central banks for information- and knowledge-sharing.

In its management of the GPF, Norges Bank supports initiatives whereby companies or investors join forces to find common standards for sustainable business conduct. Such initiatives work best when many companies in a particular industry or value chain face the same challenges. Our initiatives look at challenges such as supply chain management and reporting.

We support and initiate research projects to understand and contribute to better market standards. We work with academic institutions to learn from the latest research and obtain analyses that may be relevant to our investment strategy, our risk analyses and ownership. In 2021, we supported two research projects about climate risk and three projects on corporate governance and ownership structure. We initiated a pilot project headed by Saphira Rekker at the University of Queensland Business School to compare the different methods used to measure long-term transition risk related to climate change.

International Monetary Fund (IMF)

Norges Bank manages Norway's rights and obligations related to Norway's participation in the IMF. The governor of Norges Bank is the Norwegian government's representative on the IMF's highest decision-making body, the Board of Governors. The main source of financing for IMF loans is member countries' quotas, which all member countries are obligated to pay to the IMF. Norges Bank has a standing obligation to make foreign exchange available in an amount equivalent to Norway's quota to finance IMF lending. Norges Bank also makes foreign exchange reserves available to the IMF in the form of agreed drawing rights. By agreement,

Norges Bank advises the Ministry of Finance on Norway's position on matters submitted to the IMF's Executive Board.

Technical assistance for the Bank of Mozambique

Norges Bank has since 2017 provided technical assistance for the Bank of Mozambique with the aim of modernising the central bank's functions. The assistance covers all aspects of central banking and is provided in collaboration with the IMF and funded by the Ministry of Foreign Affairs.

Bank for International Settlements (BIS)

Norges Bank is co-owner of the BIS, whose main task is to foster cooperation among central banks. The BIS provides banking services for central banks, prepares analyses and statistics and organises meetings and discussions between member central banks. The governor of Norges Bank regularly takes part in BIS meetings. In 2021, the BIS Innovation Hub Nordic Centre was established in Stockholm, a collaboration between the BIS and the central banks of Sweden, Norway, Denmark and Iceland. The centre will focus in particular on analysing financial innovations important to central banks.

Network for Greening the Financial System (NGFS)

Norges Bank has been a member of the NGFS since December 2018. The NGFS is a network for central banks and supervisory authorities that aims to increase knowledge about how financial authorities and the financial sector can take climate risk and the environment into account.

Participation in EU supervisory work

Norges Bank is a member of the European Systemic Risk Board (ESRB) but without the right to vote. The ESRB identifies and analyses threats to financial stability in the EU and seeks to limit systemic risk by providing recommendations on good policy and issuing warnings about adverse developments. Norges Bank also participates without voting rights at the meetings of the European Banking Authority, the European regulatory authority for banking supervision.

Financial Stability Board (FSB)

Norges Bank's executive management, the Ministry of Finance and Finanstilsynet participate in the FSB's Regional Consultative Group for Europe, which is a group for the exchange of information and views between European countries within and outside the G20. The FSB is a G20

body that prepares analyses and assessments of financial conditions to be included in the various G20 processes.

Nordic-Baltic cooperation on financial market issues

Norges Bank participates in the Nordic-Baltic Macroprudential Forum (NBMF) and in the Nordic-Baltic Stability Group (NBSG). In the NBMF, central banks and supervisory authorities discuss issues related to systemic risk and cross-border banking in the region. The NBSG's main task is to strengthen crisis management preparedness in order to deal with cross-border threats to financial stability in the region. The Nordic finance ministries also participate in this group.

A transparent central bank

Norges Bank is committed to being a transparent central bank. Broad knowledge of the Bank's work, tasks and responsibilities is important for building public trust. The ambition is to be transparent about the management of the GPFG within the limits set by a prudent implementation of the management mandate. Norges Bank has extensive contact with all parts of society.

Talks and lectures were given priority throughout 2021. The executive management and experts in their field in the GPFG and the central bank have given a number of digital lectures for different target groups.

Particular efforts were made to reach students and younger target groups. In addition, the Bank visits all the regions of Norway every year. The Bank participated once again in KÅKÅnomics, an annual Nordic economics festival held in Stavanger. And the Bank was represented for the first time at Arendalsuka, an annual week of events for leaders in politics and business, the media and the public held in Arendal, with events related to the GPFG, NBCBO and the Knowledge Bank.

Through the Norges Bank website and the NBIM website, the Bank seeks to communicate clearly and accessibly with both the Norwegian people and international target groups. Norges Bank always strives to share information of potential interest to the general public and publishes a number of reports and publications on topics within the fields of economics and finance. In 2021, Norges Bank began publishing the GPFG's votes five days before companies' general meetings. The Bank does this to be transparent about its preferences as owner and for markets to gain a better understanding of the Bank's views.

Social media and the Norges Bank blog are an important part of Norges Bank's transparency strategy. The Bank further strengthened the use of such channels in 2021 and is now reaching out to younger target groups and professionals.

Norges Bank's research department is a link between the Bank and academia. Researchers at Norges Bank had extensive contact with researchers from universities and other central banks in 2021 through joint research projects and presentations of ongoing work at national and international conferences and seminars. In 2021, researchers at Norges Bank had 16 articles approved for publication in peer-reviewed journals.

The Norwegian Finance Initiative (NFI) was established by Norges Bank to promote financial economics research and education. The NFI presents an award for best master's thesis and awards a publication bonus for outstanding research to faculty members in financial economics, as well as offering a PhD scholarship program and co-funding professorships. The programme was renamed the Norges Bank Academic Programme in 2022 and now provides support within both macroeconomics and financial economics.

Verification

Norges Bank's auditor, Deloitte AS, has carried out an independent review of the information on responsible investment management and the effects of climate change.

To the Supervisory Council of Norges Bank

Independent auditor's assurance report on the information on responsible investment management and on climate impact

We have been engaged by the Supervisory Council of Norges Bank to provide limited assurance in respect of the sections "Climate risk and the Government Pension Fund Global" and "Impact of Norges Bank's physical operations on the climate and the environment" under the chapter Climate change and the environment, and in the section "Responsible management of the Government Pension Fund Global (GPF Global)" under the chapter Corporate governance, ethics and culture, included in the Norges Bank – Annual Report 2021. Our responsibility is to conclude with a limited level of assurance that:

- Norges Bank has applied procedures to identify, collect, compile, and validate information for 2021 to be included in the sections specified above.
- The information in these sections is consistent with the supporting documentation presented to us.

Responsibilities of the Executive Board and the Governor

The Executive Board and the Governor are responsible for the preparation and presentation of the information covered by the assurance engagement. They are also responsible for such internal controls they deem necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

The criteria for the reporting principles for the preparation of the sections specified above is described in the sections.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the sections covered by the assurance engagement. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and interviews with individuals responsible for preparing the information included in the sections covered by the assurance engagement, as well as a review on a sample basis of evidence supporting the information presented in these sections.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- Norges Bank has applied procedures to identify, collect, compile, and validate information for 2021 to be included in the sections specified above.
- The information presented for 2021 in the sections identified above is consistent with the supporting documentation presented to us.

Oslo, 9 February 2022

Deloitte AS

Henrik Woxholt
State Authorised Public Accountant (Norway)

Frank Dahl
Sustainability expert

Note: Translation has been made for information purposes only.



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