



Foreword by the Council's chair

Technological development throw up challenges while also offering new opportunities. In 2021, the pandemic restricted the Council on Ethics' ability to perform physical investigations. Despite this, we have been able to continue our work in large part through extensive online inquiries.

In the year that has passed, the Council issued several recommendations with respect to companies that contribute to a decline in biodiversity. These companies produce and sell traditional Chinese medicines whose ingredients include body parts from globally endangered animal species. This is the first time that companies have been excluded from the Norwegian Government Pension Fund Global (GPF) on such grounds.

The Council also devoted much time to the criterion concerning serious infringement of the rights of individuals in situations of war and conflict. This applies particularly to companies operating in Myanmar and the West Bank. On these issues, we have benefited greatly from input from civil society actors. In Myanmar, NGOs have revealed companies' links to the armed forces, while in the West Bank they have illuminated companies' involvement in activities supporting the establishment and continued viability of illegal Israeli settlements.

Most of the recommendations proposed in the official report from the Ethics Commission, "Values and Responsibilities" were followed up by the government and endorsed by the Norwegian parliament (Storting). The Council is well underway with implementing the changes in the GPF's ethical guidelines. For example, the Council has embarked on an effort to identify conflicts that should be encompassed by the new weapons criterion, which allows companies to be excluded if they sell weapons to states engaged in conflicts where weapons are used in violation of international humanitarian law.

The expansion of the ethical guidelines to encompass other forms of serious financial crime in addition to corruption may prove challenging. Here, the Council will depend on financial crimes being uncovered by the authorities, at the same time as we must assess the risk of companies' continued involvement in such norm violations. These assessments are further complicated by the fact that financial crime, such as money laundering, often involves financial institutions that are already highly regulated. The Ethics Commission also proposed that the Council consider project financing as a form of contribution to serious norm violations. The Council is currently recruiting additional staff to make it better equipped to handle such issues.



One proposal from the Ethics Commission that the government chose not to pursue at this time was the inclusion of autonomous weapons in the list of weapons that the GPFG is prohibited from investing in. The proposal was not taken on board because the government is waiting for clarification of a potential internationally recognised definition or a more uniform understanding of what constitutes an autonomous weapon. The Council notes that the Storting has requested a status update on this matter as early as this spring's report on the management of the GPFG. The Council will rapidly be able to start identifying such companies if autonomous weapons are included in the guidelines.

Investors urgently need to encourage companies to implement measures to cut their carbon footprints. The Council's role in this effort is to operationalise the climate criterion. However, developments in this field are moving so fast, and are so data-intensive and demanding, that an investor like the GPFG should be able to apply a broad combination of measures in order to make a positive contribution. The Council has therefore proposed that Norges Bank assume primary responsibility for the climate criterion, in the same way as the coal criterion. This view was prompted by a letter from the Norwegian Ministry of Finance, which asked for an assessment of the Council's experience with the climate criterion. However, until a new political decision is taken on this matter, the Council will continue to be responsible for providing advice on the exclusion and observation of companies under this criterion.

Technology creates huge opportunities, but also worrying trends in companies' business developments. Artificial intelligence, based on advanced algorithms, can be used for good – but it can also be used to enable violations of human rights. Companies and investors should therefore perform due diligence assessments with the utmost care. The Council is tracking this trend closely, and has begun to assess several companies which could contribute to norm violations through the development and sale of advanced technologies, with a particular focus on surveillance technology.

The Council has a unique position among advisors to major investors, and we know that many people follow us. This gives us a particular responsibility, which we are fully conscious of.

Johan H. Andresen
Chair of the Council on Ethics