



## Product-based criteria

Section 3 of the guidelines sets out the criteria for the “product-based observation and exclusion of companies” as follows:

- (1) The GPFG shall not be invested in companies which themselves or through entities they control:
  - a. develop or produce weapons or key components of weapons that violate fundamental humanitarian principles through their normal use. Such weapons include biological weapons, chemical weapons, nuclear weapons, non-detectable fragments, incendiary weapons, blinding laser weapons, antipersonnel mines and cluster munitions
  - b. produce tobacco or tobacco-products
  - c. produce cannabis for recreational use.



(2) Observation or exclusion may be decided for mining companies and power producers which themselves, or consolidated through entities they control, either:

- a. derive 30 per cent or more of their income from thermal coal,
- b. base 30 per cent or more of their operations on thermal coal,
- c. extract more than 20 million tonnes of thermal coal per year, or
- d. have the capacity to generate more than 10,000 MW of electricity from thermal coal.

Several changes affecting the Council's work under the product-based criteria were made to the guidelines in 2021. In accordance with the Norwegian parliament's deliberations, the weapons criterion now also includes delivery platforms for nuclear weapons. The Council is in the process of identifying the makers of such platforms.

The production of cannabis for recreational use was included as a new exclusion criterion in September 2021. Relevant companies in the GPFG will be identified through the regular portfolio monitoring process.

Under the new guidelines, the Council may perform a product-based assessment of companies which are included in the reference portfolio but in which Norges Bank has not invested. In practice, such companies will only be assessed if Norges Bank explicitly asks the Council to do so.

In general, work under the product-based criteria involves decisions on cases alerted to by the portfolio monitoring process. In 2021, the Council signed a new agreement with the consultancy ISS-Ethix AB, which reports quarterly on companies that sell weapons to certain states, or produce specific weapons types, tobacco or cannabis. The agreement is for a term of two years, with the option to extend for up to two years.

Since 2005, 26 companies have been excluded because of their involvement in the production of cluster munitions, nuclear weapons, antipersonnel mines and key components thereof. Each year, the Council identifies a number of cases relating to companies that have either stopped producing the

specific types of weapons for which they have been excluded or have started production of new types of weapons that must be assessed against the guidelines' provisions. Since few companies still produce cluster munitions, the number of exclusions on this basis has fallen significantly since the guidelines were introduced. The exclusion of one company that used to produce cluster munitions was revoked in 2021.

The tobacco criterion encompasses products made from the tobacco plant and used for smoking or as snuff tobacco. Most of the companies excluded under this criterion engage solely in the manufacture of tobacco products. For some companies, however, tobacco production accounts for only a small portion of their business operations. A company may be excluded from investment by the GPFG no matter how small a percentage of its overall business is made up of tobacco production. A new product group that may be included under the tobacco criterion is e-liquid intended for vaping, which may contain nicotine derived from the tobacco plant.

Under the guidelines, Norges Bank may, at its own initiative, decide to exclude or place under observation companies engaged in the extraction or use of thermal coal. The Council and Norges Bank have agreed on a division of labour, whereby the Bank identifies companies that fall within the scope of this criterion. Still, the Council's monitors companies which produce coal or coal-fired electricity, and the Council's product-screening consultant reports quarterly on companies that may be encompassed by the criterion. Human rights, war and conflict