



3 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:

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

In 2022, the Council worked mostly on the implementation of the changes in the guidelines' product-based criteria adopted in 2021. The production of cannabis for recreational purposes was one of the new exclusion criteria. Furthermore, the Council may now assess companies in the benchmark index with respect to product-based criteria, even though the GPFG holds no shares in them. One objective of excluding such companies is to eliminate them from the benchmark index against which the Bank's performance is measured. This occurs only if companies are excluded through a formal decision to exclude.

In practice, the Council will assess companies in which the GPFG does not hold shares only at Norges Bank's request. During the year, the Bank drew the Council's attention to several such companies. In 2022, four companies were excluded for the production of cannabis and three for the production of tobacco.

In connection with the changes in the ethical guidelines adopted in 2021, it was also made clear that production of nuclear weapons delivery platforms could lead to exclusion from investment by the GPFG, if the

platforms' sole purpose was to carry nuclear weapons. In practice, this means submarines. The assessment of relevant companies will continue in 2023.

The ongoing work under the product-based criteria involves the assessment of cases that emerge through the portfolio monitoring process. Each year, a number of cases are identified which relate to companies that have either stopped producing the types of weapons for which they were excluded or which have started producing new types of weapons that must be assessed against the ethical guidelines.

With regard to the coal criterion, the guidelines allow Norges Bank to make decisions concerning the observation or exclusion of companies without a recommendation from the Council. A division of labour has been agreed between Norges Bank and the Council, under which the Bank identifies and assesses companies which fall within the scope of the coal criterion. The Council's consultant nevertheless reports to the Council on companies which may fall within the scope of the criterion. The Council shares all relevant information with the Bank.