



3.1 The Council's working methods

The selection of companies for assessment

The Council constantly monitors whether GPFG-invested companies engage in business practices which may lead to their exclusion pursuant to the ethical guidelines. Two portfolio monitoring services sift out relevant information about product-related, weapons sales and conduct-related cases from media sources, publicly available databases etc. The Council assesses every company identified in relation to the product-related criteria. With respect to the conduct-related criteria, which covers many cases of a highly divergent nature, the Council assesses those where the risk of the company causing or contributing to serious norm violations seems to be greatest.

The Council also monitors a number of databases and websites containing information on, for example, corruption, weapons sales or activity in areas of war or conflict. This ensures that we identify the most serious cases where public information is readily available. The Council also receives requests to consider specific cases from organisations and individuals. These requests may be made directly or be passed on by Norges Bank.

To pick up on cases that are not necessarily covered by the news monitoring process, the Council also examines specific areas where there is a high risk of serious norm violations that are encompassed by the

ethical guidelines. In 2024, the Council commissioned the production of two reports about companies in individual countries with a high risk of migrant workers' rights being violated. The Council also surveyed companies whose operations impact intact areas of nature in biodiversity hotspots.

Furthermore, the Council monitors issues that have previously led to the exclusion of companies and where new, similar cases may arise. Examples include beaching (the process of running ships aground on beaches so they can be broken up for scrap) and the extraction of natural resources in Western Sahara.

Members of the Council's secretariat perform an initial assessment of each case. In this assessment, emphasis is placed on the seriousness and scope of the norm violations in question, the closeness of the company's links to the norm violation and the likelihood of the norm violation continuing in the future. The secretariat then presents the cases to the Council, which decides whether further investigation is warranted. During the course of a year, the Council normally has a couple of hundred cases under assessment.

Particularly serious new cases are given priority. These may be cases linked to escalating conflicts or serious individual incidents in which GPFG-invested companies are involved.



Assessment and dialogue with companies

The Council's decision to proceed with a case triggers a thorough investigation into the allegations levelled at the company. The secretariat obtains further information through conversations with experts and from open sources. In some cases, we also use consultants in order, for example, to investigate working conditions or the environmental impact of companies' activities.

Early in the investigative process, we send a letter to the company concerned containing questions about the matter at hand. To optimise communications with these companies, we coordinate with Norges Bank, which notifies those with which it already has well-established relations. Some companies provide a lot of information, although responses vary considerably. Some companies do not respond at all.

After our initial contact with the company, the secretariat presents all relevant information to the Council, which decides which cases should be investigated further and which should be closed. Cases may be closed at any stage in the assessment. This may take place if a company has discontinued the activities which could constitute grounds for exclusion, or if the activity proves to be of a different nature than initially presumed. Some cases are closed because the companies exit the GPFG's investment portfolio independently of the Council.

According to the ethical guidelines, companies assessed under the conduct-related criteria must be given the opportunity to comment on a draft recommendation to exclude them or place them under observation. Many companies provide additional information, while some also ask for a meeting with the Council.

Although the majority of such meetings are carried out as videoconferences, some company representatives come to Oslo, or we visit the company's offices. Videoconferences save on resources, while face-to-face physical meetings often provide deeper insight and greater opportunities for the Council to present its points of view. The secretariat arranges the meetings, which are generally also attended by several Council members. Dialogue with the companies is an important part of the assessment process but can also prolong it.

Some companies notify us of measures they have taken to change their operations, often after receiving a draft recommendation for their exclusion. In such cases, the Council may choose to quietly monitor developments in the company or recommend that it be placed under formal observation. The Council assesses each case with an open mind and does not embark on an assessment with the objective of excluding the company concerned. The outcome is not given at the outset.

A recommendation is issued to Norges Bank

Finally, the Council issues Norges Bank with a recommendation to exclude the company concerned or place it under observation. Norges Bank then makes a final decision on the matter. If the decision involves exclusion, all shares and securities relating to the company are divested. Divestment may take several months, and the Bank publishes its decision only when this process has been completed. Simultaneously, the Council makes its recommendation public. Both decisions and recommendations are published irrespective of whether or not Norges Bank abides by the Council's recommendation.



Figure 3.1 A typical evaluation process for conduct-related cases

