Submission to Commission reviewing the Norwegian Government Pension Fund's Ethical Framework

We, the undersigned, are a group of civil society organisations from across the world working to promote responsible investment and business conduct that respects human rights, protects biodiversity, addresses climate change, and upholds international labour standards. We welcome the opportunity to contribute to the review of the Government Pension Fund Global's ethical framework.

For more than two decades, the GPFG has played a unique role in promoting responsible investment and responsible business conduct globally. Through its size, transparency and credibility, the Fund has helped establish norms that influence investors, companies and policymakers far beyond Norway. Many institutional investors look to the GPFG's ethical framework and decisions as an important reference point.

The credibility of the ethical framework derives from its consistent application of transparent, internationally recognised standards. This is what has enabled the GPFG to exercise global influence while maintaining broad confidence that its decisions are grounded in established ethical principles rather than political considerations.

Importantly, the GPFG has demonstrated over 2 decades that maintaining **high ethical standards is compatible with, and can support, strong long-term financial performance.** This experience is consistent with a growing body of evidence[1][2]**.** This has strengthened the Fund's legitimacy and influence as a global standard-setter. At the same time, the ethical framework should continue to evolve in response to emerging challenges and international developments. Given the Fund's unique influence, maintaining and strengthening the credibility, consistency and transparency of the ethical framework is important not only for the GPFG itself, but also for the continued development of responsible investment practices globally. Any weakening of the framework could reduce the Fund's credibility, diminish its ability to shape market norms, and lower expectations among other institutional investors that look to the GPFG for guidance.

Against this background, we would like to make the following recommendations.

1. Ensure a risk-based approach in the Fund's ethical guidelines

The risk-based approach is a cornerstone of the GPFG's ethical framework and should be explicitly reaffirmed in the revised guidelines. It enables the Fund to assess corporate conduct based on available information from multiple sources, even where legal findings or formal determinations by courts or international bodies are not available.

In practice, allegations of severe corporate misconduct are rarely fully proven through judicial processes or verified by intergovernmental bodies. A structured risk-based assessment therefore allows the Fund to respond to credible and converging evidence before misconduct has necessarily been established through judicial or intergovernmental processes. Importantly, the risk-based approach supports more effective engagement with companies. It allows the Fund to communicate concerns in terms of "unacceptable risk of contribution to norm violations" rather than definitive legal guilt, which can facilitate dialogue and corrective action.

---

[1] PRI (2026). What is responsible investment?

[2] Friede, G., Busch, T., & Bassen, A. (2015). ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies. Journal of Sustainable Finance & Investment, 5, 210-233. https://doi.org/10.1080/20430795.2015.1118917

A transparent, risk-based framework also helps ensure that ethical decisions are based on consistently applied criteria rather than ad-hoc political considerations. This strengthens the legitimacy of individual decisions and reduces the risk that exclusions are perceived as politically motivated or directed at particular countries or conflicts.

2. Maintain exclusion as a key mechanism within the ethical toolkit

Exclusion should remain an essential component of the Fund's ethical framework and function as a credible escalation mechanism when engagement does not lead to sufficient improvement.

The credible possibility of exclusion strengthens engagement by creating a clear and meaningful incentive for companies to respond to investors' concerns and address adverse impacts. Engagement and exclusion should therefore be understood as complementary tools within a coherent escalation ladder.[3] [4]

Exclusion is also recognised within the UN Guiding Principles on Business and Human Rights as an appropriate escalation measure where companies fail to adequately prevent or address severe adverse impacts.

Given the GPFG's size and global significance as a sovereign wealth fund, exclusion decisions also carry important signalling effects. They help reinforce international norms and discourage behaviour that is inconsistent with widely recognised standards.

The concept of "universal ownership" should not be interpreted as requiring continued ownership in companies that persistently and severely violate international norms.

3. Strengthen transparency and predictability in exclusion and observation decisions

Public disclosure of exclusions and companies under observation should remain a central feature of the ethical framework. Transparency is a key mechanism through which the Fund's decisions achieve impact beyond its direct ownership stake.

Public lists of excluded and observed companies serve several important functions:

- they provide clear signals to markets about unacceptable corporate conduct;
- they increase incentives for companies to address underlying issues in order to regain eligibility for investment;
- they support engagement efforts by other investors and stakeholders;
- and they contribute to greater consistency in the interpretation of international norms and standards.

The publication of decisions also enhances the Fund's role as a global reference point for responsible investment practice. Many investors use GPFG decisions as a benchmark when forming their own policies and engagement strategies.

---

[3] OECD (2025), *Institutional Investor Engagement and Stewardship*, OECD Publishing, Paris, https://doi.org/10.1787/a4902cee-en.
[4] OECD (2024), *OECD Review on Aligning Finance with Climate Goals: Assessing Progress to Net Zero and Preventing Greenwashing*, Green Finance and Investment, OECD Publishing, Paris, https://doi.org/10.1787/b9b7ce49-en.

As the ethical framework evolves, the Fund should continue to strengthen the transparency of its ethical assessments and the reasoning underpinning decisions to exclude or place companies under observation, while respecting legitimate confidentiality considerations. More detailed explanations of how international norms are interpreted and applied would further enhance predictability, support consistent implementation, and provide valuable guidance for companies and other investors.

Transparency therefore amplifies the Fund's influence and strengthens the overall coherence of responsible investment norms internationally.

4. Strengthen the independence, legitimacy and predictability of ethical decision-making

The revised framework should preserve and strengthen institutional safeguards that ensure the independence of ethical assessments, regardless of the organisational model ultimately adopted.

The current model, in which an independent Ethics Council conducts ethical assessments and makes recommendations on observation and exclusion, provides a strong institutional basis for ensuring that decisions are based solely on the ethical criteria established in the guidelines. Institutional independence helps ensure that ethical assessments are not influenced, or perceived to be influenced, by investment management considerations.

This separation of functions serves several important purposes. First, it reduces the risk of conflicts of interest between the Fund's role as a long-term investor and the objective application of the ethical criteria. International guidance on institutional investor stewardship consistently emphasises that governance arrangements should include safeguards to identify and manage conflicts of interest, recognising that such conflicts can undermine confidence in stewardship decisions and the discharge of fiduciary responsibilities. The OECD, for example, identifies the management of conflicts of interest as a core element of effective stewardship frameworks[5], while the G20/OECD Principles of Corporate Governance recommend that institutional investors establish and disclose how such conflicts are managed[6].

Second, institutional separation strengthens the legitimacy and credibility of the ethical framework. Ethical assessments that are demonstrably independent of investment management are more likely to command confidence among companies, civil society, market participants and the wider public. They also help ensure that decisions are perceived as the consistent application of established ethical standards rather than being influenced by financial, operational or political considerations.

While close coordination with the Fund manager is necessary to ensure effective implementation, the ethical assessment itself should remain independent of portfolio management considerations. Such independence contributes to greater predictability, consistency and transparency in the application of the Guidelines over time.

If ethical assessments were brought organisationally closer to investment management, there would be a greater risk—or at least a greater perception—that commercial, operational or portfolio management considerations could influence difficult ethical judgments, particularly in cases involving significant holdings or commercially sensitive companies. Even if such considerations did not affect decisions in practice, weaker institutional

[5] OECD (2025), *Institutional Investor Engagement and Stewardship*, OECD Publishing, Paris, https://doi.org/10.1787/a4902cee-en.

[6] OECD (2023), *G20/OECD Principles of Corporate Governance 2023*, OECD Publishing, Paris, https://doi.org/10.1787/ed750b30-en.

separation could reduce confidence that recommendations are based exclusively on the ethical criteria established by the Guidelines. This could ultimately weaken the legitimacy, consistency and authority of the ethical framework.

For these reasons, any reform of the institutional model should preserve clear organisational safeguards that protect the independence of ethical assessments. Such safeguards are important not only for the quality of individual decisions but also for maintaining confidence in the integrity and long-term credibility of the Fund's system for responsible investment.

5. Strengthen the ethical framework's climate provisions

The ethical framework should continue to evolve to address emerging ethical challenges, including climate change. Climate change is both an ethical issue, reflected in internationally recognised standards for responsible business conduct, and a systemic financial risk that cannot be diversified away by long-term universal investors.[7] [8] Given the GPFG's influence, the framework should provide clear and predictable mechanisms for addressing companies whose activities are fundamentally inconsistent with internationally recognised climate objectives.

The GPFG's existing climate criterion (4f) has proved difficult to apply. Since the responsibility for the criterion was transferred to NBIM in 2022, it has not resulted in any exclusions.[9] This suggests that the criterion would benefit from greater clarity and operational guidance.

One way of strengthening the criterion would be to clarify that companies pursuing significant fossil fuel expansion contrary to IEA guidance[10], may, where engagement has failed, meet the threshold for exclusion.

Closing remarks

The GPFG's ethical framework is a key pillar of Norway's contribution to responsible investment globally. Preserving its core strengths — risk-based assessments, credible exclusion mechanisms, transparency, and institutional independence — while strengthening its climate-related provisions will enhance both its effectiveness and legitimacy.

Given the Fund's scale and influence, even incremental changes in its ethical framework can have significant effects on global market standards. A robust and coherent framework therefore not only protects the Fund's integrity, but also strengthens Norway's long-term contribution to sustainable economic development.

BankTrack

Fair Finance International

Financial Exclusions Tracker

---

[7] OECD (2023), Managing Climate Risks and Impacts Through Due Diligence for Responsible Business Conduct: A Tool for Institutional Investors, OECD Publishing, Paris, https://doi.org/10.1787/8aee4fce-en.

[8] OECD (2024), OECD Review on Aligning Finance with Climate Goals: Assessing Progress to Net Zero and Preventing Greenwashing, Green Finance and Investment, OECD Publishing, Paris, https://doi.org/10.1787/b9b7ce49-en.

[9] NBIM (2026). Observation and exclusions of companies.

[10] IEA (2021), Net Zero by 2050, IEA, Paris https://www.iea.org/reports/net-zero-by-2050, Licence: CC BY 4.0

Forests & Finance Coalition

Oxfam

Profundo

Rainforest Action Network