



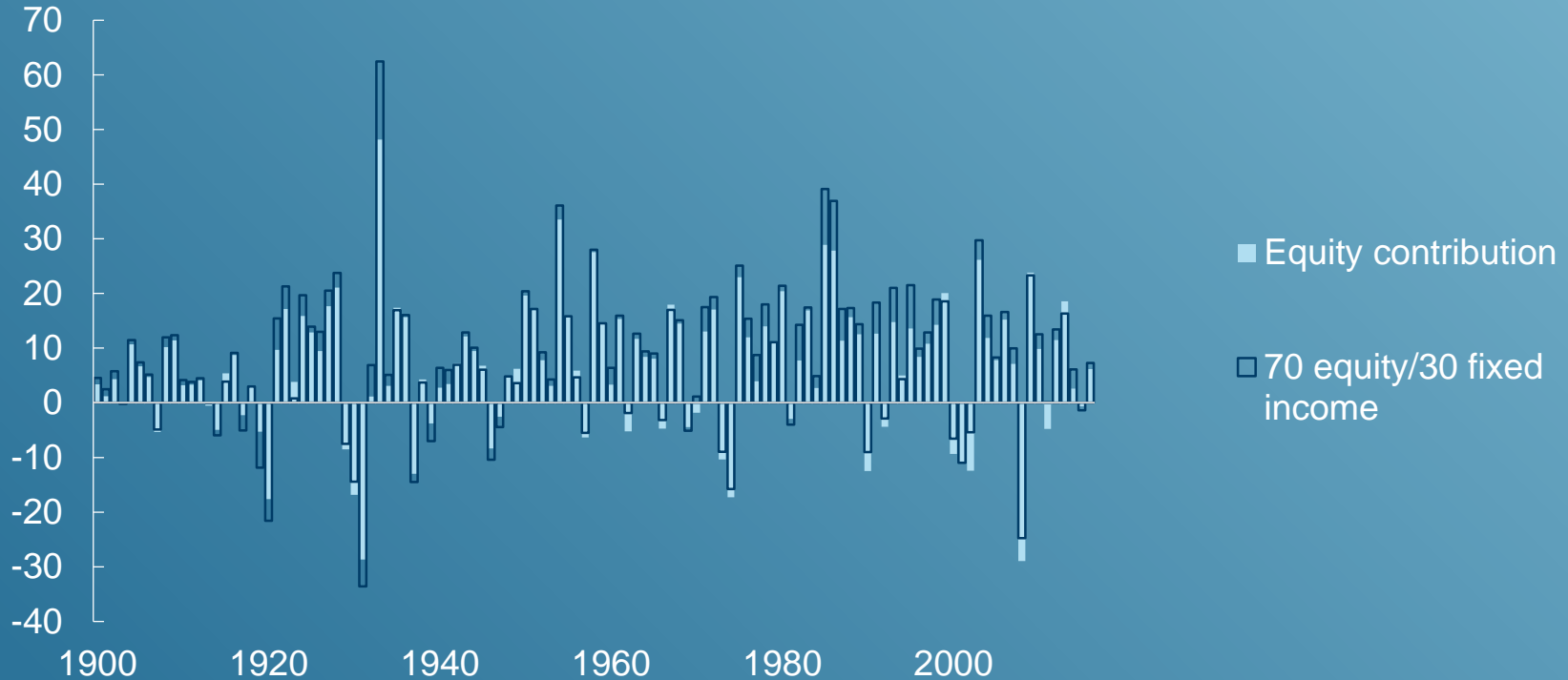
GOVERNMENT PENSION FUND GLOBAL– RETURN, RISK AND THE ROLE AS RESPONSIBLE INVESTOR

DEPUTY GOVERNOR EGIL MATSEN

20 March 2018

Return may vary substantially over time

Annual return of 70/30 portfolio. In US dollars. Percent

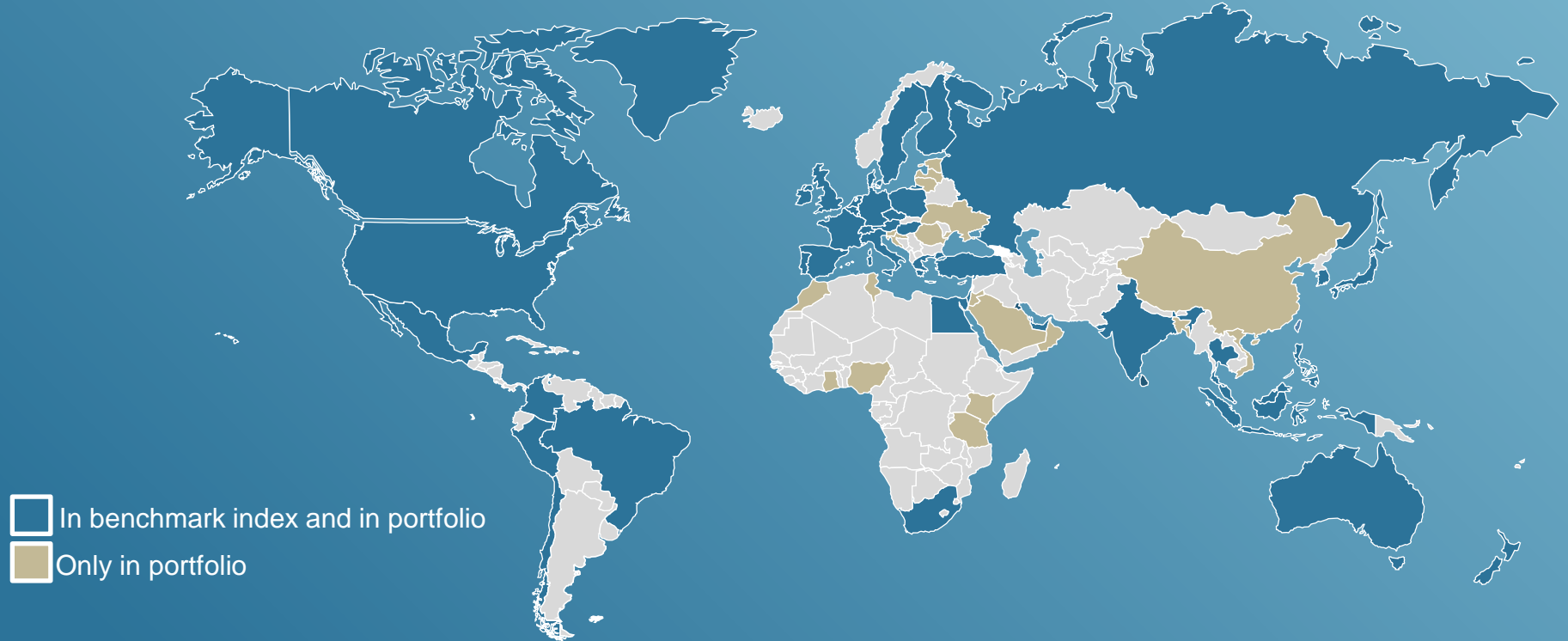


Sources: Dimson, Marsh and Staunton's world return series



The fund is more broadly invested than the benchmark index

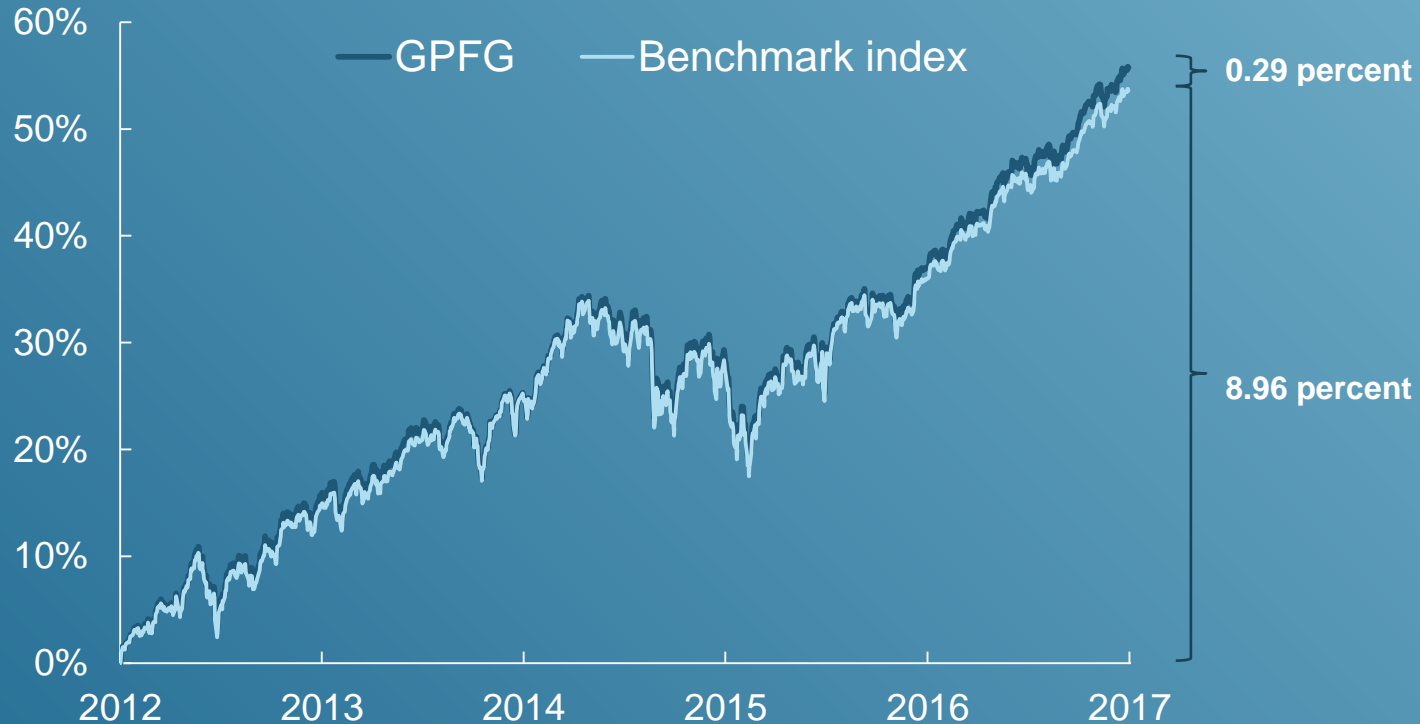
Equities at 31 December 2017



Sources: FTSE, Norges Bank



Return on the fund and the benchmark index



Sources: Bloomberg Barclays Indices, FTSE and Norges Bank



Responsible investment



PRINCIPLES FOR RESPONSIBLE INVESTMENT MANAGEMENT IN NORGES BANK

LAI D DOWN BY THE EXECUTIVE BOARD 18 MARCH 2015,
LAST AMENDED 22 JUNE 2016

Purpose and objective

The principles for responsible investment management in Norges Bank are laid down in accordance with Section 2 of the management mandate for the Government Pension Fund Global which outlines requirements to the Bank's work with responsible investment. Norges Bank manages the Fund with the objective to achieve the highest possible return within the constraints set out in the management mandate. The Fund is a financial investor and diversifies its investments across a large number of markets and securities. Responsible investment management shall support the objective of the fund by furthering the long-term economic performance of our investments and reducing financial risks associated with the environmental and social practices of companies in which we have invested.

Norges Bank will give priority to the areas of standard setting, ownership and risk management. The Bank will promote good governance and well-functioning, legitimate and efficient markets. The Bank will, as a starting point and where appropriate, base its practices on internationally recognised standards such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises. For investments in real estate, additional relevant standards will be applied.

The Bank will report publicly on its responsible investment practices.

Standard setting

As a market participant, Norges Bank will actively contribute to the development of market practices that will benefit the long-term interest of the fund. This includes standards for corporate governance, sustainable business practices and the functioning of financial markets. Standards can take the form of regulation, listing requirements, codes of best practice, norms, formalised standards or observed market practice. The Bank may promote sound market practices through interaction with regulators, other standard setters or other market participants. The Bank may participate in relevant international fora and discussions of issues related to the formation and setting of such standards.

Norges Bank may express principles in multiple forms, such as expectations on/for companies, voting principles, positions on single issues, wider ownership policies or other forms that the Bank sees fit. The Bank may also express support for investor statements. The Bank will express its principles in ways that facilitate wider market impact.

Norges Bank will contribute to academic research within the area of responsible investment management in order to increase knowledge and understanding of the relationship between responsible investment management and the long-term sustainability of the fund's portfolio. The Norwegian Finance Initiative is one possible channel for supporting such research. The Bank may also initiate and fund specific research projects.

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Setting standards

- Standards
- Expectations
- Research

Exercising ownership

- Voting
- Dialogue
- Disclosure

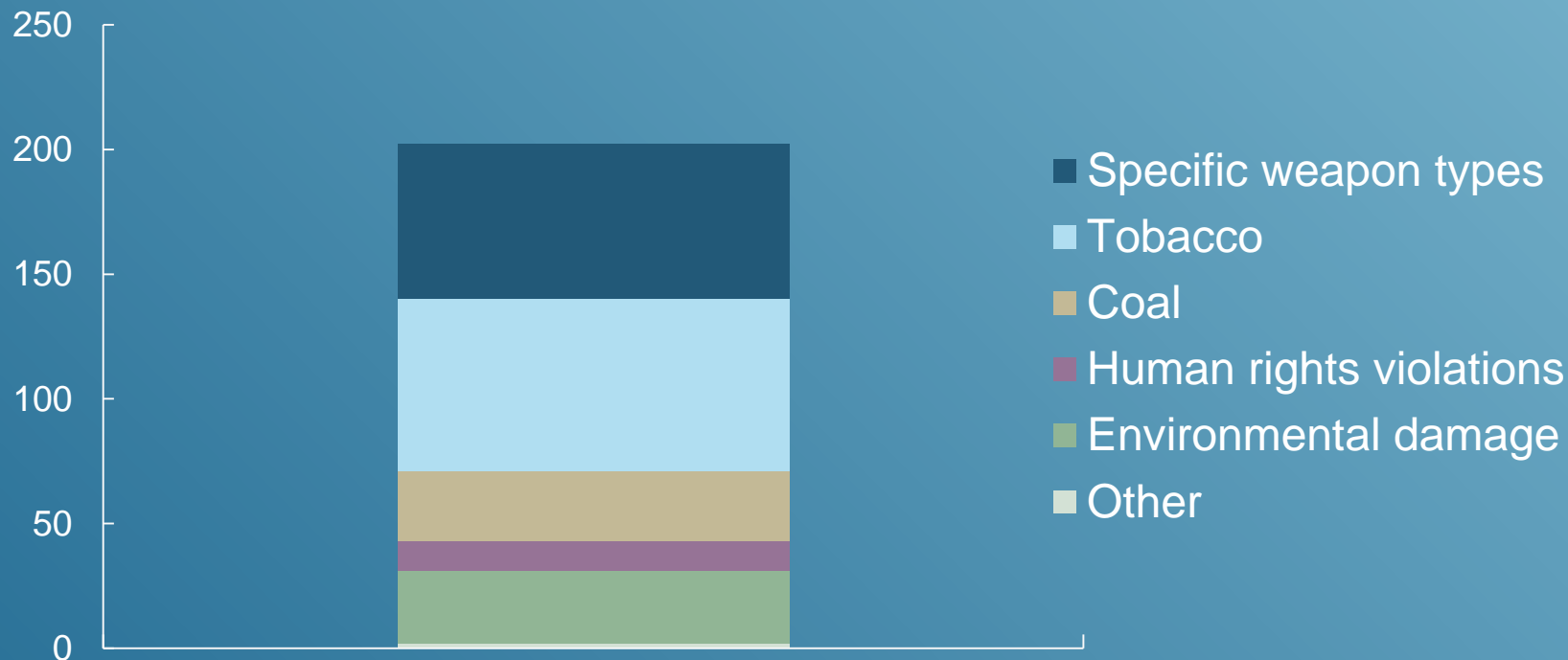
Long-term investments

- Assessments
- Investments
- Divestments



NOK 200 billion excluded from benchmark index

Market value in benchmark if not excluded. In billions of NOK. At 31 December 2017





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