Norges Bank
Investment
Management

Responsible investment
Government Pension Fund Global 2023

The Government Pension Fund Global is owned by the Norwegian people, represented by the Government and the Storting (Norwegian parliament). The Ministry of Finance holds the formal responsibility for the management of the fund. Norges Bank Investment Management carries out the operational management of the fund, within the management mandate stipulated by the Ministry.

Our mission is to safeguard an build financial wealth for future generations. The investment objective of the fund is to achieve the highest possible return after costs, given an acceptable level of risk. Within the scope of this objective, the fund shall be managed responsibly.

2023 at a glance

115,266
votes at shareholder meetings

3,298
company meetings

86
risk-based divestments

27
consultation responses

5
academic projects

4
shareholder proposals filed

95
percent of all votes are in line with management recommendations

34
percent of sustainability shareholder proposals supported

68
percent of financed emissions covered by net zero 2050 targets

790
more companies with net zero targets since 2022. Overall 27 percent of the companies in the portfolio

9
percent of equity portfolio invested in climate solutions (MSCI Low Carbon Transition Score)

12
percent lower financed emissions in the equity and corporate bonds portfolio than the benchmark index

Contents

Norges Bank - the central bank of Norway - is responsible for managing the Government Pension Fund Global. The Executive Board has delegated the operational management of the fund to Norges Bank Investment Management. Information about responsible investment is also included in Norges Bank's annual report, and this information is verified by an external auditor.

Long-term ownership in a changing world

2023 was marked by war, the climate crisis and inflation. At same time, artificial intelligence became a part of our everyday life. The fund is a long-term, clear and predictable owner in a changing world.

As a global investor our fate is intrinsically linked with that of the world economy. Last year, the physical risks of climate change and the advancements in AI impacted people everywhere, which in turn affected the businesses we invest in and the management of the fund.

Climate risk is financial risk. The transition to net zero emissions is important both for society and for the economy. In July, we experienced the hottest day ever recorded, and 2023 turned out to be the warmest year on record. Millions of people around the world were hit by heatwaves, extreme weather and floods. Harvests were lost and people were unable to get to work due to submerged roads.

At the same, decarbonisation of energy and industries is well under way, offering business opportunities. In 2023, we set clearer expectations for how the companies we invest in should navigate the climate transition. Our expectations show how we as an investor support the companies as they transition their business models to net zero. Long-term targets are no longer sufficient, they must be underpinned by detailed transition plans with interim targets and updates on their progress.

Artificial intelligence is now part of daily life. This creates vast potential, but also poses risks for companies, consumers and society. In 2023, we focused on how artificial intelligence can benefit our fund management and the companies we invest in. However, it is equally important to manage the risks that come with artificial intelligence. In August, we published our view on responsible use of artificial intelligence. For the companies, this begins with board accountability. It also depends on transparency, explainability and robust risk management.

Changes happen quickly. As an investor, our job is to stay ahead of the curve, yet we remain a long-term owner. We want companies and fellow investors to understand our positions, and to be a transparent and predictable global shareholder.

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As a global investor our fate is intrinsically linked with that of the world economy.

Oslo, 7 February 2024

Nicolai Tangen

Nicolai Tangen
Chief Executive Officer

Increased transparency

Transparency is key for both building trust and achieving better outcomes. We are sharing more about our activities and the progress we are making.

In 2023, we increased our transparency by providing more information on our website, participating in more consultations, engaging in more dialogues with companies and stakeholders, and enhancing our external visibility.

For the first time, we published a voting report immediately after the voting season. Our aim was to provide fresh data and insights about shareholder voting trends and our own voting decisions. We took a firmer stance on crucial issues like board diversity and CEO remuneration, and we noted a continued rise in sustainability-related shareholder proposals. Also, for the first time, we filed our own climate-related proposals.

In October, we organised a seminar on "Navigating Net Zero", to mark the first anniversary of our ambitious climate action plan. In the seminar we presented our work and the progress we are seeing among the more than 8,800 companies we invest in. An increasing number have targets and transition plans. However, there is still a way to go before we reach our goal of net targets and transition plans for all the companies in the portfolio.

In 2023, we were recognized as the world's most transparent fund in the Global Pension Transparency Benchmark. We received the highest score in the category on Responsible Investing. We hope that this transparency and visibility can contribute to companies, investors and policy makers pulling in the same direction, and that, in this way, we can achieve more than we would on our own. But we also hope that our transparency in this report can increase the public's understanding of and engagement with our work. Engagement, discussions and input help us to improve and to continue to be a leading responsible investor.

> We are convinced that transparency is important for trust, but also for better results.

Oslo, 7 February 2024

Carine Smith Ihenacho
Chief Governance and Compliance Officer

How we work

We manage the fund according to a mandate from the Norwegian Ministry of Finance. The objective for the management of the fund is the highest possible return with acceptable risk. This management objective shall be met within some general management principles. These principles include provisions on transparency, exercise of ownership rights and responsible investment management in line with internationally recognised principles and standards. The mandate also establishes, as a long-term goal for responsible investment, that the companies in the investment portfolio have activities that are compatible with global net zero emissions, in accordance with the Paris Agreement.

The fund's long-term return is dependent on sustainable economic, environmental and social development, as well as on well-functioning, legitimate and efficient markets. Through responsible investment, we seek to improve the long-term financial performance of our investments and to reduce the financial risks associated with the environmental and social practices of companies in our portfolio. In line with international standards, we also carry out environmental and social due diligence and use our leverage to promote responsible business conduct. Our responsible investment work is directed at the market, portfolio and company level.

Market

Our goal is to contribute to well-functioning markets, good corporate governance and sustainable business models. We promote these economic interests in a predictable way through clear principles and public views. We also support academic research to improve the understanding of responsible investment.

Portfolio

Our goal is to integrate environmental, social and governance (ESG) considerations into investment decisions and assess companies' ability to create long-term value. This helps us manage risks and identify investment and ownership opportunities, notably by investing in the transition to a low-carbon economy.

Companies

Our goal is to reduce risks and promote long-term value creation at the companies we invest in through active ownership. We do this through dialogue with companies and voting at their shareholder meetings. There are also companies we choose not to invest in for ethical reasons. Where alleged conduct raises significant concerns about market integrity, we may consider legal action to protect our interests.

2023 highlights

We made progress in line with our Climate action plan in 2023. We also looked in detail at responsible artificial intelligence and how it is relevant to us as investor, and we continued to increase our voting transparency.

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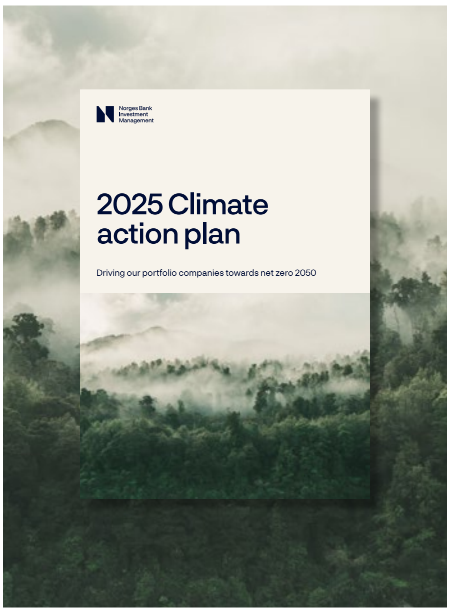
Our ambition is for our portfolio companies to reach net zero emissions by 2050.

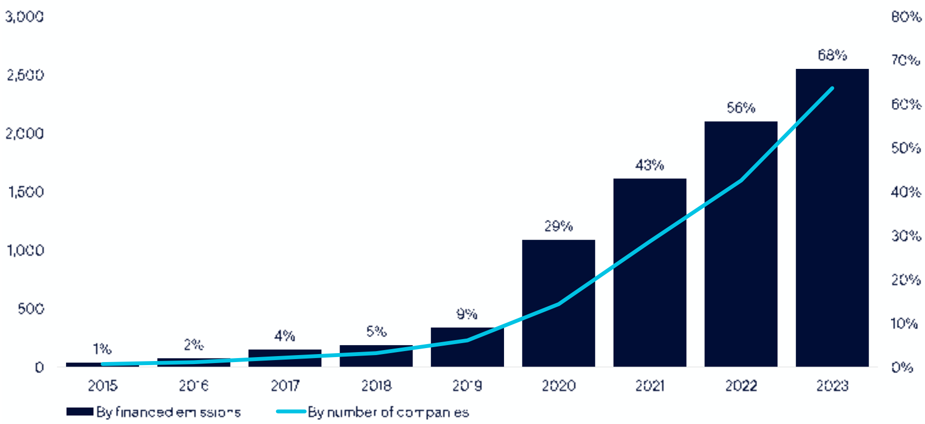
Delivering on our Climate action plan

Our ambition is for our portfolio companies to reach net zero emissions by 2050. We expect large emitters to set net zero targets with urgency and all companies to set targets by 2040. We also have a net zero 2050 target for our unlisted real estate investments and aim to reduce their emissions intensity by 40 percent by 2030.

2023 was the first full year of the plan. Supported by new systems and analytics as well as updated policies and expectations, we rolled out our engage-to-change approach with many more companies. It is still early to evaluate our results, however, we are observing encouraging changes. 2,385 portfolio companies had set science-based net zero 2050 targets at the end of 2023, 790 more since 2022. 68 percent of our financed emissions are covered by net zero 2050 targets, a key metric defined in the plan. For more information about financed emissions, refer to our climate risk disclosures.



Corporate net zero 2050 targets.
Number of portfolio companies and percentage of financed emissions covered.



> To reduce unmitigated climate change risks, we divested from 11 companies.

Transparency is central to our Climate action plan. We provide more information about financed emissions and other climate risk metrics in our climate risk disclosures for the fund. We report on financed scope 3 emissions, calculated in line with the Partnership for Carbon Accounting Financials (PCAF) guidelines. We also report more on portfolio companies' net zero target setting and publish on our website whether the companies we engage with have a science-based net zero 2050 target.

At the market level, the publication of the International Sustainability Standards Board (ISSB) standard for climate-specific disclosures was an important milestone. We have long advocated for this global standard. In 2023, we responded to five climate-related consultations from standard setters across key markets. We updated our climate change expectations, with greater emphasis on target setting, transition plans and execution. To support new standards on transition planning, we joined a working group of the UK Transition Planning Taskforce. We also participated in two new climate initiatives organised by the Carbon Risk Real Estate Monitor (CRREM).

At the portfolio level, we took further steps to increase the resilience of the portfolio against climate risk. We already analyse our real estate portfolio emissions relative to the CRREM pathway to net zero 2050. In a pilot on the cement industry, a key transitioning industry, we analysed producers' climate targets relative to recognised industry pathways to net zero. To reduce unmitigated climate change risks, we divested from 11 companies.

Participation at the IFRS Sustainability Symposium in February.

We raised climate risk in dialogue with companies equal to

70

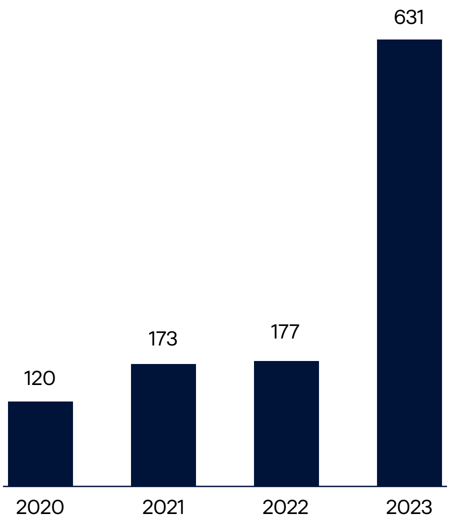
percent of our financed emissions

We invested in a 1.3 GW portfolio of solar parks and onshore wind farms in Spain and acquired a stake in a German 960 MW offshore wind project.

At the company level, we are on track to engage with companies which account for 70 percent of our financed emissions by 2025. In 2023 alone, we raised climate risk in dialogue, including written correspondence, with 633 companies, equal to 70 percent of our financed emissions. For 42 percent, we held specific net zero dialogues. We implemented a new engagement tracking solution to improve our analysis and monitoring of engagements and progress. Lack of company progress can influence our voting. We voted against directors at 22 companies based on climate considerations and filed four shareholder proposals in the US. In October, we held a sustainability summit for institutional investors to support integration of climate considerations in the investment process, where executives from leading companies shared their views on business opportunities in the transition.

We had three meetings with our Climate Advisory Board in 2023 and received advice on topics related to our updated climate change expectations, decarbonisation and executive compensation, physical climate risk and the cross-sector dependencies in the transition.

Number of company meetings where AI was discussed.



Responsible artificial intelligence

Artificial intelligence (AI) took markets and people by storm in 2023. By enhancing innovation and efficiency it can result in significant gains for companies. It also has the potential to disrupt industries, change economic relationships, and positively impact society. At the same time, the development and use of AI poses risks to business, people and society.

As an investor, we view responsible development and use of AI as a core element of responsible business conduct and a necessary complement to the emerging regulatory landscape. We believe responsible AI will be important for well-functioning markets and legitimate products and services, and has the potential to affect the financial return on our investments over time. As the attention given to AI, and in particular generative AI, has increased radically in 2023, we believe that investors should articulate clearly that companies need to approach both the development and the use of AI responsibly.

In August 2023, we published our view on responsible AI. We consider key elements of responsible AI to be:

Board accountability
We believe boards play a key role in ensuring that corporate governance and strategy balance competitive deployment of new technology against potential risks. This will require board expertise and resources that are proportionate to the company's risk exposure and business model.

Transparency and explainability
Companies should be able to explain how the AI systems they develop or use have been designed, trained and tested, as well as how they align with human values and intent. Stakeholders should be able to assess the potential impacts of AI systems and understand their accuracy, efficiency and reliability.

Robust risk management
Risk management processes should be proactive, robust and proportionate. They should seek to identify, assess and manage risks to business, people and society. AI risk management processes should address broader impacts, safeguard privacy, security and non-discrimination, and ensure effective human oversight and control.

> “We communicated our view on responsible AI to the market, regulators, standard setters, civil society, and other investors.

We communicated our view on responsible AI to the market, regulators, standard setters, civil society, and other investors. We joined the OECD. AI Expert Group on AI Risk & Accountability as well as the World Economic Forum's project on responsible AI stewardship for investors. We support the development of international standards and frameworks for managing AI-related risks and impacts that are cohesive and comprehensive.

We shared our view with the boards of 60 of the fund's largest portfolio companies. We looked further at the topics of adverse impacts on children in digital environments, the use of AI in the healthcare sector, and board oversight and governance structures for AI at companies that develop AI models and systems. We are prioritising these for our company engagement.

> We collaborate with academic researchers to evaluate the impact of our vote pre-disclosures.

Increasing our impact through voting transparency

Our ambition to be the most transparent investment fund in the world extends to our voting. We also aim to be consistent in our voting decisions. Transparency supports our predictability as an owner and contributes to market improvements.

We have published our global voting guidelines since 2016. We also transparently communicate changes to these guidelines over time, including those that seek to progressively implement our global expectations and positions. In 2023, we strengthened our guidelines for Japan to require at least one female director and at least one third of board members to be independent. We aim to bring our Japan voting guidelines in line with our global expectations in due course.

Since 2021, we have published our voting intentions five days before each annual shareholder meeting with a brief rationale referring to our guidelines, whenever we vote against the board's recommendations. In 2023, we expanded our pre-disclosures to include rationales whenever we vote in line with the board's recommendation, but against a sustainability-related shareholder proposal.

We make our voting data available through an open application programming interface (API). The API allows any user to access the data directly in a timely manner and makes it possible for data providers to disseminate our voting data to the wider market.

We collaborate with academic researchers to evaluate the impact of our vote pre-disclosures. We believe that this research project can help us evaluate our pre-disclosure policy and better understand how transparency about our intentions can affect vote outcomes and, ultimately, companies. Preliminary results indicate that our pre-disclosure is effective: when we disclose the intention to vote against a proposal, other shareholders follow, and the dissent level increases on average by 3 percentage points.

In 2023, we published our first standalone review on our voting, covering the first half of the year. This review, which we will update annually, provides more detail on trends and outcomes, including key topics such as board composition and executive pay, and on shareholder proposals on a range of topics, including climate change and human rights.

2. Market

Standards

As a market participant in 72 countries, we benefit from well-functioning and legitimate markets, global solutions to common challenges, and generally agreed international standards.

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We contribute to the development of standards that help raise the bar for all companies.

Engaging with standard setters

We engage with regulators, international organisations and standard setters to contribute to the development of standards that help raise the bar for all companies in areas such as corporate governance, responsible business conduct and sustainability reporting. We also participate in the development of best practices for responsible investment. We share our investor perspective with standard setters by responding to public consultations, meeting their experts, speaking at conferences and taking part in selected initiatives. We do not engage with members of parliament or foreign governments, nor do we engage lobbyists or make political contributions.

27

responses to public consultations.

Responding to consultations

In 2023, we responded to 27 public consultations on issues related to corporate reporting, governance and responsible conduct. These letters are published on our website.

A key focus area of our submissions was corporate sustainability reporting, as we contributed our feedback to the International Sustainability Standards Board (ISSB) on its future agenda priorities and to the European Commission on the European Sustainability Reporting Standards. We also advocated for mandatory climate disclosure regimes aligned with global standards, in line with our Climate action plan, when responding to consultations by the Australian Government and the Hong Kong Stock Exchange, among others. Other consultation submissions covered corporate reporting on biodiversity, climate transition planning, responsible business conduct and tax reporting. We also continued engaging on the important topic of shareholder rights and started engaging on the regulation of ESG ratings providers during the year.

Responses to public consultations and comment letters in 2023.

Recipient	Topic	Submission date
UN Principles for Responsible Investment	PRI in a changing world	26.01.2023
Australian Government	Climate-related financial disclosure	06.02.2023
Organisation for Economic Co-operation and Development	Targeted update of the OECD Guidelines for Multinational Enterprises	10.02.2023
UK Transition Planning Taskforce	Consultation on Sector-Neutral Disclosure Framework	28.02.2023
Global Reporting Initiative	Draft revised biodiversity standard	28.02.2023
Securities and Exchange Board of India	ESG disclosures, ratings and investing	06.03.2023
European Commission	Proposed directive on multiple-vote share structures	28.03.2023
International Auditing and Assurance Standards Board	2024-2027 strategy consultation	04.04.2023
Australian Government	Public country-by-country reporting	27.04.2023
Financial Accounting Standards Board	Proposed Accounting Standards update on income taxes	25.05.2023
UK Financial Conduct Authority	UK primary markets effectiveness review	28.06.2023
European Commission	European Sustainability Reporting Standards	07.07.2023
Hong Kong Stock Exchange	Climate-related disclosures	12.07.2023
Australian Government	Climate-related financial disclosure	12.07.2023

Recipient	Topic	Submission date
Japan Ministry of Economy, Trade and Industry	Draft guidelines for corporate takeovers	03.08.2023
International Sustainability Standards Board	Proposed methodology for enhancing the international applicability of SASB standards	09.08.2023
European Commission	Proposed regulation on ESG ratings	10.08.2023
Monetary Authority of Singapore	Code of conduct for providers of ESG ratings and ESG data products	22.08.2023
International Sustainability Standards Board	Consultation on agenda priorities	01.09.2023
UK Financial Reporting Council	Revision of the UK Corporate Governance Code	13.09.2023
UK Sustainability Disclosure Technical Advisory Committee	UK endorsement of IFRS S1 and IFRS S2	28.09.2023
Sustainability Reporting Advisory Committee	Climate-related financial disclosure	28.09.2023
Canadian Securities Administrators	DEI corporate governance disclosures	29.09.2023
UK Financial Conduct Authority	UK consolidated tape	29.09.2023
ESG Data and Ratings Working Group (UK)	Draft code of conduct for ESG ratings and data product providers	05.10.2023
Japan Financial Services Agency	Tender offer rule and large shareholder reporting rule	17.10.2023
International Auditing and Assurance Standards Board	Proposed international standard on sustainability assurance 5000	01.12.2023

Bilateral meetings

We held meetings with regulators and standard setters across our most important markets. We continued our engagement with the Organisation for Economic Co-operation and Development (OECD) and the International Organisation of Securities Commissions (IOSCO). We started engaging with the International Auditing and Assurance Standards Board on the topic of sustainability reporting assurance. We met several securities regulators, such as the US Securities and Exchange Commission (SEC), the UK Financial Conduct Authority, the Japanese Financial Services Agency and the Canadian Securities Administrators. We continued our engagement with stock exchanges around the globe, such as Nasdaq on board diversity and the Tokyo Stock Exchange on the governance and profitability of Japanese companies.

Speaking at conferences and workshops

We participated in many conferences, which allowed us to share our perspective as a market participant and to learn from others. We were present at New York Climate Week, where we used the opportunity to launch our revised climate expectations and our view on carbon credits. We addressed our role as an institutional investor and our work in light of the global net zero goal in a panel discussion at the Sustainable Investment Forum North America, at the launch of the MCSI Sustainability Institute and at the Morningstar Sustainalytics Climate Week event. We spoke at the FinTech festival in Singapore about the opportunities and risks AI creates for our portfolio companies, and promoted our view on responsible development and use of AI.

> As a large, global investor, we want to contribute to improved governance standards across all the markets we invest in.

We spoke at the IFRS Sustainability Symposium, PRI in person, and conferences organised by the International Corporate Governance Network (ICGN) and the Asian Corporate Governance Association (ACGA). Issue-specific conferences we participated in include the OECD Global Anti-Corruption & Integrity Forum and the Consumer Goods Forum's Sustainable Retail Summit. We also held a company and investor engagement meeting in Tokyo with ICGN, where we discussed key governance issues such as board independence and capital allocation.

Increasing our interaction in emerging markets
As a large, global investor, we want to contribute to improved governance standards across all the markets we invest in, and we have therefore expanded our traditional focus beyond developed markets. Increasing our focus on emerging markets is part of our 2022-2025 strategy. In 2023, we spoke at events in both India and Brazil, responded to consultations and met local standard setters including securities regulators and stock exchanges. In Mumbai, we organised a roundtable with ACGA, where we discussed board effectiveness and sustainability with a range of Indian companies alongside other global investors. We held a similar initiative in Sao Paolo.

Improving standards for sustainability reporting

We need consistent, comparable, and reliable information from companies on social or environmental issues which are financially material to their business. This information helps inform our investment decisions, our risk management processes and our ownership activities. As a part of our ownership work, we have promoted the need for a consistent and comparable sustainability reporting framework for a number of years. We engage with regulators and stock exchanges across our main markets to advocate regulatory adoption of sustainability reporting regimes.

2023 was a momentous year with the finalisation of several long-awaited standards and outcomes in line with our long-standing efforts, notably an increase in the adoption of mandatory reporting regimes across several of the markets we invest in.

Sustainability reporting developments	Year	Norges Bank Investment Management
The Task Force on Climate-related Financial Disclosures (TCFD) finalises its recommendations.	2017	We update our climate change expectations, asking companies to align their climate reporting with the TCFD. We respond to 5 consultations related to sustainability reporting.
The Sustainability Accounting Standards Board (SASB) standards launches.	2018	We respond to 2 consultations related to sustainability reporting.
	2019	We join SASB's Investor Advisory Group. We respond to 7 consultations related to sustainability reporting.
	2020	We start our own TCFD-aligned reporting.
		We publish an asset manager perspective and a position paper on corporate sustainability reporting. We respond to 8 consultations related to sustainability reporting.
	2021	We publish two asset manager perspectives on climate change with a reference to TCFD. We respond to 4 consultations related to sustainability reporting.
ISSB publishes its exposure drafts.	2022	Our Chief Governance and Compliance Officer is appointed vice-chair of the ISSB Investor Advisory Group (SASB Advisory Group).
The US SEC proposes its climate disclosure rule.		We respond to 6 consultations related to sustainability reporting.
The European Financial Reporting Advisory Group publishes the draft sector-agnostic European Sustainability Reporting Standards for reporting under the EU Corporate Sustainability Reporting Directive.		We engage in the development of the ISSB's standards, SEC's climate rule proposal and the EU's draft standards.
IFRS S1 sustainability and S2 climate disclosure standards are finalised.	2023	We update our climate change expectations to require ISSB-aligned reporting.
European Sustainability Reporting Standards are adopted.		We respond to 11 consultations related to sustainability reporting.
		We engage with regulators and stock exchanges at the jurisdictional level to call for faithful adoption of ISSB standards.

Participation at the roundtable on Decarbonizing the Built Environment at the UN headquarter in New York.

Participation in organisations and initiatives

International organisations and standard setters
We have long contributed to the development of principles for responsible investment. Elected by asset owner signatories in 2021, we sit on the board of directors of Principles for Responsible Investment (PRI), of which we were a founding signatory in 2006. We are also part of the PRI Listed Equity Advisory Committee. The fund submits an annual transparency report to PRI, which is available on PRI's website.

We are a long-standing supporter of CDP, an organisation focusing on corporate reporting of environmental data. We have been a key partner since the inception of its water programme in 2009. In 2023, we provided a grant to support CDP's work on Ocean Health and Water Security, a project aimed at improving metrics and disclosures. Ocean health is an area with little standardised reporting. The grant will contribute to expanding the coverage of the water security questionnaire and the development of ocean health indicators.

In 2023, we joined the Technical Advisory Group for the United Nations Environment Programme's State of Finance for Nature report to provide input to the 2023 publication. The report tracks trends in global public and private finance for nature-based solutions.

We have supported Carbon Risk Real Estate Monitor as a member of its steering committee since 2019. The initiative aims to contribute to the standardisation of climate transition risk analysis and reporting in real estate markets. We also participate in the advisory council for the Transition Pathway Initiative, an independent body based at the London School of Economics that assesses companies' preparedness for the transition to a low-carbon economy. In 2023, we joined the Adaptation Working Group of the Transition Planning Taskforce, a body launched by the UK Treasury in 2022, to help develop recommendations for corporate transition plans. We also joined the Financial Industry Advisory Board (FIAB) of the International Energy Agency (IEA), a forum for discussing the role of financial markets in the energy transition.

We participated in the Global Reporting Initiative (GRI) advisory group on the revision of its labour topic standards throughout the year. The aim is both to update existing labour-related disclosure requirements and to develop new ones.

We also became an ally of the World Benchmarking Alliance. As an ally, we are a part of a diverse range of stakeholders, including businesses, civil society, and other investors that promote greater transparency of companies' Sustainable Development Goals (SDG) alignment.

Contributing to nature-related financial disclosures

> As a member of the Taskforce, we contribute to the development of a framework for companies to report on their nature-related risks.

Start phase
In August 2021, we launch our expectation document on biodiversity and ecosystems, noting the importance of nature risk for a diversified financial investor and the fact that this is a field where business principles and standards are still evolving.

In November 2021, we join the Taskforce on Nature-related Financial Disclosures (TNFD). As a member of the Taskforce, we contribute to the development of a framework for companies to report on their nature-related risks. Such disclosures help investors assess the nature-related dependencies and impacts of their portfolio.

Creation phase
Throughout 2022 and 2023, we take on an active role in co-creating the framework, including on framing and content and contributing our experiences and views as an investor. We are one of many contributors, including large financial institutions, companies and civil society, and

Participation at the launch of the TNFD framework at the New York Stock Exchange.

scientific and conservation organisations. Multi-disciplinary views are needed to create a tool that is ambitious and scientifically robust, yet also practically feasible for companies and investors to implement. To receive further market feedback, four consecutive beta versions of the framework are released.

We engage with standard setters such as the ISSB, GRI and the European Commission, including a consultation response on the GRI's updated biodiversity standards. With investments across 72 different markets, a key focus area for us is to encourage interoperability between the various frameworks and emerging standards addressing nature risk.

Launch and implementation phase
On 18 September 2023, during Climate week in New York, the TNFD framework is launched at the New York Stock Exchange. We welcome its publication, noting that the framework will be an important tool to help market participants enhance their approach to the financial risks presented by nature loss and degradation.

We reference the TNFD recommendations in our expectations of portfolio companies on biodiversity and ecosystems, encouraging them to consider the framework in their risk management and reporting efforts. In early 2024 we publish pilot TNFD disclosures as a first step towards our adoption of the framework.

Working with other investors
We join investor coalitions or initiatives to promote our interests. We may join initiatives that are consistent with the fund's mandate and support our management objective. Notably, we do not collaborate with other investors on investment decisions or voting at shareholder meetings, nor do we participate in coalitions that are primarily aimed at policy makers.

In 2023, we hosted a discussion on US CEO pay at the Council for Institutional Investors conference. We made the case for simpler and longer-term equity incentives and explored the opinions of US asset managers.

We serve as a co-lead investor in the PRI Advance collaborative stewardship initiative. We also joined an investor initiative aimed at improving access to data on corporate human rights due diligence processes.

We continued our participation in the PRI Tax Reference Group, a forum aiming to strengthen stewardship practices around tax by building investor knowledge on international tax developments and responsible tax practice standards.

Our Chief Governance and Compliance Officer joined the board of FCLT Global, an organisation with a mission to focus capital on the long term to support a sustainable and prosperous economy.

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We bring investors and companies together to discuss sustainability or governance challenges, consider solutions or share best practices.

Building capacity with companies

We bring investors and companies together to discuss sustainability or governance challenges, consider solutions or share best practices. These capacity-building initiatives often focus on sector-specific or value chain challenges.

We wrapped up our collaboration with UNICEF on children's right to healthy food environments and nutrition. Over the last two years, we have organised four workshops and numerous bilateral meetings with food retailers and other stakeholders to explore the impacts of food retailers on children's rights. In 2023, we published practical guidance outlining steps food retailers can take to promote children's right to nutrition. The project was concluded with a virtual event on the future of healthy food environments, which included food retailers, civil society organisations, academics, and other stakeholders.

We have continued to participate in the B Team Responsible Tax Working Group, a forum for the exchange of information on responsible tax principles and practice. This forum is important to us not only for disseminating our expectations on tax transparency, but also for keeping us informed about emerging challenges and best practices in this rapidly evolving and complex area.

We hosted a seminar for experts and investors to examine the law on freedom of association in the US. The panel members and participants discussed constructive measures that companies can take around unionisation drives.

Participation in various organisations and initiatives in 2023.

Organisation	Description	Activity in 2023
Asian Corporate Governance Association (ACGA)	Membership organisation promoting effective corporate governance practices throughout Asia	Member
Better Buildings Partnership (BBP)	Collaborative network of UK commercial landlords	Member
B-Team Working Group on responsible tax practice	Initiative focused on responsible corporate tax behaviour and tax transparency	Participant
Carbon Risk Real Estate Monitor (CRREM)	Project to develop transiton pathways for real estate	Member of the global scientific and investor committee Participant in the North American CRREM pathways initiative
CDP	Environmental reporting initiative	Signatory and supporter

Organisation	Description	Activity in 2023
Ceres Investor Working Group on Land Use and Climate	Investor working group focussed on climate and land use change as a responsible investment topic	Member
Council of Institutional Investors (CII)	Investor association (US)	Member
European Corporate Governance Institute (ECGI)	Academia-practitioner research network	Member
European Association for Investors in Non-Listed Real Estate (INREV)	Association of investors (Europe)	Member
Extractive Industries Transparency Initiative (EITI)	International organisation for transparency in extractive industries	Supporter
Focusing Capital on the Long Term (FCLT)	Network for longer-term focus in business and investment decision-making	Member Member of the board
Harvard Law School Program on Corporate Governance	Academia-practitioner research network	Participant
IEA Financial Industry Advisory Board	Advisory board to share views on the energy transition	Member
IFRS Sustainability Alliance	Global membership programme for sustainability standards	Member
Institutional Investor Group on Climate Change (IIGCC)	Investor initiative (Europe)	Supporting partner
International Corporate Governance Network (ICGN)	International association of investors	Member Member of the Natural Capital Committee
International Sustainability Standards Board (ISSB) Investor Advisory Group	Advisory group to the ISSB	Vice-Chair of the Investor Advisory Group
Investor Forum	Association of investors (UK)	Member
Norsif	Norwegian sustainable investment forum	Member
OECD.AI Expert Group on AI Risk & Accountability	OECD-supported expert network on artificial intellegence	Member
Principles for Responsible Investment (PRI)	UN-supported network of financial institutions	Founding signatory Member of the board of directors
PRI stewardship initiative "Advance"	Collaborative investor engagement on social issues and human rights	Advisory committee member and participant
PRI Global Policy Reference Group	Working group	Participant
PRI Listed Equity Advisory Committee	Advisory committee	Participant
PRI Responsible Tax Reference Group	Working group	Participant
Social & Labour Convergence Program (SLCP)	Multi-stakeholder initiative on social and labour conditions in apparel industry supply chains	Signatory
Task Force on Climate-related Financial Disclosure (TCFD)	International framework for climate reporting	Signatory
Task Force on Nature-related Financial Disclosure (TNFD)	International principles for reporting on nature risk	Member of Taskforce
Transition Pathway Initiative (TPI)	Investor initiative on climate risk	Member of Advisory Council
Transition Planning Taskforce	UK working group for transition plan disclosures	Member of Adaptation Working Group
UN Global Compact	International principles	Signatory
UNICEF-NBIM Network on children's rights and nutrition in the food retail sector	Initiative on children's rights to nutrition and health	Grantor and co-organiser
United Nations Environment Programme Finance Initiative (UNEP FI)	Multi-stakeholder initiative for sustainable finance	Signatory
World Benchmarking Alliance (WBA)	Initiative for transparency about companies' contributions to the Sustainable Development Goals (SDGs)	Ally

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We regularly invite civil society input and feedback on our work.

Engaging with our stakeholders

We value our ongoing stakeholder dialogue and encourage stakeholders to reach out to us to share information that they believe could be relevant for our investments. Information received from stakeholders informs our risk screening as well as our dialogues with companies. In 2023, we received information on topics such as human rights concerns in the mining of critical minerals, animal welfare, renewable energy, product misuse, nutrition, and labour rights. We also receive ongoing and useful input for many of our climate company engagements from expert NGOs.

We regularly invite civil society input and feedback on our responsible investment work. Our new expectations on consumer interests benefited from extensive input from civil society, including in an in-person workshop. We also consulted with NGOs when updating our climate change expectations. We hold an annual seminar where we encourage civil society organisations to raise questions and provide input. At the 2023 seminar, held in the Oslo office, we presented our work on climate change, consumer interests, CEO pay, and diversity to 20 organisations. We also invite civil society organisations to a presentation of our Responsible investment report each year.

We arranged a NBIM Talk on “Navigating Net Zero” in October.

Our goal is to be the world’s most transparent fund, and we are putting a greater emphasis on communicating how we work as a responsible investor to our owners, the Norwegian people. We arrange regular press conferences and seminars, as well as media interviews, where we explain what we do. In 2023, our activities included an NBIM Talk on “Navigating Net Zero” in our Oslo office and two panel discussions, one on the topic of responsible AI and another on nature related risk at the Norwegian democracy festival Arendal Week. Our Chief Governance and Compliance Officer writes regular op-eds on ownership topics in Norwegian news media. Our CEO also continued his podcast interviewing CEOs of companies we invest in, including on corporate governance, and we updated our website on our approach to responsible investment.

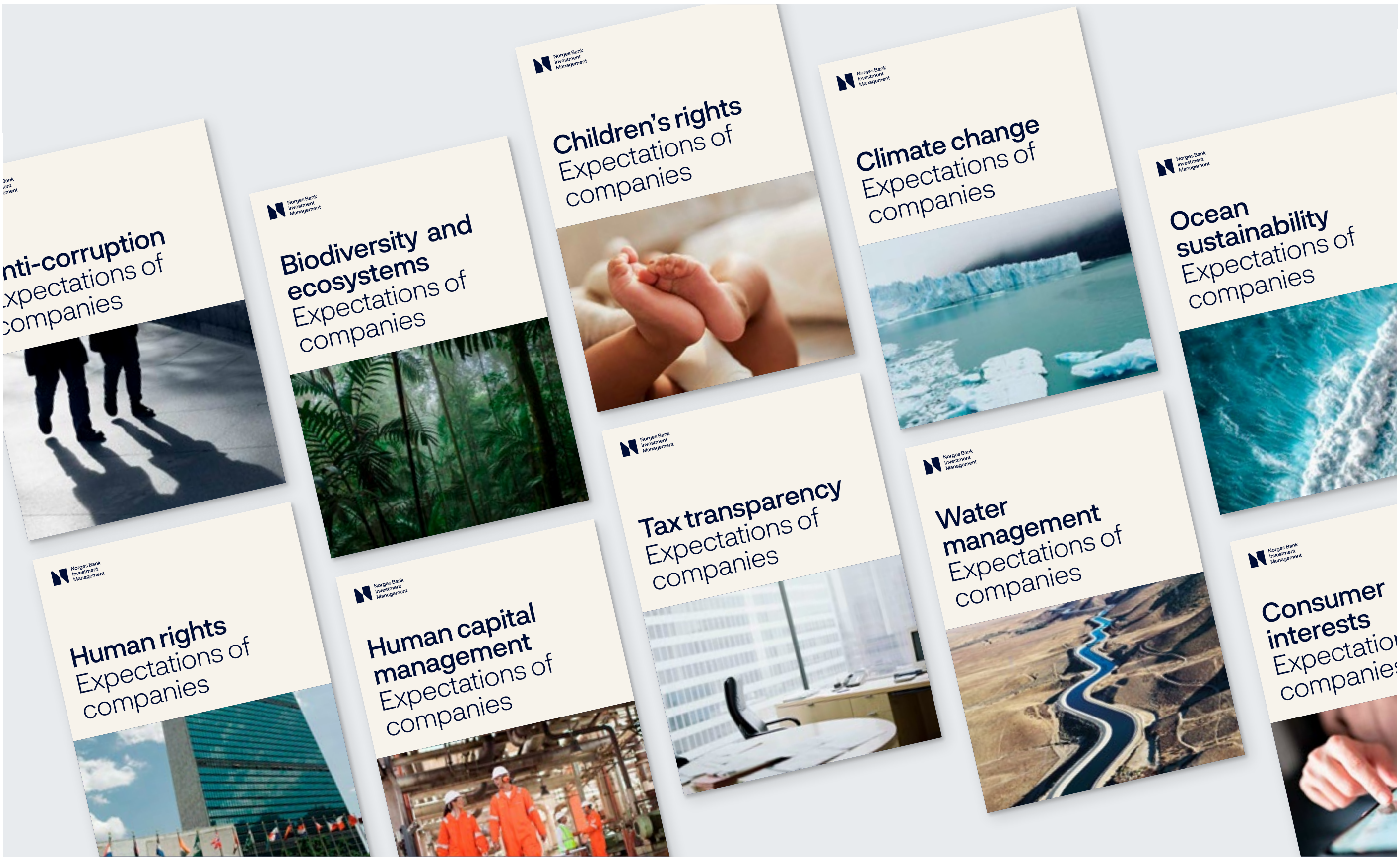
Expectations

Our positions and expectations form the basis of our dialogue with companies.

We are transparent about our expectations of companies on governance and sustainability matters.

Starting from internationally agreed standards and informed by our dialogue with companies, academics and civil society, we set our own priorities as an investor. We formulate expectations of companies on sustainability matters, positions on governance issues, and guidelines for our voting. These public documents communicate our priorities to the wider market and ensure predictability for the companies we invest in.

In 2023, we introduced a new views series presenting our point-in-time opinions on topical issues that are relevant for us as a financial and responsible investor. We published two investor views during the year, on responsible artificial intelligence and the use of voluntary carbon credits.



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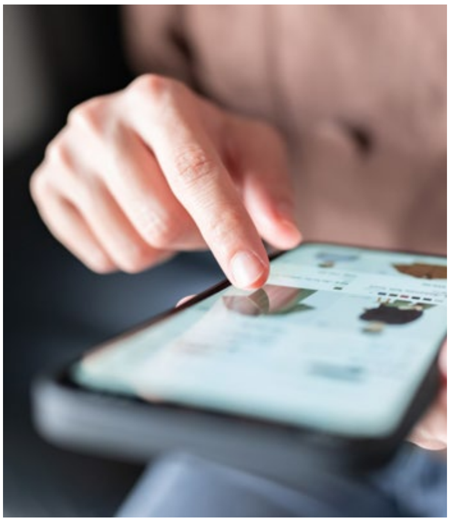
We highlight the need for companies to move from target setting to transition plans.

Setting expectations of companies

Our expectations, which cover ten key sustainability topics, form the basis of our dialogue with companies. They are primarily directed at company boards. The board should take overall responsibility for company strategy and address challenges presented by environmental and social issues. The board should integrate material sustainability risks and opportunities into the company's strategy, risk management and reporting. It must also understand how the company's operations impact the environment and society, and address negative impacts.

Our expectations, as well as our responsible investment management policy, are based on standards such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, International Labour Organization (ILO) conventions and the UN Guiding Principles on Business and Human Rights. They also largely coincide with the UN Sustainable Development Goals.

In August, we published new expectations on consumer interests, which we have grouped into three broad categories: product safety and integrity, responsible commercial practices, and data governance, privacy and AI. We expect companies to integrate consumer interest issues into their business strategy and risk management, be transparent about material consumer concerns, and engage responsibly with stakeholders on these issues.



In September, we published sharpened expectations on climate change. We highlight the need for companies to move from target setting to transition plans, and present six core expectations that will drive our ownership activities. We provide further direction for our expectations within four categories, broadly the order in which a company might develop its work: foundations of corporate climate strategy, ambition and target setting, transition plans, and delivery and transparency.

We have updated our biodiversity and ecosystems expectations to refer to the newly established Kunming-Montreal Global Biodiversity Framework and the recommendations of the TNFD. We ask for more specific timelines for eliminating deforestation from companies' business activities, and now make a direct reference to smallholder farmers as stakeholders who should be considered.

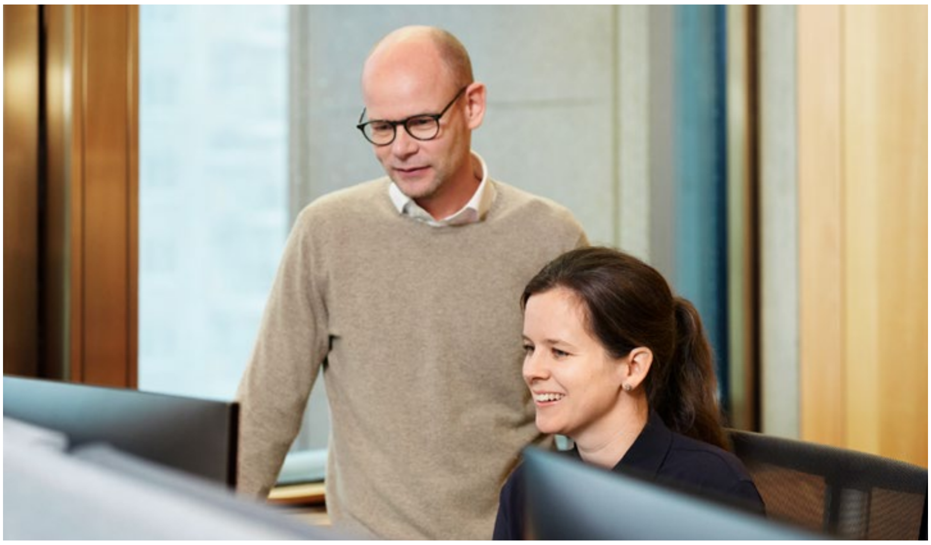
> We further strengthened our approach to CEO pay.

We have updated our expectations on tax and transparency to refer clearly to the GRI tax standard and to provide additional detail on the elements of country-by-country tax reporting. We ask companies to provide more information related to their tax disclosures and use of tax incentives.

Communicating our positions and voting guidelines

To support our ownership activities, we publish position papers that clarify our stance on corporate governance issues. These are based on the G20/OECD Principles of Corporate Governance and best practices. The position papers are reflected in our global voting guidelines and therefore affect how we vote at shareholder meetings. We expect companies to have effective governance, and our shareholder rights to be protected.

In 2023, we made changes to our voting practices in three areas: board independence, gender diversity and CEO remuneration. We strengthened our guidelines in Japan to require at least one female director and at least one third of directors to be independent. We also further strengthened our approach to CEO pay, focusing on cases where outcomes could be unusually costly and the incentive structure does not clearly align with shareholder interests.



Research

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Academic research can improve market standards and give new insights.

We aim to strengthen the scientific foundation of our responsible investment management by supporting innovative academic research. Academic research can help improve market standards, provide new data and inform our responsible investment with new insights.

We provide research funding in areas where we believe that more academic research is needed to shed light on how governance and sustainability may affect financial risks and returns. We also initiate collaborative research projects with academics to answer specific questions of relevance to our responsible investment management. We strive to make the findings publicly available, contributing to knowledge building.

Supporting academic research

In 2023, we started funding new research on CEO incentives and initiated a collaborative project on the economics of national resources. We continued to support two research projects on the effect of ownership structures on companies' governance and a collaborative project on the effect of our vote pre-disclosure.

Projects we have supported.

Researcher/institution	Project	2023 payment. Dollar
École Polytechnique Fédérale de Lausanne	Evolution of institutional investors' ESG preferences	No payment in 2023
University of Oxford	Diversified institutional ownership and firms' strategic behaviour	51 500
University of Minnesota	Economics of natural resources	53 000
National Bureau of Economic Research (NBER)	Optimal executive incentives for investors	No payment in 2023
EPFL and HEC Lausanne	Effect of voting pre-disclosure	No financial support

Setting CEO incentives

We want to understand better what optimal executive incentives look like for a diversified investor seeking to promote long-term returns. We signed an agreement with the National Bureau of Economic Research (NBER) in the US to encourage further academic research by top scholars on CEO incentives. Over three years, the NBER will organise two research conferences and a junior researcher "boot camp". NBER will select research papers based on a combination of intrinsic research contributions and topical relevance. Our expectation is that many of the papers presented at the conferences will eventually be published in leading journals. The first of these conferences was held in Cambridge, Massachusetts in December and streamed on NBER's YouTube channel.

Ownership structure

We want to understand better how the rise in institutional shareholding and changing ownership structures can affect companies. In 2023, we continued to support two research projects looking at this trend in financial markets.

Researchers at the École Polytechnique Fédérale de Lausanne (EPFL) and University of Zurich organised a workshop for academics and practitioners on shareholder voting to disseminate findings from their work on investor proxy guidelines. We contributed to this workshop with a presentation on

> We hope to get a more complete picture of how changes to natural resources might affect the fund's investments.

our approach to shareholder voting. Further data have been collected through a survey of institutional investors and issuers in Switzerland to study the effect of governance preferences on corporate decisions.

A project led by Professor Martin Schmalz at the University of Oxford is focusing on using laboratory experiments to examine the roles of company dialogue and executive compensation structures in driving corporate behaviour and portfolio performance. In the experiments, participants are assigned the role of either manager or shareholder in competing companies. Results published in a first working paper show that managers also consider the profits their shareholders can generate from their shareholdings in competing companies. The experiments revealed that managers take such a holistic view even in the absence of direct financial incentives in their remuneration packages. A conference organised at the university's Saïd Business School provided a forum for academics to discuss emerging research on common ownership, experimental governance and industrial organisation.

Economics of natural resources

We want to better understand the relationship between climate change and natural resource availability. In 2023, we initiated a collaborative project led by Assistant Professor Justin Johnson and Professor Stephen Polasky at the University of Minnesota to estimate the future economic impact of changes to natural resources on countries and industry sectors. The aim of the research is to provide us with a more complete picture of how changes to natural resources might affect the fund's investments, particularly in areas such as food production, infrastructure, and renewable energy, as well as in countries whose economies depend significantly on natural capital. The research will support our investment strategies and understanding of our exposure to long-term climate risk.

Collaborating with researchers

> The preliminary results suggest that our voting predisclosure influences other shareholders' voting decisions.

Effect of voting pre-disclosure

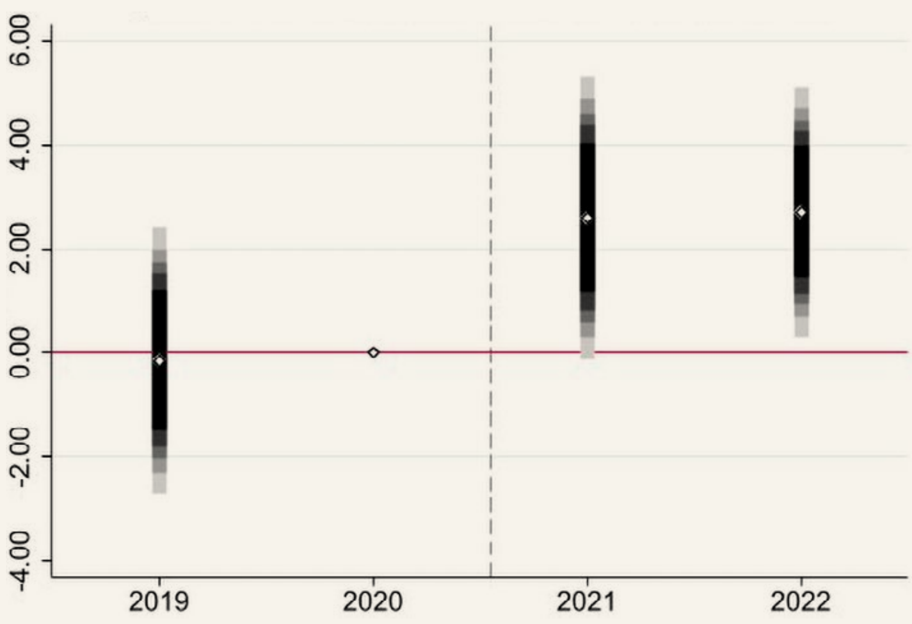
Since January 2021, we have disclosed how we intend to vote prior to annual shareholder meetings. To analyse whether our pre-disclosure transparency has any effect on other shareholders' voting decisions, Alexis Wegerich, Head of ESG Analytics, has collaborated with Ruediger Fahlenbrach from EPFL and Nicolas Rudolf at HEC Lausanne looking at this question. The research is independent of Norges Bank Investment Management. In 2023, the researchers published a working paper "Leading by Example: Can One Universal Shareholder's -Voting Pre-Disclosure Influence Corporate Outcomes?", documenting the results of this research project.

The research study exploits the quasi-random implementation of our pre-disclosure to quantify its effect: Pre-disclosing voting intentions five days prior to meetings means that shareholders can consider our pre-disclosure for some meetings, while for others it comes too late and after the voting cut-off date.

The preliminary results suggest that voting pre-disclosure influences other shareholders' voting decisions. For management proposals, against votes increase by an average of 3 percentage points where we pre-disclose our intention to vote against the proposal. The results also imply a greater impact from the voting pre-disclosure if the proposal is more controversial.

We find these preliminary results encouraging. Market participants seem to find our pre-disclosure valuable and, more generally, it shows how voting pre-disclosure can be an effective ownership tool for us.

Overall change in dissent levels for management proposals where we compare 2020 (before pre-disclosure) to the years 2021 and 2022 (with pre-disclosure). In percent. Estimated coefficients with confidence intervals. In percentage points.



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We want to improve the way we measure the impact of our ownership work.

Measuring our engagement results

Reporting on our engagement results is a core component of being a transparent fund. We want to improve the way we measure the impact of our ownership work. This will help us further develop our company engagements and prioritise our time and resources. It will also create a better basis for our reporting and accountability.

That said, results evaluation and impact attribution are not straightforward. We initiate dialogues with companies, set clear engagement goals and track progress towards these goals. We often engage with companies over a long period of time. During this time, other events occur in the market or at the company itself, and we may not be the only investor or stakeholder engaging on the topic. Even if our goals are achieved, it is therefore difficult to assess the causality between our engagement and outcomes.

In 2023, to help us overcome challenges in impact measurement, we started using a new system to improve the tracking of both engagement objectives and progress in our company interactions. The idea is that the data generated will help us understand our engagements better and, in time, report more extensively on their impact.

3. Portfolio

Investments

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Our investment mandate has specific requirements for responsible investment.

ESG considerations are integrated into our investment decision-making processes across all asset classes. We believe this improves returns and reduces risk.

Listed investments

Integrating ESG into investment processes
Our investment mandate has specific requirements for responsible investment. Material sustainability risks and opportunities faced by a company, as well as the quality of its corporate governance, are likely to have an impact on its ability to create long-term value. We are therefore increasingly integrating ESG data into our investment processes.
The mandates for our portfolio managers require them to take ESG considerations into account in their analyses. They know well our expectations to companies on sustainability matters and our positions on governance matters and discuss them directly with companies. In 2023, they attended 2,100 meetings with companies where ESG topics were discussed. To ensure consistent ESG integration in line with our expectations, they also collaborate closely with our stewardship and sustainability experts. Having both investment decision makers and ESG subject matter experts present in meetings can increase the impact of our company dialogues. Hearing the views of the board or management also gives us a better insight into the company, improves the quality of

> We aim to build a responsible investment mindset throughout the organisation.

our investment analysis and increases the relevance of our responsible investment work. Over time, we believe this contributes to our investment performance.

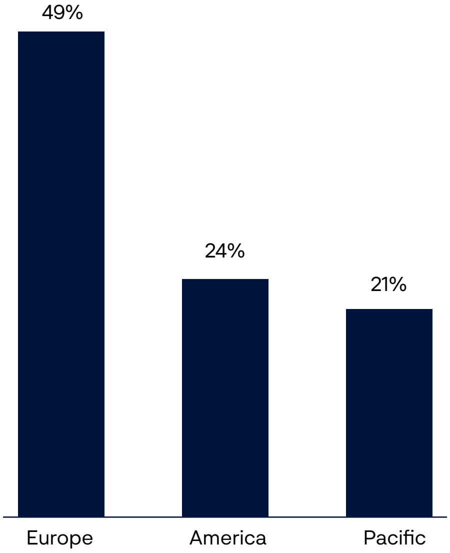
Portfolio managers also take part in important voting decisions. In 2023 they participated in voting decisions at 745 companies. These companies included our largest investments and together made up 62 percent of the equity portfolio's market value. Collaboration on these decisions allows for incorporation of specific company and industry knowledge in the process. It also ensures that we present a united front when exercising our shareholder rights and communicating our ESG expectations to our portfolio companies and the market.

Building responsible investment knowledge

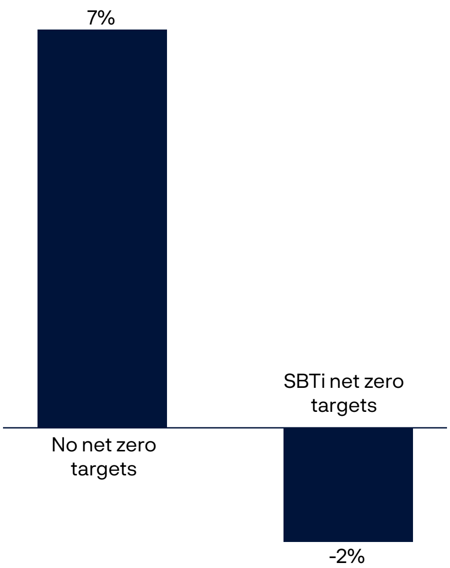
We aim to build a responsible investment mindset throughout the organisation. Giving employees the opportunity to learn more about ESG as part of their training and development is an important component of ESG integration. In 2023, we included climate risk in our Investment Academy training programme. We also teamed up with Rystad Energy Institute to provide extensive training for our employees on topics such as global energy systems, renewables, hydrogen and carbon capture. Our portfolio and stewardship managers took part in training on communication and company meetings.

To further support our knowledge building and integration of ESG considerations into the investment process, we hold open lectures and learning sessions for all our employees, inviting external speakers from academia and industry to talk to us about sustainability-related developments. We hosted a buy-side sustainability summit during the year with three of the world's largest investors and some of the companies playing a key role in decarbonising high-emitting sectors. Our employees had the opportunity to follow the discussions between our portfolio managers and executives at nine companies in the auto and energy sectors on the topics of net zero in energy and the future of vehicles. We also leverage our internal expertise to inform our work on responsible investment. In 2023, we received extensive input from employees across the organisation when developing our view on responsible AI and our consumer interest expectations.

Share of portfolio companies with net zero 2050 targets for scope 1 and 2 emissions in 2023 by region.



Companies with science-based targets decrease their emissions, 2015-2023. Average change in company absolute scope 1 and 2 emissions.



Enhancing data and tools in the investment process

We make a broad array of company specific ESG information available to the organisation in our research and portfolio management systems. In 2023, we developed a portfolio-specific governance dashboard which allows portfolio managers to see portfolio tilts along our internal governance score as well as the underlying data points.

We also expanded the use of our investment simulator, a decision-support framework which highlights strengths and weaknesses in our portfolio managers' investment decisions. The simulator shows ESG data and insights based on external and internally developed analytics, such as ESG incidents in the news, and companies flagged by our forensic accounting and behavioural analytics teams. Our forensic accounting team has developed a screening tool looking at more than 100 accounting ratios, to help us identify companies where sources of revenue or cash flow may be unsustainable. Building on this accounting database, the team is developing an AI tool which seeks to identify companies which the fund should own less of.

Improving climate-related data has long been important for us. Companies' net zero targets are a key metric to evaluate their preparedness for the transition to a low carbon economy. We analyse net zero targets to better understand their quality. This provides us with valuable information for our ownership and investment decisions. In 2023, we launched a net zero target tracker with information on all corporate net zero targets published by our portfolio companies, including short- and medium-term targets.

We are seeing a positive trend in science-based net zero 2050 targets, with an increasing number of companies across Europe, the Americas and Pacific setting such targets. The highest increase in 2023 was in the Pacific region.

Our research indicates that targets matter for corporate emissions. We are seeing increased emissions in companies that have not set any targets, whereas companies with science-based targets have decreased their emissions since 2015.

Investing in the transition to a low-carbon economy

The energy transition and industrial decarbonisation are broad and complex challenges and the period following the Paris Agreement saw rapid adoption of net zero targets across the corporate world. As the execution phase accelerates, strategic divergence is appearing within industries and across regions. This is likely to create divergences in value creation over the long term for companies that are, or are not, able to capture the resulting financial opportunities. While some high-emitting companies may decline in value, others will transform their business models and play an important role in supporting an orderly transition. These developments also highlight the potential for long-term ownership engagement in support of a successful transition and sustainable returns.

Clean energy stocks performed poorly in 2023, with cost challenges encompassing raw material inflation, higher interest rates, and ongoing supply chain constraints. This is leading some companies to narrow their strategic focus to areas where they believe their existing businesses can drive competitive advantages. For traditional energy companies this means distinguishing between renewable electricity infrastructure or 'electrons' and opportunities overlapping with fossil fuel capabilities, or 'molecules'. This is in turn leading to energy companies globally choosing different strategic directions. It sets the scene for a period when the fundamental drivers of share performance in the same industry, but different regions could diverge. Understanding which transition strategy is optimal for each company in turn becomes more important.

Industrial decarbonisation more broadly is moving from 'hard to abate' where the availability of low carbon technologies and processes to replace fossil fuel processes is the fundamental barrier, to 'expensive to abate.' Technology roadmaps exist for green hydrogen, carbon capture and industrial electrification, but financial barriers persist. In this phase, many governments are introducing policies aimed at supporting the development of low carbon technologies. Examples include steel and refinery projects in Europe, and the Inflation Reduction Act in the US. Governments are, furthermore, paying increasing attention to the geopolitical significance of creating low carbon value chains. Regional divergences are also emerging where an industry has multiple routes to decarbonisation. In

Leading decarbonisation solutions.

Emissions Source	Sub-category	Low carbon solution	Companies with exposure to the techonologies
Power	Low carbon electricity generation Battery and energy storage solutions Grid infrastructure	Renewable electricity Grid scale battery storage, pumped hydro, green hydrogen	Iberdrola SA, Energias de Portugal SA, Repsol SA, TotalEnergies SE, BP PLC, Vistra Energy, NextEra Energy Inc Siemens Energy AG, Plug Power Inc, ITM Power PLC, SSE PLC, General Electric Co, ABB Ltd
Industry	Steel Cement Aluminium Chemicals	Direct reduction of iron (DRI) using hydrogen, electric arc furnace, carbon capture and storage Reduction of clinker with supplementary cement materials (SCMs), low carbon fuels, renewable electricity for heat, power and steam, Industrial biotech and fermentation, carbon capture and use/ storage, e-cracking	Industrial gases (Linde PLC, Air Liquide SA, Air Products And Chemicals Inc) Steel makers (ArcelorMittal SA, SSAB AB) Construction companies (Sika AG, Holcim AG) Chemical companies (Arkema SA, Covestro AG, Dow Inc, BASF SE) Industrial biotech (Novozymes A/S, DuPont de Nemours Inc)
Transport	Passenger Vehicle Heavy duty road (truck/bus) Aviation Shipping	Battery electric vehicles, hybrid vehicles, fuel cell electric vehicles Sustainable aviation fuel, hydrogen, ammonia, e-methanol	Automakers (Tesla Inc, BYD Co Ltd, Rivian Automotive Inc, Nikola Corp, Daimler Truck Holding AG) Battery makers (LG Energy Solution Ltd, Contemporary Amperex Technology Co Ltd) Battery materials (Umicore SA, SK IE Te-chnology Co Ltd), Energy (Neste Oyj, Air Products And Chemicals Inc, CF Industries Holdings Inc) Miners (Albemarle Corp, Sociedad Quimica y Minera de Chile SA, Mineral Resources Ltd, Antofagasta PLC)
Buildings	Heating Cooling	Air source and ground source heat pumps	Daikin Industries Ltd, Mitsubishi Electric Corp

9%

of our equity portfolio was invested in companies generating revenue from climate solutions.

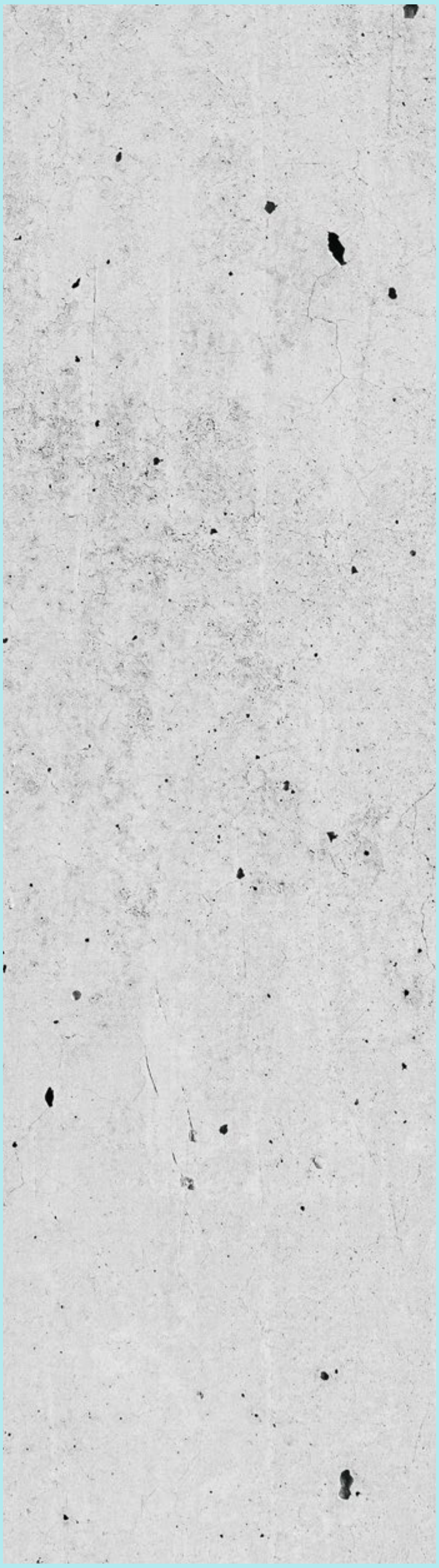
mature markets, industries appear more likely to adopt novel low carbon processes, whereas in markets with a younger asset base, a preference for retrofit processes, such as carbon capture, utilisation and storage (CCUS) , is emerging.

Companies that enable decarbonisation exist across diverse sectors. Industrial gases, traditionally co-located with heavy industry are natural partners to provide low carbon feedstocks such as green hydrogen. The technology companies that operate hyperscale cloud businesses are

driving the development of renewable electricity markets through the scale of their renewable power purchase agreements. Companies including Alphabet Inc, Amazon.com Inc, and Meta Platforms Inc have ambitious net zero targets that set the tone for followers, including in the challenging Scope 3 field. This is important, as the energy demand of data centres grows rapidly. Amazon's commitment to decarbonise transport and delivery covers inbound road, rail, air and water freight. Their last mile commitment features the largest ever order of electric trucks, from Rivian Automotive Inc in 2019. Many technology companies also produce tools that are needed to enable decarbonisation. Semiconductors are needed in all modern electronics, but the specific power semiconductors from Infineon Technologies AG, STMicroelectronics NV and Wolfspeed Inc and other companies are integral to electrification of transport and renewable power generation. Technology companies are also providing the accounting systems or "environmental ledgers" needed for tracking and reducing carbon emissions. Companies involved in this include SAP SE, Oracle Corp and Salesforce Inc.

The fund has significant investments in companies supporting industrial decarbonisation, and in companies involved in the energy transition. At the end of 2023, 9 percent of our equity portfolio was invested in companies generating revenue from climate solutions, based on MSCI's definition. We also monitor our investments included in the FTSE Environmental Opportunities index, which tracks companies that generate at least 20 percent of their revenues from environmental products and services. At the end of 2023, 14 percent of the fund's equity investments were in companies included in this index. See our climate risk disclorues for more information.

Understanding emission pathways in different industries

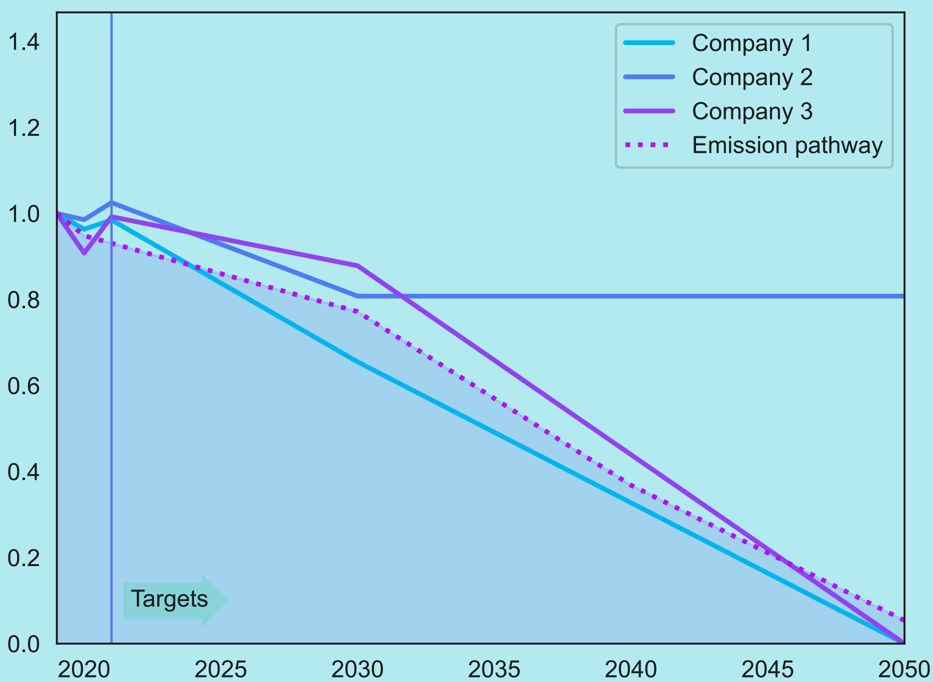


Emission pathways let us evaluate whether companies plan to reduce their emissions.

In this example we look at three companies in the fund's portfolio. As corporate climate targets differ in scope, coverage, and timelines, we need to standardize targets to evaluate companies against each other. Moreover, to understand their absolute performance in reducing emissions, we allocate a carbon budget to each company. This budget defines how much a company is allowed to emit per year based on the relevant sector-specific emissions pathway to net zero emissions by 2050. We then compare the company's past and targeted emissions to its carbon budget.

The chart shows standardized past and expected future emissions for three cement companies based on their targets. The lines illustrate the percentage change in corporate emissions. The shaded area indicates the decline in emissions companies are expected to achieve according to an internationally recognized, sector-specific pathway. In this example, two out of three cement companies' targets are not sufficient to achieve these emission reductions. Developing tools like this facilitates prioritization of companies for analysis and engagement.

Normalised absolute emissions



743 billion

kroner, or 4.7 percent of our capital is invested with external managers.

Improving risk and return with external managers

We use external managers to manage parts of the fund's equity investments, primarily in emerging markets and small-cap companies in developed markets. The fund had 743 billion kroner, or 4.7 percent of its capital, invested with external managers at the end of 2023.

External managers have played a role in the management of the fund since 1998. They reduce the risk of our investments by helping us avoid challenging business models, problematic company strategies and weak corporate governance. Our external managers contribute to improved investment decisions and excess return. Their proximity to the markets, and in-depth knowledge of developments in specific regions and sectors are key strengths.

Adani, a multinational conglomerate, is a concrete example of our external managers' approach to avoiding companies with weak corporate governance. Early in 2023, Adani plummeted in value due to fraud allegations. Prior to these allegations and despite Adani's significant weight in the benchmark, our external managers took the active decision to avoid investing in the Adani franchises. Their decision was based on investment and research processes that incorporate ESG information. This decision helped us avoid being significantly invested in the Adani conglomerate once the allegations became public.

Our external managers report annually whether they are PRI signatories, together with their consideration for signing or not signing the principles. In 2022, 60 percent of our external managers were signatories to the PRI.

Investing sustainably in fixed income

Portfolio managers investing in corporate fixed income also benefit from taking ESG considerations into account. ESG is a key component of our credit analysis. Poor corporate governance or high sustainability risks can become a significant credit risk and impact returns. We therefore seek to understand ESG risk factors for the industry and the company, based on our internal knowledge and external sources. These assessments are integrated into our research, both before investing and on an ongoing basis.

We invest in green, social and other labelled bonds, but do not have a specific mandate related to these instruments. This means that we assess all bonds, conventional or labelled, in the same manner.

75 billion
kroner in green bonds in the fixed-income portfolio.

As a long-term investor, we seek to contribute to the integrity of the labelled bond market. Our view is that labelled bonds should adhere, at a minimum, to the International Capital Market Association's principles.

We own labelled bonds issued by public entities, including sovereign, supranational and agency issuers, and the private sector. Most of these bonds are green bonds, a type of fixed-income instrument that is specifically aimed at raising money for climate and environmental projects. These can include projects related to renewable energy, energy efficiency, green transport, biodiversity conservation, and other related sustainable and eco-friendly projects.

At the end of 2023, green bonds in the fixed-income portfolio amounted to 75 billion kroner, based on the definition for the Bloomberg Barclays MSCI Bloomberg Green Bond Index.

40%
reduction target in operational carbon emissions intensity by 2030.

We purchased a 45 percent share in two life sciences properties in Cambridge, Massachusetts in 2023.

Unlisted real estate and infrastructure investments

Net zero transition in our real estate portfolio
Unlisted real estate investments amounted to 1.9 percent of the fund's net asset value at the end of 2023. We invest in office and retail properties in selected cities around the world and in logistics properties that are part of global distribution networks.

In our 2025 Climate action plan, we established a net zero 2050 target for our unlisted real estate portfolio as well as an interim target to reduce operational carbon emissions intensity by 40 percent by 2030. Our 2050 net zero target includes operational carbon emissions from when the building is in use, as well as the embodied carbon emitted to construct, renovate, and demolish the building. In 2023, we refined our interim operational carbon target to include all emissions from both tenant and landlord spaces. We also updated our net zero strategy for real estate to integrate our new targets into our acquisition and asset management practices.

Progress towards our targets
To measure progress towards our targets, we benchmark our unlisted real estate portfolio against 1.5°C decarbonisation pathways developed by Carbon Risk Real Estate Monitor (CRREM). CRREM evaluates the carbon risk associated with the building and assesses whether the building's current and projected emissions align with the global climate targets in the Paris Agreement. This assessment helps us understand the potential financial and operational risks associated with the building's emissions in a low-carbon future.

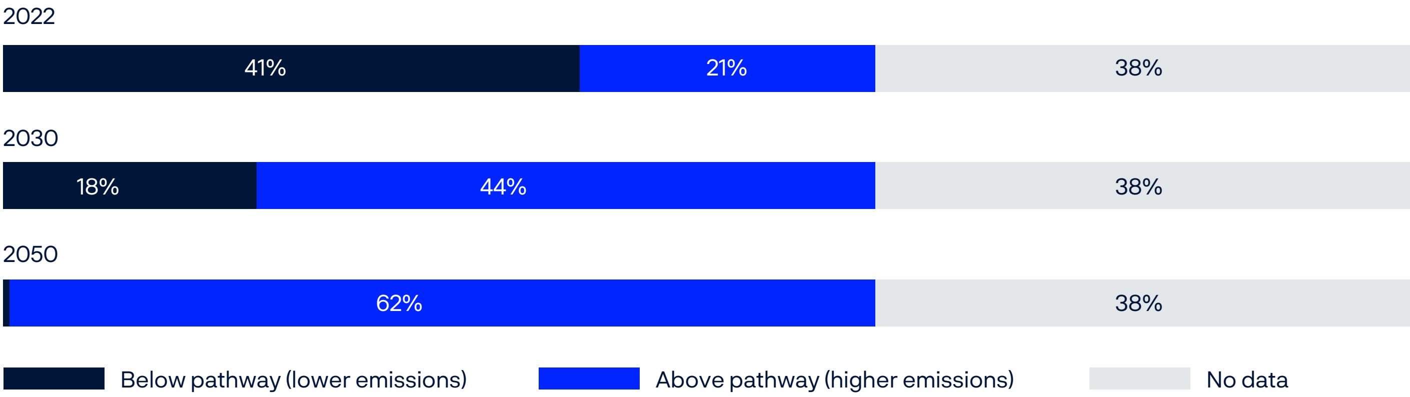
By the end of 2022, 41 percent of the unlisted real estate portfolio by value was aligned with the 2022 value of the CRREM decarbonisation pathway compared with 26 percent of the portfolio in 2021. This is partly due to refined local emissions factors for the US markets and improvements we have made to assets in the portfolio. As the CRREM decarbonisation pathway greenhouse gas values decline year-on-year, it will be increasingly difficult to conform to the pathway through to 2050.

Without making improvements in the portfolio, by 2030, 18 percent of the portfolio is projected to be aligned with the pathway, but close to none of the portfolio currently meet the 2050 end requirements. We expect this to increase as we make interventions over time across the portfolio, and if the energy system itself changes more rapidly than projected by CRREM.

To measure alignment, full energy consumption data are required for each building. We are unable to benchmark the logistics joint venture with Prologis, and the Central London joint venture with the Crown Estate, due to insufficient energy consumption data coverage. We split out the parts of our portfolio where we do not have sufficient data to accurately measure alignment. Overall, we are unable to analyse 38 percent of the portfolio by value due to incomplete consumption data. We continue working with our partners to improve the quality of energy consumption data.

Our interim 2030 target measures reduction in greenhouse gas intensity of our unlisted real estate portfolio against a 2019 baseline. There are several factors that impact the greenhouse gas intensity of our portfolio, and the decarbonization trajectories can vary greatly between real estate sectors. To contribute actively to the energy transition, we see the need for long-term, sustainable solutions for the building sector, and we will not divest energy intensive assets solely to meet our greenhouse gas reduction targets. We break down the emission reductions per sector and disclose contribution by sector and geography to be transparent about our progress. See tabels 3 and 4 in Climate risk disclosures.

Unlisted real estate portfolio alignment (current and projected) with CRREM decarbonisation pathway. Measured in kroner. Percentage points.

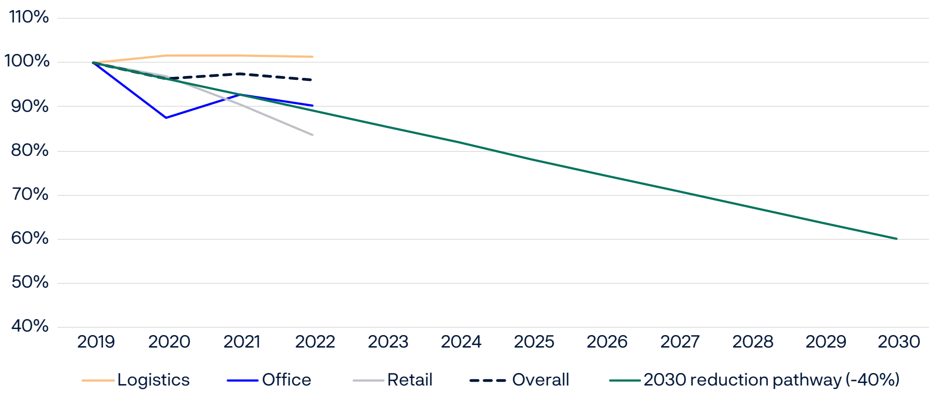


> Greenhouse gas intensity for the real estate portfolio fell by 4 percent from 2019 to 2022.

We utilise estimates aligned with the PCAF recommendations where consumption data are not available and specify the percentage of estimates vs actual consumption data. From 2019 to 2022, greenhouse gas intensity for the real estate portfolio fell by 4 percent. The office sector decreased by 10 percent, this is partly due to lower utilisation due to delayed return to office, improvements we have made in the portfolio, and an increasingly cleaner energy grid across our markets. The retail sector decreased by 16 percent primarily driven by cleaner energy grids. For our logistics portfolio we use estimated data and there is no change in carbon intensity per square feet. Changes in the composition of the portfolio however resulted in one percent increase in greenhouse gas emissions intensity. Our logistics assets have 66 megawatts of solar generating capacity across the portfolio, of which 9 megawatts were added in 2023. As we further expand on this, our expectation is that this sector will contribute meaningfully to our reduction target. Similarly, if the composition of our portfolio were to be tilted towards more energy intensive assets or to geographies with less available renewable energy on the grid this could impact the overall greenhouse gas intensity of our portfolio.

To measure the overall responsible investment progress for the unlisted real estate portfolio, we have been report-ing data to the Global Real Estate Sustainability Benchmark (GRESB) since 2013. In 2023, we scored 83 out of 100, compared with 81 in 2022. We performed 7 percentage points better than comparable investment portfolios re-porting to GRESB. However, we have found that our new climate targets require a different approach to reporting which is more data-driven and focussed on actual energy consumption and carbon emissions for the real estate portfolio. From 2024, therefore, we will strengthen performance-based reporting towards our targets and use CRREM for benchmarking. This will replace the GRESB survey.

Progress towards 2030 interim target, greenhouse gas intensity by sector relative to 2019 baseline and 40% greenhouse gas reduction pathway, including estimates. Financed greenhouse gas emissions intensity per square meter in percent of 2019 baseline.



Decarbonising real estate – a case study in Paris

M | 17-23 boulevard de la Madeleine Paris

Property

Built in
1930's
last redeveloped in 1990-92

Total area of
21,000 m² office
12,000 m² retail

Nine floors and four basement levels. Office floors are vacant and under refurbishment.

After refurbishment

Creation of 2,650 m² of outdoor spaces (rooftop and green spaces).

Facade upgrade and large floorplates (> 3,500 m²).

Creation of 560 m² of cycle facilities, including lockers rooms.

Results

5,000 tons of carbon emissions saved through reuse of materials, limited demolition and low carbon materials.

Reducing energy intensity by 50 percent.

Reducing carbon emissions by 50 percent over the building's life cycle.

Better utilisation of indoor and outdoor areas space. Improves well-being and use of total space.

Problem statement

A building's total carbon emission consists of embodied carbon and operational carbon, representing different stages of a building's lifecycle. For new construction, embodied carbon contributes as much as 50 percent of total carbon emissions during a building's lifecycle. This is equivalent to 30 years of operating the building.

Refurbishing existing assets, instead of building new ones, is an important way to reduce total carbon emissions of our portfolio.

Our approach

At the design phase we did a **whole building lifecycle assessment** to assess the carbon impact of each of the building's lifecycle stages and to know where to focus our efforts.

We did a **circular economy assessment** and identified 220 tons of materials that could be reused. To **minimize concrete waste**, we kept original concrete slabs and added extra-slim fan coils to optimise floor- to- ceiling heights.

Where we needed new materials, we tried to source **low-carbon and bio-sourced materials.** The walls of the lift lobbies will be faced by a soil-based product from the Grand Paris works (a few kilometres away).

We are implementing innovative solutions for more efficient heating and cooling and better utilisation of indoor and outdoor space to **reduce energy intensity and improve tenant wellbeing.**

> Meeting the goals of the Paris Agreement will require a fundamental transformation of the world's energy use.

Investing in unlisted renewable energy infrastructure

The fund's management mandate was amended in 2020 to include infrastructure for renewable energy. Up to 2 percent of the fund can be invested in unlisted renewable energy infrastructure. These investments represented 0.1 percent of the fund at the end of 2023.

Meeting the goals of the Paris Agreement will require a fundamental transformation of the world's energy use. The transition demands both a decrease in the use of fossil fuels and advances in the technology for renewable energy. By investing in unlisted renewable energy infrastructure, the fund can contribute to the low-carbon transition whilst further diversifying risk. These investments are subject to the same risk and return requirements as other investments in the fund.

We increased our investments in renewable infrastructure in 2023. In January, we acquired a 49 percent stake in a 1.3 GW portfolio of solar plans and onshore wind farms in Spain. The portfolio is a combination of operational projects and projects under development. In March, we bought a 16.6 percent stake in a 960 MW German offshore wind construction project. The wind farm will produce clean energy equivalent to the electricity demand of 1.1 million households, and the project is expected to be operational by the end of 2025.

Environmental, social and health and safety risks are an integral part of the review of these investment opportunities, and we use the GRESB benchmark for infrastructure assets to assess the sustainability performance of individual assets. In 2023, the wind farm Borssele 1 & 2, our first investment in renewable energy infrastructure, was again ranked first by GRESB among its peers in the European offshore wind power generators, maintenance and operations category.

Risk management

We systematically monitor ESG risks in the portfolio. We implement risk mitigation measures for companies with high risk, including information sharing, investment restrictions and ownership engagement.

We identify ESG risks across all companies in the portfolio and benchmark using a variety of risk monitoring processes. In broad terms, we consider ESG risk to be high if a company's market valuation may be adversely affected by its management of ESG issues. A company may, for example, be associated with high risks if its operations, or those of major suppliers, contribute to significant human rights violations or environmental pollution, or if it has experienced ESG-related incidents and controversies that may affect its regulatory risk, sales growth or access to capital. In addition, our quarterly screening of the portfolio and benchmark also seeks to identify the potential and actual adverse impacts that companies may have on the environment and society.

1,048

companies entering the fund's equity benchmark index were screened.

Identifying and assessing companies with high ESG risks

We use a complementary set of tools and methods to monitor ESG risks as ESG data are often incomplete and fraught with uncertainty. We have processes for retrieving data from external sources and making information available across the organisation, such as our quality assurance process for corporate emissions data.

We draw on various data sources for our ESG risk monitoring processes, including information disclosed by companies. We purchase data from vendors that collect and consolidate corporate disclosures and use estimation models to fill gaps in data coverage or forecast risk trajectories. We source economic and societaldata on the markets in which we invest.

In 2023, we updated our model for assessing companies' exposure to ESG risks based on their country- and sector classifications. The model covers all ESG topics addressed by our expectations documents. The risk metrics for each sector embedded in the model are aligned with the financial materiality framework of the SASB. We use the model as a first layer of analysis for ESG risk monitoring processes.

Quarterly pre-screening of companies entering the equity benchmark index

The fund's investment strategy is based on spreading our investments globally in accordance with a global market-weighted index. The index is updated every quarter by FTSE, our index provider. We have developed an in-house process for assessing ESG risk across all companies selected by FTSE to enter its global index, so-called quarterly pre-screening.

In 2023, we screened 1,048 companies entering the fund's equity benchmark index and identified 317 as having high exposure to ESG risks. Of those, 263 were placed on an internal monitoring list, while we decided to divest from, or abstain from investing, in the remaining 54 companies.

166

companies with heightened ESG risk were identified through our screening method.

Quarterly screening of companies in the portfolio and equity benchmark index

We have developed a screening methodology for assessing ESG risks across all companies in the equity portfolio and benchmark index on a quarterly basis. The purpose is to assess the potential financial impact of ESG risks on companies, as well as the companies' potential and actual adverse impacts on the environment and society. We also assess how companies manage risks based on our expectations on sustainability. The screening feeds into our sustainability due diligence processes.

In 2023, we identified 166 companies with heightened ESG risk through our screening method. Following additional analysis, we decided to monitor developments in 49 cases, initiate dialogue in 28 cases and divest in 4 cases. 85 companies assessed in 2022 were again identified this year, and actions previously taken have been continued.

Daily ESG risk monitoring

We systematically monitor news flows from public sources and stakeholders on ESG-related incidents and controversies related to companies in our equity portfolio and equity benchmark index. This provides insights into how companies' practices impact society, how stakeholders react to or perceive corporate practices, and the potential financial impacts on the companies themselves.

In 2023, we identified 124 companies associated with severe ESG incidents or controversies.

Thematic assessments

We may conduct deeper research into particular themes or trends where we see heightened ESG risks. For example, we annually assess the risk of aggressive tax planning across companies in our portfolio using an internal model. In 2023, this assessment led to us to divest from one company.

Monitoring of portfolio movements and corporate events

We monitor movements in our portfolio and corporate events that may change our exposure to ESG risks. For example, we assess the ESG risk profile of all companies in which our ownership share exceeds 5 percent during the year and thereby makes the fund a more significant owner.

"

All the markets we invest in are approved by the Executive Board of Norges Bank.

Approval of issuers of markets and government bonds
All the markets we invest in are approved by the Executive Board of Norges Bank. Investments in sovereign bonds issuers must similarly be approved by the board. The approval framework includes sustainability considerations such as water scarcity, biodiversity, child labour and corruption as part of the assessments of country risk.

Actions to address companies with high ESG risks

Our risk management framework includes several potential actions that can help reduce the fund's exposure to ESG risks. The chosen action depends both on the level of ESG risks identified for each company and on other aspects of our investment, including size and relative risk.

Ongoing monitoring: Companies identified through our monitoring processes as being associated with either medium or high ESG risks may be placed on an ongoing monitoring list. This means that they are tracked more systematically and brought to the attention of our investment and ownership teams.

Initiate or continue dialogue: We may also initiate or continue dialogue with the companies identified through our ESG risk monitoring processes as having high exposure to ESG risks. We may be a significant owner in the company, or we may have an ongoing dialogue with it on ESG-related topics.

Share information with the Council on Ethics: We may also identify companies where the independent Council on Ethics has already identified a company for assessment against exclusion criteria, or which fall within a theme prioritised by the Council. In such cases, we share information on the companies with the Council on Ethics.

Risk-based divestment: In selected cases, companies identified as having high exposure to ESG risks may be considered for divestment. A divestment decision would include consideration of factors such as severity, whether the company has already taken remedial action, the size of our investment, portfolio managers' familiarity with the company, and the fund's risk limits.

Overview of our ESG risk monitoring processes.

Risk-based divestments

We may divest from companies to mitigate long-term risk for the fund.

Risk-based divestments are financial decisions and may be an appropriate risk mitigation measure following a broad evaluation of the impact on the fund. We may also reverse previous divestment decisions and re-include companies into our investment universe. Both divestment and re-inclusion decisions are made within the overall limit for deviation from the benchmark index. The use of this tool is typically chosen for selected small investments where we have uncovered systematic mis-management of ESG risks, and where engaging with the company has failed or is unlikely to succeed.

86
divestments in 2023.

Risk-based divestments in 2023

We divested from 86 companies in 2023 following assessments of ESG risks, and re-included three companies into our investment universe. We identified companies with significantly heightened risks across a variety of ESG topics, including potential violations of human and labour rights, insufficient risk management related to corruption, and business models highly exposed to thermal coal. 54 of the divestment decisions involved companies that entered the fund's benchmark index during 2023. Altogether, we have made 526 divestment decisions since 2012.

Risk-based divestments in 2023.

Topic	Criteria	2023
Climate change	Relevant percentage of business mix related to coal mining or coal-based electricity generation.	11
Water management	Insufficient risk management related to water use	5
Biodiveristy and ecosystems	Exposure to markets associated with degradation of biodiversity and ecosystems	3
Anti-corruption	Exposure to markets with significant risk of corruption	
	Insufficient risk management related to corruption and corporate governance	11
Tax and transparency	Elevated risk of aggressive tax planning	1
Human rights	Exposure to markets with significant risk of violations of human rights violations	
	Insufficient risk management related to human rights	24
Children's rights	Insufficient risk management related to children's rights	3
Human capital management	Exposure to markets with significant risks related to human capital management	
	Insufficient risk management related to human capital management	7
Consumer interests	Insufficient risk management related to consumer interests	2
Other	Exposure to other significant ESG risks	19

0.44

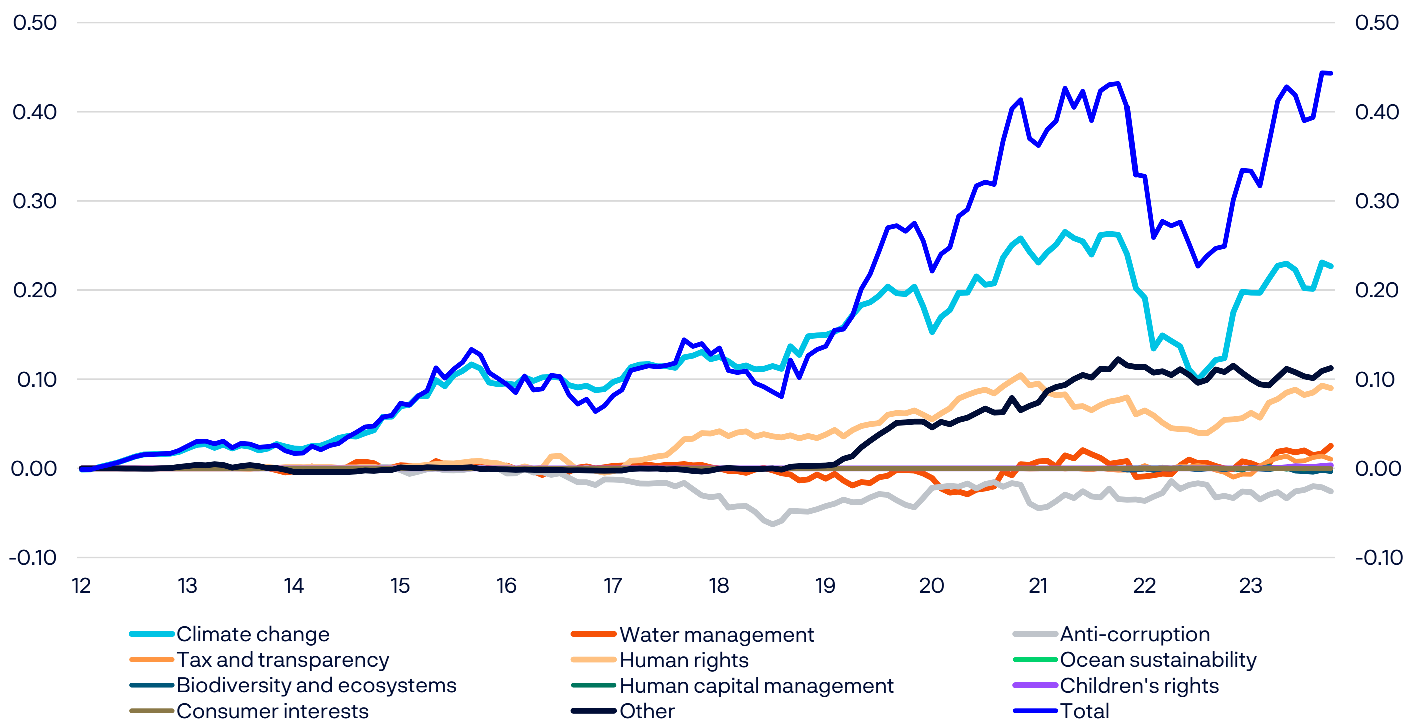
percentage point cumulative return on the equity portfolio from risk-based divestments since 2012.

Impact on the fund's equity returns

We measure the impact of our investment decisions, including risk-based divestments, on our returns. The impact on the equity portfolio from the risk-based divestments was 0.07 percentage point in 2023.

Since 2012, risk-based divestments have increased the cumulative return on equity management by 0.44 percentage point, or 0.02 percentage point annually. Risk-based divestments linked to climate change and human rights have increased the cumulative return on equity management by 0.23 and 0.09 percentage point respectively. Those linked to corruption have decreased the cumulative return on equity management by 0.03 percentage point.

Return impact of risk-based divestments on the equity reference portfolio, compared to a portfolio not adjusted for risk-based divestments. Measured in dollars. Percentage points.



Contribution to return impact of risk-based divestments on the equity reference portfolio as at 31 December 2023. Market value in billions of kroner. Contribution measured in dollars. Percentage points.

Expectation	Number of companies divested[1]	Market value in the reference portfolio if not sold	2023	2012–2023 annualised
Climate change	190	22	0.04	0.01
Water management	58	6	0.01	0.00
Biodiversity and ecosystems	14	2	0.00	0.00
Ocean sustainability	3	0	0.00	0.00
Anti-corruption	45	7	0.01	0.00
Tax and transparency	17	6	0.01	0.00
Human rights	120	13	0.01	0.00
Human capital management	19	2	0.00	0.00
Childrens rights	3	0	0.00	0.00
Consumer interests	2	0	0.00	0.00
Other	55	4	-0.01	0.00
Total	**526**	**63**	**0.07**	**0.02**

[1] Includes companies that are not in the reference portfolio.

4. Companies

Dialogue

3,298

meetings with portfolio companies.

As a long-term investor, we engage in regular dialogue with our portfolio companies to promote good corporate governance, sustainable business models and responsible business practices.

As a shareholder in 8,859 companies, we need to prioritise our company dialogues. We are in regular dialogue with our largest investments. In 2023, we held a total of 3,298 meetings with 1,358 companies. These meetings are conducted by employees from our investment and corporate governance teams. We discuss a broad range of strategic topics, such as performance, market developments, corporate governance and sustainability. The meetings can be with companies' board and top management, business unit leaders, investor relations and/or sustainability experts.

Companies often reach out to us as part of their annual shareholder interaction, or ahead of their annual shareholder meeting, to discuss executive remuneration or other items submitted for shareholder approval.

In 2023, we held 1,611 meetings with 805 companies where governance topics were discussed, and 1,589 meetings with 822 companies where

Company meeting at our London office.

Number of company meetings where ESG topics were discussed.

Category	Topic	Number of meetings	Share of equity portfolio in percent
Environment	Climate change	812	32
	Circular economy	213	11
	Biodiversity	73	6
	Water management	61	3
	Deforestation	46	3
	Ocean sustainability	27	1
	Other environmental topics	276	12
Social Issues	Human capital	559	30
	Consumer interests	178	17
	Human rights	121	20
	Tax and transparency	106	11
	Data privacy	50	11
	Anti-corruption	37	5
	Children's rights	32	2
	Other social topics	293	12
Governance	Capital management	1174	38
	Effective boards	315	31
	Remuneration	236	28
	Enhanced reporting	125	6
	Protection of shareholders	89	8
	Other governance topics	436	26

sustainability topics were discussed. In all, we raised ESG topics at 64 percent of our meetings with companies, covering 62 percent of the value of the equity portfolio.

When we want to discuss specific issues with companies, our dialogues take a targeted form where we follow up governance and strategy through:

Strategic board dialogues, where we meet the company boards of our largest holdings with the aim of enhancing our understanding of the company, building influence as a present and long-term owner, and improving our investment performance.

Net zero dialogues, where we engage with the highest emitters in our portfolio and support and challenge them on their pathway to net zero emissions.

> We seek to understand the company better, convey our views and increase board accountability.

Thematic dialogues, where we engage with companies on specific sustainability matters and over a specific period of time.

Incident-based dialogues, where we engage with companies because of specific incidents or our own assessments indicating poor risk management.

Dialogues about ethical criteria, where engagements follow specific decisions by the Executive Board based on recommendations from the independent Council on Ethics.

These dialogues come in addition to our management-level dialogues to monitor corporate governance and discuss the companies' handling of current governance issues. This is the largest category of our company meetings. In addition to meetings, we communicate with companies in writing. We distribute our expectation documents and position papers to companies to inform them of our priorities, and respond to enquiries from companies.

Strategic board dialogues

These stewardship dialogues are directed at our largest holdings. In 2023, we had 221 meetings at board level, with 174 companies. These companies accounted for 23 percent of the equity portfolio by value. With these types of meetings, we seek to understand the company and board better, support the role of the board by conveying our views directly, and letting our investment perspectives be heard over time. The meetings are held with the chair or another leading board member and attended on our side by portfolio managers and stewardship managers. We see great benefits in having our investment decision makers present at these meetings. Hearing the views of the board, together with the information we get from management at other meetings, gives us a better insight into the company and can improve the quality of our investment decisions.

The meeting agenda is company and context-specific, but typically includes conversations about corporate strategy, capital allocation, management and risks, as well as discussion on board composition and dynamics, management incentives and succession, and material sustainability issues.

Examples of strategic board dialogues in 2023 and some of the topics we discussed.

<table>
<tr><th>Company</th><th>Sector</th><th colspan="4">Agenda</th></tr>
<tr><td>Welltower Inc</td><td>Real estate</td><td rowspan="4">Board composition</td><td rowspan="2">Risk management</td><td rowspan="3">Board oversight</td><td>Remuneration</td></tr>
<tr><td>Tesla Inc</td><td>Consumer discretionary</td><td rowspan="7">Strategy</td></tr>
<tr><td>Hitachi Ltd</td><td>Industrials</td><td rowspan="3">Succession planning</td></tr>
<tr><td>Unilever PLC</td><td>Consumer staples</td><td>Capital allocation</td></tr>
<tr><td>BT Group PLC</td><td>Telecommunications</td><td>Corporate culture</td><td>Board oversight</td></tr>
<tr><td>Novo Nordisk A/S</td><td>Health care</td><td>Board composition</td><td>Remuneration</td><td>Risk management</td></tr>
<tr><td>Swiss Re AG</td><td>Financials</td><td rowspan="2">Performance</td><td rowspan="4">Capital allocation</td><td>Board composition</td></tr>
<tr><td>BHP Group Ltd</td><td>Basic materials</td><td>Board oversight</td></tr>
<tr><td>Engie SA</td><td>Utilities</td><td>Board oversight</td><td rowspan="3">Board composition</td><td rowspan="2">Strategy and energy transition</td></tr>
<tr><td>Exxon Mobil Corp</td><td>Energy</td><td>Risk management</td></tr>
<tr><td>Broadcom Inc</td><td>Technology</td><td>Succession planning</td><td>Remuneration</td><td>Board oversight</td></tr>
</table>

Number of meetings held with company boards by sector in 2022 and 2023.

“

Climate considerations are integrated into all our engagements with companies on the focus list.

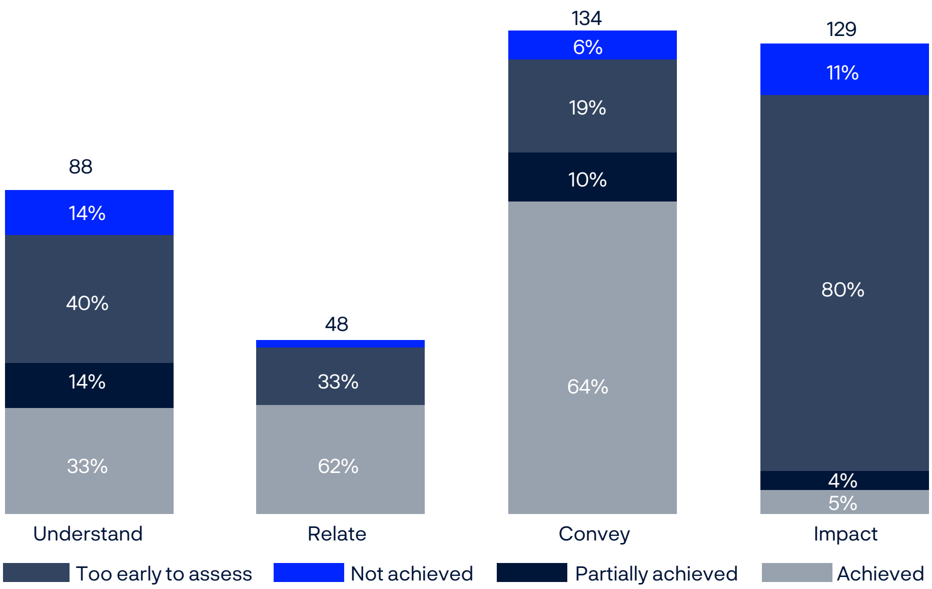
Net zero dialogues

A core part of our 2025 Climate action plan is to engage with the highest emitters in our portfolio on how they can achieve net zero emissions by 2050. We want to support and challenge our portfolio companies in delivering long-term financial value, adapting their business models, and achieving net zero emissions.

We have put these high-emitting companies on a focus list. The list includes 70 percent of financed scope 1 and scope 2 emissions from the companies in the equity portfolio, our largest investments in sectors with significant indirect exposure to climate risk, and additional companies with elevated climate risk based on proprietary assessments. Climate considerations are integrated into all relevant engagements we have with these companies.

We conduct detailed dialogues per sector with companies on the focus list, discussing the companies’ climate targets, transition plans and emission reductions. We set and track specific objectives for each dialogue and company, based on their plans and progress versus peers. Dialogues often start with us establishing deeper relationships with the companies, understanding nuances in their decarbonisation efforts and conveying our general expectations. Where relevant, we can then set impact objectives for specific and value-enhancing changes we want to see at the companies. These objectives may for instance relate to the companies’ targets, strategies, governance framework or disclosures.

Number of objectives and progress status in percent for our net zero dialogues by end of 2023.



We have in 2023 initiated most of the sector-specific dialogues, and are increasingly identifying and seeking to affect change in how companies approach their journey to net zero emissions. We also communicated our sharpened climate expectations to the boards of all companies on the focus list.

Overview of our net zero dialogues in 2023.

	Number of companies and their sector	% Financed scope 1 & 2 emissions	Main objective	Example objectives
Ongoing	28 metals and mining companies	7.2%	Engage primarily with diversified mining companies and steel and iron producers. Focus on scope 3 targets, decarbonisation capex, and technology pathways for low-carbon steel.	**Understand:** Company's operational decarbonisation levers. **Impact:** Company to publish transition plan towards 2030 targets. **Impact:** Company to set net zero target.
	25 oil and gas companies	14.4 %	Engage with large integrated, midstream and refinery companies. Focus on decarbonisation of own operations and associated capex, while communicating expectations also on scope 3 emissions.	**Understand:** Role of downstream in 2035 scope 1 and 2 target. **Impact:** Company to adopt scope 3 target mechanism (intensity or absolute basis). **Impact:** Company to publish its scope 3 emissions.
	20 chemicals companies	5.2%	Engage with diversified and specialty chemicals producers, and fertiliser companies. Focus on technologies to decarbonise own operations, bio-based feedstocks, circular solutions and strategic customer relationships.	**Understand:** Progress on blue- and green hydrogen projects. **Convey:** Updated expectations. **Impact:** Company to increase disclosures on levers to reach targets.
Started	18 banks	0.1%	Engage with the largest global financial institutions. Focus on targets for financed emissions, disclosure of transition plans to reach them, and opportunities in sustainable finance.	**Understand:** High-level levers to reach 2030 targets across business. **Understand:** Scope and implications of client assessments. **Impact:** Company to publish a detailed transition plan with quantified levers for all targets published in 2021.
	24 transportation companies	4.0%	Engage with companies transporting goods or passengers via air, rail or sea. Focus on emission reduction targets, alternative fuels, advance market commitments and customer demand.	**Understand:** Cost of retrofit of ships to alternative fuels. **Convey:** Our view on the role of offsets in climate target. **Impact:** Company to set blend-target for sustainable aviation fuels.
	7 consumer and telecoms companies	1.1%	Engage with consumer and telecoms companies that are high contributors to the fund's carbon footprint. Focus in particular on scope 3 measurement and reduction for material categories, including no-deforestation and no-conversion targets.	**Understand:** Plans to measure and reduce land-related emissions. **Convey:** Express support for company decarbonisation ambition. **Impact:** Company to include scope 3 in climate targets.
	23 electric utilities	8.0%	Engage with electricity, gas and multi-utilities on their emission reduction targets, transition plans and carbon performance.	**Relate:** Establish relationship with the company. **Convey:** Challenge company's emissions performance and delivery of plans. **Impact:** Set interim emission reduction target for LNG operations.
	10 technology companies	1.8%	Engage high-emitting technology companies on interim and net zero targets and accompanying transition plans. Further engage technology enablers to understand and encourage their role in accelerating the decarbonisation of customers or the use of a low carbon technology.	**Understand:** New/strengthened scope 2 target. **Understand:** Impact of US CHIPS and Science Act on climate targets. **Impact:** Request scope 3 target and SBTi validation.
	7 auto manufacturers	0.2%	Engage with large automobile producers on their electrification strategies and emission reduction targets. The initial focus is on emission reductions in the upstream supply chain.	**Understand:** Key levers to decarbonise, with a focus on their upstream supply chain. **Relate:** Strengthen climate-focused dialogue. **Convey:** Introduce our climate change expectations.

Thematic dialogues

For our thematic dialogues, we engage with companies on material sustainability issues based on our public expectation documents. We prioritise issues that may affect the companies' ability to create long-term value. Typically, we select groups of companies in industries exposed to specific sustainability risks or opportunities. We also contact companies with significant shortcomings in their sustainability disclosures. Our engagement approach is informed by the nature and severity of the issue as well as an assessment of our ability to influence the company, including the size of our investment and previous dialogue with the company. Once we have completed each dialogue, we evaluate the outcomes and progress against key performance indicators, and continue to discuss the topics in our regular dialogues where appropriate.

Selected thematic dialogues in 2023. Objectives per progress category.

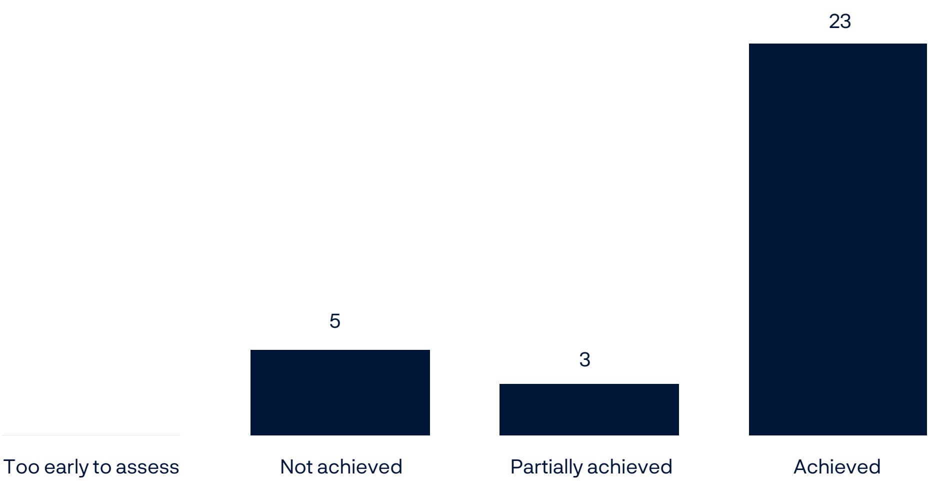
Engagement with 11 companies on mining in sensitive areas.

Objective

Engage mining companies exposed to areas with high biodiversity value or Indigenous Peoples' territories:

- Convey our expectations on biodiversity and ecosystems, including on stakeholder engagement and free prior and informed consent.
- Understand better the sustainability-related risks and opportunities faced by mining companies.
- Encourage the companies to manage and disclose how they approach these risks and opportunities.

Progress by end of 2023, number of objectives



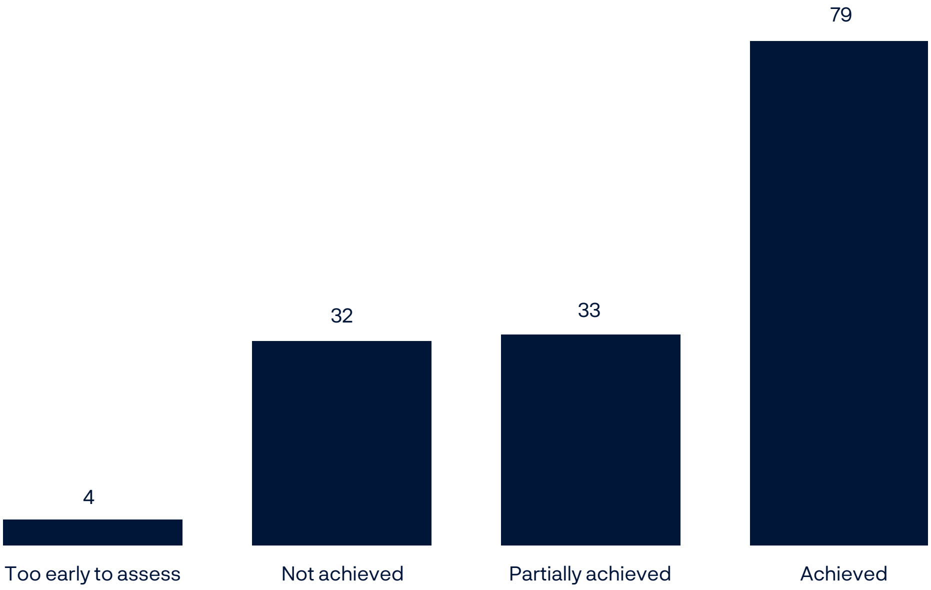
Engagement with 37 companies on forced labour risks in global supply chains.

Objective

Engage consumer, technology and energy companies on management of forced labour risks in global supply chains:

- Understand the companies' exposure to forced labour risks and the steps they are taking to identify, assess and manage these risks.
- Encourage the companies to adopt appropriate policies and conduct human rights due diligence, including supply chain managements systems that facilitates traceability.

Progress by end of 2023, number of objectives



See further thematic dialogues in 2023 →

Engaging for improved corporate sustainability reporting

We want companies to disclose their management of, and performance on, material sustainability risks. We need this information to understand material risks, in engagement and voting processes, and to evaluate the results of our work. Improving corporate sustainability disclosures has been a consistent engagement theme for us for more than a decade.

Each year we contact companies with inadequate disclosures and encourage them to improve these. To inform which companies we contact, we conduct annual sustainability assessments where we collect and analyse publicly available data on companies' exposure to sustainability risks, how these risks are managed, and their sustainability performance. We focus on companies in sectors with material risks and look for the weakest performers against our expectations. The goal of this process is for the companies to improve their reporting in accordance with our expectation documents.

In 2022, we began using machine learning methods to collect higher quality data and to run the assessments across more companies. The new approach also allows us to collect sustainability data points for more than 6,000 portfolio companies. Our goal is for these assessments to cover most of our portfolio, use transparent criteria and be consistent over time. We are continuously improving our understanding of the types of questions that machine learning models are best suited to answer. We see improvements in the data quality used in our assessments from 2022 to 2023 as machine learning models become more advanced. There is nevertheless still a way to go before we have consistent data at scale across all our expectations.

Driving improved sustainability reporting.

Screen portfolio
Find companies with shortcomings in reporting on material topics across our expectation documents.

→

Send letter to the board
Explain our expectations, encouraging the company to increase their disclosure. A follow-up letter is sent if there is no response.

→

Consider other escalation tools
Hold the board to account through our voting and other escalation.

↓

Engage with company on our expectations
Promote enhanced disclosure practices, including sharing best practice examples.

44%

of the companies contacted in 2022 improved their reporting in line with our expectations during 2023.

We track all answers, meetings and other activities, and evaluate the companies' response, or lack thereof, to measure the impact of our engagement efforts. Over the past seven years, we have engaged with 787 companies on their sustainability reporting.

In 2023, we contacted 88 companies with significant shortcomings in their sustainability disclosures. We focused on weak disclosure on climate change, human rights, children's rights, taxation, anti-corruption and human capital management, and added our latest expectation document on consumer interest to the screening process. Of the companies contacted in 2022, 57 percent responded to our letters and 44 percent improved their reporting in line with our expectations during 2023. We also followed up with companies contacted in previous years. When we compare the disclosures of companies over time, we find greater improvements in disclosure for companies we engaged with compared to companies that were not contacted.

Incident-based dialogues

An incident-based dialogue is a reactive form of engagement where we follow up unwanted incidents that could indicate weak corporate governance or poor management of environmental and social risks. It also includes engagement with companies that were flagged as "high risk" in our quarterly portfolio screening for ESG risks. In 2023, we had 29 incident-based dialogues.

Examples of incident-based dialogues in 2023.

Topic	Focus	Examples of companies we engaged with
Human rights	We have been in touch regarding the human rights due diligence the company conducts in relation to certain products.	Axon Enterprise Inc
Children's rights	Following reporting on an increased risk of child labour in the US, we are engaging with a selected set of companies to convey our expectations on child rights and support them in improving risk management e.g. through improved policies, enhanced due diligence processes, and supplier engagement.	General Mills Inc, Walmart Inc, Mondelez International Inc
Human capital management	After a catastrophic fire at a mine in Kazakhstan, we have discussed the company's approach to health and safety.	ArcelorMittal SA
Biodiversity	We have met to discuss the company's deforestation policy following an update that could be interpreted as a weakening.	The Procter & Gamble Co

Dialogues about ethical criteria

The ethical guidelines issued by the Norwegian Ministry of Finance state that, before making a decision on observation or exclusion, Norges Bank should consider whether other measures, including the exercise of ownership rights, may be appropriate. On this basis, the Executive Board may decide that we should engage with companies to seek to reduce the risk of norm violation that gave the Council on Ethics cause for concern.

Engaging on child labour

Escalation
In March 2018, the Council on Ethics recommended that UPL Ltd., an Indian agrochemical company, should be placed under observation. The recommendation was due to an unacceptable risk of the company contributing to, or being responsible for, serious or systematic human rights violations, namely the use of child labour in the Indian seed supply chain by its subsidiary Advanta Seeds.

Engagement
The Executive Board of Norges Bank decided that instead of placing UPL under observation, we should actively engage with the company over a five-year period to try to change the company's practices and thereby reduce the future risk of norm violations.

Our goals for this active ownership work included the establishment of appropriate governance structures and policies, risk management, monitoring and transparency.

We had eleven meetings with UPL and Advanta during this period, including a visit to the companies in India as well as regular written correspondence.

Outcome
Although child labour continues to be a challenge in the seed sector in India, UPL and Advanta have made meaningful efforts to prevent and mitigate child labour, taking a risk-based and holistic approach and focusing on the push and pull factors that keep children in school and out of the fields.

At the end of the five-year period, the Executive Board found that UPL had taken steps that sufficiently reduced the future risk of child labour. The board concluded that the company no longer presented an unacceptable forward-looking risk of causing or contributing to serious or systematic human rights violations. The period of active ownership under the ethical criteria therefore came to an end in 2023. We will, however, continue to engage with the company in our regular ownership dialogue.

“

Our five-year ownership dialogue with UPL Ltd was concluded in 2023.

Gross corruption

Our three-year ownership dialogue with PetroChina Co Ltd was concluded in 2023. The aim of the dialogue with PetroChina was to follow up how the board and management ensure effective anti-corruption systems and mechanisms. Issues raised with the company during the engagement include the procedures in place for identifying and assessing corruption risks, procedures for monitoring risk and investigating incidents, risk mitigation measures, and board competency and oversight of the compliance programme. We also raised questions focusing on training, company culture, and the specific issue of third-party corruption risk. Our engagement indicates that the company has strengthened its due diligence and its monitoring processes.

Our interactions with PetroChina during this period have included video conferences and written exchanges. For most of the ownership period, it was not possible to meet in-person due to Covid-19 travel restrictions. In light of concrete actions taken by the company, the Executive Board found that the risk of future norm violations appears to be sufficiently reduced. The period of active ownership under the ethical criteria therefore came to an end. Since the companies' industry and operations are still considered to be at a relatively high risk of corruption, we will continue to engage with the company as part of our regular ownership activities.

We continued our dialogue with ThyssenKrupp AG in 2023, meeting the compliance function and the chair of the supervisory board. Our dialogue aimed to maintain a good understanding of corporate governance at the company in the context of ongoing restructuring and the recent leadership transition, and to explore the company's continued efforts to strengthen its anti-corruption programme and build a culture of integrity. Conversations focused particularly on the company's risk assessment process and overall corruption risk exposure, improvements to company policies and processes regarding the use of third-party agents, and board oversight of anti-corruption risks and mitigation efforts. The company continues to take concrete steps to mitigate its exposure to corruption risks, and it is our impression that the company's systems and processes, as well as overall compliance culture, have improved during the period of the ownership dialogue.

> We have observed the companies making significant efforts to prevent and clean up oil spills over the last ten years.

Severe environmental damage

In 2013, the Ministry of Finance asked Norges Bank to include oil spills and environmental conditions in the Niger Delta in our ownership work with the oil and gas companies Eni SpA and Shell PLC for a period of five to ten years. We followed this up at four meetings with the companies in 2023.

The objectives for our dialogues were for the companies to reduce the number and volume of oil spills and ensure effective remediation of spills. We have observed the companies making significant efforts to prevent and clean up oil spills over the last ten years. Both Shell and Eni have implemented multifaceted strategies, including technical solutions, government advocacy, and community engagement. However, although both companies have reduced the number of operational spills, neither of the companies has been able to meaningfully reduce the number or volume of oil spills occurring due to theft and sabotage. Shell has also had significant delays in cleaning up affected sites. The companies report that the operational and security context in the Niger Delta has been very challenging, with an increase in organised oil theft. We acknowledge that the lack of progress towards our objectives can be partially attributed to external factors outside the companies' control. Both have now agreed to sell their onshore businesses in Nigeria.

In 2023, the Executive Board of Norges Bank decided to extend the dialogues with the two companies until the end of 2025. During this period, we will continue to follow up the companies' oil spill management efforts, and seek to contribute to the companies exiting the Niger Delta in a responsible and orderly fashion.

Voting

11,468

shareholder meetings voted at.

We voted at 11,468 shareholder meetings in 2023 to express our views as an investor, promote long-term value creation by companies and safeguard the fund's assets. We also produced our first standalone voting review.

Shareholders have the right to elect a company's board and approve fundamental changes to the company, such as amendments to governing documents, issuance of shares, and mergers and acquisitions. We also vote on proposals from other shareholders. The rules for shareholder proposals differ between markets. When voting at shareholder meetings, we consider whether the board operates effectively and whether our shareholder rights are adequately protected.

Voting guidelines and transparency

We aim to be transparent, consistent and predictable in our approach to voting. To support this, we publish our global voting guidelines on our website. Since 2021, we have also published our voting decisions five days before the shareholder meeting. We provide an explanation whenever we vote against proposals supported by the board. In 2023, we extended this pre-disclosure. We now also explain our decision when we oppose shareholder proposals, and vote in-line with the company's recommendation.

We also produced our first standalone voting review, providing a detailed overview of our voting activities. The report will be updated in the third quarter each year, after most of the companies in the portfolio have held their annual meetings. Some of the key topics in the 2023 report are also discussed below in the sections on:

- effective, diverse and accountable boards
- shareholder approval of climate and executive pay plans
- shareholder proposals

We voted on

115,266

resolutions

We voted in line with the board's recommendation

in 95% of all resolutions

for all agenda items in 69% of the shareholder meetings

Voting in 2023

We aim to vote at all shareholder meetings at companies in our portfolio. In 2023, we voted on 115,266 resolutions at 11,468 shareholder meetings, representing 98 percent of our portfolio and 98 percent of shareholder meetings. When we do not vote, it is generally because voting would lead to share blocking, thereby restricting our ability to trade, or because other rules make it difficult to exercise our voting rights. Given the high number of shareholder meetings, we use the services of custodians and proxy advisors to exercise our rights. These intermediaries form a chain through which investors pass their voting instructions and receive information on corporate events.

Institutional Shareholder Services (ISS) is our proxy advisor. It provides us with voting-related research, but the voting decision is always ours. We instruct ISS on how to vote based on our own voting guidelines and internal decision making in specific cases. We continue to support management and vote in line with the board's recommendations in most cases, but we voted against management on at least one proposal at around a third of all meetings in 2023, in view of our position papers and voting guidelines.

Effective, diverse and accountable boards

We expect board members to act independently and without conflicts of interest, to have the right balance of experience and skills to carry out their duties, and to be accountable for their decisions. Director elections account for nearly 40 percent of the resolutions we vote on. We voted on 45,844 board candidates in 2023. We voted in line with the board's recommendation in 94 percent of director elections, a similar level to 2022. Our votes against largely follow from our positions on board independence, effective boards and board diversity.

In Sweden, we participate in the nomination process for the boards of some of our largest investments. In 2023, we continued our work on the nomination committees at Viaplay Group AB, Essity AB, Svenska Cellulosa AB SCA and Holmen AB and were re-appointed to serve on the last three of these ahead of the 2024 shareholder meeting.

Top reasons for voting against management:

1. Lack of board independence
2. Combined chair/CEO
3. Changes to bylaws or charter

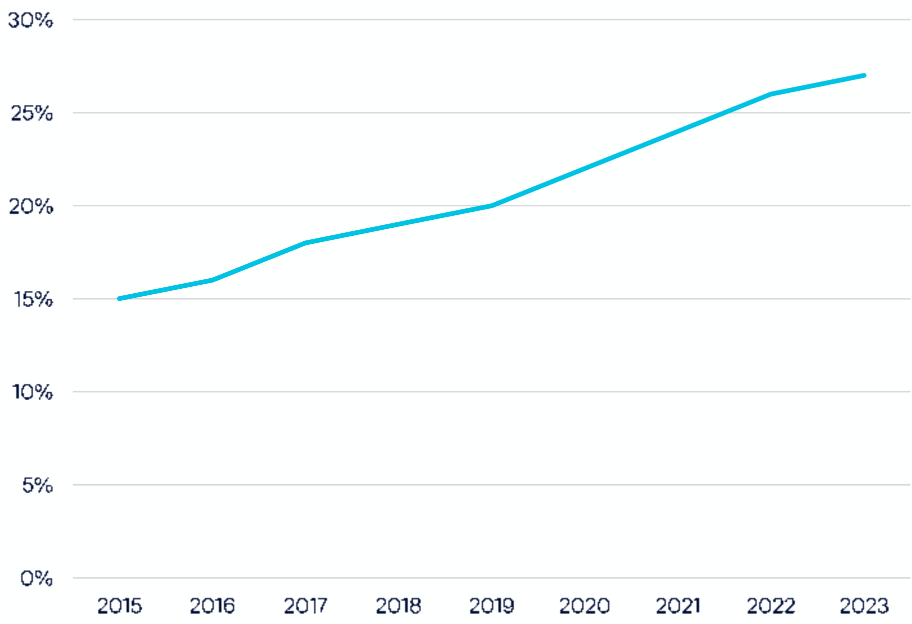
Our view is that having sufficient representation of each gender is an important indicator of board quality.

Improving gender diversity

Our view is that having sufficient representation of each gender is an important indicator of board quality. Our position is that each gender should make up at least 30 percent of the board.

We are seeing an upward trend at a global level in the average representation of women on company boards, but they continue to be under-represented in many countries.

Average percentage of women on boards across our portfolio.



Source: BoardEx

Countries with highest and lowest levels of female representation of women on boards.

Country level percentage is calculated for countries with at least 15 companies in our dataset.

What countries are laggards regarding female representation on boards?	Percent
Qatar	5
United Arab Emirates	14
Taiwan	14
South Korea	14
Mexico	14

What countries are leading female representation on boards?	Percent
France	45
Italy	41
UK	39
Belgium	39
Sweden	38

> We may vote against individual directors to hold them to account for a company's conduct.

We are gradually implementing our board diversity position into our voting guidelines. The current guideline is at least two board members of each gender in developed markets.

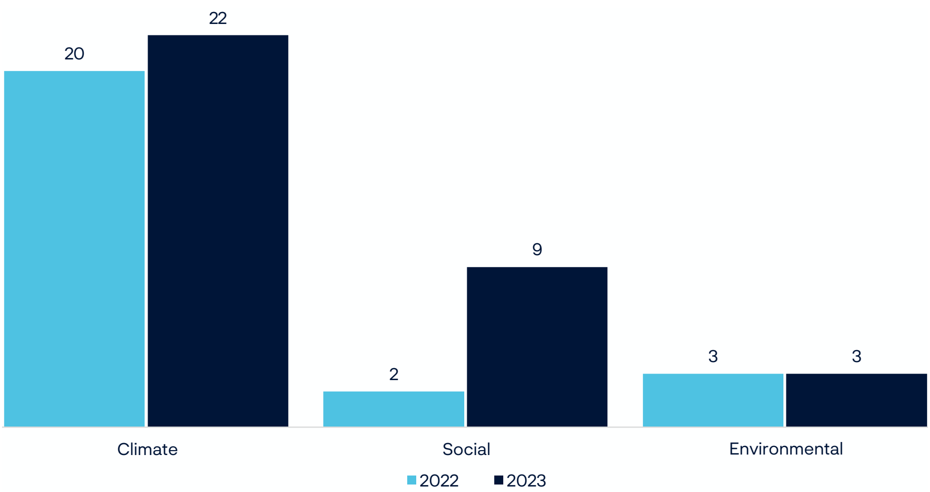
We make exceptions to this general guideline in certain markets, recognising the local dynamics that influence the representation of women on boards. In 2023, we strengthened the guideline for Japan, requiring companies to have at least one woman on the board. Levels of gender diversity in that market have long lagged other developed markets, but are improving. This nevertheless led to an overall increase in votes against management on gender diversity grounds in 2023.

Holding boards to account

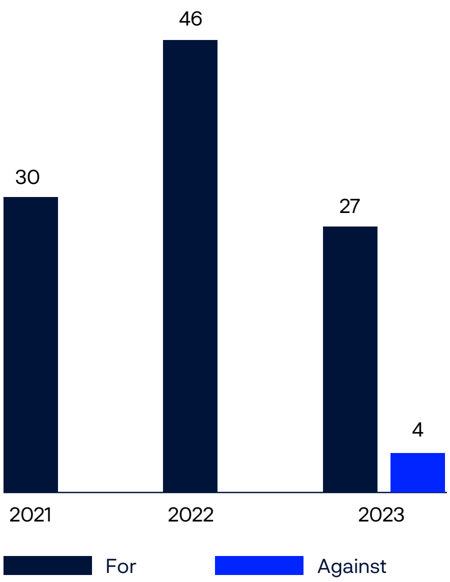
We may vote against individual directors to hold them to account for a company's conduct, which we did for 161 companies in 2023. In the majority of cases, this is related to governance concerns, such as problematic executive pay, or where the external auditor has found problems with the annual financial statements.

In recent years, we have expanded our voting against board directors to include considerations of material failures in the oversight, management or disclosure of climate risks. We now also look systematically at social risks and other sustainability risks. A decision to vote against directors typically follows engagement with the company where we are not satisfied with the company's response.

Companies where we voted against board members for climate, social and environmental reasons in 2023.



Support for "say on climate" proposals.



Shareholder approval of climate and executive compensation plans

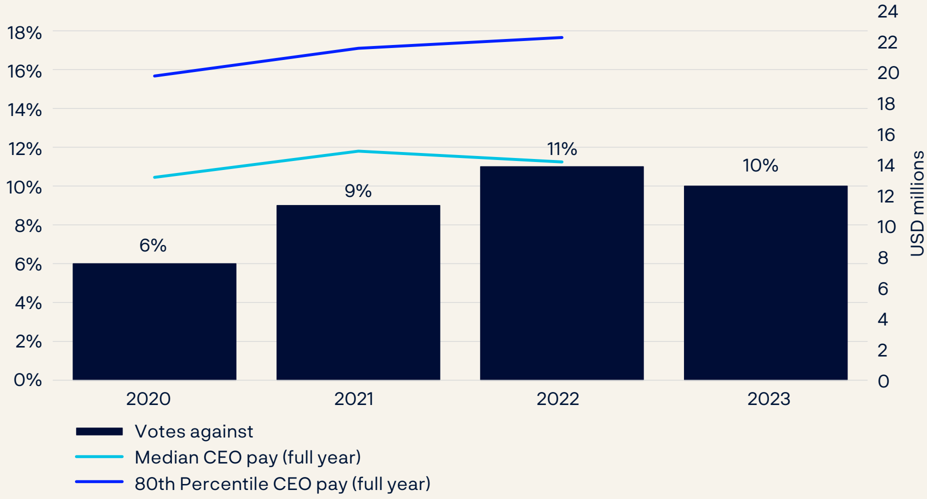
"Say on climate"
Many companies ask their shareholders to approve their climate plans. In most cases, these "say on climate" votes are non-binding and advisory. This is still a relatively new field, and good practice for what climate transition plans should contain is still under development.

When voting on climate plans, we consider elements such as the ambition level of targets set, the robustness of the plans, and the detail of related disclosures. Where we do not believe plans to be sufficiently developed or coherent, we will not support them, as was the case with four of the 31 proposals we voted on in 2023.

US CEO pay

We advocate for simpler pay structures based on CEOs building up and holding shares for the long-term.

The percentage of companies we have voted against on 'say-on-pay' in the US, relative to median and the 80th percentile US CEO pay for our portfolio companies in S&P500.*



*'Say on pay' votes typically relate to pay awards over the previous year.

To inform our voting on US packages, we have introduced a stricter framework for evaluating the largest of these. Although we do not vote against pay packages based on size alone, we assess the largest to identify the structures we view as most problematic and misaligned with long-term value. For 2023, we applied this assessment to packages worth 20 million dollars or more, leading us to vote against approximately 50 percent of packages above this level. Overall, we voted against CEO pay for 10 percent of all companies we owned in the US in 2023.

421

shareholder resolutions on environmental and social topics voted on.

Voting on shareholder proposals

We view shareholder proposals as an important tool for shareholders to signal views about the strategic direction of a company, or concerns about potential company mismanagement. While our general position is to vote with the board, we may vote for shareholder proposals opposing the board when they raise concerns that are material and reasonable, and where company practices run contrary to our interests as a long-term owner.

The majority of shareholder proposals relate to governance topics, making up about 81 percent of proposals in 2023. These address a variety of topics, including an independent chair, compensation and the right to call special meetings. We evaluate these individually based on their merit and in accordance with our positions and views.

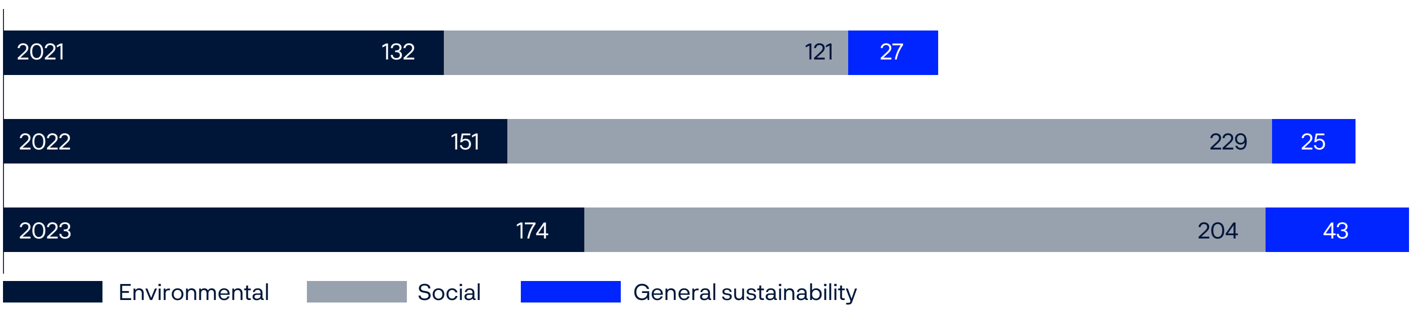
Over recent years, we have seen an increased number of shareholder resolutions on topics relating to companies' management of environmental and social issues. We voted on 421 shareholder resolutions on environmental and social topics in 2023, compared to 407 in 2022. A large part of this increase can be explained by a greater number of proposals relating to climate change, and more specifically proposals asking companies to report on their transition plans and progress. For these proposals, we assess the companies' transition plans against our climate expectations and vote accordingly.

Our experience is that sustainability shareholder proposals are becoming more complex and addressing a wider range of topics. They also receive more media attention, in some cases against, an increasingly politicised backdrop in some markets.

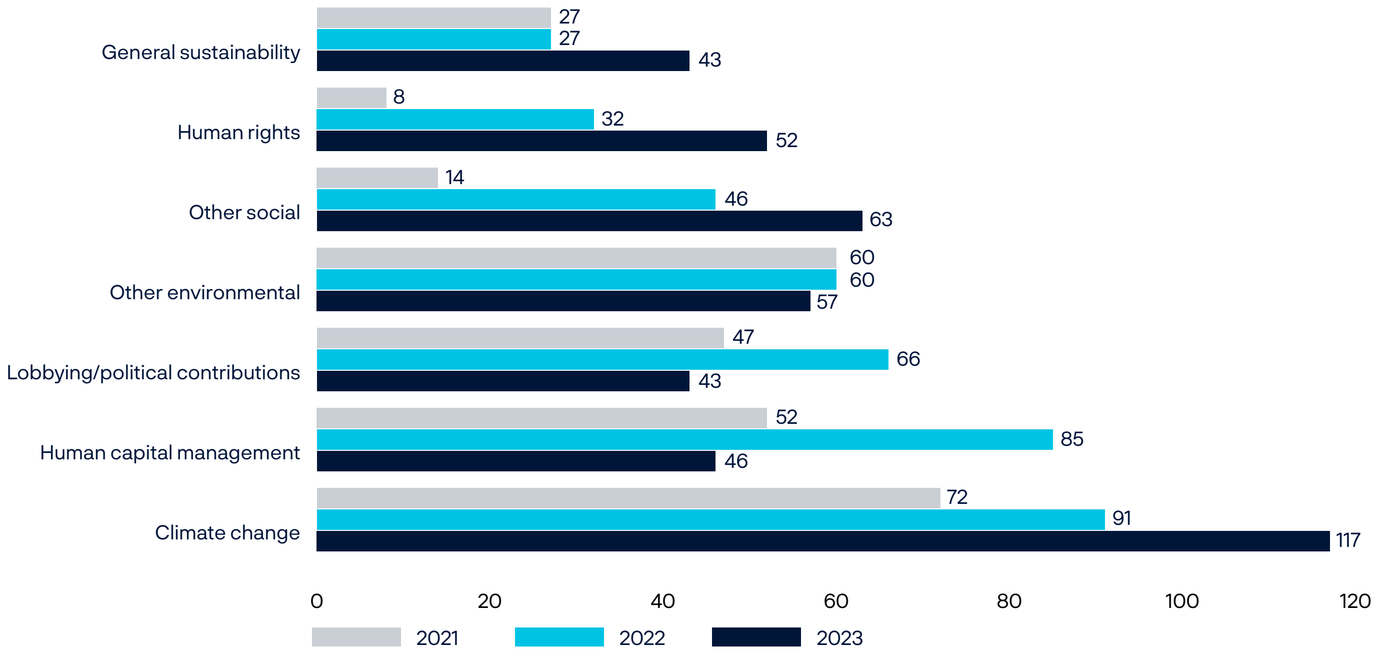
Emerging topics in 2023

- Freedom of association and collective bargaining
- Climate transition planning
- Political expenditure congruency

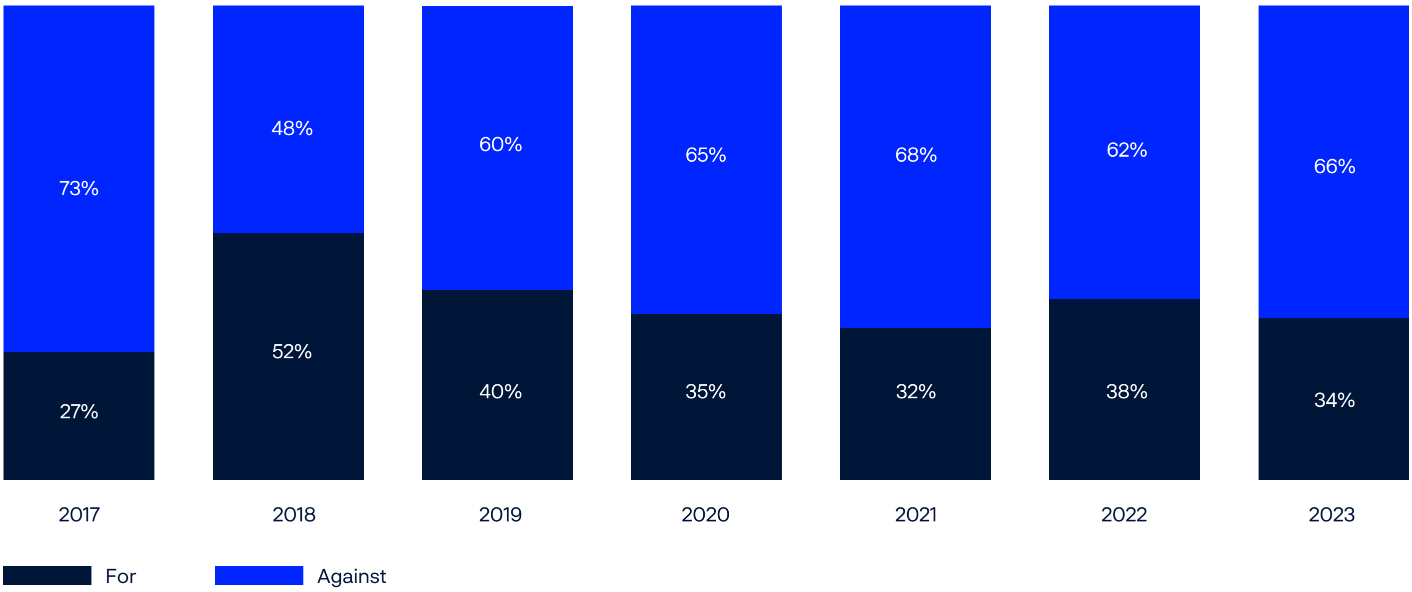
Increase in shareholder proposals on environmental and social topics.



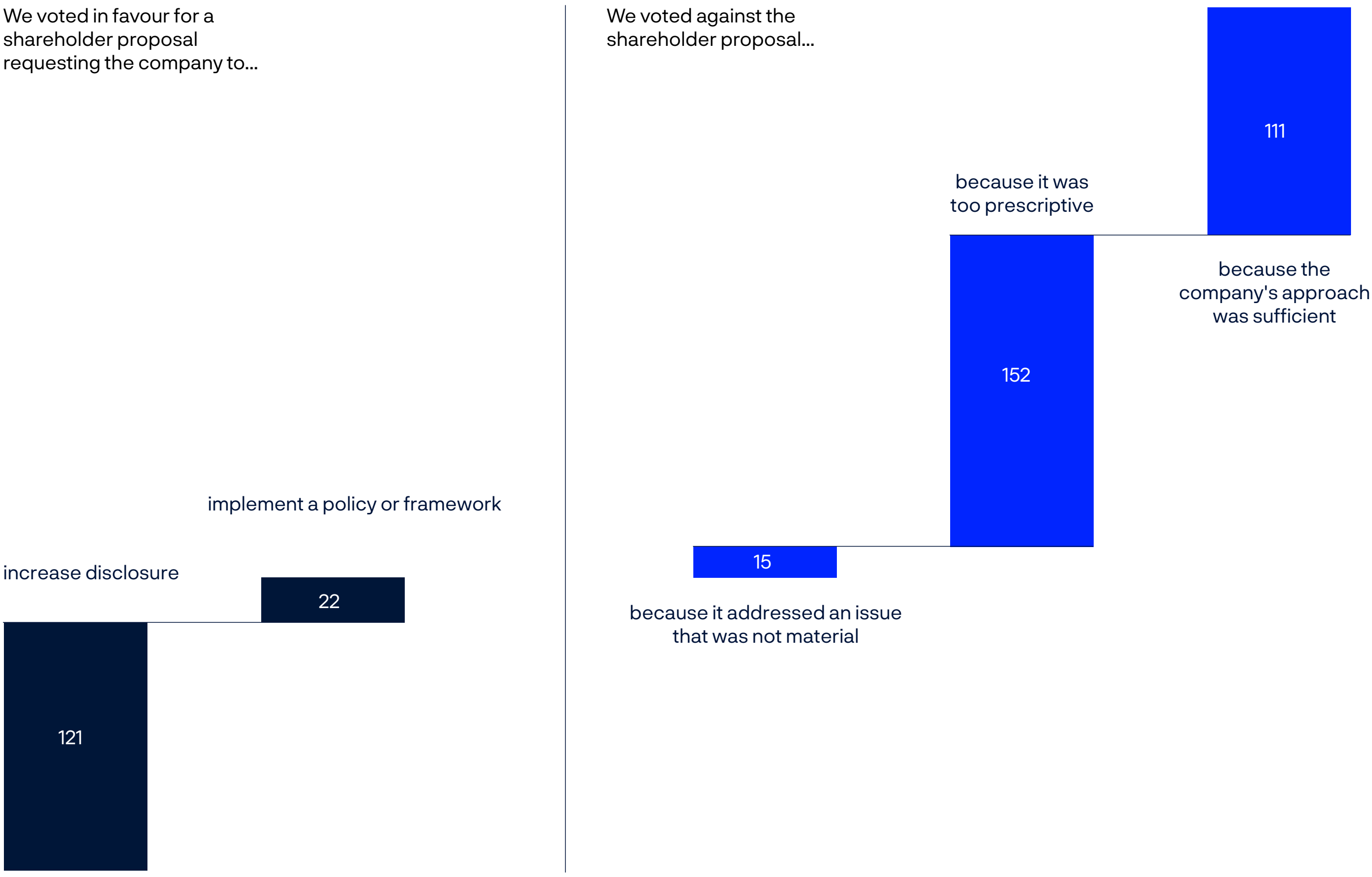
Shareholder proposals on climate change increased more than any other topic.



Our level of support for sustainability-related shareholder proposals.



Reasons for voting on sustainability-related shareholder proposals.



Votes against board recommendations among the fund's top 50 holdings in 2023.

Company	Portfolio Rank	Country	Resolutions voted against	Rationale
Microsoft Corp	1	US	4	Sustainablity reporting, chairperson independence
Apple Inc	2	US	2	Sustainablity reporting, remuneration
Alphabet Inc	3	US	7	Sustainablity reporting, remuneration, voting rights, time commitment of board members
Amazon.com Inc	4	US	4	Sustainablity reporting
Meta Platforms Inc	6	US	5	Sustainablity reporting, voting rights
Berkshire Hathaway Inc	13	US	20	Sustainablity reporting, chairperson independence, well-functioning boards
Broadcom Inc	15	US	1	Remuneration

Company	Portfolio Rank	Country	Resolutions voted against	Rationale
JPMorgan Chase & Co	16	US	3	Sustainablity reporting, chairperson independence
Eli Lilly & Co	17	US	3	Sustainablity reporting, chairperson independence
UnitedHealth Group Inc	19	US	1	Sustainablity reporting
Exxon Mobil Corp	21	US	5	Sustainablity reporting, adopt emission reduction target and reporting, chairperson independence
LVMH Moet Hennessy Louis Vuitton SE	25	France	3	Remuneration, related party transaction
Mastercard Inc	26	US	2	Sustainablity reporting, governing documents
Home Depot Inc	28	US	3	Sustainablity reporting, chairperson independence
Johnson & Johnson	29	US	1	Chairperson independence
Procter & Gamble co/The	32	US	1	Chairperson independence
Visa Inc	33	US	1	Chairperson independence
Bank of America Corp	35	US	3	Sustainablity reporting, chairperson independence
Walmart Inc	36	US	3	Sustainablity reporting, remuneration
Costco Wholesale Corp	38	US	1	Sustainablity reporting
Advanced Micro Devices Inc	42	US	2	Chairperson independence, well functioning boards
Adobe Inc	44	US	1	Chairperson independence
AbbVie Inc	45	US	2	Sustainablity reporting
Merck & Co Inc	47	US	3	Sustainablity reporting, chairperson independence
Thermo Fisher Scientific Inc	48	US	1	Chairperson independence
Chevron Corp	50	US	5	Sustainablity reporting, adopt emission reduction target and reporting, chairperson independence

Securities lending and voting

Securities lending is an integrated part of our asset management strategies and plays an important role in well-functioning markets by increasing the liquidity and contributing to more efficient price discovery. The fund is an active participant in this market, and lending equities brings us a material return on our securities inventory. In 2023, such lending increased the return on the equity portfolio by 0.05 percentage point, or around 4.1 billion kroner. The fund is unable to vote for shares that are out on loan. Therefore, as per our internal guidelines on securities lending, we generally exclude significant parts of our largest holdings from our lending programme, as well as companies where we are amongst the largest owners of voting rights. We also do not lend our shares in specific cases when we are engaged in an intensive company dialogue, and we never lend our entire holding in a company. The latter ensures that we can vote at every shareholder meeting. Furthermore, we do not vote for shares that we receive as collateral, and we have procedures in place for limiting the risk of lent securities being used for tax avoidance. We have an absolute lending limit of 20 percent of the investment portfolio.

Ethical exclusions

We exclude companies whose products or conduct violate fundamental ethical norms. By not investing in these companies, we reduce the fund's exposure to unacceptable risks.

The Ministry of Finance has issued ethically motivated Guidelines for Observation and Exclusion from the fund and has set up an independent Council on Ethics with the responsibility for making ethical assessments of companies. It has five members and a secretariat. Based on the guidelines, the Council can recommend that companies should be excluded from the fund or placed under observation. Norges Bank is also able to exclude companies or place them under observation on its own initiative under the coal product criterion and the conduct-based greenhouse gas criterion.

Norges Bank's Executive Board makes the final decision on exclusion, observation or active ownership. Norges Bank and the Council on Ethics exchange information regularly throughout the process and coordinate contact with companies as relevant. In 2023, Norges Bank announced the exclusion of six companies and placed five new companies under observation, while reversing the exclusion of two companies and removing two from observation. Norges Bank also extended the current observation period for one company. All recommendations made by the Council are available to the public after the implementation of the Executive Board's decision.

Excluding companies based on their products

According to the guidelines, the fund must not invest in companies which themselves, or through entities they control, manufacture weapons that violate fundamental humanitarian principles through their normal use, or sell weapons or military material to certain countries. Nor may the fund invest in companies that produce tobacco or cannabis. There is also a product-based coal criterion that applies to companies in two categories: mining companies that derive 30 percent or more of their revenue from the production of thermal coal, and power companies that derive 30 percent

> According to the guidelines, companies may be excluded from the fund where there is an unacceptable risk that their conduct contributes to violations of fundamental ethical norms.

or more of their revenue from coal-based power production. The coal criterion also includes mining and power companies that produce more than 20 million tonnes of thermal coal per year or have coal-based power generation capacity of more than 10,000 MW, regardless of total revenue or total power output.

No further companies were excluded under the product-based criteria in 2023. A total of 107 companies that produce certain types of weapons, tobacco, cannabis or coal, or use coal for power production, are currently excluded from the fund.

Excluding companies based on their conduct

According to the guidelines, companies can be excluded from the fund where there is an unacceptable risk that their conduct contributes to violations of fundamental ethical norms, including acts or omissions that, on an aggregate company level, lead to unacceptable greenhouse gas emissions. Norges Bank's Executive Board bases its decisions on an assessment of the probability of future norm violations, the severity and extent of the violations, and the connection between the violation and the company in which the fund is invested.

Norges Bank may also consider the breadth of the company's operations and governance, including whether the company is doing what can reasonably be expected to reduce the risk of future norm violations within a reasonable time frame. Before Norges Bank takes a decision to exclude a company, it must consider whether other measures, such as active ownership, might be better suited to reduce the risk of continued norm violations, or whether such alternative measures may be more appropriate for other reasons.

In 2023, we announced the exclusion of six companies on the grounds of conduct considered to constitute a particularly serious violation of ethical norms, while two exclusions were reversed. A total of 57 companies are currently excluded because of their conduct. The observation of two companies came to and end in 2023.

Ethical exclusions and observations in 2023.

Category	Criterion	Number	Companies	Total 2002–2023
Exclusion	Production of specific weapon types	0		13
	Production of tobacco	0		18
	Production of cannabis	0		4
	Thermal coal mining or coal-based power production	0		72
	Human rights violations	0		9
	Serious violations of the rights of individuals in situations of war or conflict	2	GAIL India Ltd, Korea Gas Corporation	12
	Severe environmental damage	1	Power Construction Corp of China Ltd	24
	Greenhouse gas emissions	0		4
	Gross corruption	0		2
	Other particularly serious violations of fundamental ethical norms	1	Delek Group Ltd	2
	Severe environmental damage and human rights violations	0		2
	Sale of weapons to a state that uses the weapons in ways that constitute serious and systematic breaches of the international rules on the conduct of hostilities	2	AviChina Industry & Technology Co, Bharat Electronics Ltd	2
Observation	Thermal coal mining or coal-based power production	0		12
	Human rights violations	1	Orlen SA	2
	Serious violations of the rights of individuals in situations of war or conflict	2	KDDI Corp, Sumitomo Corp	3
	Severe environmental damage	0		2
	Gross corruption	1	Petrofac Ltd	3
	Severe environmental damage and human rights violations	0		1
	Other particularly serious violations of fundamental ethical norms	1	PT Semen Indonesia (Persero) Tbk PT	1
Revoked exclusions	Production of specific weapon types	1	Serco Group PLC	6
	Production of tobacco	0		1
	Thermal coal mining or coal-based power production	0		3
	Human rights violations	0		4
	Severe environmental damage	0		2
	Other particularly serious violations of fundamental ethical norms	0		4
	Severe environmental damage and human rights violations	1	Thoresen Thai Agencies PCL	2
Observation ended	Thermal coal mining or coal-based power production	0		4
	Serious or systematic human rights violations	0		3
	Serious violations of the rights of individuals in situations of war or conflict	1	Kirin Holdings Co Ltd	1
	Gross corruption	0		4
	Severe environmental damage and human rights violations	1	Hyundai Glovis Co Ltd.	1

1.7

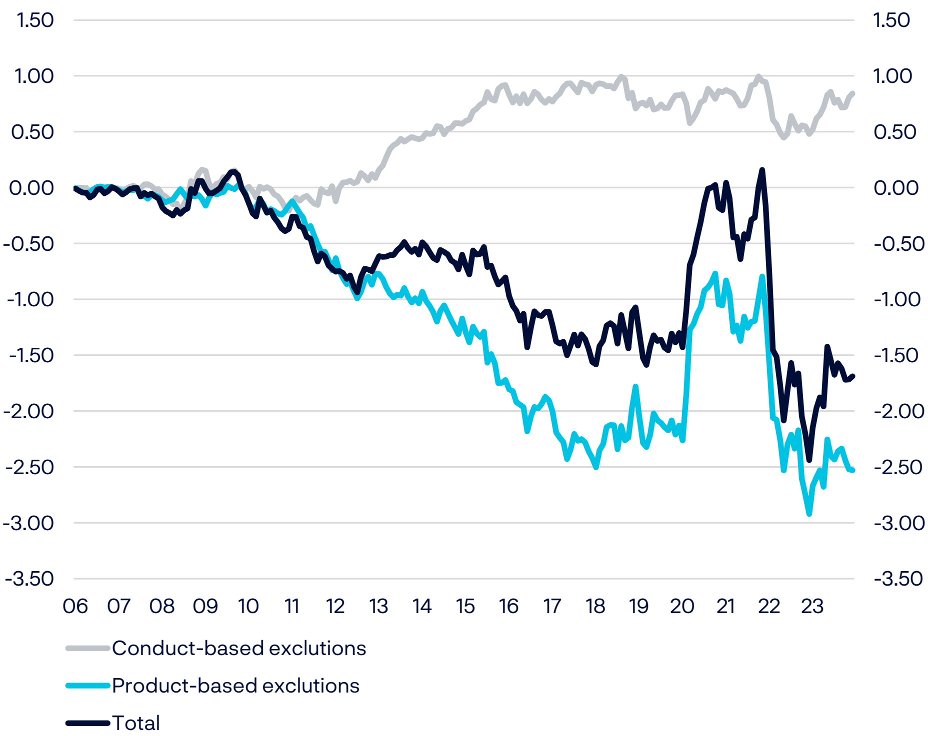
percent lower return on the equity benchmark index since 2006 than one without any ethical exclusions.

Impact on the fund’s equity returns

Product-based exclusions have reduced the cumulative return on the equity benchmark index by around 2.5 percentage points, or 0.05 percentage point annually. It is first and foremost the exclusion of weapons manufacturers that has reduced returns, but the absence of tobacco companies has also played a role. Conduct-based exclusions have increased the cumulative return on the equity benchmark index by around 0.8 percentage point, or 0.02 percentage point annually. The exclusion of companies due to severe environmental damage has contributed particularly positively.

Since 2006 the equity benchmark index has returned 1.7 percentage points less than it would have done without any ethical exclusions. On an annualised basis, the return has been 0.03 percentage points lower.

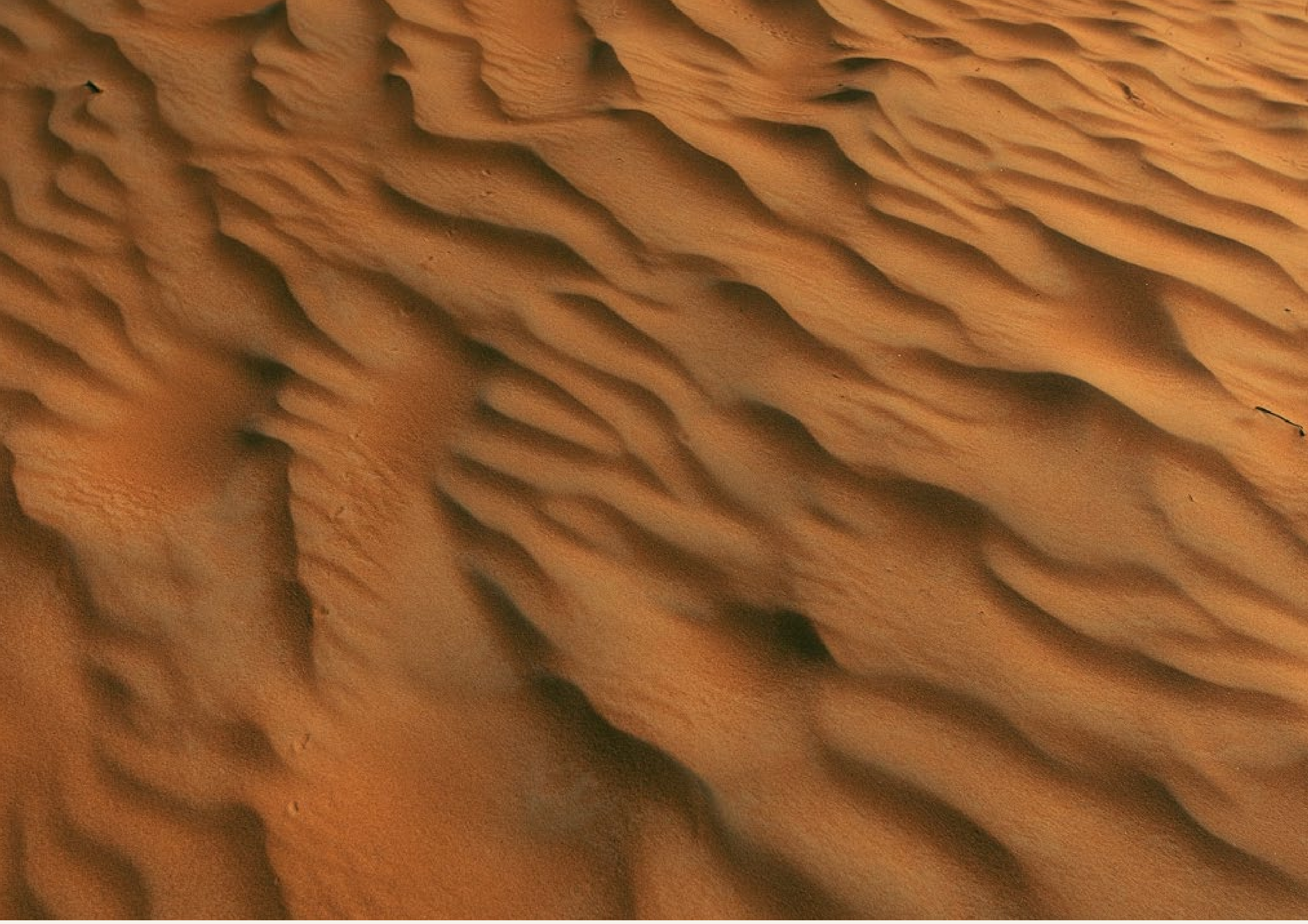
Return impact of equity benchmark index exclusions relative to an unadjusted index. Measured in dollars. Percentage points.



Contribution to return impact of equity benchmark index exclusions, by exclusion criterion, as at 31 December 2023. Market value in billions of kroner. Contributions measured in dollars. Percentage points.

Criterion	Number of excluded companies	Market value in bench-mark if not excluded[1]	2023	2006-2023 annualised
Product-based exclusions	**107**	**253**	**0.39**	**-0.05**
Production of specific weapon types	13	112	0.03	-0.04
Production of tobacco	18	59	0.18	-0.01
Thermal coal mining or coal-based power production	72	82	0.17	0.00
Production of cannabis	4	0	0.00	0.00
Conduct-based exclusions	**57**	**67**	**0.10**	**0.02**
Serious or systematic human rights violations	9	5	0.04	0.00
Serious violations of the rights of individuals in situations of war or conflict	12	5	0.00	0.00
Severe environmental damage	24	44	0.04	0.02
Acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions	4	9	0.02	0.00
Gross corruption	2	2	0.00	0.00
Other particularly serious violations of fundamental ethical norms	2	1	0.00	0.00
Severe environmental damage and human rights violations	2	1	0.00	0.00
Sale of weapons to a state that uses the weapons in ways that constitute serious and systematic breaches of the international rules on the conduct of hostilities	2	2	0.00	0.00
Total	**164**	**320**	**0.48**	**-0.03**

[1] Market value and return impact include only companies that were part of the FTSE Global All Cap Index as of 31.12.2023.



Further reading

Climate risk disclosures

TCFD on nbim.no

The management mandate for the fund, given to Norges Bank by the Ministry of Finance, includes requirements in the areas of responsible investment and climate risk. The mandate makes it clear that Norges Bank's responsible investment efforts are to be based on a long-term goal that portfolio companies align their operations with global net zero emissions in line with the Paris Agreement. It also has requirements for managing and reporting on financial climate risks in line with international standards. Our 2023 climate risk disclosures according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), are available on our website: nbim.no.

Nature risk disclosures

TNFD on nbim.no

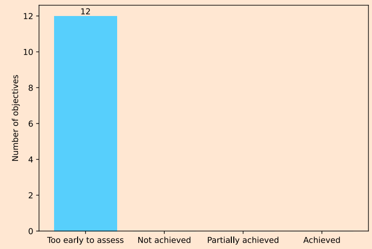
In 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) launched a set of disclosure recommendations and guidance for organisations to report and act on evolving nature-related dependencies, impacts, risks and opportunities. We use the framework as a tool to better understand the nature-related dependencies and impacts of our portfolio companies. Our pilot review represents an initial set of disclosures, drawing on the recommendations from the TNFD. While it is not a complete TNFD report, it is a first step towards our adoption of the framework. Our 2023 nature risk disclosures are available on our website: nbim.no.

Sustainability due diligence

Sustainability due dilligence on nbim.no

Conducting ongoing due diligence on environmental and social topics is integral to our work as a responsible investor. We seek to identify and assess potential and actual adverse impacts which our portfolio companies may cause, contribute to, or be directly linked to. As a minority investor, we cannot direct companies to take action, but we seek to use our influence to encourage them to take steps to prevent and mitigate these impacts. Our sustainability due diligence process is described on our website: nbim.no.

Thematic dialogues in 2023

<table>
<tr><th>Status</th><th>Topic</th><th># of compa-nies</th><th>Objective</th><th>Progress</th></tr>
<tr><td rowspan="3">Started in 2023</td><td>Tax governance and control</td><td>13</td><td>Engage a cross-sector group of companies to encourage improved tax disclosures, focusing on disclsoure of tax governance and control frameworks.</td><td>
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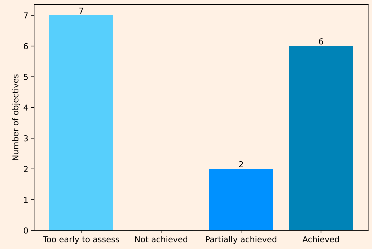
<tr><td>Responsible AI</td><td>5</td><td>Engage technology companies that play a key role in developing AI systems and models. Convey our view on responsible AI, understand the governance structures and risk management systems they have put in place and encourage them to conduct due diligence and manage risks to business, people and society, as appropriate.</td><td>
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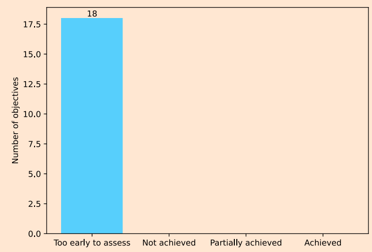
<tr><td>Anti-corruption in infrastructure</td><td>10</td><td>Engage with a selection of telecommunications companies engaged across multiple and/or high-risk markets to understand their corruption risk assessment and mitigation processes and oversight. Encourage strengthened anti-corruption frameworks and greater transparency with regard to these processes.</td><td>
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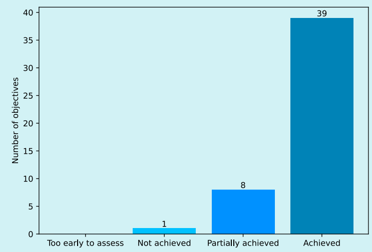
<tr><td rowspan="3">Ongoing</td><td>Forest risk commodities in consumer goods</td><td>12</td><td>Engage companies purchasing commodities linked to deforestation. Encourage them to implement best practices in their management of deforestation and ecosystem conversion risk in these value chains. Areas of focus include no-deforestation and no-conversion policies, use of internationally recognised certification schemes, implementation of traceability measures, and programmes to engage with suppliers and stakeholders.</td><td>
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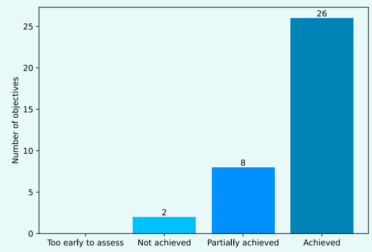
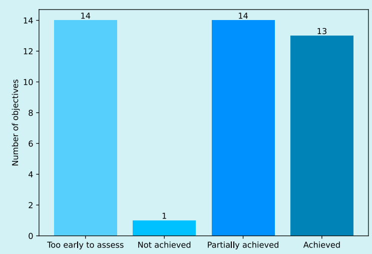
<tr><td>Environmental risks and opportunities in global food systems</td><td>13</td><td>Engage food-producing companies to understand the physical and transition risks they face as a result of their dependencies and impacts on the natural environment. Encourage companies to manage and disclose how they approach these risks and opportunities, with a focus on implementation of more sustainable agricultural practices in their operations and supply chains.</td><td>
</td></tr>
<tr><td>Working arrangements in food delivery and transport companies</td><td>11</td><td>Engage with food delivery and transport companies on their human capital management. Understand the companies' strategy and management of risks and opportunities related to how they structure their workforce. Understand their approach to regulatory developments and lobbying on this topic. Encourage them to adopt policies and approaches that are in line with international labour conventions and the UNGPs.</td><td>
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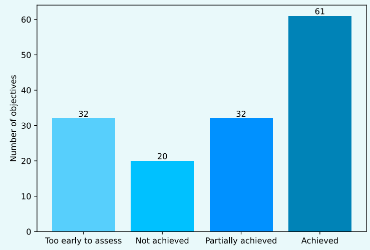
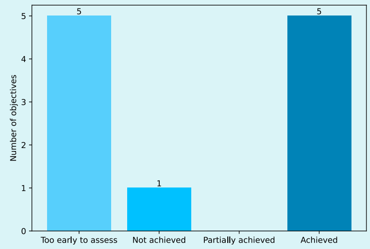
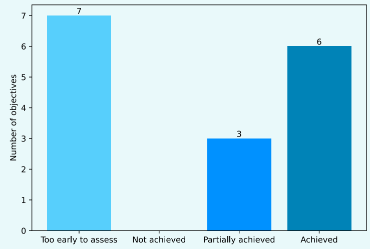
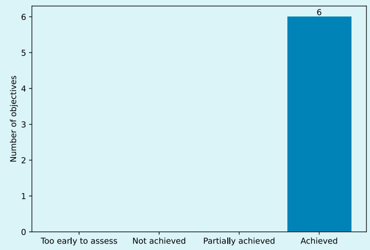
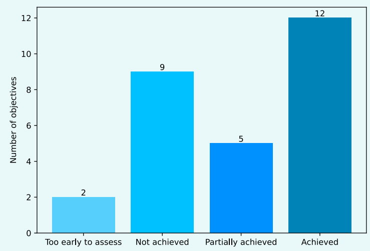
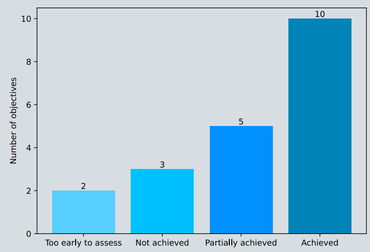
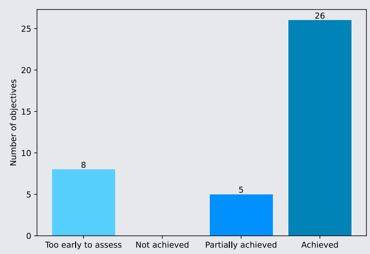
Ongoing	Human rights due diligence (HRDDs) in conflict-affected and high-risk areas (CAHRAs)	29	Engage companies with operations and other business relationships in conflict-affected and high-risk areas to ensure that they meet our expectation to conduct enhanced due diligence. Understand whether companies undertake enhanced human rights due diligence and risk assessments proportionate to the level of risk. Encourage companies to report on their human rights policies, processes, risks, and impacts.	
Ongoing	Tax Advisers	7	Engage a cross-sector group of companies, as well as professional tax advisory firms, to learn about best practices and red flags with regard to the use of external tax advisers. Where weaknesses in company practices are identified, encourage strengthened tax governance and oversight.w	
Ongoing	Corruption risk industrials	8	Engage with a group of our largest industrials holdings to understand whether the companies have robust processes for board oversight of anti-corruption and corruption risk assessment and mitigation, including related to public procurement processes. Encourage greater transparency with regard to these processes.	
Ongoing	Water utilities	3	Engage with UK water utilities to understand their exposures and management of key environmental risks. Areas of focus included water pollution, leakage, environmental impacts, long-term resilience of the networks and water supply, and expected effects changes to the regulatory regime.	
Ongoing	Sustainable fisheries	14	Engage with fisheries companies, food processors and retailers to understand how they manage the risk of overfishing and fisheries crimes throughout the supply chain. Request improved disclosures and targets on sustainable fisheries, such as certification, fishery improvement projects or traceability.	
Concluded	Gender-based violence and harassment (GBVH)	10	Engage selected companies that have experienced controversies related to gender-based violence, discrimination and harassment (GBVH) in their own operations or those of their franchises. Understand the steps that companies have taken to identify, assess and manage the risks of GBVH since the controversy. Encourage the companies to adopt best practices and provide transparent reporting on the issue of GBVH.	
Concluded	Child safety online	13	Engage companies in the telecommunications sector on their child rights policies and due diligence to understand how they manage risks and adverse impacts, convey our expectations on children's rights, and encourage the companies to conduct child rights impact assessments aligned with leading practice.	

Abbreviations

ACGA	Asian Corporate Governance Association
API	Application programming interface
AI	Artificial intelligence
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CRREM	Carbon Risk Real Estate Monitor
EPFL	École Polytechnique Fédérale de Lausanne
ESG	Environmental, social and governance
EU	European Union
FCLT Global	Focusing Capital on the Long Term
GW	Gigawatt
GRESB	Global Real Estate Sustainability Benchmark
GRI	Global Reporting Initiative
HEC	Hautes Etudes Commerciales
ICGN	International Corporate Governance Network
ILO	International Labour Organization
IOSCO	International Organisation of Securities Commissions
ISS	Institutional Shareholder Services
ISSB	International Sustainability Standards Board
MW	Megawatt
NBER	National Bureau of Economic Research
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PCAF	Partnership for Carbon Accounting Financials
PRI	Principles for Responsible Investment
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goals
SEC	US Securities and Exchange Commission
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UN	United Nations

Government Pension Fund Global 2023
Norges Bank Investment Management

Design: TRY
Production: Aksell AS
Images: Simen Overgaard, Halvor Njerve, Piranha Photography, Nora Savosnick, Kristin Jacobsen, Nils-Stian Aasheim, GettyImages, Shutterstock og Unsplash
ISSN 2464-3122 (web)