



The Chair's report

In 2019, the Council on Ethics' endeavours resulted in several groundbreaking recommendations both with regard to the exclusion of companies from the GPFG and the revocation of previous exclusions. The primary task of the Council is to identify companies in the GPFG's investment portfolio that cause or contribute to serious violations of fundamental ethical norms, with a view to recommending their exclusion from the fund. However, experience shows that the Council's efforts in some cases have a positive impact on companies and lead to tangible improvements on the ground.

As a result of the Council on Ethics' multi-year examination of the textiles sector, a company was placed under observation in 2018, due to systematic sexual harassment of female workers. In 2019, the Council's findings were used as a basis for a multi-stakeholder agreement between the company, its customers, a trade union and a women's rights organisation to establish a comprehensive system to identify and reduce the risk of sexual harassment and gender-based violence. The case illustrates how the Council's endeavours to uncover practices that fall within the scope of its ethical guidelines can also lead to improvements which in turn can prevent the company from being excluded from the GPFG.

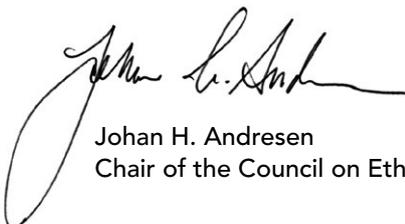
A key focus for the Council is forced labour. Estimates suggest that between 26 and 45 million people globally are victims of forced labour. Migrant workers in the Gulf States are vulnerable to such abuse. In many cases, it is not the companies in the GPFG that recruit workers to their operations in the Gulf. Rather, they rely on recruitment agencies that charge workers recruitment fees, and mislead them about wages and other working conditions. The Council's investigations over several years have uncovered that employees at one company in the fund's portfolio had paid the equivalent of several months' wages in return for a job. However, they were not paid the amount they had been promised, nor were they able to obtain work elsewhere without their original employer's consent. As a result, these workers found themselves in a situation bordering on forced labour. The Council hopes that our efforts in this case can contribute to increase awareness with companies, investors and customers about the systems that should be in place to ensure that they are not contributing to modern slavery. In this way, the Council may make a positive contribution to persuading other companies in the GPFGs portfolio to change their practices in this area, thereby improving conditions for their workers.

George Orwell's novel "1984" is a science fiction story about a dystopic future. Sadly, the book's underlying theme is of growing relevance in our own time, and is gradually becoming more science than fiction. Technological progress is advancing at high pace, and the impact can be felt across the board, ranging from the mass surveillance of civilian populations to autonomous weaponry. The Council on Ethics is doing its best to keep abreast of novel applications and behaviour that could fall within the scope of the GPFG's guidelines for observation and exclusion.

During the year, we have expanded our already good cooperation with Norges Bank. The mutual exchange of information about companies and what is being done in their regard has meant that we can fulfil our mandate even more effectively. We believe that our collaboration with Norges Bank still has unexploited potential.

Both the Council on Ethics and its secretariat are well represented on the committee the government has appointed to reassess the Guidelines for Observation and Exclusion from the GPFG. We are pleased that challenging questions concerning a lack of transparency in certain countries, as well as the risk of human rights abuses in connection with new technologies, is part of the committee's mandate. Both of these topics were raised in a letter that the Council sent to the Norwegian Ministry of Finance in 2018. However, it is one thing to raise such difficult questions, it is quite another – and more challenging – thing to find appropriate answers.

The actual framework and the ethically motivated guidelines for observation and exclusion from the GPFG are the result of political decisions. However, the operationalisation of the framework through the exercise of discretionary judgement on the part of both Norges Bank and the Council on Ethics is not a political device. Guidelines are given at an overarching level, while the assessment in individual cases is left up to Norges Bank and the Council on Ethics. There is no shortage of responsible and ethical investment funds in the world, but there are few who operate in the way the Council on Ethics does. As a result, there is no ready-made recipe for how the more challenging aspects of the Council's work can be easily addressed. When making its assessments, the Council relies heavily on the normative framework developed internationally through, for example, the UN's Guiding Principles on Business and Human Rights, the UN-supported Principles for Responsible Investment and the OECD's Guidelines for Multinational Enterprises. Nevertheless, it is the ethical guidelines adopted by the GPFG's owners – the people of Norway – that the Council is tasked with upholding and that underpin the Council's work.



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Chair of the Council on Ethics