



PRI Association  
25 Camperdown Street  
London, E1 8DZ

Date: 10.05.2024

## PRI Strategy Consultation “Responding to a Changing World”

We refer to the PRI Strategy Consultation “Responding to a Changing World”, to which we also responded online. We welcome the opportunity to contribute our perspective on PRI’s strategic priorities going forward.

Norges Bank Investment Management is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global (the fund). NBIM is a globally diversified investment manager with 15,765 billion Norwegian kroner at year end 2023. We are a long-term investor, working to safeguard and build financial wealth for future generations.

As a founding signatory of PRI, NBIM is supportive of the Six Principles for Responsible Investment. We welcome PRI’s strategy consultation and its goal to enhance the added value of the organisation for its signatories. We support the intention to establish progression pathways, which should be based on self-selected objectives, with no requirement to progress to outcomes-driven investing over time. PRI is also well placed to support regional responsible investment ecosystems and collaborative initiatives. Importantly, we believe PRI’s policy work could be more impactful if reflective of widely held signatory views on topics key to responsible investment and clearly aimed at sustainable market outcomes and long-term value creation. We reflect on these areas in more detail below.

We welcome PRI’s intention to support signatories as they develop their responsible investment approaches through the new progression pathways. We believe that this can contribute to maintaining the legitimacy and credibility of the organisation. It is very important that the pathways reflect the variety of signatory approaches to responsible investment, and acknowledge differences in mandates as well as client and beneficiaries demands. Pathways should be voluntary and ambitious as well as based on self-selected objectives; the framework should avoid prescriptiveness and a “one size fit all” approach. The selection of a specific pathway over another should not reflect a normative expectation that any given pathway is superior, and progression from financially based strategies towards impact should not be required. A progression pathways programme which gives signatories access to tools, research, case studies, and educational material will be most valuable.

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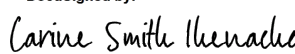
Similarly, we are supportive of PRI's strategic intention to support regional ecosystems and extend its reach in emerging markets and developing economies (EMDEs). We see most added value in PRI's convening power and ability to bring signatories together for peer-to-peer exchanges and sharing best practices. The goal to support EMDE RI ecosystems would be best served by a focus on capacity building, with PRI offering targeted support, networking opportunities, and training. It is important that this regional focus does not deter from PRI's overall mission of enhancing responsible investment practice globally, and that adequate attention is given to avoiding regional fragmentation.

We believe that the credibility and impact of PRI's policy work is enhanced by focusing on areas where investors can meaningfully contribute expertise, such as promoting responsible investment practices, advocating for well-functioning financial markets, and integrating ESG factors into investment decisions. Topics like stewardship, shareholder rights, sustainability data and disclosures, as well as responsible business conduct fall within this strategic focus. By focusing on long-term financial interests, corporate governance and how markets function, PRI can support an investment environment that is conducive to achieving sustainable outcomes for both investors and society. This likely entails a larger focus on enabling factors and challenges for responsible investment, rather than on areas where PRI might have less expertise and a less obvious role, such as on specific national economic, industrial or climate policy goals. Additionally, we encourage stronger signatory engagement to ensure that PRI's policy positions are reflective of consensus views and subject to appropriate oversight and accountability.

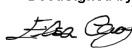
Finally, we support PRI's intention to streamline its reporting framework and link it to the signatory pathways. We encourage PRI to continue to follow the developments on reporting frameworks in various markets to avoid duplication, and recognise equivalence of different requirements. Overall, the more signatories and markets covered by equivalent frameworks, the more supportive is the global policy environment to PRI achieving its mission. Similarly, a more flexible approach to reporting will help signatories address administrative challenges, while maintaining foundational accountability linked to implementing the Six Principles.

We appreciate your willingness to consider our perspective, and we hope to have the opportunity to discuss these matters further.

Yours sincerely

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1.1 How valuable is the PRI's work in each focus area to your organisation? (1-not at all, 5-very)

- Driving progression and streamlining reporting – 3
- Supporting regional RI ecosystems and extending our reach in emerging markets and developing economies – 4
- Supporting and leading collaborative initiatives – 4
- Influencing policy and financial market practices – 3

1.2 Still thinking about how valuable the PRI's work is to your organisation, please add any additional information you would like to share about your responses to the previous question.

*We consider our long-term return to depend on sustainable economic, environmental and social development, as well as on well-functioning, legitimate and efficient markets. Our responsible investment activities are geared at promoting developments in support of this interest. We see a need for sustainable market outcomes that better account for externalities - the environmental and social costs that currently are not priced in the market – as well as improved alignment of shareholders' and companies' interests, through effective corporate governance and board accountability.*

*We work at market, portfolio and company level in pursuit of such goals. Our ambition is to promote our long-term financial interests within a framework that reflects our role in the financial markets, and financial markets' role in the wider economy. We believe that PRI has an important role to play to promote more sustainable market outcomes, reduced financial risks and improved long-term value creation for investors. At the same time, we acknowledge that there are limitations to what investors can achieve, in the absence of appropriate and supportive policies. Notably, there are limitations to the role that minority investors in listed companies can play in prescribing corporate strategies, particularly when incentivising companies to act towards sustainability outcomes or address systemic risk.*

*Accordingly, PRI's work on influencing policy and financial market practices has been generally helpful for NBIM, notably to monitor regulatory developments on responsible investment and sustainable finance. However, we underline the importance of PRI's policy work being based on a consistent and coherent understanding of market functioning and the role of investors in different asset classes. It should also be representative of reasonable, widely held views among its signatories.*

*We support RI's work on supporting collaborative initiatives, such as the new initiative on human rights Advance. Although we largely do not rely on PRI's capacity building work to drive our own progression as a responsible investor, we believe this is important to the signatories and capital markets at large, and welcome the intention to focus on supporting signatory progression through the newly suggested pathways. We also support further capacity building and the broadening of regional RI ecosystems in emerging markets and developing economies.*

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### 1.3 How well positioned is the PRI to drive impact in each of the following focus areas?

- Driving progression and streamlining reporting – 4
- Supporting regional RI ecosystems and extending our reach in emerging markets and developing economies – 4
- Supporting and leading collaborative initiatives – 4
- Influencing policy and financial market practices – 3

### 1.4 Based on your response to the previous question, please add any additional information on how well positioned the PRI is to drive impact in the proposed focus areas.

*As a global organisation established by the United Nations, together with the UN Global Compact, PRI is well placed to extend its reach and drive stronger responsible investment practices in emerging markets and developing economies. PRI could support regional RI ecosystems by fostering best practice, connecting local stakeholders and supporting investors in their journey towards stronger responsible investing. The focus on regional ecosystems should maintain coherence and consistency with PRI's work on a global level, to avoid possible fragmentation. PRI is particularly well positioned to drive capacity building, both in developed and developing markets, by facilitating peer-to-peer exchanges and knowledge sharing on specific topics and challenges for responsible investors. Additionally, as the reference global organisation bringing together a large number of responsible investors, PRI is well placed to support them in their progression towards stronger practices, acknowledging their individual approaches and investment objectives.*

*We believe that PRI is also well positioned to support collaborative initiatives and influence policy. In both activities, PRI could strengthen its efforts to represent a consensus view of signatories with varying objectives and mandates. In the current market climate, it is important that collaborative initiatives continue to be carried out without prejudicing the legal position of signatories, PRI or the engagement activities themselves.*

*It is important that PRI's overall approach and priorities for its policy work are well understood and supported by signatories. We therefore encourage PRI to be inclusive in engaging signatories when developing its positions, although we recognise the governance challenges related to the size and variety of the signatory base. The PRI gathers a "broad tent" of signatories which range from investors who are new to responsible investing, to investors who expressly seek to achieve an impact objective. It is important that PRI's overall approach and priorities for its policy work are well understood and supported by signatories and that consensus views on policy among such diverse signatories are well reflected in PRI's policy work. There may be areas where it is not viable for PRI to promote general, signatory views. We have noticed that PRI's policy positions appear increasingly supportive of regulation requiring investors to actively seek sustainability outcomes, something that may not be consistent with the objectives and constraints of many signatories, let alone investors more generally. It is important that policy ambitions in support of sustainable outcomes do not set expectations that investors would be unable to meet. Going too far in this direction is unlikely*

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*to be universally achievable and effective, it may hamper investment returns and inadvertently give rise to a type of “greenwashing”, where claims are bolstered but outcomes themselves are not affected.*

*Furthermore, we have observed a broadening of PRI’s policy engagement ambition beyond areas traditionally thought of as responsible investment into areas such as energy or climate policy. Although indirectly relevant for sustainable finance, these areas require different expertise and capacity than responsible investment policy. We believe PRI should be particularly cautious when taking views on specific national economic or industrial policy goals, even where relevant to the energy transition. We recognise that the policy environment in these areas significantly affects the overall incentives for responsible investment, as well as sustainable corporate behaviour, but we believe that PRI should focus its engagement on core topics pertinent to investment and stewardship. For sustainable finance, this could include promoting clear, stable and supportive sustainable investment frameworks, or general market efficiency solutions such as emissions pricing.*

*We believe the PRI’s credibility and impact is strongest when it clearly represents signatories and focuses on areas where investors have expertise and can make a meaningful contribution. These include promoting responsible investment practices, advocating for greater transparency and accountability in financial markets, and integrating ESG factors into investment decisions. By focusing on corporate governance and how markets function, PRI can support an investment environment that is conducive to achieving sustainable outcomes for both investors and society. This involves advocating for policies, frameworks and practices that support well-functioning markets, transparency, accountability, and long-term thinking in the investment chain.*

*Similarly, we would encourage PRI to exert caution when directing its policy papers at high-level political fora such as G7 or G20. We believe a focus on technical policymaking can be more effective over time. Furthermore, engagement in high-level political settings may be less likely to enjoy wide support among signatories. We nevertheless understand that PRI has a role to play, as the global organisation of reference for responsible investors. Accordingly, where PRI decides to make such high-level interventions, it is crucial that the governance process, beyond being broad and representative, is well understood and proactive in garnering signatory input. The board’s formal procedure for approving such interventions is also important. PRI’s ambition “to support signatory engagement to influence government and multilateral policy making, including financial regulation and economic policy” should reflect the above-listed considerations.*

1.5 Please add any further feedback on the PRI’s proposed strategic direction and the value it will offer your organisation.

*We support PRI’s intention to support signatories as they develop their responsible investment approaches through the new progression pathways. This can contribute both to maintaining the legitimacy and credibility of PRI, and to providing added value to signatories.*

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*It is important that the pathways reflect the variety of signatory approaches to responsible investment, ranging from pure risk/return based ESG integration towards impact investing, and acknowledging differences in mandates as well as client and beneficiaries demands.*

*Similarly, we support the strategic intention to expand PRI's reach in emerging markets and developing economies, where investors might benefit from additional support and targeting of PRI's activities to their own specific needs. We believe that EMDE-focused collaborative engagements might be particularly valuable, as we observe that stewardship practices tend to be less well established in some of these markets.*

*We strongly encourage PRI's policy to focus on areas which are directly relevant to responsible investment, i.e. stewardship, voting and shareholder rights, ESG data and sustainability reporting. Similarly, PRI could engage on well-functioning markets issues, which are relevant to the investor community more broadly and often underpin stewardship activities. We believe these areas are most likely to get broad-based signatory support for PRI's engagement, therefore ensuring representativeness of what most responsible investors would stand behind. We believe that such a focus on fewer, but directly relevant issues would not detract from PRI's ambition to achieve sustainable market outcomes; on the contrary, it would be beneficial in a context of growing physical and real economy risks, as well as politicisation, of responsible investment.*

1.6 If applicable, does your organisation have feedback on the proposed changes to the fee bands?

*We support the changes to the fee bands and the intention to align them better with signatories' AUM.*

2.1 Progression pathways offers a range of opportunities to support signatories' progress towards their responsible investment objectives. Which of the following would your organisation like the PRI to provide?

- **guidance more tailored to your responsible investment objectives**
- **recommendations and access to the research, guidance and tools of organisations and investor collaborations outside of PRI**
- Suggested KPIs to measure and compare progress with peer signatories
- A platform to report on progress and benchmark against peers with the same RI objectives
- an accountability requirement implemented by the PRI, whereby investors making claims related to their progress and objectives would need to demonstrate how they are progressing
- validation of progress-related claims, whereby the PRI would require signatories' disclosures to be audited
- work with regulators to establish an international standard for progression for different investor objectives

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2.2 Progression pathways is a voluntary initiative that will facilitate the creation of signatory cohorts formed around common objectives (selected pathways) and stages of maturity (steps along the pathway). What approach would ensure these cohorts are relevant and useful to their signatories?

- **Cohorts should be open to all, based on self-selection, to ensure accessibility**
- Cohorts should be based on meeting certain criteria, based on reporting, to ensure similar maturity levels

2.3 During the initial co-design phase of progression pathways, participating signatories indicated a preference for a concept rooted in investor objectives as summarised in the Progression Pathways paper from October 2023, and illustrated in the diagram on the right. Please provide comments on how this model could best be developed or adjusted to support your organisation's progression as a responsible investor.

*We believe that the suggested three pathways are sensible and able to capture most responsible investment approaches adopted by signatories. We support the distinction between incorporating ESG factors, acting on financially material sustainability topics, and acting towards specific sustainability impact alongside (or irrespective of) financial return. However, we would encourage PRI to further clarify the wording and distinction between the three pathways.*

*Pathway A (incorporating ESG factors) and Pathway B could be framed around the familiar concept of financial materiality. We understand that the key difference between Pathway A and Pathway B (addressing the drivers of sustainability-related financial risks) is the investor's decision to take specific or targeted action on financially material sustainability risks, beyond those immediately relevant to an investment strategy, investment or ownership decision, or broader strategies aimed at influencing the enabling ecosystem. We suggest this is clarified further. Similarly, we suggest avoiding the use of the wording "outcomes" in the description of Pathway B as it could be confusing vis-à-vis Pathway C. We would also suggest clarifying that climate, nature and human rights are illustrative examples rather than set expectations for investors following this pathway. The current description of the pathways could otherwise suggest that investors following Pathway B are required to take action on these three topics, while the wording of Pathway C ("Incorporating impacts on investors' priority issues") seems open to the investor's specific priorities.*

*Pathways should be voluntary and ambitious; in other terms, signatories should be encouraged to progress in a meaningful way whilst being able to select their own approach to RI and specific objectives. To be most valuable and relevant to signatories' learning and progress, we believe that specific objectives within the three suggested pathways should not be pre-selected. Where relevant, choosing objectives could be left to the signatories and the framework should not be prescriptive, avoiding a "one size fit all" approach. A progression pathways programme which allows signatories access to tools, research, case studies and*

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*educational material, will be most valuable to signatories over time. Furthermore, we support an accountability mechanism implemented by PRI, where signatories would demonstrate how they are progressing within the chosen pathway. Beyond minimum requirements and foundational reporting to ensure compliance with the PRI principles, this accountability requirement however should not represent a PRI “audit”, rather it could aim to ensure that signatories are supported in achieving their objectives. The selection of a specific pathway over another, notably Pathway B or C compared to Pathway A, should not reflect a normative expectation that the former are superior, or that ultimately all signatories would be expected to choose Pathway C and incorporate impacts. Specifically, the pathways should be vertical, but a presumption of gradual movement from financially based strategies towards impact over time, should not be required for progression.*

*We see challenges in strengthening the presumption of accountability of investors further towards outcomes in the absence of policy changes beyond investors’ natural remit and control. Achieving sustainability outcomes is most often beyond the accountability of individual investors, who can play a role in engaging companies towards this path, or direct capital through portfolio investments, but face significant challenges in attributing impact of their stewardship work or investment decisions. The creation of a significant expectations gap between what investors are required to achieve, and the limits of their power as stewards of capital, would be counterproductive to investors, investee companies and society overall.*

*PRI’s accountability framework and progression pathways must therefore have a basis in corporate governance, including the role of the board versus the shareholders. For example, decarbonisation claims based on selling of highly emitting companies to other investors, or stewardship strategies that seek to micro-manage companies, would neither be feasible nor indicative of progress for most institutional investors or global asset owners. Finally, we highlight the role played by the OECD Guidelines for Multinational Enterprises in terms of establishing principles for responsible business conduct for companies and investors alike. This provides a good baseline for what PRI should expect of its signatories.*

3.1 What activities should be reported to the PRI by all signatories to ensure accountability in implementing the principles?

- **The current minimum requirements for investor membership to the PRI**
- **Overall approach and commitment to responsible investment, endorsed by senior leadership of the signatory organisation**
- Progress made on responsible investment and specific next steps to advance commitment to implementing the principles, endorsed by senior leadership of the signatory organisation
- Policy and governance approaches related to systematic sustainability issues
- ESG incorporation in investment processes
- Active ownership and stewardship activities

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- Responsible investment approach specific to the selection, appointment, and monitoring of external investment managers
- Responsible investment approach for specific asset classes invested in, e.g., listed equity, fixed income, alternative investments etc.
- External reporting made to 3rd parties (for example to regulators or the wider public)

### 3.2 what is your preferred frequency for PRI reporting?

- annually
- **every 2 years**
- every 3 years

### 4.1 What is the greatest challenge your organisation faces in implementing responsible investment?

- access the knowledge and tools to progress RI practices
- Connecting with peers in local/regional ecosystems
- Participating in collaborating initiatives
- Barriers to RI in the enabling policy and regulatory environment
- Lack of resources
- **Others: lack of data and disclosures**

### 4.2 Based on your answer to the previous question, when addressing your greatest challenge, where do you look for support?

- The PRI
- Other RI organisations – please specify:
- **Investor peer organisations**
- Others – please specify

### 4.3 Still thinking about the greatest challenge you face, what is the one thing that the PRI could do to address that challenge and increase the value we deliver for our signatories?

*We would encourage PRI to focus more on ESG data, for instance by engaging with data providers and showcasing good practice on ESG integration. PRI could also prioritise work on analytical tools that support responsible investment, and peer-to-peer interaction on these topics. In addition to the areas above, we continue to see the value of PRI research on topics of financial relevance for the global responsible investment community where evidence is still lacking or incomplete.*

### 4.4 How easy do you find the following?

- Engaging with the PRI on reporting and assessment issues - 4
- Engaging with the PRI on emerging issues or topics - 3

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- Engaging with the PRI on content - 3
- Collaborating with other investors on issues that are important to you through the PRI - 4
- Engaging with the PRI on service queries - 5
- Finding information on the PRI website – 4

4.5 If you have answered 1, 2 or 3 for any of the options in the previous question, please provide further information on how you find these actions difficult.

*We sometimes find it challenging to engage with PRI on content, specifically policy, as the frequency and length of policy outputs such as consultation responses and reports makes it difficult to properly contribute feedback. We encourage PRI to create more opportunities for signatory input into its policy work, and longer timelines when such opportunities are given.*

4.6 Is there anything else you would like to share about your experience as a PRI signatory?

*Overall, we encourage PRI to focus on its mission of achieving a sustainable global financial system by encouraging adoption of the six Principles and achieving a policy environment and investor collaboration conducive to their implementation. We welcome PRI's clear emphasis on value add for signatories as evidenced in this consultation, and the board's ambition to regularly hear from key signatories and signatory groups. We strongly support PRI's offer in terms of capacity building, guidance and opportunities for peer learning, engagement and collaboration. We encourage PRI to continue to follow the developments of formal reporting frameworks in various markets to avoid duplication, and recognise equivalence of different reporting requirements. Overall, the more signatories and markets covered by equivalent frameworks, the more supportive is the global policy environment to PRI achieving its mission.*

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