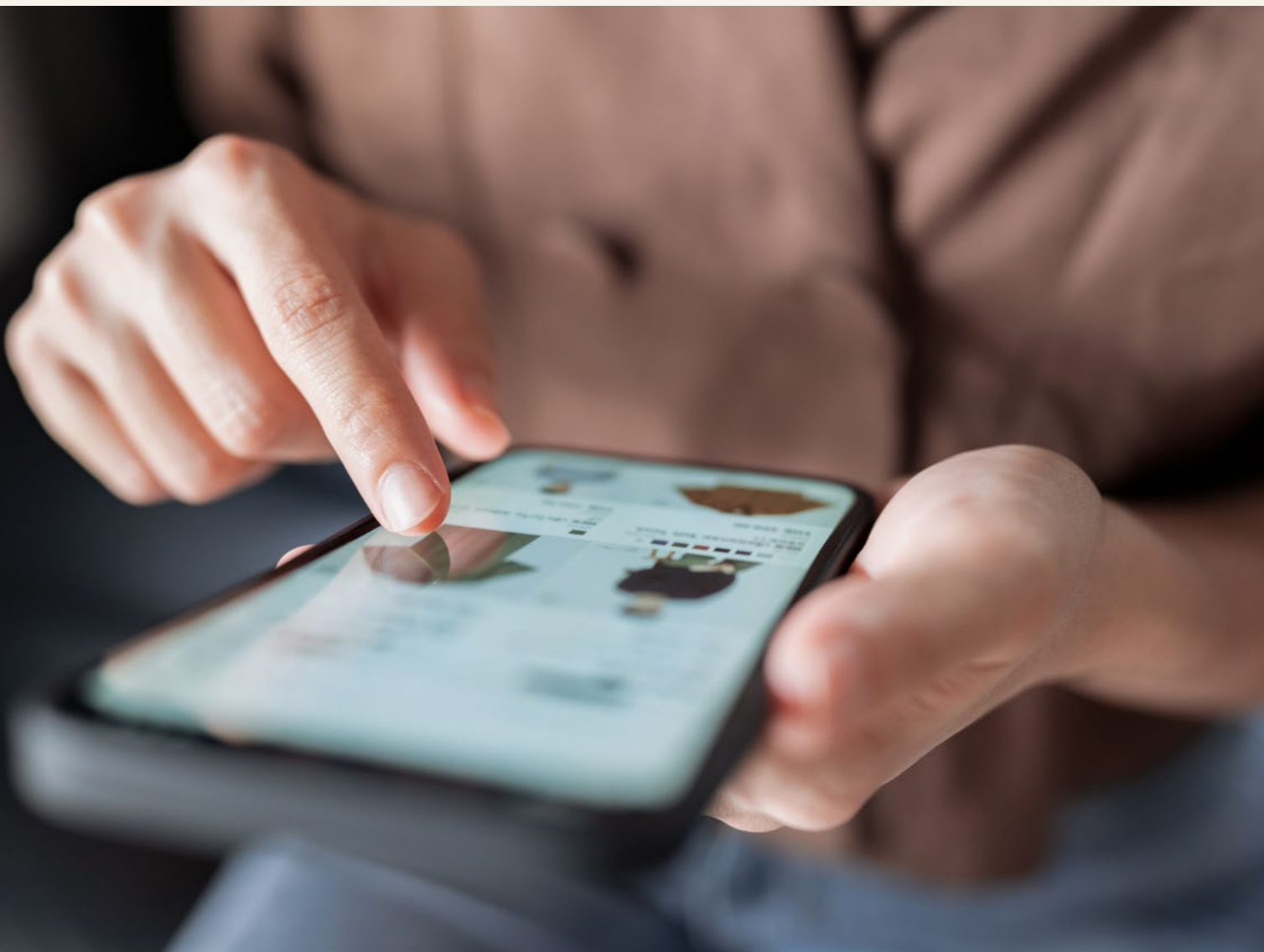


# Consumer interests

## Expectations of companies



Norges Bank Investment Management manages the assets of the Government Pension Fund Global under a mandate from the Norwegian Ministry of Finance. We work to safeguard and build financial wealth for future generations. As a long-term and global financial investor, we are dependent on sustainable development, well-functioning markets and good corporate governance.

Our expectation documents set out how we expect companies to manage various environmental and social matters. Our expectations are based on internationally recognised principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and other topic-specific standards. This document serves as a starting point for our interaction with companies on topics related to consumer interests. We expect companies to address this topic in a manner meaningful to their business model and wish to support them in their efforts.

Our expectations are primarily directed at company boards. Boards should understand the broader environmental and social consequences of company operations, taking into account the interests of relevant stakeholders. They must set their own priorities and account for the associated outcomes. Companies should pursue relevant opportunities and address significant risks. They should report financially material information to investors, and broader impacts as appropriate. Boards should effectively guide and review company management in these efforts.

As a diversified, global investor, we believe that the consideration of consumer interests in business strategy and risk management is aligned with long-term value creation at the companies in our portfolio – and, in turn, the financial return of the fund over time. Corporate respect for the rights and wellbeing of consumers is also a core component of responsible business conduct. We expect companies to understand and address relevant consumer-related risks, to integrate consumer interest considerations into their corporate governance and strategies, and to be transparent about their approach to these issues.

### **Relevance to a responsible investor**

What do we mean by consumer interests?

Navigating a changing regulatory landscape

Addressing risks and opportunities

### **Expectations of companies**

Overarching expectations on consumer interests

Topic specific expectations

# Relevance to a responsible investor

With a goal of achieving the highest possible return, we invest for the long term and benefit from value creation both within individual companies and across the economy. Business models guided by consumer interests can drive higher, more consistent returns for individual companies and support efficient and well-functioning markets that both investors and companies benefit from. In competitive, consumer-serving industries, the companies most likely to generate value over time are those that contribute to consumer wellbeing by offering legitimate products and services, foster trust and customer loyalty, and use technology responsibly to improve their offering.

As an investor, we benefit from understanding how companies in our portfolio approach these and other consumer interest issues in their specific operating context and business model. We pay particular attention to these issues for portfolio companies that materially depend on or significantly impact consumers – for example companies in the consumer goods, health care, technology and consumer finance sectors. We assess and integrate these issues in our investment decisions, risk monitoring and ownership activities.



We invest for the long term and benefit from value creation both within individual companies and across the economy.

## What do we mean by consumer interests?

Consumer interests encompass a range of community- and consumer-related rights and impacts, which we consider along three key themes:

### Product safety and integrity

Ensuring that products and services comply with laws and regulations and are secure and safe to use, while mitigating risks related to overuse or misuse, is a fundamental part of consumer protection. Safe, durable and resource-efficient products and services are likely to improve customer satisfaction, provide competitive advantage and reduce companies' environmental footprint.

### Responsible commercial practices

Responsible sales and marketing practices are core elements of the social licence to operate and regulatory compliance. This includes providing clear and reliable information to consumers, including through responsible marketing, and refraining from anti-competitive practices that may negatively impact price, choice and quality.

### Data governance, privacy and responsible AI

Protection of consumer data and respect for privacy are core elements of responsible business conduct. Responsible development and use of AI are also important elements of corporate responsibility and rely on governance systems that prioritise privacy, security, non-discrimination, and human oversight and control. See our [View on responsible AI](#) for more information.

## Navigating a changing regulatory landscape

Consumer-serving companies operate in a dynamic landscape where technology, consumer preferences and regulatory frameworks are constantly evolving. Artificial intelligence (AI) and the commodification of user data and attention have transformed existing businesses and generated entirely new ones. Knowledge of the impact of products and services on consumer health and safety also continues to grow. For instance, this may be seen when it comes to the long-term impact of PFAS chemicals, sugar, excessive antibiotics and digital dependency on health and the environment.

We recognise that companies are already subject to laws and regulations related to consumer interests, from product safety and labelling standards to data protection regulations and anti-trust law, and we expect companies to respect applicable laws and regulations in markets where they operate. However, regulation varies in scope and enforcement across markets and sectors. We believe companies that align themselves with international standards and emerging regulation can further reduce regulatory risk, ease access to new markets and reduce reputational risk – while mitigating the risk of adverse impacts on consumers. As a global, financial investor, we will support the development of international standards, including emerging regulation of data privacy and AI.

## Addressing risks and opportunities

A responsible approach and timely consideration of consumer interests at the strategic level can help companies manage material risks and capture emerging business opportunities.

Companies' impacts on consumers vary significantly between sectors, business models and markets. For example:

- Food and beverage companies that fail to ensure food safety can have profound impacts on consumer health, as can their decisions around product lines, ingredients and marketing. Failure to consider animal welfare in product sourcing can have negative impacts on consumer demand for products.
- Technology and media companies may significantly impact consumer welfare should they provide platforms for harmful content, fail to respect privacy, or stimulate digital addiction.



AI and the commodification of user data and attention have transformed existing businesses and generated entirely new ones.

- Financial services companies may adversely impact consumers through predatory or deceptive marketing or by failing to ensure non-discriminatory access to services.
- Pharmaceutical companies that engage in anti-competitive practices may keep competitors from entering the market and impact access, price and quality of medicines.

Companies also face significant reputational, regulatory and financial risks related to their impacts on consumers. This can affect their returns over time. For example:

- Litigation arising from product liability and harmful commercial practices, such as those in the opioid epidemic, have seen companies face fines, penalties and settlements exceeding multiple billions of dollars in recent years.
- Failures to respect privacy and protect consumer data have resulted in penalties exceeding hundreds of millions of dollars, with aggregate fines in some jurisdictions increasing dramatically as the regulatory framework develops.
- Businesses that are involved in price rigging or abuse their market power and dominance are also likely to face significant litigation costs and disruption over time.

At the same time, we believe that companies that invest strategically in product quality, data protection and respect for consumer interests can strengthen their market positions. For example:

- Growing consumer awareness of hazardous materials, sustainable consumption, and animal welfare implies that companies can gain financial advantage by responding effectively to changing consumer preferences in their product sourcing and marketing strategies.
- Companies that prevent biases in their data collection and algorithms to ensure equitable access to services and improved product quality may see their customer base and revenue grow, whilst reducing litigation and brand risks.



Businesses that are involved in price-rigging or abuse their market power and dominance are also likely to face significant litigation costs and disruption over time.

# Expectations of companies

Expectations of companies

## Overarching expectations on consumer interests

### **Integrate consumer interest issues into company governance and policies**

- Boards are accountable for and should oversee how companies manage risks related to consumer interests.
- Companies should align their policies with international principles on consumer interest issues such as the UN Guidelines for Consumer Protection and the OECD Guidelines for Multinational Enterprises (Chapter VIII).
- Companies should also consider industry standards, such as ISO standards, and contribute to and align themselves with emerging industry best practices.





### **Integrate consumer interest issues into business strategy and risk management**

- Companies should integrate consumer interests and wellbeing into their strategic business planning – for example by facilitating sustainable consumption, promoting nutrition and health, respecting privacy, design products that are secure by default, ensuring equitable access to products and services, and refraining from engaging in anti-competitive practices.
- Companies should establish robust risk management processes to identify and address adverse impacts on consumers and wider society related to their products, and services, their marketing, and their use of data and AI.
- Companies should establish appropriate safeguards for foreseeable proper and improper use of their products and services, and throughout the product lifecycle.

### **Be transparent on material consumer interest issues**

- Companies should report publicly on their strategies, policies, and risk management processes related to consumer interests.
- Reporting should, where appropriate, use metrics that enable year-on-year comparison.
- Reporting should align with emerging best practices and international standards, such as the ISSB and GRI standards.<sup>1</sup>

### **Engage openly and responsibly, including through grievance or redress mechanisms**

- Companies should have policies or guidelines for engaging responsibly on consumer interest issues with stakeholders, including consumers, standard setters, regulators, and civil society, on consumer interest issues.
- Companies should be transparent about their positions on regulation and engage openly and constructively with standard setters on topics such as AI, privacy, product safety, marketing practices, and anti-competitive practices.
- Companies should provide easily accessible and effective grievance and redress channels to consumers and provide access to remedy, as appropriate, where products, services, or use of data have caused or contributed to adverse impacts.



Companies should report publicly on their strategies, policies, and risk management processes related to consumer interests.

## Topic-specific expectations

### Product safety and integrity

To prevent and mitigate foreseeable adverse impacts of use, misuse and overuse, companies should:

- Establish clear and business-relevant policies to ensure product safety, such as chemical safety, food quality and clinical trial safety, and prevent harmful online content.
- Assess and take appropriate steps to mitigate risks related to harmful overuse of products and services, such as digital dependency or childhood obesity, and adverse impacts related to foreseeable misuse, including by third parties.
- Assess and take appropriate steps to mitigate adverse impacts throughout the product lifecycle and on diverse customer groups.
- Consider product durability, reparability, resource efficiency and recyclability to facilitate sustainable consumption in design and distribution.
- Engage with stakeholders across the product lifecycle to ensure that product safety measures reflect potential impacts on diverse customer groups and consumers in vulnerable situations.
- Integrate respect for animal welfare standards, such as those in the World Organization for Animal Health (WOAH) Terrestrial Code, into their policies and practices.

### Responsible commercial practices

To ensure responsible commercial practices, companies should:

- Commit to and engage in responsible marketing practices. Marketing practices should be guided by established and emerging best practices.<sup>2</sup>
- Ensure that marketing avoids subverting consumer choice in ways that are harmful to consumers or competition. This includes providing accessible, complete, truthful and timely information – including on product sustainability.
- Ensure that marketing does not perpetuate discrimination or harmful stereotypes.
- Take appropriate steps to mitigate risks related to targeted advertising, especially for sensitive products and services or towards groups in vulnerable situations, such as children.
- Take appropriate steps to prevent abuse of dominance and anti-competitive practices that can negatively impact consumers and market dynamics. This includes establishing governance structures, policies, training programmes and compliance controls, as well as conducting regular risk assessments.



Companies should assess and take appropriate steps to mitigate adverse impacts throughout the product lifecycle and on diverse customer groups.



Companies should ensure that marketing avoids subverting consumer choice in ways that are harmful to consumers or competition.

## Data governance, privacy and responsible AI

To ensure good data governance, respect for privacy and responsible AI, companies should:

- Establish and implement business-relevant policies and guidelines for data and AI. These should be aligned with established and emerging international guidelines and industry best practices<sup>3</sup> and ensure that data and AI practices are lawful, transparent and ethical.
- Have robust risk management practices for data and AI that ensure protection of privacy, security, non-discrimination, and human oversight and control. This includes additional controls and appropriate safeguards for AI development or applications that can pose particularly severe risks to people or society.
- Limit data collection and retention to the minimum necessary for intended and clearly stated purposes. All collection and use of personal data should be based on respect for privacy and valid consent, including the right to withdraw consent.
- Protect company-held consumer data from third-party access and misuse.
- Take appropriate steps to ensure data accuracy and correction of misinformation, including to identify and address harmful biases in datasets and AI systems.
- Consider interoperability and data portability in products and services to prevent adverse impacts on consumers through abuse of dominance.
- Be transparent about their use of data and AI to affected stakeholders,<sup>4</sup> including relevant information on how AI systems have been designed, trained and tested, to allow stakeholders to evaluate accuracy, efficiency and reliability.



Companies should have robust risk management practices for data and AI that ensure protection of privacy, security, non-discrimination, and human oversight and control.

## Endnotes

<sup>1</sup> Reporting should reflect material and salient issues for the company and might include:

1. Product safety and integrity: product recalls, use of PFAS chemicals, ingredient transparency, share of products that are high in fat, salt and sugar (HFSS), and removal of harmful online content.
2. Responsible commercial practices: customer complaints and resolution rates, customer satisfaction scores, financial inclusion metrics, GRI 417 (2016) on incidents of inaccurate labelling and marketing communications, and GRI 206 (2016) on legal actions relating to anti-competitive practices.
3. Data governance, privacy and AI: number of verified human users, data breaches, content removal requests and information requests, and GRI 418 (2016) on privacy-related complaints.

<sup>2</sup> Companies should be guided by international standards such as the ICC Advertising and Marketing Communications Code. Industry- and product-specific guidance should also inform company marketing, such as the WHO's [International Code of Marketing of Breast-Milk Substitutes](#).

<sup>3</sup> There is a range of industry- and market-specific guidance on AI governance. Companies should tailor their approach in ways that are meaningful to their use of AI. For international guidance, see UNESCO's [Recommendation on the Ethics of Artificial Intelligence](#) and the OECD's [AI Principles](#) and [Framework for the Classification of AI Systems](#).

<sup>4</sup> Terms and conditions should be accessible to all users, including people in vulnerable and disadvantaged situations. Companies should take particular care with products and services that are likely to be used by or impact children.

Below are our additional expectation documents.

See our website [www.nbim.no](http://www.nbim.no) for a full and updated list of our expectations on sustainability topics. We also regularly publish our perspectives on issues such as sustainability reporting and the UN Sustainable Development Goals.

[www.nbim.no](http://www.nbim.no)



Norges Bank Investment Management

## Biodiversity and ecosystems

Expectations of companies

Norges Bank Investment Management

## Anti-corruption

Expectations of companies

Norges Bank Investment Management

## Tax and transparency

Expectations of companies

Norges Bank Investment Management

## Human rights

Expectations of companies

Norges Bank Investment Management

## Water management

Expectations of companies

Norges Bank Investment Management

## Children's rights

Expectations of companies

Norges Bank Investment Management

## Climate change

Expectations of companies

Norges Bank Investment Management

## Ocean sustainability

Expectations of companies

Norges Bank Investment Management

## Human capital management

Expectations of companies