

NORWAY

Responsible investment in Norway can be traced back to the late 1980s with the introduction of the country's first environmental fund. There was steady growth in this type of investing, especially among institutional investors, from the mid-1990s to 2004. The size of the market increased dramatically in 2004 with the introduction of ethical guidelines on the Norwegian Pension Fund.

Norway's premier fund, the Norwegian Government Pension Fund-Global, defines the Norwegian responsible investment market in terms of its guidelines and investment approaches. The fund's guidelines are based on a combination of engagement, negative screening, and exclusion.

In addition to dominating the domestic market due to its sheer size, the Norwegian Government Pension Fund serves as a role model for other asset managers and investors in Norway and abroad. These asset managers and investors have adopted similar policies and practices and often join in collaborative engagement, as well as follow the Norwegian Government Pension Fund-Global's exclusion recommendations.

At the same time, other Norwegian asset managers and investors, individually and collectively, have made important contributions to increasing the size, breadth, and depth of the Norwegian responsible investment market. The Sustainable Value Creation Initiative and the Norwegian Microfinance Initiative are examples of significant contributions.

BACKGROUND

In the early 2000s, the Norwegian NGO community began to question the social responsibility of asset managers that offered only a few responsible investment products and institutional investors that only applied responsible investment policies to a small fraction of their assets. Managers and investors responded by applying a "minimum ethical standard" to all of their products and assets.

Minimum ethical standards led to large increases of SRI AuM. By far the largest growth can be credited to the Norwegian Government's Pension Fund. With overall assets of approximately €270 billion (as of December 31, 2007), it is the largest pension fund in Europe and the second largest pension fund in the world.

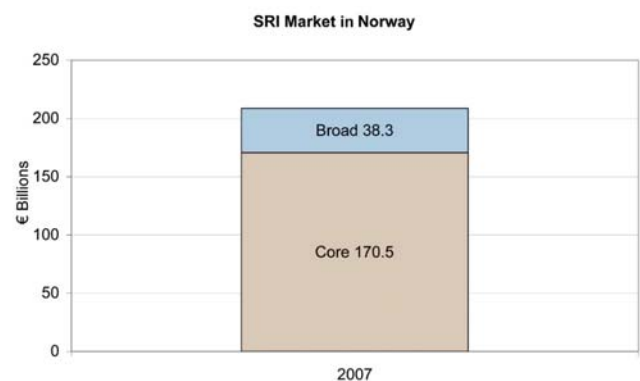
The Norwegian Government Pension Fund has served as a role model for both international and other domestic asset

managers and investors. As a consequence, those recommendations serve as minimum ethical standards for most Norwegian asset managers and investors.

KEY FEATURES OF SRI

Norway's SRI market totals €208.8 billion, with Core SRI amounting to €170.4 billion and Broad SRI to €38.3 billion as illustrated in Figure 1.¹

FIGURE 1



Source: Eurosif European SRI Survey, 2008

Core SRI Market

As illustrated in Figure 2, the Core SRI market in Norway consists almost exclusively of ethical exclusions, including violations of fundamental humanitarian principles, serious violations of human rights, gross corruption and severe environmental damages. Several asset managers use the Best-in-Class approach. Thematic funds (e.g., clean tech funds) are experiencing a renaissance.

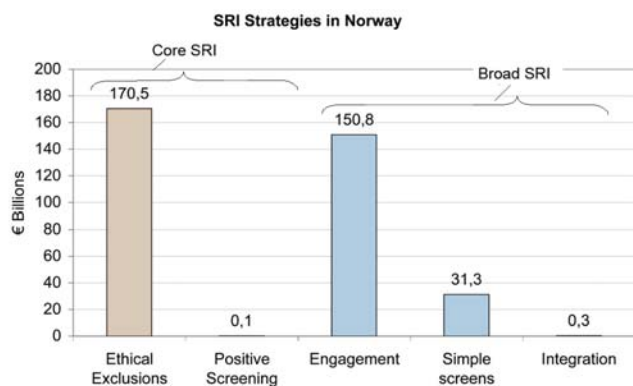
Broad SRI Market

Engagement is the most widely applied strategy in the Broad SRI market in Norway, very often practiced in combination with Core strategies (hence a total Broad smaller to avoid double-counting). It most frequently involves proxy voting, direct engagement conducted privately, collaborative engagement and, to a lesser extent, the co-filing of shareholder resolutions. Simple screening takes the form of norms-based exclusions,² weapons-only exclusions, and, for the majority, screening based on other criteria. Integration is not a widely used strategy for the Norwegian Broad SRI market.

¹ As a reminder and as noted on page 7, Eurosif defines in this study a national market by the country where the SRI assets are being managed. As most Nordic asset managers have a cross Nordic scope to their organisations, some very large Norwegian/Swedish asset managers are accounted for in the Swedish country section and not the Norwegian survey. In addition, assets managed outside of Norway on behalf of Norwegian asset owners are not counted in the Eurosif figure. As a result, our SRI figure measures the size of the Norwegian SRI management market, rather than the Norwegian SRI market itself, which would be larger.

² For this study, respondents were asked to specify which norms the exclusion was based on. When the norms-based screening was clearly using several negative criteria, the assets were considered under the ethical exclusions segment (i.e. Core SRI).

FIGURE 2



Source: Eurosif European SRI Survey, 2008

Note: Total of individual strategies may be superior to total Core and Broad SRI due to overlaps.

Who invests in SRI?

The Norwegian responsible investment market is largely dominated by institutional investors; the largest investor is the Norwegian Government Pension Fund. SRI in the retail sector is also considerable, accounting for at least €5 billion in assets under management.³

Products/Offering

Roughly 75% of Norwegian SRI assets under management are invested in equities, mostly in Europe (exclusive of Norway) and North America. Unlike most other countries, only a small portion (3%) of those equity investments are in Norwegian equities. This can be attributed to the predominance of the Norwegian Government Pension Fund- Global which only invests outside of Norway.

Bonds account for 23% of the Norwegian SRI asset allocation, overwhelmingly in the form of corporate bonds. Finally, other asset classes such as hedge funds, venture capital/private equity and real estate, while negligible in relative value, are used by a sizable proportion of market practitioners. Large Caps investments represent 60% of the Norwegian SRI assets in volume; Small and Medium Caps 40%.

MARKET EVOLUTION

The recent focus on climate change and the natural energy dominance in the Norwegian economy have led to a re-emergence in the popularity of funds involved in alternative fuels and environmental technologies. Recently, Norway's

largest institutional investors, representing nearly €349 billion in assets, launched Sustainable Value Creation. These investors will seek to use their influence as owners to actively influence Norwegian stock exchange listed companies towards sustainable development (i.e. by creating economic, environmental and social value). The initiative has been based upon the principles contained in the UN Global Compact, UN PRI, OECD's Guidelines for Multinational Enterprises, and the Norwegian Code of Practice for Corporate Governance (NUES).

In June 2008, three large Norwegian asset managers, Norad (the Norwegian Agency for Development Cooperation) and Norfund (the Norwegian Investment Fund for Developing Countries) launched the Norwegian Microfinance Initiative (NMI). This \$120 million initiative is comprised of two funds, the NMI Global Fund which is targeted towards mainstream microfinance institutions, and the NMI Frontier Fund which is directed at less mature institutions.

MARKET PREDICTIONS

The Norwegian responsible investment market will continue to increase and expand. Growth will be driven by increases in the size of pension funds with responsible investment strategies, especially the Government Pension Fund. Growth is also likely in the responsible investment retail markets.

The Norwegian Government is currently evaluating the Norwegian Government Pension Fund-Global's Ethical Guidelines. The objectives are to review its guidelines, maintain "broad political support", and collect feedback as to the ways in which it could strengthen its profile as a responsible investor. The results of this evaluation will be presented to the Norwegian Parliament in a white paper in spring 2009.

Revisions in the Norwegian Government's Ethical Guidelines will undoubtedly shape other asset manager and investors' responsible investment policies both in Norway and abroad. At the same time, the Sustainable Value Creation initiative will also promote responsible investment in Norwegian companies.

Finally, in January 2008, a group of Norwegian investors and stakeholders met to explore the possibility of forming a Norwegian Social Investment Forum (Norsif). Interest is strong, and informal meetings have been held throughout the year.

The data above is based on research conducted by TNS Prospera, and analysis done by Eurosif. Sarita Bartlett at KPMG kindly provided market context for this analysis.

³ As most Nordic Asset Managers have a cross Nordic scope of their organisation, it is very difficult for them to know how much is retail in Sweden, Norway, Denmark and Finland.