

Ministry of Finance

Consultancy services INVITATION TO TENDER

Direct purchase

Reference: FIN/AFF- 07/3894

Introduction

The Ministry of Finance of Norway wishes to enter into an agreement with a researcher or a group of researchers in the area of corporate social responsibility to assess the implementation of Articles 3 and 4 of the Ethical Guidelines for the Government Pension Fund – Global. This assessment will be an integral part of a larger evaluation process of the Ethical Guidelines in their entirety, where the goal is to establish whether the guidelines so far have worked as intended. Against this background, the Ministry of Finance invites you to participate in a tender for making an assessment of Articles 3 and 4 of the Ethical Guidelines for the Fund.

This procurement will be made under the Act relating to Public Procurement (No. 69 of 16 July 1999) and Regulations relating to Public Procurement (adopted by Public Decree of 15 June 2001). The act and regulation requires us to award the contract through competition. However, the estimated value of this procurement does not exceed the levels that entail specific requirements for announcement of the competition.

The Ethical Guidelines for the Government Pension Fund - Global

The Ministry of Finance is responsible for the management of the Government Pension Fund – Global. The operational management is delegated to Norges Bank, the central bank of Norway. Per October 2007 the Fund was valued at approximately US 370 billion.

Ethical Guidelines were adopted by The Ministry of Finance in November 2004 as an integral part of the framework for the Fund. The Ethical Guidelines and their implementation build on a broadly defined ethical concept which goes beyond international conventions and standards. The obligations and aspirations laid down by international organisations such as the UN, OECD and ILO are all relevant in the implementation of the guidelines, but the ethical considerations are not restricted to convention based standards. The guidelines focus on what reasonable requirements companies should meet regarding fundamental rights and protection of the environment, human life and health.

The background and purpose for the Ethical Guidelines are described in the following preparatory works, which will also provide material for interpretation of the Ethical Guidelines: The report and proposal of the Government-appointed Graver Committee (NOU 2003: 22 Green paper) and chapter 4 of the Revised National Budget 2004 (Report nr. 2 (2003-2004)) to Stortinget (the Norwegian Parliament). In addition to this, the Ministry of

Finance – as principal for the Fund - has given its overall views on several aspects of the Ethical Guidelines in Report No. 24 (2006-2007) to Stortinget, chapter 4.

The Ethical Guidelines are based on two premises laid down in Article 1:

- The Government Petroleum Fund is an instrument for ensuring that a reasonable portion of the country's petroleum wealth benefits future generations. The financial wealth must be managed with a view to generating a sound return in the long term, which is contingent on sustainable development in the economic, environmental and social sense. The Fund's financial interests should be consolidated by using the Fund's ownership interests to promote sustainable development.

- The Government Petroleum Fund should not make investments that entail an unacceptable risk that the Fund is contributing to unethical actions or omissions, such as violations of fundamental humanitarian principles, gross violations of human rights, gross corruption or severe environmental degradation.

The ethical basis for the Government Pension Fund – Global shall be promoted through two main policy measures, provided for in the guidelines Article 2;

- Exercise of ownership rights,
- Exclusion of companies from the portfolio.

The exercise of ownership rights: As operational manager, Norges Bank is responsible for exercising the ownership rights in accordance with the Ethical Guidelines Article 3. Of particular relevance to the assessment is Article 3.1 that reads:

“The overall objective of Norges Bank’s exercise of ownership rights for the Government Pension Fund – Global is to safeguard the Fund’s financial interests. The exercise of ownership rights shall be based on a long-term horizon for the Fund’s investments and broad investment diversifications in the markets that are included in the investment universe. The exercise of ownership rights shall mainly be based on the UN’s Global Compact and the OECD Guidelines for Corporate Governance and for Multinational Enterprises. Norges Bank’s internal guidelines for the exercise of ownership rights shall stipulate how these principles are integrated in the ownership strategy.

Exclusion of companies: Exclusion of companies is carried out through *negative screening* and *ad-hoc exclusion*. The Council on Ethics for the Government Pension Fund – Global is responsible for issuing to the Ministry of Finance recommendations on exclusion, based on specific criteria as set out in the guidelines Article 4. Of particular relevance to the assessment is Article 4.4 that reads:

“4.4 The Council shall issue recommendations on negative screening of one or several companies on the basis of production of weapons that through their normal use may violate fundamental humanitarian principles. The Council shall issue recommendations on the exclusion of one or several companies from the investments universe because of acts or omissions that constitute an unacceptable risk of the Fund contributing to:

- Serious or systematic human rights violations, such as murder, torture, deprivation of liberty, forced labour, the worst forms of child labour and other forms of child exploitation
- Serious violation of individual rights in situations of war or conflict
- Severe environmental damages
- Gross corruption
- Other particularly serious violations of fundamental ethical norms”

While the negative screening provided for in the first sentence of Article 4.4 relates to the *products* of the companies, the ad hoc exclusion provided for in the second sentence relates to *production methods* and *conduct of companies*.

Further to this, we cite Articles 4.5 and 4.6 that read:

“4.5 The Council shall gather all necessary information at its own discretion and shall ensure that the matter is documented as fully as possible before making a recommendation regarding negative screening or exclusion from the investment universe. The Council may request Norges Bank to provide information as to how specific companies are dealt with in the exercise of ownership rights. Enquiries to such companies shall be channelled through Norges Bank. If the Council is considering recommending exclusion of a company, the company in question shall receive the draft recommendation and the reasons for it, to comment.

4.6 The Council shall review on a regular basis whether the reasons for exclusion still apply and may against the background of new information recommend that the Ministry of Finance revoke a decision to exclude a company.”

The system encourages an interaction between the policy instruments, as emphasized in Report No. 24 (2006-2007) to the Storting¹. When the Ministry carries out an assessment, based on a recommendation from the Council on Ethics, of whether to exclude individual companies, it will also take in to account the scope for reducing the risk of contribution to grossly unethical activities through ownership influence in the relevant case.

In the preparatory works (NOU 2003: 22 page 169 and Report nr. 2 (2003-2004) page 68) it is presupposed that exchange of information shall take place between Norges Bank and the Council on Ethics, ref. also Article 4.5 as cited above. The degree of information-sharing will be of relevance, not only in relation to each of the entities’ ability to perform its task, but also in relation to the envisaged interaction described above between the policy instruments.

Description of the assessment

The assessment will be part of the Ministry’s broader evaluation of the Ethical Guidelines for the Pension Fund – Global. The Ministry will make the assessment publicly available at an appropriate time, possibly in connection with a public hearing that will take place during April – June 2008.

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The assessment should examine:

1.

How Norges Bank has carried out its mandate as laid out in Article 3 of the Ethical Guidelines, including the preparatory work to the guidelines. The assessment should include an examination of how the principles referred to in Article 3.1 have been implemented through Norges Bank's internal guidelines, "Principles for corporate governance and the protection of financial assets".

2.

How The Council on Ethics has carried out its mandate as laid out in Article 4 of the Ethical Guidelines, including the preparatory work to the guidelines. The assessment should encompass both substance and procedure, relating in particular to Articles 4.4 and 4.5.

3.

The assessment should also – to the extent possible – address:

Whether the current information-sharing and cooperation between Norges Bank and the Council on Ethics is at a level that contributes in an effective way to enhancing each of the entities ability to perform its task, and that facilitates the envisaged interaction described above between the policy instruments.

Scope

You should submit a tender based on approximately 30-40 days of work. Delivery will take place as further agreed in the period 1 - 15 March 2008.

Awarding criteria

The Ministry will evaluate the tenders based on the price and professional competence of the person(s) who are going to make the assessment. The professional competence will be assessed based on experience from work and/or research within the areas of responsible investment, human rights, environmental issues and/or corporate governance issues, especially relating to financial investments or fund management. The Ministry may take into account publications in acknowledged journals or textbooks, or other relevant, written material. The professional competence will be allotted 70 pct. weight in the evaluation of the tenders.

The tender may be given by two or more persons in cooperation, provided that the scope of work stays within a total of 30-40 days divided between the persons. In case of a division, the results of the evaluation should still be delivered in the form of one, joint report, covering all aspects outlined in this invitation to tender.

Participants in the tender may also limit their tender to question 1 or 2 of the assessment, but must in any case address question 3. This will require contact and cooperation between the different persons taking part in the evaluation.

The Ministry has the right to accept the tenders as they are when they are delivered, or choose to proceed to negotiations. Even if a participant has given a tender for the whole assessment, The Ministry may choose to accept the tender only for question 1 or 2.

An assessment of either question 1 or 2 separately shall under any circumstance be based on 15-20 days of work.

Contents of tender

A tender must be sent to the Ministry of Finance, stating the price for which you are willing to produce a report as specified in the Ministry's invitation to tender, with the use of approximately 30-40 days of work. The tender must also describe the competence within the above mentioned fields for the person(s) partaking in the tender. This can for example be in the form of a CV (curriculum vitae) with references to your most relevant work and publications. The tender should include a short description on how you plan to conduct the assessment (approach).

Language

English or Norwegian shall be the language of all documents/communication concerning this procurement.

Deadlines

The deadline for submitting a tender document is Friday 14 December 2007.

The general address for this procurement is:

Ministry of Finance, Asset Management Department, P.O. Box 8008 DEP, 0030 Oslo

Contact persons:

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Expenses

Expenses incurred by the provider in connection with the preparation, delivery and follow up of the tender documents will not be refunded by the Ministry.