

Oslo, January 22, 2014

Dear Sir or Madam,

Thank you for giving me the opportunity to comment on "Responsible Investment and the Norwegian Government Pension Fund Global"

The report is of very high quality. Therefore, my comments are minor.

I think it is admirable that the Norwegian Government Pension Fund Global is a leader among the sovereign wealth funds or major public pension funds in responsible portfolio investment. But I also think it is good that there are comparator funds that have already expertise in responsible investment. Given the extreme visibility of the fund I feel that it could be a good or even wise strategy to blend in with responsible investment strategies of other comparable funds. In fact, once some responsible investment rules are in place and are indeed implemented I find it hard to even define leadership on this matter. After all, responsible investment is a very soft matter and the report reflects this by presenting various motivating factors. I therefore believe that aiming for a general leadership on this matter is not necessary or even not possible.

Regarding research on responsible investment: I am not surprised to read that not much research on this topic is available and I would not expect to see this to change any time soon. Here is why: One can think of responsible investment as some subfield of corporate governance. It is actually hard to measure the impact of corporate governance, but I do think that the take away from that literature is that good corporate governance creates value. It is less clear how this will work out for responsible investment. I think it can go either way. For example, environmental friendly policies of a firm have costs today but may not immediately or significantly affect stock prices today. (I think a rational expectations model can deliver such a result.) Another example is that in years when the tobacco industry delivers stellar returns, it cannot be claimed that responsible investment creates value to the fund when it shuns investment into tobacco. Given these ambiguities, I would not expect much basic research to address this issue. I am also not sure the fund itself needs to put effort into understanding the impact of responsible investment on performance. I think it is completely sufficient to report the benchmark, the adjusted benchmark (ex. excluded firms) and the real performance of the fund. From these numbers every stakeholder can directly impute the costs or gains from responsible investment. In the end, I think this is also what the strategy council expects from the fund.

Other than that I would like to emphasize that Pillar Three is an excellent suggestion.

Sincerely,



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