

Ida Wolden Bache: Norges Bank's management of the Government Pension Fund Global

Introductory statement by Ms Ida Wolden Bache, Governor of Norges Bank (Central Bank of Norway), at the hearing of the Standing Committee on Finance and Economic Affairs of the Storting (Norwegian parliament) on the management of the Government Pension Fund Global, Oslo, 13 May 2025.

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Thank you for the opportunity to talk about Norges Bank's management of the Government Pension Fund Global (GPFG).

The investment objective of the GPFG is to achieve the highest possible return at an acceptable level of risk. In 2024, returns were high but lower than the return on the benchmark index against which our performance is measured. The Executive Board emphasises the importance of assessing the performance of the GPFG over long periods and is satisfied that the return over time has been higher than the return on the benchmark index.

We are in a period of global transition. The framework for global trade and cooperation is in play, and the security policy landscape is changing. This has resulted in substantial volatility in the return on the GPFG's investments so far in 2025.

I have three key messages today:

First, the experience from previous periods of turbulence, as well as the strengthening of Norges Bank's work on geopolitical risk in recent years, makes the management of the GPFG better equipped to face the current uncertainty.

Second, the GPFG has a financial objective. Active ownership is about managing risk and creating economic value over time.

Third, the energy transition provides investment opportunities. We continue to build a portfolio of renewable energy infrastructure assets and have increased the number of such investments over the past year.

Let me begin with the ability to face new uncertainty.

The Ministry of Finance determines the investment strategy and the benchmark index, and significant strategic decisions are endorsed by the Storting (Norwegian parliament). The equity allocation is 70 percent, and risk is reduced by broad diversification, across regions, sectors and individual companies. The return of the GPFG tracks the benchmark index closely.

Equity investments have been important for the GPFG's performance. At the end of 2024, the cumulative return on the GPFG amounted to over NOK 11 000 billion since inception, of which equity investments accounted for almost NOK 10 000 billion. In order to achieve this return, we have had to withstand several periods of substantial falls in value.

The repricing of technology stocks after 2000, the financial crisis and the outbreak of the pandemic come to mind. Crises do not repeat themselves. Each crisis is unique and difficult to foresee. Nevertheless, being able to follow the GPFG's investment strategy through periods of turbulence is a strength.

The Executive Board is responsible for ensuring that Norges Bank Investment Management (NBIM) has the systems, resources and expertise needed to monitor, assess and manage the risk resulting from geopolitical conditions.

In recent years, NBIM's management of this risk has been strengthened. The scenario analysis and stress testing are part of this. NBIM has built up more expertise and improved internal coordination. The Bank also participates in meetings of the Contact Forum established by the Ministry of Finance for the exchange of information on international matters. All of this enhances contingency preparedness, but contingency planning entails continuous work.

Let me now turn to active ownership. As owner, we have expectations towards the boards of directors of the GPFG's investee companies. The expectations are described in expectation documents that cover different environmental, social and governance issues. The expectations are principles-based and are publicly available.

Active ownership is about risk management and creating long-term economic value. Climate risk is one example of this. In our opinion, companies that address risks associated with climate change will perform better over time. As a long-term owner of almost all listed companies, it is in the GPFG's own-interest to have an orderly energy transition.

The energy transition also creates investment opportunities. The mandate provides for investing some of the GPFG in unlisted renewable energy infrastructure. These are active investment decisions that are subject to the same requirements for risk and return as the GPFG's other investments.

In 2024 and so far in 2025, the Bank has made more investments in unlisted renewable energy infrastructure than previously. The new investments include solar and onshore wind projects in Portugal and Spain and offshore wind projects in the UK, Denmark and Germany. The Bank has also invested in a fund that includes early-stage renewable projects. This fund will invest in different types of technology and across various regions.

The Executive Board has established a framework for unlisted investments that emphasises that also this part of the GPFG's management must be cost-efficient and responsible. High transparency and reporting standards are required.

Let me conclude. Norges Bank's management of the GPFG is based on a clear mandate and a framework that has proven robust over time. If we consider that adjustments to the mandate are needed, we are conscious of our responsibility as adviser to the Ministry of Finance.

We welcome the Ministry's appointment of an external expert group that will review the GPFG's investment strategy. Such reviews further develop the management of the GPFG, and we will of course make ourselves available to the group if they so wish.

With that, I will pass you to Nicolai Tangen.