

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

Introductory statement by 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, 5 May 2025.

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Minister of Finance, members of the Storting. Good morning.

International trade and economic integration across countries have been among the drivers behind the Government Pension Fund Global's (GPFG) immense growth since the first transfer thirty years ago. In recent years, this foundation has come under challenge. War and conflict, protectionism and a more fragmented global economy are creating uncertainty. At the same time, a technological paradigm shift is under way.

These developments affect both the GPFG and Norges Bank's management of the fund in a number of ways. Despite increasing global turbulence, the GPFG has achieved strong returns in recent years. In 2025, the GPFG returned 15.1 percent, and over the past three years, the overall return on the fund's equity portfolio has been over 70 percent. We cannot expect such returns to continue. We must be prepared for a substantial decline in the value of the GPFG, and we must also be aware that a sharp fall will not necessarily be followed by a rapid rise.

In recent years, the GPFG has made substantial gains from the rise in the value of technology companies. At the same time, this has resulted in a few individual companies now accounting for a large share of the equity portfolio. Another observation is that government debt has increased in many countries.

The Ministry of Finance has initiated a review of the GPFG's investment strategy, in which the bond investments, geopolitical risk and concentration risk in the equity portfolio are key topics. Even though there are no easy answers, the work could strengthen the understanding of the fund's risk. Norges Bank has been asked to provide assessments and analyses, and we will present our input this autumn.

The geopolitical situation also affects the framework for responsible management of the GPFG. We are seeing a widening gap between international and domestic expectations regarding responsible investment. Israel's occupation of the Palestinian territories and the war in Gaza in summer 2025 sparked debate about the fund's investments. Norges Bank's handling of the situation was criticised, and we have taken that criticism seriously.

In November, the government appointed a commission to review the ethical framework. The commission will address complex yet important issues.

While work on the ethical framework and the GPFG's long-term investment strategy is under way, Norges Bank continues to manage the GPFG with the aim of achieving the

highest possible return, in a responsible manner. Let me highlight three developments that have been important for the Executive Board's work over the past year.

First: The Ministry of Finance has adopted temporary ethical guidelines that will remain in effect until a new ethical framework has been established. Under these guidelines, the Council on Ethics will identify companies for potential ownership activities and inform Norges Bank accordingly. Norges Bank's active ownership includes dialogue with companies, voting and, where relevant, risk-based divestment within the mandate.

As requested by the Ministry of Finance, we will ensure enhanced due diligence and a more rapid response in situations where the assumptions underlying the GPFG's investments in a country change substantially and rapidly, for example due to situations involving acts of war.

Second: Artificial intelligence has become an increasingly important tool in the management of the GPFG, contributing to improved decision-making and lower transaction costs. At the same time, artificial intelligence can also be used by malicious actors. Over time, the Executive Board has focused on operational resilience and emphasises that the use of artificial intelligence must be responsible.

Third: In 2025, the Executive Board adopted a new strategy for the management of the GPFG, which includes a revised real estate management strategy. As the real estate portfolio has had weak returns over time, adjusting the strategy has been necessary.

The GPFG's climate action plan, endorsed by the Executive Board in 2025, emphasises that climate change also creates opportunities for the GPFG as an investor. In Norges Bank's strategy, the level of ambition for investments in unlisted renewable energy infrastructure has been raised.

We consider the GPFG's size and long-term horizon to be well suited to investments in real estate and unlisted renewable energy infrastructure. Such investments are made as part of Norges Bank's active management, with the aim of achieving higher returns than the return on the GPFG's benchmark index. At the same time, real estate and infrastructure investments help diversify the GPFG's investments across more asset classes.

Broad diversification has long been a cornerstone of the GPFG's investment strategy, and in an increasingly turbulent world, diversification will not become less important.

With that, I will hand over to Nicolai Tangen.

*Translated from Norwegian for information purposes only. Please note that the text may differ from the actual address.*