



International Trade Committee

Oral evidence: Inward Foreign Direct Investment, HC 124

Wednesday 16 June 2021

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Sir Mark Hendrick; Anthony Mangnall; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Craig Williams.

Business, Energy and Industrial Strategy Committee Member present: Paul Howell.

Questions 56 - 102

Witnesses

I: Nicolai Tangen, Chief Executive Officer, Norges Bank Investment Management; and Trond Grande, Deputy Chief Executive Officer, Norges Bank Investment Management.



Examination of Witnesses

Witnesses: Nicolai Tangen and Trond Grande.

Q56 **Chair:** Good afternoon, and welcome to the International Trade Committee's evidence on inward foreign direct investment. Today we have three panels, and we are very honoured to have guests coming to us on the first panel from Norway—the Norwegian sovereign wealth fund, in particular. Then we have another panel of stakeholders and experts, and one of Ministers and officials after that.

Without too much further ado, I welcome Nicolai Tangen and Trond Grande, from Oslo I presume. Please introduce yourselves on your own terms—name, rank and serial number.

Nicolai Tangen: I am CEO of the sovereign wealth fund. I am not sure I have a rank or serial number, but here I am. I have with me my co-pilot, Trond. Do you want to introduce yourself?

Trond Grande: My name is Trond Grande, and I am the deputy CEO of NBIM.

Chair: Just so you know, I am the MP for the Outer Hebrides. We were part of Norway until 1266, so if you feel like reinvading and sharing the oil fund, the resistance will be minimal.

Nicolai Tangen: That sounds good. I have been sailing there. Lovely islands.

Chair: Great. Which islands, before we kick off?

Nicolai Tangen: A lot of them actually.

Q57 **Chair:** Very good. We will maybe talk about it later. Can you explain to us, as a scene-setter, how Norway's sovereign wealth fund came about? What is the source of the capital invested in the fund? As a Scottish National party Member, I may know a little bit about it, but not as much as you, obviously.

Nicolai Tangen: In Norway we hit oil the day before Christmas Eve in 1969, at the very last attempt, and the idea was to transfer the wealth from the shelf into financial assets, and that is what we have done. We have been running the fund for 25 years—actually, last week we turned 25—and it has grown from a deposit of just under 2 billion Norwegian kroner to 11,000 billion Norwegian kroner, and just under 4 billion Norwegian kroner has come from the oil and the rest is returns and the change in Norwegian currency.¹

Q58 **Chair:** Fantastic. You must feel that a lot of people around the world envy what you have done. Was it always a done deal that Norway was going to do that? How did it come about that Norway decided to do

¹ Norges Bank Investment Management later clarified that accumulated net inflows from the Government were 3,309 billion Norwegian kroner as at the end of 2020.



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exactly that, because it could be argued that other neighbouring countries squandered their wealth?

Nicolai Tangen: The idea was to avoid what has been called the Dutch disease, where you spend too much of it in your own country and drive inflation and crowd out other types of industries, so that was avoided. There has been a lot of really good footwork by a lot of people, politicians, people from the Ministries and so on. There has been broad political consensus that this was a good thing to do, and relatively early on we also established a rule that we were not supposed to use more than a certain percent of the fund. Initially that was 4% and it came down to 3%. Despite being a relatively small proportion of the fund, of course the fund has grown so much that last year it accounted for 25% of the state budget.

Q59 **Chair:** You mention crowding out other industries. What other industries do you think would have been in danger of being crowded out had this fund not been established? What could have happened?

Nicolai Tangen: If you had not established the fund, you would have crowded out pretty much everything else.

Q60 **Chair:** Is that because of the volume of money that was being thrown around in the economy of Norway?

Nicolai Tangen: Yes.

Q61 **Sir Mark Hendrick:** I will start with a simple question about the basic objectives of the fund. What are the objectives for the performance of the fund?

Nicolai Tangen: It is very clear that it is to safeguard and protect the fund for future generations. It is a generational fund, but it is also a reserve fund in a way. Last year, during the pandemic, it gave the country resources to fund various activities and help business come through this crisis. It is to generate the highest possible return within a certain amount of risk but also, of course, to do that in a responsible way. We have a very high, stringent ESG framework that we work within.

Q62 **Sir Mark Hendrick:** Could you tell me a little bit about how the fund is constituted and managed, and how you ensure transparency, independence and good governance?

Nicolai Tangen: An important part of the fund, or the success actually, is that it is very solidly, democratically anchored. It is, of course, owned by the Norwegian people, but it is presided over by the Storting, the Parliament. The important decisions are anchored in the Parliament. The mandate is set by the Ministry of Finance, and it has delegated the running of the fund to the Norwegian central bank. Then we, as fund managers, sit within the Norwegian central bank.

Q63 **Sir Mark Hendrick:** Just as an aside, I am the Chair of the All-Party Parliamentary Group, the friendship group with the Norwegian Parliament



or Storting. We hope to visit, and we will perhaps come and see you sometime either later this year or early next year.

One of the things that fascinates me is, given the fact that we are moving away from fossil fuels and carbon, how do you see those investments in terms of longer-term value? Is there any incentive or impetus to move away from oil and gas in the way you are making those investments? I imagine that, over time, oil and gas will be less valuable as other energy sources become more prevalent. How do you weigh that into your investment?

Trond Grande: To take one step back and build on what Nicolai said about the governance structure, the formal owner is the Minister of Finance who essentially gives a mandate to the central bank to do the day-to-day investment. A reference index is specified in that mandate that we should stay close to. To a large extent, that dictates what types of sectors and companies we invest in.

When it comes to oil and gas, a few years ago the Norwegian Parliament decided that we would not invest in oil exploration, a very narrowly defined part of the investment universe, due to the fact that the fund is built on oil revenues. To reduce the overall risk, we reduced exposure to those sectors a few years ago. That was on a pure risk-return evaluation basis.

Q64 **Sir Mark Hendrick:** Is it not the case that you still possess very large oil and gas reserves, which you were not going to exploit, that might now be worth using because, obviously, oil and gas will not be as valuable in the future?

Nicolai Tangen: Yes. That will be owned by the oil companies such as Equinor, which is a partly state-owned oil company. As a fund, we don't own oil resources.

Sir Mark Hendrick: All right. Thanks.

Nicolai Tangen: To add to what Trond said, on the coal side, we have a separate council on ethics that, from time to time, eliminates companies from our reference index. The coal investments have been taken out of the index, so we are not investing in coal.

Q65 **Sir Mark Hendrick:** For you it is purely an investment exercise, rather than looking at the state's assets?

Nicolai Tangen: Correct.

Q66 **Anthony Mangnall:** Thank you both for being here. I think this is the first time the International Trade Committee has met together in some form or other in a long while. If you do end up taking back that part of Scotland, you are more than welcome to take the Chair with you, but we can talk about that later. It is a pleasure to see you again, Mr Tangen. It has been quite some time.

Can I ask you about your council on ethics, how it operates and what the



process is for evaluating the suitability of a company that you invest in? We have a list in front of us in our briefing pack about the companies that you do not invest in, which are: BAE Systems, Vedanta, Serco, Rio Tinto, British American Tobacco, BAE, G4S. I would be interested in hearing a little bit more about the process you go through in evaluating those companies.

Nicolai Tangen: The council on ethics is independent of the central bank and independent of us, the fund manager. It is a very separate kind of structure, and it evaluates companies within a pure ethical framework. It looks at the expectation documents that we have, where we have covered things like climate risk, human rights, children's rights, water management and so on, and it sees to what extent companies are in breach of those kinds of principles. Some companies will be taken out because they breach human rights issues, some because they have dubious behaviour within the climate space and so on. That is the basis on which they are excluded. It is separate from what we do but, of course, we cannot then invest in them.

Q67 **Anthony Mangnall:** Is it advisory? If it decides that a company is unethical or is breaking the rules, do you have to follow that guidance or is it up to your discretion as to whether or not you accept its recommendations?

Nicolai Tangen: We typically do it but, Trond, do you want to explain how?

Trond Grande: Yes, the council on ethics is advisory in the sense that it recommends exclusions or observations—as it can—to the board of the central bank, which is our board also. Then it is up to the board to make the decision on whether to follow that recommendation or to use another means, that is to stay invested and try to engage with the company. Typically, we divest straightaway, but there are times when we can also have active management activities, engage much more with the company for a period of time, to see whether we can get them to change behaviour if we think it is relatively low-hanging fruit and so on.

Q68 **Anthony Mangnall:** The reason I am asking is because more and more, in engaging with financial institutions in the United Kingdom, the ESG acronym comes up again and again and there is more investment and more time put into this area. Of course, it is incredibly complex. It is not easily defined. Could you shed some light on whether you have invested in companies and then had to change your investment model and divest of those investments because, three, four, five, 10 years later, it does not fulfil your ESG criteria?

Nicolai Tangen: Yes, that has happened. The council continues to look at the investment universe, and it may come up with new companies, based on a development or fine tuning of the principles we already have or because the companies themselves have changed.

Q69 **Anthony Mangnall:** With that in mind, I mentioned a couple of



businesses in the United Kingdom that you don't invest in anymore. How has the UK's model around ESG, and the way in which our companies are performing, changed your investments?

Nicolai Tangen: I am preparing a paper on the future of capitalism and how capitalism is changing. It is just incredible. I have not seen a period where capitalism has changed so fast. It is taking up new elements of responsibility, thinking on the whole spectrum of ESG activities. We see it of course in our company dialogue. For instance, we have more than 3,000 meetings a year with the companies we are invested with. I think in 2012 climate was mentioned something like—these are very rough numbers—150 times, and it was mentioned 2,400 times last year. There is a huge change in how we are looking at these things as businesses.

Q70 **Anthony Mangnall:** This fund came about from oil investments. Obviously, the move away from fossil fuels is happening at a speed that perhaps we would not have expected in the last five years. Is there a historical angle in which people think that the sovereign wealth fund that you have created has a debt to fund more environmental projects and that is, therefore, dictating to you to go towards more environmentally conscious investments, or are you not in that place?

Nicolai Tangen: It is not like we feel we have made a big sin that we need to pay for. We think it is completely ethical to explore oil. We call ourselves the oil fund. I feel very proud of that name.

Chair: Thank you, Mr Mangnall. It will be in the headlines in tomorrow's papers in Scotland, of course: "Tory MP gives away part of Scotland to Norway".

Anthony Mangnall: I was preparing to give you away, Angus.

Q71 **Chair:** Nicolai, you made an interesting point about the changing face of capitalism, on which you are writing a paper. There was a famous song, "Forty Shades of Green", but I detected from your answer that there are infinite shades of capitalism. That might be what you are alluding to. It is not quite on point, but could you go into that a little further for a minute or so and maybe tie it into where that is influencing what the fund is doing?

Nicolai Tangen: We are meeting with a group of journalists and so on, and I was also talking about the future of capitalism. I have been spending this week thinking about it and conferring with some intelligent friends.

I think the way companies now think about, for instance, the climate is changing very fast. It has accelerated during the pandemic, and at the board level you have been thinking, "Gee, see what a little virus can do for the world. What can't the climate do then?" You see how the whole world is interlinked, how fast things move across borders and so on, and you see these things are not local problems. They are huge potential problems. I think that is what we are seeing at the boardroom level. Then you see activism accelerating. You see all these proxy votes from



companies, and more of them coming through in protest votes. There are more engaged and active shareholders than we have seen in the past, so these are fascinating developments.

Chair: It sounds fascinating. It is something that I would love to delve into further, but time and constraints here don't allow. Thank you for that.

Q72 **Martin Vickers:** Could I turn to the fund's investments in the UK economy and ask how they are distributed geographically and by economic sector?

Nicolai Tangen: We are the proud owners of roughly £66 billion-worth of assets. That is 70% of the money we have.² They reflect the index quite well. We are relatively indexed there in how we run our capital, and they would then be split on financials and industrials and so on, pretty much the way the index is done. Then we also have direct property investments in the UK. We have some £4.2 billion-worth. As you may know, we own a chunk of Regent Street and so on, which we are proud of—very fine streets.

When I was thinking about this, if I were a country I would think, "Wow, the Norwegian sovereign wealth fund is the perfect investor. It makes very little noise. It doesn't demand board level positions." Most people want pretty much everything. That is the way I look at it.

Q73 **Martin Vickers:** Are you looking to invest more in greenfield projects, as opposed to mergers and acquisitions?

Nicolai Tangen: No, we don't do greenfield. We typically invest in listed companies. The exception here could be on the renewable infrastructure side. At the beginning of last year, we had an expanded mandate where we were allowed to invest in these types of infrastructure projects. We made our first investment earlier this year. We bought half of Borssele 1 and 2, which is a windmill park off the coast of Holland. It is the second largest operating windmill park in the world. It generates enough electricity to fuel 1 million households. If projects come up in the UK, we would be interested in investing with them. We wouldn't take the construction risk or anything like that, but we would be happy to potentially buy them.

Q74 **Sir Mark Hendrick:** Have you thought of buying an English football club?

Nicolai Tangen: No.

Chair: A Scottish one?

Nicolai Tangen: If you had seen me on the football pitch, you would understand why I have nothing to do there.

Martin Vickers: Well, to take Angus's point, I certainly would not invest

² Norges Bank Investment Management later clarified that this should instead be 7%.



in a Scottish club at the moment.

Chair: That is enough to rupture the Union there, Martin Vickers. Well, if there is no interest in buying one of Glasgow's top clubs, Celtic, we will move on.

Q75 **Mark Garnier:** Nicolai, if I can be slightly technical, I spent 27 years as an investment banker and a hedge fund manager, so I am afraid I am going to have to pick you up on one of the answers you gave to Sir Mark Hendrick a little bit earlier. You said that your investment objective was to get the best possible return you can. Of course, the best possible return is putting your money on the 3.30 at Ascot this afternoon, which may or may not give you a 10:1 result.

You and I both know that, the greater return you get, the greater risk you have to put, and a very large return is not compatible with wealth preservation going into the future. What I want to do, before I go into more detailed questions, is to ask about what your benchmark is. How are you benchmarking the performance of the fund? Are you trying to outperform your local inflation rates or the global economy? What is your real objective?

Trond Grande: The asset allocation from the Minister of Finance is one of 70% global equities and 30% global fixed income. That is an expression of the long-term risk appetite. Attached to that there is an expected long-term return. In real terms, that expectation has been 3% and that, again, ties back to the point Nicolai made about the use of the fund, which is also at 3%. Those numbers are twins. The concept is that over time, if you achieve at least 3% real return and if you don't spend more than 3% of the fund, you will have a permanent fund for future generations. We accept that there are risks in the short run, but we are a very long-term investor with 70% in equities and expect that long-term real return to be around 3%.

Q76 **Mark Garnier:** That is very helpful. Nicolai, can I get back to you on how you find your investments. Obviously 70% of your fund is in equities, and you mentioned that, of the £66 billion you have in the UK, some is directly into property, which presumably is not listed companies. That is property, real estate holdings. What I was interested to hear was how you find your investments. If you are in listed equities, there is a huge amount of brokerage research on investment opportunities and, presumably, you look at what investment advisers are giving you ideas for.

On your property investments, do you get involved in properties alongside the UK Government? On some of that unlisted stuff, how do you find the unlisted stuff and to what extent are the UK Government helping you to find it? Are they trying to direct you towards Government projects? How does all that work? The unlisted stuff is not very straightforward, and I am quite keen to hear if your relationship with Her Majesty's Government is proactive? Do you have to approach them, or do they keep in touch with you? How does that work?



Nicolai Tangen: We work with large triple-A partners in everything we do on the property side. In New York, for instance, we work with the Trinity Church, and in the UK we work with the Crown Estate on Regent Street, so mainly taking minority stakes or up to 50% stakes with the very finest partners we can find. We are typically popular corporation partners because we have a 100-year perspective and are considered decent partners, so that is how we have built that position.

We also have some listed real estate investments. They are typically smaller, but we have some of those as well. We have a separate property department or real asset department that sources these assets. They have a range of people they speak to.

Q77 **Mark Garnier:** You have not mentioned the Department for International Trade and the Office for Investment. It is great that you are using and partnering with the Crown Estate, which is obviously an agent of the Government, but you are not in any direct contact with the Office for Investment under the Department for International Trade. Is that right?

Nicolai Tangen: I believe that somebody from the real asset department has been in touch with them. That would be in connection with potential renewable infrastructure investments.

Mark Garnier: That is very helpful. Thank you very much.

Q78 **Lloyd Russell-Moyle:** Where Mark was just taking us was the point I wanted to raise. How is your fund's approach to investing affected by investment promotion and facilitation policies or units in respect of Governments? Do you wait for Governments to come to you, or is that activity pretty irrelevant to the work you are doing anyway?

Nicolai Tangen: So far it has been relatively irrelevant. The majority of what we do is sourced by ourselves. On the equity side, as Trond mentioned, we are quite indexed in the area. We also have some more active management, so typically 10% to 15% of the assets would be run in a more active and alpha generating way. On the bond side we buy Government bonds and credit, and on the property side we would typically be sourcing and taking the initiative, so we are normally not sitting here and waiting for Governments to come and offer us things. Clearly, if you guys had some attractive assets—apart from your football clubs—that we could look at, we would be delighted to.

Q79 **Lloyd Russell-Moyle:** That sounds fantastic. Are there things that the Department for Trade or other bodies of the Government could be doing to make you want to invest further in the UK, or is that not something you are really seeking?

Nicolai Tangen: We think the UK is a very attractive place—great companies, very well-run companies, good corporate governance.

Q80 **Lloyd Russell-Moyle:** I am not trying to ask whether you are interested in investing further in the UK. I am trying to ask whether Government



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facilitation makes you change your mind on whether to invest in a country.

Nicolai Tangen: On the renewable infrastructure side, it could move the needle because these assets are expensive and, of course, very in demand now. If one had the possibility to buy attractive assets in that field, I think that would be interesting.

Q81 **Anthony Mangnall:** Just on where Lloyd was going, if I may. Domestic legislation in the UK has been ramped up of late, especially around the Modern Slavery Act. There is some expectation that we may try to update the Modern Slavery Act to include investments. What sort of guidance would you take about UK Government policy, especially on the Modern Slavery Act? What would something like that do to your outlook and perspective on UK investments?

Nicolai Tangen: I don't think that would change very much, to be honest, because I think we would cover all those kinds of things through our expectation documents on human rights.

Q82 **Anthony Mangnall:** I may end up being back in touch with you on this, because this is something we want to make sure is in line with your thinking and does the right thing for businesses as well as Government policy.

Nicolai Tangen: I have never heard anybody internally here talk about any problems with the Modern Slavery Act and so on.

Anthony Mangnall: That is really helpful. Thank you.

Q83 **Chair:** Nicolai, is there any impact on your thinking for your fund's investment screening arrangements from things such as the UK's national security and investment regime?

Nicolai Tangen: No.

Q84 **Chair:** It is very clear, very straightforward. It is not an issue at all?

Nicolai Tangen: No, because we typically buy very small stakes. I think that is more of a question if you are taking a majority stake or are involved in sensitive businesses and so on.

Q85 **Chair:** What are your top three countries for investments at the moment? Where are you holding things?

Nicolai Tangen: That will be split according to the world index. The US is a very big country for us and we are weighting it up. We own 1.4% of all listed companies in the world—9,000 companies. In Europe we own more, 2.6%. But we follow the world index.

Q86 **Chair:** How much interaction do you have with Governments when you make an investment, say, across Europe?



Nicolai Tangen: Not much. We very clearly invest with the companies themselves and we are a non-political entity, so we try to avoid the politicians rather than seek them.

Chair: I understand.

Nicolai Tangen: Unfortunately that is the way it is. It has been a strict principle from the Government here that we should not be engaged with politicians. I am not even allowed to meet politicians in Norway on a one-to-one basis. We should be completely shielded from it. One of the questions now is that the Labour party went out and said it wanted to use the fund potentially in a bit more of a political way, but that has not been the case up until now.

Q87 **Chair:** What would the penalties be if you were to be seen one-to-one with a politician over lunch?

Nicolai Tangen: I have not tried. I do not think they will shoot me, but it certainly would not be very popular.

Q88 **Chair:** Would it be a resignation issue for you or the politician?

Nicolai Tangen: Depending on what we spoke about.

Chair: Who would know?

Nicolai Tangen: I am not sure it would be a resignation, but certainly I would be reprimanded.

Q89 **Chair:** Okay, it is a serious thing. Do you come up shoulder to shoulder and have much competition with other sovereign wealth funds? How do you interact with other sovereign wealth funds? Do you meet in any forums? What happens?

Nicolai Tangen: Yes, we are friendly with the large funds in the world and we are friendly with the Canadians, the GIC, some of the Dutch funds. We are generally friendly with them. We do not really co-operate with them.

Q90 **Chair:** You have no joint ventures with anybody else? It is not a normal thing?

Nicolai Tangen: No.

Q91 **Chair:** When it comes to investment, quite often there seems to be a tension between people looking for investment and investors looking for places to invest. You have a huge amount of money, as you pointed out. Do you have any trouble finding good investments? It might seem a trite question, but do people looking for investment come to you or are you generally searching it out, or is it a mix of the two? What is happening there?

Nicolai Tangen: It is a bit of a dance. We are trying to find companies and they are trying to find investors. They go on roadshows and we host them in our offices, and we talk to each other. They try to look pretty,



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and we try to figure out what they are all about. Probably the exception here is on the new renewable infrastructure side, where we are shown different types of projects and where we are attractive because we can write some big tickets.

Q92 **Chair:** You are a huge game changer for unlocking a number of things, and you are quite aware that you can be. You can afford to take a punt where other people cannot, where Governments might not invest. Do you make many investments that prove to be bad investments, or are you so cautious that everything is okay?

Nicolai Tangen: No, we are. We have a risk budget from the Minister, so we know what kind of risks we can take. We are roughly as risky as the stock market on our equity side, and the same on the bond side. Our risk taking is roughly in line with the market.

Q93 **Chair:** Do you invest in infrastructure within Norway itself?

Nicolai Tangen: No.

Q94 **Chair:** Will you invest in infrastructure in other countries?

Nicolai Tangen: Renewable infrastructure. We would not go into roads and those kinds of things, but we can do windmills and we can do sun.

Q95 **Chair:** Is there an ethical reason for not going into roads and infrastructure?

Nicolai Tangen: It is a parliamentary decision. The Canadians have done so, but they decided not to do it in Norway.

Q96 **Chair:** The reason I was asking is that I am aware the Canadians have been investing in tunnels in the Faroe Islands, for instance, which may be a difficult find some might argue. Norway seems to be absent, whereas you would imagine that Norway would have been an obvious candidate but, given you have those kind of strictures on investment, that is not going to happen at all.

Do you come up against protest movements? Do people have concerns or complaints that come in your direction over the actions of such a large actor, which is what you are? Often large actors bring some degree of public concern in certain places.

Nicolai Tangen: Yes, we come up against most of them. Clearly Greenpeace is concerned with the climate. Typically we engage with most of the NGOs, but we engage with them in a very constructive way. They are an important part of what we do. They help set the agenda and inform us on various contentious issues. Of course you have NGOs working on things like Gaza, Myanmar, Chinese human rights. They cover a lot of ground.

Q97 **Chair:** You mentioned earlier the changing face of capitalism. Would you say these NGOs have had an input into that changing aspect on the paper that you are writing? Given that we are all a large human community



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here, and you look to be a capitalist behemoth, are you saying that some of the ants have an effect on your behaviour?

Nicolai Tangen: Yes, they do, certainly indirectly in influencing politicians and the political agenda. They have been important on the climate side.

Q98 **Chair:** A final question from me, and we have a minute or two left. Are there areas where you think—and this may be a difficult question for you to answer—the Norwegian oil fund, in particular, or the Norwegian sovereign wealth fund could be investing, could be missing a trick, but your strictures are written in such a way that you basically cannot go near it? Is there an internal debate going on about being able to invest in some places that you currently cannot invest in?

Nicolai Tangen: I do not feel so. The mandate is pretty good. If we want to change it, we can promote it with the Minister of Finance. The part of the mandate that we are not utilising now, when it comes to the UK, is the renewable infrastructure side. Those will be things we can look at as and when these projects come to fruition and need to be sold or capitalised, and where they need to have additional partners. That is clearly high on our list.

Q99 **Chair:** You have mentioned renewables a few times, and I thought I had asked my final question, but this is my final question. Do Governments come to you when they are setting out policies to see how the policy would fit with an eye for you to invest in them? You said earlier that there is a dance going on between you and investments, but do some come your way and write the choreography for the dance perhaps?

Nicolai Tangen: Not really.

Chair: Thank you very much for your time. It is always interesting to speak to Norwegians, particularly with Sir Mark Hendrick, the Chair of the APPG for Norway on the Committee. Is that a shout from the room for somebody to come in before we let them go?

Anthony Mangnall: It is if we have a few more minutes and our panellists are willing.

Chair: If our guests from Norway will accept another island group, we might keep them a little longer.

Q100 **Anthony Mangnall:** I dare to dream. A couple of very quick questions. At what point do you take the actions of a Government to push you to divest your investments in a specific country? I am specifically referencing China at this point. Secondly, in your remarks regarding how you interact with Norwegian politicians or the lack of interaction, for obvious reasons, how do you safeguard the need to get good returns versus the Norwegian national interest? Do you think that has any impact on the direction of your investments in companies in the United Kingdom? For example, I wonder what checks and balances you might have in place on the companies that you have invested in thus far on the



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list that we have here, some of which are of strategic interest to the United Kingdom,.

Nicolai Tangen: Trond, do you want to take China and the time lag on divestments, and I will take the other one?

Trond Grande: I will see if I can answer that question. In our mandates, as I said, there is a specified reference index that we follow. It is currently based on the FTSE Global All Cap. We would typically be invested in any country that is included in that index. We do not single out countries that we will not invest in. We prefer to say that we invest in companies and not in countries.

Q101 **Anthony Mangnall:** On the basis that America has now very publicly stated that China is committing acts of genocide, does that not reach the sovereign wealth fund that you have targeted, or that check and balance?

Trond Grande: Yes, it could reach it through the mechanism of the council on ethics. They would address whether some of the companies that we are invested in, in China, are part of this or not. But as a country, we will stay invested for as long as it is an acceptable country.

Q102 **Anthony Mangnall:** If it was not a company and it was real estate, surely the onus is on you to leave it. I am not trying to have a go at you at all. I am trying to understand, if a country like America states that China is committing genocide and you own real estate in China, at what point do you start divesting your investments in real estate?

Trond Grande: It is a hypothetical question. We have no real estate in China, so our real asset investments are in jurisdictions that are predictable and in which we feel safe being a foreign investor.

Nicolai Tangen: We have real estate only in the States, Europe and some small investments in Japan.

When it comes to the cost of adhering to the guidelines from the Government, we measure it very closely and we publish it every year in the report. What is it actively costing us not to invest in, for instance, the UK companies you mentioned at the beginning? There has been a relatively small cost in excluding these companies from our oil investment universe.

Chair: Nicolai Tangen and Trond Grande, thank you very much for coming, and thanks to the Norwegian sovereign wealth fund for agreeing to come. We approached others who politely declined, so we are very grateful to you for agreeing. It has been very valuable and very interesting. Nicolai, the next time you are around the Scottish Islands, if you are near Lewis and Harris, North Uist, Benbecula, South Uist and Barra, and if you see God do not be surprised because it is heaven.

Nicolai Tangen: And you also have some good tipples up there, so I will come along.



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Chair: We do. We look forward to seeing you. I might even invest in one of them myself.