

## Norway to monitor Asia investments

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By James Lamont in New Delhi and Andrew Ward in Stockholm  
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Norway's \$400bn sovereign wealth fund, the world's second-largest, is stepping up its efforts to monitor its investments in emerging markets for ethical, environmental and human rights infringements.

SourceAsia and CSR China, based in Oxford, will start reporting from November on the ethical performance of 2,300 companies in Asia invested in by the Norwegian Government Pension Fund, Paul Wenman, the research companies' managing director, told the Financial Times.

The initiative signals an attempt by Norway to expose its emerging market investments to the same level of ethical scrutiny faced by western companies in its portfolio, as the Nordic country tries to use its oil wealth to encourage corporate social responsibility.

The fund, which invests Norway's oil revenues for future generations, is often held up as a better governance model for opaque financial institutions, such as Temasek or the Abu Dhabi Investment Authority, that are rarely open about their investment strategies.

Norway has disinvested from numerous western companies, including Wal-Mart, the US retailer, and Rio Tinto, the Anglo-Australian mining group, over alleged ethical violations but taken few such steps against companies in the developing world.

Norway's move reflects growing investor concern surrounding labour standards, corruption and environmental damage in emerging markets.

But Mr Wenman said that finding information about companies in Asia's fast growing economies was often far more difficult than their counterparts in US and Europe, which are bound by stricter disclosure rules.

"From an investor's point of view, corruption and ethics [problems], which are endemic in the [Asian] region and hard to track down, are the hardest to manage," said Mr Wenman. "Environment is the least to worry about [because the damage becomes apparent]".

About 10 per cent of Norway's so-called "oil fund" is invested in emerging markets after recent moves to reduce its dependence on European and US assets.

The Council on Ethics, which makes recommendations to the fund, said the number of companies included in the portfolio had increased from 2,500 to 8,000 over the past few years, many of them in non-English-speaking countries where ethical violations were harder to monitor.

The fund awarded a contract in July to Ecofact, a Zurich-based consultancy, to monitor its global investments but decided it needed specialised help to assess companies in China and some other Asian countries.

Under a four-year contract, SourceAsia and CSR China will provide the sovereign wealth fund's Council on Ethics with a confidential monthly report on alleged violations.

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