

# NBIM Investor Expectations: Climate Change Management

Norges Bank Investment Management (NBIM) is responsible for investing the assets of the Norwegian Government Pension Fund – Global. The exercise of NBIM’s ownership rights shall safeguard the long-term returns of the fund, and is based on the UN Global Compact and the OECD Principles of Corporate Governance and Guidelines for Multinational Enterprises.

## Purpose

**The NBIM Investor Expectations for Climate Change Management outline our expectations for corporate performance in regard to both effective climate change mitigation and adaptation.**

The document is intended to serve as a reference for long-term investors and can be used as an indicator of best business practices by companies globally. The primary function of these expectations is not to blacklist or rank companies, but to serve as a point of departure for constructive dialogue between investors and companies.

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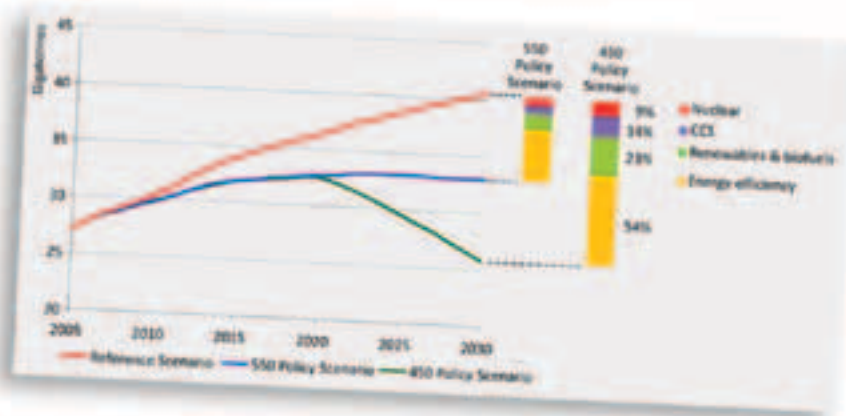
## Why is climate change an issue for investors?

NBIM is a diversified global investor with a long time horizon on its investments. The portfolios managed by NBIM are exposed to the risk of adverse economic effects of climate change. Reports such as the Stern Review issued by the UK government and those issued by the Intergovernmental Panel on Climate Change, highlight that the economic impact will be critical on a global scale if the anthropogenic release of greenhouse gases continues in line with its current trajectory.

Climate change is expected to unfold over the coming decades, with varying projections for different emissions and mitigation trends. Regulatory responses to climate change in the form of taxes, trading schemes and different incentives have already begun to influence the markets. The expected increase of regulatory measures and the unfolding physical impacts of climate change are likely to represent a major economic transition, with losses and gains distributed to market players depending on their strategies in this process.



It is becoming increasingly vital that investors are able to evaluate the degree to which a specific company is exposed to the risks and the opportunities that arise, both in its direct operations and in its supply chain. NBIM considers the efficient adaptation to this transition by the companies in our portfolio to be a significant factor when protecting our financial assets. In order to manage this process in an effective way and to prevent the worst effects of unmitigated climate change, NBIM expects companies to develop a well-defined climate change strategy in line with the standards set out in this document.



# Expectations

The NBIM Investor Expectations for Climate Change Management are divided into four categories;

## A. Direct operations

All effects and impacts of climate change on the company should be identified. Material effects and impacts identified should be included in the strategic business planning of the company.

NBIM expects companies to:

- Analyse the commercial effects of regulatory responses to climate change on the company's direct operations and perform sensitivity analyses based on different regulatory responses.
- Analyse the physical and social impacts from climate change on the company's direct operations.
- Implement a strategy that clearly responds to the effects and impacts identified.
- Put in place a transparent and well-functioning governance structure for implementing and overseeing the climate change strategy.
- Measure quantified greenhouse gas emissions in relevant formats.\*
- Set clear targets for reducing greenhouse gases, in line with effective mitigation measures.
- Continuously identify and consider implementing the best available processes and practices that are likely to develop due to different responses to mitigate climate change.

\* NBIM recommends data collection and disclosure in line with the Carbon Disclosure Project ([www.cdproject.net](http://www.cdproject.net)) or the Greenhouse Gas Protocol ([www.ghgprotocol.org](http://www.ghgprotocol.org)) developed by the World Resources Institute and the World Business Council for Sustainable Development.

## B. Products and services

The transition to a low-carbon economy will offer new business opportunities in many sectors.

NBIM expects companies to:

- Participate in sector-relevant research, and explore and exploit opportunities to develop new products and services that will help accelerate the transition and increase the value of the company.

## C. Supply chain

Understanding the full extent of climate change risks to a company involves assessing factors outside the immediate operations of a company and needs to include the supply chain of a company.

NBIM expects companies to:

- Develop a strategy for dealing with climate change risk in the supply chain that implements the expectations set out in sections A and B in the company's supply chain.

## D. Transparency

Corporate performance reporting in regard to climate change must be transparent and should reflect the long-term concerns of investors.

NBIM expects companies to:

- Disclose policy, strategies, targets and progress on climate change management in both direct operations and the supply chain.
- Be constructive when engaging with policymakers regarding regulatory responses to climate change, and to disclose policy positions in regard to climate change regulation.