NORGES BANK
INVESTMENT MANAGEMENT

OCEAN SUSTAINABILITY

EXPECTATIONS TOWARDS COMPANIES

The purpose of this document is to broadly set out the ways in which Norges Bank Investment Management, as a financial investor, expects companies based on, depending on or affecting the ocean to manage the challenges and opportunities related to sustainable uses of the ocean. Our expectations are primarily directed at company boards. The expectations serve as a starting point for our interaction with companies on sustainable uses of the ocean, including seas and marine resources.

Boards should understand the broader environmental and social consequences of business operations. Where relevant, boards should ensure that material ocean-related risks and opportunities are integrated in corporate strategy, risk management and reporting. They should ascertain that the ensuing responsibilities are clearly defined within the organisation, and they should effectively guide, monitor and review company management in these efforts.

Ocean Sustainability

Norges Bank Investment Management is responsible for managing the assets of the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. We will, as a starting point and where appropriate, base our practices on internationally recognised standards such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance and the OECD Guidelines for Multinational Enterprises.

PURPOSE OF THE EXPECTATIONS

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RELEVANCE OF OCEAN SUSTAINABILITY

The point of departure for our expectations towards companies on ocean sustainability is our long-term financial objective of safeguarding the fund's assets. The fund, with its global exposure across industries and markets, has an inherent interest in a sustainable use of the ocean that does not compromise the ability of future generations to continue using it to meet their own needs. Many companies in our portfolio depend on the ocean as part of their business model, but their operations may also have a negative impact on the ocean. These companies are likely to be affected by degradation of the ocean. Evolving regulatory and consumer attitudes towards more sustainable uses of the ocean present both risks and opportunities for companies.

The ocean covers most of the planet's surface and is a vital part of the biosphere, producing more than half of the world's oxygen and regulating global temperatures. It is an important part of the global economy, providing natural resources and open spaces for transportation and other economic activity. The importance of the ocean is set to grow, as it has potential to provide protein to feed a growing world population and accommodate offshore renewable energy production.

Economic activity both on the ocean and on land is depleting common resources, such as fish stocks, and degrading vital ecosystems. The effects of greenhouse gas emissions, such as ocean acidification and warming, are further stressing the health and productivity of the ocean. The interconnected and fluid nature of the ocean ecosystem, exemplified by fish migration and ocean currents, makes it hard to fully understand the long-term impacts of ocean depletion and degradation. The lack of globally enforced standards and regulation – especially in areas beyond national jurisdiction – makes these challenges fundamentally hard to overcome.

Our expectations are aimed both at companies with activities directly in or on the ocean, and at those with land-based activities or value chains that are materially dependent on, or affect, the ocean. Examples of relevant sectors include ocean-based industries such as shipping, offshore oil and gas, offshore wind, wild-catch fisheries, aquaculture and marine tourism, and land-based industries such as waste management, mining, agriculture, chemicals and consumer goods.

We believe that the continued degradation of the ocean could reduce companies' ability to generate value for investors in the long term. Companies should therefore understand the impact of their operations on the long-term sustainability of the ocean. Companies may, depending on their operational practices and geographical and sectoral exposure, face physical risks from degraded or over-exploited resources, limited access to markets, legal and regulatory risks following increased attention to ocean issues, and reputational risks. Companies may at the same time find business opportunities, either through new and sustainable uses of the ocean space and resources, or by providing solutions to ocean-related challenges.

We wish to support companies as they develop their strategy towards more sustainable business operations, and these expectations provide high-level guidance. We recognise that current market practices are fragmented and evolving. However, companies should respect international agreements such as the UN Convention on the Law of the Sea, and be guided by the UN Sustainable Development Goal 14. We support the further development of business standards and principles which contribute to improved market practices and a level playing field for companies as they approach ocean sustainability.

As investors, we expect companies to be transparent about the topics raised in this document. We use such information to identify how ocean-related risks and opportunities may affect companies' performance and prospects, and to assess whether company boards and management are taking steps to manage relevant issues.

EXPECTATIONS TOWARDS COMPANIES

Based on standards such as the G20/OECD Principles of Corporate Governance and the OECD Guidelines for Multinational Enterprises, boards should understand the broader environmental and social consequences of business operations. They must set their own priorities and account for the associated outcomes. Boards should ascertain that material ocean-related risks and opportunities are integrated in corporate strategy, risk management and reporting. They should ensure that responsibilities are clearly defined within the organisation, and they should effectively guide, monitor and review the company's management in these efforts.

A.

Integrate ocean sustainability into strategy

- Companies should understand their impact or dependence on ocean sustainability, and incorporate this into their policies, taking a full value-chain perspective.
- Companies should assess ocean-related business opportunities in their strategic planning. This could include actions to benefit from improved ocean sustainability both in direct operations and supply chains, and in the use and disposal of their products or services.
- Companies should consider the impact of their activities, products and services on the ocean when investing in innovation, research and development.
- Companies involved in wild-caught fisheries should incorporate projections for future marine resource availability in their planning.
- Companies engaged in the plastics value chain should have a strategy addressing a transition towards a circular economy.

B.

Integrate material ocean-related risks into risk management

- Companies should identify material market, regulatory and environmental ocean risks and incorporate these into their risk framework.
- Companies should identify and monitor risks arising from the sourcing, use and disposal of their products and packaging, engaging with suppliers, customers, consumers, waste-management companies and regulators where relevant to minimise the negative impact on the ocean.
- Companies developing infrastructure or performing other activities that may adversely affect ocean sustainability, such as offshore oil, gas or mining, should perform thorough impact assessments and adopt a precautionary approach. Special care should be taken in areas of high ecological or biological significance.
- Companies buying or selling wild-caught fish should monitor that these activities do not involve stocks that are overfished or exploited beyond the maximum sustainable yield, or fishing which is illegal, unregulated or unreported.
- Companies involved in agriculture, mining, waste management and other activities that can result in land-based marine pollution, and related supply chains, should work towards preventing or significantly reducing such pollution.

C.

Disclose material priorities and report associated metrics and targets

- Companies should disclose how ocean sustainability forms part of their strategies, policies, and commitments. As applicable, this should include goals, targets, performance against these, and action plans.
- Companies should disclose outcomes of their activities, products and services that may affect the oceans. For example, food and beverage companies could seek to disclose the end-of-life solutions for their plastic packaging.
- Companies should disclose information at an appropriate level of detail, depending on its nature and sensitivity, for instance by geography, activity or product line.
- Companies should be transparent about products and services that rely on healthy oceans, the source of their ocean-based resources – for example, the volumes, capture locations and species of wild-caught fish – and business sensitivity to future availability of these resources.
- Companies should provide consistent disclosures to relevant stakeholders, where possible build on existing sustainability reporting or environmental impact assessments, and be in line with applicable internationally accepted reporting standards or initiatives.

D.

Act responsibly and transparently on ocean-related governance

- Companies should have policies or guidelines for engaging with policy makers and regulators that cover ocean-related issues, and publicly outline their position on evolving regulation relevant to their business.
- Companies should disclose and regularly review memberships of trade associations, interest groups or other initiatives which perform advocacy on their behalf.
- Companies should seek, and support the development of, relevant standards, certifications and best practices to promote ocean sustainability.
- Companies should, transparently and within their financial objective, act responsibly in managing activities in poorly regulated sectors and geographies. This may include supporting regulatory efforts or co-operating with stakeholders to find private sector-led responses to risks or opportunities.
- Companies should respect collective efforts towards ocean sustainability, such as the protection of marine areas, biodiversity or ecosystems.

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