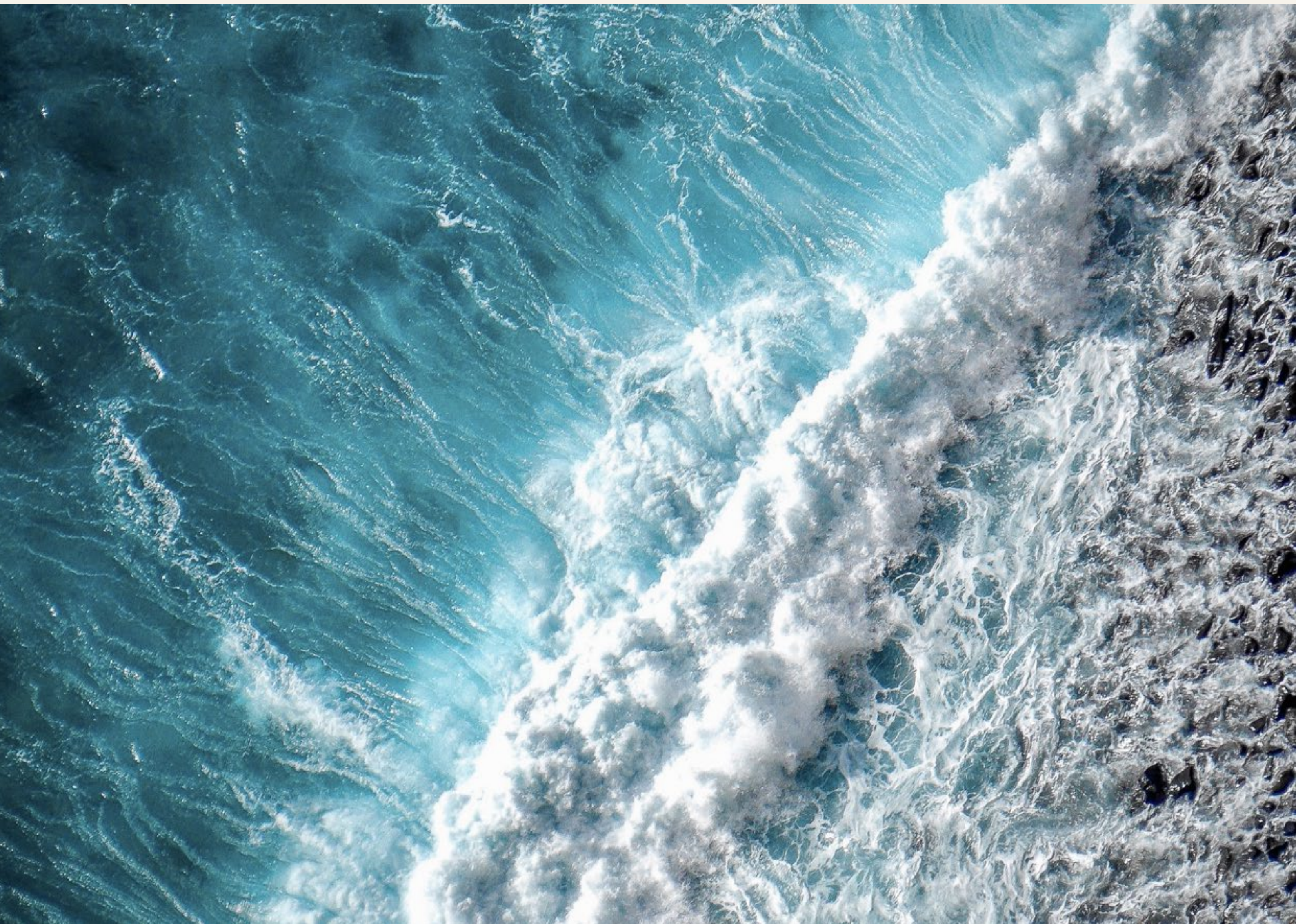
Norges Bank Investment Management

Ocean sustainability
Expectations of companies



Norges Bank Investment Management manages the assets of the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. As a long-term and global financial investor, we are dependent on sustainable development, well-functioning markets and good corporate governance.

Our expectation documents set out how we expect companies to manage various environmental and social matters. Our expectations are based on internationally recognised principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises and other topic-specific standards. This document serves as a starting point for our interaction with companies on ocean sustainability. We expect companies to address this topic in a manner meaningful to their business model and wish to support them in their efforts.

Our expectations are primarily directed at company boards. Boards should understand the broader environmental and social consequences of company operations, taking into account the interests of relevant stakeholders. They must set their own priorities and account for the associated outcomes. Companies should pursue relevant opportunities and address significant risks. They should report financially material information to investors, and broader impacts as appropriate. Boards should effectively guide and review company management in these efforts.

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Ocean sustainability

The degradation of the ocean, including seas and marine resources, may affect the long-term value of companies in our portfolio. Evolving trends may also present business opportunities. Companies based on, depending on or affecting the ocean should integrate relevant ocean-related risks and opportunities into corporate strategy, risk management and reporting. Companies should also act responsibly and transparently on ocean-related governance.

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.

The fund, with its global exposure across industries and markets, has an inherent interest in sustainable use of the ocean that does not compromise the ability of future generations to continue using it to meet their own needs. 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.

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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, apparel, pharmaceuticals, 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 UN Sustainable Development Goal 14 (Life Below Water). We support the further development of business standards and principles, such as the UN Global Compact Sustainable Ocean Principles, which contribute to improved market practices and a level playing field for companies as they approach ocean sustainability.

As an investor, we expect companies to be transparent about the topics raised in this document. For selected companies, we use such information to assess their ocean-related exposure, management and performance.

> Companies should understand the impact of their operations on the long-term sustainability of the ocean.

A. Integrate ocean sustainability considerations into policies and 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 into their planning.
- Companies engaged in the plastics value chain should have a strategy addressing a transition towards a circular economy.
- Companies should regularly consider whether their organisational structure, incentive systems, training programmes and wider company culture integrate sustainable business practices appropriately. Employees and contractors should be engaged in these efforts and made aware of company policies and practices.

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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.

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C. Disclose material ocean sustainability information

- Companies should disclose how ocean sustainability forms part of their strategies, policies and commitments. Where 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 ocean. For example, consumer goods companies could seek to disclose the volume of plastic packaging used, the proportion of recycled content and the percentage of packaging which is reusable, recyclable or compostable.
- 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 a healthy ocean, 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 comply with applicable internationally accepted reporting standards or initiatives.

> "Companies should disclose outcomes of their activities, products and services that may affect the ocean.

D. Engage transparently and responsibly on ocean-related matters

- 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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See our website www.nbim.no for a full and updated list of our expectations on sustainability topics. We also regularly publish our perspectives on issues such as sustainability reporting and the UN Sustainable Development Goals.

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