NORGES BANK
INVESTMENT MANAGEMENT

Responsible management of renewable energy infrastructure

Guidance

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.

This document sets out our guidance for responsible management of unlisted renewable energy infrastructure related to environmental, social and governance matters. It serves as a starting point for our interaction with investment partners and asset managers that we may co-invest and contract with. This document complements Norges Bank Investment Management's expectation documents setting out our key principles on responsible investment to the boards of listed companies in our portfolios (see overview on last page).

Our approach is 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.

Responsible management of renewable energy infrastructure

Norges Bank Investment Management is a financial investor and diversifies its investments across many markets and securities. Responsible investment management shall support the financial objective of the fund by furthering the long-term economic performance of our investments and reducing financial risks associated with the environmental and social practices of companies in which we have invested. It is broadly accepted that companies have fundamental responsibilities to reduce environmental impacts, respect human rights and adhere to global standards for responsible business conduct.

The environmental risks and opportunities associated with constructing, operating and disposing of renewable energy infrastructure assets can be substantial. Building materials are produced using energy, water and a variety of natural resources and chemicals. How companies operate impact on their employees, contract workers, workers in supply chains, customers, communities and the environment around their operations. Robust health and safety standards can improve productivity and reduce risk on construction sites, in factories producing building materials, and on assets that are in operation. Companies should seek to avoid or mitigate environmental and social risks as a means to contribute to value creation.

Companies developing and operating renewable energy infrastructure should understand and manage such risks and opportunities across the lifecycle of the assets. Developers can reduce the environmental footprint of construction by procuring sustainable building materials, implementing measures that mitigate the potential impact on local habitat and ecosystems. They should also address any human rights and social implications of their business, such as labour rights, tax transparency and anti-corruption measures, in development ad operations, as well as in their supply chains and business relationships.

Guidance

Below we set out guidance to investment partners and asset managers outlining our approach to responsible management of unlisted renewable energy infrastructure. We believe that following this approach will contribute to lower operating costs, less risk and higher asset values over time.

We expect our investment partners and asset managers to apply this guidance taking into account the best practices and relevant background law in the markets where we invest. We acknowledge that the global standards and best practices for responsible management of unlisted infrastructure assets are not as well established and consistent across markets as for more mature asset classes. Our approach and expectations will evolve over time.

A. Integrate ESG considerations into policies, strategies and plans

- Integrate environmental, social and governance risks and opportunities in the policies for the development, construction, acquisition, management and disposal of assets. Policies should cover material risks and opportunities across the life cycle of assets such as environmental impacts, extreme weather, biodiversity, materials, certifications, technology, as well as tax transparency, anti-corruption and the health, safety and well-being of employees, sub-contractors and rights of affected communities.

- Include environmental and social initiatives in the strategies, plans and budgets for assets. Development and maintenance plans should include assessments and targets that anticipate regulatory and technology trends.

- Due diligence processes for asset transactions should integrate environmental, social and governance issues. They should include an assessment of the impact on the environment, biodiversity and habitats, risk for pollution, rights of affected stakeholders, extreme weather risk and compliance with environmental, health and safety standards. Best practices on tax transparency, anti-corruption and supply chain management should be followed.

B. Identify material ESG risks and take mitigating actions

- Assess which environmental, social, and governance risks are material to the future value of assets, the cost of operations, and the reputation of owners. Develop risk management systems and processes to monitor and measure risk exposure and identify cost-effective mitigating actions.

- Consider risks and opportunities related to the global transition to low-carbon energy use and expected changes to the frequency and intensity of extreme weather. Identify different future risk scenarios, including the ramifications of both the successful and failed implementation of policies to limit the likelihood of global average temperatures rising above 2 degrees Celsius. Assets should be designed and upgraded to withstand anticipated physical risks related to climate change.

- Integrate health and safety into risk and compliance frameworks. This includes guidelines on how to protect the health, safety and well-being of employees and sub-contractors, systems for monitoring and reporting incidents, and plans for taking corrective actions. Maintain relations with key stakeholders through engagement and dialogue and follow best practices in health, safety and supply-chain management.

C. Monitor and report on material ESG information

- Use quantitative benchmarks and targets to measure exposure to environmental and social risks and performance, and facilitate comparative analyses across assets and over time. The GRESB Infrastructure Assessment or similar benchmarking should be completed on an annual basis to benchmark investments and demonstrate continuous improvement.

- Disclose the environmental and social strategies, performance and associated targets using internationally accepted reporting standards and metrics such as those defined by Sustainability Accounting Standards (SASB) and Global Reporting Initiative (GRI) where these exist. Monitor and report on environmental, affected stakeholders and health and safety incidents during construction, maintenance and operations.

- Disclose a view and strategy to address material physical and regulatory climate change risks and opportunities in annual reports or on company websites. Follow the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in the public reporting on climate risk management.

See our website www.nbim.no for a 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.