



The Council's work under the environment and climate criteria

In Section 3 of the GPFG's ethical guidelines, it says: "Companies may be excluded or placed under observation if there is an unacceptable risk that they contribute to or are themselves responsible for:

c) severe environmental damage

d) acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions".

Severe environmental damage

The environment criterion is the conduct-based criterion that up to now has led to the largest number of recommendations to exclude. The criterion is wide ranging, and over the years the Council has analysed in detail many problem areas linked to mining and industrial operations, electricity generation, logging and plantation operations and the dismantling of ships. The companies that have been excluded engage in activities that threaten particularly valuable conservation areas, cause serious pollution or harm important ecosystems and biodiversity.

In 2018, the Council continued its efforts to assess companies that damage conservation areas. These assessments relate to companies which have started or are planning activities that can be severely harmful to the environment in or near areas that UNESCO has classified as World Heritage Sites. In 2018, the exclusion of one company was recommended on such grounds. The threats to conservation areas are connected especially to the exploitation of natural resources, plantation operations and infra-structure construction. In recent years, the Council has assessed several such cases, where companies operate water-borne transport through a World Heritage Site, establish an activity that opens for an influx of people into a World Heritage Site or affect a watercourse that is important for a World Heritage Site. In such cases, the Council attaches considerable importance to UNESCO's assessment of whether the company's activities pose a threat to the World Heritage Site.

There are a large number of areas whose conservation value is incontestably as high as those designated World Heritage Sites, but which are not subject to the same types of restriction and which are therefore more open for the establishment of industrial operations. In some cases, such activities constitute a major threat to biodiversity. Going forward, the Council will increase its focus on these areas.

In 2018, the Council continued to assess companies that contribute to the deforestation of tropical forests. This effort has previously concentrated on Asia and Africa, but has now been expanded to include Latin America. Norges Bank is also engaged in dialogues with companies in Latin America on the same topic. The Council has therefore decided to postpone its assessment of the companies the Bank is working with. However, there are some companies in the fund that are involved in deforestation in Latin America, but which are not being followed up through the exercise of Norges Bank's ownership rights. The Council will conclude its assessment of these companies in 2019.

Emissions from the pharmaceutical industry, particularly from antibiotic production, can be both a serious local pollution issue and a global problem, since this type of pollution can also lead to bacteria developing a resistance to antibiotics. In some places, emission levels are high, with substantial concentrations of these substances found in the environment around the factories. The Council is currently assessing an area containing several factories where there is an extremely high level of pollution deriving from such substances in the environment. In 2019, the Council will contact the companies concerned and may commission its own study of the problem.

Other assessments in 2018 have related to the breakup of ships, pollution from mining operations and companies in the supply chain leading to the deforestation of tropical forests. Work on these issues will continue in 2019.

Over several years, the Council has focused particularly on the fisheries sector, particularly the extent to which companies are involved in illegal, unreported or unregulated commercial fishing. This includes both those companies engaged in the actual fishing and those who buy seafood from such suppliers. The Council's experience in this area is summarised on page 21.

Climate criterion

Work relating to the climate criterion has been challenging, partly because it is pioneering work, and partly because the criterion is open to different interpretations. In 2017 and 2018, the Council recommended the exclusion of a total of five companies under this criterion. In May 2018, Norges Bank sent the Council a letter asking for further clarification of how the Council understands the criterion. The Council and the bank have also held several meetings to discuss the criterion. The Council's reply to Norges Bank is presented on page 43. In a letter dated 7 November 2018, Norges Bank asked the Ministry of Finance for clarification of certain key aspects of the criterion.

While awaiting this clarification, the Council has continued to collect information about various business sectors. However, it will not issue any further recommendations until the merits of the recommendations already issued have been determined by Norges Bank. In 2018, we have examined cement producers and international shipping companies, among others. It seems as though there could be substantial differences in greenhouse gas emissions between comparable operations owned by different cement producers and different shipowners. The total amount of greenhouse gas emissions from international shipping is roughly the same as the total amount of greenhouse gases emitted by the whole of Germany, but are not covered by the Paris Agreement. The International Maritime Organisation (IMO) has said its target is for emissions to be halved in the period to 2050. We will monitor how the sector follows up this development.