



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

For many years, the Council's endeavours under the environment criterion have focused on issues which were selected following an assessment, performed in 2011, of serious environmental problems that may be linked to listed companies. Sectoral studies have been performed with respect to many of these issues. This includes companies whose operations threaten areas of particularly high conservation value, whose deforestation and development of plantations damage important ecosystems, or whose improper disposal of mine and foundry waste causes serious pollution.

The Council's efforts in 2019 have focused in part on companies whose operations can harm areas designated by UNESCO as a World Natural Heritage Site, and on mining companies that cause severe damage to their surroundings. The Council has also investigated companies that contribute to the destruction of tropical forests, highly polluting pharmaceuticals production and highly polluting shipbreaking. The Council issued recommendations on four companies under the environmental criterion in 2019.

The environmental damage underpinning many of these cases relates to the loss of biodiversity. This was also one of the key points in the report published by the UN's Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) in 2019. Further details of the issues examined by the Council in relation to this topic can be found on page 20.

Every year, a large number of ships are broken up on beaches in Asia. This process, known as "beaching", is carried out under extremely hazardous working

conditions and causes serious pollution. Since 2017, the Council has examined companies that dispose of obsolete ships for the purpose of beaching in Bangladesh and Pakistan. In 2019, the Council followed up one company that is under observation for its involvement in this practice. In connection with its beaching recommendations, the Council has assessed companies against both the environmental and human rights criteria. In 2019, the Council started investigating conditions in India's extensive shipbreaking sector. These efforts will continue in 2020.

In many of the environment-related cases that we assess, the activity that causes the environmental damage can also have positive impacts. The Council's mandate is, however, not to assess projects' social benefits, but whether they lead to serious environmental harm. Such cases will also often have a human rights aspect, because local communities lose their livelihoods or because the construction takes place in territories belonging to indigenous peoples. In its recommendations, the Council attaches particular importance to one of the exclusion criteria in its guidelines, even though several criteria could have been assessed. In 2019, the Council assessed several hydropower projects and recommended the exclusion of two companies; one company under the environment criterion and the other under the human rights criterion.

In 2019, the Council started studying pollution caused by pharmaceutical companies with operations in India. More specifically, the investigations relate to the factories' discharge of antibiotics into watercourses around the Hyderabad. Conditions are difficult to assess because there are many companies producing antibiotics in the area. The individual company's contribution to the problem is therefore uncertain.

In its plan for 2019, the Council had included forest clearance for the production of meat and soya beans in Latin America. Since Norges Bank is following up the companies concerned, the Council decided to await the outcome of this dialogue. The Council's work on deforestation in 2019 has therefore primarily consisted of following up a company that is under observation. The Council has had a good dialogue with the company, where the issue is whether the measures the company is implementing are sufficient to safeguard biodiversity and important ecological values. The Council has also raised the extremely difficult conditions under which indigenous people are living in the company's concession areas. The Council will follow up this issue as it continues to observe the company going forward.

The climate criterion

No recommendations to exclude companies or place them under observation have as yet been published under the climate criterion, which was introduced in 2016. In 2018, it became clear that the criterion needed further clarification before the Council on Ethics and Norges Bank could come to a shared understanding. This was partly due to the fact that there are no internationally accepted norms for what constitutes unacceptable greenhouse gas emissions. In its report on the GPFG's management in 2019, the Norwegian Ministry of Finance issued guidance on which factors should be accorded weight under the climate criterion. In 2019, based on this clarification, the Council updated four of the five recommendations it had already issued.

Absolute emission levels and emission intensity have been the most important elements in the Council's recommendations in the climate area, as well as forward-looking assessments. In our climate-related recommendations, we now also include information on and an assessment of the regulatory framework for greenhouse gas emissions that the company is subject to.

The climate criterion does not distinguish between business sectors, processes or types of greenhouse gases. The Council will focus primarily on individual high-volume emissions or sectors and processes that, by their very nature, result in a high volume of emissions. This applies, for example, to cement production and international shipping.