

NBIMS ARBEID MED KLIMA

NORSK KLIMASTIFTELSE

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Three pillars of responsible investment

Setting standards

- Standards
- Expectations
- Research

Exercising ownership

- Voting
- Dialogue
- Disclosure

Investing sustainably

- Assessments
- Investments
- Divestments

More than ten years of climate focus

2006	Focus area on climate change – first mention of voting
2007	First climate engagements
2008	Expectation document
2009	Establishment of environment-related mandates
2010	Assessments of climate disclosure
2012	Palm oil divestments
2013	First coal divestments
2014	Portfolio carbon footprint analysis
2015	First academic research projects
2016	Coal exclusion criterion in force
2017	Supported TCFD recommendations
2018	UNEP pilot on climate disclosure

Setting expectations since 2009



- Addressed to boards.
- Basis for our interaction with companies.
- Support companies' efforts to manage material climate risks and pursue opportunities.
- We expect companies to plan for relevant **climate scenarios**, and incorporate potential climate implications in their **strategic planning, risk management, and reporting**.

We assess companies' disclosures across 4 pillars using qualitative and quantitative information

Governance

- Board responsibility
- Management incentives to address climate change risks
- Commitment to address climate change (e.g. board statement, company policy, support of TCFD, etc.)
- Disclosure of climate information in company's filings

Strategy

- Integration of climate change into business strategy and financial planning
- Scenario analysis - including a 2°C or lower (including assumptions)
- Internal carbon price
- Identification and monitoring of material climate issues in their value chain
- Disclosure of the company's positions on climate change regulation
- Policies for engaging with policy makers and regulators

Risk

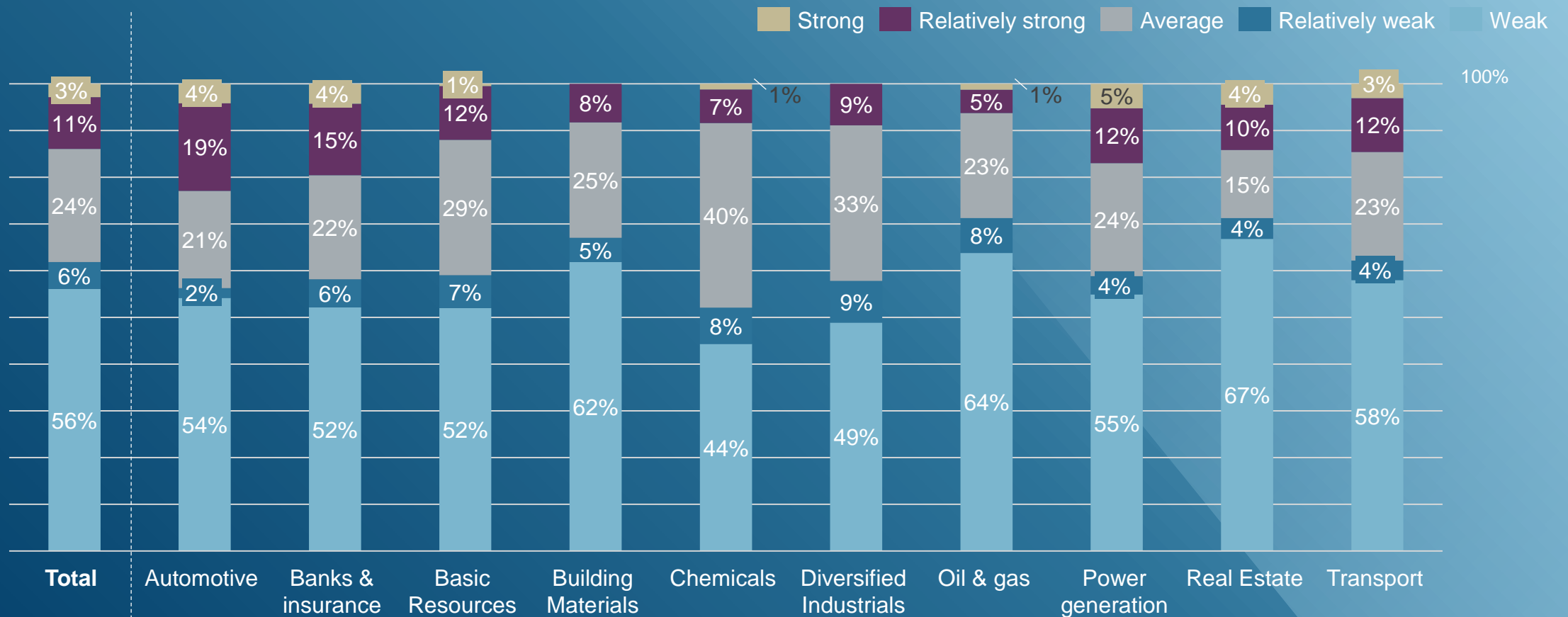
- Climate change is integrated into the company's risk management processes
- Identification and incorporation of material climate change risks, including physical and transition risks, in a robust and integrated framework.
- Assessment of material climate change opportunities
- Implementation of programmes to mitigate and/or adapt to climate issues

Metrics and targets

- Disclosure of relevant climate metrics (e.g. GHG absolute emissions – Scope 1, 2 and 3; intensity metrics)
- Disclosure of benchmark and targets, and performance against these over time.
- Transparent methodology to calculate climate metrics
- Third party verification of emissions

Corporate disclosure on climate change

1701 companies in 10 sectors exposed to climate change risk



Engagement with “laggards”

Letters to 38
companies with poor
or limited disclosure

Asked to:

- “**report more meaningfully** on climate-change”
- “respond to well-established initiatives such as the **CDP**”
- “include relevant material information in its public annual filings in line with the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**”

Disclosure of voting intentions

- In selected cases we publish our voting intentions ahead of general meetings
- Goal is to promote NBIM expectations and positions
 - Increase transparency to shareholders
 - Improve poor performance and practices
 - Show support of leading companies
- Disclosure based on specific wording of proposal, and company performance and position on topic

Norway oil fund bolsters call for methane cuts from Kinder Morgan



Kinder Morgan's North 40 terminal expansion construction project near Edmonton, Alberta, 2016. © Reuters

Katie Martin YESTERDAY

Norway's heavy-hitting sovereign wealth fund is adding to the pressure on Kinder Morgan, saying it will vote on a resolution demanding that the energy pipeline company sets rigid targets for methane emissions reductions.

In a statement, the country's \$1tn oil fund said it will support a shareholder resolution seeking a report to review the company's "policies, actions and plans to measure, monitor, mitigate, disclose and set quantitative reduction targets for methane emissions from all operations, including storage and transportation". It will vote on the matter on May 9.

MENU  **CNBC**

Norway wealth fund backs AGM proposals at Imperial Oil, TransCanada, Boliden

Published 4:20 AM ET Fri, 20 April 2018

 **REUTERS**

OSLO, April 20 (Reuters) - Norway's \$1 trillion sovereign wealth fund, the world's largest, will back key proposals at the annual general

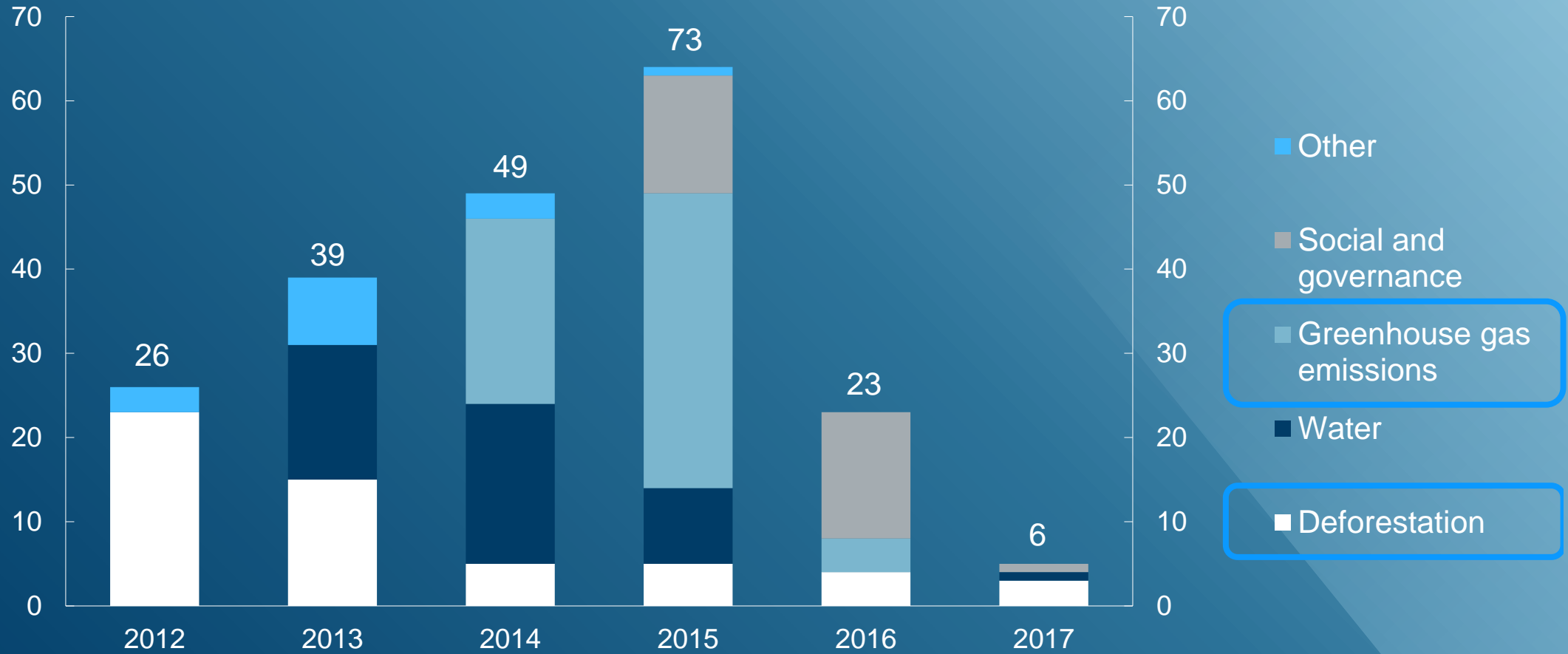
Environmental investments

Environmental mandates

Category	Number of companies	Total ¹ Bn. kroner
Low-emission energy & alternative fuels	47	21
Clean energy & efficiency technology	93	27
Natural resource management	66	20
Total equity	206	68
Green bonds		7
Total		75

¹ Total includes cash

Risk based divestment



Exclusion and observation as at 31.12.2017

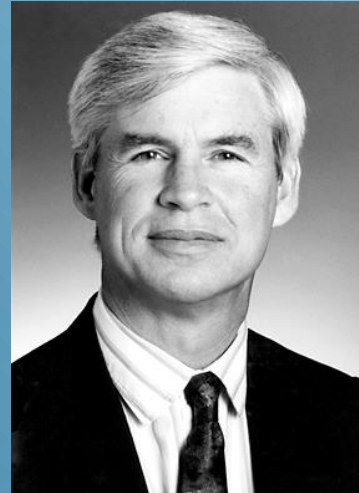
Ethical reasons

Issue	Criterion	number	bn. kroner
Product based	Production of tobacco	20	69
	Production of specific weapon types	16	62
	Thermal coal mining or coal-based power production	69	28
Conduct based	Serious or systematic human rights violations	3	12
	Severe environmental damage	17	29
	Contributions to climate change	0	0
	Gross corruption	1	0
	Other particularly serious violations of fundamental ethical norms	5	2
	Serious violations of the rights of individuals in war and conflict	2	0
Observation	Serious or systematic human rights violations	2	
	Severe environmental damage	1	
	Gross corruption	3	
	Thermal coal mining or coal-based power production	13	
Total		152	202

Ongoing research projects on climate change through NFI

THE FINANCIAL ECONOMICS OF CLIMATE CHANGE

- Robert Engle - NYU Stern
- “Apply the tools of modern finance and risk management to **measure and model environmental risks**, particularly those originating from climate change. The objective of the research project is to **identify optimal hedging portfolios** against environmental risks. The project will also include new research to improve **estimates of the discount rate**.”



CLIMATE CHANGE AND CAPITAL MARKET EFFICIENCY

- Harrison Hong – Columbia University
- “Carry out research and convene two research conferences on **climate change and capital market efficiency**. The conferences will be organised by Columbia’s Program in Economic Research (PER)”



UN Environment Finance Initiative (UNEP FI) on investor application of TCFD recommendations



Project partners

- Addenda Capital
 - Aviva
 - Caisse de Dépôt et Placement du Québec,
 - Desjardins Group
 - La Française Group
 - Nordea Investment Management
 - Rockefeller Asset Management
 - Storebrand Asset Management
 - DNB
 - NBIM
- Explore the use of climate scenarios, indicators and models.
 - Test the methodologies and models with our own data.
 - Final report in 2019

From words to numbers

Building a database with sustainability data

- We depend on quantitative data to perform analyses

We support initiatives for better sustainability disclosure

- CDP (formerly Carbon Disclosure Project)

We aim for more financial reporting about climate change

- Task force for climate related financial disclosure
- Integrated reporting to Principles for Responsible Investment

We measure climate risk and carbon footprint

