

Investor statement on offshore Arctic exploration

04 November 2016

To: US Chairmanship to the Arctic Council; Arctic Council Member States; Permanent Participants; Observers; Arctic Economic Council; Arctic Council Secretariat; Chairmen of targeted oil & gas companies

The undersigned institutional investors representing about EUR 5.3 trillion in assets under management are calling on Arctic Council members, leaders of governments with economic interests in the Arctic, as well as oil and gas industry leaders for stronger environmental protection of the Arctic through a moratorium on oil exploration in the Arctic high seas. We also call for stricter, uniform regulation on oil exploration activities in the rest of the Arctic region in order to strengthen the protection of biologically-sensitive areas.

As responsible shareholders who have extensively engaged with oil and gas companies in terms of hydrocarbon exploration in the Arctic region, we are strongly convinced that current exploration activities may present significant risks that are not counterbalanced by the possible rewards. More specifically, we believe that the region presents diverse operational challenges and risks, and that at present there are no proven technologies for the recovery of large-scale oil spills in Arctic marine waters covered by ice. We are thus concerned about the potentially irreversible environmental impacts of an oil spill in Arctic marine waters covered by ice and the possible consequences for the already fragile local ecosystems and 400,000 indigenous people inhabiting the region.

Furthermore, within Arctic marine waters covered by ice, we are concerned that the Arctic high seas, although still untapped, could potentially be exposed to hydrocarbon exploration activities in light of technological development in extraction techniques. Such activities may also in turn exacerbate the impacts of climate change in the region, where temperatures are rising twice as fast as the global average. We note that some Arctic Council members have taken action toward a stronger protection of the Arctic high seas in relation to other industrial activities: in July 2015, five Arctic countries agreed to increase regulation of commercial fishing in the Arctic high seas¹.

Finally, we believe that oil exploration in the Arctic region as a whole strongly contrasts with the climate commitments that countries, including Arctic Council member countries, made during the Paris Climate Summit in December 2015 and with other major steps recently taken by political leaders to enhance protection of the region¹. We also note that the Arctic is particularly vulnerable to human activity, as

¹ See Appendix for further details

This initiative was coordinated by Mirova

reported in the 2013 Arctic Biodiversity Assessment of the Biodiversity Working Group of the Arctic Councilⁱⁱ, and that some industries have already taken strong steps to limit their impacts to the region: in May 2016 several food brands and retailers committed to a self-imposed limitation on bottom trawling in Arctic watersⁱⁱⁱ.

Although we praise the initiatives and commitments taken thus far by both the Arctic Council and various government leaders to enhance protection of the Arctic, we believe stronger action is needed in regard to hydrocarbon exploration activities in the region. Therefore, we call upon the Arctic Council to consider the following actions:

Arctic high seas:

- I. We ask for an unlimited moratorium on all hydrocarbon exploration activities in the Arctic high seas, so as to protect this pristine area from potential hydrocarbon exploration activities in the future. We believe that, in addition to the Arctic Council countries, this initiative should also involve other states that could carry out similar activities in the region, as the Arctic high seas do not pertain to a single national sovereignty.

Sovereign territories of the Arctic (land, internal waters, territorial seas, and exclusive economic zones):

- II. We call upon Arctic states to take into account national climate change mitigation commitments and related greenhouse gas (GHG) emission reduction targets prior to renewing existing or granting any additional exploration licenses across their Arctic territories.
- III. We also ask that a common baseline is established across the Arctic region for increased protection of areas of heightened ecological importance, such as the Ecological and Biological Significance Areas (EBSA)^{iv} identified by the Arctic Council, independent of their legal statuses and on the basis of a precautionary approach.

Existing hydrocarbon exploration licenses in the sovereign territories of the Arctic:

- IV. We call for stricter criteria for exploration licenses that have been previously granted, and that these be uniformly applied throughout the sovereign territories of the Arctic with the facilitation of the Arctic Economic Council. These criteria should encompass:
 - o Informed consent of indigenous populations prior to the approval of any exploration project;
 - o Project approval restricted solely to those presenting minimal operational risks, in accordance with the principle of precautionary approach;
 - o Proof of effective oil spill prevention and clean-up mechanisms, which should be preemptively tested in the same Arctic conditions, and disclosure of the estimated oil recovery rates under different scenarios;
 - o Proof of solid financial solvency from corporations submitting exploration proposals, so as to guarantee their full economic responsibility in case of major environmental accident, in accordance with the polluter pays principles.

This initiative was coordinated by Mirova

Furthermore, we call on industry leaders of oil companies with ongoing exploration licences in the Arctic to commit to increased protection of the region through the following actions:

- I. Commit to avoid hydrocarbon exploration in areas across the broader Arctic region that have been identified by the Arctic Council as bearing heightened ecological significance, independent of their legal statuses and on the basis of a precautionary business approach^y;
- II. Commit to a de-facto drilling moratorium in Arctic marine waters covered by ice due to current technological uncertainty in terms of the effectiveness of oil recovery mechanisms.

We also encourage oil and gas companies to commit to increased transparency in their exploration plans in the Arctic region and how these fit into their climate change strategies, thus calling upon them to:

- III. Disclose the number and location of the licenses they hold in the Arctic region with their expiry dates;
- IV. Publicly disclose their intentions with regard to the use and potential extension of these licenses and how such plans fit into the company's commitments toward climate change mitigation and portfolio decarbonisation.

We believe that the future of the Arctic region is a global responsibility and that, as such, it requires the participation of governments, corporations, and civil society. As a legitimate forum among the Arctic States, we believe that the Arctic Council is instrumental in addressing the challenging task of reinforcing environmental and climate protection of the Arctic. In light of the ambitious commitments made in the Paris Climate Agreement in December 2015, we believe this is a watershed moment for countering global warming through stricter regulation of oil exploration activities in the Arctic. These actions will pave the way to a sustainable future for the region and its inhabitants as well as for the broader society.

Lead investors:



Philippe Zaouati
Chief Executive Officer



This initiative was coordinated by Mirova

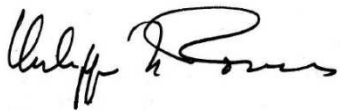





Emmanuel Bourdeix
Co-Chief Investment Officer (Equity)



Kobar Ibrahima
Co-Chief Investment Officer (Fixed Income)



Philippe Desfossés
Chief Executive Officer



Jean-Pierre Costes
President



Christian Carrega
Chief Executive Officer



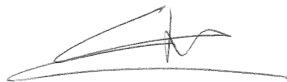
This initiative was coordinated by Mirova



Supporting investors:



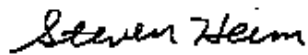
George Coppens
Chief Executive Officer



Laurent Clamagirand
Chief Investment Officer



Helena Vines Fiestas
Head of Sustainability Research



Steven Heim
Managing Director and Director of ESG Research
and Shareholder Engagement



Gunnela Hahn
Head of Responsible Investment



This initiative was coordinated by Mirova



Robert Mikkelsen,
Senior Vice President



Neville White
Head of SRI Policy & Research



Jeffery Perkins
Executive Director



John Kearns
Chief Executive Officer



Joseph F. Keefe
President and Chief Executive Officer




This initiative was coordinated by Mirova





Pierin Menzli
Head of Sustainable Investment Research



Jan Amrit Poser
Head of Asset Management



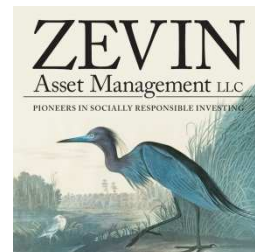
Per Lindgren
Head of Manager Selection & Corporate Governance



Matthew Patsky
Chief Executive Officer



Sonia Kowal,
President

The logo for skandia consists of the word 'skandia' in a bold, lowercase, sans-serif font, followed by a large, solid green exclamation point.The logo for TRILLIUM ASSET MANAGEMENT features a stylized blue 'S' icon on the left. To its right, the word 'TRILLIUM' is written in a bold, blue, sans-serif font, with 'ASSET MANAGEMENT' in a smaller, blue, sans-serif font below it.

This initiative was coordinated by Mirova



Appendix

Among the commitments relative to Arctic protection taken by Arctic Council members and government leaders, we note:

- The Joint Statement released by six Arctic Council's states (United States, Denmark, Finland, Iceland, Norway and Sweden) last May, which affirms their commitment to safeguarding the Arctic environment, by reinforcing the need to take into account international and national climate change goals before granting the development of commercial activities, including for oil and gas exploration^{vi}.
- The U.S.-Canada Joint Statement on Climate, Energy, and Arctic Leadership last March, which saw the countries' presidents committing to higher protection of the Arctic, whereby "commercial activities will occur only when the highest safety and environmental standards are met, including national and global climate and environmental goals, and Indigenous rights and agreements."^{vii}

ⁱ <https://www.regjeringen.no/globalassets/departementene/ud/vedlegg/folkerett/declaration-on-arctic-fisheries-16-july-2015.pdf>

^{iv} CAFF's Arctic Biodiversity Data Service is available here: <http://geo.abds.is/geonetwork/srv/eng/catalog.search#/home>

^v ibid

^{vi} <https://www.whitehouse.gov/the-press-office/2016/05/13/us-nordic-leaders-summit-joint-statement>

^{vii} <https://www.whitehouse.gov/the-press-office/2016/03/10/us-canada-joint-statement-climate-energy-and-arctic-leadership>

This initiative was coordinated by Mirova

