

Folketrygdfondet's approach to climate risk

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Morningstar Seminar: "Preparing for a Green Economy", 6 February 2019

Ministry of Finance

GOVERNMENT PENSION FUND

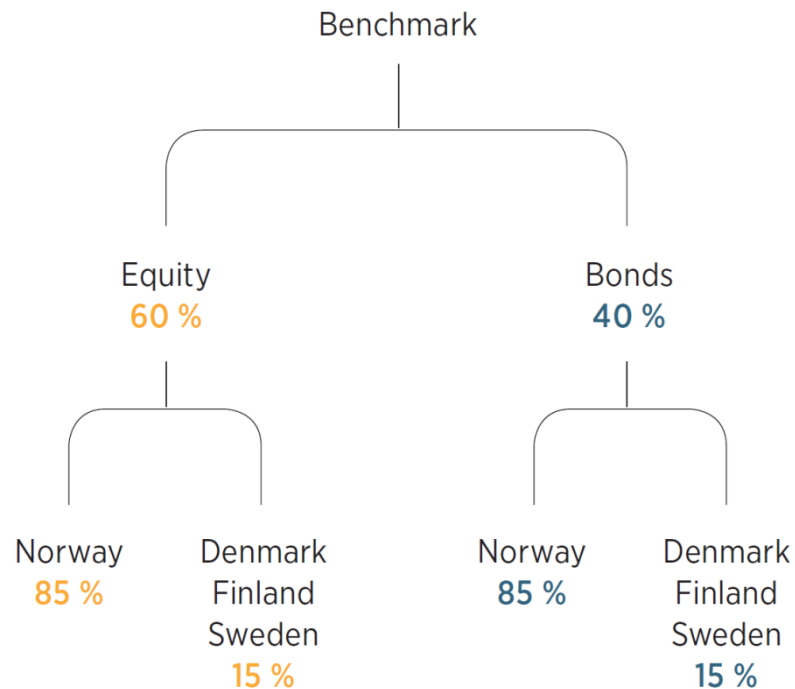


NORWAY

Managed by
Folketrygdfondet



260 Bn NOK



Goal: obtain the highest possible returns over time



Important to build upon our advantages

- Size
 - Good access to information
 - Cost-effective asset management
- Long time horizon
 - Closed fund with high degree of predictability
 - Counter-cyclical

TCFD recommendations

Recommended

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Report if material

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

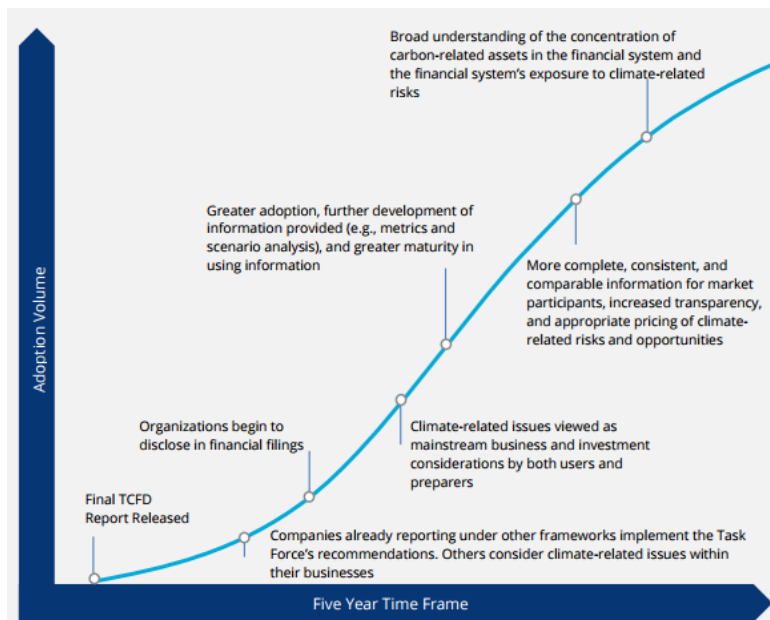
Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Task Force on Climate-Related Financial Disclosures (TCFD)

Divergent expectations for implementation?

TCFD outlines 5-year implementation process



PRI pilot reporting on scenario analysis in 2018

	Proposed updated 2018 indicator
SG 12.1	<p>Indicate whether your organisation considers scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated</p> <p><i>New additional tickboxes:</i></p> <p><input checked="" type="checkbox"/> We execute scenario analysis that includes factors representing the investment impacts of future climate change trends;</p> <p><input checked="" type="checkbox"/> We execute scenario analysis that includes factors representing the investment impacts of future climate change trends to a 2°C or lower scenario</p>
	Proposed new 2018 climate change indicator
SG new B	<p>Please describe your climate-related scenario analysis.</p> <p><i>Free text, 500 words</i></p>

Folketrygdfondet's TCFD Initiatives in 2018

Governance:

- Ensure Folketrygdfondet's governing documents are consistent with TCFD recommendations

Strategy and risk management:

- Collaborative engagement with largest Norwegian-listed companies in more exposed sectors

Metrics and targets:

- TCFD-recommended metrics in annual carbon footprint reporting



Prioritized sectors for active ownership

Industries that according to TCFD are particularly exposed to climate-related threats and opportunities:

Energy	Transportation	Materials and real estate	Food and agriculture
<ul style="list-style-type: none">• Oil and gas• Offshore/ oil service	<ul style="list-style-type: none">• Air transportation• Shipping• Automotive parts	<ul style="list-style-type: none">• Metals and mining• Chemicals• Construction• Real estate	<ul style="list-style-type: none">• Agriculture• Food and beverages

Financial approach to climate risk

Figure 1

Climate-Related Risks, Opportunities, and Financial Impact



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Thank you.

