



CLIMATE TRANSPARENCY REPORT 2020

Norwegian Government Pension Fund Norway (Norwegian Ministry of Finance and Folketrygdfondet)

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-56F1BD55-0737-4685-88FA-C6985E719ADA/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS

Name	Norwegian Government Pension Fund Norway (Norwegian Ministry of Finance and Folketrygdfondet)
Signatory Category	Reserve - sovereign or government controlled fund
Signatory Type	Asset Owner
Size	US\$ 10 - 29.99 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2009
Region	Europe
Country	Norway
Disclosure of Voluntary Indicators	94% from 38 Voluntary indicators

Norwegian Government Pension Fund Norway (Norwegian Ministry of Finance and Folketrygdfondet)

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

To effect a meaningful expansion of their climate-risk analyses, investors generally require better information access, quality and standardisation. Key questions in this regard are whether aggregated company information accurately represents investors' climate risk and whether 'top-down' analyses of investor climate risk should be developed. Taking Folketrygdfondet's distinctive characteristics into account, it appears most sensible to start with a 'bottom-up' assessment of climate risk in the portfolio. This is why, in 2018, we collaborated with several other Norwegian investors to engage in active ownership with companies in industries identified by the TCFD as particularly exposed to climate-related risk. These included companies in the energy, oil service, consumer staples and materials industries in 2018.

Folketrygdfondet continued this dialogue with companies in the transport, building and construction, and real estate sectors in 2019. Further, climate risk is incorporated into Folketrygdfondet's ongoing dialogue with portfolio company management in Norway and the other Nordic countries. The insights gained through this dialogue are used to further evaluate the portfolio under different climate scenarios. One example of this is that our portfolio managers present their climate risk assessments for each of the priority sectors to Folketrygdfondet's investment committee. The purpose is to develop our own qualitative scenario analyses of potential developments by sector and company, to secure a more nuanced understanding of the portfolio's climate risk.

As an active manager, Folketrygdfondet has the opportunity to adjust portfolio weightings in response to changes in the financial risk profile. Our strategy for achieving excess returns is further explained in Folketrygdfondet's strategic plan (please see [ff.no](#), English pages), which identifies political developments, structural trends, sector dynamics and other material changes in framework conditions as some of the assessment factors included in our analyses. Our investment decisions are underpinned by broad-based information-gathering, analyses and contact with companies, including ESG analysis

No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
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Yes

Describe the associated timescales linked to these risks and opportunities.

Over the short term, Folketrygdfondet incorporates the risks and opportunities related to climate change as an integrated assessment of sector weights. We also conduct company-specific evaluations in relation to the issuer's production and market position, as well as our position relative to the benchmark. It is important, however, to note that this is not an isolated evaluation of climate risk, but rather, part of a quantitative and qualitative assessment of all relevant factors, including pricing, return on capital, etc. The specific timescale for risks and opportunities related to climate change will vary by company and by sector, such that it is not possible to communicate a meaningful aggregate figure for the entire portfolio.

No

**SG 01.8
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

In 2018, the board approved the amendment of Folketrygdfondet's principles for responsible investment to provide explicitly that: "The Government Pension Fund Norway shall continuously assess and manage material sustainability-related risk, both threats and opportunities."

In addition, Folketrygdfondet's CEO approved the inclusion of "Sector-related or systematic sustainability risk", including climate risk, as a core element of Folketrygdfondet's exercise of ownership rights:
<https://www.folketrygdfondet.no/getfile.php/132880-541415943/Dokumenter/Engelske%20dokumenter/Folketrygdfondets%20eierskapsut%C3%B8velse%20-%20engelsk%20versjon%20WEB.pdf>

No

**SG 1.10
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

Folketrygdfondet's ownership report contains an index with page references to the relevant TCFD disclosures.

We currently do not publish TCFD disclosures

Governance and human resources

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.
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Folketrygdfondet's board bears overall responsibility for ensuring the management team integrates responsible investment principles in a satisfactory manner. The board does this by making responsible investment a fixed agenda item at board meetings, and by reviewing and approving Folketrygdfondet's responsible investment principles annually. We do not distinguish between the board's oversight role for climate-related issues as opposed to other issues related to responsible investment.

**SG 07.7
CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

The CEO has overall responsibility for ensuring implementation of and compliance with the responsible investment principles. Applicable expectations are described in the responsible investment guidelines. Responsibility for implementing these guidelines lies with the management group, and is tailored to the different areas and departments.

The equity and fixed income departments have a specific responsibility to integrate responsible investment into their daily operations. Folketrygdfondet has a team-based investment approach. Portfolio managers and dedicated responsible investment staff work together to assess ESG risk and engage with portfolio companies.

We do not distinguish between the management-level roles for climate-related issues as opposed to other issues related to responsible investment. Rather, in 2018, the board approved an amendment to the principles for responsible investment to clarify that, "The Government Pension Fund Norway shall continuously assess and manage material sustainability-related risk, both threats and opportunities."

ESG issues in asset allocation

SG 13

Mandatory

Public

Descriptive

PRI 1

SG 13.1

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

Describe

Folketrygdfondet began carrying out qualitative scenario analysis internally on a sector-level based on insight gleaned from our dialogue with companies in several of the industries named in the TCFD supplemental guidance.

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13 CC

**Mandatory to Report
Voluntary to Disclose**

Public

Descriptive

General

SG 13.4
CC

Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

Initial assessment

Describe

The sector-level analyses were presented to Folketrygdfondet's investment committee as a means of monitoring and assessing portfolio risk.

Incorporation into investment analysis

Inform active ownership

Other

SG 13.5
CC

Indicate who uses this analysis.

Board members, trustees, C-level roles, Investment Committee

Portfolio managers

Dedicated responsible investment staff

External managers

Investment consultants/actuaries

Other

SG 13.6
CC

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

Yes

Describe

To clarify, we understand the question to ask whether Folketrygdfondet has evaluated the potential impact of climate-related risks from *events* that can occur beyond the investment time horizon (e.g. migration due to the physical effects of climate change).

Folketrygdfondet's mandate provides the starting point for the assessment of portfolio risk, including climate risk. As a long-term, active investor, Folketrygdfondet measures excess return relative to its benchmark index. As an active manager, Folketrygdfondet has the opportunity to adapt portfolio weightings in response to changes in the financial risk profile. For events that occur beyond our investment time horizon, these can be factored into our investment strategy only insofar as we are able to assess whether current market prices accurately reflect future climate risk. An example would be our assessment of companies within an industry with an uncertain decarbonization pathway, e.g. in which the technology required in 2050 is not yet available. Folketrygdfondet's role as an active manager in this case is to analyze (where possible) the extent to which our expectations about individual companies' ability to navigate this type of technological uncertainty are accurately reflected in current asset prices.

No

**SG 13.7
CC**

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

**SG 13.8
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="background-color: #0070C0; color: white; padding: 2px;">Other (1) please specify:</div> 2-3 stylized scenarios
Other	<input type="checkbox"/> Other (2)	
Other	<input type="checkbox"/> Other (3)	

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

Engaged in dialogue with companies in sectors more likely to be exposed to climate risk, to learn which threats and opportunities they have identified.

- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

SG 14 CC

Voluntary

Public

General

**SG 14.6
CC**

Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	TCFD-recommended disclosure	20.70	weighted average tonne CO2e/million NOK
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	TCFD-recommended disclosure	18.23	tonne CO2e/million NOK invested
Portfolio carbon footprint	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	TCFD-recommended disclosure	18.23	tonne CO2e/million NOK invested
Total carbon emissions	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	TCFD-recommended disclosure	3,819,713	tonne CO2e
Carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	TCFD-recommended disclosure	35.30	tonne/million NOK revenue

**SG 14.8
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- Processes for climate-related risks are integrated into overall risk management

Please describe

Folketrygdfondet's investment strategy and unique characteristics argue in favor of beginning an assessment of climate risk in the portfolio through a "bottom-up" perspective. To that end, in 2019 we engaged in collaborative active ownership with several Norwegian investors with companies in industries the TCFD identifies as particularly exposed to climate risk. Climate risk is also a topic of discussion in Folketrygdfondet's ongoing dialogue with management in portfolio companies. We use insight from the dialogue with portfolio companies in our continuing work to assess climate risk in the portfolio under various scenarios.

- Processes for climate-related risks are not integrated into overall risk management

**SG 14.9
CC**

Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

Yes

Please describe

See answer to 14.8 CC. In 2019, Folketrygdfondet engaged in dialogue with portfolio companies both as a means of better understanding climate risk in the portfolio, and to communicate our expectation that companies assess and manage climate risks.

No, we do not undertake active ownership activities.

No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15

Mandatory to Report Voluntary to Disclose

Public

Descriptive

PRI 1

SG 15.1

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

No