CLIMATE TRANSPARENCY REPORT 2020

Valtion Eläkerahasto

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/-FF9B7639-BDE1-4DF9-8E4B-4E8CD89B25A1/79894dbc337a40828d895f9402aa63de/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.

PRI Principles for Responsible Investment

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	Valtion Eläkerahasto
Signatory Category	Non-corporate pension or superannuation or retirement or provident fund or plan
Signatory Type	Asset Owner
Size	US$ 10 - 29.99 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2011
Region	Europe
Country	Finland
Disclosure of Voluntary Indicators	97% from 38 Voluntary indicators

Valtion Eläkerahasto

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

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.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

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.

◉ Yes

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

Reducing the carbon intensity of the equity portfolio (risk reduction)

High carbon intensity companies have a higher carbon risk, which means that their business is more exposed to the risks involved in a transition towards a carbon-neutral economy and, for example, increases in the price of emission allowances. Some of the companies' assets may lose their value if all the oil, gas and coal reserves on the balance sheet cannot be used.

VER's goal is to significantly reduce Scope 1 and 2 greenhouse gas emissions from direct listed equity investments. In the first phase, the target is a 10% reduction by 2021 relative to the 2019 level, in proportion to the total market value of these investments. In 2022, when the 2021 results are available, the possibility of setting a tougher target for the next follow-up period will be assessed.

VER will also introduce carbon footprint monitoring for corporate bond investments. As reporting tools evolve, VER also aims to extend its monitoring to include externally managed investment assets. In the future, VER will aim to set measurable targets also for these parts of the investment portfolio.

○ No

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

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

VER's goal is to significantly reduce Scope 1 and 2 greenhouse gas emissions from direct listed equity investments. In the first phase, the target is a 10% reduction by 2021 relative to the 2019 level, in proportion to the total market value of these investments. In 2022, when the 2021 results are available, the possibility of setting a tougher target for the next follow-up period will be assessed.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

○ Yes

◉ No

	Explain the rationale

So far we haven't done it, but we will consider it in the near future.

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

To restrain the effects of the climate change VER refrains to invest in companies where more than 10 per cent of the turnover comes from activities relating to coal or lignite or peat burning.Also VER has defined industries which have a prononced need of observation: oil- and gas industry, production of electricity and heat, car, mining, cement and transportation industry.

○ 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

ISS-Climate Carbon Footprint report

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

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

	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

	External managers or service providers

☑ 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.

VER's ESG performance, carbon footprint and integration of the RI policy are reported to the Board of Directors annually.

The fundamental policies outlined in this document may only be revised by the decision of VER's Board of Directors. VER's Management Team issues guidelines and seeks to develop the procedures to promote the implementation of the principles of responsible investments.

SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☐ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☑ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

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

MSCI ESG Research and OPVH provide us on a quarterly basis an analysis about our portfolio's carbon intensity and CO2 emissions.

☐ 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

☐ Incorporation into investment analysis

☐ Inform active ownership

☑ Other

	specify

We have an external providers that calculate our portfolio's carbon intensity and CO2 emissions.

	Describe

Carbon intencity of our portfolio is measured once a year and the development of the carbon intencity is followed by portfolio managers.

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

High carbon intensity companies have a higher carbon risk, which means that their business is more exposed to the risks involved in a transition towards a carbon-neutral economy and, for example, increases in the price of emission allowances. Some of the companies' assets may lose their value if all the oil, gas and coal reserves on the balance sheet cannot be used.

VER's goal is to significantly reduce Scope 1 and 2 greenhouse gas emissions from direct listed equity investments. In the first phase, the target is a 10% reduction by 2021 relative to the 2019 level, in proportion to the total market value of these investments. In 2022, when the 2021 results are available, the possibility of setting a tougher target for the next follow-up period will be assessed.

VER will also introduce carbon footprint monitoring for corporate bond investments. As reporting tools evolve, VER also aims to extend its monitoring to include externally managed investment assets. In the future, VER will aim to set measurable targets also for these parts of the investment portfolio.

○ 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	☐ Beyond 2 Degrees Scenario (B2DS)	
IEA	☐ Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	☐ Sustainable Development Scenario (SDS)	
IEA	☐ New Policy Scenario (NPS)	
IEA	☑ Current Policy Scenario (CPS)	
IRENA	☐ RE Map	
Greenpeace	☐ Advanced Energy [R]evolution	
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	☐ BNEF reference scenario	
IPCC	☐ Representative Concentration Pathway (RCP) 8.5	
IPCC	☐ RPC 6	
IPCC	☐ RPC 4.5	
IPCC	☐ RPC 2.6	
Other	☑ Other (1)	Other (1) please specify: WWF/2ii, MSCI ESG Research
Other	☐ Other (2)	
Other	☐ Other (3)	

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

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

☐ 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

	other description

We also measure the positive environmental impact of our direct equity portfolio.

☐ 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
Carbon footprint (scope 1 and 2)	☐ All assets ☑ Majority of assets ☐ Minority of assets	Direct equity portfolio, equity funds direct money market instruments and funds	tCO2	ISS, MSCI ESG Research LLC and OPVH
Portfolio carbon footprint	☐ All assets ☑ Majority of assets ☐ Minority of assets	Direct equity portfolio, equity funds direct money market instruments and funds	tCO2	ISS, MSCI ESG Research LLC and OPVH
Total carbon emissions	☐ All assets ☑ Majority of assets ☐ Minority of assets	Direct equity portfolio, equity funds direct money market instruments and funds	tCO2	ISS, MSCI ESG Research LLC and OPVH
Carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	Direct equity portfolio, equity funds direct money market instruments and funds	tCO2/revenue	ISS, MSCI ESG Research LLC and OPVH

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

High carbon intensity companies have a higher carbon risk, which means that their business is more exposed to the risks involved in a transition towards a carbon-neutral economy and, for example, increases in the price of emission allowances. Some of the companies' assets may lose their value if all the oil, gas and coal reserves on the balance sheet cannot be used.

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○ 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

○ 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