

Climate risk reporting

Introduction

Climate risk is a systemic risk that can have a material financial impact on a pension fund's assets and liabilities. As such the Pensions Committee of the Norfolk Pension Fund is committed to understanding and monitoring its exposure to climate related risks. The Committee will monitor and report on the climate related exposures within the Fund on a regular basis across a number of key metrics and review how the exposure to these risk factors evolves and develops over time.

Climate risk metrics

The key climate risk metrics the Fund will monitor are as follows:

Weighted average carbon intensity

This is a measure of a portfolio's exposure to carbon-intensive companies. This is expressed in terms of tons of CO₂ equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. It is measured using scope 1 and scope 2 emissions. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel. Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Total carbon emissions per £m invested

This represents a portfolio's estimated scope 1 and scope 2 greenhouse gas emissions per £m of invested capital. This is expressed in terms of tons of CO₂ equivalent emitted by the companies invested in by a portfolio, weighted by the size of each company.

% of portfolio with ties to fossil fuels

The percentage of a portfolio invested in companies with an industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation. It does not include companies providing evidence of owning metallurgical coal reserves.

Pension Fund portfolio analysis – June 2021

The Committee have carried out analysis of the Fund's listed equity portfolios against the metrics outlined above. For comparison purposes the Committee have also included the corresponding metrics for the MSCI ACWI global equity benchmark and the analysis indicates that the Fund has lower exposures to carbon intensive companies, carbon emissions per £m invested, and companies with ties to fossil fuels that the global index. The climate related exposures of the Fund as at 30 June 2021 are set out in the table below.

	Weighted Average Carbon Intensity (tCO ₂ /\$m Sales)	Carbon Emissions (tCO ₂)/£m Invested	% Of Portfolio With Ties to Fossil Fuels
Norfolk Pension Fund	102.2	86.8	8.2
World Equity	186.4	165.1	12.4
<i>Relative</i>	-84.2	-78.3	-4.2

Source: Hymans Robertson using data provided and owned by MSCI ESG Research LLC and its affiliates. Reproduced with permission

The Committee will update the analysis on a regular basis and review the potential to expand the analysis beyond the Fund's listed equity holdings.