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-intense companies. This is expressed in terms of tons of CO_2 equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. It is measured primarily 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. The Baillie Gifford fund (Global Alpha Paris-Aligned), into which the Fund invested in late 2022, is the Fund's first strategy with an explicit net-zero target, and is supporting a reduction in the Fund's investment emissions over time.

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 CO_2 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 – December 2023

The Committee has carried out analysis of the Fund's listed equity portfolios against the metrics outlined above. For comparison purposes the Committee has also included the corresponding metrics for representative benchmarks and the analysis indicates that the Fund, in aggregate, continues to exhibit lower exposures to carbon intensive companies, carbon emissions per £m invested, and companies with ties to fossil fuels than the global index. The climate related exposures of the Fund as at 31 December 2023 are set out in the table below. Since last reported, the fund closed its UBS mandate and opened a new Emerging Markets mandate with Columbia Threadneedle.

	Weighted Average Carbon Intensity (tCO_2e/$m Sales)	Carbon Emissions (tCO_2e)/£m Invested	% Of Portfolio With Ties to Fossil Fuels
Norfolk Pension Fund	**79.2**	**60.3**	**7.2**
Benchmark (MSCI ACWI)	**128.7**	**109.9**	**12.2**
Relative	***-49.5***	***-49.6***	***-5.0***

Source: Hymans Robertson using data provided and owned by MSCI ESG Research LLC and its affiliates. Reproduced with permission. MSCI ACWI is the All Country World Index

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.