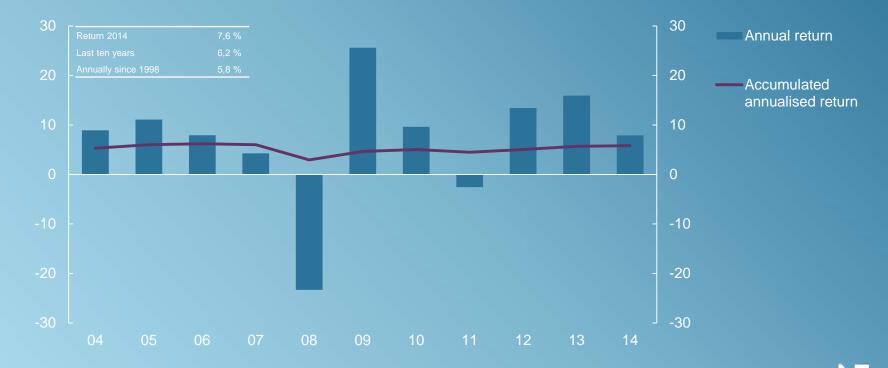


# THE MANAGEMENT OF THE GOVERNMENT PENSION FUND GLOBAL 2014

HEARING BEFORE THE STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS OF THE STORTING, 4 MAY 2015. YNGVE SLYNGSTAD, CHIEF EXECUTIVE OFFICER



#### Annual return Percent



# Accumulated change in market value

As at 31.3.2015. Billions of kroner



### Management objectives

**OBJECTIVE** 

#### HIGH LONG-TERM RETURN

#### **SUBJECT TO**

- Acceptable risk
- Responsible investment
- Efficient organisation
- Transparent

#### Three pillars of responsible investment



- International standards
- Our expectations and principles
- Research into responsible investment



Voting

- Interaction with companies
- Engaging with boards



Monitoring risk

ING

2

MONIT

5

Y

- Industry initiatives
- Focus areas
- Environmentrelated mandates
- Risk-based divestments

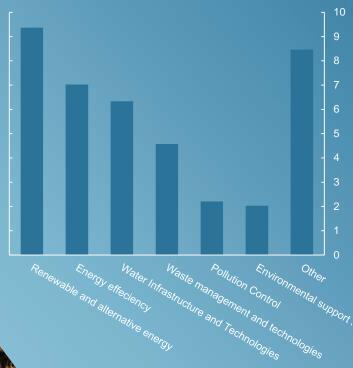
**DNI** 

Ы S

**STANDARD** 

#### **Environment-related mandates**

Investments in environment-related mandates Grouped by sector based on FTSE environmental classification. Billion NOK



#### **Divestments and company exclusions** As at 31.12.2014

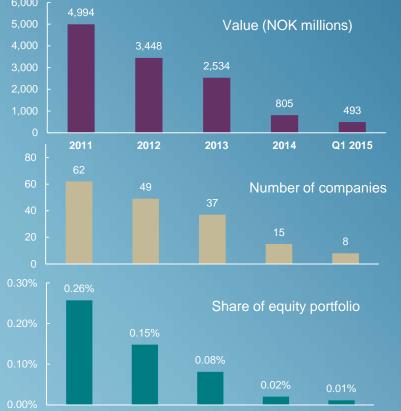


### **Risk based divestments**



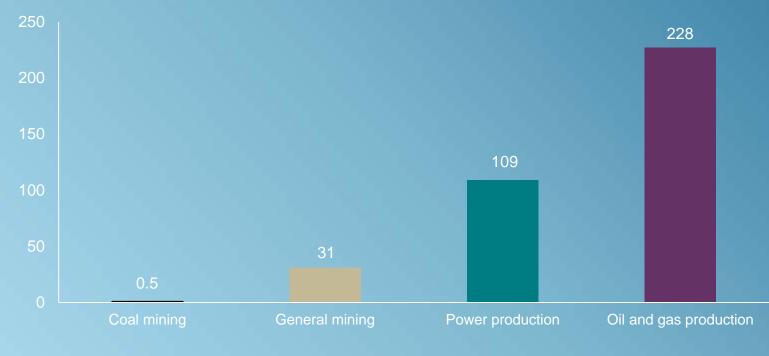
# Fund holdings in coal mining

- Divestment from coal mining companies focused on energy coal
- Divestment may for some companies take time to implement
- Still exposed to companies focused on metallurgical coal for steel production



Source: NBIM\_ETSE/IC

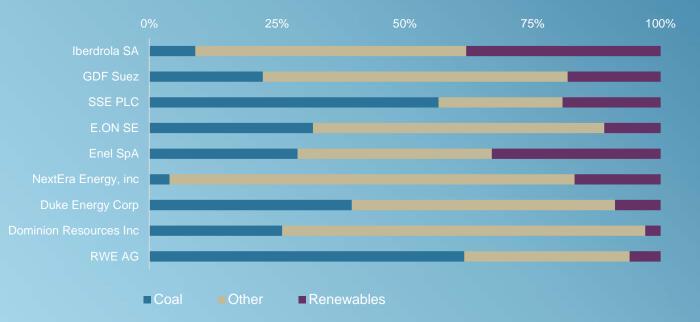
#### **Fund holdings in selected sectors** NOK billions. Equity portfolio as at 31.3.2015



Source: Norges Bank Investment Management, FTSE/ICB sector classification. Power production includes conventional electricity and multiutilities. Oil and gas production includes Exploration and production and Integrated

# **Electricity generation**

Fuel mix. Top ten electricity generation companies in the equity portfolio



Source: Company reports for reporting year 2013. «Renewables» includes among other wind, solar, geothermal and wind power. «Other» includes among other nuclear and oil and gas based power generation

## Letter to general mining companies

Date: 04.02.2015

Dear Sir,

#### The mining sector and climate change

Norges Bank Investment Management (NBIM) is responsible for investing the assets of the Norweighin Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. We are a long-term investor and climate outcomes may affect company and portfolio returns over time.

The scientific basis for climate change is now widely accepted. The economic impacts of climate change on specific markets and regions are complex,

NBIM has long established climate change risk management expectations directed at companies in our portfolio. We believe that boards should recognise the necessity of integrating climate change related challenges and opportunities in investment planning and risk management, and ensure that responsibility is clearly defined within the organisation.

Increasingly shareholders seek information about how companies incorporate potential physical or regulatory climate impacts and climate section analysis in investment planning and execution. We believe the identification of future scenarios for climate regulation, cardon prizing, and environmental conditions is a useful tool to support strategic decision-making for companies and to stess-test the sublishability of operations under different market environments.

Traditional sorporate reporting convertions do not adequately address company decision making with repart to Limate change raik mitigation attrahejes. Long term investors, including NBIM, now require a clear outline of what climate change scenarios the board is working with and the assessments it is making. We ask for reporting that demonstrates the Company's approach to managing the business towards a less emission-intensive energy system.

PO1764\_A0098.8.8 097103\_A0098.8.4 78. -42.9.4.0.38 09 P.3. 801113\_807149, 8497149, 8

- Approach to managing the business towards a less emission-intensive energy system
- Identify costs of separating the mining of coal from other mining operations
- Timeline for any such separation
- Research and development in lowemission technologies or processes

#### Additional real estate investments in 2014 Examples



Bank of America Merrill Lynch Financial Centre, London. Foto: GIC



"Lenbach Gärten", München. Foto: AM Alpha GmbH



Foto: Boston Properties



Foundry Square II, San Francisco. Foto: Eastdil Secured

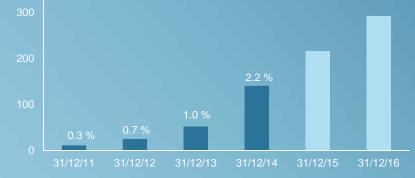


Atlantic Wharf, Boston. Foto: Anton Grassl/Esto



01 Lexington Avenu IY. Foto: Boston Properties

Real estate investments' net asset value per year end NOK billions and percent of fund 2011 - 2014 Projection for 2015 and 2016



Source: Norges Bank Investment Management



# THE MANAGEMENT OF THE GOVERNMENT PENSION FUND GLOBAL 2014

HEARING BEFORE THE STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS OF THE STORTING, 4 MAY 2015. YNGVE SLYNGSTAD, CHIEF EXECUTIVE OFFICER

