

The ITB Pension Funds Climate Related Risk Beliefs



Version Issued 20 September 2024

DUTY

- Trustee has primary responsibility for managing climate risks to the Fund's assets, recognising this is a wider societal issue that investment managers, buy-in insurance providers, companies and governments also have responsibility for. The Trustee will delegate the implementation to the investment managers and buy-in insurance providers.
- The Trustee wants to follow best practice when it comes to regulatory requirements, rather than take a minimum compliance approach.
- Assessing and managing climate-related risks and opportunities is both the Trustee's legal duty and entirely consistent with protecting the long-term returns of the Funds and is therefore acting in the best long-term interests of members.

IMPACT OF CLIMATE RISKS AT A STRATEGIC LEVEL

- Climate risks will have an impact on the macroeconomic environment, impacting asset returns and funding assumptions.
- Climate change represents a risk that could have some impact on investments in the Open Fund DB Section and Closed Fund and represents a material risk that could negatively impact investments in the Open Fund DC Section.
- A collective failure by governments, companies and other actors to mitigate the transitional and physical risks associated with climate change would negatively impact investments in Defined Benefit and Defined Contribution pension schemes.
- Appropriate treatment of climate related risks and opportunities is likely to improve outcomes for members through enhanced long-term returns and mitigation of downside risks.
- The Trustee's fund managers and buy-in insurance providers should consider and mitigate climate risks and identify opportunities when selecting investments and inform us of their activities.
- Climate-related factors will be given special attention when selecting managers and funds since they are likely to be a source of better risk-adjusted returns.

MARKET PRICING OF CLIMATE RISKS AND OPPORTUNITIES

- Climate risks and opportunities are currently not likely to be properly priced into markets.

SPECIFIC BELIEFS FOR THE FUNDS

- The Trustee should reduce climate-related risk where practical to do so.
- Investing in fossil fuels presents a significant risk to the investment portfolios especially over the long-term. Selective risk-based divestment from fossil fuels is appropriate for the Funds in the medium-term.
- Engagement through the fund managers and buy-in insurance providers is an essential component in order to move to a low carbon economy.

