

The ITB Pension Funds Climate Related Risk Beliefs



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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.
- We want 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 our 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 our 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 Defined Benefit (DB) Section and Closed Fund and represents a material risk that could negatively impact investments in the Open Fund Defined Contribution (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 DB and DC 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.
- Our fund managers and buy-in insurance providers should consider and mitigate climate risks and identify opportunities when selecting investments for our portfolios and inform us of their activities.

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 our 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.
- Climate-related factors will be given special attention when selecting managers since they are likely to be a source of better risk-adjusted returns.

