

# The ITB Pension Funds

## Trustees' Statement on Governance of Climate Change Risks and Opportunities

The ITB Pension Funds Trustees (the "Trustees") have primary responsibility for ensuring effective governance of climate change risks and opportunities in the context of the Trustees' Climate Related Risk Beliefs in relation to The ITB Pension Funds (the "Funds"). This statement documents the governance processes the Trustees have put in place to ensure that they have oversight of the climate-related risks and opportunities relevant to the Funds and that they can be confident that their statutory and fiduciary obligations are being met. The Trustees' Climate Related Risk Beliefs are published on the Funds' website, alongside this Statement.

### OVERVIEW OF APPROACH

Climate change is a financially material factor for the Funds. It represents a systemic risk to society, the economy and the financial system, although the transition to a low-carbon economy also presents opportunities. These risks and opportunities have the potential to impact the Fund's investments, sponsoring employers and funding position. Identifying, assessing and managing them is a strategic priority for the Funds and, therefore, the Trustee Board has established a dedicated Climate Change Risk Working Party ("Working Party"), which reports to the Investment Committee, and has support from the Trustees' secretariat (the "Funds Office") and the Trustees' external advisers. The Working Party is responsible for carrying out a project to ensure compliance with the requirements of legislation and guidance to act on climate-related risks.

### TRUSTEES' KNOWLEDGE AND UNDERSTANDING

It is essential that the Trustees have sufficient knowledge and understanding of climate change, and related risks and opportunities, to fulfil their statutory and fiduciary obligations. The Trustees will review its skills and

experience in this area when undertaking the Trustee Board's annual knowledge and skills review and also consider what training is likely to be required over the coming year. This training is likely to include an annual update on recent developments, with interim training on any time-critical developments. It may also include training in support of specific agenda items at Trustees meetings.

Full details of the training undertaken is documented in the Trustee's training log.

### ROLES AND RESPONSIBILITIES

#### Trustee Chairman

It is the Trustee Chairman's responsibility, with support from the Funds Office, to ensure that sufficient time is allocated for consideration and discussion of climate matters by the Trustees and their advisers.

#### Trustees

In broad terms, the Trustees are responsible for:

- ensuring the Trustees have appropriate knowledge and understanding of climate change to fulfil their statutory and fiduciary obligations. This will include knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities for the Funds;
- putting in place effective climate governance arrangements;
- identifying and assessing the main climate-related risks and opportunities for the Funds and documenting the management of these;
- incorporating climate-related considerations into strategic decisions relating to the Funds' investments and funding arrangements;
- incorporating climate-related considerations into the Funds' investment beliefs, investment policies, risk register and contingency planning and monitoring framework;



- allowing for climate-related considerations when assessing and monitoring the strength of the participating employers' covenant;
- selecting and regularly reviewing metrics to inform their assessment and management of climate-related risks and opportunities, and setting and monitoring targets to improve these metrics over time where appropriate;
- ensuring that the Funds' actuarial, investment, covenant and legal advisers have clearly defined responsibilities in respect of climate change, that they have adequate expertise and resources, including time and staff, to carry these out, and that they are adequately prioritising climate-related risk;
- considering and documenting the extent to which the advisers' responsibilities are included in any agreements, such as investment consultants' strategic objectives and service agreements;
- ensuring that the Funds' investment managers are managing climate-related risks and opportunities in relation to the Funds' investments, and have appropriate processes, expertise and resources to do this effectively;
- communicating with Fund members and other stakeholders on climate change where appropriate, including public reporting in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (together "TCFD reporting") when required.

The Trustees have delegated consideration of these matters variously to sub-committees - the Investment Committee, the Management Panel and the Climate Change Risk Working Party.

### Actuarial adviser

In broad terms, the Funds' actuarial adviser is responsible, as requested by the Trustees, for:

- providing training and other updates to the Trustees on relevant climate-related matters;
- advising how climate-related risks and opportunities might affect the Funds' funding position over the short-, medium- and long-term and the implications for the Funds' funding strategy and long-term objectives;

- advising on the inclusion of climate change in the Funds' governance arrangements, risk register and contingency planning and monitoring framework, working with the Trustees and their other advisers as appropriate;
- advising on the preparation of the Trustees' TCFD reporting and working with the Trustees and their other advisers as appropriate;
- working with the Trustees' other advisers to assist the Trustees in incorporating climate change in their investment and covenant monitoring, and communication with stakeholders as appropriate.

### Investment adviser

In broad terms, the Funds' investment adviser is responsible, in respect of investment matters for both the defined benefit and defined contribution sections of the Funds, as requested by the Trustees, for:

- providing training and other updates to the Trustees on relevant climate-related matters;
- helping the Trustees to formulate their investment beliefs in relation to climate change and reflecting these in the Funds' investment policies and strategy;
- advising how climate-related risks and opportunities might affect the different asset classes in which the Funds might invest over the short-, medium- and long-term, and the implications for the Funds' investment strategy;
- advising the Trustees on the appropriateness and effectiveness of the Funds' investment managers' processes, expertise and resources for managing climate-related risks and opportunities, given the Trustees' investment objectives and beliefs;
- assisting the Trustees in identifying and monitoring suitable climate-related metrics in relation to the Funds' investments, including liaising with the Funds' investment managers regarding provision of the metrics;
- working with the Trustees' other advisers to assist the Trustees in incorporating climate change in their governance arrangements, risk register, contingency planning and monitoring framework and communication with stakeholders (including, but not limited to, TCFD reporting) as appropriate.



## Covenant adviser

In broad terms, the Funds' covenant adviser is responsible, as requested by the Trustees, for:

- advising how climate-related risks and opportunities might affect the Funds' participating employers over the short-, medium- and long-term;
- leading on the inclusion of climate change in the Funds' covenant monitoring, working with the Trustees and their other advisers as appropriate;
- working with the Trustees' other advisers to assist the Trustees in incorporating climate change in their governance arrangements, risk register, contingency planning and monitoring framework and communication with stakeholders (including, but not limited to, TCFD reporting) as appropriate.

## Legal adviser

In broad terms, the Funds' legal adviser is responsible, as requested by the Trustees, for:

- providing training and other updates to the Trustees on relevant climate-related legal matters;
- ensuring the Trustees are aware of its statutory and fiduciary obligations in relation to climate change and working with the Trustees' other advisers to ensure alignment between these obligations and:
  - any Trustees formulation of its investment beliefs in relation to climate change; and
  - the identification and monitoring of climate-related metrics in relation to the Funds' investments;
- working with the Trustees' other advisers to assist the Trustees in incorporating climate change in their governance arrangements, risk register, contingency planning and monitoring framework and communication with stakeholders (including, but not limited to, TCFD reporting) as appropriate;
- where requested, assisting in the documentation of any contractual requirements to be included in the arrangements with the Funds' investment managers with respect to the governance, management and reporting of climate-related matters.

## Investment managers

In broad terms, the Funds' investment managers are responsible for:

- identifying, assessing and managing climate-related risks and opportunities in relation to the Funds' investments, in line with the investment management arrangements agreed with the Trustees;
- exercising rights (including voting rights) attaching to the Funds' investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for Fund members;
- providing information to the Funds' investment adviser on climate-related metrics in relation to the Funds' investments, as agreed from time to time, and using its influence with investee companies and other parties to improve the quality and availability of these metrics over time.

## NATURE AND FREQUENCY OF MONITORING

The Trustees consider a range of different information about the climate change risks and opportunities faced by the Funds to enable them to fulfil their responsibilities set out above.

### Quarterly review

At its regular Board meeting, the Trustees will receive and review:

- the Funds' risk register once a year, following review by the Management Panel;
- an update report on the metrics in the Funds' monitoring framework each quarter, following review by the Investment Committee; and
- updates on the Funds' investments, including data on environmental, social and governance (ESG) and climate-related metrics and progress against any targets set in relation to these metrics each quarter, following review by the Investment Committee.

These documents will incorporate climate-related risks and opportunities as appropriate, in accordance with the roles and responsibilities set out above.



## Annual review

At one or more Board meeting each year, the Trustees will review, revise where appropriate and approve:

- its governance arrangements, investment beliefs and investment policies in relation to climate change;
- its draft TCFD reporting;
- a draft business plan for the following year to include matters and training in relation to ESG and climate change that outlines the main topics due to be discussed in Board meetings.

At one or more Investment Committee meeting each year, the Trustees will review:

- an impact assessment report from the Funds' investment adviser that reviews the Funds' investment managers in relation to ESG factors and climate change;
- whether it is appropriate to carry out scenario analysis that illustrates how the Funds' assets and liabilities might be affected under various climate change scenarios, in years when this is not required because it has been carried out within the previous two years;
- the advisers' climate competency and assess how they have performed against their climate responsibilities.

## Less frequent reviews

The Trustees will consider climate-related risks and opportunities whenever the following activities are undertaken:

- actuarial valuation of the Funds' defined benefit sections;
- review of the investment strategy for the Funds' defined benefit and defined contribution sections;
- assessment of the participating employers' covenant.

The Trustees will also, at least every three years, review the results of scenario analysis that illustrates how the Funds' assets and liabilities might be affected under various climate change scenarios, along with commentary on the potential impacts for the participating employers.

Whenever they review their agreements with external advisers, or appoint new advisers, the Trustees will consider and document the extent to which the advisers' climate-related responsibilities are included in the agreements and/or any adviser objectives set.

## REVIEW OF THIS STATEMENT

The Working Party approved this statement at their meeting on 22 September 2021. It will be reviewed at least annually.

Signed: 

Date: 22 September 2021

For and on behalf of the Trustees of  
The ITB Pension Funds