

The ITB Pension Funds

Climate Related Risk Beliefs

VERSION ISSUED 22 SEPTEMBER 2021

DUTY

- Trustees have primary responsibility for managing climate risks to the Fund's assets, recognising this is a wider societal issue that investment managers, companies and governments also have responsibility for. The Trustees will delegate the implementation to the investment managers.
- 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 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.

- Our fund managers should consider and mitigate climate risks and identify opportunities when selecting investments for our portfolios and inform us of their activities.
- Climate-related factors will be given special attention when selecting managers 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 not likely to be properly priced into markets currently.

SPECIFIC BELIEFS FOR THE FUNDS

- The Trustees 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 is an essential component in order to move to a low carbon economy.