



ITB PENSION FUNDS
DC AND AVC SECTIONS
(THE “FUNDS”)

ADDRESSING
CLIMATE RISK IN
THE INVESTMENT
STRATEGIES

The Trustees of the ITB Pension Funds have recently reviewed the Defined Contribution (“DC”) and Additional Voluntary Contribution (“AVC”) investment arrangements. As part of this review, the Trustees considered the risks to the investment arrangements arising from climate change.

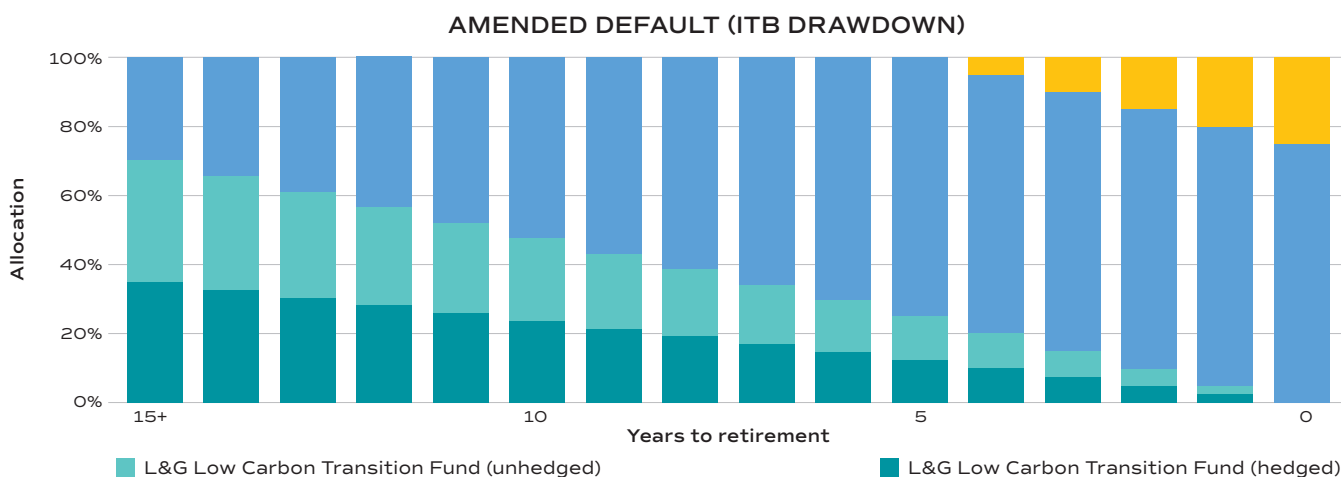
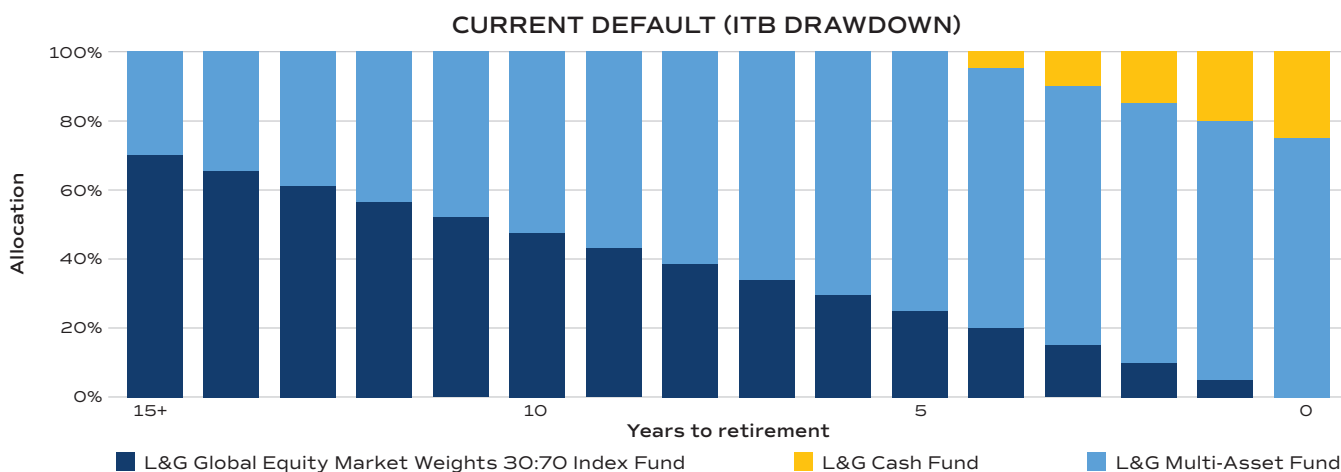
In order to help address the risks posed by climate change, the Trustees have decided to change the global equity allocation in the investment strategies, in order to reduce exposure to companies with high levels of carbon dioxide emissions. They will do this by replacing the L&G Global Equity Market Weights 30:70 Index Fund within the investment strategies with the L&G Low Carbon Transition Fund. Further information is set out in this letter.

You do not need to take any action; the changes will take place automatically. However, you may wish to review your investment choices. Please note that, due to the changes taking place, from around Monday 28 June 2021 to Friday 9 July 2021 (inclusive) you will not be able to access your L&G online account, make additional contributions or amend your investment choice.

I AM INVESTED IN A LIFESTYLE STRATEGY¹ - HOW WILL MY INVESTMENTS CHANGE?

The ITB Pension Funds - DC Section uses a lifestyle strategy for the default investment option². The default is the ITB Drawdown lifestyle and there are two other lifestyle strategies available to DC and AVC members (ITB Cash lifestyle and ITB Annuity lifestyle).

For all three lifestyle strategies, the only change being made is that the L&G Global Equity Market Weights 30:70 Index Fund is being replaced with the L&G Low Carbon Transition Fund (half to the version that removes, also known as “hedges”, currency risk and half to the version that does not). This is illustrated for the ITB Drawdown lifestyle below. This change will result in a reduction in the ongoing charges members incur in the lifestyles (other than when a lifestyle fund is not invested in equities) since the Low Carbon Transition Fund has lower fees.



¹ Lifestyle strategies use a pre-determined mix of investment funds and automatically change that mix over time for members invested in them as they approach their target pension age.

² This is where member contributions are invested by default for those members who have not made an investment choice.

HOW DOES THE L&G LOW CARBON TRANSITION FUND COMPARE WITH THE L&G GLOBAL EQUITY MARKET WEIGHTS 30:70 INDEX FUND?

	L&G GLOBAL EQUITY MARKET WEIGHTS 30:70 INDEX FUND	L&G LOW CARBON TRANSITION FUND
Level of diversification	70% of the fund is invested in the shares of companies (known as equities) around the world, including in emerging markets. The fund also invests 30% in UK equities. While the UK equity market used to make up a substantial proportion of the overall global equity market, it represents a much smaller proportion today (around 5%).	The fund is broadly invested on a global basis, including emerging markets, with higher exposure to companies that are more valuable (known as market capitalisation). There is a lower allocation to UK equities as compared to the 30:70 fund. Some companies may have a higher or lower exposure depending on their level of carbon emissions.
Features to help address climate risk (for example, a negative impact on company shares from government regulation)	L&G engages with the companies that it invests in, to understand how they may be affected by climate risk and uses its status as a major shareholder to promote positive action. However, the fund doesn't reduce allocations to companies with a high level of carbon emissions.	Compared to a standard global equity fund that aims to track its benchmark, this fund reduces allocations to companies with high levels of carbon emissions, and has slightly increased allocations to companies that pollute less. The worst companies by this measure (eg coal miners) may not have any exposure in the fund. The current objective is to reduce carbon emissions exposure by 70% compared to a standard global equity fund benchmark, and over time to reduce the exposure further.
Level of currency hedging	The fund hedges (protects against) 75% of the risk of developed world currencies moving against sterling. Where this hedging is in place, it means that investment returns on assets priced in foreign currency won't be offset by exchange rate changes.	The lifestyles' allocation to the L&G Low Carbon Transition Fund will be split, such that 50% of the risk from the movement of foreign currencies against sterling will be removed. There is a small additional cost for the currency hedged version. The ongoing charges figure below reflects the 50/50 split between the currency hedged and non-hedged version of the fund.
Ongoing charges ³	0.44% per year	0.38% per year

³ The ongoing charges figure includes the fund annual management charge, the L&G platform charge and additional ongoing costs involved in the running of the fund (such as relating to administration).

I AM INVESTED IN THE L&G GLOBAL EQUITY MARKET WEIGHTS 30:70 INDEX FUND ON A SELF-SELECT BASIS – HOW WILL MY INVESTMENTS CHANGE?

If you have selected the L&G Global Equity Market Weights 30:70 Index Fund, there will be no change made to your investments. This fund is not being removed from the self-select range, only from the lifestyles.

The currency unhedged version of the L&G Low Carbon Transition Fund will be made available in the self-select fund range so that you may switch into it if you wish to do so. The ongoing charge for the currency unhedged version of the fund is 0.37% pa.

The Trustees decided to introduce the currency unhedged version of the fund to the self-select range, rather than introducing both unhedged and hedged versions, on the basis that global equity exposure with currency hedging will still be available through the L&G Global Equity Market Weights 30:70 Index Fund.

WILL THE SWITCH RESULT IN ANY COSTS TO ME?

You may only incur costs if you are invested in one of the lifestyle strategies. There may be costs incurred because of the transfer, but these costs are reflected in the fund unit prices and are expected to be very small. You will not incur any explicit costs for the changes being made, and no deductions will appear on your benefit statement.

Within the lifestyle strategies, L&G will sell units in the Global Equity Market Weights 30:70 Index Fund and buy units in the L&G Low Carbon Transition Fund on the same day, which should minimise the time spent 'out of market' (ie as cash, rather than invested in investment markets).

NEED HELP?

If you feel that you need financial advice on this or any other matter, we recommend that you speak to a financial adviser. The Trustees are not able to provide financial advice. You can find help about how to choose and find a financial adviser by visiting: www.moneyadvice.service.org.uk/en/articles/choosing-a-financial-adviser



The ITB Pension Funds

ANY QUESTIONS?

If you have any questions about
this letter, please contact:

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