

The ITB Pension Funds

Trustees' Statement on Governance of Climate Change Risks and Opportunities

The ITB Pension Funds Trustee (the "Trustee") has primary responsibility for ensuring effective governance of climate change risks and opportunities in the context of the Trustee's Climate Related Risk Beliefs in relation to The ITB Pension Funds (the "Funds"). This statement documents the governance processes the Trustee has put in place to ensure that it has oversight of the climate-related risks and opportunities relevant to the Funds and that it can be confident that statutory and fiduciary obligations are being met. The Trustee's 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 Investment Governance Working Party ("Working Party"), which reports to the Joint Management Committee, and has support from the Trustee's secretariat (the "Funds Office") and the Trustee's external advisers. The Working Party is responsible for advising the Trustee about compliance with the requirements of legislation and guidance to act on climate-related risks.

TRUSTEE'S KNOWLEDGE AND UNDERSTANDING

It is essential that the Trustee has sufficient knowledge and understanding of climate change, and related risks and opportunities, to fulfil its statutory and fiduciary obligations.

The Trustee 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 Trustee meetings.

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

ROLES AND RESPONSIBILITIES

Trustee Chair

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

Trustee

In broad terms, the Trustee is responsible for:

- ensuring the Trustee has appropriate knowledge and understanding of climate change to fulfil its 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 the 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 Trustee has delegated consideration of these matters variously to sub-committees - the Joint Management Committee and the Investment Governance Working Party.

Actuarial adviser

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

- providing training and other updates to the Trustee 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 Trustee and their other advisers as appropriate;
- advising on the preparation of the Trustee's TCFD reporting and working with the Trustee and the other advisers as appropriate;
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in 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 Trustee, for:

- providing training and other updates to the Trustee on relevant climate-related matters;
- helping the Trustee to formulate and review its 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 Trustee on the appropriateness and effectiveness of the Funds' investment managers' processes, expertise and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs;
- assisting the Trustee 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 Trustee's other advisers to assist the Trustee in incorporating climate change in 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 Trustee, 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 Trustee and their other advisers as appropriate;
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in 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 Trustee, for:

- providing training and other updates to the Trustee on relevant climate-related legal matters;
- ensuring the Trustee is aware of its statutory and fiduciary obligations in relation to climate change and working with the Trustee's other advisers to ensure alignment between these obligations and:
 - any Trustee 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 Trustee's other advisers to assist the Trustee in incorporating climate change in 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 Trustee;
- 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 Trustee considers a range of different information about the climate change risks and opportunities faced by the Funds to enable it to fulfil its responsibilities set out above.

Quarterly review

- At its regular meeting, the Trustee will receive and review updates on the Funds' investments, including data on environmental, social and governance (ESG) and climate-related metrics.

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 Trustee will review, revise where appropriate and approve:

- the Funds' risk register once a year, following review by the Joint Management Committee;
- an update report on the metrics in the Funds' monitoring framework, following



review by the Joint Management Committee; and

- 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 Joint Management Committee meeting each year, the Trustee 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 Trustee 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 Trustee 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 the agreements with external advisers are reviewed, or new advisers are appointed, the Trustee 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 Joint Management Committee approved this statement at its meeting on 20 September 2024. It will be reviewed at least annually.

Signed *DNM Guinness*

Date: **20 September 2024**

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