THE POWER OF INVESTMENT WORKSHEETS

WORKSHEET: Assessing & Advocating for Climate-Solutions Investing

BENCHMARKS TO ASSESS YOUR CURRENT ASSET ALLOCATION STRATEGY

The adage of "SMART" goals can be helpful to strength-test your asset allocation strategy. **Does it:**

- Have specific goals and outcomes for how much climate risk is acceptable.
- Are the outcomes for a transition away from high-risk to lower-risk investments measurable? Do you have the practices and monitoring tools in place to accurately measure?
- Has there been industry and peer-based research on best practices of setting a transition strategy and progress points to ensure its ambitious-yet-achievable?
- Does the strategy clearly define why transitions from high-risk to low-risk companies- or to climate-friendly economies- is relevant to fiduciary risk??
- Is there a concrete timeline for when the portfolio will meet specific benchmarks?

HOW TO FIND OUT

You can learn the answers to the questions above through:

- Investment policy documents on your pension website
- Investment risk analysis reports and briefings
- Listening in on or following minutes of board and investment committee meetings
- Asking a trustee on the board that represents your group
- Asking for a meeting with the pension staff

Hesitant to ask? Remember, as a trustee representing public employees or a direct beneficiary yourself, you have a unique role in urging more transparency in the pension fund processes and performance!

Based on answers to the questions above and guidance in this section, fill in ideas for concrete improvements in your investment policies:

FINDING THE RIGHT TIME TO ENGAGE

Investment policies and asset allocation strategies are typically designed or revised every 3-5 years. So be sure to check in with your pension system site to see when the strategy was last updated and/ or ask a staff member or trustee when the board is going to revisit these core policies and strategies.

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As a trustee, you have a unique role to raise the need to properly manage climate risk in the pension fund's portfolio. In fact, this falls within your fiduciary responsibility to ensure that the fund's decisions and actions are in the best financial interest of beneficiaries.

You can flag that not taking into account climate risk puts all three elements of the duty in jeopardy:

- **Duty of Care:** Fiduciaries must exercise reasonable care to prevent undue risks from harming beneficiary portfolios, such as the systemic risk of climate change.

- **Duty of Loyalty:** Fiduciaries may not ignore the concerns of their beneficiaries.

- **Duty of Impartiality:** Fiduciaries may not favor one group of beneficiaries, such as those receiving current retirement payouts, over those who may just be entering the workforce, and whose retirement nest eggs could be severely impaired by long-term climate change

Spaces where you can help advance stronger climate risk-managed investment practices:

- During board or committee meetings or in spaces to offer feedback on reports, you can –
  - Call out the damage & risk of an investment policy that doesn't adequately cover climate risk.
  - Raise questions and push for quality standards.
  - Share other pension funds' model examples to shape the fund's policies and capacity to address climate risk.

- If there is an assessment, push to assess the quality metrics and information the board is using to account for risk. If there aren't explicit, or inadequate, assessments of climate risk in investments, raise the need for it as part of the board's fiduciary responsibility.

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Specific questions you can raise:

- **Are climate risks defined in the Investment Policy Statement (IPS)?** This helps push the policy to clearly define the climate risks that are relevant to the investment portfolio. These risks may include physical risks (such as extreme weather events or sea level rise), transition risks (such as policy changes or technological developments), or missing out on adaptation opportunities.

- **How is climate risk assessed and measured by the board?** Raises the conversation to explore what climate data, scenario analysis, or other tools are needed to evaluate the potential impacts of climate change on investments.

- **How does climate risk fit into the overall investment strategy?** Spotlights ways climate risk factors can be used in asset allocation decisions or as a screening tool when selecting investments and can cover

- **What are our expectations for investments on climate risk management?** Covers setting portfolio-level goals for greenhouse gas emissions reductions, requiring climate risk reporting, or engagement with companies. What work has been done to date in this area?

- **What language could be added to the IPS to strengthen climate risk oversight and management?** This could include a section on climate risk management, or specific language that outlines your expectations for companies and investments in terms of climate risk– setting up the pe sion system for stronger Due Diligence policies with its asset managers.

- **How often does the IPS undergo review?** Encourages your board to review and refresh annually, to ensure that it remains relevant and up-to-date with the latest climate risk information and leading practices.

And remember that you don't have to go at it alone. Check out our tips and resources on mapping and reaching out to your fellow trustees to find allies and supporters as you step into action.

Beneficiaries, there are opportunities for you to get involved as well! Check out the "Organizing to Build Power" section of this toolkit to get guidance and hands-on tools to chart out your engagement strategy.

Thank you for exploring The Power of Investment, Part Three of **Investing in Our Future: A Guide for Climate-Conscious Pension Strategies**.

What to do Next:

CONTINUE LEARNING:
Part Four: Organizing to Build Power

BOOK A CONSULTATION:
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