British International Investment

Climate change policy

1.1 CLIMATE CHANGE POLICY

As general guidance, a climate change policy statement should include:

- Name of the fund manager
- The policy's purpose and scope
- Position statement
- Goals and targets
- Identification of role-players responsible for carrying out the objectives
- Sign-off by an appropriate senior representative
- Specific guidance and actions (optional)

Additional detail on each of these points is below. Two example policy templates are included: one for a less mature or advanced fund manager, and one for a more mature or ambitious fund manager.

Examples of published policy statements from fund managers are also provided. A fund manager's climate change policy can potentially be integrated into an existing ESG or other policy, and does not have to be a standalone document.

Policy purpose and scope statement

The policy should include a short summary of the purpose of the policy, as well as its scope. For fund managers, the purpose statement would describe its response to climate change. The scope statement should also outline where the policy will apply, specifically differentiating between the fund manager, historic and future funds, and portfolio companies.

Position statement

The climate change position statement should be incorporated, where possible, into an existing statement of how the fund manager operates and takes decisions. It should include a short summary paragraph describing at a high level the fund manager's position on climate change. This can include, for example:

- Position statement about the cause, effect and importance of climate change.
- The fund manager's position on the Paris agreement, fossil fuels, net zero, adaptation and resilience building.
- The fund manager's position on TCFD.

Goals and targets

A short summary of the fund manager's goals and targets relating to climate change. This can include:

- Measuring and monitoring its own and/or portfolio company GHG emissions and goals / targets for reducing GHG emissions, including net zero goals/targets.
- Commitments/goals for engaging with investees.
- Commitments to resource efficiency and decarbonisation actions within the fund manager and its portfolio companies.
- Commitments/goals and targets to mitigating climate transition risks and adapting to physical risks.
- Commitments/goals and targets to leveraging opportunities (for example, developing low carbon products and services, climate investing goals to support the transition etc.).

Mature fund managers may set benchmarks such as a benchmark GHG emissions intensity per US dollar invested. This may also include a target to achieve net zero by 2050.

Responsible parties

A summary of those responsible for enacting the policy. This should address board and management roles and responsibilities as well as personnel involved in day-to-day operations.

Guidance and intended actions (for more advanced/transformative fund managers)

A short summary of actions required to achieve stated goals and targets. This can include:

- Investing in companies to align the portfolio towards industries projected to benefit from climate change and that contribute to Paris-alignment (such as renewable energy, climate-smart agriculture).
- Investing in companies with a low carbon footprint or that are carbon-efficient.
- Avoiding companies that are adversely impacted by climate change (e.g. fossil fuels).
- Actions that will result in energy efficiency or GHG emission reductions for the fund manager.

Mature fund managers may indicate targeted action outcomes, such as improving the energy/carbon efficiency of all portfolio companies by a percentage.

1.1.1 Example 1 (less mature)

[Fund manager name] is a [sectors XYZ] fund manager operating in the [region] market. [Fund manager name] recognises the importance of climate change, particularly the potential impacts of future climate change as well as the impacts of the transition to a low carbon economy.

[Fund manager name] has committed to the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD) to manage future climate-related risks. We recognise the importance of understanding and managing such risks, and our approach is as follows:

- The board and relevant board committees will be responsible for the overall governance of all climate change-related matters.
- The [group executive committee] will be responsible for implementing the necessary procedures to identify and manage climate change-related risks.
- The [manager] will take overall responsibility for climate related monitoring and reporting.
- Fund investment committees will consider climate risk when making investment decisions.

To manage climate change related risks, we will:

- Evaluate the GHG emission footprint of portfolio companies during the investment process.
- Assess the GHG emissions of portfolio companies to identify priority investees with which to engage.
- Support investee companies to decarbonise to reach stated climate goals.
- Include physical and transition risk identification, assessment and management throughout the investment cycle.
- Not invest in activities at high risk from the global transition, with specific reference to fossil fuel energy.

1.1.2 Example 2 (more mature)

[Fund manager name] recognises the importance of climate change and the potential impacts on society. [Fund manager name] accepts the scientific consensus that climate change is caused by human activities, specifically the emission of greenhouse gases (GHG), and supports the goals of the Paris Agreement to limit global warming to 2°C, with the ambition of not more than 1.5°C. [Fund manager name] also recognises this can only be achieved through the decarbonisation of human activities, specifically through the use of fossil fuel energy.

While [Fund manager name] supports these goals, we also recognise that a certain amount of climate change is unavoidable due to historic GHG emissions, and that alongside mitigation, activities related to adaptation and resilience are required. The impacts of climate change poses risks to [Fund manager name], while the transition to a low carbon economy may present opportunities. [Fund manager name] has therefore developed this policy, which sets out our approach to managing climate change.

[Fund manager name] is a fund manager with a focus on [sectors XYZ] in emerging markets. The scope of this policy covers [Fund manager name], as well as all existing and future funds. [Fund manager name] will implement a climate change governance structure aligned with the recommendations of the TCFD. We have set a target of net zero GHG emissions of our own and portfolio company activities by 2050.

- Overall governance of climate change related matters will be performed by the board or relevant board committee, and climate change will be an agenda item at every board meeting.
- Principal responsibility for matters related to climate change monitoring and reporting will be vested in [manager]. However, climate change is a cross-cutting issue that will be addressed throughout the organisation. This includes investment and portfolio company management activities.
- Climate change-related risk management will be incorporated into group and fund risk management processes for both existing and future investments. Oversight will be provided by the [group risk committee].
- A transition plan to meet our long-term climate change-related targets will be developed and implemented.
- We will establish a monitoring and targeting programme to track our GHG emissions as well as those of all our funds. Decarbonisation targets will be set and agreed, and progress towards targets will be continually monitored.
- We will incorporate climate considerations into our business and investment strategy, including actively searching for opportunities to invest in low-carbon products and services.
- We will perform climate change scenario analysis and planning on a three-year basis.

Through our investment activities, we will support our portfolio companies in:

- Assessing their carbon footprints.
- Identifying opportunities to implement resource efficiency and carbon footprint reducing activities.
- Identifying climate change-related risks to operations.
- Developing adaptation and resilience plans.

Further, we will no longer consider investments in any fossil fuel exploration, production, or combustion for energy-related activity.

1.1.3 Other examples:

AIIM

Blackstone (ESG Policy)

Leapfrog

Warburg Pincus