

Board roles and responsibilities

As not all funds have independent boards, the following functions can be incorporated into senior management roles. For clarity, the term board/board subcommittee refers to both cases.

The board/senior level management will incorporate climate change into governance and strategic decision making, while ensuring the necessary processes and procedures for risk management and measuring performance are in place. To achieve this, recommended board/board subcommittee roles and responsibilities for climate change are outlined below.

For all fund managers, the minimum requirements are:

- A board member, identified as a climate champion for the fund, familiar with key climate change concepts (such as TCFD, transition and physical risks), and/or has received climate change training.
- An approach/strategy addressing climate change approved by the board/board subcommittee.
- Climate change metrics linked to risks, opportunities, and relevant data (such as GHG emissions) discussed, with responses and actions considered and approved by the board/board subcommittee where appropriate.
- Climate change risks and opportunities considered in strategy formulation and monitored by the board/board subcommittee.
- A climate policy reviewed and approved by the board/board subcommittee.
- External communication on climate change, such as an ESG Report or TCFD Report, reviewed and approved by the board/board subcommittee.
- Material climate-related stakeholder concerns raised and discussed with the board/board subcommittee.
- An investment approval process completed by the investment committee including a structured evaluation of climate change-related risks and opportunities relevant to all new and follow-on transactions.

For 'advanced' and 'transformative' organisations, these additional roles and responsibilities are recommended:

- A long-term climate related strategy, including performance and budgets, with a Paris-aligned commitment, approved by the board/board subcommittee.
- Goals and specific targets across clearly-defined climate metrics, where developed, monitored and approved by the board/board subcommittee.
- Climate change scenario analysis performed with sponsorship from the board/board subcommittee, which actively inputs into the process.

- All board members, led by a climate champion on the board, are closely familiar with key climate change concepts (such as TCFD, transition and physical risks), and receive regular climate change training.
- Climate-related targets included in the board's key performance indicators.
- Major capital investment requirements and decisions linked to climate change considered and approved by the board/board subcommittee.
- Performance incentives tied to achieving climate change goals or targets for executives, reviewed and approved by the board / board subcommittee.
- The investment committee reviews investment decisions on new and follow-on transactions against a set of clear climate-related criteria and metrics (such as GHG emissions thresholds, exclusions) aligned with the organisation's climate change strategy.