

Appendix B

Proposed beliefs about climate change and its potential impact on West Midlands Pension Fund

The Economics of Climate Change

1. Following the Intergovernmental Panel on Climate Change (“IPCC”), the Fund acknowledges that there is sufficient evidence to support the claims that the Earth’s climate is changing as a result of anthropogenic activity. Unabated, such change would be devastating for our way of life.
2. Consistently with Lord Stern’s research, we hold that the economic damages of unabated climate change are greater than the costs of precautionary mitigation.
3. We believe that climate change could be financially material across all major asset classes. In support of fiduciary duty, the risks and opportunities presented by climate change should be mitigated and exploited by asset allocation decisions, by individual investment decisions, and through purposeful stewardship.
4. Climate change has the potential to impact the funding level of the pension fund with the potential flow through impacts on employer contributors and liabilities.
5. We strongly support the Paris Agreement on climate change.

The Energy Transition

6. An ambitious and just energy transition, aligned with the Paris Agreement, requires global greenhouse gas emissions (“GHGs”) to peak around 2020, and to decline to net zero well before the end of this century.
7. The energy transition will not occur by focussing only on suppliers of energy. The demand for energy must also undergo a major transformation.
8. We think that market mechanisms, including a sufficient and stable carbon pricing regime, are important policy instruments to achieve meaningful GHG reductions.
9. It is possible for a high-emitting company to shift its business model and thrive in the transition to a low carbon future.

Purposeful Climate Stewardship

10. We would be less likely to realise a Paris-aligned energy transition were responsible investors to cease owning and stewarding high emitting companies. Strong governance is essential for climate awareness and risk management.
11. No individual investor is influential enough to act alone, nor is the investment industry sufficient to achieve the required rate of change. Policy makers, consumers, companies and investors all have a role to play.
12. Climate-aware decisions can only be made with accurate, relevant, complete and comparable data.