

# Statement on Climate Change



## About the PSSP

The Nova Scotia Public Service Superannuation Plan (PSSP or Plan) offers Nova Scotia's public sector employees a lifetime pension benefit when they retire. Members in the PSSP may work in a government department, the health care system, or at one of several agencies, boards or commissions. It is one of the largest public sector pension plans in the province. The trustee of the PSSP is the Nova Scotia Public Service Superannuation Plan Trustee Inc (Trustee). At the direction of and under the oversight of the trustee, the Nova Scotia Pension Services Corporation administers and manages the investment assets of the PSSP.

## Trustee Awareness of Climate Change Risk and Commitment to Sustainable Investing

The Trustee has a fiduciary obligation to present and future beneficiaries of the PSSP to maximize investment returns without incurring undue risk. To manage risk, the Trustee maintains a well-diversified portfolio. But the Trustee is also keenly aware of climate change as an investment risk, potentially jeopardizing returns over the long term. The Trustee further believes that a gradual global shift away from carbon-based energy, as well as other effects of climate change, will present opportunities to the Plan.

In 2013, the Trustee began to recognize the importance of taking an overtly sustainable approach to investing Plan assets. This recognition eventually evolved into a sustainable investment policy and framework that acknowledge climate change as a key precipitator of global shifts that are now underway. The Trustee anticipates climate change to have a broad impact.

In 2016, the Trustee co-sponsored a conference in Halifax on climate change and its impact on investments. Investors and market participants from Canada, the US and Europe gathered to discuss the risks and opportunities that climate change presents to investors. Learnings from the conference have helped the Trustee develop the next phases of its sustainable investment framework.

## Investing in a Shifting Global Environment

The Trustee expects world economies to, over time, move away from primary dependence on fossil fuels, and move toward low-carbon alternatives. While this transition occurs, conventional fossil fuels will continue to satisfy the bulk of global energy demand. Given the Trustee's mandate to enhance its assets in a risk-prudent manner, climate change therefore compels the Trustee to take parallel approaches:

1. Monitoring and managing the risks associated with its existing portfolio of investments;
2. Looking for opportunities generated by the climate change reality. These approaches are not mutually exclusive; to the contrary, they are complementary.




## Engagement Strategy

To promote its investment approaches in a shifting global environment, the Trustee has an obligation to act as an engaged owner of its assets. In the climate change context, this means assessing portfolio risks at both the macro and micro levels: the macro level involving continual monitoring of the Plan's asset mix to ensure there is not undue exposure to climate change-related risks; the micro level involving ongoing actions to ensure that climate change-related risks are adequately weighed in individual investment decisions.

Central to its views on sustainable investing, the Trustee supports increased engagement with other institutional investors and market participants to enhance information flow in relation to climate change. The Trustee believes it is of paramount importance that corporations improve the transparency of carbon risk through robust disclosure regimes and that the users of this information demand improved reporting and transparency.

The Trustee will continue to monitor new developments and evolve its climate-change strategy, always bearing in mind its essential responsibility to Plan beneficiaries to maximize investment returns without incurring undue risk.

### *Engagement Strategy:*



**Assess** climate change risks in the portfolio at both the macro level and micro level.

**Encourage** and monitor investment manager practices for engaging with companies seeking to improve practices and enhance disclosure.

**Engage** with other institutional investors and market participants to enhance information flow.

**Monitor** new developments and evolve climate-change strategy to prudently maximize investment returns.