



Environment
Agency

An aerial photograph of the Earth, showing the Atlantic Ocean, the western coast of Europe, and the northern part of Africa. The image is used as a background for the title text.

The Environment Agency Pension Fund and Climate Change

Responsible Investor
Conference 11 May 2010

Howard Pearce, Head of Environmental Finance and Pension Fund Management, Environment Agency

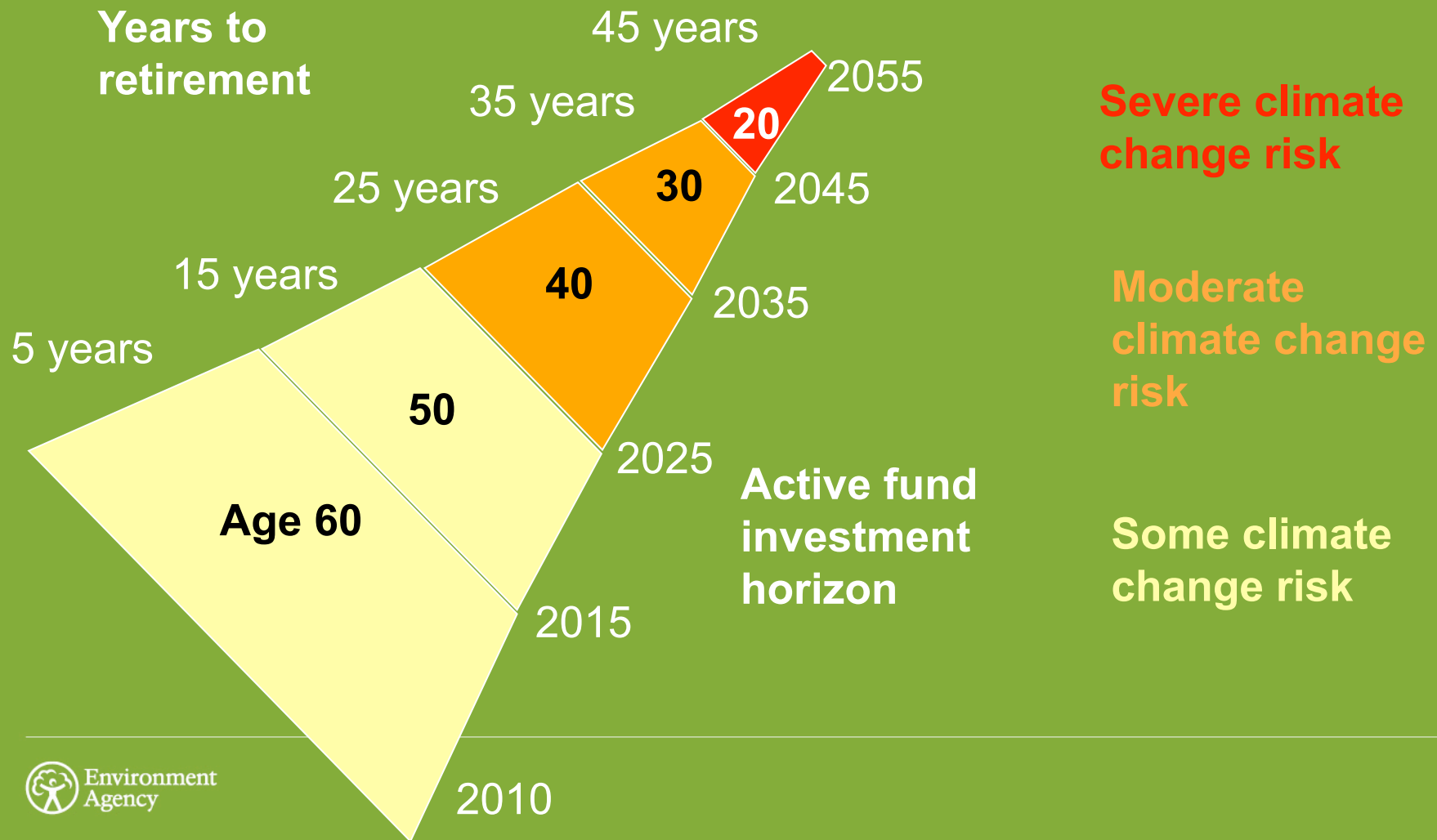
Our pension fund

- ⇒ Statutory member of LGPS
- ⇒ First LGPS fund to be UNPRI signatory
- ⇒ £1.6 bn assets belong to 22,000 members
- ⇒ Fund will pay benefits for at least 100 years
- ⇒ Need for strong long term investment returns

EAPF investment strategy

- ⇒ Climate change - financially material risk and opportunity. Fiduciary duty to take it into account in investment strategy decisions
- ⇒ Current investment strategy (2005-2010) has an environmental overlay strategy that includes climate change
- ⇒ New investment strategy (2011-2015) will continue to take account of climate change

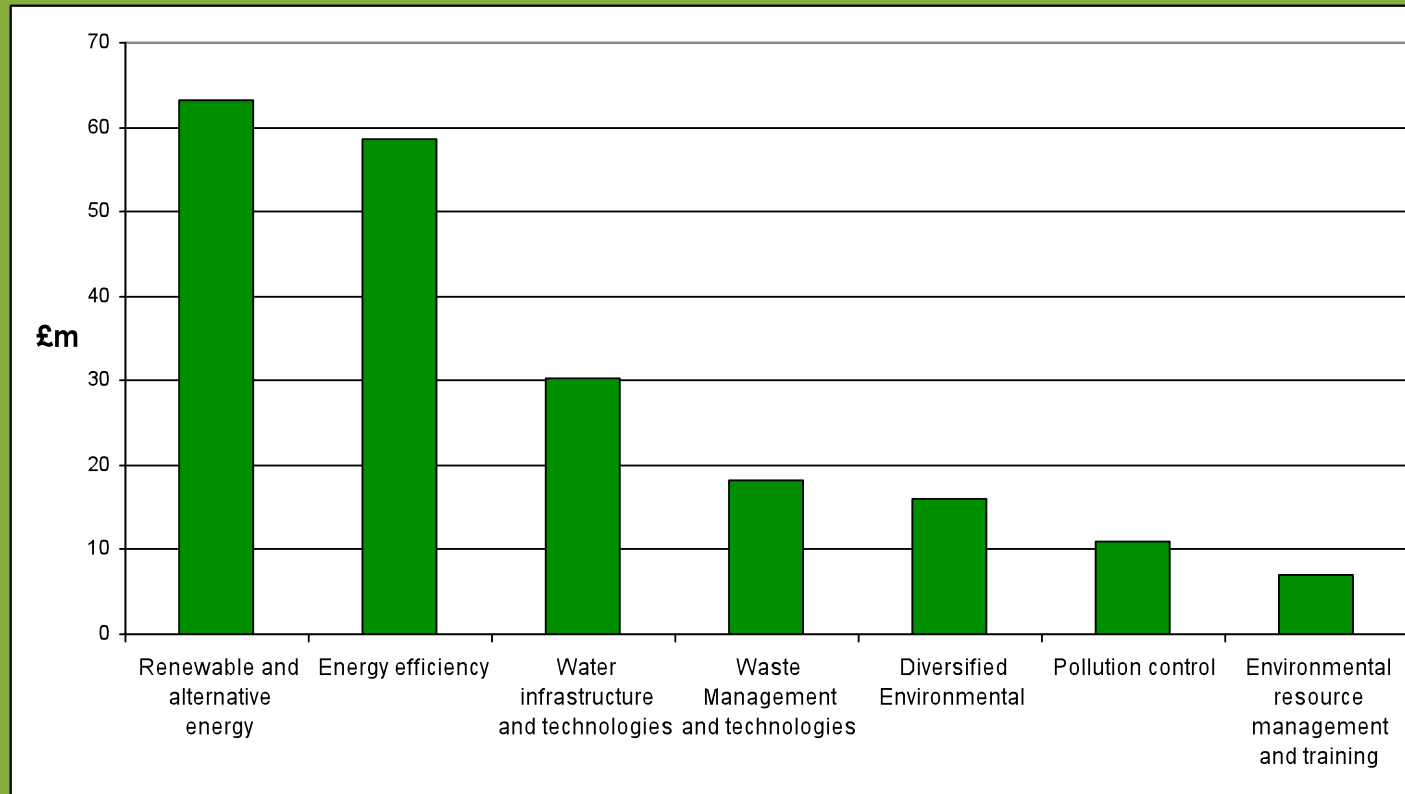
Retirement and climate change



Asset Allocation

- ⇒ Current – in 2010 around 13% (£205m) of our fund invested in the environmental sector seeking alpha
- ⇒ Future – by 2015 around 25% of our fund will be invested in funds that are contributing to a greener economy
- ⇒ The EAPF is one of the asset owner partners in the Mercer global research project on asset allocation and climate change – it will inform our future asset allocation

Positive environmental impact - public and private equity

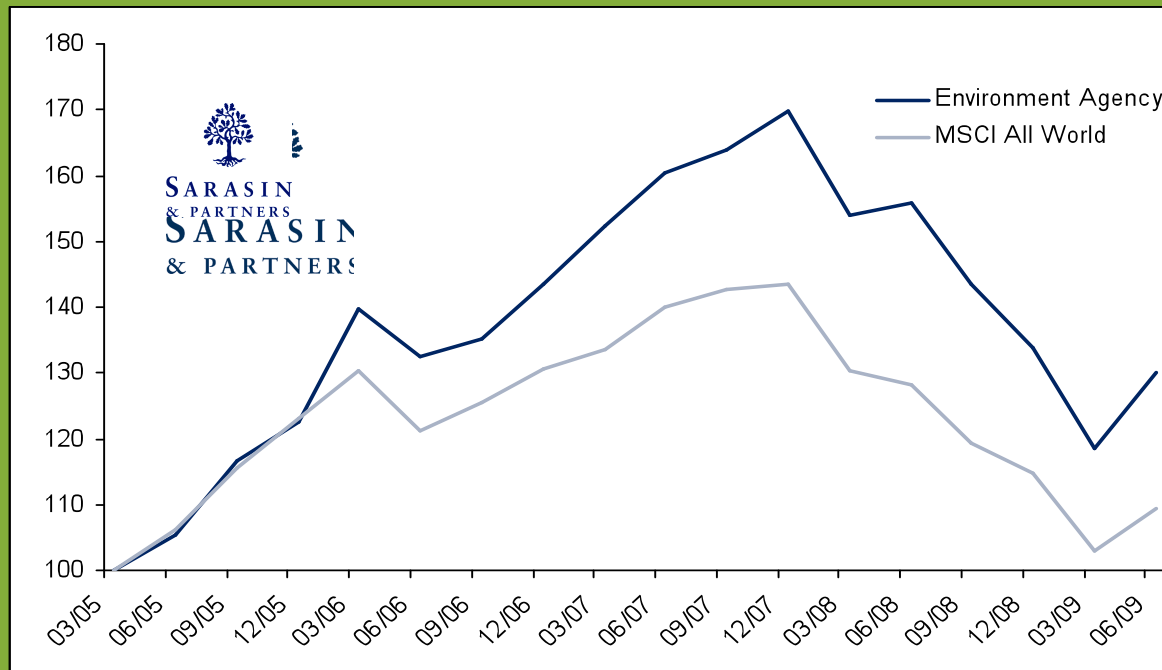


£205m
invested
across
our
portfolio

Fund manager strategy

- ⇒ Investment management agreements that include environmental overlay strategy and corporate governance strategy, plus preference for UNPRI signatories
- ⇒ All shareholder environmental resolutions at company AGM's must be referred to the EA to decide the EAPF voting stance
- ⇒ Quarterly performance monitoring reports include fund managers engagement with companies including on climate change risks
- ⇒ Active fund managers must participate in annual environmental and carbon foot-printing

Result so far for active equities

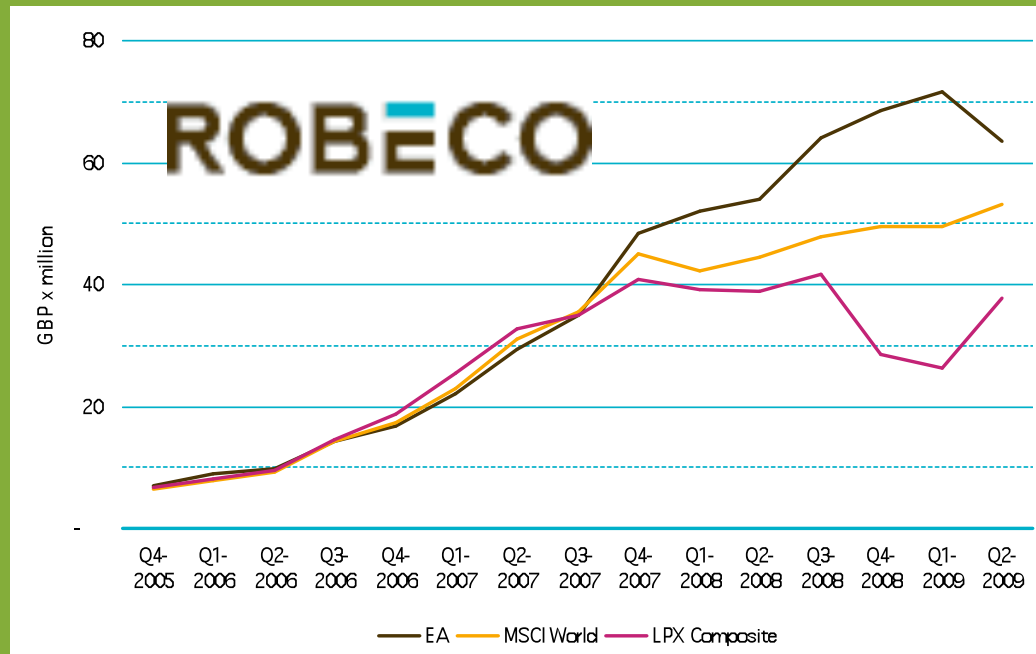


⇒ Sarasin
Partners
(£100m)
+20.2%*
rolling 5 years to
31st March 2010

⇒ Generation Investment Management (£75m) +17.38 %* since inception with Environment Agency

* source: manager reports

Clean tech mandates



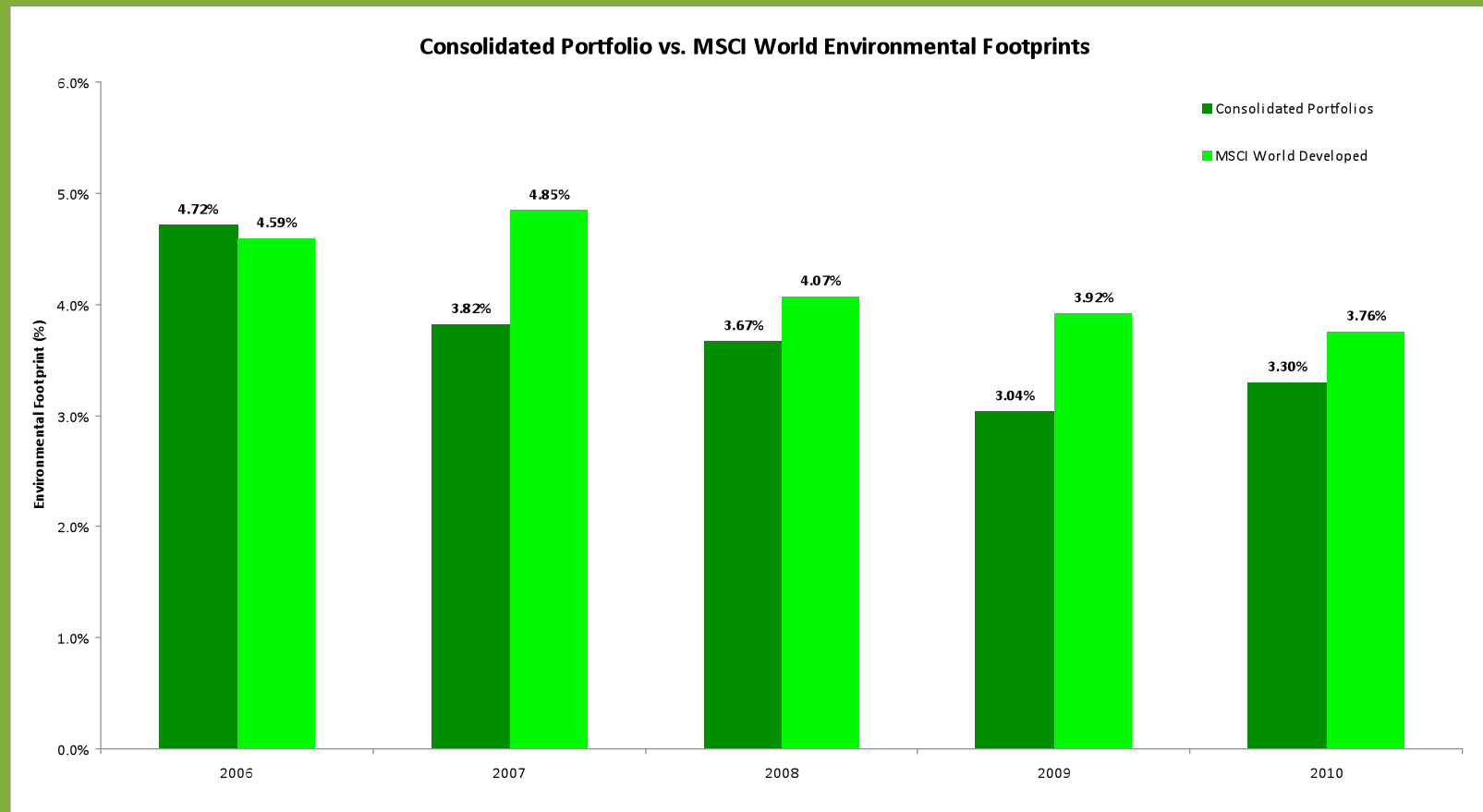
£80m private equity with Robeco on track



Impax Environmental Markets Fund +25.5% (MSCI AC World)

5 year performance for the NAV on Impax Environmental Markets plc

Risk management



Reducing environmental footprint

Long term investment themes

- ⇒ Clean tech and bio-technology
- ⇒ Environmental advice and consultancy
- ⇒ Renewable energy and energy efficiency
- ⇒ Materials recovery and recycling
- ⇒ Water treatment and conservation
- ⇒ Eco-agriculture and eco-system services
- ⇒ Sustainable forestry and construction
- ⇒ Public infra-structure and mass transportation
- ⇒ Social services and health care



Questions and Answers

Further information

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[www/environment-agency.gov.uk/pensions](http://www.environment-agency.gov.uk/pensions)