

Environment Agency chair addresses World Pensions Summit

I always enjoy visiting the Netherlands, so I'm sorry we're only meeting virtually this year.

The Environment Agency, which I chair, manages floods and droughts in England, and we work closely with Rijkswaterstaat and all the Dutch authorities to learn more about how to live with water in a time of climate emergency.

One of my favourite examples of this is the International Network for Storm Surge Barriers, or I-STORM. I-STORM allows organisations operating storm surge barriers in different countries – other members include the Venice Water Authority and the US Army Corps of Engineers – to share best practice, peer review each other's work and strive for excellence. It shows that even when it comes to unique, place-based structures like the Thames Barrier in London and Maeslantkering in the Netherlands, international collaboration is extremely valuable.

Storm surge barriers are important for protecting key hubs of economic activity from the impacts of the climate crisis. But, that economic activity itself could also be doing more to drive down emissions and prepare for the coming storms.

In the UK alone £3 trillion is invested in pensions. If you are lucky enough to be in a pension fund, or a stocks and shares ISA, your money will be invested, but many people don't realise this.

A new initiative led by the filmmaker Richard Curtis – called Make My Money Matter – is encouraging people to look at their pension, and make sure it reflects their values. Moving to a more sustainable fund can have 27 times as much impact in reducing your carbon footprint than giving up flying and becoming a vegan combined. That doesn't mean that those choices are 27 times less important – far from it – but it illustrates an untapped wellspring of people power. The Make My Money Matter campaign found out that 68 percent of UK savers want their investments to consider people and planet alongside profit. You don't have to switch pension – it's about starting a conversation – helping people find out where their money is invested, and pushing the whole industry to provide more options.

At the Environment Agency Pension Fund, we recently surveyed our members, and found:

- 88 percent wanted their pension invested in sustainable and low carbon assets.
- 7 in 10 members thought climate change will present a financial risk to

investments in their lifetime.

- And, generally, the younger the member, the greater they saw this risk to be.

We place great emphasis on investing in sustainable products. For example, companies that:

- produce cleaner energy,
- better transport,
- greener offices,
- greener alternatives to plastics,
- or grow things in a way that is better for the environment.

But we also invest in mainstream everyday companies like supermarkets, food companies and car manufacturers. When we do, we expect our fund managers to ask questions about what that company is doing to improve their environmental performance.

Investing in assets that help the environment does not mean taking a hit on returns. The Environment Agency Pension Fund has shown that sustainable, resilient, well-run companies are more likely to perform better in the long run. We now have one of the best-funded pension fund schemes across Government, and were recently chosen for the second year running by the PRI as a global leader in responsible investment.

While there are established markets in clean technology, many nature-based adaptation solutions are also needed between now and 2030 to keep global warming below 2°C. For example, protecting forests on indigenous lands sequesters carbon dioxide, and protects 80 percent of global biodiversity. For cities, an annual investment of \$100 million in urban tree planting could create enough shade to cut average temperatures by 1°C for 77 million people around the world.

Failure to adapt will result in an unconscionable human and economic toll. But it's not just about avoiding risks, it's also about long-term returns and healthier development. In the Netherlands, instead of building ever higher levees, the Room For The River strategy has been adopted to live with water instead of fighting it. The country moved dikes inland, widened rivers, raised bridges, dug flood channels and added river catchment areas. Now the River Rhine can safely carry 1,000 cubic meters of water per second more than before. And this has also helped create new public infrastructure, parks and recreational spaces.

In Canada the \$2 billion Disaster Mitigation and Adaptation Fund is helping communities better manage risks from floods, wildfires, and droughts through investment in natural and constructed infrastructure. Twenty five million dollars of this is restoring saltmarshes and improving dykes along the Bay of Fundy in Nova Scotia. The project will reduce coastal flooding for tens of thousands of people, businesses, world heritage sites, indigenous communities, and more than 20,000 hectares of farmland.

In Niger, farmers have led reforestation efforts by boosting crop yields, improving soil fertility and lifting communities out of poverty. Tree cover has soared ten-fold and the daily time spent gathering firewood – a task that mainly falls to women – has dropped from three hours to 30 minutes. Mexico has identified and designated water reserves in more than one-third of its river basins, covering nearly 50 million hectares. These reserves are a mix of protected areas and wetlands that help maintain adequate downstream flows, and protect the water supply for 45 million people.

In England, the Environment Agency is helping green projects attract private sector investment to tackle climate change and restore nature. In Greater Manchester, we are part of a project that aims to increase the city's green infrastructure 10 percent by 2038. The IGNITION program is looking to create at least €10 million worth of projects that incentivize organizations to invest in nature-based solutions. This kind of urban planning and regeneration enables increased physical activity and connectivity with the environment, helping people's health and well-being as well as increasing prosperity.

The Global Commission on Adaptation says that compared with traditional infrastructure, nature-based solutions deliver more jobs per dollar, higher economic returns, and are faster to implement and more sustainable in the long run.

For example:

- Restoring mangrove forests that protect from sea level rise and storm surges is 2 to five times cheaper than building engineered structures
- And wetland ecosystems provide services worth up to \$15 trillion around the world, including flood protection, fisheries habitat and water purification.

Through its Nature-Based Solutions Action Track, the Global Commission on Adaptation is bringing attention to nature's largely untapped role in adaptation. Results from the Action Track will be showcased at the virtual Climate Adaptation Summit – which will also be hosted by the Dutch Government on 25 January 2021, a key moment in the run up to the UK hosted COP26.

Before I go I would like to mention one more thing that the Environment Agency Pension Fund is doing that you – as pension fund experts – could do. We are reducing the carbon in our pension fund's supply chain as part of the EA's approach to becoming a net zero organisation by 2030. We are putting a binding carbon reduction clause into the contract for our new fund administration. We have set out how those bidding for the contract need to measure their carbon, and the percentage this must be reduced each year. We recognise that each organisation will start from a different point on its carbon reduction journey, but... if the supplier does well and beats the targets, they are rewarded financially, with at least half of this amount expected to be spent on green or diversity projects.

On 27 February, Sir David Attenborough spoke at the launch the COP26 Private

Finance Agenda hosted by the former Governor of the Bank of England, Mark Carney, he said:

I make no pretence to understand the complexities of the global financial system, but in a lifetime of observing the natural world I do have some understanding of the equally complex natural systems that underpin our civilizations and trade.

And I can tell you first hand that those systems are collapsing and anything built upon their assumed future stability is on very shaky foundations indeed.

The market for natural infrastructure and resilient development is growing. We are pioneering Nature-Based Solutions mechanisms to enable the finance sector to shift investment towards nature-positive activity. The Netherlands and the UK have a close working relationship in preparing for climate change, but international collaboration is vital well beyond the North Sea. That doesn't just mean governments writing agreements at international conferences. It means steady long-term gains for people investing in a pension. Portfolio managers need to quantify and plan for physical risk around climate change. It will connect your pension funds with the public who increasingly demand action. And, it's the right thing to do.

Thank you very much.