

Case study

Climate resilient water infrastructure in China

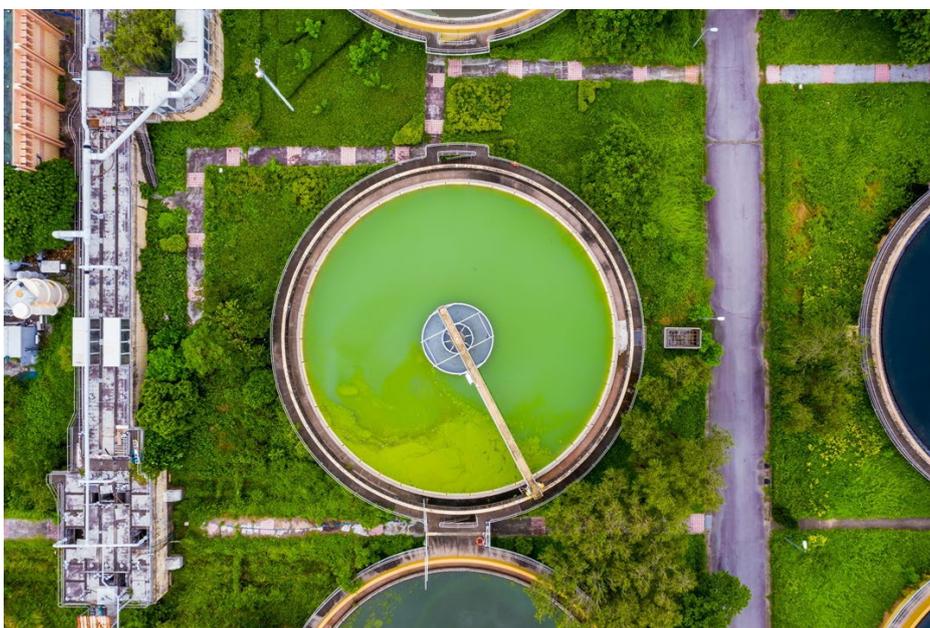
We have shares in over 1,500 companies internationally.

One of our long-standing asset managers is Impax Asset Management. Impax are specialists in investing in the opportunities arising from the transition to a more sustainable economy. As such, we use their expertise and research capability to pick the best companies for our portfolio of shares. Both the EAPF and Impax place great importance on ensuring that the companies in our portfolio understand and manage the physical risks from climate change. One of the best ways to do this is to meet directly with the company and discuss this issue with them.

In 2019 and 2020 Impax met several times with a Chinese wastewater treatment and water supply service provider in our portfolio. The plan was to better understand the extent to which the company manages its exposure to physical climate risk and how well-prepared they are for it.

Initially the company shared some location-specific data about its business. From this, Impax used its in-house modelling and scenario analysis to assess the Chinese company's exposure to physical climate risks.

Impax were able to show that the most significant risks for the company were water supply and excessively hot weather, affecting approximately 10% of its plants in China. Other more localised risks for the company were, for example, sea level rises affecting certain treatment plants in coastal regions.



Although the company was aware of some of the issues around climate change, Impax provided evidence of the company's direct exposure to physical climate risk, which was shown to pose a tangible long-term risk to the business.

The company appreciated the analysis and has since provided Impax with additional plant-locations for further analysis. Impax and the company are now working together to identify the best way to manage the physical impacts from climate change.