FOR YOUR FUTURE

2016 AGM
FOR YOUR FUTURE
2015/16 Overview & Governance

Richard McIndoe
Director SPFO
LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) – Governance Model

MANDATORY ROLES

- Responsible Authority
  (Scottish Ministers)

OTHER STAKEHOLDERS

- Scheme Advisory Board
- SPPA
- COSLA
- GAD
- Employers
- Other Advisors
  (E.g. actuaries, audit)
- LGPC, CIPFA, PLSA
  etc.

Pension Boards

Scheme Members

(Mandating Authorities)

Glasgow City Council
City of Edinburgh Council
Aberdeen City Council
Dundee City Council
Scottish Borders Council
Dumfries & Galloway Council
Falkirk Council
Fife Council
Highlands Council
Orkney Islands Council
Shetland Islands Council

The Pensions Regulator

Responsible Authority

(E.g. actuaries, audit)

Employers

Other Advisors

LGPC, CIPFA, PLSA
etc.
Pensions and Lifetime Savings Association
DB Taskforce – Call for Evidence

Figure 1: Active Members of Occupational Pension Schemes: By Sector, 1953 to 2013

Source: Occupational Pension Schemes Survey, Office for National Statistics
FIGURE 2: REGULATION AND DB DECLINE - CAUSE AND EFFECT?
2015/16 Overview

1st April 2015: £15.75 billion

Q1: 20 item agenda
    4 new investments (£130m)
    End value £15.73 billion

Q2: 17 item agenda
    2 new investments (£25m)
    End value £14.89 billion

Q3: 17 item agenda
    2 new investments (£69m)
    End value £15.64 billion

Q4: 25 item agenda
    7 new investments (£845m)
    End value £16.06 billion
Administration

Linda Welsh
Pension Scheme Manager
Agenda

• LGPS 2015
• Performance
• Communications
• What’s next?
Agenda

- LGPS 2015
- Performance
- Communications
- What’s next?
SPFO Membership

<table>
<thead>
<tr>
<th>Year</th>
<th>Active</th>
<th>Deferred</th>
<th>Pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Val</td>
<td>90,856</td>
<td>38,810</td>
<td>58,924</td>
</tr>
<tr>
<td>2011 Val</td>
<td>85,188</td>
<td>45,977</td>
<td>65,484</td>
</tr>
<tr>
<td>2014 Val</td>
<td>87,430</td>
<td>46,541</td>
<td>70,482</td>
</tr>
<tr>
<td>Mar-16</td>
<td>92,717</td>
<td>50,545</td>
<td>73,012</td>
</tr>
</tbody>
</table>
SPFO Performance

Deferred Data Changes Retirement Quotes Retirals Early Leavers TV In TV Out

% Achieved % Target

Deferred: 97.18 90
Data Changes: 99.11 95
Retirement Quotes: 61.54 80
Retirals: 75.9 80
Early Leavers: 92.92 9
TV In: 100 85
TV Out: 94.01 90
## Employers Performance

<table>
<thead>
<tr>
<th>Service Standard</th>
<th>% achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>New start good quality data (Local Authority Employers)</td>
<td>62%</td>
</tr>
<tr>
<td>Electronic notification of changes received (Local Authority Employers)</td>
<td>60%</td>
</tr>
<tr>
<td>Prior notice of retirement (2 months)</td>
<td>66%</td>
</tr>
<tr>
<td>Submission of year-end contribution return by the 20th May</td>
<td>63%</td>
</tr>
<tr>
<td>Remittance of employee and employer contributions by the 19th of the month following deduction (Local Authority Employers)</td>
<td>98%</td>
</tr>
</tbody>
</table>
Data Cycle

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Joiners</th>
<th>Leavers</th>
<th>Combined exception rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>1,870</td>
<td>2,015</td>
<td>4.32</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>1,312</td>
<td>1,896</td>
<td>3.58</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>957</td>
<td>1,385</td>
<td>2.59</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>727</td>
<td>912</td>
<td>1.77</td>
</tr>
</tbody>
</table>
Agenda

- LGPS 2015
- Performance
- Communications
- What’s next?
FOR YOUR FUTURE
Latest updates: Quarterly Committee Meeting (7 March 2016)
23,787 employees completed registration, 25.6% of membership.

8,101 of deferred members completed registration, 16.0% of membership.

11,260 of pensioner members completed registration, 15.4% of membership.

20% of total membership completed registration.
Agenda

- LGPS 2015
- Performance
- Communications
- What’s next?
What’s next?

The Pensions Regulator

automatic enrolment

Are you ready?

GMP

reconciliation services

6 April 2016

i-Connect
Actuarial Focus on Employer Issues

Strathclyde Pension Fund 2016 AGM

- Catherine McFadyen
- Steven Law
- 21 June 2016
Actuarial Focus on Employer Issues

- Awarding Authorities & Outsourcing
- Steven Law

- Employers – Hot Topics
- Catherine McFadyen
Outsourcing – Pension Funding

Awarding Authority before transfer

80% funded

Liab £100

Assets £80

Deficit £20

Transfer to contractor

100% funded

Liab £20

Assets £20

Awarding Authority after transfer

75% funded

Liab £80

Assets £60

Deficit £20
Outsourcing – Providing a Guarantee

Contractor position at leaving

Option 1 – Pay the balance

Option 2 – Absorb into Awarding Authority’s position

- 80% funded
  - Liab £80
  - Assets £60
  - Deficit £20

- 76% funded
  - Liab £80
  - Assets £60
  - Deficit £20

- 80% funded
  - Liab £20
  - Assets £16
  - £4

- 76% funded
  - Liab £20
  - Assets £16
  - £4
Uncertainty Destroys Value
Options – Contractor viewpoint

- **Traditional**
  - Contributions volatile
  - Cessation deficit unknown

- **Partial Passthrough**
  - Lower contributions but volatile
  - Lower cessation but unknown

- **Full Passthrough**
  - Contributions known
  - No cessation deficit
Where the risks lie

Traditional Outsourcing
- Small risk of future deficits
  - All pension risks

Partial Pass-through
- Higher risk of future deficits
  - All pension risks – but greater protection at cessation

Full Pass-through
- All pension risks
  - Little pension risk

Awarding Authority

Contractor
Employers – Hot topics
Hot topics

» Managing pension disclosures in accounts (FRS102 / IAS19)
» Early retirements strain payments
» Cessation issues
### FRS102 / IAS19

<table>
<thead>
<tr>
<th></th>
<th>31 March 2016</th>
<th>31 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit increases</td>
<td>2.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Salary increases</td>
<td>4.2%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Discount rate</td>
<td>3.5%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

- Results volatile (improved for a change)
- Stability and predictability is difficult
- Employers can tailor assumptions
Normal retirement

- Lump Sum
- Pension
- Spouse

Contribution Income

Age

35

68

Death
Early retirement strains can be substantial!
Cessations
Cessations

Principles

• No remaining employer is required to make good a shortfall attributable to an exiting employer’s membership (unless an explicit guarantee is in place)

Practice

• Standard approach is a gilts based valuation (to **reduce investment risk**) and make additional allowance for potential future improvements in longevity (to **reduce longevity risk**)
Cessations

Example Calculations

• Cost to exiting employers - increases liabilities by 20%-50% compared with an ongoing basis

<table>
<thead>
<tr>
<th></th>
<th>Ongoing</th>
<th>Cessation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>£100k</td>
<td>£100k</td>
</tr>
<tr>
<td>Liabilities</td>
<td>£97k</td>
<td>£130k</td>
</tr>
<tr>
<td>Surplus</td>
<td>£3k</td>
<td>£(30k)</td>
</tr>
</tbody>
</table>

What can an Employer do to manage an impending cessation?

• Find a scheme employer to be your guarantor
• Plan over time

What if an Employer can’t afford to stay in and can’t afford to leave?

• No easy answer
• Close, direct contributions saved towards the deficit.
If it affects your staff – it affects your pension costs
Thank you

Any questions?
Financial Overview

Paul Murphy
Finance Manager
Agenda

• 2015/16 Annual Accounts
  – Fund Account
  – Return on Investments and
  – Net Assets Statement

• Current and previous year movement and trends

• Future
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2016
## 2015/2016 Annual Accounts Members

### FUND INCOME

<table>
<thead>
<tr>
<th>£m</th>
<th>Description</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>373</td>
<td>Contributions receivable from employers</td>
<td></td>
<td>391</td>
</tr>
<tr>
<td>113</td>
<td>Contributions receivable from employees</td>
<td></td>
<td>117</td>
</tr>
<tr>
<td>6</td>
<td>Transfers in</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>1</td>
<td>Other income</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>493</strong></td>
<td></td>
<td><strong>513</strong></td>
<td></td>
</tr>
</tbody>
</table>

### FUND PAYMENTS

<table>
<thead>
<tr>
<th>£m</th>
<th>Description</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>389</td>
<td>Pensions</td>
<td></td>
<td>397</td>
</tr>
<tr>
<td>99</td>
<td>Lump sums and Death Benefits</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>24</td>
<td>Payments to and account of Leaver</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td><strong>512</strong></td>
<td></td>
<td><strong>523</strong></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Net Reduction from dealings with members</td>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>
Fund Account

• Members income £513m (up 4%)

• Pensions Expenditure £523m (up 2%)

• Net reduction £10m
Total Income from Members and Employers

£m

- 2011/12
- 2012/13
- 2013/14
- 2014/15
- 2015/16
Total Expenditure from Dealing with Members

£m

<table>
<thead>
<tr>
<th>Year</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>500</td>
<td>550</td>
<td>500</td>
<td>550</td>
<td>500</td>
</tr>
</tbody>
</table>
Net Additions from Dealing with Members

£m

2011/12 2012/13 2013/14 2014/15 2015/16
## 2015/16 Accounts – Return on Investment

<table>
<thead>
<tr>
<th>£m</th>
<th>RETURNS ON INVESTMENTS</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>Investment income</td>
<td>229</td>
</tr>
<tr>
<td>(95)</td>
<td>Management expenses</td>
<td>(93)</td>
</tr>
<tr>
<td>1,727</td>
<td>Change in market value of investments</td>
<td>174</td>
</tr>
<tr>
<td><strong>1,832</strong></td>
<td><strong>Net returns on investments</strong></td>
<td><strong>310</strong></td>
</tr>
<tr>
<td><strong>1,813</strong></td>
<td><strong>Net movement in the Fund during the year</strong></td>
<td><strong>300</strong></td>
</tr>
</tbody>
</table>

**ADD**

<table>
<thead>
<tr>
<th>£m</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>13,945</strong></td>
<td>Opening net assets as at 1st April</td>
</tr>
</tbody>
</table>

**EQUALS**

<table>
<thead>
<tr>
<th>£m</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>15,758</strong></td>
<td>Closing net assets as at 31st March</td>
</tr>
</tbody>
</table>
Return on Investments

- Net Returns on investment £310m
- 2% Return on assets
- Investment income of £229m comprises largest element of return on investments
## 2015/16 Annual Accounts – Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2014/15 £m</th>
<th>2015/16 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>7,383</td>
<td>7,660</td>
</tr>
<tr>
<td>Pooled Investment Vehicles</td>
<td>6,418</td>
<td>6,238</td>
</tr>
<tr>
<td>Derivative Contracts</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Property</td>
<td>1,379</td>
<td>1,571</td>
</tr>
<tr>
<td>Cash and Other</td>
<td>573</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,764</td>
<td>16,035</td>
</tr>
<tr>
<td><strong>Investment liabilities</strong></td>
<td>(42)</td>
<td>(30)</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td>82</td>
<td>99</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>(46)</td>
<td>(46)</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>15,758</td>
<td>16,058</td>
</tr>
</tbody>
</table>
Financial Summary

• Net Assets increased £15.8bn to £16.1bn

• Highest ever Net Assets value

• Triennial revaluation 94.3%. Intervaluation 86.1%
Closing Net Assets of the Fund

£m

- 2011/12
- 2012/13
- 2013/14
- 2014/15
- 2015/16
5 Year Summary

• Reversed trend of reducing members income for second year in a row

• Increasing expenditure

• Leads to deficit but Returns on Investment sufficient to cover this

• Net Assets increasing for seventh year in a row
Future

- Similar pattern in 2016/17 for Fund Account

- Market conditions and investments

- Auto-enrolment expected to return fund account to a surplus due to increased income from 2017/18

- Cost for employers from 2017 that should be in budget

- Possibly 20,000 new members due to auto-enrolments
## Future Fund Income and Expenditure

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions</strong></td>
<td>510</td>
<td>546</td>
<td>579</td>
<td>11</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td>517</td>
<td>535</td>
<td>553</td>
<td>3</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>-7</td>
<td>11</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>
Investment

Jacqueline Gillies
Chief Investment Officer
Agenda

• Investment Performance
  • Current Investment Strategy
  • Investment Performance 2015/16

• Investment Strategy Changes

• Direct Investment Portfolio
Investment Strategy

Long term strategic benchmark

- Equity: 75.0
- Bonds: 15.0
- Property: 12.5

Asset allocation
31 March 2016

- Equity: 72.6
- Bonds: 12.1
- Property: 12.1
- Cash: 3.2
**Investment Strategy**

### Mandate Type

- **Multi-asset passive**: 42.5%
- **Global Equity**: 35.0%
- **Specialist Mandates**: 22.5%

<table>
<thead>
<tr>
<th>Manager</th>
<th>Mandate</th>
<th>Target %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal &amp; General</td>
<td>Multi asset passive</td>
<td>42.5</td>
</tr>
<tr>
<td>Baillie Gifford</td>
<td>Global equity</td>
<td>12.0</td>
</tr>
<tr>
<td>Lazard</td>
<td>Global equity</td>
<td>4.5</td>
</tr>
<tr>
<td>Veritas</td>
<td>Global equity</td>
<td>3.0</td>
</tr>
<tr>
<td>Oldfield Partners</td>
<td>Global equity</td>
<td>3.0</td>
</tr>
<tr>
<td>DTZ</td>
<td>UK property</td>
<td>10.0</td>
</tr>
<tr>
<td>Partners Group RE</td>
<td>Global property</td>
<td>2.5</td>
</tr>
<tr>
<td>PIMCO</td>
<td>Absolute return bonds</td>
<td>7.5</td>
</tr>
<tr>
<td>Pantheon</td>
<td>Private equity</td>
<td>5.0</td>
</tr>
<tr>
<td>Partners Group</td>
<td>Private equity</td>
<td>2.5</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>Overseas smaller cos</td>
<td>2.5</td>
</tr>
<tr>
<td>Henderson</td>
<td>UK smaller companies</td>
<td>2.5</td>
</tr>
<tr>
<td>Genesis</td>
<td>Emerging markets equity</td>
<td>2.5</td>
</tr>
<tr>
<td>Direct Investment Portfolio</td>
<td>Direct investment</td>
<td>5.0</td>
</tr>
</tbody>
</table>
Investment Performance


- FTSE All Share
- FTSE North America
- FTSE Europe ex UK
- FTSE Japan
- FTSE Asia Pacific ex Japan
- FTSE Emerging Markets
- FTSE All Stock
- FTSE Index Linked
- iBoxx Corporates
- IPD Property
Investment Performance

Fund performance for year ended 31 March 2016

- **Fund Return**: 2.1%
- **Fund Benchmark**: 0.3%
- **WM All Funds Universe**: 0.8%
- **Actuarial Assumed Return**: 4.9%
- **Consumer Price Index**: 0.5%
- **Average Earnings**: 1.8%
# Investment Performance: Manager Summary

<table>
<thead>
<tr>
<th>Manager</th>
<th>Annual Return (%)</th>
<th>Benchmark Return (%)</th>
<th>Relative Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal &amp; General</td>
<td>-0.9</td>
<td>-0.6</td>
<td>-0.3</td>
</tr>
<tr>
<td>Baillie Gifford</td>
<td>-0.9</td>
<td>-5.8</td>
<td>5.2</td>
</tr>
<tr>
<td>Lazard</td>
<td>-3.9</td>
<td>-1.2</td>
<td>-2.7</td>
</tr>
<tr>
<td>Veritas</td>
<td>6.4</td>
<td>-1.2</td>
<td>7.7</td>
</tr>
<tr>
<td>Oldfield</td>
<td>-8.2</td>
<td>-1.2</td>
<td>-7.0</td>
</tr>
<tr>
<td>Genesis</td>
<td>-6.9</td>
<td>-7.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Henderson</td>
<td>3.7</td>
<td>4.1</td>
<td>-0.4</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>4.5</td>
<td>1.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Pantheon</td>
<td>11.4</td>
<td>-3.9</td>
<td>16.0</td>
</tr>
<tr>
<td>Partners Group (Private Equity)</td>
<td>22.4</td>
<td>-3.9</td>
<td>27.4</td>
</tr>
<tr>
<td>Direct Investment Portfolio</td>
<td>11.9</td>
<td>-3.9</td>
<td>16.4</td>
</tr>
<tr>
<td>PIMCO</td>
<td>-0.2</td>
<td>0.7</td>
<td>-0.9</td>
</tr>
<tr>
<td>DTZ</td>
<td>14.7</td>
<td>13.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Partners Group (Real Estate)</td>
<td>16.5</td>
<td>11.7</td>
<td>4.3</td>
</tr>
<tr>
<td>PIMCO</td>
<td>-0.2</td>
<td>0.7</td>
<td>-0.9</td>
</tr>
<tr>
<td>Legal &amp; General (EM Future)</td>
<td>-12.2</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>TOTAL FUND</td>
<td>2.1</td>
<td>0.3</td>
<td>1.9</td>
</tr>
</tbody>
</table>
Investment Performance

3 Yearly Returns to 31st March (% p.a)

-2.0 -1.5 -1.0 -0.5 0.0 0.5 1.0

-10.0 -5.0 0.0 5.0 10.0 15.0 20.0

-10.0 -15.0 -20.0

Fund Return
Benchmark Return
Relative Excess Return
Investment Performance

Long Term Performance

- 3 Year Annualised
- 5 Year Annualised
- 10 Year Annualised

- Fund Return
- Relative Return
- WM All Funds Universe
- Consumer Price Index
- Average Earnings
The current objectives of the investment strategy are to achieve:
• a greater than 2/3 probability of being 100% funded by 2026; and
• a less than 10% probability of falling below 70% funded over the next three years.

The Fund has adopted a risk–based framework, where assets are grouped into 5 broad categories, each with an average expected return, volatility and set of correlations:

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Alt 1</th>
<th>Alt 2</th>
<th>Alt 3</th>
<th>Alt 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>72.5</td>
<td>62.5</td>
<td>52.5</td>
<td>42.5</td>
<td>32.5</td>
</tr>
<tr>
<td>Credit</td>
<td>3.0</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Hedging/Insurance</td>
<td>4.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>S/T Enhanced Yield</td>
<td>7.5</td>
<td>15.0</td>
<td>20.0</td>
<td>25.0</td>
<td>30.0</td>
</tr>
<tr>
<td>L/T Enhanced Yield</td>
<td>12.5</td>
<td>15.0</td>
<td>20.0</td>
<td>25.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Return (% p.a.)</td>
<td>6.1</td>
<td>6.0</td>
<td>5.9</td>
<td>5.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Volatility (% p.a.)</td>
<td>13</td>
<td>12</td>
<td>11</td>
<td>10</td>
<td>9</td>
</tr>
</tbody>
</table>
Investment Strategy Changes

• **Equity (November 2015)**
  • Revised regional and manager allocations for the Fund’s quoted equity portfolios agreed

• **Short-term Enhanced Yield**
  March 2016
  • £450m multi-asset credit mandates: £300m to Babson Capital and £150m to Oak Hill Advisors
  • Investments in Alcentra Clareant European Direct Lending Fund II (£150m) and Babson Global Private Loan Funds (£150m)
  • Move from PIMCO PARS II to the PIMCO PARS III strategy

June 2016
  • Review of opportunities in Emerging market debt

• **Hedging Insurance and Credit (June 2016)**
  • Sale of UK Gilt exposure, reducing Hedging/ Insurance allocation to 1.5% of total Fund,
  • Increase credit allocation to 6% of total Fund, with 50% allocation to global corporate bonds
Direct Investment Portfolio

• Established 2009 to invest in opportunities that the Fund cannot access through its institutional investment manager structure

• Originally called the New Opportunities Portfolio, this strategy was re-launched as the Direct Investment Portfolio (DIP) in November 2015. Target size of portfolio has grown gradually to current 5% total Fund.

• Since November 2015, DIP has used the Fund’s risk based framework as basis for reviewing investment opportunities.
Direct Investment Portfolio

DIP 2016 summary

Commitments by asset type (£m)

- Committed
- Drawn
- Distributed
- NAV

Commitments: vintage year (£m)

- 2004
- 2006
- 2010
- 2011
- 2013
- 2014
- 2015
- 2016

Commitments by sector (£m)

- Renewable Energy
- Credit
- Infrastructure
- Property
- Growth Capital
- Supported Living
- Venture Capital
Direct Investment Portfolio

- During 2015/16, Committee agreed the following 11 new commitments:

  - £30m to Temporis Onshore Wind Fund, for the development of UK mid-scale wind projects.
  - $50m to the Markham Rae Trade Capital Partners Fund
  - £20m to the Muzinich UK Private Debt Fund, a direct lending fund focussed on small and medium sized companies (SMEs).
  - An additional £10m to Albion Community Power, who build, own and operate small-scale renewable energy plants across the UK
  - £15m to Panoramic Growth Fund II, which will invest in later stage growing SMEs across the UK.
  - £19m to Alpha Real Capital’s Project Iron Sky, the development of a biomass plant in Perthshire.
  - €50 to NTR Project Gael, for investment in UK and Irish on-shore wind
  - £20m to latest fund from Scottish Equity Partners, SEP V
  - £50m to the Pensions Infrastructure Platform’s UK Multi-strategy Infrastructure Fund.
  - An additional £25m to Clydebuilt, a property fund focussed on investment in the Strathclyde area.
  - £50m to the UK Green Investment Bank, for investment in Offshore Wind Fund LP
Resonance British Wind Energy LTD

Total fund size  £100m
DIP investment  £10m

• Resonance is an established fund which invests in existing operational small scale onshore wind assets. These are spread across the UK from the Outer Hebrides to the Midlands.

• Government figures show renewables breaking new records and electricity bills are coming down.

• Figures at 31 March show Scotland generated the equivalent of more than half its electricity need from renewable sources.
Epidarex Capital II

Total fund size       £47.5m
DIP investment       £5m

- Epidarex invest in all areas of health science including biotechnology, medical devices and pharmaceuticals, personalized medicine and diagnostics, as well as healthcare IT and services.

- It is a leading international venture capital firm with £47.5 million under management to lead investments in early-stage life science and health technology companies, including spin-outs from leading research universities.

- The fund has a particular focus on potential investments emanating from research and development activity with the Universities of Glasgow, Edinburgh and Aberdeen, three of Scotland’s top research universities.
Iona Environmental Infrastructure LP

Total fund size  £70m
DIP investment  £10m

• The fund develops and runs anaerobic digestion plants across the UK. This involves breaking down organic products of varying types (farm waste, silage, commercial food waste, etc.) through a digestive process in tanks, with the main eventual output being methane, which can either be injected directly to the grid or used to generate electricity.

• With the UK producing over 100 million tonnes of organic material per year which has the potential to generate biogas and renewable energy, much of this material from the local authorities’ waste collection is being directed to landfill sites across the UK as waste.

• If the Biogas from this waste was harnessed it could make a significant contribution towards meeting the UKs renewable energy targets for 2020.
Aberdeen UK Infrastructure Fund

Total investment £189.5m
DIP investment £27.5m

• The fund’s existing projects are spread across a variety of infrastructure sectors, including hospitals, waste management, roads maintenance and housing, with two of these in Scotland:
  – The Dumfries and Galloway Royal Hospital and
  – The M8 maintenance project

• Dumfries and Galloway Royal Infirmary is the main hospital in Dumfries. The hospital serves both the town of Dumfries and the entire catchment area of South West Scotland, with a population of at least 147,000.
Summary

- Fund value increased to highest ever level; despite fall in equity markets, strong alternative asset and property performance led to positive returns overall

- Direct investment portfolio continues to grow; renewables, infrastructure and debt main sources of opportunity in 15/16

- Strategy proposals agreed and implementation underway
Responsible Investment

Richard Keery
Investment Manager SPFO
Responsible Investment

- Richard Keery – Investment Manager SPFO
- Tom Wright – Baillie Gifford
  Kieran Murray – Baillie Gifford
- Karl Smith – Green Investment Bank
Guiding Principle - As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios.

The Fund’s active ownership approach can be divided into four distinct areas:

- Voting Globally
- Engagement Through Partnerships
- Shareholder Litigation
- Impact Investing
Corporate Governance – voting
- 51,080 resolutions at 4,816 company meetings
- 100% of total votes lodged (UK & Overseas)
- 89% of votes in support of management

Voting Results 2015/16 United Kingdom
- 98% Votes For
- 2% Votes Against
- 0% Votes Abstentions

Voting Results 2015/16 Executive Remuneration
- 79% Votes For
- 21% Votes Against
- 0% Votes Abstentions

Voting Results 2015/16 Overseas
- 87% Votes For
- 12% Votes Against
- 1% Votes Abstentions

Responsible Investment
Responsible Investment

2015/16 ESG - Engagement topics

- Slave labour
- Protection of endangered species
- Human rights
- Factory farming emissions
- Inhumane weapons
- Fossil fuel to renewables
- Tax transparency
- Oil and gas exploration and extraction in the Arctic
- Corporate corruption
- Fire & building safety in Bangladesh garment industry
- Safety initiatives in the Oil & Gas industry

- Executive remuneration
- Labour rights
- UK Corporate Governance Code
- Mine safety
- Climate change
- Child Labour in the cocoa industry
- The Living Wage
- Water rights
- Farm animal welfare
In August 2015, in response to a motion passed by Glasgow City Council, the Strathclyde Pension Fund Committee considered a report setting out the feasibility, cost and benefits of fossil fuel divestment. The report concluded:

- **Investment Restrictions**
  Restricting investment opportunity will tend to **increase volatility and may impair investment returns**. It also **reduces investor ability to engage and influence**.

- **Active Management**
  The Fund’s external investment managers make **decisions on investment value and incorporate environmental, social and governance considerations**. The Fund’s active managers continue to make selective fossil fuel related investments.

- **Fiduciary Duty**
  To justify fossil fuel divestment the committee would need to be satisfied that there would be no adverse financial implications from such a course of action. On the evidence available, the **benefits of divestment are questionable**, there would **definitely be a cost and the overall impact in terms of investment returns could be significant**.
Responsible Investment

“overall impact in terms of investment returns could be significant.”

The world’s most successful company!

$1 invested in 1968

$6,638

S&P 500

$87
Altria Group, Inc. (formerly Philip Morris Companies Inc.) is one of the world's largest tobacco and cigarette manufacturers.
During a century of innovation, progress, and scientific advancement, no industry did better than tobacco.

- $1 in the average American industry was worth $38,255 by 2010.
- $1 invested in tobacco stocks in 1900 was worth $6.3 million by 2010.

“may impair investment returns.”

California Public Employees’ Retirement System’s (CalPERS) divested in 2000. Cost of Tobacco divestment approximately $3 billion. Total divestment cost $8bn. Currently assessing whether it should move back into the sector.

“definitely be a cost”
“benefits of divestment are questionable”

- International Energy Agency (IEA) forecasts world energy consumption to grow 33% by 2040. Non-OECD countries account for all the increase.

- Fossil fuels are expected to continue supplying the majority of the world’s energy needs.
“benefits of divestment are questionable”

- Prof. Drew Faust, President of Harvard University. “Divestment pits concerned citizens and institutions against companies that have enormous capacity and responsibility to promote progress toward a more sustainable future.”

- The largest single reduction in emissions worldwide to date is rooted in the shift from coal to gas in U.S. electricity generation.
80% of the world’s oil supply is controlled by private and state owned oil companies.

Bill McNabb, CEO of Vanguard Asset Management, “if divestment campaigners succeed, the only outcome would be to create a new generation of private oil barons. You would take something that was public and transparent and make it private and opaque, and a wealth creation vehicle for a small group of individuals.”
Responsible Investment

“reduces investor ability to engage and influence”

“The biggest company you’ve never heard of”
- David Koch

2nd largest privately held company in the USA, worth $115 billion - 100% privately owned – no public shareholders.

Primary business - Importing and refining oil & gas
25% of Canadian oil sands imports to the U.S. from 1.1 million acres of Alberta tar sands oil fields - direct holdings nearly double ExxonMobil's and nearly triple Shell's. – by far the most carbon heavy source of fossil fuel.

Over 300 oil spills in one five year period.

24 million metric tons of greenhouse gases a year. Greater than oil giants Chevron and Shell.

In 1999, the largest wrongful-death judgment of its type in U.S. history.

Found guilty by a federal jury of stealing oil from Native American lands.

100% privately owned – no public shareholders – no engagement or influence
“engage and influence”

Mike Hulme - Professor of Climate - Change School of Environmental Sciences University of East Anglia - “I do not believe divestment will bring about action on climate change......Instead, it diverts campaigning and political attention away from the multiple causes of climate risk and removes potential allies from positions of shareholder influence.”

- Member of the Local Authority Pension Fund Forum (LAPFF)
  - 64 local authority pension funds from across the UK
  - combined assets of over £160 billion.

- 2015 support for ‘Aiming for A’ investor coalition which co-filed climate related shareholder resolutions at the BP and Shell 2015 AGMs. The resolutions received 98% and 99% shareholder support respectively.

- 2016 support for ‘Aiming for A’ investor coalition by backing climate related shareholder resolutions at the Rio Tinto, Anglo American and Glencore 2016 AGMs. The resolutions received 99%, 95% and 98% shareholder support respectively.

- Most recently the ‘Aiming for A’ investor coalition challenged Exxon Mobil and Chevron with a series of resolutions aimed at encouraging stronger actions to battle climate change.
100% renewable electricity globally by 2025.

Committed to 100% renewable electricity by 2020.

Interim goal of sourcing 40% renewable electricity by 2020.

100% renewable in Europe and the US.

Target of 100% electricity from renewables by 2030.

Committed to 100% electricity from renewable energy. Goal of 7,000 GWh of renewable energy globally by the end of 2020.

**RE100** - collaborative initiative supporting companies that make a public pledge to switch to 100% renewable electricity for their international operations.

Industry accounts for around half of the world’s electricity consumption, switching this demand to renewables would accelerate the transformation of the global energy market and aid the transition to a low carbon economy.

“engage and influence”

**AstraZeneca**

Committed to 100% renewable electricity by 2020.

**Coca-Cola Enterprises**

Interim goal of sourcing 40% renewable electricity by 2020.

**hp**

100% renewable in Europe and the US.

Target of 100% electricity from renewables by 2030.

**Unilever**

Committed to 100% electricity from renewable energy. Goal of 7,000 GWh of renewable energy globally by the end of 2020.

**Walmart**
Livestock farming produces more global greenhouse gases than the transport sector.

Factory farming contributes 30 percent of global methane emissions and 65 percent of nitrous oxide emissions.

75 percent of soybean production, which is a major contributor to deforestation and climate change, is used to feed livestock.

Farm Animal Investment Risk and Return (FAIRR) – Collaborative initiative of 50 investors covering $1.5 trillion in assets to encourage analysis and engagement around the long-term risks that factory farming poses to portfolios.

“engage and influence”
Carbon Disclosure Project Carbon Action - Collaborative initiative to accelerate company action on carbon reduction and energy efficiency activities.

In 2015, 304 investors with US$22 trillion in assets under management asked 1300 companies across 17 high emitting industries to take three specific actions in response to climate change:

- Make emissions reductions (year-on-year); with
- targets publicly disclosed; and
- positive investments in projects


- 145% increase in companies responding
- 130% increase in the number of emissions reducing projects
- 121% increase in investments in emissions reducing projects
- 77% increase in emissions reductions
The Asset Owners Disclosure Project (AODP)

Global Climate 500 Index

- Rates the world’s 500 largest asset owners on their success at managing climate risk within their portfolios.
- Strathclyde Pension Fund is ranked at 34 in the 2016 Global Climate 500 Index, up from 149 in 2015.
- Year on year improvement due to climate change engagement initiatives and investment in renewable energy through the Direct Investment Portfolio.

Responsible Investment
Trucost carbon audit of equity portfolios.
Addressing the Funds exposure to climate change risks.
Strathclyde Pension Fund AGM

Kieran Murray and Tom Wright

21 June 2016
Baillie Gifford

Asset management partnership, based in Edinburgh

Managing assets for Strathclyde Pension Fund since 1996

Currently run £1.87bn in a global equity (ex US) portfolio

Long-term approach
WHAT IF IT'S A BIG HOAX AND WE CREATE A BETTER WORLD FOR NOTHING?

- ENERGY INDEPENDENCE
- PRESERVE RAINFORESTS
- SUSTAINABILITY
- GREEN JOBS
- LIVABLE CITIES
- RENEWABLES
- CLEAN WATER, AIR
- HEALTHY CHILDREN
- ETC. ETC.
How do we Incorporate Climate Change into the Investment Process?

Long-term, active investment philosophy and bottom-up research approach

Increasing resources of specialised Corporate Governance team

A robust ESG research agenda:
— Sustainable Production
— Governance for Growth
— Modern Living
— Climate Change
ACWI ex-US Portfolio Investment in Carbon Intensive Industries

2011

- Typical Carbon Intensive Industries
- Oil, Gas and Coal
- Remainder

2016

- Typical Carbon Intensive Industries
- Oil, Gas and Coal
- Remainder
Why is Climate Change and ESG Part of our Investment Process?

We invest in long-term sustainable growth companies

It is our responsibility as stewards of your capital

It can highlight opportunities as well as risks
UK Green Investment Bank plc ("GIB")
UK Green Investment Bank plc: Introduction

100% Owned by the UK Government

£3.8bn Capital to invest in green projects

Mobilise private sector investment

Accelerate the UK’s transition to a green economy

85 Specialist investors and technical experts

Independent Board
Chaired by Lord Smith
GIB’s Role

Our vision: green and profitable

Our task: crowding-in capital

Our markets:

- Offshore Wind
- Waste & Bioenergy
- Energy Efficiency
- Community Scale Renewables
We have committed **£2.6bn** of capital to **around 70 projects**
Our investments have mobilised **£10.6bn** to support new infrastructure investment

- We have invested in **every** part of the UK, in all of our sectors and using all our financial products
- We have backed **large** and **small projects**; from a CapEx of **£0.1m** to over **£1.5bn**
- We have set up **8 funds**, with **£510m**, to back small projects
- We have backed 6 local authority, 12 commercial and 7 anaerobic digestion waste projects
- We’ve invested **£1.3bn** in 9 offshore wind projects, including construction equity
- We are building a market in energy efficiency, including 3 streetlight conversions and 5 NHS projects
- Our investments will cut greenhouse gas emissions equivalent to taking 2.1 million cars off the road
- Our investments will save 2.2 million tonnes of waste from landfill
- Our investments will produce enough renewable electricity to supply 4.6 million homes
GIB OSW Fund: Year in Review
A market leading team

Fund is managed by a dedicated and experienced team with access to GIB’s OSW Team, Senior Management Team and the wider GIB platform

Head of OSW Fund

Karl Smith

- 16 years in industry
- Previous experience at Hideal Partners, Babcock & Brown, ABN Amro, KPMG and Macquarie

Team overview

- Dedicated team of 6 fund personnel
- Experience in fund management, investment banking and fund operations
- Access to wider GIB platform
- Dedicated solely to the fund interests

Previous employers

Key relationships

- Goldman Sachs
- Centrica
- Hanergy
- CICC
- Citi
- Societe Generale
- Babcock & Brown
- Macquarie
- RWE
- Siemens
- BlackRock
- Stadtwerke München

Intra-group Services Agreement

- Investment Banking
- Capital Markets
- Portfolio Management
- Finance
- Legal
- Compliance
- Policy
- Risk
In 2014, the UK Green Investment Bank plc (“GIB”) announced its intention to establish a new subsidiary, UK Green Investment Bank Financial Services Limited (“GIBFS” or the “Manager”), to raise a £1bn fund to acquire equity stakes in operating offshore wind projects in the UK.

By the end of the 2015/16 financial year, the Fund is well established having raised £818m of capital from seven investors and has acquired interests in five assets.

The remainder of the calendar year looks to be just as eventful as the Manager works towards the Fund’s Final Close and reaching its £1bn target.
Overview of Fund Performance

- UK Green Investment Bank Offshore Wind Fund L.P. and any parallel partnerships (the “Fund” of “OSW Fund”) is now well established, having raised £818m of capital and acquiring interests in five assets

### Fundraising
- Completed two closes within the year, raising £818m of capital from seven investors
- The Fund is the first in the world to be dedicated solely to investments in offshore wind power generation …
- … and following Second Close, is the largest renewable energy Fund in the UK

### Investment
- Completed the acquisition of five high quality assets in twelve months with different partners
- Results in the Fund being almost 90% invested within twelve months of First Close
- Lynn and Inner Dowsing acquisition represents the first UK offshore wind farms that are fully owned by non-utility investors

### Asset Management
- Assets are producing immediate cash yield for investors
- Generation inline with budget on average across the Fund

<table>
<thead>
<tr>
<th>Key Fund Performance Metrics (up to 31 March 2016 - unaudited)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund commitments</td>
<td>£818.0m</td>
</tr>
<tr>
<td>Number of investors</td>
<td>7</td>
</tr>
<tr>
<td>Total invested</td>
<td>£710.5m</td>
</tr>
<tr>
<td>Cumulative percentage invested</td>
<td>87%</td>
</tr>
<tr>
<td>Current valuation of the Fund</td>
<td>£721.7m</td>
</tr>
<tr>
<td>Cumulative amount of distributions received by the Fund¹</td>
<td>£21.4m</td>
</tr>
<tr>
<td>Cumulative amount of distributions paid by the Fund²</td>
<td>£11.0m²</td>
</tr>
<tr>
<td>Total Fund gross return</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

(1) Distributions paid to the Fund by the underlying assets via the Fund’s Special Purpose Vehicles ("SPVs"), gross of withholding tax and ignoring distributions made as part of the Second Close equalisation.

(2) The difference in distributions received to distributions paid for the period is primarily attributed to £4.2m in cash at the Fund level, £4.0m of General Partner Share, £1.6m of expenses and £0.6m of spend on investments in excess of contributions drawn.
Portfolio Overview and Performance
Rapid Deployment of Capital: Current Portfolio

- The Fund has already invested nearly 90% of the commitments raised to date, representing c.£710m
- The Fund has completed the acquisition of five high quality operating assets with different partners

<table>
<thead>
<tr>
<th></th>
<th>Rhyl Flats</th>
<th>c.£55m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Details</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>North Wales</td>
<td></td>
</tr>
<tr>
<td>Date Acquired</td>
<td>Apr-15</td>
<td></td>
</tr>
<tr>
<td>OSW Fund Stake</td>
<td>24.95%</td>
<td></td>
</tr>
<tr>
<td>Equity Co-Investors</td>
<td>RWE, Greencoat</td>
<td></td>
</tr>
<tr>
<td>Nameplate Capacity</td>
<td>90MW</td>
<td></td>
</tr>
<tr>
<td>Turbine Type</td>
<td>Siemens-3.6-107</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Gwynt y Mor</th>
<th>c.£189m</th>
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<tbody>
<tr>
<td><strong>Investment Details</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>North Wales</td>
<td></td>
</tr>
<tr>
<td>Date Acquired</td>
<td>Oct-15</td>
<td></td>
</tr>
<tr>
<td>OSW Fund Stake</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Equity Co-Investors</td>
<td>RWE, Siemens, Stadtwerke munchen</td>
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</tr>
<tr>
<td>Nameplate Capacity</td>
<td>576MW</td>
<td></td>
</tr>
<tr>
<td>Turbine Type</td>
<td>Siemens-3.6-107</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Sheringham Shoal</th>
<th>c.£233m</th>
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</thead>
<tbody>
<tr>
<td><strong>Investment Details</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>South East England</td>
<td></td>
</tr>
<tr>
<td>Date Acquired</td>
<td>Apr-15</td>
<td></td>
</tr>
<tr>
<td>OSW Fund Stake</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Equity Co-Investors</td>
<td>Statkraft, Statoil</td>
<td></td>
</tr>
<tr>
<td>Nameplate Capacity</td>
<td>316.8MW</td>
<td></td>
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<tr>
<td>Turbine Type</td>
<td>Siemens-3.6-107</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Lynn and Inner Dowsing</th>
<th>c.£233m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Details</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>East England</td>
<td></td>
</tr>
<tr>
<td>Date Acquired</td>
<td>Mar-16</td>
<td></td>
</tr>
<tr>
<td>OSW Fund Stake</td>
<td>60.75%</td>
<td></td>
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<tr>
<td>Equity Co-Investors</td>
<td>Blackrock</td>
<td></td>
</tr>
<tr>
<td>Nameplate Capacity</td>
<td>194.4MW (97.2MW each)</td>
<td></td>
</tr>
<tr>
<td>Turbine Type</td>
<td>Siemens-3.6-107</td>
<td></td>
</tr>
</tbody>
</table>
Diversified Portfolio

- The Fund’s portfolio is split across five maturing assets with different partners and is diversified in terms of operating age and location.

**PORTFOLIO BREAKDOWN BY CAPITAL INVESTED**

- Rhyl Flats
- Lynn
- Inner Dowsing
- Gwynt y Mor
- Sheringham Shoal

**PORTFOLIO LOCATION & AGE**

- Rhyl Flats
- Gwynt y Mor
- Lynn
- Inner Dowsing
- Sheringham Shoal

**PORTFOLIO BREAKDOWN BY ASSET CAPACITY (FUND’S SHARE)**

- Rhyl Flats
- Gwynt y Mor
- Lynn
- Inner Dowsing
- Sheringham Shoal
Portfolio Performance Summary (unaudited)

- The Fund’s assets have performed well from a technical and operational perspective with all assets reporting above budget availability for the year.
- Financial performance at the project level has been impacted by below budget power price and the removal of the LEC benefit.
- However, solid investment cases result in high project returns and cash yield for the Fund.

### PORTFOLIO PERFORMANCE APRIL 2015 TO MARCH 2016

<table>
<thead>
<tr>
<th>Availability</th>
<th>Generation</th>
<th>EBITDA</th>
<th>Cash Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio</td>
<td>2.0%</td>
<td>(0.1%)/4.3%</td>
<td>(13.1%)/8.0%</td>
</tr>
</tbody>
</table>

1) Includes capital invested for Lynn and Inner Dowsing and includes £1.1m of indemnities paid by Sheringham Shoal in May 2016 for works relating to 2015/16 period.
2) Includes generation and subsequent revenue lost due to an export cable fault on Gwynt y Mor, which is likely to be received under the project’s business interruption insurance.
Portfolio Green Performance

- The Fund targets commercially viable investments which also demonstrate a significant ‘Green Impact’
- The GIB group has a market leading approach to assessing, monitoring and reporting the Fund’s portfolio performance and each project must make a material contribution to at least one of GIBFS’ five green purposes

<table>
<thead>
<tr>
<th>Green impact of the fund’s portfolio in year</th>
<th>Year ended 31 Mar 2016</th>
<th>Equivalent to powering</th>
<th>595,000 homes for a year</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions reduction (t CO2e ‘000)</td>
<td>748</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable energy generated (GWh)</td>
<td>2,433</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future estimated average annual green impact of the Fund’s portfolio at year end</th>
<th>Year ended 31 Mar 2016</th>
<th>Equivalent to taking</th>
<th>288,000 cars off the road each year for the remaining life of the projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions reduction (t CO2e ‘000)</td>
<td>621</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable energy generated (GWh)</td>
<td>3,566</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1) The above tables set out a summary of green performance for the Fund portfolio for the 2015/16 financial year and report 100% of projects’ green impact. Each project’s green performance is reported since the Fund’s acquisition. GIB also reports the green performance of the Fund’s asset in its annual report and discloses a proportion of projects’ performance on an allocated basis, as detailed in the Green Impact Reporting Criteria, as opposed to a 100% of the project share.
2) GIB reports metrics for green impact as an indicator of the principal environmental benefits arising from its portfolio of investments and this same methodology has been applied to the Fund portfolio. The green impact statements should be read in conjunction with GIB’s methodology for calculating green impact, the details of which are set out in GIB’s Green Impact Reporting Criteria 2015/16, a copy of which is published on GIB’s website.
3) GIB also reports on the forecast and actual performance of assets held by the Fund, in accordance with the GIB Green Reporting Criteria, and includes these figures in its portfolio green impact reporting in the GIB annual report (using January to December data). The actual performance of GIB’s total portfolio, as reported in GIB annual reports, is calculated based on January to December generation and selected disclosures are independently assured by Deloitte in accordance with the Independent Assurance Report published in each GIB annual report.
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Any Questions?