



Environment Agency  
Pension Fund

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# Getting to net zero and building resilience

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# Contents

**The drivers**

**The science**

**The targets**



**This PDF is interactive**

Use the top bar and buttons on this page to navigate the document





# The drivers

## Clean, biodiverse and climate-resilient

We want to limit climate change by reducing emissions but we also want our investments to be resilient to future climate change and to protect nature.

## Ambition

We want to set stretching targets, while keeping our pension fund well financed and fit for the long-term.

## Science

We want our approach to be guided by respected international evidence on climate change and we will keep this under review.

## Milestones

We want to set interim targets so that we know we are on track to get to net zero by 2045.

## Our membership

Our members want us to act with urgency and ambition. They want us to maximise the positive impact we can make.

# 92%\*

of members who took part in an engagement event in July 2020 told us that they thought it important that the Fund has a net zero target.

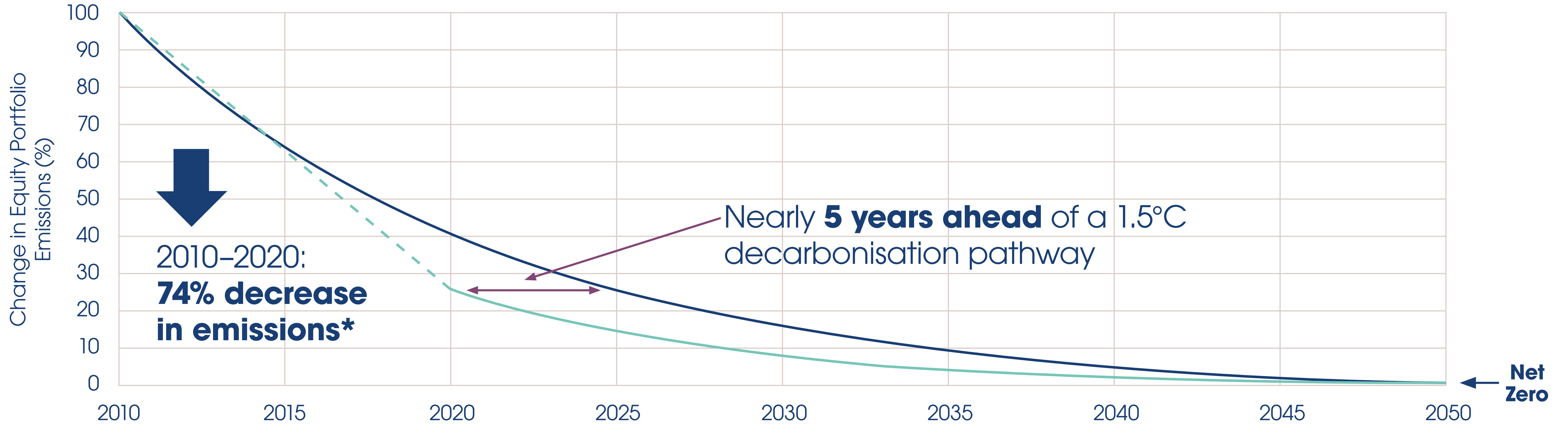
\*Results of those who stated it was very important or quite important, based on 82 people who answered this question.



## The science

Our long track record in considering environmental issues in our investment portfolio has given us a good head start to get to net zero.

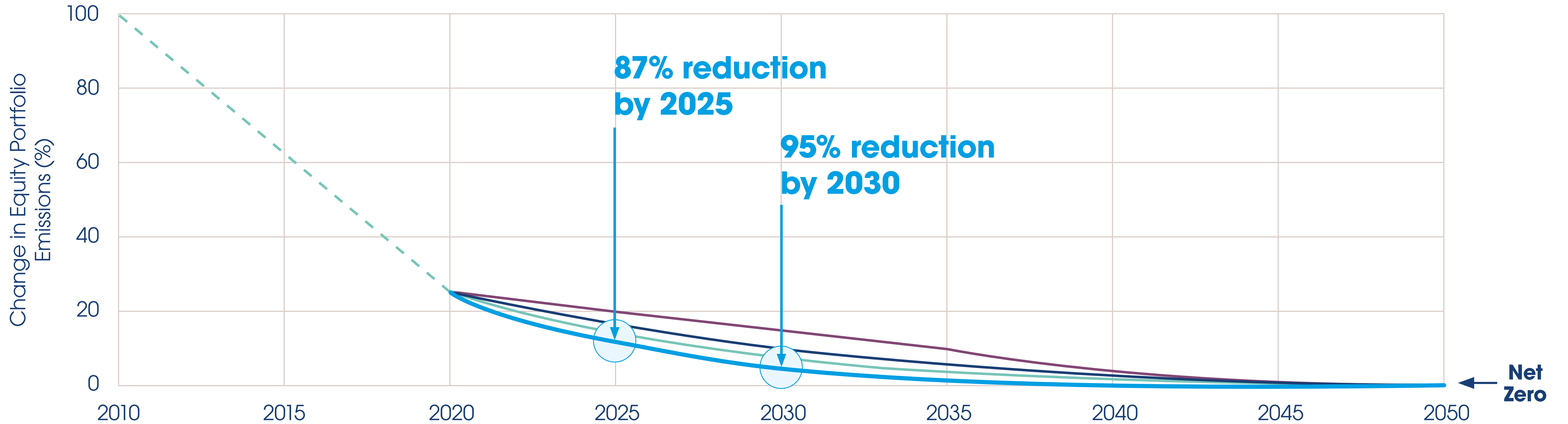
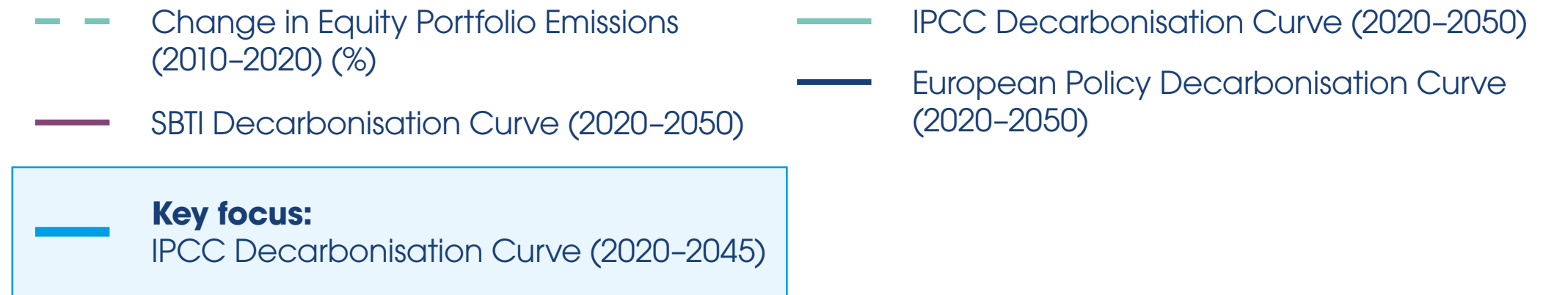
- Change in Equity Portfolio Emissions 2010–2020 and beyond (%)
- Net Zero Target Decarbonisation Curve (%)



\*Scope 1 and 2 emissions

## Our path to net zero

We looked at a number of internationally-recognised scenarios to decarbonise our portfolio and chose the most ambitious one.





# Reduce emissions



## Targets

# 2045

Net zero by 2045

# 2030

Halve emissions by 2030

# 87%

Reduce our listed equity emissions by 87% by 2025 and 95% by 2030

## Actions

- Measure emissions across the portfolio
- Move to Paris-aligned benchmarks by 2030
- Deny debt if not Paris-aligned unless climate change covenant in place



# Invest in green solutions



## Targets

**33%**

of our investments in sustainable assets (in line with FTSE environmental markets classification system or other recognised environmental criteria).

**17%**

of our investments directly tackle climate change by 2025, for example providing a lower carbon option or a solution to help society tackle climate change.

## Actions

- Fund low carbon transition and adaption measures
- Invest in nature based solutions
- Align targets with EU taxonomy



# Engage



## Targets

### Invest

Invest in the whole economy so all sectors turn greener.

### Act

This is the decade of delivery. All companies must act now.

### Reduce

Reduce reliance on unproven technology.

## How we will do this

- Through asset managers
- Use 100% of our votes
- Support shareholder actions
- Selective disinvestment
- Improve company disclosure



# And some issues we considered along the way...



## **Fiduciary Duty**

Climate change presents a material financial risk to the Fund. We must act in the best long-term interests of members.

## **Data gaps**

We do not have all the information we need to understand the full emissions from our portfolio. We need to keep this under review as company disclosures and methodologies improve.

## **Fossil fuels**

We want to see all carbon intensive companies, including fossil fuel companies, manage their risks from climate change. If after engagement, individual companies are not meeting the targets in the Paris Agreement, we support selective disinvestment.

## **Employer net zero targets**

We have separate targets from our employer due to our differing legal and financial duties.

## **Offsetting**

We do not plan to offset at Fund level at this stage. Some companies we invest in may offset and some may provide offsetting opportunities for others.





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