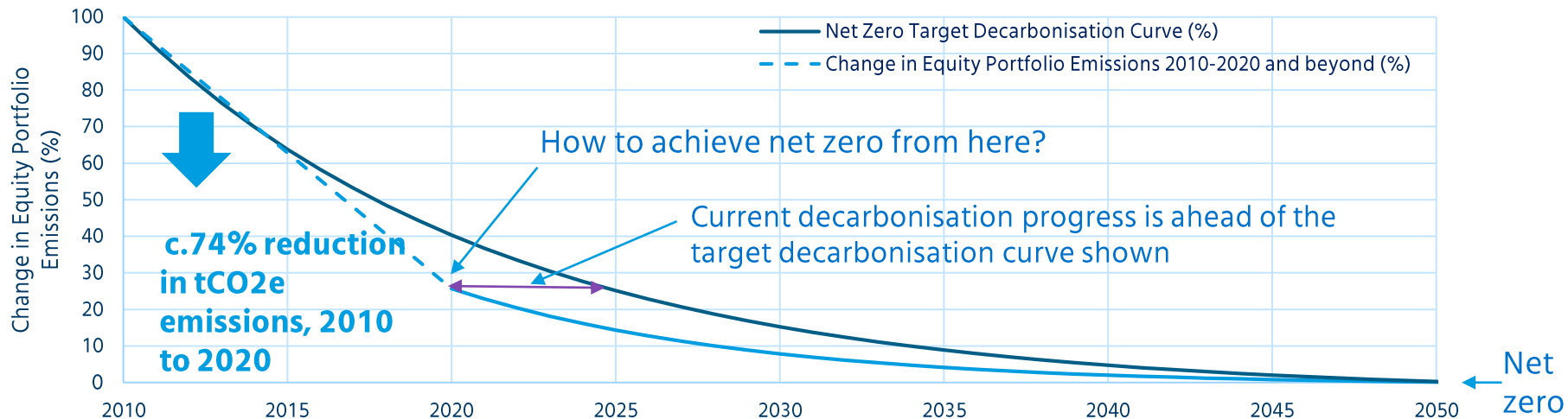


An aerial photograph of a wind farm. Several white wind turbines are visible, rising above a thick layer of white clouds. The sky is a mix of blue and white, with some light rays breaking through the clouds. The overall scene is clean and modern, representing renewable energy.

# Environment Agency Active Pension Fund (“EAPF”) Summary: Decarbonisation Target Setting

December 2020

# Environment Agency Active Pension Fund Decarbonisation Journey to Date – Listed Equity

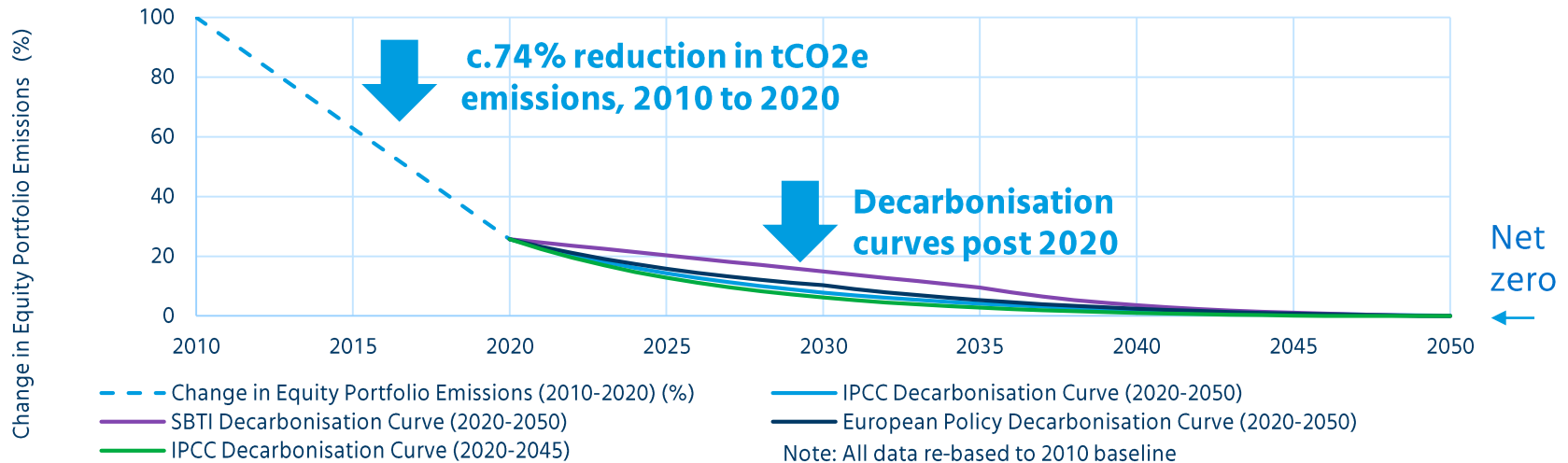


- EAPF is in the process of developing a Net Zero approach for the Fund’s investment strategy. This summary presentation explores setting science-based, and policy-based, decarbonisation targets for the listed equity portfolio, as part of this work. EAPF has undertaken this work as a valued member of Mercer’s Future Maker Working Group that is made up of investors committed to advocating for and creating the investment conditions that support a “well-below 2<sup>0</sup>C scenario” outcome.
- On an absolute basis, the Fund’s listed equity portfolio has reduced its Scope 1 and 2 emissions (measured in tonnes of carbon dioxide equivalents, tCO<sub>2</sub>e) by c.74%, between 2010 to 2020. This is particularly impressive as the value of the equity portfolio has risen 94% to £1,250m over the period. Please note carbon footprint data is subject to a number of assumptions and limitations including lack of data coverage. Analysis does not include Scope 3 emissions.

Source: MSCI, Mercer, EAPF and investment managers. Data as at 31 March 2010 and 2020. Carbon footprint analysis focuses on the listed equity portfolio. For more information on Mercer’s Analytics for Climate Transition framework, a new climate change solution to help investors transition to a 1.5°C climate scenario see: <https://www.mercer.com/newsroom/mercer-launches-new-climate-change-offering-to-help-investors-transition-to-a-climate-scenario.html>.

# Environment Agency Active Pension Fund

## Decarbonisation Methodology and Results– Listed Equity



- The chart above summarises analysis undertaken for EAPF exploring net zero decarbonisation target setting for the Fund’s listed equity portfolio. As part of this work we measured decarbonisation progress between 2010-2020.
- We use three different approaches to set decarbonisation targets to 2025 and 2030, consistent with net zero by 2045 or 2050 (the “decarbonisation curves”) based on:
  1. IPCC Decarbonisation Curve consistent with a 1.5<sup>0</sup>C scenario (2010 baseline). For this curve we analyse net zero targets to both 2045 and 2050.
  2. Science Based Targets initiative’s (SBTi) Decarbonisation Curve consistent with a 1.5<sup>0</sup>C scenario (2020 baseline).
  3. European Policy Decarbonisation Curve (2020 baseline).

**The IPCC Decarbonisation Curve, consistent with net zero by 2045, is the most ambitious option. Building on EAPF’s decarbonisation actions taken to date, this pathway targets equity portfolio emissions reductions of c.87% by 2025 and c.95% by 2030 using 2010 as a baseline.**

Source: MSCI, Mercer, EAPF and investment managers. Data as at 31 March 2010 and 2020. The analysis focuses on the listed equity portfolio. Decarbonisation curves are calculated by Mercer but informed by the three approaches. For more information on Mercer’s Analytics for Climate Transition framework, a new climate change solution to help investors transition to a 1.5<sup>0</sup>C climate scenario see: <https://www.mercer.com/newsroom/mercer-launches-new-climate-change-offering-to-help-investors-transition-to-a-climate-scenario.html>

# Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2020 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

Although Mercer's information providers, including without limitation, **MSCI ESG Research Inc.** and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see [www.mercer.com/conflictsofinterest](http://www.mercer.com/conflictsofinterest) Mercer

Mercer Limited is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales No. 984275.  
Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU

