The 20 largest UK pension schemes failing to set net zero targets

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Make My Money Matter

Overview

Research from Make My Money Matter has previously shown that 70% of the largest UK pension schemes have failed to make robust net zero commitments.*

Today, our new analysis reveals the largest 20 schemes which have still not set net zero targets.** These 20 schemes – including many sponsored by household name brands – represent an astonishing £200 billion of UK pension money.

Based on market averages investments this size could enable 24 million tonnes of carbon each year.*** This equates to the carbon footprint of more than 3 million UK citizens.****

Ironically, many of these 20 schemes are sponsored by high-profile brands which have set net zero targets for their corporate businesses. This contradiction means that the billions managed by these corporate pensions could be directly undermining the steps taken by those businesses to tackle climate change.

The list of the UK's 20 largest pension schemes (in alphabetical order) which are yet to set net zero commitments:

1. BMW Operations Pension Scheme
2. Boots Pension Scheme
3. BP Pension Fund
4. British Airways Pension Schemes (Airways Pension Scheme and New Airways Pension Scheme)
5. British Coal Staff Superannuation Scheme
6. British Steel Pension Scheme (Tata Steel)
7. Centrica Pension Schemes
8. Diageo Pension Scheme
9. Ford Salaried; Hourly Paid Contributory & Senior Staff Pension Funds
10. IBM Pension Plan
11. ICI Pension Fund
12. Lothian Pension Fund
13. Mineworkers' Pension Scheme
14. Northern Ireland Local Government Officers' Superannuation Committee
15. Prudential Staff Pension Scheme Defined Benefit Section
16. RWE Group pension scheme
17. Santander Group Pension Scheme
18. Shell Contributory Pension Fund
19. Vodafone Group Pension Scheme
20. Zurich Financial Services UK Pension Scheme

The list of schemes which have not set net zero goals includes the following corporate sponsors:

- **BMW, which has an organisational 2050 net zero target, including a 40% reduction in emissions generated by its vehicles by 2030.**
- **Boots, which is committed to achieve complete net zero emissions by 2040.**
- **Ford, which has committed to reaching carbon neutrality by 2050, including reducing absolute emissions from its global operations by 76% by 2035.**
- **IBM, which has committed to achieve net zero by 2030, and met its target to reduce carbon emissions by 40% by 2025 six years early in 2019.**
- **Vodafone, which has a target to reach net zero by 2040, including fully abating scope 1 and 2 emissions, and halving scope 3, by 2030.**

The stark contrast in some cases between action on corporate sustainability and lack of net zero commitments by their pension schemes highlights the enormous, untapped potential of pension investments in tackling climate change.

Make My Money Matter believes if we are to tackle the climate crisis, this power must urgently be harnessed. As a result, Make My Money Matter calls on all pension schemes - particularly those listed above - to take immediate action and set robust net zero goals, and for all businesses to integrate pensions into their sustainability strategies.

The research also includes two local government schemes – Northern Ireland Local Government Officers' Superannuation Committee and Lothian Pension Fund – which have yet to make net zero commitments despite a number of other local government schemes having done so.

Conclusion

With £2.7 trillion in UK pensions – the power of these investments is extraordinary. But often, without us knowing, this money is invested in ways that are destroying the planet. From funding fossil fuels to driving deforestation, our money not only contradicts our values, but it also jeopardises the very futures we want to retire into.

That's why Make My Money Matter is calling for **all pension schemes to make robust net zero commitments - including halving emissions by 2030 - set firm targets, develop clear plans, and begin immediate implementation for real world impact.**

In taking these steps, all pension schemes can demonstrate they are prepared to listen to climate science, respond to the demand of pension members, protect our savings and take advantage of the economic opportunities presented by the green transition.

Additional Context

- We recognise that Defined Benefit (DB) schemes can face different challenges to, for example, Defined Contribution (DC) master trusts in setting climate targets, for example where a scheme is heavily de-risked such schemes may have a skew to asset classes where there is less data, and less ability to influence climate outcomes and portfolio alignment. However, the recent commitments from the schemes of Royal Mail, Co-op and Marks and Spencer – building from the net zero by 2040 target of BT's Corporate DB pension scheme in 2021 – demonstrates that challenges are not insurmountable.
- We recognise that the transition to net zero will be approached differently by different schemes, and that some which have not yet made net zero commitments may still be taking action and developing plans. Despite this, we believe this activity must be complemented by robust net zero targets if we are to tackle the worst effects of climate change.
- We recognise that many schemes will soon be publishing mandatory reports in line with the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD). We would call for all schemes to ensure that any targets published within these reports align to 1.5 degrees and include interim targets.

Process

This analysis was conducted between December 2021 and June 2022. It involved outreach to the schemes in January 2022, as well as follow up contact between March and April, in order to provide opportunity for each scheme to inform us on their net zero policy. We also conducted desk-based research looking at available resources in order to establish which had publicly documented a net zero target.

Sources

*Previous research report from MMMM.
**Largest schemes sourced from this report.
***MMMM report on carbon emissions of UK pension sector.
****Using Route2's analysis as part of the MMMM 21x report which showed that the UK average individual annual carbon footprint equates to 7.02 tonnes.

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