The Green Pensions Guide
for organisations committed to Making their Money Matter
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With thanks to KIT Consulting for helping us create this guide.
Introduction

If you’re here, it’s because you know just how important your workplace pension scheme can be in building the world we all want to retire into.

Like a growing number of organisations, you might be putting time and resources into making sure you are becoming more sustainable. However, your pension could be undoing all that work behind your back.

Shocking? Don’t worry, that’s what we are here for.

At Make My Money Matter we believe that our money is one of the most important tools we have in building towards a more sustainable future. But we also know that pensions can be scary, confusing and inaccessible.

That’s why we’ve developed this toolkit for employers – the first of its kind – to help you align your pension with your values, and make sure it complements your organisation’s sustainability commitments.

In this guide, you will find:

- Information on what our campaign is trying to do and why it’s so important
- Steps you can take to make your pension more sustainable
- Creative ideas to engage your employees and colleagues on this issue
- Useful evidence on the business case for green pensions

Purpose of this toolkit

- To inspire organisations to tackle the climate emergency by aligning their pension to their values and turbo-charging their impact
- To support organisations – through guidance, tools and resources – to unlock the hidden power of their pensions and build a better world
- To identify the different stakeholders within your organisation who can engage your pension scheme in different ways
- To showcase best practice for Defined Benefit (DB) and Defined Contribution (DC) schemes, and give examples of how others are making their money matter

It really is time for people to make their money matter. It’s time for green pensions. It’s time to be proud of our pensions. It’s time for pensions to help create a world that we all want to retire into and that we want our children to grown up into. And businesses are the necessary heroes in this journey. The public needs you to be brave and take the lead.

Richard Curtis, filmmaker and Make My Money Matter co-founder.
The Power of Pensions

What we’re campaigning for

The decision on where we keep, save and invest our money is more powerful than we think. In fact, the decisions on where we put our money today will shape our lives and impact future generations for decades to come.

There’s £2.6 trillion invested in UK pensions.¹ That’s money which could be helping deliver the Paris Climate Goals, funding critical green infrastructure or ensuring our economy ‘builds back better’ post-Covid.

But while investing in many vital businesses, UK pension schemes have also been fuelling some of the most unsustainable and exploitative industries on the planet. To deliver the pension promises made to their members, pension schemes have traditionally focussed just on financial risk and return, without considering the impact of these investments on the environment and society. As a result, trillions of pounds have been invested into industries from tobacco to fossil fuels, weaponry to gambling, without ever asking the crucial question: do these investments create a world that we actually want to live in?

That’s why we’re calling on all organisations to have a green pension that helps save for their employees’ future and build a better world for us all. After all, what’s the point of having a pension in a world on fire?

It is crazy that our banks and our pensions are investing in fossil fuels, when these are the very things that are jeopardising the future we are saving for.

Sir David Attenborough, naturalist and broadcaster.

¹ Office for National Statistics
All organisations have a critical role to play

The last few years have seen a major shift in the way businesses think and speak about their work; with values, purpose and sustainability driven organisations rising to the fore. But despite these shifts, workplace pensions – and the billions invested thorough them each year – often remain misaligned with this vision.

Without realising it, your pension scheme might be undermining the critical steps you’re taking through your sustainability strategies. Your organisation might champion clean-living, but fund deforestation through its pension scheme. You might offer good working conditions for your employees whilst your scheme invests in companies with child labour in their supply chains. You might be cutting the carbon footprint in your offices, while your scheme is funding the world’s worst polluters. You might be committing to vegan meals in your canteen, but your scheme is funding factory farming.

Each year, £20 billion² is invested through workplace pensions, but a very small percentage of businesses align these contributions with their own sustainability targets. This is a huge gap, but more importantly an enormous opportunity for impact.

We’re working to transform this, and make sure green pensions become mainstream for all organisations committed to tackling the climate crisis.

Aligning your pension scheme with your sustainability goals is not complicated. In fact, it can be one of the most effective ways to make significant sustainability improvements within your business. You will need to carefully navigate how and who to engage about your workplace pension scheme, to preserve the required independence between you as sponsor and the scheme as fiduciary, but it is possible to work alongside trustees and pension providers to make your money matter.

With a large existing stock of legacy workplace Defined Benefit (DB) pension assets and auto-enrolment rapidly increasing the number of workplace Defined Contribution (DC) pension assets in the UK³, now is the time to establish a new normal for how employers think about their pensions and where their money is invested. If we ensured that everyone joining the workforce had a green pension – one committed to tackling the climate crisis, not fuelling the fire – and at the same time greened legacy pension assets, the impact could be extraordinary.

Put your money where you want the world to go. It is as simple and as powerful as that.

Christiana Figueres, Former Executive Secretary, United Nations Framework Convention on Climate Change. At the world’s first Pensions Party by Make My Money Matter.

2. Office for National Statistics, UK pension surveys  3. Defined Benefit and Defined Contribution pension schemes are simply explained by the UK Government
Why green pensions are good for business

Pensions are our hidden superpower – it’s time we used them to build a better world.

Good for business

Tackling climate change can create a competitive advantage for companies. Customers, shareholders, investors and employees are more likely to choose a business that is choosing to operate more sustainably and has adopted ambitious climate-related targets. But this advantage can be undermined if your pension is contradicting these activities and investing in the world’s largest polluters. Moving to a green pension can enhance – and help protect – your market reputation and show that you’re prepared to put your money where your mouth is.

Rising global temperatures pose a huge financial risk to the global economy and our investments, which pension providers in many jurisdictions legally must consider. Pension schemes can manage this risk by investing sustainably and targeting net zero greenhouse gas emissions in their portfolios and funds. Achieving ‘net zero’ means the amount of greenhouse gases, like carbon dioxide, being emitted matches the amount of carbon being removed from the atmosphere.

Recent reports evidence sustainable investing is also increasingly providing better returns than traditional investing, so this isn’t just a moral question – it’s a financial one too.

Good for your employees and how you attract and retain them

Engaging with your employees and educating them on their pensions empowers them on both the financial and sustainable outcomes of one of their largest personal assets. Providing this insight to employees is fundamental for any business that aims to be at the forefront of sustainable best practice.

More and more employees want to work with companies with strong values, where sustainability is front and centre, and where authenticity and transparency reigns. In light of this, a green pension, becomes a more attractive offer to recruit and retain your employees. You will also help your employees engage with their savings, because savers are more likely to take an interest in their money if they understand where it’s going and are confident that it’s doing good.

5. See UKSIF’s list of evidence, Morningstar’s 2020 report, and Tribe’s evidence for more information.
The majority of people (80%) have never considered whether their pension is contributing to climate change.

YouGov / Make My Money Matter Poll, 2021

Good for the world

Globally, our pensions are worth over $50 trillion. Imagine what that money could do if it was directed at combating climate change, rather than fuelling the fire. Every green pension takes us a step closer to a low-carbon economy and a world fit for our retirement.

Good for your impact

Every step you take to reduce emissions in your operations and supply chain is vital. But you can turbo-charge this impact by creating a green workplace pension scheme, too. Make My Money Matter’s recent research shows that an employee could be ramping up their impact by 21 times.

Your pension scheme is there for the benefit of your employees. It is a core component of your organisational structure and culture, and therefore a part of your overall carbon footprint. In promoting a green workplace pension, you can ensure the money you and your employees pay into it, is invested in alignment with your sustainability commitments and reduce your overall greenhouse gas emissions.

6. Thinking Ahead Institute, Global Pension Assets Study – 2021
7. AVIVA, Make My Money Matter, Route2, Pension fund carbon savings research, 2021
We've already seen how the climate crisis will dramatically alter the world – through wildfires, flooding, crop failure and much more. But if we take action now, we can make sure our money is helping build a world we actually want to retire in. This means, at a minimum, that every single pension scheme in the UK should commit to achieving net zero by 2050 – including a halving of emissions by 2030 – in line with the scientific advice underpinning the Paris Agreement.

We want you to help deliver this vision by committing to make your workplace pension scheme green. This means engaging with your employees, your trustees and/or your pension providers to ensure your pensions are invested sustainably and aligned with net zero targets.

As a first step, join our growing movement by signing up to the world’s first Green Pensions Charter.
What does a green pension look like?

As a result of changing regulations, growing public demand and the financial opportunities of green pensions, many providers and those in charge of managing pensions are beginning to make pension investments more sustainable. As these efforts increase, we want to see a race to the top in the fight to make our money matter.

To help deliver on this, we have outlined 4 key characteristics of a greener approach to pensions investments that you should encourage your trustees and / or provider to adopt:

1. Going net zero across the entire portfolio of pension assets, including a halving of emissions by 2030
2. Pension investments into climate change solutions (biodiversity, clean energy, regenerative farming, etc.)
3. Active engagement with investee companies to push them to reduce emissions
4. Controlled divestment from those companies or industries (such as coal) that have no intention to reduce their high emissions

What does a green pension look like?

What pensions do today, matters for all of us tomorrow.

Net zero emissions targets across the whole portfolio of pension assets

To reach net zero, we need to reduce emissions as far as possible, and match the remainder with activity that removes carbon dioxide, like planting forests. Or, even better, we need to get rid of greenhouse gas emissions completely. It is important to try to both reduce emissions as well as remove emissions already in the atmosphere. The diagram below illustrates the point.

Companies should engage with their trustees and/or pension providers to find out where the pension assets are currently invested and ask about its plans to become net zero across the portfolio. At a minimum, we believe pension schemes should be encouraged to regularly report to members (your employees) on the progress being made. Doing this will better align your pension to your company’s own sustainability and net zero goals, while also having a positive impact on the world you do business in. It will also demonstrate the level of commitment your pension provider and/or trustees have to cutting emissions across the whole of its portfolio and assets, which is far more powerful than them creating a separate, niche, climate friendly fund which only a few members will select.

This year, many of the largest pension providers have made strong commitments to reduce their greenhouse gas emissions by 2050, with interim goals to make sure this is achieved. For example, Aviva committed to net zero targets across their entire pensions business. This included a 60% emissions reduction target by 2030, and a full next zero target by 2040.

And since Make My Money Matter launched last year, we’ve also seen major pension providers like Nest, Scottish Widows, Aviva, Standard Life, Smart Pension, Cushon and others commit to going net zero by 2050 and halving emissions by 2030.

If your provider has made a net zero commitment, that’s great, but it doesn’t end there. As a key stakeholder, you can hold them accountable and make sure they deliver against these goals. You can find out how to do this in the next section.
Investments in climate solutions

There are funds which specifically target investments in companies and projects with a low carbon footprint (or, at least, which avoid companies with high carbon footprints). There are opportunities to invest specifically in green projects, for instance building wind farms or solar farms. And, there are opportunities to invest in the technology that will help tackle the climate crisis. In greening your pension, your trustees and / or pension provider should be actively and ambitiously exploring all these climate positive opportunities.

Case study: Nest invests in Octopus Renewables

Nest is the government backed pension DC ‘master trust’. It looks after £20 billion for more than 10 million members and, due to pension auto-enrolment, is ever growing in scale. Nest has pledged to be net zero in their default fund by 2050, with a halving of emissions by 2030. In 2019, they also became the first national fund to announce they would divest completely from tobacco.
They have now partnered with Octopus Renewables to invest £1.4bn in renewable infrastructure projects, such as solar and offshore wind farms.

Active engagement with investee companies to push them to reduce emissions

Due to the amount of money that they manage and the shareholdings they own or debt they finance, pension schemes and trustees are powerful influencers. Many believe the best way to improve the behaviour of underlying investee companies is to engage with them on critical issues, such as climate change. Those managing pension investments use their influence as major institutional investors to encourage companies to change their direction, policies or even personnel. For instance, an investment manager might use a shareholder vote to persuade the CEO of the company to commit to going net zero or link their salary to carbon reduction targets. The investment manager can also use potential divestment (selling stock and potentially impacting corporate share price) if the company does not change its behaviour.

And it's not just wealthy investors who can make their voices heard – new technologies and companies like Tumelo are enabling everyday savers to make their views heard through their pension schemes. Using Tumelo, pension scheme members can register their preferences regarding their investee company Annual General Meeting (AGM) votes and outcomes. As an employer, you can ask your trustees and / or provider if they use the app and give your employees the chance to make their voices heard!

Case study: ExxonMobil

Earlier this year, shareholders at US oil giant ExxonMobil successfully replaced three Exxon board members with ones more able to help drive the oil company towards a greener strategy. The move, led by activist investor fund Engine No.1 and backed by investor giants BlackRock (the world’s largest asset manager) and Legal & General (the UK’s largest asset management firm), is an example of a rise in active ownership related to sustainability issues, specifically on climate change.

9. Nest, Nest going net-zero to support green recovery, 2020
Divestment from companies or industries (such as coal) that have no intention to reduce their high emissions

If engagement doesn’t work, and underlying investee companies refuse to reduce greenhouse gas emissions or otherwise tackle climate change, then investors can divest from the company. In doing so, your trustees or pension provider will be helping reduce that company’s social license to operate. Selling down stock or withdrawing debt financing could impact a company’s share price and / or increase its cost of raising capital.

Controlled divestment demonstrates that there are consequences for companies who refuse to address the climate emergency. Furthermore, it protects your employees investments as the worst polluting companies, refusing to adapt, present some of the highest risks to long term investment future returns. It’s about your pension scheme using the power of your employees’ pension assets as a shareholder or provider of debt.

**Case study: New York Pension Funds**

Three of New York City’s five public employee pension funds have announced they’ll divest $4 billion from the worst polluting fossil-fuel companies to help tackle climate change and protect their members’ best interests. They have committed to ensuring this money shifts from the worst polluting companies, and into those which will build a healthy world.

**Case study: National Grid**

In the UK, the National Grid Pension Scheme chose to divest from coal by 2022 because it is the most carbon-intensive of energy sources and will become an obsolete sector. Beyond coal, they have warned other companies in which they invest, that if engagement for a sustainable transition is unsuccessful, it will take steps to divest.

People feel passionate about the environment but they don’t realise the power of the billions invested in their pensions.

*Helen Dean CBE, CEO of Nest Pensions.*

The steps to Make your Money Matter

So now you know what a green, powerful, planet-saving pension looks like, it’s time to engage the relevant actors to make that change happen.

Different corporate stakeholders will have different priorities and available levers to pull.

Your CFO and their finance team might be most interested in the financial risk of a carbon intensive Defined Benefit (DB) pension asset portfolio. Ultimately, it’s your company, as corporate sponsor, which is responsible for keeping your pension scheme solvent enough to pay out its pension promise to members.

Your HR team will want to ensure your company pension is an attractive employee benefit and your Pensions Manager will be interested in good scheme governance as well as regulatory compliance.

Lastly, if you have a sustainability manager, they will be interested to align your workplace pension scheme with the company’s wider sustainability strategy and performance.

Each of these stakeholders may wish to engage your pension scheme trustees or provider in a slightly different way but it’s important you are joined up in your approach as scheme’s corporate sponsor.

Likewise, different corporate pension set ups will have different levels of opportunity for influence and change. Most workplace pension schemes are trust-based, with boards of trustees making decisions and operating independently from their corporate sponsors. Trustees have the ultimate fiduciary duty to act in the best interests of their members. Increasingly, DC pension provision is consolidating into a number of large master trust providers (e.g. Aviva, Scottish Widows, Nest, etc.). Each of these master trusts has its own board of trustees to operate as the delegated fiduciary of the sponsor.

Below, we’ve included a step-by-step guide on how you could approach the issue and who you will need to engage with (i.e. those who manage your pension and your employees who save into it). Each business and scheme is different so these suggestions may vary depending on your specific set up.

Money is an incredibly powerful tool for change. It can do a huge amount of good, and it can also do a huge amount of damage. Climate change isn’t just about the pandas and the polar bears, it’s about your pocket. It’s about your pensions, your savings and your investments.

Steve Waygood, Chief Responsible Investment Officer, Aviva Investors, February 2020.
Engage your employees!

A key part of the process to make your money matter is engaging your employees, and ensuring their voices are heard. It is helpful to do this in parallel with the discussions you are having with pension providers and / or trustees.

Expectations from employees are shifting, they care about where their money goes and the impact it’s having.

So, keep them engaged – and make sure you tell them where their pension money goes, the impact it has, and how you’re trying to make it more sustainable. Engage in a dialogue about where it could go in the long term, and act on it. Think of the impact of your pensions as part of your value proposition to employees – because they will!

- How you engage with your employees around their pension could affect how they perceive you. Recent research¹⁰ ¹¹ found that people of all ages would engage more with their pensions and feel better about their employer if their pension was making a positive impact. And some surveys show people would save more into their pension if it was invested sustainably¹².

- We know that more and more employees want to work with companies with strong values, and where sustainability is front and centre. A net zero pension becomes a core part of this – displaying your authenticity and consistency – and providing a more attractive offer to recruit and retain employees.

- Millennials particularly feel strongly about these issues¹³ and given they’ll make up two thirds of the global workforce by 2025, you will want to remain attractive to them.

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10. LGIM, Finding the greenest generation, 2020  11. LGIM, Money Listens: The positive power of pensions, 2021  
How to talk to employees about pensions

It’s important to set expectations when you’re talking to employees about this. You might not be able to deliver exactly what everyone wants, but you can start a conversation with your employees, and feed back what you hear to your trustees or your pension provider.

- Share with your employees a breakdown of the broad themes and sectors where their workplace pension is invested, its carbon footprint, or a list of the top 10 holdings. The more you can name individual investments in companies, the easier it will be for employees to understand.
  - **Send an email** to employees to tell them where their money’s invested and invite their thoughts.
  - **Run a survey** to ask employees (and ex-employees who still have a pension with the scheme) what’s important to them about their pension money. Here’s an example from PensionBee’s survey.
  - **Hold focus groups**, workshops, or events to talk to employees and discuss their thoughts and questions. Bring in your pension provider to talk about your workplace pension fund. **You can also invite Make My Money Matter to talk about the hidden power of green pensions!**

- Identify **employee ‘pension champions’** – they don’t have to be experts; they just need to be interested and able to help communicate these issues to employees. Look to integrate this into ‘green’ or ‘sustainability’ groups that might be in place already.

- Empower employees by helping them understand the power of their pension, and share case studies of how our money can make an impact (see below).

- Use the tools and resources at your disposal:
  - Online pension portals and apps such as Tumelo will make it easier for employees to engage with their fund and have a voice on what they want their money to be invested in.
  - Host a screening of the film Our Planet: Too Big To Fail from our partners at WWF with footage from David Attenborough’s series Our Planet. It’s a great way to engage your colleagues and employees!

**Below are some engaging (non-jargon-y) creative assets we’ve created to start a conversation with your employees around green pensions.**
Engaging with your pension scheme: pension provider / trustees

Each business and scheme is different so these suggestions may vary depending on your specific set up:

Firstly, understand your pension scheme type (e.g. DC master trust, DC Group+ Personal Pension Plan, DC group personal pensions, DC in-house or DB in-house) and who manages your pension (a pension provider or in-house board of trustees?).

If you have a Defined Contribution (DC) scheme with a provider (e.g. a master trust), you can go straight to them. You’re their client, so you’ll have some influence here over where your employees save for their pension.

If you have a Defined Benefit (DB) scheme, or a DC scheme that’s in-house, you’ll need to work with your trustees who oversee the pension scheme and have the ultimate decision over what it invests in.

Asset owners and amongst them pension funds hold great sway to ensure that the economy realigns with net-zero through the investment chain.

Amina Mohammed, UN Deputy Secretary-General.
If your pension is managed by a pension provider

1. The influence you have will depend on where you are in the scheme’s lifecycle and how it was created. For example, if your organisation has gone directly to a master trust to set up a new scheme for your employees, you may have more influence than if an existing board of trustees ‘outsourced’ an existing scheme to a master trust provider.

2. If you are directly choosing a provider to create a new scheme, discuss your organisation’s mission and climate values and ask how their pension investment philosophy supports or undermines these. For example, if you’ve pledged to halve your emissions, are there investments in the provider’s fund selection that contradict this ambition? If you are a living wage employer, do any of your pension investments go to companies that are not?

Useful questions for your DC pension provider

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<tr>
<th>Question</th>
<th>Rationale</th>
<th>Climate Positive Answer</th>
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<tbody>
<tr>
<td>Do you offer ESG or climate aligned investments in the member’s default fund?</td>
<td>Over 90% of members stay in the default fund, therefore sustainably aligned default funds will have the biggest sustainability impact for your employees.</td>
<td>Ideally your provider should have ESG / climate principles integrated into its default fund.</td>
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<td>Does your scheme have a robust net zero commitment?</td>
<td>Many schemes now have Net Zero commitments. It is important to understand firstly, whether your provider has one and secondly, whether it aligns with global emissions targets.</td>
<td>Net Zero targets should be aligned to global emissions targets: reducing emissions by half before 2030 and full net zero before 2050. It is even better if the pension has earlier date commitments than this.</td>
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<td>Aside from the default fund you provide, what sustainable options do you offer?</td>
<td>More advanced schemes allow members to align their pension with a range of sustainability impacts. For example, some pension providers allow members to choose from a low carbon fund or a transition fund (that invests in companies who are transitioning to low carbon).</td>
<td>Leading pension providers will provide a range of options beyond the default fund that allow interested members to align their investments to specific sustainability impacts.</td>
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<tr>
<td>Question</td>
<td>Rationale</td>
<td>Climate Positive Answer</td>
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<td>How do you manage environmental, social and governance (ESG) risks,</td>
<td>Pension providers should manage ESG and climate as financially material risks.</td>
<td>Best practice is for pension providers to have climate and or ESG risk as a managed risk on their risk register. Often their net zero commitment is a response to managing their climate risk.</td>
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<td>especially climate risk, within your funds? Do all funds you provide</td>
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<td>manage these risks? If not, why not?</td>
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<td>How are you using your shareholder rights to influence companies you</td>
<td>Best ESG practice requires a pension provider to have a clear stewardship</td>
<td>Best practice providers should be able to provide their stewardship policies and performance reporting of the engagement activities that they have taken with investee companies.</td>
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<td>are investing in on our behalf, especially on the issue of climate risk?</td>
<td>policy in place to guide the asset manager on engagement with investee</td>
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<td>What other stewardship policies do you have in place?</td>
<td>companies on their ESG performance.</td>
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<tr>
<td>How do you measure the impact your investments have on people and</td>
<td>There are multiple ways that pension providers can measure their</td>
<td>Providers should be able to explain at a high level how they measure the impact their funds are having and describe the metrics they use to do this.</td>
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<td>planet? How do you consider this in your investment decision-making?</td>
<td>performance on ESG matters. This includes carbon footprinting their</td>
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<td>funds or aligning their investments with the UN Sustainable Development</td>
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<td>Goals. UK schemes will have to report in line with the Taskforce on</td>
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<td>Climate-related Financial Disclosures (TCFD) framework.</td>
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<td>Is there a plan to increase the positive impact of your investment</td>
<td>While the focus is on net zero, there are many other positive impacts that</td>
<td>Leading pension providers should always be exploring more ways that they can create positive and co-beneficial impacts. If they have a net zero policy in place, what is their next area of sustainability focus?</td>
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<td>portfolio?</td>
<td>pension schemes can have on social issues.</td>
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<td>How do you engage with members and make sure their views are taken on</td>
<td>Having a clear strategy and approach to engage with members is demonstration of sustainability best practice.</td>
<td>Leading schemes engage with their members in a range of ways, such as regular newsletters, access to technical platforms that allow members to indicate their preferences, or educational webinars.</td>
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How do you source your asset managers and consultants?

**Pension providers are heavily reliant on the ESG and climate advice given to them by their advisors. Pension providers should be selecting top performing advisors to give them the latest insights and opportunities available, and selecting asset managers with a track record on sustainable and responsible investment and good stewardship. Pension providers should be able to describe the policy they have to select the best ESG and climate advisors, and asset managers, and monitor their performance on an on-going basis.**

3. Assess the answers you get from these questions and compare them to your mission and values. Chose a provider which aligns or, if you’re undertaking a review and you’re not happy with your existing provider, ask for change. Make sure they know their product doesn’t meet your expectations and see whether there is a pension solution they offer which better aligns with your values. If not, you could seek to switch to a provider with more sustainable funds and investment practices. This may take time and may require financial advice. The Good with Money guide includes reviews of different providers and responsible investment offerings.

Please tell us too – we might know of other organisations that have the same pension provider as you. And collective action can be hugely powerful in driving change. The more organisations that do this, the louder your employer voices will be.

Since the Paris Agreement was signed the world has not done enough and today we find ourselves at a crunch point. We need to get our savings shaping the future. Green investments are smart investments.

*Rt Hon Alok Sharma, COP26 President Designate.*

*Closing speech at Make My Money Matter’s Net Zero Pensions Summit, June 2021.*
If your pension is managed by trustees

Your organisation’s DB or DC pension scheme might be managed by a board of trustees. If so, they have the ultimate responsibility for how pension assets are invested or what DC master trust provider is chosen. You will need to engage with and work with these trustees on how their investment decisions align to your company’s values and sustainability ambitions.

FIDUCIARY DUTY – (a concept you will be hearing quite often!)

- Fiduciary duty is the obligation for pension trustees to act in the best interest of the beneficiary (the person they manage the pension for).
- This is generally interpreted as maximising risk-adjusted financial returns to pay a good pension in the future.
- In recent years consideration of ESG has grown, in part to manage financially material risks, including climate risk, but also with growing evidence of good returns from ESG investment.
- Trustees are able to consider non-financial factors such as environmental and social concerns, provided that: they have good reason to think it would be in the members’ best interests, and that there is no significant detriment to returns.
- Trustees may be uncertain as to how to work with employers to integrate more sustainable investing without breaching their fiduciary duty and independence.
- More experienced trustees may have a greater understanding of fiduciary duty in practice and be more confident in actively engaging with employers – seeking to align their investment approach with the sponsor’s sustainability goals so long as it is in their members’ best interests.

In the context of fiduciary duty, employers can engage trustees to align their workplace pension to its values by:

- Identifying who within your business is the key liaison point with your pension scheme. This differs between companies – it might be that you have a designated corporate pensions manager – perhaps within your finance or human resources team. Increasingly, sustainability managers might also have an interest and are a key stakeholder for liaising with and educating scheme trustees.
- Learning the evidence for sustainable investment (see Appendix) to communicate the benefits of ESG and climate alignment.
- Set up knowledge-sharing opportunities to understand the principles guiding trustees. For example, the Church of England Pension Board has an Ethical Investment Advisory Group to support their investing bodies.
- Work with trustees to ensure they understand the importance of your company’s values, your current sustainability commitments, net zero targets and desire to align your pension with these.

- Include trustees in corporate sustainability training. Increasingly, trustees in large schemes are becoming more knowledgeable on ESG and climate matters. However, trustees of small schemes are less likely to have expert knowledge in this area and often need to lean on others to provide the necessary expertise. Training will increase trustee confidence to embed ESG risks into their investment strategy and decision making.

The documents below illustrate a broader understanding of what is permissible for trustees, and the freedom trustees have to invest sustainably:

- The Impact Investing Institute’s work on fiduciary duty and impact investment
- Accounting for Sustainability’s (A4S) guide for corporate pensions covering fiduciary duty and ESG investment. And an ESG toolkit for pension chairs and trustees
- The UN Principles for Responsible Investment’s (PRI’s) Understanding and aligning with beneficiaries’ sustainability preferences
Walking the talk: how other organisations are greening their pension

EMPLOYEE ENGAGEMENT

Tesco

Tesco recently spoke to 1,500 of its employees to understand where they would like their pension to be invested and is now updating its investment and stewardship strategies to better reflect its members’ preferences. Tesco is now a proud signatory of Make My Money Matter’s Green Pensions Charter, showcasing their leadership to make pensions the new frontier for sustainably minded businesses.

“In delivering our members’ pensions, we know that investing responsibly is a key priority for our colleagues. Tesco is committed to tackling climate change, and as part of our broader approach to responsible investment, our scheme’s commitment to transition towards net zero is a very important part of that.”

Imran Nawaz, Tesco Chief Financial Officer

WORKING WITH TRUSTEES

BT Pension Scheme

British Telecom (BT) has committed their £55bn pension fund – the UK’s biggest private company pension scheme, managing the savings of over 300,000 people – to be net zero by 2035. This is 15 years earlier than some of the pension plans announced so far.

ALIGNING MONEY TO VALUES

Ecotricity

Ecotricity was one of the world’s first green energy companies. As a mission-led organisation, they are enrolled in a Group Personal Pension plan from Aviva – with money invested into Liontrust Sustainable Future Managed Funds. The plan invests in projects that benefit society – and employees get regular updates in their online account.

“There’s no shortage of money in the world, but most of it gets spent doing the things that are causing the world’s problems – not least climate change. The pensions industry is a huge source of funding – and if we can point it in the right direction, it can do enormous good.”

Ecotricity Founder, Dale Vince
**SHOUT ABOUT YOUR WORK**  
(it’s healthy once in a while!)  
**South Pole**

South Pole is an offsetting provider, offering decarbonisation pathways. Their journey to green pensions (they chose to switch to Nest as their pension provider for a greener option) started when a new colleague at the London office challenged the team to set an even higher bar for their pension investments, in line with their corporate mission for climate action. They wrote about their experience [here](#).

**MAKE A CHANGE**

**On Purpose**

On Purpose is a B Corp that helps people and organisations find their purpose and change their careers for the better, and purposeful organisations find great new team members. As a social-purpose organisation, they wanted to see their pensions invested for social good. After engaging with their provider at the time — whose default master trust fund had no climate or ethical screen on the funds it invests in — they realised they were unable to change their provider’s selections so decided to move their scheme to a more sustainable provider Nest.

**EVERY PENNY MATTERS**

**Green Schools Project**

Green Schools Project is a small organisation working with schools to help them address the climate and ecological crisis. As a new organisation setting up, they were disappointed that there wasn’t a single auto-enrolment scheme without investment in fossil fuels. They have partnered with us at Make My Money Matter to advocate for green pensions that reflect their preferences and beliefs, no matter how small the pension pot!

“*Our organisation exists to help young people get involved in tackling the climate crisis, and to have to pay our pensions into a scheme that invests in companies that are driving this crisis seemed scarcely believable. I strongly believe that people would make more ethical choices if they knew and understood where their pension money was invested so wholeheartedly support this campaign.*”  
*Henry Greenwood, Founder, Green Schools Project*
Now you’re committed to looking into your pension, it’s time to shout about it – and get others on board.

Join the world’s first Green Pensions Charter – a public declaration of leading businesses and organisations committed to making their money matter

By signing up to this charter, employers pledge to:

- Advocate for change: Call on the pensions industry to commit to achieving net zero before 2050.
- Green their pensions: Engaging with trustees and pension providers to explore how their staff pension scheme can align to net zero before 2050

If all companies sign up to the Green Pensions Charter and align their pensions with net zero targets, we can ensure the billions invested each year through corporate pensions helps tackle the climate crisis, not fuel the fire.

The Green Pensions Charter is aligned with the UN’s Race to Zero initiative, which aims to rally leadership for a healthy, resilient, zero carbon recovery that prevents future threats and unlocks inclusive, sustainable growth.

For more information on the Green Pensions Charter, and what is required for Net Zero, contact jacinta@makemymoneymatter.co.uk

We see a huge wave of businesses joining the Race to Zero and it is clear that a green pension is a logical step on their journey to a zero-carbon future in their race to zero.

Appendix: Useful Resources

Why it matters – the business case

Companies that do harm, are poorly run, or have unsustainable business plans and operations are unlikely to perform well in the future. They’re risky places to invest, especially when it comes to environmental, social and governance (ESG) risks, like the risk of climate change, poor labour standards, or poor governance. This is because they might be hit by regulation, face a future of increasing consumer criticism, reputational controversy, or fines. They also risk owning or becoming stranded assets (e.g. oil reserves in a low carbon economy). The climate emergency poses so many financial risks to companies, that the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) developed new disclosure standards for companies, aiming to give investors information and transparency.

Companies that are sustainable, well-run and future-focused are more likely to perform well in the long term. This is because they’re more likely to mitigate and manage their ESG risks; and because they present growing investment opportunities such as clean energy, health, education, social housing and financial inclusion. There is a growing body of evidence showing that sustainable investing already outperforms traditional investing14.

Public expectations

At Make My Money Matter, we run a YouGov poll and the results show that:

- 63% of people do not know where their pension is invested – rising to 74% among 18–24-year-olds.
- Two-thirds of those answering the survey want their pension to actively fight against climate change – rising to 72% among 18-24 year-olds
- 44% of people would switch to a green pension if offered – rising to 65% among 18-24 year-olds

Recent UK polling has shown that the pandemic has prompted the British public to think about the future they want after Covid. A survey conducted by YouGov and NEON in April 2020 showed that 60% of the public believe that we are unprepared to deal with climate change, as well as demonstrating broad public support for more progressive policies. Polling by Ipsos Mori found that 66% of Britons believe that climate change is as serious as COVID-19, and a majority (58%) believe that it is important that government actions prioritise climate change in the post-COVID recovery context. Crucially, 70% of the Ipsos Mori survey respondents also agreed that one of the long-term impacts of the virus would be them seeking out products that are healthier and better for the environment.

14. See UKSIF’s list of evidence, Morningstar’s 2020 report, and Tribe’s evidence for more information.

I don’t want to build back better, I want to build forward with justice, equality and sustainability. We can do it, we must do it. This decade is the most important in human history.

Mary Robinson, Chair of The Elders, Former President of Ireland.
Who said pensions are boring?

At Make My Money Matter we have created films that will help your employees see pensions in a new light:

- Watch people find out where their pensions are invested – these could be your employees!
- Jason Isaacs’ spooky Christmas message
- Win some hearts (and minds!) with our Valentine’s Day campaign
- Watch the recap of the world’s first ever Pension Party
- Desmond & Susan (also known as Lolly Adefope and Robert Webb) tackle pension myths
- Check our 21x campaign on the relative power of a green pension, compared to giving up meat, flying or switching to a renewable energy provider, combined!

And other fun resources to kick off the conversation with your employees and engage them on what a good pension means for them.

- Hear about what happened when Dr Bronwyn King found out she was an accidental investor in tobacco
- Listen to Make My Money Matter on the Guilty Feminist podcast
- Listen to Richard Curtis on the Outrage and Optimism podcast
- Host a screening of WWF’s film, Our Planet: Too Big to Fail, or take a look at the 8-minute version here

We are constantly launching new resources and engaging content - contact the Make My Money Matter team at info@makemymoneymatter.co.uk!
Further resources

Evidence that sustainable investment can perform strongly

- A list of evidence sources to support the Financial Benefits of ESG investing (UKSIF).
- Morningstar’s 2020 report on sustainable funds’ performance.
- BlackRock’s report on the advantage of sustainable investment.
- An overview of Why Sustainability cannot be ignored in DC plans, (Schroders).
- An analysis of ESG risk in the UK’s DC market, ESG Risk in Default Funds, (PLSA / Sustainalytics).
- A new study by Deutsch Asset Management and The University of Hamburg to demonstrate the relationship between ESG and company performance, ESG and Financial Performance.
- An academic paper analysing the performance of a company’s processes and performance based upon its corporate sustainability, The Impact of Corporate Sustainability on Organisational Processes and Performance, (Eccles, Ioannou and Serafeim).

What the UK public thinks about sustainable investing

- DFID’s Investing in a better world survey shows growing demand for responsible investment is the largest and most comprehensive study of the UK public’s demand for sustainable finance opportunities. Results found 68% of UK savers want their investments to consider impact on people and planet alongside financial performance.
- Franklin Templeton’s responsible investing research shows people would save more money if they knew it was doing good while growing their pension savings.

Other resources to Make your Money Matter

- Find out how green your pension is with Good With Money’s ‘Is it green’ tool. And you can check how well your DC pension provider performs when it comes to responsible investment with their Good Guide to Pensions.
- Find out how well your asset managers perform when it comes to responsible investment – Point of No Returns report, (ShareAction).

On trustees and ESG investment

- Pensions for Purpose’s online workshop on ESG, sustainable and impact investing offers a 50 minute introductory session for trustees, employers, finance directors and advisors.
- Compass Courses on responsible investment for DC pension fund trustees, providing step-by-step guides.
- How sustainable investment fits in with fiduciary duty: UKSIF’s guide to applying fiduciary duty and ESG and Stewardship: A practical guide to trustee duties, by the PLSA.

Pensions are for many of us the single biggest weapon we have in our armoury to fight for justice, and against poverty and climate change.
