UK Pension Providers Climate Action Report

Policy assessment for Make My Money Matter

Chithira Rajeevan, Debbie Schepers, Paula Skilling and Mara Werkman

16 February 2024

About this report

This report has been commissioned by Make My Money Matter (MMMM). MMMM is a people-powered campaign fighting for a world where everyone knows where their pension money goes, and where they can demand for it to be invested to build a better future.

About Profundo

With profound research and advice, Profundo aims to make a practical contribution to a sustainable world and social justice. Quality comes first, aiming at the needs of our clients. Thematically we focus on commodity chains, the financial sector and corporate social responsibility. More information on Profundo can be found at www.profundo.nl.

Authorship

This report was researched and written by Chithira Rajeevan, Debbie Schepers, Paula Skilling and Mara Werkman with contributions by Jan Willem van Gelder. Correct citation of this document: Rajeevan, C., D. Schepers, P. Skilling and M. Werkman (2024, February), *UK Pension Providers Climate Action Report,* Amsterdam, The Netherlands: Profundo.

Front page cover photograph by Jeremy Poland - iStock.

Disclaimer

Contents

List of figures

List of tables

Summary

Pension schemes in the United Kingdom (UK) have a crucial role to play in combatting the climate crisis, whilst ensuring long term sustainable returns for beneficiaries. With almost £3 trillion in assets, their stewardship, investment choices, policies, and leadership are very important for savers and the planet they will retire into. However, despite some progress and pockets of good practice, many gaps remain – from tackling deforestation to ending fossil fuel expansion. The positive trend of climate commitments now needs to be converted across the board into ambitious and detailed plans, targets, and policies.

This report presents the results of an assessment of the quality of the climate action measures published by the twenty largest defined contribution (DC) workplace pension providers in the UK. The twenty largest pension providers are presented in Table 1.

Table 1 Top 20 DC workplace pension providers in the UK

Pension providers		
Aegon	LifeSight	Scottish Widows
Aon	Mercer	SEI
Aviva	National Pension Trust	Smart Pension
Cushon	Nest	Standard Life
Fidelity International	Now: Pensions	The People’s Pension
Hargreaves Lansdown	Prudential	TPT Retirement Solutions
Legal and General	Royal London	

Research methodology

The research and analysis for this project was conducted between September and December 2023. The research is based on information that pension providers have publicly disclosed on their website as of 31 October 2023. Providers were advised in advance of the research and given the opportunity to respond to their draft assessments.

The research methodology enables measurement of the extent to which each pension provider has effective objectives, policies, and instruments in place to respond to climate change. The assessment framework facilitates comparison between providers.

The assessment framework consists of seven themes that are important for addressing climate change. These themes were chosen as they represent necessary and important priority areas which give a good indication of climate action. They are:

- **Commitment to a 1.5 °C pathway**

  The *Commitment to a 1.5 °C pathway* theme analyses what pension providers specify concerning their investments and climate commitments. This is a critical element, as it provides the foundation for climate action.

- **Measurement and disclosure of the carbon footprint**

  To understand which actions would be necessary and effectively reduce greenhouse gas emissions, pension providers must measure and disclose their portfolio greenhouse gas emissions.

- **Detailed target setting per sector and asset class**

  Once pension providers have measured their carbon footprints, they must set detailed emissions reduction targets for sectors such as agriculture, oil and gas, and shipping, and asset classes such as equity, corporate bonds, and sovereign bonds.

- **Investments in climate solutions**

  To meet the emission reduction objectives specified in transition plans, and finance real world impact, pension providers need to increase investment in climate mitigation and adaptation.

- **Phase-out of fossil fuels**

  To transition to a low-carbon economy, pension providers must move from investing in fossil fuels and fossil fuel expansion to renewable energy sources.

- **Deforestation and land use**

  Pension providers must ensure that the companies they invest in do not cause deforestation, which is an important contributor to global greenhouse gas emissions, and set clear targets and disclosure for wider AFOLU emissions.

- **Stewardship instruments used to align the portfolio and drive change**

  Stewardship instruments are the tools that pension providers use to exercise influence over the climate plans and actions of their investees and to drive change. Pension providers need to be transparent on the actions through which their climate action policies are implemented and enforced.

Each of the seven themes was further broken down into assessment elements, with 24 elements in total. The policy publications of each provider were scored against all 24 elements. The scores were then added up for each provider per theme and for all themes together. For the ease of interpretation the scores were consequently normalized on a scale from 0 to 10.

Most pension providers have inadequate or poor climate action plans

The results of this study indicate that most of the largest UK DC pension providers have inadequate or poor policies to address climate change issues. Based on their overall scores, the pension providers are classified into four categories as shown in Table 2.

Table 2 Overall quality of the climate policies of UK pension providers

Category	Score range	Number of providers	Share of total providers
Pension providers with good climate policies	7.5 – 10	0	0%
Pension providers with adequate climate policies	5.0 – 7.5	3	15%
Pension providers with inadequate climate policies	2.5 – 5.0	13	65%
Pension providers with poor climate policies	0.0 – 2.5	4	20%

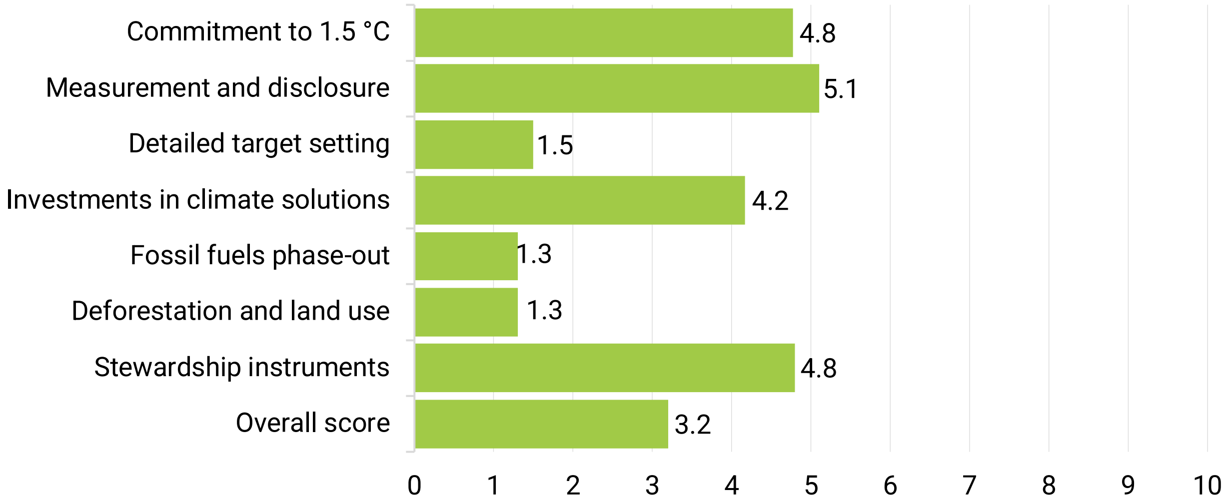
Only 15% of the pension providers have policies that can be classified as adequate, although with scores of 5.1, 5.3, and 5.4 even they fall into the lower ranges of this category. A large majority (65%) of the pension providers have inadequate climate policies based on this classification, while 20% have climate policies that are deemed poor. None of the providers have good policies at an overall level.

This illustrates that overall climate action progress is too slow and there is a worrying lack of urgency from many providers. Inadequate action on climate means not only that our pensions aren't playing a leading role in tackling climate change, but also that they may be putting savers' pensions in danger by not adequately addressing climate risks.

Results per assessment theme

The results of the policy assessments per theme are summarised in Figure 1, showcasing the average scores of the twenty pension providers across the seven themes that were assessed.

Figure 1 Average scores per assessment theme



The pension providers have particularly poor climate action policies on topics related to target setting, investment in fossil fuels, and deforestation and land use, as evidenced by the average scores less than 2.5. The best performing themes are *Measurement and disclosure, Commitment to 1.5 °C*, and *Stewardship instruments*.

- **Commitment to 1.5 °C**

  One of the themes on which pension providers score best is the *Commitment to a 1.5 °C temperature increase* scenario, as per the Paris Climate Agreement - often formulated as a net zero commitment. It is noteworthy, however, that the climate commitments of pension providers don't always cover all funds managed by the pension providers or it is unclear what funds are covered by the providers' net zero commitments. Moreover, climate commitments are often not independent from carbon offsets. While some pension providers commit to only using offsets to account for hard-to-abate emissions, none of the providers require offset schemes to be verified by a third party.

- **Measurement and disclosure**

  Measurement and disclosure is the only theme on which the pension providers - on average – have adequate policies. Most providers use an internationally recognised methodology to calculate their carbon footprints. While a majority of pension providers disclose the scope 1 and scope 2 emissions of their listed equities and corporate fixed income, emissions for other asset classes are generally not included. Another omission is the measurement and disclosure of greenhouse gases emitted throughout the value chains of investee companies, so-called scope 3 financed emissions.

- **Detailed target setting**

  One of the themes on which pension providers score poorly is *Detailed target setting*. While most pension provider set emission reduction for scope 1 and scope 2 emissions of investee companies, these targets often only cover listed equities and corporate fixed income. Specific emission reduction targets for other asset classes are generally missing. Another gap in pension providers' detailed target setting are specific emission reduction targets for different economic sectors in the investment portfolio. Moreover, emission reduction targets often do not cover scope 3 financed emissions.

- **Climate solutions**

  Most pension providers also commit to make more *Investments in climate solutions* such as renewable energy, sustainable agriculture and forestry, and energy efficiency. In many cases, however, these commitments are not matched with specific published investment strategies or targets.

- **Fossil fuels**

  The policy assessments also reveal that UK DC pension providers have poor policies for *Fossil fuels phase-Out*. None of the providers excludes investments in oil and gas companies planning expansion. Where pension providers do have fossil fuel exclusion policies, they only relate to thermal coal or controversial oil and gas such as those generated from tar sands or delved in the Arctics. None of the pension providers commit to refrain from investments in companies involved in oil or gas explorations or development.

- **Deforestation and land use**

  Comprehensive policies on *Deforestation and land use* comprise another gap in UK DC pension providers' climate policies, with only two pension providers having broad requirements for their investees to make commitments to no-conversion of natural forests and ecosystems. The general absence of policy commitments on no-deforestation is a particularly interesting finding, as half of the assessed pension providers do express their concerns about the topic of deforestation. As the policy assessments reveal, in many cases, this concern is yet to be consolidated into formal, comprehensive deforestation policies. Also, there is a notable absence of disclosure and target setting for wider agriculture, forestry, and other land use (AFOLU) emissions.

- **Stewardship**

  Stewardship instruments is among the themes on which the UK DC pension providers score best. Most pension providers indicate a preference for stewardship and engagement over divestment and exclusion in their climate strategies. Many providers not only have a shareholder voting policy in favour of climate goals but also participate in sectoral initiatives to advance climate-friendly investing. However, with no average scores exceeding a median score, even these areas call for improvements. Oftentimes, policies lack details regarding the processes of engagement and divestment. Moreover, structural reporting on the outcomes of engagement with companies, shareholder votes, and results of divestment policies are generally missing. Rather, most providers only report stewardship outcomes on a case-study basis, which is insufficient for transparency and accountability reasons.

Policy recommendations

Based on these findings, this report indicates priority areas for UK DC pension providers to focus on in 2024 and beyond, namely:

- Commit to a 1.5 ºC scenario, with short/mid-term emission reduction targets aligned to a no-overshoot trajectory – covering all assets, and only using carbon offsets for hard-to-abate emissions;
- Set detailed emission reduction targets for key economic sectors and asset classes in the investment portfolio, and ensure that targets (and measurement/disclosure) cover emissions throughout the value chain of investee companies;
- Scale up investments in climate solutions, and work to remove any supply/demand barriers facing pension schemes in this regard;
- Phase-out fossil fuel assets, particularly those involved in coal, and fossil fuel expansion. Ensure that any fossil fuel companies have credible 1.5 ºC aligned plans
- Publish and act on comprehensive deforestation policies; set targets for, and measure, AFOLU emissions, and

- Strengthen divestment and exclusion policies, and voting, to ensure that stewardship and engagement policies have teeth.

Making these improvements would not only help the pension industry to drive positive change among the companies they invest in, but would also aid the UK public in choosing a sustainable option for their retirement scheme.

Abbreviations

AFOLU	Agriculture, Forestry and Other Land Use
FSDA	Finance Sector Deforestation Action
AUMA	Assets Under Management and Administration
BECCS	Bioenergy with Carbon Capture and Storage
DACCS	Direct Air Carbon Capture and Storage
DC	Defined Contribution
EFRAG	European Financial Reporting Advisory Group
EPRG	Expert Peer Review Group
ESG	Environmental Social Governance
FSSD	Financial Services Sector Disclosure
GBP	Great British Pound
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HCS	High Carbon Stock
HCV	High Conservation Value
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
LGIM	Legal and General Investment Management
MMMM	Make My Money Matter
NCI	New Climate Institute
NZAOA	Net-Zero Asset Owner Alliance
NZBA	Net-Zero Banking Alliance
OECD	Organisation for Economic Co-operation and Development
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
SBTi	Science Based Targets Initiative
TCFD	Taskforce on Climate-related Financial Disclosures
TPI	Transition Pathway Initiative
UK	United Kingdom
UNEP	United Nations Environmental Programme
UN-HLEG	United Nations' High-Level Expert Group
UNCTAD	United Nations Conference on Trade and Development
WTW	Willis Towers Watson

Introduction

The UK pension industry manages assets worth GBP 2.9 trillion. Defined Contribution (DC) pensions make up a growing proportion of the total. This research focuses on DC pensions since a large portion of the workforce are members in such schemes, and it is where future growth will come. Investments in these pension schemes, if directed towards a just energy transition, could go a long way in tackling the current climate emergency.

This report intends to assess DC pension providers on their climate action plans, policies, and the instruments they use to meet their commitments. The report focuses on the 20 largest workplace pension providers in the UK and uses an assessment framework that covers different themes from net zero commitments to elimination of deforestation.

The structure of the report is as follows. Chapter 1 details the methodology used for this research, including the overall assessment framework. Chapter 2 presents an analysis of the climate-related sustainability policies of the assessed pension providers. Chapter 3 highlights the conclusions from this research and identifies key priority areas that should be the focal point for pension providers.

A summary of the findings of this report can be found on the first page of this report.

1

Methodology

This chapter describes the objectives, research approach, and the assessment framework used to assess the climate action plans of twenty defined contribution (DC) pension providers in the United Kingdom (UK).

1.1 Objective and scope

1.1.1 Objective

The objective of this research is to assess the twenty largest defined contribution (DC) pension providers in the United Kingdom (UK) on their climate action plans. DC pension schemes are workplace schemes where the contributions made by employers and employees are invested to create a pension pot at retirement.[1] The research methodology enables measurement of the extent to which each pension provider has effective objectives, policies and instruments in place to respond to climate change. The assessment tool facilitates comparison between providers, and tracks each pension provider's progress over time.

1.1.2 Selection of pension providers

The 20 largest defined contribution pension providers in the UK, as determined by DC assets under management, are researched. In 2022, these providers include the institutions listed in Table 3. Many of the pension providers utilise the services of external asset managers to manage their funds. In such cases, it is still considered the responsibility of the pension provider – as asset owner - to choose responsible asset managers that align with their own climate commitments, and for the pension provider to clearly set out its climate policies, approaches, and goals . The pension providers in Table 3 represent more than GBP 500 billion in DC pension assets, and have more than 15 million active members.[2]

Table 3 Key data of selected pension providers as of 31st December 2022

Pension provider	Active members (in thousands)	Total DC Assets (GBP billion)
Aegon	653	58.2
Aon	46	4.8
Aviva	2,082	95.1
Cushon	179	1.6
Fidelity International	260	39.1
Hargreaves Lansdown	88	5.7
Legal and General	2,184	135.2
LifeSight	107	11.8
Mercer	191	15.6
National Pension Trust	59	1.3

Pension provider	Active members (in thousands)	Total DC Assets (GBP billion)
Nest	4,802	26.8
Now: Pensions	700	3.2
Prudential[i]	410	11.1
Royal London	733	20.0
Scottish Widows	1,500	78.5
SEI	44	2.0
Smart Pension	308	2.6
Standard Life	1,135	51.0
The People's Pension	1,890	18.8
TPT Retirement Solutions	128	2.9

Source: Greenwood, J. and E. Simon (2023, April), *Master Trust and GPP Defaults Report*, London, United Kingdom: Corporate Advisor Intelligence, p. 8-12.

1.2 Assessment framework

The assessment framework of this research builds on Make My Money Matter's (MMMM) 2022 Climate Action Report.[3] For the inaugural report, MMMM at the time asked 20 pension providers to respond to the following questions:

- Do you have a published 2025 emissions reduction target?
- Do you have a published policy on ceasing finance of fossil fuel expansion?
- Do you have a published policy or commitment to eliminate deforestation from your portfolio?
- Do you have a voting policy aligned to global temperature goals?
- Do you plan on increasing your allocation in investments in climate solutions?

Using these questions as a starting point, the assessment framework developed for this study further draws on:

- Insights from authoritative international publications and guidelines on elements that are essential to make climate action plans effective and credible (see section 1.2.1). The elements based on these publications and guidelines were partly taken from the methodology developed for the 2023 study of climate action plans of Dutch financial institutions for the Fair Finance Guide Netherlands;[4]
- Insights on deforestation risk sectors drawn from international agreements and conventions, best practices in the global business community and the financial sector, and recent legislative changes. The elements based on these sources were taken from the Forests & Finance 2023 Policy Assessment Methodology;[5]
- Other international conventions, agreements and standards considered relevant for this study. Elements based on these standards were drawn from the Fair Finance Guide International Methodology 2023.[6] This methodology has been used to assess pension providers regularly.[7]

The framework consists of seven themes that are important for addressing climate change. Each theme contains a set of quantifiable statements, or "elements", against which pension providers are assessed on their climate action plans. The themes cover goals, means, disclosure and the stewardship instruments used to achieve objectives (such as engagement, voting, and exclusion).

[i] The latest public information for Prudential was disclosed as of 31 December 2021.

Further details about the relevance of the themes and the elements within each theme are provided in section 1.4. The themes are:

- Commitment to a 1.5 °C pathway;
- Measurement and disclosure of the carbon footprint;
- Detailed target setting per sector and asset class;
- Investments in climate solutions;
- Phase-out of fossil fuels;
- Deforestation and land-use; and
- Stewardship instruments used to align the portfolio and drive change.

1.2.1 Authoritative publications and guidelines used

The assessment framework is based on the following authoritative international publications and guidelines to identify critical themes and criteria for a good climate action plan:

- **EFRAG draft:** "Draft European Sustainability Reporting Standards: Climate Change" published by the European Financial Reporting Advisory Group (EFRAG);[8]
- **EPRG Race to Zero:** "Interpretation Guide Race to Zero Version 2.0" published by the Expert Peer Review Group (EPRG);[9]
- **GHG Protocol: "**A Corporate Accounting and Reporting Standard" published by the World Resource Institute and the World Business Council for Sustainable Development.[10]
- **IEA Net Zero report:** "Net Zero by 2050 - A Roadmap for the Global Energy Sector" published by the International Energy Agency (IEA);[11]
- **IPCC recommendations:** "Mitigation of Climate Change" published by the Intergovernmental Panel on Climate Change (IPCC);[12]
- **NCI Guidance:** "Guidance and assessment criteria for good practice corporate emission reduction and net-zero targets: Version 2.0 Corporate climate responsibility" published by the New Climate Institute (NCI);[13]
- **NZAOA Commitment Document:** "Commitment document for participating asset owners" published by the Net-Zero Asset Owner Alliance (NZAOA);[14]
- **NZBA Guidelines:** "Guidelines for Climate Target Setting for Banks" published by the Net-Zero Banking Alliance (NZBA);[15]
- **OECD Guidelines**: "Guidelines on Responsible Business Conduct for institutional Investors." published by the OECD;[16] and
- **Paris Climate Agreement:** The Paris Agreement is the international treaty on climate change adopted in 2015;[17]
- **PCAF:** "The Global GHG Accounting & Reporting Standard - Part A: Financed Emissions" developed by the Partnership for Carbon Accounting Financials (PCAF);[18]
- **UN-HLEG report:** "Integrity matters: net-zero commitments by businesses, financial institutions, cities and regions" published by the United Nations' High-Level Expert Group (UN-HLEG) on the Net-zero Emissions Commitments of Non-State Entities;[19]

1.2.2 Themes and elements assessed

Across the seven themes, the assessment framework consists of a total of 24 elements, listed in Table 4. More details about the elements and the scoring criteria for each are provided in the Appendix 1 of this document.

Table 4 Themes and elements in the assessment framework

Theme	Element	
Commitment to 1.5 °C	1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement goal

Theme	Element	
	2	Set short- and medium- term, and absolute emissions reduction targets
	3	Reduction targets are independent from carbon offsetting
Measurement and disclosure	4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio
	5	Carbon footprints are measured and disclosed for the full value chain of investees
	6	Carbon footprints are measured and disclosed by sector
	7	Carbon footprints are measured and disclosed by asset class
Detailed target setting	8	Emissions reduction targets are set for the full value chain of investees
	9	Specific emissions reduction targets are formulated for all economic sectors relevant to climate change mitigation
	10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot
	11	Specific emissions reduction targets are formulated for all asset classes in which the pension provider invests
Investments in climate solutions	12	Investments in climate solutions are made and ambition is shown
Phase-out of fossil fuels	13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal
	14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants
	15	Investments in companies engaged in new oil or gas exploration or development are excluded
Deforestation and land use	16	Public commitment to tackle deforestation is shown
	17	Commitment to a no-deforestation policy is made
	18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed
	19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)
Stewardship instruments	20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets
	21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)
	22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)
	23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets

Theme	Element	
	24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy)
7 Themes	**24**	**Elements**

1.2.3 Scoring model and weighting

Each theme includes multiple elements, each with a separate scoring table. A pension provider receives a higher score when their policy on a theme is clear, comprehensive, and ambitious.

To ensure that the scores of all pension providers and all themes are comparable, both the thematic scores and the total scores are normalised on a scale from 0 to 10. This is done by dividing the actual scores by the maximum score that could be achieved and then multiplying by ten.

To combine the thematic scores to a total score for each pension provider, weighting factors are used as defined in Table 5.

Table 5 Weighting factors use to combine thematic scores to a total score

Theme	Weighting factor	Maximum score
Commitment to 1.5 °C	10%	18
Measurement and disclosure	15%	22
Detailed target setting	15%	24
Investments in climate solutions	15%	6
Phase-out of fossil fuels	15%	18
Deforestation & land use	15%	22
Stewardship instruments	15%	26
Total	**100%**	**136**

1.3 Research approach

1.3.1 Process and planning

The research and analysis for this project was conducted between September and December 2023. Pension providers were assessed based on information pertaining to the 2022/23 financial year for their scheme. Providers were advised in advance of the research.

Research is based on information that pension providers have publicly disclosed on their website as of 31 October 2023. Only publicly available sources are referenced because disclosure and transparency are critical for the public to hold pension providers to account.

All pension providers were invited to comment on the detailed draft results of the assessment. Their feedback was analysed and integrated into the final assessments.

Pension providers were provided embargoed copies of their final assessment and the report prior to the report's public launch.

1.3.2 Assumptions and limitations

This study focuses on the largest UK defined contribution workplace pension providers. Assessments were carried out at provider level, and the policies on a higher organisational level were considered where relevant. The policies of the pension provider must at least apply to its offered default UK pension.

The methodology assumes that information published by DC pension providers on their website by the stipulated date is complete and accurate. Providers were given the opportunity to respond to the draft policy assessments and provide feedback on the scores. Providers that do not publicly disclose information may be incentivised to improve their policies, actions and reporting in future.

The methodology focuses on pension providers' policy statements and the instruments they use to exercise stewardship concerning climate action. The methodology is not designed to comprehensively assess the extent to which, in daily practice, pension providers consistently apply the policies and instruments at their disposal to make investment decisions and to exert influence over investees. Strong policies, implemented rigorously, can be expected to contribute to meeting temperature and emission targets over time. However, how far these policies are implemented rigorously in practice needs to be assessed by separate case-by-case exposure studies.

1.4 Assessment criteria background

This section specifies the:

- Relevance of the seven themes and the elements included in each theme;
- Authoritative documents that underpin the choice of elements; and
- Scoring tables for each element.

All elements are phrased as quantifiable statements that can be assessed over time and between pension providers.

1.4.1 Commitment to a 1.5 °C pathway

The *Commitment to a 1.5 °C pathway* theme analyses what pension providers specify concerning their investments and climate commitments. This is a critical theme as it provides the foundation for climate action. However, it is critical that pension providers also state how they envision their commitment in relation to their investments.

A pension provider's statement of commitment should:

- Refer to the 2015 Paris Agreement;
- Commit to a 1.5 °C scenario with no or limited overshoot and based on the best available scientific knowledge;
- Commit to aligning its investment portfolios with a scenario consistent with this objective;
- Describe the trajectory for aligning the investment portfolios with a 1.5 °C scenario. This includes specifying short- and medium- term emissions reduction targets against a baseline year; and
- Specify emissions reductions in absolute as well as relative terms; and
- Commit not to use carbon offsets to reach the reduction targets.

An explanation of the elements in this theme is outlined below.

- **Commitment to a 1.5 °C pathway**

  The 2015 Paris Agreement is the most widely recognised international agreement on climate change. It includes commitments to keep global average temperatures "well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels". [20] In addition, the Paris Agreement sets the goal of "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".[21]

  Since the adoption of the Paris Agreement, the scientific consensus, highlighted by a 2018 special report of the Intergovernmental Panel on Climate Change (IPCC), has been that the negative social, environmental, and economic consequences in a 2 °C scenario will be much more severe than in a 1.5 °C scenario.[22] The message from the IPCC report released in April

2022 on climate change mitigation is clear: urgent and drastic action is needed if the world is to limit global warming to 1.5 °C.[23]

During the COP26 in Glasgow in 2021, the goal of the Paris Agreement was sharpened to limiting global warming to 1.5 ºC. This was further reinforced during the COP28 in Dubai in 2023 with a global stocktake to assess the collective progress made towards meeting the climate goals.[24] The latest scientific consensus released by the IPCC in 2022 indicates that to achieve this goal, GHG emissions need to be cut 43-50% by 2030 in comparison to 2019 levels.[25]

Net zero refers to the state in which GHG emissions going into the atmosphere are balanced by removal out of the atmosphere.[26] In this iteration of the research, a robust net zero commitment (including halving emissions this decade, and/or a net zero date well before 2050) is interpreted as an intention towards aligning with a 1.5 °C scenario. However, as achieving the 1.5 °C goal becomes more challenging every year,[27] more ambitious goals may be required to meet the criteria in the future.

- **Short- and medium- term targets are set to reach a 1.5°C scenario**

  The United Nations' High-Level Expert Group recommended in 2022 that financial institutions make a net zero pledge representing a fair share of the needed mitigation effort, containing interim targets. It recommended the first target in 2025, followed by 2030 and 2035, in line with the IPCC or IEA pathways that limit warming to 1.5 °C with no or limited overshoot, and with global emissions declining by at least 50% by 2030, reaching net zero by 2050 or sooner.[28] The New Climate Institute stated in 2022 that financial institutions should "set interim targets that are aligned with the long-term vision in terms of depth and scope, with the first target on a timescale that requires immediate action and accountability (maximum 5 years)."[29] A clear commitment to mitigating the worst impacts of climate change should therefore seek to reduce financed emissions in line with these same percentages.

  The latest scientific consensus released by the IPCC in 2022 indicates that GHG emissions need to be cut 43-50% by 2030 in comparison to 2019 levels.[30] The EPRG notes that a 50% reduction by 2030 implies average annual reductions of approximately 7% following the 'Carbon Law' as a rapid roadmap for global decarbonisation. However, the EPRG also recognises that change may not be linear, in particular for hard-to-abate sectors and that 7% per year may be more/less ambitious depending on baseline, sector and geography.[31]

- **Emission reduction targets are set in absolute terms**

  Emission reduction targets should be set in absolute terms at the portfolio level, expressed as a volume of financed greenhouse gas emissions or as a percentage by which the emissions volume needs to be reduced. The importance of absolute targets is stressed in several authoritative international guidelines. The UN-HLEG recommends: "Company transition plans must: [...] disclose short-, medium- and long-term absolute emission reduction targets, and, if relevant, relative emission reduction targets."[32] And the EPRG Race to Zero writes: "In most cases, absolute emissions targets are necessary for ensuring real-world reductions (…) for finance institutions and others with "indirect" emissions, intensity targets may be helpful for tracking the process of decarbonization. Including both absolute and intensity targets and metrics provides the most clarity."[33]

  Relative targets may additionally be set; there are several reasons why a pension provider's funds under management may experience strong growth. But if pension providers only set relative targets, in terms of the average emissions per pound invested or financed, they cannot guarantee that they will sufficiently contribute to reaching the goals of the Paris Agreement. Any growth of their portfolios will then result in lower absolute emission reductions.

- **Emission reduction targets are independent from carbon offsetting claims**

  Commitments by financial institutions to reduce emissions to net zero by 2050 have become commonplace in recent years. Whether such commitments are credible depends in part on the extent to which they rely on so-called carbon offsetting claims or “negative emissions”, such as tree planting, Bioenergy with Carbon Capture and Storage (BECCS) or Direct Air Carbon Capture and Storage (DACCS). Overreliance on negative emissions is problematic firstly because negative emissions do not reduce but rather offset emissions. Negative emissions are not an alternative to emission reductions and can, at most, play a minor role in decarbonisation efforts.

  Secondly, the viability and effectiveness of proposed solutions and technologies can be questioned. For instance, relying on carbon offsetting claims from massive tree planting is problematic as accounting for the carbon removed from the atmosphere is very complex, and it involves human rights and environmental risks such as land grabbing and biodiversity loss.[34] In addition, it is not clear that there is enough land available to offset emissions at the scale required by net zero strategies heavily dependent on tree planting. At the same time, BECSS and DACCS technologies are still in their infancy, remain very expensive compared to emission reductions, and have not been proven to work at scale.[35]

Pension providers’ commitments should, therefore, be independent of negative emissions or carbon offsetting claims.[36] However, for this iteration of the policy assessment, pension providers have also been scored for only using carbon offsets for residual emissions or hard-to-abate emissions.

1.4.2 Measurement and disclosure

Aligning investment portfolios with a 1.5 °C scenario requires pension providers to know the true climate impacts of their investment activities. To understand which actions would be necessary and effectively reduce greenhouse gas emissions, pension providers must first measure their contribution to the greenhouse gas emissions of the assets they invest in. This carbon footprint needs to be fully measured and disclosed using a reliable methodology, in volumes of greenhouse gases.

Pension providers need to:

- Measure the carbon footprints (GHG emissions) attributable to their investment portfolios by using an internationally recognised and reliable methodology;
- Measure the full value chain of investees’ carbon footprints (scopes 1, 2, and 3 of the GHG Protocol);
- Measure the carbon footprints attributable to their investment portfolios per economic sector for at least the most significant GHG emitting sectors; and
- Measure the carbon footprints attributable to their investment portfolios per asset class.

An explanation of the elements in this theme is outlined below.

- **Measure emissions using an internationally recognised and reliable methodology**

  The UN-HLEG states that emissions measurements should be generated using a robust methodology consistent with limiting warming to 1.5 °C with no or limited overshoot verified by a third party “(for example by the Science Based Targets Initiative (SBTi), the Partnership for Carbon Accounting Financials (PCAF), The Paris Agreement Capital Transition Assessment (PACTA), The Transition Pathway Initiative (TPI), the International Organization for Standardization (ISO), among others)".[37]

- **Measure and disclose the full value chain of investees’ carbon footprint**

  Pension providers should categorise all greenhouse gas emissions (scope 1, 2 and 3) of the companies in its investment portfolios as the pension provider’s “Scope 3 emissions” under the

GHG Protocol categorisation. As per the GHG Protocol, scope 1 emissions are direct emissions from owned or controlled sources, scope 2 emissions are indirect from the generation of purchased electricity, and scope 3 emissions are all indirect emissions that occur in the value chain of the company.[38] To have meaningful targets and to avoid confusion, it should be clear that the scope 3 emissions of the portfolio companies – i.e. the emissions caused by their suppliers and clients – are also included in the emission reduction targets of the pension providers.

The EPRG Race to Zero explains: "Scope 3 for financial institutions should mean including portfolio/loanbook/insured/facilitated emissions, which are composed of the investee companies and/or clients' emissions, including the Scope 3 emissions of the underlying investee companies and/or clients." [39] This is confirmed in the UN-HLEG report: "Targets must include emissions reductions from (…) full value chain and activities, including: scope 1, 2 and 3 emissions for businesses (…) all emissions facilitated by financial entities."[40]

Data availability can be a problem to report on the scope 3 emissions of the portfolio companies. A stepwise approach is therefore recommended by PCAF: "Financial institutions shall start reporting scope 3 emissions for the oil, gas, and mining sectors from 2021 onward and additional sectors will be added from 2023. In the years toward 2023, PCAF will monitor the data availability and impact for these additional sectors and will provide additional guidance on the reporting requirements."[41]

- **Measure and disclose carbon footprints per economic sector**

  Pension providers invest in different economic sectors, each of which has distinct climate impacts. Some economic sectors will need to decarbonise faster than others because of their outsized role in climate change, while other sectors may still face technological challenges that need to be overcome. A credible climate action plan must develop a sector-based approach that takes such differences into account.[42] Pension providers need to measure and disclose the carbon footprint of their investments on a sectoral basis so that they can define their priority sectors for action and engagement.[43]

- **Measure and disclose carbon footprints by asset class**

  Pension providers invest in different asset classes. For each type of asset class, aligning emissions with ambitious climate goals comes with different challenges and opportunities. For this reason, a "one size fits all" approach to reporting the carbon footprint of the investment portfolio is unlikely to be effective. Pension providers should not only define overall reduction targets for the investment portfolio as a whole, but also outline the footprint of different asset classes. This includes listed shares, corporate bonds, real estate, mortgages, government bonds, private equity and private debt.[44]

- **Publicly disclose carbon footprints**

  All international guidelines emphasise the importance of measuring and reporting in a transparent way. Pension providers should report on progress annually. The NZBA[45] and the NZAOA[46] recommend that banks and asset owners report an emission profile and a baseline emission measurement that serve as a basis for the emission reduction targets.

1.4.3 Detailed target setting

Once pension providers have measured their carbon footprints (see section 1.4.2), they must set detailed emissions reduction targets. Namely, pension providers need to:

- Set emission reduction targets that cover the full value chain of investees' carbon footprints (scope 1, 2, and 3);
- Set emission reduction targets on a sectoral basis;
- Set emission reduction targets by asset class; and

- Set emission reduction targets based on credible pathways consistent with limiting global warming to 1.5 °C with no or limited overshoot (i.e. using a robust methodology).

Detailed sectoral targets are important because pension providers' transition plans must take into account the distinct climate impacts of different economic sectors. [47] Sectoral targets link portfolio-level emission reductions to the carbon efficiency requirements of that sector. These targets are also useful in comparing the performance of portfolio companies within the same sector and consequently allow for informed capital reallocation within or between sectors.[48]

Pension providers need to ensure that investees align their actions with sectoral emission reduction plans, such as those developed by SBTi or the TPI. The UN-HLEGrecommends: "Company transition plans must: [...] disclose short-, medium- and long-term absolute emission reduction targets, and, if relevant, relative emission reduction targets."[49]

Targets for specific asset classes are also necessary as there are significant differences in the carbon intensity associated with different asset classes. These targets, along with sector targets, are a significant component of the NZAOA target setting framework, and help reduce the emissions profile of the pension providers' portfolio.[50]

1.4.4 Investments in climate solutions

To meet the emission reduction objectives specified in transition plans, and finance real world change, pension providers need to increase investment in climate mitigation and adaptation. This includes investments in areas such as energy efficiency, green buildings, renewable energy, sustainable agriculture, sustainable forestry, and water solutions.[51]

According to the United Nations Conference on Trade and Development (UNCTAD), "international private investment in climate change sectors is directed almost exclusively to mitigation; only 5% goes to adaptation projects."[52] Research shows that investment in adaptation must be scaled by orders of magnitude to achieve the goals of the Paris Agreement.[53] Pension providers should increase their focus on climate adaptation solutions provided by non-listed companies to help people, animals and plants to survive climate volatility.[54]

1.4.5 Phase-out of fossil fuels

To transition to a low-carbon economy, pension providers must move from investing in fossil fuel to renewable energy sources. They need to set specific targets for the phasing out of financing for fossil fuels, in line with recommendations by IPCC and IEA. The COP28 in Dubai also approved a roadmap that includes measures to drive the "transition away from fossil fuels" in a just, orderly, and equitable manner.[55]

There is overwhelming scientific consensus that limiting the global temperature increase to 1.5 °C above pre-industrial levels necessitates, above all, a rapid move away from fossil fuels. IPCC mitigation pathways consistent with a 1.5 °C scenario all assume rapid decarbonisation of the energy sector.[56] The 2021 Production Gap report by the UN Environment Programme (UNEP) similarly stresses that the production and use of fossil fuels, especially coal, should be quickly phased out. "Global fossil fuel production must start declining immediately and steeply to be consistent with limiting long-term warming to 1.5 °C." and "The production gap is widest for coal in 2030: governments' production plans and projections would lead to around 240% more coal, 57% more oil, and 71% more gas than would be consistent with limiting global warming to 1.5 °C."[57]

According to the UN-HLEG report, all net zero pledges should include specific targets aimed at ending the use of and support for fossil fuels in line with IPCC and IEA net zero greenhouse gas emissions modelled pathways that limit warming to 1.5 °C with no or limited overshoot. The IEA's report *Net Zero by 2050 A Roadmap for the Global Energy Sector* from 2021 reaffirms that there is no need for investment in new fossil fuel supply in its net zero pathway; "Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required."[58] Among the essential measures described to reach net zero emissions by 2050 is an immediate end to new investments in fossil-fuel extraction and aiming to achieve net zero electricity by 2040. This requires a phase out of all unabated coal-fired power plants and oil-fired power plants in advanced economies by 2030 and in all economies by 2040.[59] As per the methodology adopted for this report, pension providers should not invest in companies that are involved in coal production or coal-fired power plants for more than 5% of their activities.

1.4.6 Deforestation and land use

Pension providers must ensure that the companies they invest in do not cause deforestation, which is an important contributor to global greenhouse gas emissions. Companies must not degrade or convert natural ecosystems.

The 6th assessment report of the Intergovernmental Panel on Climate Change (IPCC) finds that the Agriculture, Forestry and Other Land Use (AFOLU) sector on average accounted for 13-21% of global total anthropogenic greenhouse gas emissions in the period 2010-2019,[60] and that deforestation is responsible for 45% of total AFOLU emissions.[61]

To reduce deforestation, pension providers should:

- Commit to a clear no-deforestation policy;
- Be transparent about investments in deforestation risk sectors (i.e. disclose financed greenhouse gas emissions related to Agriculture, Forestry and Other Land Use) and measure and disclose their financed GHG emissions related to the sector; and
- Disclose targets and a credible transition plan to mitigate GHG emissions from Agriculture, Forestry and Land Use across their portfolio.

An explanation of the elements in this theme is outlined below.

- **Commit to a no-deforestation policy**

  Specific requirements to be included in a credible no-deforestation policy include a commitment by companies and their suppliers to zero-deforestation and no-conversion of natural forests and ecosystems. Companies and their suppliers must not drain or degrade wetlands and peatlands, not convert or degrade High Carbon Stock (HCS) forest areas, and must identify and protect High Conservation Value (HCV) areas under their management.

- **Disclose investments in, and GHG emissions of, deforestation risk sectors**

  At least 13% of global total anthropogenic greenhouse gas emissions are caused by the Agriculture, Forestry and Other Land Use (AFOLU) sector.[62] Pension providers contribute to these emissions through their investment activities and must account for these financed emissions in their GHG inventories.

  Pension providers should disclose investments in the AFOLU sectors and measure and report the associated GHG emissions. Investee companies in AFOLU sectors will include farmers, plantation companies, traders, processors, crushers, refiners, slaughterhouses and consumer-goods companies which are active in deforestation-risk commodity sectors including beef, soy, palm oil, timber, pulp and paper, rubber, sugar cane.[63]

  Pension providers should provide investment-specific disclosure. As a second-best option, the pension provider can provide an overview in its annual report or on its website of the sectoral and regional breakdown of its investments. Such information is required in indicator FS6 of the Global Reporting Initiative's *G4 Financial Services Sector Disclosure (FSSD)*.[64] If the sector breakdown is sufficiently detailed, for example based on the first four digits of NACE or ISIC, this would provide a good indication of a pension provider's exposure to deforestation-risk commodity sectors. The Global Reporting Initiative (GRI) recommends financial institutions to continue using this *G4 Financial Services Sector Disclosure* together with the new *GRI Universal*

Standard, as long as the three new *Sector Standards* for the financial sector are under development.[65]

- **Develop emission reduction targets and a credible transition plan to mitigate GHG emissions from the AFOLU sectors**

  The pension provider should publish targets for its financed Agriculture, Forestry and Land Use (AFOLU) emissions and should develop specific plans for all deforestation-risk sectors to which it has significant exposure.

The targets should align with a 1.5 °C global warming scenario under the Paris Climate Agreement, which requires a reduction of around 50% by 2030. The Expert Peer Review Group (EPRG) of the UN Race to Zero campaign notes that this reduction target implies average annual reductions of approximately 7 per cent following the 'Carbon Law' as a rapid roadmap for global decarbonisation. However, the EPRG also recognises that change may not be linear, in particular for hard-to-abate sectors and that 7% per year may be more/less ambitious depending on baseline, sector and geography.[66]

1.4.7 Stewardship instruments

Stewardship instruments are the tools that pension providers use to exercise influence over the climate plans and actions of their investees and to drive change. Policies are worthless if not implemented and enforced rigorously. Pension providers therefore need to be transparent on the actions through which their climate action policies are implemented and enforced.

Pension providers are assessed on the extent to which they have elaborated on their instruments of engagement, exclusion, divestment, or additional set of instruments they select. Pension providers should publish on their website which specific measures they choose, how they contribute to achieving emission reduction targets, and how they have implemented the measures in practice.

Disclosure on engagement is in line with the *G4 FSSD* of the GRI.[67] This requires financial institutions to provide information on voting practices and on how they deal with investments that do not (or no longer) meet the policy, the norms, or the contract conditions of the financial institution is now explicitly requested. Financial institutions have to report which action they have taken in these situations (for example engagement or exclusion), whether these actions have been successful and what further steps will be taken.

The Global Reporting Initiative recommends financial institutions to continue using this GRI *G4 FSSD* together with the new *GRI Universal Standard*, as long as the three new *Sector Standards* for the financial sector are under development.[68]

Similar requirements are included in the OECD's *Guidelines on Responsible Business Conduct for institutional Investors*, which explain the application of the *OECD Guidelines for Multinational Enterprises* in the context of responsible investment. The guidelines suggest that the investor's public reporting includes information on its voting records, on engagement activities undertaken by the investor, on companies with which the investor has engaged and on the results of engagement with specific companies.[69]

2

Policy assessment of pension providers

This chapter describes the status quo of UK pension providers' climate action policies. It presents best practices as well as areas for improvement in terms of UK pension providers' commitment to the Paris Climate Agreement and the measurement and disclosure of their financed carbon emissions. The chapter also reports on what level of detail UK pension providers use when setting emission reduction targets, as well as their policies on investments in climate solutions, phase out of fossil fuel companies, deforestation and land-use, and the quality of their stewardship instruments.

2.1 General findings

The overall findings indicate that the top defined contribution pension providers have limited policies and measures to address climate change issues.

The overall scores for the 20 pension providers range from 0.5, out of 10, to 5.4. Table 6 shows the results of the policy assessments of the selected pension providers across all seven themes.

The pension providers are classified into four categories based on their scores namely those with poor polices (0.0 – 2.5), inadequate policies (2.5 – 5.0), adequate policies (5.0 – 7.5), and good policies (7.5 –10). All the assessed pension providers, except SEI and Mercer, provided feedback on the draft policy assessments.

Table 6 Mapping of pension providers across assessment themes

Pension provider	Commitment to 1.5 °C	Measurement and Disclosure	Detailed Target Setting	Investments in Climate Solutions	Fossil Fuels Phase-out	Deforestation and land use	Stewardship Instruments	Overall Score
Aegon	5.6	4.5	3.3	6.7	0.0	0.9	3.1	3.3
Aon	3.3	6.4	0.8	3.3	0.0	0.0	3.8	2.5
Aviva	6.7	7.3	3.3	6.7	3.3	2.7	8.5	5.4
Cushon	7.8	9.1	2.5	6.7	1.1	3.6	3.1	4.6
Fidelity International	4.4	5.5	0.8	6.7	1.1	4.5	8.5	4.5
Hargreaves Lansdown	1.1	2.7	0.8	0.0	0.0	0.9	2.3	1.1

Pension provider	Commitment to 1.5 °C	Measurement and Disclosure	Detailed Target Setting	Investments in Climate Solutions	Fossil Fuels Phase-out	Deforestation and land use	Stewardship Instruments	Overall Score
Legal and General	5.6	6.4	1.7	6.7	3.3	3.6	10	5.3
LifeSight	4.4	2.7	0.0	3.3	0.0	1.8	6.2	2.5
Mercer	3.3	2.7	0.8	0.0	1.1	0.0	3.8	1.6
National Pension Trust	6.7	7.3	0.0	3.3	0.0	0.9	0.8	2.5
Nest	4.4	6.4	2.5	6.7	3.3	1.8	9.2	5.1
Now: Pensions	3.3	4.5	2.5	3.3	3.3	0.0	1.5	2.6
Prudential	3.3	4.5	2.5	3.3	1.1	0.9	5.4	3.0
Royal London	4.4	5.5	1.7	3.3	1.1	0.0	6.2	3.1
Scottish Widows	5.6	7.3	0.8	6.7	2.2	1.8	8.5	4.6
SEI	0.0	3.6	0.0	0.0	0.0	0.0	0.0	0.5
Smart Pension	8.9	4.5	2.5	6.7	1.1	1.8	3.1	3.8
Standard Life	6.7	5.5	1.7	3.3	2.2	0.9	6.9	3.7
The People's Pension	2.2	3.6	0.0	0.0	0.0	0.0	0.8	0.9
TPT Retirement Solutions	7.8	2.7	0.8	6.7	0.0	0.0	3.8	2.9
Average scores	**4.8**	**5.1**	**1.5**	**4.2**	**1.3**	**1.3**	**4.8**	**3.2**

The findings in Table 6 indicate that only Aviva, and Legal and General, and Nest have an overall score of at least 5 out of 10.

The pension providers have particularly poor climate action policies on topics related to *Detailed target setting*, *Fossil fuels phase-out*, and *Deforestation and land use*, as evidenced by the significant number of providers scoring less than 2.5. The best performing themes are *Commitment to 1.5 °C*, *Measurement and disclosure,* and *Stewardship instruments.*

Figure 2 shows the average scores across the seven themes that were assessed.

Figure 2 **Average scores per assessment theme**

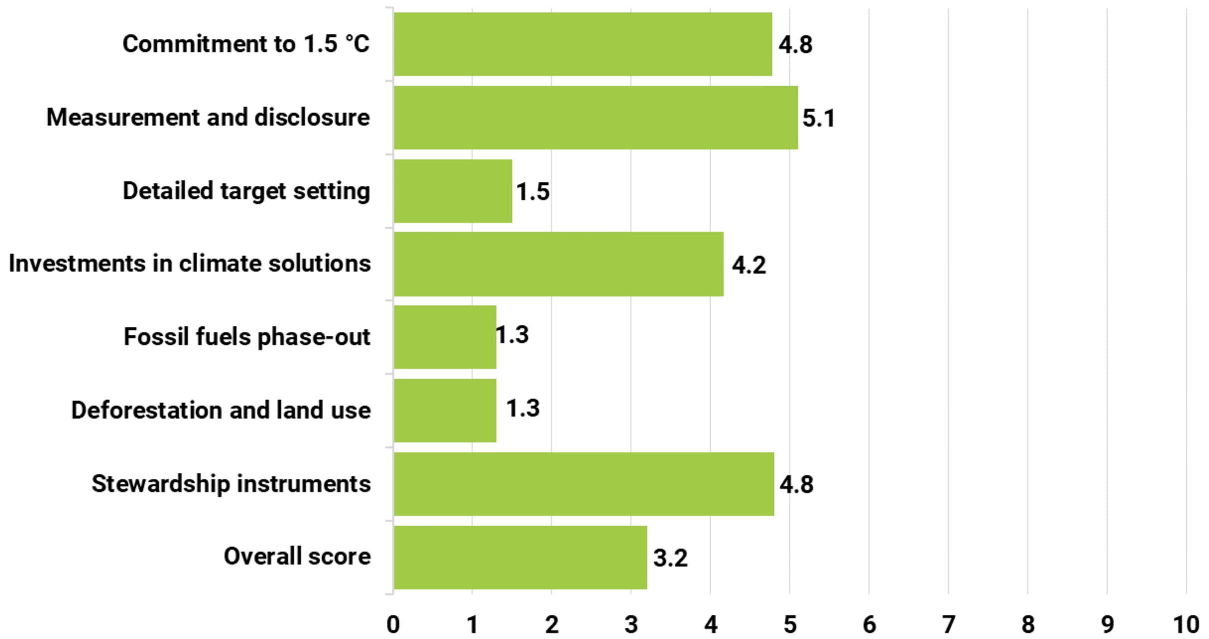


Figure 2 reveals that the average overall score received by the pension providers is 3.2 out of 10. The thematic average scores range from 1.3 out of 10 for *Fossil fuels phase-out* and *Deforestation and land use* to 5.1 out of 10 for *Measurement and disclosure*. While the DC pension providers scored relatively well for their *Measurement and disclosure* theme, the providers do not clearly identify detailed targets such as by asset class and economic sector to achieve their climate goals, as evidenced by the score of 1.5 out of 10 for *Detailed target setting*.

2.2 Findings per assessment theme

2.2.1 Commitment to a 1.5 °C Pathway

The *Commitment to a 1.5 °C Pathway* theme assesses the pension provider's commitment to the 1.5 ºC warming goal of the Paris Climate Agreement. Limiting the global average temperature increase to 1.5 °C, with no or limited overshoot, is crucial to avoid climatic catastrophes throughout the world.[70] In order to meet the criteria, pension providers should explicitly commit to aligning their investments with the Paris Climate Agreement and a 1.5 °C temperature increase scenario with no or limited overshoot. The policy should include both relative and absolute emission reduction targets set for the short (2025) and medium term (2030). Pension providers are also expected to set requirements for the use of third-party verified carbon offsets only for hard-to-abate carbon emissions.

The policy assessments indicate that 70% of the pension providers commit to a 1.5 °C temperature increase scenario. Though, it must be noted that most of these pension providers do not explicitly mention 1.5 °C in their policy, but rather make a robust net zero commitment including halving emissions this decade and/or a net zero date well before 2050.

Only 20% of the pension providers go a step further by committing to a 1.5 °C scenario with no or limited overshoot. For instance, Smart Pensions recognises that "overshooting global targets poses large risks on natural and human systems that may be long-lasting and irreversible, such as the loss of ecosystems… Therefore, we are targeting a 2040 date, to give us a better chance of achieving a temperature rise target of 1.5 °C, and to keep the climate change risk low in our portfolio."[71]

With 90% of the pension providers committing to a 1.5 °C temperature increase scenario or a robust net zero commitment, SEI is the only pension provider that does not commit to a 1.5 °C scenario at all. Hargreaves Lansdown scores slightly better by making a net zero in 2050 commitment, but as they do not commit to halving emissions this decade this commitment is not considered sufficient to reach a 1.5 °C scenario.

Most pension providers (17) complement their long-term goals with relative emission reduction targets set for the medium term (2030), while almost half (9) of pension providers also set relative emission reduction targets for the short term (2025). None of the pension providers set absolute emissions reduction targets for the short and medium term.

In meeting their reduction targets, seven pension providers state they will only use offsets for hard-to-abate emissions, but a majority (10) do not mention what role carbon offsets play in their climate strategies. Four pension providers (Cushon, Smart Pensions, TPT Retirement Solutions, National Pension Trust) commit to not use carbon offsets at all. For example, Smart Pension's Chief Investment Officer states that "in and of itself, offsetting doesn't actually decarbonise the economy. If you're claiming to be achieving net zero by using offsets, that's a little bit disingenuous – it's just kicking the can down the road".[72] . Six pension providers state they will only use offsets for hard-to-abate emissions, but a majority (10) do not mention what role carbon offsets play in their climate strategies.

Another important finding relates to the scope of pension provider's climate commitments. While in most cases, pension providers' climate targets at least cover their DC default schemes, they don't always cover all assets under management and administration (AUMA). In this report, the researchers have opted for a lenient approach, assessing the climate commitments where they relate to DC default schemes. After all, how pension providers manage the funds held in their DC default schemes is most relevant for pension savers in the United Kingdom. However, pension providers have a responsibility beyond DC default schemes to manage assets responsibly. Therefore, to continue scoring during next iterations of the research, pension providers should be explicit about the scope of their climate commitments and broaden their scope where relevant.

2.2.2 Measurement and Disclosure

The *Measurement and Disclosure* theme assesses the pension provider's measurement and disclosure of its financed carbon emissions. Pension providers are expected to measure and disclose their financed emissions both by asset class and by economic sector. An internationally recognised methodology should be used to measure and report the carbon footprint of the overall portfolio, including scope 1, scope 2, and scope 3 financed emissions.

The policy assessments reveal that most pension providers (17) use a robust methodology to measure and disclose the carbon metrics of their portfolios. The methodology developed by the Partnership for Carbon Accounting Financials (PCAF) is used most often among UK pension providers. For three pension providers (Hargreaves Lansdown, LifeSight and TPT Retirement Solutions), it is unclear to what extent the measurement and disclosures of carbon footprints underlie an internationally recognised methodology.

In line with internationally recognised methodologies, all the assessed pension providers indicate what scopes are covered by their carbon metrics. Five pension providers only include scope 1 and scope 2 carbon emissions in their disclosures. Some of them indicate that they are currently working to measure their scope 3 financed emissions as well. For example, in response to their assessment, Fidelity International has indicated to start including scope 3 emissions in its next Taskforce on Climate-related Financial Disclosures (TCFD) report.

Of the assessed pension providers, 35% do not disclose any carbon metrics by asset class. Another 40% measures and discloses carbon footprints of their listed equity and corporate fixed income combined, while 25% also disclose carbon metrics of other assets in their portfolio. For example, Aon discloses the carbon footprint of its equities, corporate bonds, sovereign bonds, commercial property, and cash invested through its two default schemes, representing 90% of the Master Trust's total AUMA.

Less common practice amongst UK pension providers is to measure and disclose carbon emissions by economic sector. Of the assessed pension providers, 75% do not disclose any sectoral carbon metrics. This is a significant finding as disclosures by sector comprise an important tool for the general public to gain insights into pension providers' climate strategies. When investors achieve their climate objectives by simply selling off their assets in carbon-intensive industries to other asset managers, they may have achieved their own climate goals, but the world will be no closer to a 1.5 °C scenario. Some pension providers that do disclose sectoral carbon metrics tend to define economic sectors in rather broad terms. For example, Legal and General discloses carbon footprints only for the most carbon-intensive sectors in its portfolio, defined as utilities, energy, materials and industry. Others are more elaborate, with National Pension Trust being an example of best practice by providing carbon metrics of its portfolio across ten economic sectors, including steel, cement, and airlines.

2.2.3 Detailed Target Setting

The *Detailed Target Setting* theme assesses what level of detail pension providers apply in setting their climate goals. Pension providers are expected to set emission reduction targets for the full value chain of investees, including scope 1, scope 2, and scope 3 financed emissions. In doing so, pension providers should set specific emission reduction targets for economic sectors, based on credible sectoral emission reduction pathways, to ensure real-world decarbonisation trajectories rather than simply divesting from high-emitting sectors. Moreover, pension providers should set specific emission reduction targets for different asset classes to account for the differences between asset classes in terms of carbon intensity and influencing opportunities for investors.[73]

The policy assessments indicate that half of the pension providers set emission reduction targets for scope 1 and 2 of their financed emissions. However, most carbon emissions comprise scope 3 emissions.[74] The finding that only a handful of pension providers (4) set emissions reduction targets for some of their scope 3 financed emissions is therefore alarming. Aegon is the only pension provider to set scope 1, 2 and 3 emissions reduction targets across all asset classes.

A majority of pension providers (11) do not set any specific emission reduction targets by asset class, while five pension providers set reduction targets for their listed equities and corporate fixed income. Four pension providers also set specific reduction targets for other asset classes. An example is Standard Life, with medium-term reduction targets that cover equities, credit, and government instruments.

The policy assessments show the poor performance of pension providers on sectoral targets. Only one pension provider sets emission reduction targets by economic sector: Prudential sets relative emission reduction targets (tCO_2e/\$m invested) to be achieved by 2030 against a 2019 baseline for utilities (60%), transport by road (50%), shipping (25%), and aviation (25%), oil, gas and coal (50%), and steel production (40%). While Prudential sets an example here of best practice, it is unclear to what extent these targets are based on a credible sectoral pathway consistent with global temperature goals.

2.2.4 Investments in Climate Solutions

The *Investments in Climate Solutions* theme assesses the pension providers' investment commitment towards climate solutions such as renewable energy, sustainable agriculture and forestry, and energy efficiency. In order to meet the emission reduction objectives and drive real world change, pension providers should shift their investment allocation and increase investments in climate mitigation and adaptation. The pension providers must be ambitious in their investment strategy and should target at least 2% of total AUMA within the next three years.

The policy assessments reveal that almost half of the assessed pension providers (9) have disclosed a climate solutions investment strategy. For instance, Aegon discloses its climate solution investment plan, which commits to a low-carbon transition by investing GBP 500 million in climate mitigation or adaptation solutions by 2026. The research also reveals that while seven pension providers show an inclination to invest in climate solutions, they do not disclose a clear investment strategy. The remaining four pension providers do not disclose any information on their investments in climate solutions.

2.2.5 Fossil Fuel Phase-outs

The *Fossil Fuel Phase-outs* theme assesses the pension provider's commitment to phase-out its investments in the fossil fuel industry, and to ensure that fossil fuel producing investee companies are aligned to the Paris goal by setting credible 1.5 °C scenario plans. In order to meet the criteria, pension providers should exclude companies that are engaged in new oil or gas exploration or development activities from its investment portfolio. The pension provider should set clear targets to phase-out investments in companies involved in coal production or coal-fired power plants.

The policy assessments indicate that none of the assessed pension providers have a clear public policy on excluding companies engaged in new oil or gas explorations or developments. Three pension providers have some exclusion policy, but they either only focus on controversial oil production from oil sands and the Arctics (Nest), only cover specific funds (Cushon) or are unclear about how the process works (Smart Pension). Furthermore, Royal London does not have a public exclusion policy for new oil and gas, but the pension provider did vote against Standard Chartered plc climate pathway report because the company had allowed the financing of new oil and gas fields.

Another crucial component of pension providers' climate policies is the phasing-out of coal production and coal-fired power plants. In order to be aligned with global temperature goals, investors should make no new investments in companies involved in coal production or coal-fired power plants for more than 5% of their activities. The policy assessments indicate that Now: Pensions is the only pension provider to fully exclude thermal coal. Most pension providers only exclude companies that derive a certain threshold of their revenue from thermal coal (or tar sand extraction) but in many cases, the policy is not strict enough to be considered Paris-aligned. For example, SEI excludes companies that derive more than 10% of its annual revenue from involvement in thermal coal exploration, mining, and production, while Standard Life sets a revenue threshold of 20% in its thermal coal exclusion policy. In this respect, Standard Life is among the lowest-ranking pension providers. Nonetheless, Standard Life is the among the few pension provider to require fossil fuel-producing companies to commit to aligning with a 1.5 °C scenario, together with Nest and Legal and General.

2.2.6 Deforestation and land use

The elimination of deforestation, and management of emissions from AFOLU sectors is an important contributor to reducing global greenhouse gas (GHG) emissions. Pension providers are expected to clearly set a comprehensive no-deforestation policy, which should include a commitment by investee companies to zero-deforestation and no-conversion of natural forests and ecosystems. The policy should set requirements for ecologically sensitive areas such as High Conservation Value (HCV) areas, wetlands, peatlands, and High Carbon Stock (HCS) areas.

The theme also assesses the pension providers' investments and emissions disclosures and transition plans for the deforestation-risk sectors on their portfolio. Pension providers should disclose the investments made in the Agriculture, Forestry, and Other Land Use (AFOLU) sectors, along with the financed GHG emissions associated with the sector. The providers should also develop emission reduction targets aligned with a 1.5 °C pathway.

The policy assessments indicate that just over half of the assessed pension providers (11) show a form of public commitment to tackle deforestation. Pension providers often express their public commitment to address deforestation by signing up to sectoral initiatives. An example of good practice is the Finance Sector Deforestation Action (FSDA), which has formulated a set of specific no-deforestation expectation for companies,[75] and of which three pension providers are members (Aviva, Fidelity International, and Legal and General).

The policy assessments reveal that only 35% publicly disclose a deforestation policy, and most of these are inadequate or poor. Five out of the 20 assessed pension providers have a deforestation policy with some no-deforestation requirements. For instance, Cushon discloses a deforestation plan that addresses the measurement of deforestation-related data, such as the proportion of investee companies that have a deforestation policy, and reduction in exposure to deforestation-risk sectors. Only two of the pension providers (Fidelity International and Legal and General) have identified broad requirements for deforestation-free and no-conversion commitments. Fidelity International discloses the expectations from investee companies which includes public disclosures on deforestation risk, timebound deforestation-free commitment, and monitoring against these commitments.

Most of the assessed pension providers do not disclose their investments or the associated GHG emissions from their investments in the AFOLU sectors. While three pension providers (Fidelity International, Scottish Widows, and National Pension Trust) disclose their investments in the deforestation-risk sectors and associated emissions for some AFOLU sectors, only Cushon discloses a sectoral breakdown of its investments in the AFOLU sectors and estimates of their GHG emission intensity per investee company. The policy assessments also reveal that none of the pension providers have set emission reduction targets for the AFOLU sectors.

2.2.7 Stewardship Instruments

The Stewardship Instruments theme assesses the pension provider's stewardship and engagement policies to meet global climate goals. Pension providers are expected to use stewardship and engagement in a targeted way with companies and asset managers, to meet global temperature goals and emissions reduction targets. In doing so, pension providers should use and report on shareholder voting to achieve climate objectives and set clear divestment and exclusion policies for companies and asset managers. Pension providers can also receive scores for their active participation in sectoral climate initiatives and public advocacy on climate-related topics.

The policy assessments indicate that most pension providers have a stewardship and engagement policy to meet global temperature goals and emission reduction targets. In fact, many policy providers indicate that they prefer stewardship and engagement over divestment and exclusion (i.e., Aviva, TPT Retirement Solutions, Fidelity International, Hargreaves Lansdown, Prudential, Legal and General). For example, Aegon states that it "looks for 'real' economy outcomes rather than divesting our portfolio away from climate-change risks and issues. This means we make long-term decisions to decarbonise our portfolio, focusing on real-world changes."[76] Nine pension providers have a detailed policy, of which six also report periodically on the results achieved through these instruments. While the other eleven pension providers may have a stewardship and engagement policy, they do not explain how the instruments serve to achieve global temperature goals.

Whilst most pension providers use asset managers, it is important that the asset owner itself sets very clear stewardship policies and expectations of both investee companies, and any asset managers it uses. This links to the inadequate performance identified on deforestation and fossil fuels – pension providers may have stewardship instruments, but on crucial climate topics their stewardship often needs to improve.

Of the pension providers assessed, 50% of the pension providers have a shareholder voting policy in support of global temperature goals and emission reduction targets that clearly explains how the process works and how the instrument serves to achieve emission reduction targets. Yet, only 30% (6) of the pension providers report in detail on shareholder votes, while 10% (2) (Nest and Legal and General) also disclose at least one shareholder resolution filed in favour in support of emission reduction targets.

Most pension providers (16) also have a divestment policy for when engagement activities fail. In many cases (9), however, the policies do not state under which circumstances the process of divestment enters into force. Legal and General, Aon, and Scottish Widows are examples of best practice, with the pension providers indicating a clear timeline for the divestment process. All pension providers should report better on the results of their divestment policy, although Legal and General does provide the names of all companies on its exclusion list.

Apart from engagement and divestment, most pension providers (13) also use other instruments to meet global temperature goals by participating in sectoral initiatives or through public advocacy. Much referenced initiatives include the UK Stewardship Code, the Climate Action 100+ and the Net Zero Asset Owner Alliance (NZAOA).

3

Call to action

This chapter presents the conclusions drawn from the policy assessments and identifies what areas UK DC pension providers should prioritise in 2024 and beyond, to drive positive change for a more sustainable future.

3.1 Conclusions

In this research, the climate action plans of UK DC pension providers are assessed and scored on a 0 – 10 range and classified into four categories based on their scores, namely:

- 7.5 – 10: the pension provider has good climate policies
- 5.0 – 7.5: the pension provider has adequate climate policies
- 2.5 – 5.0: the pension provider has inadequate climate policies
- 0.0 – 2.5: the pension provider has poor climate policies

The results of this analysis are summarised in Table 7.

Table 7 Overview of pension providers' climate action plans by category

Category	**Score range**	**Provider**	Score
Good climate policies	7.5 – 10		
Adequate climate policies	5.0 – 7.5	Aviva	5.4
		Legal and General	5.3
		Nest	5.1
Inadequate policies	2.5 – 5.0	Cushon	4.6
		Scottish Widows	4.6
		Fidelity International	4.5
		Smart Pension	3.8
		Standard Life	3.7
		Aegon	3.3
		Royal London	3.1
		Prudential	3.0
		TPT Retirement Solutions	2.9
		Now: Pensions	2.6
		Aon	2.5
		LifeSight	2.5
		National Pension Trust	2.5

Category	Score range	Provider	Score
Poor climate policies	0.0 – 2.5	Mercer	1.6
		Hargreaves Lansdown	1.1
		The People's Pension	0.9
		SEI	0.5

We have seen that only 15% of the pension providers have policies that can be classified as adequate overall and include Aviva (5.4), Legal and General (5.3), and Nest (5.1) Although, with these scores, even they fall into the lower ranges of this category and have significant room for improvement. A large majority (65%) of the pension providers have inadequate climate policies, while 20% have climate policies that are deemed poor. None of the providers have leading climate action policies and approaches. On average, pension providers attain an overall score of 3.2. This means that UK DC pension providers need to promptly improve their climate policies in order to align their investment portfolios with the objective of the Paris Climate Agreement of limiting the global temperature increase to 1.5 °C, and drive real world change.

The themes on which UK DC pension providers score best include a commitment to the Paris Climate Agreement (4.8), measurement and disclosure of carbon emissions (5.1), stewardship instruments (4.8), and investments in climate solutions (4.2). However, with average scores not exceeding a median score, even these areas call for improvements. Pension providers should explicitly commit to a 1.5 °C scenario with no or limited overshoot. In doing so, it is crucial pension providers match their long-term commitments with short-term targets (2025) as climate action can no longer be postponed. With scope 3 financed emissions being the most significant category of carbon emissions, a critical step in achieving these objectives is to improve the measurement and disclosure of the greenhouse gases emitted throughout the value chains of investee companies.

In their climate policies, DC pension providers emphasise their preference of engagement over divestment and exclusion in strategizing their climate action plans. Where pension providers choose engagement-oriented stewardship policies, it is important that both their engagement and voting policies, as well as their procedures for engaging with their investment managers (where relevant), are robust. Strategies and policies on shareholder engagement and voting should be clear, coherent, and specific – including on key climate themes such as deforestation and fossil fuel expansion. The relatively heavy weight that UK DC pension providers ascribe to stewardship and engagement also calls into question how well they (and their asset managers) implement their climate stewardship policies. An assessment of actual shareholder voting behaviour could be an interesting avenue for future projects/research.

Themes on which the pension providers perform most poorly include the level of detail in setting emission reduction targets (1.5), deforestation and land use (1.3), and phasing-out fossil fuels from the investment portfolio (1.3). Only 20% of the pension providers set emission reduction targets for greenhouse gases emitted throughout the value chains of investee companies, so-called scope 3 financed emissions. This finding may not come as a surprise, as we have seen that scope 3 financed emissions are generally not well-understood yet as evidenced by the limited number of pension providers that measure and disclose the greenhouse gases emitted throughout the value chains of investee companies. In this respect, it may help pension providers to set specific emission reduction targets for different economic sectors in their investment portfolio. Afterall, economic sectors vary extensively in terms of their challenges and opportunities for decarbonisation.

This is particularly true for the Agriculture, Forestry and Other Land Use (AFOLU) sector and the fossil fuel industry. In case of the former, high risks of deforestation and conversion of natural ecosystems persist. The finding that 65% of the assessed pension providers do not publicly disclose a no-deforestation policy is therefore alarming.

In relation to fossil fuels, pension providers should set stricter policies to phaseout coal, oil, and gas from their investment portfolios. The policy assessments have revealed that none of the assessed pension providers have a clear public policy on excluding companies engaged in new oil or gas expansion.

3.2 Next steps

This report points towards best practices as well as gaps in the climate action plans of UK DC pension providers. Overall, despite some pockets of good practice, a lot of improvement is required to translate broad commitments into actionable plans.

To drive positive change, UK DC pension providers should focus on the following priority areas in 2024 and beyond:

- **Commit to a 1.5 °C scenario, with short/mid-term emission reduction targets aligned to a no-overshoot trajectory – covering all assets, and only using carbon offsets for hard to abate emissions;**

  UK DC pension providers should explicitly commit to a 1.5 °C temperature increase scenario with no or limited overshoot. This commitment needs to be paired with short- and medium emission reduction targets in line with a no-overshoot trajectory. Commitments to achieve net zero by 2050, in isolation, is not sufficient to be considered aligned with the Paris Climate Agreement. Moreover, UK DC pension providers should be more transparent about the scope of their climate commitments. While the default pension schemes offered by the providers are generally covered, it is not always clear whether and what other funds are covered by the pension providers' net zero commitments. In this report, the researchers have opted for a lenient approach, assessing the climate commitments applicable to default funds. After all, how pension providers manage the funds held in their DC default schemes is what is most relevant for British pension savers. However, pension providers have a responsibility beyond DC default schemes to invest assets under their management responsibly. Therefore, to continue scoring well during next iterations of the research, pension providers should be explicit about the scope of their climate commitments and broaden their scope where relevant.

  The role of carbon offsets in UK DC pension providers' climate strategies is often not or ill-defined. When carbon credits acquired through offset schemes are not adequately verified, there is a risk that emissions only go down on paper, not in real life.[77] Throughout 2023, many controversies were reported around carbon offset schemes.[78] Therefore, UK DC pension providers should commit to using third-party verified carbon offsets only for hard-to-abate emissions to avoid greenwashing and focus on achieving actual, real-world carbon emission reductions by the companies in which they are investing.

- **Set detailed emission reduction targets for key economic sectors and asset classes in the investment portfolio, and ensure that targets (and measurement/disclosure) cover emissions throughout the value chain of investee companies;**

  Pension providers should use sector-based approaches in developing credible climate action plans to define priority sectors for action and engagement[79] as emission reduction pathways differ significantly between economic sectors[80]. Such sectoral emission reduction targets could help pension providers to better understand the challenges and opportunities related to their different portfolios, and in this way aid them in achieving real-world outcomes. Similarly, pension providers should set specific targets for the varying asset classes in their investment portfolios. Both sectoral emission reduction targets and targets by asset class should cover emissions throughout the value chain of investee companies. Inclusion of scope 3 financed emissions in reduction targets is crucial, as they comprise the most significant category of carbon emissions.[81] Recognising that data availability on investee scope 3 emissions currently remains a challenge, pension providers should prioritise accessing and improving the quality of data. Pension providers should set emission reduction targets for these scope 3 emissions and report on their progress towards these objectives in prospective climate-related reports.

- **Scale up investments in climate solutions, and work to remove any supply/demand barriers facing pension schemes in this regard;**

  To transition to a green economy, pension providers should also increase their investments in climate solutions such as renewable energy, sustainable agriculture and forestry, and energy efficiency. The strategy for green investments should include a specific timeline set for the short-term and target at least 2% of total AUM to be invested in climate solutions.

- **Phase-out fossil fuel assets, particularly those involved in coal, and fossil fuel expansion. Ensure that any fossil fuel companies have credible 1.5 °C aligned plans;**

  Pension providers should set strict policies to phaseout investments in the fossil fuel industry. Providers should explicitly commit to not making new investments in companies involved in oil or gas expansion, and where pension providers invest in fossil fuel-producing companies, they must ensure that companies have credible climate action plans aligned with a 1.5 °C scenario – which cannot include expansion. Providers must completely phaseout investments in companies producing coal and in coal-fired power plants.

- **Publish and act on comprehensive deforestation policies; set targets for, and measure, AFOLU emissions;**

  This research indicates that just a few pension providers currently have policies in place to tackle deforestation in their investment portfolios. Deforestation is an important contributor to global greenhouse gas emissions.[82] Therefore, it is important that pension providers commit to no-deforestation and no-conversion of natural forests and ecosystems. Additionally providers must set targets for, and measure, wider AFOLU emissions.

- **Strengthen divestment and exclusion policies, and voting, to ensure that stewardship and engagement policies have teeth;**

  To ensure that engagement and voting policies have teeth, pension providers should strengthen their divestment and exclusion policies.[83] Pension providers should improve both on procedures (i.e., setting clear timelines) as well as content. Specifically, escalation and exclusion policies for companies engaged in fossil fuel expansion are needed. Coal policies should not only focus on thermal coal but also address investments related to metallurgical coal.[84] Notably, pension providers should report transparently on the results of their policies on divestment, exclusions, voting, and engagement. Reporting on a case-by-case basis does not suffice for British pension savers to hold their pension providers to account on climate-related issues.

References

1 Department for Work and Pensions UK (2023, November 22), "Trends in the Defined Contribution trust-based pensions market", online: https://assets.publishing.service.gov.uk/media/655c8ff7d03a8d000d07fda2/trends-in-the-trust-based-private-pensions-market.pdf, viewed in January 2024.

2 Greenwood, J. and E. Simon (2023, April), *Master Trust and GPP Defaults Report*, London, United Kingdom: Corporate Advisor Intelligence, p.8-12.

3 MMMM (2022, November), *Climate Action Report*, London, United Kingdom: Make My Money Matter.

4 Ramirez, J., J.W. van Gelder and P. Enriquez (2023, March), *Climate action plans of ten Dutch financial institutions: A case study for the Fair Finance Guide Netherlands*, Amsterdam, The Netherlands: Profundo.

5 Van Gelder, J.W. (2023, April), *Forest and Finance: F&F Policy Assessment Methodology*, Amsterdam, The Netherlands: Profundo.

6 Laplane, J., L. van Loenen and J.W. van Gelder (2023, February), *Fair Finance Guide International Methodology 2023*, Amsterdam, The Netherlands: Profundo.

7 Loenen, L. (2022, Februari), *Beoordeling van het duurzaamheidsbeleid van tien pensioenfondsen - tweede actualisering*, Amsterdam, Nederland: Profundo;

Herder, A., Mishra, K. and M. Simons (2017, March), *Pension Fund Market Analysis and Possible Adaptations to FFGI Methodology*, Amsterdam, The Netherlands: Profundo.

8 EFRAG (2022), *The Draft European Sustainability Reporting Standards: ESRS 1 Climate Change.*

9 EPRG Race to Zero (2022, June), *Interpretation Guide Race to Zero Expert Peer Review Group Version 2.0*, Duisburg, Germany: Race to Zero Expert Peer Review Group.

10 World Resource Institute and the World Business Council for Sustainable Development (2004), *GHG Protocol Corporate Accounting and Reporting Standard*, WRI and WBCSD.

11 IEA (2021), *Net Zero by 2050 A Roadmap for the Global Energy Sector*, Paris, France: International Energy Agency.

12 IPCC (2022), *Climate Change 2022: Mitigation of climate change*, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

13 NCI (2022, July), *Guidance and assessment criteria for good practice corporate emission reduction and net-zero targets: Version 2.0 Corporate climate responsibility,* Köln, Germany: New Climate Institute.

14 NZAOA (2022), *Commitment Document for Participating Asset Owners*, Geneva, Switzerland: United Nations Environment Programme Finance Initiative.

15 NZBA (2021), *Guidelines for Climate Target Setting for Banks*, Geneva, Switzerland: United Nations Environment Programme Finance Initiative.

16 OECD (2017), *Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises,* Paris, France: Organisation for Economic Cooperation and Development.

17 United Nations Framework Convention on Climate Change (2015), Paris Agreement, Paris, France: United Nations Framework Convention on Climate Change, p. 3.

18 PCAF (2022, December), *The Global GHG Accounting & Reporting Standard - Part A: Financed Emissions*.

19 UN HLEG (2022), *Integrity Matters: Net Zero Commitments by Business, Financial Institutions, Cities and Regions*, New York, United States of America: The United Nations.

20 United Nations Framework Convention on Climate Change (2015), Paris Agreement, Paris, France: United Nations Framework Convention on Climate Change, p. 3.

21 United Nations Framework Convention on Climate Change (2015), Paris Agreement, Paris, France: United Nations Framework Convention on Climate Change, p. 3.

22 IPCC Change (2018), Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

23 IPCC (2022), *Climate Change 2022: Mitigation of climate change*, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

24 UNFCC (2023, December 13), "COP28 Agreement Signals "Beginning of the End" of the Fossil Fuel Era", online: https://unfccc.int/news/cop28-agreement-signals-beginning-of-the-end-of-the-fossil-fuel-era, viewed in January 2024;

UNFCC (n.d.), "Global Stocktake", online: https://unfccc.int/topics/global-stocktake, viewed in January 2024.

25 IPCC (2022), *Climate Change 2022: Mitigation of climate change*, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

26 Oxford Net Zero (n.d.), "What Is Net Zero?", online: https://netzeroclimate.org/what-is-net-zero-2/, viewed in januari 2024.

27 Hansen, J.E., M. Sato, L. Simons, L.S. Nazarenko, I.Sanga, P. Kharecha, J.C. Zachos, K. von Schuckmann, N.G. Loeb, M.B. Osman, Q. Jin, G. Tselioudis, E. Jeong, A. Lacis, R. Reudy, G. Russell, J. Cao, L. Jing. (2023), ''Global Warming in the Pipeline'', *Oxford Open Climate Change* 3(1): 1-33. DOI:10.1093/oxfclm/kgad008.

28 UN HLEG (2022), *Integrity Matters: Net Zero Commitments by Business, Financial Institutions, Cities and Regions*, New York, The United States of America: The United Nations, p. 15.

29 NCI (2022), *Guidance and assessment criteria for good practice corporate emission reduction and net-zero targets: Version 2.0 Corporate climate responsibility*, Köln, Germany: The New Climate Institute, p.9.

30 IPCC (2022), *Climate Change 2022: Mitigation of climate change*, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

31 EPRG Race to Zero (2022, June), *Interpretation Guide Race to Zero Expert Peer Review Group Version 2.0*, Duisburg, Germany: Race to Zero Expert Peer Review Group.

32 UN HLEG (2022), *Integrity Matters: Net Zero Commitments by Business, Financial Institutions, Cities and Regions*, New York: United States of America: United Nations, p. 21.

33 EPRG Race to Zero (2022, June), *Interpretation Guide Race to Zero Expert Peer Review Group Version 2.0*, Duisburg, Germany: Race to Zero Expert Peer Review Group, p. 8.

34 IPCC (2019, August), *Special Report on Climate Change and Land*, p.98;

World Rainforest Movement (2015, February), *REDD: A Collection of Conflicts, Contradictions and Lies*, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

35 Greenpeace (2021), *Net Expectations: Assessing the role of carbon dioxide removal in companies' climate plans*, London, United Kingdom: Greenpeace UK, p. 8.

36 IPCC (2018), *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty*, Geneva, Switzerland: Intergovernmental Panel on Climate Change, p. 14.

37 UN HLEG (2022), *Integrity Matters: Net Zero Commitments by Business, Financial Institutions, Cities and Regions*, New York: United States of America: United Nations, p. 16.

38 Greenhouse Gas Protocol (n.d.), "FAQ", online: https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf, p. 1.

39 EPRG Race to Zero (2022, June), *Interpretation Guide Race to Zero Expert Peer Review Group Version 2.0*, Duisburg, Germany: Race to Zero Expert Peer Review Group.

40 UN HLEG (2022), *Integrity Matters: Net Zero Commitments by Business, Financial Institutions, Cities and Regions*, New York: United States of America: United Nations, p. 17.

41 PCAF (2022, December), *The Global GHG Accounting & Reporting Standard - Part A: Financed Emissions*, p. 51.

42 Van Loenen, L., and J. B. Ramirez Gallego (2021), *Climate change commitments of financial institutions active in the Netherlands: A case study for Fair Finance Guide Netherlands*, Amsterdam, The Netherlands: Profundo.

43 Laplane, J. and L. van Loenen (2021), *Fair Finance Guide International Methodology 2021*, Amsterdam, The Netherlands: Profundo

44 Commissie Financiële Sector Klimaatcommitment (2022, Oct 19), ''Klimaatcommitment Financiële Sector. Leidraad voor relevante financieringen, beleggingen en actieplannen'', p7.

45 NZBA (2021, April), *Guidelines for Climate Target Setting for Banks*, Geneva, Switzerland: United Nations Environment Programme Finance Initiative.

46 NZAOA (2022), *Commitment Document for Participating Asset Owners*, Geneva, Switzerland: United Nations Environment Programme Finance Initiative.

47 Commissie Financiële Sector Klimaatcommitment (2022, Oct 19), ''Klimaatcommitment Financiële Sector. Leidraad voor relevante financieringen, beleggingen en actieplannen'', p7;

Van Loenen, L., and J. B. Ramirez Gallego (2021), *Climate change commitments of financial institutions active in the Netherlands: A case study for Fair Finance Guide Netherlands*, Amsterdam, The Netherlands: Profundo.

48 UNEP Finance Initiative (n.d.), "Target Setting Protocol Second Edition", online: https://www.unepfi.org/net-zero-alliance/resources/target-setting-protocol-second-edition/, viewed in January 2024.

49 UN HLEG (2022), *Integrity Matters: Net Zero Commitments by Business, Financial Institutions, Cities and Regions*, New York: The United States of America: The United Nations, p. 21.

50 UNEP (2023, January), *Target Setting Protocol Third edition*, Nairobi, Kenya: United Nations Environmental Programme, p. 37

51 United Nations Principles for Responsible Investment (2018, August), *Impact Investing Market Map 2018*, London, The United Kingdom: UNEP Finance Initiative and UN Global Compact, p.6.

52 United Nations Conference on Trade and Development (2022), *World Investment Report 2022: International Tax Reforms and Sustainable Investment*, Geneva, Switzerland: United Nations, p.7.

53 Climate Policy Initiative (2021, December), "Global Landscape of Climate Finance 2021", online: https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2021/, viewed in May 2023

54 Chidambaram, R. and P. Khanna (2022, August), "It's Time to Invest in Climate Adaptation", Harvard Business Review, online: https://hbr.org/2022/08/its-time-to-invest-in-climate-adaptation, viewed May 2023.

55 UNFCC (2023, December 13), "COP28 Agreement Signals "Beginning of the End" of the Fossil Fuel Era", online: https://unfccc.int/news/cop28-agreement-signals-beginning-of-the-end-of-the-fossil-fuel-era, viewed in January 2024;

UN News (2023, December 13), "COP28 ends with call to 'transition away' from fossil fuels; UN's Guterres says phaseout is inevitable", online: https://news.un.org/en/story/2023/12/1144742, viewed in January 2024.

56 IPCC (2022), *Climate Change 2022: Mitigation of climate change*, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

57 UNEP (2021), *2021 Production Gap Report*, Nairobi, Kenya: United Nations Environmental Programme.

58 IEA (2021, May), *Net Zero by 2050 A Roadmap for the Global Energy Sector*, Paris, France: International Energy Agency, p. 11.

59 IEA (2021, May), *Net Zero by 2050 A Roadmap for the Global Energy Sector*, Paris, France: International Energy Agency.

60 United Nations Framework Convention on Climate Change (n.d.), "Land Use, Land-Use Change and Forestry (LULUCF)", online: https://unfccc.int/topics/land-use/workstreams/land-use--land-use-change-and-forestry-lulucf, viewed in January 2024.

61 Nabuurs, G.J. and R. Mrabet (2022, April), "IPCC Sixth Assessment Report - Working Group III - Chapter 7: Agriculture, Forestry and Other Land Uses (AFOLU)", Geneva, Switzerland: IPCC, online: https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Chapter_07.pdf, viewed in April 2023.

62 Nabuurs, G.J. and R. Mrabet (2022, April), "IPCC Sixth Assessment Report - Working Group III - Chapter 7: Agriculture, Forestry and Other Land Uses (AFOLU)", Geneva, Switzerland: IPCC, online: https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Chapter_07.pdf, viewed in April 2023.

63 Van Gelder, J.W. (2023, April), *Forest and Finance: F&F Policy Assessment Methodology*, Amsterdam, The Netherlands: Profundo, p. 28.

64 Global Reporting Initiative (2013), *G4 Financial Services Sector Disclosures*, Amsterdam, Netherlands: GRI.

65 Global Reporting Initiative (2022, April), "GRI Universal Standards 2021 - Frequently Asked Questions (FAQs)", online: https://www.globalreporting.org/media/zauil2g3/public-faqs-universal-standards.pdf, viewed in April 2023.

66 EPRG Race to Zero (2022, June), *Interpretation Guide Race to Zero Expert Peer Review Group Version 2.0*, Duisburg, Germany: Race to Zero Expert Peer Review Group.

67 GRI (2013), *G4 Financial Services Sector Disclosures*, Amsterdam, Netherlands: GRI.

68 Global Reporting Initiative (2022, April), "GRI Universal Standards 2021 - Frequently Asked Questions (FAQs)", online: https://www.globalreporting.org/media/zauil2g3/public-faqs-universal-standards.pdf, viewed in April 2023.

69 OECD (2017), *Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises*, Paris, France: Organisation for Economic Cooperation and Development, p. 43.

70 IPCC (2018), *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty*, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

71 Smart Pension Master Trust (2023, January), *Our approach to achieving net zero for investments*, London, United Kingdom: Smart Pensions, p. 10.

72 Smart Pension (2022, September 20), ''How pension funds can help decarbonise the planet more quickly, with a little help from great technology'', online: https://www.smartpension.co.uk/news-and-media/pension-decarbonise-planet-technology, viewed in January 2024.

73 UNEP (2022*), UN-convened Net-Zero Asset Owner Alliance: Target Setting Protocol—Second edition*, Nairobi, Kenya: United Nations Environmental Programme.

74 PCAF (2022, December), *Financed Emissions: the global GHG accounting & reporting standard, part A*, p.19.

75 FSDA (2022, 16 September), ''Investor expectations of companies'', FSDA, online: https://climatechampions.unfccc.int/wp-content/uploads/2022/09/FSDA-Investor-expectations-of-companies-16.09.2022.docx.pdf, viewed in January 2024.

76 Aegon UK (2023, May), *Climate Roadmap: Our transition plan to net zero 2022*, Edinburgh, United Kingdom: Aegon UK plc, p. 8.

77 UN HLEG (2022), *Integrity Matters: Net Zero Commitments by Business, Financial Institutions, Cities and Regions*, New York, United States of America: United Nations, p. 19.

78 Greenfield, P. (2023, January 18), ''Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows'', The Guardian, online: https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe, viewed in January 2024;

Crezee, B. and T. Gijzel (2023, January 27), ''Prestigeproject van 's werelds grootste CO2-handelaar leidde juist tot meer uitstoot'', Follow the Money, online: https://www.ftm.nl/artikelen/south-pole-kariba-meer-uitstoot?share=vvmNK7a99IH2%2F9CMabWPyKwEdz8e%2F%2BRdFlRs6JWsUsFKvjAGGJNIdj8wFGciRYc%3D, viewed in January 2024;

Blake, H. (2023, October 16), ''The Great Cash-For-Carbon-Hustle: Offsetting has been failed as fix for runaway emissions and climate change – but the market's largest firm sold millions of credit for carbon reductions that weren't real'', The New Yorker, online: https://www.newyorker.com/magazine/2023/10/23/the-great-cash-for-carbon-hustle, viewed in January 2024.

79 Laplane, J. and L. van Loenen (2021), *Fair Finance Guide International Methodology 2021*, Amsterdam, The Netherlands: Profundo

80 NZAOA (2022, January), *Target Setting Protocol, second edition*, Geneva, Switzerland: United Nations Environment Programme Finance Initiative.

81 PCAF (2022, December), *Financed Emissions: the global GHG accounting & reporting standard, part A*, p.19.

82 IPCC (2019), *Summary for Policymakers.* In: *Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems*, Geneva, Switzerland: Intergovernmental Panel on Climate Change.

83 OECD (2017), *Due Diligence for Responsible Corporate Lending and Securities Underwriting: Key considerations for banks implementing the OECD Guidelines for Multinational Enterprises,* Paris, France: Organisation for Economic Cooperation and Development.

84 Racamora, C. (2023, November), *Metallurgical coal financing: Time to call it off*, Paris, France: Reclaim Finance.

Appendix 1 Policy assessment framework

Table 8 lists the 24 elements used in the policy assessment framework and also provides details on the scoring criteria for each element.

Table 8 Policy assessment framework

#	Element	Score	Criteria
Theme: Commitment to a 1.5°C pathway			
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0	No commitment to the Paris Climate Agreement goal, or the statement is vague: it mentions the Paris Climate Agreement but does not make a commitment to align the investment portfolio
		2	Explicit commitment to align the investment portfolio with the Paris Climate Agreement but with no explicit mention of alignment with a 1.5°C scenario
		4	Explicit commitment to align the investment portfolio with the Paris Climate Agreement, with explicit mention of alignment with a 1.5°C scenario
		6	Explicit commitment to align the investment portfolio with the Paris Climate Agreement, with explicit mention of alignment with a 1.5°C scenario with no or limited overshoot
2	Set short- and medium- term and absolute emission reduction targets (at pension provider level)	0	Targets are not specified, are not specified until after 2030, or do not reference a base year
		2	Relative emission reduction targets that reference a base yet are set for the medium term (2030)
		4	Relative emission reduction targets that reference a base year are set for the short term (2025) and medium term (2030), or absolute emission reduction targets are set for the medium term (2030) for around half or more of investments
		6	Absolute emission reduction targets are set, and reference a base year, for the short term (2025) and medium term (2030)
3	Reduction targets are independent from carbon offsetting	0	Carbon offsetting is assigned a significant role in reaching the emission reduction targets or the role of carbon offsetting in reaching emission reduction targets is not explained
		2	A small role ("residual emissions" or "hard-to-abate emissions") is assigned to carbon offsetting to reach emission reduction targets without a valid justification for the inclusion of carbon offsetting
		4	A small role is assigned to carbon offsetting to reach emission reduction targets with a valid justification for the inclusion of carbon offsetting, and the carbon offsetting claims are certified by a third party
		6	Commitment to not use carbon offsets to reach emission reduction targets
Theme: Measurement and disclosure			
4	Robust methodologies are used to measure and report	0	The carbon footprint of the overall portfolio is not measured or not disclosed

#	Element	Score	Criteria
	the carbon footprint of the overall portfolio	2	The carbon footprint of the overall portfolio is measured and disclosed, but no internationally recognised and reliable methodologies are used or it is unclear which methodologies are used
		4	The carbon footprint of the overall portfolio is measured with internationally recognised and reliable methodologies e.g. the Partnership for Carbon Accounting Financials (PCAF), the Paris Agreement Capital Transition Assessment (PACTA), or similar, and the results are disclosed
5	Carbon footprints are measured and disclosed for the full value chain of investees	0	Carbon footprints are not measured or not disclosed
		2	Carbon footprints are measured and disclosed, but only for scope 1 and 2 emissions of investee companies
		4	Carbon footprint are measured and disclosed for scope 1 and 2 emissions of investee companies, and for the scope 3 emissions of at least one economic sector
		6	Carbon footprints are measured and disclosed for scope 1 and 2 emissions of investee companies, and for scope 3 emissions of at least three economic sectors
6	Carbon footprints are measured and disclosed by sector	0	Carbon footprints are not measured/disclosed for any specific sector
		2	Carbon footprints are measured and disclosed for several sectors under a solid methodology. There is no explanation why other relevant sectors are not included (e.g. no or minimal exposure in the portfolio)
		4	Carbon footprints are measured and disclosed for half of the sectors, or a list of the most relevant sectors the pension provider has identified, under a solid methodology
		6	Carbon footprints are measured and disclosed under a solid methodology for at least 90% of the economic sectors represented in the portfolio (measured by exposure or emissions)
7	Carbon footprints are measured and disclosed by asset class	0	Carbon footprints are not measured/disclosed for any asset class
		2	Carbon footprints are measured and disclosed for at least equities or corporate bonds under a solid methodology. Score for disclosures that do not differentiate between equities and corporate bonds
		4	Carbon footprints are measured and disclosed for at least equities and corporate bonds under a solid methodology
		6	Carbon footprints are measured and disclosed under a solid methodology for at least 90% of all asset classes (measured by exposure or emissions)
Theme: Detailed target setting			
8	Emissions reduction targets are set for the full value chains of investees	0	Targets do not consider the scope of emissions of investees, or the pension provider is not transparent about this
		2	Targets apply to scopes 1 and 2 of investees' emissions across all sectors

#	Element	Score	Criteria
		4	Targets apply to scopes 1, 2 and 3 of investees' emissions in some sectors. Where data is missing for scope 3 emissions, the pension provider should explain how they are working on getting the data or what estimates they are using
		6	Targets apply to scopes 1, 2 & 3 of investees' emissions in all sectors
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0	No emissions reduction targets are set for any specific sector
		2	Emissions reduction are set for several economic sectors. There is no explanation why other relevant sectors are not included (e.g. no or minimal exposure in the portfolio)
		4	Emissions reduction targets are set for half of the economic sectors represented in the portfolios, or a list of the most relevant sectors the pension provider has identified
		6	Emissions reduction targets are set for at least 90% of the economic sectors represented in the portfolio (measured by exposure or emissions)
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0	Sectoral targets are not yet based on credible sector pathways, or this is not disclosed
		2	Sectoral targets are based on a credible sector pathway for at least one economic sector.
		4	Sectoral targets are based on credible sector pathways for half of the sectors or a list of the most relevant sectors for the financial institution identified under a solid methodology. There is no explanation why other relevant sectors are not included (e.g., none or minimal exposure in the portfolio)
		6	Sectoral targets are based on credible sector pathways for at least 90% of the economic sectors represented in the portfolio (measured by exposure or emissions)
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0	No emissions reduction targets are set for any asset class
		2	Emissions reduction targets are set for at least equities or corporate bonds under a solid methodology
		4	Emissions reduction targets are set for at least equities and corporate bonds under a solid methodology. Score for targets that cover both but don't differentiate between the two asset classes only score 4 if disclosures are presented individually for corporate bonds and equities (see element 7)
		6	Emissions reduction targets are set under a solid methodology for at least 90% of all asset classes (measured by exposure or emissions)
Theme: Investments in climate solutions			
12	Investments in climate solutions are made	0	No investments in climate solutions are specifically mentioned
		2	Investments in climate solutions are mentioned, but without specific details
		4	Details on investments in climate solutions are reported, and a climate solution investment strategy described
		6	Details about investments in climate solutions are reported as well as a specific strategy or plan for new and increasing

#	Element	Score	Criteria
			investments of at least 2% of total AUM within the next three years
Theme: Phase-out of fossil fuels			
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0	Does not require companies it invests in to commit to the Paris Climate Agreement
		2	Requires fossil fuel-producing companies it invests in to commit to align with the Paris Climate Agreement, but with no explicit mention of alignment with a 1.5ºC scenario
		4	Requires fossil fuel-producing companies it invests in to commit to align with the Paris Climate Agreement, with explicit mention of alignment with a 1.5ºC scenario
		6	Does not invest in fossil fuel-producing companies or, if it does, it specifies that FF companies must align to 1.5 ºC and sets out key expectations as part of this (e.g. interim absolute scope 3 emission reductions), and the escalating stewardship measures taken, including divestment, if companies fail to meet these expectations
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0	Has no policies concerning investments in companies producing coal or in coal-fired power plants
		2	Makes no new investments in companies planning to develop new coal mines or coal-fired power plants, or in companies involved in coal production or coal-fired power plants for more than 5% of their activities
		4	Makes no new investments in companies involved in coal production or coal-fired power plants and has a credible transition plan, with short-term (2025) and mid-term targets (2030), to phase out investments in companies producing coal and in coal-fired power plants
		6	Has completely phased out investments in companies producing coal and in coal-fired power plants
15	Investments in companies engaged in new oil or gas exploration or development are excluded	0	Has no policy concerning new oil or gas exploration or development
		2	Has a stewardship policy related to companies that engage in new oil or gas exploration or development, but the policy is unclear on how the process works or what measures are taken when engagement fails
		4	Specifies the escalating stewardship measures taken, including divestment, if companies engage in new oil or gas exploration or development
		6	Does not make new investments in companies involved in oil or gas exploration or development, and has divested existing holdings
Theme: Eliminate deforestation			
16	Public commitment to tackle deforestation is shown	0	The pension provider has not made a public commitment to tackle deforestation
		2	The pension provider has made a public commitment to tackle deforestation but without specific details (e.g. no date, and/or no specific commodities; inadequate detail/ambition/accountability)

#	Element	Score	Criteria
		4	The pension provider has made a public commitment to tackle deforestation, provided dates, and included key commodities linked to deforestation
17	Commitment to a no-deforestation policy	0	The pension provider has no policy on eliminating deforestation
		2	The pension provider has a policy which sets some no-deforestation requirements
		4	The pension provider has a policy which sets clear requirements on zero-deforestation and no conversion of wetlands, peatlands, HCS forest areas and HCV areas for companies
		6	The pension provider has a policy which sets clear requirements on zero-deforestation and no conversion of wetlands, peatlands, HCS forest areas and HCV areas for companies and their suppliers
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0	The pension provider does not disclose a breakdown of its AFOLU sector investments and associated GHG emissions
		2	A sectoral breakdown is disclosed of investments in the AFOLU sectors but not of associated GHG emissions
		4	A sectoral breakdown is disclosed of investments in the AFOLU sectors as well as an estimate of total GHG emissions associated with these investments, based on a credible methodology
		6	A sectoral breakdown is disclosed of investments in the AFOLU sectors as well as estimates for GHG emissions associated with these investments broken down per commodity, based on a credible methodology
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0	The pension provider does not set emission reduction targets for the AFOLU sectors
		2	The pension provider sets some emission reduction targets for the AFOLU sectors, but they are long term or aspirational only
		4	The pension provider has set clear emission reduction targets for the AFOLU sectors, but these are not aligned with a 1.5°C pathway
		6	The pension provider has set clear emission reduction targets for the AFOLU sectors which are in line with a 1.5 °C pathway
Theme: Stewardship instruments			
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	0	There is no stewardship/engagement policy, or it is vague and does not explain how the instrument serves to achieve global temperature goals and emissions reduction targets
		2	There is a stewardship/engagement policy related to global temperature goals and emissions reduction targets, but it is unclear how the process works or what measures are taken when engagement fails
		4	The stewardship/engagement policy explains how the instrument is used and contributes to achieving global temperature goals and emissions reduction targets, including a description of the process (e.g., selection process, setting clear objectives with investees, deadlines, and follow-ups). The policy describes what measures are taken when the engagement falls (e.g. exclusion and divestment)

#	Element	Score	Criteria
		6	The stewardship/engagement policy explains how the instrument is used and contributes to achieving global temperature goals and emissions reduction targets, including a description of the process (e.g., selection process, setting clear objectives with investees, deadlines, and follow-ups). The policy describes what measures are taken when the engagement falls (e.g. exclusion and divestment)There is periodic reporting on the results of such engagements
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0	There is no pro-climate voting policy in support of global temperature goals and emissions reduction targets
		2	There is a voting policy in support of global temperature goals and emissions reduction targets , but it is unclear how the process works or how the instrument serves to achieve the emissions reduction targets
		4	There is a voting policy in support of global temperature goals and emissions reduction targets that explains how it contributes to achieving targets, and how and when the instrument is used. There are clear expectations of asset managers and investee companies
22	Shareholder voting related to global temperature goals and emissions reduction targets is publicly disclosed (including e.g.: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0	There is no voting in support of global temperature goals and emissions reduction targets, or voting is not publicly disclosed
		2	The number of votes in support of global temperature goals and emissions reduction targets is disclosed, and the topics of votes
		4	The number of votes in support of global temperature goals and emissions reduction targets is disclosed, the numbers against (if any), the topics of votes, and the names of the companies
		6	The number of votes in support of global temperature goals and emissions reduction targets is disclosed, the numbers against (if any), the topics of votes, and the names of the companies. At least one shareholder resolution is filed in support of emissions reduction targets, and disclosed
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	0	There is no policy of exclusions and divestment, or the pension provider does not explain how the policy contributes to meeting global temperature goals and emissions reduction targets
		2	There is an exclusion and divestment policy related to global temperature goals and emissions reduction targets, but it is unclear how the process works, what the exclusion policy relates to, and/or or when divestment decisions are taken
		4	The exclusion and divestment policy explains how and when the instruments are used and contribute to achieving global temperature goals and emissions reduction targets
		6	The exclusion and divestment policy explains how and when the instruments are used and contribute to achieving global temperature goals and emissions reduction targets. There is periodic reporting on the results of a divestment policy
24	Other instruments are used to meet global temperature goals and emissions reduction	0	Other instruments to achieve global temperature goals and emissions reduction targets are not mentioned, they are vague, or it is unclear how they apply

#	Element	Score	Criteria
	targets (e.g. exclusions; incentives; sectoral leadership and advocacy)	2	Other instruments are specified to help achieve global temperature goals and emissions reduction targets, and information on how they are used is provided. Award two points for being a signatory to sectoral initiatives when the PF illustrates how they actively contribute to these sectoral initiatives. When the PF only mentions being a signatory, it is not sufficient for a score.
		4	Other instruments are specified to help achieve global temperature goals and emissions reduction targets , and information on how they are used is provided. Periodic reporting occurs on results achieved with these instruments
	Total Score	**136**	

Appendix 2 Detailed scores per pension provider

The following tables provide the detailed scorecards for the 20 pension providers assessed in this research, with a selection of observations from the scoring.

Aegon

Table 9 compares the scores received by Aegon with the average scores across all elements.

Table 9 Pension Provider Scorecard: Aegon

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**5.6**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	2.0	1.9	6.0
Theme: Measurement and disclosure		**4.5**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	2.0	2.1	6.0
Theme: Detailed target setting		**3.3**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	6.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	2.0	1.3	6.0
Theme: Investments in climate solutions		**6.7**	**4.2**	**10**
12	Investments in climate solutions are made	4.0	2.5	6.0
Theme: Phase-out of fossil fuels		**0.0**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.9**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	2.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0

#	Element	Score	Average score	Max score
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**3.1**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	0.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**3.3**	**3.2**	**10.0**

Overall, Aegon scores slightly above average with a score of 3.3. Aegon scores relatively well in the themes *Commitment to a 1.5 Pathway*, *Measurement and Disclosure*, *Detailed Target Setting*, and *Investments in Climate Solutions*. Aegon sets relative emission reduction targets for both the short (2025) and medium (2030) term including scope 3 financed emissions for its listed equity and corporate fixed income. The provider also commits to only using carbon offsets for hard-to-abate emissions. Moreover, Aegon plans to increase investments in climate solutions to GBP 500 million by 2026. Aegon scores below average on the themes *Phaseout of Fossil Fuels*, *Deforestation and land use*, and *Stewardship Instruments*. Regarding the latter, the pension provider should specify how its stewardship and engagement instruments serve to meet its climate objectives.

Aon

Table 10 compares the scores received by Aon with the average scores across all elements.

Table 10 Pension Provider Scorecard: Aon

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**3.3**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	2.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**6.4**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0

#	Element	Score	Average score	Max score
7	Carbon footprints are measured and disclosed by asset class	6.0	2.1	6.0
Theme: Detailed target setting		**0.8**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**3.3**	**4.2**	**10**
12	Investments in climate solutions are made	2.0	2.5	6.0
Theme: Phase-out of fossil fuels		**0.0**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.0**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**3.8**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	2.0	2.4	4.0
	Overall Score	**2.5**	**3.2**	**10.0**

Overall, Aon scores below average with a score of 2.5. One theme on which Aon scores above average is *Measurement and Disclosure*. Aon is one of the few pension providers to measure and disclose the carbon footprints of at least 90% of all asset classes, measured by exposure.

However, the pension provider does not set specific emission reduction targets by asset class. Other areas for improvement include phasing out of fossil fuels, eliminating deforestation and using stewardship and engagement in a targeted way to meet global temperature goals.

Aviva

Table 11 compares the scores received by Aviva with the average scores across all elements.

Table 11 Pension Provider Scorecard: Aviva

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**6.7**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	6.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	2.0	1.9	6.0
Theme: Measurement and disclosure		**7.3**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	2.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	6.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	4.0	2.1	6.0
Theme: Detailed target setting		**3.3**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	4.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	2.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	2.0	1.3	6.0
Theme: Investments in climate solutions		**6.7**	**4.2**	**10**
12	Investments in climate solutions are made	4.0	2.5	6.0
Theme: Phase-out of fossil fuels		**3.3**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	2.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	4.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**2.7**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	4.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	2.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0

#	Element	Score	Average score	Max score
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**8.5**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	6.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**5.4**	**3.2**	**10.0**

With an overall score of 5.4, Aviva is the best performing pension provider. Across all seven themes, Aviva scores above average. Especially on *Stewardship Instruments* the pension provider has proactive policies that include detailed engagement procedures in favour of global temperature goals. While the pension provider scores well compared to its peers, the assessment also points towards areas for improvement. The pension provider should measure, disclose and set specific emission reduction targets per economic sector, especially those with high deforestation risks (i.e. the AFOLU sector). Moreover, policies need to be set to phase-out new oil and gas explorations and development projects from the investment portfolio.

Cushon

Table 12 compares the scores received by Cushon with the average scores across all elements.

Table 12 Pension Provider Scorecard: Cushon

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**7.8**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	6.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	4.0	1.9	6.0
Theme: Measurement and disclosure		**9.1**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	6.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	6.0	1.4	6.0

#	Element	Score	Average score	Max score
7	Carbon footprints are measured and disclosed by asset class	4.0	2.1	6.0
Theme: Detailed target setting		**2.5**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	4.0	1.3	6.0
Theme: Investments in climate solutions		**6.7**	**4.2**	**10.0**
12	Investments in climate solutions are made	4.0	2.5	6.0
Theme: Phase-out of fossil fuels		**1.1**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	2.0	0.4	6.0
Theme: Deforestation and land use		**3.6**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	2.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	2.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	4.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**3.1**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	0.0	2.4	4.0
	Overall Score	**4.6**	**3.2**	**10.0**

With an overall score of 4.6, Cushon is among the best performing pension providers in this assessment. Compared to its peers, Cushon scores well on the themes *Commitment to a 1.5 Pathway*, *Measurement and Disclosure*, *Investments in Climate Solutions*, and *Deforestation and land use*. Cushon is one of the few pension providers to target achieving net zero well in advance of 2050. Cushon also sets an example by measuring and disclosing its carbon emissions per economic sector, including the AFOLU sector. Focus areas for improvement include phasing out investments linked to the fossil fuel industry and strengthening its shareholder voting policy in favour of climate objectives.

Fidelity International

Table 13 compares the scores received by Fidelity International with the average scores across all elements.

Table 13 Pension Provider Scorecard: Fidelity International

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**4.4**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**5.5**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	2.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	6.0	2.1	6.0
Theme: Detailed target setting		**0.8**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**6.7**	**4.2**	**10.0**
12	Investments in climate solutions are made	4.0	2.5	6.0
Theme: Phase-out of fossil fuels		**1.1**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	2.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**4.5**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	4.0	1.5	4.0

#	Element	Score	Average score	Max score
17	Commitment to a no-deforestation policy is made	4.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	2.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**8.5**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	6.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**4.5**	**3.2**	**10.0**

With an overall score of 4.5, Fidelity International is among the best performing pension providers in this assessment. Fidelity scores particularly well on the theme *Stewardship Instruments*, with the pension provider not only spelling out detailed procedures for its engagement on climate topics, but also providing periodic reporting on its engagement activities. Fidelity is also the best performing pension provider in the *Deforestation and land use* theme . Areas for improvement include phasing out investments related to the fossil fuel industry and setting detailed emission reduction targets by asset class and economic sector and for scope 3 financed emissions.

Hargreaves Lansdown

Table 14 compares the scores received by Hargreaves Lansdown with the average scores across all elements.

Table 14 Pension Provider Scorecard: Hargreaves Lansdown

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**1.1**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	2.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	0.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**2.7**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	2.0	3.7	4.0

#	Element	Score	Average score	Max score
5	Carbon footprints are measured and disclosed for the full value chain of investees	2.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	2.0	2.1	6.0
Theme: Detailed target setting		**0.8**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**0.0**	**4.2**	**10.0**
12	Investments in climate solutions are made	0.0	2.5	6.0
Theme: Phase-out of fossil fuels		**0.0**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.9**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	2.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**2.3**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	0.0	2.4	4.0
	Overall Score	**1.1**	**3.2**	**10.0**

With an overall score of 1.1, Hargreaves Lansdown is among the lowest ranking pension providers in this assessment. Across all seven themes, Hargreaves Lansdown scores below average. While the pension provider makes a net zero in 2050 commitment, they do not commit to halving emissions this decade. Its medium-term reduction target only focuses on its own operational emissions. Therefore, its climate change commitment is not considered sufficient to reach a 1.5 ºC scenario. Hargreaves Lansdown also has no policies on *Investments in Climate Solutions*, *Phase-out of Fossil Fuels*, *Deforestation and land use* or shareholder voting in favour of global temperature goals.

Legal and General

Table 15 compares the scores received by Legal and General with the average scores across all elements.

Table 15 Pension Provider Scorecard: Legal and General

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**5.6**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	2.0	1.9	6.0
Theme: Measurement and disclosure		**6.4**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	6.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	4.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	0.0	2.1	6.0
Theme: Detailed target setting		**1.7**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	2.0	1.3	6.0
Theme: Investments in climate solutions		**6.7**	**4.2**	**10.0**
12	Investments in climate solutions are made	4.0	2.5	6.0
Theme: Phase-out of fossil fuels		**3.3**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	4.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	2.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**3.6**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	4.0	1.5	4.0

#	Element	Score	Average score	Max score
17	Commitment to a no-deforestation policy is made	4.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**10.0**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	6.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	6.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	6.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**5.3**	**3.2**	**10.0**

With an overall score of 5.3, Legal and General is among the best performing pension providers in this assessment. Legal and General is the only pension provider to receive a full score on an assessment theme, namely *Stewardship Instruments.* Legal and General provides elaborate reasons for engaging with companies, and reports on results (i.e. votes against specific shareholder resolutions and possible divestment. Legal and General also periodically publishes a list of companies it excludes from investments for climate reasons. Despite all this, phasing out the fossil fuel industry remains an area for improvement for Legal and General, specifically on the exclusion of new oil and gas explorations or development as well as setting short term targets for phasing out investments related to coal production or coal-fired power plants.

LifeSight

Table 16 compares the scores received by LifeSight with the average scores across all elements.

Table 16 Pension Provider Scorecard: LifeSight

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**4.4**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	2.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	2.0	1.9	6.0
Theme: Measurement and disclosure		**2.7**	**5.1**	**10.0**

#	Element	Score	Average score	Max score
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	2.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	0.0	2.1	6.0
Theme: Detailed target setting		**0.0**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	0.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**3.3**	**4.2**	**10.0**
12	Investments in climate solutions are made	2.0	2.5	6.0
Theme: Phase-out of fossil fuels		**0.0**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**1.8**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	4.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**6.2**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0

#	Element	Score	Average score	Max score
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**2.5**	**3.2**	**10.0**

With an overall score of 2.5, LifeSight scores below average. The low score is mainly due to its scoring the themes *Detailed Target Setting* and *Fossil Fuel Phase-out*. LifeSight stands out in negative terms as the pension provider does not set any detailed emission reduction targets, despite committing to a 1.5 °C pathway. The pension provider also scores poorly on *Deforestation and land use*, but with a score of 1.8 still scores above average across its peers due to a commitment to tackle the problem. An area where LifeSight scores relatively well is *Stewardship Instruments*.

Mercer

Table 17 compares the scores received by Mercer with the average scores across all elements.

Table 17 Pension Provider Scorecard: Mercer

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**3.3**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	2.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**2.7**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	2.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	0.0	2.1	6.0
Theme: Detailed target setting		**0.8**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**0.0**	**4.2**	**10.0**
12	Investments in climate solutions are made	0.0	2.5	6.0
Theme: Phase-out of fossil fuels		**1.1**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0

#	Element	Score	Average score	Max score
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	2.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.0**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**3.8**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	2.0	2.4	4.0
	Overall Score	**1.6**	**3.2**	**10.0**

With an overall score of 1.6, Mercer is amongst the lowest ranking pension providers in this assessment. This low score is particularly due to the pension provider's low score on the themes *Detailed Target Setting*, *Investments in Climate Solutions*, *Fossil Fuel Phase-out*, and *Deforestation and land use.* Although the pension provider scores below average across all themes. The pension provider only has a relative emission reduction target for scope 1 and 2 set for the medium term (2030). While the pension provider does have an exclusion policy for companies that generate more than 1% of their revenue from thermal coal mining, no exclusion policies are set for investments related to coal-fired power plants and explorations or development of new and gas activities.

National Pension Trust

Table 18 compares the scores received by National Pension Trust with the average scores across all elements.

Table 18 Pension Provider Scorecard: National Pension Trust

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**6.7**	**4.8**	**10.0**

#	Element	Score	Average score	Max score
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	2.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	6.0	1.9	6.0
Theme: Measurement and disclosure		**7.3**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	6.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	6.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	0.0	2.1	6.0
Theme: Detailed target setting		**0.0**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	0.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**3.3**	**4.2**	**10.0**
12	Investments in climate solutions are made	2.0	2.5	6.0
Theme: Phase-out of fossil fuels		**0.0**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.9**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	2.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**0.8**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	2.5	4.0

#	Element	Score	Average score	Max score
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	0.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	0.0	2.4	4.0
	Overall Score	**2.5**	**3.2**	**10.0**

With an overall score of 2.5, National Pensions Trust scores below average. This low ranking is mainly due to the pension provider's low scores on the themes *Detailed Target Setting*, *Fossil Fuel Phase-out*, *Deforestation and land use*, and *Stewardship Instruments.* The pension provider is one of the three pension providers to not receive any points for its detailed target setting. The pension provider scores relatively well for the themes *Commitment to 1.5 °C* and *Measurement and Disclosure.* The pension provider is one of the few to commit to not using carbon offsets in meeting its climate goals.

Nest

Table 19 compares the scores received by Nest with the average scores across all elements.

Table 19 Pension Provider Scorecard: Nest

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**4.4**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**6.4**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	6.0	2.1	6.0
Theme: Detailed target setting		**2.5**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	4.0	1.3	6.0
Theme: Investments in climate solutions		**6.7**	**4.2**	**10.0**
12	Investments in climate solutions are made	4.0	2.5	6.0

#	Element	Score	Average score	Max score
Theme: Phase-out of fossil fuels		**5.6**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	4.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	4.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	2.0	0.4	6.0
Theme: Deforestation and land use		**1.8**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	2.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	2.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**9.2**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	6.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	6.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**5.1**	**3.2**	**10.0**

Nest is one of the top performing pension providers with 5.1 out of 10 and above average scores in nearly all themes. The pension provider measures and discloses its carbon footprint and also sets emission reduction targets for equities and corporate bonds. Nest is also one of the best performers under the *Stewardship instruments* theme with proactive policies that can help guide its actions towards meeting the global temperature goals and emission reduction targets.

Now: Pensions

Table 20 compares the scores received by Now: Pensions with the average scores across all elements.

Table 20 Pension Provider Scorecard: Now: Pensions

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**3.3**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	2.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**4.5**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	2.0	2.1	6.0
Theme: Detailed target setting		**2.5**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	4.0	1.3	6.0
Theme: Investments in climate solutions		**3.3**	**4.2**	**10.0**
12	Investments in climate solutions are made	2.0	2.5	6.0
Theme: Phase-out of fossil fuels		**3.3**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	6.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.0**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**1.5**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	2.5	4.0

#	Element	Score	Average score	Max score
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	0.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	0.0	2.4	4.0
	Overall Score	**2.6**	**3.2**	**10.0**

Now: Pensions receives lower than average scores for all themes, except for *Detailed target setting and Fossil fuel phase-out*. The pension provider sets detailed targets for the most relevant asset classes, namely equities comprising over 60% of its portfolio. Now: Pension is also the only provider that excludes investments in thermal coal. With an overall score of 2.6 it ranks below average.

Prudential

Table 21 compares the scores received by Prudential with the average scores across all elements.

Table 21 Pension Provider Scorecard: Prudential

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**3.3**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	2.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**4.5**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	2.0	2.1	6.0
Theme: Detailed target setting		**2.5**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	2.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	2.0	1.3	6.0
Theme: Investments in climate solutions		**3.3**	**4.2**	**10.0**
12	Investments in climate solutions are made	2.0	2.5	6.0
Theme: Phase-out of fossil fuels		**1.1**	**1.3**	**10.0**

#	Element	Score	Average score	Max score
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	2.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.9**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	2.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**5.4**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**3.0**	**3.2**	**10.0**

Prudential's policy assessment results in an overall score of 3.0, slightly below average. The pension provider's scores are similar to the average scores across most themes. The scores are relatively higher for *Detailed target setting* and *Stewardship instruments*. Unlike its peers, Prudential is the only pension provider that sets targets for some economic sectors. The pension provider is also part of sectoral initiatives on climate change such as the NZAOA.

Royal London

Table 22 compares the scores received by Royal London with the average scores across all elements.

Table 22 Pension Provider Scorecard: Royal London

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**4.4**	**4.8**	**10.0**

#	Element	Score	Average score	Max score
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	2.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	2.0	1.9	6.0
Theme: Measurement and disclosure		**5.5**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	6.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	2.0	2.1	6.0
Theme: Detailed target setting		**1.7**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	4.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**3.3**	**4.2**	**10.0**
12	Investments in climate solutions are made	2.0	2.5	6.0
Theme: Phase-out of fossil fuels		**1.1**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	2.0	0.4	6.0
Theme: Deforestation and land use		**0.0**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**6.2**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0

#	Element	Score	Average score	Max score
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**3.1**	**3.2**	**10.0**

The policy assessment of Royal London results in an overall score of 3.1, slightly below average. The pension provider scores are similar to the average scores of all the assessed pension providers, except for the below average scores in *Deforestation and land use* and the above average scores in *Stewardship instruments*. The pension provider does not disclose any policy or commitment on addressing deforestation or its investments in the deforestation-risk sectors. However, the pension provider does disclose a voting policy and a more detailed stewardship programme.

Scottish Widows

Table 23 compares the scores received by Scottish Widows with the average scores across all elements.

Table 23 Pension Provider Scorecard: Scottish Widows

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**5.6**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	2.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	4.0	1.9	6.0
Theme: Measurement and disclosure		**7.3**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	6.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	2.0	2.1	6.0
Theme: Detailed target setting		**0.8**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0

#	Element	Score	Average score	Max score
Theme: Investments in climate solutions		**6.7**	**4.2**	**10.0**
12	Investments in climate solutions are made	4.0	2.5	6.0
Theme: Phase-out of fossil fuels		**2.2**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	4.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**1.8**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	2.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	2.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**8.5**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	6.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	4.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**4.6**	**3.2**	**10.0**

With an overall score of 4.6 out of 10, Scottish Widows scores above average for all the assessed themes, except for *Detailed target setting.* The pension provider is one of the highest scorers in the *Stewardship instruments* theme due to its proactive policies on topics related to engagement, shareholder voting, and divestment. Unlike most of its peers, Scottish Widows discloses a sectoral analysis of its financed emissions for critical sectors such as utilities, oil and gas, and mining. However, the pension provider does not disclose any detailed targets for the economic sectors that it invests in or the different assets classes in its portfolio.

SEI

Table 24 compares the scores received by SEI with the average scores across all elements.

Table 24 Pension Provider Scorecard: SEI

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**0.0**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	0.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	0.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**3.6**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	0.0	2.1	6.0
Theme: Detailed target setting		**0.0**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	0.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**0.0**	**4.2**	**10.0**
12	Investments in climate solutions are made	0.0	2.5	6.0
Theme: Phase-out of fossil fuels		**0.0**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.0**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**0.0**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	0.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	2.5	4.0

#	Element	Score	Average score	Max score
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	0.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	0.0	2.4	4.0
	Overall Score	**0.5**	**3.2**	**10.0**

SEI is the lowest performing pension provider with an overall score of 0.5 out of 10. The pension provider has not received a score for any theme expect *Measurement and Disclosure*. SEI is the only pension provider that does not commit to align its investment portfolio with a 1.5°C pathway nor makes a net-zero commitment. The provider does not disclose emission reduction targets, plans to eliminate deforestation and fossil fuel phase-out, or stewardship policies.

Smart Pension

Table 25 compares the scores received by Smart Pension with the average scores across all elements.

Table 25 Pension Provider Scorecard: Smart Pension

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**8.9**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	6.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	6.0	1.9	6.0
Theme: Measurement and disclosure		**4.5**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	6.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	0.0	2.1	6.0
Theme: Detailed target setting		**2.5**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	4.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	2.0	1.3	6.0
Theme: Investments in climate solutions		**6.7**	**4.2**	**10.0**
12	Investments in climate solutions are made	4.0	2.5	6.0
Theme: Phase-out of fossil fuels		**1.1**	**1.3**	**10.0**

#	Element	Score	Average score	Max score
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	2.0	0.4	6.0
Theme: Deforestation and land use		**1.8**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	2.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	2.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**3.1**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	2.0	2.4	4.0
	Overall Score	**3.8**	**3.2**	**10.0**

Smart Pension receives a score of 3.8 out of 10, higher than average. The pension provider is the best performer in the *Commitment to a 1.5°C pathway* theme. Smart pension is the only provider, other than Standard Life, that makes an explicit commitment and target to align with global temperature goals with limited overshoot. The pension provider also scores better than many of its peers in *Detailed target setting, Investment in climate solutions,* and *Deforestation and land use* themes.

Standard Life

Table 26 compares the scores received by Standard Life with the average scores across all elements.

Table 26 Pension Provider Scorecard: Standard Life

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**6.7**	**4.8**	**10.0**

#	Element	Score	Average score	Max score
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	6.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	2.0	1.9	6.0
Theme: Measurement and disclosure		**5.5**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	6.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	2.0	2.1	6.0
Theme: Detailed target setting		**1.7**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	0.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	4.0	1.3	6.0
Theme: Investments in climate solutions		**3.3**	**4.2**	**10.0**
12	Investments in climate solutions are made	2.0	2.5	6.0
Theme: Phase-out of fossil fuels		**2.2**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	4.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.9**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	2.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**6.9**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	6.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0

#	Element	Score	Average score	Max score
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	2.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	4.0	2.4	4.0
	Overall Score	**3.7**	**3.2**	**10.0**

Standard Life receives an overall score of 3.7 out of 10, slightly higher than the average overall score. The pension provider performs above average in five out of the seven themes. The policy on *Investment in climate solutions* is not sufficiently fleshed out with a detailed strategy or plan. The pension provider also does not have a public policy on deforestation does not disclose the investments and financed emissions associated with the deforestation-risk sectors in its investment portfolio. Standard Life expects the fossil fuel companies it invests in to commit to a 1.5°C pathway along with detailed targets, although has no policy on fossil fuel expansion.

The People's Pension

Table 27 compares the scores received by The People's Pension with the average scores across all elements.

Table 27 Pension Provider Scorecard: The People's Pension

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**2.2**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0
2	Set short and medium term and absolute emissions reduction targets	0.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	0.0	1.9	6.0
Theme: Measurement and disclosure		**3.6**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	4.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	4.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	0.0	2.1	6.0
Theme: Detailed target setting		**0.0**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	0.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**0.0**	**4.2**	**10.0**

#	Element	Score	Average score	Max score
12	Investments in climate solutions are made	0.0	2.5	6.0
Theme: Phase-out of fossil fuels		**0.0**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.0**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**0.8**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	0.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	0.0	2.4	4.0
	Overall Score	**0.9**	**3.2**	**10.0**

With an overall score of 0.9, The People's Pension is one of the low scorers among the assessed pension providers. The pension provider has lower than average scores for all elements and does not receive any score for four out of the seven themes.

TPT Retirement Solutions

Table 28 compares the scores received by TPT Retirement Solutions with the average scores across all elements.

Table 28 Pension Provider Scorecard: TPT Retirement Solutions

#	Element	Score	Average score	Max score
Theme: Commitment to a 1.5°C pathway		**7.8**	**4.8**	**10.0**
1	Commitment to align with a 1.5°C scenario, as per the Paris Climate Agreement.	4.0	4.2	6.0

#	Element	Score	Average score	Max score
2	Set short and medium term and absolute emissions reduction targets	4.0	2.6	6.0
3	Reduction targets are independent from carbon offsetting	6.0	1.9	6.0
Theme: Measurement and disclosure		**2.7**	**5.1**	**10.0**
4	Robust methodologies are used to measure and report the carbon footprint of the overall portfolio	2.0	3.7	4.0
5	Carbon footprints are measured and disclosed for the full value chain of investees	2.0	4.1	6.0
6	Carbon footprints are measured and disclosed by sector	0.0	1.4	6.0
7	Carbon footprints are measured and disclosed by asset class	2.0	2.1	6.0
Theme: Detailed target setting		**0.8**	**1.5**	**10.0**
8	Emissions reduction targets are set for the full value chain of investees	2.0	2.0	6.0
9	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation	0.0	0.1	6.0
10	Sectoral targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0.0	0.1	6.0
11	Specific emission reduction targets are formulated for all asset classes in which the pension provider invests	0.0	1.3	6.0
Theme: Investments in climate solutions		**6.7**	**4.2**	**10.0**
12	Investments in climate solutions are made	4.0	2.5	6.0
Theme: Phase-out of fossil fuels		**0.0**	**1.3**	**10.0**
13	Fossil fuel-producing companies must commit to align with a 1.5°C scenario, as per the Paris Climate Agreement goal	0.0	0.7	6.0
14	Targets are set to phase out investments in companies involved in coal production or coal-fired power plants	0.0	1.3	6.0
15	Investments in companies that are engaged in new oil or gas exploration or development are excluded	0.0	0.4	6.0
Theme: Deforestation and land use		**0.0**	**1.3**	**10.0**
16	Public commitment to tackle deforestation is shown	0.0	1.5	4.0
17	Commitment to a no-deforestation policy is made	0.0	0.9	6.0
18	Investments and associated GHG emissions in the Agriculture, Forestry and Other Land Use sectors (AFOLU) are measured and disclosed	0.0	0.5	6.0
19	Emissions reduction targets are set for the Agriculture, Forestry and Other Land Use sectors (AFOLU)	0.0	0.0	6.0
Theme: Stewardship instruments		**3.8**	**4.8**	**10.0**
20	Stewardship/engagement is used in a targeted way with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	3.3	6.0
21	Shareholder voting is used to meet global temperature goals and emissions reduction targets (e.g. investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	4.0	2.5	4.0
22	Shareholder voting related to emissions reduction targets is publicly disclosed (including: investees must commit to the Paris Agreement; set 2025 targets; restrict fossil fuel expansion; eliminate deforestation; invest in climate solutions)	0.0	1.8	6.0

#	Element	Score	Average score	Max score
23	Divestment and exclusion is used with companies and with asset managers to meet global temperature goals and emissions reduction targets	2.0	2.3	6.0
24	Other instruments are used to meet global temperature goals and emissions reduction targets (e.g., active participation in sectoral initiatives on climate change, public advocacy).	2.0	2.4	4.0
	Overall Score	**2.9**	**3.2**	**10.0**

TPT Retirement solutions has an overall score of 2.9 out of 10. The pension provider is one of the top scorers for the *Commitment to a 1.5°C pathway* theme. The provider's policy explicitly commits to a 1.5°C scenario with both short- and medium term- relative reduction targets, and a commitment to not use carbon offsets. The pension provider also scores higher than average for its investments in climate solutions. However, the findings of the research indicate that the pension provider does not disclose any relevant policies on the phase-out of fossil fuels and the elimination of deforestation.

Profundo
Research & advice

Radarweg 505
1043 NZ Amsterdam
The Netherlands
+31-20-8208320
profundo@profundo.nl
www.profundo.nl