Make My Money Matter's

GREEN PENSIONS GUIDE

A short guide for organisations greening their money

Make My Money Matter

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INTRODUCTION

All organisations – from businesses to charities, from SMEs to global brands – can play an important role in tackling the climate crisis. Sustainability policies have become an expected standard across all sectors and industries, yet one of the ways organisations can have the most impact is often missing from the picture. Their money. How our pensions are invested now will shape the future we'll retire into. The companies causing irreversible climate damage – like companies at the forefront of global deforestation and fossil fuel expansion – rely on the billions of pounds they receive from pension fund investments.

The emissions of FTSE100 company pension investments are 7x higher than those companies' operational emissions

We've developed this guide for employers to help you unlock the hidden power of pensions and make sure your sustainability commitments are not being undermined by how your company pension is invested.

PENSIONS AND CLIMATE

There's £3 trillion in UK pension pots – and this money belongs to millions of savers across the UK. Each month, around £10 billion is paid into our pension pots and invested on behalf of UK organisations and their employees to help save for a secure future.

But right now, these investments fail to properly consider the impact they're having on people and planet now, that will affect returns and retirement in the future.

As a result, billions of pounds have been invested in industries like tobacco, fossil fuels, weaponry and gambling, without ever asking the crucial question: do these investments create a world that we actually want to live in? This is not only jeopardising our futures, but also undermining the values, commitments, and sustainability strategies of businesses and organisations who are trying to have a positive impact.

UK pension schemes invest £88 billion in fossil fuel companies. That's £3,000 per pension holder in businesses like Shell and BP. These oil and gas companies continue to expand operations and develop new fossil fuels, despite the science being clear that this must end.

For every £10 you put in your pension, £2 is linked to deforestation.
Our research shows that from timber to tobacco, mining to manufacturing, our pensions are propping up the businesses responsible for destroying 10 million hectares of forests each year.

UK pensions have the potential to invest over £1 trillion in climate solutions – like renewable energy – by 2035.
This is 50% of the money needed to reach the UK's 2050 net zero goal, and would not just help the planet, but create financial returns too.

GREEN PENSIONS

So, what makes a pension green?

1. Net zero: having a commitment to reaching net zero across the entire portfolio of pension assets before 2050, including a halving of emissions by 2030.
2. Solutions: investments in solutions to tackle the climate and nature crisis, like renewable energy and biodiversity. Read our research on this here.
3. Engagement: using their power as shareholders to engage with and vote against poor performing investee companies, including addressing oil and gas company expansion.
4. Divestment: if engagement doesn't achieve its aims in a set time period, then pensions should divest from the companies that aren't serious about reducing their real-world emissions.

THE OPPORTUNITY

PEOPLE

A green pension shows you care about your people and their future which appeals to current and prospective employees, customers and shareholders.

PLANET

Tackling the hidden black hole of pension emissions will help strengthen your wider sustainability commitments and have a real-world impact in tackling the climate and nature crisis.

PROFIT

Financial returns are important for our retirement and sustainable investment funds can deliver good returns as well as a better future, as recent research shows.

Join the movement of organisations across the UK taking action on their pensions:

WHAT CAN YOU DO?

1. ASSESS YOUR PENSION

We've done the hard work for you. See how your pension provider performs in our Climate Action Report 2023, which ranks the UK's 20 largest Defined Contribution workplace pension providers on their climate action. If your provider isn't on the list, you can use our ready-made template to ask them the key questions on their climate impact. Our report does not constitute financial advice and focuses solely on the climate action of each provider.

2. ASSEMBLE THE TEAM

Find the right people to get on board within your organisation. This will include:

- Finance Team – these are the people responsible for making sure the pension scheme chosen provides good returns to staff saving for retirement. As part of this, they should be thinking about the climate related risks that come with investing in companies that won't be profitable in a climate emergency, like fossil fuel companies which could become stranded assets.
- HR Team - HR will want to ensure the company pension is an attractive employee benefit and your Pensions Manager will be interested in good scheme governance as well as regulatory compliance.
- Sustainability Manager – they will be interested in aligning your workplace pension scheme with the company's wider sustainability strategy and performance.
- Staff Members - expectations from employees are shifting and they care about the impact their money is having. Our campaign materials, such as Oblivian starring Olivia Colman, are a great way to get people thinking about pensions differently!

3. ENGAGE WITH YOUR PROVIDER

If you have a Defined Contribution (DC) scheme from a workplace pension provider, then you can engage your provider directly. You're their client, so you'll have some influence here over where your employees save for their pension.

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

KEY QUESTIONS TO ASK:

- Emissions – do you have net zero targets aligned to 1.5 degrees, including a halving of emissions by 2030?
- Fossil fuels – do you invest our pension in any fossil fuel companies? How do you engage with these companies to make sure our money isn't helping them expand their operations?
- Deforestation – do you have plans to tackle links to deforestation in your portfolio? Do you invest our pension in any companies conducting deforestation?
- Climate solutions – do you have plans to increase investments in the solutions to the climate crisis, like renewable energy? How much of our pension is invested in companies like this?
- Engagement – how do you engage with the highest emitting companies that you invest in and do you publish a clear voting policy? At what point do you consider divesting from these companies?

If you're still not happy with how they're investing your pension pot, then it's time to look elsewhere.

4. SWITCH

If you use a third-party workplace pension provider, when considering switching, it's essential to first seek financial advice. A financial advisor can help you assess if it's possible for you to switch and how to find a pension scheme that looks after people, planet and profit. Remember – as a prospective client you have power to demand what's right for you and your people.

5. CELEBRATE!

Whether you've greened your current pension or switched to a greener provider – it's worth celebrating! Join the movement of businesses who champion pensions for the planet. Share your journey with your employees, networks and customers.

CASE STUDY

"We are passionate about building a better future for little ones and our strategy is to reach net zero by 2030. We wanted a pension provider who could help us reach our goals and aligned with our values. It's a huge responsibility to change a pension fund and potentially impact our team's financial future, so we did our due diligence to make sure we were balancing our ESG ambitions with a well established and strong default fund.

We started by asking our existing supplier if we could move to a better default fund provision. They assured us that they would be working on this over the next 6 months, however 6 months later they were still unable to make any changes. We set clear criteria for a new provider and then engaged some expert external help to conduct a market review and narrowed down our search to 2 providers. After several detailed presentations, we made our choice and moved to a new provider.

We let our team know as soon as we started this process and kept them updated along the way. Whilst pensions can sometimes be a dry subject, the team were really engaged and excited that we are making the change.

We would encourage others to make the move! Our advice would be to do your do your research and get expertise where needed. The process so far has been much simpler than we were expecting so don't be put off with concerns about admin and process – a good provider will support you with this."

TOP 20 RANKING

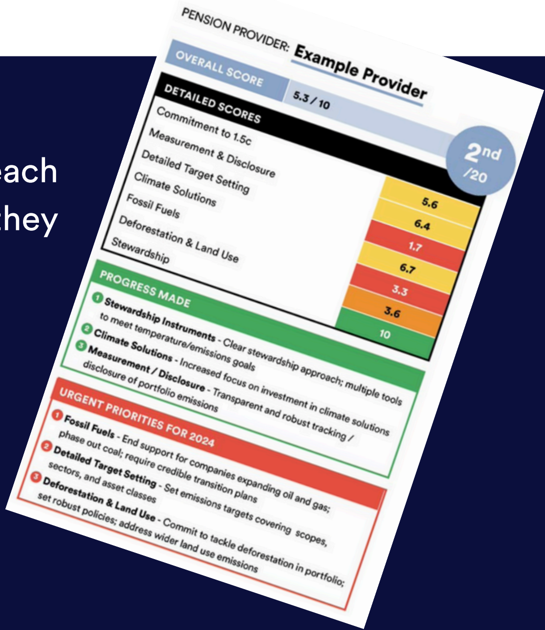
Here is our latest ranking of the UK's top 20 largest DC workplace pension providers. Read the full report here.

ALL SCORES /10	OVERALL RANKING	OVERALL SCORE	Commitment to 1.5c	Measurement & Disclosure	Detailed target setting	Climate Solutions	Fossil Fuels	Deforestation & Land Use	Stewardship Instruments
			CLIMATE PERFORMANCE						
Aviva	1st	5.4	Yellow	Yellow	Orange	Yellow	Orange	Orange	Green
Legal & General	2nd	5.3	Yellow	Yellow	Red	Yellow	Orange	Orange	Green
Nest	3rd	5.1	Orange	Yellow	Orange	Yellow	Orange	Red	Green
Cushon	= 4th	4.6	Green	Green	Orange	Yellow	Red	Orange	Orange
Scottish Widows	= 4th	4.6	Yellow	Yellow	Red	Yellow	Red	Red	Green
Fidelity International	6th	4.5	Orange	Yellow	Red	Yellow	Red	Orange	Green
Smart	7th	3.8	Green	Orange	Orange	Yellow	Red	Red	Orange
Standard Life	8th	3.7	Yellow	Yellow	Red	Orange	Red	Red	Yellow
Aegon	9th	3.3	Yellow	Orange	Orange	Yellow	Red	Red	Orange
Royal London	10th	3.1	Orange	Yellow	Red	Orange	Red	Red	Yellow
Prudential	11th	3.0	Orange	Orange	Orange	Orange	Red	Red	Yellow
TPT	12th	2.9	Green	Orange	Red	Yellow	Red	Red	Orange
Now	13th	2.6	Orange	Orange	Orange	Orange	Orange	Red	Red
Aon	= 14th	2.5	Orange	Yellow	Red	Orange	Red	Red	Orange
Lifesight	= 14th	2.5	Orange	Orange	Red	Orange	Red	Red	Yellow
National Pension Trust	= 14th	2.5	Yellow	Yellow	Red	Orange	Red	Red	Red
Mercer	17th	1.6	Orange	Orange	Red	Red	Red	Red	Orange
Hargreaves Lansdown	18th	1.1	Red	Orange	Red	Red	Red	Red	Red
The People's Pension	19th	0.9	Red	Orange	Red	Red	Red	Red	Red
SEI	20th	0.5	Red	Orange	Red	Red	Red	Red	Red

Key
- Green: 7.5-10 (Good)
- Yellow: 5.0-7.4 (Adequate)
- Orange: 2.5-4.9 (Inadequate)
- Red: 0-2.4 (Poor)

Results as of Feb 2024. This analysis does not constitute financial advice, and focuses solely on the climate action of each provider.

For more detailed information on how each provider scored – and the urgent actions they each must now take – click here


PENSION PROVIDER: Example Provider

OVERALL SCORE	5.3 / 10	2nd /20

DETAILED SCORES	
Commitment to 1.5c	5.6
Measurement & Disclosure	6.4
Detailed Target Setting	1.7
Climate Solutions	6.7
Fossil Fuels	3.3
Deforestation & Land Use	3.6
Stewardship	10

PROGRESS MADE
1. Stewardship Instruments - Clear stewardship approach; multiple tools to meet temperature/emissions goals
2. Climate Solutions - Increased focus on investment in climate solutions
3. Measurement / Disclosure - Transparent and robust tracking / disclosure of portfolio emissions

URGENT PRIORITIES FOR 2024
1. Fossil Fuels - End support for companies expanding oil and gas; phase out coal; require credible transition plans
2. Detailed Target Setting - Set emissions targets covering scopes, sectors, and asset classes
3. Deforestation & Land Use - Commit to tackle deforestation in portfolio; set robust policies; address wider land use emissions