UK Pensions:

CLIMATE ACTION REPORT

An analysis of leading pension providers' action on climate change

February 2025

Make My Money Matter

Contents

Introduction: Pensions and Climate Change

WHERE WE ARE NOW

Last year, 2024, was the hottest on record and the first year with an average temperature exceeding 1.5˚C above the pre-industrial level – a threshold set by the Paris Agreement to significantly reduce the risks and impacts of climate change.

Across the world we saw devastating climate events, from record breaking rainfall and flash floods to storms, wildfires and drought. And 2025 began with the climate crisis dominating headlines following the extreme wildfires in California that have caused unprecedented destruction in the US state.

We are living through a climate and nature catastrophe. It is driven by our money, and in part by our pensions.

There's over £3 trillion in UK pensions. This money is owned by all of us and is invested to build our savings for the future. But from the financing of new fossil fuels to companies causing deforestation, these investments are jeopardising people, planet, and our pensions.

HOW OUR PENSIONS ARE LINKED TO CLIMATE CHANGE

If you have a pension, you have power. So much power that greening your pension is 21x more effective at reducing your carbon footprint than giving up flying, going veggie and switching energy provider combined.

From driving emissions reductions in investee companies to combatting deforestation, from investing in clean energy to phasing out money for new fossil fuels, our pensions have a key role to play in delivering climate action on the journey towards net zero by 2050, and in support of a decent retirement in a world fit to retire into.

But right now, our money is invested in ways which are damaging the planet, destroying nature, and driving the climate catastrophe. Research from Make My Money Matter has shown that:

1. The total carbon emissions associated with our pensions is a massive **330 million tonnes each year**
2. **£88 billion of UK pension savers' money** is invested in fossil fuels. That works out about £3,000 for each pension holder
3. **£300 billion** of our money is **invested in companies with a high risk of driving deforestation**, destroying nature, and jeopardising lives and livelihoods around the world

But it doesn't have to be this way.

Our **analysis** shows that the UK pensions industry could invest a staggering £1.2 trillion into renewable energy and climate solutions by 2035; growing the economy, tackling climate change, and future proofing our savings.

This action isn't just good for the planet and our pensions – it's popular too. Two thirds of all pension holders support their scheme investing in renewables, and over half plan to switch to a more sustainable pension in the next 12 months.

The movement to make our money matter – from individuals to businesses – has helped get at least 60 leading pension schemes to set robust net zero targets, including halving emissions this decade. These schemes represent over £1.5 trillion of combined assets under management.

Our 2025 Climate Action Report

The climate and nature emergency poses a risk not only to our pensions, but also to the world in which we will retire – that's why leadership from the industry is so important.

Last year we published our first ever Climate Action Report, which aimed to give pension savers – and businesses that choose which scheme to provide their staff – more knowledge on which pension providers are making progress to deliver on their climate commitments, and which aren't.

We ranked the UK's top 20 largest Defined Contribution workplace pension providers on seven key climate themes and published the ranking in ***Which?* Magazine**. Our findings showed that despite positive climate commitments, for the most part providers were sorely lacking in key areas that contribute the most to the climate emergency, such as strong policies and action on fossil fuel expansion and deforestation.

Click here for more detail on last year's report.

This year's analysis looks at the publicly available documentation of a smaller group – the UK's 12 largest Defined Contribution workplace pension providers by total membership (active and deferred members combined) – and assesses their performance on the same critical 7 themes as last year.

This analysis was undertaken again by Profundo, a sustainability research provider who did the 2024 analysis. They carried out this work from September 2024 to January 2025, with a cut-off date for pension policy publications of 31st October. For full details on the findings of the report, and the methodology followed, please see **here**.

Please note, this report does not constitute financial advice and is purely an analysis on the climate policies and practices of leading providers. For the purposes of this report, the term 'plans' is used to refer to the extent to which each pension provider has effective objectives, policies, and instruments in place to address climate change. Like last year, Profundo took into account the company's wider policies, but policies must be relevant to the pension providers' default fund, so that we are confident it applies to most people. A stricter approach to this may explain some (downward) score changes.

2025 Ranking

ALL SCORES /10

	OVERALL RANKING	OVERALL SCORE 2025	OVERALL SCORE 2024	Commitment to 1.5˚c	Measurement & Disclosure	Detailed Target Setting	Climate Solutions	Fossil Fuels	Deforestation & Land Use	Stewardship Instruments
				CLIMATE PERFORMANCE						
Nest	1st	5.8	5.1	Adequate	Adequate	Inadequate	Adequate	Adequate	Inadequate	Good
Aviva	= 2nd	5.5	5.4	Inadequate	Good	Adequate	Adequate	Poor	Inadequate	Adequate
Now	= 2nd	5.5	2.6	Adequate	Adequate	Adequate	Inadequate	Adequate	Inadequate	Adequate
Smart	4th	5.4	3.8	Good	Adequate	Inadequate	Adequate	Inadequate	Inadequate	Adequate
Legal & General	5th	4.8	5.3	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Adequate	Good
Scottish Widows	6th	4.7	4.6	Adequate	Good	Poor	Adequate	Poor	Poor	Good
Aegon	7th	4.6	3.3	Good	Adequate	Inadequate	Adequate	Poor	Poor	Adequate
Cushon	8th	3.9	4.6	Good	Adequate	Inadequate	Inadequate	Poor	Inadequate	Inadequate
The People's Pension	9th	3.7	0.9	Adequate	Good	Inadequate	Poor	Poor	Inadequate	Adequate
Fidelity International	10th	3.6	4.5	Inadequate	Adequate	Poor	Poor	Inadequate	Inadequate	Good
Standard Life	11th	3.5	3.7	Adequate	Inadequate	Poor	Inadequate	Poor	Poor	Good
Royal London	12th	3.3	3.1	Inadequate	Good	Poor	Poor	Poor	Poor	Adequate

Key

- 7.5-10 (Good)
- 5.0-7.4 (Adequate)
- 2.5-4.9 (Inadequate)
- 0-2.4 (Poor)

Results published Feb 2025. This analysis does not constitute financial advice and focuses solely on the climate action of each provider.

Key Findings

1

OUR ANALYSIS THIS YEAR SHOWS PROMISING POCKETS OF PROGRESS.

Nest now leads the ranking, with *Smart Pension* and *Now: Pensions* moving into top spots. Average scores have risen across almost all themes compared to last year, and 4 of 12 providers now score **5** or above ('adequate') compared to 3 providers last year. *Aegon* has made improvements, and progress by *The Peoples' Pension* means no providers are scored overall red ('poor') this year.

2

HOWEVER THE BIGGER PICTURE IS ONE OF CONTINUED FAILURE.

While publicly ranking the pension providers has helped to drive change across the industry over the last year, the pace and scale of progress falls short of what is needed given the severity of the climate and nature emergency.

The top score is only **5.8/10**, just **0.4** up on last year, and the overall average for these 12 providers only creeps up from **3.9** to **4.5** – still at 'inadequate'. The crucial themes of fossil fuel phaseout and deforestation & land use continue to score badly with both below **3/10**.

Concerningly there are also signs of lethargy amongst household names in the list such as *Standard Life* and *Royal London* who are this year's worst performers. Additionally, *Aviva*, *Legal & General*, and *Scottish Widows'* scores stagnated.

It is clear that the UK pensions sector is still failing to adequately address the role it plays in financing the climate and nature crisis and is posing a serious risk to the retirement of British savers.

FINDINGS BY THEME

Fossil Fuel Phase-out

- It is one of this year's lowest performing themes, with an average of just **2.9/10**. Although there has been some improvement, **7** of **12** providers score 'poor' on the theme, and **3** are scored 'inadequate'. Nearly all providers scored zero for specific policies and action to address fossil fuel expansion, and action on coal phase out is largely insufficient.
- *Now: Pensions* are a good example of what is possible with a score of **6.7/10**. They and *Nest* are the only schemes that score overall 'adequate' on fossil fuels.
- Given that fossil fuels are the main driver of global heating, this dismal effort from pension providers is hugely concerning and needs serious action in 2025.

We also undertook a short supplementary survey on fossil fuel investments to take a closer look at financing of new oil and gas, and voting at company annual meetings, by pension providers.

We surveyed the 12 pension providers to understand their investments and shareholder voting at *Exxon*, *Chevron*, *Shell*, *BP, Eni* and *TotalEnergies*. None of these oil & gas companies are seriously trying to limit global warming to below 1.5˚C – all are involved in expanding fossil fuels.

The findings showed that the pension industry continues to invest in the major oil & gas companies that are driving the climate catastrophe and threatening our retirements.

7 of the 12 pension companies (*Aegon*, *Aviva*, *Fidelity International*, *Legal & General*, *Royal London*, *Standard Life*, and *Scottish Widows*) told us that they invest in *Exxon*. *Exxon* was ranked as the world's worst company for blocking climate policy action, in a report by **InfluenceMap** from 2021, and has **recently set a 5-year plan to boost oil and gas output by 18%** even though the world agreed at COP28 to transition away from fossil fuels.

Some pension funds argue that they need to stay invested in these companies to use their shareholder power to push for progress, but the reality is that their shareholder stewardship is often weak, such as voting in support of the company's management at annual meetings. One example of weak stewardship, is that *Aviva* and *Legal & General* both voted with management 44/45 times at the *Shell* and *BP* Annual General Meetings in 2024, including for the Chair, Directors, and remuneration.

As a whole the pension industry needs to take a stronger stewardship position as part of a defined robust escalation process when it comes to fossil fuel expanders. In the recommendations section below we set out what this should look like.

Deforestation and Land use

- Global deforestation loss is driving both the nature and climate emergencies. If deforestation were a country, it would be the third-highest emitter in the world, and in 2023, global rainforest loss continued at a rate of 10 football pitches per minute.
- Our assessment shows limited signs of improvement on deforestation as providers begin to get to grips with nature risk. The average score for the theme is only **2.7/10**, with *Legal & General* being the only provider to score 'adequate'.
- Deforestation policies where they exist are largely insufficient, and the assessment showed very low scores on wider Agriculture, Forestry and Other Land Use (AFOLU) disclosure and targets. More rigour, urgency, and action are needed given that world leaders agreed at COP26 to halt and reverse deforestation by 2030.

Investments in Climate Solutions

- We've seen a wide range of scores with pockets of good practice.
- Pension providers should continue to focus on climate solutions, including calling on government and regulators to create conditions suitable for further investment that meets the needs of members and the environment, whilst contributing to a just transition and green growth in the UK and internationally.

Stewardship Instruments

- The assessment showed some examples of good stewardship processes, from larger providers with in-house asset managers, to smaller providers using 3rd parties. But improvements are needed on specificity, clearer descriptions of processes, and escalatory action.
- Also, greater transparency on voting would be welcomed, along with transparency of investment holdings so that pension scheme members know which companies their money is invested in. However, our work has shown that having strong stewardship processes does not necessarily lead to strong climate action – for example see above on *Aviva* and *Legal and General*.
- The pension industry needs to adopt a tougher position on stewardship of high emitters who are not serious about change.

Commitment to 1.5˚C, Measurement & Disclosure, and Detailed Targets

- Although scores for the detailed target setting theme remain low, the themes of commitments to 1.5˚C, and measurement & disclosure both saw average improvements, and sit at **6.1/10** and **7/10** respectively.
- This is encouraging as it's important that robust public commitments are made, combined with good quality measurement and disclosure, so that pension providers can monitor their progress and also be held to account.
- However, commitments and disclosure need to feed through into action which has real world impact. For example, a pension scheme's commitments are undermined if it has robust targets to reduce its emissions in line with temperature goals, whilst not using its power to help tackle fossil fuel expansion and deforestation.

Views of British pension savers

Published in January 2025, a *Yale University* study of over 10,000 British people's views on climate change showed that:

- **80%** of the British public are worried about climate change
- **85%** say that it will harm future generations with over half saying it will harm them personally
- **68%** think it should be a high priority for the British government.

Make My Money Matter surveys show that 2/3 of British savers want a sustainable pension, one that doesn't drive the climate and nature emergency, but instead helps to tackle it.

Our 2025 ranking shows that while some providers have responded by improving their policies on climate and nature, we have yet to see sufficient action of the scope, scale and speed we need from the industry. We also need to see action from regulators and government.

Recommendations

INDUSTRY

We recommend the following key actions be taken by all providers:

1 Set Ambitious Goals

Commit to a 1.5˚C scenario, with short/mid-term emission reduction targets (i.e. 2025 and 2030) aligned to a no-overshoot trajectory – covering all assets, and only using carbon offsets for hard to abate emissions

2 Develop Detailed Targets

Set detailed emission reduction targets for key sectors (e.g. energy) and asset classes (e.g. equities) in the portfolio, and ensure that targets (and measurement & disclosure) cover emissions throughout the value chain of investee companies

3 Phase Out Fossil Fuels

Phase-out fossil fuel assets, particularly those in coal. Ensure any fossil fuel companies have credible 1.5˚C aligned plans, including no development of new fields as per the *International Energy Agency* net zero scenario

4 Tackle Deforestation

Publish and act on comprehensive deforestation policies; set targets for, and measure, Agriculture, Forestry, and Other Land Use emissions

5 Invest in Climate Solutions

Scale up investments in climate solutions, and work with peers, regulators, and government to remove any supply and demand barriers pension schemes face in this regard

6 Strengthen Stewardship

Strengthen voting, escalation, and divestment and exclusion policies, to ensure that stewardship and engagement approaches are time-bound and have teeth. We need to see:

i. TOUGHER VOTING

Direct voting from asset managers and asset owners needs to be tougher, and include voting against the Chair, Directors, audit, and remuneration in instances where the company is not taking adequate action to implement a credible Paris aligned decarbonisation plan.

Asset owners that rely on 3rd party asset managers need to provide strong and specific Expression of Wishes including redlines on fossil fuel expansion and deforestation. They should establish ways to vote directly and use their voting policy to engage with their asset managers – ultimately moving to an alternative asset manager if they fail to respond.

ii. CLEAR AND ROBUST ESCALATION

In addition to stronger voting, further time-bound escalation measures should be set out which should include exiting debt, freezing or divesting equity, and calling on governments to drive change. More rigorous exclusion policies should also be set – for example on coal.

iii. IMPROVED TRANSPARENCY

Transparency on stewardship, voting, and investment holdings should be improved and be made easily accessible to pension scheme members, including ensuring that fund managers' voting records are publicly accessible.

GOVERNMENT

Alongside action from the pension industry, government and regulators need to step up.

Government should deliver on its manifesto promise and set a mandatory requirement for credible 1.5˚C transition plans from large companies, and financial institutions. These must take account of real-world impact, which means specifying that financing fossil fuel expansion and deforestation is not compatible with a 1.5˚C plan.

Government's pension review, which is helping to drive consolidation, must ensure that smaller climate leaders are not consolidated into larger climate laggards like *Standard Life* and *Royal London*.

Government also needs to do more to unlock investments in climate solutions, and immediate guidance should be issued to trustees on fiduciary duty to clarify that they can and should consider the impact of investments on society and the environment – on the world members will retire into. This would provide legal cover for trustees to make appropriate investment decisions in members' best interests in a world impacted by the climate crisis.

Actions & Next Steps

Whilst it is encouraging to see pockets of progress, we need the UK pensions industry to urgently ramp up progress on climate and nature.

Where providers have demonstrated progress, we now see a new benchmark that must be met across the industry. **The highest score across each theme this year would produce an overall score of 7.6/10 for an 'ideal' pension fund. This is encouraging as it shows what could be possible if pension providers reflected best performance from their peers across all themes.**

THE FINANCE INNOVATION LAB

During 2025 a wider coalition of organisations will run a campaign on pensions, coordinated by our partner **Finance Innovation Lab**.

BUILDING A MOVEMENT FOR BETTER PENSIONS

In 2024, the UK's new Labour government committed to a landmark Pensions Review, presenting the first opportunity in two decades to overhaul the £3 trillion private pension system through improved legislation and regulation. Finance Innovation Lab is a charity advocating for a fairer, greener financial system. It is coordinating civil society efforts to raise the government's ambitions for the Review, so that it delivers decent pensions for all in a world fit to retire into.

In particular, the Lab and partners are developing recommendations for how the government's pension reforms can:

1. **Deliver decent pensions for all, through boosting savings in a way that reduces inequality in the system.**
2. **Fuel long-term sustainable growth through green investment.**
3. **Phase out destructive investment in fossil fuel expansion and deforestation.**

We urge savers and organisations to engage with this campaign and demand better from your money.

- **FOR SAVERS:** you can share the Climate Action Report ranking with your employer **via our website** to highlight your provider's performance and ask for action and a better pension.
- **FOR EMPLOYERS:** . you can engage directly with your pension provider on their climate action plans and take advice and steps to move to a greener provider if you're not happy with their progress. See our **Green Pensions Guide** for more.

Make My Money Matter

See **here** for the full report including methodology and detailed results provider by provider and visit **makemymoneymatter.co.uk/pensions** for more information.

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