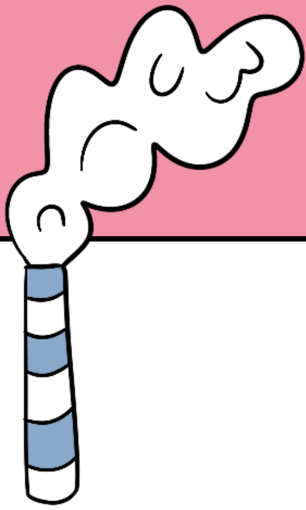
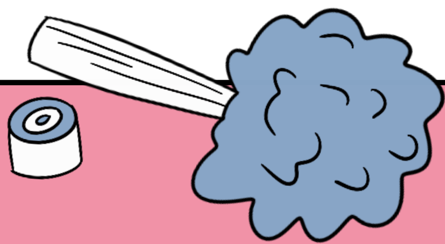


# Climate Action Tool

## How to hold your provider to account on climate action

November 2022



Make My Money Matter

# Tracking progress on climate action

With over £3 trillion in UK pensions – and an industry responsible for financing 330m tonnes of carbon emissions each year – the pensions sector represents a critical frontier for climate action.

And in recent years, the industry has begun to embrace this opportunity. Since Make My Money Matter launched in 2020, over £1.3 trillion of UK pension money is now in schemes committed to net zero with a halving of emissions before the end of the decade. This represents important progress, showing growing recognition within the industry of the need to address climate risk and embrace transition opportunities through clear, timebound commitments. But as we face a worsening climate crisis, alongside increased demand from members and employers for pensions to be proud of, what matters now is rapid action that delivers real impact for people and planet.

**That's why Make My Money Matter has launched our first ever Climate Action Report, highlighting progress made by industry leaders, but also critical gaps that schemes must address in 2023 and beyond if they are to achieve real world impact.**

# The opportunity for business - use your power to drive action

There's £20 billion invested each year into pensions by UK businesses and their employees. And the decisions made about how it is managed, and where it is invested, will shape the futures we grow old in.

**Did you know the carbon emissions of FTSE100 Company Pensions is 7 times higher than the reported Scopes 1-2 Emissions of those companies? (our report here).**

But it doesn't have to be this way. For organisations ramping up their efforts to go green, pensions are your hidden superpower in tackling climate change. You can do this by making sure they are integrated into your sustainability strategy.

Businesses and organisations have a great opportunity to find a pension which aligns with their sustainability plans; turbocharging their impact, and using their influence to drive systemic change within the pensions industry.

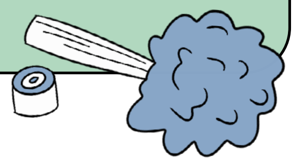
To support employers on this journey, we've developed a set of questions based on our Climate Action Report to hold pension providers accountable on their climate action. By probing your provider on these questions, you can find out if your pension is acting on climate, and put pressure on the industry to increase the scale and ambition of its action.

# Pension scheme climate action checklist

**Is your pension fund delivering on climate?**

Useful questions to find out what real action your pension scheme is taking now to protect the future you and your employees are saving for.

***Please tell us too*** *– we might know of other employers that have the same pension provider as you. And collective action can be hugely powerful in driving change. The more organisations that demand their pensions help tackle climate change, the louder our voices will be.*



| | Question | Rationale | Climate Positive Answer |
|---|---|---|---|
| 1 | **Have you publicly committed to Net Zero targets which include at least halving emissions by 2030?** | Many schemes now have Net Zero commitments. It is important to understand firstly, whether your provider has one and secondly, whether it aligns with global emissions targets.<br><br>Net Zero strategies should include a reduction in emissions by half before 2030 and full net zero before 2050. It is even better if the pension has earlier commitments than this. | *Yes, the scheme has clear 2030 and 2050 targets and a delivery plan to achieve them.* |
| 2 | **Have you published short-term 2025 emissions reduction targets? And if so, what are those targets?** | Being on a realistic track to achieve a halving of emissions by 2030 will require short-term targets that front load impact. A 2025 emissions reduction goal is crucial if schemes are serious about their commitment, and are prepared to hold themselves to account on their progress. | *Yes, the scheme has committed to and is delivering short-term targets for emissions reduction.* |
| 3 | **In the last 12 months, has there been a reduction in the carbon intensity of your portfolio, (e.g. tCO2/£m invested)? If so, by how much?** | Science warns that unless global greenhouse gas emissions fall by 7.6 per cent each year between 2020 and 2030, the world will miss the opportunity to deliver the 1.5°C temperature limit of the Paris Agreement.<br><br>Every year that passes without adequate progress makes the required decline steeper. | *There has been a reduction of the portfolio's carbon intensity (ideally, this will have been by at least 7% in the last year).* |

# Pension scheme climate action checklist

| | Question | Rationale | Climate Positive Answer |
|---|---|---|---|
| 4 | **Have you published a policy on ceasing finance of fossil fuel expansion, which aligns to the IEA's Net Zero by 2050 roadmap which states "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".** | The International Energy Agency (IEA) *Net Zero by 2050* road map requires no new fossil fuel expansion beyond projects already committed as of 2021, and a complete phase-out of coal.<br><br>While we will continue to require fossil fuels as we transition to a low carbon world, we cannot have new expansion if we are to have a chance of limiting global warming below 1.5°C and avoiding dangerous climate and nature tipping points. Instead, there must be a rapid scale-up of renewable energy, alongside efficiency measures, underpinned by a phasing out of existing fossil fuels. Asset owners should use their voice and set expectations, including voting policies, that act to stop new expansion in their assets. | *Yes, the scheme has published and is working on delivering a 'no new fossil fuel expansion' policy in line with the latest climate science.* |
| 5 | **Have you published a policy or made a public commitment on eliminating deforestation in your portfolio?** | In order to limit global warming, we need to eliminate deforestation, as it accounts for around 15% of global carbon emissions. At COP26 over 100 global leaders committed to end and reverse deforestation by 2030, and a number of financial institutions committed to eliminating agricultural commodity driven deforestation by 2025. Our research shows that there is over £300bn in UK pensions invested in companies with a high risk of driving deforestation (that's £2 in every £10 from our pensions). Pension schemes must map and disclose deforestation risk and commit to eliminating deforestation in their assets. | *Yes, the scheme has committed to the elimination of deforestation from pension fund portfolios.* |
| 6 | **Do you plan on increasing your investment in climate solutions? If so, by how much?** | While the urgent focus is on achieving net zero by 2050 across their portfolios, this focusses more on the avoidance of harm vs the required investments in driving the transition. Leading pension providers – with a long term investment horizon - should be exploring more ways to fund the necessary solutions to solve climate-related problems, creating positive and co-beneficial impacts. | *Yes, the scheme has set out a rapid increase in the scale of investments in climate solutions.* |

# Pension scheme climate action checklist

| | Question | Rationale | Climate Positive Answer |
|---|---|---|---|
| 7 | **What evidence can you provide of robust stewardship to influence the companies you invest in?** | Schemes should be able to show how they are using their seat at the table (through engaging and voting) with investee companies and other assets – especially high emitters - to influence them in achieving global temperature goals. As stewards for scheme members' money, they should be communicating progress to their members on it regularly. | *Yes, we have publicly available stewardship policies on how we engage with investee companies to influence a transition to net zero, with specific targets around alignment with temperature goals. We've established a timeline for our engagement policy and we report against it.* |
| 8 | **Have you published a voting policy that is aligned to achieving the 1.5 degree global goal? (e.g. stating that you will vote against an investee company/directors if it does not have a credible climate transition plan in place)** | As major investors, pension providers – both individually, and collectively - must use their power by introducing more robust stewardship practice. Although stewardship may be undertaken by a scheme's asset managers, this is no excuse for the asset owner not to set clear expectations on climate, including voting policies that are aligned to a 1.5°C pathway. | *We have published how we will vote at investee company meetings with the objective of achieving the 1.5 degree global goal and will communicate with members.* |
| 9 | **How do you engage with members and make sure their views are taken on board?** | Having a clear strategy and approach to engage with members is a clear sign of sustainability best practice. Leading schemes engage with their members in a range of ways, such as regular newsletters, access to technical platforms that allow members to indicate their preferences, or educational webinars, creating a space for transparency, accountability and feedback from members. | *We communicate with our individual and corporate members frequently and in a digestible manner to keep them updated on our climate policies and commitments, their money's impact and stewardship activities.* |

Assess the answers you get from these questions and compare them to your mission and values. You can let your pension provider know if their product doesn't meet your expectations and ask them to improve. You could also see whether there is a solution they offer which better aligns with your values.

If not, you could seek to switch to a provider with more sustainable funds and investment practices. This may take time and may require taking financial advice. The Good with Money guide includes reviews of different providers and responsible investment offerings.