ESG TOOLKIT FOR PENSION CHAIRS AND TRUSTEES
AN OVERVIEW
WHAT AND WHY

• A toolkit of resources that bring to life what good looks like.

• Aims to inspire action on next steps to mature the scheme’s ESG integration approach.

• A ‘live’ document with new resources continually being added.

• Supports trustees in discussions with fellow trustees, consultants and fund managers about practical actions they should take.

• Transferable to different jurisdictions and sizes (where appropriate).

• Also useful for service providers, actuaries and pension managers.

Access the toolkit here
KEY COMPONENTS

1. An ESG maturity map with suggested steps that schemes can take to progress on their ESG integration journey.

2. Practical examples of pension schemes to bring ‘what good looks like’ to life.

3. Guidance material to highlight the practical steps eg embedding ESG factors into different asset class portfolios.

Access the toolkit here
1. ESG MATURITY MAP

• Outlines ‘what good looks like’ and embeds ESG considerations into investment decisions, reporting, and engagement across the investment chain.

• Assesses what the scheme is currently doing and what steps can be taken to progress across 4 levels of maturity.

• For example:
  • Level 1: a Board could confidently speak about the role of asset owners in driving better corporate behaviour around ESG integration.
  • Level 3: a Board member would be expected to attend at least one investee company AGM per year, asking ESG-related questions as part of the engagement process.

Access the ESG Maturity Map here
1. ESG MATURITY MAP: LEVEL 0

Level 0 – compliance only.

This table sets out the minimum requirements that a UK pension scheme must currently comply with or needs to start processes in order to comply with near-term regulations as set out in the UK Pension Schemes Act 2021.

<table>
<thead>
<tr>
<th>Requirement – The Board must:</th>
<th>Deadline</th>
<th>Type of scheme</th>
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<tbody>
<tr>
<td>Include ESG and stewardship policies in its Statement of Investment Principles (SIP) and publish this online.</td>
<td>By 1st October 2020 (if not earlier)</td>
<td>DB and DC / Hybrid</td>
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<tr>
<td>Publish ‘Implementation Statement’ explaining how it has implemented its SIP policies, including in ESG and stewardship, as well as provide further information on its asset manager and investment engagements.</td>
<td>First annual report from 1st October 2020 and no later than 1st October 2021</td>
<td>DC / Hybrid</td>
</tr>
<tr>
<td>Include a description of the voting behaviour by or on behalf of the trustees including the use of proxies within the published Implementation Statement.</td>
<td>By 1st October 2021</td>
<td>DC / Hybrid</td>
</tr>
<tr>
<td>Publish an Implementation Statement explaining how it has implemented its SIP policies, including policies around voting and stewardship.</td>
<td>First annual report from 1st October 2020 and no later than 1st October 2021</td>
<td>DB</td>
</tr>
</tbody>
</table>

Following the coming into force of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 on 1 October 2021, the Board in scope must:

- Disclose – within its governance policies – how it maintains oversight of climate-related risks and opportunities which are relevant to the scheme, as well as the role of any person who undertakes governance activities, or who advises or assists the Board with respect to governance (including legal advisors), in identifying, assessing and managing climate-related risks and opportunities – and the process by which the Board satisfies itself that the person is undertaking such identification, assessment and management.
- Identify and then assess the impact of climate-related risks and opportunities which it considers will have an effect over the short, medium term and long term on the scheme’s investment strategy and, where relevant, the funding strategy.
- Undertake – as far as is able – scenario analysis using at least two scenarios where there is an increase in the global average temperature, one of which is with an average temperature rise of between 1.5°C and 2°C above pre-industrial levels and then disclose the results.
- Disclose in a publicly available report, effective processes to identify, assess and manage climate-related risks, and ensure that this is integrated into the Board’s overall risk management of the scheme.
- Select, use and disclose at least two emissions-based metrics and one additional climate-related metric to calculate in relation to the scheme’s assets.
- Set a target for the scheme in relation to at least one of its chosen metrics and report annually on progress against the target.
- Have knowledge and understanding of the principles relating to the identification, assessment and management of risks and opportunities to its scheme arising from the effects of climate change; and implement trustee training where needed.

From 1st October 2021, with the scheme’s first annual TCFD report produced and published within seven months of the end of the scheme year under examination on 1st October 2021 - Occupational pension schemes with assets under management (AUM) of more than £5 billion, authorised master trusts and collective money purchase schemes.

From October 2022, on the same basis - Occupational pension schemes with AUM of more than £1 billion.

Level 0 outlines the minimum requirements that a Board of a UK pension scheme must comply with, as set out in the UK Pensions Schemes Act 2021.
1. ESG MATURITY MAP: IN PRACTICE

- A4S has written an accompanying guide to help trustees ‘workshop’ the maturity map with their Board.

Key features of the workshop guide:

- A step-by-step activity format and tips for maximizing engagement in a virtual context.
- An outputs template to record consensus on level of maturity per area, challenges identified and agreed next steps.
- Resource links table to signpost you to peer-case studies and guidance material.
- A commitments table to commit to progress with milestones and definitions of success.

Access the Workshop Guide [here](#)
2. PRACTICAL EXAMPLES

- A growing bank of case studies produced in collaboration with a variety of pension schemes (DB, DC, small, large, public, private, single/multi-employer).

- ‘In the voice’ of pensions schemes, focusing on practical steps for trustees, and including top tips for taking similar action.

Access the bank of practical examples here
3. GUIDANCE MATERIAL

- A growing bank of resources for chairs and trustees to integrate ESG into their decision-making and processes.
- Aim to facilitate discussions in-house and across the investment chain, highlighting key actions and steps that can be taken.

Access the guidance material here
“A4S’s ESG Toolkit for Pension Chairs and Trustees will help you navigate through a changing landscape.”
Emma Howard-Boyd, Chair of the Environment Agency and Co Chair of A4S’s Asset Owner Network

“We used the A4S Maturity Map in a Climate Training session with our Board. It was extremely useful to give the Trustees a picture of where we were, vis-a-vis other schemes, and where we might aspire to be across different parameters. It provided a good framework to prompt a thought-provoking discussion around our status, our goals and our specific areas of focus when it comes to climate risk.”
Catherine Claydon, Chair of BBC Pension Scheme and British Steel

"A4S’s ESG Maturity Map helps put the trustees back in control of the agenda. It enabled me and my peer trustees to challenge and probe further into previous statements and responses from our investment consultants."
Marcus Hurd, Professional Trustee, ndapt
Tell us what resources and practical examples you would like to see – Kerry.Perkins@a4s.org
The Prince's Accounting for Sustainability Project (A4S) was established by HRH The Prince of Wales in 2004 to transform finance to make sustainable business, business as usual.

Exists to inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy.

Three core aims underpin everything we do:

- Inspire finance leaders to adopt sustainable and resilient business models
- Transform financial decision making to enable an integrated approach, reflective of the opportunities and risks posed by environmental and social issues
- Scale up action across the global finance and accounting community