



ESG MATURITY MAP: EXAMPLE BEHAVIOURS FOR PENSION TRUSTEES

Embedding ESG considerations into pension schemes' investment decisions, reporting and engagement across the investment chain

On the journey to embedding environment, social and governance (ESG) considerations into a pension scheme's strategy and processes, where do you think your scheme is along that journey? What actions could you take to deepen your approach further?

The levels outlined below are incremental, ie you cannot achieve Level 4 without completing previous levels in full. A 'Level 0 – Compliance only' can be found at the end of this document, which outlines the minimum requirements that a Board of a UK pension scheme in scope must comply with.

Used as a guide or as an interactive workshop tool, the maturity map will help you as a pension trustee assess what your scheme is currently doing and what steps you can take to progress. It is designed to be transferable to different jurisdictions.
[Download the workshop brief here.](#)

	Level 1 – Understanding	Level 2 – Adopting	Level 3 – Deepening	Level 4 – Leading
	The Board has made conscious and practical efforts to understand fully ESG investment and how this applies to the schemes they govern.	The Board has started to take action on planning and implementing a revised approach to ESG investing.	The Board is maturing in its sophistication and application of ESG considerations in its investment approach.	The Board encourages and influences the adoption of ESG considerations into policy and practices across the broader investment community.
Allocating funds to deliver sustainable outcomes				
Making defined contribution (DC) pension scheme default funds sustainable	The Board: <ul style="list-style-type: none"> is confident in talking about how ESG factors present a growing set of financial risks to manage has assessed collectively an appetite for implementing a sustainable DC default fund believes that choosing a sustainable DC default fund, which integrates ESG financial considerations, does so without compromising investment returns is aware of good practice case studies and identifies how these learnings might be applied to its scheme 	The Board: <ul style="list-style-type: none"> has engaged with the scheme sponsor (where relevant) and members to understand their views on the topic has engaged external advisers / investment consultants / asset managers and / or in-house expert resources to explore the options available is confident talking about the differences between a sustainable default fund and a conventional default fund in terms of the investment process followed by the asset manager to select securities, management fees and expected asset manager disclosures has begun a procurement exercise to implement a sustainable default fund 	The Board: <ul style="list-style-type: none"> has undergone a procurement exercise, chosen an appropriate asset manager and implemented a sustainable default fund for members has effectively communicated the rationale for implementing a sustainable default fund to the scheme sponsor and members has clearly outlined the alternative investment options for its members to select from applies relevant sustainable investing behaviours throughout the investment process for the fund 	The Board: <ul style="list-style-type: none"> has shared its default fund experiences with other pension schemes and wider networks eg via public platforms or private industry-led sessions is committed to stay actively at the forefront of sustainable investment practice, eg by being involved in relevant networks and initiatives actively collaborates with relevant networks and initiatives to share best practice, leverage combined efforts and provide a strong, collective asset owner voice
Integrating ESG considerations into investment decision-making (eg frameworks or governance) including investment selection, risk management and divestment practices	The Board: <ul style="list-style-type: none"> is confident in talking about how ESG factors present a growing set of financial risks to manage is confident in discussing the main types of ESG integration (best in class, screening, thematic investments, etc) and the difference between these approaches understands how ESG principles can be included within a statement of investment principles and asset manager monitoring frameworks has a clear understanding of its fiduciary duty with respect to its ESG obligations understands emerging pensions legislation and corresponding requirements in relation to ESG 	The Board: <ul style="list-style-type: none"> has undertaken formal training on ESG integration, including around the availability and shortfalls of third party ESG data provision has discussed and agreed how to integrate ESG factors into its investment decision-making and processes (alongside an investment consultant where appropriate) 	The Board: <ul style="list-style-type: none"> has outlined its approach to ESG integration in its statement of investment principles actively uses its ESG framework for all investment decisions and for ongoing monitoring of asset managers and direct investments has a documented internal procedure setting out the repeatable ESG integration process they will follow when making all investment decisions and monitoring asset managers 	The Board: <ul style="list-style-type: none"> has shared its ESG integration experiences with other pension schemes, especially – where appropriate – smaller schemes to enable them to access valuable insights regularly revisits and reviews its ESG integration framework, ensuring it remains at the forefront of sustainable investment practice
Proportion of scheme assets specifically directed to investments driving positive social and environmental outcomes	The Board: <ul style="list-style-type: none"> has agreed and documented its collective appetite for allocating assets to drive positive social and environmental outcomes 	The Board: <ul style="list-style-type: none"> has engaged with external advisors / investment consultants, asset managers and / or in-house experts to create a long-term plan for allocating a greater proportion of assets to driving positive outcomes applies positive outcome investment principles in up to 10% of its scheme assets is committed to measuring and reporting outcomes generated from a positive outcomes portfolio 	The Board: <ul style="list-style-type: none"> applies positive outcome investment principles in a more significant proportion (eg over 10%) of its assets, in at least one asset class, and is considering how to extend this to other asset classes reviews written reports / dashboards regarding the outcomes generated from its positive outcome investments is actively considering publicly declaring its commitment to decarbonise its portfolio (eg committed to becoming "net zero" or "Paris Agreement aligned") 	The Board: <ul style="list-style-type: none"> applies positive outcome investment principles to the majority of its scheme assets (over 50%), across multiple asset classes is sharing with other pension schemes its experience of making investments which aim to achieve positive social and environmental outcomes via public platforms or in private industry-led sessions. has publicly declared its commitment to decarbonise its portfolio (eg committed to becoming "net zero" or "Paris Agreement aligned")
Engagement along the investment chain				
Engaging with pension scheme beneficiaries	The Board: <ul style="list-style-type: none"> recognizes that members may hold different perceptions, concerns and preferences on ESG investing is committed to educating on the challenges and advantages of integrating ESG considerations into investment decision-making and is aware of campaigns like Make My Money Matter can confidently discuss how trustees' fiduciary duties extend beyond consideration of traditional financial metrics, and that ESG factors are a proven driver of long-term investment returns 	The Board: <ul style="list-style-type: none"> is actively engaging with members to build an understanding of their ESG preferences and is breaking down common perceptions associated with ESG integration has decided whether and how to incorporate member views into the scheme's investment strategy 	The Board: <ul style="list-style-type: none"> is implementing new strategies, with reference to members' views has communicated changes to members in full, including setting out alternative options and points of contact for raising concerns / complaints updates members on ESG performance and provides a channel for member feedback on the scheme's approach to ESG integration in its investments 	The Board: <ul style="list-style-type: none"> holds an annual member engagement meeting, allowing members to debate and challenge the Board's ESG practice speaks openly, via public platforms or in private industry networks, about the challenges and opportunities associated with consulting members and beneficiaries, and integrating their views into a scheme's investment strategy offers members active stewardship of their investments through engagement / voting platforms (eg Tumelo)
Engaging with pension scheme sponsors	The Board: <ul style="list-style-type: none"> can confidently discuss its sponsor's ambitions in relation to ESG factors and how it expects these to be reflected in its pension scheme(s) can confidently discuss the specific ESG issues and areas it and its sponsor should be engaging on in relation to its investment strategy understands the financially material ESG risks facing its sponsor 	The Board: <ul style="list-style-type: none"> is actively engaging with its sponsor to understand its approach to ESG, and how this may be reflected in its pension scheme is actively talking to its sponsor about how it is managing its ESG risks to ensure the employer obligations can be met over the long term is actively engaged with its sponsor in discussing the sponsor's own ESG risk management when assessing employer covenants and negotiating triennial valuations for defined benefit (DB) schemes 	The Board: <ul style="list-style-type: none"> has worked with its sponsor to align and document their shared expectations on ESG integration has developed a documented investment strategy that has taken appropriate account of the sponsor's ambitions and expectations around ESG integration has committed to reviewing the sponsor's ESG risks (eg to covenant) on a defined and ongoing basis updates its sponsor on the ESG performance of the scheme assets 	The Board: <ul style="list-style-type: none"> and its sponsor has shared with other pension schemes their experience working together on ESG integration, and navigating perceived conflicts of interest around trustee independence (eg through membership of networks including associations and professional bodies, through public events and platforms, or private industry-led sessions) has influenced the sponsor to align its own ESG practices with the expectations the pension scheme has of investee companies
Engaging with investment consultants	The Board: <ul style="list-style-type: none"> can clearly articulate the support it needs on embedding ESG factors into its investment decisions from its investment consultants, and can define these expectations in the services it is seeking has evaluated the different offers and services investment consultants provide against its expectations 	The Board: <ul style="list-style-type: none"> has engaged with existing investment consultants to understand current capabilities around ESG investing, taking into consideration the consultants' firm-level ESG objectives and targets, the level of in-house ESG expertise, the consultants' track record and history of ESG consulting, and the nature of the ESG offer provided has engaged other investment consultants, using the same criteria to compare and contrast ESG investment offers and capabilities, and how these are applicable to the needs of the scheme has asked investment consultants to provide a view on the ESG capabilities of existing managers 	Where necessary, the Board: <ul style="list-style-type: none"> has worked alongside an investment consultant to carry out a search and selection exercise of new managers that are equipped to implement a scheme's ESG strategy where retaining existing managers, has worked with consultants to identify necessary adjustments to the existing services provided by managers to enable the implementation of an ESG strategy (such as better reporting on engagement and voting activities, and/or impact profile of underlying investees) has worked with its investment consultants to create template mandates / a set of procurement principles for future investment procurement exercises 	The Board: <ul style="list-style-type: none"> and its investment consultant has shared with other pension schemes their experience working together, the challenges they encounter, and how they overcome these (eg through membership of networks including associations and professional bodies, through public events and platforms, or private industry-led sessions)
Engaging with asset managers	The Board: <ul style="list-style-type: none"> can confidently discuss the varying level of ESG capabilities of asset managers, in terms of the goals and strategies they are pursuing, and what it means to integrate ESG into investment decision-making processes has agreed and documented what it expects of its asset managers in relation to its ESG strategy can confidently discuss the wide range of ESG data and data-integration techniques available and being used by the asset management industry 	The Board: <ul style="list-style-type: none"> with its investment consultants as appropriate, is engaging with existing and prospective managers to understand their capabilities on ESG better in relation to their investment strategies, investment selection and monitoring, stewardship and reporting has assessed and documented outputs on where and whether managers are appropriate for implementing a scheme's ESG strategy 	The Board: <ul style="list-style-type: none"> expects their asset managers to be effectively integrating ESG factors into investment strategies, selection and monitoring processes provides clear direction on expectations around investment stewardship, including a set of key instructions on voting regularly monitors the performance of its asset managers against a clearly defined set of metrics and holds asset managers to account on effectively integrating ESG factors into investment decision-making and stewardship activities 	The Board: <ul style="list-style-type: none"> works alongside asset managers to share how investment strategy is being implemented with other pension schemes and wider networks (eg via public platforms or private industry-led sessions) collaborates with its asset managers to identify and develop ESG engagement approaches with underlying securities (companies) collaborates with peer pension schemes to share best practice, leverage combined efforts and provide a strong, collective asset owner voice on what good asset manager engagement looks like
Investment stewardship practices with investee companies	The Board: <ul style="list-style-type: none"> can confidently speak about the role asset owners have in driving better corporate behaviours around ESG integration can confidently discuss the regulatory and legal requirements, as well as the opportunities and challenges of active stewardship exercises votes in alignment with investment beliefs (either directly or indirectly through external asset manager or proxy voting agency) 	The Board: <ul style="list-style-type: none"> has identified and adopted a strategic position around relevant ESG issues has developed and implemented a coherent stewardship strategy where engagement activities and voting are fully aligned has a fully considered policy on how to respond when stewardship activities fail to drive targeted change 	<ul style="list-style-type: none"> A Board member attends at least one investee company AGM per year and asks ESG-related questions as part of the engagement process The Board: <ul style="list-style-type: none"> makes use of technology solutions to enhance the oversight and stewardship of its investments collaborates with other asset owners on engagement activities and supports collective shareholder resolutions on relevant ESG issues related to priority areas reviews written reports on stewardship activities (eg a regular dashboard of proxy voting outcomes from asset managers) is committed to reporting in full on stewardship activities and outcomes achieved 	The Board: <ul style="list-style-type: none"> shares its AGM experience with other pension schemes (eg on public platforms or via private industry networks) publicly (or at least to members) reports on its AGM engagement on a regular basis offers members active stewardship of its investments through engagement / voting platforms (eg Tumelo) leads collaborative engagement activities and collective shareholder resolutions on relevant ESG issues related to priority areas
Reporting and collective action				
Reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Please see 'Level 0 – compliance only' for what is now or soon-to-be required of Boards	For UK occupational schemes with under £1 billion AUM, UK local authority pension schemes, and non-UK schemes where TCFD implementation is not currently a regulatory requirement.			
	The Board: <ul style="list-style-type: none"> can confidently discuss how the TCFD recommendations apply to pension schemes can confidently discuss the expectations of its stakeholders in relation to adopting TCFD recommendations, and what is required to implement these can confidently discuss regulatory expectations around TCFD, even if they do not currently apply to a scheme of their size / nature and understands the potential timelines in which TCFD regulation may in the future affect their scheme 	The Board: <ul style="list-style-type: none"> has undertaken a gap analysis of its capabilities and identified the improvements required to adopt the TCFD recommendations, including evaluating its governance and oversight of climate-related issues has engaged with regulatory TCFD consultations to the extent they may apply to their scheme in the future 	The Board: <ul style="list-style-type: none"> has implemented improvements to its processes, including its governance structure, to integrate effectively climate-related considerations into its investment processes has implemented a climate risk management system to identify, assess and manage climate-related considerations has established a first set of appropriate climate-related metrics for assessing and managing investment risks and climate impact, for the purposes of investment decision-making and reporting progress to stakeholders has published its first TCFD report, outlining its approach to integrating climate-related issues into its governance and investment processes 	The Board: <ul style="list-style-type: none"> can confidently discuss its exposure to climate-related risks and opportunities and is undertaking scenario analysis to understand how its investment portfolio might be impacted by climate-related risks and opportunities has integrated climate-related considerations into its investment strategy has established appropriate targets for both emissions and non-emissions based metrics for understanding risk and impact of the portfolio and is measuring progress against these is producing high-quality annual reports demonstrating progress against the TCFD recommendations has shared its experiences of implementing TCFD with other pension schemes (eg via public platforms or private industry networks)
	For UK occupational schemes with assets equal or exceeding £1 billion			
	Recent and upcoming regulatory requirements are detailed on the next page under Level 0 – Compliance only			The Board: <ul style="list-style-type: none"> has shared its experiences of implementing TCFD with other pension schemes (eg via public platforms or private industry networks) actively engages with companies, policy-makers and regulators, advocating for the adoption of the TCFD recommendations (especially as a strong, collective asset owner voice) clearly articulates the benefits of using the TCFD framework to understand and manage climate-related issues impacting its investments has chosen more comprehensive metrics and set more stretching targets reflecting that level of ambition

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.

Requirement – The Board must:	Deadline	Type of scheme
Include ESG and stewardship policies in its Statement of Investment Principles (SIP) and publish this online.	By 1st October 2020 (if not earlier)	DB and DC / Hybrid
Publish ‘implementation statements’ 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.	First annual report from 1st October 2020 and no later than 1st October 2021	DC / Hybrid
Include a description of the voting behaviour by or on behalf of the trustees including the use of proxies within the published Implementation Statement.	By 1st October 2021	DC / Hybrid
Publish an Implementation Statement explaining how it has implemented its SIP policies, including policies around voting and stewardship.	First annual report from 1st October 2020 and no later than 1st October 2021	DB
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 (excluding legal advisers), 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.	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 underway 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.	
Identify and then assess the impact of climate-related risks and opportunities which it considers will have an effect over the short term, medium term and long term on the scheme’s investment strategy and, where relevant, the funding strategy.		
Undertake – as far as it 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.		
Possible developments after the Pension Schemes Act 2021		
In the future, the Board may need to oversee the publication of the contribution of schemes’ assets to climate change (the “implied temperature rise” of the scheme).		
In the future, the Board may also need to disclose what percentage of its pension scheme activities are “green”, in line with a UK taxonomy.		