

SUSTAINABILITY PRINCIPLES CHARTER

FOR THE BULK ANNUITY PROCESS

2025 PROGRESS REPORT



**SUSTAINABILITY
PRINCIPLES CHARTER**
FOR THE BULK ANNUITY PROCESS



**ACCOUNTING FOR
SUSTAINABILITY**

FOREWORD

Systemic risks arising from climate change and nature loss present material and growing financial risks that impact the stability of both financial and ecological systems. These systems are deeply connected: when ecosystems collapse, the consequences undermine financial stability; and when financial systems fail to account for sustainability-related limits, this further destabilizes natural systems. Without decisive action to address these systemic risks, we are in danger of facing catastrophic results for economies, societies and the planet's life-support system.

Many parties have a part to play in addressing and managing these risks. This includes those entrusted to manage and protect long-term savings: pension schemes and a growing number of insurers, who increasingly see integrating sustainability into investment decision making not as optional but as fundamental to fulfilling fiduciary duties and safeguarding long-term outcomes for members.

In the UK, the majority of the £1 trillion of closed defined benefit pension assets¹ is expected to transfer from pension schemes to appointed bulk purchase annuity (BPA) providers over the next decade or so. As this shift takes place, the consideration of sustainability-related systemic risks and opportunities must remain embedded in future investment decisions, supported by transparency, reporting and collaboration.

The [Sustainability Principles Charter for the bulk annuity process](#) was established in 2024 to give pension scheme chairs from the [A4S Asset Owners Network](#) greater awareness of and confidence in how future BPA providers are addressing these systemic risks in their investment strategies. Two years on, the UK bulk annuity market has clearly risen to the challenge we set. All BPA providers in the UK have now committed to the charter's principles, and – alongside adviser and pension scheme signatories – have fostered strong cross-industry collaboration.

This collective effort has driven consistency, efficiency and higher standards across the market.

What began as a call for greater transparency, alignment and cooperation has evolved into a practical and effective initiative. Supported by the [Bulk Annuity Sustainability Survey \(BASS\)](#) and an industry-led governance structure, it enables more informed engagement, clearer expectations and continual improvement of good practice. These developments are helping to ensure that sustainability considerations are embedded not only at the point of transaction but throughout the entire life cycle of the assets backing pension promises.

While there is more to do, the foundations are now firmly in place. The charter, the BASS and the supporting cross-industry network together provide a strong platform for ongoing improvement, enabling the bulk annuity market to deepen its management of systemic risks and to contribute to a more resilient and sustainable financial system for the long term. This annual report outlines the specific progress made by the charter signatories, both individually and collectively, in 2025.

FOUNDERS OF THE CHARTER



Kerry King

Executive Director of Capital Markets, A4S



Dr Stephen Barrie

Deputy Chief Responsible Investment Officer, Church of England Pensions Board



Tim Miller

Senior Manager of Pensions Policy, Railpen

1. TPR (2025), [Occupational defined benefit landscape in the UK 2025](#).

ABOUT

UK occupational defined benefit pension schemes which are closed to new members or future accruals now represent around £1 trillion in assets under management.² Many of these schemes will consider, as part of their endgame planning, purchasing an annuity policy whereby their liabilities are transferred to an insurer (often called a Bulk Purchase Annuity or BPA provider). This process results in a pension 'buyout' or 'buy-in'. Activity in this market has accelerated significantly since 2023, and billions of transactions are expected in the next five to ten years.³

In response to concerns expressed by pension scheme chairs and trustees about inconsistent consideration of sustainability in the BPA provider selection process, A4S, the Church of England Pensions Board and Railpen established the [Sustainability Principles Charter for the bulk annuity process](#). The charter aims to improve transparency, reporting and engagement among pension schemes, insurers and the advisers in the middle, helping schemes to compare insurers' sustainability approaches before transacting and to assess ongoing alignment afterwards, while also signalling the importance of sustainability credentials as a selection criterion.

The charter's four principles clearly articulate what pension schemes want to see from insurers, what 'good' looks like, and what it means to go above and beyond.

THE FOUR CHARTER PRINCIPLES

- 1. Transparency** – transparency of values, principles and investment beliefs in relation to sustainability, as well as ongoing commitments that may guide future policy and practice affecting sustainability approaches.
- 2. Decision making** – Decision making – evidence and understanding of how sustainability considerations are incorporated into investment analysis and decision-making processes and investment stewardship activity.
- 3. Reporting and engagement** – reporting to and engagement with pension members (for buyout) and trustees (for buy-ins) on sustainability commitments beyond the point of transaction.
- 4. Collaboration** – commitment to ongoing engagement across the pension sector as responsible investment best practice evolves.

The full charter can be downloaded [here](#).

Beyond operational improvements, the charter provides a clear framework for defining what 'good' and 'excellent' look like in the BPA space. This clarity ensures alignment on the standards we should be striving for, ultimately benefiting both current and future clients.

Claire Altman, Managing Director, Pensions Risk Transfer & Individual Retirement, Standard Life

The charter offers an invaluable framework for communicating our sustainability approach with trustees, advisers and asset managers. As well as bringing consistency of reporting, A4S facilitates a collaborative environment where we can meet with other BPA providers to share the latest thinking on sustainability efforts.

Paul Bowker, Director of BPA Solutions, Royal London

The charter has driven positive change, facilitating key BPA market participants to communicate and align on sustainability priorities. It makes clear the objectives that providers should work towards, allowing participants to make more informed decisions on sustainability; a great milestone for the industry.

Rosie Fantom, Head of Bulk Annuity Origination & Execution, M&G

2. TPR (2025), [Occupational defined benefit landscape in the UK 2025](#).

3. WTW (2024), [The dynamics of a busy bulk annuity market: de-risking report 2024](#).

THE SIGNATORIES

Over 40 organizations have now signed the charter, including all UK BPA providers and a large group of pension schemes and 13 pension advisers. Signatories have committed to adopting (insurer signatories) and supporting (other signatories) the charter principles. They are participating in cross-industry working and steering groups to support implementation and process efficiency. Without

sharing commercially sensitive information and while being careful to abide by the letter and spirit of anti-competitive/anti-trust laws, this cross-industry collaboration has focused on embedding the charter's principles into decision-making processes, tackling system inefficiencies and collectively exploring barriers to progress.

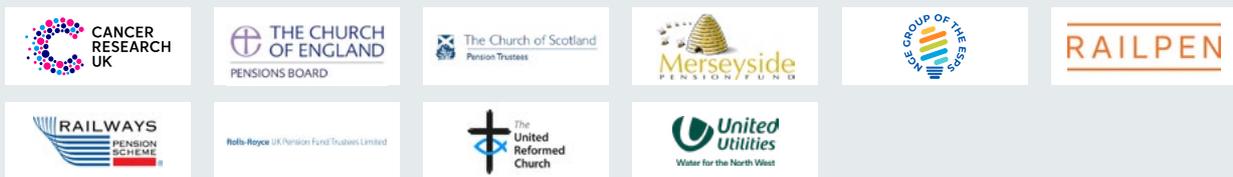
INSURERS



ADVISERS



PENSION SCHEMES



OTHERS/PROFESSIONAL TRUSTEES



Full list of signatories can be found on the [charter's webpage](#).

PROGRESS TO DATE

100% of the UK BPA market is represented by insurer signatories



Over £131bn

of member assets represented by pension scheme signatories



£3.4 trillion*

in UK-based assets under advisory (AUA) represented by adviser signatories

*may include duplicate AUA if advisers share clients

1 INDUSTRY-WIDE ADOPTION OF THE BULK ANNUITY SUSTAINABILITY SURVEY (BASS)

In 2025, all insurer and adviser signatories adopted a single, standardized survey for assessing sustainability credentials in the bulk annuity selection process – the [Bulk Annuity Sustainability Survey \(BASS\)](#). The BASS was developed by A4S in collaboration with signatories and replaces individual adviser surveys with an industry-wide survey, improving both efficiency and comparability.

Structured around the charter principles, the BASS sets a high benchmark for how bulk annuity providers integrate sustainability into their strategic and investment decisions. It has significantly increased comparability and has already proven to be an effective tool for sharing information, streamlining communication and reducing multiple rounds of questions. Trustees are increasingly using BASS insights to inform decision making, and its adoption has also strengthened engagement with insurers, their asset managers and reinsurers.

2026 will see the second iteration of the BASS. As the charter secretariat, A4S has committed to managing a review of the BASS annually to ensure it remains efficient and relevant.



10 to 1
The BASS has reduced

the average number of sustainability surveys completed by insurers annually from ten to one

The BASS has made it much more efficient for us to share consistent and useful information with pension scheme advisers, supporting a clearer view on insurer performance across the industry.

Sammy Cooper-Smith, Head of Business Development, Rothesay

The BASS's comprehensive nature means we can conduct a detailed review of insurers' sustainability practices at the BPA level specifically, assessing a wide range of sustainability-related factors. As client expectations rise and insurers come under increased scrutiny, we anticipate the BASS encouraging insurers to improve their sustainability approach.

Bhavika Haria, Senior Investment Consultant, Barnett Waddingham

We value the benefits that the BASS offers in streamlining sustainability surveys across employee benefit consultants. It has created efficiency and transparency in our processes and has provided a helpful focus point for our Board ESG discussion.

Keli Zhang, Chief Investment Officer, Blumont Annuity UK

The consistency in framework, where all insurers answer the same questions, has been very helpful in our assessment. We now get better quality of responses through the BASS than we might otherwise before the BASS was in place.

Alex Quant, Partner and Head of Responsible Investment, XPS Group

2 FIRMLY EMBEDDING SUSTAINABILITY IN THE MARKET

Alongside an industry-wide adoption of the BASS, the charter now has 100% of the UK BPA market committed to its four principles. This sends a strong signal to the wider financial sector, including asset managers and reinsurers, that embedding sustainability into decision making is essential, and that meaningful cross-industry collaboration is possible despite differing commercial priorities.

Since its launch in 2024, the charter has become an integral part of the bulk annuity process, helping to inform key decisions. It has already supported a number of buy-ins, including those by the Church of England Pensions Board, National Grid Electricity Group's Electricity Supply Pension Scheme, Merseyside Pension Fund and Rolls-Royce UK Pension Fund. In all of these examples, insurers' sustainability credentials and participation in the charter were central to provider selection.

£6.35bn
Pension schemes

cited the charter as instrumental during BPA selection, resulting in buy-in transactions worth £6.35 billion in assets under management



The growing prominence of sustainability considerations within the bulk annuity process is now having a ripple effect – shaping how insurers engage with their key service providers, including reinsurers and asset managers.

Recognizing the key role that reinsurers play in the post-transaction process, the signatory insurers and A4S have engaged directly with the reinsurance sector about the charter. To help enhance interactions between BPA providers and reinsurers around sustainability, in 2026 the insurer signatories will introduce a standardized short questionnaire for all current and prospective reinsurance partners. This will support insurer signatories to get a better understanding of how reinsurers are integrating sustainability into their decision-making processes, governance and engagement activities, whether they are doing so through longevity or funded reinsurance activity.

While the risk transfer market for pension schemes rarely hits the headlines, it has seen extraordinary growth. Previously it was rare to see sustainability form a key part of bulk annuity decision making. This initiative has an ambitious workplan to improve efficiency, more deeply embed sustainability, and look to remove obstacles to institutions allocating to more sustainable and impactful investments. A4S has created the space for such real-world impact to be considered and driven through cross-sector collaboration and leadership.

Clive Mather, Chair, Church of England Pensions Board

The momentum and determination the charter has generated have continued, with senior leaders from across the industry collaborating to make key decisions regarding sustainability in our space. The increased transparency, cooperation and engagement that has resulted is a unique achievement, with more successes to come, I am sure.

Pretty Sagoo, Managing Director Defined Benefit Solutions, Just Group

The charter continues to support the advice that we provide to trustee boards selecting which insurer to transact with. From my perspective it lands well with clients that our ESG ratings for the insurers are based on an industry-wide benchmark, which is maintained at such a level as to challenge behaviours and progress of those involved.

Paul Hewitson, Head of ESG for Risk Transfer, Hymans Robertson

Whenever we consider partnering with reinsurance counterparts, it is important for us to ensure sustainability standards are as consistent as possible across the entire BPA process. The A4S collaboration has ensured that the BPA insurer community is coordinated in our requests to reinsurers and can convey in a unified voice the importance that sustainability has to our business.

Cléo Fitzsimons, Head of Sustainability, Pension Insurance Corporation (PIC)

3 INCREASING SUSTAINABILITY-RELATED REPORTING TO TRUSTEES AND MEMBERS

The third principle of the charter is about increasing the level of sustainability-related reporting to members (for buyout) and trustees (for buy-ins). This enables members and trustees to see how sustainability-related values, principles and investment beliefs are implemented beyond the point of transaction. By learning from the examples shared by pension scheme signatories on member sustainability-related reporting, signatory insurers are enhancing both member and trustee communication.

Collaboration with fellow signatories has been highly beneficial. Learning how pension schemes communicate charter topics to members has informed our own customer communication strategy.

David Attwood, Senior Sustainable Investment Analyst, Institutional Retirement, Legal & General Group

REPORTING PROGRESS TO DATE

Member (policyholder) communication for buyouts:

- ✓ Updating transfer booklets
- ✓ Providing specific examples on the insurer's website to bring to life sustainability-related investment decisions and how they affect policyholders
- ✓ Running sustainability-focused sessions at member events

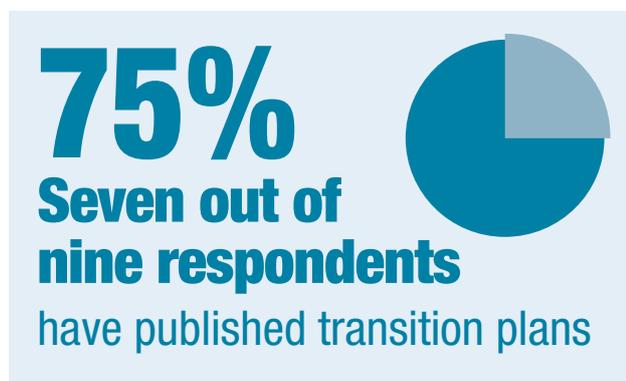
Trustee communication for buy-ins:

- ✓ Providing bespoke emissions reporting for clients on an annual basis
- ✓ Making decarbonization progress a standing agenda item in regular meetings with trustees
- ✓ Including more detail on stewardship and sustainability activities
- ✓ Providing a dedicated implementation manager for all reporting needs of the trustees and their representatives

EMERGING TRENDS FROM THE 2025 BASS RESULTS

We analysed responses from the nine signatory insurers who completed the BASS during the 2025 rollout. Together, they represent 97% of the UK bulk annuity market by share of transaction value (2007–2025).⁴ Insurers who have joined the charter since then have also completed the BASS but were not included in this initial analysis.

The findings show **a sector largely aligned on a 2050 net-zero commitment**. All respondents have set net-zero targets/ambitions, although their scope varies: some cover 100% of BPA business while for others the extent is less clearly defined. Several insurers have also established interim milestones for 2025 and/or 2030.



Use of the Partnership for Carbon Accounting Financials (PCAF) and Task Force on Climate-related Financial Disclosures (TCFD) frameworks is universal. Most respondents use the Science-based Targets initiative (SBTi), typically by disclosing the share of their portfolio with SBTi-validated targets. In addition, two insurers have near-term SBTi-validated company-level targets and another has formally committed to setting them. Nearly all – representing 95% of the UK bulk annuity market – referenced the Net Zero Asset Owners Alliance (NZAOA), through either membership or use of the Target Setting Protocol. Seven respondents – representing 75% of the UK bulk annuity market – have published transition plans.

Integration of nature and biodiversity is emerging.

One-third of respondents, representing just under half of the UK bulk annuity market, have nature-related commitments, with two firms adopting the LEAP (Locate, Evaluate, Assess, Prepare) framework of the Taskforce on Nature-



related Financial Disclosures (TNFD). Most others are beginning to assess nature risk using tools such as TNFD or ENCORE (Exploring Nature Capital Opportunities, Risks and Exposure), engaging with companies and policymakers, or contributing to guidance and forums.

Social sustainability policies (eg human rights, modern slavery, and diversity, equity and inclusion) are widely available, **though just-transition policies remain a gap**.

Overall, most respondents demonstrated clear sustainability-related commitments in relation to the bulk annuity process, aligning with Principle 1 of the charter. Some, however, provided limited detail on how organization-wide sustainability strategies apply specifically to their bulk annuity activity; this is an area pension advisers will be addressing in their feedback.

On Principle 2 of the charter – how sustainability considerations are incorporated into decision-making process and stewardship activity – respondents provided details on the methodologies, frameworks and governance structures they are adopting. Some responses brought this to life more than others.



4. XPS Group, [XPS Bulk Annuity Market Tracker](#). Accessed: January 2026.

INCORPORATING SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES IN INVESTMENT DECISION MAKING

Case study 1: US gas pipeline deal

One respondent had been presented with an opportunity involving a 30-year US gas distribution investment. The asset initially demonstrated robust credit quality, relying on the distribution of gas to both residential and commercial clients. The company's business case outlined how the pipelines could be used to distribute biogas in future.

The sustainability-related risks considered in the transaction were:

- **Transition away from gas for residential heating** – a material part of the gas distribution network serviced residential customers. Given the possible transition away from the use of gas for residential heating to the use of heat pumps or alternative low-carbon heating solutions, there is a risk that this gas network becomes a 'stranded asset' with little or no economic value.
- **Geographical nuances in transition** – it was noted that the transition was progressing more slowly in the US than in Europe, and there are also differences between states within the US.
- **Potential for alternative fuels** – while the direction of travel appears to be away from natural gas for residential heating, it was noted that this transition may be towards low-carbon gas (such as biogas) which is compatible with existing infrastructure. This reduces the risk of the network becoming a stranded asset.

Given the uncertainty around how the transition would progress and the viability of alternative fuels, and noting its long-term nature, the respondent decided not to proceed with the investment.

Case study 2: Global shipping bond issuance

One respondent assessed a global shipping company's green bond issuance in 2024 to finance a fleet upgrade to lower-carbon vessels. Despite being a leader in container shipping, the company faces sustainability-related risks given the sector's decarbonization challenges and related capital needs. Due diligence, incorporating material sustainability-related and financial factors, highlighted these risks but noted mitigation through SBTi-approved emissions targets and diversification into logistics. Supported by a strong balance sheet, BBB+/Baa1 ratings and alignment with its long-term decarbonization strategy, the issuance met the respondent's duration and valuation expectations, reflecting their integrated approach to sustainability-related and investment decision making.

All respondents conduct climate scenario analysis, typically annually and aligned with the Network for Greening the Financial System (NGFS). While all of them assess physical and transition risks, only two indicated consideration of tipping points or feedback loops.

Climate-related risks continue to dominate risk registers, particularly credit and market risks, reputational and litigation risks, regulatory change, and physical impacts such as flooding. Nature risks and risks related to human rights are starting to emerge in risk discussions.

There is universal recognition of the transition as a source of investment opportunity, via renewable energy, housing, clean transport, energy efficiency and nature-based solutions. Some insurers use sustainable finance frameworks to guide capital allocation.

Stewardship activity spans direct, collaborative and manager-led engagement, focusing on climate, nature and systemic risks. **Collaborative engagement, particularly with other financial actors, is viewed as highly effective.** All insurers but one have publicly disclosed stewardship policies, all of which are reviewed annually.

Stricter restrictions on high emitters without credible plans for decarbonization are adopted by at least



44% of the UK bulk annuity market

All except one respondent stated they maintain investing restrictions on thermal coal, typically applying 5–20% revenue thresholds, with some exemptions for companies with emissions reductions targets. Most also restrict tar sands, three apply exclusions to Arctic oil/drilling and only one has a formal deforestation exclusion policy. Stricter restrictions on high emitters without credible plans for decarbonization are adopted by at least 44% of the UK bulk annuity market.

At least half the respondents have improved trustee reporting since joining the charter – for example, through bespoke emissions updates, dedicated reporting staff and enhanced sustainability briefings. Member communications on sustainability are currently focused on website updates and sustainability information in member packs.

Against the charter's four principles, respondents demonstrated:

Principle 1

There is increasing transparency of sustainability-related values and investment beliefs, especially on climate. Incorporating nature and just-transition principles into formal commitments would further differentiate insurers at this stage.

Principle 2

There are clear examples of sustainability influencing investment decisions. Gaps to address include maturing scope 3 disclosure, improving scenario analysis to better capture systemic risks and leveraging insurers' influence across their service providers.

Principle 3

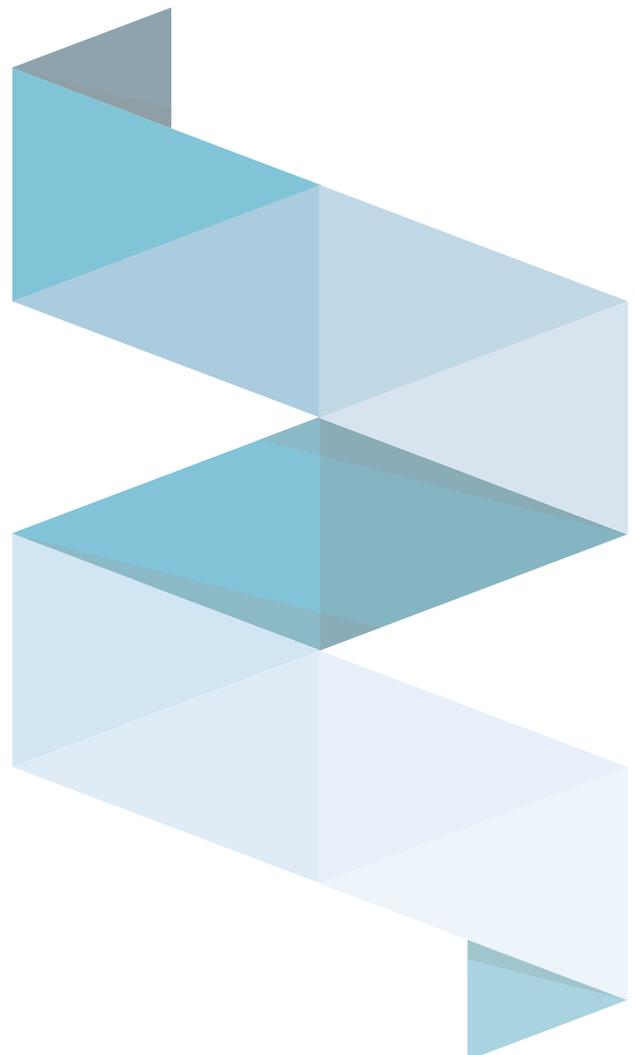
While several insurers have improved trustee reporting, others remain at an early stage of progress. Most have started to enhance sustainability-related information in member communications, but pension schemes are keen to see how this will be further strengthened.

Principle 4

There are numerous examples of insurers contributing to industry best practice and public policy through sustainability initiatives, roundtables and joint statements. While it is unclear how much this was in a participatory or leading role, in some cases the insurer has led research, established initiatives or developed innovative products enabling greater sustainability impact within specific transactions.

Taken together, the 2025 BASS responses show an industry committed to meeting the charter's ambitions to strengthen how sustainability is integrated into pre- and post-bulk annuity transactions. Ongoing insurer participation in the charter's governance sessions – alongside advisers and pension scheme signatories – is helping to drive continuous improvement in how sustainability is embedded in the bulk annuity process. An example of this is current work to extend insurers' influence into the reinsurance market, starting with a new standardized questionnaire assessing reinsurers' sustainability approaches.

The charter's cross-industry grouping is also helping to pinpoint the areas that need greater attention from the wider industry and from policymakers. All signatories play an important role in highlighting long-term challenges and signalling what action is needed from peers, policymakers and regulators.



HOW TO GET INVOLVED

To become a signatory, or to find out more about this initiative in general, please email capital.markets@a4s.org. More details are also available on the [charter webpage](#).

ABOUT A4S

Established in 2004 by HM King Charles III, when he was The Prince of Wales, A4S's mission is to harness the power of finance to accelerate the transition to a sustainable economy.

We work with the global finance and accounting community to:

- **Empower** and build finance leadership capabilities
- **Embed** sustainability into financial decision making
- **Engage**, connect and activate decision makers across the financial system

To achieve these goals, A4S runs peer networks (CFOs and finance teams; pension fund chairs and accounting bodies); capacity building programmes; and convening for action projects.

RELATED A4S MATERIAL

- [Sustainability Principles charter for the bulk annuity process](#)
- [A4S Sustainability Toolkit for pension chairs and trustees](#)

GET IN TOUCH OR FIND OUT MORE



[Accounting for Sustainability \(A4S\)](#)



[AccountingforSustainability](#)



info@a4s.org



www.accountingforsustainability.org

