



people's
pension

Climate Progress Report

Member summary - September 2025

Member Summary

Why is climate change important to you and your pension?

Our top priority is to protect and grow the value of your pension over the long term. This means carefully managing risks and seeking out opportunities that could impact its value. Climate change is a key example; it presents both potential risks and opportunities for us to take into account when investing your savings.

Climate scientists have for a long time agreed that there is a link between greenhouse gas emissions (GHG) and climate change. As more and more greenhouse gases fill the atmosphere, they trap extra energy closer to the Earth's surface, causing the planet to heat up. Now this doesn't mean that temperatures in the UK will be hotter every year; there will be ups and downs, but it does mean that the average global temperature will be much hotter than if human activity wasn't releasing those greenhouse gases.

We also need to be aware of the connection between nature and climate change. For example, forests, oceans, and land can help us to absorb carbon dioxide from the atmosphere if well cared for, but at the same time climate change and human actions can degrade these natural systems, starting a chain reaction that further degrades, causing further changes to the climate, and so on.

In 2015, 195 nations agreed to combat climate change and to work together to limit global warming and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Climate scientists have predicted that in order to do so, the global economy needs to be "net zero" by the year 2050. This conference was held in Paris, which is why it is known as the Paris Agreement.

Net zero emissions means reducing greenhouse gas emissions as much as possible and removing any remaining emissions that are still being released.

By achieving this, society as a whole will no longer be contributing to the total amount of greenhouse gases in the atmosphere.

Pre-industrial is the period between the years 1850 and 1900 that scientists use as a starting point to judge the impact that fossil fuel burning has had on Earth's climate.

Investing your pension means you are buying ownership in companies around the world, as well as lending money to companies and governments and charging them interest. If those companies are performing well and paying back the loans, the value of your pension can go up, but it can also go down if those companies start to fail.

To meet the goals of the Paris Agreement, it is thought that countries will introduce new taxes or fees on high-emitting companies or offer incentives to those transitioning to low-carbon operations. Companies will also need to plan for the costs associated with adjusting their business models to account for climate-related risks. This means companies need to start thinking ahead and plan for these changes.

We want companies to demonstrate that they have a strategy and are taking the risk of climate change seriously when investing your pension savings, because if they don't, we think it could have a negative impact on the company and decrease the value of the investment. However, on the other side of that, if they have a well-thought-out climate strategy, the business may perform very well, and that could increase the value of the investment.

Did you know?

In 2024, just over 50% of the UK's electricity came from renewable energy sources such as wind, solar, and biofuels.

If you include nuclear power with that, it means roughly 65% of electricity was from low carbon sources.

As your pension scheme, we want to work together with the companies and other financial institutions to help transition the global economy to net zero.

Following the Paris Agreement, a group of experts was brought together to develop a guide for what companies should be publicly reporting about the impact of climate change on their business. The Task Force on Climate-Related Financial Disclosures (TCFD) released their recommendations in 2017. Those recommendations were used as the basis for the UK regulations (and many other countries) that require companies and pension schemes to report their activities in the following areas:

- Governance – Who is responsible for managing the risk of climate change on your pension?
- Strategy – What types of climate risk are we looking at?
- Risk Management – How is climate change risk being managed?
- Metrics and Targets – What is the carbon footprint of your pension, and what are we targeting?

A short summary of each section is provided below.

Who is responsible for managing the risk associated with climate change on your pension?

The People's Pension has a Board of Directors ("[the Trustee](#)") who are responsible for running the scheme and for looking after all the pots of money held within The People's Pension. Some of those trustees also sit on the Investment Committee, which is responsible for overseeing the specifics of how your pension pot is invested. This committee is tasked with making sure investment risks, including climate risk, are managed appropriately.

The Chief Investment Officer for People's Partnership (the provider of The People's Pension) has been given responsibility for ensuring investment decisions are aligned with The People's Pension's [Climate Change Policy](#).

The Trustee is kept up to date with the latest training and discussions on climate change and spends time making sure their advisers and managers do the same.

To find out more about how The People's Pension is run, please see the Governance section of the [full report](#).

What types of climate risk are we looking at?

Based on the work by the Bank of England, we think that there are 3 main ways that climate change can impact the value of the companies your pension invests in:

Physical risk – more frequent extreme weather events causing disruption, eg, a flood stopping a factory from operating.

Transition risk – the costs to transition to net zero, eg, money needed to shift from gas to solar energy.

Liability risk – compensation paid for a company's part in worsening climate change, eg, an energy company being sued.

Over the short-term (3 years) and medium-term (15 years), we expect the biggest risk will come from the costs to transition to net zero. Over the long term (30 years), we expect physical risk to be the main driver of financial risk if the increase in global temperature is not controlled.

As well as risks, there could be benefits to the transition to net zero, and we would want to be invested in the companies that can access those opportunities.

The Trustee does not believe climate change is being adequately considered in global markets, so it is continually looking at ways that it can manage the investments to address climate risks.

Your savings are working towards a net zero target.

Over the year, we have been working hard to ensure we have what we need to help protect and grow your savings. We have:

- Updated our [Responsible Investment Policy](#) (RI policy)
- Appointed two new asset manager partners who are more closely aligned with the RI policy
- Onboarded new providers of data
- Developed a new investment strategy that considers climate change when buying and selling company loans.
- Launched an update to the Ethical Fund, which has strict climate rules, including excluding all fossil fuels.

When looking to the future, we analyse what risks your pension may be exposed to based on scenarios where the world:

- stays below 1.5°C,
- stays below 2°C, or
- reaches 3°C+ above pre-industrial levels.

A key takeaway from this analysis is that to limit the investment risk, global governments and companies need to act now and ramp up their efforts gradually, rather than waiting until it's too late and introducing separate, rushed strategies.

To find out more about our climate strategy, please see the Strategy section of the [full report](#).

How is climate change risk being managed?

We spend a lot of time and resources on managing the climate risks associated with your pension to ensure it receives the importance it requires when we are looking at all potential risks to a member's pension pot.

The People's Pension's [Climate Change Policy](#) outlines our efforts to attempt to manage the risks and access the investment opportunities of climate change. The primary tools for doing this are:

Portfolio construction – how we invest your savings.

Stewardship – how we work with companies and other stakeholders on climate issues.

Reporting – how we publicly report and engage on what we are doing.

Portfolio construction involves finding and using climate information to make changes to how we invest eg, investing more or less in a company depending on how they are planning for a transition to net zero.

Over the year, our asset manager, State Street Investment Management, had hundreds of meetings with companies and voted at thousands of company meetings. We have our own guidelines on how we want our asset managers to vote on certain topics at these meetings, and we monitor how closely their voting aligns with what we asked for. In some cases, we want them to vote against the board of companies when those companies are not reporting in line with the TCFD recommendations and other climate-specific expectations. In March 2025, we appointed two new asset managers, Amundi and Invesco, to help us invest your savings in closer alignment with our approach to responsible investment, which includes considering climate change within the investment strategy.

We regularly produce reports and publish policies to help our members and other stakeholders understand what we are doing to address how climate change risks are being managed.

To find out more about how we are managing climate risk, please see the Risk Management section of the [full report](#).

What is the carbon footprint of your pension, and what are we targeting?

The People's Pension has a target of achieving net zero greenhouse gas emissions by 2050, with additional short and medium-term targets aligned with that goal. To help us on this journey, we measure a range of climate-related metrics every year and publish them in this report.

Metric	Description
Total carbon emissions	The emissions that a fund is responsible for through its investments.
Carbon footprint	Emissions of a fund or portfolio for every £1m invested. This makes it possible to compare companies or pensions.
Science-based targets	Percentage of the fund invested in companies that have set targets that have been approved to be aligned with the goal of keeping warming below 1.5°C.
Data quality	Percentage of the fund where good climate data is available.

Even though using emissions data for investing has its challenges, regularly checking a fund's carbon footprint helps us see which investments produce more emissions, based on how much money is invested. Our aim is to lower this number over time, showing that the portfolio and companies we are investing in are responsible for fewer emissions per £1m invested.

The carbon footprint chart below shows the evolution of the carbon footprint of the Scheme's most popular funds. The default option is made up of the Global Investments (up to 85% shares) Fund (dark purple) and the Pre-Retirement Fund (dark green). The carbon footprint of some funds has seen a slight increase but overall has remained relatively consistent compared to last year and is still much lower than the years prior to that. The increase was mostly driven by increased investment in less developed, fast-growing countries that need more time to transition to net zero.

The Ethical Fund saw a notable drop in its carbon footprint thanks to its updated strategy, which excludes fossil fuels as well as a number of other companies linked to controversial business practices.

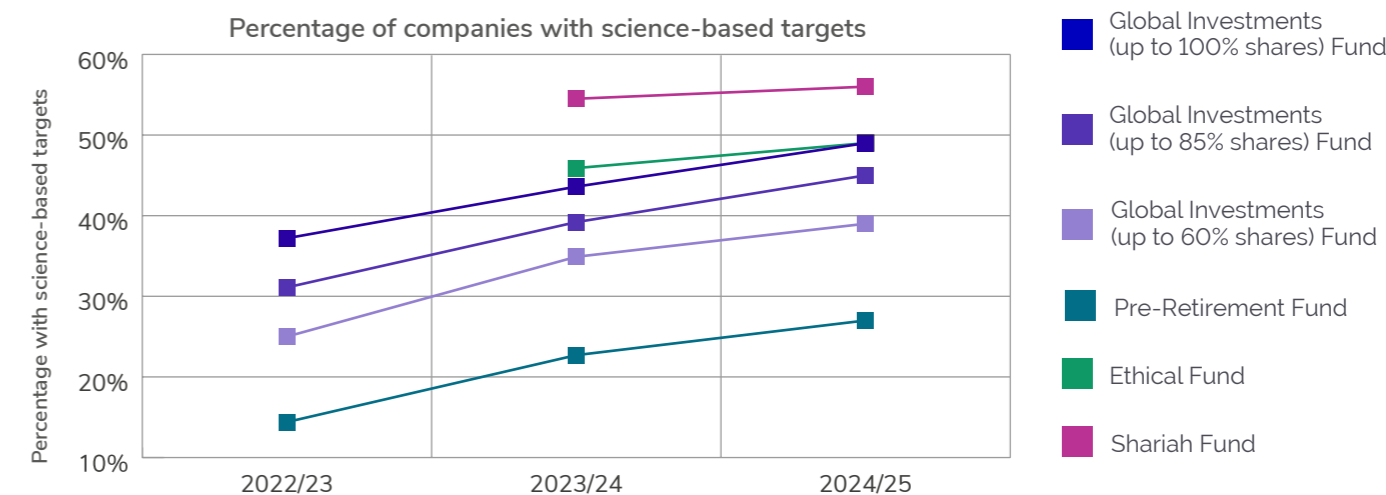
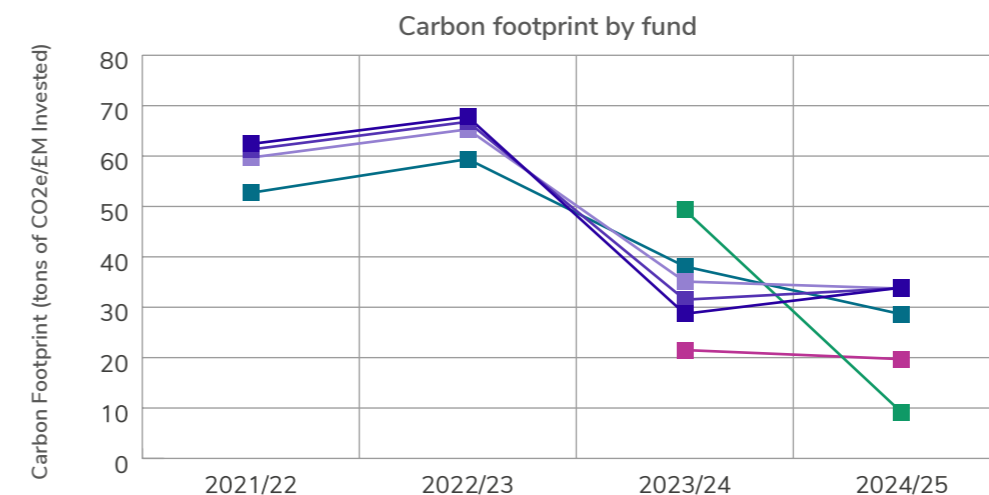
These carbon footprint numbers relate to the emissions from a company's day-to-day operations (Scope 1), and the emissions associated with its

energy use (Scope 2). Emissions associated with the company's supply chains (Scope 3) are less reliable, so they are generally reported separately.

The science-based targets chart below shows a continued rise in the percentage of invested companies that have set science-based targets approved by a good-practice industry standard. Companies setting these targets and following through with them is expected to be a major driver of real-world change on the pathway to a net zero economy.

The way we assess companies and set targets will evolve as the way in which we invest changes into the future, for example, buying ownership of private companies, infrastructure, or real estate.

To find out more about the specifics of our metrics and targets and to see information on the other metrics listed, please see the Metrics and Targets section of the [full report](#).



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The information in this document is correct as of September 2025 and may be subject to change.