

How your pensions can help tackle climate change

Not only do we believe that tackling climate change is right for the planet, green investments represent a huge opportunity for the UK's financial services sector. And getting this right is a key part of the Chancellor's vision to make the UK the global hub of choice for green finance.

As ministers representing different departments, we are working together to support the green agenda. Last October, the UK was the first country in the world to require trustees of occupational pension schemes to identify, manage, and report on the climate-related risks and opportunities within their portfolios.

By October this year, 81% of occupational pension scheme assets will be assessed and the disclosures will be published in the months that follow. And because we know that forests and land use are a significant source of carbon emissions, any action on climate change will need to take deforestation into account. These measures will deliver a new level of accountability, with pension savers able to see the impact of their investments and better understand how risks are being considered and mitigated.

During our COP26 Presidency, we are putting forests front and centre of our global response to climate change. Ending deforestation would make the single largest contribution to greenhouse gases reduction targets for 2030, taking 3.5 gigatons of carbon out of the system every single year. That's 10% of the emissions reductions we need during this decade.

At COP26, we were delighted that 141 countries representing 90% of the world's forests committed to ending forest loss and land degradation by 2030. The declaration was bolstered by unprecedented public, private, and philanthropic investment, amounting to around \$20 billion. The world's biggest buyers of forest-risk commodities and all the main multilateral development banks committed to align with our climate goals and the recovery of nature – which, in turn, will help to protect millions of livelihoods and natural habitats around the world.

We were pleased that several significant UK-based pension funds committed to transitioning their portfolios away from activities that are driving deforestation. And with the new requirements from October 2021 on climate-related financial disclosure, shareholders, members, and constituents can now see and understand the progress that is being made.

It is clear that the British people care passionately about making sure their savings are part of the solutions, and they deserve to know whether pension fund managers are using their hard-earned money in a way that jeopardises or prioritises the future for which they are saving. In the coming weeks we will be reaching out to UK pension funds, to help them further understand deforestation issues and how to manage this risk as effectively as possible.

The UK Presidency of COP26 continues until we hand the baton to Egypt towards the end of this year; our priority is to ensure we achieve the outcomes secured in Glasgow last November and keep leading by example.

Our pensions can play a crucial role in driving forward our pledge to protect precious natural habitats and reduce emissions in the years to come.