
ASSESSING PENSIONS' FULL SCOPE EMISSIONS METHODOLOGY

APRIL 2023



PREPARED BY:
ZEROBEES
www.zerobees.com/pensions

PENSIONS ASSESSMENT METHODOLOGY



GREENHOUSE GAS EMISSIONS METHODOLOGY: OVERVIEW

- We developed a methodology to assess the greenhouse gas impact of funds through a standardized CO₂ equivalents, with consideration of individual underlying asset emissions, interpolation for assets with unknown emissions and accounting for upstream/downstream Scope 3 emissions.
- Based on publicly available data.
- Focused on the pensions most commonly used by SMEs in the UK, and those that have a minimum amount of usable data about their underlying assets available publicly.
- To identify tCO₂e per £1million invested for each underlying asset.

GHG METHODOLOGY: MORE DETAIL

- Data on pension funds were derived from fact sheets. These typically give the top 10 holdings of the fund (whether equities, funds or other), and a breakdown on the sectoral exposure for the fund.
- For the top 10, actual Scope 1, 2 and 3 data was sourced from primary data – e.g. corporate TCFD or climate reports for the most recent disclosure year.
- Enterprise Value Including Cash (EVIC) is calculated for each corporate asset – including equity and debt. Minority stakes, preferred equity and other marginal items are ignored for our purposes. Total CO₂e is divided by EVIC to get a CO₂e quantity per 1 million GBP (or other underlying currency before conversion).
- Bonds separately accountable outside of sector breakdowns have been approximated as approximated to UK sovereign gilts for UK debt where there is an indication sovereign debt is domestic, otherwise sovereign debt emissions are approximated as those of US Treasury bills for international or unassigned debt.
- For sectoral breakdowns, the top 15-25 assets (with good Scope 1, 2 and 3 coverage) within each GICS sector have been used to create a “sector average” using the corporate methodologies above. %age of named assets are excluded from the sectoral numbers to avoid duplication.

LIMITATIONS

There are multiple limitations in the methodology, driven by (a) transparency of assets under management (b) reporting from underlying assets on their own carbon footprints, especially in terms of Scope 3 – in terms of coverage and consistency, (c) reporting periods of carbon data vs pension fund data, (d) lack of consistency of reporting across asset types, (e) variability between pensions funds in terms of sector breakdowns, fact sheet data coverage, (f) no inclusion of any “diversification” discount across Scope 3 where there will be some double counting across a pension fund portfolio.

Of course there’s always room for improvement – but we believe that this step forward in transparency and accountability. The ensuing engagement with individuals, businesses and fund providers will help to improve our collective understanding of the climate risks associated to our most powerful of choices: that of our pension.

Contact us

toby@zerobees.com

How we can help you

ZeroBees uses data and technology to democratise carbon footprinting so that all organisations - large and small - can work to minimise their climate impact and achieve Net Zero.

Start your journey to Net Zero with ZeroBees.

Full Scope 1, 2 & 3 emissions reporting for every SME