

UK pension funds scale climate investments despite political headwinds

18 June 2025, LONDON: New research by Pensions for Purpose, commissioned by SAIL Investments, reveals that UK pension schemes are making meaningful progress on action on climate and nature across entire portfolios – with 40% now having dedicated climate allocations, despite growing politicisation of net zero policy. Further, 60% of asset owners now view climate risk as a core part of their fiduciary responsibilities, the report says.

The study, “*Climate innovation – investing in the net-zero economy*,” is based on interviews with 20 UK pension schemes, consultants and advisers managing over £400bn in assets. While 40% of UK pension scheme respondents in the survey now have dedicated climate allocations, the research finds many others are taking a whole-portfolio approach to environmental risks and opportunities across asset classes.

Interest in climate solutions in emerging economies is also growing. 87% of asset owners now invest in, or plan to expand into, emerging economies for climate solutions. This marks a clear shift from previous Pensions for Purpose research, where there was significant caution around the perceived risks of investing in emerging markets (EMs).

At the same time, many asset owners are beginning to integrate biodiversity considerations into their climate strategies, a clear sign that they are recognising the interconnection between climate and nature. However, progress remains uneven, with gaps in data and investable scale continuing to limit broader adoption.

Energy transition infrastructure was identified as a top investment priority for the years ahead. Respondents highlighted a mismatch between the capital required and current commitments, particularly in private equity and infrastructure. Sectors such as transport, utilities and industrials, especially those advancing solutions like green steel, biofuels and battery storage, continue to face underinvestment despite growing demand.

Meanwhile, political instability and growing politicisation of net-zero policy are seen as key risks. Policy stability is a key consideration for investors, whose strategies rely on predictable and stable policy frameworks.

Bruna Bauer, Research Manager at Pensions for Purpose said: “Asset owners are embedding climate and nature across entire portfolios – public and private, developed and emerging markets. What’s equally striking and encouraging is how quickly this

change is accelerating. From stewardship in listed equities to nature-based infrastructure in emerging economies, the focus is no longer on box-ticking, it's on systematic delivery of measurable results, reflecting widespread recognition that climate risk is an important part of a pension scheme's fiduciary duty."

Michael Schlup, Chief Sustainability Officer of SAIL Investments said: "This research opens up an essential conversation about how capital can be most effectively allocated - at global scale. To date, most climate investments have focused on mitigation. But reaching net zero will require going beyond mitigation. Much of that will need to come through nature-based solutions...where the interconnection between climate and nature can be addressed through hitherto scarcely addressed highly scalable investment opportunities."

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NOTES FOR EDITORS

Report's findings

- **Emerging markets attract major capital shift:** 87% of schemes now invest in or are expanding allocations to EMs for climate-related opportunities, driven by renewable infrastructure, nature-based solutions and sustainable supply chains.
- **Nature-based strategies gain traction but credibility gaps remain:** investors are actively seeking nature-based strategies that combine climate impact with commercial value - such as forest restoration or sustainable timber - but cite credibility, scalability and measurability as barriers to wider uptake.
- **Investors rethink climate allocations in favour of broader integration:** while 60% of respondents do not have formal climate allocation targets, the same proportion view climate risk as a material long-term threat. A common approach has been to embed climate, nature and social considerations across portfolios - aiming for whole-of-fund integration, rather than isolating these factors in standalone climate buckets.
- **Climate risk now seen as core fiduciary duty:** a majority see climate risk as a material fiduciary issue, but progress is slowed by political volatility and the growing politicisation of net-zero policy, particularly in the US and parts of Europe.

- **Engagement, not divestment, now the dominant strategy:** public equities are seen by most asset owners as a high potential vehicle for influencing decarbonisation, with engagement and stewardship emerging as preferred strategies over divestment.
- **Opportunities and threats:** infrastructure that supports the energy transition is seen as a key investment opportunity, while political instability and ESG politicisation are viewed as major risks.
- **Capital shortfall:** investors report a funding gap in sectors like transport, utilities and industrials, particularly in climate-critical technologies such as green steel, biofuels and battery storage.
- **Climate as fiduciary duty:** 60% of asset owners now view climate risk as a core part of their fiduciary responsibilities.

About Pensions for Purpose

Pensions for Purpose exists as a bridge between asset managers, pension funds and their professional advisers, to encourage the flow of capital towards impact investment. Our aim is to empower pension funds to seek positive impact opportunities and mitigate negative impact risks. We guide pension funds and other institutional investors on their journey through the spectrum of capital towards embracing impact investing as a philosophy. We have been growing our Community of over 465 organisational members and 1,550 individuals since 2017 bringing together stakeholders to promote understanding of ESG, sustainable and impact investment.

About SAIL Investments

SAIL Investments is a sustainable global private credit manager headquartered in the Netherlands. It provides non-sponsored, bespoke direct lending to large mid-market corporates operating in core global industries such as food & agri, land use, and other real-economy sectors where climate, nature and ecosystem services intersect. SAIL focuses on delivering highly scalable, 'beyond climate mitigation' and nature conservation-driven investment strategies designed to meet institutional asset owners' portfolio fit and physical risk mitigation requirements.

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