

87% of DC members don't understand the importance of net-zero

One in four have never even heard of net-zero, while three in ten can't explain or understand the connection with their pension pots

However, members were overwhelmingly in favour of their pensions moving towards net zero when the term was explained

Baby Boomers twice as likely as Millennials to keep pensions as diversified as possible, even if meaning investing in fossil fuels

70% of members prefer to stay invested and use their power to effect change; 64% have become more concerned about the planet following the Covid-19 crisis

Almost nine in 10 DC members don't understand the importance of having their pension scheme aligned to a net-zero goal, according to new research from Legal & General Investment Management (LGIM).

The survey uncovered that one in four (25%) have never heard of the term and a further three in ten (31%) have heard of it but could not say what it means. However, despite the lack of awareness of the term net zero, when members were explained the meaning an overwhelming majority were in favour of their pension moving in this direction. In fact, 70% of DC members prefer remaining invested and use their collective power to engage with companies to align their businesses with global climate change efforts, or prepare them to thrive in a the low-carbon economy.

Two-thirds (64%) of all members have become more concerned about the impact of human actions on the planet following the Covid-19 crisis. Rather than deprioritising environmental issues in favour of immediate concerns, the pandemic thrust them into sharper focus as members explicitly linked them with their current situation.

Millennials are the strongest supporters of engagement, with 79% of them supporting providers' stewardship activities. Their attitude also helps to explain their change of hearts toward outright divestment. While still the most radical cohort of the three generations on this issue, half of millennial members would consider divesting if it had no performance impact, while only two in five of them would divest no matter what.

Stuart Murphy, Co-head of Defined Contribution at LGIM, comments:

"We have always considered ESG to be a financially material consideration and this research shows that our members agree, with the majority in favour of their pensions moving to net zero. It is understandable that members are not fully up-to-date with the latest trends and terminology, and it is important that we work to further educate, support and empower our member base on the role and impact of their pension savings on society.

"Pleasingly, a huge 70% of DC members would prefer to remain invested and use their power to engage with companies. We are supporting this view through our Climate Impact Pledge engagement programme, which is incorporated directly across LGIM's DC default funds, representing over 4 million members. This

also aligns with LGIM's pilot project with Tumelo, a fintech platform that allows members to indicate how they would vote on the key issues associated with the companies they hold in their funds. A greater engagement on these matters can instigate a virtuous circle, whereby members' increased contributions provide more firepower to our stewardship efforts to create better outcomes for society as a whole."

Baby Boomers are twice as likely as Millennials to want to keep pensions as diversified as possible, even if that meant investing in fossil fuels, but the proportion has dropped from 30% to 25% over the past 18 months. The research also shows that more than a fifth of 'Boomers' (22%) are now happy to divest into a greener pension regardless of performance. This follows increased coverage of climate in the mainstream media and real concern about the impact of climate change on their children and grandchildren.

Millennial men are the most likely to want a net-zero pension irrespective of the impacts on financial performance. The proportion who feel this way (40%) is double that of the group showing the least interest, female Baby Boomers (20%).

Rita Butler-Jones, Co-head of Defined Contribution at LGIM, comments:

"The pensions industry is undergoing a rapid change to adapt its products into active instruments against the looming climate crisis. These results send out an early warning message to pension providers and trustees. As Baby Boomers move steadily into their retirement years, the balance of power will shift as Gen X starts to hold the largest share of pension assets. Younger views will be an important factor in shaping the direction of travel over the next 10 years. This new cohort can no longer be assumed to be simply chasing maximum financial returns regardless of the impact on the planet."

- ENDS -

Notes to editors

The survey was conducted in April 2021, and it is based on a population of 3,056 adults currently contributing to a workplace pension.

About Legal & General Investment Management

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.3 trillion (€1.4 trillion, CHF 1.5 trillion, JPY 181 trillion, \$1.7 trillion)^[1]. We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors. Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

¹LGIM internal data as at 31 December 2020. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions.