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FACTSHEET

Divest or engage?

ESG matters are increasingly important in both retirement and investment planning

Environmental, social and corporate governance issues are increasingly in the news, with some high-profile companies facing public scrutiny, corporate action or litigation. In a world where doing good means a better, more sustainable future, environmental, social and governance (ESG) factors have become an essential measure for sustainability and ethics of a business.

Pension schemes are an important part of the investment chain, and according to new research nearly three quarters of women aged 40 and over would divest their pension from companies with poor corporate governance pay practices, led by 74% of female 'Baby Boomers' (aged 55–65). The majority of men of the same age group agree, but younger women are split 50:50[1].

POOR PAY AND GOVERNANCE PRACTICES

An overwhelming majority of older women would divest their pension from investments in companies with poor pay and governance practices. Women aged 40 and over are much more likely than men of the same age group to agree with such steps, with a slimmer 59% majority of men of the same age willing to do the same.

Within the older female age group, 74% of female Baby Boomers and 73% of women belonging to 'Generation X' (aged 40–54) would invest less, or not at all, if they knew their pension was invested in companies that have attracted criticism for their governance and pay practices.

However, younger women are split on the issue. Only half of Millennial women would follow the same policy of cutting out these companies from their pensions.

MORE FOCUSED ON CLIMATE ISSUES

The findings highlight a strong contrast between the relative importance of social and governance issues to older generations, and the views of younger people, who are more focused on climate issues.

Many Millennials (aged 25–39) want to divest their pensions from the fossil fuels industry. Millennials are more likely than any other generation to want to reduce their exposure to the fossil fuel industry, despite any potential consequences. Even if there was a resulting performance impact, 45% of Millennials would opt to divest their pension from fossil fuels.

This compares to 30% of Generation X, while Baby Boomers (at just 23%) were half as likely as Millennials to divest from fossil fuels regardless of the investment outcome.

NEGATIVE IMPACT ON PENSIONS

Including a further 41% of Millennials who would only divest from fossil fuels if it didn't impact investment returns, a combined 86% of Millennials would choose to divest their workplace pension from fossil fuels if it would have no negative impact on their pension.

Across all age groups, nearly half of all adults (49%) would prefer a policy of engagement to encourage change before divesting. It is also notable that only half of respondents were already aware of the types of investments within their workplace pensions, implying many more may not be aware of possible inconsistencies between these investments and their own beliefs. ■

Source data:

[1] Fieldwork conducted by Watermelon Research for Legal & General Investment Management: 22–29 October 2019 consisting of 1,000 interviews (online) with UK adults between the ages of 25 and 65, who have a workplace pension and work in the private sector.

LOOKING TO HELP PEOPLE AND THE PLANET BY CHOOSING A RETIREMENT FUND WITH A CONSCIENCE?

The need for responsible investment has never been more relevant. Environmental, social and governance matters are increasingly important in both retirement and investment planning. Whether you're saving for the future or enjoying your retirement, we can provide you with professional financial advice, allowing you to live life the way you want to. Speak to us to discover more.