

# Finding the greenest generation

Our research into the ESG views of Boomer, Gen X and Millennial savers





## Welcome to our report

If someone had told me, late in 2018, that over the next two years we would see forest fires devastate Australian wildlife; witness sightings in the US of a ‘murder hornet’ with the potential to disrupt food supplies; and, tragically, experience the spread of a global pandemic, which would infect two million and counting, I would never have believed them.

While not one of these issues arises from a single cause, all result from our movement to a globally interconnected world. Alongside many benefits, we are sharply confronted with the environmental, social and governance (ESG) impacts that global capitalism – and its corollaries: trade and travel – has on the earth we inhabit.

Few disagree that it is time to do things differently.

But with so much to achieve in a record time, how should we decide what’s important now?

With at least 16.6 million people\* now investing in a defined contribution (DC) pension, this pool of savers has never been more reflective of the UK’s working population. And, as future generations enjoy less support in retirement than many Baby Boomers have from their defined benefit pensions, this group is only going to become more representative of the nation as time goes on.

So we asked DC savers across three generations (Baby Boomers, Generation X, and Millennials) what they thought of key ESG issues in relation to their pension, in a bid to understand if generation and also gender identity influenced their interests.

The report in your hand, or on your screen, tackles these sometimes thorny themes. To me, it underlines the need to listen to individuals and relate their own life experiences to the stories we tell about our engagements with companies on ESG initiatives.

Something that comes out is that it’s really important to look beyond labels. People who were nonplussed by the term ‘ESG’, came alive when we discussed the underlying themes in terms they connected with: ‘climate change’, ‘human exploitation’, and ‘fair pay’. These are everyday realities, and they move ‘ESG’ in pensions from what can appear like an academic exercise to chime with the issues your scheme members are reading and talking about.

So, when it comes to ESG, do generational and gender divides matter? Understanding them may help us make sense of an increasingly complex world, where we are forced to make era-defining choices in just a few years.

But don’t take my word for it! Read on to find out...



**Emma Douglas**  
Head of DC

\*Source: The Pensions Regulator, 2019-2020 data, total DC members (includes hybrids). <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/dc-trust-scheme-return-data-2019-2020>





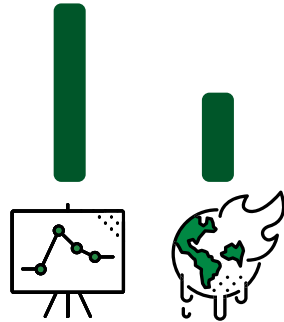
**The “OK Boomer!”  
retort from the  
Instagram generation  
has been levelled at out-  
of-touch parents on  
everything from Trump  
to tidying their room.  
But does it apply to  
responsible investing?**

Our LGIM research looked at generational attitudes to this important issue.



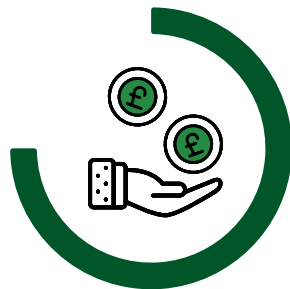
# Survey highlights

**Baby Boomers** are more than twice as likely as **Millennials**...



...to prioritise **investment performance over climate-change** considerations.

Nearly 75% of **female Boomers** and **Generation Xers**...



...would **divest** over poor pay and governance.

Almost **half of people** preferred to...



...**engage with ESG offenders before divesting**, more than any other option.





**At first glance,  
the results  
appeared to play  
into generational  
stereotypes**

From Extinction Rebellion to data privacy, it is impossible for the public to avoid headlines about environmental, social and governance (ESG) issues.

High-profile campaigners of all ages are raising the alarm about the climate emergency and other societal issues. Initiatives range from Greta Thunberg's iconoclastic "how dare you?" address to UN delegates to the Bill & Melinda Gates Foundation. But are different generations concerned about the same subjects? And do they connect ESG themes with the way their pension is invested?

Legal & General Investment Management (LGIM) asked just under 1000 respondents across three generations – Millennials, Generation X and Baby Boomers – about their views on ESG integration<sup>1</sup>. All participants had a workplace pension and worked in the private sector, and the aim was to understand if considering these topics could boost participants' engagement with their pensions.

At first glance, the results appeared to play into generational stereotypes, with Boomers focusing more on the financial performance of their pensions. However, once we looked at why specific issues resonated with each generation and how they thought about integrating these ESG preferences in portfolios, the picture became more complex. This report reveals why different generations have different priorities when it comes to responsible investing.

1. Quantitative research was conducted with the help of Watermelon Research on 29 October 2019. Qualitative research was undertaken on 27 September 2019 with the help of Strictly Financial Ltd.

## Section 1

# Influence versus experience:

ESG themes by generation



## Key findings:

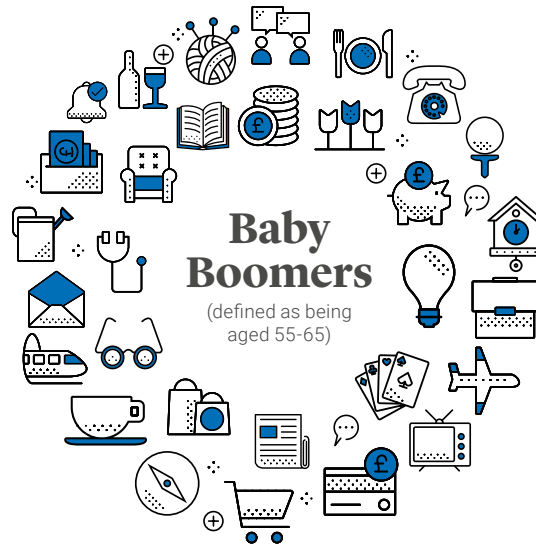
Over twice as many Baby Boomers as Millennials would prioritise investment performance over climate considerations.

But older generations were not averse to ESG considerations, favouring issues where they may have real-life experience or see a financial impact.

Millennials were the most likely to want their investments to reflect climate change concerns.

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Our research found a generational split over which ESG themes were priorities amongst the 277 Millennials, 411 Generation Xers and 300 Baby Boomers we surveyed.



When asked about how they would like to allocate their money, Baby Boomers were more likely than any other generation to want to keep their investments diversified – even if that meant staying invested in fossil fuels. 30% of this cohort – over double the percentage of Millennials – prioritised performance over climate considerations.

This was attributed to a variety of reasons. Some voiced concerns that reducing carbon emissions could be more expensive, especially in the short term:

*“Anything to do with the environment – organic or whatever – costs more, doesn’t it?” (Female, older)*

LGIM and other providers define responsible or ESG investing as issues which are concerned with financial materiality. However, some Boomer respondents saw ESG investing and ‘ethical’ or values-based investing as the same thing. This implied a separation with financial returns, which needed to be balanced against other considerations: .

*“It’s a balance, isn’t it? You want things to be ethical but you still need an income to retire on.” (Female, older)*

Although some questioned the link between impact and investment returns, many Boomers did support ESG integration when it could be proved that neglecting it would have a deleterious financial impact. They understood that failure in this area could lead to fines, underinvestment and a lack of consumer appeal, particularly in the area of governance:

*“I see governance as having its arms around the other two. It has to be in place for the rest to build on.” (Male, older)*

And while Boomers were less convinced than Millennials overall that companies taking steps to address social issues will actually perform better financially, they saw value in addressing various social

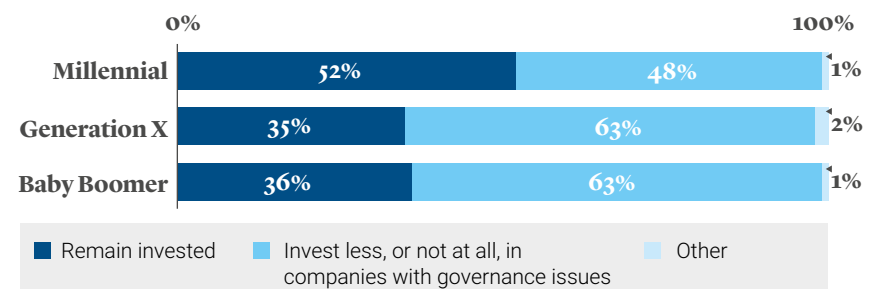
and governance issues, perhaps due to their lived experience.

For example, Generation X and Boomers were less likely than Millennials to want to remain invested in companies which have been criticised for their governance and pay practices:

*“It doesn’t affect me personally, but it’s good if people are investing in companies who are looking after their staff. It makes you feel better having this pension.” (Male, older)*

It was notable that those who care about pay tended to have been in the workforce longer and so have seen the tangible effects of the global financial crisis and other crashes on employment and stability.

**Chart one: “If you knew your pension was invested in companies that have attracted criticism for their governance and pay practices, what would you prefer to do?”**



Source: LGIM data, as at 29 October 2019. Figures may not total due to rounding.







**Around 60% of Gen X said that they would prefer to invest less, or not at all, in companies with a perceived negative social impact**





**“For me, environment is more important. It’s what we’re handing on to our children, grandchildren and future generations.”**

*Female Millennial*







The ‘Greta Thunberg effect’, of climate ‘influencers’ trending on social media and other platforms, may well have affected Millennials.

Environmental issues were a key concern for this group, with media and social pressures driving attitudes. More than any other group, nearly half (45%) of Millennials would prefer to significantly reduce their pension’s exposure to fossil fuel sectors irrespective of the performance impact.

Respondents cited their likelihood of being around to see the long-term effects of such a drastic change as central to its importance. Many identified complementary areas outside investing where they were

already trying to “do their bit” such as recycling or buying sustainable brands. There was also more idealistic language in some statements from this cohort, in terms of making the world a more habitable place for the future:

*“For me, environment is more important. It’s what we’re handing on to our children, grandchildren and future generations.” (Female, younger)*

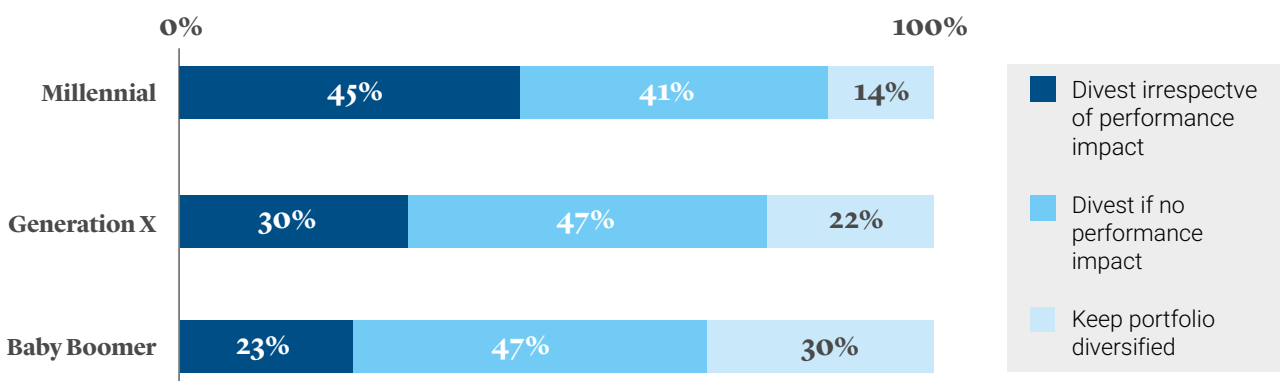
The question of generational inequality within companies also came up, with some Millennial respondents citing the need for fairness in senior employees’ pay packets. When asked about investing to improve companies’ ESG policies, one respondent said:

“It depends on what they need to improve on and how likely it is that they can improve. If the directors are paid loads and won’t change, no. If they need a bit more investment to improve their ESG, then yes.” (Female, younger)

*Another put it simply as: “I don’t want my money to make rich people even richer.” (Female, younger)*

Millennials were also the most likely to believe that a measurable ESG impact could make a difference. They were most likely to engage with their pension as a result of seeing that it was having a positive impact, with eight in 10 saying that it would increase their engagement.

**Chart two: “Would you want your pension to significantly reduce its exposure to the fossil fuel industry?”**



Source: LGIM data, as at 29 October 2019. Figures may not total due to rounding.



## Section 1

# Conclusion

### The Age of Influence: Speaking each generation's language on ESG themes

Our research identified savers of all ages who were positively surprised and empowered that their investments could make a difference to the world around them. Participants wanted easily digestible information on ESG themes at the start of their savings journey, as many had not been aware their money was invested in public companies at all.

However, when providers and schemes are talking to different generations, they need to be aware of their different ESG priorities, shaped by respondents' different histories.

The disparity in responses between the cohorts is unlikely to be caused by generational attitudes alone. Some responses may reflect where generational impacts (demographic trends, work history, regulation, political and policy changes) have met people's changing experiences and lifestyles as they age.

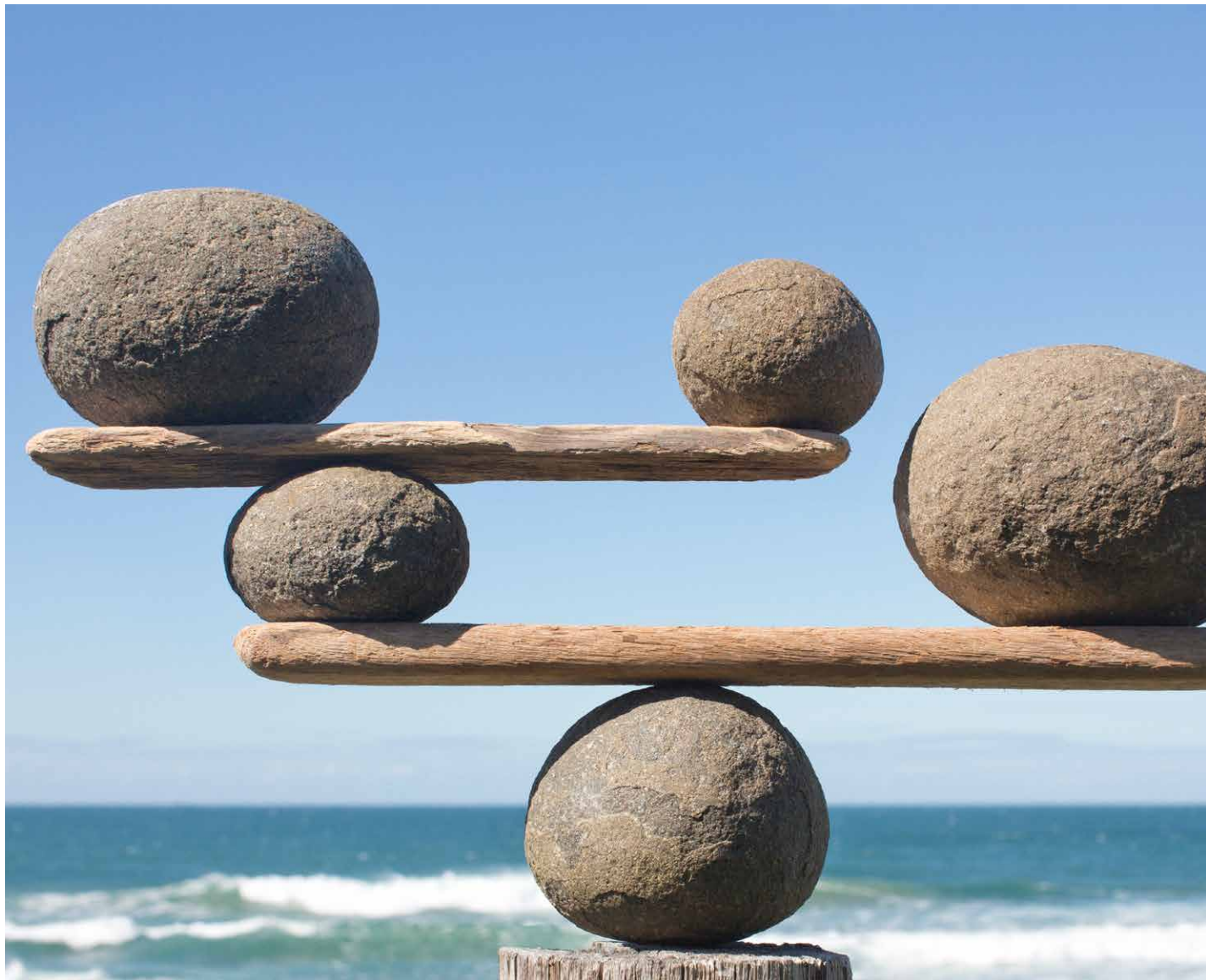
The need for a stable pension naturally looms larger for certain groups. In order to engage Baby Boomers and Generation X as they near retirement, there may need to be further communication about the financial case for responsible investing.

These cohorts need reassurance that their pension's primary purpose is still to save for the future. This includes clear explanations as to which ESG considerations have a monetary impact, where considering risks can protect returns, and the opportunities that can be identified through an ESG lens. Reflecting the experience of older generations, it is important to show action on governance and social factors as well.

Millennials are aware that the consequences of the climate catastrophe will affect them and their children. Therefore, a commitment to tackling the climate emergency, combined with demonstrating the measurable positive impact of investment strategies, may help to capture this generation's attention. They stated that they want to see a clear link between their financial contributions and ESG impact in their pension reports, through 'ESG scores' for their different options, for example.

So, rather than just describing ESG issues or the virtues of responsible investing, it is important to engage members by showing a deeper understanding of ESG concerns through meaningful action.

Savers' views are unlikely to stay consistent throughout the course of their lives. Moreover, we found that there is already a disparity within the views of the cohorts themselves along gender lines. These findings are covered in Section Two, 'Attitudes to ESG themes by gender'.



**Millennials stated that they want to see a clear link between their financial contributions and ESG impact in their pension reports, through 'ESG scores'**



## Section 2

# Mother nature

## Attitudes to ESG themes by gender

### Key findings:

Nearly 75% of female Boomers and 'Xers' would divest over poor pay and governance.

When split along gender lines, different age cohorts cared about diverse ESG issues.

On environmental topics, nearly twice as many men as women put performance first, but social impact themes resonated more with men than women.

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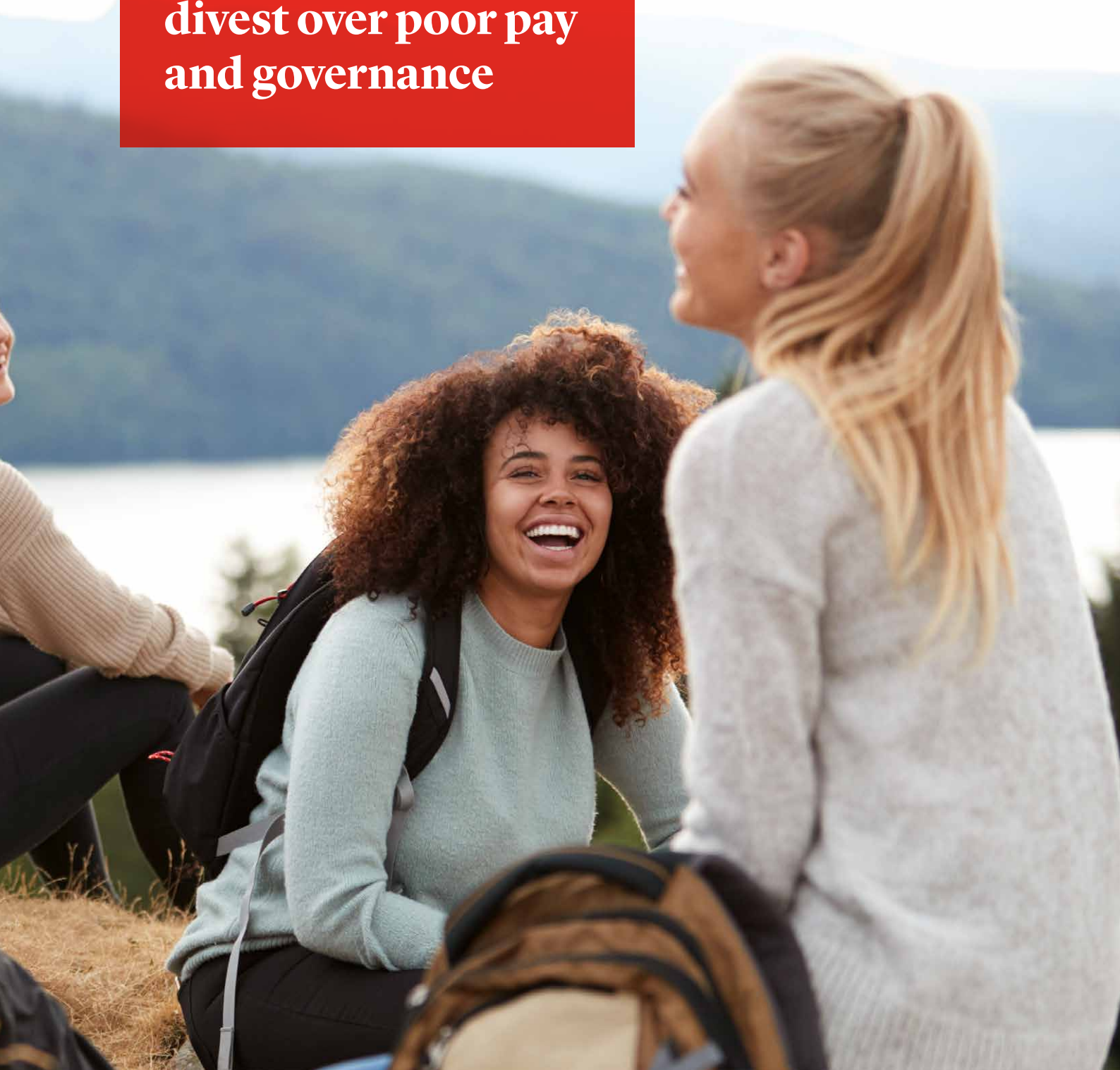
As well as views changing from one generation to the next, we found that different attitudes exist within cohorts – not least between men and women.

There were 641 participants who identified as men included in the survey, and 345 who identified as women. Two identified as gender non-binary.

Split along gender lines, specific issues resonated more strongly with one gender than the other. For example, 61% of men and 49% of women would invest less, or not at all, in companies with a perceived negative social impact. However, when it came to climate change underperformers, over 37% of women would prefer to divest regardless of financial performance, compared to just under 30% of men.



**73% of female 'Xers'  
and 74% of female  
Boomers would  
divest over poor pay  
and governance**







**40% of women said that they would prefer to avoid the fossil fuel sector altogether, compared to just a third of men**

## Environmental

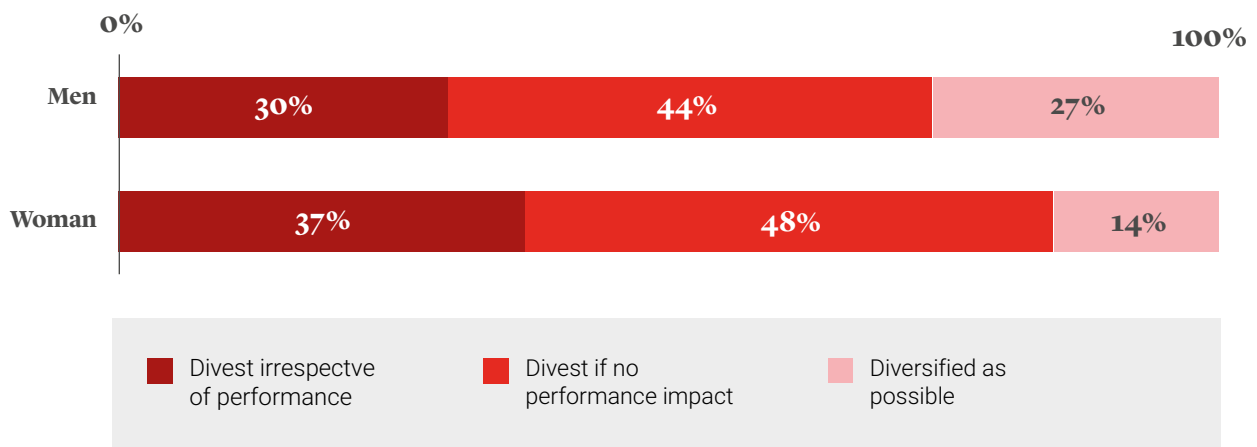
Environmental concerns struck a chord with women, especially Millennials, even when balanced against financial performance.

Respondents were given the choice between divesting from the fossil fuel sector irrespective of performance, divesting if there was no performance detriment, and staying as diversified as possible in order to maximise performance. Nearly twice as many men (27%) as women (14%) wanted their investments to stay as

diversified as possible. Younger women were the least likely to prioritise diversification, followed by female Xers and Millennial men.

Female respondents' convictions were reinforced after having reviewed several company case studies on Persimmon, Shell and G4S. 40% of women subsequently said that they would prefer to avoid the fossil fuel sector altogether, compared to just a third of men.

**Chart three: Would you want your pension to significantly reduce its exposure to the fossil fuel industry?**



Source: LGIM data, as at 29 October 2019. Figures may not total due to rounding.

## Governance

When we looked at governance factors, we found nearly a 10% gender gap between attitudes to engagement versus exclusions, with more women preferring to exclude. 64% of women would prefer to divest from companies that have attracted criticism for their governance and pay practices. For men, this figure was 56% overall.

The preference for exclusion was particularly pronounced amongst those who may have experienced significant gender pay gaps during their working lives. 74% of female Boomers and 73% of Generation X would divest over poor pay practices, compared with about 59% of men from the older two generations, and about half of all Millennial women.

*"This session has highlighted stuff I haven't bothered about in the past, but these things are important."  
(Female, older)*

Millennial men were the least likely to divest, instead relying on those managing their pension to use their

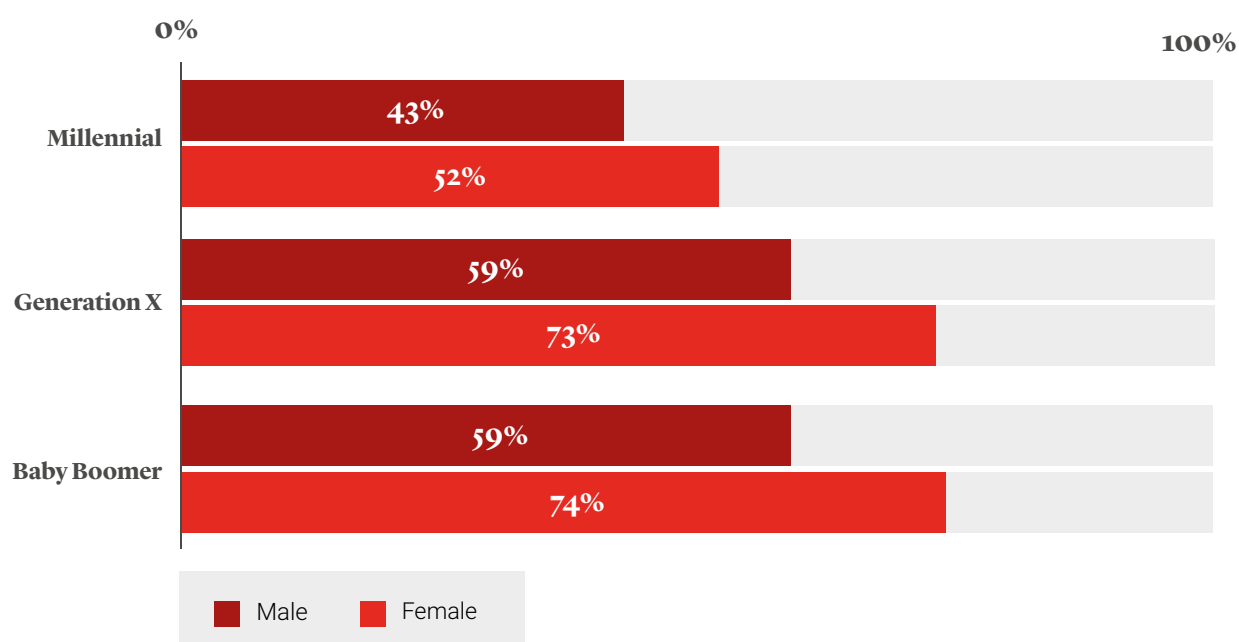
shareholder power to promote better standards (for example, by voting against pay packages at annual general meetings). The reasons they cited for this included a sense that their primary use for their pension was their own income, and seeing less relevance between governance issues and their investments.

*"You've worked all your life for that pot. All that matters to you is that the money is there to provide for you and your family, not how Dave at Aldi is getting treated ."  
(Male, younger)*

This presented an interesting contrast to the financial link which some older men identified with strong governance practices:

*"You're put in a win/win situation, because by doing that you're making the company a better company because it treats its employees better, etc. As a result of that you make money, so everyone wins."  
(Male, older)*

**Chart four:** Those who 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



Source: LGIM data, as at 29 October 2019.



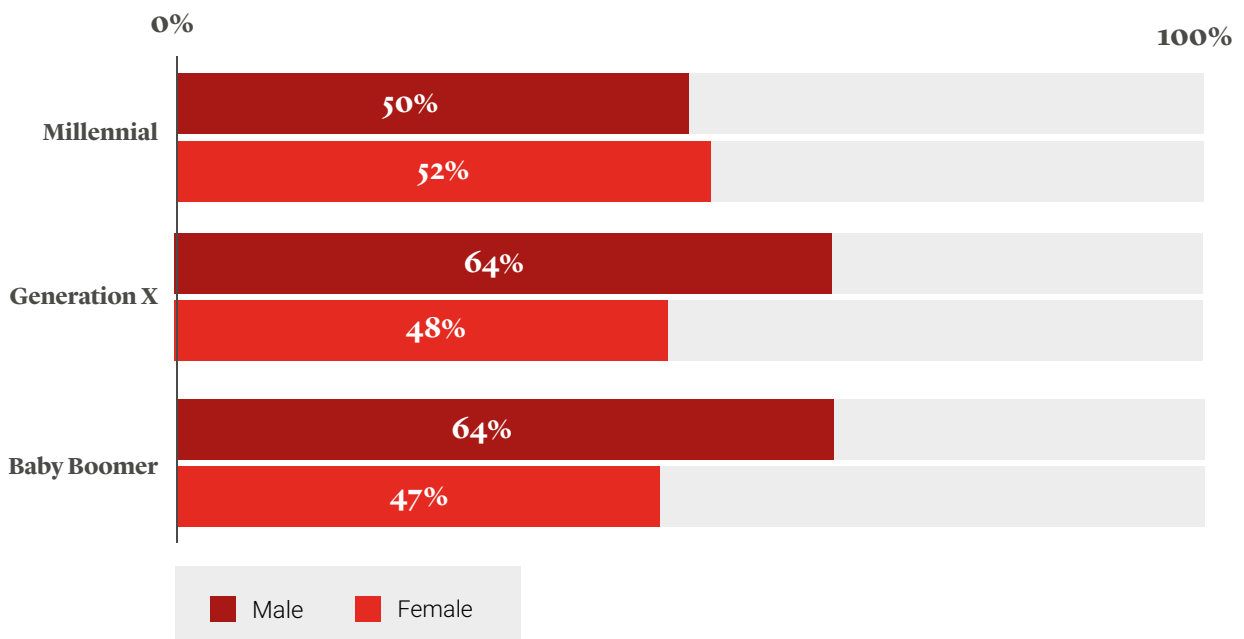
## Social

Social concerns, especially human exploitation and community issues, stood out as particularly important for older men. When it came to excluding poor performers, around 64% of male Boomers and Generation X chose to invest less, or not at all, in companies with a perceived negative social impact, compared to 50% of Millennial men.

Just 34% of men from the older two cohorts said they would remain invested in as many companies as possible (as overseeing a company's social impact is the duty of governments, not investors), compared to around 40% of the equivalent women.

As with governance issues, on social criteria Millennial men were the most likely to answer that they would prefer their investments to remain diversified. Nearly half (49%) chose this response, compared to 40% of female Millennials.

**Chart five:** Those who would invest less, or not at all, if they knew their pension was invested in companies that have a perceived negative social impact



Source: LGIM data, as at 29 October 2019.



**Social concerns, especially human exploitation and community issues, stood out as particularly important for older men**



## Section 2

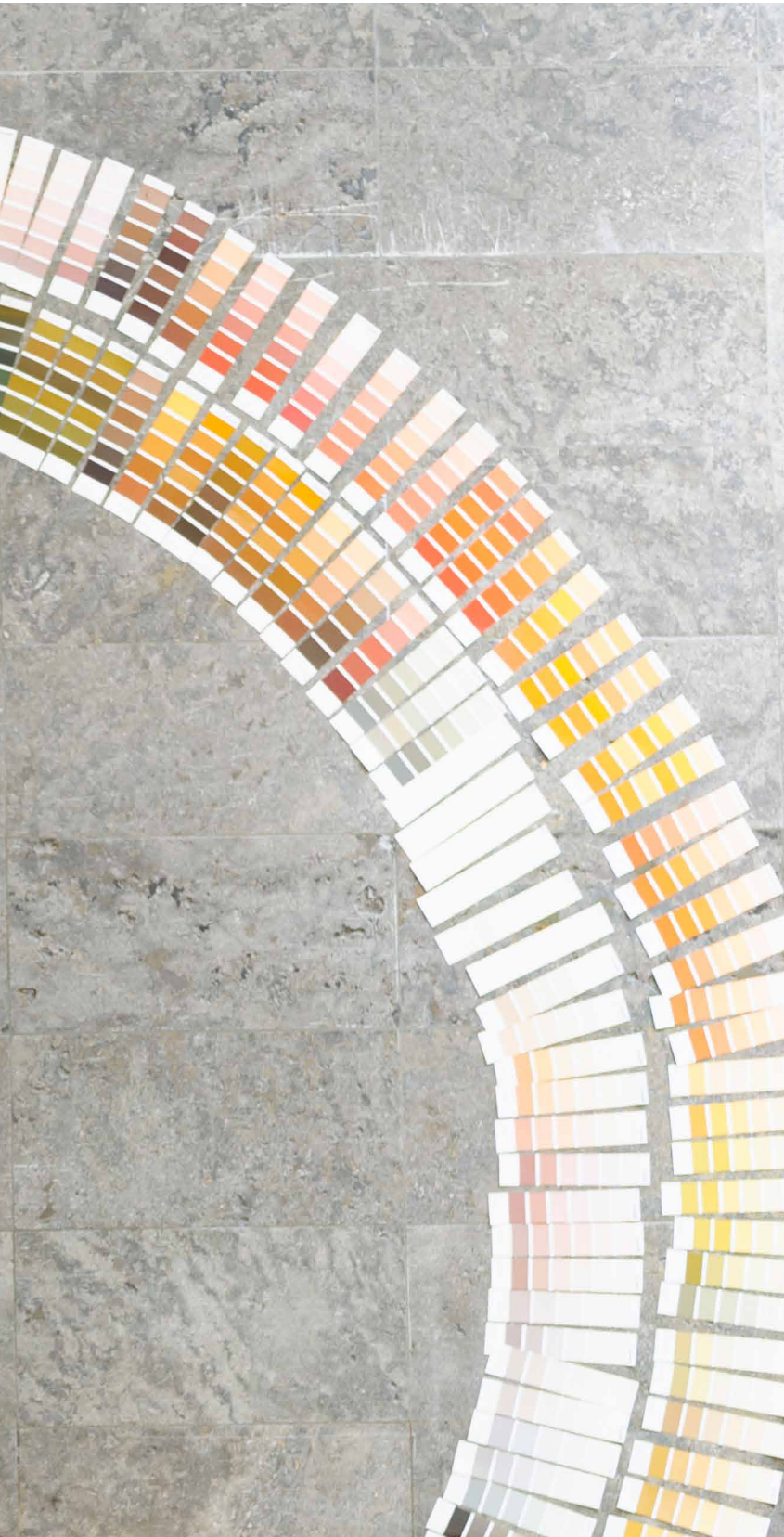
# Conclusion

### The necessity of choice: providing better options

Where gender intersects age, people's lived experience may be particularly relevant to how they prioritise ESG concerns. Younger men will have been working for less time, and are subject to the stresses of working life today, alongside the financial burden of supporting a family while paying tax and living costs. Meanwhile, women who have had a longer work history or have left work may have been directly affected by social and governance factors, such as lower pay or contribution gaps from raising children.







Such considerations should shape how to reflect members' ESG preferences in their pension. Is there a responsible investment offering in the default fund? Does it incorporate the themes that the age cohorts and genders who invest in your scheme care about and relate to?

Although we can see links between groups, as they are subdivided further and further by generation and gender, schemes and providers should keep in mind that savers are individuals with unique preferences. The insights gleaned from this kind of research can inform the broader financial support that schemes can offer their members. Targeted support is more important than ever.

Schemes may wish to explore ways of 'nudging' future generations to build these considerations into their contribution levels and savings choices throughout their journey. In this way, they can anticipate bumps in the road up to retirement and beyond and hopefully improve outcomes. Gathering sets of online preferences may be one way to achieve this.

Insights into members' life experiences also inform how they want their ESG preferences applied to their portfolios. Section Three, 'Engagement versus exclusion', examines this in more detail.



## Section 3

# Engagement or exclusion?

Putting ESG themes into portfolios

## Key findings:

Nearly 50% preferred a policy of engagement to a point (before divesting) when dealing with ESG offenders.

Over a third preferred to avoid poor ESG performers altogether.

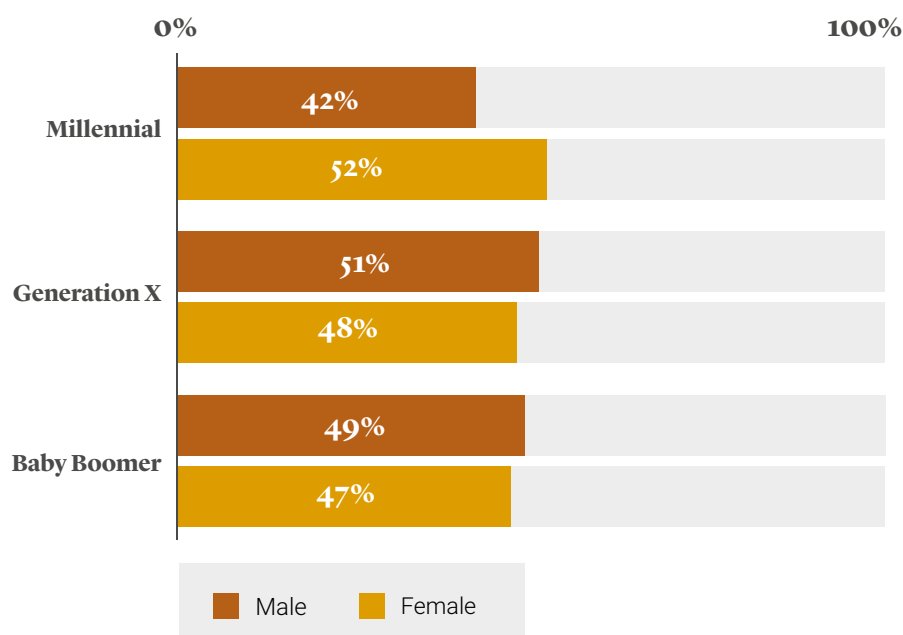
A generational divide exists between those who chose to exclude and those who wanted to engage on climate change issues.



Within the investment industry, the debate rages on about exclusion lists versus engagement: negotiating a better ESG policy through a combination of dialogue, voting and divestment, for example. Therefore, our research asked participants to think about how we reflect ESG concerns in investments.

Participants reviewed case studies about some of the most controversial companies in the FTSE 250 index: G4S, Royal Dutch Shell and Persimmon. Nearly half – 49% (47% of Millennials, 50% of Gen X and 49% of Baby Boomers) – preferred a policy of engagement as a first step before divesting when dealing with ESG offenders. That stacks up favourably when compared with the 36% overall who preferred to avoid these companies altogether.

**Chart six: “After having seen these case studies I would prefer pension providers to engage to a point and then divest from companies that aren’t performing well in terms of ESG” (% agreeing)**



Source: LGIM data, as at 29 October 2019.



**44% of Millennial men and 47% of Millennial women stated that they would like to significantly reduce their pension's exposure to the fossil fuel industry irrespective of the impact on their pension's returns.**





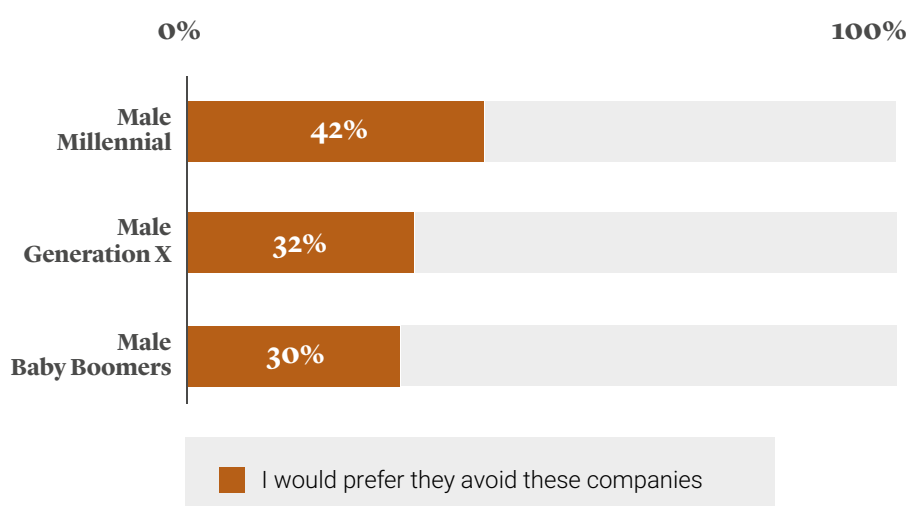
Perhaps unsurprisingly, those who chose to simply divest from ESG laggards were split along generational lines. Just 32% of Baby Boomers and 35% of Generation X chose exclusion, compared with 41% of Millennials (a divide more pronounced amongst men). Similarly, only 12% of Millennials would prefer a policy of sole engagement (with no exclusion), compared with 19% of Baby Boomers.

Millennials were willing to take the performance hit in their pensions on the issues they cared about. 44% of Millennial men and 47% of Millennial women stated that they would like to significantly reduce their pension's exposure to the fossil fuel industry irrespective of the impact on their pension's returns.

Exclusion is a binary choice, and the more emotive and ideologically driven approaches favoured by Millennials to themes which resonated with them were also present in their attitudes to portfolio implementation:

*"I would be interested in if my money was actually having tangible benefits ... You feel more content. It's not just a piece of paper, it's a relationship." (Female, younger)*

**Chart seven:** After having seen these case studies, would you prefer pension providers to avoid companies that aren't performing well in terms of ESG or engage with them in the first instance?



Source: LGIM data, as at 29 October 2019.



## Section 3 and overall **Conclusion**


### Replacing rhetoric with “realness”

When we introduced the topic of ESG integration, a generally disengaged group of members sat up and listened. After we showed them some educational material, many – although not all – did connect ESG factors with their pensions. The fact that different themes resonate with different segments of the population underlines that they do matter. Providers will need to balance respondents’ need for cost-efficient retirement solutions with their desires to reflect their preferences in their portfolios.

It’s encouraging that people of all ages said that they would engage more with their pensions if they felt that they were making a positive impact. However, respondents emphasised this boost could be very short term if concrete action does not support the rhetoric. Attending company meetings, voting on board appointments, and applying public pressure ensures that investee companies change their strategy and improves ESG outcomes. It was heartening that respondents of all ages recognised this should be the first point of call.

Such action should be backed up by transparent communications on ESG issues. The notoriety of the companies in the climate change studies may have had a larger effect on Millennials’ decision-making, with concerns being amplified on social media. So, there is particular work to be done with younger members, including reaching them on the online platforms they use and are comfortable with.





To appeal to savers of all ages, trustees and scheme managers should neither ignore non-financial ESG concerns, nor ape the time-honoured exasperation of younger generations towards their elders. Instead, explaining members' options in an accessible way can help bring about a clearer understanding of how allocating capital can make a difference. We know that one size doesn't fit all, so it's important to share a range of ESG stories with each cohort. In this way, members' pensions can be authentic to who they are, be that a busy Boomer, an exhausted Xer or a climate Instawarrior.



### Acknowledgments

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## Contact us

For further information about LGIM, please visit [lgim.com](https://lgim.com) or contact your usual LGIM representative



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