

Responsible investing for pensions

~How a pension can challenge companies to behave more responsibly~

Did you know that by making monthly contributions into your pension plan, you could play a part in helping companies improve their effect on the environment and society?

This is done through an investment process known as active ownership. Our investment management business Legal & General Investment Management (referred to as LGIM) applies active ownership across all the funds managed by Legal & General and LGIM.

If you haven't chosen your own funds, your money will be automatically invested in the default investment option for your work's pension plan, chosen by your employer. Here's an example of how it works across the standard default investment options offered by Legal & General.

With the aim of helping pension savings grow, LGIM will invest a part of the standard default investment options in companies, either through purchasing shares or lending money to companies by buying their bonds. Through purchasing shares, LGIM becomes a shareholder in the companies it invests in and can influence positive change.

A key way to do this is to consider how companies manage environmental, social and governance (known as ESG) risks and opportunities. This includes issues such as climate change, fair work conditions, executive pay, supply chain management and impact on local communities.

This is important because poor management of ESG factors may have a negative impact not only on the performance and longevity of a company – and therefore potentially your pension value – but on wider society, the planet and the economy.

LGIM assesses how companies handle ESG risks and opportunities and how transparent they are in reporting them. Importantly, as a shareholder LGIM can engage and cast shareholder votes on important issues, challenging companies to do better. For example, LGIM can challenge a company over its environmental policies, the level of its greenhouse gas emissions, the diversity of its board of directors, or its record on workers' rights.

So, your pension is working behind the scenes striving for better outcomes for you, our planet and society.

More information on responsible investing and active ownership can be found on the Legal & General Workplace ESG Hub. You can also check the investment options available to you by logging into Manage Your Account.