nest insight

Responsible investment as a motivator of pension engagement

Can talking about environmental, social and governance investment issues drive positive outcomes for pension members?

Legal & General
INVESTMENT MANAGEMENT

Authored by

Jo Phillips and Will Sandbrook, Nest Insight, London

Acknowledgements

With thanks to Legal & General Investment Management (LGIM), whose support and sponsorship made this research possible, and the experts we interviewed: Sarah Booth, Sherryn Bouchard, Barry Brand, Emma Douglas, David Hayman, Stephanie Illgner, Larissa Persons and Diandra Soobiah. We'd also like to thank Faye Gibbons and Bri McIntosh at Join the Dots and the many Nest scheme members who took part in our survey through Nest's research community, 'Your way'. Thanks also to Annie Bruzzone, Eimear Collins, Dominika Wintersgill, Greg Bowe and the Nest marketing and creative services team for their work and input. Finally, many thanks to the project team – Annick Kuipers, Matthew Blakstad, Maja Krasnicka, Leo Sanders, Clare Hodgkinson and Michelle Cremin – and all of the Nest Insight team for their contributions to this work.

About Nest Insight

Nest Insight is a collaborative research unit set up by Nest Corporation to help understand and address the challenges facing Nest members and other defined contribution savers.

For more information, visit: **nestinsight.org.uk**

About Nest Insight's strategic partner

Invesco is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. Building on its strong track record in defined contribution research, and its existing partnership with the University of Cambridge Judge Business School, Invesco partnered with Nest Insight to support its ambitious programme of research, publications and events.

For more information, visit: **invesco.co.uk** NYSE: IVZ

About our programme partner

Legal & General Investment Management (LGIM) is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.2 trillion*. It works with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Throughout the past 40 years LGIM has built its business through understanding what matters most to its clients and transforming this insight into valuable, accessible investment products and solutions. It provides investment expertise across the full spectrum of asset classes, including fixed income, equities, commercial property and cash. LGIM's capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

For more information visit: **lgim.com/uk**

*LGIM internal data as at 30 June 2020. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions.

Contents

Foreword

As an industry we often ask ourselves, What is the real objective behind a member engagement campaign? To stimulate change? Hit an industry target? Or to foster an understanding of what a pension is so that members can fulfil their retirement goals?

To me, successful engagement needn't necessarily result in a new portfolio or contribution level. Instead, the interaction should leave savers feeling reassured they are making the right decision for their future.

But how do we go about creating this kind of engagement?

Against a backdrop of low pension and savings awareness, no single issue can motivate members on its own. Environmental, social and governance (ESG) investing offers a different way to engage members' attention, but as the research in this report shows, we're a way off from being able to say that these themes represent a 'silver bullet'. Savers need to be convinced of the relevance of these issues, and that they won't necessarily see a negative financial impact on their pensions. Members are aware of global issues but relate to them much more when they are put in a local context.

In the challenge of personalisation lies the power of ESG issues to empower and engage.

As this report rightly notes, how we frame issues is crucial. For example, actively choosing to invest in the themes members care about chimes more with them than avoiding badly behaved sectors. This is backed up by LGIM's own research. It's also reflected in our active ownership investment approach, where we work with companies, policymakers and other investors to create sustainable value over a long time horizon.

And as different ESG issues resonate with members, providers can reflect the diverse experiences of their member base in their communications. Tailored ESG messages have the potential to offer individuals a sense of agency with their money – and ultimately, their futures – that the pensions industry has often struggled to achieve.

Enjoy your reading,

Emma Douglas
Head of DC, Legal & General Investment Management

Executive summary

This research programme aims to understand whether communicating with people about the positive impact of their investments as a member of a pension scheme could make them more likely to engage more with their retirement saving.

Purpose

The key objectives of this research programme are to understand:

1. In general, are messages highlighting investment impacts across environmental, social and governance (ESG) outcomes any more effective at driving engagement than more generic messages?
2. If so, how can messages about these investment impacts be most effectively framed and communicated to drive engagement?
3. How do the answers to these questions change, if at all, when looking at the responses of different demographic groups?

This report summarises the learnings from the exploratory first stage of our research.

Approach

Our approach in this first stage of our research combined a desk research review of communications from pension schemes and organisations in other sectors, expert interviews and an online survey of Nest pension scheme members to start to prioritise message frames which have the potential to drive greater engagement with retirement saving. This stage was designed to help us identify recommendations on how best to communicate ESG factors to drive engagement, and then prioritise and develop a small set of messages to test in a behavioural trial in stage two and in future research.

Learnings

Learning from other sectors

- Experience from other industries suggests some principles for good communication with consumers around ESG issues:
  1. **It has to be relevant to me**: People are more engaged by stories that are connected to their personal context, for example their own region, community or work sector.
  2. **It has come without sacrifice**: People need reassurance that there are no drawbacks to taking an environmentally and socially responsible approach, and that the essential features of a good product are uncompromised.
  3. **It has to be win/win**: People need to understand the benefits for them personally, alongside any broader environmental or social benefits.
  4. **It has to be backed up**: People look for credible evidence and proof points. They're wary of anything that feels like 'greenwashing' or 'virtue signalling' – marketing 'spin' that exaggerates the positive impact on the environment, or feels disingenuous.
  5. **It has to be simple**: People switch off when confronted with jargon or technical language.

Targeting messages

- Existing awareness and knowledge of pensions are low among savers. Pension providers and trustees can't necessarily rush straight to messages about the positive impact of investments without first going through steps in a journey to build their members' foundational understanding – starting with raising awareness that their members have a pension, and that it is invested for growth to give them an income in retirement.
- Providers may wish to initially target behavioural outcomes such as a member going to look at their pension provider's website or logging in to their pension account for the first time. Behaviours like checking a pension forecast or calculator, or considering whether to increase contributions beyond the minimum amounts, could follow.

Communicating about investment

- Levels of interest in ESG issues vary, both in the context of pension investment and in people's broader lives. Communications around ESG issues do not engage everyone. Some people find the additional layer of information to be too much detail, or want communications to focus only on what money they have and might expect to have in their pension pot.
- Overall, however, a responsible investment message had broader appeal than a more traditional investment message, with the majority of people in our survey saying a responsible investment message was the message they would be most likely to take notice of.
- 'ESG' is unlikely to be a term that engages pension scheme members effectively, and a description of investment using ESG terminology and explanations was less well received than a broader responsible investment message.
- The phrase 'responsible investment' seems to work better by conveying prudence and safety in the way that pension money is looked after for the member at the same time as communicating a focus on investing more sustainably for the future.

Focus issues

The issues that matter most to people vary depending on personal values and circumstances. Despite this, we were able to observe a consensus of interest and importance around some issues across a broad range of pension savers in our survey:

- The issues that were both most important to people and elicited the greatest strength of feeling were 'tackling climate change' and 'everyone being paid a living wage'.
- The Covid-19 crisis likely intensified the relevance of some of the higher-ranked issues, including 'everyone being paid a living wage', 'availability of good education', 'fair treatment of workers' and 'availability of good hospitals'.
- The relative importance ranking of the issues demonstrated that issues which impact people at a household or community level are likely to be of higher interest and have higher potential to engage than those which feel more distant. More immediate ways of describing issues are ranked as being more important to people than more distant, abstract or technical ways of expressing them. For example, 'protecting natural habitats' ranked higher than 'biodiversity', 'fair treatment of workers' ranked higher than 'equality and diversity' and 'reasonable executive pay', and 'availability of good hospitals' ranked higher than 'reducing levels of health issues in the world'.

Crafting the message

It's well known that the way a message is framed can impact the way people respond to it[1]. When exploring responses to different framings of a message:

- We saw a relatively strong member preference for a message that frames investment as 'proactively doing good' over a message that frames it as 'avoiding the bad'.
- We also saw a slight preference for framing that describes the collective impact of investments over one discussing the individual impact of the member's saving, for a description that gives specific examples over one outlining general principles and for a message that highlights the local impact of investments over one talking about their global impact.
- Responses to messages describing the potential financial or emotional returns of a responsible investment approach were more mixed, suggesting that a combination of these frames would likely be more effective than either in isolation.

1 For example, see Gülden Ulkümen and Amar Cheema, Framing goals to influence personal savings: the role of specificity and construal level, *Journal of Marketing Research* (2011), **jstor.org/stable/23142896**

Conclusions and next steps

The findings from our exploratory research suggest that talking to pension scheme members about how their retirement savings are responsibly invested has the potential to build some new engagement with pension saving and to reach people who may not have been engaged by other communications. However, it's also clear that this is by no means a 'silver bullet' for pension engagement.

Research in this area to date has extrapolated from what people say they might do to conclude that this kind of approach will be effective, but we know the gap between stated intentions and real behaviour can be significant[2]. There is also much work to be done before we can be confident that communications about ESG will be effective when deployed in a real-world setting.

In the second stage of our research programme, we'll be taking the learnings from this exploratory work into a real-life setting. Our next step is to conduct an email-based randomised controlled trial of different messages with Nest members. This will allow us to measure whether different responsible investment or ESG messages perform better or worse in driving targeted behavioural outcomes than messages that do not mention these themes. We plan to measure a range of outcomes, including email open rates, click-through rates and downstream behaviours such as registering or visiting an online pension account and making contributions or transferring funds between accounts. We'll look at any differences in the responses to the emails by gender, age, pot size, income, sector, level of previous engagement with the scheme and contribution history and patterns. We look forward to being able to share the findings from this trial in 2021.

2 For example, see Thomas L. Webb and Paschal Sheeran, Does changing behavioral intentions engender behavior change?: a meta-analysis of the experimental evidence, *Psychological Bulletin* (2006), **doi.org/10.1037/0033-2909.132.2.249**

The quick read

Can talking with pension savers about environmental, social and governance (ESG) investment issues get them more engaged in their retirement saving?

What are ESG issues?

A responsible investment approach takes into account the risks and opportunities presented by ESG issues:

environmental

including climate impact and greenhouse gas emissions, energy efficiency, air and water pollution and water scarcity

social

including human rights, local community impact and employment, child labour, working conditions and anticorruption

governance

including diversity, executive pay, management and board structure and other shareholder rights

Our research approach

This report shares the learnings from our first-stage exploratory research using 3 methodologies:

- **Desk research**
  We reviewed existing studies on whether talking about ESG issues can drive pension savers' behaviours and looked at relevant communications from across different industries.

- **Expert interviews**
  We spoke to 8 experts from a range of sectors about their experience communicating with customers and the public about sustainability and ethical issues – focusing on what works and what to avoid.

- **Member surveys**
  We surveyed 255 members of Nest's member research community about their pensions engagement and attitudes towards ESG issues and responsible investment. We also tested a set of email mock-ups and messages to see which they said was most relevant and appealing to them.

Our learnings so far…

There's a lot to learn from other sectors.

Learning from other sectors, we identified 5 principles for effectively communicating with people about responsible investment, no matter their level of engagement.

1. **It has to be relevant to me.**
   People are more engaged by stories that are connected to their personal context, for example their own region, community or work sector.

2. **It has come without sacrifice.**
   People need reassurance that there are no drawbacks to taking an environmentally and socially responsible approach, and that the essential features of a good product are uncompromised.

3. **It has to be win/win.**
   People need to understand the benefits for them personally, alongside any broader environmental or social benefits.

4. **It has to be backed up.**
   People look for credible evidence and proof points. They're wary of anything that feels like 'greenwashing' or 'virtue signalling' – marketing 'spin' that exaggerates the positive impact on the environment, or feels disingenuous.

5. **It has to be simple.**
   People switch off when confronted with jargon or technical language.

Investment is a new concept for many.

Talking about ESG issues or responsible investment means talking to pension savers about how their money is invested, but many are not aware their pension **is** invested. In our member research group:

3 in 5 said…

I don't really understand pensions and find it a bit confusing

I have a basic understanding but don't know much about the details of pensions

Helping people understand the link between investment and what they get out of their pension is an important foundation.

Not everyone is starting from the same place.

Talking about ESG issues or responsible investment isn't a 'silver bullet' for pensions engagement. In our member research, we saw varying levels* of engagement with both ESG issues and pensions.

Talking about responsible investment presents an opportunity to reach those who care about environmental, social or governance issues, but who have so far not really engaged with their pension – that was nearly 1 in 5 people in Nest's member research community.

18%

↑ Higher ESG issues engagement

↓ Lower pensions engagement

41%

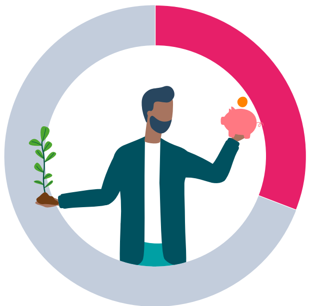
↑ Higher ESG issues engagement

↑ Higher pensions engagement

11%

↓ Lower ESG issues engagement

↓ Lower pensions engagement



31%

↓ Lower ESG issues engagement

↑ Higher pensions engagement

* Numbers do not add to 100% due to rounding.

Responsible investment does have the potential to get people's attention...

We asked our member research group to tell us which of 3 ways of explaining pension investments they liked best.

1 Traditional description

About buying shares in companies and property to grow their money

> **2 in 10 ranked this first**

2 Responsible investment description

About buying shares in companies and property that have a good future to grow their money, which means thinking about risks like climate change and legal action

> **5 in 10 ranked this first**

3 ESG scoring description

About using environmental, social and governance criteria to decide what shares and property to buy as an investment

> **3 in 10 ranked this first**

It may also be more likely to prompt action for some people...

We also asked our member research group which of 3 emails they found most engaging.

1 No mention of responsible investment

A call to action to look at the member's pension pot balance

- **3 in 10 said they'd be most likely to read and act on this**

2 Responsible investment as a supporting message

A call to action to look at the member's pension pot balance, followed by some information about responsible investment

- **3 in 10 said they'd be most likely to read and act on this**

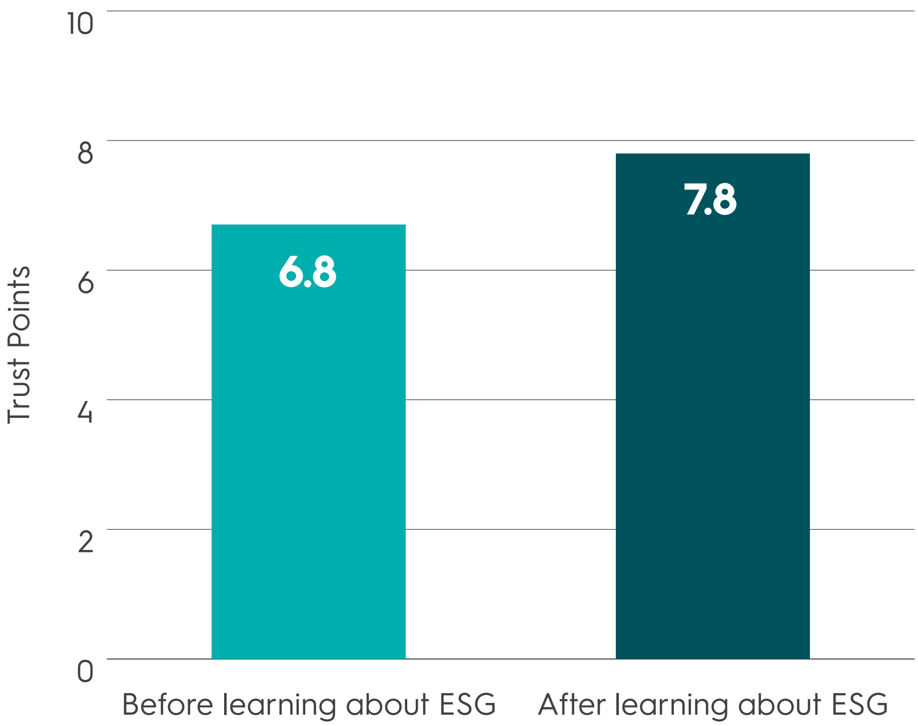
3 Responsible investment-led message

Information about responsible investment, followed by a call to action to log in to their pension account

- **4 in 10 said they'd be most likely to read and act on this**

It can also improve trust.

On a 1-10 scale, our member research group reported more trust in a pension provider if the provider 'told them how they were investing their pension responsibly in line with environmental, social and corporate governance considerations'.



But there are risks too.

Responsible investment isn't the message for everyone.

5½ in 10

people with lower engagement in both ESG issues and pensions ranked the message with no mention of responsible investment as the one they would be most likely to read and act on

It’s not just what we say, but how we say it that matters.

We tested 5 pairs of similar messages with our member research group. Sometimes people had a clear preference, but not always.

proactively good impact 7 in 10	**avoiding the bad** 3 in 10
collective impact 6 in 10	**individual impact** 4 in 10
general impact 4 in 10	**specific impact** 6 in 10
global impact 4 in 10	**local impact** 6 in 10
financial returns 5 in 10	**emotional returns** 5 in 10

It also matters who you say it to.

We found that people with different levels of engagement in ESG issues and pensions responded to messaging frames slightly differently.

Lower ESG issues engagement
Lower pensions engagement

5½ in 10 preferred general impact

Higher ESG issues engagement
Lower pensions engagement

8 in 10 preferred proactively good

Lower ESG issues engagement
Higher pensions engagement

5 in 10 preferred individual impact
7 in 10 preferred financial returns
8 in 10 preferred local impact

Next steps

We know there is often a difference between what people say they will do and what they actually do.

So our next step is to develop and trial some of these messages in a real life-setting and observe any differences in people’s responses.

Chapter 1

Challenges and opportunities

Despite the success of the UK's auto enrolment system, engagement in pension saving remains low among some groups, particularly younger people. This has led the pensions industry to explore talking to members about the positive impact of their investments as a route to boosting engagement.

The pensions engagement challenge

Auto enrolment of workers into pensions by their employers through payroll contributions has brought 10 million additional workers into retirement saving in the UK. The programme has succeeded by harnessing the power of inertia, changing the default among workers from 'not saving' to 'saving'. However, this inertia is a double-edged sword.

Although auto enrolment has overcome many of the behavioural barriers that have prevented people from starting to save for retirement, we know that people who are automatically enrolled into a pension are less engaged with this saving than those who actively opt in[3].

In the Nest scheme, for example, only 8% of automatically enrolled employees opt out of making regular payroll contributions into this pension, but few people take other meaningful action. Levels of awareness about their auto enrolment pension are low, with 17% of members saying they're not certain if their pension is with Nest or not and, in one recent survey, a further 4% not knowing they were saving into a pension at all[4]. Only around a quarter of Nest members have ever logged into their personal pension account[5].

This issue is by no means particular to Nest. Research by Aon found that 20% of employees may not know they've saved into their company pension[6].

Low engagement with pension saving is not always an issue. Indeed, engagement may not always be a good thing. For example, most pension savers are likely to see better outcomes by staying in a well-managed default fund than making their own investment choices[7]. Similarly, engagement needs to be carefully framed. During economic downturns and periods of market volatility, checking a pension balance too frequently and seeing fluctuations could create anxiety. Some savers may be inclined to take a short-term view, deciding that it's better to pull out of pension saving if they see their balance has gone down. This could have a negative impact on their retirement outcome in the long run.

But there are clearly times when people do need to engage with their pensions to get to the level of financial security they hope for in retirement. Most basically, they may need to log in to their pension account and update their contact details to keep receiving information about their savings, or may need to trace pensions from previous employment to get a full picture of what savings they have.

More fundamentally, for many people, default contribution settings won't be enough to achieve the level of income they need or want in retirement. At certain points it may be in people's interest to engage more with their pension – to check if they are on track to get the level of financial security they hope for in retirement, and potentially to make more active choices, for example about the amount they are saving each month or the age at which they plan to retire.

3 Brigitte C. Madrian and Dennis F. Shea, The power of suggestion: inertia in 401(k) participation and savings behavior, *Quarterly Journal of Economics* (2001), **jstor.org/stable/2696456**

4 Nest member survey (June 2020)

5 Nest scheme data (August 2020)

6 Aon, Aon DC and financial wellbeing employee survey: living the dream? (2018), **retirement-investment-insights.aon.com/u-k/aon-dc-and-financial-wellbeing-member-survey-2018-uk-summary-1**

7 For example, research by Vanguard for its 'How America saves' series of publications found a greater dispersion of risk/return outcomes among participants making their own investment choices than among investors in managed target-date funds. See Vanguard, How America saves (June 2020), **institutional.vanguard.com/ngiam/assets/pdf/has/how-america-saves-report-2020.pdf**

Incentives such as tax breaks and information campaigns are commonplace but, unfortunately, they are often ineffective. One particular issue is that pension saving is pretty much at the bottom of most people's lists of interests. People are short on time and energy, overloaded with information and sceptical of financial services providers. How then can pension providers gain people's attention when trying to engage them with their retirement saving at relevant points in their working life?

In other words, having brought people into pension saving through auto enrolment, what is the next stage in the journey to getting more financial security for more people in retirement?

Responsible investment as an engagement opportunity

Many in the pensions industry are starting to think that the answer to these engagement challenges lies in talking with people about the impact of their investments as a member of a pension fund.

The sector has become increasingly focused on environmental, social and governance (ESG) issues in investments, and on building responsible investment strategies that are sustainable over the long term. More pension providers are incorporating responsible investment into their default funds and more ethical fund choices are being made available to members. Since October 2019[8], UK pension scheme trustees have had to outline how they take account of financially material factors, including ESG and climate change considerations, in their investment decision-making. They also have to report their approach to engaging with investee companies and exercising the voting rights in the shares they hold.

At the same time, there is increasing evidence that some workers are motivated by social issues and environmental concerns. This interest points to a potential mechanism through which people might be prompted to engage more actively with their saving into auto enrolment pension schemes.

If people are interested in and motivated by environmental and social issues in other areas of their lives, could talking about those issues in the context of their pension saving get them more involved in financial planning for retirement?

As policymakers, pension providers and pension trustees have considered this question, there has been a particular focus on millennials, those in their mid-20s through to around age 40 who are somewhat established in employment but still some three or more decades away from retirement. Younger people, on the whole, are less engaged in pensions than people who are closer in age to retirement. There are significant contextual reasons why young people may be less engaged in their pension saving, such as placing a higher priority on paying off debt or trying to get on the housing ladder.

The assumption is that younger people may be more engaged in their pensions through ESG issues. Numerous surveys have shown a higher level of interest in environmental and social issues among younger people than in older generations[9]. Younger people are also more visible at events focused on these issues, such as Black Lives Matter (BLM) and Extinction Rebellion (XR) protests.

The idea that millennials might become more interested in pension saving through responsible investment messages is attractive because savings behaviours established earlier in working life often have a greater impact on retirement outcomes. As a generation they are new to pension saving and less likely to have a defined benefit (DB) pension than older cohorts, so are more reliant on defined contribution (DC) pensions. Greater responsibility for retirement saving falls on them. Recent research by LGIM found that millennials were the most likely out of the three main working-age generations to want their investments to reflect climate change concerns[10]. Could the ESG impacts of pension investments inspire younger people to take interest in their pension for the first time?

8 The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, **legislation.gov.uk/uksi/2018/988/made**

9 See, for example, National Centre for Social Research (NatCen), British Attitudes Survey: the 35th report (2018), **bsa.natcen.ac.uk/media/39284/bsa35_full-report.pdf**

10 LGIM, Finding the greenest generation: our research into the ESG views of Boomer, Gen X and Millennial savers (2020), **stoneshot.com/e/lgim/Finding_the_greenest_generation__ESG_research_with_DC_savers.pdf**

Big claims have been made for this theory. Based on the calculations in the Franklin Templeton report Generation DC, an additional £1.2 billion in employee contributions could be invested annually by the millennials if responsible investment is incorporated into their pensions[11]. The same researchers found that 78% of millennials say they would engage with their pension savings statement if information on responsible investment was included. Similarly, a PwC survey of over 6,000 people in the UK reported that 52% would be motivated to save more if they knew their savings and investments made a positive difference in the world[12]. The figure rose to 60% for those with assets over £25,000.

Challenges and questions to address

While the potential for a new engagement route clearly exists, we believe there is more work to be done for that potential to be realised.

To start with, not everyone in the pensions industry is so convinced that talking to scheme members about how their money is invested responsibly will lead to greater engagement with retirement saving. One trustee of a pension scheme recently told us that he just does not believe there is a link: 'I am utterly committed to some component of ESG. But I am utterly unconvinced that it is a motivator.' A Chief Investment Officer sounded baffled by the idea, saying: 'It honestly never occurred to me that people might do anything differently because of how we incorporate ESG into our investments.'

While it's true that people may say they'd behave differently if they knew their pension provider took a responsible investment approach, we know in practice that there is often a gap between people's attitudes and their behaviours. And although someone may express strong values in everyday consumption choices – items that they buy and use frequently – such a commitment does not necessarily translate into engagement with products and services they use or engage with less frequently, such as their pension saving. This is despite the fact that a person's pension pot is likely to be higher value and more influential than, say, their choice of an environmentally friendly cleaning product or Fairtrade coffee. The Make My Money Matter campaign encapsulates this compellingly, sharing that 'moving to a more sustainable fund can have 27 times as much impact in reducing your carbon footprint than giving up flying and becoming a vegan combined'.

There are other significant questions to be considered as we look for ways in which responsible investment might be used to motivate engagement with pension saving.

For example, it has taken years for other industries to learn how to communicate and engage with consumers around these issues. What can the pensions industry learn from their experience? Given low levels of awareness that money saved in a pension is being invested, how can we communicate how that money is invested in a meaningful way? How can we ensure communications are relevant to people's starting points?

In addition, 'responsible investment' and 'ESG' are umbrella terms for a wide range of complex issues, and technical language is often used in communications. Can messages be developed which are simple and comprehensible to non-specialists? In the pensions setting, climate change is often the focus, but are there other ESG issues that pension savers would find more interesting or be more motivated by? And is there any risk that while some savers might be engaged in new and different ways by learning their money is invested responsibly, others could be put off by getting this kind of information from their pension provider?

These are some of the questions we aim to address in this research programme.

11 Franklin Templeton, The power of emotions: responsible investment as a motivator for generation DC (2019), **franklintempleton.co.uk/institutions/campaigns/the-power-of-emotions**.Research was conducted with 2,700 people aged 21 to 38 years old.

12 Research reported in HM Government, Investing in a better world: understanding the UK public's demand for opportunities to invest in the Sustainable Development Goals (September 2019), **assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/834207/Investing-in-a-better-wold-full-report.pdf**

Chapter 2

Programme objectives and design

This research programme seeks to understand whether communicating with people about the ESG impact of their investments as a member of a pension scheme makes them more likely to engage more generally with their retirement saving.

This engagement might be as simple as opening an email from their pension provider and becoming aware that they have a pension. It might also involve higher levels of engagement, such as seeking more information, logging in to a personal pension account, checking their pension balance or projection of retirement income or changing contribution levels.

Communicating with pension savers about how their money is invested is not a straightforward proposition, however. Pension scheme members have a wide range of understanding about and interest in what pensions are and how they work. They also have a wide range of understanding about and interest in the ESG impacts of their financial and consumption choices, whether these involve what they purchase in the shops each week or how their money is invested.

So we set two key objectives for this research programme:

1. **understanding how messages about ESG investment impacts can be most effectively framed and communicated to drive member engagement**
   What can we learn from other sectors? What information needs to be included to boost comprehension and attract attention? What language is most compelling? For example, is talking about individual or collective impact more effective?

2. **understanding any demographic differences in how people engage with their pensions after receiving these messages**
   Which groups of automatically enrolled pension savers could most effectively be targeted with messages about ESG investment impacts to drive their engagement?

The research programme is made up of two stages:

- **stage one – exploratory research**
  In this stage of our research, reported on in this report, we conducted a desk research review of communications from pension schemes and organisations in other sectors, interviewed experts and ran an online survey to identify message frames that appear to have greater potential to drive positive engagement behaviours. This phase was designed to help us learn how best to communicate ESG factors to pension scheme members and prioritise a set of messages to test in our behavioural trial.

- **stage two – behavioural trial**
  We'll test the prioritised message frames through an email-based randomised controlled trial with Nest scheme members. The trial will look at the impact of specific messages on these members' engagement, including email open rates, click-through rates and subsequent downstream behaviours such as registering or visiting their online pension account, making contributions or transferring funds between pensions. In the analysis of the trial results, we'll look for any differences in the responses to the email by gender, age, pot size, income, sector, level of previous engagement with the scheme and contribution history and patterns.

We hope our findings and learnings can help pension providers and trustees to boost engagement with their scheme members in a way that leads to positive member outcomes.

Chapter 3

Methodology

In this stage of our research programme, we used three different methodologies to explore the different ways in which messages about ESG factors and responsible investment could be framed and communicated to drive better outcomes for pension savers – desk research, expert interviews and member research.

Desk research

We conducted desk research to explore what sorts of communications around ESG issues have already been tried, learn what has been more or less successful and identify potential messaging frames that have been used elsewhere successfully.

We reviewed three main sources of information:

1. existing research studies looking at member engagement in pensions, both in general and specifically relating to ESG issues
2. pensions industry communications around ESG issues and responsible investment
3. communications from other industries, such as the automotive, energy and consumer goods sectors, which seek to engage their consumers in ESG issues

Our technical report[13] includes a list of key studies we reviewed.

13 The technical report is available on Nest Insight's website, **nestinsight.org.uk/research-projects/engagement-in-pensions/esg-and-member-behaviour**

Expert interviews

We conducted interviews with eight experts from within the pensions industry and other sectors. All of these experts had extensive experience in communicating about sustainability and ethical issues in a range of contexts.

We asked these experts about their background and relevant experience before turning to what they have learned from communicating with customers and the wider public about these issues. Questions covered what has worked well and why, what has worked less well and why, how those learnings could be applied to the challenge of engaging people in their pension saving, how messages could be framed going forward and potential pitfalls and challenges.

The experts we consulted were:

- **Sarah Booth, Director of Retail Brand and Marketing, OVO Energy**
  OVO Energy, founded in 2009, redesigned the energy experience to be fair, effortless, green and simple for all customers. Today, OVO Energy and its retail partners serve nearly 5 million customers, striving to deliver more affordable clean energy for everyone.

- **Sherryn Bouchard, Senior Associate ESG & Stewardship Communications, AustralianSuper**
  AustralianSuper is Australia's largest superannuation fund, managing the retirement savings of 2.2 million members – one in 10 working Australians.

- **Barry Brand, Creative Energiser, Yellow.Global**
  Yellow.Global is a global consultancy that helps businesses unlock creativity, culture and purpose to drive powerful, sustainable growth.

- **Emma Douglas, Head of DC, Legal & General Investment Management**
  Legal & General Investment Management (LGIM) is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.2 trillion.

- **David Hayman, Campaign Director, Make My Money Matter**
  Launched in July 2020, Make My Money Matter is a campaign aimed at helping members of the public better align their personal finances with their values in order to ultimately achieve more sustainable investments, particularly for pensions.

- **Stephanie Illgner, Global Marketing Director Brews & Beyond, Carlsberg Group**
  Carlsberg is a multinational brewery group with a large portfolio of beer and other beverage brands. Its core purpose is brewing for a better future.

- **Larissa Persons, Director of Strategy, Good Business**
  Good Business is a sustainability agency, advising businesses and brands with strategy, behaviour change and sustainability.

- **Diandra Soobiah, Head of Responsible Investment, Nest Corporation**
  Nest is a defined contribution (DC) workplace pension scheme specifically set up for the UK's auto enrolment system. The scheme is run as a master trust as Nest Corporation and looks after over £13.2 billion in assets under management on behalf of 9.4 million members.

We are grateful to these experts for sharing their knowledge and perspectives and giving their time so generously.

Member research community survey

Following our desk research and expert interviews, we developed some questions and example messages around responsible investment and ESG issues to explore with pension scheme members. We'll use this initial feedback to develop messages to test in a full email-based trial in the next stage of this research programme. To achieve this, we ran a survey with 255 members of Nest's member research community, 'Your way', in August 2020.

Nest's member research community is made up of people who have a Nest pension and have opted in to taking part in future research studies after being invited to do so by email. So these individuals know they have a pension with Nest and have expressed some interest in Nest by joining the research community. However, this does not necessarily mean they are engaged in their pension saving. The members who responded to this survey had a broad range of characteristics, including some with low pensions engagement. For example, even though they were members of Nest's member research community, 8% said they had never visited their pension provider's website and 10% said they had done so only once. Further, 6% said they have never logged in to their pension account and 9% said they have done so only once.

In interpreting the findings from our exploratory survey, it's important to bear in mind that those who responded are not fully representative of all Nest members or indeed all pension savers. Nonetheless, we believe this feedback is valuable in providing an early steer on which messages might work more or less well in engaging pension savers, and how people's responses to messages may differ depending on their demographic and attitudinal characteristics.

The survey covered the following areas:

- engagement with and relative importance of a range of ESG issues outside of the member's pension saving
- pensions engagement and behaviours
- responses to three different explanations of pensions investment – one more traditional, one from a responsible investment point of view and one highlighting specific ESG issues
- responses to three different email mock-ups which included a call to action to 'find out how your money is invested and how much is in your own pension pot by logging in to your account'. These email mock-ups put differing levels of emphasis on responsible investment – one did not mention it at all, one only mentioned it after the main message and one led with responsible investment information.

- responses to five different ways of framing a message about responsible investment, organised in opposing pairs:
  - individual impact versus collective impact
  - general impact versus specific impact
  - proactively good versus avoiding the bad
  - financial returns versus emotional returns
  - global impact versus local impact
- their own suggestions and ideas for engaging people about pensions
- reported impact of the information given on their interest and trust in pensions

The full questionnaire and all research stimuli can be found in our technical report[14].

14 **nestinsight.org.uk/research-projects/engagement-in-pensions/esg-and-member-behaviour**

We hypothesised that people would respond differently depending on their existing levels of engagement, both with ESG issues in general and with pensions in general. To explore this, we segmented the sample against two different engagement axes:

1 **higher versus lower engagement in ESG issues**

Respondents were classed as ‘higher engagement’ if they said that four or more ESG issues out of a list of over 20 were important to them personally and then also rated at least four issues as ‘extremely important’ to them (scoring them as 9 or 10 on a 10-point scale).

2 **higher versus lower engagement with their pension**

Respondents were classed as ‘higher engagement’ if they said they had visited their pension provider’s website more than five times or logged in to their pension account more than five times or ever increased their pension contributions or transferred funds from one pension provider to another.

By segmenting survey respondents against these axes, we could track any difference in responses across four different groups*.

18%

↑ Higher ESG issues engagement

↓ Lower pensions engagement

41%

↑ Higher ESG issues engagement

↑ Higher pensions engagement

11%

↓ Lower ESG issues engagement

↓ Lower pensions engagement

31%

↓ Lower ESG issues engagement

↑ Higher pensions engagement

* Numbers do not add to 100% due to rounding.

Chapter 4

Research findings

Through our exploratory research threads, we identified principles for communicating about responsible investment, considered target outcomes and audiences and looked at levels of interest in different issues. We also began to craft different ways of framing messages about how pension money is invested, and tested these with pension scheme members.

Learning from other sectors

While the pensions industry is relatively new to thinking about how to engage people with ESG issues, other industries have been experimenting with communications strategies and learning how to connect with consumers for decades. We therefore began the exploratory phase of our research by looking at practices outside the pensions industry.

We focused on sectors with a long track record in this area, including the automotive, energy, food and drink, personal care and household care sectors as well as other financial services. Our research included a review of consumer-facing communications and expert interviews.

We found five key principles for successful communication around ESG issues emerge consistently from this research:

1. It has to be relevant to me.
2. It has to come without sacrifice.
3. It has to be win/win.
4. It has to be backed up.
5. It has to be simple.

These principles are described on pages 23 to 26 and brought to life with examples from the world of pensions.

Principles for communicating about ESG issues

1

It has to be relevant to me.

People are more engaged by stories that are connected to their personal context – for example, their own region, community or work sector.

ESG issues can sometimes seem distant or abstract to people. Our experts described a need to take consumers' day-to-day lives as a starting point for any communication, and then find ways to connect broader principles and ideas to their context and understanding, rather than talking 'top-down' to people. For example, the following two experts shared similar views:

> When it comes to behaviour change, our first framing principle is 'start with the person, not the issue'.

Larissa Persons, Good Business

> It's everything that's close to people. Things they can see, feel, understand. Something that has an impact on their own lives.

Stephanie Illgner, Carlsberg

Examples of principle 1 in action

- Bulb Energy Ltd makes an abstract idea more tangible by comparing carbon offsetting to equivalent flight emissions: 'This month we offset our one millionth tonne of carbon. That's the same as the emissions from flying from London to Cape Town and back 376,000 times.' It also provides an individual annual 'green impact report' to every customer telling them the specific positive impact they, and any friends they've referred to Bulb, have had.
- The supermarket chain Waitrose donates money each month to community organisations based on customer votes. Each store has a voting box where customers are invited to put a 'green token' into the slot for a local organisation they'd like the donation to go to. This not only highlights the impact on the local community but also allows customers to make a connection between their shopping and the impact of the chain's donations.
- The investment app tickr illustrates the idea of impact investment with timely, relevant messages, for example about how their customers' money is invested in funds helping in the fight against Covid-19. It has done this by sharing information about the pharmaceutical companies working on vaccines which are included in tickr's funds: 'With impact investing you are supporting the companies that have the resources, know-how and commitment to address colossal world problems like Coronavirus.'

So, as we developed our exploratory research, we decided to look at what issues feel most relevant and important to pension savers (see **Focus issues**) and how to frame messages about those issues in a way that connects with them (see **Crafting the message**).

2

It has to come without sacrifice.

People need reassurance that there are no drawbacks to taking an environmentally and socially responsible approach, and that the essential features of a good product are uncompromised.

In many different sectors and product categories, consumers have expressed some concerns that environmentally sustainable or socially responsible options will perform less well or be more expensive than 'regular' alternatives. In pensions this could mean a concern that a responsibly invested pension fund will grow less or be less 'safe'.

It's important to provide reassurance that the essential features people look for and expect in a product or service are uncompromised, or even enhanced, by a more sustainable approach:

> Sustainability may not be the only criteria of choice for the average person thinking about their pension. Stability and reassurance that they're going to be able to live when they get to the age of 70 is what they're looking for. I think you always have to think, 'What's the value exchange that a person is making decisions based on?' If you're trying to make them see the value in something unusual, you've got to contextualise it within the criteria that they will have at play in their mind at that time.

Sarah Booth, OVO Energy

Examples of principle 2 in action

- Laundry detergent Ariel's Turn to 30 campaign, first launched in 2006, addressed consumer concerns that washing laundry at cooler temperatures would reduce the efficacy of the wash. Ariel provided strong reassurance about the cleaning ability of Ariel at 30°C through its 'superior Cold Clean technology'. Over time this messaging has helped normalise more sustainable, less energy-intensive laundry practices.
- Tesla has countered concerns that electric cars might be slower or less fun to drive by announcing regular speed upgrades in their technology. These included announcing an 'insane mode' and a 'ludicrous mode' and repeatedly communicating the promise that Tesla cars will go from zero to 60 mph in around three seconds.

To be effective, messages need to communicate that a pension provider's responsible investment approach is integral to growing the member's money for retirement and doesn't require any trade-off in conflict with that personal goal. So, throughout our message development work, we explored different ways of providing this reassurance in messages for pension scheme members.

3

It has to be win/win.

People need to understand the benefits for them personally, alongside any broader environmental or social benefits.

In some consumer goods sectors, such as food and drink, household goods and personal care, numerous companies have been working for over a decade on ways to communicate why more sustainable business practices matter. Whereas early messages focused on the benefits for the planet and wider society, over time most brands have evolved their approaches to focus first on the benefits for the individual consumer, with the broader benefit providing an additional reason to choose the product, or giving additional credibility or reassurance. Across many different sectors, for a message to connect, people need to understand what the benefit is to them personally.

More responsible and sustainable options should be presented not just as 'no compromise', but ideally as a mutually beneficial choice. An example of this is the win/win proposition put forward by Vitality health insurance:

> Vitality found a way to engage their customers in health insurance by incentivising people to lead healthier lives. It's such a clear win/win scenario, where people get discounts and rewards for making healthier food and lifestyle choices and in turn the insurer has to pay out less on claims. It's a great way to engage people in something they would never usually give much thought to.

Larissa Persons, Good Business

Examples of principle 3 in action

- Unilever's compressed deodorants, launched in 2013, reduced both greenhouse gas emissions and waste from making the product. However, the most compelling benefit to consumers was the smaller size of the packaging, allowing it to fit more easily in a handbag or rucksack. The lead message was: 'Same protection in a smaller, smarter can.'
- Octopus Energy told consumers that 'We're doing energy better – for you and the environment'. The campaign emphasised that energy that is good for the planet is 'good for your wallet, and, honestly, good for your soul'.

So, as part of our exploratory research, we looked at ways we could frame the personal benefits for pension scheme members of taking a responsible investment approach (see **Crafting the message**).

4

It has to be backed up.

People look for credible evidence and proof points. They're wary of anything that feels like 'greenwashing' or 'virtue signalling' – marketing 'spin' that exaggerates the positive impact on the environment, or feels disingenuous.

Some of the experts we spoke to expressed a concern that the pensions industry should not rush to communicate with savers around ESG issues unless claims can be meaningfully backed up with specific proof points. Many of them pointed to the lack of a common certification or measurement for pension schemes and cited standards in other sectors like B Corporation certification, which assures that a company is meeting high standards of social and environmental performance, and the Fairtrade mark in food, which assures fair treatment and terms of trade for farmers and workers in the developing world.

Having independent verification of a brand's ESG credentials had been valuable in building trust with consumers:

> I think people are looking for real substance around this stuff. They want to know where their money is invested and what impact it is having. But there's a data and transparency piece which makes it hard for all of us. Even when I wanted to find out where my money was going, I found the process incredibly difficult.

David Hyman, Make My Money Matter

Our experts felt it was particularly important to be transparent and honest about the changes and progress that will be required, rather than making unrealistically positive pronouncements. But this shouldn't stop companies from setting ambitious targets, so long as they are honest about how far they have to go to reach them:

> People have lost trust in big companies… A promise that goes all the way is important. It gives you a clear target that you have to stick to. It's important to show some specific and impressive numbers – 10% here or there doesn't mean much, but a commitment to reach 0% is clear and impressive. It might take time, but you can't cheat with a zero base. Bold targets are more committing.

Stephanie Illgner, Carlsberg

Examples of principle 4 in action

- Triodos Bank presents its customers with an impact map showing specific examples of the entrepreneurs, businesses and charities it invests in, inviting people to 'See who we're financing near you and around the world'.
- Renewable energy provider Ecotricity sends emails to update customers on their impact. In an email with the subject line 'You built this', it showcased specific projects such as 'A new windmill in Cardiff which now powers Pinewood studios on the site' and 'Two big windmills to power the Michelin tyre factory in Ballymena, Northern Ireland'.

Based on this, we tested a more general message about responsible investment against a message giving specific examples of impact to see which was more powerful (see **Crafting the message**).

5

It has to be simple.

People switch off when confronted with jargon or technical language.

This last principle is easy to state but can be difficult to do in practice. We all know from experience that jargon can be off-putting, but it is easy for technical terms to filter into consumer-facing communications. In our desk research, we observed some quite abstract explanations of ESG directed at pension scheme members, for example.

Importantly, our experts were clear that 'simple and easy to understand' does not mean dumbing down information or minimising the ambition of the product or campaign:

> When Unilever came out with their 'Double the business, half the impact', they nailed… the bold ambition with something really easy to understand.

Larissa Persons, Good Business

Distilling messages into clear and concise language is hard work and requires commitment by the communicator:

> Even among people who have got climate concern, climate awareness, their understanding of the ins and outs of what's going on is often quite limited. So, it's incredibly important to go at their pace, to untangle these issues, to balance the need to be scientifically correct with the need to be understood. I think that's a big challenge because climate change for such a long time has been the domain of scientists. It's tangled up in some very correct but almost impenetrable language. Things are improving rapidly, but we have to be quite firm with ourselves about how we're going to talk about it and what we're going to say.

Sarah Booth, OVO Energy

Examples of principle 5 in action

- Carlsberg's approach to talking about its zero-waste packaging target and the development of its Green Fibre Bottle prototypes combines plain language with the beer brand's characteristic humour and famous tagline, 'Probably the best beer in the world': '0% waste, 100% way to go – we are working on a new bottle that is totally biodegradable and made from wood fibre. Probably the way to go.'
- Ben & Jerry's ice cream is known for its progressive values and highly developed social and economic mission. Although the company's approach to ESG issues is rigorous, it uses fun and memorable wordplay and novel ingredients to grab consumers' attention. Recent ice cream flavours have included Save our Swirled and Baked Alaska, the latter of which features a hot polar bear and melting iceberg on the packaging and a recipe with white chocolate polar bears.

In our exploratory survey we asked pension scheme members to write their own ESG messages and observed the language they naturally used (see **page 36**). We believe further work is needed to find non-specialist language to communicate these messages effectively.

Targeting messages

> I think a good outcome would be that a member has more trust and confidence in how their pension providers are investing and managing their money, and they have faith that we're doing everything we can to get those good retirement outcomes for them. Hopefully… drip-feeding them nuggets of quite powerful statements and messages will help them look further into their pension – how it works, how it's invested, who it's with.

Diandra Soobiah, Nest Corporation

What engagement outcomes are we looking to encourage?

'Engagement' is a broad-brush goal. To start building an understanding of how messaging about the ESG impact of investments could engage pension savers in their retirement saving, we first need to unpick what kinds of engagement outcomes we're trying to encourage.

It's worth acknowledging that the member engagement objectives that we're exploring in this research programme are different to the objectives of pension investment professionals or responsible investment campaigners. The fiduciary duty of pension schemes and trustees means that they're looking at responsible investment primarily through an investment performance lens: What investment strategy is going to best manage risk and generate sustainable, long-term returns for their members' retirements? In contrast, campaigning groups such as ShareAction and Make My Money Matter are looking at responsible investment through an impact lens: How can pensions investments be better used as a force for good in the world? In this research we're looking at ESG issues from a different angle – not as an investment strategy, or as a movement for environmental and social change, but as a potential hook to drive member behaviours that could lead them to better retirement outcomes.

That's not to say that good investment returns or positive impact in the world are not relevant to member engagement. Both of these goals may be part of an effective message. But there are substantive differences in what needs to be considered.

While investment professionals may need to look at all of the issues that sit under the large umbrella term of 'ESG' to build a sound investment strategy, it may not be the case that all of these issues have the potential to engage members in planning for retirement. And while campaigning organisations may seek to drive behavioural outcomes such as making different fund choices or switching pension provider, these actions require the person to already be somewhat engaged in their pension. The first steps to engaging a disengaged member in their pension saving are likely to target different behavioural outcomes.

Many UK workers brought into pension saving by auto enrolment have low knowledge of what they are saving and what income this may give them in retirement. As discussed in Chapter 1, they may not know who their pension provider is, or even that they are making pension contributions. As one of our experts said:

> There's a low level of base knowledge about what a pension is. Even the people who do know about it feel it's unexciting, it's not sexy, it's not something they particularly want to engage with.

People often assume their pension contributions sit in a savings account rather than being invested. This represents another knowledge gap which could shape the effectiveness of messages talking about responsible investment or the ESG impacts of their investments.

Pension providers can't necessarily rush straight to messages about the positive impact of investments without first going through the steps in a journey to build their scheme members' foundational understanding – starting with raising awareness that they have a pension, and that it is invested for growth to give them an income in retirement. Providers may wish to initially target behavioural outcomes such as a member going to look at their pension provider's website or logging in to their pension account for the first time. Behaviours like checking a pension forecast or calculator, or considering whether to increase contributions beyond the minimum amounts, could follow.

Importantly, there was consensus among the pensions industry experts we interviewed that it would not be a desirable outcome of member engagement around ESG issues if most members became more active in making investment choices. There was some concern that if messages about ESG issues are not positioned carefully, they could lead to some members feeling they should by making active investment decisions, when evidence shows that, for most people, a well-managed default target-date fund would lead to a better retirement outcome than self-guided investment. Some of the experts we interviewed also felt that savers could potentially have more positive impact by staying in a large, responsibly invested default fund than by switching to an ethical fund, because a larger fund has more power to effect change through dialogue and shareholder voting, particularly in industries which could be excluded altogether from an ethical fund.

Our experts identified the potential for positive attitudinal change towards pension saving as a result of members' new understanding and behaviours. Logging in to an account for the first time could build a sense of empowerment and increasing confidence. Knowing more about how their pension provider works to grow their savings could increase members' interest in finding out more about their pension balance or forecast, for example.

Engaging members in how their pension is responsibly managed for them could also go some way towards combatting low levels of trust in pensions and financial services providers. Our experts felt this could be the case based on their experience, and we did see some evidence of this in our survey of the Nest member research community, where reported trust in a generic pension provider went up from an average score of 6.8 out of 10 at the start of the survey to an average score of 7.6 at the end of the survey if the pension provider 'told them about how they were investing their pension responsibly in line with environmental, social and corporate governance considerations'. It's possible that people would be more likely to increase their contributions from the minimum levels set under auto enrolment if they trust their pension provider is growing their money responsibly and carefully. This might actually be a stronger motivator for action than feeling that their pension provider or the fund in which they are invested aligns with their values.

Through our expert interviews, we identified a set of understanding, behavioural and attitudinal engagement outcomes which they believe could help to improve members' retirement outcomes. These are summarised in Figure 1.

Figure 1. Engagement outcomes that could improve member outcomes

Increasing engagement

Understanding	Behaviour	Attitudes
I know I have a pension.	I have visited my pension provider's website.	I am interested in finding out more about my pension.
I know my pension is invested for growth to give me an income in retirement.	I have logged in to my pension account.	I feel ownership of my pension.
I know how much I contribute and how much is added by my employer and tax relief.	I have looked at a pension forecast or calculator.	I feel I can make a difference through my pension saving.
I know what income I may have in retirement.	I have considered my contributions level and increased the level if appropriate.	I am confident in my retirement saving.

Given the breadth and complexity of ESG issues, there is a danger that messaging about responsible investment could fail to connect with members. Several of our experts talked about the need to target specific, measurable outcomes for any messaging, and to include a clear call to action, for example:

> If you look at broad sustainability movements that have worked, they contain liveable actions. They are really easy, clear steps to take, with a reasonably clear outcome.

Another talked about the need to more closely integrate messages and desired behavioural outcomes:

> It needs to be front and centre, so it's easy when you've got that moment that people are, like, 'Yes, I really care about this', they can then go and have a look at how much money [they] have in [their] pension.

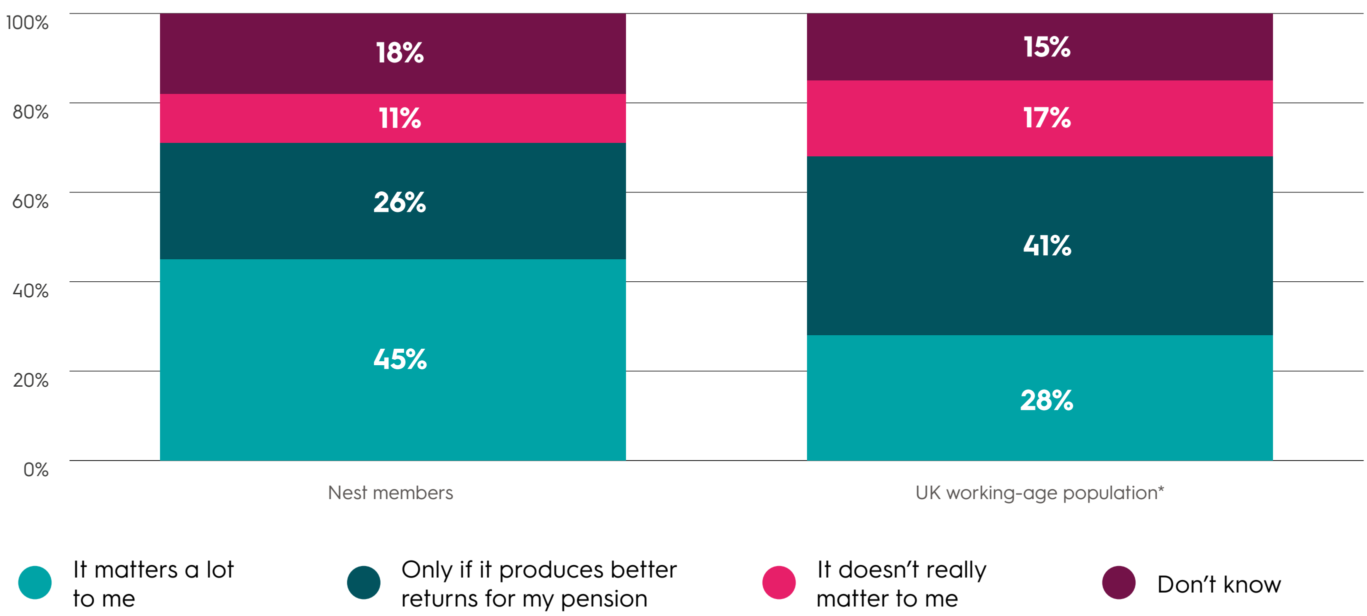
As our research programme moves forward into trialling messages in real-life settings, it will be important to identify which desired outcomes we're targeting and, as far as possible, measure the relative success of messages against them.

Who are we trying to engage?

Much of the research we reviewed found that public interest in ESG issues in the context of pensions varies. A 2019 survey of Nest members found that just over half (52%) said they were interested in where their pension is invested, 37% said they were neither interested nor disinterested and around one in ten (11%) said they were not interested[15]. As seen in Figure 2, Nest members were more likely than a nationally representative sample of the UK working-age population to say, 'It matters to me that my pension scheme holds to account the companies it invests in on things like executive pay, environmental damage or human rights', with 45% saying 'It matters a lot to me'. Men were almost twice as likely as women to say responsible investing doesn't matter to them (14% vs 8%).

15 'Interest in where my pension is invested' was ranked on a 10-point scale. Those answering 8–10 were scored as 'interested', those answering 5–7 as 'neither interested nor disinterested' and those answering 1–4 as 'disinterested'.

Figure 2. Does it matter to you that your pension scheme holds to account the companies it invests in on things like executive pay, environmental damage or human rights?



Source: Nest 'Voice of the customer' survey (November 2019). Nest members were those members aware of Nest, n = 2,775. This was compared with a nationally representative survey of the UK working-age population, n = 1,054.

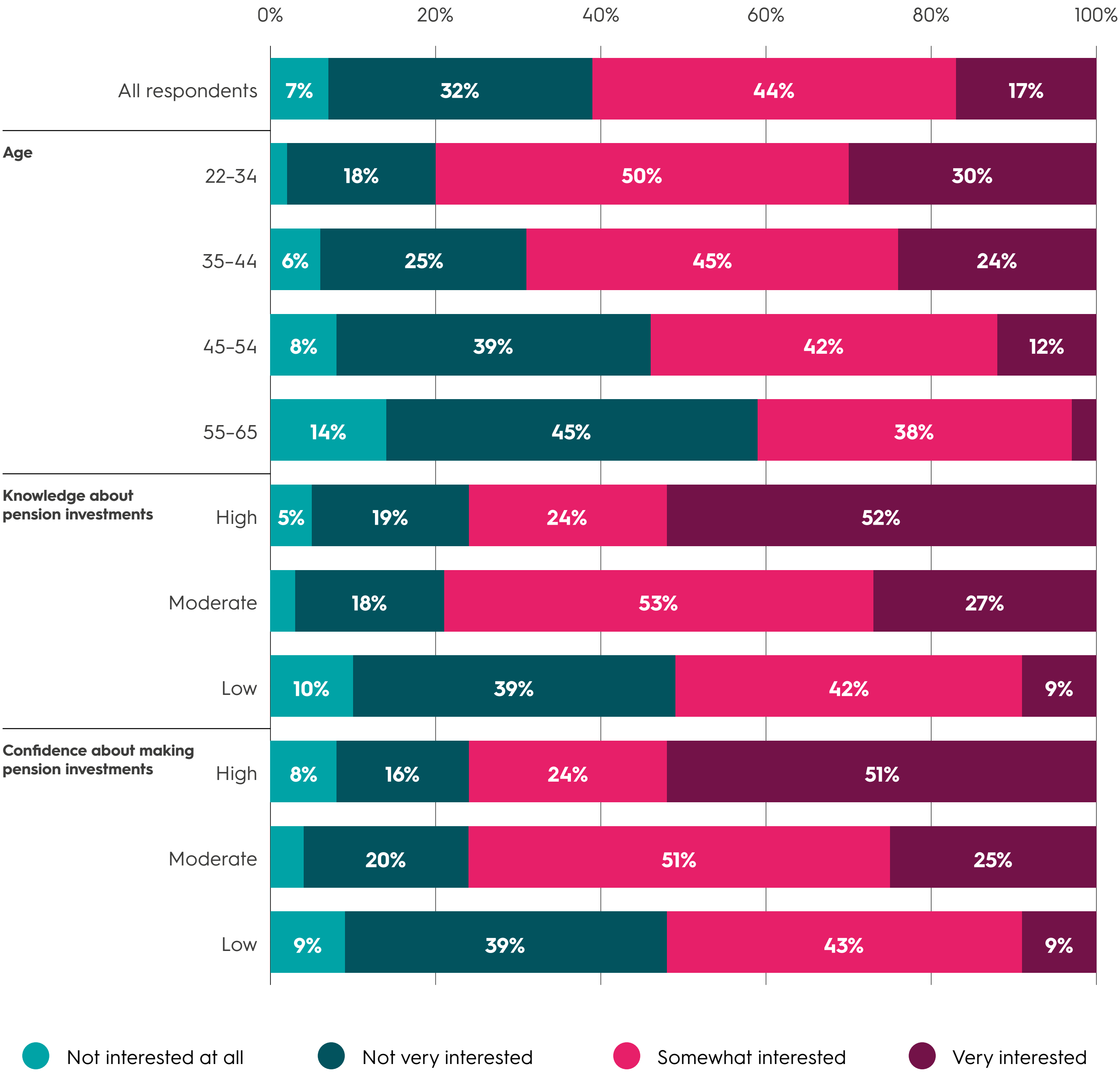
* Numbers do not add to 100% due to rounding.

Research with defined contribution (DC) scheme members by Ignition House showed differing levels of interest in responsible investment by age, with 30% of those aged 22 to 34 saying they were very interested in responsible investment, dropping with age to just 3% of 55- to 65-year-olds[16].

Stated interest was also higher among those who reported having higher knowledge about pensions investment and those who were more confident about making pension investments, as seen in Figure 3.

16 DCIF, Navigating ESG – a practical guide (February 2018), **dcif.co.uk/wp-content/uploads/2018/04/navigating-esg-final-lo-res.pdf**

Figure 3. DC scheme member interest in responsible investment by age, knowledge and confidence



Source: DCIF, Navigating ESG – a practical guide (February 2018). Nationally representative online survey of UK adults aged 22 to 65 with a DC pension, n = 1,061

These surveys demonstrate that those who are more engaged in pensions already, and those who have saved more already, are more likely to be engaged in ESG issues. Is there then a danger that talking about responsible investment reaches only those who are more likely to also be engaged in their pension saving?

Early behavioural evidence from a Nest responsible investment email campaign suggests otherwise.

Nest members were sent an email in 2019 with the subject line 'Nest is going tobacco-free across all our funds' and a call to action to click a link to 'view your pension pot'. Although members making contributions who had previously logged in and registered their account were more likely to open the email, with 7 out of 10 doing so, the open rate for unregistered members was also relatively high: 4.5 out of 10 unregistered members opened the email. And the click-through rate on the call to action link was nearly 1 in 5 for unregistered members who opened the email. So, in this case, a responsible investment message did reach people who had not previously engaged with their pension.

Although the 2019 Nest member survey cited above suggests that women are more likely to show an interest in responsible investment, in the Nest tobacco-free campaign no significant differences in responses by gender were observed. Interestingly, older members were more likely to open the tobacco-free email than younger members. This suggests that while younger people are more likely to express an interest in ESG issues in surveys, in practice higher engagement in pension-related messages around ESG may be seen among those who are closer to retirement.

When designing campaigns to drive member behaviours and better outcomes by talking about aspects of responsible investment, we'll need to understand whether this kind of content connects new groups with their pension saving or only speaks to those who are already engaged. One expert told us:

> You've got to make a big effort to change the conversation, fundamentally, rather than just talk smarter to people you are already talking to.

In the research reported here we were particularly interested to understand how the group who show higher engagement with ESG issues but lower engagement with pension saving would respond to the materials we were exploring, as there could be opportunities to increase their engagement in their pension by talking with them about how the issues they care about are relevant to pension funds. We also wanted to investigate whether there were any negative impacts of communicating about responsible investment with those who have higher engagement with their pension and lower engagement with ESG issues.

Communicating about investment

> For many people, there is a huge disconnect with their money in general, and their pensions specifically. Success for us in part is bridging that divide - helping people understand that their money isn't just sat in a bank vault in Switzerland, waiting for them to access in 40 years' time. It's helping create the world around them for better and for worse.

David Hayman, Make My Money Matter

What do people already know about investment?

Many people brought into pensions saving under auto enrolment in the UK are new to defined contribution (DC) pensions. Research shows typically low levels of understanding across the population that this type of pension involves investing money for long-term growth. One study found that only 29% of pension holders feel confident explaining what their pension scheme does with their money, whereas 44% indicated they feel not very or not at all confident[17].

17 **assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/834207/Investing-in-a-better-wold-full-report.pdf**

In the survey we ran as part of this exploratory research, the majority of members (around three fifths) said either 'I don't really understand pensions and find it a bit confusing' (16%) or 'I have a basic understanding but don't know much about the details of pensions' (45%). AustralianSuper found a similar picture:

> What we've found with some of our research was that members don't even realise that their money gets invested. They just think it goes into a bank account and sits there.

Sherryn Bouchard, AustralianSuper

So, before starting to talk to pension savers about how their money is invested, there is a need to communicate the foundational information that their money is invested and not 'sat in a bank vault'.

Gaining this knowledge could be empowering, but there are some potential risks in opening up the subject of pensions investment with savers. Previous Nest research has found that people may be surprised to find out their money is invested at all, fail to appreciate the rationale for why it's invested and find taking any kind of risk with their savings counterintuitive[18]. This is likely to be particularly true in the current economic context, with the coronavirus pandemic and resulting recession prompting some people to seek more security and avoid risks:

> The world's wobbling like mad, nothing's safe, everybody thinks they might lose their job tomorrow, people who've never had money troubles suddenly can't pay their mortgage – it's quite extreme, and I think we have to understand the context in which people live in.

Sarah Booth, OVO Energy

Some of the pension communications we reviewed positioned ESG investment strategies as 'innovative' or 'leading edge'. Many of our experts felt that rather than focusing on novelty, it would be more reassuring to pension members to explain how considering ESG factors is prudent and protects their money for the future. Our survey of Nest's research community brought forth phrases like 'provide reassurance and confidence' from scheme members.

'Responsible' seems to be a fitting frame here. It conveys responsibility for both the member and the broader world.

How can foundational information about investment be communicated?

To address the need to raise knowledge that a pension **is** invested before talking about **how** it is invested, we decided to develop a simple explanation of investment that could facilitate messages around ESG themes.

In our desk research review of existing pensions communications, we found some providers talking about responsible investment principles at a high level and others being more specific about the meaning of ESG and the criteria which are considered. Some took a more informative or educational tone, while others were more philosophical or emotional.

To understand potential responses to the different approaches, we developed three different investment explanations: a more traditional description with no reference to ESG issues, a general description of a responsible investment approach and a description that explained ESG by highlighting specific issues (see Table 1). Each description was positioned as being written by a different pension provider.

We then tested the three different explanations through our survey of Nest's member research community.

18 Nest, Improving consumer confidence in saving for retirement (2014), **nestpensions.org.uk/schemeweb/dam/nestlibrary/IRR-2014.pdf**

Table 1. Three different explanations of pensions investment

Traditional investment description	Responsible investment description	ESG scoring investment description
The money you save for your retirement in a pension is put into a retirement fund. The fund is used to buy shares and property to grow your money. As your pension provider we monitor and manage the use of your money to produce growth. When you reach your retirement date you can take your money as a retirement income.	As your pension provider we manage your money carefully to make sure that it grows over time to give you an income in retirement. To grow your pension pot, it's put into a fund which is used to buy shares in companies and property. Because you will be building your pension pot over many years, we take a responsible long-term view – looking for companies that have a good future and avoiding those that will struggle to keep making profits over the long term. This means thinking about risks like climate change and legal action against companies. It also means looking for the places where future growth will come from, like renewable energy or technological innovations, and investing in progressive companies that are looking after their employees and treating people fairly.	As your pension provider we help you save and invest for your future. We understand that when it comes to investing, ethical and sustainable factors are increasingly important for our world today and into the future. That's why your pension fund uses ESG scoring. ESG stands for Environmental, Social and Governance. The environmental criteria measure a company's impact on the environment, such as energy efficiency and its emissions and waste. The social criteria track various performance measures ranging from a company's policies and record on human rights, right through to responsible employment practices. The governance criteria assess and measure how the company is run, from internal controls to leadership, as well as executive pay and shareholder rights.

Among Nest members surveyed, the responsible investment explanation had the broadest appeal, with 9 in 10 people ranking it as the description they would be most likely or second most likely to take notice of and just over half ranking it first. When asked to provide feedback on the descriptions, respondents reacted positively to the focus on long-term growth and the benefits for the member. They said the responsible investment description also communicated good financial returns and trustworthiness. Nearly 6 in 10 said the pension provider describing investments this way would get the best growth for their pension pot, and half said they would trust this provider the most to look after their pot.

9 in 10

of Nest members surveyed preferred pensions explained through responsible investment over a traditional description

Some members said they would have liked more emphasis in the responsible investment explanation on what the benefits of this approach are for them. For example, a younger member categorised as having lower engagement in both ESG issues and pensions said:

> I would like to know why this is relevant to my pension fund, e.g. why does this make a company a better investment, purely from a monetary standpoint.

Responses to the ESG scoring explanation were more mixed, with around 3 in 10 members surveyed saying they would be most likely to take notice of this description. Some people found it a bit didactic, or even patronising. Others liked the clarity and welcomed the idea of a scoring system, for example commenting:

> I always like to see that an organisation is using a scoring system! It's reassuring.

The need for a transparent and consistent scoring or certification system which savers could use to judge the ESG credentials and performance of a pension provider or fund has been much discussed in the industry. Interestingly, nearly 4 in 10 people in our member survey said they would be most likely to trust a pension provider describing investments in this way – higher than the percentage of people who said they found it most engaging. It may be that mentioning a measurement system in this description contributed to the higher level of reported trust.

Importantly, although the traditional investment description with no mention of responsible investment or ESG issues was ranked as the least engaging overall, nearly 1 in 5 said it was the description they would be most likely to take notice of. A significant minority said they don't want to hear more detail on investment and may even view information about responsible investment or ESG as marketing 'spin'. Those who said they would be most likely to take notice of this description made comments like:

> All very easy to understand and no 'spin'.
>
> Simple, straightforward and no jargon.

These responses were broadly consistent across people with higher and lower pensions engagement and higher and lower ESG issues engagement.

How much weight should responsible investment be given in communications?

We also explored how much weight a responsible investment message should be given in communications from a pension provider in our survey of Nest's member research community. We know that how people say they will respond to communications and how they actually respond in a real-life setting often do not match up. So our learnings from this survey should be interpreted with some caution until we are able to share analysis of our email-based randomised controlled trial. However, it's useful to get an early sense of how different groups may respond to different messaging approaches.

We developed three different versions of an email giving information about how a pension pot is invested and including a call to action encouraging people to log in to their pension account to find out more. One version did not mention responsible investment at all, one gave some information about responsible investment only as a secondary, supporting message and the third led with a responsible investment message, as seen in Table 2.

Table 2. Three versions of an email tested in Nest's member research community

Email mock-up A – No mention of responsible investment	**Email mock-up B – Responsible investment message secondary**	**Email mock-up C – Responsible investment message leads**
Hello Have you looked at your pension pot recently? Your money is invested in companies and property to help it grow for you over the long term. Find out how your money is invested and how much is in your own pension pot already by logging in to your account here.	Hello Have you looked at your pension pot recently? Your money is invested in companies and property to help it grow for you over the long term. Our responsible investment strategy helps to protect your pension savings by focusing on companies that are planning ahead, for example by fighting climate change, building affordable housing or treating their workers fairly. We believe these companies are better prepared for the future and so will grow your savings over time. Find out how your money is invested and how much is in your own pension pot already by logging in to your account here.	Hello Did you know your pension pot is invested in renewable energy, affordable housing and technology innovation? And that by saving in your pension you are contributing to fighting climate change, making sure workers are paid a living wage and that people are treated equally and fairly at work? Our responsible investment strategy helps to protect your pension savings by focusing on companies that are planning ahead. We believe these companies are better prepared for the future and so will grow your savings over time. Find out how your money is invested and how much is in your own pension pot already by logging in to your account here.

Overall, the email that included information about responsible investment as a supporting message had the broadest appeal. Nearly 9 in 10 people ranked this as the email they would be most or second most likely to read and act on.

However, the responsible investment-led email had the highest proportion of members ranking it as the email they would be most likely to read and act on, with 4 in 10 (43%) ranking this message first versus 3 in 10 (30%) for the email with responsible investment as a supporting message and less than 3 in 10 (28%) for the email that did not mention responsible investment.

Notably, responses to the email mock-ups varied across the four engagement groups. Among those with lower engagement in both ESG issues and pensions, 5½ in 10 (56%) ranked the message with no mention of responsible investment as the one they would be most likely to read and act on.

It's likely that people's differing starting points will influence their level of interest in a responsible investment message. Ideally, communications would be targeted and personalised as much as possible to people's existing level of engagement.

4 in 10

of all Nest members surveyed ranked the responsible investment-led email as their top choice

5½ in 10

of those with lower engagement in both ESG issues and pensions ranked no mention of responsible investment as their top choice

If that's not possible, then the middle ground where responsible investment information is used as a supporting message to build credibility and interest may have the most universal appeal, since there is a danger that a message that puts too much emphasis on responsible investment or gives too much detail risks alienating those people who are less engaged in ESG issues. Sarah Booth drew a useful parallel with the experience in the energy sector, which is further along the journey of talking with customers about sustainability:

> The data we see around people's engagement with sustainability is interesting. Some people just aren't there, because they have too much else to worry about first, in which case it would not be the reason for them to engage, but maybe a reason for them to be reassured. The pension is the pension. The benefit is what you get out of it at the end, in terms of your ability to live comfortably when you have retired. The 'nice to have' is that your pension has also given back to society. I don't know that it would be the kicker. Sustainability is not in the top six reasons for the average person to choose an energy supplier, despite how many energy companies have positioned themselves as sustainable.

Sarah Booth, OVO Energy

We look forward to testing the right balance of information in our randomised email trial, and to conducting further analysis on what kinds of messages best drive positive behavioural outcomes, in particular for scheme members who are less engaged with their pension.

Focus issues

> There's such a cacophony of information these days. So, any kind of messaging or ways to connect with people and get a story out there or get them thinking about something has to find what's relevant to them.

Barry Brand, Yellow.Global

What does ESG mean to pension savers?

'Responsible investment' and 'ESG' are broad umbrella terms, encompassing a wide range of issues. This creates a challenge in communicating with pension savers. Much of the pensions industry's focus to date has been on climate change risks to investments and targets to mitigate these, including working towards net-zero carbon dioxide emissions and meeting the 2°C temperature rise target of the United Nations' Framework Convention on Climate Change Paris Agreement. However, pension providers and fund managers are also working on investment strategies to address an increasing range of issues, such as obesity, cyber security and workforce health and safety. These are complex and technical issues spanning many different fields of expertise. Perhaps because of this, the acronym 'ESG' has gained currency as a useful short-cut description. However, 'ESG' is unlikely to be a term that engages pension scheme members effectively. As one of our experts said pointedly:

> It needs to be human, relevant and relatable. Time and time again, 'ESG' doesn't work. 'Responsible investment' is better than 'ESG'.

When we asked Nest's research community members to write their own version of an email to encourage engagement, the term 'ESG' was not commonly used, even though they'd just been reading stimulus materials in which it was prominently presented. Instead, these members used descriptions like 'a responsible investment approach', 'tackling urgent social issues' and 'ethical and sustainable growth'.

Engaging pension members through ESG does not require communicating with them on every issue that falls under this umbrella. There are likely to be some areas of overlap between the focus of investment professionals and the interests of the savers whose money they are investing. There are also likely to be areas that are fundamental to a robust and sustainable investment approach which will be of less interest to members. In order to find ways to translate high-level strategy into stories relevant to the day-to-day lives of pension savers, we need to understand which issues are of most interest to them, and which offer less opportunity for engagement.

Which issues matter most to people?

The issues that matter most to people will vary depending on personal values and circumstances. One of our experts pointed out the range of things that might engage pension savers:

> Values are not black and white and clear. Everyone's views on these things are different. So, I may care deeply about tobacco, you may care deeply about alcohol, someone else may care deeply about the environment, others about child labour...

Another said:

> Our recent ESG generational survey highlighted that people tend to care about the issues they have been most impacted by. Older women really cared about governance and poor pay practices for instance. This may be due to the impact of the gender pay gap. Unsurprisingly, millennials really cared about climate change. This really highlights the importance of targeted and personalised communications – to engage members on the issues they care most about.

Emma Douglas, LGIM

Table 3. How important are the following sorts of issues to you? (importance rating out of 10)	**Scored 8–10**	**Average score**
Social issues – for example, how workers are treated, giving back to the community, fair pay, human rights	80%	8.5
Environmental issues – for example, climate change, sustainability, energy efficiency, waste, carbon-footprint reduction, looking after the natural environment	77%	8.4
Governance issues – for example, how companies and organisations are run, executive pay levels, their transparency, their commitment to diversity across gender, race and sexuality	67%	7.8

Table 4. How important are the following sorts of issues to you? (importance rating out of 10)	**Scored 8–10**	**Average score**
Social issues		
Women	86	9.0
Men	75	8.2
Governance issues		
Women	76	8.4
Men	59	7.4

Despite this, we were able to see a consensus of interest and importance around some issues across a broad range of people in our exploratory member survey. We were also able to identify the relative importance of several issues. Of course, it is vital to note again that it's easy for people to say issues are important to them in a survey, and that not all of these stated interests are likely to translate into action. However, the patterns we observed in our analysis of the survey responses are useful for considering which issues people find most relevant to them, which may help to cut through the cacophony of information they're receiving.

We found that, when talking about issues at a high level, social and environmental factors are more important to people than governance issues, with 8 in 10 (80%) rating social issues as 8–10 on a 10-point scale, versus 77% saying the same of environmental issues and 67% of governance issues (see Table 3).

We did see a noticeable difference by gender on the importance of these high-level topics. Women are more likely to rate governance and social issues as important than men (see Table 4).

We next showed the survey respondents a longer list of issues described at a more granular level. They were asked to say how important each issue is to them personally on the same 10-point scale, and then to rank those issues which they had rated at 6 or above in order of importance. The specific issues that were both most broadly important to people and elicited the greatest strength of feeling were 'tackling climate change' and 'everyone being paid a living wage', as seen in Table 4.

Again, there were some noticeable gender differences, with women more likely to rate a number of these specific issues as more important. These issues are highlighted with an asterisk in Table 5.

Table 5. Which of the following issues do you think are important to you personally? Survey respondents were asked to rank all issues that they scored as 6 or above in importance on a 10-point scale. Issues are ordered based on the percentage of people who ranked it in their top 3, with those significantly more important to women marked with an *.		Rated 6–10	Ranked in top 3
	Tackling climate change	89%	39%
	Everyone being paid a living wage	94%	34%
	Availability of good education	95%	25%
*	Fair treatment of workers	94%	21%
*	Availability of good hospitals	95%	20%
	Protecting natural habitats and heritage	95%	17%
*	Availability of affordable housing	87%	14%
	Clean energy	88%	13%
	Reducing fossil fuel consumption	84%	13%
*	Animal welfare	84%	13%
	Food safety	93%	10%
*	Waste reduction	92%	10%
	Disease prevention	89%	9%
*	Equality and diversity in the workplace, including representation at boardroom level	82%	9%
*	Biodiversity	81%	9%
	Medical advances / innovation	86%	8%
*	Stopping trade in arms and weapons	77%	7%
	Reducing levels of health issues, such as obesity and diabetes, in the world	79%	7%
	Cyber security	89%	6%
*	Businesses being open and transparent	89%	6%
	Reasonable executive pay levels	71%	4%
*	Reducing meat consumption in the world	47%	3%
	Reducing levels of smoking in the world	67%	1%

* women more likely than men to rate this issue important

The Covid-19 crisis is likely to have intensified the relevance of some of the higher-ranked issues, including 'everyone being paid a living wage', 'availability of good education', 'fair treatment of workers' and 'availability of good hospitals'. As one survey respondent told us:

> I take notice of social issues, especially recently with the current Covid-19 and the impact on society.

The Covid-19 crisis provides an opportunity to make a link between the everyday lives of workers saving into a pension scheme and the pension provider's actions engaging with investee companies.

> We have a lot of low-paid workers invested in the scheme, probably some of them working in really hard jobs. With Covid-19, we've seen the difference between essential key workers and how they're treated, versus office-type workers and white-collar work. I think we can talk to them about, Actually, do you know that we're engaging with the companies that we invest your money in? Potentially, you could be working for these companies, and we're encouraging employers and companies to pay the minimum wage and improve working conditions, improve structures around secure work versus non-secure work. We do this because it's not only the right thing to do, but we know that companies that invest in and engage with their workforce in a positive way are likely to be more profitable and sustainable in the long term.

Diandra Soobiah, Nest

The relative importance ranking of these ESG issues demonstrates that things that impact people at a household or community level are likely to be of higher interest and have higher potential to engage them than things that feel more distant. Likewise, more immediate expressions of these issues are seen to be more important than more distant, abstract or technical descriptions, even when the issues are similar in nature. For example, in our survey 'protecting natural habitats' ranked higher than 'biodiversity', 'fair treatment of workers' ranked higher than 'equality and diversity' and 'reasonable executive pay' and 'availability of good hospitals' ranked higher than 'reducing levels of health issues in the world'.

Crafting the message

> Talking about climate change, it's very technical. It's lots of numbers and people lose it a bit. Whereas if you talked about it more in local terms – like what it means for your particular suburb or what it means for the birds in the park or your local wildlife or flora and fauna, or your road that's outside your house – if you try to make it local stories, more issues-based, members seem to engage more with that.

Sherryn Bouchard, AustralianSuper

How could communications be framed?

It's well known that the way a message is framed can impact the way people respond to it – it's not just what you say, but how you say it that matters. For example, a test of campaign videos conducted by Make My Money Matter found that a message about how an individual can be empowered to fight climate change was more engaging than a message about the collective power of pension members or a message about aligning your pension investment with values and behaviours you express in other parts of your life:

> We've done three videos recently that we tested. One was about the power of having 3 trillion collectively invested in the UK pensions industry and what that money could achieve. The next focused on how the most powerful thing you can do to fight climate change is moving your pension pot. The last considered the dichotomies between vegans investing in factory farming and XR protesters investing in oil and gas through their pensions. 'This is the most powerful thing you can do to fight climate change' was, by far, the highest performing. That's a particular climate lens to things which is incredibly important to people right now – and the empowering, positive messaging about making an impact on the world through our money performed very well.

David Hayman, Make My Money Matter

Through our desk research and expert interviews, we identified several different options for framing messages about responsible investment. We were interested in knowing if it would be more engaging to give a general overview of what responsible investment means or to bring it to life with specific examples. This has been debated in the development of the Make My Money Matter campaigns:

> This is something we go back and forward on, a blunt catch-all narrative about the power of our money, versus very specific, very targeted messages. My sense is that if you're going to get someone on the particular E, S or G element, they're already in, they're already predisposed to change or engaged on this issue, therefore you're just targeting them in a different way, as opposed to reaching a particularly new audience.

David Hayman, Make My Money Matter

We wanted to know if people seemed more interested in global or local stories. Responsible investment messages are often framed as global stories, but some of our experts suggested that a local framing had worked well in other areas. For example, Barry Brand of Yellow.Global talked about a communications strategy on which he worked to help people make a connection between the coffee they were drinking in cafes and the impact drinking socially responsible coffee could have on the world. The concept of Fairtrade had proved too distant for most people to connect with, so they came up with the Joined-up Drinking campaign, which brought together investment in the cafes' local communities with investment in the coffee growers' communities:

> Localisation is very powerful. How do you personalise it for a group or a town or an area? When we started to do the Joined-up Drinking, the buy-in was phenomenal. Because suddenly it was something that was tangible for them. They could go down to their local coffee shop and see that a local artist had been supported or a local initiative was being helped to get off the ground.

Barry Brand, Yellow.Global

There may be a particular opportunity here for pension schemes to engage members with infrastructure investments in their region, such as affordable housing projects, renewable energy plants, hospitals and local industries as well as in property that creates local employment opportunities. Similarly, communications about climate change risks may resonate more with people if they hear about local manifestations such as flooding or drought.

In previous Nest research around communicating about investment, we found that people could be put off of pension saving if communications implied that their money was being combined with other people's money in a fund, and preferred to think of their pension savings as their individual pot. But in the context of talking about how pension money is managed responsibly for longer-term benefits to society as well as financial growth, we wondered if a collective message would be more compelling, since the impact that could be described would be bigger. We decided to test this in our survey of Nest's member research community.

Other questions raised around message framing included whether people would be engaged by a more emotional message or a more rational message focused on financial returns, and whether they would be more engaged by hearing about how their pension provider was avoiding negative impacts or how it was working towards making a positive impact in the world.

Early feedback on different message framings from Nest members

We developed these learnings into five pairs of messages, each pair framing a similar concept in differing ways. The message pairs are set out in Table 6.

Members of the Nest research community were shown the message pairs in a randomised order in the survey and asked to pick the one message from each pair that they would prefer to hear from their pension provider. They were then asked to rank the five messages they selected from the pairs in order of preference based on which would be the most likely to encourage them to engage with their pension. 'Encourage you to engage with your pension' was defined as 'make you most likely to do things like visit the pension website, log in to your account, look into how much you are saving and what income you could have in retirement, etc'.

Table 6. Messaging pairs tested with Nest's member research community

Individual impact	**Collective impact**
This year, your personal pension investment has prevented carbon emissions equivalent to stopping 400 plastic bottles going to landfill.	Together, this year, our members' investments have prevented global carbon emissions equivalent to stopping 23,557 tonnes of waste going to landfill.
General impact	**Specific impact**
We believe our responsible investment approach isn't just better for your pocket – it helps people and the planet we live on too. We look at whether the companies and industries we put your money into today are contributing towards a good future for you to retire in, as well as continuing to make money for you.	In the past year, as a result of our responsible investment approach we have: — pulled over £200 million from high greenhouse gas-producing companies and put it into businesses that are tackling the challenges of a low-carbon economy — voted 3,000 times in shareholder meetings taking a stand for companies to treat people fairly and look after our planet for the future — invested in 15 affordable housing developments and 10 sustainable transport projects in the UK
Proactively good	**Avoiding the bad**
We are investing your money in companies that: — are fighting climate change — uphold human rights across their supply chain	We do not invest your money in companies that: — have high fossil fuel use — employ child labour in their supply chain
Financial returns	**Emotional returns**
Responsible investment protects your money and helps it grow for the long term.	You can feel proud that you're helping to build a better world for the future through your pension investments.
Global impact	**Local impact**
We're working with companies globally to build a better world for the future for everyone.	We're working with companies in your local region to build affordable housing and create jobs.

Individual impact versus collective impact

Individual impact	Collective impact
This year, your personal pension investment has prevented carbon emissions equivalent to stopping 400 plastic bottles going to landfill.	Together, this year, our members' investments have prevented global carbon emissions equivalent to stopping 23,557 tonnes of waste going to landfill.
4 in 10 would prefer to hear this message from their pension provider	**6 in 10** would prefer to hear this message from their pension provider

Responses to the individual and collective impact message frames were mixed. There was a slight preference for the collective message, with around 6 in 10 people (59%) saying they preferred it. As we hypothesised, members told us their reason for preferring the collective message was that the numbers given were much bigger, so it came across as more impressive and impactful:

> A tonne of waste is very heavy. A plastic bottle sounds much less substantial. And there's less of them. I'm picturing a full-on landfill site not happening versus a small warehouse not filled with plastic bottles.

The collective message made some members feel they were making more of a difference in the world through their pension than they could do on their own:

> It sounds like something you do is actually making a difference.

However, some people did find the example given in the individual message more tangible, even if it was smaller:

> Because I know the size of a plastic bottle. I don't know the size of a tonne.

And there was a sense that the individual message feels more personal and therefore more relevant:

> It isn't directed at me personally – 'our members' makes it seem like it's talking about someone else.

Responses to these messages varied across the four engagement groups in our matrix (see **page 20**). Those with lower engagement with ESG issues and higher engagement with pensions were more evenly split in their response to the messages, with about half picking each (51% for individual impact versus 49% for collective impact).

In addition, younger people were also more likely to prefer individual messaging, with 5½ in 10 (55%) of 18- to 39-year-olds saying they preferred it, compared to just over 3 in 10 (33%) among those aged 40 or older.

6 in 10

of all Nest members surveyed preferred a collective impact message

5 in 10

of those with higher pensions engagement and lower ESG issues engagement preferred an individual impact message

General impact versus specific impact

General impact	Specific impact
We believe our responsible investment approach isn't just better for your pocket – it helps people and the planet we live on too. We look at whether the companies and industries we put your money into today are contributing towards a good future for you to retire in, as well as continuing to make money for you.	In the past year as a result of our responsible investment approach we have: — pulled over £200 million from high greenhouse gas-producing companies and put it into businesses that are tackling the challenges of a low-carbon economy — voted 3,000 times in shareholder meetings, taking a stand for companies to treat people fairly and look after our planet for the future — invested in 15 affordable housing developments and 10 sustainable transport projects in the UK
4 in 10 would prefer to hear this message from their pension provider	**6 in 10** would prefer to hear this message from their pension provider

Responses to the general and specific impact message frames were also quite mixed. Scheme members had a slight preference for the specific message, with around 6 in 10 people (62%) saying they preferred it to the general message (38%).

While survey respondents of all ages preferred the specific message overall, this preference was much stronger among younger people. Just over 7 in 10 (72%) of those aged 18 to 39 said they preferred the specific message, compared to 5½ in 10 (56%) of people aged 40 or older. Some members said the specific examples made the message more credible and as a result they put more trust in the pension provider:

> It makes me feel good about my pension, and the listed actions make me trust that the pension provider is investing in causes I believe in.

By contrast, the general message was felt by some to be too vague and superficial, lacking in both depth and credibility:

> I like the essence of the message, but the lack of detail causes me to wonder by how much are they trying to do good and is mainly a PR message.
>
> It's a good message but perhaps less believable and less interesting because of being vague.

The tangible examples in the specific impact message also made some people want to find out more, and potentially get more involved in their pension:

> This would make me want to find out which companies you have pulled £200 million from and where the money is invested now. It also encourages me to save more through the pension, as you are helping create affordable housing in the UK.

However, for those who are less engaged, the specific message could feel like too much:

> Too detailed. I would expect such fine granularity further in the body of a report… if I wanted to know that much detail.
>
> It's too long, with too many figures that don't mean anything on an individual level.

While a majority overall preferred the specific impact message, among those with lower engagement in both ESG issues and pensions, more people – just over half (54%) – preferred the general impact message.

5½ in 10

of those with lower ESG issues engagement and lower pensions engagement preferred a general impact message

Proactively good versus avoiding the bad

Proactively good	**Avoiding the bad**
We are investing your money in companies that: — are fighting climate change — uphold human rights across their supply chain	We do not invest your money in companies that: — have high fossil fuel use — employ child labour in their supply chain
7 in 10 would prefer to hear this message from their pension provider	**3 in 10** would prefer to hear this message from their pension provider

We saw a more defined response to the proactively good and avoiding the bad messages, with 7 in 10 (70%) people preferring the message that described how a pension provider was investing their money in companies which were working to improve the environment, social issues and corporate governance. Members said this positive message framing made them feel good:

> I understand that both messages have similar content, but the one written in a positive way makes me feel better to read, and leaves me in a more positive state of mind.

It was also felt that the positive message was more active and concrete:

> I prefer the positive message that states what they do, rather than what they don't do.

A message of exclusion, like the avoiding the bad message, also risks raising issues people may not have been aware of, or that they expect all pension providers and funds already take into account. As one member said:

> Investing positively rather than just avoiding, for example, carbon emitters, which should expect as minimum.

This response was even stronger among people with higher engagement in ESG issues but lower engagement with pensions, where nearly 8 in 10 (78%) preferred the positively framed message. This is noteworthy since this group has the most potential to be become more engaged in pension saving through their interest in ESG issues.

7 in 10

of all Nest members surveyed preferred proactively good messages

8 in 10

of those with higher ESG issues engagement and lower pensions engagement preferred proactively good messages

Financial returns versus emotional returns

Financial returns	Emotional returns
Responsible investment protects your money and helps it grow for the long term.	You can feel proud that you're helping to build a better world for the future through your pension investments.
Just over half (54%) would prefer to hear this message from their pension provider	**Just under half (46%)** would prefer to hear this message from their pension provider

Responses to the financial and emotional returns message framings were more evenly split, with around half choosing each message. However, as might be expected, a much stronger preference for the financial returns focus was expressed by people with a lower engagement with ESG issues but higher engagement with pensions, among whom nearly 7 in 10 people (68%) preferred the financial returns message.

Feedback here highlighted the need to focus first and foremost on the primary benefit of the pension for the individual – 'protecting my money and helping it to grow':

> This is all that I really need to know. It is all that is actually important for me concerning my pension. All the rest is basically 'virtue signalling', apart from a few things that I would hope that my pension provider was not doing.
>
> I think it's great to hear that my pension is helping to make the world a better place, but ultimately I'm investing in my own future, so I'm more interested in how well my pension is doing for me as I will have to survive on it in the future.

This perhaps suggests that a message would ideally describe both financial and emotional benefits, not least because of the potential to build positive feeling around a subject that is often felt to be dry or cold. As one member said:

> The invoking of pride in the message I picked generated a good feeling.

Fundamentally, these responses point to the fact that reassurance around financial performance of a pension should be a minimum requirement of any message to members, and particularly for those who are not interested in ESG issues.

5½ in 10

of all Nest members surveyed preferred messages about financial returns

7 in 10

of those with higher pensions engagement and lower ESG issues engagement preferred messages about financial returns

Global impact versus local impact

Global impact	Local impact
We're working with companies globally to build a better world for the future for everyone.	We're working with companies in your local region to build affordable housing and create jobs
4 in 10 would prefer to hear this message from their pension provider	**6 in 10** would prefer to hear this message from their pension provider

There was a slight preference among the survey respondents for a local impact message over a global impact one, with 6 in 10 people (60%) saying they preferred the local framing. Importantly, this preference was strongest in the group that perhaps has the greatest potential for new engagement with pensions saving through an ESG lens – 8 in 10 people who had higher engagement with ESG issues but lower engagement in pensions said they preferred the local message. Some members told us they were more motivated by hearing they were having a global impact:

> I would like to think that my choices are having a positive effect on the world (rather than just at a local level).

Others felt a greater sense of connection with local issues:

> I would be surprised by it and curious to find out more about the local projects, because I'd feel a small sense of personal pride/involvement. The other option was about the world as a whole which feels too big for me to personally impact.

We're keen to explore responses to these different message frames in stage two of our research programme, which involves an email-based randomised controlled trial with pension scheme members, and look forward to discovering whether we see similar results in a real-life setting.

6 in 10

of all Nest members surveyed preferred messages about making a local impact

8 in 10

of those with higher ESG issues engagement and lower pensions engagement preferred messages about making a local impact

Chapter 5

Conclusions and next steps

The findings from our exploratory research suggest that talking to pension scheme members about how their retirement savings are responsibly invested does have the potential to build some new engagement with pension saving and to reach some people who may not have been engaged by other communications.

Messages describing responsible investment and ESG strategies can help bring to life the idea of pension growth, and could also reassure people that their money is being well managed and looked after for the future. For people who are already engaged in some of the areas of sustainability and social responsibility that investment professionals are increasingly focusing on, making a link between their personal values and behaviours in day-to-day life and their pension could be a way to make this saving feel more relevant to them.

However, it's also clear that talking about responsible investment and ESG issues is by no means a 'silver bullet' for engagement. There is still much work to be done before we can be confident that such communications will be effective in driving positive retirement outcomes for savers:

1. Other industries have taken their customers on a journey, building engagement in environmental, social or governance issues in steps over time. The pensions industry should think carefully about pension members' starting points and context. For example, we should not take for granted that pension scheme members know their money is invested in companies rather than kept in a savings account. There is a need to build confidence and knowledge around foundational concepts that underpin any responsible investment stories we might want to share with members. This is likely to be particularly important for those who have been quite recently brought into pension saving for the first time under auto enrolment.
2. It's important to target messages carefully. Not all pension members are interested in responsible investment, and not all the issues that fall under the ESG umbrella are equally relevant to everyone. There is a need to translate information about investment strategies into stories that are relevant and meaningful to individuals. Issues that feel closer to home for members, such as workers being paid a living wage and infrastructure projects local to their community, are likely to be of greater interest than more global issues or abstract concepts. While climate change does have broad relevance, where possible it should be framed in a way that is tangible to people, for example by giving examples of climate change impacts close to where they live.
3. We need to be focused and realistic about the engagement outcomes we are hoping to drive. Behaviourally, the first step in a journey to engagement might be prompting someone to visit their scheme website or log in to their personal pension account for the first time.
4. We need to understand more about how to frame these messages. In the member survey reported here, we saw quite different responses to similar messages framed in different ways.

If these considerations are addressed through further research, we are cautiously optimistic that talking to pension scheme members about responsible investment could lead to positive behavioural and attitudinal outcomes, at least for some people. Communicating relevant stories connected to retirement saving could boost trust in specific pension providers and the industry as a whole, increasing interest in an area of personal finance that has traditionally been considered 'boring', and perhaps even building a sense of empowerment around saving for retirement. More fundamentally, if further research shows this is a more powerful communications hook than other engagement tactics that have been tried in the past, it may help more people take a first or second behavioural step towards greater financial security in retirement – perhaps prompting them to log in to their pension account or check their contribution level for the first time.

Nest Insight strongly believes that further testing in a real-life setting, at scale, is required before we can draw any firm conclusions from this research programme. There is lots of evidence that people don't behave in real life as they say they will when asked in focus groups, surveys and experimental trials, and that trial effects themselves don't always scale well[19]. Additionally, there are strong behavioural biases at play when it comes to retirement saving that mean intentions often do not translate into actions. For these reasons, we are excited to begin the second stage of this research programme, which will take the learnings from this exploratory work into a real-life setting for further evaluation.

19 See **jstor.org/stable/23142896**, and Stefano DellaVigna and Elizabeth Linos, RCTs to scale: comprehensive evidence from two Nudge Units, NBER Working Paper (July 2020), **nber.org/papers/w27594**

Our next step is to conduct an email-based randomised controlled trial of different messages with Nest scheme members. This will allow us to measure whether different responsible investment or ESG messages perform better or worse at driving targeted behavioural outcomes than a message that does not mention these themes. We will measure outcomes, including email open rates, click-through rates and subsequent downstream behaviours such as registering or visiting an online account and making contributions or transferring funds between pension accounts. In the analysis of the trial, we will look at any differences in the responses to the messages by different characteristics, including gender, age, pot size, income, sector, level of previous engagement with the scheme and contribution history and patterns.

We look forward to being able to share the findings from this trial in 2021.

nest insight

Contact us:

insight@nestcorporation.org.uk

To find out more, visit our website:
nestinsight.org.uk

p78200 68004 11/2020