

Pensions and investing for positive change

In November 2021 we sent a survey to customers in the PensionBee Fossil Fuel Free Plan. This survey was in response to recent requests for a new type of pension that only invests in companies that are addressing the world's biggest social and environmental problems. We searched the market to find a range of options that may meet these criteria, and these options form the basis of the survey questions.

As just a small number of global companies meet the strict investment criteria requested by customers, these types of pension plans only typically invest in around 30 to 60 handpicked companies. This level of risk is much more concentrated than PensionBee's other existing plans, which tend to be invested in many thousands of different companies across all geographies and industries.

Plans of this concentrated type with handpicked companies are actively managed, with a team of analysts selecting stocks based on their understanding of impact and value. Actively managed plans tend to have higher costs. Therefore, we also included questions about risk, cost, and exclusions to ensure that any new plan we offer is both suitable for the needs of our customers based but also aligned with customer expectations.

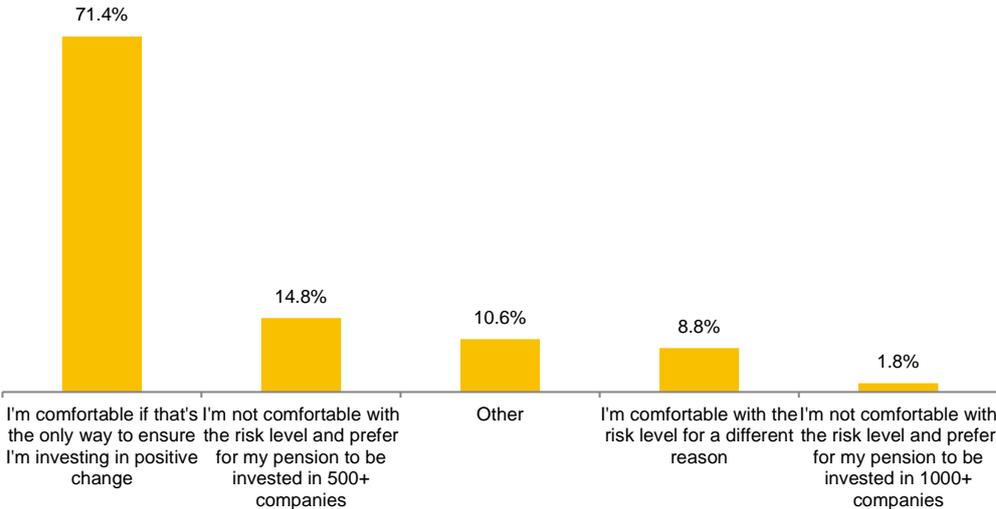
There was a good engagement with the survey, with 286 responses. As a next step PensionBee will continue researching this topic through focus and group interviews with survey respondents. Customers often comment on their appreciation of being invited to share their views. In this survey, one said, *"I'm glad PensionBee are taking this seriously, part of the reason I moved over was to have more control over my investments than my employer pensions permit"*.

In parallel, PensionBee will continue the conversation with the money managers who offer these types of plans, to explore whether there is an option to focus on impact, but without taking on so much concentrated risk.

Findings

Most respondents (71%) are comfortable with higher levels of concentrated risk for positive societal outcomes

What's your view on the concentrated risk of investing in a relatively low number of companies?

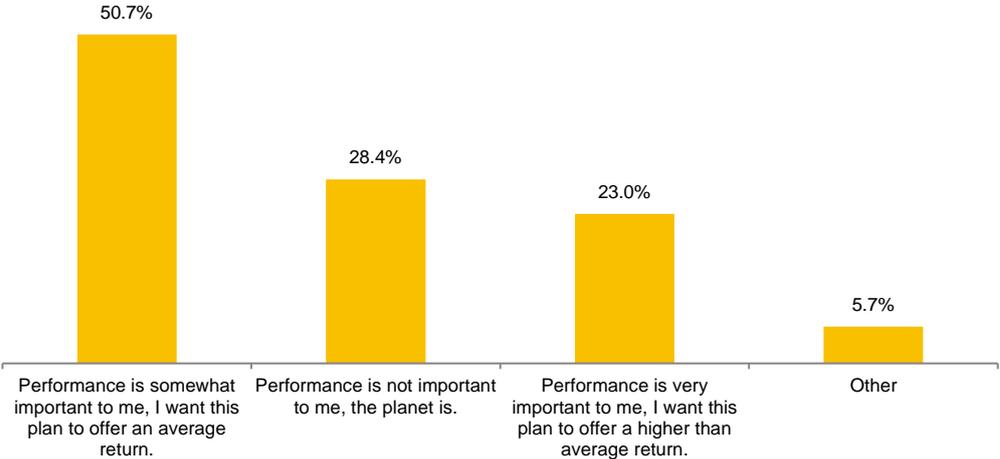


Respondents: 283

One customer believes that *“If we don't start to lever change with investments now, the breakdown of ecosystems and society will render investments worthless anyway.”* On the other hand, another comments, *“I'm not comfortable with the risk but would like to make a positive change.”*

Customers tend to care about performance to different degrees, with only 28% sharing the view that the planet takes complete priority over performance

As the individual performance of one company in a plan like this can make a big difference, returns could be impacted. How important is performance to you?

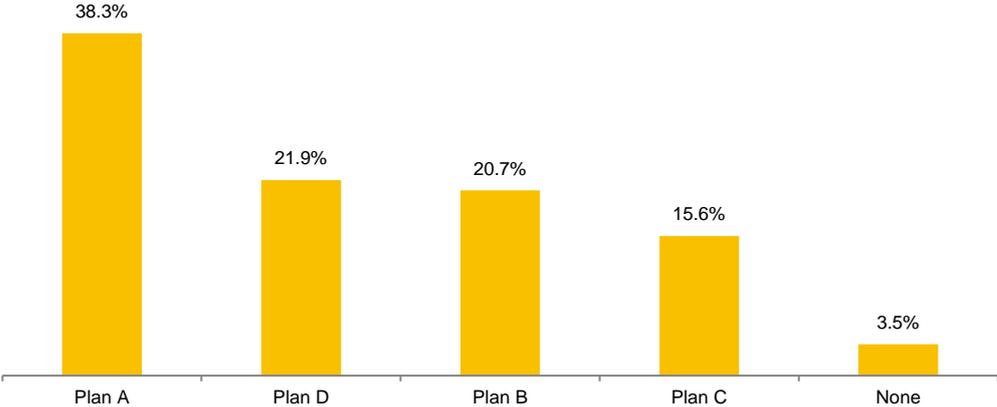


Respondents: 282

One customer says, “both are important to me, the planet, but also the performance,” whilst another comments, “performance is important to me, that’s why I want to invest this way.”

Plan A is the most popular option, with support from more than a third (38%) of respondents

Which plan do you like the most from the list below?

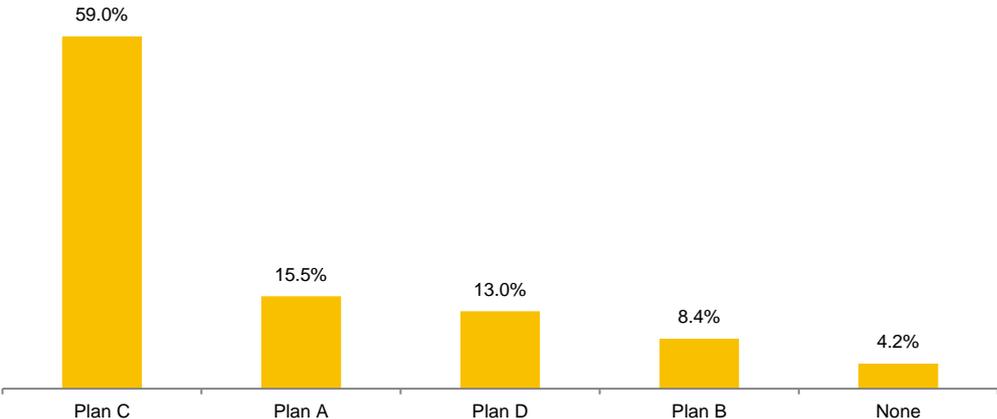


Respondents: 256

Reasons for selecting Plan A include, *“broadest exposure whilst maintaining sustainability tilt,” “higher number of companies, but exclusions are good,” “it’s more environmental and covers animal testing and deforestation”.*

Plan C is most unpopular, with 59% ranking it as the plan they like the least

Which plan do you like the least from the list below?

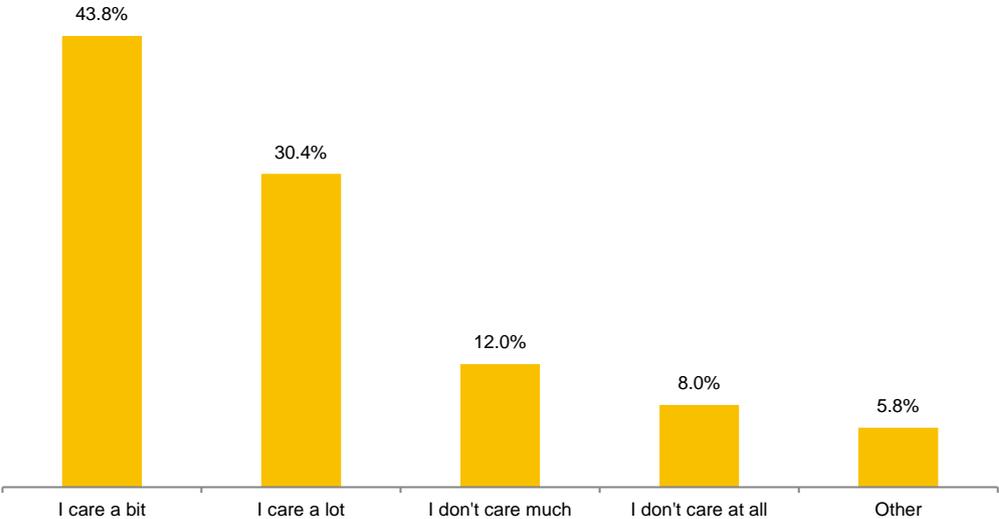


Respondents: 239

One respondent commented that Plan C does not have sufficient exclusions, another said that they “*don’t want to include energy companies that have not fully transitioned away from fossil fuels.*” A third opined that they don’t feel comfortable with the risk level, and the possibility of up to 10% of their plan invested in one company.

Most customers (74%) care about the reputation of the money manager

How much do you care about the reputation of the plan's manager?

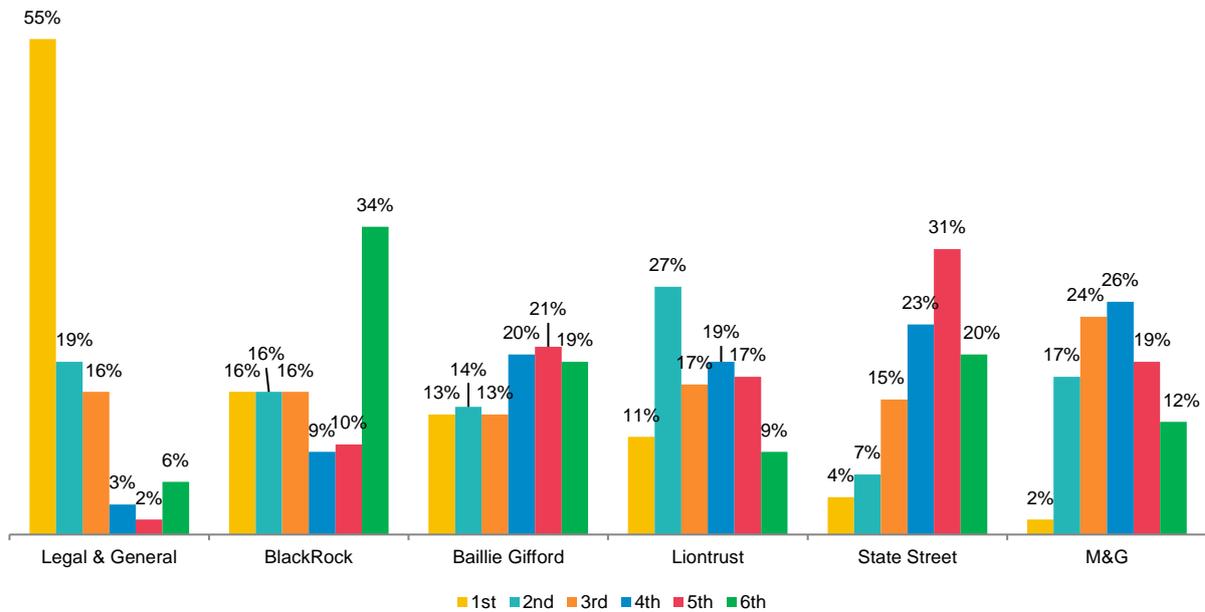


Respondents: 276

One respondent commented that “*the manager needs to have integrity and a growth mindset. Beyond that, I’m not bothered about their reputation,*” another said, “*I care that he/she would be a person with the planet in mind first*”, whilst a third cares that they are accountable.

Legal & General enjoys the highest level of consumer trust, with 55% of respondents ranking it in first place.

Rank these managers in order of your preference



Respondents: 169

One customer commented, *“Really interested in impact investing at my own personal miniscule scale. High returns are not important. Safe returns are important, even if lower,”* whilst another said, *“It’s important to me to have my money supporting companies that have positive values aligning with my own. More people investing in these areas should push non-compliant companies to see investors want to see change. Financially I would hope that as COP plans come in to place investment return in the plan I selected should also increase.”*

Conclusion

Whilst respondents to this survey seem broadly aligned in their views on concentrated investment risk, we want to talk through the implications of this in smaller focus groups. We are also keen to learn more about the views of the 30% who are not comfortable with such a small number of companies.

Whilst customers are happy to take more risk to drive more positive change, the most popular option, Plan A, is invested in the highest number of companies (40-60), whilst maintaining a relatively low level of concentration per company. Only up to 4% of the plan can be invested in one company. On the other hand, the least popular option, Plan C, can be invested up to 10% in one company, and is only invested in 25 to 50 companies.

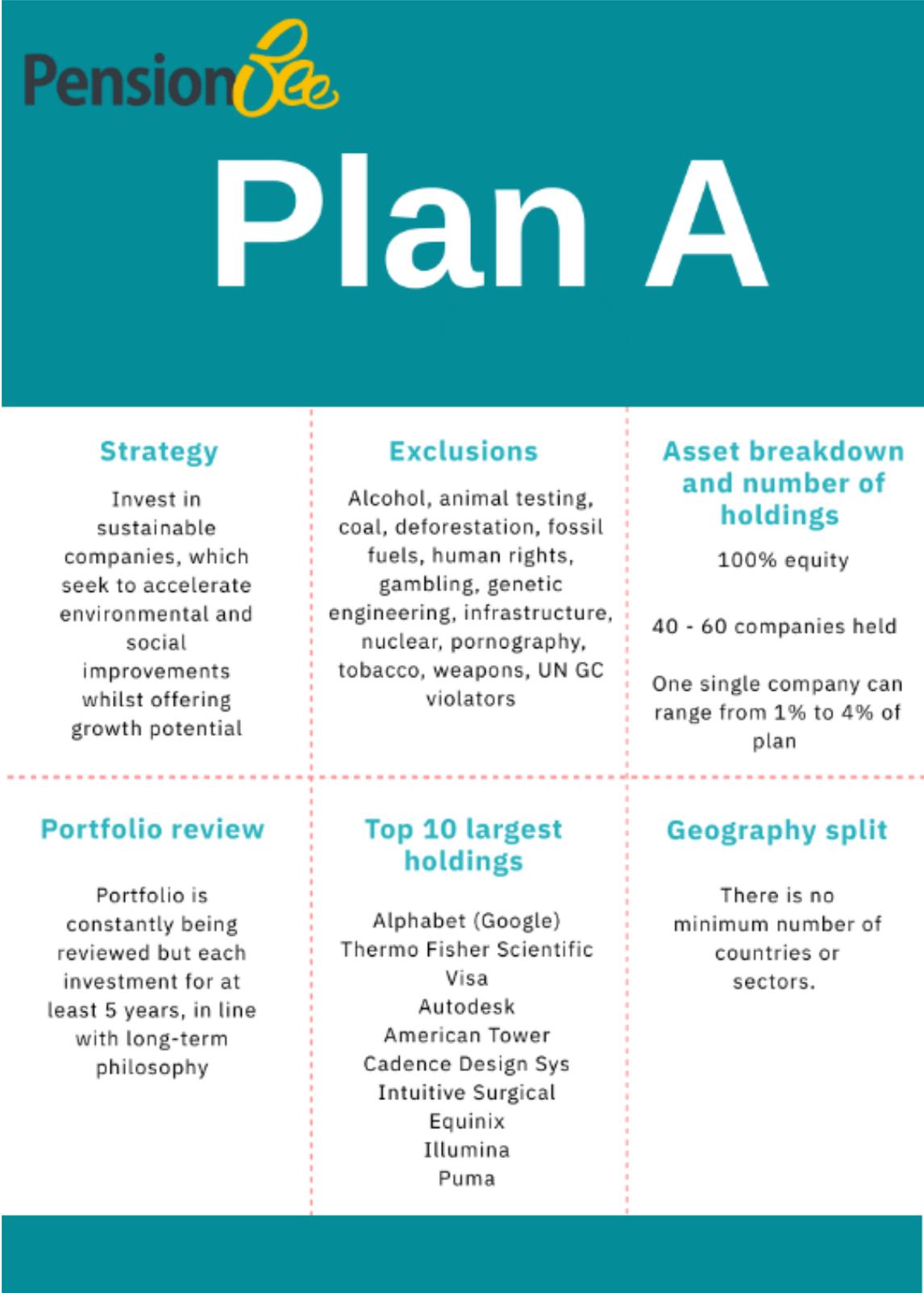
Customers also commented on Plan A's 15-point exclusion criteria, which is the highest level of all the plan options. Respondents believe that Plan A is most environmentally focused; it is the only plan option that explicitly excludes deforestation, a major cause of climate change.¹

In parallel to the focus groups, we want to spend more time exploring the potential to create a new plan, one that combines a few different aspects of this survey data. Plan A's 15-point exclusion criteria were praised by respondents, so we want to speak to managers to see whether this standard of exclusions can be combined with a cost-effective, but diversified and passive pension plan. This would be similar to the type of plan we offer at the moment, but with broader exclusionary screens and an impact focus.

Our next steps are to deepen our research through conducting in-depth customer interviews and focus groups in early January. Armed with our customer insights, we'll also continue engaging with money managers, to find a way forward.

¹ [Tropical Deforestation and Global Warming](#), Union of Concerned Scientists

Appendix



The infographic features a teal header with the PensionBee logo and the title 'Plan A'. Below this is a grid of six white boxes with teal dashed borders, each containing a different aspect of the investment plan. The boxes are arranged in two rows of three. The top row includes Strategy, Exclusions, and Asset breakdown. The bottom row includes Portfolio review, Top 10 largest holdings, and Geography split.

<p>Strategy</p> <p>Invest in sustainable companies, which seek to accelerate environmental and social improvements whilst offering growth potential</p>	<p>Exclusions</p> <p>Alcohol, animal testing, coal, deforestation, fossil fuels, human rights, gambling, genetic engineering, infrastructure, nuclear, pornography, tobacco, weapons, UN GC violators</p>	<p>Asset breakdown and number of holdings</p> <p>100% equity</p> <p>40 - 60 companies held</p> <p>One single company can range from 1% to 4% of plan</p>
<p>Portfolio review</p> <p>Portfolio is constantly being reviewed but each investment for at least 5 years, in line with long-term philosophy</p>	<p>Top 10 largest holdings</p> <p>Alphabet (Google) Thermo Fisher Scientific Visa Autodesk American Tower Cadence Design Sys Intuitive Surgical Equinix Illumina Puma</p>	<p>Geography split</p> <p>There is no minimum number of countries or sectors.</p>



Plan B

Strategy

Companies that deliver a positive impact for climate, environment, the economy, health education and social inclusion

Exclusions

Alcohol, adult entertainment, animal testing, coal, controversial weapons, fossil fuels, gambling, GM crops, nuclear, weapons, UN GC violators.

Asset breakdown and number of holdings

100% equity
25 - 35 companies held
One single company can be 2/3%, but go up to 6%.

Portfolio review

Portfolio is reviewed daily, with a low turnover (around 3) of new companies each year.

Top 10 largest holdings

Johnson Controls
Novo Nordisk
ON Semiconductor
Thermo Fisher Scientific
ALK Abello
HDFC Bank
Schneider Electric
Orsted
Rockwool International
UnitedHealth

Geography split

There is no minimum number of countries or sectors.

Plan C

Strategy

Focus on returns with impact for planet, society, and companies that are building a more sustainable and inclusive world

Exclusions

Controversial weapons only. Companies must have a positive impact so a tobacco or gambling company is unlikely to be included on that basis. However, a transitioning fossil fuel company could be

Asset breakdown and number of holdings

100% equity
25 - 50 companies held
One single company can range from <1% to 10% of plan

Portfolio review

Portfolio is reviewed every 6 weeks, but the aim is to hold each company for at least 5 years

Top 10 largest holdings

Moderna
ASML
TSMC
MercadoLibre
Tesla Inc
Dexcom
Illumina
M3
Umicore
Orsted

Geography split

Minimum number of countries - 6
Minimum number of sectors - 6

Plan D

Strategy

Seeks to maximise long-term total returns by investing in companies that are addressing the world's biggest social and environmental problems

Exclusions

Alcohol, adult entertainment, civilian firearms, controversial weapons, coal, fossil fuels, gambling, nuclear, UN GC violators all excluded.

Asset breakdown and number of holdings

100% equity
40 - 60 companies held

One single company is 2% to 2.5%, with the maximum being 2.5%

Portfolio review

Portfolio is reviewed daily, with changes made every 6 weeks. Seek to hold companies for at least 5 years.

Top 10 largest holdings

Bank Rakyat Indonesia
Boston Scientific Group
Royalty Pharma
Jack Henry and Associates
Zoetis
Aptiv
PayPal
EDP Renovaveis
ICF International
Veeva Systems

Geography split

There is no minimum number of countries or sectors