

## Summary results of PensionBee 2021 survey on Fossil Fuel Free Plan customer investment views

In July 2021 PensionBee invited customers in its Fossil Fuel Free Plan to share their views on the plan's current exclusion policy and on whether the exclusion criteria should develop in the future. Debate on approaches to fossil fuel divestment is evolving fast, and we want to be sure our plan, which was developed in 2020, continues to represent the views of those invested in it.

773 customers responded to the survey, representing 19% of the plan. This is a high survey response rate, reflecting the high levels of engagement with this plan and critical nature of the topic. Additionally, 25% of respondents shared written comments and feedback alongside their answers.

Overall, respondents were satisfied that the plan aligns with their current expectations and views on divestment, but most expressed a strong interest in developing the exclusion criteria further. Their desire to see further exclusions rolled out over time was balanced with pragmatism around the costs and financial risks of doing so. It also reflects how they see their own approach and mainstream debate developing.

Whilst there's consensus on removing those companies who provide services to the fossil fuel industry, customers are broadly against removing companies that use fossil fuels in their business activities, on the basis it would leave very little left to invest in. Respondents were also strongly opposed to taking on further financial risk or costs.

Many told us that they are investing in line with their values for the first time. This plan and its objectives have captured their attention and they are at the start of a journey of using their pension to change the world around them. The pace of change on how quickly to roll out further exclusions was the main point of divergence amongst respondents.

There is a small minority who want to go quicker and further in excluding companies and are less concerned about the financial risks or costs of doing so. For them, the risk to the planet overshadows cost. This group wants more control over the companies in the plan, and an active process for deciding which companies to invest in based on their positive impact.

### Next steps

We took these survey results to Legal & General, the manager of this plan. We are pleased to share, that as a direct result of your feedback, changes will be made to the plan's exclusion criteria, to better reflect customer views. This means that companies that provide services to the fossil fuel sector will also be excluded in the future.

Additionally, we have a commitment from Legal & General that the plan will continue to evolve in the future, as views change, and new reporting data becomes available. For example, the banks' [Scope 3 emissions](#) reporting on financed emissions generated from lending and investing in fossil fuels will provide the data needed in the future to be able to consider the approach for fossil fuel financiers. This data is not yet available, but regulatory requirements and growing scrutiny mean it will be available soon and we have a commitment to use it.

For those survey respondents who are clear they want to move more quickly, we commit to finding a new plan that goes even further in its exclusionary policy, with a focus on positive impact. As indicated

in our survey, this plan is likely to come at a higher cost and also with reduced diversification given the emerging nature of this segment in the economy

We want to thank everyone who participated and shared their views. We rely on customer feedback to keep pushing the market forward and to closing the gap between savers' views and plans on offer.

## Key findings

### 1. 87% of respondents are happy with the plan exclusions, but of those 39% would like to see them expanded in the future.

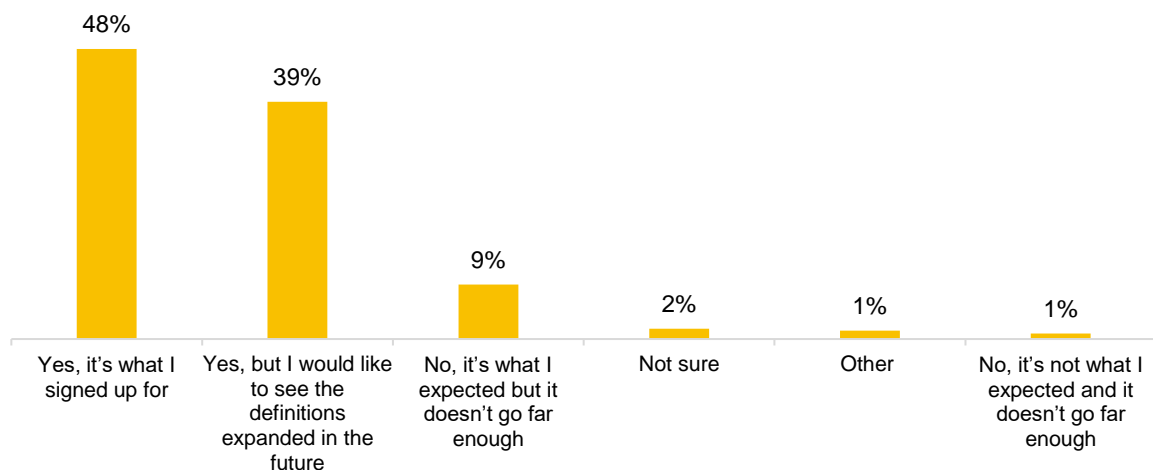
The overwhelming majority of respondents told us they are happy with the plan exclusions, being what they expected and signed up for. Whilst 39% would like to see the definitions expanded in the future, <1% of respondents, or 7 people, told us they did not expect, and were not happy with, the current exclusions.

These findings confirm that the majority are happy with the current exclusions, but show that the plan needs to keep evolving, in line with changing public opinions, and as the threat of climate change grows.

Respondents were grateful to be asked for their opinions on this topic. Many had not considered the complexity of the topic and nuance involved in the debate.

*"I'd never even considered the other options in this survey until you raised them to me, so it's been good to raise my awareness that it's not just Exxon etc involved. But the companies who use fossil fuels e.g. airlines don't really have any other choice until the whole infrastructure changes so I would not penalise them for that".*

**Q: Your Fossil Fuel Free Plan completely excludes companies with proven or probable reserves in oil, gas or coal, this represents c.235 international producers such as Shell, BP, Chevron, and ExxonMobil. Are you happy with this exclusion policy?**



Total question respondents: 758

The need for pragmatism and taking the exclusions in stages was echoed by different respondents in their supplementary written answers to this question.

"The plan is fine as is, yes there could be some minor improvements but we need to remain pragmatic on 2 simple fronts - 1). This is our pensions we are talking about, not a stock investment. 2). We cannot logically exclude the majority of companies on the planet just because someone has a 'bee' in their bonnet. We cannot demand overnight change when as a country we are not ready to make the switch to 100% renewables ourselves - i.e. think about the gas that keeps your homes warm during winter".

Another respondent commented, "I think the current plan reflects my current views. I would prefer to be on the leading edge of current thinking, then advance as that gets normalised, [rather] than adopt an extreme "disinvest from everything" position that just makes me out as an irrelevant outlier".

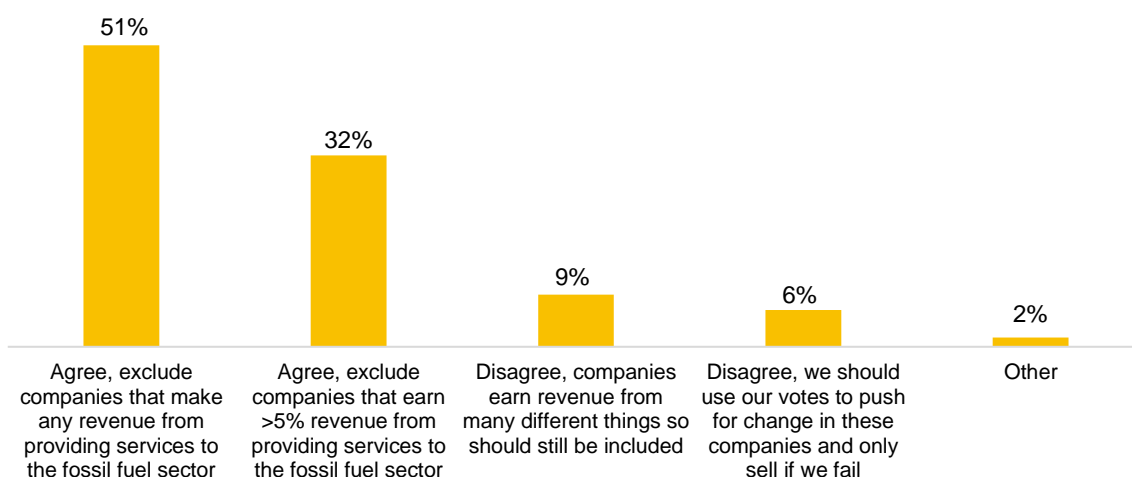
Crucially, "If we were to exclude everything we'd have nowhere to invest... over time this may work, but right now it's too idealistic.", whilst one went as far as saying it's 'is an investment not a 'crusade'".

A point made by many respondents was that fuel companies may diversify into renewable energy in the future and we should continue to review their exclusion, should they make significant moves into greener sources of energy.

**2. 83% of respondents agree that they would like to see the plan exclude companies that provide services to the fossil fuel industry, such as pipeline manufacturers.**

The first additional exclusion category question was about companies that provide services or equipment to the fossil fuel sector. There was overwhelming agreement amongst respondents that they would like to see the exclusion criteria extended, but they were split on what % of revenue should be derived from this activity to qualify for this exclusion.

**Q: We've received feedback that your Fossil Fuel Free Plan should also exclude companies that provide services or equipment to aid fossil fuel extraction, production and distribution, such as pipeline manufacturers. Do you agree or disagree?**



Total question respondents: 757

Whilst the majority would like to exclude companies that provide services, there were many additional comments on the percentage of revenue required. For some, the primary activity of these companies would need to be servicing the fossil fuel industry, so that means >33%, 50% or as much as 75% of revenue.

One respondent commented "Fossil fuels will still be needed by the likes of the military and shipping (solar powered cargo ships isn't going to work). So only transport".

There were also concerns about the other types of energy, such as "Tesla batteries are as bad (or worse) for the environment as diesel cars...".

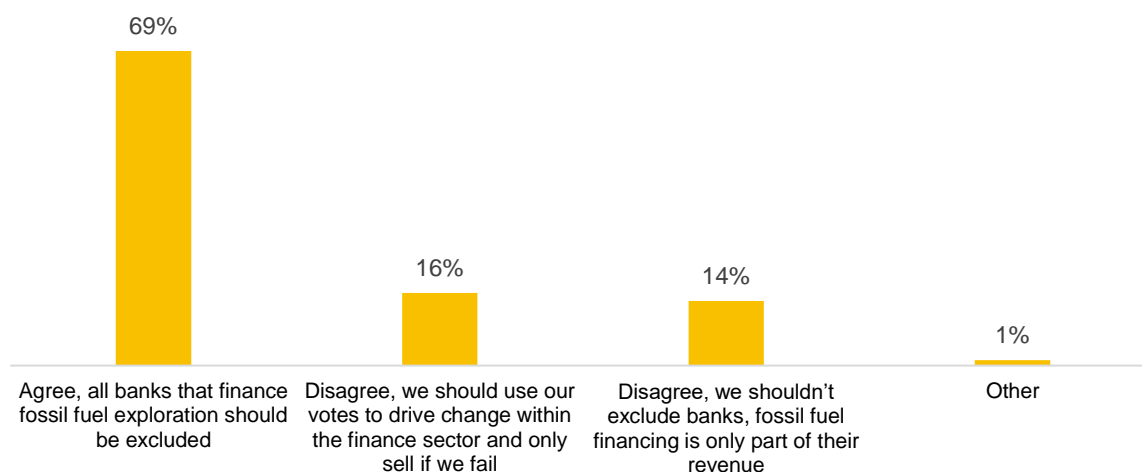
We are pleased to share that as a direct result of your feedback, changes will be made to the plan's exclusion criteria. This means that companies that provide services to the fossil fuel sector will also be excluded in the future.

### 3. 69% of respondents would also wish to exclude banks that finance fossil fuel exploration

Most respondents were clear that they didn't want to be invested in banks that finance fossil fuel exploration and that they should be excluded in the future.

Respondents used their comments to add nuance to answers: "We should only include banks which have a proven track record of using their voting rights in fossil fuel companies to become greener". Another respondent commented: "Disagree, you'd need to exclude all financial services firms if you took this approach, and those firms underpin much of the investment gain".

**Q: We've received feedback that your Fossil Fuel Free Plan should also exclude banks that finance fossil fuel exploration. Do you agree or disagree?**



Total question respondents: 763

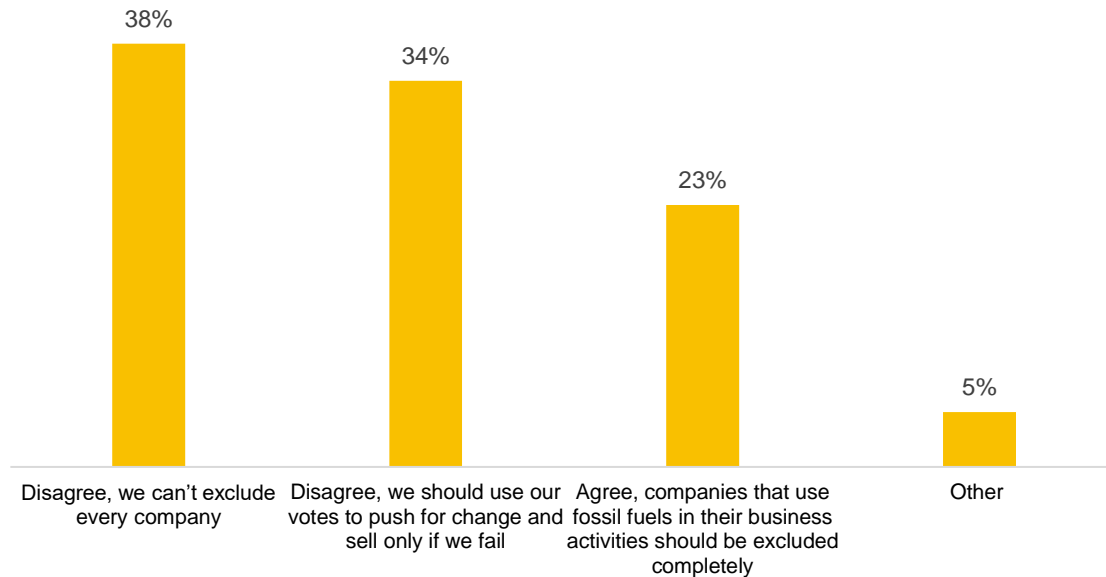
Currently, the data is not available to effectively screen financiers of fossil fuels out of index funds. This is because many banks have loans related to fossil fuels or financing fossil fuel companies, but for their energy-transition projects. When scope 3 reporting on financed emissions generated from lending and investing in fossil fuels is available, at that point the approach towards financiers can be considered.

### 4. 72% of respondents don't want to exclude companies that use fossil fuels in their business activities

Respondents were clear it would be too difficult and not feasible to exclude all companies that use fossil fuels. Although this could be a future exclusion category when attempts to change these companies from within have ceased to work.

The prevailing view was that: "We should allow companies that use fossil fuels in their business activities, but push for change and provide resources to help them change". Also echoed by: "I don't think we should punish business[es] that rely on fossil fuels, it's systemic, people have no choice sometimes".

**Q: Should your Fossil Fuel Free Plan invest in companies that use fossil fuels in their business activities?**



Total question respondents: 761

For most people it would be going too far to exclude companies that use fossil fuels in their business activities. However, it's clear that respondents expect these companies to pivot away from fossil fuel usage over time. The threat of future divestment should be used as a tool to encourage a transition to more sustainable energy forms.

Legal & General uses its [Climate Impact Pledge](#), targeted engagement and strategic voting to help companies limit their carbon emissions. Companies, across all sectors, that do not have emissions reduction targets in place are added to a sanction list for divestment. In 2020 it was also one of the top supporters of 'climate critical' shareholder proposals.

**5. 80% of respondents are not willing to pay the customary fees for a plan with actively managed inclusions and exclusions, due to the increased financial risk and possibility of lower returns**

Our final question was to understand more about the appetite for a specialist plan, not yet widely available on the market, that would exclude all of the categories discussed in the survey. This would be an actively managed plan, using ongoing research from analysts to buy and sell companies. It could come with increased financial risk due to the lack of diversification, as there would be fewer companies in the investable universe.

80% of respondents were not willing or unsure whether they were willing to consider this, due to the cost and risk levels, which most deemed inappropriate for their pension. Respondents also thought we can still do much more to push companies to change.

*"I'm at a point in my life when I will soon need to rely on my pension; it's too late for me to make big risk changes." and "No, instead of excluding additional companies I would push companies to change their policies through voting".*

However, 20% of respondents told us that they would be willing to pay >1.5% for a plan with further exclusions, even if it came with increased financial risk and the possibility of lower returns. This question attracted the highest number of additional comments from those caveating their responses, such as:

*"The 2% cost is probably too high, but worth it as the cost of the risk of not abandoning fossil fuels is infinite - human extinction"*

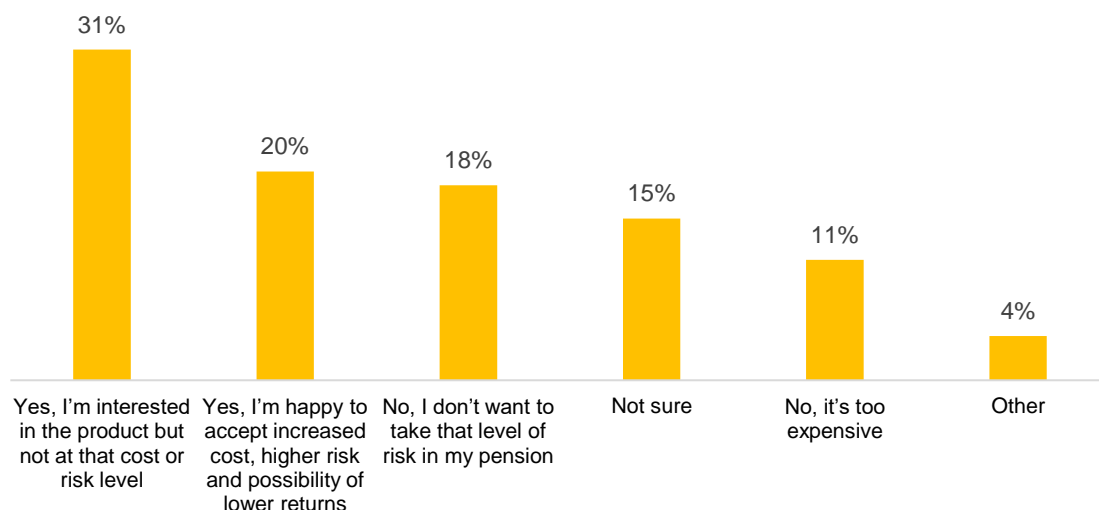
*"I'd accept this, if the plan also actively invested for a positive impact, e.g. in vegan, conservation & sustainability businesses"*

*"I'd be willing to accept higher [fees] if we proactively invest in organisations that improve the climate outlook, instead of filtering out damaging ones"*

*"I would be happy to pioneer this approach with higher fees but only if PensionBee evolves their practices to reduce these costs over time"*

Positive environmental impact was a desire expressed by many in this group. They saw it as the next step on from fossil fuel exclusion, and potentially as more sophisticated in its construction.

**Q: What is your view on a plan with further exclusions? It would cost 1.5 - 2% (your current plan is 0.75%) and could come with increased financial risk due to lack of diversification, which may impact returns.**



Total question respondents: 767

Please contact [engagement@pensionbee.com](mailto:engagement@pensionbee.com) for more information on this data.