

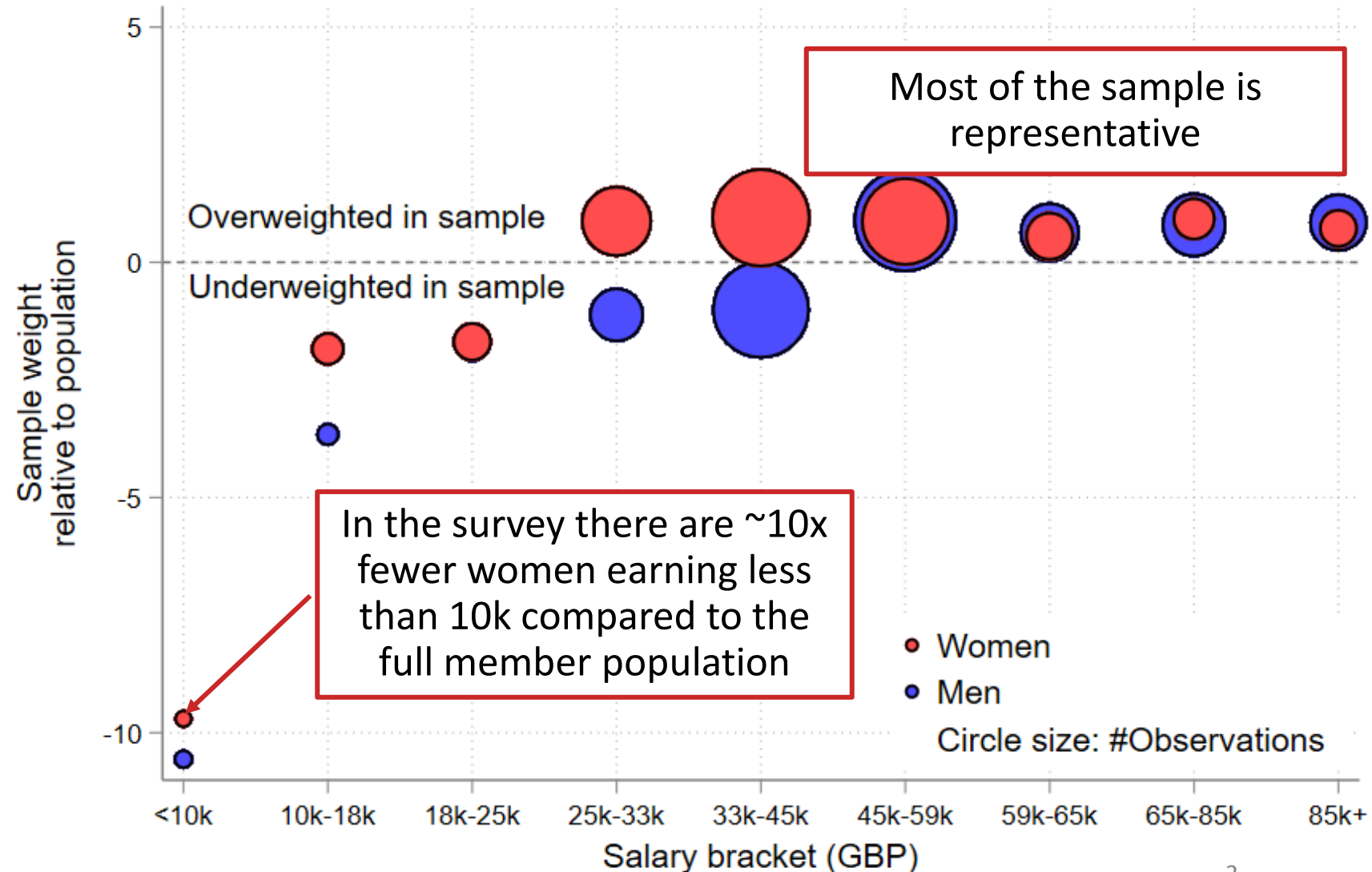
USS Survey of Members' Preference for Sustainability

Selected results from a survey of active members designed and delivered in collaboration between
Maastricht University and USS
Fieldwork conducted 20/10/2020 to 04/12/2020



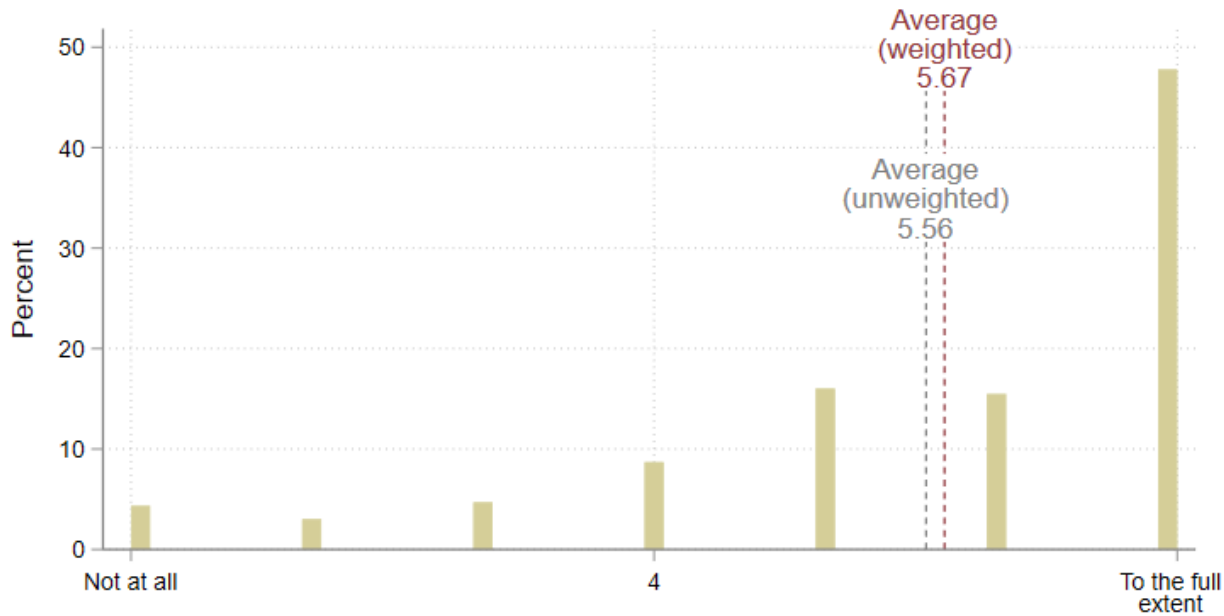
Constructing a representative sample

- The survey was sent to all USS employers, to be distributed to their members who were paying in to USS.
- A prize draw (offering five winners £50 in shopping vouchers) was used to encourage a representative response. 3,892 members took part.
- Most of the sample is representative of the entire member population, especially the higher salary brackets.
- Smaller income brackets are not perfectly representative, but also account for a smaller proportion of the sample.
- We have weighted some observations more than others to match the **income distribution**, separately for men and women.
- Despite these efforts, we are mindful that any voluntary survey will suffer sample bias and statements within this document relate to the survey sample only.

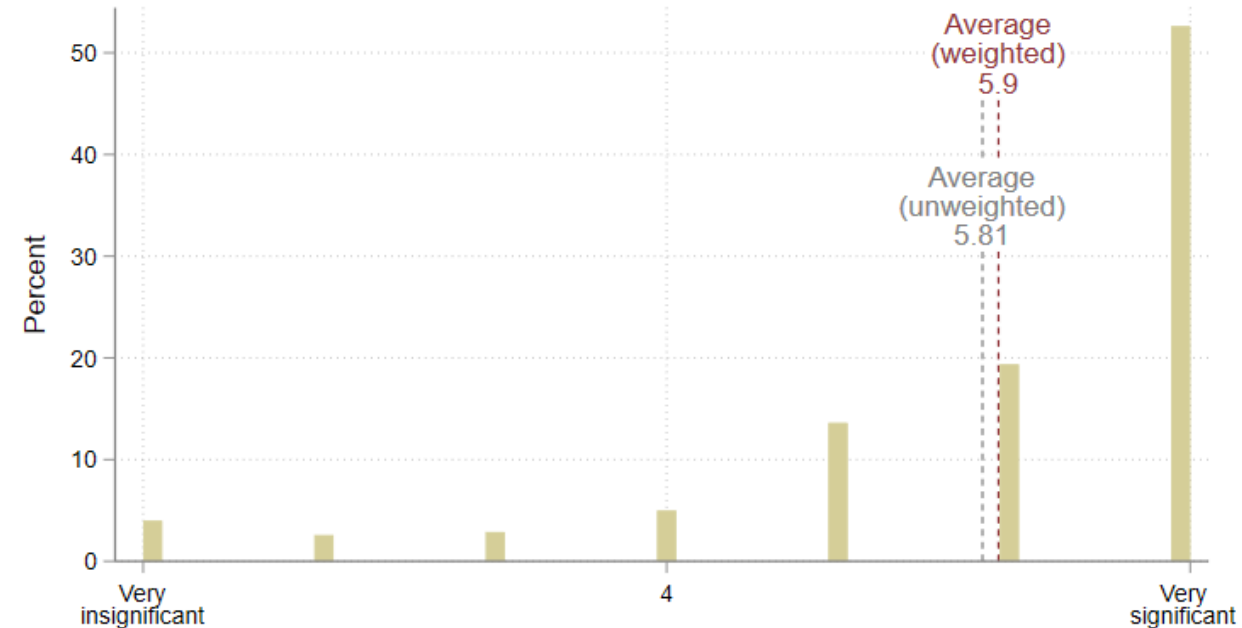


Preferences for sustainable investing

How much should your pension fund invest in a sustainable way, even if this potentially lowers the pension you get in retirement?
Weighted



How important is it to you that USS invests your pension sustainably?
Weighted



- USS members surveyed showed a very strong preference for sustainable investing: On average this is about 5.7 to 5.9 out of a maximum of 7
- Weighting the survey leads to respondents having a marginally **stronger preference** for sustainable investing

Who has stronger preferences for sust. investing?

- Which demographic characteristics correlate with the strength of these preferences?
- Preferences for sustainable investing are measured as the average response to the two questions from the previous slide (from 1 to 7)

Compared to men, **women** have slightly **stronger pref. for sustainable investing** (6% of the unconditional average)

Dep. variable:	ØPref. for sust. investing Weighted
	(1)
Female	0.32*** (5.08)
Married	0.17** (2.24)
Log #Children in household	0.01 (0.20)
Has PhD	0.13 (1.41)
Academic	0.38*** (4.16)
Salary 60k+	-0.30*** (-4.17)
Hold investment in financial market	-0.00 (-0.45)
Knowledge about pension-related matters	-0.03 (-1.14)
More climate concerned due to COVID	0.83*** (15.29)
Drop in income due to COVID	-0.03 (-0.32)
Constant	5.14*** (39.20)
Observations	3,159 ⁴
R-squared	0.11

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Academics also show stronger preferences for sustainable investing

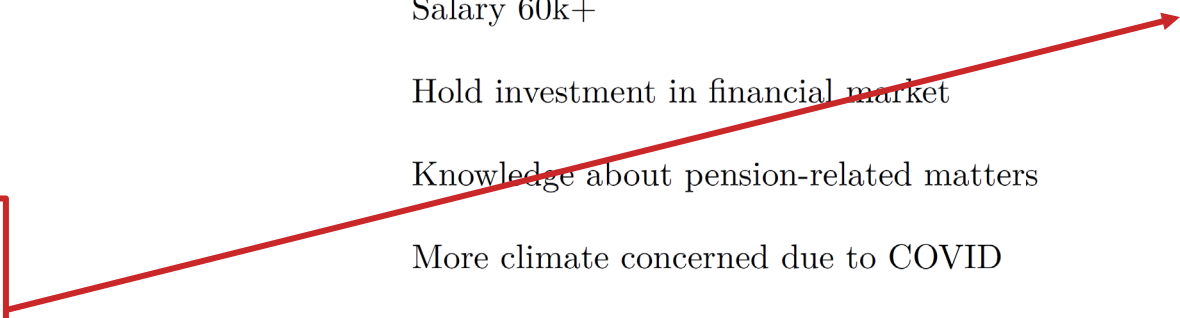
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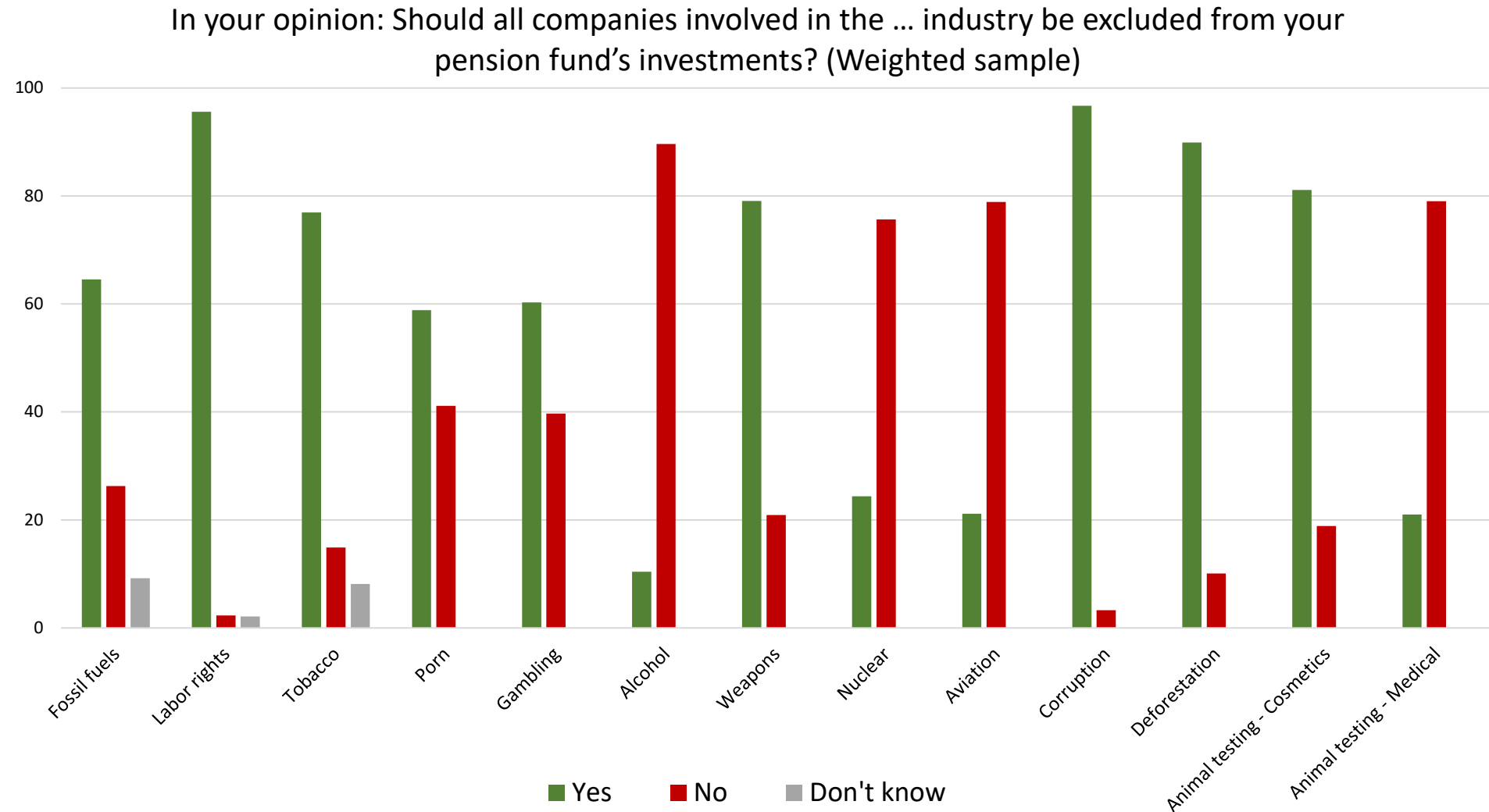
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Respondents with a **high income** have **weaker preferences for sustainable investing**



Preferences for further exclusions

- Weighting responses does **not** have a large impact on exclusion preferences either:
- Compared to the unweighted sample, **0.5% - 2.8% more members want to exclude additional industries**



Note: a 'don't know' answer option was only provided for the first three questions on fossil fuels, companies that violate labour rights and tobacco.

Revision of the USS Ethical Fund Exclusions

- USS did some further subgroup analysis of the data to support a review of the USS Ethical Guidelines. These Guidelines set out the investments that are excluded from our Ethical Lifestyle and Ethical Equity fund options.
- We gave extra attention to the views of members who expressed a high level of interest in ethical investment and could be more likely to use the ethical fund options. (This was defined as the group that preferred sustainable investment even if it could lower their pension, answering 6 or 7 to the first question on page 3 of this report.)
- We found that most of the existing exclusions had majority support, but members wanted to see stronger commitments on labour rights and corruption, and a new commitment to avoid companies associated with deforestation. Few members felt that alcohol production should be excluded.
- **The Guidelines have now been updated to better reflect these preferences.** We will continue to run member survey questions on this topic and keep the Guidelines under review.

Investment type / activity	Previously excluded from USS Ethical Funds?	Percentage of members who would prefer it was excluded from all USS investments (unweighted)	
		All respondents	High interest group
Companies that violate labour rights	Majority of fund managers avoid	95%	99%
Corruption/extortion/bribery	Majority of fund managers avoid	96%	98%
Deforestation	No	88%	96%
Weapons production	Yes	77%	90%
Tobacco	Yes	75%	87%
Animal testing - cosmetics	Yes	79%	87%
Fossil Fuels (e.g. oil and gas)	Yes	62%	84%
Gambling	Yes	59%	70%
Pornography	Yes	59%	62%
Nuclear power	Yes	23%	30%
Aviation	No	20%	30%
Animal testing - medical	No	21%	24%
Alcohol production	Majority of fund managers avoid	9%	12%