

# Implementation Statement 2023 – a snapshot

This is a summary of our Implementation Statement, which confirms how the Statement of Investment Principles has been followed throughout the year and outlines the scheme's voting and engagement behaviours.

USS's Implementation Statement (the Statement), sets out how, and to what extent, our investments have followed the Statement of Investment Principles (SIP) and the Default SIP during the scheme year ending 31 March 2023. It applies to both the Retirement Income Builder, the defined benefit (DB) part, and the Investment Builder, the defined contribution (DC) part.

## Review of the SIP and Default SIP

**Following our review of the SIP in March 2022, the main updates included:**

- Changing the description of the investment strategy for the Retirement Income Builder to reflect the 2020 actuarial valuation. The new **Valuation Investment Strategy (VIS)** replaced the old Reference Portfolio as the theoretical, but investible, asset allocation and was developed for the purposes of the actuarial valuation.
- References to the Reference Portfolio were removed from the Investment Builder part of the SIP as we seek to focus our monitoring more explicitly on longer-term member outcomes, with reference to inflation, rather than monitoring performance of funds relative to a detailed composite benchmark.

**Further, but less fundamental changes to the SIP included:**

- Changes to clarify our approach or view on certain matters
- Reference to our ambition to be Net Zero by 2050
- Better alignment of our ESG policy with the most recent legal advice
- More detail on our approach to leverage

To keep things simple, we have used USS/we/our as a catch-all reference for different parts of the USS group. So, depending on where it appears, USS/we/our means either the scheme (Universities Superannuation Scheme), the trustee (Universities Superannuation Scheme Limited) or the trustee's principal investment manager (USS Investment Management Limited or USSIM). We may refer specifically to one of these three elements, where it is helpful to do so.

## How the SIP has been followed during the year

- ✓ **Following our review, USS believes that the SIP, the Default SIP, and the Stewardship and Voting Policy have been accurately followed during the scheme year April 2022 – March 2023.**

For the Retirement Income Builder (the DB part), there have been no changes to the VIS over the year to 31 March 2023 and the Implemented Portfolio corresponds to the actual investments held in the DB part.

For the Investment Builder (the DC part), we regularly review our DC fund options against member requirements and make enhancements as required. The investment objectives of the USS Default Lifestyle Option funds are designed to deliver long-term returns above inflation, while protecting against market volatility in the years before retirement.

- ✓ **USS is satisfied with the operation of its risk management and measurement processes.**

Over the year, a new Investment Framework was put in place across both DB and DC parts of USS. This replaced the old Reference Portfolio Framework as a way to assess risk and investment performance. This new framework takes a more holistic approach to both risk management and the assessment of USSIM's (USS Investment Management's) investment management performance.

For risk management it uses a range of risk metrics across investment, liquidity, counterparty, and climate risks. For the assessment of USSIM's investment management performance it uses a range of investment objectives using a more comprehensive investment balanced scorecards. The scorecards span six important categories, and there is one scorecard for each of DB and DC. These categories have been designed to be consistent with the best interests of the scheme:



You'll find how the Investment Committee has assessed USSIM's performance under the new Investment Framework in our [Report and Accounts](#).

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## Responsible Investment

USS is a long-term, responsible investor with a primary duty to invest in the best financial interests of our members and beneficiaries, so we can pay pensions long into the future. We believe that the way a company is run and overseen, and how it manages its environmental and social risks, such as its approach to climate change or health and safety, may impact the long-term financial returns it will make.

- ✔ **USS believes its policies in relation to voting and engagement activities have been materially followed during the year. This includes USSIM's internal activities and activities by external investment managers.**

Details of our approach to Responsible Investment and environmental, social and governance (ESG) factors can be found [on our website](#) and in our latest [Stewardship Code report](#).

- ✔ **USS is satisfied that the investment strategy and management of the assets are in the best financial interests of the members and beneficiaries, and that our investments are aligned with USS's ESG related policies, as expressed in the SIP and the Default SIP.**

Our primary duty is to invest in the best financial interests of our members and beneficiaries. Environmental, social and governance (ESG) criteria form part of the financial factors that drive this approach. Both USSIM and our external investment managers use their influence as major institutional investors and long-term stewards to promote good practice in the companies and markets we invest in.

This approach is implemented in three ways:

- Integration into investment decision-making processes
- Stewardship, engagement and voting rights
- Engagement with policymakers and regulators in markets in which we invest

We believe that addressing climate change is financially material and is in the best financial interests of our members. That's why we have set an ambition to be Net Zero by 2050 if not before. Take a look at our [TCFD report](#) for our latest progress towards Net Zero.



## Specifically on voting, USS believes there have been no material divergences from our voting policies during the year.

When we own shares in a company, it usually means we have the right to vote on how that company is run. Exercising this right to vote is a fundamental part of being a steward of the companies in which we invest. Having the right to vote on decisions made by the boards of the companies in which we invest is one of the most effective tools we have for holding them to account.

We integrate financially relevant ESG factors into these voting decisions, encouraging companies to address material issues, including environmental and social ones, to create positive change and long-term financial value for our members. In January 2023, we introduced a new **Stewardship and Voting Policy** and supporting Voting Guidance. Our new policy will see us vote against responsible individual directors where possible. We'll do this where, among other things, a company hasn't disclosed its climate transition plan, doesn't meet our diversity expectations, or where executive pay doesn't align with company performance.

Looking ahead to the 2023 voting season, we'll consider voting against management on various systemic risks that have a financial impact. For example, where:

- A bank hasn't publicly disclosed their climate transition plans
- An oil and gas company hasn't disclosed a breakdown of money spent on new, or expanding, projects that will add to their carbon footprint
- A UK company doesn't comply with the Modern Slavery Act reporting requirements

You can read more about our new policy and how we'll vote in our [dedicated blog](#).

From April 2022 – March 2023, we exercised our vote at 99.9% of resolutions where USS were eligible to vote. We voted against management at least once at 73% of eligible meetings. Below you will find some examples of this year's significant votes:

- We voted For Shell's shareholder resolution 21, which pushed for them to set interim targets for reporting scope 3 emissions. This is something we need in order to support our own Net Zero reporting.
- We voted Against Meta Platform's resolutions 1.02 to 1.09 to re-elect relevant directors due to concerns around the company's content management practices and risk management oversight.
- We voted For Sainsbury's resolution 21 to pay a living wage to all workers and seek accreditation as a Living Wage Employer by July 2023.
- We voted For Electric Power Development's resolution 8 to disclose the company's business plan that aligns with the goals of the Paris Alignment, and resolution 10 to disclose how executive compensation aligns to the company's climate targets.

For more on our signification votes see our Implementation Statement in our [Report and Accounts](#).