

RESPONSIBLE INVESTMENT

1 Decisions required and recommendations for approval

No decisions are required this month.

2 New Projects:

There have been no new projects for this quarter.

3 Activity Report

3.1. Voting and Engagement Policy: The peak proxy voting season has got underway, with in excess of 145 company meetings in April alone. USS now ensures letters are sent to companies, where possible, prior to a company meeting where an abstention or vote against is being proposed to allow the company an opportunity to respond. USS has received approaches from a number of companies who were keen to enter into a dialogue on this basis.

3.2. Post Competition follow-up: The Marathon Club continues to gather momentum. The RI team have assisted with the Club's first research project on RI issues. This is a survey of 180 decision-makers associated with all Club members and focuses on their attitudes about the performance of investee companies on corporate governance and corporate responsibility issues.

3.3. Enhanced Analytics Initiative: As indicated in the previous report, Enhanced Analytics Initiative published results of baseline broker research evaluation at the start of this quarter. This report identified the following brokers as leaders in the field of inclusion of extra financial issues in mainstream research (in alphabetical order): Deutsche Bank, DrKW, Goldman Sachs, HSBC, Morgan Stanley, UBS and West LB. ABN Amro, Citigroup and CM-CIC were highlighted as runners-up. This detailed evaluation was based upon the quality and coverage of their past research output and broker commitments for 2005.

In this quarter, the London Pensions Fund Authority (LPFA), one of the largest local government pension schemes with assets of £4.5 billion, joined the Enhanced Analytics Initiative as an associate member. SNS Reaal Group (from the Netherlands) has also joined the EAI as a full member, adding Euro 13 billion to the Initiative's total (now over Euro 350 billion). www.enhanced-analytics.com. EAI has continued to attract significant and positive press coverage, ensuring that the aims of the Initiative are becoming well known across the market.

3.4. International collaboration on Corporate Governance: USS is currently working with advisors from the US to provide the fund with advice on engagement activities. Current activities include supporting majority vote resolutions and exploring the possibility of organising a remuneration seminar in the US. In addition, USS is looking at the possibility

of initiating voting in Australia in conjunction with the service provider to the Australian Council of Super-Investors.

3.5. Climate change: The steering committee of the IIGCC has focussed attention on remodelling the structure of the organisation. In April 2005, the steering committee recommended to the Group's AGM that IIGCC form a partnership with the Climate Group, to provide technical and logistical support for the organisation. This recommendation was accepted, and the steering committee is now finalising the arrangements for this collaboration. The Trustee training project was awarded to Mercers, and the materials were piloted in March to two groups of trustees, including USS trustee directors. The finalised materials will be released in early summer (request Appendix A).

3.6. Oil & gas sector: A member of the RI team participated in a briefing to investors and other stakeholders by the Tangguh Independent Advisory Panel (chaired by former Senator George Mitchell) which provides oversight of BP Tangguh project. This project is a large LNG development in Indonesia, and has associated with it significant social, environmental and ethical issues ranging from displacement of local populations to issues surrounding security and local security forces. A member of the RI team also met with senior management at Shell to discuss their remuneration proposals at a meeting facilitated by the NAPF.

3.7. Linking executive remuneration to responsible long-term corporate success. Following publication of the discussion paper, as reported previously, USS and Henderson Global Investors have discussed the findings of the report and the feasibility of the integration of extra-financial objectives into incentive schemes with other investors and several companies.

3.8. Other activities including public presentations and media coverage (request Appendix B).

4. Corporate Events 2005

No of events voted	UK Month	Overseas Month	Total Month	Total Year to date
Jan	50	4	54	54
Feb	46	0	46	100
Mar	37	2	39	139