

**TERMS OF REFERENCE FOR
THE INVESTMENT COMMITTEE**

1 Introduction

The investment committee advises the trustee company on all matters relating to the investment of the assets of the fund.

2 Constitution

The investment committee is established under the rules of the scheme and, subject to the rules, under the articles of association of the trustee company.

3 Membership

The chairman and committee members shall be appointed by the management committee. The committee shall consist of not less than three and not more than eight members, one of whom shall be the chairman. One or more shall be members of the management committee (“the ordinary committee members”) and no fewer than two nor more than five (“the special committee members”) shall be persons appointed because of their special skills or ability on investment matters. (A member of the management committee who has the special skills required for a special committee member is deemed a special committee member). A quorum shall be three members of whom at least one shall be a member of the management committee and at least two shall be special committee members.

4 Attendance at meetings

Meetings shall normally be attended by the following officers of the trustee company:

Chief executive

Chief investment officer

Chief financial officer (who shall have responsibility for secretarial matters)

Chief administrative officer

Compliance officer

Other investment staff as determined by the chief investment officer in agreement with the chairman.

5 Frequency of meetings

Meetings shall be held not less than four times a year, in accordance with the rules of the scheme, normally in February, May, July and November.

6 Reporting procedures

Minutes of meetings shall be issued to all committee members and attendees and submitted to the next meeting of the management committee. The committee will prepare an annual report for the management committee to be included in the trustee

company's annual report. The report will summarise the investment activities for the year.

7 **Responsibilities**

The investment committee is responsible for:

- 7.1 Recommending to the management committee the fund's investment strategy and monitoring the appropriateness of the strategy on an ongoing basis.
- 7.2 Monitoring adherence to the investment strategy and the performance of the fund and each of the managers and recommending to the management committee any action that is required to be taken to address performance issues.
- 7.3 Determining that the levels of investment-related risk taken by the fund are appropriate, monitoring how these risks are managed and recommending to the management committee any action that is required to be taken to address investment-related risk.
- 7.4 Monitoring the costs of investment management to ensure that they are reasonable.
- 7.5 Reviewing and approving appropriate investment-related documents and statements in line with legal and statutory requirements.

8 **Duties**

The duties of the committee shall be:

8.1 **General**

To advise the trustee company on all matters relating to the investments of the fund.

8.2 **Strategy and policy**

- (a) To determine the appropriate long-term asset allocation strategy for the fund with reference to the ALM study and make appropriate recommendations to the management committee.
- (b) To consider and approve the USS Ltd Business Plan so far as it concerns investment matters.
- (c) To consider the investment management structure on a regular basis making recommendations to the management committee.

- (d) To review the investment objective of the fund and of each investment manager on a regular basis and make recommendations to the management committee.
- (e) To identify possible new asset classes and assess their appropriateness for the scheme.
- (f) To agree the allocation of cash to individual managers on a quarterly basis.
- (g) To approve the recommended asset allocation of the USS portfolio on a quarterly basis.
- (h) To recommend to the management committee the trustee company's policy on responsible investment and extra-financial issues.

8.3 Performance monitoring

- (a) To monitor the investment performance of the fund and of each of the managers.
- (b) To receive a formal report from the internal manager twice per year or as considered appropriate by the committee.
- (c) To receive a formal report from the chief investment officer on the performance of each of the external managers twice per year or as considered appropriate by the committee.
- (d) To receive reports from those organisations advising USS Ltd on the management of any index funds and from organisations carrying out stock lending as and when deemed necessary by the committee.

8.4 Risk

- (a) To consider at each meeting the impact of any significant departure from the recommended asset allocation and approve any changes to it.
- (b) To receive reports from those organisations carrying out custody as and when deemed necessary by the committee.
- (c) To consider the key terms of investment-related agreements entered into by the fund with third parties.
- (d) To recommend appropriate limits over the relative and absolute values of individual holdings of securities.
- (e) To receive an annual report from the chief executive on the controls over investment operations.

- (f) To review the list of approved deposit takers for the fund on an annual basis and recommend changes to the management committee.
- (g) To review and approve the list of approved brokers used by the internally managed fund on an annual basis.
- (h) To review and approve, at least once per year, the investment section of the USS Ltd risk profile document.

8.5 Cost

- (a) To approve the annual budget for the London Investment Office for inclusion in the USS Ltd business plan.
- (b) To monitor the cost of investment management and the transaction costs incurred by each of the managers.

8.6 Compliance

- (a) To receive statements of investment transactions etc on behalf of the scheme in accordance with FSA requirements.
- (b) To review the statement of investment principles and to monitor compliance with it, at least annually.
- (c) To review the Pension Fund Disclosure Code reports from the internal fund manager half yearly.

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