USS

For members, for the future.

Universities Superannuation Scheme

Report and Accounts
for the year ended
31 March 2026

Cover image: 'Alma Mater' (University of Glasgow). Alma Mater translates as Nurturing Mother. This sculpture celebrates philanthropic donors whose transformative support enables universities to grow and thrive, symbolising how generosity creates lasting positive change for future generations.

Strategic report

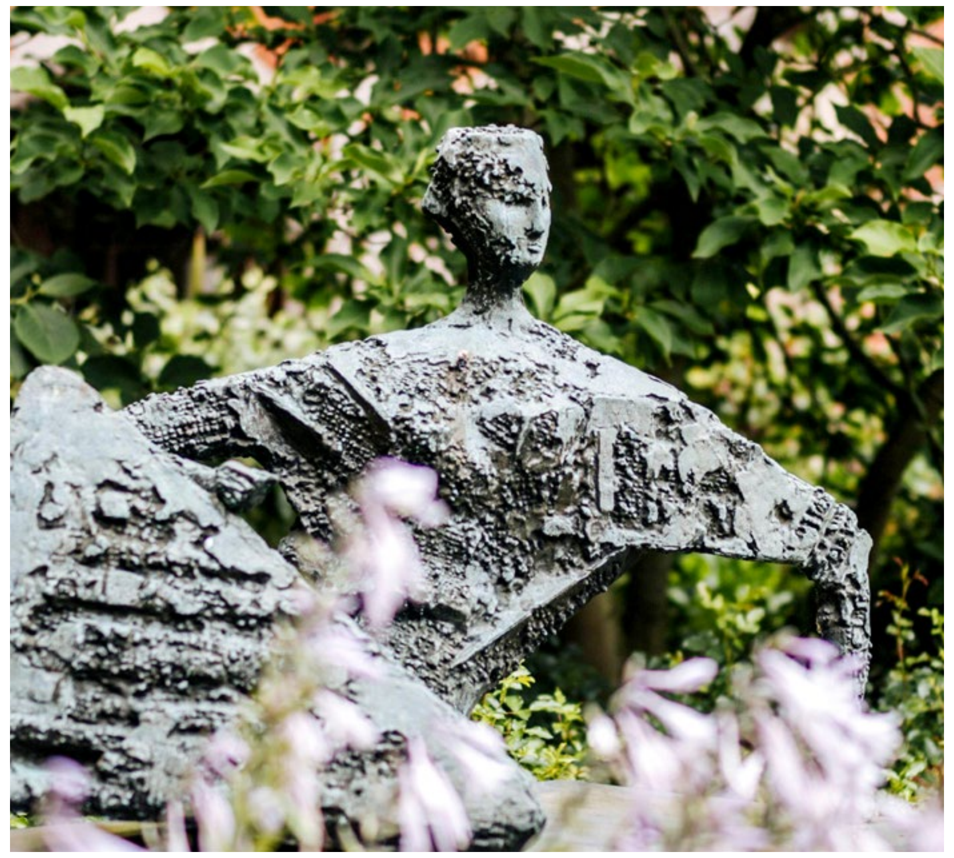
How we create lasting value for our members and employers.

Governance

Strong governance by the Trustee ensures members' pensions are managed with care, clarity and with the long-term future success of the Scheme in mind.

Financial statements

Audited financial statements consisting of the fund account, statement of net assets and notes.

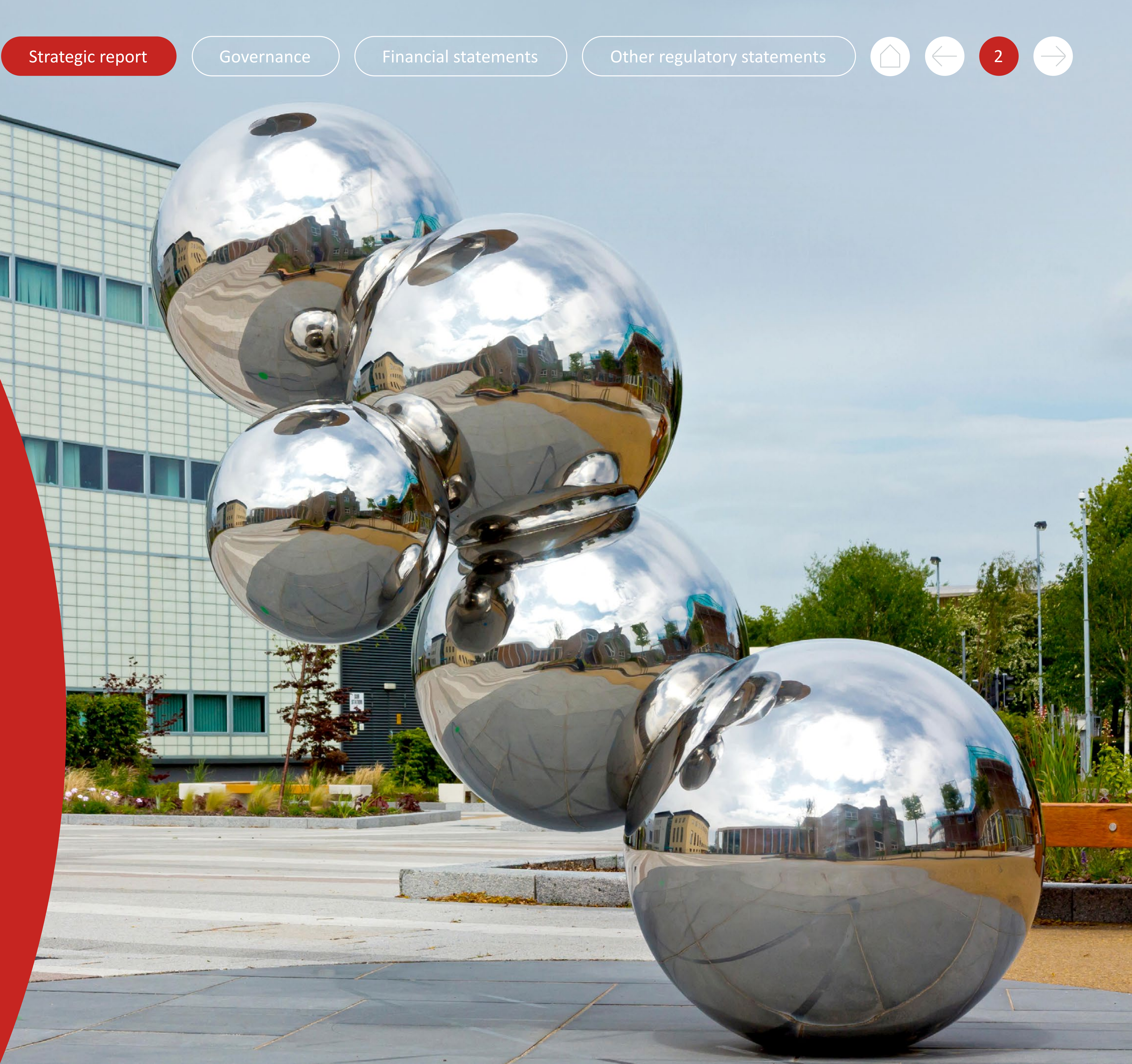


Other regulatory statements

Disclosures required by regulation which explain how the Trustee manages the Scheme to the standards required by legislation and regulation.

Strategic report

How we create lasting value for our members and employers.



'Aftermath' (Loughborough University). Created by Fine Art alumnus Ian Tricker, this reflective sculpture inspires introspection and new beginnings. It symbolises the transformative journey of research and personal growth within university communities.

About USS

Our purpose

Working with Higher Education employers to build a secure financial future for our members and their families.

Our strategic priorities

Members feel financially more secure

A sustainable scheme, for the long term

USS is recognised as a competent scheme manager

Our values

Integrity

- We always do the right thing
- We put our members' interests first
- We take decisions for the long term

Collaboration

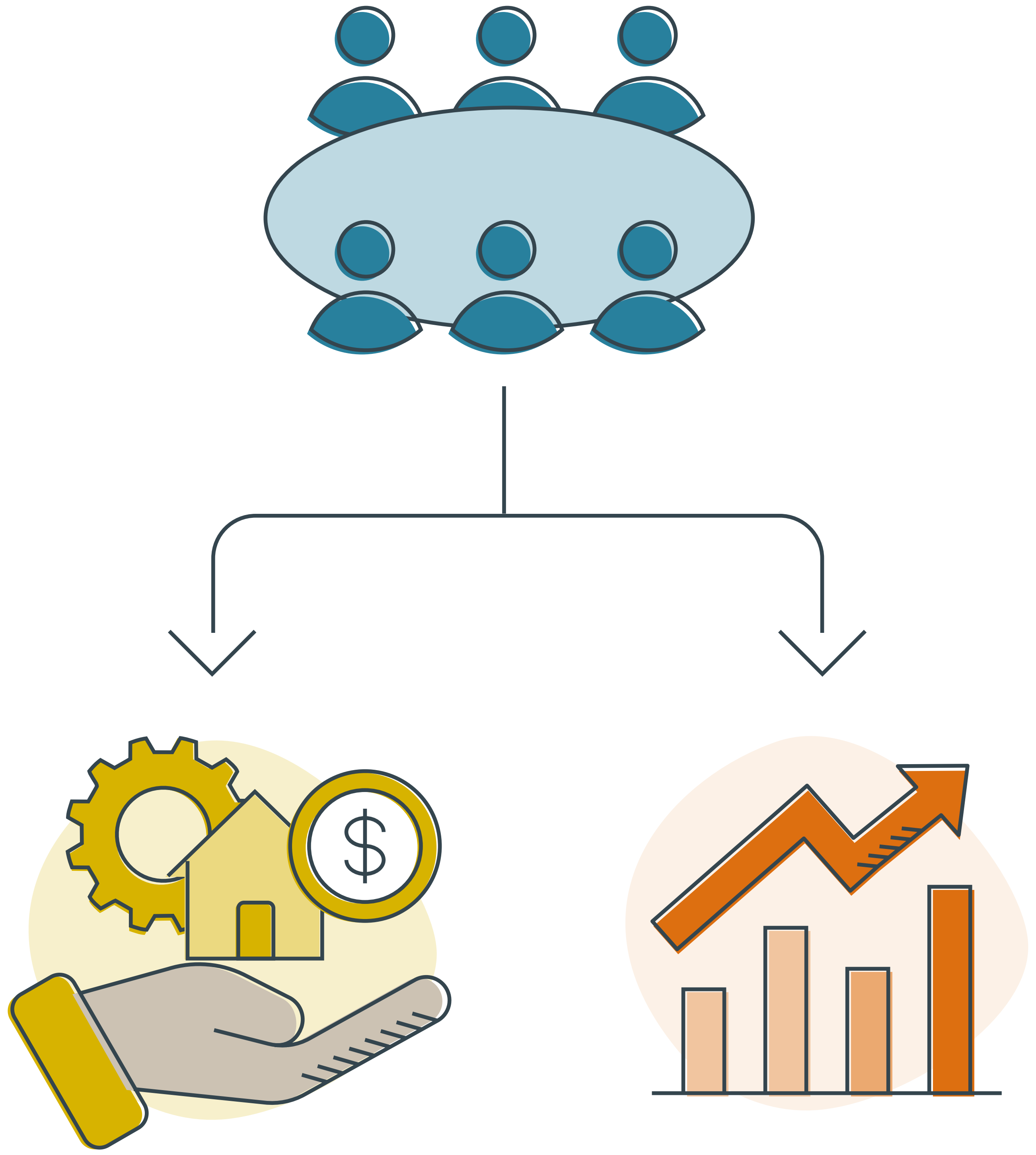
- We work towards a common goal
- We take responsibility for our own actions
- We are straight talking and respectful in our dealings with each other

Excellence

- We set high standards for ourselves and our colleagues for the benefit of our members
- We adapt and innovate to achieve the best outcome
- We bring our best selves to work, every day

Our Scheme

Universities Superannuation Scheme (USS) was established in 1974 as the principal pension scheme for universities and other Higher Education institutions in the UK.



The Trustee

The Scheme's Trustee is Universities Superannuation Scheme Limited (USSL). It is a corporate trustee which has overall responsibility for scheme management, overseen by a non-executive Board of Directors and employing a team of pensions professionals in Liverpool and London. The Trustee's key responsibility is to ensure that benefits promised to members are delivered in full on a timely basis.

Pension management

The Trustee employs an experienced pension management team, providing member, employer and scheme funding and strategy services, who are based in the Liverpool and London offices. Since 2016, this team has been supported by Capita, an external pensions administration firm. We are in the process of migrating our pensions platform to Procentia, an award-winning service provider.

Investment management

The Trustee delegates implementation of investment strategy to a wholly owned subsidiary – USS Investment Management Limited (USSIM) – which employs a team of professionals in our London offices, providing in-house investment management and advisory services.

About USS
Continued

The Scheme

The Scheme provides two types of pension benefits: defined benefit (DB) and defined contribution (DC). In both cases, we invest contributions received from our members and employers to generate funds to pay for benefits in the future.

Our pension scheme net investments and membership as at 31 March 2026

Retirement Income Builder (defined benefit)

Net investments
£80.0bn

Members
599k

Investment Builder (defined contribution)

Net investments (excluding legacy AVCs)
£4.2bn

Members
193k

Our stakeholders

Members feel financially more secure

We are committed to helping members understand their pension entitlements, providing them with the right retirement savings options, and helping them to make good decisions about their retirement.

For more information see pages 11 and 23

Employers have a high-quality service and a sustainable scheme

We engage with our employers collaboratively such as through the Institutions Advisory Panel and annual Institutions Meeting. We also engage with representative groups to ensure the Higher Education sector's evolving needs are understood.

For more information see pages 11 and 23

Positively influencing and contributing to Government, policymakers, regulators and communities

As the UK's largest private defined benefit pension scheme by assets, a regulated entity and long-term investor, we have an important role to influence positively pensions policy and support regulation. We also contribute to local communities where we have presence.

For more information see page 24

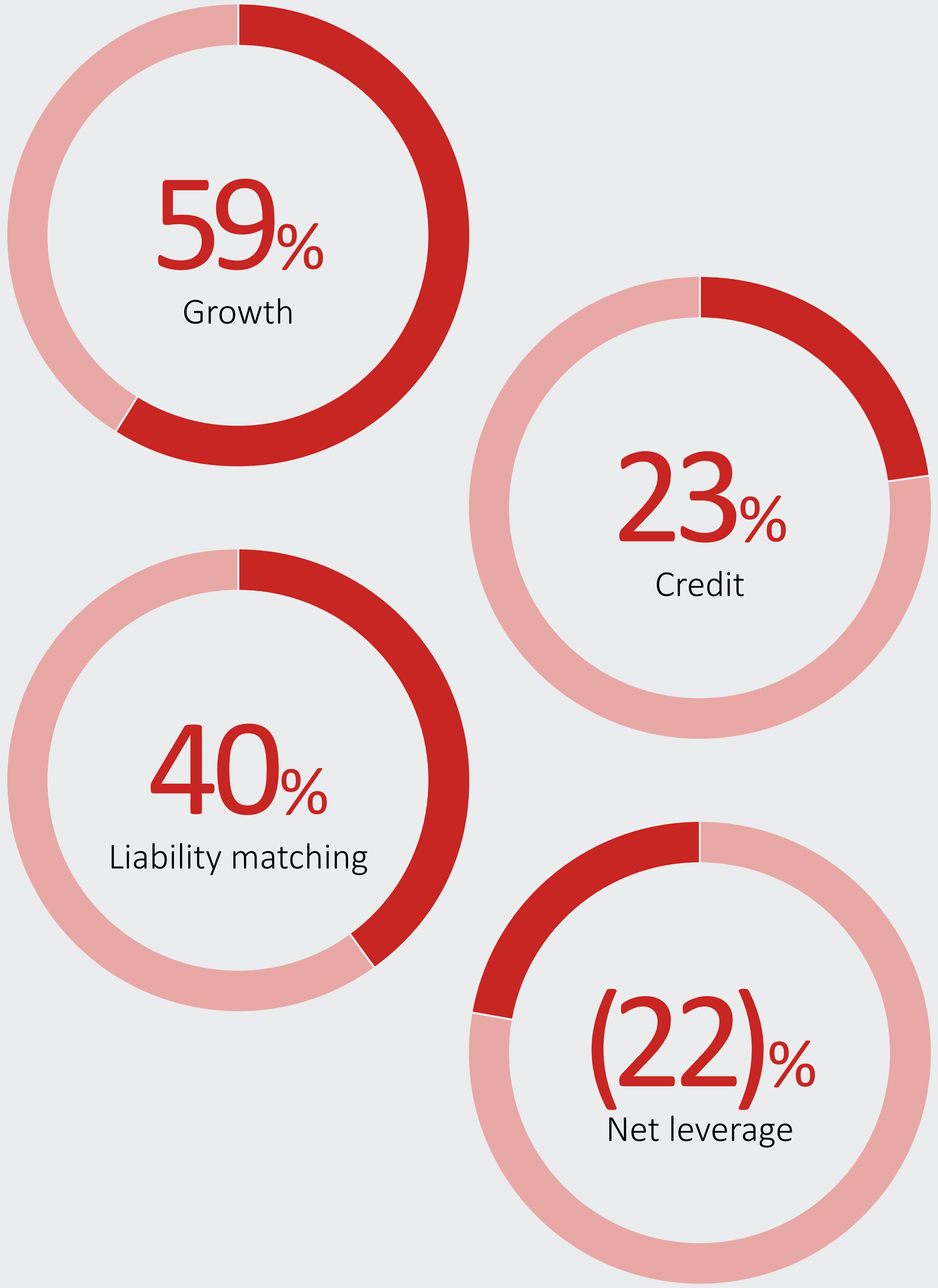
Colleagues are valued and have the opportunity to thrive

Our colleagues are key to our success, so our people approach aims to foster a culture that recruits, retains and develops a high-quality, diverse workforce in an inclusive and supportive environment.

For more information see page 25

Our investments

We invest in a diversified portfolio in the UK and globally. Our Retirement Income Builder net investments of £80.0bn are deployed across four main categories:



For more information see page 18

Chair's introduction

> "Over the past year, we have engaged with policymakers in seeking to ensure the Scheme's unique features are well understood, and to protect our ability to achieve good outcomes for members.
>
> **Dame Kate Barker**
> Chair of the Trustee Board

The Scheme now has a significantly improved funding position, and much of our focus over the past year has been to prepare for the next actuarial valuation and the choices that will shape the Scheme's longer-term future.

Our proposed funding assumptions for the 2026 valuation, in respect of the defined benefit (DB) part of the Scheme, are currently subject to consultation. The funding position set out in this report is, therefore, based on monitoring of the assumptions we made for the 2023 valuation. On that basis, we had an estimated DB funding surplus of £15.8bn at the end of March 2026 in the Retirement Income Builder which was 125% funded on a Technical Provisions basis.

The estimated £5.7bn increase in the surplus in the year to 31 March 2026, on the monitoring basis, has been driven predominantly by investment returns, with the value of the DB fund net assets increasing by £6.8bn (9.3%) to £79.8bn and the value of the Scheme's liabilities increasing by £1.1bn (1.7%) to £64bn.

With financial challenges being experienced in the Higher Education (HE) sector, I am sure the significant contrast in recent years to the difficult funding position of the Scheme over the previous decade will be welcome news to our members and participating employers.

The 2026 valuation

The monitoring position at the end of March is a positive indicator as we undertake a full review of the funding position as at that date for the 2026 valuation.

The valuation process as a whole will run into 2027, as set out on our dedicated web page. But we have known for some time – based on monitoring since the 2023 valuation – that it is likely to present stakeholders with a wide range of options.

We have accordingly engaged extensively with Universities and Colleges Employers Association (UCEA), University and College Union (UCU), and the HE sector itself over the past year. We have sought to understand their objectives, and to set out at a high level the choices likely to be available, the trade-offs involved, and the implications of each for the longer-term future of the Scheme.

We have also reviewed our valuation methodology in light of the new regulatory environment for DB pension scheme funding. I want to thank UCEA and UCU for their suggestions and constructive engagement as we considered our approach.

The changes we propose align with The Pensions Regulator's new DB Funding Code, provide the Trustee with a broader range of decision-useful metrics, and give greater clarity on outcomes relative to our best estimate assumptions.

Conditional Indexation

Alongside this, and with a longer-term perspective, UCEA and UCU have continued to explore the potential opportunities for members of a Conditional Indexation (CI) benefit design.

Over the past year, we have facilitated the production of two comprehensive stakeholder reports covering CI. These are intended to inform ongoing engagement with their respective constituents on the prospect of adopting CI in the future.

As with all matters relating to benefit design, any decisions in respect of CI would primarily be for the Joint Negotiating Committee (JNC), rather than the Trustee, to consider – albeit we welcome being involved and can provide appropriate technical support.

Wider engagement

Over the past year, we have engaged with policymakers in seeking to ensure the Scheme's unique features are well understood, and to protect our ability to achieve good outcomes for members.

A significant amount of our recent engagement with Government has been focused on protecting our freedom to deliver on our fiduciary duty in respect of investment decision making.

Trustees have a legal duty to invest in the best financial interests of scheme members – and they must have the freedom to invest as they see fit in support of that obligation.

Chair's introduction
Continued

We therefore oppose proposals to mandate how pension schemes might invest. We have also opposed legislative revision to how our fiduciary duties are defined – as we believe the current law is fit for purpose. We support the Government's plans to issue guidance and are pleased to be part of the working group entrusted with developing it.

Investments

This duty extends to setting the investment strategy. For the DB part of the Scheme, our strategy reflects a key objective for the Trustee: to ensure that the pensions promised to USS members – liabilities spanning multiple decades – can be paid when due.

Our DB investment strategy does not target absolute returns as a primary goal but instead aims, over time, to outperform the Scheme's liabilities, thereby improving the funding position and protecting members' pensions. This strategy has been informed by significant consultation with the sector.

Implementation of the Trustee's strategy is delegated to an in-house team at USS Investment Management (USSIM), with appropriate oversight from the Trustee Board's Investment Committee (as detailed in our separate Governance report on our **website**) and the USSIM Board.

> "Our DB investment strategy does not target absolute returns as a primary goal but instead aims, over time, to outperform the Scheme's liabilities, thereby improving the funding position and protecting members' pensions. This strategy has been informed by significant consultation with the sector.
>
> **Dame Kate Barker**
> Chair of the Trustee Board

The robustness of the strategy was tested in a Scheme financial year which was book-ended by two significant events – changes to US tariffs and the latest conflict in the Middle East.

Both reinforced the value of having a globally diversified investment portfolio and of having a strong in-house investment manager, serving one client, which has developed a bespoke portfolio that should be resilient in a wide range of investment scenarios.

The Investment Committee assesses USSIM's performance on a calendar-year basis using a balanced scorecard approach. This reflects the Trustee's belief that the Investment team's performance should not be assessed one-dimensionally versus a single benchmark but should take a range of factors into account.

The committee's assessment for calendar year 2025, as set out on page 22, was that USSIM's investment performance was on target when looking across each of the defined benefit and defined contribution scorecards. In particular, the committee noted strong progress on responsible investment.

Changes to our Boards

The development of the Scheme's investment strategy and capability has been greatly assisted over the past decade by Sarah Bates.

Sarah has been Chair of the USSIM Board since September 2021 and has decided to step down at the end of this year. She previously served on the Trustee Board's Investment Committee between 2013 and 2021.

I want to take this opportunity on behalf of the Trustee Board to thank her for her significant contribution to USS; her expertise and decades of experience in the investment and asset management sector have been invaluable to the Scheme in that time.

Rita Bajaj will join the USSIM Board as a Director from 1 October 2026 and, subject to Financial Conduct Authority (FCA) approval, will replace Sarah as Chair of the USSIM Board from 1 January 2027. My colleagues and I look forward to welcoming Rita in due course.

I also want to thank Will Spinks, who will shortly come to the end of his final term on the Trustee Board. Will has been involved in USS for more than a decade, having served as an employer-nominated member of the JNC before joining the Trustee Board in 2018. His extensive knowledge of the HE sector and his HR experience, which made him a deft Chair of the Trustee's Remuneration Committee, have been extremely valuable to the Trustee Board. We are most grateful for his service to USS.

I am delighted to welcome Ian Wilson to the Board as a UCEA-appointed director succeeding Will Spinks from 1 September 2026. As a chartered accountant, an experienced pension trustee and currently Acting Chair of Council at Royal Holloway, University of London, Ian has a strong background that will be highly valuable to USS and our Group Audit and Risk Committee.

It was **recently announced** that I will stand down as Chair of USS in July 2027, just shy of completing my final term, as part of carefully scheduled succession planning. Appointing my successor over the coming year, whilst we complete the Scheme's current valuation, will afford them the maximum amount of time to establish themselves before the Scheme's next valuation is due in 2029.

Managing uncertainty

Recent global events serve as a timely reminder of a key point we made in our **valuation discussion document**, circulated to participating employers by UCEA in January: the only thing we can be certain of is that unlikely things will happen.

This reinforces the importance of considering the steps we can take to protect the Scheme from volatility and the impact it can have on the funding position and future contribution rates.

In respect of this, the JNC has a role to play through the decisions it could choose to make on the surplus and, if the Trustee determines a change to the overall contribution rate is required, how the overall rate is shared between members and employers and/or any changes to the future benefit structure.

But the Scheme's investment strategy can also play a significant role.

The modest increases we have made in liability hedging above the central allocation over those agreed through the 2023 valuation have provided greater protection to Scheme funding should inflation expectations increase or should interest rates unexpectedly fall.

The extent to which further strategic changes to our asset allocations and/or hedge ratios could be beneficial will be an important part of the conversations we will be having with participating employers as part of the 2026 valuation.

Any decisions we make in this regard will continue to reflect our fiduciary duty to invest in the best financial interests of members and their beneficiaries.

Dame Kate Barker
Chair of the Trustee Board
21 July 2026

Group Chief Executive Officer's review

"Our discussions with the Higher Education sector have focused on the funding position and the options and choices likely to be available to stakeholders at the 2026 valuation.

Carol Young
Group Chief Executive Officer

We have made important progress on several strategic fronts over the past year, whilst maintaining high standards of service and reinforcing the Scheme's purpose.

With the 2026 valuation and the planned move to a new pensions platform, the coming year holds some promising milestones for the Scheme.

We have continued to prioritise engagement with employers and other stakeholders, which is always valuable and never more so than in the build up to a valuation.

I am grateful for the opportunities all stakeholders have afforded me and my team to speak with them over the past year.

Speaking with the sector

It was particularly pleasing to see a material increase in engagement at our annual Institutions Meeting which, in response to feedback on our 2024 meeting, was held entirely online.

Representatives of 117 institutions registered for the broadcast – a significant increase on prior years. We aim to better that at this year's meeting, which will again be held online on 9 October.

The lion's share of our discussions with the sector have focused on the funding position and its resilience, the Scheme's investments, and the options and choices likely to be available to stakeholders at the 2026 valuation.

All these are inherently linked, and we have reflected on how we can better connect the dots between them to support a fuller understanding of our approach and the confidence employers can have in the way the Scheme is managed.

That has manifested in a number of ways over the past year.

Dame Kate Barker has written on the **purpose** that underpins our defined benefit (DB) investment strategy.

And our Chief Risk Officer, Lindsey Matthews, has in turn **explained the ways** we assess whether our strategy is doing the job it is designed to do.

We recognise there is a desire among some of our stakeholders for more information on the performance of the Scheme's investments.

We have responded to this by providing additional detail in this year's report (see Investment Matters, page 15). To ensure our disclosures remain meaningful and relevant to the Scheme's purpose, we have based our enhanced disclosures around information of broad applicability and interest to a large range of members, employers and other stakeholders.

Performance and priorities

Consistent with the Higher Education (HE) sector's desire at the 2023 valuation for greater stability, and in line with the strategy broadly supported by employers, we have continued to focus on delivering investment returns that should outstrip our liabilities over time.

And, over the five years to 31 March 2026, we achieved that by 11.7% per annum, assisted by a supportive interest rate environment and the performance of our diversified portfolio of growth assets.

Ensuring that members and employers get the support they need from us continues to be a key priority. I am pleased to report that we have maintained – and in some cases improved – consistently high member and employer satisfaction levels.

An all-time high of 93% of employers rated their relationship with USS as good or very good, with 92% also rating the quality of support and communications we provide to them as good.

Member trust continues to be at the highest levels on record, which consolidates the significant improvement we have seen in the past few years.

And even more members are now registered for our online portal, which gives them access to a range of information, guidance and tools to help them understand their USS pension and make informed decisions.

Our Pensions Operations team has maintained a consistently high level of performance, despite an increase in workload driven in part by intermittent

Group Chief Executive Officer's review
Continued

outages of externally managed elements of the My USS member portal during the year.

And the Pensions Operations team have yet again achieved the Investors in People Gold accreditation and Customer Service Excellence accreditation, receiving compliance-plus ratings on the latter in seven areas (up from five in 2024). We are committed to maintaining these strong positions and improving upon them where we can.

Our planned move from Capita's Hartlink system to Procentia's award-winning platform IntelliPen is a very clear example of that commitment.

It is a significant investment that we believe will deliver a positive, long-term step change in the member experience, and drive value. The initial launch is expected to be complete in the coming year, with further build outs continuing across 2027.

As part of the move to IntelliPen, we successfully brought our defined contribution (DC) operations in-house from Capita in 2025/26, delivering future savings on related administration costs.

Delivering value for members and employers

As well as being part of our regulatory duties, achieving value for money is a fundamental priority. But that is about more than just how much we spend in absolute terms.

We consider the benefits being delivered and the investments that will fund them, the quality of services and experience we provide, and how we balance the costs of running USS with achieving good outcomes.

The principal way we assess our cost and service performance is to look at how we compare with our peers through independent benchmarking exercises.

The latest results are set out in more detail on our website and they paint a very positive picture.

On member service, CEM Benchmarking independently scored us third highest overall out of 11 compared to our peer group, and we were top for active members.

Being a hybrid scheme demands a relatively high level of member support, information and guidance. We also want to make it as easy as possible for employers to manage their interactions with us. Our costs for supporting members and employers in all their interactions with the Scheme are below our CEM Benchmarking peer group average despite our higher service score.

Our governance costs are materially higher than our peer group, reflecting the regulatory requirements of running a hybrid scheme of USS's size, scale and sophistication, and the complexity of our benefit design. The higher governance costs are small compared to our cost advantage on the investments side.

For the calendar year 2024, CEM Benchmarking found that the Scheme's investment management costs were the equivalent of £102m lower than the median global peer pension fund – after scaling peer group costs to our fund size.

The net outcome is that our total costs are £80m a year lower than our peer group.

Our cost advantage in our management of our investments is part of a long-term trend. Cumulatively, the Scheme's investment costs were independently assessed as £485m lower than the peer median over the five years up to, and including, 2024.

That is an advantage driven by the relatively high proportion of assets – approximately 68% – that are managed in-house by USSIM.

Deciding which assets to manage in-house is a comprehensive process, and not solely a question of cost.

It is also essential that USSIM has the necessary expertise to meet longer-term performance expectations.

External benchmarking by Redington (now Gallagher) of the Investment Builder compares a broad range of features with leading Master Trusts – the UK's largest DC funds – including administration, investment, governance, and communication.

And their view is that, overall, USS rates ahead of all of those other Master Trusts, based on agreed weightings.

Leadership changes

There have been some notable changes within the Executive team over the past year.

Andrew Kyle joined USS in January as our new Group Finance Director. Previously Chief Financial Officer at Brown Shipley & Co Limited and having held various senior finance roles at NatWest Group, Andrew brings extensive experience in financial services.

Claire Bowyer joined USS as Group General Counsel in March, following Jeremy Hill's decision to retire from USS in mid-2026.

Claire was previously Group General Counsel of Cardano Group and Deputy CEO of NOW: Pensions. Her time at Cardano, and before that in private practice, has given her significant experience of pensions, investment, governance and related legal issues.

In closing, I want to thank Jeremy for his huge contribution to the Scheme and wish him well for the future as he embarks on a portfolio career.

Carol Young
Group Chief Executive Officer
21 July 2026

Torsten Bell MP (second left), Minister for Pensions, meets Carol Bradshaw, Carol Young and Stephen Worthington at USS's HQ in Liverpool.

Our strategic priorities

Our strategy is underpinned by our purpose: Working with Higher Education employers to build a secure financial future for our members and their families.

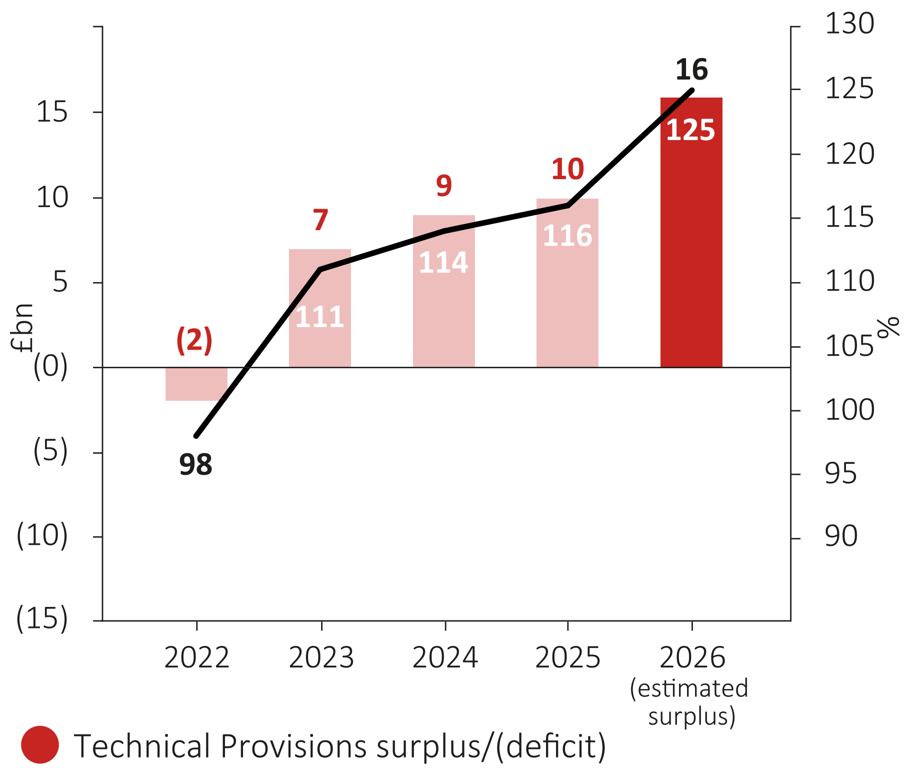
Strategic priorities	2025/26 highlights	Key performance indicators	2025/26 Result	2025/26 Target	2024/25 Result	2024/25 Target	Description
Members feel financially more secure We are committed to helping members understand their pension entitlements, providing them with the right retirement savings options, and helping them to make good decisions about their retirement.	• Achieved highest member trust scores since we started tracking them, at 68% in Q4 (versus the previous high of 66%). Engagement scores have also remained high (consolidating the significant improvements made over recent years), with member engagement increasing by 10% over the prior year with over 250,000 members logging into My USS at least once during the year. Members rating the relationship with USS as good or very good increased to 58% (versus the prior year of 55%). • Successfully launched a new virtual format for the annual Institutions Meeting. • Delivered strong customer service through our member-first approach, with the Pensions Operations team achieving the Investors in People Gold accreditation again. We also improved upon our Customer Service Excellence accreditation achieving compliance-plus in seven areas- recognising our ongoing dedication to raising standards in member service.	**Employer positive relationship**	93%	85%	90%	85%	% of employers rating relationship as good or very good. Further information can be found on page 11.
		My USS active member registrations	76%	70%	73%	70%	Proportion of active members registered for My USS. Further information can be found on page 99.
		Member call satisfaction	88%	80%	89%	80%	% of members satisfied with the service they received on the telephone. Further information can be found on page 11.
A sustainable scheme, for the long term We strive to ensure that funding is put on a stable path and that the Scheme is aligned with the long-term interests of the Higher Education sector where possible.	• Improved on the Scheme's strong funding position despite geopolitical instability. As at 31 March 2026, the estimated surplus in the defined benefit (DB) part of the Scheme was £15.8bn (£10.1bn as at 31 March 2025). • Achieved on-target investment performance. Over a three-year period to 31 March 2026, the Retirement Income Builder outperformed the Liability Proxy by 9.4% per annum, and the expected returns of the Scheme by 5.9%. • Supported UCU and UCEA in publishing two reports in relation to Conditional Indexation (CI). • Continued engagement with Government and regulators to advocate for the Scheme. This included participating in HMT's Mansion House Accord and the Sterling 20 Initiative. • Continued focus on responsible investment, including the Scheme's priorities of climate, nature, people and governance. The emissions intensity of the non-sovereign assets in the DB part of the Scheme is 33.5 tCO_2e per £m invested, which is a 63% reduction relative to a 2019 baseline. We have achieved our interim target of a 25% decline by 2025 and are ahead of our 2030 interim target of a 50% reduction.	**Investment balanced scorecard assessment**	Average to Good	Average to Good	Average to Good	Average to Good	USSIM's performance was assessed by the Investment Committee as 'on target' (2025: 'slightly below target'), which is described as being between 'Average' and 'Good'. More information is available on page 22.
USS is recognised as a competent scheme manager We deliver clear expertise in scheme management with the right people, systems, and processes to drive value for employers and members.	• Continued to make significant progress towards implementing Procentia's pensions administration platform, which will develop our technical capabilities to deliver enhanced functionality, digital services and levels of automation. • Insourced defined contribution (DC) operations, delivering expected total savings of £2.5m over next three years. • Maintained good levels of service within the Pensions Operations team, although our overall service level agreement (SLA) compliance dipped slightly to 87% (2025: 95%) on over 319,000 cases, as a result of increased volumes and intermittent outages of externally managed elements of the My USS member portal during the year. • Remained below peer cost benchmarks, with the latest CEM Benchmarking survey (calendar year 2024) showing investment management costs (as a proportion of scheme assets) as materially below the peer cost benchmark. USS was 13 basis points, equivalent to £102m per year, below the peer median. • During the period all finalised internal audits were rated Good or Adequate, with management awareness of risk and controls within all areas under review being assessed as either Strong or Good.	**Pension administration cost per member**	£76	£79	£76	£84	Further information can be found on page 29.
		Investment management cost	32bps	31bps	31bps	31bps	Further information can be found on page 28.
		Colleague engagement	7.9/10	7.8/10	7.8/10	7.8/10	Further information can be found on page 23.

Key facts and figures

For the year ended 31 March 2026

Funding ratio

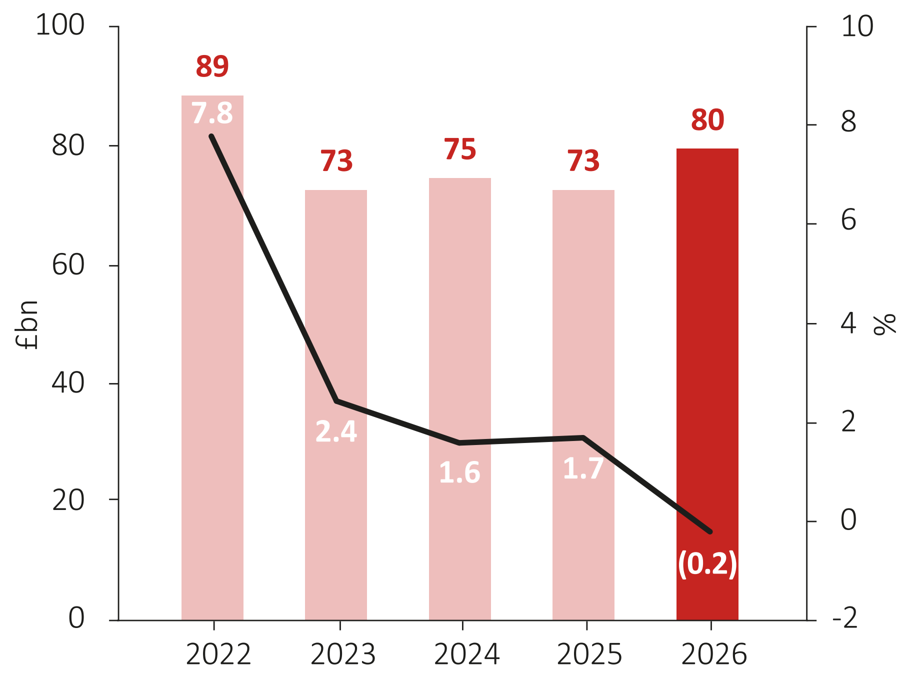
125% Funding ratio (Technical Provisions basis)



For more information see page 33

Retirement Income Builder assets and return

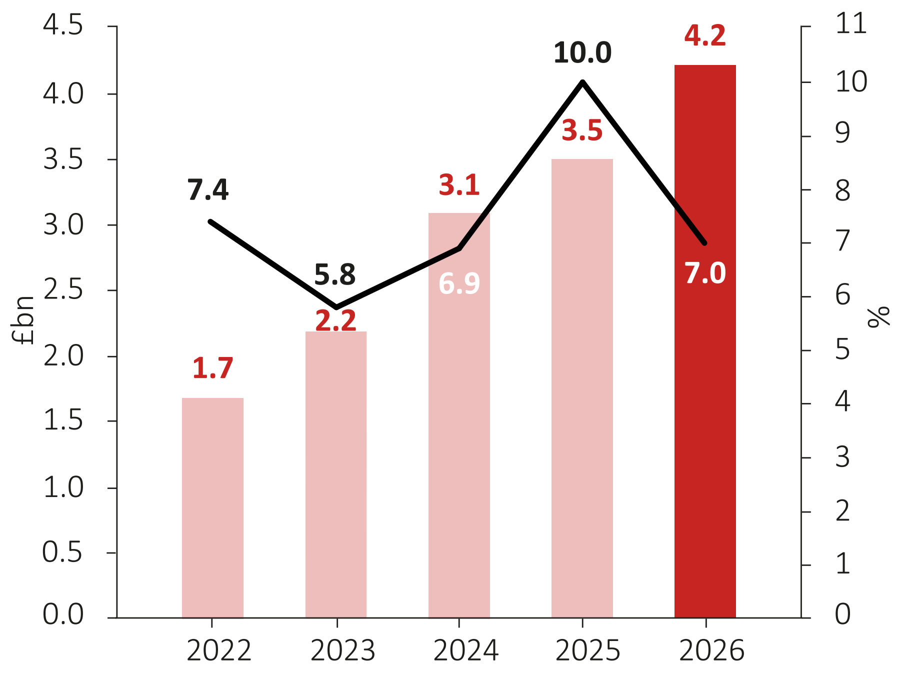
£80.0bn Total net defined benefit investments



For more information see page 18

Investment Builder assets and return

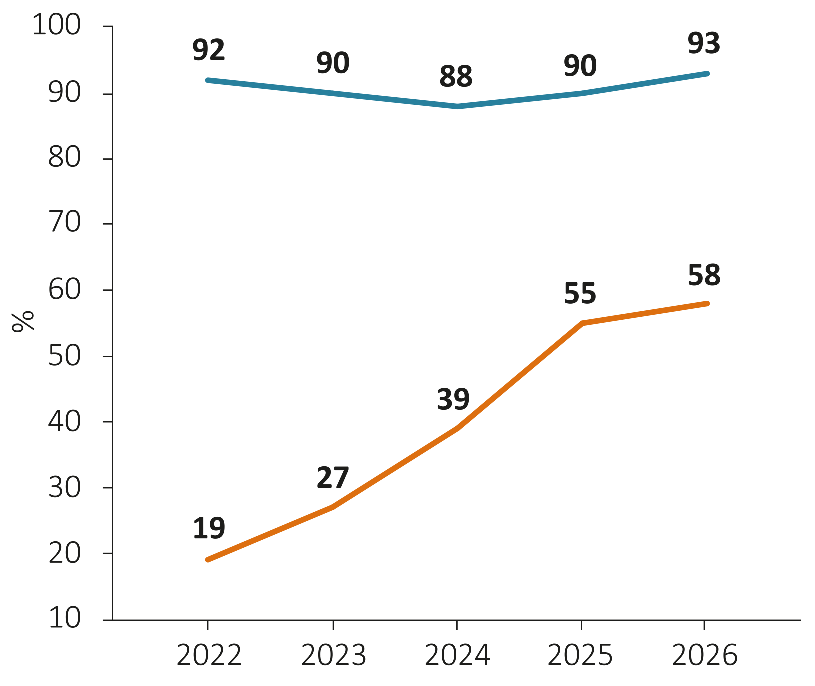
£4.2bn Total net defined contribution investments (excl. legacy AVCs)



For more information see page 19

Member and employer relationship

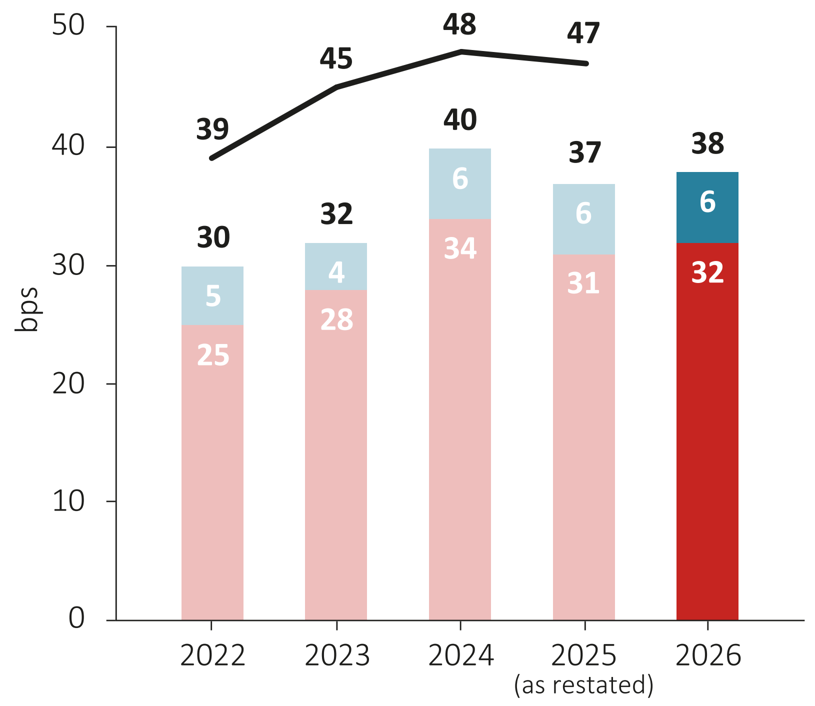
Employers **93%** Members **58%** rating relationship as good or very good



For more information see pages 9 and 11

Scheme management cost ratios

10 basis points below peer benchmark



For more information see page 28

Pension services

“We have continued to evolve our approach to engaging with members which has helped us reach record highs across our trust, engagement and understanding metrics. This provides a strong foundation for supporting members as we enhance our services and respond to industry developments.

Mel Duffield
Chief Pensions Strategy Officer

“Our focus and efforts to enhance our technical capabilities, to deliver higher levels of automation, enhanced functionality and increased digital services have continued over the period. We are both confident and excited that they will add real value to member and employer experience.

Piers Bishop
Chief Pensions Delivery and Technology Officer

We have made solid progress towards renewing and enhancing our pensions platform, whilst maintaining high levels of service, engagement and experience for our members and employers.

Over the past year our Liverpool-based pensions team have been serving the needs of over

599,000

USS members, processing their requests, dealing with their enquiries and providing them with information and decision-making support. At the same time we have been working to implement a new pensions platform that will deliver a significant improvement to the member and employer experience and support us in taking further proactive steps to support people through their time as USS members.

Key facts and figures

319,000+
cases[1] handled

88%
call satisfaction

407,000+
USS members registered for My USS

14,000+
webinar views

7,001
USS members retiring last year

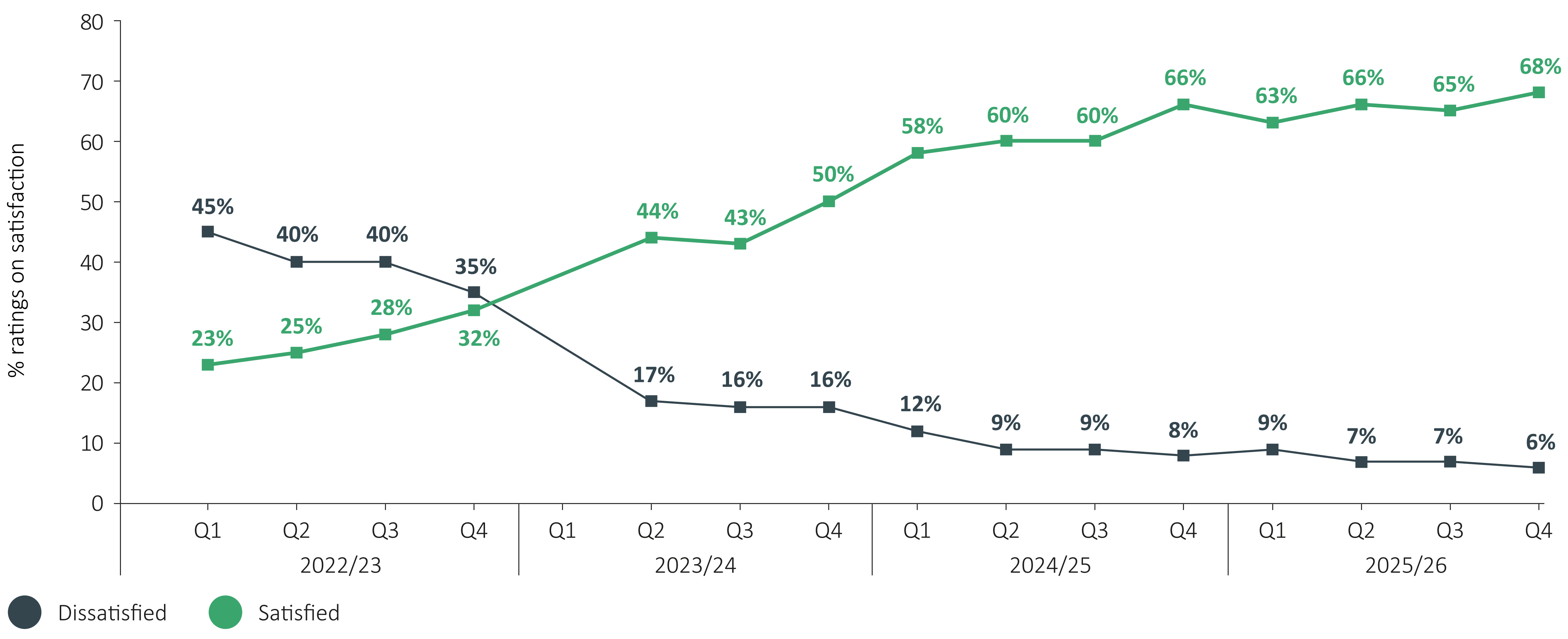
31,846
members joining USS last year

93%
employers rating their relationship with USS as good or very good

1 A case is an individual member request which excludes calls that are measured separately.

Pension services
Continued

Member overall satisfaction with service provided by USS (2022/23 - 2025/26)



Robust service in the face of challenges

Our Pensions Operations team delivered strong performance despite significant periods of instability with our current third-party pensions platform. The total volume of cases increased by 15% on the previous year, but through collaboration and hard work our performance only dipped slightly. Overall 87% (2025: 95%) of cases were dealt with within our service level targets.

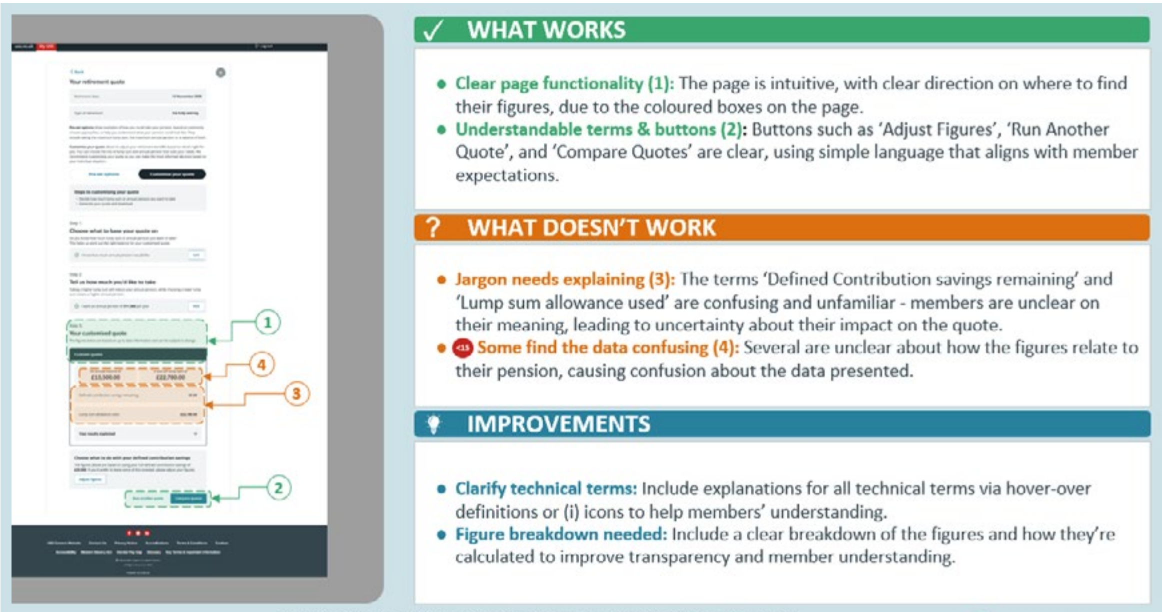
We were pleased that the work across our operational teams was recognised by independent Customer Service Excellence accreditation as being exceptional in several areas, including our career development framework, our procedures for handling member complaints and our targeted member communications.

> You made the whole thing very clear, and as a result it went smoothly. You might say that is only doing your job, but there are many ways for someone to do their job and in my opinion, you do yours extremely well.
>
> **Member testimony**
> Retirement

Preparing to transition to a new platform

Last year we hit significant milestones as we prepared to move to our new pensions platform, IntelliPen. Whilst any system implementation brings heightened risk, these preparations give us confidence that the transition will be smooth and secure and that we can deliver on the planned improvements in efficiency, cost and the member and employer experience. Progress made included:

- Building and testing specific capabilities in collaboration with our partner, Procentia, including contribution processing, workflows and calculations, in anticipation of undertaking end-to-end integration testing this year and ensuring we are operationally ready
- Design and development of the member-facing elements, including
  - the USS.co.uk website
  - the My USS dashboard
  - enhancements to existing self-serve functions, such as the ability to see contributions made or ways to contact USS
  - new self-serve functions, such as the ability to request a retirement or transfer quote via our secure online platform
- Rigorous testing of the data extract process in preparation for migration, as well as planning for connecting USS data to pensions dashboards in 2027, following an extension agreed with the Department for Work and Pensions (DWP) to avoid the cost and complexity of connecting the current pension platform for a short period before being replaced by IntelliPen
- Insourcing of defined contribution (DC) administration from Capita, undertaken before the platform transition – this places end-to-end administration of members' pensions under one organisation and delivers ongoing cost savings for the Scheme



Member Voice Panel testing

The new pensions platform will give members greater opportunity to self-serve, allowing them to take actions when they want and how they want. Our Member Voice Panel, a research community of around 700 members, has tested prototypes of the retirement quotation and application processes. They have provided valuable feedback to help us improve the member journeys before they are built, as shown in the image above, with improvements planned for the initial launch and subsequent releases.

Pension services
Continued

Engaging members to help them build confidence
We were pleased to see member engagement continue to grow, with positive reactions to our communication campaigns. As well as meeting key statutory communications requirements, we ran several targeted campaigns aimed at different member segments across the year. This included a 'Get retirement ready' campaign, with a podcast on retirement planning and information on how retiring early or late affects your pension.

As a result of these efforts, last year we hit a milestone – over 400,000 USS members are now registered for our online portal, My USS, and just over 250,000 members had logged in during the past year to check on their pension. We also saw increased uptake of our webinars, with over 14,000 overall views. Tailoring communications to different member segments so that it is timely and relevant is now a key part of our communications approach, with email and website content for active members reflecting their stage of life and other characteristics, and separate communications campaigns for deferred and retired members. In January, we hosted a workshop with international pension funds to share best practice on how to implement segmentation effectively in pensions communications.

Working in partnership with our employers
We continue to work in close partnership with our 320 employers and were very pleased that a record 93% told us their relationship with USS was good or very good. Our employer portal was affected by the overall platform instability, and it is a testament to their efforts and collaboration with us that 99.3% of contributions were processed by our target of the fourth working day of the month and 100% were cleared by the statutory deadline.

During the year, we held 4 meetings of our Institutions Advisory Panel, where we discuss administration issues that are important to our employers. This year, we started helping them prepare for our platform transition making them aware of what will change for them.

On-site member days
Providing members with an opportunity to learn more about their pension, and ask questions of USS experts in group and individual settings.

I just wanted to thank all of the team at USS as it is a weight off my mind for another while. It is fantastic to deal on the phone or [by] letter with people who genuinely understand the hardship that some people endure on a daily basis… pass on my sincere thanks to all at USS and the brilliant people who help us and have never met us.

Member testimony
Bereavement

Responding to member feedback – bite-sizing webinars

Members told us that they liked our range of webinars aimed at helping them understand their pension, but that sometimes, they want to dip into a particular section or don't have time to watch them in one sitting. This year, when we refreshed the webinars we introduced bite-size recorded versions that members can watch anytime, alongside full transcripts to improve accessibility.

The option to have confidential discussions [with USS staff] was important. They were open and honest. Very knowledgeable! It has given me a lot more confidence in this complex area.

Member feedback
University of Nottingham

Paying members correctly
Paying members the correct benefits is core to what we do. Our aim is to ensure that our administration practice is aligned with the requirements of the Scheme Rules and relevant legislation through time, and where potential issues are raised we actively investigate and remedy them.

This year, we have put in place a dedicated framework to identify, assess and, where appropriate, remediate any identified issues.

Pension services
Continued

Membership numbers

The tables below analyse movements in the membership of the Scheme during the year:

Active members	University institutions	Non-university institutions	Total
Active members as at 31 March 2025 as reported	**226,912**	**7,025**	**233,937**
Restatement of active members[1]	(6,089)	(48)	(6,137)
Active members as at 31 March 2025 as restated	**220,823**	**6,977**	**227,800**
New members	30,921	925	31,846
Rejoiners	9,528	195	9,723
Sub-total	**261,272**	**8,097**	**269,369**
Leavers and exits during the year			
– Retirements	(3,152)	(138)	(3,290)
– Retirements through incapacity	(130)	(8)	(138)
– Deaths in service	(133)	(6)	(139)
– Refunds	(351)	(27)	(378)
– Deferrals	(25,486)	(704)	(26,190)
– Retrospective withdrawal[2]	(5,870)	(89)	(5,959)
Sub-total	**(35,122)**	**(972)**	**(36,094)**
Active members as at 31 March 2026[3]	**226,150**	**7,125**	**233,275**

Notes

1 Membership data has been restated for administrative processes completed after 31 March 2025 but with an effective date prior to that date.

2 During the year, USS was notified of approximately 5,959 employees of participating employers who were eligible to join the Scheme but elected not to do so, which equates to 14%. This represents an increase of 2,018 from approximately 3,941 in the prior financial year.

3 Included in the active member numbers are 142,770 active members in the Investment Builder as at 31 March 2026.

4 As at 31 March 2026, there were an additional 17,376 pensions paid to beneficiaries in respect of the service of another person (for example, to a surviving spouse or dependant).

Deferred members	University institutions	Non-university institutions	Total
Deferred members as at 31 March 2025 as reported	**239,506**	**10,424**	**249,930**
Restatement of deferred members[1]	3,660	85	3,745
Deferred members as at 31 March 2025 as restated	**243,166**	**10,509**	**253,675**
New deferrals	25,486	704	26,190
Sub-total	**268,652**	**11,213**	**279,865**
Leavers during the year resulting from:			
– Rejoiners	(9,528)	(195)	(9,723)
– Transfers	(397)	(29)	(426)
– Retirements	(3,395)	(178)	(3,573)
– Deaths in deferment	(114)	(13)	(127)
Sub-total	**(13,434)**	**(415)**	**(13,849)**
Deferred members as at 31 March 2026	**255,218**	**10,798**	**266,016**

Pensioner members	University institutions	Non-university institutions	Total
Pensioner members as at 31 March 2025 as reported	**89,211**	**3,844**	**93,055**
Restatement of pensioner members[1]	2,096	68	2,164
Pensioner members as at 31 March 2025 as restated	**91,307**	**3,912**	**95,219**
New pensioners in year resulting from:			
– Retirement of active members	3,282	146	3,428
– Retirement of deferred members	3,395	178	3,573
Sub-total	**97,984**	**4,236**	**102,220**
Other movement	(203)	(73)	(276)
Deaths in retirement	(1,940)	(61)	(2,001)
Pensioner members as at 31 March 2026[4]	**95,841**	**4,102**	**99,943**

Investment matters

“
Both the Trustee’s legal duty and our sponsoring employers’ risk appetite shape how we invest. Our approach does not simply target the highest possible returns but aims to protect the pensions that are promised to members. We do this by aiming to outperform our liabilities and the expected returns of the Scheme, whilst keeping pace with comparable market portfolios.

Simon Pilcher
Chief Executive Officer of USSIM

Both the Trustee’s legal duty and our sponsoring employers’ risk appetite shape how we invest.

Market overview

Geopolitical instability continued to shape the global investment landscape over the Scheme financial period, sustaining an environment of elevated uncertainty and episodic market volatility. Over the period, market participants had to contend with a broad range of geopolitical pressures, including ongoing conflict in Ukraine, war in the Middle East, and a gradual but persistent shift towards more fragmented and fragile global trade and security arrangements.

Despite these headwinds, equity markets demonstrated notable resilience. US equities recovered quickly from periods of volatility and delivered robust returns overall. While communications and technology continued to perform strongly, supported by sustained enthusiasm for Artificial Intelligence (AI), other sectors also benefited from improving macro conditions, including industrials, financials, energy, and defence. Other developed markets, including the UK, also generated solid gains, supported by improving domestic conditions and stronger performing sectors like energy and finance. Emerging markets performed particularly well over much of the period as global financial conditions became more supportive, although returns were more volatile towards the end of the period amid renewed geopolitical stress and higher energy prices in early 2026.

Currency movements played an important role in shaping returns. The US dollar depreciated for much of the year as interest rate differentials narrowed and institutional investors, particularly in Asia, increased foreign currency hedging or reduced their exposure to dollar-denominated assets. The resulting weakness provided a meaningful tailwind for non-US markets, and this benefited portfolios with diversified currency exposure, like USS. However, war in the Middle East led to renewed interest in the US dollar and it ended the year strongly.

Elsewhere, inflation eased across major economies, though at a slower pace than expected. A cooling labour market and moderating wage pressures allowed major central banks to pivot towards monetary easing. In December, the Bank of England reduced interest rates to 3.75% as inflation continued to fall, while the US Federal Reserve began its own easing cycle in the second half of the year. These actions supported an improvement in bond market performance, with corporate spreads tightening and further enhancing returns across fixed income allocations. However, the outbreak of hostilities in the Middle East led to a sharp reversal in expectations for inflation and dramatic volatility in oil and gas prices, resulting in higher bond yields as the period came to a close.

Looking ahead, geopolitical risks are elevated, and the macroeconomic outlook remains uncertain. Rapid advances in AI, together with the significant increase in investment needed to support them, are disrupting industries and adding further complexity for asset owners. As a result, the market environment is likely to remain challenging and require careful navigation.

Investment strategy

The Scheme’s risk appetite is set by the Trustee, which has a legal duty to ensure the pensions promised to members can be paid when they fall due. This risk appetite informs the way in which the investment strategy is designed, the detail of which is then delegated for USSIM to implement. Both the Trustee’s legal duty and our sponsoring employers’ risk appetite shape how we invest.

Our approach does not simply target the highest possible returns but focuses on protecting the pensions that are promised to members. We do this by aiming over time to maintain the strong funding position of the defined benefit (DB) part of the Scheme, by outperforming its liabilities (the cost of members’ future benefits) and the expected returns of the Scheme, whilst keeping pace with comparable market portfolios. Over time we aim to do all three to ensure the Scheme has enough money to pay members’ guaranteed pensions long into the future and at an affordable cost.

We also review performance of components of the portfolio against market benchmarks or peers as appropriate. Depending on the investment environment, one or more of these goals may not be achieved over shorter horizons.

Investment matters
Continued

The strategy must remain within the risk appetite of our sponsoring employers, who effectively underwrite the pensions being promised to members. We need to make sure we are not taking more investment risk than they or the Trustee believe they can support. We engage with employers on investment matters as part of each valuation.

All of this means we must strike a careful balance between managing investment risk and generating returns. Taking some risk can generate returns in excess of the returns on our liabilities which should help keep contributions affordable but taking too much introduces unwanted levels of volatility in the Scheme's funding position.

We achieve this balance by:

- **Hedging** some of our DB liabilities: This involves investing in **liability matching assets** such as government bonds, the values of which vary in a way that is linked to UK interest rates and inflation – both of which impact the value of the Scheme's DB liabilities. When interest rates fall or inflation rises, the value of the Scheme's liabilities increases. While we do not fully hedge our liabilities, when we hedge, we can dampen volatility in the funding position and create more room in the strategy to invest in growth assets. At the time of the 2020 valuation, we were constrained on the amount of investment risk that we could take and therefore increased hedging to allow us to maintain a 60% allocation to growth assets. For the 2023 valuation, most employers were broadly supportive of further modest increases in liability hedging over those agreed through the 2020 valuation, on the basis that this would be expected to support greater stability in the funding position.
- Investing in **growth assets**: These assets include public and private equities and aim to generate the long-term returns that are needed to help pay benefits and reduce the contributions needed from members and employers. However, their value can fluctuate significantly, which can increase short-term volatility in the funding position.
- Investing in **credit (corporate bonds)**: These sit between equities and government bonds on the spectrum of risk and help drive returns, support our hedging of the Scheme's liabilities, and further diversify the Scheme's risk exposure.

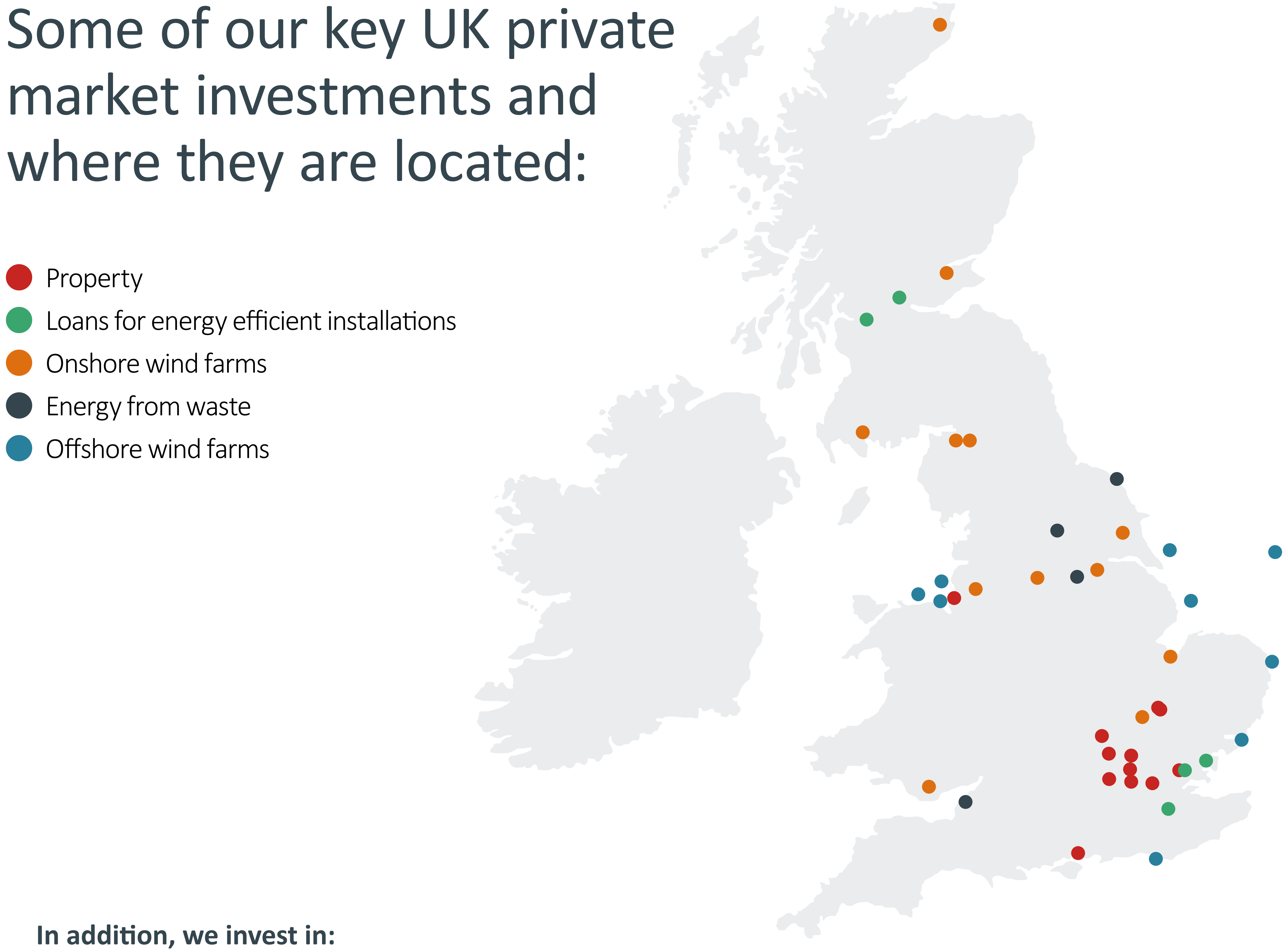
Ultimately, we look to build a balanced portfolio: one that ensures that we have the necessary liquidity to pay pensions as they fall due, hedges some of the long-term interest rate and inflation risk, and is exposed to the long-term growth investments that help to keep the costs of delivering those pensions at a reasonable level.

Because of our gradual increase in the hedging of our liabilities, the Scheme is now much more resilient than was the case in 2020. If market conditions were to worsen, our funding position would be much better protected than in 2020. For the 2023 valuation, employers were clear in their views about the importance of contribution and benefits stability, and we are hearing this again in our initial engagements with them on the 2026 valuation.

Some of our private market investments offer both elements of managing investment risk and generating returns – they are growth assets that can provide some element of long-term liability matching as well. Private markets can provide both attractive risk-adjusted return opportunities that are not easily available in public markets, as well as diversification benefits.

Our private assets are part of the fabric of everyday life: housing, schools, health centres, retail and leisure facilities, motorway service stations, and energy-efficient street lighting. We have around £2bn invested in renewable energy and clean technology, including wind

Some of our key UK private market investments and where they are located:



In addition, we invest in:

3,000+ shared and affordable homes

16 NHS healthcare centres

18 UK airport National Air Traffic Services

67 Moto service stations

43 Westerleigh crematoria locations

As well as our major UK portfolio, we hold private market investments across Europe, Australia and the Americas.

Investment matters
Continued

farms from the far north of Scotland to the south coast of England. We invest in data centres, gas networks, toll roads, reusable pallet logistics, and even a port.

As a long-term investor, we can provide patient capital to private assets to support the long-term success of businesses. The ownership structure can also give us more direct engagement with a company's management team and comparatively greater influence and/or clarity over its direction than is possible when investing in public markets.

Private markets are of particular interest in Government right now. We signed the Mansion House Accord in May 2025 – a non-binding, voluntary expression of intent to invest at least 10% in private markets across defined contribution (DC) default funds by 2030, with at least 5% of total assets going to UK private markets.

The Accord reflects our existing approach to private market investments and is aligned with our belief that they can provide opportunities for additional returns, diversification and other desired characteristics for our members over the long-term. While the Accord only applies to DC savings, in DB we already choose to invest around 30% in private markets, approximately half of which is in the UK.

The Growth Fund in our DC offering has 25% allocation to private markets, so we're already well above the aspiration set out in the Accord.

Thanks to our in-house investment teams across both private and public markets, we can access opportunities at a lower all-in cost. Having a sophisticated and expert team of in-house investment managers is one of the biggest drivers of our cost advantage over our peers. According to the latest independent analysis by CEM Benchmarking, the Scheme's investment management costs in 2024 were the equivalent of £102m lower than the median global peer pension fund (after adjusting for relative size of assets under management). Our cumulative cost advantage over five years is £485m.

We are increasing the amounts we allocate to our systems infrastructure as we work to enhance our data management and investment systems in USSIM to ensure that we remain fit for the future. Our focus is on building a more agile and integrated data infrastructure to support our investment decision making, leverage AI and streamline our operations.

Investment performance

We invest for a purpose – to pay members' pensions long into the future. We also aim to ensure that these pensions can be provided at a reasonable cost to the Higher Education sector. That means we have a broad and complex set of objectives, and USSIM must consider all the goals that the Trustee sets.

For example, the Trustee's objectives and constraints include: how well our investments track the Scheme's liabilities; how achieved long-term returns compare to the expected long-term return of the Scheme; and target levels of growth investments and the proportions of interest rate and inflation risk of the liabilities that are hedged (see hedging risk section to the right). They also include measures of resilience to potential big market movements, the integration of financially relevant items such as climate change and the quality of investment advice.

The Trustee's Investment Committee assesses the performance of USSIM using a range of different categories and metrics in an investment balanced scorecard. This takes a rounded view of investment performance against the backdrop of our multiple investment objectives, taking account of the interests of our members and employers.

For 2025, the Investment Committee concluded that USSIM's investment performance was on target when looking across each of the DB and DC parts of the Scheme.

The Investment Committee particularly noted positive outcomes in areas of investment returns, risk management and portfolio resilience, while recognising that some of this had been market driven. It also called out positive progress on responsible investment and high-quality advice in some areas. However, it highlighted that active management could have been stronger and called for clearer, more proactive advice on areas like our equities strategy.

Overall Retirement Income Builder performance

The Retirement Income Builder is the DB part of USS. It promises members an inflation-linked income for life plus a one-off cash lump sum at retirement.

In the year to 31 March 2026, the value of DB net investments increased to £80.0bn (2025: £73.3bn).

Over the five years to 31 March 2026, the Retirement Income Builder returned (0.2)% p.a., partially driven by hedging assets, and outperformed the Liability Proxy (which seeks to track the estimated present value of future pension liabilities) by 11.7% p.a. The DB funding position has improved significantly in recent years, moving from a £14.1bn deficit as at 31 March 2020, to a £15.8bn estimated surplus as at 31 March 2026 (as measured on a Technical Provisions basis).

Whilst the return of our growth assets has played a crucial role in the growth of the Scheme's surplus, so has our approach to hedging the risks of our liabilities. This does mean that, as overall DB net investment performance includes the impacts of liability hedging assets, assessing this performance versus liabilities is more meaningful than in absolute terms. Our approach also aligns with our primary goal as laid out in our investment framework implemented in July 2022.

Valuation Investment Strategy (VIS)

The Valuation Investment Strategy (VIS) is a high-level theoretical investment strategy for the DB part of the Scheme that was developed for the 2023 valuation. The implemented portfolio can differ from the VIS (within limits), as USSIM finds opportunities in the financial markets to add value and improve risk-adjusted returns. The implemented portfolio operates within the same risk and return parameters as the VIS.

Hedging risk

Hedging inflation and interest rate risk is a core part of safeguarding member benefits and supporting funding stability, which in turn provides contribution level stability.

We assess the effectiveness of our hedging assets by monitoring hedge ratios against targets, and by looking at how closely these assets move in line with our liabilities.

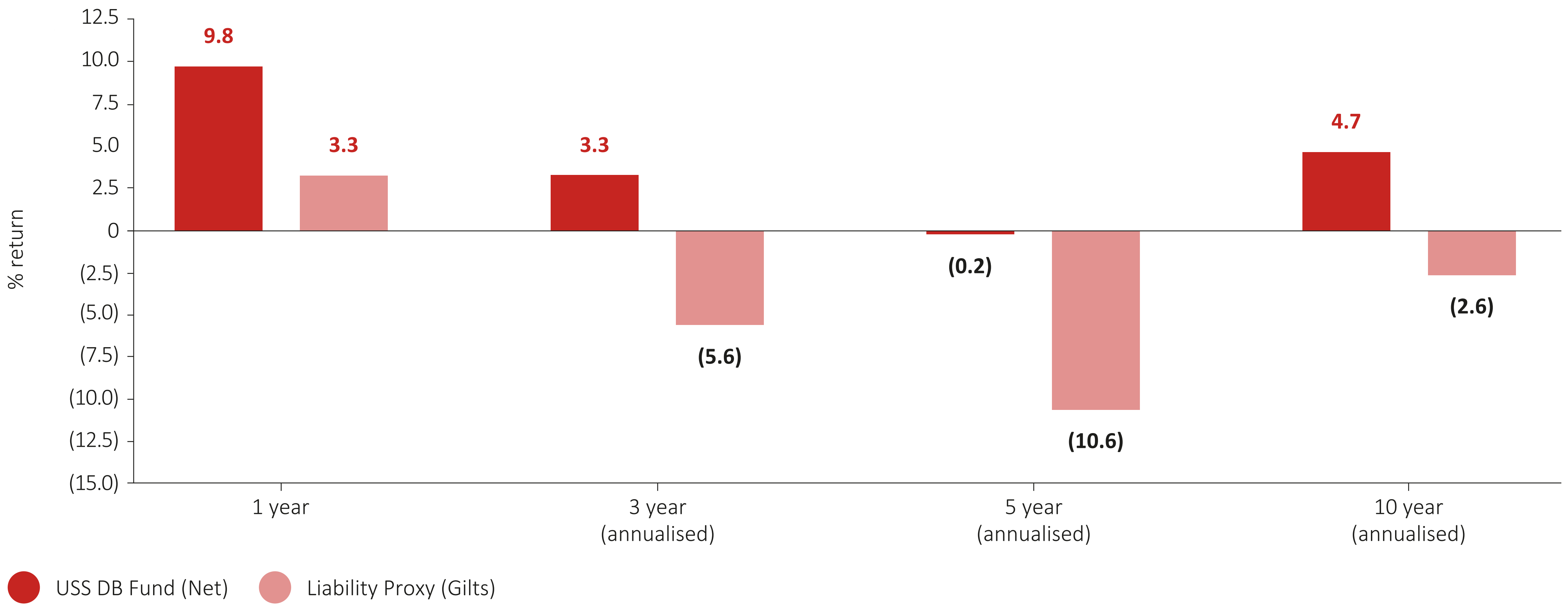
Further information on our hedging strategy and hedge ratios is available is available on our **website**.

Hedge ratios[1]	Implemented portfolio %	2023 VIS %	Difference %
Rates hedge ratio	55.9	50.0	5.9
Inflation hedge ratio	57.0	50.0	7.0

Note
1 Hedge ratios are measured against the Scheme's liabilities on a self-sufficiency basis, and remained within agreed limits during the period.

Investment matters
Continued

Retirement Income Builder performance



The following table sets out the distribution of Retirement Income Builder assets (the implemented portfolio) as at 31 March 2026

	Implemented portfolio %	2023 VIS %	Difference %
Growth	**59.4**	**60.0**	**(0.6)**
– Public Equities	37.9		
– Commodities	2.4	42.0	
– Private Growth	5.2		
– Infrastructure	9.5	12.0	
– Real Estate	4.4	6.0	
Credit	**22.5**	**20.0**	**2.5**
– Public Credit	11.5	20.0	
– Private Credit	11.0		
Liability matching	**40.0**		
Net leverage	**(21.9)**		
Total	**100.0**		

The Retirement Income Builder outperformed the Liability Proxy by 9.4% p.a. over the three years to 31 March 2026 and exceeded the expected return target[1] set following the 2023 valuation by 5.9% p.a. However, the Retirement Income Builder underperformed the average comparator portfolio by 2.7% p.a. The comparators are a range of theoretical public-market index-based portfolios, including the Valuation Investment Strategy (see page 17), with varying asset allocations across broad categories, which fit within the overall risk appetite of the Trustee but do not seek to address the full set of objectives of the actual invested portfolio.

Performance of growth part of DB fund

As well as assessing the overall performance of the DB fund, we look at performance of sub-components, such as growth assets, and individual mandates within that, relative to targets, peers and benchmarks where appropriate.

In the period to 31 March 2026, the growth part of the DB fund delivered a return of 12.9% over one year and 9.5% p.a. over three years. Three years is the longest annual track record we have at publication as the investment framework was first implemented in July 2022. These returns compare well with the 30 year expected returns on growth assets of 7.7% set in the 2023 VIS. The positive returns came from a diversified portfolio of public and private equities, infrastructure, and property – assets that each bring different risk-return characteristics. Taken together, this portfolio looks quite different to any single public market equity index, but the returns achieved are broadly in line with returns on diversified growth funds.

Note

1 The expected return target set was to outperform the return on the Liability Proxy by at least 2.9% p.a.; actual outperformance exceeded that target by 5.9% p.a.

It is not a surprise that private equity, infrastructure and property investments along with the Long-Term Real Return equity mandate (LTRR) have lagged buoyant public equity market indices in recent times, where those public equity markets have been largely driven by a small number of sectors. Our portfolio is deliberately more diversified by asset class and sectors, with the goal of being more resilient in more challenging market environments.

Furthermore, whilst our investments in Private Markets and LTRR have not delivered the same returns as public equity market indices, they have each generated returns that are similar to their respective peers.

We have a very diversified portfolio of investments and at any time some may struggle while others may thrive. No single investment is of sufficient magnitude to make a material impact on our funding position or threaten the Scheme's ability to pay pensions. A central part of our investment process is to learn from our experiences so that we can strengthen our approach in future. Our focus remains firmly on overall outcomes. Overall performance remains positive, and our strategy continues to do what it is designed to do.

> "The funding position of the DB part has improved significantly, moving from a £14.1bn deficit as at 31 March 2020 to a £15.8bn estimated surplus as at 31 March 2026.
>
> **Simon Pilcher**
> Chief Executive Officer of USSIM

Investment matters
Continued

Performance of the Investment Builder

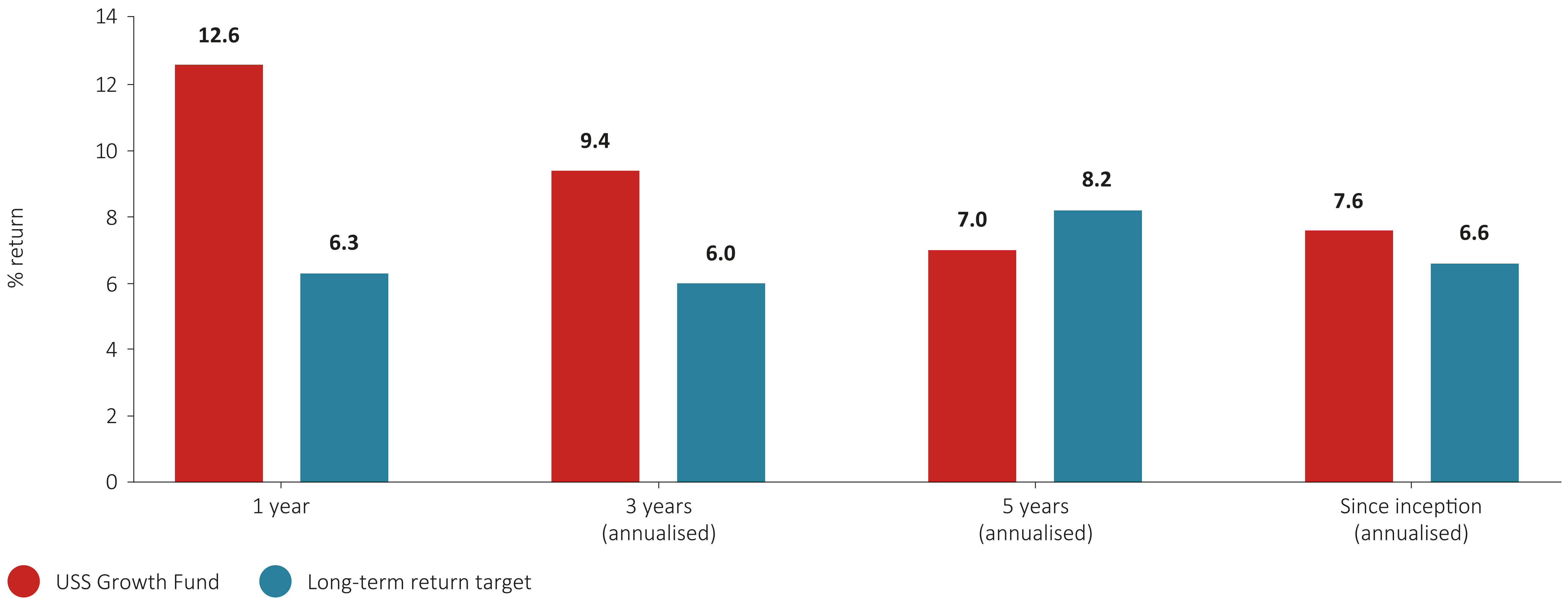
The Investment Builder is the DC part of USS. It offers members the option to manage their own investments in the 'Let Me Do It' option, or to have their investments managed for them in the 'Do It For Me' option.

All DC funds delivered positive returns over the 12 months to 31 March 2026, with gains across both the 'Do It For Me' and 'Let Me Do It' options. Market volatility was influenced by monetary policy uncertainty, high inflation, AI sector sensitivity, and ongoing geopolitical tensions. Despite this backdrop, the 'Do It For Me' funds, particularly those with higher equity allocations, outperformed their long-term return targets (LTRTs). The 'Let Me Do It' funds are measured against benchmarks, and most of those outperformed their respective benchmarks over the period, except for the Ethical Equity and Bond Funds.

For example we measure the performance of the Growth Fund, where most DC assets are invested, using LTRT which is CPI inflation +3% each year, as well as to peers and comparable portfolios. Performance of the fund over five years reflects the inflationary pressures throughout 2021 to 2023.

While recent high inflation means that the medium-term targets are more volatile, looking over a longer-term horizon, the fund return since inception (October 2016) has outperformed the target. The chart below shows performance of the Growth Fund against this LTRT over various time periods.

Investment Builder performance (USS Growth Fund)



The following table sets out the performance of all funds within the Investment Builder against a LTRT or benchmark.

	1 year		5 years (annualised)	
Investment Builder performance	**Fund %**	**LTRT/Benchmark %**	**Fund %**	**LTRT/Benchmark %**
Growth Fund	12.6	6.3	7.0	8.2
Moderate Growth Fund	9.7	5.3	5.3	7.2
Cautious Growth Fund	7.7	4.8	3.3	6.7
UK Equity Fund	19.2	18.5	9.7	9.7
Global Equity Fund	16.6	16.9	10.2	10.3
Liquidity Fund	4.3	4.2	3.4	3.3
Emerging Markets Equity Fund	29.2	26.8	4.8	4.6
Bond Fund	2.3	3.3	0.1	0.3
Ethical Equity Fund	13.4	16.4	6.7	11.3
Sharia Fund	20.5	20.1	13.8	13.6
Ethical Growth Fund	11.5	6.3	5.0	8.2
Ethical Moderate Growth Fund	8.5	5.3	3.2	7.2
Ethical Cautious Growth Fund	6.6	4.8	1.9	6.7
Ethical Liquidity Fund	4.3	4.2	3.4	3.3

Our external DC investment adviser compared the USS Growth Fund against 12 UK DC master trust default growth fund returns over the 12 months to 31 March 2026. The USS Growth Fund returns were similar to the other diversified default growth funds in the peer group, however, those with larger allocations to public market equities delivered higher returns over the year.

Our globally diversified portfolio looks to spread investment risk across a variety of factors and the USS Growth Fund is therefore invested in a number of different asset classes including equities, property, infrastructure and bonds. As a result of this diversification, its performance was behind some less diversified, more equity-reliant peer funds. The fund has outperformed its LTRT over longer time periods (since inception). We believe that using a LTRT is most relevant to our members as it allows them to see how their Investment Builder savings are performing relative to inflation over the long term.

Investment matters
Continued

Responsible investment

USS is a long-term, responsible investor with a legal duty to invest in the best financial interests of our members and beneficiaries, so we can pay pensions long into the future.

Embedding responsible investment more deeply into our decision-making framework remains central to our investment strategy. As in previous years, our ambition is to be recognised as a leading UK asset owner on responsible investment, and among global leaders in the areas that matter most for the Scheme: climate, nature, people and governance. As a **Universal Owner**, we have a responsibility to support the proper functioning of markets and to help protect long-term investor rights, including through thoughtful engagement with policymakers and regulators in the markets where we invest.

We published our '**Responsible Investment: What it means to us**' report this year, which looks to clearly articulate our approach and, more specifically, how we are addressing the climate transition.

The climate transition

We believe that climate change is a significant financial risk – and it's one that's increasingly reshaping the way we look at our investments and their long-term returns. Climate change could negatively impact the investment returns we need to pay pensions for decades to come.

As a Universal Owner, we cannot avoid climate risk through stock-picking or divesting from certain assets. While the emissions intensity of the non-sovereign assets in our DB portfolio has significantly declined since 2019, we recognise that real-world emissions continue to rise. It is imperative that progress is made across the wider global economy rather than just within our own portfolio to help safeguard against adverse long-term financial impacts. That is why we are engaging with governments and regulators to encourage them to create the conditions that will encourage and enable both companies and individuals to choose lower carbon options, thus minimising the rise in global temperatures.

Our work with Trex: why bold policy and smart investment matter

During the year, we published new analysis in partnership with Transition Risk Exeter (Trex) on how to deliver a successful energy transition. **The paper** calls for stronger actions from governments, improved management of climate risks and opportunities by asset owners, and a more collaborative global approach to accelerate real world change.

In March, we held an in-person roundtable with our peers to present our work with Trex and discuss how we can collaboratively engage with the Government. We are extending this collaboration beyond the UK to work with international peers and encourage them to engage with the governments in their countries on this global topic.

Understanding our exposure to nature-related risks

Nature loss presents a systemic and growing financial risk. Economic activity relies on healthy ecosystems – from soil health and water availability to pollination and carbon storage – yet these natural systems are deteriorating. As nature declines, the cost of doing business could increase, supply chains could become more vulnerable, and the risk of macroeconomic disruption could rise.

During the year, we conducted an initial, top-down nature exposure assessment across selected internal mandates. This work provides a baseline understanding of nature-related dependencies and impacts across our portfolio. It also gives us a foundation for more detailed, bottom-up analysis at asset level, enabling us to identify where nature-related risks may be most material and where opportunities may emerge.

Refreshing our voting approach

Voting is one of our most important stewardship tools. It supports our governance priority and enables progress on climate, nature and people through company-level action. In an environment where investor rights are being challenged in certain markets, clarity and robustness in our voting approach are increasingly important.

This year, we undertook a comprehensive refresh of our voting framework to support more effective stewardship. The refresh includes:

- Trustee-owned Voting Principles: These principles clearly set out how we use our vote and allow implementation responsibilities to sit appropriately within USSIM – those closest to investment decisions.
- Updated Voting Guidance: This clearly outlines our position, context and rationale for voting on both management and shareholder resolutions.

The refresh gives us clearer ownership and oversight of our voting activities, strengthens our accountability and ensures that our voting activities continue to reflect the Scheme's long-term priorities.

We have continued to engage with the companies we own through dialogue and by exercising our voting rights. See our Implementation Statement on page 105 for information on how we voted during the year to 31 March 2026. We also publish a list of our voting records at **how we vote**.

Engagement with Government

Over the past year, we have strengthened our engagement with Ministers and officials across Government, including close collaboration with the Office for Investment (OfI). Following our support for the Mansion House Accord and our participation in the subsequently formed Sterling 20 – an investor-led partnership between 20 of the UK's largest pension funds and insurers – we contributed to regular OfI-led discussions and attended the Regional Investment Summit in Birmingham, where Sterling 20 was formally launched. We welcomed the Director of Private Pensions at DWP to USSIM for an in-depth session on the Scheme, further strengthening our relationship with officials. We also hosted a joint reception with Pensions UK during the Labour Party Conference in Liverpool, attended by senior parliamentarians.

We continued to engage across the political spectrum, building relationships with key Opposition spokespeople. We attended briefings by the Shadow Work and Pensions team on mandation and engaged with peers from a range of parties on fiduciary duty during the passage of the Pension Schemes Bill.

Galloper Offshore wind farm, North Sea, England.

Investment balanced scorecard

To help us measure USSIM's investment and advisory performance we use an investment balanced scorecard.

The investment balanced scorecard takes a view of investment performance in the round against the backdrop of our investment objectives set by the Trustee, and the interests of our members and employers. The assessment includes a range of different categories and metrics from quantitative risk and return metrics, to qualitative inputs, allowing the Investment Committee to assess USSIM's performance independently and holistically.

There is a scorecard for both the defined benefit (DB) and defined contribution (DC) parts of the Scheme, which each cover six important categories. The DB and DC versions have the same six categories, but different metrics are used in each scorecard. The Investment Committee's assessment of the scorecard is a rating on a scale of Very Good, Good, Average, Poor and Very Poor.

The metrics used in the DB version of the scorecard are shown to the right.

Investment return

a **Realised return**
i Versus required return
ii Versus expected returns

b **Funding measures**
i Probability of Technical Provisions full-funding
ii Evolution of Technical Provisions funding level
iii Evolution of self-sufficiency funding level

Investment risk

a **Deficit risk**
i A projection of the Scheme's affordability
ii Self-sufficiency liability hedge ratios
iii Asset liability volatility and Value at Risk (95%)

b **Other liability hedging attributes**
i The allocation to assets with sensitivity to long-term inflation
ii Effectiveness of hedging

Active management

a **Asset allocation**
i Return versus market comparators

b **Public markets**
i Return over benchmarks
ii Information ratio
iii USSIM self-assessment

c **Private markets**
i Return over benchmarks
ii USSIM self-assessment

Portfolio resilience

a **Liquidity**
i Probability of running out of cash
ii Probability of running out of collateral
iii Ability to replenish collateral

b **Counterparty risk**
i The probability of losing 0.5% of Scheme NAV from a counterparty default

Responsible investment

a **Climate risk management**
i USSIM self-assessment
ii An assessment of how USSIM is delivering against the Trustee's net zero ambition
iii An assessment of how USSIM is delivering on managing physical risk

b **ESG integration**
i USSIM self-assessment
ii An assessment of how USSIM is integrating financially material ESG factors, reporting and stewardship

Advice and support

a **Investment Committee assessment of USSIM advice**
i The annual Investment Committee advice survey
ii A qualitative assessment by the Investment Committee

b **Support provided by USSIM**
i Support to USS non-executive bodies and other stakeholders delivered through the year

Investment balanced scorecard
Continued

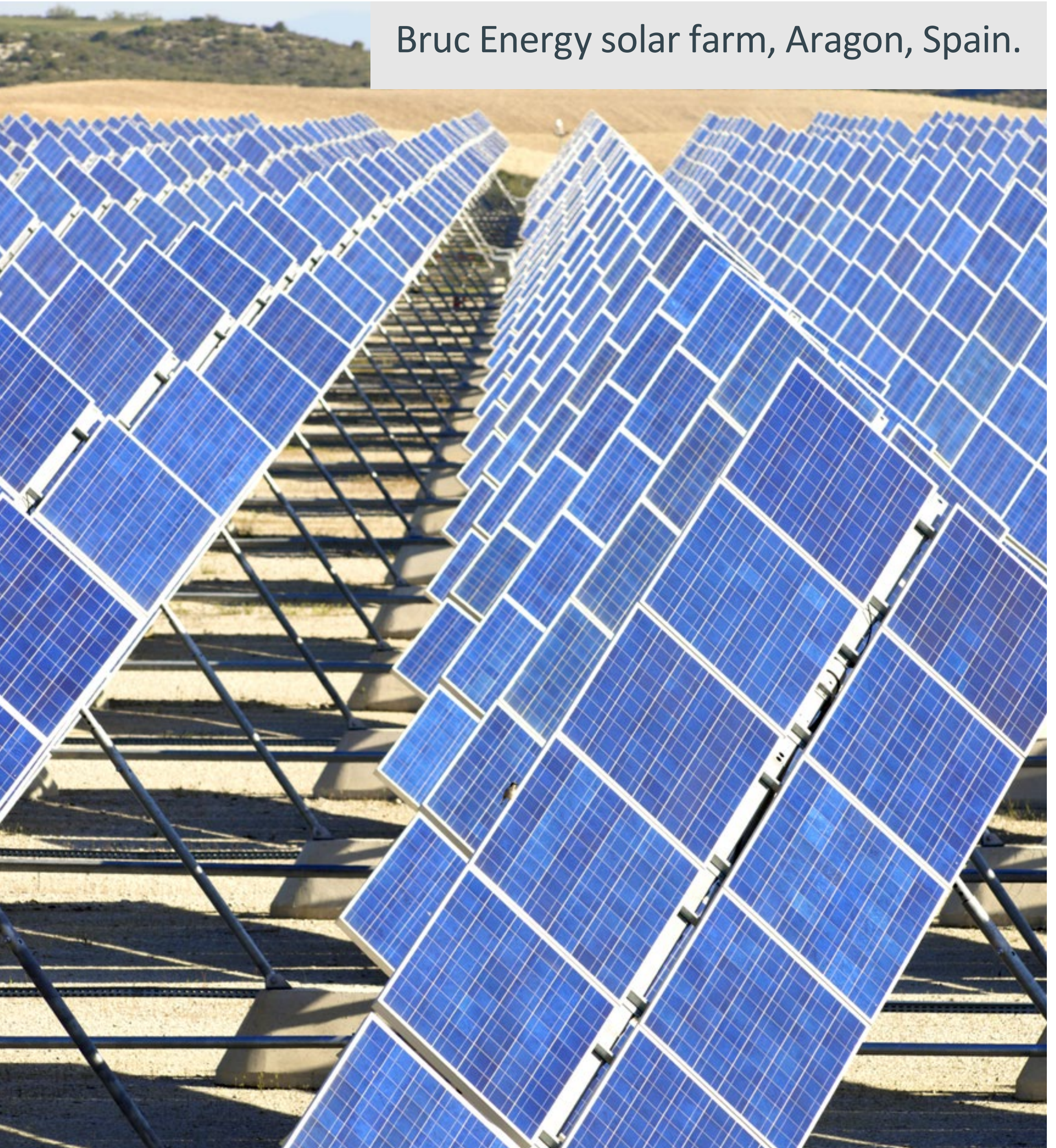
Assessment by the Investment Committee

The Investment Committee assessed USSIM's investment performance using the DB and DC investment balanced scorecards. The assessment considers all aspects of USSIM's performance during the calendar year to 31 December 2025, with input from USSIM, the Trustee executives and external advisers, Mercer (for DB) and Lane Clark & Peacock (for DC).

For 2025, the committee acknowledged that USSIM had delivered against most of its objectives and highlighted the following areas of USSIM's performance as being particularly strong:

- Positive outcomes were acknowledged in areas of investment return, investment risk management and portfolio resilience. However, it was recognised that market conditions contributed significantly to these results:
  - Investment returns were broadly positive across multiple measures, though materially influenced by wider market movements. For DC, the 'Do It For Me' funds delivered returns significantly ahead of long-term real return targets, supporting strong outcomes for members.
  - Investment risk management was strengthened, including timely portfolio rebalancing ahead of a period of market turbulence.
  - The portfolio performed broadly in line with expectations during periods of volatility.
- Areas more directly in USSIM's control – active management, responsible investment, and investment support and advice – were therefore more of a focus for the committee's assessment.
  - The committee highlighted the high quality of investment support and advice provided during the year, while noting opportunities for more proactive advice in relation to the equities strategy, and performance drivers for complex mandates.
  - Strong progress was made on responsible investment, especially the integration of responsible investment considerations across the wider portfolio, positive recognition from The Pensions Regulator for our TCFD Report 2025, and the publication of the '**The Policy Challenges of the Energy Transition**' with support from Transition Risk Exeter (Trex). However, it noted there is still more to do on the integration of physical risk under the climate scenario analysis work.

Bruc Energy solar farm, Aragon, Spain.



The committee felt that USSIM's performance in the following areas was not at the level achieved in other scorecard categories:

- Active management remained below target for the year across both DB and DC, influenced in particular by outcomes in the Long-Term Real Return equity mandate (LTRR) and across private markets. The committee noted that the returns for the LTRR mandate, together with the Private Equity and Private Infrastructure mandates, all lagged broader buoyant public markets across 2025.
- In DC, while absolute performance was strong and significantly ahead of the long-term real return targets, USS's DC fund performance trailed some peers. DC fund performance was, however, stronger than peers on a risk-adjusted basis due to having less reliance on equities than peers.

Taking all of these elements into account, the committee awarded USSIM an overall score of between 'Average and Good' for its investment performance across both the DB and DC investment balanced scorecards, which was **on target**.

At the end of the assessment process, the committee provides USSIM with their rating and associated feedback on investment performance over the calendar year. The committee also provides USSIM with the Trustee's expectations and investment priorities for the year ahead, so that USSIM can factor this into its planning and priorities.

Changes have been introduced from 1 January 2026, which will be reported on in our 2027 Report and Accounts. These changes include the introduction of two metrics to assess USSIM's growth asset performance as key elements of our investment strategy.

Russell Picot
Chair of the Investment Committee
21 July 2026

" The committee awarded USSIM an overall score of between 'Average and Good' for its investment performance across both the DB and DC investment balanced scorecards, which was **on target**.

Russell Picot
Chair of the Investment Committee

Our stakeholders

Members

Members are at the heart of what we do. Seeking feedback is crucial to ensure that the Scheme meets their changing needs.

We obtain member feedback in a number of ways:

Member surveys
We run a programme of member surveys, including large-scale surveys with a sample of our active members each quarter, and occasional surveys with deferred and pensioner members. These surveys ask members for their views on USS, as well as other issues that help us improve our products and services. We also request feedback at specific ‘touchpoints’ when members interact with the Scheme, such as calling us or taking their benefits.

Member voice
We run an online panel open to all members where they can discuss USS topics and participate in research activities led by USS or our partner research agency. There are currently around 700 members on the panel, and activities take place regularly throughout the year.

Direct feedback
Members are also able to provide feedback via telephone, post, email or online contact form. Comments are recorded and analysed to identify themes and emerging issues. More details on how the Scheme has responded to member feedback are referenced in our Pension Services section page 13.

Key achievements

88%
of members were satisfied with the service we provided them when calling

407,000+
USS members are now registered for our online portal

14,000+
views of our webinars

Employers

The ability to provide an excellent service to members is a collaborative process between USS and our employers.

By working together closely with employers, and providing them with excellent service, we aim to deliver the best outcomes for our members.

Employer engagement
We regularly meet employers in groups and on an individual basis to discuss topics that are of importance to them and the Scheme. These meetings take place at a strategic level between USS and employer leadership, and at a working level with our client engagement team and employer pension teams. We hold two drop-in sessions per month following the publication of significant communications to address questions and clarifications from employer pensions teams.

Institutions Advisory Panel
We convene a quarterly Institutions Advisory Panel (IAP) with 27 of our employers, representing 62% of our active membership, to discuss upcoming systems and rules changes that could impact employers.

We run an annual survey with all employers where we seek feedback on USS, including how employers find administering pension activities and what we can do to improve. These results are discussed internally and actions are taken. Where relevant, we will follow up with the employers to understand issues better. More detail on how we work with employers is included in the Pension Services section on page 13.

Key achievements

93%
of employers rate quality of support as good or very good

62%
of our active members are represented by an employer on the IAP

100%
of contributions were processed by the statutory deadline, with over 99% completed by the target of the fourth working day of the month

Our stakeholders
Continued

Representative groups

Representative groups play a key role in our governance and ensure the Higher Education sector's evolving needs are understood.

Universities and Colleges Employers Association (UCEA)

UCEA is a representative body for the UK Higher Education sector. The Trustee undertakes certain statutory consultations with UCEA in relation to certain funding matters and contribution rate changes. Through these activities, UCEA acts as the collective voice of employers and supports effective engagement between the Trustee and the Higher Education sector. UCEA also appoints representatives to the Trustee Board, JNC and Advisory Committee in order to reflect the interests and perspectives of employers in the Scheme's governance structure.

University and College Union (UCU)

UCU is a trade union and professional association that represents individuals working in further and Higher Education throughout the UK. UCU appoints representatives to the Trustee Board, JNC and Advisory Committee so as to reflect the interests and perspectives of members in the Scheme's governance structure.

Joint Negotiating Committee (JNC)

The JNC comprises five representatives of UCEA and five representatives of UCU, together with an independent committee member who acts as Chair. More information is included on pages 46 and 47 and in this year's Governance Supplement provided on the USS website at report and accounts.

Government and communities

As the UK's largest private DB pension scheme by assets, a regulated entity and a long-term investor, we have an important role to positively influence pensions policy, support regulation and contribute to communities around us.

Government and policymakers

We engage with Government and policymakers of all the major political parties. We do so in order that the Scheme's voice is heard on the issues that have an impact on member outcomes and that our members' best interests are reflected and protected.

Over the past year, we have engaged extensively with Government, meeting with a range of senior ministers. We signed the Mansion House Accord and joined the Sterling 20 group of major UK investors. While we already invest above the target levels in the Accord, signing has enabled a wider conversation about Government's role in providing a pipeline of suitable investment opportunities. We have built strong relationships with the National Wealth Fund, British Business Bank and the Office for Investment to support this.

Our views have been heard by Government and other parties on both mandation and fiduciary duty during the passage of the Pension Schemes Bill. We successfully advocated for suspension of the Pension Protection Levy and abolition of the Administration Levy. We also welcomed the decision for defined benefit death in service lump sum benefits to remain outside the scope of Inheritance Tax following extensive engagement with HM Treasury and HM Revenue & Customs.

Regulators

The Scheme operates in a highly regulated environment, engaging with regulators in an open and transparent way, which allows us to fully understand their expectations of us and supports the effective operation of the Scheme.

The Pensions Regulator (TPR) supervises the Trustee and the Financial Conduct Authority (FCA) supervises USSIM. We engage regularly with these regulators and the Bank of England responding to consultation papers, liaising on industry issues, and supporting them with their market insight work.

Community

USS is committed to supporting local communities through volunteering, fundraising and long-term partnerships. In Liverpool, colleagues raised nearly £4,000 for Down Syndrome Liverpool and Team Oasis, volunteered extensively and supported Micah Liverpool, which provides food aid to members of the local community. Colleagues from the Liverpool office worked with young people through our partnership with Elevate EBP, retaining Patron Status for 2026, with colleagues engaging in school outreach, mock interviews and work experience placements.

In London, colleagues support the local community through volunteering and fundraising, including ongoing work with Bow FoodBank. In March 2026, USS launched a partnership with upReach, an award-winning social mobility charity, delivering skills-based mentoring and careers support.

Our stakeholders
Continued

Colleagues

We work to attract, retain and reward talented colleagues in a motivated workforce that consistently delivers the service and support our stakeholders expect.

Achievements this year

Launch of People Strategy

Launched our new People Strategy, setting out the priorities and actions needed to enhance capability, culture and colleague experience and deliver our long-term ambitions. The strategy aligns with and reinforces our Employee Value Proposition by focusing on how colleagues can excel in their roles, build their careers, thrive in and out of work, and find purpose and fulfilment.

Talent development

Strengthened our approach to identifying and developing talent through the introduction of a consistent framework that supports leaders in assessing future skills and behaviours required for organisational success. Continued to embed robust succession and contingency planning for critical roles to ensure strong leadership continuity and key capabilities.

Learning and development

Furthered our commitment to being a learning organisation, with an increased focus on online self-learning through our My Learning platform and continued sponsorship of professional qualifications to support colleague growth.

A focus on management and leadership capability

Recognising the critical role our managers and leaders play in shaping culture, retention and performance, we have invested in targeted development programmes designed to build capability at all levels.

Health and well-being

Maintained a strong focus on colleague well-being across physical, mental, social and financial dimensions, including the introduction of Health and Well-being Champions to support a healthy and inclusive workplace.

Equity, diversity and inclusion (EDI)

Continued collaboration with our EDI colleague networks to deliver a comprehensive programme of awareness and education across gender, ethnicity, ability, LGBTQ+ and social mobility. Reviewed our recruitment and selection practices to ensure they promote fairness, consistency and inclusive decision making, strengthening our ability to attract and support colleagues from a diverse range of backgrounds.

USS engagement survey

82%

of staff participated: The scores, ranging from 0 to 10, reflect how strongly colleagues agree with statements about their workplace.

7.9
Overall engagement

8.6
"People from all backgrounds are treated fairly at USS."

8.6
"I understand how my work supports the teams' goals."

8.4
"USS provides me with the information and support to manage my health and well-being"

Mandatory e-learning completion rates within set time frames

99.6%

- Legal
- Risk Event and Resiliency
- Model Risk
- Compliance
- Information Security

Learning experiences

We had an average of

723

colleagues over the year in permanent and fixed-term contract roles.

Across the year

62

New colleagues attended our induction programme to support their successful integration and understanding of our culture, values and ways of working.

107

Colleagues have undertaken professional training relating to their role and their career development.

Our stakeholders
Continued

“

Everybody is helpful and friendly, the culture is inclusive and I feel part of a great team.

(Engagement survey, May 2025)

I am trusted and feel accountable for my tasks. I’m offered support from my team but I also know I need to play my part for the bigger picture.

(Engagement survey, December 2025)

Our People Strategy

We continue to invest in our people, focusing on creating an engaging and inclusive culture that retains and develops a talented workforce to enable us to deliver our objectives. Our refreshed People Strategy sets out the priorities needed to strengthen organisational capability, build future ready skills and enhance colleague experience, ensuring we have the talent, culture and leadership required to deliver our long-term ambitions.

The strategy is delivered through four pillars: Growing our Leadership Culture, Developing Potential, Optimising Operational Effectiveness and Embedding Inclusion, and is fully aligned with our Employee Value Proposition.

The Trustee and USSIM Boards have each appointed a designated non-executive director (DNED) as a mechanism for ensuring that colleagues’ perspectives are considered and factored into Board decision making. Now in its second year, the programme has continued to mature, and there have been some tangible examples of how colleague views expressed as part of the DNED programme and other colleague engagement methods have led to actions by the Boards. In particular, during the Scheme year, DNED and colleague engagement fed into the development of our EDI strategy, the three-year planning process and the development of USSIM’s Business Strategy Framework.

Growing our leadership culture

Our leaders and managers play a vital role in enabling delivery of our long-term objectives. We are focused on building confident, inclusive and accountable leaders who can guide teams effectively through change and create the conditions for high performance. We have strengthened our frameworks, with a focus on enhancing behavioural expectations for managers and leaders, helping to drive a consistent and values-led approach across the Group.

We have broadened development opportunities through a mix of learning methods, with a strong emphasis on building capability in performance management, recruitment and selection. This is helping managers develop the skills and confidence to lead their teams effectively and make high-quality resourcing decisions, strengthening our pipeline of future hires.

Leadership responsibility for health and well-being remained central to our approach. With active sponsorship from senior leaders and a network of well-being champions, we reinforced the importance of creating healthy, supportive environments where colleagues can thrive.

Developing potential

We continued to strengthen our approach to identifying colleagues with the potential to progress, supporting leaders and managers to recognise individuals with the learning agility, influence and aspiration to make a meaningful and positive impact for USS. Our internal mentoring programme helped colleagues build confidence, while our learning programmes focused on the key themes of communication, change and collaboration as well as professional and technical skills. Our Pensions Operations team continues to hold Investors in People Gold accreditation. This recognition reflects the team’s strong commitment to delivering positive member experiences and creating a working environment and development opportunities that enable colleagues to perform their best.

Through our My Learning platform, we continued to prioritise self-directed and digital learning, helping colleagues to build the skills we need for the future. Our aim remains to cultivate a culture of continuous learning that enables people to reach their potential, support career growth and succession planning and ensure USS is equipped to deliver for our members.

“

I lead a team of finance professionals delivering the business planning cycle and providing commercial finance support to our leadership teams. USS places a strong emphasis on learning and development, and this year I completed a coaching excellence course and received 1:1 coaching that strengthened my people leadership skills and helped build capability across Finance. I broadened my experience through mentor training, becoming a mentor to a colleague in Corporate Affairs, as well as joining the EDI steering committee representing Group Functions.

Martin Smith
Head of Financial Planning & Analysis and Group Services Business Manager

Our stakeholders
Continued

Optimising operational effectiveness

Optimising our people systems and processes is essential to creating a consistent, efficient and reliable foundation that supports high-quality delivery. This pillar of our People Strategy strengthens decision making, reduces operational risk and enhances overall colleague experience.

During the year, we progressed several initiatives under this pillar. We have introduced a new remuneration planning system to create more robust processes and a smoother user experience for colleagues and managers. We also launched the procurement process for a new HR Information System (HRIS), making an important step in modernising our people technology and improving the quality and accessibility of people data and information.

Embedding inclusion

We are committed to creating an inclusive working environment where all colleagues, regardless of their background or identity can thrive, feel valued and contribute meaningfully. This commitment is underpinned by our focus on ensuring equitable access to opportunities and fostering a culture that embraces and celebrates diversity.

This year, we have embedded inclusion across our People Strategy. These changes include our revised recruitment and selection processes with enhanced inclusive hiring manager training, and integrating inclusion into our updated behavioural expectations framework, ensuring that these expectations are reflected in how we work and interact every day. We have continued to work alongside our colleague-led networks to hold Group-wide events that build awareness, strengthen connection and create space for open dialogue. For the second year running, we have taken part in the Diversity Project Pathway Programme, a career acceleration initiative aimed at preparing women for investment roles.

We also expanded early-career opportunities to help grow the future of our industry. As noted in the Community section on page 24, our Pensions Operations team have been awarded Patron Status by Elevate EBP in recognition of our commitment to providing quality careers guidance and opportunities to young people across the Liverpool City Region. In our London office, we have partnered with upReach, an award-winning social mobility charity, to provide mentoring to university applicants from a lower socio-economic background.

Colleague engagement

We continue to see strong colleague engagement across the business, supported by targeted action planning based on colleague feedback received as part of the bi-annual Employee Engagement Surveys.

Participation in our last pulse engagement survey in December 2025 was 82%. The overall engagement score was 7.9/10 which is at the industry benchmark. Our ability to provide a high-quality service depends on a motivated and engaged workforce, and we were pleased to see our colleagues scored highly on their understanding of how their roles support team goals (8.6/10).

We also undertook an external Culture Audit during the year, which confirmed that USS has a strong cultural foundation aligned with expectations of desirable culture in comparable organisations. The themes identified were consistent with our colleague engagement surveys, and the suggested areas for improvement from both surveys have been incorporated into an engagement plan owned by our Group Executive team.

USS colleague Adeola Adebayo (Investment Accountant in the USS Financial Control team) on a charity volunteering day at Micah Liverpool, which provides food aid to members of the local community.

Financial review and value for money

“

As we invest in our systems to improve member service and future-proof our investment infrastructure, we continue to deliver value for money while ensuring we will do so into the future.

Dominic Gibb
Chief Group Services Officer

Delivering value for money for the Scheme through efficient financial management is central to the Trustee’s role.

Value for money

Achieving value for money for the Scheme is a fundamental aspect of our strategic priorities. We monitor our performance using a detailed set of KPIs, which are reviewed and updated by the Trustee Board each year.

Our approach includes a range of strategies, such as professional procurement, supplier management, and setting cost-saving targets, which are supported by organisation-wide initiatives and benchmarking. Alongside the remuneration benchmarking outlined in the Remuneration report on page 54, we also carry out various annual cost and value benchmarking activities as part of our broader efforts in line with our value for money framework.

We engage CEM Benchmarking, an independent pension scheme benchmarking specialist, to compare our investment management and pension management costs and service levels against our peers on an annual basis. Participants’ reported costs are adjusted to harmonise cost treatments and provide like-for-like comparisons.

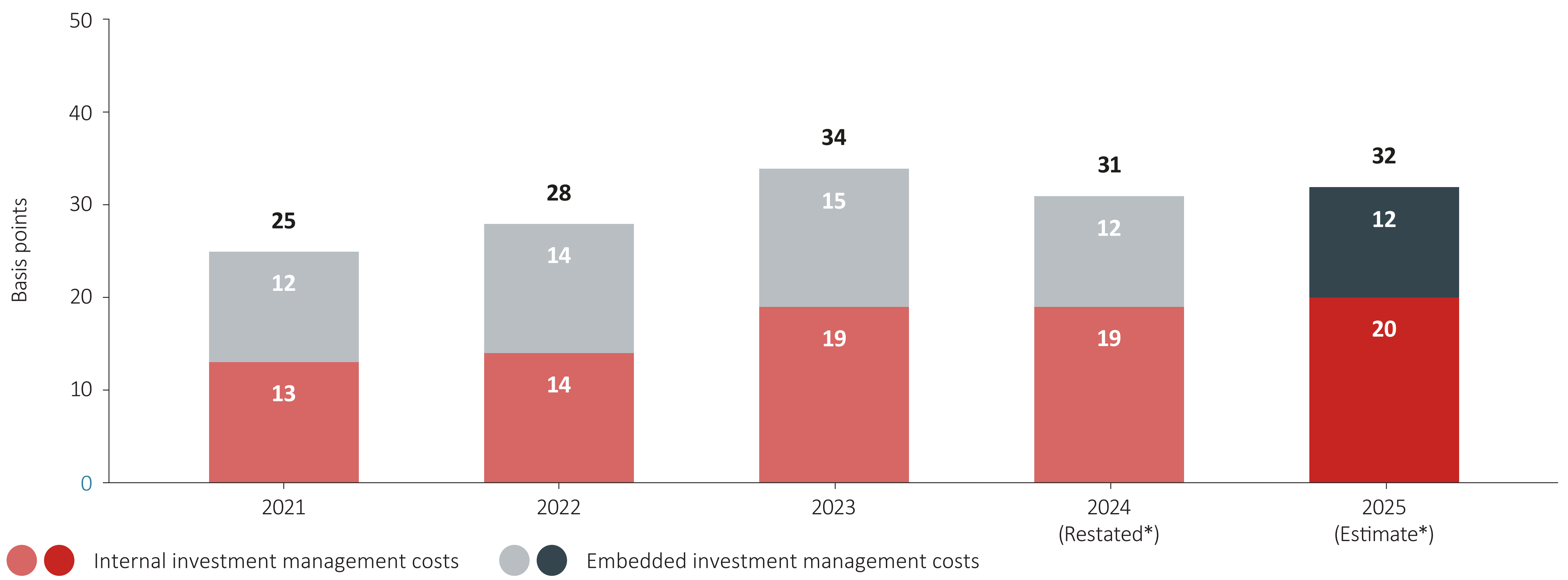
Investment benchmarking

In relation to our investment management benchmarking, the analysis uses ratios of our costs (as a proportion of assets under management) with the peer costs adjusted to match the USS asset mix. Cost ratios are presented in basis points i.e. 1/100ths of a per cent.

In the latest CEM Benchmarking survey (calendar year 2024), our cost ratio remained materially below the peer cost benchmark with USS assessed as being 13 basis points, equivalent to £102m a year, below the median global peer pension fund.

The chart below shows the investment management cost ratio using calendar year reference periods. The marginal ratio increase in the 2025 calendar year reference period is driven by headcount growth and by Long-Term Incentive Plan (LTIP) provision releases in the prior year.

Investment management cost ratios



* 2024 restated following receipt of final CEM Benchmarking report (1bp reduction).
2025 cost ratio estimated by USS on a basis consistent with CEM Benchmarking (final peer comparison report due later in 2026).

Financial review and value for money
Continued

Our investment management cost advantage versus the median global peer pension fund is mostly driven by our in-house capabilities which, as well as enabling approaches tailored to the Scheme's needs, also provide greater value to our members.

Using skilled and experienced internal resource to deliver an active approach to managing the Scheme's assets results in cost savings compared to outsourcing, particularly in private assets and in emerging markets. In these areas we manage more in-house and incur lower expenses to manage those assets internally than the peer median.

Administration benchmarking

The latest CEM Benchmarking Pension Administration survey for the year to 31 March 2025 showed USS costs of core employer and member processing activities at £27 per member compared to a peer benchmark of £30.

Our improved position this year results from a relative improvement in our resource costs compared to our peer group.

Our multi-employer, hybrid benefit and governance structure is not typical of the peer group. The greater complexity of USS relative to peers results in higher pension support costs, which drove an overall pensions administration cost per member of £76, against a peer benchmark of £43, equivalent to £22m a year above the benchmark.

The chart shows the pension administration cost ratio calculated by USS on a basis consistent with CEM Benchmarking over five Scheme years ending 31 March. Our estimate of CEM Benchmarking basis cost per member shows an increase for the year ended 31 March 2026, driven primarily by IT capability build including further investment in cyber security, partially offset by member growth. Whilst not yet fully reflected in the CEM Benchmarking cost ratio, the initiative to replace our current pension administration platform aims to materially improve the functionality and service we deliver to members whilst also reducing costs once implemented.

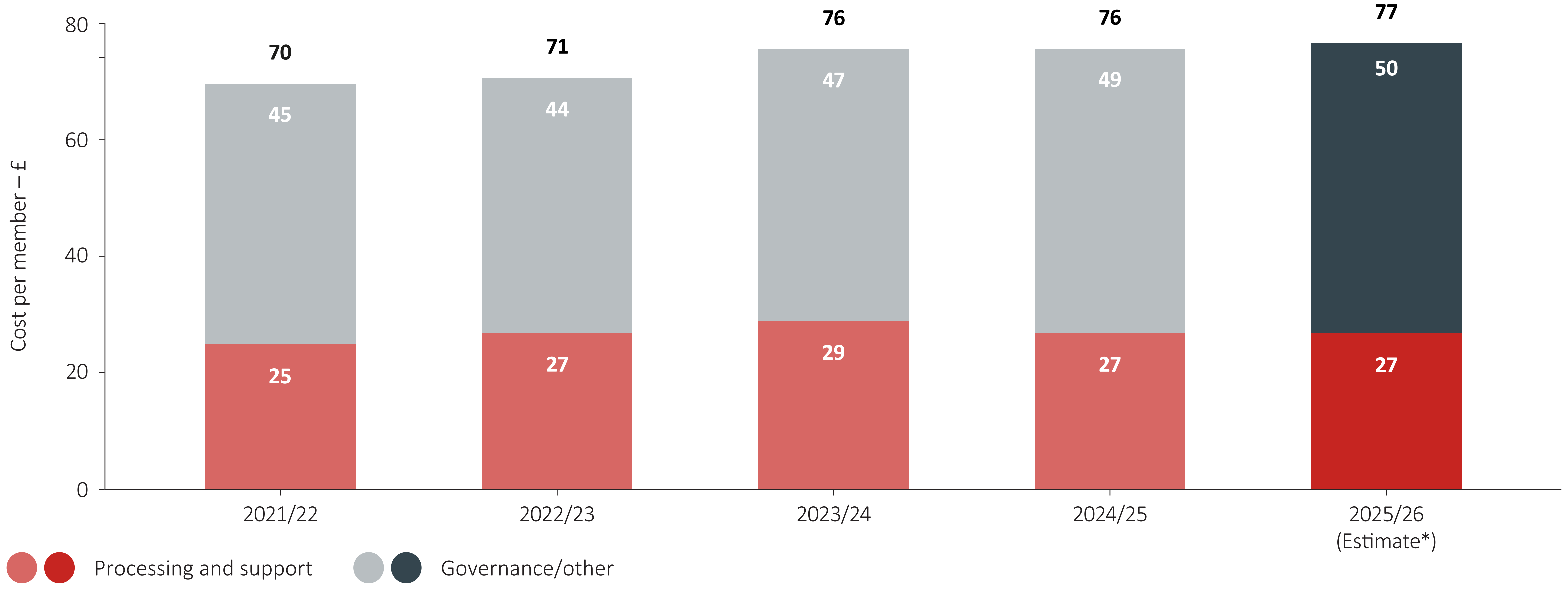
We are assessed as providing member service levels that are above peer benchmarks and as the highest overall for active members.

While acknowledging the Scheme's complexity compared to peer schemes, we continue to work to improve our cost effectiveness while developing our service levels.

Our significant cost advantage in investment management more than offsets the additional pension administration costs associated with our Scheme structure. This is demonstrated by a further CEM Benchmarking peer comparison of the total costs of running the Scheme. In the most recent comparison (calendar year 2024) it showed that on a total cost basis USS was 10 basis points, equivalent to approximately £80m a year, less expensive than the peer benchmark.

Further information on how USS delivers value for money, including more on our insourcing/outsourcing decisions, our investment performance and quality of pension services can be found on our website at Value for money.

Pension administration cost per member



* 2025/26 cost ratio estimated by USS on a basis consistent with CEM Benchmarking (final peer comparison report due later in 2026).

> "The most recent comparison (2024), showed that on a total cost basis USS was approximately £80m a year less expensive than the peer benchmark.
>
> **Dominic Gibb**
> Chief Group Services Officer

Cost management

We manage total costs (shown in the table below) which comprise Scheme expenses as included in the financial statements combined with embedded costs deducted by investment managers within Scheme investment returns. Around 83% of total Scheme costs relate to the investment management of our £84bn fund. The remaining 17% relate to pension management costs incurred in the delivery of services to members and employers.

The table below shows the total costs of running the Scheme have increased by 6% (£16m) compared to the prior year. Within that, reported Scheme expenses have increased by 8% (£17m) with pension management costs up by £1m (2%) and investment management costs up by £16m (11%).

Looking at costs by type, personnel costs (excluding Group functions) have increased by £11m (11%), primarily due to LTIP provision releases to reflect reduced expected LTIP payout levels. More information including analysis of remuneration paid in the year is shown in the Remuneration report on page 55.

Invoiced investment management expenses have decreased by £2m (5%) year-on-year, largely due to a decrease in private investment transaction costs and professional fees.

Other invoiced expenses have remained consistent year on year.

In Group functions, personnel costs have increased by £2m (10%) due to wage and salary inflation and headcount increases. Non-personnel costs increased by £6m (38%) mainly due to an increase in irrecoverable VAT expenses and investment in IT infrastructure.

Embedded investment management costs have remained broadly consistent year-on-year.

Looking forward, costs will be impacted as we undertake a number of multi-year projects to deliver a more efficient, effective and well-controlled scheme better able to support employers and members and to manage our investments. These include the new pension administration platform, resolution of historical pension entitlement issues and significant developments in our investment-related systems and data management, alongside HR and Finance systems infrastructure replacement.

	Pension management		Investment management		Total	
Costs £m	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Personnel costs (excluding Group functions)	18	17	95	85	113	102
Invoiced investment management expenses – including performance and custody fees	–	–	40	42	40	42
Other invoiced expenses (excluding Group functions)	14	16	7	5	21	21
Personnel costs (Group functions)	11	11	12	10	23	21
Non-personnel costs (Group functions)	9	7	13	9	22	16
Reported Scheme expenses	**52**	**51**	**167**	**151**	**219**	**202**
Embedded investment management costs	–	–	83	84	83	84
Total costs of running the Scheme	**52**	**51**	**250**	**235**	**302**	**286**

Note
Current year embedded fees are based on estimated figures. The CEM Benchmarking methodology used for figures quoted on pages 28 and 29 is not directly comparable to figures in the table above, as the CEM Benchmarking methodology excludes certain costs to aid comparability between peer schemes.

Report on actuarial liabilities

Actuarial valuations: how we provide for the promises made to members.

Overview

As Trustee, we must carry out an actuarial valuation of the funding of the Retirement Income Builder (defined benefit or DB) part of the Scheme at least every three years. A valuation establishes whether, at the valuation date, we believe the Scheme has sufficient assets to be able to pay pensions to which members are entitled, and indicates the contributions required to fund future benefits. We last completed a valuation as at 31 March 2023 in accordance with the requirements of the Scheme Rules and the Pensions Act 2004, including required consultation with Universities UK (UUK) who acted as the employer representative for those purposes (UUK's role in relation to USS transferred to Universities and Colleges Employers Association (UCEA) on 1 August 2024). We are currently carrying out a valuation as at 31 March 2026, and in the meantime the Scheme's funding position continues to be monitored using the 2023 position and approach as a baseline. This section describes both the 2023 valuation outcomes and the subsequent evolution of the Scheme's funding position. More information about the 2026 valuation is available on **our website**.

Alongside the 2023 valuation, we worked closely with the Scheme's stakeholder representatives, UUK and University and College Union (UCU), via their membership of the Joint Negotiating Committee (JNC) at that time to facilitate the benefits changes the JNC wished to make. This valuation showed a substantially improved funding position, and lower contribution requirements, compared with the valuations over the previous decade. Based on this, the JNC recommended improvements to future service benefits, returning these to the levels provided prior to April 2022, alongside a reduction in the contribution rates. It also recommended giving a one-off uplift to members who built up benefits between 1 April 2022 and 31 March 2024, and improving the cap on future pension increases for benefits accrued between these dates. The valuation was completed in late December 2023, a significantly shorter time frame than previous valuations, with the contribution rate reductions implemented from 1 January 2024, and the associated benefit changes and uplift recommended by the JNC coming into effect in April 2024.

The package of measures to protect the strength of the employer covenant supporting the Scheme which was introduced at the 2020 valuation has remained in place. This includes limitations on employer exits without Trustee approval, a debt monitoring framework and requirements for pari passu ('equal footing') security for the Scheme should employers grant security over their assets to third parties in certain circumstances. These measures support the Scheme's ongoing capacity to take funding and investment risk.

The 2026 valuation is the Scheme's first valuation under the new funding and investment regulations and DB Funding Code which came into force during 2024. We have reviewed the valuation methodology in light of this, taking into account proposals made by the stakeholders as part of joint engagement, and are consulting with UCEA (on behalf of employers) on the proposed methodology and assumptions over the summer.

Market conditions have changed since the 2023 valuation; in particular there has been an increase in expected returns on assets, in particular from government bonds, and over the last year growth assets such as equities have posted positive returns. Given the changes in market conditions, it is likely that the 2026 valuation will show a better outcome compared with the 2023 valuation. This is expected to include an improved funding position. Once the Trustee determines the contribution requirements, the JNC will consider how any change to the overall contribution rate will be split between members and employers and/or if it wants to make any changes to benefits.

Methodology and assumptions

At every actuarial valuation we review all the underlying assumptions relating to the funding of the Scheme's defined benefit part.

The 2023 actuarial valuation maintained the use of a dual discount rate approach. This notionally allows for a lower-risk investment strategy for assets which back pensions that are being paid, and a higher-risk return-seeking strategy for assets which back accrual of benefits prior to members' retirement. Provided the Scheme membership remains stable and the covenant support from employers remains strong (helped by the support measures outlined earlier), the overall investment strategy can remain broadly consistent over time, while still giving sufficient security to members' benefits.

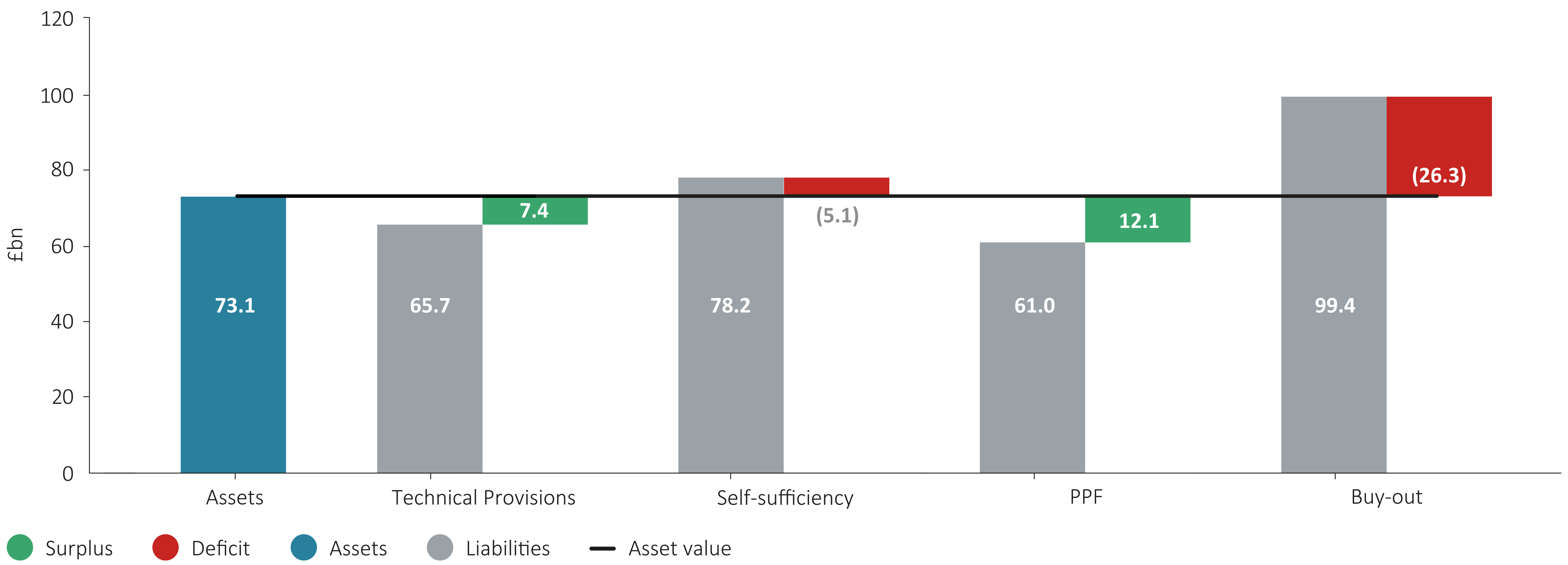
Based on advice from the Scheme Actuary, we state the discount rates relative to gilts. However, the discount rates are informed primarily by our analysis of expected returns of all asset classes relative to CPI.

More detail on the final set of assumptions for the 2023 valuation is shown on page 35, and further information is available on our website **2023 valuation**.

Following the completion of the 2023 valuation, the Trustee updated its Financial Management Plan (FMP) and the framework for monitoring the Scheme's funding position based on this.

Report on actuarial liabilities
Continued

USS defined benefit funding positions at 31 March 2023 valuation under various funding measures



In the chart above, we show the results of the valuation as at 31 March 2023, across a range of approaches. These results reflect different levels of certainty of being able to provide the benefits promised to members.

The 'technical provisions' is the value of assets we seek to hold given our investment strategy, and the support provided by the covenant of the employers. This support allows us to take both funding and investment risk now and well into the future, allowing lower contributions to be paid than would otherwise be required. As required by legislation, in determining the technical provisions, we take a prudent view of the investment return we expect to achieve. We had a surplus on this measure at the 2023 valuation; in other words, the assets we held exceeded this value. This was the first time in recent years that this outcome had occurred, and we expect the 2026 valuation to also show a surplus on this measure.

The 'self-sufficiency' value reflects the value of assets required to pay, with a high probability, all the benefits members have built up so far, using a low-risk investment strategy without any further contributions from members or employers. It is intended to give at least a 95% chance of being able to meet all the benefits as they fall due while continuing to demonstrate a high level of funding.

The 'PPF' value is an indication of the level of assets which the Pension Protection Fund would require to provide benefits at the reduced level of compensation the PPF grants in the event of the Scheme being discontinued due to employer insolvency. We also had an estimated surplus on the PPF basis at the 2023 valuation.

The 'buy-out' value is effectively the cost of buying near certainty of all earned benefits being paid – it represents the estimated cost of paying for an insurer to provide the benefits. These are figures which are produced as part of the Scheme's valuation, rather than reflecting an intention of implementing a buy-out.

A more detailed explanation is set out in 'How we measure the financial position of the defined benefit part of the Scheme' to the right.

The USS benefit structure

Members build up benefits in the defined benefit part of the Scheme based on their salary, up to a threshold, on a Career Revalued Basis. This means benefits which accrue based on salary (up to the threshold) at the time are revalued each year thereafter based on inflation, subject to certain limits.

The total contributions as a percentage of pensionable earnings each year arising from the 2023 valuation are laid out in the table below. The contribution requirements are being reassessed as part of the 2026 valuation.

Contributions from sponsoring employers and Scheme members into the defined benefit part of the Scheme, together with the investment returns earned, are used to pay the defined benefits to members and other beneficiaries (such as eligible dependants) and to pay the costs of operating the Scheme.

Total contributions as a percentage of pensionable earnings each year

	Member	Employer
1 January 2024 onwards	6.1%	14.5%

The salary threshold is £74,208 from 1 April 2026. This threshold will be adjusted each year in line with the increases to official pensions (which currently broadly go up with the CPI measure of inflation), subject to limits if those increases exceed 5%, until 2028 or any earlier review by the JNC. Above this salary threshold, defined contribution (DC) savings are built up in the Investment Builder part of the Scheme. These DC savings are funded by a total contribution of 20% into a member's Investment Builder for salary above the threshold. The balance of the total contributions made are paid into the Retirement Income Builder.

How we measure the financial position of the defined benefit part of the Scheme

The main way we measure the financial position of the defined benefit part of the Scheme is by comparing the current value of its assets with our prudent estimate of the current value of its liabilities. We determine the current value of the assets at a particular point in time, using their market value at that date. In estimating the current value of the liabilities there are inherent uncertainties. These uncertainties include the future rate of return on investments, the future level of inflation, the length of time a pension might be paid for, and the possibility that a survivor's benefit might be paid. We use estimates or 'assumptions' of these factors. We then determine the value of the liabilities by calculating the amount of assets that would be required today in order to meet the benefits members have already earned up to the date of the valuation. We aim to fund the Scheme with an appropriate level of certainty allowing for the support provided by employers, with a view to ensuring that the reliance on employers is at an appropriate level now and in the future.

More detail on the Trustee's approach to funding the defined benefit part of the Scheme is available in the Financial Management Plan documentation on **our valuations**.

At every actuarial valuation we review all of the underlying assumptions relating to the Retirement Income Builder. We then consult UCEA, on behalf of employers, to obtain its view of our proposed assumptions and methodologies. Our technical provisions assumptions for the 2023 valuation are shown on page 35. Information regarding this consultation for the 2026 valuation is available on **our website**.

Report on actuarial liabilities
Continued

Funding position based on the 2023 monitoring approach

The following table summarises the estimated funding position of the defined benefit part of the Scheme under the 2023 monitoring approach described below. It shows that, on this basis, the defined benefit part of the Scheme is now estimated to have a surplus of £15.8bn as at 31 March 2026, compared with a surplus of £7.4bn as at 31 March 2023.

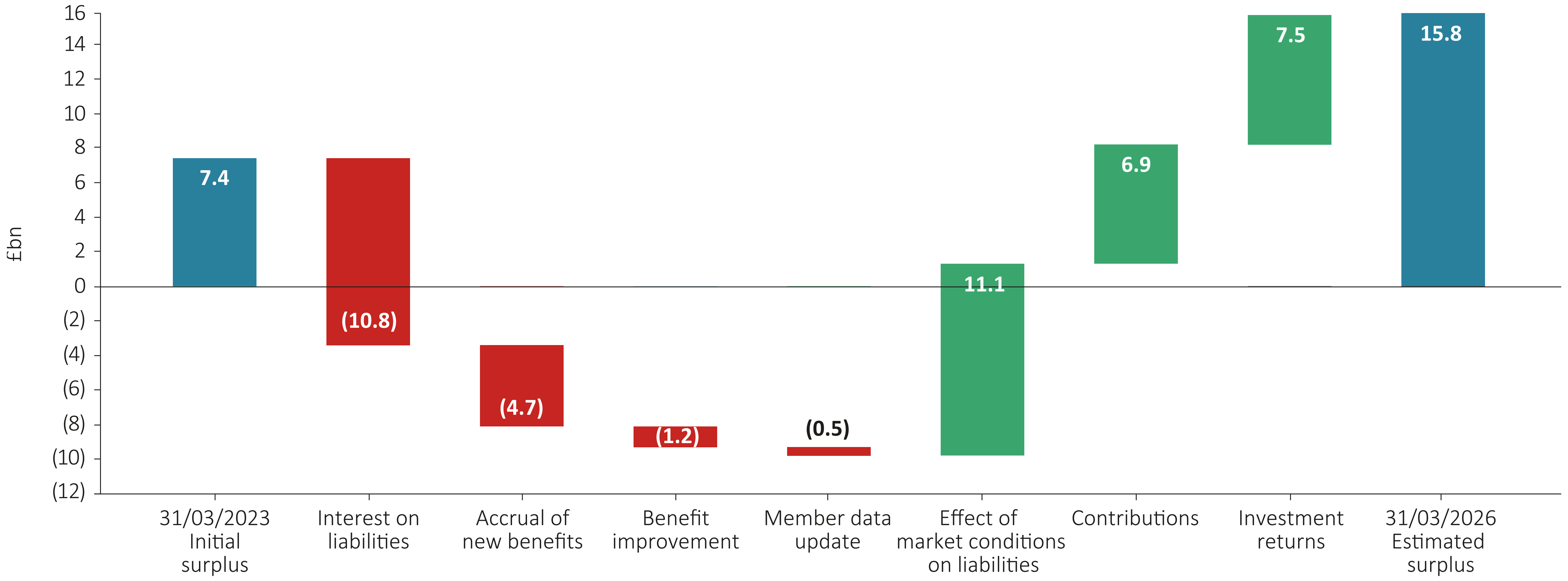
As at 31 March £bn	Funding update 2026	Funding update 2025	Funding update 2024	Actuarial valuation 2023
Value of net assets	79.8	73.0	74.8	73.1
Value placed on liabilities	(64.0)	(62.9)	(65.6)	(65.7)
Surplus	15.8	10.1	9.2	7.4
Funding ratio	125%	116%	114%	111%

How the funding position has changed since the 31 March 2023 valuation

As part of our overall monitoring of progress against the Financial Management Plan, we regularly monitor the funding position under several approaches. These include funding positions under both technical provisions and self-sufficiency assumptions. Self-sufficiency provides a baseline against which the level of risk in funding the Scheme and the level of reliance on the sponsoring employers can be measured.

Estimation of these funding positions does not involve the same detailed review of all the underlying assumptions that is carried out in a full valuation. Our monitoring approach primarily updates the analysis for changes to market conditions and investment return expectations. It allows for changes in membership since 31 March 2023 via an update of actual member data as at 31 March 2025 and expected changes (rather than actual changes) to 31 March 2026.

Change in funding position since 2023 valuation (monitoring approach)



At 31 March 2026, based on updating the 2023 valuation results on an approximate basis using our monitoring approach, the funding level is 125%. This includes allowance for an estimate of the cost of providing the benefit uplift agreed as part of the 2023 valuation.

The chart above details the underlying drivers of the change in the defined benefit part of the Scheme's funding position since the 2023 valuation using this monitoring approach. The liabilities in respect of the benefit improvement granted at 1 April 2024 have been estimated as at 31 March 2024.

Over the year to 31 March 2026, there have been some increases in interest rates and expected returns, leading to a decrease in liabilities since the 2023 valuation date. There has also been an increase in asset value, which coupled with the fall in the liabilities results in an improved funding position compared to that at the 2023 valuation date.

You can find reports and other information on the 2023 valuation **on our website**.

The latest effective valuation date is 31 March 2026 whose results will supersede the 2023 valuation. We are consulting on the methodology and assumptions with UCEA over the summer, more information on the 2026 valuation can be found **here**.

Other approaches

As mentioned earlier in this section, the value placed on the defined benefit part of the Scheme's liabilities can be measured on a number of different bases, including technical provisions, buy-out, and self-sufficiency.

The table to the right summarises the defined benefit part of the Scheme's position on a self-sufficiency basis. The self-sufficiency liability is the value of assets we would need to hold in order to have a greater than 95% chance that all the benefits members have earned to date can be paid when due while demonstrating a high level of funding without any further contributions.

As at 31 March £bn	Funding update 2026	Funding update 2025	Funding update 2024	Actuarial valuation 2023
Value of net assets	79.8	73.0	74.8	73.1
Self-sufficiency liabilities	(70.4)	(67.6)	(74.4)	(78.2)
Surplus (deficit)	9.4	5.4	0.4	(5.1)
Funding ratio	113%	108%	101%	93%

This is the funding level we would need to achieve in the absence of support from employers. Self-sufficiency is assessed using return assumptions for the portfolio of assets that would achieve this level of security, using a discount rate reflecting this portfolio, and with a different inflation assumption to that adopted in the technical provisions.

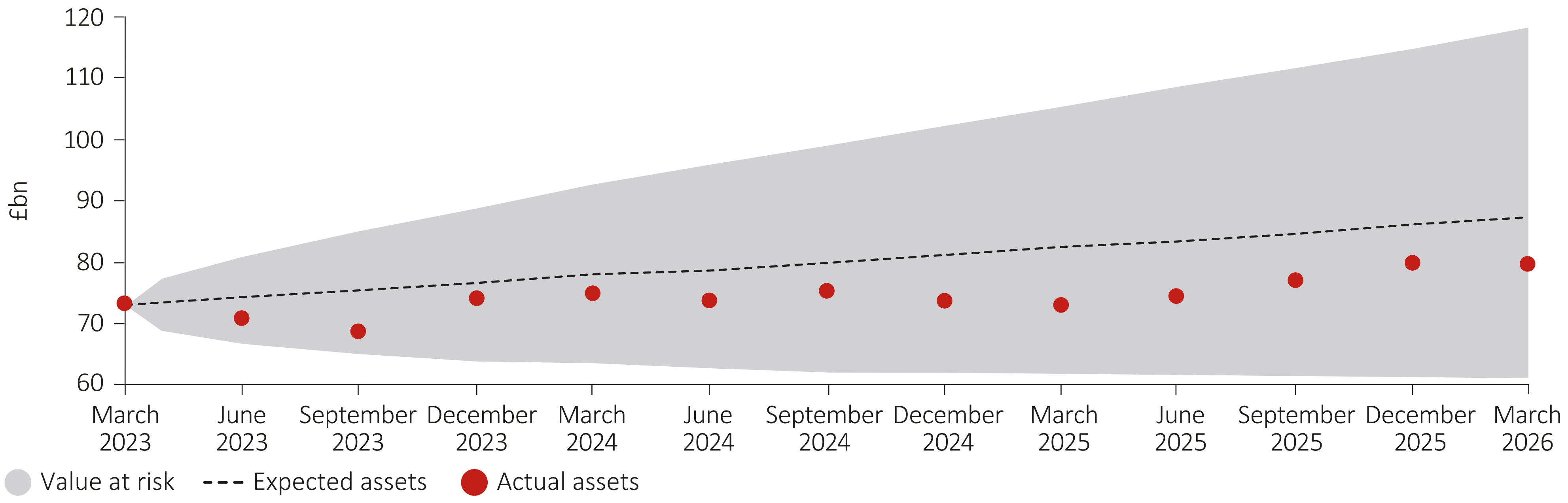
The 2023 valuation did not target self-sufficiency, but the distance from self-sufficiency was considered as part of the Trustee's Integrated Risk Management Framework, such that the ability to secure the benefits promised to members at that point is, credibly and demonstrably, within the means of employers to fund. More details can be found in the **Statement of Funding Principles**.

At 31 March 2023, the Scheme Actuary estimated the cost of an insurance buy-out as £99.4bn. As a result, the deficit on this basis was £26.3bn. A buy-out basis normally gives the highest view of the liabilities because it represents the cost of paying an insurer to take on the responsibility for paying the benefits.

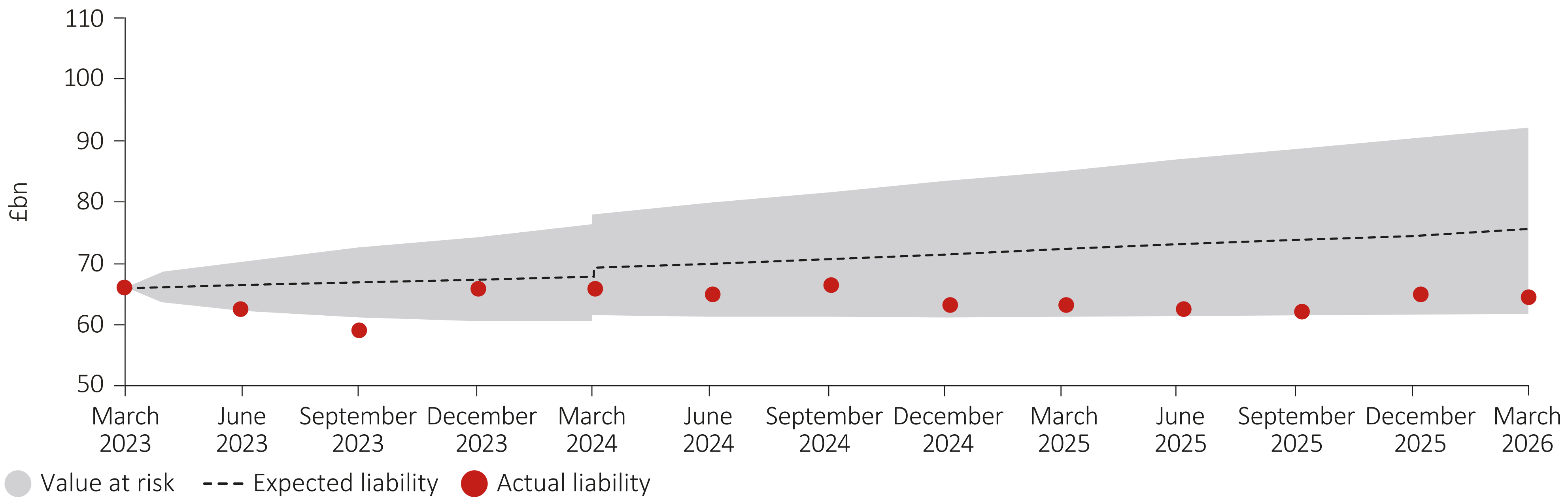
Although not required, we also produced figures under the FRS 102 accounting approach which uses a discount rate based on corporate bond yields. We did this because such figures are a required disclosure for many UK entities, so it is a recognised method of measurement across different pension schemes. Using this approach, at 31 March 2026, produces estimated liabilities of

Report on actuarial liabilities
Continued

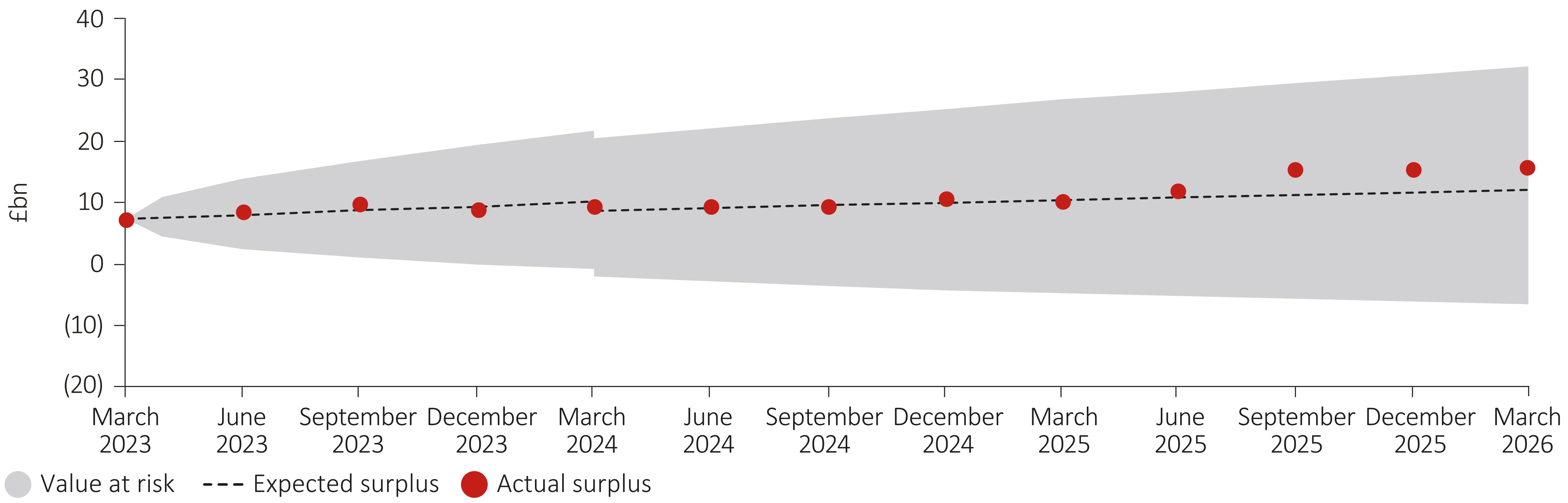
Asset progression since 2023 valuation



Liability progression since 2023 valuation (Technical Provisions)



Surplus progression since 2023 valuation (Technical Provisions)



£65.6bn and an estimated surplus of £14.2bn. This is based on a discount rate of 6.1% and a pension increase assumption of 3.0% with all other assumptions unchanged from those stated on page 35. This approach is not used to inform our decisions.

Asset, liability and surplus progression (based on the 2023 monitoring approach)

The graphs on the left show the development of the value of the defined benefit part of the Scheme's assets and liabilities, based on the monitoring approach, since 31 March 2023. The black dashed line reflects the expected central path of assets and liabilities at the time of the valuation. The grey area represents the range of outcomes around those central paths that represent 90% of the likely distribution of outcomes, with a 5% chance of being exceeded at each boundary (as implied by modelled levels of market volatility). Each of the dots corresponds to the actual Scheme assets and the monitoring approach estimate of the liabilities and resulting funding position at the end of each quarter.

The assets and liabilities charts combine to form the surplus progression chart. The surplus progression chart is the most relevant for understanding the Scheme's overall financial position and reflects the overall effect of market conditions on Scheme funding since the 2023 valuation.

More information on asset performance is available in the 'Investment matters' section starting on page 15.

The Trustee Board's funding plan

Our funding of the Scheme is intended to ensure that the funding and solvency risk within the defined benefit part of the Scheme should be proportionate to the amount of financial support available from the Scheme's sponsoring employers. Specifically, the reliance being placed on the employers should not be greater than that which they are willing and able to support. We consider this as part of the Integrated Risk Management Framework which feeds into the Financial Management Plan.

You can find details of our investment approach in the Statement of Investment Principles (SIP); this is available online at **our principles and approach**. We consulted on a new SIP following the 2023 valuation, which was implemented on 1 July 2024.

We determined the funding plan following extensive work with our advisers on the ability of the Scheme's sponsoring employers to support the Scheme financially – the 'covenant'. The conclusion from that work was that there was good visibility of the ongoing strength of the covenant over the next 30 years (with the covenant support measures in place, described on page 31), but the position became less clear after that.

No deficit recovery plan was required resulting from the 2023 valuation, because the Scheme was in surplus.

Pension Protection Fund

The Government established the Pension Protection Fund (PPF) in 2005 to provide benefits in the event that a scheme's sponsoring employer (or employers) becomes insolvent without there being sufficient funds available in the scheme to meet promised benefits.

USS is recognised by the PPF as a multi-employer scheme with a joint or shared liability. This joint liability is based on the 'last-man standing' concept. This means that the Scheme would only become eligible to enter the PPF in the event that the vast majority (if not all) of the Scheme's employers were to become insolvent. If such circumstances were ever to occur, the PPF would take over the payment of pension benefits to members. However, the benefits received might be less than the full benefits earned within USS.

The precise amount that the PPF would pay to each member would depend on the member's age, the period over which the benefits were earned and the total value of benefits. At the 2023 valuation date, the Scheme's 'section 179' valuation position, used in determining the

Report on actuarial liabilities
Continued

PPF levy payable by the Scheme, showed a surplus of £12.1bn, in other words at that date we held more assets than the PPF would have needed to pay their standard benefits.

Further information about the PPF is available at ppf.co.uk or you can write to Pension Protection Fund, PO Box 254, Wymondham, NR18 8DN.

Principal actuarial assumptions

The following table shows assumptions used for technical provisions in the 2023 actuarial valuation, and how these have been updated since then to produce the figures for 31 March 2026 shown earlier. These funding updates, reflected on page 33 in the 'Funding position based on the 2023 monitoring approach' section, reflect broad changes in market conditions and expected investment returns. The contributions payable to the Scheme are determined based on the full actuarial valuations, with the funding updates used only for monitoring purposes.

The 2023 valuation uses full yield curves in the discount rate assumptions, rather than averages. The full year-on-year figures in the 2023 valuation assumptions are available in the documents shown on our website here: our valuations. The methodology and assumptions for the 2026 valuation are being consulted on with UCEA over the summer and more information can be found here.

Pensions increases

USS pensions are generally increased in line with increases in official pensions as defined in the Pensions (Increase) Act 1971, although, from 1 October 2011, changes to the Scheme Rules introduced limits on such increases in respect of rights that accrue after that date (the 'soft cap'). Increases to official pensions are based on the rate of inflation for the 12 months to September, measured using the Consumer Prices Index (CPI). For the year to September 2024, the CPI rate was 1.7% and therefore the increase applied to USS pensions in payment and deferment was 1.7% effective from April 2025.

Principal actuarial assumptions	31 March 2023 valuation – technical provisions
Price inflation – Consumer Prices Index (CPI)	3.0% p.a. (based on a long-term average expected level of CPI, broadly consistent with long-term market expectations)
RPI/CPI gap	1.0% p.a. to 2030, reducing to 0.1% p.a. from 2030
Discount rate	Fixed interest gilt yield curve plus: Pre-retirement: 2.5% p.a. Post-retirement: 0.9% p.a.
Pension increases (all subject to a floor of 0%)	Benefits with no cap: CPI assumption plus 3bps Benefits subject to a 'soft cap' of 5% (providing inflationary increases up to 5%, and half of any excess inflation over 5% up to a maximum increase of 10%). CPI assumption minus 3bps
Mortality base table	101% of S2PMA 'light' for males and 95% of S3PFA for females
Future improvements to mortality	CMI_2021 with a smoothing parameter of 7.5, an initial addition of 0.40% p.a., 10% w2020 and w2021 parameters, and a long-term improvement rate of 1.80% p.a. for males and 1.60% p.a. for females

As at 31 March	2026 funding update	2025 funding update	2024 funding update
Discount rate spread over fixed interest gilt yield[1]			
Pre-retirement	1.88%	1.75%	1.97%
Post-retirement	0.31%	0.57%	0.80%
Average CPI assumption	3.0%	3.0%	3.0%
Pension increase assumption			
Uncapped increases	CPI plus 3bps	CPI plus 3bps	CPI plus 3bps
Soft cap increases	CPI minus 3bps	CPI minus 3bps	CPI minus 3bps

Note
1 In practice full yield curves for gilts have been used in the calculations.

Report on actuarial liabilities
Continued

Actuarial certificate of technical provisions

LCP powering possibility

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Universities Superannuation Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 March 2023 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustee of the scheme and set out in the Statement of Funding Principles dated 20 December 2023.

Signature: DocuSigned by: 7A1910D328A648F...

Date: 20 December 2023

Name: *Aaron Punwani*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Actuarial certificate of schedule of contributions

LCP powering possibility

Actuary's certification of schedule of contributions

Universities Superannuation Scheme

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Universities Superannuation Scheme**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2023 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 20 December 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature: DocuSigned by: 7A1910D328A648F...

Date: 20 December 2023

Name: *Aaron Punwani*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Risk management

"Clear roles and responsibilities, combined with close collaboration across all three lines of defence, are the foundation of our risk management approach.

Lindsey Matthews
Chief Risk Officer

"We continue to evolve and strengthen our robust approach to risk management to protect USS's investments and operations with the aim of helping members feel more financially secure. Risk management is overseen by executive and non-executive risk committees ensuring that risk management processes are effective, and that risk is appropriately assessed against appetite.

Claire Bowyer
Group General Counsel

Our approach to risk management is fundamental to delivering on our strategic objectives

In conducting our business, we manage a wide range of risks that could affect our objectives including our duty to ensure that the benefits promised to members are delivered in full, and on time.

For the Retirement Income Builder (the defined benefit part of the Scheme), this means ensuring there are sufficient funds available to provide members with their promised retirement income.

For the Investment Builder (the defined contribution part of the Scheme), it means having an appropriate range of investment fund options available, along with an effective investment process, to enable members to manage their investment selections in line with their risk appetite.

Risk governance

As the ultimate owner of all risks, the Trustee Board has overall responsibility for risk management. It sets risk appetite and delegates responsibility for approving key risk metrics and thresholds to the Group Audit and Risk Committee and Investment Committee. The Trustee Board also ensures that the risk management framework is appropriate, with implementation of the framework delegated to executive management. This ensures that responsibilities for risk management are clearly articulated, clearly applied, and consistent with the three lines of defence model.

Risk framework

We operate a three lines of defence approach to risk management, which is embedded in the organisation through the operation of a comprehensive risk management framework.

The framework aims to ensure that risks are effectively identified, managed, monitored and reported across the first line USS business units. Second line functions of Risk, Compliance and Legal maintain the risk framework and oversee and challenge the first line. The third line, Internal Audit, provide independent review and assurance over both the first and second lines. We continue to evolve and mature our risk framework to

Risk management
Continued

ensure it remains in line with industry best practice. Over the past year, we have made significant progress in enhancing the way we select, onboard and manage third parties via introducing a new supplier management system.

The Group Risk team (which includes the Enterprise and Operational Risk, Compliance, Information Security and Investment Risk teams) and Legal function are independent of USS first line businesses. The Group Chief Risk Officer (CRO), for the Risk function, and the Group General Counsel, for Legal, report directly to the Group Chief Executive Officer (GCEO).

The Group Risk function also provides independent risk and performance metrics for the investment portfolios, which are used for the management of the Scheme's investments and for the investment balanced scorecard (IBS) assessment of USSIM. These metrics are reported to the CRO who is employed by USSL and provides a separate view of USSIM's performance to the Investment Committee as part of the IBS process.

We identify existing and emerging risks on an ongoing basis, as part of both business-as-usual and business change activities. We record risks in risk registers, then assess, monitor and report these risks up through the organisation. Risks are measured regularly using key risk indicators (KRIs) and reviewed by business management and the Group Risk team before being reported to the relevant risk governance and oversight committees.

Risks are managed by control, transfer, hedging or avoidance. Risk monitoring and reporting is implemented through several tools, including investment risk reports, risk and control registers, event logs and assurance activities.

Assurance activities have been developed collaboratively by each of the three lines of defence, to provide an indication of the health of the control environment in relation to key business processes. Additionally, risks are monitored through the delivery of a risk-based assurance programme undertaken by the Compliance and Internal Audit teams.

Risk appetite

Taking on too much or too little risk could result in a failure to deliver our strategic priorities. At the core of our approach to risk management is our risk appetite; this is articulated in our risk appetite statements which describe the types and levels of risk we are prepared to accept. They, along with related KRI thresholds, set risk-taking boundaries and enable consistently risk-aware decision making.

Remuneration risk-adjustment and accountability process

We operate a process by which control functions, with input from the Chair of the Group Audit and Risk Committee, assess the approach of the organisation to risk and compliance and its implications for performance assessment and remuneration decisions. Material risk events are considered as part of this process and this committee commissions its own investigations into accountability for outcomes. An assessment is then provided to the remuneration committees as input to their remuneration decisions.

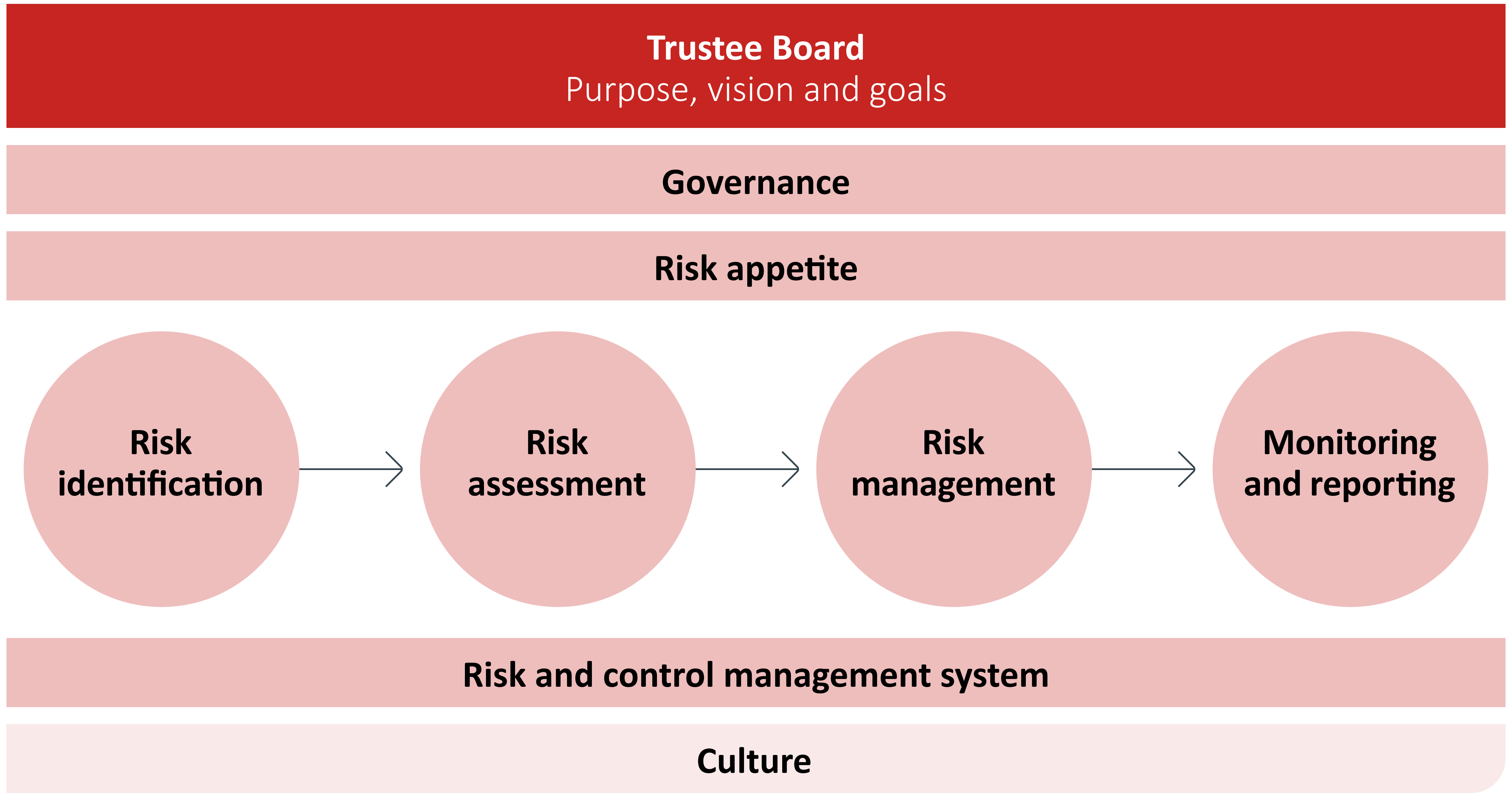
The USS three lines of defence risk management approach

1st — USS business units
- Risk identification and ownership
- Risk management
- Operation of control

2nd — USS functions of Risk, Compliance and Legal
- Risk oversight
- Challenge to first line
- Maintenance of the risk framework

3rd — USS Internal Audit function
- Independent review
- Risk assurance
- Challenge to first and second line

Risk management framework



Principal risks

We maintain a register of the risks faced by the business and have identified the Scheme's principal risks based on their potential to threaten the Trustee's ability to deliver its purpose, goals and strategic priorities.

The tables below set out those principal risks, their potential impact and the mitigation in place and represent a high-level summary of the organisation's risk registers.

- Members feel financially more secure
- A sustainable scheme, for the long term
- USS is recognised as a competent scheme manager

Description	Impact	Control/mitigation	Strategic priority
Funding risk			
The risk that USS holds inadequate assets to cover the accrued defined benefit (DB) pension benefits	This may lead to the requirement to substantially increase contributions, amend investment strategy and/or reduce future benefits	• Implementation of a comprehensive Financial Management Plan (FMP) as part of each actuarial valuation, incorporating the acknowledged strength of the employers' covenant, the appropriate contribution rate and investment strategy • A dedicated Funding Strategy and Actuarial team focused on monitoring funding of the DB part of the Scheme • Provision of expert advice from the Scheme Actuary and the Scheme's principal investment manager and adviser • Setting risk appetites, a Valuation Investment Strategy (VIS) and the associated investment mandate in line with the overall purpose and objectives of the DB part of the Scheme, including target liability hedge ratios and growth asset allocations • Regular monitoring of the funding level, employers' covenant strength, contribution adequacy and liability in the context of the FMP • Regular analysis of the sources of changes in both the liability and the surplus/deficit and of the impact of this on the required contribution rate • Protection of the covenant strength by having in place a moratorium on institutions leaving the Scheme and a framework for monitoring debt levels among employers and pari passu rules on future issuance by employers of secured debt	

Principal risks
Continued

Description	Impact	Control/mitigation	Strategic priority
Scheme proposition risk			
The risk that employers, members or their representative bodies no longer view USS as their preferred service provider for retirement benefits	Members choose not to participate in USS, missing out on the Scheme's benefits. Employers, or their representative bodies, may no longer view USS as the right provider to build a secure financial future for their employees and their families	• Working closely with the Scheme's stakeholders, including the Joint Negotiating Committee (JNC), who are responsible for agreeing member benefits • Regular meetings with employers, member representatives and employer representatives, including both UCEA and UCU • Inviting regular feedback from members and employers through surveys, advisory panels and online research communities, to understand their priorities and needs and adapt our proposition • Communications to employers and members explaining how to make the most out of USS, including emails, videos, webinars and blogs • External benchmarking with peer schemes and staying aware of developments in the industry that could benefit our members or drive efficiency	
Responsible Investment (RI) risk			
The risk that USS fails to consider and appropriately act on RI matters, causing detriment to performance	This could lead to loss of value of assets and/or asset stranding resulting from RI factors including climate transition, physical risk, nature, social and governance issues	• Responsible Investment Policy setting out USS's RI beliefs and principles which guide implementation • Scenario analysis and modelling to help identify and quantify the systemic impact of climate change • Integration of RI into our governance and risk management processes with oversight at Trustee Board level • Integration of RI factors into investment decision-making process • Investment Committee monitoring and oversight of progress towards net zero ambition • Direct and collective engagement with emissions intensive assets where appropriate and system level engagement where appropriate • Dedicated in-house Responsible Investment team with specialist expertise to support investment teams and the Trustee • First line oversight of RI integration and stewardship activities across investments, ensuring alignment with USS RI beliefs, priorities and policies	

Principal risks
Continued

Description	Impact	Control/mitigation	Strategic priority
Transaction processing and execution risk			
The risk of failing to process, execute and support member and/or third-party transactions and payments appropriately	This may lead to poor or incorrect outcomes for our members or beneficiaries and the potential for increased costs and reputational damage	• Service delivery standards are defined and monitored on an ongoing basis to support consistent processing quality • Review and reporting of performance across all administration teams • Comprehensive workload management reporting on current and forecasted volumes • Controls are periodically tested, with results incorporated into routine reporting • System based validation processes are applied to maintain data accuracy • Training is provided to service delivery colleagues on a regular basis to support consistency and high service standards	
Supplier performance failure risk			
The risk that a supplier fails to perform a contracted service	This could result in the failure of key business processes, potential data leakage, monetary loss and remediation costs	• Supplier onboarding, selection and ongoing monitoring processes are overseen by the Procurement function in conjunction with the Group General Counsel and Information Security teams • Relationship management structures are in place with critical suppliers, supported by service level agreements, management information provision and incident escalation and resolution protocols • All suppliers are required to have appropriate Business Continuity Plans (BCPs) in place that align to business criticality of the service provided • Review and oversight, using a risk-based approach, of suppliers' cyber security and data security controls • Central system to track supplier assurance, contract dates and other critical processes	

Description	Impact	Control/mitigation	Strategic priority
Investment performance risk			
The risk that investment returns are below the required return over the medium to long term (5+ years), leading to the Scheme funding ratio being below acceptable minimum levels for DB, or member investment return targets not being met for the defined contribution (DC) portfolios	This could result in a significant change to the funding position for DB, leading to a potential requirement to increase contributions, amend investment strategy and/or reduce future benefits. Lower growth in the size of members' DC funds is also a potential consequence, leading to lower-than-expected values being available to members on retirement	• A documented, structured and effective investment process, run by experienced investment professionals, incorporating robust controls and diligent oversight. RI factors (such as social or governance impacts) considered in investment decisions • Investment risk appetite is captured via the Trustee's funding and investment risk appetite statements (RASs) and measured by KRIs, with associated thresholds and limits embedded in the investment framework • DB: the investment portfolio is diversified across various investment types (public and private), asset classes and risk factors. It is managed relative to objectives set in the investment mandate, including a series of KRIs (in line with VIS) which seek to align the investment strategy with the Trustee's funding and investment risk appetites to fulfil the goals of the FMP • DC: the 'Let Me Do It' fund range was chosen to provide members with an appropriate range of risk and return expectations, in line with risk appetites agreed with the Trustee. The Default Lifestyle Option is designed to progressively reduce investment risk exposure over the 10 years before expected retirement to provide greater certainty around outcomes • RASs and KRIs are reviewed annually by the Investment Committee, and USSIM is regularly assessed for its adherence to them by the Investment Risk function • Use of the investment balanced scorecard process (see page 21) to assess investment performance against multiple criteria over various investment horizons • All of this is overseen by the Investment Risk and Performance team who report into the Group Chief Risk Officer	
People risk			
The risk of an absence of sufficient, competent and engaged colleagues and people leaders, who are aligned to the Scheme's purpose and values, to enable the delivery of business objectives and strategic goals	This may lead to an inability to provide the necessary capacity, skills and leadership culture to achieve successful delivery of the Scheme's strategic priorities. This could result in poor investment performance, reduced service levels to members, increased incidence of operational error and failure, and ultimately result in reputational damage with key stakeholders.	• Robust recruitment, talent management, succession planning, training and learning and development programmes to attract, develop and retain colleagues • Performance management framework that focuses on clear, aligned objectives which reinforce behaviours that support our culture, underpinned by regular colleague performance reviews • Remuneration strategy that incorporates external benchmarking and incentive programmes that reward performance • Regular colleague engagement and feedback surveys, and targeted action plans to address areas of improvement • Colleague health and well-being programmes that promote a healthy, productive and resilient working environment • Equity, Diversity and Inclusion (EDI) strategy and targets focused on ensuring that we foster a diverse and inclusive organisational culture • Ongoing mandatory training to ensure colleagues' understanding of relevant regulation, legislation and company policies	

Principal risks
Continued

Description	Impact	Control/mitigation	Strategic priority
Legal and regulatory risk			
Breaching risk – Risk that the activities of USS personnel breach an applicable legal or regulatory obligation/requirement or the Scheme Rules **Awareness risk –** Risk that USS fails to have necessary awareness of applicable legal or regulatory obligation/requirement	Potential for member detriment from USS activities failing to comply with relevant law, regulation or the Scheme Rules. Failure to respond to legal or regulatory change in an appropriate manner could lead to regulatory censure, financial, stakeholder or reputational impacts	• Group General Counsel leads the process to monitor legal and regulatory change, with updates flagged to the relevant business areas • Key changes are reflected in specific updates to relevant business heads, compliance and legal training, advisory work and monitoring activity • Change management is applied by relevant business areas for the tracking and implementation of necessary changes • Risk-based assurance activities assess the design and effectiveness of the control environment across key business processes and functions • Key policies are implemented and maintained. These are combined with legal and compliance training to inform staff of their legal and regulatory obligations	
Resilience, technology and change risk			
Risk that the ability of USS to provide important business services is compromised as a result of: • Disruption to IT or facilities infrastructure, • Inadequacy of technology arrangements, or • Changes to business capabilities and practices not being delivered reliably	Physical and infrastructural disruption could lead to adverse impact on operational capacity and controls. Disruption could result in deterioration of the value of the Scheme's assets, adversely impacting our funding and liquidity position and asset valuation uncertainty in the short term	• Full remote working capability for all teams, to allow continuity of key processes and physical isolation of colleagues • Business continuity governance framework operates, with defined business resilience plans in place and regular testing of IT disaster recovery plans • Secure, resilient data centre hosting arrangements in place providing high availability for key business systems • A 'defence in depth' cyber security framework in place, with 24/7 security operation centre and threat intelligence • Monitoring of supplier resilience arrangements and their recovery plans through the supplier management framework	

Principal risks
Continued

Description	Impact	Control/mitigation	Strategic priority
Information security and privacy risk			
The risk that the confidentiality, integrity and availability of the data that we hold and manage is compromised	Breach of applicable data protection legislation, potential for regulatory censure or fine, damage to stakeholder relationships and reputation. Potential for monetary loss and remediation costs	• A dedicated Information Security team, led by the USS Data Protection Officer • Implementation of appropriate information security and data protection framework and processes • Implementation of appropriate cyber risk controls • Delivery of regular education and awareness training to colleagues, including phishing campaigns • Ongoing maintenance of the international information security accreditation ISO 27001 • Multiple layers of technical controls broadly aligned to Cyber Essentials plus requirements • Implementation of processes designed to maintain compliance with the UK General Data Protection Regulations (UK GDPR) as enacted via the Data Protection Act 2018 • Mandatory compliance with Information Security team requirements as a condition of supplier onboarding with ongoing oversight through the appropriate relationship management structures • Oversight of key suppliers and their information security and privacy risks for the work they carry out on behalf of USS	

Artificial Intelligence (AI) - risks and opportunities

We do not identify AI as a risk in our Principal Risks because AI, and the recent boom in generative and agentic AI, present a whole variety of different opportunities and risks across USS. These risks are considered in the relevant parts of our risk framework.

For example, the risks to the investment portfolio arising from investee companies coming under pressure from new providers is considered alongside other investment risks in our portfolio construction and management, where we also consider the systemic risks arising from AI in our scenario analysis.

Alongside these risks we also consider the investment opportunities from participating in the financing of these new technologies and the broader potential impact of AI on corporate productivity and the wider economy.

For our own operations we have taken a relatively conservative approach seeking to use these technologies where they have a demonstrable benefit and to learn from the experience of others. For example, our software developers make use of generative coding tools for development, and our staff more broadly have access to personal productivity tools which interact with their stored documents and emails. For all AI usage, we require our staff to ensure there is always a 'human in the loop' checking and taking responsibility for use of the output in order to mitigate the risk of error being introduced to our processes.

Generative AI tools present incremental risk of information leakage, and we have taken steps to mitigate this risk. Sponsoring enterprise level versions of the tools enables them to be used securely. Staff are issued with guidelines on safe usage of AI (and other) websites, usage of websites is monitored with certain sites blocked, and staff with access to the most sensitive personal data are not provided access to AI tools.

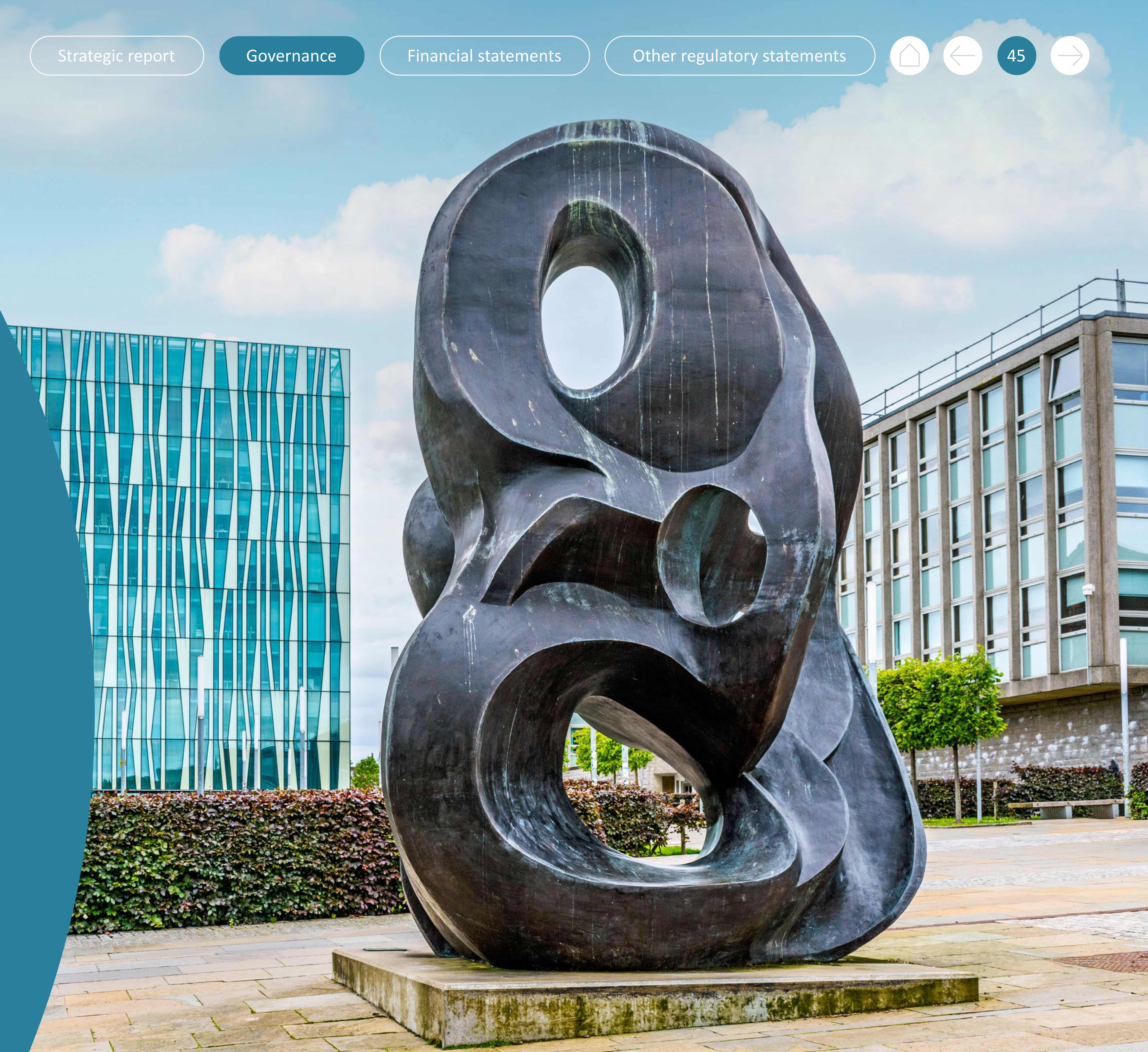
New software usage, whether installed or provided by a vendor, goes through a review by IT and Information Security teams to ensure it has appropriate safeguards. This includes AI tools. We are also very aware of the use of AI in cyber attacks and work with our vendors to understand their approach and make use of emerging technologies in combatting cyber crime.

Whilst agentic AI may be used to produce personal productivity tools, any agents which are relied on in a wider business process must be approved by IT as for other software distribution.

We are now also providing a secure environment for our AI 'champions' to test out new tools and technologies safely and to help with our strategic aim of enabling the organisation to learn in a safe and controlled way.

Governance

Strong governance by the Trustee ensures members' pensions are managed with care, clarity and with the long-term future success of the Scheme in mind.



'Evolutionary Loop 517' (University of Aberdeen). This bronze sculpture represents continuous evolution and interconnection within university life. Its intertwined forms symbolise how students, academics and staff grow together through shared experience and organic development.

Governance

High-quality governance and decision making is critical to success.

The Scheme's trustee is Universities Superannuation Scheme Limited (the 'Trustee' or 'USSL'). It has overall responsibility for scheme management and administration, led by a non-executive Board of Directors (the 'Trustee Board'). The Trustee employs a team of pensions professionals in Liverpool and London. The Trustee is regulated by The Pensions Regulator (TPR) and has a legal duty to ensure that benefits promised to members are paid in full on a timely basis.

The Trustee Board provides monitoring and oversight of the Scheme's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate systems of internal control, and compliance with statutory and regulatory obligations. This includes oversight of the administration of the Scheme (including investment of the Scheme's assets) to ensure that: (i) the Scheme is adequately funded; (ii) benefits are paid when they fall due; (iii) the Scheme is effectively administered in line with the Trustee's objectives; and (iv) the Scheme and its administration continue to meet the needs of the UK Higher Education (HE) sector.

While the Trustee Board retains overall oversight of USSL and its wholly owned subsidiary, USS Investment Management Limited (USSIM) (together referred to as the 'Group'), day-to-day management of USSL in accordance with the approved business plan and budget has been vested by the Trustee Board in the Group Chief Executive Officer (GCEO). The GCEO then allocates specific responsibilities to the senior members of her team.

The Trustee delegates implementation of its investment strategy to USSIM which provides in-house investment management and advisory services to the Trustee. As at 31 March 2026, USSIM manages approximately 68% of the Scheme's investments in-house. USSIM is authorised and regulated by the Financial Conduct Authority (FCA).

The USSIM Board of Directors is responsible for the overall leadership, long-term strategy and oversight of USSIM including oversight of its day-to-day management, values and culture, and the delivery of services as agreed with USSL.

To achieve effective leadership and discharge their duties successfully, the Trustee Board must have an appropriate balance of knowledge, skills and experience. Recruitment, ongoing training and development and performance management processes are in place to achieve this. You can read about the skills and expertise of the Trustee Board members on pages 48 to 50. The same principles apply to the USSIM Board. Details of the USSIM Board can be found on our **website**.

The Trustee Board is supported by five specialist standing committees:

- Group Audit and Risk Committee
- Governance and Nominations Committee (GNC)
- Investment Committee
- Pensions Committee
- Remuneration Committee

The Trustee Board and committee structure is set out on the next page.

There are two other key committees linked to the Scheme:

- The Advisory Committee
- The Joint Negotiating Committee (JNC)

The Advisory Committee and the JNC are constituted, empowered, and governed by the Scheme Rules, not the Trustee Board. While entirely separate to, and distinct from the Trustee, they play important roles in the governance of the Scheme.

The Advisory Committee is responsible for the determination of certain member complaints in accordance with the Trustee's Internal Dispute Resolution (IDR) process. The Advisory Committee comprises three members appointed by Universities and Colleges Employers Association (UCEA) and three members appointed by University and College Union (UCU). The members of the Advisory Committee appoint its Chair, and two Trustee Directors attend its meetings when the Advisory Committee considers cases raised under the IDR procedure.

The JNC comprises five members appointed by UCEA, and five members appointed by UCU. It is chaired by an independent Chair appointed by the JNC. The JNC has a number of responsibilities, including to initiate changes to the Scheme Rules and to approve any changes proposed by the Trustee. The JNC creates working groups when required to discuss particular matters in greater detail.

More information about the activities and membership of the Trustee Board, its committees, the Advisory Committee and the JNC is set out on the following pages and in the Governance Supplement provided on the USS website at **report and accounts**.

Division of responsibility between the Trustee Board and executive

As explained earlier in this report, the Trustee Board has delegated day-to-day management of the Group to the GCEO, supported by the Group Executive team. The allocation of roles and responsibilities is set out in the terms of reference of each of the Trustee Board and the Group Executive team.

Governance
Continued

Trustee Board composition

The Trustee Board consists of 12 non-executive directors comprising:

- Four directors appointed by UCEA
- Three directors appointed by UCU (one of whom is a pensioner member)
- Five independent directors appointed by the Trustee Board itself

The composition and diversity of experience of the directors promotes an effective and balanced Trustee Board and helps to ensure that directors collectively have the key competencies and knowledge required to manage and oversee the Scheme. This includes competencies in, and knowledge of, pensions, investments, actuarial matters, the HE sector, audit, risk and financial management, remuneration and communications. The Trustee works with UCEA and UCU to ensure that the Trustee Board includes directors with a good understanding of the views of both employers and members.

The Trustee Board appoints all of the directors to the USSIM Board. The USSIM Board is formed of five non-executive directors and two executive directors, each bringing a range of skills and competencies relevant to a board responsible for an FCA regulated asset management company. These skills and competencies include experience in pensions, investment, audit, risk, compliance and financial management and remuneration.

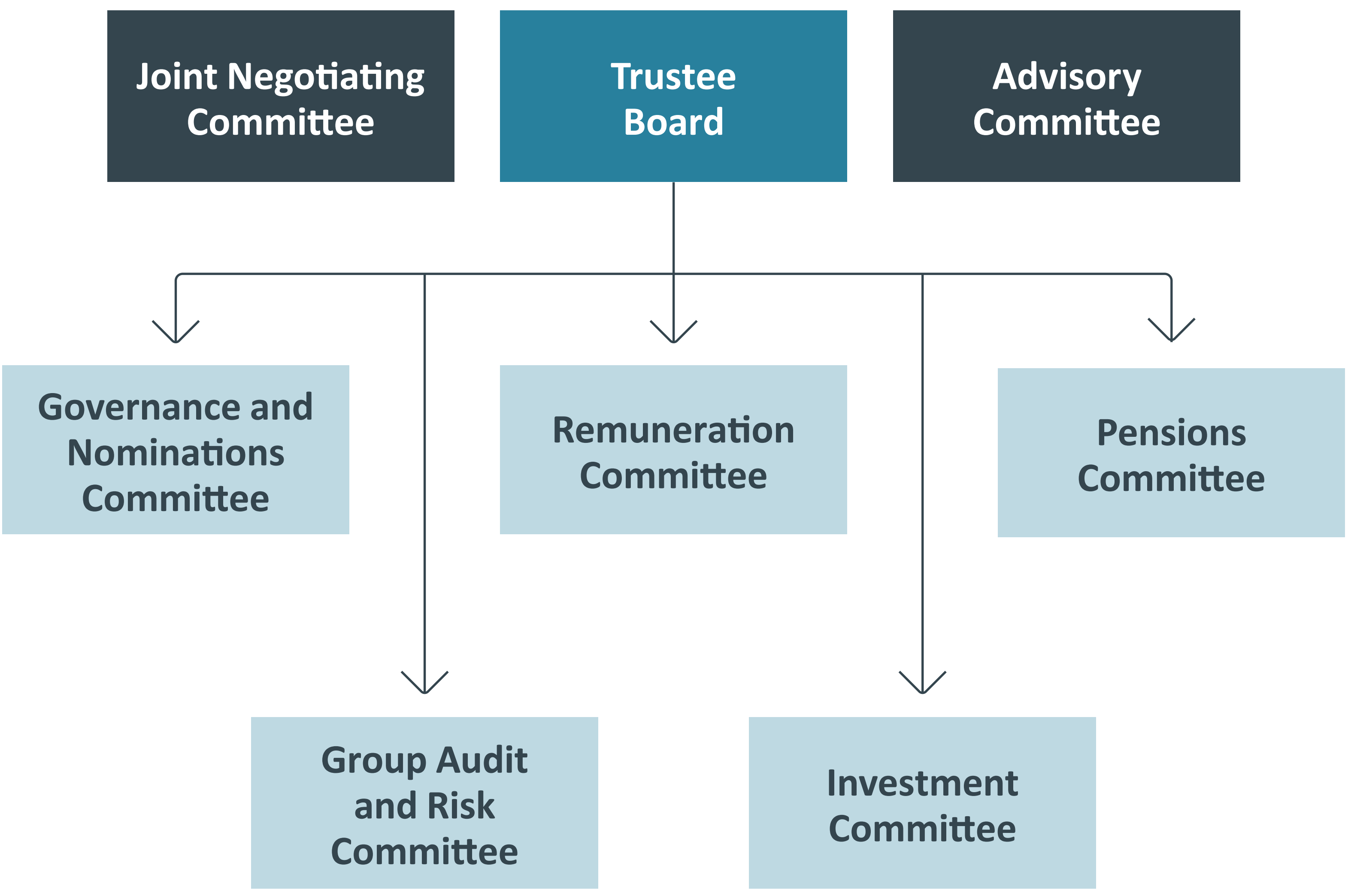
The Trustee values diversity and is committed to creating an inclusive working environment. During the financial year, initiatives continued to promote equality, diversity and inclusion (EDI), including actions to promote diversity on both the Trustee and USSIM Boards and the setting of new EDI targets for each Board. Both Boards have agreed a strategic goal to achieve balanced gender representation. At 31 March 2026, the Trustee Board had four female directors and eight male directors, whilst the USSIM Board had four female directors and three male directors.

Both Boards remain committed to the pursuit of their ethnic representation target: to have on each Board at least one director from an ethnic minority background. So far, neither Board has been able to meet this target. However, the Trustee Board continued its participation in the pensions industry's Trustee Accelerator Programme. This is now run by the Pensions Management Institute and offers people from different backgrounds the opportunity to bring fresh ideas and perspectives to pension trustee boards.

Maintaining and improving key competencies, knowledge and diversity remains vitally important for the Trustee Board and the USSIM Board. During the financial year, the Trustee Board's GNC has been particularly focused on recruitment and succession planning. Several director roles came to the end of their terms in 2025/26, and the Trustee Board has worked together with its stakeholders to fill these positions while ensuring that the combined skills, experience and knowledge of the Trustee Board remain appropriate for the Scheme.

The Trustee Board regularly reviews the succession plans for both itself and the USSIM Board to ensure the appropriate balance of continuity and refreshed membership is achieved going forward. Trustee director recruitment exercises are undertaken by reference to a skills matrix which captures the core skills required for running a pension scheme of the size and complexity of USS. This provides a framework for the Trustee Board's consideration of key skills and competencies for director roles, and for the evaluation of potential candidates for those roles. A summary of the skills of the serving Trustee Directors can be found in the table below. USSIM Board recruitment exercises are undertaken by reference to the relevant board competency requirements of an FCA-regulated firm, reflecting USSIM's regulatory status and business activities.

Trustee Board and committee structure



The JNC and Advisory Committee are constituted, empowered and governed by the Scheme Rules, not the Trustee Board.

Board competencies	Number of directors with this competency*
Experience in university governance and leadership	8
Senior/substantial experience of HE leadership and understanding of the economics of the HE sector	8
DB/DC pensions industry experience	12
Senior corporate governance expertise/board management knowledge	12
Industrial relations	7
Pensions administration and member engagement	8
Communication, media and stakeholder engagement	12
Control, compliance and risk management	9
IT, security and digital development	5
Supplier/contract management	8
Senior management experience	10
Actuarial	5
Audit, accounting and financial management expertise	9
Investment	8
Ethical, social and environmental	8
Legal	3
HR and remuneration	11
Strategy development	9

* From the 12 directors who held office at 31 March 2026

Members of the Trustee Board

Key to committee membership

- ● Chair
- ● Senior Director
- ● USSIM Director
- (A) Group Audit and Risk Committee
- (G) Governance and Nominations Committee
- (I) Investment Committee
- (P) Pensions Committee
- (R) Remuneration Committee

Dame Kate Barker

● (G) (I)

- Independent appointee
- Chair of the Trustee Board since 1 September 2020
- Appointed April 2020 (reappointed for second term from 1 April 2024)
- Current term ends March 2028

Dame Kate was Chief Economic Adviser at the CBI (1994–2001) and a member of the Bank of England's Monetary Policy Committee (2001–2010). Since leaving the Bank of England, she has held various non-executive directorships in financial services, pensions, housebuilding, private equity, and public sector bodies.

Dame Kate has extensive pensions experience having been Chair of the British Coal Staff Superannuation Scheme (2014-2023) and serving as a pension trustee for the Yorkshire Building Society (2015–2019). She also has a strong understanding of the HE sector, having served as governor at Anglia Ruskin University (2000–2010), including as Chair of Governors (2007–2010) and on the Council of Oxford University (2017–2020).

Dame Kate is an accredited professional pension trustee.

Prof. Sir Paul Curran

(G) (R)

- UCEA appointee
- Appointed September 2020 (reappointed for second term from 1 September 2024)
- Current term ends August 2028*

Sir Paul was President of City, University of London from 2010 to 2021, having served previously as Vice-Chancellor of Bournemouth University and Deputy Vice-Chancellor of the University of Southampton. He is a former NASA research scientist and adviser to the European Space Agency.

Sir Paul currently serves as Chair of the MS Society and the NHS National Joint Registry and holds several governance roles across the HE sector. He has significant experience in pay and pensions through previous roles as Chair of UCEA and the national Review Body on Doctors' and Dentists' Remuneration.

Sir Paul was knighted in the 2016 New Year Honours for 'services to Higher Education'.

Russell Picot

● (A) (I)

- Independent appointee
- Deputy Chair and Senior Director
- Chair of the Investment Committee
- Appointed February 2021 (reappointed for second term from 1 February 2025)
- Current term ends January 2029*

Russell is a former HSBC Group Chief Accounting Officer with extensive experience in pensions and broader Environmental, Social and Governance (ESG) matters. He left HSBC in 2016 after more than two decades with the bank. He was appointed as a trustee of the HSBC Bank (UK) Pension Scheme in 1999, served as Chair of its Investment Committee (2013-2014), and was Chair of the Board from 2017 to 2025. He has also held several significant external appointments including roles with several accounting bodies, serving as Special Adviser to the Task Force on Climate-related Financial Disclosures (TCFD), and a trustee on the Master Trust LifeSight.

He is a chartered accountant and an accredited professional pension trustee.

Marian D'Auria

(P)

- Independent appointee
- Chair of the Pensions Committee
- Appointed September 2021 (reappointed for second term from 1 September 2025)
- Current term ends August 2029*

Marian is currently Chief Sustainability Officer at M&G plc. She has over 20 years' experience advising trustees and corporate clients in both the public and private sectors, with expertise in risk management, sustainability, trusteeship and governance, scheme actuarial work, corporate advisory and investment consulting.

Prior to joining M&G, Marian was Global Head of Risk and Sustainability at GFG Alliance. Before that, she was a Managing Director at Redington and previously led Deloitte's Trustee Advisory team in London.

Marian is a Fellow of the Institute and Faculty of Actuaries and has served two terms on their governing Council. She was previously a member of the Institute's Sustainability Board and is a current member of the Planetary Solvency Mobilisation Board.

* The appointment processes for these directors allow for an optional additional year to their term of office to support effective succession planning

Members of the Trustee Board
Continued

Key to committee membership

- Chair
- Senior Director
- USSIM Director
- (A) Group Audit and Risk Committee
- (G) Governance and Nominations Committee
- (I) Investment Committee
- (P) Pensions Committee
- (R) Remuneration Committee

Gary Dixon

(A) (R)

- UCEA appointee
- Chair of the Group Audit and Risk Committee
- Designated NED
- Appointed April 2019 (reappointed for second term from 1 April 2023)
- Current term ends March 2027

Gary served as Chair of Council at the University of Leicester, having previously been a Lay Member since 2009. During his tenure, he also chaired the Remuneration and Nominations Committees and the University's Stakeholder Pension Scheme. Formerly Group CFO at Pointon York, a financial services group, he founded the Compliance Solutions group before its sale to a global plc. Gary has held many NED roles and is presently NED and Audit Committee Chair of Trading 212 UK Limited, The Wesleyan Assurance Society Limited and trustee and Audit Committee Chair at Barclays UK Retirement Fund.

A Chartered Accountant trained with PwC, he holds a degree in Physics with Astrophysics from the University of Leicester, an MBA from Warwick Business School, and is a Fellow of the ICAEW.

Dr Alain Kerneis

(I) (R)

- Independent appointee
- A director of USSIM
- Appointed January 2022 (reappointed for second term from 24 January 2026)
- Current term ends January 2030*

Alain is an investment and governance specialist with over 20 years of experience managing portfolios on behalf of pension schemes, and mitigating market, operational and regulatory risks.

Since transitioning from an executive career, Alain has built a diverse portfolio of non-executive director and investment advisory roles across pensions, private wealth and retail markets. He brings significant non-executive director and board experience and currently serves as a non-executive director on the Board of Liverpool Victoria ('LV') Financial Services Limited and chairs its Investment Committee. He also acts as an adviser to the investment arm of a family office. Alain was co-Head of Investments for BlackRock's Client Portfolio Solutions, overseeing £75bn of client assets in EMEA (Europe, Middle East, and Africa). Prior to BlackRock, he spent 14 years at Goldman Sachs in senior asset management and investment research roles. Alain was awarded a doctorate at AgroParisTech in 1994.

Ellen Kelleher

(G) (P)

- Independent appointee
- Chair of the GNC
- Appointed November 2021 (reappointed for second term from 1 November 2025)
- Current term ends October 2029*

Ellen has over 35 years' experience in the pensions industry, advising on pensions administration, operational effectiveness and governance. She was Chief Pension Officer at Trafalgar House Pension Trust and previously served as COO of the HSBC Bank (UK) Pension Scheme. She was also a member and Chair of the Judicial Pension Board.

Ellen currently serves on the Operations Committee for Lloyds Banking Group Pension Schemes and as a non-executive director of Trafalgar House Pensions Administration. She holds pensions management and legal qualifications and is an accredited professional pension trustee.

Dr Samuel Marsh

(I)

- UCU appointee
- Appointed August 2024
- Current term ends August 2027

Sam has a PhD in Pure Mathematics from the University of Sheffield, where he has taught for almost 20 years, including in financial mathematics.

Sam served as a UCU representative on USS's Joint Negotiating Committee between June 2018 and June 2022, during which time he was also Vice-Chair of UCU's Superannuation Working Group.

He is currently a member of the University's Senate and has held senior roles on the UCU Committee at the University, including Branch President.

* The appointment processes for these directors allow for an optional additional year to their term of office to support effective succession planning

Members of the Trustee Board
Continued

Key to committee membership

- Chair
- Senior Director
- USSIM Director

(A) Group Audit and Risk Committee
(G) Governance and Nominations Committee
(I) Investment Committee
(P) Pensions Committee
(R) Remuneration Committee

Helen Shay

(A) (G)

- UCU appointee
- Appointed September 2020 (reappointed for second term from 1 September 2024)
- Current term ends August 2028
- Pensioner member

Helen started her career in law firms before moving in-house to Next plc and working with the College (now University) of Law. She later worked on complex pension cases at the Financial Ombudsman Service, then joined Skipton Building Society. In 2008, she became the University of York's first In-house Counsel, establishing the legal function and supporting the strategic planning team.

Helen brings experience across the commercial and HE sectors and has served as a school governor, a board member of the Association of University Legal Practitioners and with the Law Society on several initiatives (most recently appointed as a Social Mobility Ambassador).

Prof. Adam Tickell

(I)

- UCEA appointee
- Appointed April 2024
- Current term ends March 2028

With a career spanning more than 20 years – starting as a Research Assistant at the University of Manchester in 1989 – Professor Tickell has extensive executive experience in the UK's HE sector. He has been Vice-Chancellor and Principal of the University of Birmingham since January 2022 and was Vice-Chancellor of the University of Sussex between 2016 and 2021.

Professor Tickell was a member of UCEA's Board and Chair of the Employers Pensions Forum – an advisory body to the UUK Board on USS pensions – from 2018 to 2024.

He was appointed as a non-executive director at the Department of Science, Innovation and Technology in November 2024.

Will Spinks

(P) (R)

- UCEA appointee
- Chair of the Remuneration Committee
- Appointed September 2018 (reappointed for second term from 1 September 2022)
- Current term ends August 2026

Will has worked in Higher Education since 2007, initially as the first Chief Operating Officer at Loughborough University and later as Registrar, Secretary, and Chief Operating Officer at the University of Manchester until his retirement in 2018.

Before moving into the HE sector, Will had a successful career with ICI, Zeneca and AstraZeneca and was formerly a UUK-nominated member of USS's Joint Negotiating Committee. He is currently a trustee director of AstraZeneca Pensions Trustee Limited and a member of the Board of Governors at the University of Staffordshire.

Dr David Watts

(P) (R)

- UCU appointee
- Appointed March 2021 (reappointed for second term from 1 March 2025)
- Current term ends February 2029*

David is a social scientist and historian and has worked for the University of Aberdeen since 2007, first in the School of Geosciences and since 2018, in the Rowett Institute.

Before joining the Trustee Board, David was a local pensions representative for the University and College Union (UCU). He was a trustee of the University of Aberdeen from 2017 to 2020 and served on its Policy and Resources Committee.

* The appointment processes for these directors allow for an optional additional year to their term of office to support effective succession planning

Governance
Continued

Trustee Board key activities 2025/26

The Trustee Board has undertaken and overseen a wide variety of activities over the year.
A summary of some of the key activities is given below.

Board activities

Topic	Activity
Scheme valuation related activities	• Oversaw preparations for the 2026 valuation and approved a discussion document outlining considerations for how the Scheme might be financed over the long-term and how the current estimated surplus can support a range of options • Approved the Trustee Board's decision-making principles for the 2026 valuation • Oversaw the activities of the Valuation Technical Forum created to facilitate discussion between the Trustee and stakeholders in relation to some of the technical aspects of the 2026 valuation • Received updates on the executive's support to stakeholders in their exploration of conditional indexation, including the publication of two reports on this matter
Regulatory	• Oversaw USS's engagement with TPR as part of its ongoing supervision of the Scheme • Monitored current legal and regulatory matters, and relevant legal and regulatory change, and oversaw the executive's approach to ensuring compliance with these developments • Approved the 2025 Task Force for Climate-related Financial Disclosures (TCFD) Report and the USS Stewardship Code Report • Monitored and oversaw the executive's response to several consultations including those relating to the Pensions Schemes Bill, Inheritance Tax on pensions, the UK Sustainability Reporting Standards, and the TCFD post-implementation review
Pensions operations	• Oversaw the ongoing migration from the Scheme's current pension administration platform to a new platform • Reviewed plans in relation to the implementation of the pensions dashboard • Oversaw pensions administration during the year, including key service levels and turnaround times for services to members and employers • Oversaw engagement with members and employers • Received and discussed the outcomes of the member and employer perception surveys
Investment	• Approved updated investment key risk indicators for the Defined Benefit (DB) and Defined Contribution (DC) Investment Frameworks which allow USSIM to manage the Scheme's assets according to the Trustee Board's risk appetite • Undertook annual review and approved minor updates to the DB and DC Investment Balanced Scorecards, which are used by the Trustee's Investment Committee to assess USSIM's investment performance • Provided oversight of USSIM's investment activities • Reviewed the Scheme's Valuation Investment Strategy to ensure it remained fit for purpose (no changes made) • Approved the Trustee's Statement of Investment Principles Implementation statement • Reviewed and approved revisions to the Scheme's Stewardship and Voting Policy as part of the Scheme's Responsible Investment (RI) strategy • Received and discussed updates on compliance with, and activities undertaken in accordance with, the Trustee Board's RI strategy
Business planning, strategy and financial reporting	• Approved and oversaw the implementation and expenditure concerned with the Group Three Year Plan, Annual Business Plan and Budget • Approved the financial statements for the Scheme and the Trustee Company for the year ended 31 March 2025, on recommendation from the Group Audit and Risk Committee

Governance
Continued

Board activities continued

Topic	Activity
Master Trust	• Approved and oversaw the implementation of the DC business plan for the financial year 2025/26 • Oversaw the Value for Members assessment for 2025/26 • Approved the Scheme's updated Continuity Strategy and a Master Trust Audit Assurance Framework report (also known as a AAF 05/20 Assurance Report, in line with guidelines published by the ICAEW's Audit and Assurance Faculty)
Risk management and internal controls	• Approved a revised Risk Governance Policy and the associated risk management framework (which includes the Trustee's risk appetite statements and key risk indicators) • Reviewed and approved updates to the Whistleblowing policy and framework • Regularly reviewed the enterprise risk report encompassing all key risks impacting the delivery of the Scheme's strategic objectives • Considered the adequacy of the Scheme's internal control and risk management framework, based on assurance provided by the Group Audit and Risk Committee on each of the three lines of defence
Performance and general oversight	• Received and discussed reports from all standing Trustee Board committees which had met in the reporting period • Reviewed performance reports from all key business areas on a quarterly basis
Corporate governance	• Reviewed the Group corporate governance framework which includes the terms of reference for the Trustee Board, its standing committees, and the Group Executive team • Reviewed and approved three reappointments (Ms Ellen Kelleher, Mrs Marian D'Auria and Dr Alain Kerneis) to the Trustee Board • Reviewed and approved two reappointments to the USSIM Board and the appointment of a new director (Ms Rita Bajaj) who will join the USSIM Board as a director and Chair elect from 1 October, 2026, before taking the role as Chair from 1 January 2027, subject to FCA approval • Oversaw implementation of actions arising from the last externally facilitated board performance review and undertook an annual internal board performance review • Approved amendments to several Group policies • Oversaw the implementation of the designated non-executive director (DNED) programme to help ensure that colleagues' perspectives are considered and factored into board decision making • Approved amendments to the Trustee and USSIM Board succession plans • Reviewed and approved the Trustee Board Code of Conduct, including its adoption by the USSIM Board
Leadership	• Discussed the outcomes of the 2025 USS employee engagement survey and culture audit, along with the Group Executive team's response • Received and discussed updates on initiatives being undertaken by the executive to improve EDI
Stakeholder	• Engaged directly with UCEA and UCU and their actuarial advisers and oversaw the executive's engagement with each of them • Engaged in a governance review of USS undertaken by independent adviser Pi Partnership on behalf of UCEA, which resulted in UCEA publishing a 'Primer' and 'Articulation' of USS's governance arrangements • Attended and participated in meetings with the JNC and its working groups (including the Stability Working Group to consider scheme funding stability and the future stability of benefits and contributions) • Oversaw the implementation of the 2025/26 Member and Employer Communications strategy, including regular member updates and consultations with UCEA • Monitored support of various stakeholder initiatives, such as the conditional indexation programme, collaborative review forum and the ongoing review of scheme governance • Received and discussed updates on ongoing initiatives being undertaken by the executive to enhance colleague experience

Governance
Continued

Trustee Board meeting and committee attendance

The Trustee Board met eight times during the financial year. A summary of the Trustee Board activity during the year is outlined on pages 51 to 52. An overview of attendance at meetings of the Trustee Board and its specialist standing committees is provided to the right.

Meetings held in the year	Trustee Board	Investment	Pensions	Group Audit and Risk	Remuneration	Governance and Nominations
Total number of meetings held in the year	**8**	**7**	**10**	**5**	**4**	**4**
Trustee Board members						
Dame Kate Barker	8	7				4
Mr Russell Picot*	7	5		4		
Professor Sir Paul Curran*	8				4	3
Mr Gary Dixon*	7			4	2	
Mrs Marian D'Auria	8		10			
Ms Ellen Kelleher	8		10			4
Dr Alain Kerneis	8	7			4	
Mr Will Spinks*	8		9		4	
Ms Helen Shay	8			5		4
Dr David Watts	8		10		4	
Professor Adam Tickell*	7	5				
Dr Samuel Marsh	8	7				
Committee members						
Mr Richard Metcalf				5		
Mrs Carol Young*			10			3
Ms Mel Duffield*			9			

Notes
* On occasion, Trustee Directors and other committee members were unable to attend meetings due to prior commitments or unexpected events.

Remuneration report

We focus on aligning reward with performance, enabling the right mix of skills to deliver our strategic priorities and value for money.

Independent oversight of remuneration

The Remuneration Committee comprises five members, all of whom are non-executive directors of the Trustee. Will Spinks, a UCEA-nominated director, is Chair of the Remuneration Committee. The Remuneration Committee ensures that remuneration arrangements for USS (including both USSL and its subsidiary, USSIM) promote the recruitment, motivation and retention of high calibre employees in a competitive market, while delivering appropriate and proportionate remuneration outcomes. On behalf of the Trustee Board, the Remuneration Committee considers, challenges and approves both aggregate and individual senior employee remuneration including fixed pay, annual incentives, Group Deferred Bonuses and Long-Term Incentive Plans (LTIPs). In doing so, the Remuneration Committee seeks to ensure that remuneration outcomes are aligned to performance, reflect risk-adjusted results, and are consistent with the Scheme's strategic priorities and member interests.

The Group's variable incentive arrangements include both malus and clawback provisions, supporting accountability and ensuring that reward outcomes appropriately reflect risk-adjusted performance. Malus provisions apply to all variable awards and allow for reductions, cancellations or deferral before vesting. These provisions may be considered in circumstances such as material failures in risk management, misconduct, contract breaches, significant absence, or other behaviours inconsistent with USS standards. Clawback provisions, introduced in 2023, apply to variable incentive awards granted to Material Risk Takers (MRTs). These provisions enable the recovery of payments already made where events such as fraud, significant losses or failure to meet regulatory obligations come to light after payment. The standard clawback period is three years, extended to five years for members of the Group Executive team and USSIM executive directors.

The Remuneration Committee draws on input from the Remuneration Risk-Adjustment and Accountability Committee (RRAC) as part of its assessment of remuneration proposals, which also ensures that malus and clawback considerations are applied consistently, proportionately and in line with USS's risk, conduct and governance expectations. The Remuneration Committee also receives independent advice from its remuneration adviser, which provides insight on remuneration practice and assurance over the appropriateness of the USS remuneration frameworks. Annual benchmarking is also performed on total remuneration. This data provides important assurance that we pay people fairly and remain competitive, and that our overall remuneration costs remain appropriate and proportionate.

The Remuneration Committee's annual work programme covers the review of remuneration policies, oversight of annual and long-term incentive arrangements, assurance of the consistent application of malus and clawback provisions, and monitoring of internal and external pay equity. It also oversees Equal Pay, and gender and ethnicity pay gap reporting. Through this governance framework, the Remuneration Committee aims to ensure that remuneration decisions are fair, evidence-based and aligned with the long-term sustainability of the Scheme and the interests of its members.

The annual committee report provides a summary of the oversight and governance of the remuneration awards and can be found within the Governance Report on the USS website at **report and accounts**.

Our remuneration approach

Our remuneration approach ensures that USS attracts and retains individuals with the right mix of skills and expertise to deliver our strategic priorities and value for money for members.

Attracting and retaining talent is essential to delivering the Scheme's strategic objectives and providing value for money for our members. We recruit individuals with the expertise and experience we need and aim to offer a total reward package that is fair, in line with external market benchmarks and complying with equal pay legislation. We are also committed to ensuring an appropriate standard of living for all our colleagues, demonstrated in our continued accreditation as a Real Living Wage employer. Paying for performance is the foundation of our remuneration policy, ensuring that rewards reflect contribution and outcomes that are aligned to the needs of the Scheme in a cost-effective manner.

Investment management professionals represent the largest proportion of the remuneration paid; they account for 90% of the variable incentive paid in the year. The direct costs associated with employing an in-house team of highly skilled investment professionals in a competitive market are much lower than the fees charged by external managers for similar services. Our approach to managing costs and how they compare against peer benchmarks is described in the 'Financial review and value for money' section on page 28.

£102m

While the remuneration paid to the investment team is significant, it is a key driver of overall cost efficiency. Having an in-house investment management function enables total investment management costs to be approximately £102m per annum lower than the peer median, based on the most recent CEM Benchmarking analysis (for the calendar year 2024).

Remuneration report
Continued

Our colleague remuneration approach includes the following elements:

- Salary
  - Incentive payments, with further details on page 57, include:
    - Annual discretionary incentives, which are aimed at motivating and rewarding performance, aligned to USS objectives and values; and
    - Long-term incentives designed to incentivise delivery of scheme performance over the long term and to support the retention of critical skills
- All employees are eligible to join the USS pension scheme, aligning employee benefits with the purpose of the Scheme. A range of benefits to support broader well-being are also provided to colleagues.

Trustee Board Directors and other non-executives receive only the agreed fee for their role and are reimbursed for any expenses they incur while fulfilling their role.

Salary
Core fixed pay that reflects role responsibilities and skills

Annual discretionary incentives
Performance-based reward recognising individual delivery against USS objectives

Long-term incentives
Reward long-term performance and support the retention of critical skills

Pension and benefits
A package that promotes long-term financial stability and supports overall well-being

Remuneration	For the year ended 31 March 2026 £m High earners (excluding A and B)	Group Executive (A)	Trustee Board (B)	Total key management personnel (A+B)
Fixed pay – salary, fees and benefits	40.0	2.6	0.8	3.4
Variable pay – annual incentive	28.5	2.3	–	2.3
Variable pay – long-term incentive	15.7	1.9	–	1.9
Total remuneration paid to key management personnel and high earners	**84.2**	**6.8**	**0.8**	**7.6**

Remuneration	For the year ended 31 March 2025 £m High earners (excluding A and B)	Group Executive (A)	Trustee Board (B)	Total key management personnel (A+B)
Fixed pay – salary, fees and benefits	37.4	3.0	0.8	3.8
Variable pay – annual incentive	28.6	2.4	–	2.4
Variable pay – long-term incentive	6.7	1.7	–	1.7
Total remuneration paid to key management personnel and high earners	**72.7**	**7.1**	**0.8**	**7.9**

Remuneration in 2025/26

The total remuneration paid includes incentive awards deferred from previous years and LTIP awards that vested during the year. The investment performance reference period for USSIM remuneration is based on the calendar year to 31 December 2025. Amounts awarded in the year to 31 March 2026 are based on performance up to that date. USSIM performance in calendar year 2025 was assessed by the Investment Committee as between Average to Good when looking across both the defined benefit and defined contribution scorecards. Please see page 21 for further details.

As part of the oversight noted above, the Remuneration Committee has considered both individual behaviour, including risk alignment and accountability, and investment performance in reaching its conclusions on the remuneration granted and paid for in the year. It also paid attention to individual investment outcomes to ensure appropriate accountability, and that the remuneration structures in operation delivered appropriate outcomes for teams and individuals.

Changes made from March 2023 to both the vesting profile of USSIM LTIP awards and Group long-term incentives have been the primary driver of the increase in award payments during a transitional period, with the impact this year totalling £6.6m. Other than Group Executive members, for long-term incentive awards granted from March 2023 vesting and payment occurs after three years, replacing the previous schedule of 50% vesting after four years and 50% after five years. The changes aim to provide greater incentives alignment to the external market and, therefore, support members' interests by attracting and retaining key talent within the organisation. Changes in the timing of the pay-outs do not impact the total amounts awarded. There will be a final, but less material, timing impact next year.

As we continue to enhance our internal capabilities, our latest evaluation by CEM Benchmarking demonstrates a material cost advantage over our peers, as detailed on page 28.

Remuneration report
Continued

High earner summary

We report on the total remuneration of the Group Executive team, the Trustee Board and high earners (those whose base salary plus incentives and non-pension benefits paid in the year exceed £100,000, including any such members of the Group Executive team and the Trustee Board). The table below provides analysis of total remuneration (base salary plus any incentives and non-pension benefits) paid in the year for high earners and how it has changed year-on-year. Approximately 75% of these high earners are investment management professionals. As noted on the previous page, there is an increase in cash payments this year due to the overlap between the old and new LTIP vesting periods.

For the year ended 31 March, amounts paid	Number of individuals 2026	2025
£100,001 to £150,000	93	95
£150,001 to £200,000	69	68
£200,001 to £250,000	42	37
£250,001 to £500,000	58	57
£500,001 to £750,000	27	21
£750,001 to £1,000,000	8	7
£1,000,001 to £1,250,000	4	3
£1,250,001 to £1,500,000	–	3
£1,500,001 to £1,750,000	3	–
£1,750,001 to £2,000,000	3	–
£2,000,001 to £2,250,000	–	1
Total	**307**	**292**

Remuneration for Group Chief Executive Officer

The table below shows total remuneration (base salary plus any incentives and non-pension benefits) paid in the year to Carol Young.

For the year ended 31 March, amounts paid	2026 £'000	2025 £'000
Fixed pay – salary and benefits	503	502
Variable pay – annual bonus	280	282
Buy-out award	122	153
Total remuneration paid	**905**	**937**

Carol Young's remuneration package consists of base salary, benefits and incentive arrangements that are in line with our remuneration policy.

Her accrued Retirement Income Builder pension as at 31 March 2026 was £2,450 (2025: £1,442) and the accrued lump sum and Investment Builder pension total was £252,155 (2025: £150,081). These accrued pension benefits relate to amounts earned in respect of services to the Scheme and exclude transfers from other schemes.

USS agreed to compensate awards forfeited on her resignation from her previous employer in the form of deferred annual bonus awards. The total value of the buy-out award was £457,000 of which £304,638 has been paid out to date. The remainder of the buy-out award is scheduled to be paid over a further three years and is subject to our standard remuneration buy-out terms.

Bill Galvin, the Scheme's previous Group CEO, received payments in relation to the outstanding 2021 and 2022 LTIP awards that have vested totalling £345,435 (2025: £330,805). His remaining 2022 LTIP and 2023 Group Deferred Bonus will vest, subject to his adherence to vesting conditions, on the original scheduled payment dates.

Remuneration ratio: Group CEO to median paid employee

The remuneration ratio of the Group CEO relative to the median paid employee in USS is 19.0:1 (2025: 19.3:1). The total remuneration figure used for the purposes of calculating the pay ratio in the prior year reflects the sum of the total remuneration for Carol Young and the former Group CEO, Bill Galvin. Excluding the former Group CEO, the remuneration ratio of the current Group CEO relative to the median paid employee in USS is 13.8:1 (2025: 14.3:1).

Compensation for loss of office

The aggregate amount of compensation payable for loss of office to employees during the year was £1.4m (2025: £0.7m) of which £0.6m (2025: £0.4m) was payable to employees whose remuneration exceeded £100,000 during the year.

Trustee Board

Total Trustee Board Director fees are shown in the table on page 55 together with the comparison to 2025.

Directors are remunerated on a basis which has been approved by the Joint Negotiating Committee (JNC) and is in accordance with the contribution which they make to the work of the Trustee and their legal responsibilities.

The number of directors who are members of the Retirement Income Builder	2026	2025
At 31 March (100% of those eligible)	**7**	7

Trustee Board Directors do not earn pension benefits from their role on the Board; however, they may be a member of the Scheme through employment outside their trustee role.

Remuneration report
Continued

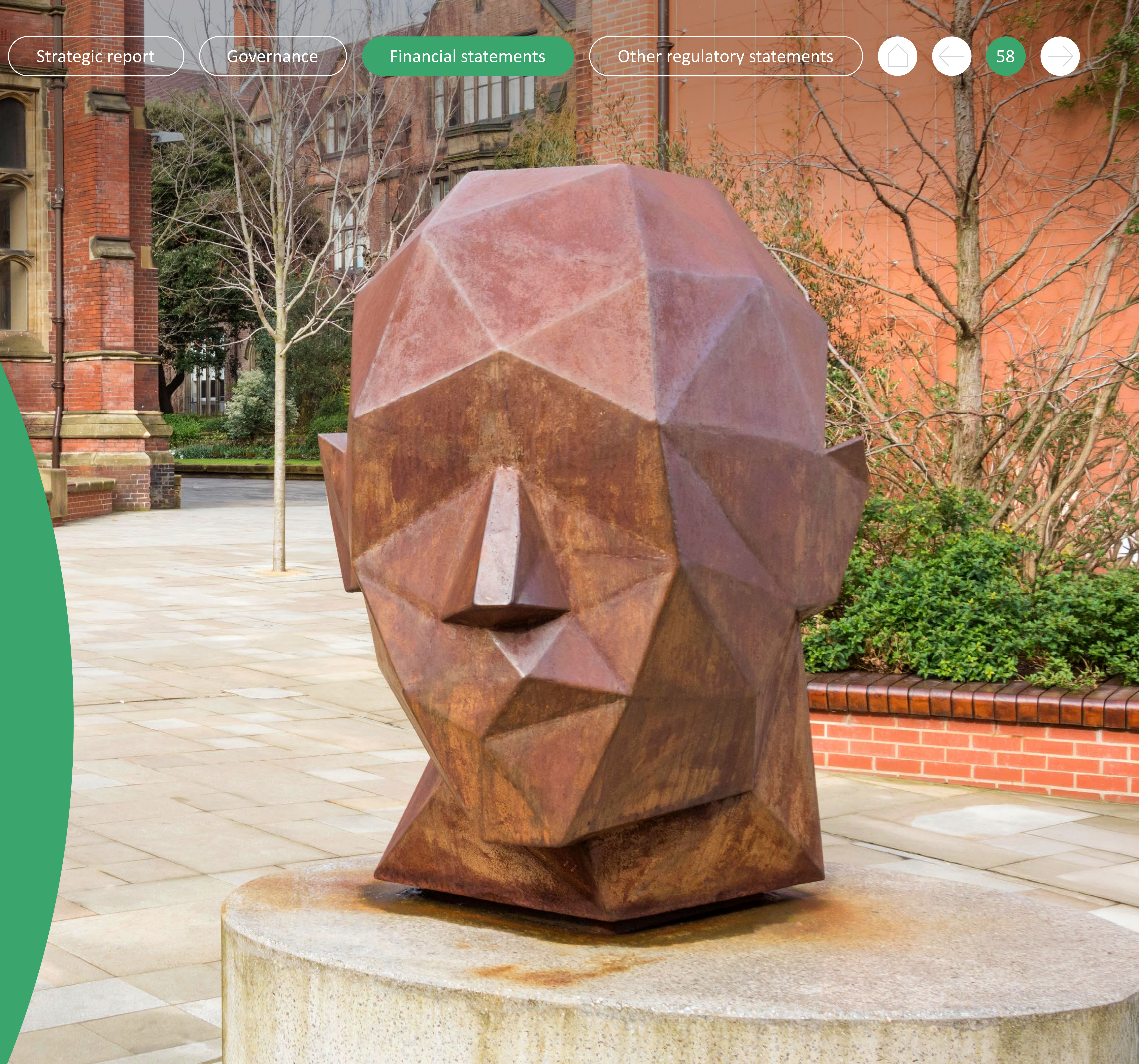
Incentive payments

There are three types of incentive payments:

	Annual Discretionary Incentive	Investment Long-Term Incentive Plan	Group Deferred Bonus[1]
Eligibility	• All performing colleagues across the Group (USSIM and USSL)	• USSIM only • Restricted to a minority of colleagues whose performance and contribution are deemed critical to the long-term success of USSIM	• USSL only • Restricted to senior colleagues key to the delivery of strategic objectives
Main features and objectives	• Drives strategic change and delivery of the business plan • Recognises and rewards individual contributions to USS priorities • Individual contribution is calibrated annually	• Value at vesting depends on Scheme and/or private markets mandate investment performance • Promotes performance and retention of critical skills	• To support the recruitment, reward and retention of senior critical skills
Performance conditions	**Investment managers only:** • Scheme performance[2] over five years, including the Investment Balanced Scorecard assessment, and mandate performance (where applicable) **All employees (including investment managers):** • Qualitative assessments aligned to USS values and delivery of strategic objectives	• Scheme performance[2] over multiple years, including the Investment Balanced Scorecard assessment • Private markets mandate performance over multiple years • Retention element included	• All qualitative – not linked to Scheme performance • Reflects achievement of personal objectives • Promotes objectivity of senior management within the second and third lines of defence
Service conditions	• Employee must be in employment and not serving notice up to and including the date the award is paid • For deferred elements, must be in employment and not serving notice at the date of payment • Awards are subject to malus and clawback (see page 54 for details on when this could apply)	• Must be in employment and not serving notice at date of award and through to vesting unless 'good leaver' provisions apply • LTIPs vest in tranches, from three to five years after award • Awards are subject to malus and clawback (see page 54)	• Must be in employment and not serving notice at date of award and through to vesting unless 'good leaver' provisions apply • Vest after either three, four or five years • Awards are subject to malus and clawback (see page 54)
Deferred element	**USSIM employees** Incentives above threshold are deferred over three years as follows: • 30% over £50,000 • 40% over £200,000 • 50% over £400,000 • Where the deferred amount is less than £5,000, it is paid immediately and not subject to deferral **USSL employees** No deferral	• As a long-term plan, payment is deferred until vesting conditions are met • For USSIM executive directors payment for three-year vesting LTIPs is deferred until five years after award	• As a long-term plan, the payment is deferred until vesting conditions are fulfilled

Notes
1 Group Deferred Bonus replaced the previous Group Long-Term Incentive Plan. The last payments under this old scheme will vest, subject to performance and service conditions in 2027.
2 Consistent with previous years, Scheme performance is assessed over calendar year periods allowing awards to be made at the financial year end.

Financial statements



'Generation' (Newcastle University). Sculptural head in bronze, Corten steel and stainless steel represent different eras of human progress. The work symbolises growth, innovation and the diverse generations that build our futures.

Statement of Trustee's responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employers and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employers in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Signed on behalf of the Trustee on 21 July 2026.

Dame Kate Barker
Chair

Independent auditor's report to the Trustee of Universities Superannuation Scheme

Opinion[1]

We have audited the financial statements of the Universities Superannuation Scheme for the year ended 31 March 2026 which comprise the fund account, the statement of net assets available for benefits and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2026, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Note

1 The maintenance and integrity of the Universities Superannuation Scheme website is the responsibility of the Trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of 12 months from when the Scheme's Annual Report and Accounts are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of trustee's responsibilities set out on page 59, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the Trustee of Universities Superannuation Scheme
Continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the relevant sections of the Pensions Acts 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the management, including the Group General Counsel, Chief Group Services Officer, Group Finance Director, Head of Group Compliance, Internal Audit Director and also the Trustee Board Directors including the Chair of the Group Audit and Risk Committee. We corroborated our enquiries through our review of the board meeting minutes, papers provided to the Group Audit and Risk Committee and correspondence with regulatory bodies.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by meeting with the Trustee Board Directors and management to understand where they considered there was susceptibility to fraud. We considered the key risks impacting the financial statements and documented the controls that the Scheme has established to address the risks identified, or controls that otherwise seek to prevent, deter or detect fraud. We considered the financial reporting risk arising from the potential for management override of controls and the valuation of illiquid assets to be significant risks. We have performed specific procedures to gain assurance that the risks are adequately mitigated. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for their awareness of any non-compliance of laws or regulations, inspecting correspondence with The Pensions Regulator, review of board minutes, journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the Scheme, enquiries of senior management and focused substantive testing.
- The Scheme is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team (including the use of specialists where appropriate) to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
London
21 July 2026

Fund account for the year ended 31 March 2026

		2026			2025		
Contributions and benefits	Note	Defined benefit £m	Defined contribution £m	Total £m	Defined benefit £m	Defined contribution £m	Total £m
Employer contributions receivable	2	2,167	179	2,346	2,022	166	2,188
Employee contributions receivable	2	102	276	378	100	213	313
Total contributions		**2,269**	**455**	**2,724**	**2,122**	**379**	**2,501**
Transfers in		–	23	23	–	28	28
Total additions		**2,269**	**478**	**2,747**	**2,122**	**407**	**2,529**
Benefits payable	3	(2,658)	(153)	(2,811)	(2,837)	(117)	(2,954)
Payments to and on account of leavers	4	(14)	(20)	(34)	(16)	(8)	(24)
Administrative expenses	5	(47)	(5)	(52)	(46)	(5)	(51)
Total withdrawals		**(2,719)**	**(178)**	**(2,897)**	**(2,899)**	**(130)**	**(3,029)**
Net (withdrawals)/additions from dealings with members		**(450)**	**300**	**(150)**	**(777)**	**277**	**(500)**
Return on investments							
Investment income	6	1,895	83	1,978	1,521	70	1,591
Taxation		(53)	(2)	(55)	(62)	(4)	(66)
Change in market value of net investments	7	5,521	351	5,872	(2,323)	68	(2,255)
Investment management expenses	5	(157)	(10)	(167)	(144)	(7)	(151)
Net return on investments		**7,206**	**422**	**7,628**	**(1,008)**	**127**	**(881)**
Net increase/(decrease) in the fund during the year		**6,756**	**722**	**7,478**	**(1,785)**	**404**	**(1,381)**
Net assets of the Scheme at the start of the year		**73,010**	**3,775**	**76,785**	**74,795**	**3,371**	**78,166**
Net assets of the Scheme at the end of the year		**79,766**	**4,497**	**84,263**	**73,010**	**3,775**	**76,785**

Statement of net assets available for benefits as at 31 March 2026

	Note	2026 Defined benefit £m	2026 Defined contribution £m	2026 Total £m	2025 Defined benefit £m	2025 Defined contribution £m	2025 Total £m
Investment assets							
Equities	7	21,866	2,378	24,244	19,719	1,976	21,695
Bonds	7	40,101	491	40,592	35,338	379	35,717
Pooled investment vehicles	8	18,666	1,305	19,971	13,797	1,117	14,914
Derivatives	9	2,052	2	2,054	1,862	26	1,888
Property	7	2,342	107	2,449	2,403	93	2,496
Cash and cash equivalents	7	2,451	50	2,501	2,418	33	2,451
Other investment balances	10	1,339	28	1,367	1,628	28	1,656
Finance leases	11	1,061	26	1,087	1,037	22	1,059
		89,878	**4,387**	**94,265**	**78,202**	**3,674**	**81,876**
Investment liabilities							
Derivatives	9	(2,090)	(32)	(2,122)	(2,082)	(6)	(2,088)
Other investment balances	10	(7,780)	(5)	(7,785)	(2,843)	(7)	(2,850)
		(9,870)	**(37)**	**(9,907)**	**(4,925)**	**(13)**	**(4,938)**
Total net investments		**80,008**	**4,350**	**84,358**	**73,277**	**3,661**	**76,938**
Current assets	16	**228**	**170**	**398**	**228**	**125**	**353**
Current liabilities	17	**(470)**	**(23)**	**(493)**	**(495)**	**(11)**	**(506)**
Net assets of the Scheme as at 31 March		**79,766**	**4,497**	**84,263**	**73,010**	**3,775**	**76,785**

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on actuarial liabilities on page 31 and should be read in conjunction with this report.

The financial statements on pages 62 to 82 were approved by the Trustee, Universities Superannuation Scheme Limited, on 21 July 2026 and were signed on its behalf by:

Dame Kate Barker
Chair

The notes on pages 64 to 82 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2026

1 Basis of preparation and significant accounting policies

This section describes the significant accounting policies of the Scheme that relate to the financial statements and notes as a whole. If an accounting policy relates to a specific item, the applicable accounting policy is contained within the relevant note. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2018) (the SORP).

Universities Superannuation Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore not normally subject to UK tax on income from investments directly held, nor to capital gains tax arising from the disposal of such investments.

Going concern

The financial statements are prepared on the going concern basis. Geopolitical instability continued to shape the global investment landscape over the period, sustaining an environment of elevated uncertainty and episodic market volatility, however, the Trustee considers the Scheme to be operationally resilient. In making this assessment, the Trustee has reviewed the principal risks and uncertainties facing the Scheme as set out on pages 39 to 44 and has concluded that these risks do not cast significant doubt on the Scheme's ability to continue as a going concern. The Trustee Board has also reviewed the cash flow forecasts of the Scheme for a period of 12 months from the date of signing these financial statements. There have been no material operational incidents or losses post year end.

(b) Treatment of subsidiary undertakings

The Trustee Company, Universities Superannuation Scheme Limited, owns a number of investments in special purpose entities to aid the efficient administration of the Scheme's investment portfolio. In accordance with FRS 102 and the SORP, the Trustee is not required to prepare consolidated accounts which include these entities and has chosen not to do so because the entities are held for investment purposes and not as operating subsidiaries. Assets and liabilities held within such entities are included in the appropriate lines in the statement of net assets and an analysis of these net assets is shown in note 14.

Details of these entities may be obtained by writing to the Company Secretary of Universities Superannuation Scheme Limited, Mr M Burt, at Royal Liver Building, Liverpool L3 1PY.

(c) Foreign currency translation

The Scheme's functional and presentation currency is pounds sterling. Foreign currency investments and related assets and liabilities are translated into sterling at the rate of exchange on the date of the transaction and subsequently at the rates of exchange at the year end. Exchange differences arising from translation are included in the fund account within the change in market value of investments. Foreign currency income and expenditure is translated at exchange rates prevailing on the appropriate dates, which are usually the transaction dates.

(d) Judgements and key sources of estimation uncertainty

In preparing these financial statements, the Trustee is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

(i) Critical judgements in applying the Scheme's accounting policies

Finance leases: The Trustee determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Trustee makes an overall assessment of whether the lease transfers substantially all of the risks and rewards of ownership of the underlying asset to the lessee. If this is the case, the lease is a finance lease. If it is not, it is an operating lease. As part of this assessment, the Trustee considers the substance of the lease terms including whether the lease transfers ownership to the lessee at the end of the lease term or whether there is an option for the lessee to purchase the asset at a nominal value. Further information is contained in note 11.

(ii) Key sources of estimation uncertainty

Measurement of fair values: The Scheme holds its investment assets either at fair value or, in the case of the finance leases, the net present value of the net investment in the lease. For unquoted equities and bonds, valuation techniques such as discounted cash flow models are used in determining fair value.

One of the key assumptions in determining fair value using the discounted cash flow technique is the discount rate. Others may include assumptions relating to macroeconomic forecasts, debt financing and growth and profitability aspects of the asset. The discount rate(s) are derived by taking into account a number of factors including, among others, the underlying nature of the asset, relative risk of the industry to which the asset relates compared to the wider equity market and the assessed level of uncertainty in the cash flows.

The market approach is often used as a cross-check and compares the valuation to metrics derived from either or both of comparable publicly traded assets and transactions in comparable assets.

Notes to the financial statements for the year ended 31 March 2026
Continued

1 Basis of preparation and significant accounting policies continued

The judgements are applied by valuation experts and there is significant estimation uncertainty underpinning the assumptions used in both the discounted cash flow approach and market approach cross-check. The Trustee has considered the uncertainty in cash flows and the assumptions made and determine these to be the best estimates as at valuation date, when calculating fair value.

Finance leases: The Scheme holds finance leases at the net present value of the net investment in the lease, discounted at the rate implicit within the lease terms. To calculate the net investment in the lease, the Trustee assumes an inflationary increase for each lease payment over the life of the lease term. This inflationary increase is based on Bank of England data.

2 Contributions receivable

Accounting for contributions receivable

Contributions represent the amounts due to the Scheme from participating employers under the Schedule of Contributions for the year of account. The amounts include deficit recovery contributions, if any such funding is required.

Retirement augmentation receipts and benefits payable are accounted for in the period in which they fall due under the agreement under which they are payable.

Employer Section 75 debt contributions are accounted for when a reasonable estimate of the amount receivable can be determined.

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Employer contributions						
Employer contributions	1,581	127	1,708	1,475	118	1,593
Employer salary sacrifice contributions	583	52	635	542	48	590
S75 debt	1	–	1	3	–	3
Augmentation	2	–	2	2	–	2
	2,167	**179**	**2,346**	**2,022**	**166**	**2,188**
Employee contributions						
Members' basic contributions	50	4	54	49	4	53
Main section AVCs	13	272	285	15	209	224
Supplementary section	39	–	39	36	–	36
	102	**276**	**378**	**100**	**213**	**313**
	2,269	**455**	**2,724**	**2,122**	**379**	**2,501**

Main section AVCs represent additional contributions made into the Investment Builder which provides defined contribution benefits from the Scheme. Contributions from members who commenced additional contributions on or after October 2016 are paid into main section AVCs.

Notes to the financial statements for the year ended 31 March 2026
Continued

3 Benefits payable

Accounting for benefits payable
Pensions in payment are accounted for in the period to which they relate. The principal Scheme benefits are provided under the main section.

The supplementary section, which is funded by a contribution of 0.35% (2025: 0.35%) of salary from the members, provides additional benefits payable when a member retires on the grounds of ill health or incapacity or dies in service.

Where members can choose whether to take their retirement benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis from whichever is the later of the retirement date and the date the Scheme is advised of the member's choice. Other benefits are accounted for on the date of retirement or death as appropriate.

Opt-outs are accounted for when the Scheme is notified of the opt-out.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lump sum allowances or annual allowance are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within benefits.

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Main section						
Pensions	2,260	–	2,260	2,186	–	2,186
Lump sums on or after retirement	391	152	543	405	115	520
Lump sums on death in service	20	–	20	31	1	32
Provision for benefits payable	(36)	–	(36)	192	–	192
Taxation where lump sum allowances or annual allowance exceeded	–	1	1	–	1	1
	2,635	**153**	**2,788**	**2,814**	**117**	**2,931**
Supplementary section						
Pensions	21	–	21	20	–	20
Lump sums on death in service	2	–	2	3	–	3
	23	**–**	**23**	**23**	**–**	**23**
	2,658	**153**	**2,811**	**2,837**	**117**	**2,954**

Taxation arising on benefits paid is in respect of members whose benefits have exceeded the lump sum allowances or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

The provision for benefits payable charge/(release) represents the Trustee's estimate of liabilities arising in relation to the remediation of historical pension benefit entitlement issues.

Notes to the financial statements for the year ended 31 March 2026
Continued

4 Payments to and on account of leavers

Accounting for transfers to and from the Scheme
Transfers to and from the Scheme are accounted for when member liability is accepted or discharged, which is normally when the transfer amount is received or paid.

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Individual transfers out to other schemes	14	20	34	15	8	23
Refunds of contributions in respect of non-vested leavers	–	–	–	1	–	1
	14	**20**	**34**	**16**	**8**	**24**

5 Administrative and investment management expenses

	2026			2025		
Defined benefit	Administrative expenses £m	Investment management expenses £m	Total £m	Administrative expenses £m	Investment management expenses £m	Total £m
Personnel costs						
Wages and salaries	17	43	60	17	40	57
Employee incentives	4	40	44	4	34	38
Pension costs	2	6	8	2	5	7
Social security costs	3	12	15	2	10	12
Other	1	3	4	–	2	2
Total personnel costs	**27**	**104**	**131**	**25**	**91**	**116**
Other costs incurred in managing and administering the Scheme						
Professional fees	10	14	24	9	18	27
Invoiced external manager fees	–	7	7	–	8	8
Securities research fees	–	4	4	–	3	3
Information services costs	3	15	18	2	13	15
Group premises costs	1	3	4	2	3	5
Recruitment, training and welfare	1	3	4	2	3	5
Pension Protection Fund levies	2	–	2	3	–	3
Other costs	3	7	10	3	5	8
Total other costs	**20**	**53**	**73**	**21**	**53**	**74**
Total defined benefit costs	**47**	**157**	**204**	**46**	**144**	**190**
Total defined contribution costs	**5**	**10**	**15**	**5**	**7**	**12**
Total Scheme expenses	**52**	**167**	**219**	**51**	**151**	**202**

Notes to the financial statements for the year ended 31 March 2026
Continued

5 Administrative and investment management expenses continued

Accounting for administrative and investment management expenses
Administrative and investment management expenses represent the costs incurred by the Trustee Company in managing and administering the Scheme. These costs are recharged to the Scheme in accordance with its rules and recognised in the Scheme accounts on an accruals basis.

Administrative expenses are incurred by the Trustee Company in managing and administering the Scheme and, in accordance with the trust deed, are chargeable to the Scheme. Investment management expenses comprise all costs directly attributable to the Scheme's investment activities, including the operating costs of USS Investment Management Limited and the costs of management and advisory services rendered by third parties.

USS operates a hybrid scheme and therefore administrative and investment expenses are incurred, recorded and controlled as a whole. The split between defined benefit and defined contribution is calculated in a manner consistent with that used in the Master Trust DC business plan as submitted to TPR for the current and prior year.

The aggregate amount of compensation payable for loss of office to employees during the year was £1.4m (2025: £0.7m) of which £0.6m (2025: £0.4m) was payable to employees whose remuneration exceeded £100,000 during the year.

6 Investment income

Accounting for investment income
Investment income is brought into account on the following bases:

- Dividends, tax and interest from investments, on the date that the Scheme becomes entitled to the income
- Interest on cash deposits and bonds, as it accrues
- Property rental income, on a straight-line basis over the period of the lease
- Derivative settlement fees are coupon receipts/(payments) on underlying assets and the fixed/floating coupon legs of swap
- Finance leases, based on a pattern reflecting a constant periodic rate of return on the net investment in the lease over the period of the lease

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Dividends from equities	479	42	521	485	38	523
Net property income	122	5	127	115	4	119
Income from pooled investment vehicles	343	11	354	257	8	265
Income from bonds	950	22	972	853	18	871
Interest on cash deposits	79	2	81	104	1	105
Derivative settlement fees	(1)	–	(1)	(249)	–	(249)
Other expenses	(140)	–	(140)	(96)	–	(96)
Income from finance leases	63	1	64	52	1	53
	1,895	**83**	**1,978**	**1,521**	**70**	**1,591**

Income from property is net of property-related expenses of £14m (2025: £12m).

Investment income from overseas investments may be subject to deduction of local withholding taxes under relevant domestic law. Where double taxation treaties exist between the UK and the country in which the income arises, the tax withheld may be reduced to a lesser rate or to zero by the operation of the relevant treaty. Final withholding taxes suffered, after applying any beneficial treaty rates, are disclosed on the face of the fund account as taxation.

Notes to the financial statements for the year ended 31 March 2026
Continued

7 Investments reconciliation

Accounting for investments
Investments are included in the statement of net assets at fair value at the year end as follows:

(i) Quoted equities and bonds – Quoted equities and bonds in active markets are stated at closing prices; these prices may be last traded prices or bid market prices depending on the convention of the stock exchange on which they are quoted
(ii) Fixed interest securities – Interest is excluded from the market value of fixed interest securities and is included within investment income receivable. However, in some global markets, the market value of the fixed income security includes the accrued interest and there will not be any separate interest accruals on these securities
(iii) Unquoted equities and bonds – Unquoted equities and bonds are stated at fair value as estimated by the Trustee using appropriate valuation techniques, for example discounted cash flow models. Direct investments are valued by independent valuation experts or a qualified internal team of valuation experts
(iv) Pooled investment vehicles – Pooled investment vehicles are stated at unit prices or values as advised by the fund administrator based on the fair value of the underlying assets
(v) Derivatives – Derivative contracts are recognised initially and are subsequently measured at fair value
(vi) Property – Property is stated at fair value as at the year-end date and determined by independent professional valuers who are members of the Royal Institute of Chartered Surveyors. Any gains or losses arising from a change in fair value are recognised in the return on investments
(vii) Finance leases – Leases are stated as the present value of the minimum lease payments, discounted at the interest rate implicit within the lease

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Other movements represent changes in other investment balances, particularly the repayment obligations under repurchase agreements (repos) that are explained in note 10, changes to the present value of minimum lease payments on finance leases (see note 11), and changes to cash and cash equivalents.

The changes in the market value of investments are shown below:

	Note	Market value Mar 2025 £m	Purchases at cost and derivative payments £m	Proceeds of sales and derivative receipts £m	Changes in market value during the year £m	Other movements £m	Market value Mar 2026 £m
Defined benefit							
Equities		19,719	4,587	(4,171)	1,731	–	21,866
Bonds		35,338	13,930	(9,169)	2	–	40,101
Pooled investment vehicles	8	13,797	9,505	(5,576)	940	–	18,666
Derivatives (net)	9	(220)	5,788	(8,526)	2,920	–	(38)
Property		2,403	18	(93)	14	–	2,342
		71,037	**33,828**	**(27,535)**	**5,607**	**–**	**82,937**
Cash and cash equivalents		2,418				33	2,451
Other investment balances (net)	10	(1,215)				(5,226)	(6,441)
Finance leases	11	1,037				24	1,061
		73,277	**33,828**	**(27,535)**	**5,607**	**(5,169)**	**80,008**
Defined contribution							
Equities		1,976	486	(362)	278	–	2,378
Bonds		379	407	(292)	(3)	–	491
Pooled investment vehicles	8	1,117	434	(335)	89	–	1,305
Derivatives (net)	9	20	68	(106)	(12)	–	(30)
Property		93	17	(3)	–	–	107
		3,585	**1,412**	**(1,098)**	**352**	–	**4,251**
Cash and cash equivalents		33				17	50
Other investment balances (net)	10	21				2	23
Finance leases	11	22				4	26
		3,661	**1,412**	**(1,098)**	**352**	**23**	**4,350**

Notes to the financial statements for the year ended 31 March 2026
Continued

7 Investments reconciliation continued

At 31 March 2026, the Scheme's approach to valuation was consistent with its normal process and valuation policy. There is a Fair Value Committee to review the valuation policies, processes and their application to individual investments. The Trustee has satisfied itself as to the methodology used, the discount rates and other key assumptions applied in the valuations reported at the year-end date.

Included in the amount for derivatives are realised and unrealised losses of £2m (2025: realised and unrealised gains of £132m) from forward currency contracts, which are used to hedge the currency risk relating to overseas investments (see note 9). These are offset by losses in the values of the corresponding overseas assets.

At year end, within other investment balances, amounts payable under repurchase agreements amounted to £6,583m (2025: £1,804m). At the year end, £7,146m (2025: £1,802m) of bonds reported in Scheme assets are held by counterparties under repurchase agreements.

Investments purchased by the Scheme in respect of the defined contribution (DC) part are allocated to provide benefits to the individuals on whose behalf the corresponding contributions were paid. Accordingly, these assets do not form a common pool of assets available for members generally. Members each receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights. All investment assets under the DC part of the Scheme are designated to members.

DC investments include legacy money purchase AVC investments with Prudential Assurance Company Limited of £124m (2025: £138m). These assets are specifically allocated to secure extra benefits for those members who have made these additional voluntary contributions.

Transaction costs

Accounting for transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as advisory fees, commissions and stamp duty. In addition to the direct transaction costs disclosed below, indirect costs are incurred through the bid-offer spread on investments.

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees and taxes £m	Commission £m	2026 £m	Fees and taxes £m	Commission £m	2025 £m
Defined benefit						
Equities	8	3	11	22	3	25
Bonds	5	–	5	2	–	2
Pooled investment vehicles	5	–	5	10	–	10
Property	1	–	1	1	–	1
Finance leases	–	–	–	4	–	4
	19	**3**	**22**	**39**	**3**	**42**

The defined contribution element of transaction costs is not separately disclosed on the basis of materiality.

Notes to the financial statements for the year ended 31 March 2026
Continued

8 Pooled investment vehicles

Accounting for pooled investment vehicles
Equities held by unit trusts and managed funds are stated at latest available bid price or single price, as advised by the fund manager, based on the market valuation of the underlying assets.

Hedge funds are stated at fair value based on prices determined by the independent administrator of each respective investment manager.

Private assets contain private equity and private credit funds and are stated at the latest available cash flow adjusted valuations prepared in accordance with International Private Equity and Venture Capital (IPEV) Guidelines.

The accounting policy for specific investment categories within pooled investment vehicles is described in note 7.

The Scheme's pooled investment vehicles at the year end comprised:

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Equities	7,012	195	7,207	1,195	151	1,346
Hedge funds	256	–	256	231	–	231
Private assets	9,150	289	9,439	9,882	196	10,078
Property	1,936	56	1,992	1,975	47	2,022
Bonds	312	426	738	514	408	922
Cash	–	215	215	–	177	177
Legacy AVCs	–	124	124	–	138	138
Total pooled investment vehicles	**18,666**	**1,305**	**19,971**	**13,797**	**1,117**	**14,914**

9 Derivatives

Accounting for derivative contracts
Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivatives with an initial purchase price are reported as purchases. Those that do not have an initial purchase price but require a deposit, such as initial margin to be placed with the broker, are recorded at nil cost on purchase. Derivatives comprise the following types of contracts which are either exchange-traded or over-the-counter (OTC).

At the year end, the Scheme recognised the following derivative assets and liabilities which are held at fair value:

	Note	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Assets							
Options	9(a)	236	–	236	233	–	233
Futures contracts	9(b)	38	–	38	74	–	74
Swaps	9(c)	1,488	–	1,488	1,075	–	1,075
Forward foreign exchange contracts	9(d)	290	2	292	480	26	506
		2,052	**2**	**2,054**	**1,862**	**26**	**1,888**
Liabilities							
Options	9(a)	(337)	–	(337)	(304)	–	(304)
Futures contracts	9(b)	(213)	–	(213)	(141)	–	(141)
Swaps	9(c)	(767)	–	(767)	(1,394)	–	(1,394)
Forward foreign exchange contracts	9(d)	(773)	(32)	(805)	(243)	(6)	(249)
		(2,090)	**(32)**	**(2,122)**	**(2,082)**	**(6)**	**(2,088)**
Net (liability)/asset	7, 12	**(38)**	**(30)**	**(68)**	**(220)**	**20**	**(200)**

9 Derivatives continued

Objectives and policies

The Trustee has authorised the use of derivatives by the investment managers in accordance with the investment guidelines for each mandate. Investment in derivative instruments is only permitted for the purposes of:

- Contributing to a reduction of risks
- Facilitating efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk)

Processes and controls are in place to ensure risk exposures, including to individual counterparties, are maintained within acceptable levels.

The main objectives for the use of derivatives are summarised as follows:

(i) Protection

Derivatives may be used as part of the permitted instrument types available to managers to protect (or enhance) active returns, for example, through the use of options and credit default swaps.

(ii) Modify exposure to asset classes

Derivatives are bought or sold to allow the Scheme to change its exposure to a particular market or asset class more quickly than by holding the underlying physical assets. They may also be easier to trade than conventional stocks, particularly in large amounts.

(iii) Hedging

Forward currency contracts are used to partially hedge the currency risk relating to overseas investments. This aims to achieve a better match between the fund's assets and the base currency of its future liabilities. Derivatives may also be used for the purpose of hedging risk exposures affecting future Scheme liabilities, for example, through the use of inflation and interest rate swaps.

(iv) Replication

Derivatives are used where liquidity or funding for generating a relevant investment exposure is perceived to be more efficient in derivatives, rather than the underlying physical assets.

Derivative contracts outstanding at year end

A summary of the Scheme's outstanding derivative contracts at the year end is set out on the following pages. The valuations are based on the unrealised fair values of the various investments as at 31 March 2026.

(a) Options (OTC)

Accounting for options

Options are recognised at the fair value as determined by the exchange price for closing out the option as at the year end. Collateral payments and receipts are reported as broker balances and are not included within realised gains or losses reported within change in market value.

The economic exposure is represented by the notional principal value of stock purchased under the contract on an absolute basis.

Defined benefit	Expires within	Notional principal £m	Asset £m	Liability £m
Options (OTC)	**1-10 years**	**578**	**236**	**(337)**

(b) Futures contracts (exchange traded)

Accounting for futures contracts

Open futures contracts are recognised in the statement of the net assets at their fair value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract, as determined by the closing exchange price as at the year end.

Amounts included in the change in market value represent realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

The economic exposure is represented by the notional principal value of stock purchased under the contract on an absolute basis.

Notes to the financial statements for the year ended 31 March 2026
Continued

9 Derivatives continued

Defined benefit	Expires within	Notional principal £m	Asset £m	Liability £m
Type of future				
Equities	1 year	2,452	4	(49)
Commodity	1 year	440	6	(25)
Bonds	1 year	4,756	28	(139)
Currency	1 year	23	–	–
		7,671	**38**	**(213)**

Defined contribution	Expires within	Notional principal £m	Asset £m	Liability £m
Type of future				
Equities	1 year	17	–	–
Bonds	1 year	56	–	–
		73	**–**	**–**

(c) Swaps (OTC)

Accounting for swaps
Swaps (OTC) are recognised at fair value, which is the current value of future expected net cash flows arising from the swap, taking into account the time value of money.

Net receipts and payments are reported within change in market value. Realised gains and losses on closed contracts and unrealised gains and losses on open contracts are included within change in market value.

The notional principal amount is used for the calculation of cash flow only.

Defined benefit	Expires within	Nature of swap	Notional principal £m	Asset £m	Liability £m
Credit default	5 years	Index	57	1	–
	6 years	Single	86	–	–
Interest rate	49 years	Fixed vs floating	8,990	858	(478)
Total return	6 years	Equity	4,701	–	(36)
	6 years	Commodity	1,305	99	(18)
	1 years	Bond	1,002	6	(31)
Inflation linked	10 years	HICPXT	978	52	–
	29 years	CPI	5,440	6	(29)
	47 years	RPI	11,348	466	(175)
			33,907	**1,488**	**(767)**

(d) Forward foreign exchange contracts (OTC)

Accounting for forward foreign exchange contracts
Forward foreign exchange contracts outstanding at the year end are stated at fair value, which is determined as the gain or loss that would arise if each outstanding contract was matched at the year end with an equal and opposite contract at that date.

Notes to the financial statements for the year ended 31 March 2026
Continued

9 Derivatives continued

Defined benefit

Currency bought	Currency sold	Notional principal £m	Asset £m	Liability £m
BRL	USD	869	30	–
CLP	USD	925	–	(38)
GBP	Other	3,755	22	(24)
GBP	USD	20,926	11	(413)
JPY	GBP	3,865	14	(97)
Other	GBP	5,072	16	(39)
Other	Other	147	–	(1)
Other	USD	8,414	45	(151)
USD	GBP	2,229	33	–
USD	Other	7,125	119	(10)
		53,327	**290**	**(773)**

Defined contribution

Currency bought	Currency sold	Notional principal £m	Asset £m	Liability £m
GBP	Other	285	1	(2)
GBP	USD	1,084	–	(29)
Other	GBP	473	1	(1)
USD	GBP	40	–	–
		1,882	**2**	**(32)**

Other currency relates to a number of smaller contracts in denominations not disclosed above. All of the above contracts settle within one year.

At the end of the year, the Scheme held collateral of £105m (2025: £365m) and had pledged collateral of £638m (2025: £326m) in the form of cash and government bonds in respect of OTC derivatives.

10 Other investment balances

Accounting for other investment balances

Repurchase agreements (repos) – the Scheme continues to recognise and value securities that are delivered out as collateral under repurchase agreements and includes them in the financial statements. The cash received is recognised as an asset and the repayment obligation is recognised as a payable.

Margin balances with the brokers represent the amounts outstanding in respect of the initial margin and any variation margin due to or from the broker.

During the normal course of business, the Scheme enters into derivative transactions which are reflected in the Scheme financial statements. As a consequence of the clearing arrangements in respect of these transactions, certain charges have been granted by the Trustee. No liability is expected to arise as a result of these charges.

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Assets						
Amount due from stockbrokers	173	12	185	18	18	36
Dividends and accrued interest	397	12	409	329	9	338
Derivative contracts	756	3	759	1,273	1	1,274
Other	13	1	14	8	–	8
	1,339	**28**	**1,367**	**1,628**	**28**	**1,656**

Notes to the financial statements for the year ended 31 March 2026
Continued

10 Other investment balances continued

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Liabilities						
Amount due to stockbrokers	(98)	(3)	(101)	(68)	(5)	(73)
Accrued interest	(102)	–	(102)	(39)	–	(39)
Derivative contracts	(966)	(1)	(967)	(739)	(1)	(740)
Stock lending	–	–	–	(155)	–	(155)
Repurchase agreements	(6,583)	–	(6,583)	(1,804)	–	(1,804)
Other	(31)	(1)	(32)	(38)	(1)	(39)
	(7,780)	**(5)**	**(7,785)**	**(2,843)**	**(7)**	**(2,850)**
Other investment balances (net)	**(6,441)**	**23**	**(6,418)**	**(1,215)**	**21**	**(1,194)**

11 Finance leases

Accounting for finance leases
On initial recognition, finance leases are held at the present value of the net investment in the lease; this net investment is the aggregate of minimum lease payments and residual value at end of lease. On subsequent measurement, changes to the net investment in the lease are recognised in return on investments immediately.

Lease payments receivable due in	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Less than 1 year	37	1	38	36	1	37
1 year to 5 years	205	5	210	198	4	202
Greater than 5 years	16,118	388	16,506	13,418	279	13,697
Total undiscounted lease payments receivable	**16,360**	**394**	**16,754**	**13,652**	**284**	**13,936**
Unearned finance income	(15,299)	(368)	(15,667)	(12,615)	(262)	(12,877)
Net investment in leases	**1,061**	**26**	**1,087**	**1,037**	**22**	**1,059**

Unearned finance income is the undiscounted value of lease payments over the lease term. As lease payments fluctuate with inflation over the lease term, the unearned finance income will also fluctuate over time.

12 Fair value determination

Fair value is the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation using directly or indirectly observable inputs other than those in level 1. i.e. quoted prices for similar instruments in active markets or quoted prices for similar instruments in inactive markets.

Level 3: Valuation where one or more significant inputs are unobservable from market data.

Notes to the financial statements for the year ended 31 March 2026
Continued

12 Fair value determination continued

Defined benefit	Note	2026 level 1 £m	2026 level 2 £m	2026 level 3 £m	Total £m
Equities	7	16,281	–	5,585	21,866
Bonds	7	27,173	8,563	4,365	40,101
Pooled investment vehicles	7, 8	7,012	–	11,654	18,666
Derivatives	7, 9	(175)	137	–	(38)
Property	7	–	–	2,342	2,342
Cash and cash equivalents	7	2,451	–	–	2,451
Other investment balances	7, 10	(6,441)	–	–	(6,441)
Finance leases	7, 11	–	–	1,061	1,061
		46,301	**8,700**	**25,007**	**80,008**

Defined benefit	Note	2025 level 1 £m	2025 level 2 £m	2025 level 3 £m	Total £m
Equities	7	13,843	–	5,876	19,719
Bonds	7	22,740	8,117	4,481	35,338
Pooled investment vehicles	7, 8	1,216	–	12,581	13,797
Derivatives	7, 9	(67)	(153)	–	(220)
Property	7	–	–	2,403	2,403
Cash and cash equivalents	7	2,418	–	–	2,418
Other investment balances	7, 10	(1,215)	–	–	(1,215)
Finance leases	7, 11	–	–	1,037	1,037
		38,935	**7,964**	**26,378**	**73,277**

Bonds include government bonds which are measured using pricing provided by Gilt-edged Market Makers Association (GEMMA). The SORP permits government bonds to be disclosed as Level 1 assets even if priced using the GEMMA mid-price provided the bond is highly actively traded and there is an insignificant difference between GEMMA and a market quoted price.

UK, US, French, German and Italian government bonds are all considered to be highly actively traded. Accordingly, £27.2bn of bonds have been classified as Level 1 as at 31 March 2026 (2025: £22.7bn).

Defined contribution	Note	2026 level 1 £m	2026 level 2 £m	2026 level 3 £m	Total £m
Equities	7	2,126	–	252	2,378
Bonds	7	9	352	130	491
Pooled investment vehicles	7, 8	4	956	345	1,305
Derivatives	7, 9	–	(30)	–	(30)
Property	7	–	–	107	107
Cash and cash equivalents	7	50	–	–	50
Other investment balances	7, 10	23	–	–	23
Finance leases	7, 11	–	–	26	26
		2,212	**1,278**	**860**	**4,350**

Defined contribution	Note	2025 level 1 £m	2025 level 2 £m	2025 level 3 £m	Total £m
Equities	7	1,760	–	216	1,976
Bonds	7	5	267	107	379
Pooled investment vehicles	7, 8	5	869	243	1,117
Derivatives	7, 9	–	20	–	20
Property	7	–	–	93	93
Cash and cash equivalents	7	33	–	–	33
Other investment balances	7, 10	21	–	–	21
Finance leases	7, 11	–	–	22	22
		1,824	**1,156**	**681**	**3,661**

Notes to the financial statements for the year ended 31 March 2026
Continued

13 Investment risks

Investment risks are set out below as follows:

Credit risk: This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: This comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These objectives and risk limits are implemented through the holistic DB and DC investment frameworks which have been agreed with USSIM and are overseen by the Trustee.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out on the following pages and within the Statement of Investment Principles and Implementation Statement.

Credit risk

The Scheme is subject to credit risk because the Scheme invests directly in bonds, OTC derivatives, has cash balances and unsettled trades, undertakes stock lending activities, leases properties and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles, and is therefore exposed directly to credit risk in relation to those vehicles and indirectly in relation to the underlying instruments held by them.

	Investment grade		Non-investment grade		Unrated		Total	
Defined benefit	2026 £m	2025 £m	2026 £m	2025 £m	2026 £m	2025 £m	2026 £m	2025 £m
Direct non-collateralised								
Bonds not under repurchase or stock loan agreements	19,959	19,697	1,627	1,908	6,850	7,163	28,436	28,768
Cash	2,451	2,418	–	–	–	–	2,451	2,418
Pooled investment vehicles	–	–	–	–	11,654	12,581	11,654	12,581
Finance leases	–	–	–	–	1,061	1,037	1,061	1,037
Rent debtors	–	–	–	–	2	2	2	2
Amounts due from stockbrokers	–	–	–	–	173	31	173	31
Sub-total	**22,410**	**22,115**	**1,627**	**1,908**	**19,740**	**20,814**	**43,777**	**44,837**
Direct collateralised								
Bonds lent under repurchase agreements	6,634	1,823	–	–	–	–	6,634	1,823
Bonds lent under stock loan agreements	5,326	4,972	–	–	–	–	5,326	4,972
Equities lent under stock loan agreements	974	1,407	–	–	–	–	974	1,407
Derivatives	2,014	1,788	–	–	–	–	2,014	1,788
Sub-total	**14,948**	**9,990**	**–**	**–**	**–**	**–**	**14,948**	**9,990**
	37,358	**32,105**	**1,627**	**1,908**	**19,740**	**20,814**	**58,725**	**54,827**

Notes to the financial statements for the year ended 31 March 2026
Continued

13 Investment risks continued

Defined contribution	Investment grade 2026 £m	Investment grade 2025 £m	Non-investment grade 2026 £m	Non-investment grade 2025 £m	Unrated 2026 £m	Unrated 2025 £m	Total 2026 £m	Total 2025 £m
Direct non-collateralised								
Bonds not under repurchase or stock loan agreements	209	141	141	124	139	113	489	378
Cash	50	33	–	–	–	–	50	33
Pooled investment vehicles	–	–	–	–	1,301	1,112	1,301	1,112
Finance leases	–	–	–	–	26	22	26	22
Amounts due from stockbrokers	–	–	–	–	12	2	12	2
Sub-total	**259**	**174**	**141**	**124**	**1,478**	**1,249**	**1,878**	**1,547**
Direct collateralised								
Bonds lent under stock loan agreements	8	5	–	–	–	–	8	5
Equities lent under stock loan agreements	74	61	–	–	–	–	74	61
Derivatives	2	27	–	–	–	–	2	27
Sub-total	**84**	**93**	**–**	**–**	**–**	**–**	**84**	**93**
	343	**267**	**141**	**124**	**1,478**	**1,249**	**1,962**	**1,640**

Credit risk arising on bonds is managed:

- Through investment in developed-market government bonds where the credit risk is minimal
- For corporate and emerging-market bonds and private credit, through individual investment mandates which set out the maximum permissible exposure to non-investment grade issuers, so as to maintain the overall credit quality of the portfolios

The use of credit default swaps has the effect of mitigating the maximum exposure to credit risk. The exposure to fixed interest credit risk mitigated through credit derivatives was £31m (2025: £156m).

Cash is held with financial institutions which are at least investment grade credit rated, with the maximum deposit limit for any one counterparty set by reference to its credit rating. Credit default swaps (CDS), spreads and rating notifications are monitored to ensure exposures remain within the approved limits. Money market liquidity funds must have a minimum AAA rating to be eligible for investment and limits are in place on the maximum allowable exposure to any single fund.

The Scheme is exposed indirectly to credit risks arising on financial instruments held by the pooled investment vehicles. Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles which themselves hold private market funds, hedge funds and controlled property funds (only the value of those underlying assets which are subject to credit risk is included in the note).

The DB value at the year end was: private market funds £9,150m (2025: £9,882m), hedge funds £256m (2025: £231m), listed bonds £312m (2025: £514m) and controlled property funds £38m (2025: £16m).

The DC value at the year end was: private market funds £289m (2025: £196m), DC USS Investment Builder £641m (2025: £585m), £124m legacy AVCs (2025: £138m) and controlled property funds £2m (2025: £1m).

A summary of pooled investment vehicles by type of arrangement is as follows:

	Note	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Unit trusts		348	17	365	364	15	379
Open ended investment companies (OEICs)		7,324	959	8,283	1,709	874	2,583
Partnership interests		10,994	329	11,323	11,724	228	11,952
	7, 8, 12	**18,666**	**1,305**	**19,971**	**13,797**	**1,117**	**14,914**

Notes to the financial statements for the year ended 31 March 2026
Continued

13 Investment risks continued

Direct credit risk on pooled investment vehicles comprises the pooled funds shown in note 8 with the exception of £7,012m (DB) and £4m (DC) (2025: £1,216m DB, £5m DC) invested in exchange traded funds which are not considered to be subject to credit risk as they are traded on an active market.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, provisions to automatically dissolve the funds in the event of insolvency of the pooled investment manager or general partner, a cap of liability to pooled funds at the level of funds committed, and diversification of investments among a number of pooled arrangements. Due diligence checks are carried out on the appointment of new pooled investment managers and on a periodic basis thereafter.

Credit risk arises from the rents due from tenants of the Scheme's investment property portfolio. This is mitigated through credit control procedures, regular review of tenant credit ratings and the use of rent deposits where appropriate.

Credit risk arising from amounts due to stockbrokers is mitigated through delivery versus payment settlement in the majority of markets.

Credit risk arising from repurchase activities is mitigated through collateral arrangements which fully collateralise the exposure.

Credit risk arising from finance leases is mitigated by holding title of the underlying property, which fully collateralises the exposure.

Credit risk arising from stock lending activities is mitigated by restricting the amount of stock that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and through collateral arrangements. Loans are fully collateralised, with daily mark to market of all loaned securities, to ensure collateral is received or returned to maintain full collateralisation. In addition, the Scheme's custodians provide indemnities against losses arising from stock lending exposure to counterparties.

Credit risk arising on derivatives depends on whether the derivative is exchange-traded or OTC. OTC derivative contracts, other than those which are centrally cleared, are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTCs, including swaps and forward foreign currency contracts, is reduced by collateral arrangements (see note 9). OTCs are valued daily and counterparty exposures are fully collateralised subject to de minimis limits.

Market risk

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are denominated in foreign currencies, comprise assets whose economic value is generated in foreign currencies, and/or take active exposure to foreign currencies. Derivative holdings are represented on a market value basis within the table below:

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Direct						
Australian Dollar	886	70	956	703	51	754
Canadian Dollar	326	76	402	275	48	323
Euro	4,360	314	4,674	3,883	271	4,154
Hong Kong Dollar	707	54	761	1,011	54	1,065
Indian Rupee	533	22	555	658	26	684
Japanese Yen	535	137	672	924	105	1,029
Norwegian Krona	175	9	184	674	4	678
Polish Zloty	207	–	207	250	2	252
South Korean Won	674	34	708	256	12	268
Swedish Krona	255	27	282	323	17	340
Swiss Franc	393	50	443	699	48	747
Taiwan New Dollar	1,017	49	1,066	452	28	480
Turkish Lira	198	1	199	813	1	814
United States Dollar	29,589	1,991	31,580	23,459	1,591	25,050
Other	2,727	69	2,796	675	54	729
	42,582	**2,903**	**45,485**	**35,055**	**2,312**	**37,367**
Less: Foreign currency hedging	(10,068)	–	(10,068)	(3,437)	–	(3,437)
	32,514	**2,903**	**35,417**	**31,618**	**2,312**	**33,930**

Notes to the financial statements for the year ended 31 March 2026
Continued

13 Investment risks continued

Indirect currency risk arises on pooled investment vehicles when the vehicle invested in is denominated in a foreign currency and/or comprise assets whose economic value is generated in foreign currency. At the year end, the market value of indirect currency risk was £15,944m in the DB part of the Scheme (2025: £10,986m) and £273m in the DC part of the Scheme (2025: £189m).

Interest rate risk

The Scheme's investments are subject to interest rate risk because they include public and private credit, swaps and money market instruments. Also, investments in certain unquoted equities are valued in a way that makes them sensitive to interest rates and are, therefore, directly subject to interest rate risk. Much of this investment-related interest-rate risk provides an offsetting exposure to the interest risk which is inherent to the Scheme's liabilities. This serves to mitigate the interest rate risk across the Scheme as a whole.

Cash including liquidity funds are exposed to short duration interest rate risk. However, these balances have been excluded from the amounts disclosed below as the interest rate risk involved is immaterial.

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Direct						
Bonds	40,101	491	40,592	35,338	379	35,717
Equities	4,629	222	4,851	4,387	172	4,559
Derivatives	75	(30)	45	(104)	20	(84)
	44,805	**683**	**45,488**	**39,621**	**571**	**40,192**

Indirect interest rate risk arises on pooled investment vehicles where the vehicle invests in assets which are exposed to interest rate risk. The value as at the year end relating to pooled investment vehicles – defined benefit was £413m (2025: £591m) and to pooled investment vehicles – defined contribution was £644m (2025: £586m).

Other price risk

Other price risk arises principally in relation to the Scheme's return-seeking portfolio, which includes directly held equities, equities held in pooled vehicles, futures, hedge funds, private equity and investment properties. Derivative values below are based on market value.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Direct						
Equities	21,866	2,378	24,244	19,719	1,976	21,695
Derivatives	(113)	–	(113)	(116)	–	(116)
Property	2,342	107	2,449	2,403	93	2,496
Pooled investment vehicles	18,358	665	19,023	13,283	532	13,815
	42,453	**3,150**	**45,603**	**35,289**	**2,601**	**37,890**

Indirect other price risk arises in relation to underlying investments held in pooled investment vehicles holding equity, private market funds, hedge funds and property funds.

The value relating to defined benefit pooled investment vehicles at the year end was: equity £7,012m (2025: £1,195m), private market funds £9,150m (2025: £9,882m), hedge funds £256m (2025: £231m), and property funds £1,936m (2025: £1,975m).

The value relating to defined contribution pooled investment vehicles at the year end was: equity £195m (2025: £151m), legacy AVCs £124m (2025: £138m), private market funds £289m (2025: £196m), and property funds £56m (2025: £47m).

Notes to the financial statements for the year ended 31 March 2026
Continued

14 Subsidiary undertakings controlled by Universities Superannuation Scheme

The net assets of subsidiary undertakings through which the Scheme holds investments are summarised below.

	2026 £m	2025 £m
Equities	5,804	6,015
Bonds	3,323	3,570
Pooled investment vehicles	8,783	8,883
Property	215	215
Cash	19	16
Other investment balances	(51)	(56)
Finance leases	230	225
	18,323	**18,868**

15 Self investment

The Scheme had no 'employer-related investments' at year end, as defined by relevant legislation, except investments made in the normal course of business in certain investment holding companies. The funding of these investment vehicles, which are held for investment purposes and are not operating subsidiaries as explained on page 64, amounts to 0.68% (2025: 0.88%) of the net assets of the Scheme.

16 Current assets

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Contributions receivable:						
– employer contributions	162	41	203	159	35	194
– members' basic contributions	7	1	8	7	1	8
– members' additional voluntary contributions	–	11	11	–	7	7
Other debtors	37	115	152	41	82	123
Cash at bank and in hand	22	2	24	21	–	21
	228	**170**	**398**	**228**	**125**	**353**

Contributions due at the year end have been paid to the Scheme subsequent to the year end in accordance with the Schedule of Contributions.

17 Current liabilities

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Benefits payable	(276)	(16)	(292)	(336)	(6)	(342)
Taxation creditor	–	–	–	(1)	–	(1)
Due to Trustee Company	(83)	(6)	(89)	(80)	(5)	(85)
Other creditors	(111)	(1)	(112)	(78)	–	(78)
	(470)	**(23)**	**(493)**	**(495)**	**(11)**	**(506)**

Notes to the financial statements for the year ended 31 March 2026
Continued

18 Securities on loan

Accounting for other investment arrangements
The Scheme continues to recognise securities delivered out under stock lending arrangements and as collateral under OTC derivative contracts reflecting its ongoing interest in those securities.

Securities received as collateral in respect of stock lending arrangements and derivative contracts are disclosed but not recognised as Scheme assets.

The value of collateral received in respect of OTC derivative contracts reflects its fair value.

Securities have been lent to the counterparties in return for fee income earned by the Scheme. Security for these loans is obtained by holding collateral in the form of cash, equities, government bonds and letters of credit.

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Value of stock on loan						
Equities	974	74	1,048	1,407	61	1,468
Bonds	5,326	8	5,334	4,972	5	4,977
	6,300	**82**	**6,382**	**6,379**	**66**	**6,445**
Collateral held	**6,803**	**89**	**6,892**	**6,826**	**71**	**6,897**

19 Financial commitments

	Defined benefit £m	Defined contribution £m	2026 £m	Defined benefit £m	Defined contribution £m	2025 £m
Outstanding commitments	**5,696**	**104**	**5,800**	**4,686**	**59**	**4,745**

These represent amounts subscribed and committed that had not been drawn down at the year end and are committed for drawdown in the next five years.

20 Related party transactions

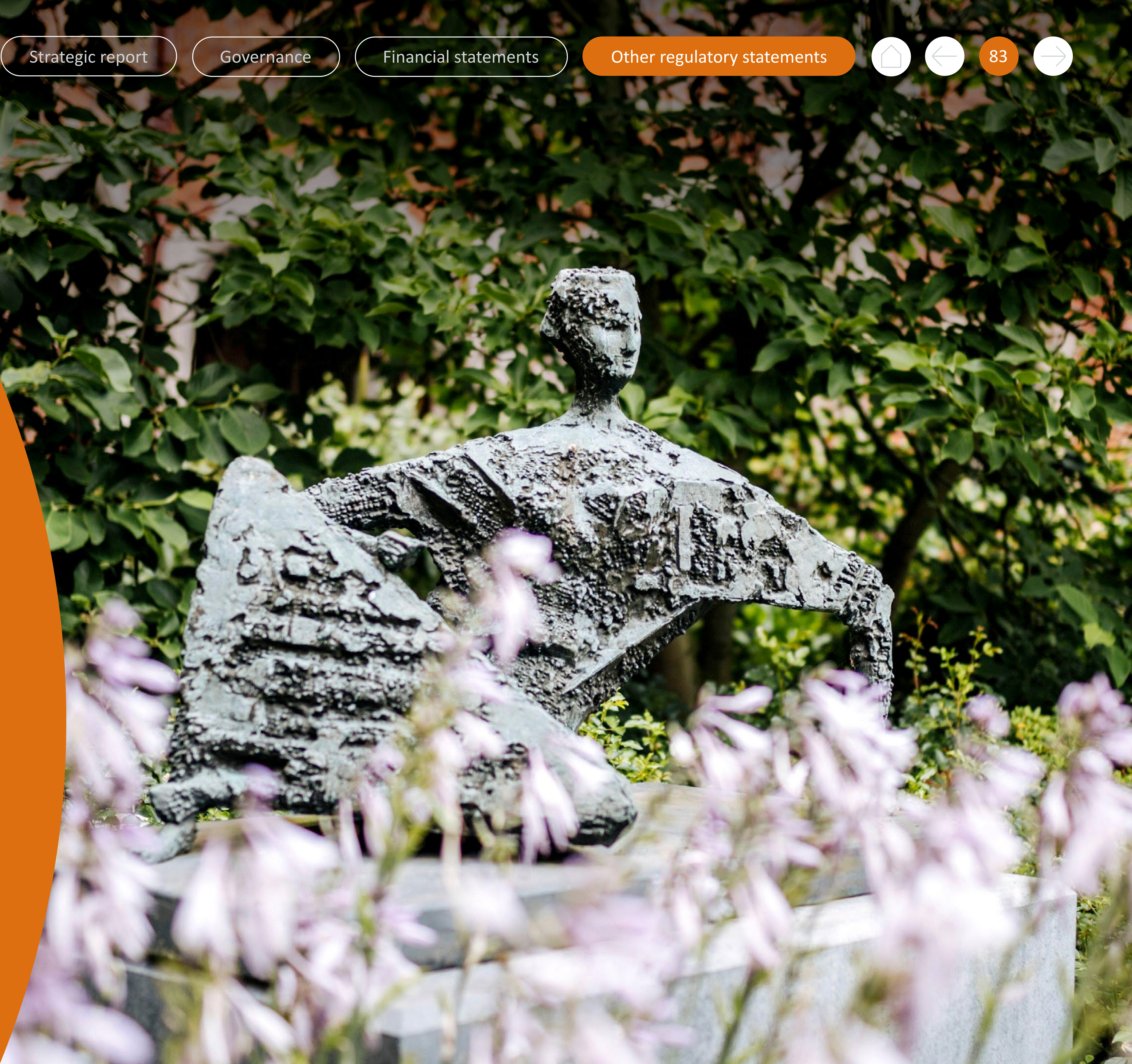
Related party transactions are defined as either employer-related transactions or Trustee-related transactions. There were no material transactions with employers in either the current or preceding years, other than those identified as employer-related investments disclosed in note 15 or in relation to employers hosting engagement days and employer staff being appointed to committees including the JNC. Such transactions are performed in the normal course of business and at arm’s-length.

The only Trustee-related transactions in either the current or prior year relate to the day-to-day administration of the Scheme by the Trustee Company and its subsidiary, and the membership of the Scheme of certain Trustee Board members or key management personnel. The membership of those Trustee Board Directors is through past or present employment with Scheme employers and accordingly is in the normal course of business on an arm’s-length basis. Similarly, membership of key management personnel which arises on account of their employment by the Trustee Company, is based on the same conditions as all members and is therefore considered to be on an arm’s-length basis and in the normal course of business.

Administrative and investment management expenses incurred by the Trustee Company are shown in note 5. All transactions are solely for the purposes of effectively administering the Scheme.

Other regulatory statements

Disclosures required by regulation which explain how the Trustee manages the Scheme to the standards required by legislation and regulation.



'Reclining Figure' (Queen's University Belfast). This bronze sculpture by renowned surrealist F.E. McWilliam represents artistic legacy and creative vision. It embodies the enduring cultural and intellectual contributions universities make to society.

Chair's defined contribution statement

The purpose of this statement is to explain how the Trustee ensures that the Scheme is governed and managed to the standard required by legislation and expected by The Pensions Regulator (TPR).

The Investment Builder, the defined contribution (DC) part of the Universities Superannuation Scheme (the Scheme), was introduced in October 2016.

This is the tenth annual statement from the Chair of the Trustee (Universities Superannuation Scheme Limited) regarding the governance of the Investment Builder and the Scheme's money purchase AVC arrangement with Prudential[1].

The content of this statement is structured around the following areas:

1. **Investment design:** the default investment approach and other investment options available to members.
2. **Fund performance and governance:** management of investment options to ensure investment performance is at appropriate levels compared to risks, benchmarks and charges and that the fund selection remains appropriate.
3. **Administration:** demonstrating how core financial transactions are processed promptly and accurately.
4. **Value for members:** how costs and charges, including transaction costs, are managed, monitored and recorded, and how this provides value for members.
5. **Trustee knowledge and understanding:** how the Trustee Board ensures that it has the skills and competencies required for the role it performs and how the requirements regarding non-affiliation of Trustee Directors are met.
6. **Member communications, engagement and representation:** how the Scheme engages with members (and member representatives) and encourages member feedback to improve member experience.

1 Investment design

Members have savings in the Investment Builder if they earn above the salary threshold of £71,484 for the 2025/26 Scheme year or have earnt above the salary threshold in the past, have made additional voluntary contributions to the Investment Builder, or have transferred funds into the Scheme since October 2016.

The investment choices fall into two broad categories reflecting the degree of self-management that members wish to undertake:

- **Do It For Me** – a choice between two lifestyle options – the USS Default Lifestyle Option and the USS Ethical Lifestyle Option. Both lifestyle options automatically adjust to reduce risk as the member approaches their Target Retirement Age (TRA), as illustrated in the graphic to the right.
- **Let Me Do It** – a choice of 10 individual funds if members wish to customise their approach. These are referred to as the self-select options. These options offer a range of funds with different levels of risk and prospective return to cater for a range of investment objectives and beliefs for members who want to make their own investment choices.

It is possible in some circumstances for a member to adopt a combination of the two options outlined above.

Members who do not make an active investment choice will be invested in the USS Default Lifestyle Option. As at 31 March 2026, 86% of the Scheme's active membership were fully invested in the USS Default Lifestyle Option. 7% chose a combination of both the Lifestyle and self-select options. The remaining active members were wholly invested in either the self-select options (5%) or the USS Ethical Lifestyle Option (2%).

USS Default Lifestyle Option glidepath

At outset
Invested in the USS Growth Fund to provide greater opportunity to generate investment returns over the longer term.

10 to 5 years from Target Retirement Age
Half of funds switched progressively into the USS Moderate Growth Fund to reduce the overall level of risk

5 years or less from Target Retirement Age
Start switching funds progressively into the USS Cautious Growth Fund and the USS Liquidity Fund

At and beyond Target Retirement Age
Invested 25% in the USS Moderate Growth Fund, 50% in the USS Cautious Growth Fund and 25% in the USS Liquidity Fund

1 Prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended from time to time).

Chair's defined contribution statement
Continued

My USS portal

By logging on to the member portal (My USS), members can manage their Investment Builder savings and options at any time including:

- Changing investment choices for their existing funds and/or future contributions, including moving between the Do It For Me and Let Me Do It options
- Making new or amending additional voluntary contributions
- Amending their TRA
- Updating their contact details and contact preferences
- Updating their Expression of Wish form for discretionary lump sum death benefits

Default investment approach

USS Default Lifestyle Option

The USS Default Lifestyle Option is designed to reflect the different investment needs of a member during their working life and as they approach their TRA. If a member has not set their TRA, it will be set to the Scheme's normal pension age (currently age 66 and increasing in line with State Pension age) at the date of joining the Investment Builder.

Design of the USS Default Lifestyle Option

The USS Default Lifestyle Option explicitly takes into account the hybrid structure and demographics of the Scheme, and considers:

- Large surveys with members to understand their risk appetite and investment beliefs
- Defined benefit (DB) and defined contribution (DC) savings at retirement
- Focus groups with members to understand their views on DC savings and their plans for how they might use their funds at retirement
- Extensive investment strategy modelling to consider different risk and return profiles and asset allocation strategies

The conclusions from this research and a corresponding set of 'Policy Beliefs', which are reviewed annually, guide the management of Investment Builder funds and are available online at the USS Investment Builder Policy Beliefs page.

The overall suitability of the Investment Builder is reviewed each year by the Trustee.

The details of the review of the default investment strategy and performance of the USS Default Lifestyle Option which took place during the Scheme year are to the right under 'Fund performance and governance'.

The output of this review aims to inform the Trustee's Pensions Committee and Investment Committee about the following:

- Ongoing suitability of the default option
- Range of alternative investment options
- At retirement options
- Engagement objectives

In addition, every three years (or earlier if there is a significant change in member demographics) we conduct a more detailed review of the default option consistent with the additional regulatory requirements around default funds.

In November 2025, the Trustee completed its annual review and concluded that the product remains suitable. The Trustee also chose to strengthen its Policy Belief on member engagement to reflect the importance of members' understanding scheme charges, anticipating increasing interest in consolidation and transfers following the introduction of pensions dashboards.

The Trustee last carried out a triennial regulatory review of the default option in 2024 and the next review is due in 2027.

A full description of the USS Default Lifestyle Option is included in the latest USS Default Lifestyle Option Statement of Investment Principles (DC Default SIP) on pages 101 to 104, annexed to and immediately following this Chair's defined contribution statement. The latest DC Default SIP can also be found on the USS website.

Prudential money purchase AVCs

In addition to the funds offered in the Investment Builder, some scheme assets are managed by Prudential.

These assets relate to the money purchase AVC (MPAVC) arrangement previously in place. Prudential funds are closed to new contributions.

Members with Prudential funds can choose to transfer them into the Investment Builder or retain them in the MPAVC arrangement.

2 Fund performance and governance

In setting and monitoring the DC investment strategy, the Trustee assesses the key investment risks relevant to the DC part of the Scheme. These risks include inflation, currency, the impact of market movements in the period prior to retirement, returns on investments relative to the investment objectives, liquidity risk, climate transition management risk, operational risk, private company concentration risk and market risk including equity, interest rate and credit risk. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members and within the agreed parameters set by the Trustee. These are formalised in the Investment Framework which was agreed between the Trustee and Universities Superannuation Scheme Investment Management Limited (USSIM) on 23 September 2025 and was last reviewed on 26 March 2026.

The Trustee has appointed USSIM as its investment manager. USSIM monitors the performance of each of the investment options offered to members within the Investment Builder in line with the Investment Framework. The Trustee reports periodically on the return of the DC funds relative to their targets and reviews its policies on currency management and liquidity on an annual basis. The Trustee also reviews performance versus expectations, benchmarks, and peers.

It also reviews the performance of any remaining funds held under the Prudential MPAVC arrangement on a periodic basis.

USSIM provides regular investment performance reports to the Trustee's Investment Committee, which is responsible for the oversight of the performance of the Investment Builder.

The Investment Committee provides the Trustee with a report on its activities and any recommendations arising after each meeting.

During the Scheme year, the Pensions Committee determined, based on advice from the Investment Committee, that members who continued to hold assets in the Scheme's original default glidepath should be migrated to the current glidepath allocation. The migration was completed before the end of the Scheme year.

In March 2026, the Investment Committee carried out the annual review of the performance of the USS Default Lifestyle Option. As part of this review, the Investment Committee examined the returns in relation to different groups of members, and concluded that the returns for all groups of members were consistent with the aims and objectives set out in the USS Default Lifestyle Option SIP. In summary, the USS Default Lifestyle Option seeks to generate returns in excess of inflation during the growth phase of the strategy and to provide exposure, at retirement, to a portfolio of assets to align as much as possible with how a member is likely to use their savings at and into retirement.

The Investment Committee therefore concluded that the USS Default Lifestyle Option strategy remained appropriate and recommended that it was not changed.

A similar review was also carried out in relation to the other investment options available in the Investment Builder and the Investment Committee reached the same conclusion. The recommendations from these reviews were approved by the Trustee Board prior to Scheme year end.

Since their appointment in February 2020, Lane Clark & Peacock (LCP) have acted as external investment consultants to the Trustee. This appointment helps to provide robust, independent challenge on all investment matters relating to members' DC benefits. This is separate from, and additional to, the investment advice that the Trustee receives from USSIM as principal investment adviser to the Trustee.

3 Administration

The Trustee operates and reviews a suite of processes and controls designed to (i) ensure that those who are carrying out scheme administration have the appropriate training and expertise and (ii) enable a continuous and consistent service in the event of a change of administrator personnel or administration provider, including the business continuity plan that is tested periodically.

Quality assurance is embedded in scheme procedures as the Trustee recognises that delay and error in these financial transactions can cause losses to members. The financial transactions for the Investment Builder arrangement include (but are not limited to):

- Receipt, reconciliation and investment of contributions to the Scheme
- Transfers of members' assets into and out of the Scheme
- Switching of members' assets between different investment options within the Scheme, including operation of the glidepath for the lifestyle options
- Payments from the Scheme to, or in respect of, members

The Trustee has considered and tested the processes, controls and assurance reports and is assured that the Scheme has processed core financial transactions promptly and accurately during the Scheme year and, to the extent of any delays or errors, those transactions[2] have been or will be dealt with in accordance with the Scheme's DC Errors and Omissions policy and remediation process.

More detail on processes and how they operate in practice is provided below.

Strategic partnerships

The Trustee has established strategic partnerships with two external suppliers to deliver different aspects of core financial transactions within the Investment Builder, namely:

- Capita: provides the pensions administration system for the Scheme and, until September 2025, provided the DC administration services in respect of the Investment Builder
- Northern Trust: provides the investment platform to enable contributions and assets to be invested

Until 28 September 2025, Capita provided all DC related back office administration services on behalf of the Trustee. All DC back office services were insourced on 29 September 2025 and are now operated by the Trustee's DC Administration Team.

Working with these two partners, the Trustee closely monitors end-to-end financial transactions to ensure prompt and accurate processing. This is achieved by delegation of this function to various dedicated teams, which are described in more detail below. The Trustee conducts monthly and quarterly service reviews with the partners.

The reviews are underpinned by comprehensive monthly stewardship and management information reports which include month-by-month performance against service level agreements (SLA) attributable to the processing of the core financial transactions explained earlier. Collaboration between the dedicated teams and the external partners is critical and appropriate systems and processes are in place to ensure smooth and timely communication as well as engendering opportunities for continuous improvement.

Core transactions

Contributions

Daily reconciliations of contributions receipts into the Trustee bank account from employers are made, and DC related contributions are identified and ring-fenced for investment the subsequent working day.

The Trustee requires contributions to be invested by the end of the third working day following receipt or reconciliation against member records where this occurs later. Any delays in reconciliation are investigated to identify thematic issues which require improvement.

Processes and controls are established across both employer and USS teams and assisted by a significant degree of process automation, providing assurance to the Trustee that issues are identified and addressed promptly.

2 As defined in Regulation 24 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996/1715.

Chair's defined contribution statement
Continued

A dedicated USS Client Services Team works with employers on a daily basis to manage contribution cycles effectively and to monitor validation matters or queries. Where validation matters are not addressed within prescribed timescales, and therefore contributions not reconciled and allocated to member records, an automatic loss remedy procedure is invoked. Performance in this area is particularly strong with zero validation queries outside of the prescribed timescales as at 31 March 2026.

The Trustee's Pensions Operating Group and DC Product Governance Committee monitor receipt and investment of contributions on a monthly basis. Any significant matters are also reported to the Trustee's Pension Committee or Board.

Transfers into and out of the Scheme

Transfers into and out of the Scheme are overseen by the Trustee's Transfers Team. Transferred monies from other schemes into the Investment Builder are sent directly to the Trustee's DC bank account. To ensure out of market exposure is limited, the USS Transfers Team work closely with the USS DC Administration Team to identify these payments and send them for investment within two working days of receipt and reconciliation.

Members can generally transfer out their Investment Builder savings to another registered pension scheme or recognised overseas pension scheme at any time, including after retirement (but only in relation to DC savings that are still invested). Members can initiate a transfer by completing a form available on the USS website, following which the Scheme must complete its due diligence procedures and aims to make the transfer within 15 working days of those procedures being completed (excluding any time allocated to correspondence with the member, receiving scheme or other third party).

Switching of investments

Switching of investments happens quarterly for those members with funds invested in the Scheme's lifestyle options and who are within 10 years from their TRA. The switches operate in line with the Scheme's glidepaths, which stipulate the gradual movement of investments from higher to lower risk funds. Automatic switches are sample checked by the Trustee's DC Administration Team to ensure they have been completed in accordance with the glidepaths.

Members can also voluntarily switch investments between funds via a digital form on the member portal, My USS. Switches are sent for investment within one working day of the member's instruction. System reporting controls and sample reviews are in place to ensure that voluntary switches are executed to the member's instruction and completed within expected timescales.

Members can choose to switch funds invested with the MPAVC provider (Prudential) into the Investment Builder. Once funds have been received, they are sent for investment within two working days of receipt.

Payment of pensions and other amounts to members

Disinvestment of members' DC funds is completed within three working days from the point where all preparatory work for the payment to members has been completed by the Trustee's Pensions Operations team.

Pension commencement lump sum (PCLS) and uncrystallised funds pension lump sum (UFPLS) payments are made directly to members' bank accounts from the Scheme. Once a payment request has been confirmed, payment of a PCLS is usually made on the first working day following the member's date of retirement and regular pension payments are made on the 21st of each month. UFPLS payments also go through the pension payroll, however, the Trustee operates a shorter payment cycle of up to five working days from the date the UFPLS case has been approved to ensure that they are paid to members in the shortest time possible.

Quality controls

The Trustee ensures that core financial transactions are processed promptly and accurately by:

- Defining the timescales and associated SLAs both internally and with the third-party service providers (see below) that accord with the expectations within TPR's General Code of Practice and The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended)
- Requiring daily and monthly reporting and assessment against the SLAs
- Designing appropriate and effective controls to mitigate the risk of inaccurate or protracted transactions, including peer review of transactional processes
- Identifying errors or delays that have affected Investment Builder investments or core financial transactions and rectifying these in conjunction with the Scheme's DC Errors and Omissions Policy, while also ensuring that controls are reviewed to reduce the likelihood of repeat errors
- As part of CAAP (Control Assurance and Attestation Project) completing monthly sample reviews of the effectiveness of the controls, performance against SLAs and the accuracy of transactions – the results are reported to various committees including the Pensions Executive Committee
- Completing monthly reconciliation exercises to ensure that unit holdings are consistent between the administration platform and the fund manager (Northern Trust)
- Carrying out regular data review exercises to ensure that the data held in relation to members' DC benefits is complete and accurate, with conditional data and key DC administration data reviewed on a monthly basis. In addition to this, further checks are carried out on other data at least four times a year to ensure that fund choices, values and all key Statutory Money Purchase Illustration (SMPI) data requirements are present and correct
- Implementing a DC assurance dashboard to comprehensively and frequently assess the accuracy of members' core DC data held on the administration platform and to provide an extra layer of assurance
- Leveraging assurance reviews completed by the USS Internal Audit and Compliance teams who carry out periodic risk-based audits across key processes and controls
- Commissioning an external annual audit (performed by Ernst & Young LLP) to provide external assurance that the financial statements are free from material misstatement
- The Trustee Board maintains oversight of the administration of the Scheme, with material risks relating to the DC part of the Scheme considered through the quarterly Enterprise Risk report. Any issues identified are recorded, and the Trustee assesses and documents whether any failures, or other matters of material significance, are required to be reported to TPR

Information security

The Trustee has multiple controls to ensure scheme members' data is secure and processed in accordance with the Data Protection Act 2018 and other data protection requirements, including:

- Implementation of appropriate information security and data protection framework and processes
- A dedicated Information Security team whose head is the Trustee's Data Protection Officer
- Ongoing maintenance of the international information security accreditation, ISO 27001
- Delivery of regular Information Security and Data Protection education and awareness training, including phishing campaigns, to USSL and USSIM colleagues
- Implementation of appropriate cyber risk controls

4 Value for members

Costs and charges

In preparing this section of the Chair's DC statement, the Trustee has had regard to the statutory guidance from the Department for Work and Pensions (DWP), last updated on 21 October 2022[3].

Charges and transaction costs borne by members can have a significant impact on the value of their Investment Builder savings. In recognition of this, the approach to and the appropriate level of member charges was subject to extensive discussion as part of the design of the Investment Builder. Charges are benchmarked against a range of other DC schemes at least annually, as are the services offered by the Scheme in exchange.

Typically, the majority of members who are invested in the Investment Builder do not incur any separate direct charges. This is because employers meet all administration costs of the Scheme, which carries a notional cost of 0.20% per annum of a member's fund value in respect of pension management and other services provided by the Scheme. Employers also subsidise investment costs up to 0.30% per annum of a member's fund value on all funds resulting from normal and additional contributions.

In practice, this means the charges for all of the DC funds offered are covered entirely by the Scheme subsidy. Fund transfers into the Scheme (unless resulting from a transfer from legacy AVCs that were managed by Prudential), and funds built with legacy AVCs that remain managed by Prudential, do not qualify for the investment management charge (IMC) subsidy and therefore incur a charge on funds under management as set out in the tables on page 90. Whenever we refer to 'pre-subsidy' charges in this statement, we are referring to this situation, where amounts do not qualify for the subsidy on the investment management charges.

USS Default Lifestyle Option – notional charges

While employers meet the majority of the costs of the Investment Builder on behalf of members (unless members have transferred in benefits from another arrangement since October 2016), for transparency, estimated notional investment management charges are included below to demonstrate what members would pay if they met these costs.

The Trustee reviews this notional charge on an annual basis and benchmarks it against the wider industry, noting the challenges in direct cost comparisons arising from the Scheme's hybrid structure and the additional administrative complexity of running such an arrangement. The last review of the level of the notional charges was completed by the Trustee in May 2026.

The notional charging structure for the USS Default Lifestyle Option is a single notional charge per annum of the member's fund value, including up to 0.30% per annum for investment management charges and 0.20% per annum in respect of administration costs.

In the 12 months to 31 March 2026, the Trustee made a number of changes to the underlying investment managers within the 'Do It For Me' and 'Let Me Do It' options. Value for members was a key consideration when these changes were being proposed and approved.

Self-select options

The Trustee has considered the costs and charges of the self-select investment options (which include the USS Ethical Lifestyle Option) and compared these to those for the USS Default Lifestyle Option. Investment management charges (pre-subsidy) range from 0.10% per annum to 0.30% per annum of the members' fund value, as shown in the tables on page 90.

Transaction costs

Transaction costs are the costs associated with buying and selling units within a fund. There are three components (the first two of which are one-off costs):

- Purchase costs – these are the costs of making new investments into a fund
- Selling costs – these are the costs of selling out of a fund
- Embedded costs – these costs can be explicit and therefore easily identifiable (such as taxes, levies, and broker commissions) or implicit and therefore less readily defined and may include the response of the market to a trade or the timing of a trade (market impact, opportunity cost, and delay costs)

3 Reporting of costs, charges and other information: guidance for trustees and managers of occupational schemes, effective from 21 October 2022 – www.gov.uk

Chair's defined contribution statement
Continued

There may be times when there is a negative embedded cost (in other words, a gain) shown due to market impact. The potential transaction costs for buying and selling funds vary over time and with market conditions. Transaction costs within the Investment Builder are minimised as far as possible by netting sales and purchases and using new cash flows for rebalancing funds to their target allocation.

The Cost Transparency Initiative (CTI) is an industry body overseeing the introduction of standardised templates for reporting of costs and charges by suppliers of investment services. The Trustee has adopted its templates for the purpose of collecting transaction cost information from the external investment managers.

Without exception, the external investment managers have all provided the requested data in this format for the period 1 January 2025 to 31 December 2025. The data collected for periods prior to 1 January 2019 used the DC workplace pensions template developed by the industry working group for the purpose of providing insurers with transaction cost data in accordance with COBS 19.8.4R.

The embedded transaction cost data provided for the funds in the MPAVC arrangement with Prudential was an aggregate figure rather than being collected via the CTI template. The transaction cost data received for the period 1 January 2025 to 31 December 2025 has been aggregated with data from prior periods (as described above) to calculate the average transaction costs included in the illustrations on pages 93 to 94.

The tables on the following pages provide the details of the (pre-subsidy) investment management costs and specific transaction costs for both the USS Default Lifestyle Option and the Let Me Do It self-select funds (including the USS Ethical Lifestyle Option).

As mentioned above, no members pay the 0.20% per annum notional cost of pension management services. Regarding Investment Management Charges, the pre-subsidy charges are shown in the 'Transaction costs and charges for the year ended 31 March 2026' tables. Sale and purchase costs range up to 0.18% for the USS Default Lifestyle Option, up to 0.03% per annum in the USS Ethical Lifestyle Option, and up to 0.54% for the USS self-select funds, as shown in the 'Transaction costs and charges for the year ended 31 March 2026' tables. Exact costs will depend on the particular funds members are invested in, whether they are buying or selling and the day on which they deal.

Transaction costs apply to the investment of contributions, requests by members to switch between funds or disinvest funds, automatic switching as part of the Scheme's lifestyle options and transferring assets in from schemes outside USS. Transaction costs include advisory fees, commissions and stamp duty (stamp duty is applicable on property and UK equity purchases only, not sales).

Overall value for members

Delivering good value for both employers (who subsidise the costs of the Investment Builder) and members is fundamental to the Scheme.

In designing and managing the Investment Builder, the Trustee focused on using the Scheme's scale and investment expertise to deliver a high-quality, cost-effective DC arrangement as part of the hybrid scheme.

The Trustee has worked with Gallagher (previously Redington) Investment Consultants to undertake a value for member benchmarking exercise with Master Trust peers to assess the scope and quality of services being provided.

Assessment framework

The assessment follows a two-stage approach:

Stage 1: A primary assessment considers how the Scheme's features performed relative to their objectives, including whether investment charges are competitive compared to peers. This assessment concluded that the investment options met their long-term objectives, at competitive fees, while the Scheme continued to expand the service offering and support for members, at no increase in member-borne charges. Regarding the legacy MPAVC investments, Prudential was also found to provide satisfactory investment options.

Stage 2: A supplementary assessment considers how the features of the Investment Builder compare to DC-only Master Trust providers. This was based on a benchmarking exercise performed by Gallagher, which considered the features of the Investment Builder alongside that of the five peers across six service characteristics, which weighs the different assessment areas differently based on the areas of most importance to Investment Builder members. The Gallagher assessment assigned the highest score for the Investment Builder in the Investment and ESG categories, with robust controls and innovations in areas such as private markets investments and climate tilted equities within the Lifestyle Options. Overall, the Gallagher assessment concluded that the Scheme continues to rate ahead of the other Master Trusts assessed.

The Trustee is satisfied that the quality of the Investment Builder product and service is high relative to both the costs of running it and the charges borne by members pre- and post-subsidy, and that the Scheme offers good value for members. Investments delivered their long-term objectives, at competitive fees, while the Scheme continued to expand the service offering and support for members, at no increase in charges. As a secondary, supporting point, the Scheme's features, in aggregate, have continued to perform ahead of a sample of other DC schemes.

Chair's defined contribution statement
Continued

Transaction costs and charges for the year ended 31 March 2026

Funds in the USS Default Lifestyle Option

	Transaction costs and charges (%)			
Fund	IMC	Purchase (max)	Sale (max)	Embedded
USS Growth	0.30	0.18	0.01	0.09
USS Moderate Growth	0.30	0.18	0.01	0.10
USS Cautious Growth	0.30	0.18	0.01	0.09
USS Liquidity	0.10	0.00	0.00	0.00

Funds in the USS Ethical Lifestyle Option

Fund	IMC	Purchase (max)	Sale (max)	Embedded
USS Ethical Growth	0.30	0.03	0.00	0.12
USS Ethical Moderate Growth	0.30	0.02	0.00	0.09
USS Ethical Cautious Growth	0.30	0.03	0.00	0.06
USS Ethical Liquidity	0.10	0.00	0.00	0.01

Self-select Funds

Fund	IMC	Purchase (max)	Sale (max)	Embedded
USS Growth	0.30	0.18	0.01	0.09
USS Moderate Growth	0.30	0.18	0.01	0.10
USS Cautious Growth	0.30	0.18	0.01	0.09
USS Liquidity	0.10	0.00	0.00	0.00
USS Bond	0.20	0.08	0.00	0.08
USS UK Equity	0.10	0.54	0.08	0.07
USS Global Equity	0.10	0.02	0.03	0.02
USS Emerging Markets Equity	0.30	0.13	0.19	0.15
USS Ethical Equity	0.30	0.00	0.00	0.15
USS Sharia	0.20	0.12	0.13	0.02

Funds in an AVC arrangement with Prudential

Fund	IMC	Purchase (max)	Sale (max)	Embedded
With-Profits Cash Accumulation	1.27	N/A	N/A	0.10
Deposit	N/A	N/A	N/A	0.00
International Equity	0.66	0.15	0.16	0.21
UK Equity	0.62	0.54	0.10	0.25
Index-Linked	0.66	0.09	0.09	0.07
Discretionary	0.66	0.23	0.14	0.19
Fixed Interest	0.66	0.04	0.04	0.24
LGIM FTSE4Good Developed Equity Index	0.85	0.07	0.03	0.01
UK Equity Passive	0.45	0.44	0.06	0.14
Cash	0.65	0.00	0.01	0.00

Notes for the transaction cost information included in the table above

1 Purchases and sale costs are maximum costs. Actual realised costs may be much lower.
2 A negative embedded cost indicates a positive impact, i.e. a gain. This may be due to implicit costs such as market timings.
3 IMCs and embedded fees are calculated on a per annum basis, sales and purchases are one-off costs.
4 Prudential embedded transaction costs are the average over the period from 1 October 2024 to 30 September 2025, more recent information was not available from Prudential. The Trustee continues to ask Prudential for the transaction cost information, so that the latest information available can be included in this statement.

Chair’s defined contribution statement
Continued

Performance-based fees and the charge cap
The Trustee is required to disclose the amount of any performance-based fees incurred in relation to the default investment option, calculated as a percentage of the average value of the assets held within the default investment option during the Scheme year to 31 March 2026.

	Performance as % of average value of assets held within the default investment option
USS Growth	0.04
USS Moderate Growth	0.03
USS Cautious Growth	0.02

Figures shown refer to the period from 1 January 2025 to 31 December 2025 and are based on estimated positions as complete data from 1 April 2025 to 31 March 2026 is not available at the time of writing.

Net investment returns
The Trustee is required to state the net investment returns for funds that members were invested in during the Scheme year to 31 March 2026, including the USS default lifestyle option, after the deduction of any charges or transaction costs. In preparing this section of the Chair’s DC statement, the Trustee has taken account of statutory guidance issued by the DWP effective from October 2021[4].

The historical net investment returns shown are not a guide to future returns, which may vary over time.

Funds/investment options in the Investment Builder
As set out in more detail in the sections above, employers currently subsidise investment costs up to 0.30% per annum on all Investment Builder funds resulting from normal and additional contributions. Investment Builder funds resulting from transfers into the Scheme (unless resulting from a transfer from legacy MPAVCs that were managed by Prudential), and funds from legacy MPAVCs that remain managed by Prudential, do not qualify for this subsidy. Therefore, the investment returns in the following tables are shown both before (within brackets) and after (outside of brackets) the Scheme subsidy to reflect that the net investment returns experienced by members will be dependent on the extent to which their funds are covered by the subsidy. We have shown the net investment returns over one-year and five-year periods to 31 March 2026 only.

Funds in an AVC arrangement with Prudential
The legacy AVC funds do not include a lifestyle option and do not qualify for the subsidy. The investment returns presented for these funds are therefore net of costs and charges.

Net investment returns

Funds/investment options in the Investment Builder
The Chair’s defined contribution statement reports investment performance from the member perspective, showing the self-select funds and the two lifestyle options members can invest in. The lifestyle options invest in a blend of underlying funds, which are shown separately in Investment matters on page 19.

	1 year (%) to 31 March 2026		
	Age at 31 March 2025		
Fund/investment option	25 year old	45 year old	55 year old
USS Default Investment Option	12.6 (12.3)	12.6 (12.3)	12.6 (12.3)
USS Ethical Investment Option	11.5 (11.2)	11.5 (11.2)	11.5 (11.2)
USS Growth	12.6 (12.3)	12.6 (12.3)	12.6 (12.3)
USS Moderate Growth	9.7 (9.4)	9.7 (9.4)	9.7 (9.4)
USS Cautious Growth	7.7 (7.4)	7.7 (7.4)	7.7 (7.4)
USS Liquidity	4.3 (4.2)	4.3 (4.2)	4.3 (4.2)
USS UK Equity	19.2 (19.1)	19.2 (19.1)	19.2 (19.1)
USS Global Equity	16.6 (16.5)	16.6 (16.5)	16.6 (16.5)
USS Emerging Markets Equity	29.2 (28.8)	29.2 (28.8)	29.2 (28.8)
USS Ethical Equity	13.4 (13.0)	13.4 (13.0)	13.4 (13.0)
USS Sharia	20.5 (20.2)	20.5 (20.2)	20.5 (20.2)
USS Bond	2.3 (2.1)	2.3 (2.1)	2.3 (2.1)

Source: USSIM. Returns shown are annualised geometric mean returns.

4 Completing the annual Value for Members assessment and Reporting of Net Investment Returns – www.gov.uk

Chair's defined contribution statement
Continued

Fund/investment option	5 years (% p.a.) to 31 March 2026 Age at 31 March 2021 25 year old	45 year old	55 year old
USS Default Investment Option	7.0 (6.7)	7.0 (6.7)	6.8 (6.4)
USS Ethical Investment Option	5.0 (4.7)	5.0 (4.7)	4.8 (4.5)
USS Growth	7.0 (6.7)	7.0 (6.7)	7.0 (6.7)
USS Moderate Growth	5.3 (5.0)	5.3 (5.0)	5.3 (5.0)
USS Cautious Growth	3.3 (3.0)	3.3 (3.0)	3.3 (3.0)
USS Liquidity	3.4 (3.3)	3.4 (3.3)	3.4 (3.3)
USS UK Equity	9.7 (9.6)	9.7 (9.6)	9.7 (9.6)
USS Global Equity	10.2 (10.1)	10.2 (10.1)	10.2 (10.1)
USS Emerging Markets Equity	4.8 (4.5)	4.8 (4.5)	4.8 (4.5)
USS Ethical Equity	6.7 (6.4)	6.7 (6.4)	6.7 (6.4)
USS Sharia	13.8 (13.5)	13.8 (13.5)	13.8 (13.5)
USS Bond	0.1 (-0.1)	0.1 (-0.1)	0.1 (-0.1)

Source: USSIM. Returns shown are annualised geometric mean returns.

Funds in an AVC arrangement with Prudential

Fund/investment option	1 year (%)	5 years (% p.a.)	10 years (% p.a.)	15 years (% p.a.)	20 years (% p.a.)
With-profits Cash Accumulation	6.2	6.2	5.5	5.9	5.6
Deposit	4.1	3.4	1.9	1.4	1.8
International Equity	21.8	9.9	10.8	10.1	8.7
UK Equity	17.9	7.0	6.9	7.2	6.1
Index Linked	4.1	-8.7	-1.6	2.5	3.2
Discretionary	13.7	5.4	7.1	7.1	6.4
Fixed Interest	1.4	-4.8	-1.2	1.7	2.4
LGIM FTSE4Good Developed Equity Index	19.0	11.5	12.9	N/A	N/A
UK Equity Passive	18.3	10.1	8.0	7.6	6.5
Cash	3.6	2.7	1.2	0.7	1.2

Source: Prudential – USSIM calculations. Returns shown are annualised geometric returns. Investment returns data was not available covering periods of more than 20 years. As such we have shown net investment returns to 31 March 2026 over a one-year, five-year, 10-year, 15-year and 20-year period. Prudential were able to provide investment returns after allowing for the impact of certain fund charges and further costs, but before the deduction of the Investment Management Charge. USSIM calculations include the deduction of charges and transaction costs shown on page 90.

The value of a member's With-Profits policy can change by more or less than the underlying net investment return of the overall fund. The above table therefore shows average overall returns experienced by policyholders, which combine the previously declared regular bonus and final bonus applicable to a fund to provide benefits from 15 March 2026 subject to any further bonuses notified by Prudential after the Scheme year end. At the time of writing, the Prudential With-Profits policies are subject to an IMC of 1.27% per annum. The fund charge and any transaction costs are allowed for in the overall returns shown in the above table.

Illustration of costs and charges

The Trustee is required to provide an illustrative example of the cumulative effect over time, of the application of the transaction costs and charges, including any performance-based fees, on the value of a member's Investment Builder savings.

Members automatically make contributions into the Investment Builder at the point where their salary exceeds the salary threshold (£71,484 for the 2025/26 Scheme year and £74,208 for the 2026/27 Scheme year).

All active members (including those with earnings below this threshold) can elect to make additional voluntary contributions into the Investment Builder.

Chair's defined contribution statement
Continued

The potential impact of costs and charges across three different investment examples is set out on the following pages for three member profiles. All illustrations are based on contributions as set out in the Scheme's schedule of contributions and the 2026/27 salary threshold amount modelled in line with the FCA's standardised SMPI rates of return (which are regularly reviewed and updated). These rates of return should not be considered a reliable measure of future fund value and are intended only to illustrate the associated costs and charges. Some funds are now subject to different standardised SMPI assumptions from those applied in prior years, as a result the figures may not be directly comparable with earlier illustrations. The examples illustrate the costs and charges borne by each member whose entire funds are invested in one of the funds named below only (and not a combination of the different options):

(i) USS Default Lifestyle Option

(ii) USS Emerging Markets Equity Fund (highest charging self-select fund with the highest expected return)

(iii) USS Liquidity Fund (lowest charging self-select fund with the lowest expected return)

It is important to note that for the purposes of the illustration it is assumed that members meet all investment management costs, even though employers currently subsidise these, but there is no guarantee they will continue to do so in the future.

In preparing this section of the Chair's DC statement, the Trustee has taken account of statutory guidance issued by the DWP and last updated on 21 October 2022[5].

5 Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes – www.gov.uk

Member 1: Member who joins the Scheme age 30 with a starting salary of £30,000 and makes additional voluntary contributions of 2% of salary from joining the Scheme until accessing their Investment Builder funds at age 66 (normal pension age)

Investment in USS Default Lifestyle Option

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	609	605	0.56
3	1,871	1,854	0.45
5	3,195	3,153	0.43
10	6,790	6,638	0.41
15	10,823	10,479	0.40
20	15,334	14,704	0.40
25	20,369	19,345	0.40
30	25,977	24,425	0.41
35	31,909	29,730	0.36
36	33,071	30,767	0.35

Investment in USS Emerging Markets Equity Fund (highest charging fund)

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	620	617	0.77
3	1,944	1,925	0.69
5	3,385	3,337	0.67
10	7,557	7,366	0.66
15	12,668	12,206	0.65
20	18,900	17,992	0.65
25	26,465	24,884	0.65
30	35,617	33,065	0.65
35	46,657	42,749	0.65
36	49,122	44,800	0.65

Investment in USS Liquidity Fund (lowest charging fund)

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	597	596	0.10
3	1,800	1,796	0.10
5	3,015	3,006	0.10
10	6,107	6,074	0.10
15	9,282	9,210	0.10
20	12,545	12,420	0.10
25	15,903	15,710	0.10
30	19,362	19,085	0.10
35	22,929	22,554	0.10
36	23,656	23,259	0.10

Member 2: Member who joins the Scheme age 50 with a starting salary of £80,000 transfers in a starting pot of £100,000 to the Investment Builder, and who makes normal member contributions (but no additional voluntary contributions) to the Investment Builder until accessing their Investment Builder funds at age 66 (normal pension age)

Investment in USS Default Lifestyle Option

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	102,639	102,249	0.40
3	108,512	107,294	0.40
5	115,208	113,096	0.40
10	135,801	131,063	0.41
15	160,871	153,087	0.36
16	166,143	157,749	0.35

Investment in USS Emerging Markets Equity Fund (highest charging fund)

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	104,613	104,166	0.45
3	114,807	113,360	0.45
5	126,379	123,775	0.45
10	162,070	155,728	0.45
15	208,999	197,371	0.45
16	219,927	206,612	0.65

Investment in USS Liquidity Fund (lowest charging fund)

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	100,665	100,564	0.10
3	102,452	102,149	0.10
5	104,853	104,345	0.10
10	113,589	112,552	0.10
15	126,311	124,706	0.10
16	129,344	127,618	0.10

Chair's defined contribution statement
Continued

Member 3: Member who joins the Scheme age 18 with a starting part-time salary of £10,000 and makes additional voluntary contributions of 1% of salary to the Investment Builder from joining the Scheme

Investment in USS Default Lifestyle Option

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	101	101	0.56
3	312	309	0.45
5	533	526	0.43
10	1,132	1,106	0.41
15	1,804	1,746	0.40
20	2,556	2,451	0.40
25	3,395	3,224	0.40
30	4,329	4,072	0.40
35	5,368	5,000	0.40
40	6,521	6,013	0.40
47	8,267	7,522	0.36
48	8,507	7,729	0.35

Investment in USS Emerging Markets Equity Fund (highest charging fund)

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	103	103	0.58
3	324	321	0.49
5	564	556	0.48
10	1,259	1,228	0.46
15	2,111	2,034	0.46
20	3,150	2,999	0.46
25	4,411	4,147	0.45
30	5,936	5,511	0.45
35	7,776	7,125	0.45
40	9,990	9,031	0.45
47	13,854	12,281	0.45
48	14,490	12,784	0.45

Investment in USS Liquidity Fund (lowest charging fund)

Years in Scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	100	99	0.10
3	300	299	0.10
5	502	501	0.10
10	1,018	1,012	0.10
15	1,547	1,535	0.10
20	2,091	2,070	0.10
25	2,651	2,618	0.10
30	3,227	3,181	0.10
35	3,821	3,759	0.10
40	4,435	4,354	0.10
47	5,328	5,216	0.10
48	5,459	5,343	0.10

Notes on the illustration of costs and charges

1 Starting pot criteria is as follows:
   (a) Members 1 and 3: starting pot criteria is nil and no funds are transferred in.
   (b) Member 2: starting pot criteria is £100,000 of transferred in funds. No further funds are transferred in.

2 All members retire at age 66 and funds are then fully disinvested, with no early withdrawals.

3 The costs and charges shown have been estimated in line with statutory guidance issued by the DWP and last updated on 21 October 2022. They include investment management charges, purchase costs, selling costs and embedded costs.

4 Values shown are illustrations and actual experience will depend on investment returns, as well as realised charges and costs.

5 Projected pension pot values are shown in today's prices, and do not need to be reduced further for the effect of future inflation.

6 Inflation is assumed to be 2.5% per annum as prescribed in the Statutory Money Purchase Illustrations.

7 Normal contributions are assumed to be 20% per annum in excess of salary cap (6.1% employee and 13.9% employer). It is assumed that there are no contribution holidays for any of the three members and no additional contributions are made by member 2. Member 1 is assumed to make 2% additional voluntary contributions from entering the Scheme. Member 3 is assumed to make 1% additional voluntary contributions from entering the Scheme.

8 Salary increases are assumed to be 3.5% per annum.

9 The projected growth rate for the USS Default Investment Lifestyle Option is 4.0% per annum up to five years prior to retirement, reducing to 3.6% per annum at one year prior to retirement. The projected growth rate for the USS Emerging Markets Equity Fund is 6.0% per annum. The projected growth rate for the USS Liquidity Fund is 2.0% per annum. These are consistent with the assumptions used in calculating members' Statutory Money Purchase Illustrations issued for Scheme year ending 31 March 2026.

10 Year 1 represents the year ending 31 March 2027, with a related salary threshold of £74,208. The salary threshold is projected to increase in line with inflation each year.

Chair's defined contribution statement
Continued

Members typically face minimal charges, as administrative costs are generally met in full by the employer and investment costs are currently fully subsidised (other than for funds transferred in, excluding transfers from Prudential MPAVC) for members in all Investment Builder funds. Where a member does face some charges, for example a member who has transferred funds into the Investment Builder, the Trustee assesses that the charges for investment management represent value for members.

Asset allocation disclosure
In preparing this section of the Chair's DC statement the Trustee has taken account of statutory guidance issued by the DWP and last updated on 30 January 2023[6].

The Trustee is required to disclose the percentage of assets allocated in the default arrangement by reference to specified asset classes. The table to the right illustrates the average asset allocation split in the default arrangement as at 31 March 2026 by reference to four different age cohorts.

USS Default Investment Option Asset Allocation as at 31 March 2026

Asset class		Percentage allocation – average 25 year old	Percentage allocation – average 45 year old	Percentage allocation – average 55 year old	Percentage allocation – average 1 day prior to state pension age
Cash		**0.0**	**0.0**	**0.0**	**25.0**
Bonds	Fixed interest government bonds	4.0	4.0	4.0	9.0
	Index-linked government bonds	4.0	4.0	4.0	7.7
	Investment grade bonds	2.0	2.0	2.0	13.1
	Non-investment grade bonds	4.0	4.0	4.0	5.6
	Securitised Credit	0.0	0.0	0.0	3.1
Bonds total		**14.0**	**14.0**	**14.0**	**38.4**
Listed equities	Developed market equities	50.1	50.1	50.1	16.0
	Emerging markets	7.2	7.2	7.2	2.3
	UK equities	2.0	2.0	2.0	0.6
Listed equities total		**59.4**	**59.4**	**59.4**	**18.9**
Private equity		**5.4**	**5.4**	**5.4**	**0.6**
Infrastructure	Economic infrastructure	11.0	11.0	11.0	4.9
	Social infrastructure	0.8	0.8	0.8	0.4
Infrastructure total		**11.8**	**11.8**	**11.8**	**5.3**
Property		**5.4**	**5.4**	**5.4**	**4.0**
Private debt	Inflation linked credit	1.3	1.3	1.3	0.9
	Investment grade bonds	0.6	0.6	0.6	5.3
	Non-investment grade bonds	2.1	2.1	2.1	1.6
Private debt total		**4.0**	**4.0**	**4.0**	**7.8**
Total		**100.0**	**100.0**	**100.0**	**100.0**

Figures may not sum to total due to rounding.

5 Trustee knowledge and understanding

The Trustee Board currently consists of 12 non-executive directors from a range of backgrounds. Collectively, these individuals possess the broad range of skills needed to manage and oversee both the DC and DB parts of the hybrid scheme, together with the Trustee Executive and the in-house investment manager, USSIM, which support the Scheme. All Trustee Directors who served during the Scheme year have been assessed as Master Trust Scheme Strategists.

The Trustee Board includes directors with expertise and recent and relevant practical experience in DB and DC pensions, investment, actuarial, governance, financial management, law, risk and compliance, HR, stakeholder engagement and the Higher Education sector. Several Trustee Directors are, or have been, trustees of, or executives or advisers to, other DC or hybrid schemes and bring practical knowledge and experience of value for money assessments, pensions administration, investment management and developing member facing products and services within a DC context. Several board directors who are also members of the Scheme, help to support and contribute to the Board's understanding of the views and needs of the Scheme's membership.

The range of experience on the Trustee Board allows individuals to challenge each other, the executive and advisers, offering different perspectives and proposed solutions.

In addition to the skills within the Trustee Board and the Trustee's Executive, the Trustee has also appointed professional advisers who provide specialist support and advice. This includes the Scheme's lawyers, actuary, auditors, investment consultants and remuneration consultants.

6 Statutory guidance: Disclose and Explain asset allocation reporting and performance-based fees and the charge cap – www.gov.uk

Chair's defined contribution statement
Continued

The Trustee is committed to ensuring that its directors, both individually and collectively, have access to appropriate professional advice, and have and maintain all the necessary skills, knowledge, competence and understanding required for the effective performance of their role as Trustee Directors. As part of this, each Trustee Director ensures that they:

- Are conversant with all the key Scheme documents (including the Trust Deed and Rules which govern the Scheme (as amended), Statement of Investment Principles, USS Default Lifestyle Option Statement of Investment Principles, Statement of Funding Principles), and other key documents relating to the administration of the Scheme
- Have an appropriate degree of knowledge and understanding of: (i) the law relating to pension schemes and trusts; (ii) the principles of funding pension schemes; (iii) investing assets of pension schemes; and (iv) the identification, assessment and management of key risks and opportunities

The Trustee Board has various procedures in place to facilitate this, which are detailed below.

Several activities are undertaken each year to evaluate and enhance the individual and collective skills, knowledge, competence and experience of the Trustee Board. These activities facilitate compliance with the Trustee's knowledge and understanding sections of TPR's General Code of Practice and are summarised in the diagram to the right and further details appear on the following pages.

Trustee skills, knowledge and understanding: key tools

Skills matrix	Competency matrix	Induction
Training needs assessment and training programme	Annual appraisal process	Trustee Board/committee performance reviews

Skills and competencies

On appointment and subsequently, Trustee Directors are required to maintain appropriate levels of knowledge and understanding, both individually and collectively, to ensure that the Trustee Board as a whole has the right combination of skills, knowledge and experience to fulfil its responsibilities.

A performance review is usually carried out in respect of (i) the Trustee Board annually and (ii) the Trustee's standing sub-committees every two years. The performance reviews are usually undertaken by the Trustee Board and committees, supported and facilitated by the Trustee's governance team, with an independent external review commissioned every three years. The most recent external Trustee Board performance review was undertaken in the 2024/25 financial year. The Trustee Board performance review for 2025/26 was facilitated by the Trustee's governance team. It reflected on various aspects of its governance and processes, as well as re-testing aspects of, and actions arising from, the external performance review completed in the prior year. In the 2026/27 Scheme year, a combined board and committee performance review will again be facilitated by the Trustee's governance team.

The Trustee Board uses a skills matrix and competency matrix to summarise areas of expertise, specific knowledge and behavioural competencies, and indicate where training may be required for the Trustee Directors. In doing this, the Trustee Board also considers the strategic priorities in the business plan to identify any future areas of focus.

The Governance and Nominations Committee (GNC) reviews the board competency and skills matrices annually (and in anticipation of changes to board membership).

The GNC assesses whether (i) the Trustee Board's collective competencies enable the Trustee to properly exercise its functions and (ii) there are any gaps to be addressed by training, succession planning or other means. As part of this review, consideration is also given to whether the skills and knowledge of the Trustee Board's standing committees are appropriate or need supplementing.

Rigorous appointment processes are followed in respect of all Trustee Director appointments and reappointments (having regard to the board succession plan and competency matrix). This includes use of a role specification which highlights the skills, experience and behaviours required for the role. This helps to ensure that the directors collectively have appropriate competencies, and that each director appointed is fit and proper.

Training

In addition to the GNC's review of individual directors' training and development needs during annual appraisals (as noted under the 'Skills and Competencies' section of this DC statement), the collective training needs of the Trustee Board and the standing committees are reviewed at least annually by the GNC. The GNC has responsibility for approving and overseeing the implementation of the annual Board and committee training programme.

In compiling the annual training programme, consideration is given to a number of relevant matters including:

- Directors' completed skills matrices and any gaps identified
- The USS business plan, and business and strategic objectives
- Future Board and committee agenda plans
- Legal and regulatory developments
- Regulatory guidance
- Feedback from directors, committee members and the executive

The training programme is compiled in this way to ensure that any actual or potential knowledge gaps are identified and addressed. The directors receive targeted training sessions delivered by USS colleagues, as well as external industry experts.

These formal training sessions are supplemented by additional (non-compulsory) educational sessions, by open house events (where the directors spend time with different areas of the business) and by the completion of mandatory e-learning modules. A log is maintained of all training undertaken by the Trustee Directors.

Chair's defined contribution statement
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Trustee Directors are also encouraged to attend additional external training events relevant to their specific areas of expertise and/or the committees on which they sit.

The Trustee Directors' working knowledge of the Scheme's Trust Deed and Rules, the latest Statement of Investment Principles, pensions and trust law, the principles of pension funding and investment, and the identification, assessment and management of key risks and opportunities is informed by the latest completed training needs analysis which assesses individual and collective knowledge and identifies any gaps. This is supported by ongoing training for Trustee Directors and demonstrated through their contributions to Board and committee discussions, as well as through periodic performance and competency assessments.

Trustee Directors receive training on a broad range of topics, including some that are DC specific. In addition to deep dive sessions and presentations from different teams across USS during the Scheme year, training received by the Trustee Directors and its committees included the following topics:

- Cyber security risks
- Custody arrangements and security of assets
- Collateral and cash management
- Risks associated with investing (and disclosure of voting) in the current political environment
- Physical risks arising from increased exposure to climate hazards
- The Trustee's and scheme strategists' obligations under the Master Trust regime
- Governance and accountability lessons from recent public sector and corporate failures
- Risk sharing in action – lessons on engagement and implementation from a Collective DC scheme
- Investment performance benchmarks
- Investment outlook relating to different climate scenarios
- Responsible investment: external view on biodiversity and the impact of energy costs and artificial intelligence
- Investment exclusions
- Social mobility
- The roles and responsibilities between the Trustee and USSIM, and the background to this structure and FCA authorisation
- Educational sessions in preparation for the 2026 valuation, covering such themes as: valuation objectives; investment strategy; discount methodology; best estimate; covenant; self-sufficiency; surplus; capital market expectations; and mortality assumptions

At the end of the Scheme year, the GNC concluded that the training delivered had been aligned to the Scheme's strategic priorities and had provided timely information to the directors and committee members to allow them to discharge their duties and to facilitate decision making.

Induction

The Scheme has a detailed induction process for new Trustee Directors, designed to ensure familiarity with the key Scheme documents and sufficient knowledge and understanding of pensions and trust law, as well as the principles of pension scheme funding and investment (among other matters). The induction process includes sessions with Trustee Board Directors, members, members of the Trustee's management team and key external advisers, covering topics such as: investments; pensions administration; actuarial; accounting; communications; risk and internal audit; compliance; legal and governance as well as the role of the Joint Negotiating Committee (JNC) and Advisory Committee which are both established under the Scheme's Trust Deed and Rules.

This process is documented and is regularly reviewed by the GNC, which also oversees completion of the induction process by each new director.

Each new director is expected to devote significant time to their induction, which is tailored to reflect their individual level of knowledge and assessed by reference to their completion of the skills matrix.

The Trustee's appointment and induction processes also require that any individual appointed to the Trustee Board completes TPR's Trustee Toolkit prior to commencement of their appointment (in line with TPR's General Code of Practice). All the current Trustee Directors have completed TPR's Trustee Toolkit. In addition, four Trustee Directors have been accredited as professional trustees, either by the Pensions Management Institute (PMI) or the Association of Professional Pension Trustees (APPT).

Advice and guidance

The combined knowledge of the Trustee Board is supported by the Trustee Executive (which includes a range of professionals from various disciplines including legal, IT, actuarial and risk and compliance) as well as external professional advisers.

The Scheme Actuary as needed and the Group General Counsel generally attend all Trustee Board meetings ensuring that the Board has access to timely actuarial and legal advice. The Trustee's principal investment manager and adviser is USSIM. The Trustee also receives the benefit of independent investment advice in relation to members' DC benefits provided by LCP, and DB benefits by Mercer Limited. Both USSIM and the Scheme's external investment advisers generally attend each meeting of the Trustee's Investment Committee. In addition, other professional advisers attend meetings of the Trustee Board and its other committees on an ad hoc basis when required.

Non-affiliation of Trustee Directors

The Scheme is a multi-employer trust-based occupational pension scheme and as such the Trustee is required to comply with additional requirements in relation to governance as set out under Chapter 3, Part V of The Occupational Pension Schemes (Scheme Administration) Regulations 1996. This includes the requirement that the majority of the Trustee Directors (including the Chair) must be 'non-affiliated'. The Trustee Board has considered these requirements and determined that, with the exception of Dr Alain Kerneis, all directors (including the Chair) in office during the Scheme year are 'non-affiliated' trustees for the purpose of the legislation. Dr Alain Kerneis is considered an 'affiliated director' as he is a director of both the Trustee and the Trustee's wholly owned subsidiary, USSIM. Therefore, during the year, 11 Trustee Directors out of 12 were classed as non-affiliated trustees and the requirement for a majority of non-affiliated directors has been satisfied. In making this assessment, the Trustee has considered any links that the directors may have with companies providing services to the Scheme and reviewed the procedures in place for managing any conflicts of interest that may arise.

Chair's defined contribution statement
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The length of service of each of the Trustee Directors on the Trustee Board has also been reviewed and no director who is regarded as non-affiliated has been in their post for longer than the time limits prescribed by legislation, and each has either been appointed or reappointed through an open and transparent process.

The Trustee has procedures in place to ensure that it has suitable control and oversight over the appointment process for all Trustee Directors and that this process complies with relevant legislation.

During the Scheme year ended 31 March 2026, one affiliated Trustee Director (Dr Alain Kerneis) and two non-affiliated Trustee Directors (Mrs Marian D'Auria and Ms Ellen Kelleher), each of whom is an independent director (i.e. not appointed by UCEA or UCU), were subject to reappointment processes as follows:

- Mrs Marian D'Auria and Ms Ellen Kelleher were reappointed by the Trustee Board with effect from 1 September 2025 and 1 November 2025 respectively. The roles were advertised in *The Sunday Times* newspaper, posted on USS' recruitment pages and listed on public websites. Applicants were reviewed against the criteria for the role by the Trustee's recruitment adviser – Omni RMS, prior to being shortlisted. The shortlisted candidates were then assessed against a scorecard. The process was overseen by the GNC and the Chair of the Trustee Board, with input from the Group CEO. Ms Ellen Kelleher did not participate in the consideration of her own reappointment. The GNC and the Trustee Board then reviewed and approved the reappointments of Mrs Marian D'Auria and Ms Ellen Kelleher.
- Dr Alain Kerneis was reappointed by the Trustee Board to both the Trustee Board and the USSIM Board with effect from 24 January 2026. The role was posted on USS' recruitment pages and advertised on public websites, including *The Times* newspaper's online service, *Times* online. Applicants were reviewed against the criteria for the role by the Trustee's recruitment adviser – Omni RMS, prior to being shortlisted. The shortlisted candidates were then assessed against a scorecard. The process was overseen by the GNC and the Chairs of the USSIM and Trustee Board with input from the Group CEO. The GNC and the Trustee Board then reviewed and approved the reappointment of Dr Alain Kerneis.
- The appointment/reappointment process for UCEA-appointed or UCU-appointed directors is led by UCEA or UCU, respectively, with the involvement of the Trustee, and follows a similar process as that for the appointment of independent directors as explained above. No UCEA directors or UCU directors were appointed or reappointed during the Scheme year.

6 Member communications, engagement and representation

We take a proactive approach to member communications, and have a strategy that is designed to engage, educate, and support member decision making throughout their pensions journey, while building their knowledge of pension basics along the way.

As well as meeting disclosure requirements, the aim is to drive engagement, to ensure members understand the Scheme and that they have a positive experience.

For the second year running, Key Performance Indicators (KPIs) have been used to monitor the effectiveness of USS communications in enabling members to understand key aspects of the Scheme, including the Investment Builder.

A range of channels are used to communicate key messages and provide support to members over the year, including regular emails, webinars, new website content, Annual Member Statements, and the Statutory Money Purchase Illustration.

Email

Emails are the primary communication channel and we have continued to use segmentation to deliver a more personalised approach to the emails sent to members.

Segmentation involves using data to identify groups with different requirements, this means a communications approach can be designed to deliver relevant messaging to members at the time they need it in their pension journey.

These communications have focused on both supporting members and improving understanding of the DB and DC parts of the Scheme.

The result of this approach has been continued high levels of email engagement and an improved understanding of the Investment Builder, with 74% of members surveyed with DC benefits reporting that they are aware of the key features of the Investment Builder, which is four percentage points above the KPI target for the year.

To further support members understanding of DC benefits there are two webinars, Understanding DC – saving in the Investment Builder, and Understanding DC – taking savings from the Investment Builder. In total, 1,017 members attended these webinars over the last year.

Chair's defined contribution statement
Continued

Segmentation has also played a key part in the distribution of key statutory communications, in particular the Annual Member Statement (AMS). Emails sent to members were personalised, with wording relevant to both the USS benefits they had built up and the stage in their retirement journey they were at. Members were then directed to My USS where they could view their up-to-date pension benefits and download a full statement which included key calls to action and information on the tax status of their pension in relation to annual and lifetime allowances. Engagement was high with this year's AMS email seeing 65% of members open the email and 48% of those click through to My USS – above the KPIs of 55% and 45%.

This year, the team also implemented focused content around the Investment Builder for both pensioners who have left DC savings invested and for deferred members who have DC savings. These emails saw high levels of engagement, outperforming email engagement KPIs.

Website

Over the last financial year we have been preparing to move to a new pensions administration platform, with the goal to provide improved functionality to members. This work will result in a new member portal and website, and this has been a key focus over the last financial year, so there have been fewer changes to the current website, apart from keeping pages relevant and up to date with the latest information. We have ensured the website continues to provide educational information, videos and accessible content about the Investment Builder including how members can use it to save more.

Improvements have also been made to key pages such as the dedicated guidance and financial advice area. This part of the website aims to ensure members have the information they need to support them with their decisions. Members are also signposted to sources of free guidance from webinars delivered by Mercer and to other sources, such as MoneyHelper. One key improvement in the Scheme year was splitting up of the webinar recordings into smaller bite size clips, so members can watch short videos if they have a specific query or understanding need around their DC benefits, meaning they don't need to watch a whole webinar to get the answer they need. In the last year, 1,357 members have viewed these clips.

Additional enhancements

Other key enhancements this year include the launch of new UFPLS collateral, designed to address pain points members were experiencing with taking cash payments from their Investment Builder. The new content included a streamlined application form and a factsheet which offered more guidance for members on the process and what to consider.

My USS

More than 76% of the Scheme's active membership were registered for My USS on 31 March 2026. My USS allows active, deferred and retired (with remaining Investment Builder funds) members to manage their contributions and investment decisions, see the value and performance of their Investment Builder funds and view detailed fund information through fund fact sheets.

Members have access to calculators in My USS, including the Benefit Calculator, launched in November 2023. This calculator gives members a tool that allows them to see an instant estimate of the projected values of both their DC savings and DB benefits at a point in time they choose. They can also model the impact of saving more, transferring funds into the Investment Builder and projecting the various different ways and times they can access both their DC and DB benefits, including modelling taking their DC savings as UFPLS, an annuity or as flexi access drawdown. During 2025/26, 102,555 members used the Benefit Calculator compared to 93,000 members the year before.

Member feedback and views

The Trustee strives to ensure member experiences and views are at the heart of our decision making where possible and encourages members to provide their feedback and make their views regarding the Scheme known.

The Trustee gathers feedback from individual members in several ways. We also share information on the USS website about how to contact us with any questions or service comments online, by phone or by letter, and there is a specific number for the Member Service team (MST) for members who want help with their benefits.

Members are also invited to provide specific feedback when they interact with their pension. For example, when using My USS, they can provide feedback through a pop up on the website or, when retiring, there is a survey of newly retired members, to get their views on the process.

The Trustee also carries out four large-scale surveys of the active membership every year. These are designed to help us understand members' views about USS, including the options available in the Investment Builder, responsible investment, the quality of member communications and other aspects of the products and services USS offers. The results from these surveys show a year-on-year improvement in relation to the communications sent out, with 66% of respondents reporting overall communications quality as good or very good, a 2% increase on the communications rating from the previous year.

Chair’s defined contribution statement
Continued

These surveys all include both structured questions and the ability to provide open feedback. In addition, with representation of all member types, the Trustee runs – via an independent research agency – the ‘Member Voice’ research community. This provides a flexible and timely way of gathering in-depth, qualitative feedback from members, as well as giving members another route to raise non-sensitive issues with the Trustee.

Feedback from the surveys and the Member Voice community has been shared with the Trustee Board and the Scheme stakeholders through the Joint Negotiating Committee (JNC).

The Trustee takes member feedback seriously and through business control and member communications teams, continually assesses all of the channels (and their effectiveness), including through a dedicated pensions experience group, which reports regularly to the Trustee’s Pensions Committee.

Dame Kate Barker
Chair of the Trustee Board
21 July 2026

USS Default Lifestyle Option Statement of Investment Principles March 2026

1 Introduction

1.1
This is the Statement of Investment Principles of the Universities Superannuation Scheme ('USS' or 'Scheme') Default Lifestyle Option (the 'Default SIP'). The USS Default Lifestyle Option is the default arrangement in relation to the Investment Builder part of the Scheme (the 'DC part'). Although the USS Default Lifestyle Option can be actively chosen by members as their investment strategy, as the default arrangement it is the investment strategy into which the contributions of members in the DC part who do not make any investment decisions are paid.

1.2
Universities Superannuation Scheme Limited (the 'Trustee') has selected a lifestyle strategy as its default arrangement. The lifestyle strategy is designed to meet the divergent objectives of maximising the value of a member's assets at retirement and protecting the value of accumulated assets particularly in the years approaching retirement.

1.3
This Default SIP sometimes refers to the main Statement of Investment Principles (the 'Main SIP'), which applies to the whole Scheme. Copies of the Main SIP can be found in the *'How we invest'* area of the Scheme's website **uss.co.uk**.

2 The Trustee's Investment Beliefs

2.1
The Trustee maintains a set of Investment Beliefs which are available in the *'How we invest'* area of the Scheme's website **uss.co.uk**. These beliefs form the basis of the Trustee's investment principles as set out in Section 1.2 of the Main SIP and Section 2 of this Default SIP.

2.2
In relation to the Default Lifestyle Option, the Trustee's key beliefs are that:

2.2.1
The investment design of the Default Lifestyle Option will take into account the hybrid benefit design and the benefit flexibility that members have up to and into retirement;

2.2.2
The asset allocation will adjust around a glidepath consistent with assumed member risk tolerance throughout the member's savings life cycle. The default strategy cannot capture all differences across individual members. However, a higher risk tolerance is assumed when members are far from retirement, with the aim of increasing expected real (after inflation) returns and retirement savings. In later stages of the savings life cycle, the accumulated investment pots will typically be greater and the ability to subsequently make good any material losses is reduced;

2.2.3
Asset allocation and the timing of material changes to it are important drivers of a fund's financial outcomes. The asset allocation process for the Default Lifestyle Option balances diversified risks against the expected additional returns for exposure to these risks. The main sources of return for bearing risk ('risk premia') are expected to be equity, credit, illiquidity and complexity. Other exposures such as duration, inflation and foreign exchange offer less reliable risk premia but are expected to provide valuable sources of portfolio diversification. The asset mix should be reviewed periodically for suitability relative to evolving investment objectives and to take into account material changes to relative valuations across asset classes, which strongly influence long-run return prospects and risk of loss;

2.2.4
Private Markets provide investment opportunities and structures not available in Public Markets. They may provide opportunities for additional returns (including illiquidity premia), diversification or other desired characteristics relative to Public Market assets; and

2.2.5
Diversification through effective portfolio construction allows risk to be mitigated and spread across a range of factors. This reduces the adverse impact of any one risk on a member's pension investments. There are limits, however, on overall risk-reduction from diversification and there are scenarios in which the correlation between asset classes increases and diversification may be less effective.

3 Investment governance structure

3.1
The Trustee applies the same governance structure it uses for the Scheme as a whole to the Default Lifestyle Option. This is described in detail in Section 1.3 of the Main SIP.

3.2
Broadly, the Trustee's governance structure focuses on embedding compliance with legislative and regulatory requirements into agreements with investment and related service providers. The Trustee monitors compliance by having clear terms of reference for the Board and sub-committees to which it delegates a number of tasks, supplementing this with appropriate formal investment advice where required.

USS Default Lifestyle Option Statement of Investment Principles March 2026
Continued

4 Aims and objectives of the USS Default Lifestyle Option

4.1
The main investment objectives in relation to the DC part are described in detail in Section 3.1 of the Main SIP. The Default Lifestyle Option aims to take a reasonable amount of risk to generate investment returns in order to provide a suitable level of retirement benefits for members, taking into account the expected performance of asset markets and the level of contributions paid over a member's lifetime into the DC part and recognising the hybrid nature of the Scheme.

4.2
As well as the objectives set out in the Main SIP, the specific objectives of the Default Lifestyle Option are detailed below:

4.2.1
To focus particularly on generating returns in excess of inflation during the growth phase of the strategy (up to 10 years before target retirement age) with a degree of downside risk mitigation;

4.2.2
To provide a strategy that reduces investment risk in the consolidation phase for members between 10 and five years before target retirement age;

4.2.3
To provide exposure, at retirement, to a portfolio of assets that aligns as much as possible with how a typical member is likely to use their savings at and into retirement; and

4.2.4
To ensure sufficient liquidity to be able to pay benefits or transfers when required.

5 Investment strategy

5.1
Kinds of investments to be held (including investments in illiquid assets)

5.1.1
The main policies covering the kinds of investments to be held, the expected returns and the balance between different kinds of investments can be found in Section 3.2 of the Main SIP.

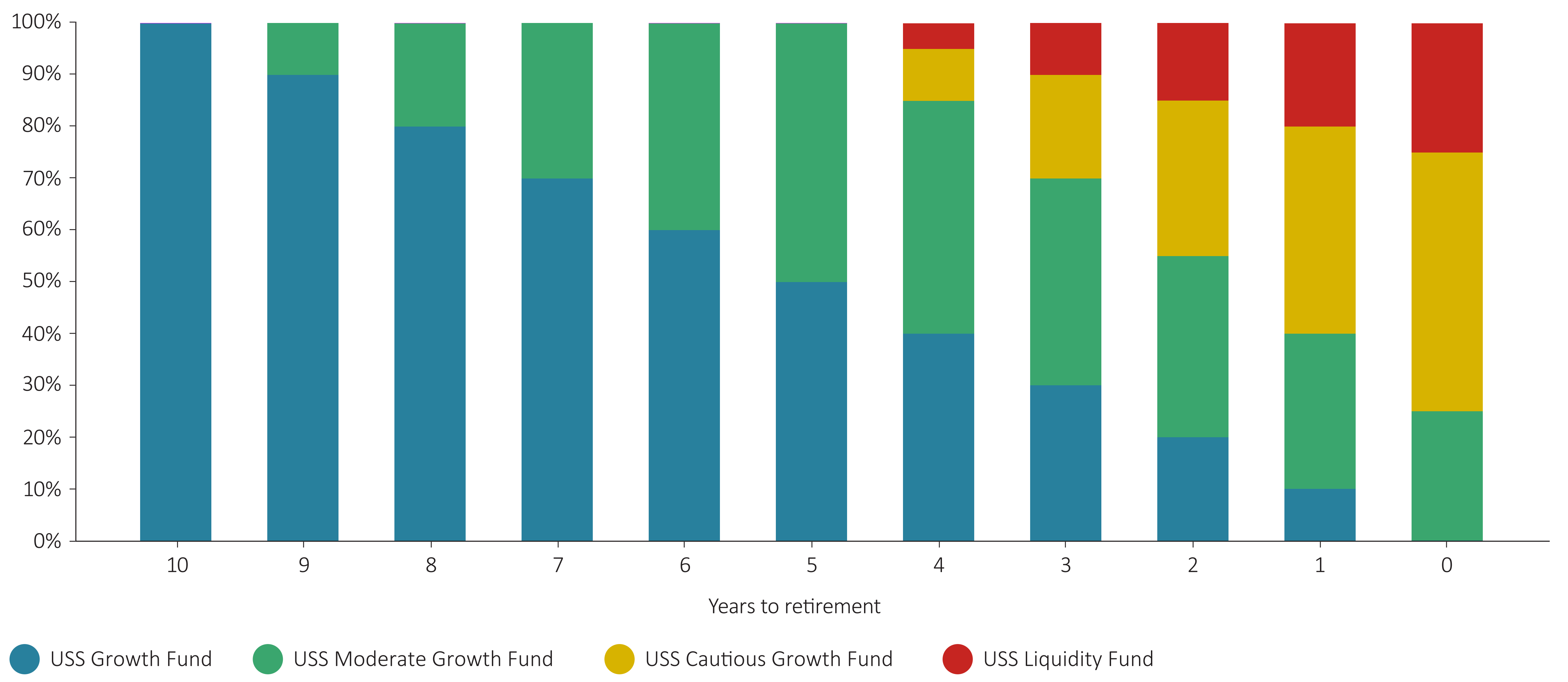
5.1.2
The following are indicative descriptions of the type of investments that may be held by the different underlying funds comprising the USS Default Lifestyle Option:

- **USS Growth Fund** – will invest predominantly in growth assets, with an objective to provide long-term growth in excess of inflation to members. Investments will be made in both Public and Private Markets across a range of asset classes in order to take advantage of the opportunity to earn enhanced returns including a premium for illiquidity and the benefit of diversification.
- **USS Moderate Growth Fund** – will typically invest a majority in growth assets, with more diversification than the growth fund, and with an objective to provide long-term growth in excess of inflation from a balanced, more diversified portfolio of assets. Investments will be made in both Public and Private Markets across a range of asset classes to increase diversification and enhance returns. This additional diversification aims to mitigate portfolio risk to a greater extent than is the case for the USS Growth Fund.
- **USS Cautious Growth Fund** – with an objective to provide stable growth in excess of inflation to members from a portfolio of predominantly lower risk, income focused assets, with some diversification, and minority exposure to growth assets. Investment will be made in both Public and Private Markets across a range of asset classes to increase diversification and enhance returns.
- **USS Liquidity Fund** – typically aims to produce a return in line with its benchmark which represents short-term interest rates, principally from a portfolio of sterling denominated cash, deposits and money market instruments.

5.1.3
Investments will be made in both Public and Private Markets across the USS Growth Fund, USS Moderate Growth Fund and USS Cautious Growth Fund. Members of all ages within the Default Lifestyle Option will have exposure to both Public and Private Markets.

5.1.4
Private Market assets held in the Default Lifestyle Option include illiquid assets in areas such as private equity, infrastructure, property and private debt. Private Markets may be accessed via a mix of direct investments, co-investments and fund investments. These assets may introduce opportunities for incremental returns

USS Default Lifestyle Option structure



USS Default Lifestyle Option Statement of Investment Principles March 2026
Continued

such as illiquidity premia while also improving diversification and providing attributes that complement traditional public market exposures.

5.1.5
Moving from the USS Growth Fund to the USS Moderate Growth Fund to the USS Cautious Growth Fund would be associated with decreasing proportions in growth assets, such as growth-orientated private market assets, equities and property; and increasing proportions in more stable private market assets, non-government and government bonds.

5.1.6
The chart on page 102 provides an illustration of the Default Lifestyle Option structure, in particular detailing the balance between the different funds held in the years prior to a member's target retirement age.

5.2
Managing risk

5.2.1
The Default Lifestyle Option manages strategic asset allocation risks through use of diversification. The allocation typically consists of a mix of mainstream Public Market assets as well as allocations to Private Market assets throughout the savings life cycle. The asset allocation changes as members move through the Default Lifestyle Option (as indicated in Section 5.1.4 of this Default SIP). Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Default Lifestyle Option, the Trustee considers the trade-off between risk and expected returns and opportunities for diversification and continues to monitor these risks through ongoing reporting. The actual holdings within the constituent parts of the Default Lifestyle Option will include Private Market assets where appropriate in order to take advantage of the opportunity to earn enhanced returns including a premium for illiquidity and to lower risk through additional diversification.

5.2.2
The USS Growth Fund invests in equities and other growth-seeking and diversifying assets. These investments are structured to generate higher real returns over the long term with some downside protection. During the growth phase, the downside risk from an equity market downturn is partially mitigated through diversification away from equities into other growth-seeking asset classes.

5.2.3
In the consolidation phase, which commences 10 years before target retirement age, the Trustee is seeking, through greater diversification of assets, to reduce the likelihood of extreme investment shocks adversely affecting retirement outcomes.

5.2.4
In the final five years before target retirement age, the Trustee has constructed a glidepath that seeks to continue to grow the member's DC retirement savings while reducing volatility. In the final five years, assets are therefore switched to more cautious assets (such as government and corporate bonds), including an allocation to money market instruments. This has been designed to reflect the uncertainty inherent in the timing of retirements, and the post-retirement investment choices that might be made by members.

5.2.5
Section 3.3 of the Main SIP details key risks that the Trustee considers in relation to the DC part in particular.

5.3
Realisation of investments, cash flow and liquidity management

5.3.1
The DC part offers members a range of daily dealing notional funds. While a portion of the USS Default Lifestyle Option will be in illiquid assets throughout the savings life cycle, the Trustee's policy is to maintain sufficient investments in liquid assets so that the realisation of assets will not be unduly costly nor disrupt the management of the Default Lifestyle Option or the Scheme's overall investment strategies in foreseeable circumstances. The Trustee has thresholds on the proportion of illiquid assets being held in the Default Lifestyle Option and, while it currently has no plans to increase these in the near future, it reviews the thresholds on a periodic basis. More detail can be found in Section 3.2.9 of the Main SIP.

6 The Trustee's policies on responsible investment and engagement activities

6.1
The USS Default Lifestyle Option is managed in line with the Trustee's policies as set out in the Main SIP, in particular, Section 1.4 of the Main SIP. The Trustee's policies on Responsible Investment (RI) and engagement activities cover:

6.1.1
how financially material considerations are taken into account in the selection, retention and realisation of investments. This includes how the Trustee considers the financial impact of RI factors where financially material to the Scheme;

6.1.2
the extent to which non-financial matters are taken into account in the selection, retention and realisation of investments;

6.1.3
the exercise of the rights (including voting rights) attaching to the investments; and

6.1.4
engagement activities in respect of the investments.

6.2
In addition to the Default Lifestyle Option, the Trustee makes available the Ethical Lifestyle Option reflecting the fact that a number of members have specific preferences. The specific objectives of the Ethical Lifestyle Option are defined in the USS Investment Builder Ethical Guidelines. This Ethical Lifestyle Option is built along similar principles to the Default Lifestyle Option but has been specifically designed to reflect

USS Default Lifestyle Option Statement of Investment Principles March 2026
Continued

certain preferences. As well as this, an ethical equity fund and a Sharia consistent fund are included in the range of self-select funds offered to members.

6.3
The Scheme's Responsible Investment Policy sets out detailed information on how the Trustee considers RI factors where financially material to the Scheme and the extent to which it takes non-financial RI and other factors into account. The Trustee expects its internal and external managers to act consistently with this statement in the selection, retention and realisation of the Scheme's investments. The Trustee's position on RI can be found in the *'How we invest'* area of the Scheme's website **uss.co.uk**. This area of the website includes the RI Beliefs and Ambition statement which further articulates the Trustee's investment beliefs.

6.4
The Trustee's policies in relation to its arrangements with asset managers are as set out in Section 1.5 of the Main SIP, including in relation to the Trustee's wholly owned investment manager and adviser, USS Investment Management Limited (USSIM) which is primarily responsible for the management of the Default Lifestyle Option and manager selection.

7 Investment in the best interests of beneficiaries

7.1
In designing the Default Lifestyle Option, the Trustee aims to invest in the beneficiaries' best financial interests, taking into account the different risk profile of representative members (for example, according to their expected time frame until retirement). In doing so, the Trustee explicitly considers the trade-off between risk and expected returns and continues to monitor these risks through ongoing reporting. The Trustee considers high level profiling analysis of the Scheme's membership in order to inform decisions regarding the Default Lifestyle Option. In accordance with the Trustee's mandate, USSIM also manages and monitors the Default Lifestyle Option and the performance of the underlying investment managers and makes changes where necessary to ensure the Trustee's aims and objectives are met.

8 Compliance and review

8.1
This Default SIP has been prepared in accordance with the requirements of the Pensions Act 1995 and relevant regulations, including the Occupational Pension Scheme (Investment) Regulations 2005, and taking into account guidance from The Pensions Regulator.

8.2
The Trustee will undertake a review at least triennially, or sooner and without delay if there are significant changes to the Scheme's investment policy, demographic profile or other circumstances which the Trustee determines warrant a reconsideration of the Default Lifestyle Option.

8.3
The Trustee will revise the Default SIP after every review unless it decides that no action is needed as a result of the review.

Implementation statement – 2026

1.1 Introduction

USS's[1] Implementation Statement (the Statement), sets out how, and the extent to which, the Trustee believes the Statement of Investment Principles (SIP) has been followed during the Scheme year ending 31 March 2026.

This Statement, as with the SIP, applies to both the defined benefit (DB) and defined contribution (DC) parts of USS. USS also has a supplementary Statement of Investment Principles (Default SIP) specifically for the USS Default Lifestyle Option in the Investment Builder (the DC part) (see uss.co.uk/how-we-invest/our-principles-and-approach).

The purpose of this Statement is to:

- Describe any formal review of the SIP and the Default SIP undertaken during the year.
- Outline how key activities and decisions have followed the SIP and the Default SIP and, where they have not, what steps will be taken to remedy this.
- Detail how, and the extent to which, in the opinion of the Trustee, the policies in relation to voting rights and our engagement activities have been followed.
- Describe the voting behaviour carried out by investment managers on the Trustee's behalf, over the year.

1 To keep things simple, we have used USS as a catch-all reference for different parts of the USS Group. So, depending on where it appears, USS 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.

The Statement has been included in the Scheme's Report and Accounts and made public online. It should be read in conjunction with the SIP.

The Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the associated guidance published by The Pensions Regulator. It also has regard to the guidance on "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement", issued by the Department for Work and Pensions in June 2022.

1.2 Review of the SIP and Default SIP

Following the completion of the 2023 valuation, USS reviewed and considered amendments to its SIP in March 2024. USS consulted on proposed amendments to the SIP with its participating employers during April 2024, and, having completed a legal review, finalised an updated SIP on 21 May 2024. The Default SIP, which did not require consultation on proposed amendments, was updated and finalised on 19 March 2026. The Default SIP was updated to reflect the recent guidance regarding policies about investment in illiquid assets in the default statement of investment policy.

1.3 USS's governance structure

Further details of USS's governance structure, including the Terms of Reference for the Trustee Board and the Investment Committee can be found within the USS Group Governance Framework at uss.co.uk/about-us/how-were-governed. The allocation of responsibilities between the Trustee Board and its committees is clearly set out in their Terms of Reference. These Terms of Reference are reviewed at least annually, and updated to reflect any changes in regulations, best practice guidance and/or working practices.

The SIP is required to include USS's policy for arrangements with asset managers, and this includes USS Investment Management Limited (USSIM). USSIM is a subsidiary of Universities Superannuation Scheme Limited. It's the principal investment manager and adviser to the Scheme, looking after the investment and management of the Scheme's assets. USSIM is required to act in accordance with the SIP in performing its duties. USSIM manages assets directly on behalf of the Trustee as well as having the delegated authority to appoint, monitor and change external asset managers.

2. How the SIP has been followed during the year

Following review and analysis, USS believes that the SIP, Default SIP and the USS Stewardship and Voting Policy have been followed during the Scheme year April 2025 – March 2026. This Statement explains how USS has reached this view.

2.1 The kinds of investments to be held by the Scheme and the balance between different kinds of investments – and the expected return on investments

The SIP and Default SIP set out USS's investment objectives and USS's policy in relation to the type and balance of investments held and the expected return on investments.

The Retirement Income Builder – the DB part

For the DB part, USS's broad investment strategy is set out as a theoretical, but investible, asset allocation across three key components: growth assets, credit assets and liability matching assets. Liability hedging is expressed through interest rate and inflation hedge ratios. Growth assets may include assets such as public and private equities; credit may include assets such as corporate and emerging market bonds; and liability hedging may include liability driven investments (LDI) and assets such as government bonds and US Treasury Inflation-Protected Securities (US TIPS). This theoretical asset allocation is the Valuation Investment Strategy (VIS); a high-level theoretical investment strategy for the DB part of the Scheme developed for the most recent actuarial valuation. The VIS is reviewed at least annually and periodically adjusted to retain consistency with the Trustee's Integrated Risk Management Framework (IRMF), the risk appetite of the Trustee and its investment beliefs.

Implementation statement – 2026
Continued

The sub-composition of the VIS was updated in January 2026, following the annual review of the VIS. Details about the VIS, its updated sub-composition, and the stakeholder engagement process carried out for the last valuation are available on the USS website: **uss.co.uk/for-employers/investment-related-documents-and-briefings**.

The Implemented Portfolio corresponds to the actual investments held in the DB part and is therefore more granular than the VIS. As described in the SIP, the Implemented Portfolio can differ from the VIS as USS identifies opportunities to have the potential to add value and improve risk-adjusted returns in its implementation of the strategy. The Implemented Portfolio invests in a range of asset classes, including public equity, government and non-government debt (including inflation-linked), currencies, money market instruments, commodities, derivatives or other financial instruments, as well as alternative strategies and private market assets including private equity and private debt, infrastructure and property. Investment is undertaken either directly, indirectly (for example, via funds), in physical assets or using derivatives (where required for efficient portfolio management).

To manage asset-liability risk, USS has taken on additional exposure to liability-hedging assets. This exposure is made possible by the prudent use of leverage, risk controls around the use of cash and collateral, as well as monitoring counterparty risk.

The Investment Builder – the DC part

In the DC part, members have the option to manage their own investments (the 'Let Me Do It' option) or have their investments managed for them (the 'Do It For Me' option). USS regularly reviews its DC investment options against member requirements and makes enhancements as required.

The USS Default Lifestyle Option (part of the 'Do It For Me' option) manages investment risks as members approach their Target Retirement Age by investing in four underlying funds: USS Growth Fund, USS Moderate Growth Fund, USS Cautious Growth Fund and USS Liquidity Fund. The investment objectives for these funds are set by USS to reflect member requirements and are collectively designed to deliver long-term returns above inflation, while providing some protection against market drawdowns in the years before retirement.

Although USSIM has discretion to invest in a wide range of assets, in practice the type of assets held depends on the objectives and strategy of each DC fund. Investment is undertaken either directly or indirectly (for example, via funds), in physical assets or using derivatives (where required for efficient portfolio and currency management).

Expected return on assets

The SIP covers USS's policy in relation to the expected return on assets. The expected return of the VIS is included on the investment balanced scorecard (described in the next section) and is typically updated at each actuarial valuation. The expected return of the growth assets in the VIS is also included in the investment balanced scorecard, applicable each calendar year. The achieved investment returns are monitored regularly by the Investment Committee through reporting provided by USSIM. To ensure the DB Implemented Portfolio and DC funds remain appropriate (and are expected to deliver the appropriate long-term returns at the desired level of risk), USS monitors changes to asset class expected returns, the DB Implemented Portfolio and DC funds' expected returns regularly.

2.2 Risks – including the ways these are measured and managed

The SIP and the Default SIP cover USS's policy in relation to risks, including the ways in which risks are to be measured and managed. USS believes that risk is best understood and managed using multiple approaches and has a structure in place to monitor the risks relevant to both the DB and DC parts. USS will take action to mitigate risk when appropriate. The key investment risks are managed through a range of thresholds and limits as detailed in the Investment Management and Advisory Agreement (IMAA) and corresponding DB and DC Instruction Letters.

The SIP recognises USS's exposure to investment, Responsible Investment (RI), funding, and operational risks. USS integrates the management of those risks throughout its organisation consistently with the IRMF. USSIM considers these risks when advising on investment policy, strategic asset allocation and portfolio management, and manager and fund selection when applicable.

USSIM provides regular quantitative and qualitative assessments of investment-related risks and implements appropriate mitigation strategies within its delegated mandate. USS's overall investment risk is diversified across a range of different investment opportunities.

USS's Investment Framework for the DB and DC parts takes a holistic approach to both risk management and the assessment of USSIM's investment management performance. For risk management, USSIM uses a range of risk metrics across investment, liquidity, concentration and RI risks. For the assessment of USSIM's investment management performance, the Investment Committee uses a range of objectives on comprehensive investment balanced scorecards (as shown in Section 5). The scorecards include separate categories for investment return, investment risk, active management, portfolio resilience, RI, and investment advice and support.

USS reviews the definition of the risks, and the Trustee's disposition to those risks throughout the year and more formally on an annual basis, when USSIM advises the Trustee on the suitability of its dispositions, the risk metrics, thresholds, and limits in the Investment Framework.

USS is satisfied with the operation of its risk management and measurement processes. Further details on the elements relevant to the DB and DC parts are provided on page 107.

Implementation statement – 2026
Continued

The Retirement Income Builder – the DB part
USS's funding risks are monitored and managed by the Trustee's Funding Strategy team, in accordance with the Trustee risk appetite, with advice from the Scheme Actuary. The key funding risks include sector reliance and affordability of contribution rates, which are monitored in the Trustee's IRMF. USS's operational risks are managed throughout the organisation by individual teams.

Investment-related risks are assessed and monitored within the Investment Framework:

- USS assesses and manages the integration of investment-related risks, particularly as they relate to strategic asset allocation and investment strategy.
- The key risks include liability (including inflation and interest rate risk), market (including equity and credit risk), currency, liquidity, collateral, concentration, RI (including climate transition risk, physical risk and integration) and operational risk.
- USSIM oversees the Scheme's liquidity and collateral risks to ensure there is a sufficiently low probability of USS not being able to meet its payment obligations or of USSIM being forced to sell assets for liquidity and/or collateral purposes. Investments in illiquid assets are also subject to an upper limit and are periodically reviewed by USS.
- An appropriate allocation to foreign currency is made on the basis of risk/return considerations and, where appropriate, a proportion of the foreign currency exposure (arising from investments denominated in a non-GBP currency) is hedged back to sterling.

USS also assesses the returns of the Scheme's investments relative to a range of index-based comparators (including the VIS).

The SIP covers USS's policy in relation to the realisation of investments. USSIM ensures that the Scheme maintains sufficient cash and other liquid instruments to pay benefits and other commitments as they fall due. These processes are overseen by an internal USSIM committee.

The Investment Builder – the DC part
In setting and reviewing the DC investment strategy, USS assesses the key investment-related risks. These risks include inflation and interest rate risk, market (including equity and credit risk), currency, liquidity, concentration, RI (including climate transition risk, physical risk and integration) and operational risk. USS also assesses the impact of market movements in the period prior to retirement and returns on investments relative to the investment objectives. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members and within the Investment Framework.

USS reports periodically on the return of the DC funds relative to their targets and reviews its policies on managing currency risk and liquidity on an annual basis. USS also reviews performance versus objectives and peers on a regular basis.

The funds made available to members are daily dealing notional funds. USS has put in place several measures to ensure that the introduction of illiquid assets (including private market assets) will not affect a member's ability to switch or access their DC savings, unless in extreme market circumstances.

3 Stewardship, engagement and responsible investment

3.1 Introduction
The SIP provides an overview of the Trustee's RI approach, including how it is informed by USS's position as a Universal Owner. Universal Ownership refers to the concept that highly diversified, long-term investors such as USS by virtue of their large size, are broadly representative of global capital markets.

USS's RI Policy is approved by the Trustee Board and was last reviewed in September 2025. The RI Policy sets out USS's investment beliefs and ambitions relating to RI and its commitment to the principles (including relevant legal principles) which will guide its implementation of those investment beliefs.

The Trustee agrees the RI strategy including the RI priorities (climate, nature, people and governance) and receives reports from USSIM on a regular basis to ensure that the strategy is being implemented effectively. USS's RI-related policies[2] have been reviewed regularly and updated as required. The Trustee believes USS's RI-related policies and procedures, and how they translate into stewardship activities, have been followed during the year.

USS sees stewardship as the responsible allocation, management and oversight of capital, to allow USS to protect and enhance long-term value for the Scheme. This may contribute to capital market efficiency, integrity and resilience, including long-term economic growth and extends beyond the traditional consideration of environmental, social and governance factors. Part of USS's role in promoting the proper functioning of markets includes actively engaging with policymakers, standard setters and regulators in markets in which USS invests as well as with our asset owner peers.

Further information on USS's stewardship activity can be found in our Stewardship Report and at uss.co.uk/how-we-invest/ responsible-investment.

3.2 Oversight and monitoring of investment managers
USS expects its investment managers to undertake appropriate monitoring and oversight of investments they make on its behalf. This oversight is to enable the identification of issues and to facilitate early engagement with the boards, management and other stakeholders of investments as well as wider stakeholders. USS oversees USSIM's policies and practices on RI, with a focus on stewardship and the integration of RI factors into investment processes. This includes how USSIM, in turn, monitors internal and external managers.

USS has processes in place to assess and monitor how its managers are addressing RI considerations in the selection and retention of assets. This applies to managers of both public market and private market funds, and managers within the DB and DC parts. The managers confirm that they will reflect RI considerations in portfolio management where relevant, in accordance with the USS policy.

USSIM's assessment of managers' RI capabilities and processes is integrated into the manager selection and monitoring framework. Standard processes are in place for due diligence and monitoring for public and private markets but are adapted to suit the asset class and investment strategy for each fund under review. The due diligence establishes a baseline view which then informs USSIM's ongoing monitoring programme.

2 By RI-related policies we mean the following items: the RI Policy, USS Stewardship and Voting Policy, the USSIM Scheme-wide investment exclusion policy and the Investment Builder (DC) Ethical Guidelines.

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4 Voting behaviour and vote disclosure

4.1 Introduction

Voting is central to effective stewardship. Where we do not directly manage the companies we invest in, voting provides essential checks and balances on management behaviour and company performance to help secure the value of our investments over time.

USS believes that there have not been any material divergences from its voting policies during the Scheme year.

4.2 Voting approach

USS expects USSIM and its external managers, where appropriate, to use their voting rights as part of their engagement work, in a prioritised and informed manner, consistent with the Trustee's RI strategy.

In February 2026, the Trustee agreed a set of Voting Principles to steer the approach and ensure voting decisions and behaviours are aligned with the best long-term financial interests of members.

Over the year to 31 March 2026, USS aimed to vote on all publicly listed assets where it has discretion and does so by complying with the Stewardship and Voting Policy. The Investment Committee receives voting updates from USSIM and provides appropriate challenge and feedback. USS recognise there can be limitations to the efficacy of voting in isolation and, where relevant, our vote decisions are supported by engagement and ongoing dialogue with companies.

The Stewardship and Voting Policy was updated in March 2026. The Policy confirms USS's commitment to implement stewardship, engagement and voting activities consistent with applicable law and regulation and with USS's broader approach to RI. This included the Trustee agreeing a new set of Voting Principles to steer the approach and ensure voting decisions and behaviours are aligned with the best long-term financial interests of members.

USS uses a third-party proxy voting platform to support vote execution and provide voting research. Further information (including the Voting Principles and Stewardship and Voting Policy) can be found at the website: **uss.co.uk/how-we-invest/responsible-investment/how-we-vote**

4.3 Delegation of voting rights and oversight of asset managers

For the DB part, USS's internally managed equities (circa £8.3bn) and main externally managed equity mandate (circa £7.7bn) are executed by USS and subject to the USS Stewardship and Voting Policy. For the DC part, USS's largest externally managed equity mandate (circa £1.7bn), its externally managed ethical equity mandates (circa £0.2bn), and the internally managed emerging market equity mandate (circa £0.2bn) are also subject to the USS Stewardship and Voting Policy. The remaining equity holdings for the DC part are externally managed in pooled funds. For one of these funds, a UK equity index fund, voting is undertaken in line with the USS Stewardship and Voting Policy (circa £0.05bn). For the other holdings, votes are cast in accordance with the external manager's policy (circa £0.1bn).

USSIM monitors the voting and stewardship practices of its external equity managers as part of the external manager oversight and monitoring process. As part of USSIM's monitoring and engagement programme with external managers, USSIM engages managers to encourage greater alignment with international best practice and/or the USS Stewardship and Voting Policy, where appropriate.

4.4 Transparency and disclosure

Where USSIM has discretion over the exercise of voting rights, USS publicly discloses voting decisions on its website at **uss.co.uk/how-we-invest/responsible-investment/how-we-vote**.

USS monitors and reviews voting decisions through the Investment Committee and the Trustee Board. Regular proxy voting activity reports are also included in the standard quarterly reporting suite from our external equity managers and are typically covered in the manager's annual RI/stewardship publications.

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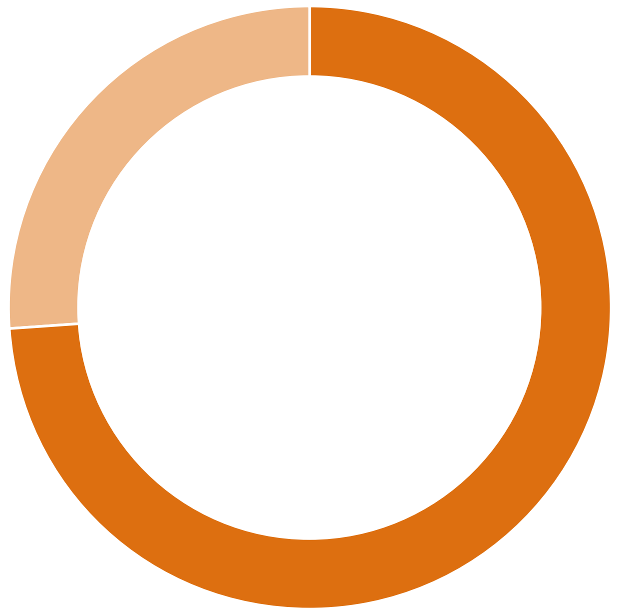
4.5 Scheme voting statistics

The statistics below cover those holdings in mandates where USSIM has discretion to vote (together representing over 99% of the Scheme's equity holdings):

	Voting statistics response	
	April 2024 – March 2025	April 2025 – March 2026
How many meetings was USS eligible to vote at?	1,960	2,204
How many resolutions was USS eligible to vote on?	28,301	29,586
What percentage of resolutions did we vote on for which USS was eligible?	99.6%	99.4%
Of the resolutions on which USS voted, what percentage did we vote with management?	65.0%	73.6%
Of the resolutions on which USS voted, what percentage did we vote against management?	32.2%	26.4%
What percentage of resolutions, for which USS was eligible to vote, did we abstain from?	2.8%	0.3%
In what percentage of meetings, for which USS was eligible to attend, did we vote at least once against management?	81.8%	72.7%

We aim to vote on all resolutions, abstaining only in exceptional circumstances. Our approach starts from a position of supporting management unless there are good reasons not to.

USS global votes
April 2025 to March 2026



With management	**74%**
Against management	**26%**

During the year, the three most common categories of resolutions where we voted against the recommendations of management were:

1. Director elections
2. Remuneration
3. Audit and Reporting

Votes on resolutions relating to director elections can be used to express a wide variety of matters, whilst those on audit and reporting and remuneration typically relate to specific concerns. For example, we may vote against a director election when we have material concerns with a board's approach to managing systemic risks, such as climate change.

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4.6 Most significant votes – examples from 1 April 2025 – 31 March 2026

Details of significant votes cast on behalf of the Trustee are detailed below.

The Scheme's most significant votes are determined using a set of criteria based on those of Pensions UK for best practice.

These criteria include:

- alignment with our RI priorities (climate, nature, people and governance)
- being material to USS's position as a Universal Owner
- the company in question having previous, current or expected engagement

Climate

Company and date of EGM	Macquarie Group Limited 24/07/2025
Summary of resolution	Shareholder Resolution 5b: Approve the Climate Risk Exposure and Management Disclosures
Size of holding at date of vote (% Scheme assets)	0.01
Type of holding	Passive, externally managed
Vote	FOR (management recommendation was AGAINST)
Rationale for vote	We agreed with the shareholder's view that the company's fossil fuel financing policies lagged domestic and international peers. We noted that Macquarie has withdrawn from the Net Zero Banking Alliance, did not appear to have a robust policy on fossil fuel financing and had not disclosed any requirements for fossil fuel clients to have climate transition plans (CTPs). We believe this exposed the company and its shareholders to increasing climate-related financial risks. As such, we supported this shareholder resolution and voted FOR which was against the recommendations of the company's board.
Vote outcome	While the resolution was defeated, 35.2% of votes were instructed FOR.
Implications of the outcome	35.2% of votes supporting the shareholder resolution is considered significant and demonstrates that the company has an opportunity to better manage its risks relating to its exposure to climate matters. We will continue to exercise our voting rights in an effort to influence for improvements
Criteria selected for this vote to be significant and link to the USS RI priorities	This vote was assessed as significant owing to it aligning with our climate priority, which, in turn, supported our position as a Universal Owner. We also recognised that a significant number of shareholders voted FOR the proposal.

Company and date of AGM	ANZ Group Holdings Limited 18/12/2025
Summary of resolution	Shareholder Resolution 9: Approve Customer Transition Approach and Climate Commitments
Size of holding at date of vote (% Scheme assets)	0.01
Type of holding	Passive, externally managed
Vote	FOR (management recommendation was AGAINST)
Rationale for vote	ANZ is one of Australia's biggest funders of fossil fuels. We believed that this undermines the bank's commitments to the climate goals of the Paris Agreement and net zero emissions by 2050. The shareholder resolution highlighted that ANZ's current disclosures relating to its Climate Transition Plan (CTP) expectations are the weakest of Australia's big four banks. This exposes the bank to heightened financial, legal, regulatory and reputational risks. These concerns led us to support the shareholder resolution and vote FOR, which the bank's board recommended voting against.
Vote outcome	While the resolution was defeated, 18.6% of votes were instructed FOR.
Implications of the outcome	The voting outcome shows that management has strong support from its shareholders. However, we continue to consider this issue to be material for the company and will utilise our future voting rights to recognise formally our concern to the company.
Criteria selected for this vote to be significant and link to the USS RI priorities	This shareholder resolution sought to address the issue of climate transition and fossil fuel financing, which aligns with our long-standing priority to consider climate financial risks and opportunities.

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Nature

Company and date of AGM	The Home Depot 22/05/2025
Summary of resolution	Shareholder Resolution 5: Disclose a Biodiversity Impact and Dependency Assessment Shareholder Resolution 6: Report on Efforts to Reduce Plastic Use
Size of holding at date of vote (% Scheme assets)	0.2
Type of holding	Active internally managed, and passive externally managed
Vote	Resolution 5: AGAINST (management recommendation was AGAINST) Resolution 6: AGAINST (management recommendation was AGAINST)
Rationale for vote	We consider nature-related issues, including ecosystem dependency and impacts on biodiversity via deforestation or plastic pollution, to have potential financial materiality for the company. We recognised the significance of the concerns raised by the shareholders but felt it most effective to engage with the company. Additionally, as part of our integrated approach to RI, our shareholding in the company is an active investment and therefore one where we can prioritise the subject matter of this resolution for proactive engagement with potential future escalation through our voting rights. We have provided meaningful feedback and supporting rationale on specific areas for improvement, via a letter to the company. We will continue to monitor the company's progress and will take voting action in the future should we believe this is warranted.
Vote outcome	Resolution 5: The resolution was defeated with 83.4% of votes instructed AGAINST. Resolution 6: The resolution was defeated with 83.0% of votes instructed AGAINST.
Implications of the outcome	The vote outcome reinforces the position that shareholders did not seek to hold management to account publicly on this issue. However, we consider plastic waste and related sustainability matters to have potential financial materiality for the company. We will continue our engagement with the company to encourage improvements and monitor improvements.
Criteria selected for this vote to be significant and link to the USS RI priorities	This vote was assessed as significant owing to it aligning with our nature priority.

Company and date of AGM	Yum! Brands, Inc. 15/05/2025
Summary of resolution	Shareholder Resolution 5: Comply with World Health Organization Guidelines on Antimicrobial Use Throughout Supply Chains
Size of holding at date of vote (% Scheme assets)	0.2
Type of holding	Active internally managed, and passive externally managed
Vote	FOR (management recommendation was AGAINST)
Rationale for vote	Yum! Brands is one of the world's largest meat buyers owing to its operation of +60k restaurants. We believed that the company's approach to managing the issue surrounding anti-microbial resistance (AMR) is material to the company. We also felt that the company's reported management of AMR has significant influence on its peers' approaches. While we recognised that the company had taken measures to reduce the risk of AMR in some of its animal protein supply chains, we believe compliance with World Health Organization guidelines on antimicrobial use in food-producing animals is in the best interests of shareholders, and that the company could enhance its policies to further address this material risk. As a result, we did not support the recommendations of management and voted FOR this shareholder resolution similar to last year.
Vote outcome	While the resolution was defeated, 12.5% of votes were instructed FOR.
Implications of the outcome	The vote outcome suggests that the company's shareholders are not overly concerned with its approach to AMR. We retain our concern that inadequate management of AMR could have direct and material impact on the financial prospects of the company. We will continue to monitor the measures the company takes to address AMR and will exercise our voting rights accordingly.
Criteria selected for this vote to be significant and link to the USS RI priorities	The subject of the resolution was considered to have potential long-term financial materiality to the company, and one where Yum! Brands should be leading its peers.

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Nature continued

Company and date of AGM	ANZ Group Holdings Limited 18/12/2025
Summary of resolution	Shareholder Resolution 7: Approve Disclosure of Financed Deforestation
Size of holding at date of vote (% Scheme assets)	0.01
Type of holding	Passive, externally managed
Vote	FOR (management recommendation was AGAINST)
Rationale for vote	We supported this shareholder resolution that requested the company assess and disclose the bank's exposure to deforestation. It was understood that ANZ (inclusive of Suncorp) had the second highest exposure of its peers to financed deforestation. We believed this exposed the bank to regulatory risks, which shareholders were not able to determine owing to the bank's lack of disclosed information. The lack of information also heightened concerns surrounding the effectiveness of the bank's management of this risk.
Vote outcome	While the resolution was defeated, 22.7% of votes were instructed FOR.
Implications of the outcome	We expect the board to address some of the key areas recommended by this shareholder proposal given that nearly a quarter of votes supported this resolution.
Criteria selected for this vote to be significant and link to the USS RI priorities	Climate change and nature degradation share common drivers and reinforcing impacts. Deforestation is the largest driver of biodiversity loss and a major driver of GHG emissions, with land-use change, one of the five impact drivers, the leading cause. The underlying issue of deforestation that was addressed by this shareholder resolution sits under our Nature priority, which we consider relevant both from our position as a Universal Owner as well as being financially material to the company.

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People

Company and date of AGM	Alphabet, Inc. 06/06/2025
Summary of resolution	Shareholder Resolution 12: Publish a Human Rights Impact Assessment of AI Driven Targeted Advertising
Size of holding at date of vote (% Scheme assets)	0.2
Type of holding	Passive, externally managed
Vote	FOR (management recommendation was AGAINST)
Rationale for vote	We appreciated that Alphabet had disclosed its policies and oversight frameworks that sought to manage and monitor AI-related risks. At the time of the vote, the company had reached a USD1.4bn settlement with the State of Texas relating to the company's tracking and collection of users' data. Due to increasing AI-related risks and heightened regulatory scrutiny, we believe shareholders would benefit from enhanced disclosure. Therefore, we considered that the substance of this resolution merited our support given the then recent and related issue faced by the company.
Vote outcome	While the resolution was defeated, 14.3% of votes were instructed FOR.
Implications of the outcome	This outcome reinforces that management retains strong support on its already disclosed policies. However, we continue to consider this issue to be material for Alphabet and will monitor company disclosure on management of AI-related risks.
Criteria selected for this vote to be significant and link to the USS RI priorities	This vote was assessed as significant owing to it aligning with our people priority. We also deemed the underlying issue of the shareholder resolution to be material to the company's long-term success.

Company and date of AGM	Microsoft Corporation 05/12/2025
Summary of resolution	Shareholder Resolution 8: Report on Risks of Operating in Countries with Significant Human Rights Concerns
Size of holding at date of vote (% Scheme assets)	0.8
Type of holding	Active internally managed, and passive externally managed
Vote	FOR (management recommendation was AGAINST)
Rationale for vote	We believed that this shareholder resolution merited support owing to our belief that the requested information would be beneficial to investors. The resolution highlighted that Microsoft faces heightened human rights risks as it continues its significant build-out of data centres, globally.
Vote outcome	While the resolution was defeated, 27.5% of votes were instructed FOR.
Implications of the outcome	While the voting outcome demonstrates that the company retains strong support, the level of dissent of management's recommendation highlights that this is an issue that the company should be managing better. We will continue to monitor the company's progress to ensure we are exercising our voting rights consistently and cease to support similar resolutions if the company in fact does take steps towards bridging this gap.
Criteria selected for this vote to be significant and link to the USS RI priorities	This vote was assessed as significant owing to it aligning with our people priority and the company's increasing exposure to this theme. Microsoft is also an active investment position, where greater clarity on material risks can enhance our understanding of our investment thesis.

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Governance

Company and date of AGM	Tesla, Inc. 06/11/2025
Summary of resolution	Resolution 4: Approve Issuance of Common Stock to Elon Musk Pursuant to CEO Performance Award
Size of holding at date of vote (% Scheme assets)	0.2
Type of holding	Passive, externally managed
Vote	AGAINST (management recommendation was FOR)
Rationale for vote	While we recognised that the proposed remuneration scheme supported shareholders' understanding of the CEO's motivations, provided clarity on specific safeguards that prevent manipulation of the Scheme's intentions, and defined succinctly the targets that the CEO aspires to and is responsible for delivering; our concern was largely centred around the consideration that the proposed shareholder value transfer would be excessive at 12% of the company's issued shares. We also recognised that while some tranches of the proposed award are linked to stretching targets, the remuneration scheme would provide substantial reward for meeting a routine expectation of the CEO (an approved CEO succession plan). On balance, the concerns were considered sufficient to merit voting against the CEO's proposed remuneration plan.
Vote outcome	While the resolution was passed, 23.0% of votes were instructed AGAINST.
Implications of the outcome	The vote outcome is considered significant given that more than 20% of votes were cast against the proposal. This includes the votes directly controlled by the CEO. Excluding the CEO's votes, those voting against was around 30%.
Criteria selected for this vote to be significant and link to the USS RI priorities	This vote was assessed as significant owing to it aligning with our governance priority. It also sets a precedent in terms of accepted shareholder dilution from remuneration arrangements, and highlights the concentration of influence from one individual, which is not perceived as a good governance practice.

Company and date of AGM	UnitedHealth Group Incorporated 02/06/2025
Summary of resolution	Resolution 2: Advisory Vote to Ratify Named Executive Officers' Remuneration
Size of holding at date of vote (% Scheme assets)	0.1
Type of holding	Active internally managed (exited active position February 2026), and passive externally managed
Vote	FOR (management recommendation was FOR)
Rationale for vote	We had reservations with the company's executive pay structure. Our concern centred on the award of a significant number of shares that were not subject to the achievement of pre-determined performance conditions. Generally, we do not support these pay structures as we believe they do not support a performance-based culture where individuals and shareholders' interests are aligned. However, in this instance, we recognised the challenging period in which the company was operating that was beyond its control and the need for stability within the senior management team. Owing to exceptional circumstances and our understanding of the company, we voted in favour of the executive remuneration and wrote to the company expressing our concerns and rationale for support.
Vote outcome	The resolution was passed with 60.0% of votes instructed FOR.
Implications of the outcome	The 40% vote against highlights significant shareholder concern, which will likely result in the company conducting a shareholder outreach. We will seek to encourage the company to address shareholder concerns in order to avoid further dissent in future years.
Criteria selected for this vote to be significant and link to the USS RI priorities	This vote was assessed as significant owing to it aligning with our governance priority. Additionally, it related to an active investment position where we exercised judgement based on our understanding of the unique circumstances facing the company.

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5 Investment governance

The Trustee believes USS's policies in relation to the arrangement with USSIM and the asset managers have been materially followed during the year.

5.1 Relationship with USSIM

USS Investment Management Limited (USSIM) is a subsidiary of Universities Superannuation Scheme Limited. It is the principal investment manager and adviser to the Scheme, looking after the investment and management of the Scheme's assets. USS has various methods for overseeing USSIM and it is the Investment Committee that is responsible for overseeing the delivery of these services. USSIM also provides regular reporting to the Investment Committee on its performance.

In addition to the oversight provided by the Investment Committee, USSIM's remuneration structures and risk and control environment are overseen through the Trustee's Remuneration Committee and Group Audit and Risk Committee respectively.

Investment advice

USS must obtain written investment advice before exercising its power of investment under the Scheme Rules. These requirements are included in the IMAA with USSIM as the principal investment manager and adviser to the Trustee. USS may also engage external advisers and other specialist advisers as it considers appropriate. Any investment advice required by USS is provided in accordance with legislation and primarily to the Investment Committee.

Alignment of interests

The SIP covers USS's policy on how the arrangements with USSIM incentivise USSIM to make decisions in the long-term interests of USS and its members.

USSIM is a non-profit entity, which is wholly owned by USS. The duration of USSIM's appointment is indefinite. It is intended that USSIM will continue to manage investments and external managers on behalf of USS on a continuous basis.

USS is satisfied that its arrangements incentivise USSIM to:

- Act in the best interests of USS, its members and employers
- Align its investment strategy and decisions with USS's policies, including whether to manage certain investments itself or to appoint external managers
- Make decisions based on assessments of the medium- to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their, and thereby USS's, investment performance in the medium- to long-term

USS has reached this conclusion on the basis that USSIM does not provide services to other clients and has no conflicting arrangements in place. USS does not have any fee arrangements in place with USSIM which would incentivise it to deviate from USS's policies.

USS undertakes a full value-for-money assessment of both the DB and DC parts of the Scheme annually, including a review of investing internally via our in-house investment manager (USSIM) versus peer pension schemes' investment arrangements and using benchmarking analysis. In the latest CEM Benchmarking survey (calendar year 2024), our investment management costs as a proportion of Scheme assets remained materially below the peer cost benchmark with USS assessed as being 13 basis points, equivalent to £102m a year, below the median global peer pension fund.

As part of the investment balanced scorecards, USS considers a wide range of metrics to assess the investment management performance of USSIM over time. The investment balanced scorecards help to provide greater transparency between the Trustee and USSIM and align USSIM to the long-term interests of USS. Some of these metrics include USSIM's realised investment returns versus a measure of USS's liabilities, USSIM's active management performance, and an assessment of USSIM's progress in integrating RI factors into its investment decision-making. These metrics are included in the investment balanced scorecards below, which span six important categories. There are separate scorecards for both DB and DC parts. These categories have been designed to align with Trustee objectives and be consistent with the best financial interests of the Scheme's members and employers:

1 Investment return

2 Investment risk

3 Active management

4 Portfolio resilience

5 Responsible investment

6 Advice and support

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USSIM uses a remuneration framework involving both quantitative (i.e. based on investment performance) and qualitative assessments. This framework ensures that USSIM's incentives are aligned to the needs of the Scheme and USS's policies in relation to the selection and balance of investments, the management of risk, return on and realisation of investments, and RI and engagement activities. To encourage alignment and retention of key personnel, this framework includes a base salary, annual incentives and, where applicable, Long-Term Incentive Plans (vesting over multiple years). From January 2023, every USSIM employee (with two years or more service) has an element of their annual bonus linked to overall long-term Scheme performance (using the investment balanced scorecard above).

USSIM is thereby incentivised by and aligned with the medium- to long-term performance of the Scheme (including through making decisions informed by both financial and non-financial considerations, on issuers of debt and equity in which USS invests and engaging with such issuers to improve their performance).

As part of the Investment Committee's assessment of USSIM's investment performance, the Investment Committee also considers what it expected USSIM to achieve over the year. The investment balanced scorecards are reviewed formally on an annual basis to ensure they remain fit-for-purpose and aligned to the objectives of the Trustee.

The Trustee is satisfied that USSIM is aligned with its policies because of the relationship between the Trustee and USSIM, and the non-profit arrangements in place.

5.2 Role of the Investment Committee

The purpose of the Investment Committee is to oversee the investment of USS's assets. It will, based primarily on investment advice from USSIM, make strategic recommendations to the Trustee Board. Where authority has been delegated to the Investment Committee, it will approve on USS's behalf strategic matters relating to the investment of the assets and development of the investment strategy, having regard to any legislative and regulatory requirements. All day-to-day investment decision-making is made by USSIM, within the limits approved by the Trustee Board.

The Investment Committee meets regularly to review investment strategy proposals and to receive regular reporting from USSIM on its ongoing investment management activities. Regular reviews of the existing investment strategy, including the overall and individual mandate investment performance, are also completed.

The Investment Committee is responsible for overseeing the delivery of services provided by USSIM under the Investment Management and Advisory Agreement (IMAA). As part of this oversight, the Investment Committee reviews USSIM's business plan, budget and other investment costs prior to final approval by the Trustee Board. It includes consideration of the strategic projects that USS has asked USSIM to complete, as well as comparing USSIM's investment management costs to peers. The Investment Committee receives an annual attestation from USSIM confirming compliance with the responsibilities and guidelines given to it by the Trustee under the IMAA.

The activities, decisions made, and recommendations of the Investment Committee are reported to the Trustee Board after each meeting. The Investment Committee also reviews the provision of investment advice from USSIM on an annual basis.

5.3 Relationship with external investment advisers

In addition to the advice from USSIM, USS has contracts in place with two external investment advisers. For the year ending 31 March 2026, USS's external investment advisers were Mercer (for DB matters) and Lane Clark & Peacock (for DC matters). Both attend all Investment Committee meetings and provide independent insight and challenge to the committee's consideration of USSIM's investment strategy proposals and on the reporting provided by USSIM. USS may also request formal investment advice from these advisers or other external advisors (in addition to or instead of that from USSIM), as it deems appropriate.

As required under the Occupational Pension Schemes (Scheme Administration) Regulations 1996, trustees of a 'relevant trust scheme' are required to: (1) set objectives for investment consultancy service providers and review their performance against those objectives at least every 12 months; and (2) review, and if appropriate revise, the objectives at least every three years and without delay after any significant change in investment policy. In early 2026, USS carried out a triennial review of the objectives and reviewed the performance of its external investment advisers against their respective objectives.

The Trustee is not required to do this in respect of USSIM as it is a wholly owned subsidiary of the Trustee. However, the Trustee rates the performance of USSIM as its primary investment adviser in the same survey. The main mechanism for rating advisers is set out in the respective Investment Frameworks.

5.4 External manager selection and monitoring

USSIM is the principal investment manager and adviser to the Scheme, looking after the investment and management of the Scheme's assets. As part of this role, USSIM can allocate investment mandates to external managers where it is deemed appropriate.

Any decisions made by USSIM to appoint either internal or external managers and any decisions regarding the preferred investment structure to be used for any mandate are made in the best interests of the members and beneficiaries considering several factors including investment capability, experience and value for money. This applies for both the DB and DC parts.

Manager selection

When appointing a new public markets manager, USSIM sets out mandate requirements which detail the investment and operational requirements for the mandate. These underpin the selection process which will usually consist of a long list of managers that is then filtered based on assessed skill, quality and fit with Scheme requirements.

At the shortlist stage, further due diligence is carried out on the external manager's investment team, process, risk management, RI practices and business structure. Initial fee negotiations will also be undertaken at this stage. During the new manager selection process, USSIM compares fund expenses where relevant and possible. After this work, a final candidate will be proposed for further due diligence including an Operational Due Diligence assessment.

External manager due diligence also considers remuneration, firm culture and incentive structures. As part of the analysis prior to investment, USSIM will consider how the key decision makers are aligned to fund performance, how performance fees (where

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applicable) are shared among the team and how the ownership of the business is shared. A key focus of this review is to ensure that those performing the analysis and responsible for the allocation of USS's capital are well-aligned with USS's long-term investment objectives.

Manager monitoring
Oversight of the external and internal public market mandates is carried out by USSIM. The method and time horizon for evaluating and remunerating external managers is determined by policies set by USSIM. USSIM engages via questionnaires and regular meetings, covering performance, emerging risks and changes to the portfolio and process.

USSIM also undertakes formal in-depth annual reviews of all external public market managers covering changes in the organisation, team, process, portfolio turnover, risk, RI considerations and diversity, equity and inclusion initiatives. USSIM undertakes periodic benchmarking exercises of the external managers' fees and looks to renegotiate accordingly to ensure the fees remain competitive.

Private markets fund investments comply with USS's policy at the time of the investment and oversight is undertaken by USSIM on at least a semi-annual basis.

USSIM has processes in place to assess and monitor how its external managers are addressing financially material considerations in the selection and retention of investments. This assessment takes place before appointment and is monitored on an ongoing basis. This applies to managers of both public market and private market funds, and managers within both the DB and DC parts.

5.5 Fees and transaction costs
There are different types of investment costs and charges, some of which are explicit (for example, an investment management charge) and some of which are implicit (for example, transaction costs).

To provide USS with a full view of the costs and charges, USSIM carried out an exercise to report total investment costs incurred over the calendar year 2025 (for both the DB and DC parts). USSIM appointed an external provider to help with the data collation and benchmarking purposes. Upon conclusion, USS was able to include the costs and charges for the DC funds within the DC Chair's statement as at 31 March 2026. The exercise also covered external portfolios, allowing USS to monitor target portfolio turnover and/or turnover ranges, which it does on an annual basis.

Best execution is overseen by an internal USSIM committee. The committee's responsibilities include oversight and challenge of USSIM and the external managers' Cost and Quality of Execution.

6 Financially material considerations

6.1 Introduction
USS's legal duty in relation to investment strategy is to invest in the best financial interests of members and beneficiaries, with an appropriate level of risk. In carrying out this duty, USS expects its investment managers (USSIM and the external managers appointed by USSIM) to take into account all financially material considerations in the selection, retention and realisation of investments. This includes RI considerations (such as, but not limited to, climate change) where these are considered relevant financial factors. This approach is implemented in three ways:

- Integration into investment decision-making processes: USS requires active managers to seek to identify mispriced assets and make better investment decisions to enhance long-term performance by taking account of financially material considerations. USS believes additional returns are available to investors who take a long-term view and can identify where the market is overlooking or misestimating the role played by these considerations in corporate and asset performance.
- Stewardship, engagement and voting rights: As a long-term investor USS expects its managers to behave as active owners on its behalf and use their influence to promote good practices concerning financially material considerations.
- Market transformation activities: USS and its agents engage with policymakers and regulators in markets in which it invests, and articulate concerns of asset owners and long-term investors, covering areas such as listing rules and climate change policies.

As it is financially material, USS believes that addressing climate change is in the best financial interests of its members and beneficiaries, and as such has set an ambition for its investments to be net zero by 2050 if not before. Further details on the Scheme's carbon footprint and progress towards this target is included in the latest USS TCFD report (see uss.co.uk/how-we-invest/responsible-investment/the-journey-to-net-zero).

USS recognises that risks and opportunities from climate change influence both the companies USS invests in and the asset allocation approach, which in turn affects real-world outcomes in regard to climate change.

USS has processes in place to ensure the investment strategy and management of the assets are in the best financial interests of the members and beneficiaries. These processes are overseen by USSIM and the Investment Committee. USS is satisfied that USSIM is informed about the matters that the investment managers are taking into consideration and that these are aligned with USS's policies, as expressed in the SIP and the Default SIP.

6.2 Investment manager oversight: alignment of interests
The SIP sets out USS's policies in relation to arrangements with internal (USSIM) and external asset managers, which is set out in Section 5 of this Statement.

USS has put in place several processes with its investment managers (internal and external) to ensure alignment of interests with USS's policies and objectives, and a long-term focus. These are considered in the selection, retention, and realisation of investments.

When appointing an investment manager, USS requires managers, including USSIM, to consider these investment policies which cover such things as:

- The kinds of investments to be held.
- The balance between different kinds of investments.
- Financially material considerations to be looked at over the appropriate time horizon of the Scheme, including how those considerations are weighed in the selection, retention and realisation of investments.

Implementation statement – 2026
Continued

USS considers that the following processes create alignment with USS's investment policies:

Setting the investment strategy with a long-term horizon, including the use of private market assets
USS recognises that while underperformance may occur over periods of time, the probability of return-seeking assets outperforming lower-risk investments increases as the investment horizon lengthens, though it does not become a certainty. USS, as a long-term investor, is likely to hold some investments over many years, including the use of private market assets that provide opportunities for additional returns over the long-term.

Investing responsibly and engaging as long-term owners
USS expects its investment managers, including USSIM, to engage as active owners of assets, and to consider all financially material considerations, including material RI factors, in relation to the selection, retention and realisation of investments. Members' interests are further protected from adverse impacts by collaboration with like-minded investors and engagement with Government, policymakers, industry and regulators.

Long-term relationship with USSIM and external managers
USSIM and external managers are appointed as long-term investment managers, in line with the long-term focus and horizon of the Scheme. USS monitors the performance of USSIM over rolling five-year periods and USSIM monitors external managers in the same way.

Using in-house investment management where beneficial to the Scheme and members
USSIM's remuneration approach for in-house investment managers is designed to incentivise the delivery of performance over the long-term and to encourage the retention of key personnel.

6.3 Consideration of non-financial factors
Investing in the best financial interests of members and beneficiaries is USS's legal duty. However, to the extent permitted by its fiduciary duties, there are some circumstances where USS may consider non-financial factors and take account of member views in relation to the selection, retention and realisation of investments. These circumstances may include where:

(i) Taking those non-financial factors into account would not pose a risk of significant financial detriment to the Scheme, for example, where the choice is between two investments which are broadly equivalent from a financial perspective.

(ii) USS has good reason to believe that all members would share each other's concerns about the non-financial factors.

In the Investment Builder (the DC part), where USS is able to offer members an investment choice, alternative options are made available, such as ethical fund options. These are based on member research and allow members to choose investment options that may more closely reflect their own ethical preferences and take account of their own position on the risks of return volatility.

There have been no circumstances over the past 12 months outside of these alternative options where non-financial factors could be taken into account for investment decision making.

6.4 Engagement with the members
USS offers members several ways to provide feedback on investment issues, including via a contact form on the website, post and member surveys. As part of USS's survey engagement, USS invites views from members and beneficiaries on non-financial matters. These include (but are not limited to) RI issues.

Task Force on Climate-related Financial Disclosures (TCFD) Report summary

Introduction

The TCFD framework

The Task Force on Climate-related Financial Disclosures (TCFD) is a framework that includes a series of recommendations for how organisations should disclose information on their climate-related risks and opportunities. The goal of the TCFD framework is to bring transparency and consistency to these disclosures and allow more decision-useful, forward-looking information to be available to investors, shareholders and other stakeholders.

Disclosure requirements

We are required to publish our climate-related financial disclosures under the requirements of the DWP's Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, which is in line with the TCFD recommendations. The regulations require us to explain the governance and actions the Trustee has taken to identify, assess and manage climate-related risks and opportunities. We are also required to undertake scenario analysis, which considers the potential impact of climate change on the Scheme's assets and liabilities, the resilience of the Scheme's investment strategy and the resilience of our funding strategy.

Our reporting approach

Our full 2026 TCFD Report can be found on the USS **website**. It includes our emissions data as at 31 December 2025 and progress against our net zero ambition and interim targets.

No changes have been made to our climate scenario analysis during the reporting year. Our 'No Time To Lose' scenarios continue to provide valuable insight into climate-related risks and opportunities and support effective oversight of investment decision making.

While our climate scenarios remain consistent, we have evolved our approach to broader scenario analysis. We have developed a wider set of overarching scenarios that consider climate alongside other significant drivers, including geopolitics, technological change (such as Artificial Intelligence (AI)), and demographic trends.

We also publish a Stewardship Report – our 2026 Stewardship Report can be found **here**. We define stewardship as the responsible allocation, management and oversight of capital, to allow us to protect and enhance long-term value for the Scheme.

Our Stewardship Report demonstrates:

1. Our active approach to stewardship
2. How we engage with the assets we own to encourage emissions reduction and transition planning
3. How we exercise our shareholder rights through voting to encourage better standards of corporate governance and management of environmental and social issues
4. How we engage with policymakers and regulators to seek to improve how markets operate and address climate-related risk and opportunities in the real world

Other information on our Responsible Investment (RI) approach can also be found on our **website**.

Task Force on Climate-related Financial Disclosures (TCFD) Report summary
Continued

TCFD Report findings

Climate-related risks and opportunities

Our ambition is for our investments to be net zero by 2050, if not before. Our interim targets are to reduce the emissions intensity (Scope 1 and 2) of the non-sovereign assets in our DB portfolio by 25% by 2025, and by 50% by 2030 (relative to a 2019 baseline). As at 31 December 2025, we have achieved our 2025 interim target and we are ahead of our 2030 interim target. We believe our own progress does not reflect a decrease in the Scheme's exposure to climate-related risks as in the real-world greenhouse gas emissions continue to rise.

As a **Universal Owner**, we are exposed to certain market-wide or systemic issues that could impact the investment returns we seek. Climate change is considered a systemic issue because it is inherent to the entire market, rather than to just a particular company, industry or sector.

We recognise that climate change is a global issue and that as a Universal Owner we need to work together with other investors, governments and regulators to seek to influence change. During the reporting year, we published a paper entitled **The Policy Challenges of the Energy Transition** with support from Transition Risk Exeter (Trex). In this paper, we call for collaborative investor action and make the case for stronger action from the UK and other governments to provide clear policy frameworks to support the transition to a low-carbon economy. For further detail on the paper and our engagement please see the Strategy section of the 2026 TCFD Report and our **2026 Stewardship Report**.

Governance

The Trustee Board is responsible for the oversight and management of climate-related risks and opportunities relevant to the Scheme. By formal delegation, it assigns responsibility to USSIM to implement the investment strategy.

USSIM's role includes:

- Allocating investment mandates to external managers
- Advising the Trustee on investment policy and strategy matters (including climate-related risks)
- Managing and monitoring climate-related risks
- Identifying climate-related investment opportunities

For further detail on the approach USSIM takes and how the Trustee Board receives information and training please see the Governance section of the 2026 TCFD Report.

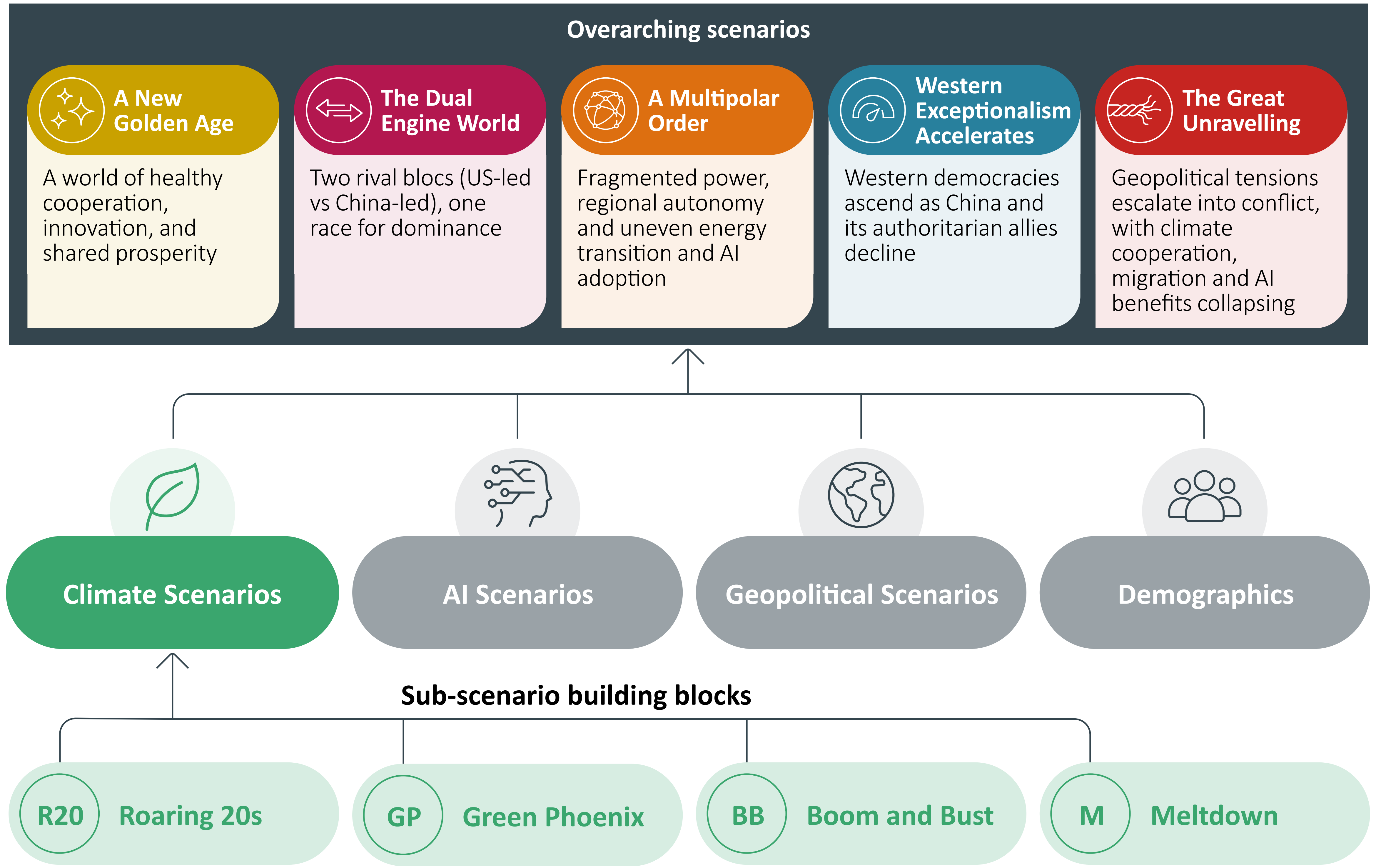
Strategy

In the 2025 TCFD Report, we described our updated approach to climate scenario analysis. No changes have been made during this reporting year. We have, however, evolved our approach to broader scenario analysis, and climate scenario analysis is now embedded within a wider set of overarching scenarios (see right). This reflects our view that future climate outcomes, and their investment implications, will be shaped by the interaction of multiple drivers rather than climate change acting in isolation.

We have maintained our time horizons from last year's report (below) as we believe they continue to reflect realistic economic and financial market behaviours over the short to medium term, while retaining an appropriate long-term perspective.

Time horizon	Current approach
Short term	Less than 5 years
Medium term (primary focus)	5–10 years
Long term	Over 10 years

Our approach continues to be forward looking, applying an enhanced methodology to assess climate-related transition and physical risks and opportunities. Combined with the introduction of our overarching scenarios, which takes a more holistic view of the investment environment, this strengthens our ability to navigate the complexity of climate-related challenges within the investment decision-making process.



Task Force on Climate-related Financial Disclosures (TCFD) Report summary
Continued

Transition risk

We continue to assess transition risk using a global macroeconometric model – E3ME – developed in collaboration with Cambridge Econometrics, within the existing 'No Time To Lose' scenarios framework. The overarching scenario framework reinforces many of the conclusions from climate scenario analysis presented in our 2025 TCFD Report. In particular, the wide dispersion of macroeconomic outcomes (both growth and inflation). This underscores the importance of maintaining a diversified and flexible portfolio, which focuses on resilience and that can adapt to evolving dynamics across many structural drivers including geopolitical developments, technological changes and the energy transition.

Physical risk

We strengthened our approach to physical climate risk during the year. By adopting a multi-provider framework with Trex and ISS STOXX, we are combining scenario-led insights with high resolution, asset level hazard analytics. This provides a better understanding of how acute and chronic climate hazards may affect asset values and portfolio resilience.

Countries	We use relative physical risk indicators, such as hazard exposure, hazard intensity, and measures of adaptive capacity and resilience to estimate projected GDP impacts in order to identify jurisdictions with elevated physical risk exposure. This supports our top-down risk assessment for sovereigns.
Private assets	We are aiming to use individual assets, and geospatial hazard data to highlight potential vulnerabilities. This would enable us to develop an informed view on the top-down physical risk exposure in our private markets portfolio.
Public companies	We are aiming to use the capabilities of our new providers to undertake company-specific physical risk exposure which could also be used for a portfolio-level physical risk assessment.

Please refer to the 2026 TCFD Report for a more detailed explanation of our scenario analysis, including an update on the impact on the DB and DC parts of the Scheme including on assets, liabilities and the funding strategy.

Risk management

The Trustee Board has overall responsibility for the Scheme's risk management, even where this is delegated to USSIM. The Trustee Board is responsible for setting risk appetites and satisfying itself that appropriate systems are in place and the Risk Governance Policy is implemented.

Our Risk Management Framework comprises a set of processes to identify, measure, manage, monitor and report risks. It includes Risk Appetite Statements (RASs) set by the Trustee, along with Key Risk Indicators (KRIs). This allows us to take a top-down approach to identify and prioritise high-level risks, such as RI risk, including climate-related risk. We also take a bottom-up approach where the Group Risk team assesses each business area's operational risk registers. These risk registers incorporate RI risk, including climate-related risk. Through the Risk Management Framework, a specific RAS for climate-related risk has been set by the Trustee Board. It is monitored using KRIs and reported to appropriate governance bodies within USS.

Where RI risk, including climate-related risk, is identified, we take actions to manage the potential impact on our assets. The process of identifying these high-level risks is conducted annually and refreshed as necessary.

Our Investment Framework includes investment-related RASs and KRIs, including those for RI and climate-related risk. This makes clear the parameters within which USSIM is to manage the Scheme's investments. The Investment Framework also includes a holistic assessment of investment performance using an investment balanced scorecard for DB and DC.

Task Force on Climate-related Financial Disclosures (TCFD) Report summary
Continued

During the reporting year, the Trustee Board reviewed and approved minor updates to the scorecards. The RI category of the investment balanced scorecards monitors the Scheme's and USSIM's progress and includes the following up-to-date metrics and KRIs:

- USSIM assessment against the Trustee's RI priorities
- An assessment by the Risk team of how USSIM is delivering on management of climate transition risk and the Trustee's net zero ambition
- An assessment by the Risk team of how USSIM is delivering on managing physical risk
- An assessment by the Risk team of how USSIM is integrating RI factors

Our 2026 TCFD Report describes how we assess the impact that risk (including climate-related risk) has across the employer covenant, investment and potential liabilities.

Metrics and targets

We use the following four metrics for our DB non-sovereign assets to assess and manage climate-related risks and opportunities and to measure progress towards our net zero ambition:

Category	Our chosen metric	Explanation and scopes covered
Absolute emissions	Portfolio emissions (million tCO_2e)	Absolute amount of carbon dioxide and equivalents emitted (Scope 1 and 2) by the investments: million tCO_2e. We currently focus on Scope 1 and 2 and report Scope 3 emissions separately where available. We expect to see this metric reduce substantially over the long term as the Scheme and the global economy decarbonise.
Emissions intensity	tCO_2e per £m invested	The amount of carbon dioxide and equivalents emitted per million pounds of scheme investments: tCO_2e per £m invested. We currently focus on Scope 1 and 2 and report Scope 3 emissions separately where available. We expect to see this metric reduce substantially over the long term as the Scheme and the global economy decarbonise.
Portfolio alignment	Percentage of portfolio emissions from assets aligned with a pathway of well below 2˚C	This assesses the proportion of our assets that are on a decarbonisation trajectory expected to align with a pathway of well below 2˚C. This is based on the warming path as assessed by S&P Trucost modelling. This forward-looking metric shows how assets are transitioning.
Data quality	Estimated reliability of sourced data for proportions of our investments	We group different sources of Scope 1 and 2 emissions data by an estimate of their accuracy. We then report the proportion of our investments for which emissions data was reported or derived from reported information. This metric tracks how well investments are disclosing their carbon exposure and climate transition plans, giving us greater confidence to use this data in our investment decision making. We expect to see the percentage increase in future.

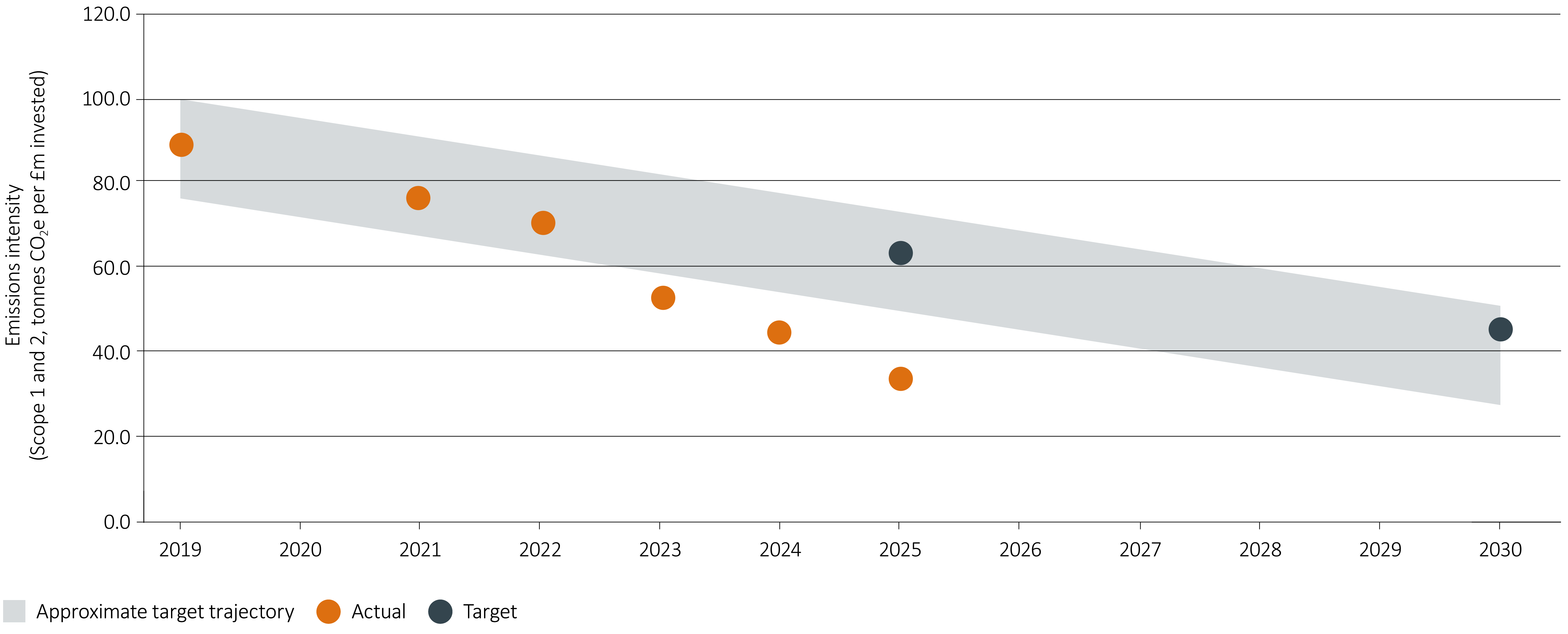
Task Force on Climate-related Financial Disclosures (TCFD) Report summary
Continued

Progress against our net zero ambition and interim targets
Our ambition is for our investments to be net zero by 2050, if not before. Our interim targets are to reduce the emissions intensity (Scope 1 and 2) of the non-sovereign assets in our DB portfolio by 25% by 2025, and by 50% by 2030 (relative to a 2019 baseline). The emissions intensity (Scope 1 and 2) of the non-sovereign assets in our DB portfolio fell from 89.5 tCO_2e per £m invested in 2019 to 33.5 tCO_2e per £m invested in 2025.

Emissions intensity of non-sovereign DB assets compared to 2019

2019 emissions intensity (Scope 1 and 2)	2025 emissions intensity (Scope 1 and 2)	Reduction from 2019 to 2025	Annualised reduction
89.5 tCO_2e per £m invested	33.5 tCO_2e per £m invested	63%	15%

Emissions intensity vs targets



In the context of continuing increases in global emissions, we treat the rapid pace of reduction in emissions from the Scheme's assets with caution. Lower emissions intensity for the portfolio does not reflect the risk from the climate transition, or physical climate risk. Similarly, emissions intensity does not reflect the extent to which the Scheme is capturing opportunities from the transition, or its role in funding the transition. Furthermore, emissions intensity is calculated on a per £m invested (Enterprise Value Including Cash) basis and is therefore sensitive to market moves – rising asset prices will decrease emissions intensity, and similarly a fall in asset prices will increase emissions intensity.

We continue to explore opportunities to complement our existing metrics with additional metrics that capture broader climate-related risks and opportunities.

We have included here a snapshot of our key metrics and data, in particular our performance against our net zero ambition and interim targets. Please refer to the 2026 TCFD Report for a complete view of calculated metrics across both DB and DC together with an explanation of the methodology used.

Glossary

absolute emissions	amount of carbon dioxide (CO_2) and equivalents emitted by USS's investments, expressed in million tonnes of carbon dioxide equivalents (tCO_2e)
actuarial valuation	appraisal of the defined benefit element of the Scheme's assets and liabilities, using investment, economic and demographic assumptions for the model to determine whether, at a certain date, we believe the Scheme will have enough money for us to be able to pay the pensions promised to our members on a timely basis
AI	Artificial Intelligence
basis points	a unit of measurement to describe the percentage change in the value or rate of a financial instrument. One basis point is equal to 1/100th of a per cent or 0.01%
CEM Benchmarking	specialist independent external benchmarking service for pension providers to compare value for money across 150 of the world's top 300 pension funds
climate change	climate change is an urgent issue of global significance. The scientific consensus is that carbon dioxide and other greenhouse gas emissions, caused by human activity, are contributing to changes in the atmosphere that will cause significant changes in global temperatures
CI	Conditional Indexation
colleagues	colleagues of USSL or USSIM
CPI	Consumer Price Index
defined benefit (DB)	an employer-sponsored retirement plan where employee benefits are computed using a formula that considers several factors, such as length of employment and salary history
defined contribution (DC)	a plan in which members and employers contribute a fixed amount or a percentage of pay which is invested and the proceeds used to buy a pension and/or other benefits at retirement
EDI	equity, diversity and inclusion
emissions intensity	the level of greenhouse gas emissions per unit of economic activity. In USS's case, it is the amount of carbon dioxide and equivalents emitted per million pounds of Scheme investments

employers	Higher Education and other institutions who pay contributions to their employees' pensions
ESG	environmental, social and governance
FCA Senior Managers and Certification Regime	relates to regulation, implemented by the Financial Conduct Authority (FCA), to extend regulatory accountability to the senior managers within financial institutions in an effort to curb corruption and enforce an increased culture of compliance in the UK's financial services market
fixed income	an investment approach focused on preservation of capital and income. It typically includes investments like government and corporate bonds and can offer a lower risk steady stream of income
funding ratio	ratio of a pension or annuity provider's assets to its liabilities
greenhouse gases (GHGs)	the six gases listed in the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride. These contribute to the greenhouse effect and climate change
Group	USSL and its wholly-owned subsidiary USSIM
growth assets	investments expected to deliver capital growth and/or variable/dividend income over time
HICPXT	Harmonized Index of Consumer Prices excluding Tobacco, a specific type of inflation index used in the Eurozone, particularly in the context of inflation-linked derivatives and financial instruments
IAP	Institutions Advisory Panel; employer advisory group to USS
implemented portfolio	the actual distribution of the Scheme's assets, across a diversified asset mix, as determined by the investment programme
Investment Builder	the defined contribution element of the Scheme. Members have funds in the USS Investment Builder if they have earnings above the salary threshold (£71,484 for the 2025/26 financial year increasing to £74,208 from 1 April 2026), made additional contributions, or transferred funds into the Scheme
Investment Management and Advisory Agreement (IMAA)	the document which details the terms under which USSL has appointed USSIM to invest the assets of the Scheme and to provide advice to USSL in respect of Scheme investments

Glossary
Continued

investment management cost ratio	a measure of investment management costs relative to the value of the Scheme's assets, expressed in basis points calculated using a basis designed to be consistent with that used by CEM Benchmarking
JNC	Joint Negotiating Committee
leverage	leverage measures the degree to which total investment exposure exceeds the value of Scheme net assets. Leverage is created by repurchase agreements and derivatives, including futures and swaps
liability-matching assets	investments exposed to interest rate and inflation risks and which are expected to hedge those risks within the Scheme's liabilities
lump sum allowances	lump sum allowance and lump sum death benefit allowance
Material Risk Taker (MRT)	an employee whose professional activities have a material impact on the risk profile of the relevant entity or of the assets that they manage on behalf of the Scheme
members	individuals who are members of the Universities Superannuation Scheme who have accrued benefits and/or on whose behalf contributions have been made during their current or previous employment by a Scheme employer
My USS	the online service for managing USS savings and benefits
net zero	net zero refers to a state where greenhouse gases from human activities added to the atmosphere are balanced by their removal from the atmosphere
pari passu	pari passu is a Latin phrase meaning 'equal footing'
pension administration cost per member	a measure of the cost of administering USS pensions per member, calculated using a basis designed to be consistent with that used by CEM Benchmarking
physical risk	risks that relate to the physical impacts of a changing climate, such as the increase in frequency and severity of extreme weather events and temperature effects on productivity
private markets	financial companies involved in private rather than public markets are part of the capital market. They include investment banks, private equity and venture capital firms in contrast to broker-dealers and public exchanges
public markets	refers to securities available on an exchange or an over-the-counter market
Retirement Income Builder	the defined benefit element of the Scheme. Members automatically join the Retirement Income Builder
return-seeking assets	investments comprising growth assets and assets expected to deliver fixed income in excess of cash and gilts
RPI	Retail Price Index
Scope 1 emissions	direct GHG emissions that occur from sources that are controlled or owned by an organisation
Scope 2 emissions	indirect GHG emissions from the generation of purchased energy for example electricity, steam, heat or cooling
Scope 3 emissions	indirect GHG emissions (not included in Scope 2) that occur in the value chain of an organisation, including both upstream and downstream emissions. Scope 3 emissions can include categories such as business travel, waste disposal and use of sold products
systemic risks	risks that are inherent to the entire market, rather than a particular stock or industry sector
TCFD	Task Force on Climate-related Financial Disclosures
the Scheme	Universities Superannuation Scheme
the Trustee	the Trustee or Trustee Company means Universities Superannuation Scheme Limited. It is a corporate trustee which has overall responsibility for management of the Scheme
TPR	The Pensions Regulator
transition risk	the risk associated with the pace and extent to which an organisation reduces its GHG emissions and transitions to a sustainable, low carbon economy
Trustee Board	a board comprised entirely of non-executive directors that provides overall leadership, strategy and oversight of the Scheme, the Trustee Company and USSIM, in co-operation with USSIM's Board of Directors
UCEA	Universities and Colleges Employers Association
UCU	University and College Union
USS	Universities Superannuation Scheme
USSIM	USS Investment Management Limited, the Scheme's principal investment manager and adviser
USSL	Universities Superannuation Scheme Limited, the Scheme's Trustee
we, us or our	the Trustee but, where the context admits, may mean the Scheme or USSIM

Enquiries about the Scheme
Enquiries should be addressed to the Company Secretary, Mr Michael J Burt, Universities Superannuation Scheme Limited, Royal Liver Building, Liverpool L3 1PY.

Principal advisers
A range of external advisers were engaged in the UK and overseas to support the operation of the Scheme during the year. The principal external advisers of the Scheme and for the Trustee are:

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W1U 1DQ

Independent auditor
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E14 5EY

Bankers
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National Westminster Bank plc,
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Liverpool,
L1 3BG

Custodians
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Northern Trust,
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Mercer Ltd,
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Tower Place,
London,
EC3R 5BU

The financial statements included within the Annual Report and Accounts have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

The registered number of the Trustee Company (Universities Superannuation Scheme Limited) at Companies House is 01167127.

The reference number of the Scheme (Universities Superannuation Scheme) at The Pensions Regulator is 10020100.

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