

Implementation statement – 2025

1.1. Introduction

USS's¹ 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 2025.

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 SIP specifically for the USS Default Lifestyle Option in the Investment Builder (the DC part). This is called the Default SIP (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

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 Main SIP with its participating employers during April 2024, and, having completed a legal review, finalised a new SIP on 21 May 2024. This Implementation Statement is based on the previous May 2022 SIP up until 20 May 2024, after which it is based on the current May 2024 SIP. The Default SIP, which did not require consultation on proposed amendments, was finalised on 21 March 2024. For DC Default fund matters, this Implementation Statement is based on the current Default SIP from 21 March 2024.

1.3. USS's Governance Structure

Further details of USS's governance structure, including the Terms of Reference within the Group Governance Framework for the Trustee Board and the Investment Committee can be found 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 2024 – March 2025. 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 hedging. Liability hedging is expressed through interest rate and inflation hedge ratios. Growth assets may include assets such as equities and property, credit may include assets such as corporate and emerging market bonds and liability hedging may involve liability driven investments (LDI) and assets such as UK gilts and US Treasury Inflation-Protected Securities (US TIPS). This theoretical asset allocation is the Valuation Investment Strategy (VIS); it is the investment strategy developed for the most recent actuarial valuation. The VIS is reviewed at least annually and periodically adjusted to retain consistency with the Investment Risk Management Framework (IRMF), the risk appetite of the trustee and trustee investment beliefs.

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 and adviser (USS Investment Management Limited or USSIM). We may refer specifically to one of these three elements, where it is helpful to do so.

The VIS and its sub-composition were updated in July 2024, following the 2023 actuarial valuation, and an extensive stakeholder engagement programme and feedback from the SIP consultation. Details about the updated VIS, its composition, and the stakeholder engagement process are available on the USS website under 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 add value in its implementation of the strategy. The Implemented Portfolio invests in a range of asset classes, including quoted 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 better manage asset-liability risk, over recent years 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 around 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 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 USS has discretion to invest in a wide range of assets, in practice the type of assets held in the Do It For Me and Let Me Do It options depends on the objectives and strategy of each DC fund. Investment is undertaken either directly, indirectly (for example via funds), in physical assets or using derivatives (where required for efficient portfolio and FX currency management). Since June 2024, investment is also undertaken via co-investments.

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 typically updated at each actuarial valuation or as a result of a significant change in circumstances of the DB part. It was updated in July 2024 (using expected returns as at 31 March 2023), following the approval of the new VIS, via the DB Instruction Letter. 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

USS regards 'risk' as the likelihood of failing to achieve the objectives included in the SIP. USS seeks to measure and manage these risks as described below.

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, funding, and operational risks. USS integrates the management of those risks throughout its organisation. USS 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, counterparty and climate risks. For the assessment of USSIM's investment management performance, the Investment Committee uses a range of investment objectives on more comprehensive investment balanced scorecards (as shown in Section 5). The scorecards include separate categories for investment return, investment risk, active management, portfolio resilience, responsible investment, and advice and support.

USS assesses 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 the risk metrics, thresholds, and limits in the Investment Framework.

Implementation statement

Continued

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 below.

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. 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 asset-liability (including inflation and interest rate risk), market, credit, currency, liquidity, collateral, counterparty, responsible investment, climate (including transition and physical risk) and operational risks.
- USS oversees the scheme's liquidity and collateral risks to ensure there is a sufficiently low probability of USS 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 comparators (including the VIS) and the strength of the employer covenant.

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. This is supported by robust and timely disinvestment and financing procedures, which operate without either disrupting the asset allocation or incurring excessive transaction costs. 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 relevant to the DC part. 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, operational 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 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 by the scheme 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

USS's Responsible Investment (RI) Policy was approved on 21 March 2024 by the Trustee Board. The RI Policy sets out clearly and in one place USS's stated investment beliefs about RI and its commitment to the principles (including relevant legal principles) which will guide its implementation of these beliefs.

The RI Policy and the SIP sets out the RI Investment Belief that USS is a Universal Owner. Universal Ownership involves having highly diversified and long-term portfolios that, by virtue of their large size, are broadly representative of global capital markets.

Both USSIM and the external managers use their influence as major institutional investors and long-term stewards to promote good practice in the assets and markets to which the scheme's investments are exposed.

Details of USS's approach to RI can be found at uss.co.uk/how-we-invest/responsible-investment and in [USS's Stewardship Report](#). This report provides details of how USS considers financially material factors to the scheme and examples as to how these are taken into account (see Section 6.3). Examples of engagement can also be found in the Stewardship Report.

The trustee agrees the RI strategy and formally reviews the RI team's activities on a semi-annual basis, approving key focus areas and policies as necessary. Over the past year, the trustee established four overarching priority themes for RI (climate, nature, people and governance) and determined the four primary activities for these themes (advocacy, collaboration, integration and stewardship).

The trustee receives reports from USSIM on a regular basis so that it can ensure that the strategy is being implemented effectively. USS's RI related policies² have been reviewed regularly and updated as required to ensure that they are in line with good practice. The trustee believes USS's RI related policies and procedures, and how they translate into stewardship activities, have been followed materially during the year.

3.2. Oversight and monitoring of external 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 external managers.

² By RI related policies we mean the following items: the RI Policy, USS Stewardship and Voting Policy and its associated Voting Guidance document, the USSIM scheme-wide investment exclusion policy and the Investment Builder (DC) Ethical Guidelines.

Implementation statement

Continued

USS has processes in place to assess and monitor how its external 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 external managers also confirm that they will reflect RI considerations in portfolio management, in accordance with the USS policy.

USSIM's assessment of external 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.

4. Voting behaviour and vote disclosure

4.1. Introduction

USS believes that there have not been any material divergences from its voting policies during the scheme year.

As a long-term owner of assets, exercising the right to vote is one of the cornerstones of USS's approach to stewardship. Further information on USS's approach and examples of USS's voting activities are in our [Stewardship Report](#) and at uss.co.uk/how-we-invest/responsible-investment.

4.2. USS Stewardship and Voting Policy

In 2024, USS introduced an updated Voting Guidance document, which supports the USS Stewardship and Voting Policy. These documents can be found at uss.co.uk/how-we-invest/responsible-investment/how-we-vote. The Stewardship and Voting Policy outlines USS's position on a range of RI issues and why USS believes RI factors should be well managed in the context of Universal Ownership and systemic risk. The documents also outline USS's expectations for investee companies. USS's Stewardship and Voting Policy is reviewed regularly to ensure continued alignment to USS's beliefs about good practice in line with USS's fiduciary duties.

The USS Stewardship and Voting Policy may be applied with discretion to form an independent voting decision on a case-by-case basis. USS considers factors including international and local market standards and best practices, proxy research, outcomes from engagement meetings, discussions with peers, USS's investment managers' perspectives and in the context of the underlying company's individual situation. USS integrates RI factors into its voting decisions where such factors are financially relevant. We promote high-quality disclosure and performance management of RI issues through both engagement with companies and our voting activities.

Shareholder proposals, including those which relate to RI issues such as climate change, human rights, labour relations and other matters, are considered on their individual merits. It is USS's intention to support resolutions it considers to be in USS's long-term financial interests. However, USS will not support a resolution which it considers overly burdensome or better addressed by another route.

Typically, USS has voted against company management on issues such as excessive executive remuneration or lack of board member independence. Often, when USS votes against management in one of USS's priority³ holdings, USS will write to the company to explain its concerns. For non-priority holdings, USS will write to the company after voting seasons informing them that we voted against certain resolutions and that the reasons for that are available on our dedicated disclosure tool.

USS has an active securities lending programme. To ensure that USS can vote all its shares at important meetings or where the scheme is a significant shareholder, USS has established procedures to restrict lending for certain stocks (for example in the event of a contentious vote or in relation to engagement activities, after discussion with the portfolio manager) and to recall shares in advance of shareholder votes.

4.3. Voting and USS's equity holdings

For the DB part, USS's internally managed equities (circa £7.5bn) and main externally managed equity mandate (circa £6.6bn) are subject to the USS Stewardship and Voting Policy. Generally, USS votes by proxy through an external voting platform for the assets subject to the USS Stewardship and Voting Policy. For the DC part, USS's largest externally managed equity mandate (circa £1.4bn), its externally managed ethical equity mandates (circa £212m), and the internally managed emerging

market equity mandate (circa £158m) 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 £38m). For the other holdings, votes are cast in accordance with the external manager's policy (circa £108m).

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. 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. Disclosure and oversight

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 twice a year through the Investment Committee and once a year through 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.

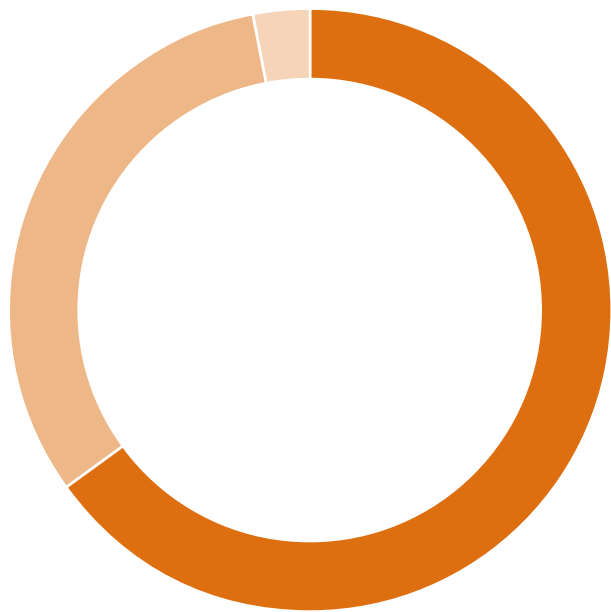
³ Prioritisation for voting and engagement activities is based on criteria set out in our Stewardship Report, including the size of our holding, the home market, the materiality of RI factors and the adequacy of public disclosure on RI factors.

4.5. Scheme voting statistics

The statistics below are in respect of USS’s internal equity assets and the large externally managed mandate (together representing over 98% of the scheme’s equity holdings):

	Voting statistics Response	
	April 2023 – March 2024	April 2024 – March 2025
How many meetings was USS eligible to vote at?	1,999	1,960
How many resolutions was USS eligible to vote on?	29,706	28,301
What percentage of resolutions did we vote on for which USS was eligible?	99.9%	99.6%
Of the resolutions on which USS voted, what percentage did we vote with management?	73.6%	65.0%
Of the resolutions on which USS voted, what percentage did we vote against management?	24.7%	32.2%
What percentage of resolutions, for which USS was eligible to vote, did we abstain from?	1.7%	2.8%
In what percentage of meetings, for which USS was eligible to attend, did we vote at least once against management?	81.5%	81.8%

USS global votes
April 2024 to March 2025



- For (with management)

65.0%
- Against

32.2%
- Abstain

2.8%

During the year, the three most common categories of resolutions where we voted against the recommendations of management included:

1. Audit & Reporting
2. Remuneration
3. Board elections

We utilise votes on resolutions relating to audit and reporting, as well as board elections, as an opportunity to convey concerns relating to a variety of matters. These can be beyond direct audit matters and the characteristics of an individual seeking election to the board. We also vote against these resolutions when we have material concerns with a board’s approach to managing systemic risks, such as climate change. A further example is where we have concerns relating to a company’s structure or outcomes of its remuneration policy; we may hold to account members of the remuneration committee by voting against their re-election to the board.

4.6. Most significant votes – examples from 1 April 2024 – 31 March 2025

Below are details of the most significant votes on behalf of the trustee, in line with the trustee’s four RI priorities.

Company and date of EGM	CTBC Financial Holding Company Ltd 11th October 2024
Summary of resolution	Resolution 1: Amendment to the Articles of Incorporation The company convened an EGM for the sole purpose of gaining shareholder approval to increase its authorised share capital by 39% through the issuance of new shares.
Size of holding at date of vote (% scheme assets)	0.1%
Vote	AGAINST (company management recommended voting FOR)
Rationale for vote	Our primary concern was that the proposed amendments would allow the company to fund significant acquisitions without requiring shareholder scrutiny or approval of the transactions. We believe that the discipline of gaining shareholder approval for significant transactions increases the likelihood of success. In addition, our vote decision was also based on the company’s intent to acquire a company by way of a hostile takeover, which we felt would not support its position as a high-quality bank and could increase its risk profile unnecessarily. We contacted the company in order to communicate our views and concerns. We also explained why we had reduced our invested position.
Vote outcome	7.5% of votes were instructed against the resolution.
Implications of the outcome	The substance of the shareholder meeting, our engagement with the company and, also, other fundamental considerations, led to us reducing our investment in the company’s shares.
Criteria selected for this vote to be significant and link to the USS Stewardship and Voting Policy	We recognised this as a significant vote owing to it being an important example of integrating responsible investment considerations and activities with investment decisions. It demonstrated how good governance considerations and deliberate engagement can influence investment decisions. A company’s capital allocation policy and its discipline surrounding the use of capital can be fundamental to our investment case.

Company and date of AGM	Reliance Industries 29th August 2024
Summary of resolution	Resolution 1a: Accept Standalone Financial Statements and Statutory Reports
Size of holding at date of vote (% scheme assets)	0.1%
Vote	AGAINST (company management recommended voting FOR)
Rationale for vote	We expect companies that operate in sectors that emit high levels of greenhouse gas (GHG) emissions, or sectors exposed to climate risks, to have robust climate transition plans. This supports our ambition in relation to net zero. At this company’s AGM in 2023, we voted against the Financial Statements owing to the company’s lack of disclosure surrounding its management of GHGs. We wrote to the company explaining our voting rationale and were encouraged by the company’s improved disclosures, which included the publication of emission reduction targets. While the progress was positive, the company continued to fail in meeting our minimum expectations. This year, we continued to vote against the resolution to accept the financial statements and statutory reports in order to impress on the company our expectations and also for it to continue progressing on its management of climate risks.
Vote outcome	0.14% of votes were instructed against the resolution.
Implications of the outcome	While we recognise that, in isolation, the vote outcome is not a substantial proof point in relation to the effectiveness of stewardship; coupled with targeted engagement and collaborative efforts by investors, stewardship is an important activity that can lead to positive outcomes. We expect to continue supporting the company’s progress.
Criteria selected for this vote to be significant and link to the USS Stewardship and Voting Policy	We consider this vote to be significant as it aligns with our climate priorities and our net zero ambition. It is also an example of how voting and engagement can help support a company’s progress towards managing a material systemic risk.

Company and date of AGM	Visa Inc 28th January 2025
Summary of resolution	Resolution 7: Report on Lobbying Payments and Policy This shareholder requisitioned resolution requested that the company increase it disclosure on its lobbying expenses, as well as its related policies and procedures.
Size of holding at date of vote (% scheme assets)	0.1%
Vote	AGAINST (company management recommended voting AGAINST)
Rationale for vote	We supported the company’s management by voting against this proposal due to the increased disclosures promised by the company in the 2024 Political Engagement report. However, we encouraged the company to disclose the specific amount of fees that may be used for lobbying activities, as opposed to the aggregate amount. We believe that clear disclosure of lobbying expenditure allows shareholders to evaluate whether such expenditures are consistent with the company’s expressed goals and in the best interests of long-term shareholders.
Vote outcome	85.3% of votes were instructed against the resolution.
Implications of the outcome	We followed up this vote with a letter to the company outlining our key areas of concern and encouraging enhanced corporate disclosure, which would help investors better understand the risks associated with lobbying activities.
Criteria selected for this vote to be significant and link to the USS Stewardship and Voting Policy	We considered this vote to be significant as it aligns with our governance priority of supporting the functioning of capital markets. In addition, we believe this is a good example of how shareholder proposals can affect positive change on important issues to shareholders.

Company and date of AGM	ExxonMobil Corporation 29th May 2024
Summary of resolution	Resolution 1.6: Elect Director Joseph L. Hooley Resolution 1.12: Elect Director Darren W. Woods
Size of holding at date of vote (% scheme assets)	Less than 0.1%
Vote	AGAINST (company management recommended voting FOR)
Rationale for vote	We had concerns regarding the company’s approach to corporate governance and shareholder rights. This concern centred on the company’s decision to pursue legal action against its shareholders rather than use the established routes of engaging with these shareholders and using processes established by the U.S. Securities and Exchange Commission (SEC). We held to account the two board members most responsible by voting against the CEO/chair and the Lead Director. The Lead Director also chaired the board’s Nominating and Governance Committee.
Vote outcome	Resolution 1.6: 12.8% of votes were instructed against the resolution. Resolution 1.12: 8.4% of votes were instructed against the resolution.
Implications of the outcome	USS followed up the vote decision by signing a joint statement with other investors that relates to the protection of shareholder rights. This letter, which was supported by investors with combined assets under management of USD 5.2 trillion can be found here: https://www.pggm.nl/en/press/group-of-investors-issues-joint-statement-on-shareholder-rights/ .
Criteria selected for this vote to be significant and link to the USS Stewardship and Voting Policy	We consider this vote to be significant owing to it aligning with USS’s governance priority of protecting shareholder rights. We believe the ability to requisition and vote on shareholder proposals is a fundamental right of shareholders and that this case could set a precedent that undermines this very important and fundamental right of shareholders.

5. Investment governance

The trustee believes USS’s policies in relation to the arrangement with USSIM and any asset managers have been materially followed during the year.

5.1. Relationship with USSIM

USSIM 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 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. 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.

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, 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 2023), our investment management costs as a proportion of scheme assets remained materially below the peer cost benchmark, with USS 0.12% below peers, equivalent to £86m a year.

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. The scorecards are considered separately for both DB and DC. These categories have been designed to align with trustee objectives and be consistent with the best 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

Implementation statement

Continued

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 responsible investment 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 had an element of their annual bonus linked to overall long-term scheme performance (using the balanced scorecard above).

USSIM is thereby incentivised 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).

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.

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 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 2025, USS’s external investment advisers were Mercer (for DB matters) and LCP (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 advisers (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 2025, USS reviewed the performance of its external investment advisers against their respective objectives. The next triennial review of the objectives themselves is due in 2026.

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 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.

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 short-list stage, further due diligence is carried out on the external manager’s investment team, process, risk management, responsible investment 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 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, responsible investment 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.

For private markets fund investments, USS's policy is complied with 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 2024 (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 2025 and comply with the Cost Transparency Initiative's guidance. 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.

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.

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 detail on our emissions intensity and progress towards this target is included in our TCFD reporting.

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

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, focused on sustainability, good corporate governance 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 compensation 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 a choice of self-select funds, alternative options are made available. These are based on member research and allow members to reflect their views and preferences and take account of their own position on the risks of potentially lower returns. 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.