



For members, for the future.

RESPONSIBLE INVESTMENT

What it means to us

uss.co.uk



Introduction from Simon Pilcher, USSIM CEO

USS has the responsibility to pay pensions to its members over the coming decades. These pension payments depend on our investments generating sufficient returns over at least the next half-century.

For this to happen, we need companies and governments to think and act for the long-term, and we (and other asset owners) must be the cheerleaders that encourage this. We want each company in which we invest to have this long-term mindset. And we need the entire system to operate so that it can be healthy for the long term.

USS is a long-term 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. For instance, we believe that a hot world may deliver poor financial returns on almost all investments. A hot world could comprise big changes in rainfall patterns, even bigger changes in regional temperatures, and seismic shifts in what can be grown in different regions. Certain areas may become effectively uninhabitable, and this could lead to failed states. Conflict, mass migration and increased costs for all could result.

USS is a large scheme, and we own a vast array of investments from across the globe. We want our portfolio to be diversified so that we are not too exposed to individual risks, but some of the risks we face are so big and all-

encompassing that if they come to pass, we won't be able to avoid them. Climate change, a collapse in biodiversity, and a loss of confidence in financial markets are three examples of system-wide risks that we face.

USS is the largest private-sector pension scheme in the UK, and we are able to draw on the breadth of the university sector with the intellectual depth and research capabilities that few other schemes can rival.

We are working to encourage governments and regulators to tilt the playing field so that it is easier for companies and consumers to adopt low-carbon ways of living. And we are committed to work with other asset owners globally as they similarly seek to influence their governments.

We invest for the long term and we think about the long term. This is how we view responsible investment.



Responsible investment at USS

We are a long-term 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.

We invest globally, for the long term, and in a diverse range of assets. We own a small segment of the economy, which makes us a Universal Owner.

Our responsible investment approach is to be active owners, engaging with the assets we own, focusing on sustainability and long-term outcomes, encouraging good corporate governance, and considering financially material factors. This means identifying issues that are most likely to affect our investments' value over the short, medium and long term. For example, we can reduce operational costs for an asset within our property portfolio by switching to renewable sources of energy, such as solar panels. On the flip side, a company that treats its workers poorly could face strikes, negative publicity or lose skilled employees – which could negatively impact the value of our investment.

For all investments we consider how financially material environmental, social and governance (ESG) factors could impact value over time as determined by our [Statement of Investment Principles](#) and [Responsible Investment Beliefs and Ambition Statement](#).

Our investments for the Retirement Income Builder – the defined benefit part of our hybrid pension scheme – must reflect our legal duty to invest in the best financial interests of our members and beneficiaries. Here, we can only take ethical factors into account where they don't pose a risk of significant financial detriment, and where we believe that members share each other's views.

Members with Investment Builder savings – the defined contribution part of our hybrid pension scheme – can choose to invest these in a manner that may more closely reflect their own ethical preferences.

We manage between 70%-80% of our investment in house. Each investment team at USSIM is responsible for integrating responsible investment considerations into its investment decision-making process. A central responsible investment team supports the investment teams and brings expertise on financially material ESG factors. Where we use external managers, we seek to ensure all investment managers consider financially material matters, including the integration of our overarching priorities of Climate, Governance, Nature and People, into the selection, retention and realisation of investments for USS.

What is Universal Ownership?

Universal Ownership is the concept that institutional investors (like major pension funds) hold such large, diversified portfolios that they represent a slice of the entire market or economy. This means their investments span multiple sectors and industries not just in the UK but across the globe. Essentially, they own a little bit of everything and are therefore exposed to certain market-wide or systemic issues which could impact the investment returns they seek.

Why we prioritise responsible investment

Investing responsibly plays a large part in helping us to pay pensions long into the future as it helps us to manage long-term financial risks and seeks to achieve resilient returns.

Our position as a Universal Owner means we are exposed to certain market-wide or systemic risks – like climate change and biodiversity loss – that could impact the investment returns we seek.

These aren't risks that we can simply invest our way around, they will impact the whole market, across all asset classes. They require action at a system level.

Across our investments, we believe that the way environmental and social issues are managed, and how companies operate, will impact our long-term, risk-adjusted returns – positively or negatively. We engage with investee companies, policymakers, and regulators to seek to contribute to positive real-world outcomes that address these systemic risks. An example of this is our work supporting the transition to a low-carbon economy – which you can read more about later in this report.



Applying our responsible investment approach

Our long-term ambition is to be recognised in the UK and globally as a leading asset owner with respect to responsible investment in areas that are key priorities for the Scheme.

Our priorities

We have defined four overarching priorities to focus on what matters most to the Scheme.



Climate

Climate change is a significant financial risk that's increasingly reshaping the way we look at our investments and their long-term returns. We consider climate change through the lens of physical and transition risks and opportunities at company, sector, country and whole economy level.



Nature

We assess nature-related dependencies and impacts as well as risks and opportunities. We consider both how company actions impact nature (and the associated risks and opportunities), and how the companies we invest in depend on nature – the resources and services it provides – to operate.



Governance

The rules, processes and practices that determine how a company is run and how investors are protected. We believe these should be based on the principles of fairness, accountability, responsibility and transparency. We look at both the governance of companies and how markets are governed.



People

We consider the different ways in which businesses, through their operations and value chains, have an impact on people. This could be direct – employees, customers, suppliers – or indirect – workers in supply chains, local communities and indigenous groups.



Our activities

We carry out our work across four main activities

Stewardship

We undertake core stewardship activities of voting and engaging with the assets we own to help prevent or avoid the loss of value and enhance investment outcomes.

Advocacy

We use our position as one of the UK's largest private pension schemes to articulate our views as both a Universal Owner and a long-term asset owner to seek to promote proper functioning markets.

Collaboration

We work with other asset owners, industry bodies, regulators and academics to share views, build our expertise and provide a collective voice.

Integration

We consider financially material ESG factors before we invest and throughout the life of our investments, across all asset classes, to inform investment decision-making and seek to improve risk-adjusted returns.

And we adopt a range of approaches

Strategic asset allocation

We use horizon scanning, scenario analysis, diversification and stress-testing to respond to unfolding events and plan for long-term systemic risks like climate change. This influences how we choose to invest across asset classes, geographies and sectors.

Voting

Voting provides the necessary checks and balances on management behaviour and performance. We vote in line with our members' best financial interests and do so globally on all our publicly listed assets.

Reporting

We communicate our approach, activities and progress through regular, transparent communications and reporting. This allows policymakers, regulators and other asset owners to understand and challenge our approach.

Policy advocacy

We advocate for effective public policy and regulation that promotes high governance standards and champions investor protections.

Engagement

Where we have identified a financially-material ESG issue, we engage with assets either directly or collectively with other investors. We use a range of tools and approaches including meetings and calls to make our expectations clear.

Asset research and analysis

We consider financially material ESG factors as part of our investment analysis and decision-making.

Exclusions

In addition to exclusions related to sanctions and international conventions, we avoid investments with certain characteristics that we regard as a long-term financial risk to the Scheme. Some examples of these include tobacco manufacturing and thermal coal mining (where this makes up more than 15% of revenue).

Industry partnerships

We are actively involved in industry groups that align with our responsible investment priorities.



Our work in practice



Climate

Climate change is a significant financial risk and therefore at the forefront of our responsible investment work.

It is one of the defining issues of our age and we believe a warming planet and disorderly transition to a low-carbon economy pose significant systemic and financial risks. Globally, the impacts are already being felt, with increasing frequency and intensity of climate-related events.

By acting as an engaged and responsible long-term owner of our assets, and working with policymakers and other Universal Owners, we seek to minimise the impact that climate change can have on our investments and our ability to pay pensions for decades to come.

The transition to a low-carbon economy also offers investment opportunities. As we rethink infrastructure and lifestyles, new products and industries are emerging.

Case study:

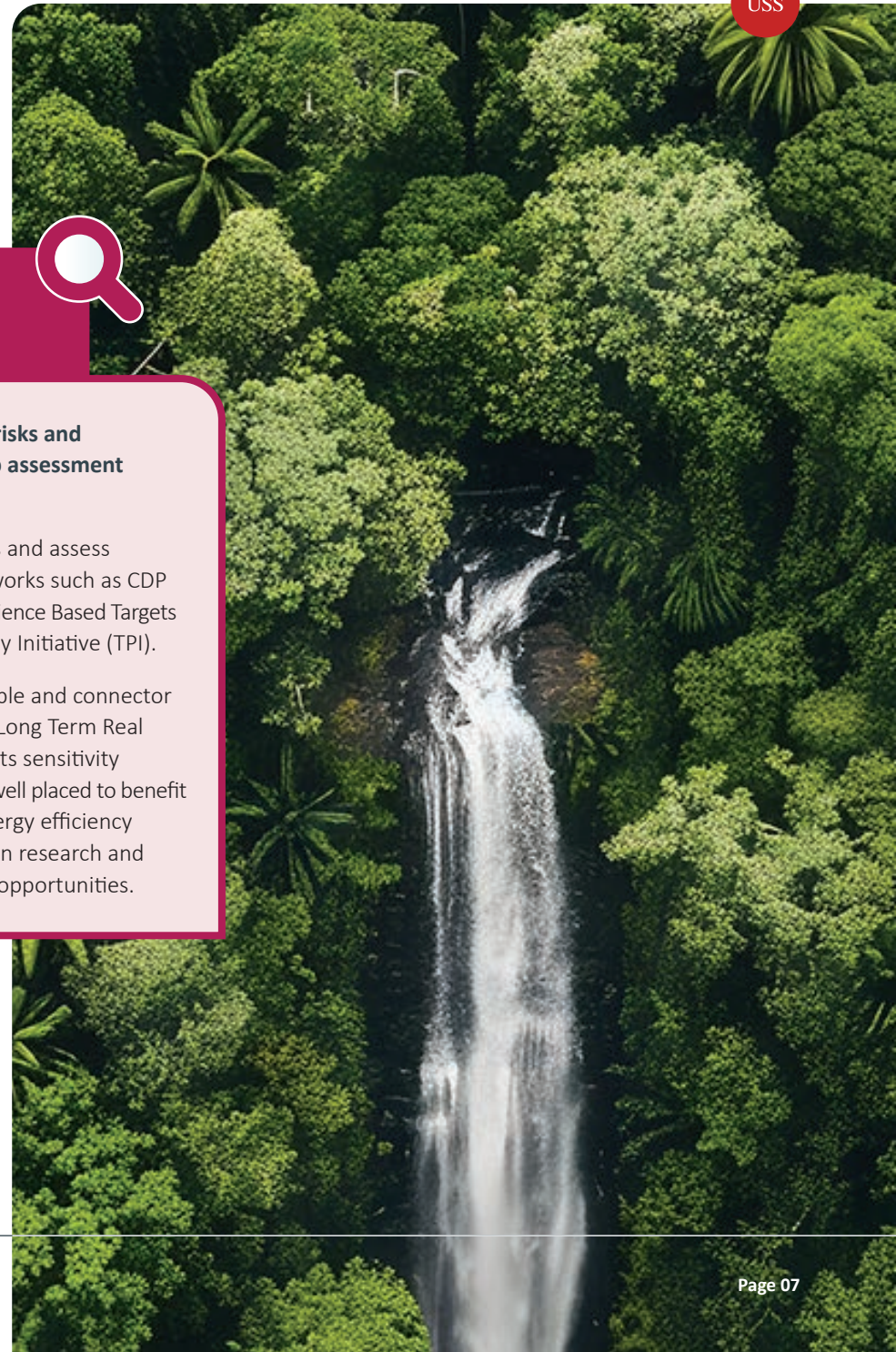
Integrating financially material climate factors in our investment approach



Climate-related physical and transition risks and opportunities are part of our bottom-up assessment of companies.

We review a company's emissions targets and assess its credibility by using established frameworks such as CDP (formerly the Carbon Disclosure Project), Science Based Targets Initiative (SBTi) and the Transition Pathway Initiative (TPI).

For example, we hold Amphenol, a US cable and connector manufacturer, in our developed markets Long Term Real Return mandate. Our assessment is that its sensitivity to increased carbon pricing is low, that it is well placed to benefit from increased demand for improved energy efficiency products, and that it spends sufficiently on research and development to take advantage of these opportunities.



Our work in practice



Nature

The natural world is the backbone of our economy. 35-54% of assets held by financial institutions are highly or very highly reliant on nature.¹

But nature is in crisis. We're losing biodiversity faster than ever before with a quarter of known species under threat and over 1 million facing extinction.²

Within our Nature priority, we consider the idea of natural capital – soil, air, water and forests and the benefits this provides to people and the economy – and biodiversity – the variety amongst all living things on earth that is critical for maintaining the quality and resilience of the ecosystem services that nature provides, such as pollination.

Loss of natural capital and degradation of biodiversity and ecosystems are a systemic risk, that could impact business profitability and investment returns. Therefore, it's important that we understand both the dependencies and impacts of our investments on nature.

Case study:

Engaging with semiconductor manufacturers on water use

Water is an essential input for the manufacture of semiconductors used in large quantities for cleaning, processing and cooling. Current estimates suggest global semiconductor manufacturing already consumes as much water as Hong Kong, a city of 7.5 million people.³

In 2025, we began engaging with semiconductor manufacturers in our Global Emerging Markets portfolio – TSMC, Samsung Electronics and SK Hynix – to understand (i) why some are setting up production sites in water-stressed areas, notably in Texas and Arizona, and (ii) how they are ensuring that they won't be hit by production disruption if water becomes more difficult and costly to access. Following engagement with the companies and industry experts we concluded that it is unlikely that those companies will face significant financial impacts related to lack of water access in the short term, but that as water shortages increase, the impact on local communities and environments may lead to financial and reputational risk.

¹ Official Monetary and Financial Institutions Forum. (2022). [Translating biodiversity and nature risks into financial risks.](https://www.omfif.org/spijournal_autumn_oecd/) https://www.omfif.org/spijournal_autumn_oecd/

² World Economic Forum. (2024). [How a nature-forward global economy can tackle both instability and inequality](https://www.weforum.org/publications/2024/04/how-a-nature-forward-global-economy-can-tackle-both-instability-and-inequality/) | World Economic Forum

³ S&P Global. (2024). [Sustainability Insights: TSMC And Water: A Case Study Of How Climate Is Becoming A Credit-Risk Factor](https://www.spglobal.com/ratings/en/research/articles/240226-sustainability-insights-tsmc-and-water-a-case-study-of-how-climate-is-becoming-a-credit-risk-factor-12992283). <https://www.spglobal.com/ratings/en/research/articles/240226-sustainability-insights-tsmc-and-water-a-case-study-of-how-climate-is-becoming-a-credit-risk-factor-12992283>

Our work in practice



Governance

We are better informed as investors when we understand how a company is governed, including its management of environmental and social issues.

Corporate governance looks at how an organisation is managed, operated and, ultimately, performs. This covers topics such as Chief Executive Officer pay and board composition. We also consider market governance which seeks to ensure that the markets we invest in champion investor rights and protections.

We believe that good governance at the market level as well as within individual companies reduces financial and reputational risk and promotes the creation of long-term value for investors.

Case study:

Advocating for shareholder rights to promote proper functioning markets

We met with individual Commissioners of the Securities and Exchange Commission in 2025 to discuss the current environment for investors in the US.

We are monitoring the anti-ESG backlash and watering down of shareholder rights. During that meeting, we advocated for the maintenance of regulations and guidance that govern company reporting and actions.



Our work in practice



People

Poor management of social issues directly impacts people and communities and carries financial, regulatory and reputational risk for companies.

Within our People priority, we look at a wide range of issues including human rights, worker health and safety conditions, impacts on local communities, and product safety.

We think about how companies interact with people – both directly through their own operations and indirectly throughout the life of their products. We look at whether good management practices and policies are in place.

We monitor how companies are performing now and over time to try and anticipate positive and negative trends. For example, increased staff turnover could be a sign of worsening workplace culture which could lead to loss of talent, impacting the value of our investment.

Case study:

Assessing how corporate culture impacts financial value and resilience

We believe culture impacts both financial value and resilience. In our Developed Market Equities portfolio, assessment of corporate culture is an explicit input in our management quality scoring approach. We use a combination of qualitative and quantitative analysis to identify signs of cultural decay such as arrogance, bureaucracy and complacency.

Fastenal, a distributor of nuts and bolts to the US industrial sector, has proven to be resilient over time during both the US industrial recession and the COVID 19 pandemic. In 2025, we engaged with management and undertook a site visit to meet with employees to understand and assess Fastenal's culture. We assessed that the company's culture – which centres on empowering employees to make the necessary decisions to provide the best possible service to customers – is a critical factor that increases productivity, reduces staff turnover and promotes employee wellbeing.



In focus: the transition to a low-carbon economy

The transition to a low-carbon economy – ‘the transition’ for short – is a global effort to shift the economy from one reliant on fossil fuels and high-emission, extractive activities that deplete the Earth’s resources, to one powered by renewable energy, supported by sustainable agriculture, and designed to protect jobs, health, and future prosperity.

It aligns with the goals of the Paris Agreement – the landmark 2015 international treaty on climate change that aims to limit global warming to well below 2°C by 2050.

Achieving this transition is an enormous challenge and will require:

- Overhauling energy systems
- Reforming policy and regulation
- Changing consumer and corporate behaviour

The transition is already underway, driven by changes in policy, technology, and market expectations, but there is still uncertainty around how fast it will happen, the shape it will take, and the amount of progress which will ultimately be achieved.

How we view the transition

The transition will have an impact across all the assets that we invest in. As a Universal Owner, we won’t be able to stock-pick our way around it. While our own portfolio is now materially less carbon-intensive than in 2019, we recognise that this alone isn’t enough – we need to see decarbonisation in the real world. We are therefore seeking to play our part in promoting a successful transition, one that mitigates climate change and supports long-term financial returns, so that we can pay pensions long into the future.

A successful transition for us will:

Be orderly

Well-organised, controlled and avoiding chaos and disruption. Companies and investors plan ahead, and policymakers introduce climate policies gradually, allowing industries and workers time to adapt. Delay and inactivity may lead to stranded assets, abrupt job losses in high-carbon sectors, and financial shocks.

Have policy alignment

Policymakers create the right incentives and disincentives to accelerate the shift away from high-carbon activities.

Integrate nature

We won’t be able to meet global emissions reduction targets without appropriate and complementary targets for nature. A successful transition recognises the link between ecosystems and economic stability for lasting resilience.



The investment implications

The transition is not just about managing risk – it is a major investment opportunity. There will be winners and losers. We work to identify the companies and the sectors that would stand to benefit from a successful transition.

Examples include:

- **Tech enablers:** Renewable energy and clean technologies – crucial elements of the transition – are among the fastest-growing sectors globally, and we already have around £2 billion invested in these sectors
- **Circular economy leaders:** Companies that support material reuse and recycling, supporting operational efficiencies and reducing pollution
- **Raw material providers:** Companies that sell materials that will be critical for the transition, for example, those selling copper and nickel
- **Early movers:** Companies that get ahead of incoming regulation and beat their competitors
- **Efficiency gainers:** Energy intensive companies could be winners under a scenario in which electricity becomes cheap and abundant, as it could reduce a significant portion of their costs

We also recognise that there will be losers in transition scenarios. Losers are those companies that are slow or unable to transition and face increased costs and reduced revenues. This could be because they have large stranded assets, operate in sunset industries, are exposed to higher regulatory costs or have lost customers.

Why is it important that we integrate nature in the transition?

- **Poor management of nature is holding up decarbonisation effort:** Agriculture, forestry and land-use account for 22% of all emissions.⁴ Addressing how we manage land, water and other natural resources is critical to achieving decarbonisation. Looking at our food system is a clear example of this. One third of global greenhouse gas emissions come from the way we grow and consume our food,⁵ but the sector is often overlooked because it's a relatively small part of the global economy (measured by Gross Domestic Product (GDP)). Farming and the food we eat are major drivers of deforestation and biodiversity loss, whereas farming the right way can improve soil health, increase biodiversity and help store more carbon.
- **Nature acts as a major carbon sink:** It's estimated that 37% of required climate mitigation by 2030 can be provided by natural carbon sinks.⁶
- **Healthy ecosystems protect against climate impacts:** For example, mangrove forests provide coastal protection and help to reduce storm surges, which are expected to increase due to climate change.
- **Synergies and trade-offs:** Transition minerals such as lithium, cobalt and nickel – critical to scaling up electric vehicle (EV) production and other transition enablers – can have significant negative impacts on the environment and biodiversity around mine sites whereas nature-based solutions like reforestation absorb carbon dioxide and restore ecosystems providing cost-effective mitigation.

For all of these reasons, we won't be able to successfully transition without nature.

We can engage with the companies we invest in – particularly those in the food and agriculture sectors – to ensure nature is being incorporated into transition planning and we can advocate for effective nature-based policy. Additionally, we can allocate capital towards nature-based climate solutions, such as regenerative agriculture and reforestation, where these assets offer attractive risk-adjusted returns.

⁴ Nabuurs, G.-J., R. Mrabet, A. Abu Hatab, M. Bustamante, H. Clark, P. Havlik, J. House, C. Mbow, K.N. Ninan, A. Popp, S. Roe, B. Sohngen, S. Towprayoon, (2022): Agriculture, Forestry and Other Land Uses (AFOLU). In IPCC, 2022: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khoury, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)].

⁵ Food and Agriculture Organization. (2025). Greenhouse gas emissions from agrifood systems – Global, regional and country trends, 2001–2023. FAO STAT Analytical Brief Series, No. 115.

⁶ Griscom, B.W. et al. (2017). Natural climate solutions. Proceedings of the National Academy of Science. 114(44), 11645–11650, doi:10.1073/pnas.1710465114.

Our role in the transition

Action

Advocating for policy to unlock potential low-carbon options

Description

Our actions, like engagement with companies, will not be effective if the economic incentives for companies and consumers to act are not there.

A company is less likely to use low-carbon energy solutions if it's more expensive to do so. Policy change is needed to move the needle, which is why we are engaging with policymakers to remove barriers to decarbonisation. It needs to be as easy as possible for companies and consumers to change their behaviours.

Case Study

A call for stronger policymaker action to accelerate the energy transition

USSIM, with support from Transition Risk Exeter (Trex), published a paper: [‘The Policy Challenges of the Energy Transition’](#) calling for stronger action from governments to accelerate the energy transition and protect long-term financial stability.

The paper warns that climate change poses systemic risks to financial markets and pension funds, which could threaten the returns needed to pay pensions for decades to come. But it also highlights an upside: a fast transition could save global economies \$12 trillion in energy costs by 2050.

While the transition requires significant upfront investment, the right policies could help the UK benefit from long-term cost savings and growth opportunities. To support this, the paper makes specific policy suggestions that will enable progress at each stage of the energy transition, across a range of sectors including power, automotive and land transport, cement and steel.



Action

Investing in companies and sectors that have the potential to accelerate the energy transition

Description

Investing in companies that have a key role to play in the transition, and could be winners in the future, could lead to a temporary increase in the Scheme's reported emissions. For example, investing in a cement company that uses innovative technology to lower its carbon emissions may be a good investment that creates real-world change over the long term, even if it worsens our reported emissions on a backward-looking basis.

Case Studies

Investments in renewable energy projects

In our private markets portfolio, we invested in Ørsted's Hornsea 3, located off the Yorkshire coast in the North Sea. Hornsea 3 is expected to be the world's largest operating offshore wind farm once constructed.

It will have a capacity of 2.9GW, generating enough renewable electricity to power over 3 million UK homes and making a significant contribution to the UK's energy transition and skilled job market. This exemplifies our focus on private investment in infrastructure that delivers attractive inflation-linked returns for our members while supporting the UK's energy transition and strengthening energy security.

Investments in the battery industry and in EV companies

In our Global Emerging Markets portfolio, we have long-standing investments in the battery industry and in EV companies as well as investments in network transformers and their components

We believe that the two interconnected investment themes of the energy transition and AI will run until at least to the end of this decade and on this basis we are positioning our investments for the long term.

For example, the International Energy Agency reports that global renewable power capacity is projected to increase almost 4,600GW between 2025 and 2030.⁷ AI infrastructure, principally data centres, is very electricity-intensive requiring power for computers, cooling, back-up power and battery storage, as well as network communications both within the data centre and the external network.

Investment in the largest global private renewable energy operator

In our long-term credit mandates, we hold bonds issued by Enel SpA, a multinational power company and an integrated player in the global power, gas and renewables markets. The company produces energy and distributes electricity for business and household end users globally.

Enel SpA has an important role to play in the transition, given it has become the largest private renewable energy operator globally, with 92.8GW of installed capacity, and the largest private electricity distribution company globally, with over 69 million end users connected to the world's most advanced digitalised grids.⁸ Enel SpA's portfolio of power stations includes hydroelectric, wind, thermal, electricity, and other renewables.

Our assessment that Enel SpA has in place a credible transition strategy is part of our investment rationale. The strategy focuses on shifting from thermal coal to renewable energy, integrating sustainability across its business, and using innovative finance like sustainability-linked bonds to fund the transition.

⁷ International Energy Agency. (2025). [Renewables 2025 – Analysis - IEA](#)

⁸ [Enel Quarterly Bulletin- FY 2025 V03.xlsx](#)

Action

Integrating climate transition thinking into our investment processes and management of top emitters

Description

Having a clearer picture on how climate change and the transition will impact our investments is very important to us. Some companies – like fossil fuel companies – risk stranded assets as consumer demand, technology and policy shifts.

That’s not to say all fossil fuel companies are bad investments. We want to identify companies with credible transition plans and those that could benefit from the transition, as well as those ill-prepared to change their business models and face increased risks from regulators, consumers and the environment as a result. For example, companies who have set impressive sounding net zero targets but are yet to commit the funding to achieve these, or their transition plans are based on technologies that are not yet feasible at scale – such as green hydrogen.

We engage with the highest emitters across our investments to push for them to reduce emissions and put in place credible transition action plans. As active owners, we encourage these companies to develop and action credible transition plans, rather than just divesting from them. Divestment will not make a difference to the carbon emitted to the atmosphere and we would rather have a seat at the table with those companies we believe can be successful in transitioning.

We use climate scenario analysis to better inform our thinking of how climate change might impact our portfolios in the next 10 to 20 years, and beyond.

Case Study

Understanding how climate change will impact our investments through climate scenario analysis

We partnered with the University of Exeter in 2023 to develop four [No Time To Lose](#) climate scenarios, enabling us to assess real-world climate risks and opportunities and their implications for investment decisions.

In 2025 we expanded the collaboration to include Cambridge Econometrics and Transition Risk Exeter Limited (Trex). Together, we updated the scenarios to reflect the latest climate data, projections, and significant shifts in markets, policies, and regulations. In addition, we also advanced our physical risk analysis by leveraging spatial GDP data and hazard simulations to estimate potential country-level economic impacts. This gives us a clearer view of which regions and asset classes are most exposed, helping to inform our asset allocation decisions now and in the future.



Glossary

Asset:

An asset is anything, tangible or intangible, that has economic value to its owner or could have economic value in the future.

Asset class:

A group of investments that share similar characteristics, behave similarly in the market, and are subject to comparable laws and regulations. Common asset classes include equities, fixed income, commodities, and real estate.

Biodiversity:

The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

Carbon sink:

A carbon sink is any system, natural or artificial, that absorbs more carbon dioxide from the atmosphere than it releases – for example, trees, the ocean, soil and carbon capture and storage.

Circular economy:

An economic system in which the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use and minimising waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.

Corporate governance:

The rule, processes and practices used to direct, control and oversee companies.

Diversification:

Strategy of investing in different asset classes and asset types to reduce portfolio risk associated with price volatility.

Ecosystem:

An ecosystem is a natural system comprising a community of living organisms (such as plants, animals, and bacteria) interacting with each other and their non-living, physical environment (such as sunlight, soil, water, and air).

Ecosystem services:

The contributions of ecosystems to the benefits that are used in economic and other human activity.

Horizon scanning:

Horizon scanning is a systematic method for detecting early signs of emerging trends, risks and opportunities to inform strategic decision making.

Market governance:

Rules, guidance and practices that determine how markets operate.

Natural capital:

The stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to provide a flow of benefits to people.

Nature-based solutions:

Actions to protect, sustainably manage and restore natural and modified ecosystems, benefiting people and nature at the same time. They target major challenges like climate change, disaster risk reduction, food and water security, biodiversity loss and human health, and are critical to sustainable development.

Paris Agreement:

A legally binding international treaty on climate change adopted by 196 parties at the UN Climate Change Conference (COP21) in December 2015. Its central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

Physical risks:

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.

Scenario analysis:

An evaluation of potential future climate impacts on organisations and economies by exploring plausible scenarios of emissions, policies, and socio-economic changes.

Stranded assets:

Stranded assets are assets that have lost value in a changed market environment, often due to climate, ESG and long-term viability factors.

Stress testing:

A risk assessment used to evaluate the resilience of financial institutions and systems against the potential impacts of climate change.

Sunset industry:

An established industry facing decline due to a lack of market demand, limited or non-existent technological advancement, or drastic changes in customer preferences, among other things.

Systemic risks:

Risks that are inherent to the entire market, rather than a particular stock or industry sector.

Transition risks:

Risks associated with the pace and extent to which an organisation reduces its GHG emissions and transitions to a sustainable, low carbon economy.



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Contact

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