

The Universities Superannuation Scheme tax strategy

This document sets out the tax strategy of USS (acting through its Trustee, Universities Superannuation Scheme Ltd) its investment manager, USS Investment Management Ltd and any other entities established to facilitate USS pension and investment business.

This document has been approved by the Trustee Executive and will be reviewed periodically and updated as required.

The Universities Superannuation Scheme Tax strategy

The Universities Superannuation Scheme (USS) is one of the largest UK private pension schemes and is the principal pension scheme for universities and other higher education institutions in the UK.

This document sets out the tax strategy of USS (acting through its Trustee, Universities Superannuation Scheme Ltd) its investment manager, USS Investment Management Ltd and any other entities established to facilitate USS pension and investment business. The strategy details our approach to the management of our tax affairs and tax risks. At its core, the strategy focuses on the tax regime for pension schemes in the UK, notably that they are specifically exempted from UK taxation on income and capital gains arising from investments. USS will approach its business in an appropriate manner so as to fall within this exemption where appropriate.

Approach to governance and managing tax risk

USS's objective is to ensure compliance with all relevant tax laws in all jurisdictions in which USS operates or invests, applying appropriate best practice in order to manage USS exposure to financial and reputational tax risk.

USS is committed to having dedicated internal resource to managing tax across its business, with a Group Tax function operating within Group Finance which interacts with the pensions and investment businesses. Maintaining this resource ensures that USS tax risk can be managed by individuals with a full understanding of USS corporate policies and risk appetites, enabling accountability to be assumed in-house. The Group Tax function manages tax across the life cycle of the USS investment programme and pension provision. This involves oversight of ongoing compliance, reporting and monitoring of investment portfolios and involvement in acquisitions and disposals of assets, as required. In addition, Group Finance oversees indirect and overseas taxation, including VAT, transfer taxes and withholding taxes.

The governance of our tax process and policies in respect of tax compliance is managed by appropriately qualified tax professionals, with support from the wider Finance, Compliance and Legal teams, with clear accountabilities attributed to tax processes. Additionally, we actively engage with highly reputable external service providers.

To manage the inherent tax risks of the organisation, USS maintains a Tax Risk Register and reports material tax issues to the Trustee Executive, through the CFO.

USS's three lines of defence model of risk management ensures that appropriate resource is allocated to assessing the effectiveness of implemented controls.

Structuring our tax affairs

A key fiduciary duty of the Trustee is to protect and safeguard the assets of the scheme. Another key duty is to invest those assets in the best financial interests of the scheme and its beneficiaries. Taking into account these duties, our tax affairs are conducted in order to maximise long term value for pension members, in particular in relation to the protection of the UK pension fund tax exemption in relation to USS's investment activity.

Any structuring conducted by USS is carried out with due consideration being given to the following factors:

- Whether the structures employed by the scheme, and the group as a whole, support the principal and fiduciary responsibilities of the Trustee to the members
- Whether appropriate tax advice (whether internally or externally sourced) supports the structures and activities in the context of the Trustee's responsibilities

The USS Tax function engages in collaboration with advisors, other schemes and trade bodies on a regular basis in order to monitor the availability of potential tax claims (e.g. withholding tax and other EU reclaims) which may be applicable to the scheme, and where appropriate, lodge claims as required.

Dealing with tax authorities

USS is committed to developing and maintaining an open and transparent relationship with HMRC and other relevant tax authorities in order to improve tax transparency and reduce USS's exposure to tax uncertainty.

USS seeks to build a trusted relationship with HMRC, raising issues where appropriate, to facilitate compliance with all relevant tax obligations and allow accurate and timely completion and agreement of tax returns.

This published tax strategy satisfies the requirements of Schedule 19 of the UK Finance Act 2016.

This publication is for general guidance only. It is not a legal document and does not explain all situations or eventualities. USS is governed by a trust deed and rules and if there is any difference between this publication and the trust deed and rules the later prevail. Members are advised to check with their employer contact for latest information regarding the scheme, and any changes that may have occurred to its rules and benefits. Any references to the Trustee or USSL in this document means Universities Superannuation Scheme Limited, the trustee company of Universities Superannuation Scheme and any references to the scheme or USS means Universities Superannuation Scheme.

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