

## Responsible Investment

## Approach

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## Approach

### Investing responsibly to provide long-term, secure pensions

At USS our duty is to protect and enhance the value of our investments over the long-term, with the ultimate aim of providing secure pensions for our members. We expect to achieve this by being an active and responsible long-term investor and steward of the assets and markets in which we invest. This means we need to consider all long-term risks to the performance of our investments, including material environmental, ethical, social and corporate governance (ESG) factors where these have a financial bearing.

The trustee's commitment to responsible investment is captured in the [Statement of Investment Principles](#), [Investment Beliefs](#) and [Stewardship Code statement](#).

Our Responsible Investment strategy covers all asset classes in all markets in which we invest including equities, fixed income, property and private markets. It applies to assets managed internally and to our external asset managers.

Our activities as a responsible investor fall into three core areas:

**Integration:** we seek to include material environmental, ethical, social and corporate governance (ESG) considerations within the investment decision making processes, where there is a financial bearing.

**Engagement, voting and stewardship:** fulfilling our obligations as an active owner and using our influence as a major institutional investor to promote good ESG practices.

**Market transformation activities:** including engagement with policy makers and regulators in markets in which we invest, to articulate the concerns of asset owners and long-term investors.

ESG factors may be of a medium to long term nature and are often difficult to quantify. ESG matters routinely considered by the fund include, (but are not limited to):

- corporate governance;
- succession planning;
- intellectual capital management;
- executive remuneration;
- human rights;
- health and safety
- human capital practices;
- innovation; research and development (R&D);
- customer satisfaction;
- supply chain management;
- climate change;
- consumer and public health;
- reputational risk;
- transparency and disclosure;
- environmental performance management
- the social impacts of corporate activity.
- stakeholder relations
- bribery & corruption risk management
- cyber security

### An active, engaged steward of assets

We work with investee companies and assets, fund managers and policy makers to encourage responsible behaviour.

We aim to:

**Identify and encourage good corporate management.** The ability of senior management to effectively deal with corporate responsibility and governance typically correlates with their ability to rise to business opportunities and challenges.

**Engage with companies and assets can help prevent or avoid value destruction.** Our

## Related information



## Documents

- > [Statement of Investment Principles 2016](#)
- > [Investment Beliefs](#)
- > [Stewardship Code statement](#)
- > [Responsible Investment strategy](#)
- > [Responsible Investment Legal Advice March 2016](#)
- > [Statement of Trustee on fiduciary obligations and investment approach](#)

## Links

- > [Our activities as a responsible investor](#)

ultimate objective is to safeguard our investments in the long-term interests of our members. Part of our fiduciary duty, therefore, is to regularly monitor investee assets and to take appropriate action if there are concerns that could impact investment returns. We engage with investee assets in all global markets, as well as with external fund managers and regulators to protect the fund's assets and protect returns for our members.

**Capture greater value by integrating extra-financial factors into investment decisions.**

We believe additional returns are available to investors who take a long-term view and are able to identify where the market is overlooking the role played by material environmental, ethical social and corporate governance (ESG) with a financial bearing in corporate and asset price performance. Systematic mishandling of ESG issues can be an early indicator of wider management or financial problems. There is good evidence that poor corporate governance decisions affect the interests of long-term investors. By integrating material ESG considerations with a financial bearing into our investment methodology, USS seeks to identify mispriced assets and enable our portfolio managers to make better investment decisions to enhance long-term performance.

**Promote the proper functioning of markets, from which we benefit as a universal investor.**

We seek to ensure that externalities and market failures, such as pollution or systemic weak corporate governance, do not affect market wide, long-term economic performance. Universal investors are those who, like USS, have holdings that are so diversified that their investment returns are impacted by the returns from the economy as a whole, as much as any specific industries or companies.

**Ensure our assets contribute positively to our members' futures.** The assets we own and the oversight we wield as a responsible owner play an important role in determining the wider future our members face and, therefore, the real value of their retirement income. We believe that our members want to retire into a world characterised by a healthy environment, vibrant economy and peaceful society, so we take into account factors which further this aim.

**Our fiduciary duty and its implications for responsible investment.** USS is a multi-employer pension fund with nearly 400 member institutions, governed under trust law to invest and pay pensions for more than 330,000 individuals. USS provides a defined benefit pension in the form of the USS Retirement Income Builder, under this arrangement all assets are pooled and invested in order to provide a specified level of income for our members for retirement. In this regard, it is unlike retail investment products - or USS's Investment Builder section of the scheme - through which individuals can often express their personal values through their investment choices.

Our responsible investment policy in regards to the USS Retirement Income Builder must be consistent with our legal responsibility to treat our members' financial interests as paramount. The [legal advice](#) received by USS states that we cannot make investment decisions purely on the basis of an ethical or moral stance. For this reason we are unable to undertake ethical screening or operate blanket divestment policies. Where ESG factors are material to the financial performance of an investment, our investment managers can and must integrate them into their decision making as outlined in the [USS Statement of Investment Principles](#).

The USS Investment Builder, the defined contribution section of the scheme, offers members ethical fund options, as is appropriate within the legal parameters in which the scheme operates.



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