

## Universities Superannuation Scheme Responsible Investment Strategy 2015

### Background

USS is an active and responsible steward of the assets in which it invests and expects this approach to protect and enhance the value of the scheme in the long-term. The trustee's commitment to responsible investment is outlined in the scheme's [Statement of Investment Principles](#) and [Investment Beliefs](#).

USS first established its responsible investment (RI) policy in 1999. This policy was in keeping with the times, and focussed mainly on engagement with publically listed companies. In 2006, the scheme formally reviewed its approach to RI and developed a strategy which focussed on 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.

The strategy applies to all markets and all asset classes and not just public equities.

The scheme applies appropriate resource to implement the RI Strategy. The scheme has employed an in-house responsible investment team since 2000: from an original team of three, the RI function at USS Investment Management now has [six team members](#), plus a Sustainability Manager in the Private Markets Group who has a focus on management of the Scheme's real estate assets.

The RI Strategy was formally reviewed by the USS Board in 2013 and the three core areas of activity above continued to be deemed appropriate for the scheme. More details on the three areas are provided below.

### Integration

As outlined in the [Statement of Investment Principles](#), the Trustee requires its investment managers to integrate all material financial factors, including environmental, ethical, social and corporate governance (ESG) considerations into the decision making process for all scheme investments, where such factors have a financial bearing. Such assessment is not only about identifying ESG related risks, but also about finding opportunities for better long-term returns.

USS Investment Management has developed a range of approaches across the different asset classes to encourage the consideration of material ESG factors into investment decision making where such factors have a financial bearing. Investment decisions are ultimately made by the portfolio managers or investment committees, as determined by the investment mandates and USS Investment Management governance frameworks. Further details of how we implement ESG integration within the different asset classes are outlined on the [Responsible Investment Activities page](#) of our website.

## **Engagement and Voting**

Engagement and voting at listed companies has always been a core RI activity. As an institutional investor that takes seriously its fiduciary duty and stewardship obligations, USS is an active owner and considers the effective management and board oversight of ESG issues to be integral to long-term performance.

USS monitors investee assets and actively encourages good corporate governance practices and responsible corporate behaviour. USS contributed to the development of the UK Stewardship Code and first published a Stewardship Code statement in 2010.

### Engagement

The RI Team works alongside the investment teams to monitor and engage with the scheme's assets on ESG matters.

Engagement can take many forms, such as sending letters to individual holdings (as the scheme does whenever it votes against management at company shareholder meetings); participating in collaborative engagements (where a number of investors will meet a company or engage with a number of companies on the same theme, or participate in initiatives led by trade bodies); or private one-to-one meetings between the scheme's investment teams and/or RI team and the investee asset's Board or management team.

The aims of individual engagements can also vary, including for example:

- Stewardship engagement to monitor assets and ensure that appropriate ESG standards are being applied.
- Relationship engagement to ensure that USS develops a strong relationship with management, as a long-term investor.
- Active engagement to encourage change in order to see material value enhancement or ESG risk reduction.

USS undertakes all of the above forms of engagement, as appropriate.

Engagement priorities, may be determined by the investment teams or RI team and may be proactive or reactive. Engagements may be event driven or undertaken in response to particular opportunities (for example collaborative initiatives led by other investors or trade bodies).

### Voting

USS considers shareholder voting to be an important shareholder right and a valuable tool in the engagement process and endeavours to vote in all global markets.

In public markets, the scheme uses a number of service providers to help analyse company proxy materials and statements, but all votes are confirmed in house by the RI team, in discussion with the portfolio manager. We aim to vote in an informed and pragmatic manner, taking into consideration a company's unique circumstances.

We endeavour to inform a company in advance of a company's meeting if we are dissenting on any resolution and will take into consideration any additional information we may receive when making a final decision.

USS publishes a UK Voting Policy, and since 2015 has produced a Global Stewardship Principles document to support voting and engagement in the scheme's non-domestic markets.

## **Public Policy & Market-wide Initiatives**

As USS has increased in size, its profile as a large investor and in-house managed asset-owner has increased. This creates opportunities for USS to ensure that the voice of long-term investor is heard in the development of policy and regulation (both in the UK and overseas) that can affect the management and performance of the scheme as a major multi asset-class owner.

We seek to influence and address thematic, sector and market related issues that could impact the performance of the scheme. Examples of such issues include climate change related regulation, corporate governance standards, shareholder rights, accounting standards and corporate reporting. The scheme regularly contributes to consultations and participates in industry debates on these topics.

USS also leverages its influence to encourage market-led transformational activities in support of the implementation of the RI Strategy above. For example the scheme established the Institutional Investors Group on Climate Change ([IIGCC](#)) and was heavily involved in the development of and operation of the UN-backed Principles for Responsible Investment ([PRI](#)) for many years. The USS RI team also helped establish the Global Investors Governance Network (GIGN), a collaboration of global investors to share corporate governance information, and the Global Real Estate Sustainability Benchmark ([GRESB](#)) for responsible investment in real estate.

The RI team also meets with other pension funds and other investors, and regularly speaks at events and conferences, to raise awareness of RI issues in the investment sector. Representatives from the scheme also participate in industry panels and committees to influence the debate on RI at a variety of fora including (though not limited to) the [Pensions and Lifetime Savings Association](#) (formerly the NAPF), the [International Centre for Pensions Management](#), the [PRI Private Equity Advisory Committee](#), [Cass Business School Centre for Research in Corporate Governance](#), and the UK's [Investor Forum](#).