



RI TRANSPARENCY REPORT

2020

Universities Superannuation Scheme - USS

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2020 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		🔒	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Public							✓
OO 08	Segregated mandates or pooled funds	✓	Public							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown of listed equity investments by passive and active strategies	✓	Public							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	✓	Public							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	✓	Public							✓
OO PE 01	Breakdown of private equity investments by strategy	✓	Public							✓
OO PE 02	Typical level of ownership in private equity investments	✓	Public							✓
OO PR 01	Breakdown of property investments	✓	Public							✓
OO PR 02	Breakdown of property assets by management	✓	Public							✓
OO PR 03	Largest property types	✓	Public							✓
OO INF 01	Breakdown of infrastructure investments	✓	Public							✓
OO INF 02	Breakdown of infrastructure assets by management	✓	Public							✓
OO INF 03	Largest infrastructure sectors	✓	Public							✓
OO HF 01	Breakdown of hedge funds investments by strategies	🔒	n/a							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 01 CC	Climate risk	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Public							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Public							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Public							✓
SG 08	RI in performance management, reward and/or personal development	✓	Public							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	✓	Public	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13 CC		✓	Public							✓
SG 14	Long term investment risks and opportunity	✓	Public	✓						
SG 14 CC		✓	Public							✓
SG 15	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 16	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 17	ESG issues for externally managed assets not reported in framework	✓	Public							✓
SG 18	Innovative features of approach to RI	✓	Public							✓
SG 19	Communication	✓	Public		✓				✓	
SG End	Module confirmation page	✓	-							

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	ESG incorporation strategies	✓	Public	✓						
SAM 02	Selection processes (LE and FI)	✓	Public	✓						
SAM 03	Evaluating engagement and voting practices in manager selection (listed equity/fixed income)	✓	Public		✓					
SAM 04	Appointment processes (listed equity/fixed income)	✓	Public	✓						
SAM 05	Monitoring processes (listed equity/fixed income)	✓	Public	✓						
SAM 06	Monitoring on active ownership (listed equity/fixed income)	✓	Public	✓						
SAM 07	Percentage of (proxy) votes	✓	Public		✓					
SAM 08	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓						
SAM 09	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public	✓					✓	
SAM End	Module confirmation page	✓	-							

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Percentage of each incorporation strategy	✓	Public	✓						
LEI 02	Type of ESG information used in investment decision	✓	Public	✓						
LEI 03	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 04	Types of screening applied	✓	Public	✓						
LEI 05	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 06	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 07	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 08	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 09	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 10	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 11	ESG issues in index construction	🔒	n/a	✓						
LEI 12	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 13	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Role in engagement process	✓	Public		✓		✓			
LEA 07	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 08	Tracking number of engagements	✓	Public		✓					
LEA 09	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 10	Engagement methods	✓	Public		✓					
LEA 11	Examples of ESG engagements	✓	Public		✓					
LEA 12	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 13	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 14	Securities lending programme	✓	Public		✓					
LEA 15	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 16	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 17	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 18	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 19	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 20	Shareholder resolutions	✓	Public		✓					
LEA 21	Examples of (proxy) voting activities	✓	Public		✓					
LEA End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Incorporation strategies applied	✓	Public	✓						
FI 02	ESG issues and issuer research	✓	Public	✓						
FI 03	Processes to ensure analysis is robust	✓	Public	✓						
FI 04	Types of screening applied	🔒	n/a	✓						
FI 05	Examples of ESG factors in screening process	🔒	n/a	✓						
FI 06	Screening - ensuring criteria are met	🔒	n/a	✓						
FI 07	Thematic investing - overview	🔒	n/a	✓						
FI 08	Thematic investing - themed bond processes	🔒	n/a	✓						
FI 09	Thematic investing - assessing impact	🔒	n/a	✓						
FI 10	Integration overview	✓	Public	✓						
FI 11	Integration - ESG information in investment processes	✓	Public	✓						
FI 12	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 13	ESG incorporation in passive funds	✓	Public	✓						
FI 14	Engagement overview and coverage	✓	Public		✓					
FI 15	Engagement method	✓	Public	✓	✓					
FI 16	Engagement policy disclosure	✓	Public	✓	✓					
FI 17	Financial/ESG performance	✓	Public							✓
FI 18	Examples - ESG incorporation or engagement	✓	Public	✓	✓					
FI End	Module confirmation page	✓	-							

Confidence building measures				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01	Assurance, verification, or review	✓	Public							✓
CM1 02	Assurance of last year's PRI data	✓	Public							✓
CM1 03	Other confidence building measures	✓	Public							✓
CM1 04	Assurance of this year's PRI data	✓	Public							✓
CM1 05	External assurance	🔒	n/a							✓
CM1 06	Assurance or internal audit	🔒	n/a							✓
CM1 07	Internal verification	🔒	n/a							✓
CM1 01 End	Module confirmation page	✓	-							

Universities Superannuation Scheme - USS

Reported Information

Public version

Organisational Overview

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Basic information

OO 01	Mandatory	Public	Gateway/Peering	General
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OO 01.1 Select the type that best describes your organisation or the services you provide.

- ☐ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☒ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation
- ☐ Endowment
- ☐ Development finance institution
- ☐ Reserve - sovereign or government controlled fund
- ☐ Family office
- ☐ Other, specify

OO 02	Mandatory	Public	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1
- ☐ 2-5
- ☐ 6-10
- ☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

435

OO 02.4 Additional information. [Optional]

We do not have offices in other countries. The FTE number includes salaried staff of USS Investment Management (based in London) and USS Ltd (based in Liverpool).

OO 03	Mandatory	Public	Descriptive	General
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OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

☐ Yes☒ No**OO 04****Mandatory****Public****Gateway/Peering****General****OO 04.1**

Indicate the year end date for your reporting year.

31/12/2019

OO 04.2

Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM		73	262	000	000
Currency	GBP				
Assets in USD		94	639	307	202

☐ Not applicable as we are in the fund-raising process

OO 04.5

Additional information. [Optional]

The Annual Report and Accounts are disclosed here <https://www.uss.co.uk/how-uss-is-run/running-uss/annual-reports-and-accounts> and details of how USS invests are outlined here <https://www.uss.co.uk/how-uss-invests/how-uss-invests-home>.

OO 06

Mandatory

Public

Descriptive

General

OO 06.1

Select how you would like to disclose your asset class mix.

☒ as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	30	3
Fixed income	30	6
Private equity	1.5	6
Property	4	1
Infrastructure	6	0
Commodities	0	0
Hedge funds	0	2
Fund of hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	2	2

Money market instruments	0	0
Other (1), specify	6.5	0
Other (2), specify	0	0

	Other (1) specified
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Private Debt & Inflation Linked Credit

☐ as broad ranges

OO 06.2	Publish asset class mix as per attached image [Optional].
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OO 06.3	Indicate whether your organisation has any off-balance sheet assets [Optional].
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☐ Yes

☒ No

OO 06.5	Indicate whether your organisation uses fiduciary managers.
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☐ Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.

☒ No, we do not use fiduciary managers.

OO 07	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO 07.1	Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.
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Internally managed		SSA
	95	
		Corporate (financial)
	2	
		Corporate (non-financial)
	3	
		Securitised
	0	
		Total
	100%	
Externally managed		SSA
	80	
		Corporate (financial)
	9	
		Corporate (non-financial)
	2	
		Securitised
	9	
		Total
	100%	

OO 08	Mandatory to Report Voluntary to Disclose	Public	Peering	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

OO 08.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds or investments.
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Asset class breakdown	Segregated mandate(s)	Pooled fund(s) or pooled investment(s)	Total of the asset class (each row adds up to 100%)
[a] Listed equity	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	100%
[b] Fixed income - SSA	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[c] Fixed income – Corporate (financial)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[d] Fixed income – Corporate (non-financial)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[e] Fixed income – Securitised	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[f] Private equity	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	100%
[g] Property	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[j] Hedge funds	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	100%

[n] Cash	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %	100%
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OO 09	Mandatory	Public	Peering	General
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OO 09.1	Indicate the breakdown of your organisation's AUM by market.
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	Developed Markets
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87

	Emerging Markets
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13

	Frontier Markets
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0

	Other Markets
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0

	Total 100%
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100%

OO 09.2	Additional information. [Optional]
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Note we do not currently split out frontier markets from emerging markets, though have some exposure.

Asset class implementation gateway indicators

OO 10	Mandatory	Public	Gateway	General
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OO 10.1	Select the active ownership activities your organisation implemented in the reporting year.
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	Listed equity – engagement
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- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors.

Listed equity – voting

- ☒ We cast our (proxy) votes directly or via dedicated voting providers
- ☒ We require our external managers to vote on our behalf.
- ☐ We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

Fixed income SSA – engagement

- ☒ We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with SSA bond issuers on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.

Fixed income Corporate (financial) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (non-financial) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (securitised) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

OO 11

Mandatory

Public

Gateway

General

OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

Listed equity

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

Fixed income - SSA

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Fixed income - corporate (financial)
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- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Fixed income - corporate (non-financial)
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- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Private equity
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- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Property
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- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Infrastructure
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- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Cash
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- ☐ We address ESG incorporation.
- ☒ We do not do ESG incorporation.

	Other (1)
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- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	`Other (1)` [as defined in OO 05]
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Private Debt & Inflation Linked Credit

OO 11.2	Select the externally managed assets classes in which you and/or your investment consultants address ESG incorporation in your external manager selection, appointment and/or monitoring processes.
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Asset class	ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
Listed equity	<div>Listed equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - SSA	<div>Fixed income - SSA - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - corporate (financial)	<div>Fixed income - corporate (financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - corporate (non-financial)	<div>Fixed income - corporate (non-financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - securitised	<div>Fixed income - securitised - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Private equity	

	<div>Private equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Property	<div>Property - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Hedge funds	<div>Hedge funds - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Cash	<div>Cash - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation

OO 11.4

Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

USS's Statement of Investment Principles is applicable across all assets and expects its investment managers to take into account all financially material considerations in the selection, retention and realisation of investments. This includes environmental, social and governance considerations (such as, but not limited to climate change) where these are considered relevant financial factors. This is supported by additional text in the scheme's Investment Beliefs. Both these documents are available on the USS website - www.uss.co.uk.

The majority of the scheme's assets are managed in house by USS Investment Management. Thus, much of the core focus for RI activities is on internal assets, as reflected in the Scheme's RI strategy.

OO 12	Mandatory	Public	Gateway	General
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OO 12.1

Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

Core modules

- ☒ Organisational Overview
- ☒ Strategy and Governance

RI implementation directly or via service providers**Direct - Listed Equity incorporation**

- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income

- ☒ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)

Direct - Other asset classes with dedicated modules

- ☐ Private Equity
- ☐ Property
- ☐ Infrastructure

RI implementation via external managers**Indirect - Selection, Appointment and Monitoring of External Managers**

- ☒ Listed Equities
- ☒ Fixed income - SSA
- ☒ Fixed income - Corporate (financial)
- ☒ Fixed income - Corporate (non-financial)
- ☒ Fixed income - Securitised
- ☒ Private Equity
- ☒ Property

	Closing module
--	----------------

☒ Closing module

OO 12.2	Additional information. [Optional]
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In addition to the disclosures in this year's PRI reporting framework, RI processes have also been developed at USS for Credit, Private Equity, Property and Infrastructure, as reported in previous years. These are described on the USS website and RI Annual Report, as well as the PRI website under the Universities Superannuation Scheme's archives of Transparency Reports. See <https://reporting.unpri.org/surveys/PRI-reporting-framework-2017/7DF082AB-BB14-45AF-8030-F12A8907F4F3/79894dbc337a40828d895f9402aa63de/html/2/?lang=English&a=1>.

In 2020, for the YE 2019 report, we plan to complete only the mandatory direct asset classes (listed equity and sovereign fixed income) sections to reduce the considerable time required to complete PRI reporting for USS and better focus resources on implementation of the Principles across our internal asset classes.

With regard to our indirect holdings, USS was listed in the 2019 PRI's Leaders' Group as a signatory demonstrating a breadth of responsible investment excellence, excelling in the theme of the selection, appointment and monitoring of external managers - an area showcased by the PRI last year. See <https://www.unpri.org/signatories/showcasing-leadership/leaders-group-2019>. Whilst the 'Indirect - Selection, Appointment and Monitoring of External Managers' section is a voluntary module for USS, we decided to complete the reporting for YE 2019 to highlight enhancements in our due diligence and monitoring processes for external managers which were refreshed and enhanced during the year.

Peering questions

OO LE 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO LE 01.1	Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.
-------------------	---

Percentage of internally managed listed equities



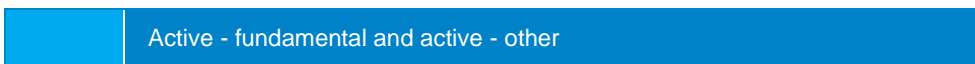









	Passive
0	
	Active - quantitative (quant)
11	
	Active - fundamental and active - other
89	
	Total
100%	

OO LE 01.2	Additional information. [Optional]
-----------------------	------------------------------------

USS's internal listed equity portfolios were in 2019 run according to geographic region - Pan European, Pacific, North America and Global Emerging Markets. There are also three quant portfolios, namely US Cashflow, Low Volatility and Sustainable Income.

OO FI 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO FI 01.1	Provide a breakdown of your internally managed fixed income securities by active and passive strategies
-------------------	---

SSA	 Passive
	63
	 Active - quantitative (quant)
	6
	 Active - fundamental and active - other
	31
Corporate (financial)	 Total
	100%
	 Passive
	0
	 Active - quantitative (quant)
	0
Corporate (non-financial)	 Active - fundamental and active - other
	100
	 Total
	100%
	 Passive
	0
	 Active - quantitative (quant)
	0
	 Active - fundamental and active - other
	100
	 Total
	100%

OO FI 03	Mandatory	Public	Descriptive	General
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Update: this indicator has changed from "*Mandatory to report, voluntary to disclose*" to "*Mandatory*". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

OO FI 03.1	Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.
------------	---

SSA	
	Developed markets
90	
	Emerging markets
10	
	Total
100%	

	If you are invested in private debt and reporting on ratings is not relevant for you, please indicate below
--	---

☒ OO FI 03.2 is not applicable as our internally managed fixed income assets are invested only in private debt.

OO SAM 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO SAM 01.1	Provide a breakdown of your externally managed listed equities and fixed income by passive, active quant and, active fundamental and other active strategies.
-------------	---

Listed equity (LE)	<div> <div>Passive</div> <div>90</div> </div> <div> <div>Active - quantitative (quant)</div> <div>0</div> </div> <div> <div>Active - fundamental and active - other</div> <div>10</div> </div> <div>100%</div>
Fixed income - SSA	<div> <div>Passive</div> <div>100</div> </div> <div> <div>Active - quantitative (quant)</div> <div>0</div> </div> <div> <div>Active - fundamental and active - other</div> <div>0</div> </div> <div>100%</div>
Fixed income - Corporate (financial)	<div> <div>Passive</div> <div>1</div> </div> <div> <div>Active - quantitative (quant)</div> <div>0</div> </div> <div> <div>Active - fundamental and active - other</div> <div>99</div> </div> <div>100%</div>
Fixed income - Corporate (non-financial)	<div> <div>Passive</div> <div>1</div> </div> <div> <div>Active - quantitative (quant)</div> <div>0</div> </div>

	<div>Active - fundamental and active - other</div> <div>99</div> <div>100%</div>
Fixed income - Securitised	<div>Passive</div> <div>0</div> <div>Active - quantitative (quant)</div> <div>0</div> <div>Active - fundamental and active - other</div> <div>100</div> <div>100%</div>

OO SAM 01.2	Additional information [Optional].
------------------------	------------------------------------

The 1% entries have been included to reflect allocations that have been made to externally managed funds under the USS Investment Builder mandates, USS's defined contribution funds. These are small allocations at the present time: the total amount under Investment Builder is currently less than 2% of the total scheme. See <https://www.uss.co.uk/members/members-home/the-uss-scheme/uss-investment-builder>.

OO PE 01	Mandatory	Public	Descriptive	General
OO PE 01.1	Provide a breakdown of your organisation's internally managed private equity investments by investment strategy.			

Investment strategy	Percentage of your internally managed private equity holdings (in terms of AUM)
Venture capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Growth capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
(Leveraged) buy-out	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Distressed/Turnaround/Special Situations	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Secondaries	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Other investment strategy, specify (1)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Other investment strategy, specify (2)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Total 100%	

Other investment strategy, specify (1)

Long Term Low Risk (Core) Private Equity

OO PE 02	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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OO PE 02.1	Indicate the level of ownership you typically hold in your private equity investments.
------------	--

- ☐ a majority stake (>50%)
- ☐ 50% stake
- ☐ a significant minority stake (between 10-50%)
- ☐ a minority stake (<10%)
- ☒ a mix of ownership stakes

OO PE 02.2	Additional information. [Optional]
------------	------------------------------------

USS holds a mix of ownership stakes in its direct private equity investments.

The scheme has also taken a number of larger direct investment stakes in private companies such as Moto and Westerleigh Group. See <https://www.uss.co.uk/how-uss-invests/the-fund/investments/private-markets/private-equity/private-equity-case-study> and <https://www.uss.co.uk/news/all-news/2016/11/ontario-teachers-pension-plan-and-uss-to-acquire-westerleigh-group>.

We also invest indirectly in private equity funds and co-invest alongside private equity General Partners (GPs) as outlined in the SAM section of our previous years PRI Transparency Reports.

OO PR 01	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
----------	---	--------	-------------	---------

OO PR 01.1	Indicate the level of ownership you typically hold in your property investments.
------------	--

- ☒ a majority stake (50% and above)
- ☐ a significant minority stake (10 and above, and under 50%)
- ☐ a limited minority stake (<10%)
- ☐ a mix of ownership stakes
- ☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity in property on their behalf

OO PR 01.2	Provide a breakdown of your organisations allocation to Real Estate Investment Trusts (REITs) or similar
------------	--

- ☐ >50%
- ☐ 10 – 50%
- ☒ <10%
- ☐ 0%

OO PR 02	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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**OO PR
02.1**

Provide a breakdown of your organisation's property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party property managers appointed by you	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
Managed by tenant(s) with operational control	<input type="radio"/> > 50% <input type="radio"/> 10-50% <input checked="" type="radio"/> < 10% <input type="radio"/> 0%
Total 100%	

OO PR 03

Mandatory to Report Voluntary to Disclose

Public

Descriptive

General

**OO PR
03.1**

Indicate up to three of your largest property types by AUM.

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input checked="" type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

OO PR
03.2

Additional information.

The scheme believes a responsible approach to property investment will protect and enhance the value of its investments, thereby enhancing long term returns for USS members and beneficiaries. It is therefore the trustee's objective to ensure the financial returns needed to fulfil its commitments, and reduce any potentially adverse environmental and social impacts generated by the scheme's investment and management activities, including those that may affect climate change. In addition, USS endeavours to exert a positive influence on its existing portfolio, and the market, actively encouraging improvements in environmental and social performance, through a structured programme of activity.

Details of the scheme's Responsible Property Investment remit, 2019 targets and a Summary Report on USS Community and Biodiversity at USS properties are available at <https://www.uss.co.uk/how-uss-invests/the-fund/investments/private-markets/property>.

OO INF 01	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**OO INF
01.1**

Indicate the level of ownership you typically hold in your infrastructure investments.

- ☐ a majority stake (>50%)
- ☐ a 50% stake
- ☐ a significant minority stake (between 10-50%)
- ☐ a minority stake (<10%)
- ☒ a mix of ownership stakes

**OO INF
01.2**

Additional information. [Optional]

The scheme holds a variety of different stakes in infrastructure assets, ranging from 100% ownership to minority stakes.

Our Real Assets mandate is focused on directly acquiring stable assets generating inflation-linked equity returns, particularly in the infrastructure sector.

Our typical equity investment ranges from £100m-£1bn with the ability to do larger transactions with additional partners. We are able to hold majority or minority stakes with commensurate governance rights.

We focus on OECD countries (particularly UK, US, Europe and Australia) and mainly target sectors providing essential services where there is a barrier to entry. Our target areas for real assets are:

- Communications
- Social Housing/University Accommodation
- Energy
- Timberland
- PFI/PPP
- Agriculture
- Transportation
- Utilities

OO INF 02**Mandatory to Report Voluntary to Disclose****Public****Gateway/Peering****General****OO INF
02.1**

Provide a breakdown of your organisation's infrastructure assets based on who manages the assets.

Infrastructure assets managed by	Breakdown of your infrastructure assets (by number)
Managed directly by your organisation/companies owned by you	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party operators appointed by your organisation/companies owned by you	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors/their third-party operators	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Total	100%

OO INF 03	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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OO INF 03.1	Indicate up to three of your largest infrastructure sectors by AUM.
-------------	---

Sector	Main infrastructure sectors (by AUM)
Largest infrastructure sector	<input checked="" type="radio"/> Transportation <input type="radio"/> Energy infrastructure <input type="radio"/> Conventional energy <input type="radio"/> Renewable energy <input type="radio"/> Water management <input type="radio"/> Waste management <input type="radio"/> Communication <input type="radio"/> Social infrastructure <input type="radio"/> Other, specify
Second largest infrastructure sector	<input type="radio"/> Transportation <input type="radio"/> Energy infrastructure <input type="radio"/> Conventional energy <input type="radio"/> Renewable energy <input checked="" type="radio"/> Water management <input type="radio"/> Waste management <input type="radio"/> Communication <input type="radio"/> Social infrastructure <input type="radio"/> Other, specify
Third largest infrastructure sector	<input type="radio"/> Transportation <input type="radio"/> Energy infrastructure <input type="radio"/> Conventional energy <input checked="" type="radio"/> Renewable energy <input type="radio"/> Water management <input type="radio"/> Waste management <input type="radio"/> Communication <input type="radio"/> Social infrastructure <input type="radio"/> Other, specify

OO INF
03.2

Additional information.

The RI process that applies to the scheme's infrastructure assets are explained in detail in our responses on Private Equity (PE) and Infrastructure, disclosed in previous PRI Transparency Reports.

See <https://reporting.unpri.org/surveys/PRI-reporting-framework-2017/7DF082AB-BB14-45AF-8030-F12A8907F4F3/79894dbc337a40828d895f9402aa63de/html/2/?lang=English&a=1>

Universities Superannuation Scheme - USS

Reported Information

Public version

Strategy and Governance

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Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

☒ Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input checked="" type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Other, specify (1) Collaboration, Investment Beliefs <input checked="" type="checkbox"/> Other, specify(2) SIP, Stewardship Code & Global Principles,	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- ☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- ☒ Your investment objectives that take ESG factors/real economy influence into account
- ☒ Time horizon of your investment
- ☒ Governance structure of organisational ESG responsibilities
- ☒ ESG incorporation approaches
- ☒ Active ownership approaches
- ☒ Reporting
- ☒ Climate change
- ☒ Understanding and incorporating client / beneficiary sustainability preferences
- ☒ Other RI considerations, specify (1)

Other description (1)

The scheme's Investment Beliefs highlight a commitment to collaboration. They state "the fund's interests are further protected from adverse impacts by collaboration with like-minded investors and engagement with government, industry and regulators". This belief/commitment to collaboration is reflected in the market-wide transformation work and collaborative initiatives outlined below.

- ☒ Other RI considerations, specify (2)

Other description (2)

The investment beliefs also discuss active management, internal resources, the illiquidity premium and "that investing responsibly and engaging as long term owners reduces risk over time and may positively impact fund returns". All these factors have influenced the scheme's approach to responsible investment.

SG 01.4

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

USS's Responsible Investment Statement, Statement of Investment Principles and Investment Beliefs - which are all available on the scheme's website - outline the framework for the consideration of ESG factors for the scheme and the opportunity for members to incorporate their individual ethical / sustainability preferences within the USS Investment Builder sections:

- <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/814-uss-responsible-investment-statement-june-2018-v1.pdf>
- <https://www.uss.co.uk/how-uss-invests/investment-approach/investment-beliefs-and-principles>
- <https://www.uss.co.uk/~media/document-libraries/uss/investments/2019statementofinvestmentprinciples.pdf>

The link to the real economy is discussed in our Responsible Investment Statement and the 'Responsible Investment Approach' page on the scheme's website. The scheme encourages good corporate management of ESG issues, and aims to ensure our assets contribute positively to our members' futures and the economy. See <https://www.uss.co.uk/how-uss-invests/responsible-investment/approach>. It notes we "*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*".

We also include details of the schemes interpretation of fiduciary duty and its associated legal advice: <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/statement-of-trustee-on-fiduciary-obligations-and-investment-approach.pdf>.

SG 01.5

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

In addition to the **Statement of Investment Principles** and **Investment Beliefs** (see <https://www.uss.co.uk/how-uss-invests/investment-approach/investment-beliefs-and-principles>), the following key documents govern responsible investment at USS:

- **The USS Statement on Responsible Investment** <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/814-uss-responsible-investment-statement-june-2018-v1.pdf>
- **USS Responsible Investment Strategy** <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/ussrstrategy.pdf>
- **Responsible Investment Legal Advice** <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/responsible-investment-legal-advice-october-2019.pdf>
- **USS RI Approach** <https://www.uss.co.uk/how-uss-invests/responsible-investment/approach>
- **USS UK Voting Policy** <https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/ukvotingpolicy.pdf>
- **USS UK Stewardship Code Statement** <https://www.uss.co.uk/~media/document-libraries/uss/investments/corporate-governance/uss-and-the-new-uk-stewardship-code.pdf>
- **USS Global Stewardship Principles** <https://www.uss.co.uk/~media/document-libraries/uss/investments/uss-global-stewardship-principles-2016.pdf>
- **USS Governance Expectations for Hedge Funds** <https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/expectationsgovernancehedgefunds2010.pdf>
- **USS Responsible Property Investment Policy** <https://www.uss.co.uk/~media/document-libraries/uss/investments/rpi/rpi-policy-feb-2020.pdf>
- **USS Responsible Property Investment Targets** <https://www.uss.co.uk/~media/document-libraries/uss/investments/rpi/rpi-managment-targets-apr18-mar19.pdf>
- **USS Private Markets Enhanced Due Diligence** <https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/eddmr2014.pdf>

USSIM's CEO presented on USS's wider RI strategy, including divestment, at USS's Institutions Meeting in December. See - <https://www.uss.co.uk/how-uss-is-run/views-from-uss/uss-institutions-meeting-2019>

Additionally, the Scheme also developed Ethical Guidelines for use in the ethical fund options offered under the USS Investment Builder - the DC section of the scheme. USS Investment Builder also includes a USS Sharia Fund. For more details see:

<https://www.uss.co.uk/~media/document-libraries/uss/member/member-guides/post-april-2016/a-guide-to-investing-in-the-uss-investment-builder.pdf>

☐ No

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.			

☒ Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Climate change is an issue of global significance. While there are uncertainties around the specific impacts, the predicted changes (e.g. rising sea levels/flooding/droughts) pose a threat to environmental, social, economic, and political stability, and to the businesses and other assets in which USS invests.

As changes in the climate could have major effects on both the economy and the quality of life of our members, issues related to climate change are legitimate concerns of pension fund trustees. The policy response to a changing climate, including the Paris Agreement and the targets for reducing emissions, including commitments to Net Zero by 2050, also present both transition risks and opportunities to USS.

The way in which our investee companies/assets manage these risks is therefore a concern, in line with our responsibility to safeguard the fund for the long-term benefit of our members. We expect companies and other assets in which we invest to analyse climate risks, both in terms of their and transition risk, and how the physical risks associated with a changing climate could impact their businesses. This should lead to the development of mitigation and adaptation plans, and the disclosure of this information to investors. We also expect our investment managers to be addressing these risks where they are material.

Climate change therefore represents potentially significant risks for the assets in which we invest. These risks can be:

- Physical - a changing climate may impact the viability of some assets or business models (e.g. flood risk for real estate, or drought/fire risk for timberland assets);
- Regulatory/transitional - where governments establish policies to reduce emissions or encourage changes in technology in the shift to a lower carbon future. This could lead to, for example, the stranding of coal assets;
- Reputational - where members/beneficiaries express concerns regarding investments in certain sectors associated with fossil fuels. This may have implications for the scheme's licence to operate.

To manage these risks, USS has in place processes for assessing climate change risk and opportunities in its investment processes. As described in other parts of this report, the scheme integrates climate change and other ESG related issues in its bottom-up assessment of public equity investments, and in the due diligence of its private equity and direct investments including infrastructure.

As noted in SG01.9CC and other sections of this report, the RI team has also worked with USS's internal investment risk team to assess how we could best undertake climate and carbon related stress testing and scenario analysis across the scheme, the results of which were reported to the USS Investment Committee (IC). The scheme has also in the past undertaken a strategic review for its IC of the options available to it in terms of addressing short medium and long-term climate change related risks and opportunities.

☐ No

**SG 01.7
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

☒ Yes

Describe the associated timescales linked to these risks and opportunities.

USS has climate change on both the Scheme and its investment risk registers.

USS considers climate change issues over the short, medium, and long term

- Short-term - stock price movements resulting from increased regulation to address climate change, or weather-related events (e.g. storm damage/flooding etc.);
- Medium-term - regulation and other factors leading to changes in consumer behaviour and therefore purchasing decisions - an example of this would be the significant uptake in electric vehicles;
- Long-term - physical risk, where changes to the climate mean that there are potential major impacts to assets that USS owns. Examples would include increased sea level rise for coastal infrastructure assets or supply chain impacts for companies as a result of severe weather events. We/investee companies

could incur significant costs to protect our interests (if indeed this is possible) if these assets fail to demonstrate appropriate resilience.

An example of a long to medium term theme that USS has acted upon is the impact of the transition to a low carbon economy and its potential to change the demand for different commodities. The growth in electric vehicles means that demand for batteries increase: cobalt is one critical element in rechargeable batteries so demand is increasing. As a result, identifying ways to invest in cobalt in the short/medium term is a way to play this long-term theme.

Additional text for SG 01.9 CC Scenario analysis

In addition to our main top down scenario analysis programme, in 2019, we also undertook a 2 degree scenario analysis on our internal Pan European equities portfolio. The process analysed the exposure of the portfolio to a range of transition risks (which can be both positive and negative) and physical climate risk scenarios. The outcome was an estimated climate Value-at-Risk of approximately 5% which appeared to indicate a relatively low level of risk to the portfolio. The portfolio's main downside exposure is largely drawn from the utility, materials, and energy sectors with one particular utility / energy distributor identified as the stock most at risk in this assessment. The analysis highlighted the potential deficiency with any evaluation whether top down or bottom up - it is easy to focus only on the negative impacts and not give equal weight to the positive consequences. For example, a diversified mining company was ranked as one of the top companies at risk due to its exposure to ship-borne coal. However, the process did not recognise the positive benefit this company gains from its exposure to Copper and Cobalt which are used in batteries and other low carbon infrastructure and which will benefit from the shift to a lower carbon economy. This demonstrates that whatever the outcome of the modelling or scenario analysis undertaken, understanding the drivers of the results will be at least as important as the headline outcomes.

USS believes that bottom up analysis may be more useful in assessing individual investment portfolios' climate risk exposure rather than total fund level analysis.

☐ No

**SG 01.8
CC**

Indicate whether the organisation publicly supports the TCFD?

☒ Yes

☐ No

**SG 01.9
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

☒ Yes

Describe

Scenario Analysis

In 2019 USS undertook scheme wide climate scenario analysis and stress testing. We decided to conduct "top down" climate analysis of the schemes Reference Portfolio to understand the systemic risk the fund is exposed to, permitting us to consider climate risk alongside rate or inflation risk in alternative Reference Portfolios.

The analysis used four climate scenarios: 1.5°C (orderly vs disorderly transition), 2°C and 4+°C. The lower temperature scenarios entail relatively more transition risk whereas the 4+°C scenario entails only physical risks as it assumes "business as usual". An orderly transition is one in which policy and technology changes are gradual and internationally coordinated. The transition can become disorderly if public policy changes abruptly (the Inevitable Policy Response for example): e.g. all coal fired power production is closed, technological breakthroughs lead to obsolescence of existing assets, public, consumer or investor sentiment suddenly changes or legal risks emerge. The result is a financial shock similar to the 2008 global financial crisis.

The approach used (which aligns with USS' traditional and ongoing scenario analysis and risk assessments) applied the four climate risk scenarios to a traditional econometric model and maps the resulting macro-

economic variables onto expected financial asset returns using historically observed relationships and correlations. Results are expressed as a change from a non-climate aware projection.

The scheme is still assessing the outcomes and implications of the scenario analysis. That said, we already plan to:

- Assess how we can better integrate climate risk in investment decision making processes, asset management and asst allocation
- The Corporate Affairs and RI teams to work on engagement programmes with policy makers and investee companies with underdeveloped transition plans
- Consider climate impact on investment mandates and benchmarks e.g. carbon targets, non-market cap benchmarks, etc.
- Improve both internal / external climate related reporting
- Work to develop "climate aware" models of returns to achieve complete consistency in our risk-return modelling and look at scenario analysis for the valuation best estimate
- Consider alternative Reference Portfolios and Journey Plan's which may provide greater climate resilience

Assessing the Impact on Liabilities

In late 2017, the Institute and Faculty of Actuaries (IFoA) released a formal risk alert on Climate-Related Risks (<https://www.actuaries.org.uk/documents/risk-alert-climate-related-risks>). A major focus of the alert was the implications of a changing climate, and the policy response to it, on pension funds liabilities. This intervention was unusual as most of the focus to date has been the impact of climate change on the assets held by pension funds/other investors.

We approached the Scheme actuary for their views on the impact to liabilities and discussed the topic with them earlier this year. The impacts are varied and include potential changes to GDP and population patterns (both positive and negative), both of which could have implications for pension fund liabilities and covenant strength. Whilst we will continue to monitor the work being done in this area, at the moment there is no firm conclusion and analysis is generic rather than scheme specific. The IFoA is also continuing to work on this issue.

☐ No

**SG 1.10
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- ☒ Public PRI Climate Transparency Report
- ☒ Annual financial filings
- ☐ Regular client reporting
- ☒ Member communications
- ☒ Other

specify

Section on the USS website (<https://www.uss.co.uk/how-uss-invests/responsible-investment/activities/climate-change>) including free standing TCFD report first published in 2018 and for update in 2020.

- ☐ We currently do not publish TCFD disclosures

SG 02

Mandatory

Public

Core Assessed

PRI 6

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1

Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

- ☒ Policy setting out your overall approach

URL/Attachment

- ☒ URL

URL

<https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/814-uss-responsible-investment-statement-june-2018-v1.pdf>

- ☒ Attachment (will be made public)

Attachment

- ☒ Formalised guidelines on environmental factors

URL/Attachment

- ☒ URL

URL

<https://www.uss.co.uk/~media/document-libraries/uss/investments/uss-global-stewardship-principles-2016.pdf>

- ☐ Attachment (will be made public)

- ☒ Formalised guidelines on social factors

URL/Attachment

- ☒ URL

URL

<https://www.uss.co.uk/~media/document-libraries/uss/investments/uss-global-stewardship-principles-2016.pdf>

- ☐ Attachment (will be made public)

- ☒ Formalised guidelines on corporate governance factors

URL/Attachment

- ☒ URL

	URL
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<https://www.uss.co.uk/~media/document-libraries/uss/investments/uss-global-stewardship-principles-2016.pdf>

☐ Attachment (will be made public)

☒ Fiduciary (or equivalent) duties

	URL/Attachment
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☒ URL

	URL
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<https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/statement-of-trustee-on-fiduciary-obligations-and-investment-approach.pdf>

☐ Attachment (will be made public)

☒ Asset class-specific RI guidelines

	URL/Attachment
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☒ URL

	URL
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<https://www.uss.co.uk/how-uss-invests/responsible-investment/activities>

☐ Attachment (will be made public)

☒ Sector specific RI guidelines

	URL/Attachment
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☒ URL

	URL
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<https://www.uss.co.uk/~media/document-libraries/uss/investments/rpi/rpi-working-group-remit-jan-2020.pdf>

☐ Attachment (will be made public)

☒ Screening / exclusions policy

	URL/Attachment
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☒ URL

URL

<https://www.uss.co.uk/~media/document-libraries/uss/member/member-guides/post-april-2016/a-guide-to-investing-in-the-uss-investment-builder-print-version.pdf?la=en>

☐ Attachment (will be made public)

☒ Engagement policy

URL/Attachment

☒ URL

URL

<https://www.uss.co.uk/how-uss-invests/responsible-investment/approach>

☐ Attachment (will be made public)

☒ (Proxy) voting policy

URL/Attachment

☒ URL

URL

<https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/ukvotingpolicy.pdf>

☐ Attachment (will be made public)

☒ Other, specify (1)

Other, specify (1) description

Hedge fund governance

URL/Attachment

☒ URL

URL

<https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/expectationsgovernancehedgefunds2010.pdf?la=en>

☐ Attachment (will be made public)

☒ Other, specify (2)

Other, specify (2) description

USS Private Markets Enhanced Due Diligence Process

URL/Attachment

☒ URL

URL

<https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/eddmar2014.pdf?la=en>

☐ Attachment (will be made public)

☐ We do not publicly disclose our investment policy documents

SG 02.2	Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.
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☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

☒ URL

URL

<https://www.uss.co.uk/how-uss-invests/responsible-investment/approach>

☐ Attachment

☒ Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

☒ URL

URL

<https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/814-uss-responsible-investment-statement-june-2018-v1.pdf>

☐ Attachment

☒ Time horizon of your investment

URL/Attachment

☒ URL

	URL
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<https://www.uss.co.uk/how-uss-invests/investment-approach/investment-beliefs-and-principles>

☐ Attachment

☒ Governance structure of organisational ESG responsibilities

	URL/Attachment
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☒ URL

	URL
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<https://www.uss.co.uk/~media/document-libraries/uss/investments/2019statementofinvestmentprinciples.pdf>

☐ Attachment

☒ ESG incorporation approaches

	URL/Attachment
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☒ URL

	URL
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<https://www.uss.co.uk/how-uss-invests/responsible-investment/activities>

☐ Attachment

☒ Active ownership approaches

	URL/Attachment
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☒ URL

	URL
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<https://www.uss.co.uk/~media/document-libraries/uss/investments/corporate-governance/uss-and-the-new-uk-stewardship-code.pdf?la=en>

☐ Attachment

☒ Reporting

	URL/Attachment
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☒ URL

	URL
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<https://www.uss.co.uk/how-uss-invests/responsible-investment/activities>

- ☐ Attachment
- ☒ Climate change

	URL/Attachment
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- ☒ URL

	URL
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<https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/taskforce-on-climate-related-financial-disclosures.pdf>

- ☐ Attachment
- ☒ Understanding and incorporating client / beneficiary sustainability preferences

	URL/Attachment
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- ☒ URL

	URL
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<https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/814-uss-responsible-investment-statement-june-2018-v1.pdf>

- ☐ Attachment
- ☐ Other RI considerations, specify (1)
- ☐ Other RI considerations, specify (2)
- ☐ We do not publicly disclose any investment policy components

SG 02.3	Additional information [Optional].
----------------	------------------------------------

As well as the above documents and web pages, there are additional operational and implementation guidelines relating to RI that are applicable to different processes or mandates.

Some documents are available on the web pages referred to in the questions e.g. the processes for sovereign fixed income and environmental performance targets for real estate.

Other guidelines have not been published but may be referred to within the overarching approaches referenced in key governing documents for investment processes e.g. for stock lending recalls for voting and voting considerations in particular markets, such as Japan.

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

☒ Yes

SG 03.2

Describe your policy on managing potential conflicts of interest in the investment process.

As a beneficial owner with in-house fund management and RI capabilities serving only one client, USS does not face the range of potential conflicts of interest that commercial fund managers may need to address. This is publicly outlined in our Stewardship Code Statement - <https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/statementonukstewardshipcode.pdf>.

Further, USS has put in place policies and procedures to take all reasonable steps to identify, record, manage and disclose and conflicts of interest which do arise. All staff are required to act in accordance with the Conflicts of Interest and Confidentiality Policy, a copy of which is maintained by the Compliance Department. USS Investment Management has a strong internal compliance function and is authorised and regulated by the FCA. All fund managers are expected to act in the best interest of the scheme, not their individual portfolios: this behaviour is reinforced by the fund's appraisal process and the bonus structure for USS Investment Management.

☐ No

SG 04	Voluntary	Public	Descriptive	General
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SG 04.1

Indicate if your organisation has a process for identifying and managing incidents that occur within investee entities.

☒ Yes

☐ No

SG 04.2

Describe your process on managing incidents

For private markets and property assets, where we have control or sit on the Board, we will monitor incidents through board papers, discussions with management and/or appointed managers.

For listed equity portfolio companies, we have access to market information through broker reports, newswires and data providers. This includes a service provider which specifically highlights ESG incidents.

Our human rights screen filters the companies that have a low human rights concerns score across our portfolios. The companies that are singled out are then analysed by the Responsible Investment team and added to our engagement priorities. The data is part of our set of tools that updates automatically so that the RI team is aware of any changes.

Portfolio managers, the RI team and other executives from USS Investment Management will attend industry events and meetings with service providers or peer investors which may highlight concerns. We also meet directly with the company at both board and management levels, and with different executives within the c-suite. In addition, we have a separate process for monitoring our public equity holdings for human rights related issues. We also meet with our external fund managers and GPs and are able to leverage information flows from these sources for our direct holdings.

Internal notes from meetings or material events are recorded on the shared internal research hub (IRH) on Bloomberg which can be accessed by the portfolio managers, analysts and RI team, amongst other staff at USS Investment Management.

Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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SG 05.1	Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.
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- ☐ Quarterly or more frequently
- ☒ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad-hoc basis
- ☐ It is not set/reviewed

SG 05.2	Additional information. [Optional]
----------------	------------------------------------

The Responsible Investment team has objectives set at the beginning of the year. The objectives can be updated during the year to take account of a changing investment environment and respond if particular issues arise. Performance against these objectives is assessed on a biannual basis. The objectives are aligned to the USS investment strategy. Strategic objectives form part of the appraisal process and reporting to the scheme's investment committee and board. The strategic objectives for USS Investment Management as a whole have in recent years included specific ESG KPIs which the fund is measured against: failure to achieve these KPIs impacts the performance of USS Investment Management as a whole, as well as the RI team.

The broad objectives and RI strategy are disclosed on our web-site at: <https://www.uss.co.uk/how-uss-invests/responsible-investment/approach>.

The RI strategy has been in place for a number of years and covers all asset classes, in all markets in which the scheme invests, whether those assets are internally or externally managed by the scheme. The following are the scheme's core areas of RI activity:

- 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

Sample RI team target 2019-2020

Public markets

- Integration - Implement new programme for provision of ESG information to PMs / analysts for priority and other holdings
- To develop and implement a programme for periodic ESG reviews of public markets portfolios
- Enhance engagement tracking: To track engagements with companies more effectively to assess impact against objectives and to demonstrate outcomes
- To roll out the E/S voting template and process

External assets

- Due Diligence: Ensure that potential external managers and assets have appropriate RI policies and procures in place and can evidence that the process is applied
- Monitoring PMG: Develop and embed systematic PMG monitoring programme and develop scoring programme for GPs to benchmark performance
- Monitoring ISA: Develop and embed systematic public markets monitoring programme and develop scoring programme for public markets to benchmark performance (ex hedge)
- Implement PMG framework and review of PMG direct assets

Scheme wide

- Work with investment risk team to produce forward-looking climate risk assessment for the Scheme including the provision of scenario stress testing.
- Progress Carbon footprint process and communicate results to relevant teams.
- Implement process for monitoring human rights risks at USS
- Participate in appropriate external groups and committees

SG 06	Voluntary	Public	Descriptive	General
-------	-----------	--------	-------------	---------

SG 06.1	List the main responsible investment objectives that your organisation set for the reporting year.
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	Responsible investment processes
--	----------------------------------

- ☒ Provide training on ESG incorporation

	Key performance indicator
--	---------------------------

Training for employer representatives & trustees

	Progress achieved
--	-------------------

USSIM's CEO presented on USS's wider RI strategy at USS's Institutions Meeting in December. The session provided an opportunity for USS's employer representatives to raise questions regarding USS's approach to responsible investment and hear an update on priorities and initiatives being undertaken by the executive. See - <https://www.uss.co.uk/how-uss-is-run/views-from-uss/uss-institutions-meeting-2019>

ESG incorporation into the investment process was outlined in a case study session for trustees at the trustee Open House with the focus in 2019 a specific direct asset. Additionally, trustees were encouraged to drop-in at the RI desk to raise RI matters, including any questions on ESG incorporation and engagement, directly with RI Team members.

The trustee board also signed off the USS Voting Policy which provided another opportunity for the board to discuss RI issues with the scheme's executive.

- ☒ Provide training on ESG engagement

	Key performance indicator
--	---------------------------

Training for employer representatives & trustees

	Progress achieved
--	-------------------

The scheme's Responsible Investment report includes contributions on RI matters.

- ☒ Improved communication of ESG activities within the organisation

	Key performance indicator
--	---------------------------

USS produced its first formal Responsible Investment Report

	Progress achieved
--	-------------------

In August the scheme published USS's first formal Responsible Investment report, which is available on its website - <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/uss-responsible-investment-report-2019.pdf>

- ☒ Improved engagement to encourage change with regards to management of ESG issues

	Key performance indicator
--	---------------------------

USS continued to participate in an engagement with Royal Dutch Shell as part of the CA 100+ initiative.

	Progress achieved
--	-------------------

USS participated in the ongoing engagement with Shell as part of the CA 100+ initiative. This engagement included meeting with senior representatives of the company to follow up the joint investor / company statement (<https://www.shell.com/media/news-and-media-releases/2018/joint-statement-between-institutional-investors-on-behalf-of-climate-action-and-shell.html>).

We believe that this engagement has permitted other companies in the oil and gas sector (and other sectors) to articulate their approach to achieving the Paris Agreement (including Scope 3 emissions) and beyond - i.e. Net Zero commitments.

- ☐ Improved ESG incorporation into investment decision making processes
- ☐ Other, specify (1)
- ☐ Other, specify (2)
- ☐ Other, specify (3)
- ☐ None of the above

	Financial performance of investments
--	--------------------------------------

- ☐ Increase portfolio performance by consideration of ESG factors
- ☐ Other, specify (1)
- ☐ Other, specify (2)
- ☐ Other, specify (3)
- ☐ None of the above

	ESG characteristics of investments
--	------------------------------------

- ☐ Over or underweight companies based on ESG characteristics
- ☐ Improve ESG ratings of portfolio
- ☐ Setting carbon reduction targets for portfolio
- ☐ Other, specify (1)
- ☒ Other, specify (2)

	Other description (2)
--	-----------------------

Monitor external managers on USS's expectations on RI

Key performance indicator

A refreshed monitoring process, and new ratings framework introduced for the assessment of our external managers

Progress achieved

As outlined in our response to SAM 09, the scheme enhanced its RI monitoring frameworks for external managers during the year. RI due diligence and monitoring questionnaires were refreshed to reflect developments in the market and RI good practice. A ratings framework was developed for private markets to help identify leadership and laggard practices. The ratings have informed the prioritisation of our manager engagement, internal portfolio benchmarking and our outward-focused market enhancement activities.

- ☐ Other, specify (3)
- ☐ None of the above

Other activities

- ☐ Joining and/or participation in RI initiatives
- ☐ Encouraging others to join a RI initiative
- ☐ Documentation of best practice case studies
- ☐ Using case studies to demonstrate engagement and ESG incorporation to clients
- ☒ Other, specify (1)

other description (1)

Develop a process to enhance the ESG standards of existing direct assets by working with internal Private Markets Group to enhance their asset management framework

Key performance indicator

Process for assessing ESG management at direct assets developed and agreed with PMG, and then implemented - see direct PE section.

Progress achieved

The Private Markets Group and RI teams worked together to develop a process to more systematically review ESG management of the scheme's direct assets.

For corporate governance the IFC corporate governance framework has been adapted for internal use. On environmental and social matters, the scheme adopted the GRESB infrastructure process to help monitor and benchmark environmental and social performance indicators. The results of face-to-face monitoring meetings on ESG matters are also fed into an assessment.

The process enables the assessment and comparability of the current status of ESG management of USS' assets, and working with PMG, the RI team makes recommendations for improvements to the managers of the assets.

The full review process was undertaken for one asset in 2019 - in this case joint with another shareholder in the asset. A partial review, including face-to-face monitoring meeting, was undertaken for one other asset during the reporting period. The process will continue to be enhanced to reflect experience, feedback and the lessons learned from within the USS and asset-based teams involved such reviews.

- ☐ Other, specify (2)
- ☐ Other, specify (3)
- ☐ None of the above

Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
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SG 07.1

Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

Roles

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Internal Roles (triggers other options)

Select from the below internal roles

- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
Head of Private Markets Group

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Investor relations
- ☒ Other role, specify (1)

Other description (1)

Head of Equities

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other role, specify (2)

Other description (2)

Investment Product Management (IPM) Team

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment

SG 07.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

USS is unlike the majority of pension funds in that it has a wholly-owned, in-house asset manager, USS Investment Management, which manages the majority of the scheme's assets. USSIM provides investment advice and management activities for USS, including advice on climate change and other ESG / RI issues and the trustee board delegates responsibility for day-to-day management of the scheme to the group executive.

However, the USS Ltd board has ultimate responsibility for the oversight and management for all issues relevant to the scheme, including RI, climate change related risks and opportunities. The board agrees the RI strategy, and formally reviews the RI team's activities annually. The trustee directors inform and sign off key focus areas and

policies, such as the voting policy, statements on fiduciary duty, the processes for the selection and appointment of external managers, and activities relating to climate change. It also receives reports on the scheme's management of ESG issues, such as carbon footprinting, responses to consultations or RI Team resourcing. The investment committee, a committee of the board, takes the lead in oversight of the executive's management of climate change and other ESG related issues.

USS demonstrates and resources its commitment to RI through the employment of in-house Responsible Investment experts. USS Investment Management has an RI team of five. Having this internal resource means that expertise on the investment implications of climate change is readily available to both trustees and the executive, and the RI team provides input to the trustee board on ESG issues, including climate change, as and when required.

Day-to-day oversight and management of the scheme's ESHG and climate strategy rests with the RI team. The team works with the internal asset managers to ensure integration of climate change and other ESG risks into investment decision making across asset classes where they are material. The RI team also works with other USSIM teams delivering oversight and monitoring of external managers. The RI team leads much of the stewardship activity associated with encouraging both listed companies and other assets to manage better climate change related risks. In addition, USS's internal fund managers will also frequently directly engage on ESG issues both individually and in conjunction with the RI team.

The focus of RI implementation at the scheme is split along the following lines:

- Public markets integration and stewardship including voting; and
- External manager and (private market) direct asset due diligence and monitoring.

The RI team leads on ESG related policy activities.

Whilst the USS Investment Management CIO / CEO has ultimate responsibility for RI and climate change related activities, the oversight of the RI function is via the Head of Equities, a member of USS Investment Management's executive committee.

SG 07.3	Indicate the number of dedicated responsible investment staff your organisation has.
----------------	--

	Number
--	--------

5

SG 07.4	Additional information. [Optional]
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USS has an experienced RI team of five. The RI function works very closely with the investment teams to integrate RI considerations into investment decision making across the scheme's assets.

Portfolio management and senior executives at the scheme (the Executive Committee or 'ExCo') have been involved in the design, implementation or oversight of RI processes. The RI Team reports to ExCo members and regularly presents or provides papers for the Investment Committee (IC) and Board directors (trustees) regarding RI matters across different asset classes. Where appropriate this includes how RI has been reviewed in the appointment and/or monitoring of external fund managers as outlined in the SAM section. For example, one report for the IC in 2019 covered the process we have adapted for monitoring and due diligence of public markets managers.

The USS Ltd Board has both led and supported the schemes' activities associated with RI, including climate change risk and opportunities since 2001, when the scheme did its first work assessing the implications for institutional investors [1].

The RI team undertakes induction training for both new directors and staff. Presentations to trustees may include sessions on specific topics or initiatives, (e.g. the Montreal Pledge and carbon footprinting, tobacco, proxy voting or auditor independence) at board meetings. "Open House" sessions for the trustees have been held at USS Investment Management since 2015, enabling the trustees to meet the investment teams to ask questions in a more informal and open manner. The RI team has been involved in these sessions with trustees using the opportunity to explore the RI strategy and RI team's activities in more depth. In 2019, the focus of the discussions was on how ESG issues were factored into the oversight and management of a particular infrastructure asset.

During the year there were a number of new joiners to the Private Markets Group and Investment Product Management teams at USSIM. Inductions for the new joiners were provided to introduce the scheme's governing

principles and background to RI as well as current commitments and implementation across the various asset classes at USSIM.

[1] <https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/uss-climate-change--a-risk-management-challenge-for-investors-2001.pdf?la=en>

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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	Board members or trustees
--	---------------------------

- ☒ Oversight/accountability for climate-related issues
- ☐ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee
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- ☒ Oversight/accountability for climate-related issues
- ☐ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Other Chief-level staff or heads of departments
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- ☒ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Portfolio managers
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- ☒ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Investment analysts
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- ☒ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Dedicated responsible investment staff
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- ☒ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

External managers or service providers

- ☒ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

Other role, specify (1)

Head of Equities

- ☒ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

Other role, specify (2)

Investment Product Management (IPM) Team

- ☐ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

SG 07.6 CC

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The USS Ltd board has ultimate responsibility for addressing all issues relevant to the scheme, and this includes the oversight and management of climate change related risks and opportunities. The USS Ltd board has supported the schemes' activities associated with addressing climate change risk and opportunities since 2001, when the scheme did its first work assessing the implications of the issue for institutional investors[1].

The board agrees the RI strategy, and formally reviews the RI team's activities annually. The trustee directors sign off key focus areas and policies, including the fund's on-going activities relating to climate change. In addition to this annual reporting cycle, the board receives other input on ESG management, including climate change, as and when necessary. It also receives regular updates on the climate change related activities that the scheme's executive is involved in. In addition, the USS board has received training on climate change as part of its training on responsible investment.

The trustee board delegates responsibility for day-to-day management of the scheme to the group executive. The investment committee, a committee of the board, takes the lead in oversight of the executive's management of climate change and other ESG related issues. Further information on USS's response to climate change is outlined in the scheme's response to TCFD - see <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/taskforce-on-climate-related-financial-disclosures.pdf>.

[1] <https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/uss-climate-change--a-risk-management-challenge-for-investors-2001.pdf>

SG 07.7 CC

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

USS is unlike the majority of pension funds in that it has an in-house asset manager, USS Investment Management, which manages the majority (around 75%) of the scheme's assets. USSIM provides investment advice and management activities for USS, and includes advice on climate change and other ESG / RI issues.

Unlike the vast majority of assets owners, USS demonstrates and resources its commitment to RI and addresses issue like climate change through the employment of in-house responsible investment experts. USSIM has an RI team of five. Having this internal resource means that expertise on the investment implications of climate change is

readily available to both trustees and the executive, and the RI team provides input to the trustee board on ESG issues, including climate change, as and when required.

Whilst the USS Investment Management CIO / CEO has ultimate responsibility for climate change related activities, the oversight of the RI function is via the Head of Equities, a member of USS Investment Management's executive committee.

Day-to-day oversight and management of the scheme's climate strategy rests with the RI team. The team works with the internal asset managers to ensure integration of climate change and other ESG risks into investment decision making across asset classes where they are material. The RI team leads much (but not all) of the stewardship activity associated with encouraging both listed companies and other assets to manage better climate change related risks. In addition, USS's internal fund managers will also frequently directly engage on ESG issues both individually and in conjunction with the RI team. For example, for our motorway services asset, the relevant USS board member for that asset has participated in climate related discussion regarding the shift to electric vehicles and changes in transportation modes.

The USS Performance and Investment Risk team (PAIR) has played a leading role in the scenario analysis and stress testing undertaken by USS in 2019. Their knowledge has proved invaluable in integrating the climate and economic data sets and models to ensure the scheme's understanding of the analysis.

The USS private markets team undertook Project Sol, a thematic project focused on identifying the key risks of climate change across major sectors and geographies as well as investment opportunities driven by the transition into a zero-carbon world. The project had a particular focus on USS's direct and infrastructure assets and assessed both physical risk (extreme weather, rising sea levels) and transition risk (technological, regulatory, stranded assets). The PMG team also developed a framework to assess these impacts on costs and revenues taking into account sector specific challenges but the mitigating actions already undertaken by the management teams under PMG ownership and control.

Details of the RI team's activities, including actions associated with climate change, can be found here: <https://www.uss.co.uk/how-uss-invests/responsible-investment>. The scheme's responsible property investment targets can be found here: <https://www.uss.co.uk/how-uss-invests/the-fund/investments/private-markets/property>.

PMG also provide board members for direct assets - and as such will have oversight of climate related activities.

SG 07.8 CC

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- ☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- ☐ Request incorporation of TCFD into regular client reporting
- ☐ Request that external managers complete PRI climate indicator reporting
- ☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- ☒ Other

Specify

We have raised TCFD reporting with external managers, particularly PE, and discussed liability related climate risk with our actuary.

- ☐ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

SG 08

Voluntary

Public

Additional Assessed

General

SG 08.1

Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

Board members/Board of trustees

SG 08.1b	RI in personal development and/or training plan
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- ☒ Responsible investment included in personal development and/or training plan

SG 08.2	Describe any activities undertaken during the reporting year to develop and maintain Board members' skills and knowledge in relation to responsible investment.
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RI is included in the induction materials for new employees and trustees.

Trustees and scheme advisors participated in Open House training days in October to meet executives and have the opportunity to learn more about the processes and innovation at the scheme. RI had dedicated sessions in the timetable and a team member participated in a deep dive discussion on one of the scheme's private sector assets. The session helped outline responsible investment's role in the due diligence and monitoring processes for private market portfolio assets.

The USS Investment Committee also received formal reports on RI in March and September 2019 and participated in an offsite training day with an external speaker on climate change in November 2019. The USS board received a formal report on RI in November 2019, while the USS IC and Board periodically receive other inputs on ESG related matters including signing off USS's Statement on RI.

- ☐ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
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SG 08.1a	RI in objectives, appraisal and/or reward
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- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b	RI in personal development and/or training plan
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- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other C-level staff or head of department

Head of Private Markets Group

SG 08.1a	RI in objectives, appraisal and/or reward
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- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b RI in personal development and/or training plan

- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers**SG 08.1a** RI in objectives, appraisal and/or reward

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b RI in personal development and/or training plan

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts**SG 08.1a** RI in objectives, appraisal and/or reward

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b RI in personal development and/or training plan

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff**SG 08.1a** RI in objectives, appraisal and/or reward

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b RI in personal development and/or training plan

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role (1) [from SG 07]**Head of Equities****SG 08.1a** RI in objectives, appraisal and/or reward

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b RI in personal development and/or training plan

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role (2) [from SG 07]**Investment Product Management (IPM) Team****SG 08.1a** RI in objectives, appraisal and/or reward

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b RI in personal development and/or training plan

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

SG 08.3

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

The business plans for 2018/19 and 2019/20 include key performance metrics on climate change stress testing and scenario analysis. Achievement of the business objectives feed into the remuneration framework for the Chief Investment Officer and other C-suite executives sitting on the USS Investment Management ExCo.

Responsible investment considerations form part of the documented processes for investment and operations functions where relevant across the scheme. Adherence to core processes and the quality of execution of such processes is a key component of the appraisal processes at USS contributing to the integration of RI into performance management across the scheme.

Members of the RI team and those overseeing RI practices at the firm are expected to undertake continuous professional development and keep abreast of emerging ESG themes, research providers and new services and to attend industry events to ensure USS policies and processes reflect current best practice.

In order to contribute to our internal learning and work on the transition to a low carbon future, the scheme arranged for three speakers from Imperial College and the Grantham Institute for Climate Change to come in and discuss the technology and implications associated with the adoption of Carbon Capture and Storage and Hydrogen related technologies. The speakers covered details of the technology and the implications of the use of these technologies. This training was provided to the public equities, RI and private markets teams.

SG 08.4	Describe the level of experience board members/trustees/chief-level staff have with incorporating ESG factors into investment decision-making processes.
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The scheme adopted an RI policy in 1999. Since then, the strategy has been on building capacity at the executive level, appointing an RI team, a property sustainability manager and developing processes with portfolio managers and operations teams to enable the integration of ESG factors into investment decision making. Our senior staff are conversant in the scheme's approach to RI and have presented on matters relating to ESG integration at investment conferences, regulatory briefings and membership events etc. In addition, a former USS Trustee was a Board Member of the PRI.

The question seems to fail to understand the role of trustees vs. the role of executives in the governance of pension funds. As with experience of undertaking equity investments, experience of incorporating ESG factors into investment decision making processes is not a general requirement for board members of USS or most other pension schemes: this is the role of the executive.

Promoting responsible investment

SG 09	Mandatory	Public	Core Assessed	PRI 4,5
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SG 09.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

☒ Principles for Responsible Investment

	Your organisation's role in the initiative during the reporting period (see definitions)
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- ☐ Basic
- ☐ Moderate
- ☒ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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USS is a founder signatory of the PRI and was actively involved in the development of the initiative and its governance from 2006. The scheme has held seats on the PRI Association Board and the Council of PRI. USS's 2019 activities include:

- The Head of the RI team participates on the Asset Owner Advisory Committee.
- USS qualified for the Principles for Responsible Investment 2019 Leaders' Group, a list of PRI signatories who have been recognised for demonstrating both a breadth of responsible investment excellence, and for 2019 excelled specifically in the selection, appointment and monitoring of external managers.

☒ Asian Corporate Governance Association

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS is a member of ACGA and an active regular participant on ACGA calls. A member of the RI team participated in the Investor Discussion Group calls in 2019. The scheme has hosted ACGA meetings when the organisation's executives are visiting London. Members of the RI Team engaged with various Japanese regulators as part of an ACGA study tour. Issues discussed included corporate governance, the stewardship code and its implementation, corporate reporting, climate change, and board diversity.

- ☒ Australian Council of Superannuation Investors

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS is an international member and supportive of the engagement objectives and market insight provided by ASCI. In October, the Head of Corporate Affairs presented to ACSI members on pension funds' communications and their role in society. The Head of RI also presented to ASCI members on the new UK Stewardship Code and its implications for pension funds.

- ☐ AVCA: Sustainability Committee
☐ France Invest – La Commission ESG
☐ BVCA – Responsible Investment Advisory Board
☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS was a founder signatory to CDP and has participated in data requests since inception. The scheme renewed its commitment to CDP in 2017 in response to their review of the subscription process.

- ☐ CDP Forests
☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

☒ CFA Institute Centre for Financial Market Integrity

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

The Head of Equities chairs the CFA Asset Owners Council in the UK and participated on Taskforce on Disclosures about Expected Credit Loss IFRS9 during the year.

USS has supported closer collaboration between the CFA and the PRI through the scheme's active participation in the PRI Equities ESG Integration Sub-Committee.

- ☐ Climate Action 100+
- ☐ Code for Responsible Investment in SA (CRISA)
- ☒ Council of Institutional Investors (CII)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS has participated at CII conferences as both attendees and as speakers in previous years. We have participated in regulatory initiatives and shared experience from the European asset owners' perspective with other members where appropriate.

☒ Eumedion

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS worked closely with Eumedion on matters relating to shareholder rights in the Netherlands and particularly with regard to proposed legislation on hostile takeovers. This work continued through 2019. The RI Team also participates in Eumedion's Investment Committee meetings by teleconference.

☒ Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS is an institutional investor stakeholder of EITI.

- ☐ ESG Research Australia
☐ Invest Europe Responsible Investment Roundtable
☒ Global Investors Governance Network (GIGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS regularly participates on the GIGN international conference calls and has rotated to host the group's international teleconferencing facility in the past.

- ☐ Global Impact Investing Network (GIIN)
☒ Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS was a founding partner and helped to establish GRESB - the first global benchmark on real estate - in 2009 in collaboration with other international pension funds and Maastricht University. The scheme joined GRESB Infrastructure in 2017. USS was recognised for '10 years of ESG leadership', alongside APG and PGGM, at the IPE Real Estate Global Awards 2019. A member of the RI team is also a member of the GRESB Infrastructure Advisory Board. We also encourage our assets and managers to complete the survey.

- ☐ Green Bond Principles
- ☐ HKVCA: ESG Committee
- ☒ Institutional Investors Group on Climate Change (IIGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS founded IIGCC in 2001 and has played a significant role in its ongoing operation and development. The scheme provides an advisor to the IIGCC's board, and actively participates in IIGCC's Policy and Property workstreams. The scheme supports the IIGCC Property Workstream and IPF Sustainability Interest Group through its steering committee representation, and active membership of both groups. Through IIGCC, USS has a good relationship with the INCR, CERES and the IGCC (we are not members and have therefore not ticked the boxes below).

As in previous years, USS signed a collaborative investors' letter to governments of the G7 and G20 nations reiterating support already conveyed by investors for the Paris Agreement, calling for governments to fully implement the Agreement. The letter was produced in collaboration with PRI, CDP, Ceres, AIGCC, IIGCC, and IGCC.

USS also signed up to the Climate Action 100+ initiative which identifies priority engagement companies on climate change risk. A member of the RI Team sits on the CA100+ working groups for Australia and Europe.

Additionally, the scheme continued to support the Transition Pathway Initiative (TPI) during the year and sits on the group's Steering Committee.

- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☒ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Team members presented and attended several ICGN conferences during the year and worked closely with ICGN regarding the anti-takeover proposals in the Netherlands. The Head of Equities spoke at the ICGN Panel - The Netherlands and Shareholder Rights: "A race to the top, not the bottom", about defence of shareholder rights.

- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
- ☐ International Integrated Reporting Council (IIRC)
- ☒ Investor Network on Climate Risk (INCR)/CERES

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Whilst not a member of INCR, members the RI Team regularly attend the organisation's roundtables and/or conference including the bi-annual Investor Summits on Climate Risk.

- ☐ Local Authority Pension Fund Forum
- ☐ Principles for Financial Action in the 21st Century
- ☐ Principles for Sustainable Insurance
- ☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

UKSIF

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

A member of the RI team was a member of the UKSIF Analysts Committee until early 2019. The committee is reviewing the application of another member of USS' RI team to fill the vacant position. The Analyst Committee contributes analysts' views on UKSIF strategy and policy. Members the RI Team regularly attend events organised by UKSIF.

- ☐ Responsible Finance Principles in Inclusive Finance
- ☐ Shareholder Association for Research and Education (Share)
- ☐ United Nations Environmental Program Finance Initiative (UNEP FI)
- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify

International Centre for Pensions Management (ICPM)

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

The Head of the RI team is a board member for ICPM. ICPM provides a forum for senior pension fund staff to exchange ideas and views on pensions management and investment issues, including responsible investment including producing Climate Change for Asset Owners. - see https://icpmnetwork.com/document/4614/ICPM_Climate-Change-Guide_FINAL.pdf

- ☒ Other collaborative organisation/initiative, specify

Investment Property Forum (IPF), Sustainability Interest Group

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

USS is an active participant and Steering Group member of the IPF (Investment Property Forum) Sustainability Interest Group (SIG).

- ☒ Other collaborative organisation/initiative, specify

Tomorrow's Company, Conference Board, Investor Forum, Know the Chain, Sustainable Solar Initiative, TPI, FTSE

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Tomorrow's Company - USS is a member of the Tomorrow's Company Stewardship Forum - which promotes best practice in stewardship throughout the investment chain.

Conference Board - The Head of Corporate Affairs, is Co-Chair of the European Governance Council.

Investor Forum - The Chair of the Board of USS Investment Management sat on the board of the UK's Investor Forum during the year. The Investor Forum seeks to enhance stewardship and engagement between UK institutional investors and companies.

Know the Chain - The scheme also signed up to the Investor Expectations on Addressing Forced Labour in Global Supply Chains Statement organised by Know the Chain.

Sustainable Solar Initiative - USS has supported the initiative which promotes environmental and social responsibility in the solar sector since 2010 and encourages solar companies to complete the Silicon Valley Toxics Coalition solar scorecard which provides benchmarking data for the sector.

Transition Pathway Initiative - USS was a founder partner of the TPI and sits on its steering committee.

FTSE - The Head of RI sits on the FTSE Environmental Markets Advisory Committee.

☒ Other collaborative organisation/initiative, specify

Pensions & Lifetime Savings Association (formerly the NAPF), FRC, Workforce Disclosure Initiative, Investment Association, CA100+

Your organisation's role in the initiative during the reporting year (see definitions)
--

☐ Basic

☐ Moderate

☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

PLSA - Senior USS executives sit on several committees at the PLSA including the DB Council, Asset Owners Committee, Policy Committee, Stewardship Advisory Group and newly formed Sustainability Committee.

Financial Reporting Council (FRC) - The Head of Corporate Affairs is a member of the Investor Advisory Group.

Workforce Disclosure Initiative - USS continues to be an active supporter of the WDI encouraging companies in emerging markets such as Samsung and Larsen & Toubro to disclose more information on this risk. Corporate participation in the WDI rose to 118 corporations in 2019. These companies employ 10million people in their direction operations and millions more working in their supply chains. USS also contributed to an FRC report on workforce disclosure the outputs from which have been provided to corporates as guidance on the disclosure valued by investors.

Investment Association - The Heads of RI and Head of Corporate Affairs sit respectively on the Sustainability and Responsible Investment Committee and Stewardship Advisory Group.

CA100+ - USS signed up to the Climate Action 100+ initiative which identifies priority engagement companies on climate change risk. A member of the RI Team sits on the CA100+ working groups for Australia and Europe.

SG 09.2	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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	Indicate approximately what percentage (+/- 5%) of your externally managed assets under management are managed by PRI signatories.
--	--

	%
--	---

60

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

SG 10.2

Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.

- ☒ Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

Description

The Head of RI attended a BMO ESG Event alongside the Archbishop of Canterbury, the Most Reverend Justin Welby, to speak about USS's experience of implementing ESG and wider trends in ESG among asset managers. <https://bmogam.wistia.com/medias/zj3f563ub7>

The Pensions and Lifetime Savings Association (PLSA) published a new ESG and stewardship guidance for pension fund trustees. USS was represented on the task force which helped develop the guide: <https://lnkd.in/e23T-a3>

USS is a member of the TPR's Pensions Climate Risk Industry Group, an industry working group to produce guidance for pension schemes on climate-related matters: Integrating Climate Risk Assessment, Management and Reporting in Trustee Decision Making - A Guide for Pension Trustees

We regularly meet with service providers looking to develop their offerings around ESG data or corporate governance services and voting platforms.

In August, USS published its first Responsible Investment Report while articles on RI were included in member updates during the year.

Frequency of contribution

- ☒ Quarterly or more frequently
☐ Biannually
☐ Annually
☐ Less frequently than annually
☐ Ad hoc
☐ Other

- ☒ Provided financial support for academic or industry research on responsible investment

Description

USS is sponsoring an IIGCC project to develop guidance for investors on how they integrate the risks and opportunities presented by the physical risks of climate change in their investment research and decision-making processes. To date, relatively little attention has been paid to how institutional investors might assess and report on risks and opportunities presented by the physical impacts of climate change, or on what they might expect from companies on the issue. The project 'Understanding Climate-Related Physical Risks for Investors' seeks to address that gap, building on collaborative work that the fund produced a decade ago (see, http://www.acclimatise.uk.com/wp-content/uploads/2018/01/Managing_the_Unavoidable_FINAL_Nov2009.pdf USS). USS is sponsoring the IIGCC project with input from the specialist advisory firms Acclimatise and Chronos Sustainability, in collaboration with IIGCC members (including roundtable discussions with specialists and IIGCC members).

We also pay directly for sell side and other research on ESG issues including climate change.

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☒ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Provided input and/or collaborated with academia on RI related work

Description

USS is a member of the International Centre for Pensions Management (ICPM) which is partnered with the Rotman School of Management in Toronto with an executive based at the Maastricht University School of Business and Economics in the Netherlands. In the past, USS contributed to ICPM's Climate Change Working Group publication "Climate change for asset owners: The ICPM guide to integrating climate change considerations in investment processes." - see http://icpmnetwork.com/wp-content/uploads/2018/09/ICPM_Climate-Change-Guide_FINAL.pdf. A member of the RI team also spoke on a gender diversity panel at a 2019 ICPM Discussion Forum.

The scheme published several blogs on RI aimed at USS members (in academia) as well as the public. See below for details.

Frequency of contribution

- ☐ Quarterly or more frequently
- ☒ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description

USS responded to the FCA's Climate Change and Green Finance Discussion Paper. The scheme noted that a consistent approach to climate-related disclosures across the investment chain is needed to allow asset owners to aggregate this information into their own assessment of the impact on the whole-of-scheme. We also encouraged the FCA to consider its role in advocating for the application of any adopted frameworks to all asset classes, not just issuers on regulated markets. USS invests across a broad range of assets and therefore should expect climate related disclosures for all asset classes.

USS contributed to the report by the FRC Financial Reporting Lab's on Climate-related corporate reporting. The report provides practical guidance about where companies can improve their reporting. The report also outlines what investors want to understand, questions companies should ask themselves, recommended disclosures, and a range of examples of the developing practice of climate-related reporting.

The scheme also responded to the FRC's consultation on the revised UK Stewardship Code. The scheme welcomed the FRC's comprehensive review of the Stewardship Code to ensure it remains fit for purpose and continues to promote improvement in the quality of stewardship in the UK.

Key points:

- We were supportive of the proposed definition that recognises the mutually reinforcing link between investors, the economy and society. The FRC should ensure the draft Code establishes consistency

between this concept and fiduciary responsibility.

- The change in the scope of the Code, including expanding coverage to all asset classes and to markets beyond the UK, is welcome.

- We supported the differentiation proposed between asset owners and asset managers in the draft Code. However, consideration needs to be given as to how to encourage smaller pension funds which lack resource to support the Code without having to comply with its more detailed requirements. More generally, a concept of proportionality is needed: asset owners and investment managers will need to prioritise and target their stewardship resources where they believe these will achieve the greatest benefit.

- We supported a focus on outcomes rather than policies and processes, including the reporting requirements.

USS wrote to the Dutch Ministry of Justice on a proposal to restrict shareholder rights in the event of an approach by a hostile bidder or shareholder.

USS wrote to the SEC to express our concerns about proposed rules for Proxy Advice and Shareholder Proposals. Proposed rule changes would impact shareholder rights making it harder for investors to access timely and independent proxy recommendations and the ability of investors to table shareholder resolutions. The SEC is in the process of reviewing public comments.

USS responded to the Hong Kong's Securities and Futures Commission's (SFC) survey on Integrating Environmental, Social and Governance Factors and Climate Risks, in Asset Management. The SFC conducted an industry-wide survey to understand how and to what extent licensed asset management firms and leading institutional asset owners consider environmental, social and governance (ESG) risks, particularly those relating to climate change.

A member of the RI Team engaged with various Japanese regulators as part of an ACGA study tour. This included meetings with the METI (Ministry of Economy, Trade and Industry), the Financial Services Agency (FSA), and the Japan Stock Exchange. Issues discussed included corporate governance, the stewardship code and its implementation, corporate reporting, climate change, and board diversity.

The RI Team also works closely with the Corporate Affairs team to engage with regulators and policy makers to improve market standards. For example the Head of the Corporate Affairs team was part of past delegation of investors convened by The Investment Association that engaged with representatives of the European Commission on the subject of Sustainable Investment and the Green Taxonomy ahead of proposed changes to EU regulation.

The scheme also participates in many initiatives promoting disclosure - such as ACGA, CDP, the Transition Pathway Initiative as well as reflecting this commitment within its own policies and consultation responses. For example, USS's Voting Policy, Global Stewardship Principles and Stewardship Code Statements outline USS's expectations from companies to provide ESG data and clear disclosure to markets.

USS regularly calls for enhanced transparency and reporting on corporate governance matters from investee companies in the engagement letters we send related to our voting activities in public equities.

Further, USS has fully disclosed its global voting records for many years and has worked with its custodian to promote transparency of USS's shareholdings to global markets.

Frequency of contribution

☒ Quarterly or more frequently

☐ Biannually

☐ Annually

☐ Less frequently than annually

☐ Ad hoc

☐ Other

☒ Spoke publicly at events and conferences to promote responsible investment

Description

USS shared its experience on RI practices across different asset classes at many fora. For example:

In October, the Head of Corporate Affairs presented to ACSI members on pension funds' communications and their role in society. The Head of RI also presented to ACSI members on the new UK Stewardship Code and its implications for pension funds.

A member of the RI Team spoke at the Private Investor Forum on ESG monitoring in private equity in September.

Other events that the RI Team participated in include the following:

- PEI Responsible Investment Forum (New York)
- PEI Responsible Investment Forum Europe (London)

Frequency of contribution

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

- ☒ Wrote and published in-house research papers on responsible investment

Description

In August, USS published its first Responsible Investment Report. At USS we promote high standards of environmental, social and corporate governance, and invest responsibly in quality companies. We believe this reduces some of the risks associated with investing and, in turn, supports our ability to meet the pension promises made to members by our sponsors. See <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/uss-responsible-investment-report-2019.pdf>

Frequency of contribution

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

- ☒ Encouraged the adoption of the PRI

Description

USS takes a very high profile in RI and participates in events, contributes to articles and many other things that raise the profile of RI and ESG for companies, other investors and policymakers in the UK and globally. This includes participating in PRI events.

We ask all external asset managers - in both public and private markets - about their membership and views on PRI, and a significant proportion of USS's external managers are signatories to the PRI. However, we have not tracked this centrally so the 60% figure in SG9 is an estimate.

Frequency of contribution

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

Description

USS has contributed to a number of consultations in the UK and overseas related to RI during the year, including:

- FRC's consultation on the revised UK Stewardship Code
- HKEX's Review of the Environmental, Social and Governance (ESG) Reporting Guide (ESG Guide) and Related Listing Rules'
- SFC's Survey on Integrating Environmental, Social and Governance Factors and Climate Risks, in Asset Management
- FCA's Climate Change and Green Finance Discussion Paper
- SEC's Proposed Rules for Proxy Advice and Shareholder Proposals

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☒ Ad hoc
- ☐ Other

☒ Wrote and published articles on responsible investment in the media

Description

As highlighted above, the scheme contributed to the PLSA guidance on ESG and stewardship for pension fund trustees. See <https://lnkd.in/e23T-a3>

As highlighted above, the scheme contributed to the FRC Lab report on guidance on Climate-related corporate reporting. See <https://www.frc.org.uk/getattachment/85121f9f-15ab-4606-98a0-7d0d3e3df282/FRC-Lab-Climate-Change-Final.pdf>

The Head of RI commented on ESG priorities and practices in an interview for Private Equity International. See <https://www.privateequityinternational.com/responsible-investment-special-uss-on-esg-and-how-the-climate-is-changing/>

The Head of Equities wrote an article on the protection of shareholder rights, published on-line by the FT in April 2019. See <https://www.ft.com/content/2d540522-84e8-367c-8141-1ab362a9bc9d>

A member of the RI Team spoke at Portfolio Institutional' s ESG Roundtable in July on ESG as an investment issue. See <https://www.portfolio-institutional.co.uk/roundtables/esg-3/>

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☒ Ad hoc
- ☐ Other

☒ A member of PRI advisory committees/ working groups, specify

Description

Representatives from USS sit on or have sat on the following committees:
 Private Equity Advisory Committee
 Asset Owner Advisory Committee
 Sustainable Financial System Advisory Committee.
 Private Equity Reporting and Monitoring working group.
 UN Sustainable Development Goals in Active Ownership working group.
 Listed Equity Integration sub-committee.
 Cyber Security Engagement Group.
 Investor Working Group on Sustainable Palm Oil.
 Investor Reference Group on Corporate Reporting.

Frequency of contribution

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

Description

Representatives of USS Investment Management sit on:
 Investment Association - Sustainable and Responsible Investment Committee, Stewardship Committee and Climate Change Committee
 International Centre for Pensions Management - Board member
 FTSE Environmental Markets Advisory Committee - Committee member
 Pensions & Lifetime Savings Association - Stewardship Advisory Group
 Investment Property Forum - Sustainability Interest Group
 IIGCC - Advisor to the Board
 Conference Board - European Governance Council Co-Chair.
 GRESB - Infrastructure Advisory Board
 TPI - Steering Committee Member
 Further examples are provided in the response to SG9.

Frequency of contribution

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other
- ☐ Other, specify
- ☐ No

SG 10.3	Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]
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USS takes a long-term view of stewardship, engaging with companies, policy makers and other investors in order to improve the management of environmental, social and governance issues and protect shareholder rights to generate more sustainable long-term returns for the scheme and its members.

The scheme regularly responds (collaboratively and independently) to consultations and engages with regulators and public policy makers to articulate the voice of pension funds, asset owners and long-term institutional investors. Examples of our public policy consultation responses and meetings are provided above.

Representatives of the scheme also present on RI at industry events and contribute to publications to encourage the adoption of RI and the development of the tools required to implement RI across different asset classes and markets in which the fund invests.

Whilst we ask our external managers whether they are members of PRI and encourage those who are not to consider joining, we do not track this metric, so the 60% referenced in the previous question is an estimate.

Adaptation / climate physical risk

USS is sponsoring an IIGCC project to develop guidance for investors on how they integrate the risks and opportunities presented by the physical risks of climate change in their investment research and decision-making processes. To date, relatively little attention has been paid to how institutional investors might assess and report on risks and opportunities presented by the physical impacts of climate change, or on what they might expect from companies on the issue. The project 'Understanding Climate-Related Physical Risks for Investors' seeks to address that gap, building on collaborative work that the fund produced a decade ago (see, http://www.acclimatise.uk.com/wp-content/uploads/2018/01/Managing_the_Unavoidable_FINAL_Nov2009.pdf USS). USS is sponsoring the IIGCC project with input from the specialist advisory firms Acclimatise and Chronos Sustainability, in collaboration with IIGCC members (including roundtable discussions with specialists and IIGCC members).

SG 11	Voluntary	Public	Additional Assessed	PRI 4,5,6
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SG 11.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.
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- ☒ Yes

If yes

- ☒ Yes, individually
- ☒ Yes, in collaboration with others

SG 11.2 Select the methods you have used.

- ☒ Endorsed written submissions to governments, regulators or public policy-makers developed by others
- ☒ Drafted your own written submissions to governments, regulators or public-policy markers
- ☒ Participated in face-to-face meetings with government members or officials to discuss policy
- ☐ Other, specify

SG 11.3 Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

☒ Yes, publicly available

provide URL

<https://www.frc.org.uk/getattachment/c6a5cb48-0e93-4fef-b84f-d3164625063c/attachment.aspx>

☐ No

☐ No

SG 11.4 Provide a brief description of the main topics your organisation has engaged with public policy-makers or regulators on.

Please see response in SG 10.

Outsourcing to fiduciary managers and investment consultants

SG 12

Mandatory

Public

Core Assessed

PRI 4

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1 Indicate whether your organisation uses investment consultants.

☒ Yes, we use investment consultants

SG 12.2 Indicate how your organisation uses investment consultants in the selection, appointment and/or monitoring of external managers.

☒ We use investment consultants in our selection and appointment of external managers

	Asset class
--	-------------

- ☒ Listed Equity (LE)
- ☒ Fixed income - SSA
- ☒ Fixed income - Corporate (financial)
- ☒ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity (PE)
- ☐ Property (PR)
- ☐ Other asset classes
- ☒ We use investment consultants in our monitoring of external managers

	Asset class
--	-------------

- ☒ Listed Equity (LE)
- ☒ Fixed income - SSA
- ☒ Fixed income - Corporate (financial)
- ☒ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity (PE)
- ☒ Property (PR)
- ☒ Other asset classes
- ☐ We do not use investment consultants for selection, appointment and monitoring of external managers.

SG 12.3

Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants.

- ☒ Responsible investment is considered when evaluating investment consultants' investment beliefs, strategies and policies in the selection process.
- ☒ Responsible investment is considered when evaluating investment consultants' public commitment to, and promotion of, responsible investment in the selection process.
- ☒ Responsible investment is considered when reviewing investment consultants' approach to investment manager ratings, research and recommendations in the monitoring process.
- ☒ Consultants' responsibilities in terms of responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with the investment consultants.
- ☐ We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

SG 12.4

Indicate whether you use investment consultants for any the following services. Describe the responsible investment components of these services.

- ☒ Custodial services

	Describe how responsible investment is incorporated
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USS continually monitors its custodians and has a sizeable internal Operations team that oversees the scheme's custody relationships, liaising directly with our custody firms. We have documented the custody and RI considerations relating to stewardship, voting, stock lending and beneficial ownership disclosures for discussion with external managers, USSIM colleagues and investment consultants, should the

opportunity arise. This builds on our work on the Vote Confirmation project with PRI in 2014. In 2018, we enhanced our on-boarding procedures for RI related custody considerations for new funds or markets, creating a 'New Product' process flow chart. We would welcome development of RI-related KPI's from investment consultants working in this area.

- ☐ Investment policy development
- ☐ Strategic asset allocation
- ☒ Investment research

Describe how responsible investment is incorporated

We do not outsource decision making to investment consultants or have formal selection processes for consultants. However, the USS Board, investment committees and executives may use consultants on an ad hoc basis to consider their opinions, resources and insights to help inform debate within USS's internal investment teams. For example, consultants' perspectives may feed into the identification of service providers or best practice ideas from across the market.

- ☒ Other, specify (1)

Describe how responsible investment is incorporated

For the indirect property investments USS's in-house team use the support of an investment advisor to monitor international funds.

- ☒ Other, specify (2)

Describe how responsible investment is incorporated

Investment consultants' research helped to inform the delivery of the USS Investment Builder - the defined contribution (DC) section of the scheme. Discussions were held with more than one investment consultancy firm to collect inputs on a variety of matters. These helped the scheme's internal Investment Product Management (IPM) team to identify the most appropriate options and best delivery solutions for the DC offerings, including USS's ethical and Sharia-compliant funds, the Ethical Lifestyle strategy. However, all investment mandates, product development, implementation and fund manager selection are undertaken in-house.

- ☒ Other, specify (3)

Describe how responsible investment is incorporated

For the directly held property assets USS use an external sustainability consultant to assist the scheme in monitoring and reporting on its ESG performance.

- ☐ None of the above
- ☐ No, we do not use investment consultants.

SG 12.7 Additional information [Optional].

USS acknowledges the significant influence consultants have over smaller schemes who depend heavily on their advice and input into asset management selection and oversight. As far as USS is concerned however, the scheme has worked on RI projects with investment consultants in the past and continues to engage with the consultant market at industry events and through the scheme's investment and advisory activities.

We would welcome enhanced research and innovation from consultants on RI, and note a knowledge gap between consultants' spokespeople and field consultants on RI matters and a lack of tools for consultants advising on custodian appointments to assess performance on global proxy voting.

The scheme is also conscious of the potential conflicts inherent in the current investment advice market which has become more apparent as investment consultants have moved into fiduciary management services.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- ☐ Yes, in order to assess future ESG factors
- ☒ Yes, in order to assess future climate-related risks and opportunities

	Describe
--	----------

In 2019 USS undertook scheme wide climate scenario analysis/stress testing. We decided to conduct "top down" climate analysis of the schemes Reference Portfolio to understand the systemic risk the fund is exposed to, permitting us to consider climate risk alongside other risks. See SG13.4.

- ☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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	We do the following
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- ☒ Allocation between asset classes
- ☒ Determining fixed income duration
- ☒ Allocation of assets between geographic markets
- ☒ Sector weightings
- ☐ Other, specify
- ☐ We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]
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USS has taken an integrated approach to ESG matters, with environmental, social and governance factors considered in analysis for stocks, market level and asset class allocations. Where appropriate, scenario analysis will be used to develop the investment thesis for both public and private market investments. As we do not have specific ESG related mandates, it can be difficult to track or capture the inclusion of ESG considerations at the macro level for the scheme.

The scheme uses scenario analysis in individual stock analysis. Examples are provided in the climate change related sections of this report.

Note, the implications of a deal or no-deal Brexit on financial markets has been a clear focus for the scheme in 2019. Whilst regulatory and political risks are often closely linked to our reporting of social and governance activities for the scheme, we have not sought to report on Brexit-related investment decisions in this report.

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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- ☐ Initial assessment
- ☒ Incorporation into investment analysis

Describe

Scenario Analysis

In 2019 USS undertook scheme wide climate scenario analysis and stress testing. We decided to conduct "top down" climate analysis of the schemes Reference Portfolio to understand the systemic risk the fund is exposed to, permitting us to consider climate risk alongside rate or inflation risk in alternative Reference Portfolios.

The analysis used four climate scenarios: 1.5°C (orderly vs disorderly transition), 2°C and 4+°C. The lower temperature scenarios entail relatively more transition risk whereas the 4+°C scenario entails only physical risks as it assumes "business as usual". An orderly transition is one in which policy and technology changes are gradual and internationally coordinated. The transition can become disorderly if public policy changes abruptly (the Inevitable Policy Response for example): e.g. all coal fired power production is closed, technological breakthroughs lead to obsolescence of existing assets, public, consumer or investor sentiment suddenly changes or legal risks emerge. The result is a financial shock similar to the 2008 global financial crisis.

The approach used (which aligns with our traditional and ongoing scenario analysis and risk assessments) applied the four climate risk scenarios to a traditional econometric model and maps the resulting macro-economic variables onto expected financial asset returns using historically observed relationships and correlations. Results are expressed as a change from a non-climate aware projection.

The scheme is still assessing the outcomes and implications of the scenario analysis. That said, we already plan to:

- Assess how to better integrate climate risk in investment decision making processes, asset management and asset allocation
- The Corporate Affairs and RI teams to work on engagement programmes with policy makers and investee companies with underdeveloped transition plans
- Consider climate impact on investment mandates and benchmarks e.g. carbon targets, non-market cap benchmarks, etc.
- Improve both internal / external climate related reporting
- Work to develop "climate aware" models of returns to achieve complete consistency in our risk-return modelling and look at scenario analysis for the valuation best estimate
- Consider alternative Reference Portfolios and Journey Plan's which may provide greater climate resilience

Stock level

Where appropriate, portfolio managers have used carbon price scenario analysis to refine models and investment cases for a particular investment. For example, in private markets, USS considered how climate change regulations could impact a US oil and gas debt investment, and scenario modelling for a blended carbon tax assumption under differing carbon price scenarios was used to consider the potential impacts on returns and how these could affect the exit price and schedule for debt repayments. It has also been used in assessing carbon risk in public equity investments (see below).

Resilience to physical climate change is also assessed, particularly in real assets such as infrastructure, real estate and direct [private equity like] investments. Several of the scheme's direct infrastructure holdings, such as the scheme's UK water assets and a US port, have produced detailed climate scenario models as part of their resilience planning.

- ☒ Inform active ownership

	Describe
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Scenario analysis has also been used in assessing carbon risk in public equity investments. As an example, as part of the analysis for an investment in a Japanese publicly listed utility, the portfolio manager applied a cost of carbon in their modelling of the company's future returns to assess the impact of the imposition of such a charge. This was undertaken to assess this risk even though Japan has no current price placed on carbon emissions, and is not expected to introduce one in the near future. The results of this were used in an engagement with the utility (joint with another pension fund) where we were advised that we were the FIRST investors to visit that company's office to discuss climate change related issues.

☐ Other

SG 13.5 CC	Indicate who uses this analysis.
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- ☒ Board members, trustees, C-level roles, Investment Committee
- ☒ Portfolio managers
- ☒ Dedicated responsible investment staff
- ☐ External managers
- ☐ Investment consultants/actuaries
- ☐ Other

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.
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☒ Yes

	Describe
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As noted, USS is currently assessing the results of its recent scenario analysis and stress testing analysis with the aim of building climate risk into the scheme's overall risk framework - see other sections including **SG 14CC**.

☐ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.
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- ☒ Analysis based on a 2°C or lower scenario
- ☒ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- ☒ Analysis based on a 4°C or higher scenario
- ☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.
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Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input checked="" type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input checked="" type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input checked="" type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input checked="" type="checkbox"/> RPC 2.6	
Other	<input type="checkbox"/> Other (1)	
Other	<input type="checkbox"/> Other (2)	
Other	<input type="checkbox"/> Other (3)	

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- ☒ Changing demographics
- ☒ Climate change
- ☒ Resource scarcity
- ☒ Technological developments
- ☐ Other, specify(1)
- ☐ Other, specify(2)
- ☐ None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- ☒ Established a climate change sensitive or climate change integrated asset allocation strategy
- ☒ Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		1	160	000	000
Currency	GBP				
Assets in USD		1	498	479	380

Specify the framework or taxonomy used.

Climate change, and the policy response to it, provides investors with opportunities to invest in the transition to a low carbon future. Investing in such opportunities provides the scheme with some resilience against the impacts of a changing climate. USS has in excess of £800m in committed financing to UK renewables. Investments include L1 Renewables which is USS's wholly owned renewable lending platform established in 2014. L1 Renewables supports UK onshore wind projects and project finance loans to operational wind farms, and also supports waste and biomass energy production. In 2017 USS also acquired direct equity interests in a number of offshore wind farms from a sale by the UK government of the Green Investment Bank. Finally, the scheme also has c. £360 million invested in timberland which acts as a carbon sink. These investments have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

- ☐ Phase out your investments in your fossil fuel holdings
- ☒ Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- ☒ Used emissions data or analysis to inform investment decision making
- ☒ Sought climate change integration by companies
- ☒ Sought climate supportive policy from governments
- ☐ Other, specify
- ☐ None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- ☒ Scenario analysis
- ☒ Disclosures on emissions risks to clients/trustees/management/beneficiaries
- ☒ Climate-related targets
- ☒ Encouraging internal and/or external portfolio managers to monitor emissions risks
- ☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- ☒ Weighted average carbon intensity
- ☒ Carbon footprint (scope 1 and 2)
- ☒ Portfolio carbon footprint
- ☒ Total carbon emissions
- ☒ Carbon intensity
- ☐ Exposure to carbon-related assets
- ☐ Other emissions metrics
- ☐ Other, specify
- ☐ None of the above

SG 14.4

If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

As part of our ESG integration our portfolio managers (across a number of asset classes), conduct analysis of carbon risk (including regulatory risk) where this is material to the investment case. We utilise investment research that incorporates scenario analysis pertaining to carbon risks. We use a number of different tools for assessing emissions risk; Bloomberg's Carbon Footprinting Tool, MSCI Carbon Data and screening tools and Trucost's Carbon Reporting Service.

Carbon footprinting

USS has a long-standing commitment to carbon footprinting, which we have been undertaking since 2009 for our public equity portfolio. From these footprints we have sought to factor climate change considerations into our investment decisions where it has a financial bearing.

Initially the carbon footprinting exercise was undertaken using an external specialist data analysis firm. The scheme then started to undertake internal carbon footprints as this enabled us to have a more timely assessment of individual portfolios exposure to carbon. In our latest footprinting, we have attempted to assess the carbon exposures across all asset classes. Given the complexity of this, we have once again started to use the services of a specialist in this area.

For each public equity portfolio, the carbon footprinting enabled the identification of the top 10 assets responsible for contributing to the carbon footprint of that portfolio. This information was communicated to individual portfolio managers and analysts to ensure that they are aware of where their greatest exposures lay. These data can be used for:

- Enhanced engagement
- Improved integration of carbon data in investment models.

USS's public equity portfolio has consistently had a lower carbon footprint than its benchmark; as a predominantly actively managed portfolio, USS's internal investment team can choose which companies in which to invest. This enables them to incorporate ESG issues, including climate related factors, into their decisions. As previously noted, we publish our public equity carbon footprint as part of our commitment to the Montreal Pledge. The detailed results of this exercise were presented to individual portfolio managers and the trustees of the scheme. See

<https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/carbonfootprintmontrealpledge.pdf?la=en>

The scheme is unusual in that it has undertaken carbon footprinting across a number of assets (including fixed income, direct assets and hedge funds). We do not believe it appropriate to publish these footprint data at the present time for a number of reasons including the following:

- The methodologies for a number of asset classes are nascent and therefore it would be premature to publish footprint data based on methodologies which will change.
- Carbon data itself is lacking for some asset classes - for example private equity.
- Whilst we collect data on energy use for our direct real estate assets, we do not collect tenant data. As a result, the footprints do not necessarily give a meaningful analysis.

To stimulate debate on and development of carbon footprinting methodologies, USS participated in a video interview with Trucost / S&P Dow Jones Indices to discuss the approach USS has taken to measure carbon footprinting across all asset classes (not just public equities), and some of the challenges we encountered when we tried to do this. This can be viewed here: <https://www.uss.co.uk/how-uss-is-run/views-from-uss/carbon-footprinting>.

USS also participated in discussions on the issues facing carbon footprinting with a group of other asset owners. A report of these discussions, "If carbon footprinting is the answer, then what is the question?", which was published to help move forward the development of cross asset class footprinting, is available here:

https://www.responsible-investor.com/home/article/carbon_footprint_piece/P0/.

We have also encouraged our private equity GP's to consider the collection of carbon data and requested portfolio level information in 2019 to feed into our carbon footprinting and scenario planning work at scheme level.

The Transition Pathway Initiative (TPI)

The scheme continues to play an active role in the Transition Pathway Initiative (TPI). Partnering with other global pension funds, FTSE and the Grantham Institute (part of LSE), this project tracks companies' policies and practices towards managing a shift to a 2degree world - see <http://www.lse.ac.uk/GranthamInstitute/tpi/>.

The USS UK Voting Policy was updated in 2019 to integrate data from the Transition Pathway Initiative (TPI) into voting decisions. As noted, the TPI ranks companies on management quality in relation to its greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. The aim of our voting will be to encourage companies to provide climate related data to investors and ensures that we catch the high emitters who are doing the least disclosure of climate data. From 2020 AGM season, USS may vote against or abstain on the resolution to receive the report and accounts where we have concerns about a company's management quality score, as assessed by the TPI (score = Level 0). Level 0 represents Unaware of (or not Acknowledging) Climate Change as a Business Issue in the company's disclosures. We also reserve the right to escalate the vote against the Chairman of the Board, and/or the Chair of any appropriate committees, in case there is no resolution to receive the accounts.

The scheme used TPI analysis within its voting and engagement activities during the year. For example:

- Formosa Plastics' (a Taiwanese chemical company) score on TPI was a factor in our decision to request additional up-to-date environmental and social reporting from the company in our voting and engagement letter.
- Duke Energy's (a U.S. utility company) score on TPI was a factor in our decision to request additional up-to-date environmental and social reporting from the company in our voting and engagement letter.
- Anhui Conch's (a Chinese cement company) score on TPI was a factor in our decision to request additional up-to-date environmental and social reporting from the company in our voting and engagement letter. The company operates in emerging markets and TPI analysis helped us assess the extent of the gap in disclosure between the company and its developed market peers.

The scheme also participated in a TPI event with the Chairs of Royal Dutch Shell and AngloAmerican.

SG 14.5

Additional information [Optional]

Other activities

Prior to the advent of the CA100+, USS wrote to heavy carbon emitting companies in our listed equity portfolio. We asked these companies to explain what action they had taken in response to the Paris Agreement and what scenario analysis was undertaken. We encouraged firms to go public with this disclosure. The responses received helped to inform our engagement activities.

USS is a participant in GRESB and GRESB Infrastructure and we expect our externally appointed real estate investment managers and direct infrastructure assets to participate.

USS continues to hold a position as advisor to the IIGCC board. The IIGCC provides a forum for investors to agree common and consistent expectations on disclosure on the management of climate change risk and a conduit for the communication of these expectations to investee companies. We consider that the IIGCC has made an invaluable contribution to improving disclosure on climate change risk through these activities. See <http://www.iigcc.org/>.

For additional information on the scheme's approach to climate change and activities in this area see: <https://www.uss.co.uk/how-uss-invests/responsible-investment/activities/climate-change>.

SG 14 CC	Voluntary	Public		General
SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.			

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	To reduce energy consumption in USS direct property and other assets.	USS Real Estate example: Energy: Continue with electricity baseload assessments with a view to reducing consumption (within tolerance), and maintaining levels already achieved. Continue with roll out of energy loggers. To run in conjunction with the M&E/PPM review programme.	<p>The scheme has also established targets for the management of energy (and therefore emissions) at its most significant direct property holdings, a process which has been running for more than a decade. The headline policies are made publicly available online, with detailed property level targets used internally for management of the assets. For details please see: https://www.uss.co.uk/~media/document-libraries/uss/investments/rpi/rpi-management-targets-apr18-mar19.pdf In addition, many of our direct assets have climate and energy related targets. See for example: https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/heathrow-2-0-sustainability/further-reading/heathrow-emissions-strategy.pdf https://corporate.thameswater.co.uk/about-us/protecting-our-environment/Climate-change/Managing-our-contribution</p>
Weighted average carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To assess carbon footprint of USS assets and portfolios	MT Co2 / m£ invested	Used as part of footprint exercise and is the usual metric for footprinting.
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To assess carbon footprint of USS assets and portfolios	MT Co2 / m£ invested	<p>The scheme is unusual in that it has undertaken carbon footprinting across a number of assets (including fixed income, direct assets and hedge funds). We do not believe it appropriate to publish these footprint data at the present time for a number of reasons including the following:</p> <ul style="list-style-type: none"> • The methodologies for a number of asset classes are nascent and therefore it would be premature to publish footprint data based on methodologies which will change. • Carbon data itself is lacking for some asset classes – for example, private equity. • Whilst we collect data on energy use for our direct real estate assets, we do not collect tenant data. As a result, the footprints do not necessarily provide meaningful insights into carbon risk. <p>To stimulate debate on and development of carbon footprinting methodologies, USS participated in a video interview with Trucost /</p>

				<p>S & P Dow Jones Indices to discuss the approach USS has taken to measure carbon footprinting across all asset classes (not just public equities), and some of the challenges we encountered when we tried to do this. This can be viewed here.</p> <p>USS also participated in discussions on the issues facing carbon footprinting with a group of other European asset owners. A report of these discussions, "If carbon footprinting is the answer, then what is the question?", which was published to help move forward the development of cross asset class footprinting, is available here.</p> <p>USS publishes the targets it sets for environmental and social issues associated with management of its real estate assets. These have been available on the fund's internet site for a number of years.</p>
Portfolio carbon footprint	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	see above	MT Co2 / m£ invested	<p>The scheme is unusual in that it has undertaken carbon footprinting across a number of assets (including fixed income, direct assets and hedge funds). We do not believe it appropriate to publish these footprint data at the present time for a number of reasons including the following:</p> <ul style="list-style-type: none"> • The methodologies for a number of asset classes are nascent and therefore it would be premature to publish footprint data based on methodologies which will change. • Carbon data itself is lacking for some asset classes – for example, private equity where we again in 2019 attempted to undertake a footprinting process based upon estimated data. • Whilst we collect data on energy use for our direct real estate assets, we do not collect tenant data. As a result, the footprints do not necessarily provide meaningful insights into carbon risk. <p>To stimulate debate on and development of carbon footprinting methodologies, USS participated in a video interview with Trucost / S & P Dow Jones Indices to discuss the approach USS has taken to measure carbon footprinting across all asset classes (not just public equities), and some of the challenges we encountered when we tried to do this. This can be viewed here.</p> <p>USS also participated in discussions on the issues facing carbon footprinting with a group of other European asset owners. A report of these discussions, "If carbon footprinting is the answer, then what is the question?", which was published to help move forward the development of cross asset class footprinting, is available here.</p> <p>USS publishes the targets it sets for environmental and social issues associated with management of its real estate assets. These have been available on the fund's internet site for a number of years.</p>
Total carbon emissions	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	This number drops out of the total fund carbon footprint	MT Co2 / m£ invested	<p>The value of this number is limited as it relates to asset allocation more than stock selection / exposure to individual assets. As such, it makes comparison of this number between funds meaningless.</p>
Carbon intensity	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			

**SG 14.7
CC**

Describe in further detail the key targets.

Targettype	Baseline year	Target year	Description	Attachments
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target	2010/11	2019/20	Grand Arcade Shopping Centre Cambridge - 30% reduction in energy intensity	
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				

**SG 14.8
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- ☒ Processes for climate-related risks are integrated into overall risk management
☐ Processes for climate-related risks are not integrated into overall risk management

**SG 14.9
CC**

Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

- ☒ Yes

Please describe

USS actively engages with companies and other assets to encourage the adoption of TCFD. We have also specifically asked certain companies in the resource sector to complete scenario analysis in line with the TCFD. In addition:

- USS is a participant in the CA100+ collaboration with other asset owners and managers.
- We actively encourage our private equity managers to provide the data needed to complete TCFD reporting, both in face to face meetings with our GPs and at conferences. Indeed, one of our PE managers had now signed up as a supporter on the TCFD.

- We raised with the Governor of the Bank of England the point that Sovereign Debt (including UK Gilts) is the scheme's single largest asset exposure and should be included in TCFD report. However, carbon exposure data for sovereign debt are limited.

Further details of USS's approach to engagement are in other sections of this report.

- ☐ No, we do not undertake active ownership activities.
- ☐ No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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☒ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
----------------	--

	%
--	---

2

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
----------------	--

	Area
--	------

☒ Energy efficiency / Clean technology

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☒ Fixed income - Corporate (non-financial)

	Percentage of AUM (+/-5%) per asset class invested in the area
--	--

1

- ☐ Fixed income - Securitised
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

Brief description and measures of investment

The scheme provides debt for retrofitting energy efficient street lighting in the UK (less than 1% of assets).

☒ Renewable energy

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☒ Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

1

- ☐ Fixed income - Securitised
- ☒ Private equity

Percentage of AUM (+/-5%) per asset class invested in the area

1

- ☐ Property
- ☒ Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area

1

- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

Brief description and measures of investment

USS has in excess of £800m in committed financing to UK renewables.

Investments include L1 Renewables which is USS's wholly owned renewable lending (debt) platform established by USS in 2014 supporting UK onshore wind projects and project finance loans to operational wind farms. See <http://l1renewables.co.uk/>.

Additionally, USS owns direct equity interests in a number of offshore wind farms sold by the UK government of the Green Investment Bank. <https://www.responsible-investor.com/articles/uss-partners-with-macquarie-gib>

The scheme also has a carbon tilted Low Vol factor fund which excludes the most carbon intensify companies from the portfolio.

Note - USS does not have specific target allocations to specific environmental or social themed assets and we have not calculated the percentage figure for AUM (hence reporting 2% for all the entries). All the investments outlined in SG15.3 have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

(less than 1% of assets)

☒ Green buildings

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity
- ☒ Property

Percentage of AUM (+/-5%) per asset class invested in the area
--

1

- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

Brief description and measures of investment
--

The Whiteley Shopping Centre which was constructed by USS, achieved a BREEAM Excellent sustainability rating becoming the first UK shopping centre to achieve the standard. See:

<https://www.whiteleyshopping.co.uk/community/whiteley-green>.

Note - USS does not have specific target allocations to specific environmental or social themed assets and we have not calculated the percentage figure for AUM (hence reporting 1% for all the entries). All the investments outlined in SG15.3 have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

☒ Sustainable forestry

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity
- ☐ Property
- ☒ Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area
--

1

- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

Brief description and measures of investment

The scheme has c. £360 million invested in ASA and/or FSC certified timberland in Australia and the US. (less than 1% of assets)

Note - USS does not have specific target allocations to specific environmental or social themed assets and we have not calculated the percentage figure for AUM (hence reporting 1% for all the entries). All the investments outlined in SG15.3 have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

- ☐ Sustainable agriculture
- ☐ Microfinance
- ☒ SME financing

Asset class invested

- ☒ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

1

- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

Brief description and measures of investment

USS invests in banks and financial institutions in developed and emerging markets. Whilst we have not sought to measure their impacts and contributions to SME financing, many of the institutions will have an allocation to SME finance. See for example, Standard Chartered's sustainability website - <https://www.sc.com/en/sustainability/>. (less than 1% of assets)

Note - USS does not have specific target allocations to specific environmental or social themed assets and we have not calculated the percentage figure for AUM (hence reporting 1% for all the entries). All the investments outlined in SG15.3 have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☒ Education

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☒ Private equity

	Percentage of AUM (+/-5%) per asset class invested in the area
--	--

1

- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

	Brief description and measures of investment
--	--

The scheme holds emerging market education focussed assets and UK-based nurseries in its private equity portfolios and property portfolios respectively. (less than 1% of assets)

Note - USS does not have specific target allocations to specific environmental or social themed assets and we have not calculated the percentage figure for AUM (hence reporting 1% for all the entries). All the investments outlined in SG15.3 have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

- ☒ Global health

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☒ Private equity

	Percentage of AUM (+/-5%) per asset class invested in the area
--	--

1

- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

Brief description and measures of investment

USS has investments in private equity and listed equity which have a focus on healthcare, including companies which are focusing on the development of healthcare infrastructure in developed and emerging markets. The scheme is also invested in companies working in areas such as occupational health, biotech, diagnostic care and equipment.

Note - USS does not have specific target allocations to specific environmental or social themed assets and we have not calculated the percentage figure for AUM (hence reporting 1% for all the entries). All the investments outlined in SG15.3 have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

- ☒ Water

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☒ Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

1

- ☐ Fixed income - Securitised
- ☒ Private equity

Percentage of AUM (+/-5%) per asset class invested in the area

1

- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

Brief description and measures of investment

USS holds significant direct investments in UK water company debt, as well as listed bonds and equity in private and listed water utilities. We also hold investments in designers and manufacturers of water infrastructure equipment across the full water-cycle including water pumps, treatment, testing and metering equipment. Such investments support water companies to provide clean, safe, potable water and waste water treatment to protect waterways and oceans.

For example, see

- <https://www.uss.co.uk/news/all-news/2018/03/uss-completes-investment-in-yorkshire> and
- <https://www.uss.co.uk/how-uss-invests/the-fund/investments/private-markets/private-credit/yorkshire-water-case-study>.

Note - USS does not have target specific allocations to specific environmental or social themed assets and we have not calculated the percentage figure for AUM (hence reporting 1% for all the entries). All the investments outlined in SG15.3 have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

☒ Other area, specify

Public transport

Asset class invested

☒ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area
--

1

- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity
- ☐ Property
- ☒ Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area
--

1

- ☐ Hedge funds
- ☐ Cash
- ☐ Other (1)

Brief description and measures of investment
--

USS is invested in Globalvia, an international toll road concession company.
<https://www.uss.co.uk/news/all-news/2014/03/uss-commits-150m-to-globalvia>

The scheme is also invested in Heathrow, an international hub airport. See <https://www.uss.co.uk/how-uss-invests/the-fund/investments/private-markets/real-assets/heathrow-case-study>.

USS is also invested in public transport - rail links - which provide efficient and lower carbon transport from two airports in Australia.

Note - USS does not have specific target allocations to specific environmental or social themed assets and we have not calculated the percentage figure for AUM (hence reporting 1% for all the entries). All the investments outlined in SG15.3 have been made by USS Investment Management based on the attractiveness of the risk adjusted returns consistent with our fiduciary duties.

☐ No

Asset class implementation not reported in other modules

SG 16	Mandatory	Public	Descriptive	General
SG 16.1	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.			

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Fixed income - Corporate (financial)	<p>RI processes related to corporate fixed income (financial and non-financial) are closely aligned to our approach to listed equity.</p> <p>The internal credit portfolio managers access quantitative ESG data from Bloomberg, originally purchased for equities analysis. They also share USS's proprietary research and meeting notes on issuers via the 'internal research hub' (IRH). IRH allows the equities, RI and credit departments to share investment cases and decision notes, RI perspectives, meeting notes, voting and engagement records easily between teams.</p> <p>The credit team participate in sector meetings and the weekly Market and Investment Insight meetings held with internal Equities and TAA teams to facilitate the exchange of views on public markets. They are also involved in thematic research which may include sustainability and ESG related themes, such as renewables, the transition to electronic vehicles and battery storage technologies including ethical concerns in the battery supply chain.</p> <p>With regard to PRI reporting, corporate credit is a small component of USS's fixed income portfolio. There have been no significant changes to RI integration within the asset class. We therefore decided not to complete the section afresh in 2020. For further details and case studies from previous years please see our 2018 Transparency Report:</p> <p>https://www.unpri.org/signatories/transparency-reports-2018/3350.article.</p>
Fixed income - Corporate (non-financial)	Please see above. Note USS does not distinguish between fixed income corporate financial and fixed income corporate non financials.
Private equity	<p>USS has adopted an Enhanced Due Diligence (EDD) process that seeks to identify any material legal, ethical, governance, reputational, environmental and social risks that could potentially affect the value of the investment and explores whether there are appropriate processes in place to mitigate these factors. Due diligence is underpinned by site visits by the deal team and an operational due diligence team to review the assets, assess operational capabilities, meet management and diligence counterparties' offices. The scheme will also usually appoint specialist external advisors and consultants to assess ESG issues if these are deemed material for the asset under investigation.</p> <p>Once we are invested, we follow a customised internally developed ESG review process using market leading frameworks. When benchmarking governance, we use an adapted International Finance Corporation (part of the World Bank) framework, while USS will typically use the Global Real Estate Sustainability Benchmark framework for environmental and social issues for infrastructure assets. Details are provided in SAM.</p>
Property	<p>The scheme believes a responsible approach to property investment will protect and enhance the value of its investments, thereby enhancing long term returns for USS members and beneficiaries. It is therefore the objective of the scheme to both ensure the financial returns needed to fulfil its commitments, and reduce any potentially adverse environmental and social impacts generated by the scheme's investment and management activities. In addition, USS endeavours to exert a positive influence on its existing portfolio, and the market, actively encouraging improvements in environmental and social performance, through a structured programme of activity. Details of our policies and responsible property investment targets are available on our website here:</p> <p>https://www.uss.co.uk/how-uss-invests/the-fund/investments/private-markets/property</p> <p>We have completed the property section in the PRI in previous years, with case studies and further details around our approach. For example, see our 2018 Transparency Report:</p> <p>https://www.unpri.org/signatories/transparency-reports-2018/3350.article</p>
	The scheme's approach to responsible investment in infrastructure focuses on the integration

Infrastructure	<p>of ESG considerations into due diligence phase as new assets are added to the portfolio, as well as the oversight and monitoring of assets post investment. The process is outlined in our responses provided in the Private Equity directs (PE) module in previous years submissions.</p> <p>We have completed the infrastructure section in the PRI in previous years with case studies and further details around our approach. For example, see our 2018 Transparency Report: https://www.unpri.org/signatories/transparency-reports-2018/3350.article</p> <p>The process is similar to that outlined for PE above.</p>
Other (1) [as defined in Organisational Overview module]	<p>Other asset classes reported in OO:</p> <p>Private Debt - please see our responses under the PE and INF modules of the report, for details about how we approach the integration of ESG matters into our private market's investment process. The Private credit strategy is also outlined on the scheme's website at https://www.uss.co.uk/how-uss-invests/the-fund/investments/private-markets/private-credit</p>

SG 16.2

Additional information [Optional].

In the past, USS has completed this PRI report for every asset class in which the scheme invests. We have decided that in the future we will not be able to do this: the resource required to do this will be better spent actually implementing RI activities.

We would welcome suggestions from the PRI as to how it proposes reduce the reporting burden that complex asset owners face when completing this assessment process.

SG 17	Mandatory	Public	Descriptive	General
SG 17.1	Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.			

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Hedge funds - DDQ	<div>Select whether you use the PRI Hedge Fund DDQ</div> <div> <input type="radio"/> Yes <input checked="" type="radio"/> No </div>
Hedge funds	<p>We have had few recent hedge fund appointments so have not formally considered adoption of the PRI DDQ. Since 2018, in line with our approach to public market appointments, the scheme has included RI in its assessment of a potential hedge fund - this include discussions of how the fund was integrating environmental and social issues into its processes.</p> <p>The questions complimented the due diligence and KYC undertaken for new hedge fund directors which seeks to gauge experience, quality of governance and oversight through a questionnaire and one-to-one conversations with management and independent directors. The scheme's expectations in this area are articulated in USS's 'Expectations of governance of hedge funds' published on the scheme's website - see https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/expectationsgovernancehedgefunds2010.pdf.</p> <p>In addition, the scheme engages with hedge funds, regulators and industry bodies to improve governance and transparency and ESG integration at industry level.</p> <p>The scheme has also undertaken carbon footprinting for its hedge fund portfolio.</p>
Cash	<p>As part of the scheme's due diligence for the selection and appointment of external fund managers to USS's DC offering - 'USS Investment Builder' - details on the managers' approach to RI were considered from the outset.</p> <p>USS's RI Team then reviewed ESG integration and met with the fund manager (via teleconference) to discuss RI in more depth for the shortlisted cash fund.</p> <p>USS considered the manager's commitment to RI; the experience of the team; their use of ESG data from rating agencies and ESG services as part of their investment process; internal governance and assurance processes; their participation in collaborative RI initiatives, including the UN PRI; and market level engagement on ESG matters.</p>

Innovation

SG 18	Voluntary	Public	Descriptive	General
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SG 18.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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☒ Yes

SG 18.2	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
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E and S Voting: USS has sought to systematically integrate an assessment of environmental and social disclosures into its voting decisions for the internal active equity portfolios since 2016. The fund has phased the approach into different global markets and continues to extend the coverage - we now cover most developed markets. This now includes climate related performance based upon the TPI assessment. Further details are provided in the LEA module.

In-house RI capability: To reduce conflicts of interest and ensure the scheme's long term responsible investment perspective is integrated within decision-making, the scheme has developed in-house capabilities

for the implementation of the RI strategy. The scheme has an RI Team of five, plus a Sustainability Manager within the Property team. This is one of the largest commitments to responsible investment from a pension fund worldwide.

Commitment to collaboration and addressing market-wide issues: the scheme recognises that collaboration and policy / market level engagement may be more effective to progressing RI than a lone pension fund voice. As a result, since 2000 the scheme has dedicated considerable effort to founding and ensuring the on-going success of collaborative RI initiatives, and addressing systemic impediments to the consideration of ESG issues in investment. Actions have included being involved in the establishment of the following: IIGCC; GRESB; UN supported PRI; Enhanced Analytics Initiative; Transition Pathway Initiative.

Leadership and innovation: The scheme has often been the first or early adopter of new methods of integrating material ESG matters, where they have a financial bearing. This is demonstrated through, for example, our work on audit, hedge fund governance, enhanced due diligence in the private markets space, early focus on climate change and the establishment of the Enhanced Analytics Initiative.

RI Monitoring of External Managers: Following the launch of USS Investment Builder in December 2016, the scheme has worked to develop its RI due diligence and monitoring processes for the appointment and monitoring of public market managers. USS also undertakes face to face ESG monitoring meetings with its Private Equity managers. Further details of the processes can be found in the SAM section.

☐ No

Communication

SG 19	Mandatory	Public	Core Assessed	PRI 2, 6
SG 19.1	Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.			

Selection, Appointment and Monitoring

Do you disclose?

- ☐ We do not disclose to either clients/beneficiaries or the public.
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose to the public

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

Disclosure to public and URL	
	<div>Disclosure to public and URL</div> <input checked="" type="checkbox"/> How responsible investment considerations are included in manager selection, appointment and monitoring processes <input checked="" type="checkbox"/> Details of the responsible investment activities carried out by managers on your behalf <input type="checkbox"/> E, S and/or G impacts and outcomes that have resulted from your managers' investments and/or active ownership <input type="checkbox"/> Other
	<div>Frequency</div> <input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested
	<div>URL</div> https://www.unpri.org/signatories/transparency-reports-2019/4506.article
	<div>URL</div> https://www.uss.co.uk/how-uss-invests/responsible-investment/activities

Listed equity - Incorporation

Do you disclose?

- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries
☐ We disclose to clients/beneficiaries only.
☒ We disclose it publicly

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
☐ No

Disclosure to public and URL	
	<div>Disclosure to public and URL</div> <div> <input type="radio"/> Broad approach to ESG incorporation <input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used </div>
	<div>Frequency</div> <div> <input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested </div>
	<div>URL</div> <div> https://www.uss.co.uk/how-uss-invests/responsible-investment </div>
	<div>URL</div> <div> https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/E9BF3247-953F-4B4C-927F-969BECB39809/79894dbc337a40828d895f9402aa63de/html/2/?lang=en &a=1 </div>

Listed equity - Engagement

Do you disclose?

- ☐ We do not disclose to either clients/beneficiaries or the public.
☐ We disclose to clients/beneficiaries only.
☒ We disclose to the public

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
☐ No

Disclosure to public and URL	
	<div>Disclosure to public and URL</div> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Details on the overall engagement strategy <input checked="" type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals <input type="checkbox"/> Number of engagements undertaken <input type="checkbox"/> Breakdown of engagements by type/topic <input type="checkbox"/> Breakdown of engagements by region <input checked="" type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives <input checked="" type="checkbox"/> Examples of engagement cases <input checked="" type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.) <input checked="" type="checkbox"/> Details on whether the provided information has been externally assured <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input type="checkbox"/> Other information
	<div>Frequency</div> <ul style="list-style-type: none"> <input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested
	<div>URL</div> <p>https://www.uss.co.uk/how-uss-invests/responsible-investment</p> <div>URL</div> <p>https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/E9BF3247-953F-4B4C-927F-969BECB39809/79894dbc337a40828d895f9402aa63de/html/2/?lang=en &a=1</p>

Listed equity – (Proxy) Voting	
	<div>Do you disclose?</div> <ul style="list-style-type: none"> <input type="radio"/> We do not disclose to either clients/beneficiaries or the public. <input type="radio"/> We disclose to clients/beneficiaries only. <input checked="" type="radio"/> We disclose to the public

	The information disclosed to clients/beneficiaries is the same
--	--

- ☒ Yes
☐ No

Disclosure to public and URL	
	Disclosure to public and URL <input checked="" type="radio"/> Disclose all voting decisions <input type="radio"/> Disclose some voting decisions <input type="radio"/> Only disclose abstentions and votes against management
	Frequency <input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad hoc/when requested
	URL https://www.uss.co.uk/how-uss-invests/responsible-investment/voting/voting-disclosure
	URL https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/ukvotingpolicy.pdf

	Fixed income
--	--------------

	Do you disclose?
--	------------------

- ☐ We do not disclose to either clients/beneficiaries or the public.
☐ We disclose to clients/beneficiaries only.
☒ We disclose to the public

	The information disclosed to clients/beneficiaries is the same
--	--

- ☒ Yes
☐ No

Disclosure to public and URL	
	<div>Disclosure to public and URL</div> <p><input checked="" type="radio"/> Broad approach to RI incorporation</p> <p><input type="radio"/> Detailed explanation of RI incorporation strategy used</p>
	<div>Frequency</div> <p><input type="checkbox"/> Quarterly</p> <p><input type="checkbox"/> Biannually</p> <p><input checked="" type="checkbox"/> Annually</p> <p><input type="checkbox"/> Less frequently than annually</p> <p><input type="checkbox"/> Ad hoc/when requested</p>
	<div>URL</div> <p>https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/E9BF3247-953F-4B4C-927F-969BECB39809/79894dbc337a40828d895f9402aa63de/html/2/?lang=en &a=1</p>

SG 19.2	Additional information [Optional]
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We aim to capture case studies and details of our RI processes within our annual response to the PRI transparency report. In the past, USS has voluntarily disclosed on all asset classes, in every year possible since the first PRI reporting opportunity in 2007. This is part of our commitment to transparency, promoting RI and developing best practice, and we have always made all of our responses public.

The scheme also published its first free standing Responsible Investment report in 2019, which provided process details and case studies. See - <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/uss-responsible-investment-report-2019.pdf>

This year we will not be completing this report for all asset classes: the resource required to do this is disproportionate to the benefit gained.

Universities Superannuation Scheme - USS

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Listed Equity and Fixed Income Strategies

SAM 01

Mandatory

Public

Gateway

PRI 1

SAM 01.1

Indicate which of the following ESG incorporation strategies you require your external manager(s) to implement on your behalf for all your listed equity and/or fixed income assets:

Active investment strategies

Active investment strategies	Listed Equity	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Passive investment strategies

Passive investment strategies	Listed Equity	FI - SSA	FI -Corporate (financial)	FI -Corporate (non-financial)
Screening	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 01.2

Additional information. [Optional]

USS's Statement of Investment Principles is applicable across all assets. The Trustee expects its investment managers to take into account all financially material considerations in the selection, retention and realisation of investments. This includes environmental, social and governance considerations (such as, but not limited to climate change) where these are considered relevant financial factors. This is supported by additional text in the scheme's Investment Beliefs. Both these documents are available on the USS website - www.uss.co.uk.

The scheme also currently includes three screened mandates in the USS Investment Builder (Defined Contribution) section of the scheme.

Due diligence and monitoring of external manager RI activities and capabilities is a core activity of the RI team explained in more detail below.

During the course of 2019, the scheme reviewed the RI due diligence and monitoring programmes for both public and private market funds to deliver greater consistency and reflect progress in market practices. Due diligence and monitoring questionnaires were standardised to ensure a more systematic approach. The due diligence questions aim to establish a baseline set of data which form the basis for the proposed biennial monitoring programme. Managers are expected to complete the questionnaires at fund/ strategy level to ensure applicability of the responses to the mandate under review. In public markets, the same questions are issued to active and passive managers for the range of Retirement Income Builder and Investment Builder external funds, though sections may be determined 'not applicable'. Ratings frameworks were also developed for internal benchmarking and to frame feedback to managers.

Note, typically, USS does not issue RFPs and the processes of 'selection' and 'appointment' are less distinct from an RI-perspective at the scheme.

Selection

SAM 02

Mandatory

Public

Core Assessed

PRI 1

SAM 02.1

Indicate what RI-related information your organisation typically covers in the majority of selection documentation for your external managers

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised	Private equity	Property	
Your organisation's investment strategy and how ESG objectives relate to it	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG incorporation requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG reporting requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
No RI information covered in the selection documentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

You selected an 'Other' option in table SAM 02.1 above, please specify

USS has several teams dedicated to the selection, appointment and oversight of external asset managers. For public assets, the Investment Product Management (IPM) team work closely with the RI Team and other functions at USS to deliver the most appropriate fund management options for each mandate. For private markets a similar process is convened by the Private Markets Group (PMG) to appoint general partners (GP's).

The RI due diligence questionnaire response is reviewed alongside fund documentation and typically we hold a dedicated meeting with the manager on RI to discuss ESG integration, stewardship, voting or other RI practices

relevant for the mandate. For hedge funds we discuss fund governance and interview the independent directors. Where available, the RI team may consider third party research (including that undertaken by investment consultants - usually public markets only) and conduct additional diligence, leveraging the experience and knowledge of in-house teams.

Where appropriate, we ask the external manager for their internal PRI report, and information on how the manager undertakes stewardship, engagement, ESG integration and portfolio monitoring.

We encourage reporting in-line with industry guidance from PRI, PLSA, and GRESB e.g.

- <https://www.unpri.org/download?ac=4839>
- http://www.sustainablefinance.ch/upload/cms/user/2015_01_26_guide_to_responsible_investment_reporting_in_public_equity_published_NAPF1.pdf
- <https://gresb.com/>

USS contributed to the development of all three reporting initiatives.

SAM 02.2	Explain how your organisation evaluates the investment manager's ability to align between your investment strategy and their investment approach
	Strategy

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitised	Private equity	Property	
Assess the time horizon of the investment manager's offering vs. your/beneficiaries' requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Assess the quality of investment policy and its reference to ESG	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Assess the investment approach and how ESG objectives are implemented in the investment process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review the manager's firm-level vs. product-level approach to RI	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Assess the ESG definitions to be used	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

ESG people/oversight

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitized	Private equity	Property	
Assess ESG expertise of investment teams	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review the oversight and responsibilities of ESG implementation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review how is ESG implementation enforced /ensured	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review the manager's RI-promotion efforts and engagement with the industry	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Process/portfolio construction/investment valuation

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitized	Private equity	Property	
Review the process for ensuring the quality of the ESG data used	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review and agree the use of ESG data in the investment decision making process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Review and agree the impact of ESG analysis on investment decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Review and agree ESG objectives (e.g. risk reduction, return seeking, real-world impact)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Review and agree manager's ESG risk framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Review and agree ESG risk limits at the portfolio level (portfolio construction) and other ESG objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Review how ESG materiality is evaluated by the manager	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review process for defining and communicating on ESG incidents	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review and agree ESG reporting frequency and detail	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

If you select any `Other` option(s), specify

Reporting

RI reporting is discussed during the due diligence/ appointment process for external managers, with details frequently included in the investment management agreements.

Portfolio/Product specific due diligence

RI product level information is important to USS. The scheme invests in particular funds, not the whole manager. We seek to ensure that RI due diligence and the materials we review are applicable to the scheme's potential or invested assets. There is no point reviewing materials relating to developed market equities, when we are investing in emerging markets, debt or property if the RI processes do not apply to these asset classes.

Property & infrastructure reporting

USS encourages participation in GRESB which offers sustainability benchmarking for property and infrastructure assets for managers. We consider participation in GRESB a key indicator illustrating a commitment to ESG and monitoring of RI performance.

Private equity reporting

USS is a signatory to the Montreal Pledge and has committed to reporting against the TCFD recommendations. We have been encouraging our GPs to collect data to enable LPs to carbon footprint their private markets portfolios for several years.

SAM 02.3

Indicate the selection process and its ESG/RI components

- ☒ Review ESG/RI responses to RfP, RfI, DDQ etc.
- ☒ Review responses to PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire (LP DDQ)
- ☒ Review publicly available information on ESG/RI
- ☒ Review assurance process on ESG/RI data and processes
- ☒ Review PRI Transparency Reports
- ☒ Request and discuss PRI Assessment Reports
- ☒ Meetings with the potential shortlisted managers covering ESG/RI themes
- ☒ Site visits to potential managers offices
- ☐ Other, specify

SAM 02.4

When selecting external managers does your organisation set any of the following:

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised	Private equity	Property	
ESG performance development targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ESG score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ESG weight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Real world economy targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other RI considerations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

You selected an 'Other' option in table SAM 02.4 above, please specify

Private Equity

All new GPs and funds are asked to complete a Responsible Investment questionnaire regarding their approach to environmental, social and governance (ESG) matters, due diligence, portfolio company monitoring, disclosure on responsible investment and participation in industry initiatives relating to ESG. The questionnaire, revised in 2019, closely aligns to ESG matters raised in PRI LP questionnaire. USS participated in the PRI working group which helped to develop the PRI questionnaire, published in 2015. The process and questionnaire are published on our website and will shortly be refreshed to reflect 2019 updates.

Property and Infrastructure

For property and infrastructure we take aspects of both the private and public market appointment processes, as appropriate to the mandate.

Hedge Funds

USS has focused on governance at hedge funds. We undertake due diligence on the directors and articulate our governance expectations publicly here: <https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/expectationsgovernancehedgefunds2010.pdf?la=en>. We also consider how hedge fund managers integrate environmental and social issues into their investment decisions.

Public equity / fixed income

The RI due diligence questionnaire and monitoring frameworks were refreshed during 2019. Please see SAM 5.3 for further details.

SAM 03	Mandatory	Public	Additional Assessed	PRI 2
SAM 03.1	Indicate how your organisation typically evaluates the manager's active ownership practices in the majority of the manager selection process.			
	Engagement			

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Review the manager's engagement policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's engagement process (with examples and outcomes)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ensure whether engagement outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other engagement issues in your selection process specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

If you select `Other` option, specify

We review Stewardship Code statements/assessments, and request internal PRI transparency reports. We review/discuss case studies, including how engagement feeds into investment decision making.

(Proxy) voting

	LE
Review the manager's voting policy	<input checked="" type="checkbox"/>
Review the manager's ability to align voting activities with clients' specific voting policies	<input checked="" type="checkbox"/>
Review the manager's process for informing clients about voting decisions	<input checked="" type="checkbox"/>
Ensure whether voting outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/>
Review the number of votes cast as a percentage of ballots/AGMs or holdings and available rationale	<input checked="" type="checkbox"/>
Other active ownership voting issues in your selection process; specify	<input checked="" type="checkbox"/>

If you select any `Other` option(s), specify

We review voting data, stewardship code response(s), PLSA assessments and consider consistency of voting records between different markets and public statements for external managers.

SAM 03.2

Describe how you assess if the manager's engagement approach is effective.

- ☒ Impact on investment decisions
- ☒ Financial impact on target company or asset class
- ☒ Impact on ESG profile of company or the portfolio
- ☒ Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- ☐ Other, specify
- ☐ None of the above

SAM 03.3

Describe how you assess if the manager's voting approach is effective/appropriate

- ☒ Impact on investment decisions
- ☒ Impact on ESG profile of company or the portfolio
- ☒ Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- ☒ Other, specify

As outlined above we consider consistency of voting records with public policy positions, between different markets, and engagement activities. We ask about vote confirmations and vote chains, the management of stock lending practices, communicating vote decisions to companies and public reporting. We will also, on occasion, review a manager's handling of a specific vote against the voting decision USS took on the same issue.

- ☐ None of the above

SAM 03.4

Additional information [OPTIONAL]

Note, for one of USS's passive UK equity portfolios, the RI Team override the voting decisions for stocks where we have an active holding in-house to ensure consistency of our voting position. It is worth noting this is a highly unusual arrangement.

Further RI review areas for listed equities are detailed in the Guide to Responsible Investment Reporting in Listed Equities document which we helped to produce in 2015 - http://www.sustainablefinance.ch/upload/cms/user/2015_01_26_guide_to_responsible_investment_reporting_in_public_equity_published_NAPF1.pdf.

Appointment**SAM 04****Mandatory****Public****Core Assessed****PRI 1****SAM 04.1**

Indicate if in the majority of cases and where the structure of the product allows, your organisation does any of the following as part of the manager appointment and/or commitment process

- ☒ Sets standard benchmarks or ESG benchmarks
- ☒ Defines ESG objectives and/ or ESG related exclusions/restrictions
- ☒ Sets incentives and controls linked to the ESG objectives
- ☒ Requires reporting on ESG objectives
- ☒ Requires the investment manager to adhere to ESG guidelines, regulations, principles or standards
- ☐ Other, specify (1)
- ☐ Other, specify (2)
- ☐ None of the above

SAM 04.2

Provide an example per asset class of your benchmarks, objectives, incentives/controls and reporting requirements that would typically be included in your managers' appointment.

Asset class

☒ Listed equity (LE)

Benchmark

- ☒ Standard benchmark
- ☐ ESG benchmark, specify

ESG Objectives

- ☐ ESG related strategy, specify
- ☒ ESG related investment restrictions, specify

Ethical screening and Sharia restrictions apply to the appropriate mandates. The manager of the ethical mandates is asked to attest to their compliance with USS's Ethical Investment Policy quarterly.

- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☒ Voting, specify

We ask for regular reporting on voting records from our external managers (akin to the reporting of internal voting records) and ask the managers to self-certify that their reporting is up to date.

- ☐ Promoting responsible investment
- ☒ ESG specific improvements

We may require managers to make improvements to their resourcing or reporting on RI - across the breadth of our RI strategy covering integration, voting, engagement and public policy - if we note concerns at the outset or during our monitoring.

- ☐ Other, specify
- ☒ ESG guidelines/regulation, principles/standards, specify

The Investment Management Agreement (IMA) would typically make reference to USS's commitment to responsible investment in line with the wording from the scheme's Statement of Investment Principles and defined reporting requirements.

Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☐ Termination
- ☐ No fee/ breach of contract

Reporting requirements

- ☐ Monthly
 - ☒ Quarterly
 - ☐ Bi-annually
 - ☐ Annually
 - ☐ Ad-hoc/when requested
- ☒ Fixed income - SSA (SSA)

Benchmark

- ☒ Standard benchmark, specify
- Various including FTA Government UK Index Linked Total Return Index; JP Morgan EMBI GD; GBI EM GD; FTSE Gilts All Stocks;
- ☐ ESG benchmark, specify

ESG Objectives

- ☒ ESG related strategy, specify
- We would ensure we were clear how responsible investment strategy/ practices apply to the mandate.
- ☐ ESG related investment restrictions, specify
- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ Other, specify
- ☒ ESG guidelines/regulation, principles/standards, specify
- The Investment Management Agreement (IMA) would typically make reference to USS's commitment to responsible investment in line with the wording from the scheme's Statement of Investment Principles and define reporting requirements.

Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☐ Termination
- ☐ No fee/ breach of contract

Reporting requirements

- ☐ Ad-hoc/when requested
 - ☐ Annually
 - ☐ Bi-annually
 - ☒ Quarterly
 - ☐ Monthly
- ☒ Fixed income - Corporate (financial)

Benchmark

- ☒ Standard benchmark, specify
Barclays Global Aggregate; iBoxx £ Corporate All Maturities; BofA Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index; iBoxx £ Non-Gilt
- ☐ ESG benchmark, specify

ESG Objectives

- ☐ Other, specify
 - ☐ ESG related strategy, specify
 - ☐ ESG related investment restrictions, specify
 - ☐ ESG integration, specify
 - ☐ Engagement, specify
 - ☐ Voting, specify
 - ☐ Promoting responsible investment
 - ☐ ESG specific improvements
 - ☐ Other, specify
 - ☒ ESG guidelines/regulation, principles/standards, specify
- The Investment Management Agreement (IMA) would typically make reference to USS's commitment to responsible investment in line with the wording from the scheme's Statement of Investment Principles.

Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☐ Termination
- ☐ No fee/ breach of contract

Reporting requirements

- ☐ Ad-hoc/when requested
 - ☐ Annually
 - ☐ Bi-annually
 - ☒ Quarterly
 - ☐ Monthly
- ☒ Fixed income - Corporate (non-financial)

Benchmark

- ☒ Standard benchmark, specify

As above as we do not have separate financial/ non-financial mandates i.e. Barclays Global Aggregate; iBoxx £ Corporate All Maturities; BofA Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index; iBoxx £ Non-Gilt

- ☐ ESG benchmark, specify

ESG Objectives

- ☐ Other, specify
- ☐ ESG related strategy, specify
- ☐ ESG related investment restrictions, specify
- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ Other, specify
- ☒ ESG guidelines/regulation, principles/standards, specify

The Investment Management Agreement (IMA) would typically make reference to USS's commitment to responsible investment in line with the wording from the scheme's Statement of Investment Principles.

Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☐ Termination
- ☐ No fee/ breach of contract

Reporting requirements

- ☐ Ad-hoc/when requested
 - ☐ Annually
 - ☐ Bi-annually
 - ☒ Quarterly
 - ☐ Monthly
- ☒ Fixed income - Securitised

Benchmark

- ☒ Standard benchmark, specify
JPM CLO Index
- ☐ ESG benchmark, specify

ESG Objectives

- ☐ ESG related strategy, specify
- ☐ ESG related investment restrictions, specify
- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ Other, specify
- ☒ ESG guidelines/regulation, principles/standards, specify

The Investment Management Agreement (IMA) would typically make reference to USS's commitment to responsible investment in line with the wording from the scheme's Statement of Investment Principles and define reporting requirements.

Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☐ Termination
- ☐ No fee/ breach of contract

Reporting requirements

- ☐ Ad-hoc/when requested
 - ☐ Annually
 - ☐ Bi-annually
 - ☒ Quarterly
 - ☐ Monthly
- ☒ Private equity

Benchmark

- ☒ Standard benchmark, specify

Benchmarks will be set at the time of investment depending on factors such as fund strategy, sector, geography.

- ☐ ESG benchmark, specify

ESG Objectives

- ☐ ESG related strategy, specify
- ☐ ESG related investment restrictions, specify
- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☒ ESG specific improvements

We have called for greater clarity regarding the applicability of group wide ESG policies to the strategy we are investing in.

Where one of our managers outlined their intention to introduce an RI policy, post USS commitment, we followed up with the manager to ensure this was delivered.

- ☐ Other, specify
- ☒ ESG guidelines/regulation, principles/standards, specify

We are working with USS's lawyers and Private Markets Group to develop standard text referencing USS's commitment to and expectations about responsible investment for inclusion in side letters for PE funds.

Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☐ Termination
- ☐ No fee/ breach of contract

Reporting requirements

- ☒ Ad-hoc/when requested
- ☐ Annually
- ☐ Bi-annually
- ☐ Quarterly
- ☐ Monthly
- ☒ Property

Benchmark

- ☒ Standard benchmark, specify
- IPD Large Life and Pension Fund Index
- ☐ ESG benchmark, specify

ESG Objectives

- ☐ ESG related strategy, specify
- ☐ ESG related investment restrictions, specify
- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ Other, specify
- ☒ ESG guidelines/regulation, principles/standards, specify

We encourage our property fund managers to complete the Global Real Estate Sustainability Benchmark survey.

Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☐ Termination
- ☐ No fee/ breach of contract

Reporting requirements

- ☐ Monthly
- ☒ Quarterly
- ☐ Bi-annually
- ☐ Annually
- ☐ Ad-hoc/when requested

SAM 04.3

Indicate which of these actions your organisation might take if any of the requirements are not met

- ☒ Discuss requirements not met and set project plan to rectify
- ☒ Place investment manager on a "watch list"
- ☒ Track and investigate reason for non-compliance
- ☐ Re-negotiate fees
- ☒ Failing all actions, terminate contract with the manager
- ☐ Other, specify
- ☐ No actions are taken if any of the ESG requirements are not met

SAM 04.4

Provide additional information relevant to your organisation's appointment processes of external managers. [OPTIONAL]

With regard to "Controls linked to ESG objectives" and "Reporting Requirements", the scheme asks the external managers for DC funds to respond to RI questions within a quarterly questionnaire.

For "ESG Guidelines", ethical fund options are required to adhere to the USS Investment Builder Ethical Policy. However, these are specific for these ethical options and are not typical mandate requirements for USS.

USS not only uses its specialist in-house teams to undertake due diligence in the selection and appointment of external managers, but also in the monitoring of activities post appointment. Further details of the monitoring processes are provided in the following sections.

We also consider the availability and timeliness of ESG reporting in our monitoring processes for managers - taking into account reporting standards of peer fund managers. We consider communications and transparency for investors as a KPI in our monitoring processes for public and private markets.

Monitoring				
SAM 05	Mandatory	Public	Core Assessed	PRI 1
SAM 05.1	When monitoring managers, indicate which of the following types of responsible investment information your organisation typically reviews and evaluates			

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitised	Private equity	Property	
ESG objectives linked to investment strategy (with examples)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Evidence on how the ESG incorporation strategy(ies) affected the investment decisions and financial / ESG performance of the portfolio/fund	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Compliance with investment restrictions and any controversial investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG portfolio characteristics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
How ESG materiality has been evaluated by the manager in the monitored period	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Information on any ESG incidents	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Metrics on the real economy influence of the investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
PRI Transparency Reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
PRI Assessment Reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
RI-promotion and engagement with the industry to enhance RI implementation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Changes to the oversight and responsibilities of ESG implementation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other general RI considerations in investment management agreements;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

specify								
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

SAM 05.2

When monitoring external managers, does your organisation set any of the following to measure compliance/progress

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised	Private equity	Property	
ESG score	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ESG weight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ESG performance minimum threshold	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Real world economy targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other RI considerations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

If you select any `Other` option(s), specify

USS tailors RI monitoring to the mandate and asset class.

For example, we confirm adherence to USS's ethical investment policy for the USS Investment Builder ethical funds.

For all listed equity fund managers we review voting and engagement case studies and ESG integration processes.

For passive equity portfolios, USS expects the fund manager to adhere to principles of good stewardship with ESG-integration activities focused more on risk management.

The monitoring of external asset managers for listed equity and fixed income overall, is led by the Investment Product Management team and for private markets by PMG. In public markets we request asset managers complete a quarterly exceptions questionnaire to flag changes. This includes the following questions on RI and helps the scheme identify where follow-up is required:

RI Public Equities Quarterly Questionnaire:

- Changes to ESG policy, RI approach or staff.
- New ESG and/or reputation risks arisen in the portfolio.
- Reporting and disclosure on RI (including Stewardship Codes, PRI etc.) is delayed or changed.
- Ethical and Sharia funds: screening policy has been breached.

In private markets USS typically sits on the LP Advisory Committee for fund monitoring.

Additionally, RI Monitoring frameworks have been developed for public and private markets outlined below.

RI DUE DILIGENCE

Public Markets

Alongside due diligence conducted by the Investment Product Management team, public market investment managers are asked to complete an RI due diligence questionnaire for new mandates and the RI Team conduct a desk top review of published materials relating to the fund/ fund manager. These would include PRI Transparency and assessment reports where available.

The key areas of due diligence undertaken by the RI team are as follows:

- Governance (Capacity, Policy, CSR)
- ESG Integration
- Stewardship / Engagement:
- Collaboration & Market Level Engagements:
- Communication / Transparency:
- Voting (equities only)

Initial views are typically supplemented by further exchanges with the manager through emails, calls and/ or face to face meetings. Discussions will also take place regarding wording for the Investment Management Agreement, voting arrangements for listed equities, and reporting requirements. A Due Diligence note and proprietary RI score covering the above areas is provided to the Investment Product Management team for consideration and inclusion in the Final Investment Notice.

Private Market Funds

All new GPs and fund strategies are asked to complete a USS RI GP Due Diligence Questionnaire (updated in 2019) regarding their approach to environmental, social and governance (ESG) matters, due diligence, portfolio monitoring, reporting on responsible investment and participation in industry initiatives relating to ESG. The questionnaire closely aligns to ESG matters raised in PRI's LP questionnaire which USS helped to develop in 2015. We ask for information on how ESG risks and opportunities are assessed in the due diligence process and how they are managed across the portfolio. We encourage the provision of case studies to evidence the GP's approach and where appropriate, will ask about ESG matters relating to previous investments.

The questionnaire response is typically followed by a call between RI and the GP's IR and investment team to run through their approach and case studies in more detail; as well as their views on PRI and how RI activities are communicated with LPs and other stakeholders (e.g. GRESB or PRI reporting).

Based on the outcomes of the due diligence, the RI team provides a written opinion on the approach to RI at the fund. A summary of the opinion is included in the Private Markets Investment Committee (PMIC) memo.

Co-invests & asset-specific deals

Where the investment is in a known asset e.g. for a co-investment (or a direct opportunity), the diligence will focus on the ESG risks pertaining to the deal asset(s) and the mitigants of those risks. The RI Team reviews the diligence materials provided and undertakes independent research, drawing on a range of sources. Slides are prepared outlining the ESG risks and mitigants as discussed with the deal team and formally presented in a Close-Out meeting and within the investment committee memo discussed at the Private Markets Investment Committee (PMIC), which takes the final decision on the investment. Co-invests often form some of the deepdive case studies for review in the monitoring process as outlined below.

RI MONITORING

As outlined in the case studies under SAM08, the manager monitoring frameworks for both public and private markets were refreshed during the year. An internal template for reporting was adopted to ease comparability between funds and a scoring framework was introduced for private markets, to enable the scheme to benchmark managers and track progress between reviews.

Public Markets

External managers are asked to complete USS's Quarterly Monitoring Questionnaire which includes exceptions-based questions to identify material developments in the manager's approach to RI or material ESG concerns. Additionally, RI periodically undertake deep-dive reviews to refresh ratings across all areas covered in the due diligence and feed-in views to the Investment Product Management team's annual underwriting process. Specific topics and investment case studies are selected to review the implementation of RI in the portfolio, as appropriate to the mandate.

Private Markets

USS Investment Management's PMG staff undertake on-going monitoring of the GPs to which the scheme has allocated capital. Whilst dedicated RI monitoring has been undertaken for many years, the scheme adopted a more formal RI Monitoring Questionnaire and ratings framework in 2019 to help assess the scheme's GPs relative to peers and market practice. The framework broadly aligns with the PRI's 'ESG Monitoring, Reporting and Dialogue in Private Equity' developed by GPs and LPs, including USS in 2018. An outline of the scoring mechanism is available here: <https://www.peievents.com/en/wp-content/uploads/2020/02/USS-PE-ESG-Assessment-Template-March-2020.pdf>

The monitoring seeks to update our views on RI-related policies, activities and resources at the GP and benchmark their approaches. The review includes deep-dives into portfolio company assets in which a GP has invested to identify ESG risks or opportunities that can be discussed further with the GP and understand how they engage with portfolio assets on these issues. Questions are typically answered in writing followed by a face-to-face meeting between the RI Team and representatives of the GP. The information collected during monitoring also helps inform USS's future allocations to a private equity manager as information collected is used in the due diligence for new funds. The assessments are conducted within the context of the LP / GP relationship, where the GP has ultimate responsibility for investment decisions and portfolio assets.

USS'S 2019 RI ANNUAL REPORT

Our approach to external manager due diligence and monitoring was profiled in the USS 2019 Responsible Investment Annual Report - here <https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/uss-responsible-investment-report-2019.pdf>.

SAM 06	Mandatory	Public	Additional Assessed	PRI 1
SAM 06.1	When monitoring managers, indicate which of the following active ownership information your organisation typically reviews and evaluates from the investment manager in meetings/calls			
	Engagement			

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Report on engagements undertaken (summary with metrics, themes, issues, sectors or similar)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Report on engagement ESG impacts (outcomes, progress made against objectives and examples)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Information on any escalation strategy taken after initial unsuccessful dialogue	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Alignment with any eventual engagement programme done internally	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Information on the engagement activities' impact on investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to engagement in investment management agreements; specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any 'Other' option(s), specify

Please see our response in SAM 5.2 and 5.3 above where we outline our approach to RI due diligence and monitoring, including ESG integration, voting, communications and transparency and RI governance which are not specifically covered in the above list.

(Proxy) voting

	LE
Report on voting undertaken (with outcomes and examples)	<input checked="" type="checkbox"/>
Report on voting decisions taken	<input checked="" type="checkbox"/>
Adherence with the agreed upon voting policy	<input checked="" type="checkbox"/>
Other RI considerations relating to (proxy) voting in investment management agreements; specify	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>

If you select any 'Other' option(s), specify

We would also review communications with issuers regarding vote decisions; stock-lending arrangements; and systems and controls in place along the vote chain.

SAM 07	Mandatory	Public	Core Assessed	PRI 2
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SAM 07.1

For the listed equities for which you have given your external managers a (proxy) voting mandate, indicate the approximate percentage (+/- 5%) of votes that were cast during the reporting year.

☒ Votes cast (to the nearest 5%)

%

95

Specify the basis on which this percentage is calculated.

- ☒ Of the total number of ballot items on which they could have issued instructions
- ☐ Of the total number of company meetings at which they could have voted
- ☐ Of the total value of your listed equity holdings on which they could have voted

☐ We do not collect this information.

SAM 07.2

For the listed equities for which you have given your external managers a mandate to engage on your behalf, indicate the approximate percentage (+/- 5%) of companies that were engaged with during the reporting year.

Number of companies engaged

9999

Proportion (to the nearest 5%)

99

SAM 07.3	Additional information [OPTIONAL]
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Please note the numbers above are dummy entries only. We expect our managers to make use of any entitlements to vote, (except in instances of "empty voting" where the stock has been sold post record date) but do not aggregate the statistics across the portfolio. Neither have we sought to aggregate the numbers or percentage of companies with which our managers have engaged with during the year because the number is essentially meaningless. Whilst we collect the voting records for the scheme, and review the statistics on engagement reported by our equity managers who provide such analytics, we have not sought to collate the data. Rather, we prefer to review the data and specific voting, engagement and collaboration case studies alongside the mandate and the manager's RI strategy and priorities. Hence the numbers above in SAM07 are merely dummy entries to allow us to complete the question.

Outputs and outcomes

SAM 08	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SAM 08.1	Describe how you ensure that best RI practice is applied to managing your assets
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- ☒ Encourage improved RI practices with existing investment managers

	Measures
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We have developed assessment frameworks which we use to score our managers. The assessments and scorings help to identify strengths and weaknesses for particular fund managers versus their peers which can be used to engage with the fund managers to request developments. Leveraging our in-house RI team, we can also challenge external managers more thoroughly on their assertions regarding RI practices appropriate for the asset class/ strategy.

For property and infrastructure, we encourage our fund managers to report against the GRESB framework to benchmark ESG performance.

- ☒ Move assets over to investment managers with better RI practices

	Measures
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USS has adopted a rigorous process of reviewing external managers and is constantly reviewing the market, new products and ideas to ensure they deliver the best risk adjusted returns for the scheme.

- ☐ Other, specify
- ☐ None of the above

SAM 08.2	Additional information. [Optional]
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Internally, the scheme continues to strive to adopt and develop best practice on the way we implement the RI strategy across all asset classes - further information and examples of this are provided in the other sections in our response to the PRI Framework. Similarly, as outlined in other areas of our response (for example the SG section), the scheme is a regular participant in industry events and collaborations developing industry resources on RI. Through our involvement in such initiatives, we are able to monitor emerging best practice and highlight developments at peer funds or even within different asset classes with our external fund managers.

SAM 09	Mandatory	Public	Additional Assessed	PRI 1,6
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SAM 09.1

Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.

☒ Add Example 1

Topic or issue	Updated RI Due Diligence Questionnaire and introduction of RI Ratings for private market managers
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input checked="" type="checkbox"/> Private equity <input type="checkbox"/> Property
Scope and process	<p>To reflect the increasing maturity of RI practices in private equity, USS considered it timely to update our due diligence questionnaire and formalise our manager monitoring programme for private markets assets during 2019. The updates drew on templates developed by the PRI Private Equity working group and ILPA, as well as USS's experience of general partner (GP) oversight since 2007 - see SAM05.3.</p> <p>The Due Diligence Questionnaire covers <i>GP Governance and Capacity (people, policy and process)</i>, <i>ESG Due Diligence</i>, <i>Portfolio Monitoring and Engagement</i>, and <i>LP Commitments and Communication</i>. The monitoring process covers similar areas, but also emphasises LP reporting and portfolio-based questions to help us gauge implementation of ESG policies and the ESG profile of the portfolio.</p> <p>We also considered it timely to introduce a ratings framework, akin to our assessment process for public market managers during the year. Assessments are undertaken at mandate level to acknowledge differing RI practices for different asset classes and investment strategies e.g. our expectations on stewardship practices will vary for senior versus mezzanine debt, or minority equity stakes versus controlling positions. The ratings seek to identify lead practices for commendation and areas of weakness where we will seek redress and monitor for improvement.</p>
Outcomes	<p>The refreshed due diligence and monitoring questionnaires were developed jointly between the Private Markets Group (PMG) and RI Team fostering greater mutual understanding of the scheme's positioning and implementation of RI and market standards for USS's GP across different jurisdictions.</p> <p>The expanded questionnaires (for due diligence and monitoring) and ratings matrix should deliver a more standardised assessment process and facilitate the comparison of similar funds and sharing of good practice internally and externally.</p> <p>The introduction of ratings has simplified oversight from USSIM's Audit and Risk Committee as the scores lend themselves to the provision of RAG ratings (red, amber, green) for our private market mandates.</p> <p>For GP's, the expanded questionnaires have added clarity around USS's expectations and key performance indicators for USS's mandates under review. The more standardised approach makes it easier for USS to draw upon peer practices to better illustrate weaknesses and potential improvements (see case studies below for examples of this in practice).</p>

☒ Add Example 2

Topic or issue	Due diligence new public market equity manager
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input type="checkbox"/> Private equity <input type="checkbox"/> Property
Scope and process	<p>Due diligence of proposed public market managers considers the following areas: Governance, People & Process Portfolio Investments (for existing strategies/ pooled funds), ESG Integration, Stewardship & Engagement, Voting, Collaboration, Reporting, Firm-wide CSR Commitments.</p> <p>A questionnaire is issued, the response and additional materials (such as RI Annual Reports and PRI Transparency Reports) are reviewed, followed by a call or face-to-face meeting(s).</p> <p>In 2019 we reviewed two listed equity mandates with quant strategies.</p>
Outcomes	<p>We raised concerns about resourcing on stewardship with one manager. We were disappointed with the lack of acknowledgement of climate change risks and absence of an engagement strategy on ESG, particularly with regard to carbon. We negotiated wording to reflect USS's commitment to RI in the Investment Management Agreement and confirmed the scheme's RI reporting requirements for the portfolio. Discussions regarding an appropriate carbon strategy for the portfolio are on-going.</p> <p>The other due diligence was undertaken for an emerging markets strategy with a large global asset manager. We spent considerable time trying to understand the applicability of the responses to our due diligence questionnaire to the mandate/ strategy in question. This culminated with an informative call with their local emerging market specialists who were better placed to answer our queries for the mandate in question. We sought assurances that portfolio reporting for USS would be mandate-specific and strategy-relevant. We further called for enhancements to voting disclosure to enable us to more easily compare the fund's voting with USSIM's internal voting decisions.</p>

☒ Add Example 3

Topic or issue	Engagement with PE manager
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input checked="" type="checkbox"/> Private equity <input type="checkbox"/> Property
Scope and process	<p>As part of our refreshed monitoring programme (see above Example 1) we met with one of USS's US GPs in March 2019 to review their implementation of RI for a fund investment. We were disappointed with their response to both our monitoring questionnaire and answers to portfolio-based questions as they failed to evidence their ESG policies in practice for the fund. Following the meeting, we sought further materials from the manager to indicate the review was on-going, and to enable us to double-check our conclusions and poor rating. We discussed our concerns with the lead relationship manager in USSIM's Private Markets Group and agreed to escalate concerns with the GP. We requested a further meeting in December.</p>
Outcomes	<p>We were pleasantly surprised with the developments that had taken place in the months between March and December. The GP had initiated a review of its position, policies and resourcing of ESG. They had convened a cross-firm ESG Committee with senior support and strengthened ESG due diligence in litigation, reputation checks, cyber security and data protection. In response to our feedback, they acknowledged the need to enhance portfolio monitoring on ESG and were working with consultants to consider the best approach for the firm given their approach to value creation. We will monitor progress in 2020.</p>

☒ Add Example 4

Topic or issue	Monitoring review equity manager
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input type="checkbox"/> Private equity <input type="checkbox"/> Property
Scope and process	USS Monitoring Questionnaire and stewardship reports reviewed. Follow-up questions were sent to ask for further information about a couple of case studies/ projects. The review covered one of USS's screened mandates for the Investment Builder (DC) section of the scheme.
Outcomes	<p>The manager provided evidence of their implemented RI practices - outlining thematic and issuer-specific engagements, voting statistics, policy engagements and detailed case studies for the fund. The reporting carefully reflected assets and strategy appropriate to the portfolio's restricted universe. The approach and evidence provided, ensured a good score in USS's in-house rating process. Our positive view - with rationale - was fed back to the fund manager.</p> <p>The positive rating and opinion was provided by the RI Team to the Investment Product Management team to feed into their annual underwriting of the mandate; and the scores fed into the Audit and Risk Committee as part of their oversight of manager monitoring.</p>

☒ Add Example 5

Topic or issue	Due diligence on property fund re-up
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input type="checkbox"/> Private equity <input checked="" type="checkbox"/> Property
Scope and process	<p>We undertook due diligence for an add-on investment within the indirect property portfolio, reviewing the fund's status and progress on RI.</p> <p>Details of the manager's approach to responsible property investment were included on their website. The fund achieved a very high score in GRESB of over 90% - well above GRESB and peer averages and received a 5 star GRESB rating. The fund's annual report discusses ESG related issues including providing details of ESG related targets. They also disclose where they failed to achieve targets which is good practice.</p> <p>Sustainability updates are provided to investors within quarterly investment reports, with performance data on energy, water and waste included as standard reporting items. Further, the manager has outlined the importance of sustainability, health and well-being for occupiers in their strategies. The GP performed well across all due diligence areas covering GP governance and capacity, ESG due diligence, portfolio monitoring and LP communication.</p>
Outcomes	A positive RI opinion was included in the Private Market Investment Committee papers and the investment was approved.

- ☐ Add Example 6
☐ Add Example 7
☐ We are not able to provide examples

Universities Superannuation Scheme - USS

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 01	Mandatory	Public	Gateway	PRI 1
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LEI 01.1

Indicate which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities; and the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

☒ Screening alone (i.e., not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<div> <div></div> <div>%</div> </div>
	1

☒ Thematic alone (i.e., not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<div> <div></div> <div>%</div> </div>
	2

☒ Integration alone (i.e., not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<div> <div></div> <div>%</div> </div>
	97

☐ Screening and integration strategies

☐ Thematic and integration strategies

☐ Screening and thematic strategies

☐ All three strategies combined

☐ We do not apply incorporation strategies

Total actively managed listed equities

100%

LEI 01.2

Describe your organisation's approach to ESG incorporation and the reasons for choosing the particular strategy/strategies.

The Trustee's primary duty in relation to investment strategy is to invest the Scheme assets in the best financial interests of members and beneficiaries, having regard to an appropriate level of risk. In carrying out this duty, the Trustee 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 ESG considerations (such as, but not limited to climate change) where these are considered relevant financial factors.

This approach is implemented in three ways:

1. Integration into investment decision-making processes: Our active managers seek to identify mispriced assets and make better investment decisions to enhance long-term performance by taking account of financially material considerations. The Trustee believes additional returns are available to investors who take a long-term view and are able to identify where the market is overlooking or misestimating the role played by these considerations in corporate and asset performance.
2. Stewardship, engagement and voting rights: As a long-term investor the Trustee expects its managers to behave as active owners on its behalf and use their influence to promote good practices concerning financially material considerations (further detail is set out below).
3. Market transformation activities: The Trustee and its agents engage with policy-makers and regulators in markets in which we invest, to articulate concerns of asset owners and long-term investors, covering areas such as accounting standards and climate change policies.

LEI 01.3

If assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

The USS Low Volatility quant portfolio had a higher carbon footprint than the other public equity portfolios. The relatively short horizon of the volatility factors used in the model did not capture the longer-term risk which climate change poses to asset values which resulted in a tilt toward carbon intensive utility companies. We decided to include a more explicit carbon factor in this portfolio and analysed the implications of removing 3% of the most carbon intensive companies from the investable universe: the outcome of this was back tested and analysis suggested that there would be no material impact on returns. As a result of the implementation of this strategy, we have reduced the footprint by over 70% from 434 tCO₂e/ £m invested to 101 tCO₂e/ £m invested in this portfolio.

We believe applying a carbon overlay in the low volatility portfolio is appropriate, as we cannot rely on the insight and analysis of a discretionary portfolio manager to integrate a consideration of climate-related risks into the stock selection process.

LEI 02**Voluntary****Public****Additional Assessed****PRI 1****LEI 02.1**

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

Type of ESG information

- ☒ Raw ESG company data

Indicate who provides this information

- ☐ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Company-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Sector-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Country-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Screened stock list

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ ESG issue-specific analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Other, specify

LEI 02.2	Indicate whether you incentivise brokers to provide ESG research.
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☒ Yes

LEI 02.3	Describe how you incentivise brokers.
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USS fully "unbundled" its equity research and broking fees in 2005 (many years before MiFID II). Investment research is an explicit cost in the annual budget of USS and has been de-coupled from the execution costs for trading shares. This means we pay the brokers directly for research, rather than using soft commissions which "bundle" research and dealing fees together, as was common for the majority of investors in the industry.

The research budget is allocated desk by desk with RI holding a segregated budget allocation to reward brokers on investment research that incorporates ESG considerations, linked to materiality. Each desk reviews the research notes and analysis utilised, and allocates the fees directly to the research provider, in accordance with our view on the quality and range of research provided.

We also complete the annual Extel survey and vote on performance of sell-side analysts.

In addition, individual equity desks will also pay for ESG research where they use it.

USS was one of the first funds to raise broker fees as a potential barrier to the development of ESG research from the sell-side. The scheme helped to establish the Enhanced Analytics Initiative in 2004 to address this concern.

☐ No

LEI 03	Voluntary	Public	Additional Assessed	PRI 1
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LEI 03.1	Indicate whether your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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☒ Engagement

☒ We have a systematic process to ensure the information is made available.

☐ We occasionally make this information available.

☐ We do not make this information available.

☒ (Proxy) voting

☒ We have a systematic process to ensure the information is made available.

☐ We occasionally make this information available.

☐ We do not make this information available.

LEI 03.2	Additional information. [Optional]
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Engagement meeting notes and voting letters are shared systematically with portfolio managers via an Internal Research Home (IRH) page on Bloomberg. This provides the equities, credit and RI teams with a record of how we voted and our view of the firm's ESG practices. RI notes and voting records are also included alongside the investment case on the 'equities tear-sheets' which are reviewed in preparation for company meetings.

All votes against management are discussed with the relevant portfolio manager prior to the vote being cast and other points of contention are also discussed.

The majority of ESG engagement meetings that involve the senior management of a listed company involve both the portfolio manager and a member of the RI team. Such engagements also normally involve an internal pre-meeting and depending on the outcome, a post-meeting discussion between RI and the Portfolio Manager will also take place.

Any decision to vote against management is shared with the company either before the vote is cast or as soon as possible afterwards via a formal engagement letter signed by the Head of the RI team. These letters are also stored on IRH.

(A) Implementation: Screening

LEI 04	Mandatory	Public	Descriptive	PRI 1
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LEI 04.1

Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

☒ Negative/exclusionary screening

Screened by

- ☐ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☐ Corporate governance

Description

As previously noted, USS applies a carbon screen to its Low Volatility Quant Portfolio. The factor-based model underpinning the portfolio does not capture the longer-term risk which climate change poses to asset values. We decided to include a more explicit carbon factor in this portfolio and analysed the implications of removing 3% of the most carbon intensive companies from the investable universe; the outcome of this back test suggested that there historically had been no material impact on returns. The data for this tilt is obtained from one of the leading carbon data providers.

The actively managed portfolios do not require an overlay to be applied because the portfolio managers integrate longer-term considerations such as climate change into their investment processes with the assistance of the RI Team utilising research and analysis from the sell side and other sources such as the ESG research community.

We started a review of exclusions at a firm-wide level in 2019.

- ☐ Positive/best-in-class screening
- ☐ Norms-based screening

LEI 04.2

Describe how you notify clients and/or beneficiaries when changes are made to your screening criteria.

The application of the screening criteria and the rationale for their selection and application was communicated to the Trustees via the Investment Committee.

The re-evaluation of exclusions, such as tobacco, was communicated at the 2019 Institutions Meeting by our new CEO See - <https://www.uss.co.uk/how-uss-is-run/views-from-uss/uss-institutions-meeting-2019>.

LEI 05	Mandatory	Public	Core Assessed	PRI 1
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LEI 05.1

Indicate which processes your organisation uses to ensure ESG screening is based on robust analysis.

- ☐ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies.
- ☒ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar.
- ☐ Third-party ESG ratings are updated regularly to ensure that portfolio holdings comply with fund policies.
- ☒ Trading platforms blocking / restricting flagged securities on the black list.
- ☐ A committee, body or similar with representatives independent of the individuals who conduct company research reviews some or all screening decisions.
- ☐ A periodic review of internal research is carried out.
- ☒ Review and evaluation of external research providers.
- ☒ Other; specify

The screening criteria is based on Carbon Data rather than ratings/ scores. Comprehensive due diligence was undertaken before Trucost was selected as the data provider.

- ☐ None of the above

LEI 05.5

Additional information. [Optional]

USS conducted extensive due diligence prior to appointing Trucost to conduct the fund's carbon footprint in 2016. This included a consideration of Trucost's methodology for estimating data where companies do not report and on their process for amending company data that appears to be incorrect. This exercise was repeated when it was decided that a carbon over-layer should be applied to the Low Volatility Portfolio. Consideration was given to the time lag in carbon data reporting. It was also deemed advantageous that Trucost's data is available in Fact-Set which allowed it to be integrated into the low volatility model.

LEI 06

Voluntary

Public

Additional Assessed

PRI 1

LEI 06.1

Indicate which processes your organisation uses to ensure fund criteria are not breached.

- ☐ Systematic checks are performed to ensure that stocks meet the fund's screening criteria
- ☒ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria
- ☐ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Periodic auditing/checking of the organisations RI funds by external party
- ☐ Other; specify
- ☐ None of the above

LEI 06.2

If breaches of fund screening criteria are identified, describe the process followed to correct those breaches.

As the portfolio is a factor-based quant portfolio, the exclusion of the most carbon intensive companies from the universe is automated via Fact-Set using the latest available carbon data. The portfolio is re-balanced during the year, so every time the portfolio changes the screen is applied to the investable universe. The carbon data are also updated regularly by Trucost.

(B) Implementation: Thematic**LEI 07****Mandatory****Public****Descriptive****PRI 1****LEI 07.1**

Indicate the type of sustainability thematic funds or mandates your organisation manages.

- ☒ Environmentally themed funds
- ☐ Socially themed funds
- ☐ Combination of themes

LEI 07.2

Describe your organisation's processes relating to sustainability themed funds. [Optional]

Please see details regarding how climate change has resulted in modifications to our Low Volatility quant portfolio under LEI 12.1.

The scheme also offers members Ethical fund and Sharia fund options under the Investment Builder defined contribution section of the scheme. These mandates are managed externally and discussed under the SAM section.

USS tends to be a direct investor and as such does not systematically use themed funds. For example, our investments in renewable energy are largely via direct investment in wind farms and waste to energy, which are held within our Private Markets Portfolio.

(C) Implementation: Integration of ESG factors**LEI 08****Mandatory****Public****Core Assessed****PRI 1****LEI 08.1**

Indicate the proportion of actively managed listed equity portfolios where E, S and G factors are systematically researched as part of your investment analysis.

ESG issues	Proportion impacted by analysis
Environmental	<div> <div></div> <div>Environmental</div> </div> <p> <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> 51-90% <input type="radio"/> >90% </p>
Social	<div> <div></div> <div>Social</div> </div> <p> <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> 51-90% <input type="radio"/> >90% </p>
Corporate Governance	<div> <div></div> <div>Corporate Governance</div> </div> <p> <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90% </p>

LEI 08.2 Additional information. [Optional]

The materiality of ESG factors varies between sectors. USS aims to research all factors that could have a material impact on the performance of a company and share price. This analysis is recorded in our investment case template which is completed by the portfolio manager prior to investment. The RI team also analyses thematic issues in collaboration with colleagues in the equities team, and external organisations such as the PRI, GIGN, ACGA and the Investor Forum. As noted, we use a range of information sources to support our integration, including the sell side and specialist ESG research providers.

We take our stewardship responsibilities seriously and not all of the issues we analyse and engage upon are demonstrably material in financial terms over the short-term. For example, this might include issues that result in reputational risk which is hard to quantify.

However, this does not mean that they are not important, in the context of making long-term investment decisions. See the LEA stewardship section for more details. We believe that this multi-strategy approach to the management of ESG issues is in the best interest of our members.

LEI 09	Mandatory	Public	Core Assessed	PRI 1
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LEI 09.1

Indicate which processes your organisation uses to ensure ESG integration is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Third-party ESG ratings are updated regularly
- ☒ A periodic review of the internal research is carried out
- ☒ Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ☒ ESG risk profile of a portfolio against benchmark
- ☐ Analysis of the impact of ESG factors on investment risk and return performance
- ☒ Other; specify

We discuss ESG issues with companies as appropriate. Our ESG research provider affords companies an opportunity to correct factual errors in their reports.

- ☐ None of the above

LEI 09.2

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your integration strategy.

- ☐ <10%
- ☒ 10-50%
- ☐ 51-90%
- ☐ >90%

LEI 09.3

Indicate how frequently third party ESG ratings that inform your ESG integration strategy are updated.

- ☒ Quarterly or more frequently
- ☐ Bi-Annually
- ☐ Annually
- ☐ Less frequently than annually

LEI 09.4

Indicate how frequently you review internal research that builds your ESG integration strategy.

- ☒ Quarterly or more frequently
- ☐ Bi-Annually
- ☐ Annually
- ☐ Less frequently than annually

LEI 09.5

Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools, and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☒ Systematic records are kept that capture how ESG information and research were incorporated into investment decisions
- ☐ Other; specify
- ☐ None of the above

LEI 09.6

Additional information. [Optional]

Note on LEI 9.4: The ESG ratings available to portfolio managers are available via an automated data feed from our research provider to our Bloomberg terminals. When a score changes the Bloomberg terminal is updated the next day.

A research note outlining the investment case is completed by a portfolio manager for every active position in the USS Equity Portfolio. CG scores and the environmental and social scores are automatically embedded in the template of this document. In addition the RI team may complete a report ("RI Perspective") outlining the material ESG risks and opportunities that are relevant to the company. The RI team also contributes to the investment process through specific research and analysis on key company specific issues.

MSCI ESG ratings are formally updated annually. However the governance scoring process which is fully dynamic and applied consistently to all companies is updated quarterly or more frequently. If the corporate governance score changes significantly this will trigger an off-cycle analyst review and may result in the change in the ESG rating. Major controversies may also trigger off cycle ratings reviews. USS also has access to the MSCI controversy reports which are updated dynamically.

LEI 10**Mandatory to Report Voluntary to Disclose****Public****Core Assessed****PRI 1**

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEI 10.1

Indicate which aspects of investment analysis you integrate material ESG information into.

- ☐ Economic analysis
- ☐ Industry analysis
- ☒ Quality of management

Proportion of actively managed listed equity exposed to investment analysis

- ☐ <10%
- ☐ 10-50%
- ☒ 51-90%
- ☐ >90%
- ☒ Analysis of company strategy

	Proportion of actively managed listed equity exposed to investment analysis
--	---

- ☐ <10%
- ☐ 10-50%
- ☒ 51-90%
- ☐ >90%

☒ Portfolio weighting

	Proportion of actively managed listed equity exposed to investment analysis
--	---

- ☐ <10%
- ☐ 10-50%
- ☒ 51-90%
- ☐ >90%

- ☐ Security sensitivity and/or scenario analysis
- ☒ Fair value/fundamental analysis

	Proportion of actively managed listed equity exposed to investment analysis
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- ☐ <10%
- ☐ 10-50%
- ☒ 51-90%
- ☐ >90%

☐ Other; specify

LEI 10.2	Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.
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- ☒ Adjustments to forecasted company financials (sales, operating costs, earnings, cash flows)
- ☒ Adjustments to valuation-model variables (discount rates, terminal value, perpetuity growth rates)
- ☐ Valuation multiples
- ☐ Other adjustments; specify

LEI 10.3	Describe how you integrate ESG information into portfolio weighting.
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Our portfolio managers are required to review and understand all risks that are potentially material to their investment case including ESG risks. Where such risks are identified further research and analysis is undertaken and where appropriate an adjustment is made to the portfolio weighting.

For example, USS utilises a sovereign debt in-house ESG tool, first developed in 2008 and updated annually, which ranks countries based on environmental, social and governance (ESG) risks. This tool is used by the Emerging Market team in their portfolio weighting.

LEI 10.4

Describe the methods you have used to adjust the income forecast/valuation tool.

Each desk has its own investment process, so the integration method varies between desk, sector and company depending on the conviction underlying the investment case and any assumptions made. The approach to integration taken by a portfolio manager will also depend on the nature of ESG risk identified and the time horizon over which the risk is expected to crystallise.

LEI 10.6

Additional information. [OPTIONAL]

The RI team sits alongside the investment teams at USS Investment Management, and as documented throughout our response to the PRI report, RI matters are routinely considered within investment processes. RI participates in internal investment meetings, sector reviews and external engagement meetings alongside the investment teams. RI notes on macro themes and ESG issues for specific sectors are shared with Portfolio Teams when appropriate. Portfolio managers have access to quantitative ESG scores via their Bloomberg Terminals and RI information is available through the company Tear Sheets and RI Perspective Reports.

Outputs and outcomes**LEI 12****Voluntary****Public****Descriptive****PRI 1****LEI 12.1**

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- ☐ Screening
- ☒ Thematic

Describe any alteration to your investment universe or other effects.

The 1% refers to the portion of USS's public equity portfolio that is managed by quantitative strategies within a Low Volatility portfolio.

USS undertook a fund wide carbon footprint which showed that the Low Volatility quant Portfolio was significantly more carbon intensive than its benchmark. The carbon intensity was driven by a large exposure to utilities. Historically utilities stocks satisfy the criteria of the low volatility quant model.

As a result of this carbon exposure the RI team and Quant team collaborated on a backtesting analysis to assess the impact on historical performance of removing the most carbon intensive companies from the investment universe. This backtest showed that the carbon intensity of the portfolio could be brought in line with the carbon intensity of the benchmark with limited impact on investment performance if the 3% most carbon intensive stocks in the investment universe were screened out. This change to the investment universe was implemented and has resulted in a reduction in the carbon intensity of the portfolio by over 70% from 434 tCO2e/ £m invested to 101 tCO2e/ £m invested.

- ☒ Integration of ESG factors

Select which of these effects followed your ESG integration.

- ☒ Reduce or prioritise the investment universe
- ☒ Overweight/underweight at sector level
- ☒ Overweight/underweight at stock level
- ☒ Buy/sell decisions
- ☒ Engagement / Voting
- ☐ Other; specify
- ☐ None of the above

LEI 12.2

Additional information.[Optional]

Overall, our actively managed equity portfolios are tilted towards better governed, lower carbon, better performing companies than the benchmark. This is evidenced by, for example, our public equity portfolios consistently having a lower than benchmark carbon footprint.

LEI 13

Voluntary

Public

Descriptive

PRI 1

LEI 13.1

Provide examples of ESG factors that affected your investment view and/or performance during the reporting year.

- ☒ ESG factor 1

ESG factor and explanation

Transition to a lower carbon economy and in particular the transition to less carbon intensive energy solutions.

ESG incorporation strategy applied

Integration

- ☐ Screening
- ☐ Thematic
- ☒ Integration

Impact on investment decision or performance

Our US desk has been underweight in the energy sector given concerns about the business model and the lack of control over the price of the products.

- ☒ ESG factor 2

	ESG factor and explanation
Concerns about working standards and lack of management of environmental issues in the South African mining sector	
	ESG incorporation strategy applied
Integration <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration	
	Impact on investment decision or performance
<p>The emerging market desk has historically avoided the mining sector in South Africa as companies in the sector have historically underinvested in their supply chain. The low working standards have led to increased unionisation and chronic wage inflation in recent years. In addition, environmental issues have not been managed to the same standards as in other countries. This meant the South African mining sector has traded at a discount.</p> <p>The emerging market desk saw the opportunity to invest in a mining company when they disinvested from South Africa as the discount was no longer justified.</p>	

☒ ESG factor 3

	ESG factor and explanation
Treatment of minority shareholders in a Russian company	
	ESG incorporation strategy applied
Integration <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration	
	Impact on investment decision or performance
<p>Our emerging markets desk took a position in a Russian company that was historically governed almost like a state-owned company and seems to be changing its approach to reward minority shareholders. One proxy of this change is the change in dividend policy that is now more favourable to minority shareholders. The higher dividend payout of 25% provides some upside to the stock, especially should the dividend further increase in the future.</p>	

☒ ESG factor 4

	ESG factor and explanation
Shareholder rights	
	ESG incorporation strategy applied
Integration <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration	
	Impact on investment decision or performance
<p>We engaged with a small and illiquid stock which has been in the portfolio for a number of years. In 2019 the company called an EGM to ask investors to approve the sale of the company's operating assets and to approve a change in listing from a premium listing to a standard listing. The proceeds from the sale of assets were to be placed in a cash shell for future investment opportunities. Our preference was for the proceeds to be returned to shareholders. Following analysis of the EGM documentation the RI team had concerns that the change in listing could result in a significant reduction in shareholder protections including the right to be notified about related party transactions and the right to vote on transformative deals. The RI Team undertook detailed analysis and engaged with the company, which resulted in disinvestment.</p>	

☐ ESG factor 5

Universities Superannuation Scheme - USS

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

LEA 01	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 01.1

Indicate whether your organisation has an active ownership policy (includes engagement and/or voting).

☒ Yes

LEA 01.2

Attach or provide a URL to your active ownership policy.

☐ Attachment provided:

☒ URL provided:

URL

<https://www.uss.co.uk/~media/document-libraries/uss/investments/ri/814-uss-responsible-investment-statement-june-2018-v1.pdf>

LEA 01.3

Indicate what your active engagement policy covers:

General approach to Active Ownership

- ☐ Conflicts of interest
- ☒ Alignment with national stewardship code requirements
- ☒ Assets/funds covered by active ownership policy
- ☒ Expectations and objectives
- ☒ Engagement approach

Engagement

- ☒ ESG issues
- ☐ Prioritisation of engagement
- ☒ Methods of engagement
- ☐ Transparency of engagement activities
- ☒ Due diligence and monitoring process
- ☐ Insider information
- ☐ Escalation strategies
- ☐ Service Provider specific criteria
- ☐ Other; (specify)
- ☒ (Proxy) voting approach

Voting

- ☒ ESG issues
- ☒ Prioritisation and scope of voting activities
- ☒ Methods of voting
- ☒ Transparency of voting activities
- ☒ Regional voting practice approaches
- ☐ Filing or co-filing resolutions
- ☐ Company dialogue pre/post-vote
- ☒ Decision-making processes
- ☐ Securities lending processes
- ☐ Other; (specify)
- ☐ Other
- ☐ None of the above
- ☐ No

LEA 01.4

Do you outsource any of your active ownership activities to service providers?

- ☒ Yes

LEA 01.5

Where active ownership activities are conducted by service providers, indicate whether your active ownership policy covers any of the following:

- ☐ Outline of service provider's role in implementing your organisation's active ownership policy
- ☐ Description of considerations included in service provider selection and agreements
- ☐ Identification of key ESG frameworks which service providers must follow
- ☐ Outline of information sharing requirements of service providers
- ☐ Description of service provider monitoring processes
- ☐ Other; (specify)
- ☒ None of the above
- ☐ No

LEA 01.6

Additional information [optional]

The scheme first articulated its engagement approach to responsible investment (RI) in 1999. Since 2000, the scheme has employed an in-house responsible investment team (now five in number). This team works alongside the scheme's in-house portfolio managers to practice active stewardship of the scheme's assets, including engagement with companies on environmental, ethical, social and governance (ESG) matters. The scheme published a Statement of Investment Principles in September 2019 that sets the Trustee's policies on responsible investment and engagement activities. Our Responsible investment statement was also updated in June 2018. The scheme's UK Voting and Engagement Policy is updated annually and was last refreshed in Q4 2019. It is available here: <https://www.uss.co.uk/~media/document-libraries/uss/investments/riactivities/ukvotingpolicy.pdf>. The Global Stewardship Principles were refreshed in Q4 2016.

Conflicts of interests are address in our 2019 code of conduct, which is available here: <https://www.uss.co.uk/~media/document-libraries/uss/how-uss-is-run/uss-group-code-of-conduct-february-2019.pdf>.

Engagement

LEA 02

Mandatory

Public

Core Assessed

PRI 1,2,3

LEA 02.1

Indicate the method of engagement, giving reasons for the interaction.

Type of engagement	Reason for interaction
Individual / Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via service providers

LEA 02.2

Indicate whether your organisation plays a role in the engagement process that your service provider conducts.

☒ Yes

LEA 02.3

Indicate the role(s) you play in engagements that your service provider conducts on your behalf.

- ☒ We discuss the topic of the engagement (or ESG issue(s)) of engagement
- ☐ We discuss the rationale for the engagement
- ☐ We discuss the objectives of the engagement
- ☒ We select the companies to be engaged with
- ☐ We discuss the frequency/intensity of interactions with companies
- ☒ We discuss the next steps for engagement activity
- ☒ We participate directly in certain engagements with our service provider
- ☐ Other; specify
- ☐ We play no role in engagements that our service provider conducts.

☐ No

LEA 02.4	Additional information. [Optional]
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We engage with companies in our portfolio to get a better understanding of the specific ESG risks they face and to get comfort that these risks are being managed effectively. We view this as a key part of our fiduciary and stewardship responsibilities. Such engagement also provides data so that we can make better informed investment decisions - i.e. it supports integration.

We do not usually engage via service providers because we have an in house team that engages with companies in our portfolio. We consider this approach to be advantageous because the engagement remains aligned with the investment analysis conducted by the internal portfolio manager. The exception is Governance for Owners Japan Engagement Coalition (JEC) who engage on our behalf with Japanese companies where disclosure and language can be a barrier.

LEA 03	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagements.
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☒ Yes

LEA 03.2	Indicate the criteria used to identify and prioritise engagements for each type of engagement.
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Type of engagement	Criteria used to identify/prioritise engagements
Individual / Internal staff engagements	<div>Individual / Internal staff engagements</div> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Geography/market of the companies <input checked="" type="checkbox"/> Materiality of the ESG factors <input checked="" type="checkbox"/> Exposure (size of holdings) <input checked="" type="checkbox"/> Responses to ESG impacts that have already occurred <input type="checkbox"/> Responses to divestment pressure <input type="checkbox"/> Consultation with clients/beneficiaries <input checked="" type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.) <input checked="" type="checkbox"/> Follow-up from a voting decision <input type="checkbox"/> Client request <input checked="" type="checkbox"/> Breaches of international norms <input type="checkbox"/> Other; (specify) <input type="checkbox"/> We do not outline engagement criteria for our individual engagements
Collaborative engagements	<div>Collaborative engagements</div> <ul style="list-style-type: none"> <input type="checkbox"/> Potential to enhance knowledge of ESG issues through other investors <input checked="" type="checkbox"/> Ability to have greater impact on ESG issues <input checked="" type="checkbox"/> Ability to add value to the collaboration <input checked="" type="checkbox"/> Geography/market of the companies targeted by the collaboration <input checked="" type="checkbox"/> Materiality of the ESG factors addressed by the collaboration <input checked="" type="checkbox"/> Exposure (size of holdings) to companies targeted by the collaboration <input type="checkbox"/> Responses to ESG impacts addressed by the collaboration that have already occurred <input type="checkbox"/> Responses to divestment pressure <input checked="" type="checkbox"/> Follow-up from a voting decision <input type="checkbox"/> Alleviate the resource burden of engagement <input type="checkbox"/> Consultation with clients/beneficiaries <input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.) <input type="checkbox"/> Other; (specify) <input type="checkbox"/> We do not outline engagement criteria for our collaborative engagement providers
Service-provider engagements	<div>Service-provider engagements</div> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Geography/market of the companies <input checked="" type="checkbox"/> Materiality of the ESG factors <input checked="" type="checkbox"/> Exposure (size of holdings) <input checked="" type="checkbox"/> Responses to ESG impacts that have already occurred

	<input type="checkbox"/> Responses to divestment pressure <input type="checkbox"/> Consultation with clients/beneficiaries <input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.) <input type="checkbox"/> Follow-up from a voting decision <input type="checkbox"/> Client request <input type="checkbox"/> Breaches of international norms <input type="checkbox"/> Other; (specify) <input type="checkbox"/> We do not outline engagement criteria for our service providers
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☐ No

LEA 03.3	Additional information. [Optional]
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We have enhanced our prioritisation process during the year under review in collaboration with the different listed equity desks. It compiles the market of the companies, their ESG scores, our exposure, whether they are on the TPI or WDI lists to prioritise the companies where engagement is most necessary. Our engagement tracker then defines whether we will conduct individual engagements, engage in collaboration with other investors or whether JEC will engage on our behalf.

LEA 04	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 04.1	Indicate whether you define specific objectives for your organisation's engagement activities.
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Individual / Internal staff engagements	<input checked="" type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out by internal staff
Collaborative engagements	<input checked="" type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out through collaboration
Service-provider engagements	<input type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input checked="" type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out by our service providers

LEA 04.2

Additional information. [Optional]

During the year under review, we have developed a more systematic tracking of our engagements, their objective, the activities undertaken, the outcome and the potential escalation.

LEA 05**Mandatory****Public****Core Assessed****PRI 2****LEA 05.1**

Indicate whether you monitor and/or review engagement outcomes.

Individual / Internal staff engagements	<input type="radio"/> Yes, in all cases <input checked="" type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out by our internal staff.
Collaborative engagements	<input type="radio"/> Yes, in all cases <input checked="" type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out through collaboration.
Service-provider engagements	<input type="radio"/> Yes, in all cases <input checked="" type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out by our service providers.

LEA 05.2

Indicate whether you do any of the following to monitor and/or review the progress of engagement activities.

Individual / Internal staff engagements	<input type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input type="checkbox"/> Other; specify
Collaborative engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input type="checkbox"/> Other; specify
Service-provider engagements	<input type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input type="checkbox"/> Other; specify

LEA 05.3

Additional information. [Optional]

We have initiated a process to monitor and/or review the progress of engagement activities. We will follow through on its systematic adoption in 2020.

Collaborative engagements such as the CA100+ have systems for tracking / monitoring the outcomes of the engagement process.

LEA 06

Mandatory

Public

Additional Assessed

PRI 2,4

LEA 06.1

Indicate whether your organisation has an escalation strategy when engagements are unsuccessful.

☒ Yes

LEA 06.2

Indicate the escalation strategies used at your organisation following unsuccessful engagements.

- ☒ Collaborating with other investors
- ☒ Issuing a public statement
- ☐ Filing/submitting a shareholder resolution
- ☒ Voting against the re-election of the relevant directors
- ☒ Voting against the board of directors or the annual financial report
- ☐ Submitting nominations for election to the board
- ☒ Seeking legal remedy / litigation
- ☒ Reducing exposure (size of holdings)
- ☐ Divestment
- ☐ Other; specify

☐ No

LEA 06.3

Additional information. [Optional]

Several long-term engagement were unsuccessful as the companies were not responsive to votes against resolutions at general meetings and our requests for calls or meetings. Some of these have been escalated with other investors. We undertook collaborative engagements with them and have since seen some progress towards our objectives.

During the year under review, we have also reduced our exposure to a few companies with whom engagements were unsuccessful.

LEA 07

Voluntary

Public

Additional Assessed

PRI 1,2

LEA 07.1

Indicate whether insights gained from your organisation's engagements are shared with investment decision-makers.

Type of engagement	Insights shared
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Service-provider engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 07.2	Indicate the practices used to ensure that information and insights gained through engagements are shared with investment decision-makers.
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- ☒ Involving investment decision-makers when developing an engagement programme
- ☒ Holding investment team meetings and/or presentations
- ☒ Using IT platforms/systems that enable data sharing
- ☐ Internal process that requires portfolio managers to re-balance holdings based on interaction and outcome levels
- ☐ Other; specify
- ☐ None

LEA 07.3	Indicate whether insights gained from your organisation's engagements are shared with your clients/beneficiaries.
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Type of engagement	Insights shared
Individual/Internal staff engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No
Service-provider engagements	<input type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input checked="" type="radio"/> No

LEA 07.4	Additional information. [Optional]
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USS Active Equity portfolios are managed internally. As noted, information from engagements and other ESG activities are provided to the investment team via a Bloomberg based data system, including JEC data. The RI team also systematically discuss ESG issues with the managers directly and if the portfolio managers are not present during the engagement, they will be briefed before and after the engagement on material issues.

USS has published its first responsible investment report in 2019, which includes some case studies of engagement and is available on our website. Some case studies are also included in our Annual Report.

LEA 08	Mandatory	Public	Gateway	PRI 2
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LEA 08.1	Indicate whether you track the number of your engagement activities.
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Type of engagement	Tracking engagements
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of collaborative engagements in full <input type="radio"/> Yes, we partially track the number of our collaborative engagements <input type="radio"/> We do not track
Service-provider engagements	<input type="radio"/> Yes, we track the number of service-provider engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our service-provider engagements <input type="radio"/> We do not track

LEA 08.2 Additional information. [Optional]

We do not consider counting the number of engagements to be a good measure of the quality of engagement.

Outputs and outcomes

LEA 09	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
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LEA 09.1 Indicate the proportion of companies in your listed equities portfolio with which your organisation engaged during the reporting year.

	We did not complete any engagements in the reporting year.	Number of companies engaged (avoid double counting, see explanatory notes)	Proportion of companies engaged with, out of total listed equities portfolio
Individual / Internal staff engagements	<input type="checkbox"/>	255	93
Collaborative engagements	<input type="checkbox"/>	12	4
Service-provider engagements	<input type="checkbox"/>	6	2

LEA 09.2 Indicate the breakdown of engagements conducted within the reporting year by the number of interactions (including interactions made on your behalf).

No. of interactions with a company	% of engagements
One interaction	<input checked="" type="radio"/> >76% <input type="radio"/> 51-75% <input type="radio"/> 11-50% <input type="radio"/> 1-10% <input type="radio"/> None
2 to 3 interactions	<input type="radio"/> >76% <input type="radio"/> 51-75% <input checked="" type="radio"/> 11-50% <input type="radio"/> 1-10% <input type="radio"/> None
More than 3 interactions	<input type="radio"/> >76% <input type="radio"/> 51-75% <input type="radio"/> 11-50% <input checked="" type="radio"/> 1-10% <input type="radio"/> None
Total	100%

LEA 09.3

Indicate the percentage of your collaborative engagements in which you were the leading organisation during the reporting year.

Type of engagement	% leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 09.4

Indicate the percentage of your service-provider engagements in which you had some involvement during the reporting year.

Type of engagement	% of engagements with some involvement
Service-provider engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 09.5	Additional information. [Optional]
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Responses to 09.1 are limited to our active holdings and include the engagement letters/emails sent to the companies. We wrote to 255 companies and met with 27 companies.

LEA 10	Voluntary	Public	Additional Assessed	PRI 2
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LEA 10.1	Indicate which of the following your engagement involved.
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- ☒ Letters and emails to companies
 - ☐ In a minority of cases
 - ☐ In a majority of cases
 - ☒ In all cases
- ☒ Meetings and/or calls with board/senior management
 - ☐ In a minority of cases
 - ☒ In a majority of cases
 - ☐ In all cases
- ☒ Meetings and/or calls with the CSR, IR or other management
 - ☐ In a minority of cases
 - ☒ In a majority of cases
 - ☐ In all cases
- ☒ Visits to operations
 - ☒ In a minority of cases
 - ☐ In a majority of cases
 - ☐ In all cases
- ☐ Visits to supplier(s) in supplier(s) from the company's supply chain
- ☒ Participation in roadshows
 - ☒ In a minority of cases
 - ☐ In a majority of cases
 - ☐ In all cases
- ☐ Other

LEA 10.2	Additional information. [Optional]
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Responses to 10.1 are limited to our active holdings and only include what USS considers to be an in-depth engagement, meaning engagements that involved at least a meeting or phone/email conversations with the company as well as a letter.

LEA 11	Voluntary	Public	Descriptive	PRI 2
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LEA 11.1	Provide examples of the engagements that your organisation or your service provider carried out during the reporting year.
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- ☒ Add Example 1

ESG Topic	<p>Climate Change, Company leadership issues, Anti-bribery and corruption</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input checked="" type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input checked="" type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input checked="" type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual / Internal</p> <p><input type="checkbox"/> Collaborative</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>The aim of the engagement was to encourage the firm to address specific concerns about the leadership of the company in relation to regulatory issues and to gain a better understanding of incentives for future leaders.</p>
Scope and Process	<p>The RI team, in conjunction with the Pan European desk, has been conducting on ongoing engagement with a mining company, with 2019 a culmination of many years of investor engagement on ESG-related issues. Issues discussed with the company include corporate governance, bribery and corruption, climate change and health and safety (including artisanal mining). The company has embarked upon a board refresh, made commitments around decarbonisation and transitioning away from coal. Whilst we can't and don't claim sole responsibility for these changes, we were one of the voices engaging on the issues.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input checked="" type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p>

	<input type="checkbox"/> Invested in company <input type="checkbox"/> Ongoing <input type="checkbox"/> Voting <input type="checkbox"/> Other
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☒ Add Example 2

ESG Topic	<p>Company leadership issues, Shareholder rights</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input checked="" type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input checked="" type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual / Internal</p> <p><input type="checkbox"/> Collaborative</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>The aim of the engagement was to express our concerns in two areas:</p> <ul style="list-style-type: none"> • the company's plans for the proceeds from the sale of its operational assets • the company's proposed change in listing from a premium listing to a standard listing and the impact this would have on shareholder protections.
Scope and Process	<p>We engaged with a small and illiquid stock which has been in the portfolio for a number of years. In 2019 the company called an EGM to ask investors to approve the sale of the company's operating assets and to approve a change in listing from a premium listing to a standard listing. The proceeds from the sale of assets were to be placed in a cash shell for future investment opportunities. Our preference was for the proceeds to be returned to shareholders. Following analysis of the EGM documentation the RI team had concerns that the change in listing could result in a significant reduction in shareholder protections including the right to be notified about related party transactions and the right to vote on transformative deals. As a result, a Senior Analyst from the RI Team undertook detailed engagement with the company which resulted in attendance at the company's AGM in H2 2019.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p>

	<input checked="" type="checkbox"/> Divestment <input type="checkbox"/> Failed/no outcome <input type="checkbox"/> Increased understanding / information <input type="checkbox"/> Invested in company <input type="checkbox"/> Ongoing <input type="checkbox"/> Voting <input type="checkbox"/> Other
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☒ Add Example 3

ESG Topic	<p>Executive Remuneration, Company leadership issues</p> <p><input checked="" type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input checked="" type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual / Internal</p> <p><input type="checkbox"/> Collaborative</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>USS had concerns about a company's corporate governance and financial disclosures and wanted to encourage the company to comply with best practices for listed companies. We were also concerned by the balance of power at the top of the company and wanted to gain a better understanding of the perspective of the board.</p>
Scope and Process	<p>We met with the CEO and then with the CFO and one NED and expressed our concerns regarding the company's practices. The company was relatively newly listed and was responsive to concerns about disclosures, especially regarding incentives. They committed to review disclosure practices for the next annual report.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input checked="" type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p>

	<input type="checkbox"/> Voting <input type="checkbox"/> Other
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- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

(Proxy) voting and shareholder resolutions

LEA 12	Mandatory	Public	Descriptive	PRI 2
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LEA 12.1	Indicate how you typically make your (proxy) voting decisions.
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	Approach
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- ☐ We use our own research or voting team and make voting decisions without the use of service providers.
- ☒ We hire service providers who make voting recommendations and/or provide research that we use to guide our voting decisions.

	Based on
--	----------

- ☐ The service-provider voting policy we sign off on
- ☒ Our own voting policy
- ☐ Our clients' requests or policies
- ☐ Other (explain)
- ☐ We hire service providers who make voting decisions on our behalf, except in some pre-defined scenarios where we review and make voting decisions.
- ☐ We hire service providers who make voting decisions on our behalf.

LEA 12.2	Provide an overview of how you ensure that your agreed-upon voting policy is adhered to, giving details of your approach when exceptions to the policy are made.
----------	--

The RI team reviews the votes for our priority companies and any question from the research provider, usually when the decision is subject to interpretation.

LEA 12.3	Additional information.[Optional]
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For more information on the scheme's approach to voting see:

- <https://www.uss.co.uk/how-uss-invests/responsible-investment/voting>

Voting engagement letter

An example letter sent to a company to outline the rationale behind USS's vote at the AGM is provided below.

The letters are sent to the company's Chairman, detailing the scheme's vote, departures from corporate governance best practice and USS's expectations - as outlined in USS's UK Voting Policy and Global Stewardship Principles (both available on the web page above). Less detailed rationales and votes are also published on the USS website.

----- Example letter

Dear Chair

VOTING AT ANNUAL GENERAL MEETING OF XXXXX

Universities Superannuation Scheme is the principal occupational pension scheme for universities and other higher education institutions in the UK. The fund is one of the largest pension schemes in the UK, with total fund assets of approximately £65billion.

The majority of assets are managed in - house by USS Investment Management, a wholly owned subsidiary of USS, authorised and regulated by the FCA.

USS takes seriously its fiduciary obligations to beneficial and institutional members. We aim to be engaged and responsible long - term shareholders of the companies in which we invest and to foster constructive dialogue. Our policies on corporate governance, voting and engagement are available at www.uss.co.uk.

As investors in XXXX, we have voted at the company's Annual General Meeting on XXX February 2019.

After careful consideration of the issues and facts available to us at the time of voting, we are writing to explain where we did not support management's recommendations and/or highlight material environmental, social or governance (ESG) issues.

Resolution 1.03 To re-elect as a director, XXXXX: Against

As raised previously with the company, we have concerns regarding the extended tenures of XXXX and XXXX and their roles on key board committees. We would again encourage the board to consider refreshment and orderly succession planning.

Resolution 1.06 To re - elect as a director, XXXX: Against

As outlined above, we have concerns regarding tenure and independence. Further, we note Mr XXXXX role as Chairman of the Audit Committee. We understand the Audit Committee's responsibilities include oversight of compliance with the company's human rights standards and have concerns regarding the recent labour management issues relating to XXXX suppliers and the company's lack of a detailed response to USS's questions raised on these matters. We consider these issues to be material and would welcome the opportunity to discuss the points raised in the articles in more detail.

Resolution 3 To approve an advisory vote on the remuneration of the Company's named executive officers: Against

We retain our concerns regarding the alignment of pay with performance and the structure of incentive arrangements. We would welcome the introduction of additional performance metrics aligned with strategy and increased stringency to ensure awards do not vest for below median TSR performance.

Resolution 4 To approve the amended and restated XXXX Inc. Non Employee Director

Stock Plan: Against

In order to better preserve independence and transparency, we prefer non executives to be paid solely in fees and do not support the proposed stock plan.

Resolution 5 To amend the proxy access bylaws: For

As noted previously, given the Company's capitalization, we are concerned that the limit of 20 shareholders may be too constricting on shareholders' proxy access rights. Accordingly, we support the proposal that would remove this limit.

Resolution 6 Proposal on the formation of a Human Rights Committee: For

In light of concerns regarding the oversight and management of human rights within XXXX's supply chain, we are supportive of the proposal.

Our intent is to cast proxy votes in consideration of the issues and facts available to us on an individual company by company basis. If there is additional information we should be aware of, or you would like to discuss the rationale behind our vote in more detail, please let us know. Our contact details are provided below.

LEA 14	Voluntary	Public	Additional Assessed	PRI 2
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LEA 14.1

Does your organisation have a securities lending programme?

☒ Yes

LEA 14.3

Indicate how the issue of voting is addressed in your securities lending programme.

- ☐ We recall all securities for voting on all ballot items
- ☐ We maintain some holdings, so that we can vote at any time
- ☒ We systematically recall some securities so that we can vote on their ballot items (e.g., in line with specific criteria)
- ☐ We recall some securities so that we can vote on their ballot items on an ad-hoc basis
- ☐ We empower our securities-lending agent to decide when to recall securities for voting purposes
- ☐ We do not recall our securities for voting purposes
- ☐ Other (specify)

☐ No

LEA 14.4

Additional information. [Optional]

USS has adopted an approach where we systematically recall some securities to vote on their ballot items for certain holdings; and we recall some securities to vote on their ballot items on an ad hoc basis for other holdings.

Our policy is outlined below: To ensure that the scheme is able to vote all its shares at important meetings or where USS is a significant shareholder, USS has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. This includes where we hold 3% or more of the issued share capital of a company, stock is recalled systematically. In other circumstances we monitor the meetings and proportion of stock on loan, and will restrict and/or recall lent stock on a case-by-case basis, e.g. in the event of a contentious vote or in relation to engagement activities, further to discussion with the portfolio manager. We also maintain some holdings, so we can vote at any time.

LEA 15**Mandatory****Public****Descriptive****PRI 2****LEA 15.1**

Indicate the proportion of votes participated in within the reporting year in which where you or the service providers acting on your behalf raised concerns with companies ahead of voting.

- ☐ 100%
- ☐ 99-75%
- ☒ 74-50%
- ☐ 49-25%
- ☐ 24-1%
- ☐ Neither we nor our service provider(s) raise concerns with companies ahead of voting

LEA 15.2

Indicate the reasons for raising your concerns with these companies ahead of voting.

- ☐ Vote(s) concerned selected markets
- ☐ Vote(s) concerned selected sectors
- ☒ Vote(s) concerned certain ESG issues
- ☒ Vote(s) concerned companies exposed to controversy on specific ESG issues
- ☒ Vote(s) concerned significant shareholdings
- ☐ Client request
- ☐ Other

LEA 16**Mandatory****Public****Core Assessed****PRI 2****LEA 16.1**

Indicate the proportion of votes where you, and/or the service provider(s) acting on your behalf, communicated the rationale to companies for abstaining or voting against management recommendations. Indicate this as a percentage out of all eligible votes.

- ☐ 100%
- ☐ 99-75%
- ☒ 74-50%
- ☐ 49-25%
- ☐ 24-1%
- ☐ We do not communicate the rationale to companies
- ☐ Not applicable because we and/or our service providers did not abstain or vote against management recommendations

LEA 16.2

Indicate the reasons why your organisation would communicate to companies, the rationale for abstaining or voting against management recommendations.

- ☐ Vote(s) concern selected markets
- ☐ Vote(s) concern selected sectors
- ☒ Vote(s) concern certain ESG issues
- ☒ Vote(s) concern companies exposed to controversy on specific ESG issues
- ☒ Vote(s) concern significant shareholdings
- ☐ Client request
- ☐ Other

LEA 16.3

In cases where your organisation does communicate the rationale for abstaining or voting against management recommendations, indicate whether this rationale is made public.

- ☒ Yes
- ☐ No

LEA 16.4	Additional information. [Optional]
-----------------	------------------------------------

Where we vote against management and / or support a shareholder resolution, we usually send an engagement letter to all our active holdings. The letters are sent to companies either ahead of the meeting or shortly after the meeting. They detail the rationale behind our voting decisions, encourage improvements, and provide introductory information on USS's approach to stewardship. Letters are translated into Japanese for our Japanese holdings.

A summary of our rationale is published on our website <https://www.uss.co.uk/how-uss-invests/responsible-investment/voting/voting-disclosure>.

We did not communicate the rationale for abstaining or voting against management recommendations to companies in our quant portfolio. It is our intention to send letters to quant holdings in 2020.

LEA 17	Mandatory	Public	Core Assessed	PRI 2
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LEA 17.1	For listed equities in which you or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
-----------------	---

☒ We do track or collect this information

Votes cast (to the nearest 1%)

%

98

Specify the basis on which this percentage is calculated
--

- ☐ Of the total number of ballot items on which you could have issued instructions
- ☒ Of the total number of company meetings at which you could have voted
- ☐ Of the total value of your listed equity holdings on which you could have voted
- ☐ We do not track or collect this information

LEA 17.2	Explain your reason(s) for not voting on certain holdings
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- ☐ Shares were blocked
- ☐ Notice, ballots or materials not received on time
- ☐ Missed deadline
- ☐ Geographical restrictions (non-home market)
- ☐ Cost
- ☐ Conflicts of interest
- ☐ Holdings deemed too small
- ☐ Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- ☐ Client request
- ☒ Other (explain)

USS does not usually vote holdings sold between the record date and the date of the shareholder meeting (i.e. we avoid empty voting).

LEA 18	Voluntary	Public	Additional Assessed	PRI 2
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LEA 18.1	Indicate whether you track the voting instructions that you or your service provider on your behalf have issued.
----------	--

☒ Yes, we track this information

LEA 18.2	Of the voting instructions that you and/or third parties on your behalf have issued, indicate the proportion of ballot items that were:
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Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	<div> <div></div> <div>%</div> </div> 74
Against (opposing) management recommendations	<div> <div></div> <div>%</div> </div> 23.5
Abstentions	<div> <div></div> <div>%</div> </div> 2.5

100%

☐ No, we do not track this information

LEA 18.3	In cases where your organisation voted against management recommendations, indicate the percentage of companies which you have engaged.
----------	---

100

LEA 18.4	Additional information. [Optional]
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During the 12 months under review, USS voted on 6,685 (2018 6,270) resolutions at 527 (493) events at 454 (437) companies.

A breakdown of the votes cast is outlined in the pie chart below.

In addition, in 2019, USS voted in favour of:

- 42% (vs 41% in 2018) of remuneration resolutions
- 66% (63%) of auditor appointments
- 61% (71%) of sustainability focussed resolutions
- 42% (63%) of shareholder resolutions

USS voted "against" management's recommendation on at least one resolution at 379 (380) or 83% (87%) of these companies.

LEA 19	Mandatory	Public	Core Assessed	PRI 2
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LEA 19.1	Indicate whether your organisation has a formal escalation strategy following unsuccessful voting.
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- ☒ Yes
☐ No

LEA 19.2	Indicate the escalation strategies used at your organisation following abstentions and/or votes against management.
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- ☒ Contacting the company's board
☒ Contacting the company's senior management
☐ Issuing a public statement explaining the rationale
☒ Initiating individual/collaborative engagement
☐ Directing service providers to engage
☐ Reducing exposure (holdings) / divestment
☐ Other

LEA 20	Voluntary	Public	Descriptive	PRI 2
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LEA 20.1	Indicate whether your organisation, directly or through a service provider, filed or co-filed any ESG shareholder resolutions during the reporting year.
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- ☐ Yes
☒ No

LEA 21	Voluntary	Public	Descriptive	PRI 2
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LEA 21.1	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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- ☒ Add Example 1

ESG Topic	<p>Human rights, Diversity, Labour practices and supply chain management</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input checked="" type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input checked="" type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input checked="" type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>We wished to raise concerns around sexual harassment at the company.</p>
Scope and Process	<p>We supported a shareholder resolution as we considered the review of the company's sexual harassment policies to be prudent and believe such a review would help mitigate potential risks and benefit shareholders. We communicated our voting rationale to the Chairman of the company via our engagement letter.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input checked="" type="checkbox"/> Voting</p>

	<input type="checkbox"/> Other
--	--------------------------------

☒ Add Example 2

ESG Topic	<p>Climate Change</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input checked="" type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>We wanted the company to commit to disclosing and establishing targets for reduction in their scope 3 emissions, stress testing its assets. We also wanted to encourage the company to assess new material capital expenditure investment towards a well below two degrees scenario and commit to undertake a comprehensive review of its memberships in industry associations that hold an active position on climate and energy policy.</p>
Scope and Process	<p>We participated in a collaborative engagement that resulted in a joint statement made between the company and the CA100+ investors.</p> <p>We wrote to the company to say we welcomed the announcement of the company's strengthened commitment to climate leadership but supported a shareholder resolution encouraging the company to assess new material capital expenditure investment towards a well below two degrees scenario and commit to undertake a comprehensive review of its memberships in industry associations that hold an active position on climate and energy policy.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input checked="" type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p>

	<input type="checkbox"/> Increased understanding / information <input type="checkbox"/> Invested in company <input type="checkbox"/> Ongoing <input type="checkbox"/> Voting <input type="checkbox"/> Other
--	---

☒ Add Example 3

ESG Topic	<p>Political spending / lobbying</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input checked="" type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>We wished to reiterate our concerns regarding the Company's practice on making political donations and lack of disclosure of the recipient of the donations. We also wanted to raise our concerns with the exclusion of the sugar business from the EPS performance condition as we believe performance should be assessed against the performance of the business as a whole, in line with the shareholder experience.</p>
Scope and Process	<p>We voted against the resolution to authorise the Company to make political donations and wrote to the company to reiterate our expectations for the company to make full and comprehensive disclosure of political donations, regardless of the materiality of the amount. We failed to move the company on political donations. However, we believe the remuneration structure has improved and, whilst not perfectly in line with shareholder experience, is now more in line that it has been in the past.</p>
Outcomes	<p><input checked="" type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p>

	<input type="checkbox"/> Invested in company <input type="checkbox"/> Ongoing <input type="checkbox"/> Voting <input type="checkbox"/> Other
--	---

- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

LEA 21.2	Additional information. [Optional]
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USS systematically integrates Environmental and Social disclosure considerations into its voting decisions for both our quant and active portfolios. The scheme has updated its voting policy to include TPI analysis in voting decisions and increased the threshold of women on boards in developed markets from 1 to 33% in line with government recommendations and peers. For quant portfolios, this is automated and for active holdings this has been rolled out market by market with US, UK, Australia, Canada and Ireland being the first markets in which this process has been applied. USS uses Vigeo EIRIS for this research and analysis.

USS views all shareholder resolutions on a case-by-case basis but is generally supportive of shareholder resolutions that ask for greater disclosure and reporting on material ESG topics.

Universities Superannuation Scheme - USS

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

ESG incorporation in actively managed fixed income

Implementation processes

FI 01	Mandatory	Public	Gateway	PRI 1
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FI 01.1

Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.

SSA		Screening alone	
	0		
		Thematic alone	
	0		
		Integration alone	
	100		
		Screening + integration strategies	
	0		
		Thematic + integration strategies	
	0		
		Screening + thematic strategies	
	0		
		All three strategies combined	
	0		
		No incorporation strategies applied	
	0		
	100%		

For clarity, this section only covers USS's approach to applying the principles to its sovereign debt portfolio as this reaches the 10% trigger. For information on our approach to corporate debt, please see previous submissions.

USS's sovereign debt portfolio is primarily invested in UK government gilts and US T-Bills. In these markets we consider there to be limited opportunity for the integration of environmental, social and governance (ESG) issues into security selection.

Within emerging market debt however, USS utilises tools which rank countries on sustainability, development and governance based ESG metrics. An in-house composite index ranking tool is used in the selection processes for the scheme's emerging market debt portfolio and Worldwide Governance Indicators are used in the emerging markets index linked mandate. The processes are outlined in detail in FI01.3.

Further, the scheme acknowledges its role as an active allocator of capital and participant in global economies, with 'market transformation' activities forming a core part of the scheme's RI Strategy. USS regularly engages with policy makers and regulators in markets in which we invest, to articulate the concerns of asset owners/ long-term investors. Further details are provided in the SG section and FI14.3 and on our website at <https://www.uss.co.uk/how-uss-invests/responsible-investment/approach>.

Screening

USS does not have a mandate to screen out countries, sectors or industries on non-financial grounds. However, we do operate a process to ensure the scheme avoids investing in entities on international (UK, European and UN) sanctions lists.

ESG Composite Index ranking tool for Emerging Market Debt Portfolio

USS utilises an in-house tool, first developed in 2008 and updated annually, which ranks countries based on environmental, social and governance (ESG) risks. The rankings are based upon an equally weighted amalgamation of the component headline scores, rebased to one hundred to give a composite ranking score. In all instances a higher score means better performance or lower risk.

The four indices detailed below are used:

- Transparency International Corruption Perceptions Index
- UNDP Human Development Index
- Yale & Columbia Environmental Performance Index and
- The Wall Street Journal Heritage Foundation Index of Economic Freedom.

These indices were selected because of their credibility and accessibility, and the range of social and environmental criteria that they combine. When looked at in combination these indicators provide a stronger signal than if each one was looked at in isolation. Further details regarding the process are provided below.

The RI performance indicators reflected in the four indices include (but are not restricted to):

- ☐ Adult literacy and education enrolment
- ☐ Air pollution
- ☐ Biodiversity and habitat protection
- ☐ Carbon intensity
- ☐ Corruption
- ☐ Female representation
- ☐ Investment & regulatory restrictions
- ☐ Life expectancy
- ☐ Population below poverty line
- ☐ Price controls
- ☐ Private property rights
- ☐ Water accessibility and quality

For the Emerging Market Debt portfolio (local currencies), the composite index ranking is one of the core tools used in portfolio construction. The results of the composite country score is combined with a fundamental credit assessment and integrated with two other factors to formulate the investment strategy.

Positive ESG country scores are viewed as an indicator of lower future default risk and negative ESG scores are viewed as being an indicator of higher future default risk. Our investment approach attempts to avoid countries where risk of default is increasing, to improve the quality of the portfolio and better match the risk appetite (in sovereign debt) for the scheme. ESG country rankings contribute to this analysis but are not the only input.

For the dollar denominated sovereign debt mandate, the ESG country scores are used as a tie breaker between issuers, where other considerations (such as liquidity and duration) are equal.

Emerging Markets Index Linked mandate

The process for allocation under the emerging market index linked mandate integrates Worldwide Governance Indicators (WGI) data pulled from Bloomberg - see <http://info.worldbank.org/governance/wgi/#home>. The process uses four WGI metrics covering control of corruption, government effectiveness, regulatory quality and rule of law which contribute to a country ranking for index linked sovereign debt.

FI 02	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 1
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FI 02.1	Indicate which ESG factors you systematically research as part of your analysis on issuers.
---------	---

Select all that apply

	SSA			
Environmental data	<input checked="" type="checkbox"/>			
Social data	<input checked="" type="checkbox"/>			
Governance data	<input checked="" type="checkbox"/>			

FI 02.2	Indicate what format your ESG information comes in and where you typically source it
---------	--

- ☐ Raw ESG company data
- ☐ ESG factor specific analysis
- ☒ Issuer-level ESG analysis

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☐ In-house – FI analyst, PM or risk team
- ☒ Other, specify

	specify description
--	---------------------

We combine the Transparency International Corruption Perceptions Index, UNDP Human Development Index, Yale & Columbia Environmental Performance Index, WSJ and Heritage Foundation Index of Economic Freedom

- ☐ Sector-level ESG analysis
- ☒ Country-level ESG analysis

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – FI analyst, PM or risk team
- ☒ Other, specify

	specify description
--	---------------------

We combine the Transparency International Corruption Perceptions Index, UNDP Human Development Index, Yale & Columbia Environmental Performance Index, WSJ and Heritage Foundation Index of Economic Freedom

FI 02.3	Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies.
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Please see our response to FI01.

We are unsure as to why we are being asked about Raw ESG Company data or Sector-Level in this section on sovereign issuers.

FI 02.4	Additional information. [Optional]
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ESG matters may also be considered at scheme level in relation to tactical asset allocation, with input from the RI and other investment teams as relevant.

For corporate fixed income, the scheme has sought to adapt its RI experience and processes developed for internal equity. Further information is provided in SG16.1.

FI 03	Mandatory	Public	Additional Assessed	PRI 1
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FI 03.1	Indicate how you ensure that your ESG research process is robust:
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- ☐ Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- ☐ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- ☐ Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- ☒ A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- ☐ Other, specify
- ☐ None of the above

FI 03.2	Describe how your ESG information or analysis is shared among your investment team.
<input checked="" type="checkbox"/> ESG information is held within a centralised database and is accessible to all investment staff <input type="checkbox"/> ESG information is displayed on front office research platforms <input type="checkbox"/> ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents <input type="checkbox"/> Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings <input checked="" type="checkbox"/> Records capture how ESG information and research was incorporated into investment decisions <input checked="" type="checkbox"/> Other, specify <div style="margin-left: 20px;">Information is shared during regular scheduled and unscheduled interaction between FI, Equities, and RI Team members.</div> <input type="checkbox"/> None of the above	
FI 03.3	Additional information. [Optional]

The RI Country Ratings for Sovereign Debt are updated annually using the latest information available from the four datasets outlined in FI 1.3 above.

(C) Implementation: Integration

FI 10	Mandatory	Public	Descriptive	PRI 1
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FI 10.1	Describe your approach to integrating ESG into traditional financial analysis.
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Please see our response to FI01 outlining the integration of ESG into USS's emerging market debt process.

NB For corporate credit, please refer to previous transparency reports or see SG16 for an outline of the process. Given the small allocation to corporate credit, we have not completed a response for the PRI report this year.

FI 10.2	Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.
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	SSA
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See answers to FI 11.1

FI 11	Mandatory	Public	Core Assessed	PRI 1
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FI 11.1	Indicate how ESG information is typically used as part of your investment process.
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Select all that apply

	SSA			
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>			
ESG analysis is used to adjust the internal credit assessments of issuers.	<input type="checkbox"/>			
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input type="checkbox"/>			
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input checked="" type="checkbox"/>			
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input type="checkbox"/>			
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input type="checkbox"/>			
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input type="checkbox"/>			
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>			
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input type="checkbox"/>			
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input type="checkbox"/>			
Other, specify in Additional Information	<input type="checkbox"/>			

FI 11.2 Additional information [OPTIONAL]

Please see details of our sovereign debt processes previously provided for how ESG is utilised in our sovereign ranking tool.

We have also ticked above that ESG analysis is integrated into fundamental analysis as occasionally an ESG related matter has been material to a sovereign investment decision e.g. corporate governance developments in Japan were fundamental to increased tactical allocation to the market in 2015 - as reported in our PRI report in 2016.

As noted, we are only completing this reporting framework for our sovereign debt portfolio in this reporting cycle.

FI 12	Mandatory	Public	Additional Assessed	PRI 1
FI 12.1	Indicate the extent to which ESG issues are reviewed in your integration process.			

	Environment	Social	Governance
SSA	<div>Environmental</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<div>Social</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<div>Governance</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

FI 12.2 Please provide more detail on how you review E, S and/or G factors in your integration process.

SSA

Please refer to FI01.

ESG incorporation in passively managed fixed income

FI 13	Voluntary	Public	Descriptive	PRI 1
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FI 13.1 Describe your RI approach for passively managed fixed income assets.

As highlighted in FI01, we run internally managed UK Government and US Government passive portfolios but we do not integrate ESG considerations into the management of this portfolio. However, we do engage with both governments, or in the US, particularly via the SEC on RI matters. This is outlined in more detail in FI14.

Fixed income - Engagement

FI 14	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
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FI 14.1 Indicate the proportion of your fixed income assets on which you engage. Please exclude any engagements carried out solely in your capacity as a shareholder.

Category	Proportion of assets
SSA	<input type="radio"/> >50%
	<input checked="" type="radio"/> 26-50%
	<input type="radio"/> 5-25%
	<input type="radio"/> More than 0%, less than 5%
	<div> <div>FI 14.2</div> <div>Indicate your motivations for conducting engagement (SSA fixed income assets).</div> </div> <div> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </div>

FI 14.3	Additional information.[OPTIONAL]
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UK sovereign debt makes up such a significant proportion of our allocation to SSA (well over 50%), and we have engaged with the UK government on a range of ESG related issues during the year under review and in previous years.

We have outlined recent Government-related engagements under the SG section and have been a strong advocate of the need for an investor voice in policy development for many years. Market-level engagement has been highlighted as a specific objective of USS's RI strategy for 20 years. We consider positive policy developments to strengthen corporate accountability, sustainability and shareholder protections part of our fiduciary duty to build stronger markets to better serve our members interests and protect USS's investments.

Our engagement with policy makers and governments internationally covers issues such as stewardship, accounting regulation, listing rules, shareholder protections, corporate governance, transparency and disclosure and climate change. In order to strengthen our voice, we often engage on these matters alongside other investors through collaborations such as the ACGA, IIGCC, ICGN or Eumedion as outlined in SG09 -SG11. We also engage with state owned enterprises (SOE's).

We have met with government representatives, regulators and SOE's in markets as diverse as South Korea, Australia, Hong Kong, India, Canada, the US, South Africa, the Netherlands, Japan, Brazil and the European Commission over the years.

In all cases, we believe that engagement with policy makers on ESG and related factors improves the operation of markets. Stronger markets lead to stronger economies, and stronger economies lead to stronger fiscal position of governments. In this way our engagements with policy makers lead to protection or enhancement of our investments in sovereign debt.

In light of the above, we have therefore ticked the 26-50% box in FI 14.1. Your guidance on the appropriateness of this would be appreciated.

We highlight further recent activities below:

USS met with Japanese regulators and industry bodies associated with the operation of the markets, both in Japan and in USS's office in 2019. We discussed issues which will lead to better management of environmental and social issues and better governance, promoting diversity and independent oversight on boards.

In Australia, as a member of ACSI, we supported the group's engagement with policy makers on a broad agenda of ESG issues. In 2019, ACSI engaged directly with the Australian government and submitted the consultations detailed below.

- ACSI submission to the GRI on Tax and Payments to Governments - <https://acsi.org.au/submissions/acsi-submission-to-the-gri-on-tax-and-payments-to-governments/>
- ACSI submission on Simplifying, Clarifying and Enhancing the Integrity and Efficiency of the ASX Listing Rules - <https://acsi.org.au/submissions/acsi-submission-on-simplifying-clarifying-and-enhancing-the-integrity-and-efficiency-of-the-asx-listing-rules/>
- ACSI submission to the Board of Taxation on the Post-implementation review of the Tax Transparency Code - <https://acsi.org.au/submissions/acsi-submission-to-the-board-of-taxation-on-the-post-implementation-review-of-the-tax-transparency-code/>

- ACSI Submission on the Modern Slavery ACSI 2018 - Draft Guidance for Reporting Entities - <https://acsi.org.au/submissions/acsi-submission-on-the-modern-slavery-act-2018-draft-guidance-for-reporting-entities/>
- ACSI submission on ASIC Consultation Paper 321: Whistleblower policies - <https://acsi.org.au/submissions/acsi-submission-on-asic-consultation-paper-321-whistleblower-policies/>
- APRA discussion paper 'Strengthening prudential requirements for remuneration' - <https://www.apra.gov.au/consultation-on-remuneration-requirements-for-all-apra-regulated-entities>

Establishing appropriate climate policy is essential in both addressing climate change and protecting economies and governments and their ability to cover their debt and protect their assets.

USS also participates in IIGCC policy working group. This group leads the IIGCC's policy development and engagement activities often working in conjunction with other investor groups including the PRI. In addition to global efforts to influence policy makers to establish policies to address climate change, the IIGCC has a strong focus on EU climate policy. USS participated in IIGCC Board meetings with Commission officials in Brussels on 1 October 2019. Meetings included various private offices ("cabinets") of the Commissioners and The Secretariat General. The issues discussed ranged from the Just Transition to Net Zero.

The scheme also responded to the FRC's consultation on the revised UK Stewardship Code. The scheme welcomed the FRC's comprehensive review of the Stewardship Code to ensure it remains fit for purpose and continues to promote improvement in the quality of stewardship in the UK. Key points:

- We were supportive of the proposed definition that recognised the mutually reinforcing link between investors, the economy and society. The FRC should ensure the draft Code establishes consistency between this concept and fiduciary responsibility.
- The change in the scope of the Code, including expanding coverage to all asset classes and to markets beyond the UK, is welcome.
- We supported the differentiation proposed between asset owners and asset managers in the draft Code. However, consideration needs to be given as to how to encourage smaller pension funds which lack resource to support the Code without having to comply with its more detailed requirements. More generally, a concept of proportionality is needed: asset owners and investment managers will need to prioritise and target their stewardship resources where they believe these will achieve the greatest benefit.
- We supported a focus on outcomes rather than policies and processes, including the reporting requirements.

USS wrote to the SEC to express our concerns about proposed rules for Proxy Advice and Shareholder Proposals. Proposed rule changes would impact shareholder rights making it harder for investors to access timely and independent proxy recommendations and the ability of investors to table shareholder resolutions. The SEC is in the process of reviewing public comments.

A member of the RI Team engaged with various Japanese regulators as part of an ACGA study tour. This included meetings with the METI (Ministry of Economy, Trade and Industry), the Financial Services Agency (FSA), and the Japan Stock Exchange. Issues discussed included corporate governance, the stewardship code and its implementation, corporate reporting, climate change, and board diversity.

Further recent 2019 country-level activities e.g. with the ACGA and Eumedion are provided in SG09.

The RI Team also works closely with the Corporate Affairs team to engage with regulators and policy makers to improve market standards. For example the Head of the Corporate Affairs team was part of a past delegation of investors convened by The Investment Association that engaged with representatives of the European Commission on the subject of Sustainable Investment and the Green Taxonomy ahead of proposed changes to EU regulation.

FI 15	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

FI 15.1	Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.)
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Select all that apply

Type of engagement	SSA			
Individual/Internal staff engagements	<input type="checkbox"/>			
Collaborative engagements	<input checked="" type="checkbox"/>			
Service provider engagements	<input type="checkbox"/>			

FI 15.2

Indicate how your organisation prioritises engagements with issuers.

Select all that apply

	SSA			
Size of holdings	<input checked="" type="checkbox"/>			
Credit quality of the issuer	<input type="checkbox"/>			
Duration of holdings	<input type="checkbox"/>			
Quality of transparency on ESG	<input checked="" type="checkbox"/>			
Specific markets and/or sectors	<input checked="" type="checkbox"/>			
Specific ESG themes	<input checked="" type="checkbox"/>			
Issuers in the lowest ranks of ESG benchmarks	<input type="checkbox"/>			
Issuers in the highest ranks of ESG benchmarks	<input type="checkbox"/>			
Specific issues considered priorities for the investor based on input from clients and beneficiaries	<input type="checkbox"/>			
Other	<input checked="" type="checkbox"/>			

If 'other' has been selected, please give a description

For engagements with governments, we often take a more opportunistic approach to partner with investor organisations or peers on a given topic, or to respond to government initiated consultations.

For engagements with overseas government officials, we will also take the opportunity to meet with regulators whilst we are in the country or meet with government representatives informally through conferences or events organised by local market brokers.

USS Investment Management also frequently receives overseas delegations to USS's London offices when government delegations are on visits to meet investors in London. USS has been an active investor in global developed and emerging markets for many years. We regularly communicate with companies and regulators where appropriate on matters relating to ESG and are relatively well-known outside the UK, so receive quite a number of requests to meet with delegations considering market-level initiatives on corporate governance and ESG and corporate financial transparency as outlined in FI14.

FI 15.3

Indicate when your organisation conducts engagements with issuers.

Select all that apply

	SSA			
We engage pre-investment.	<input type="checkbox"/>			
We engage post-investment.	<input type="checkbox"/>			
We engage proactively in anticipation of specific ESG risks and/or opportunities.	<input checked="" type="checkbox"/>			
We engage in reaction to ESG issues that have already affected the issuer.	<input checked="" type="checkbox"/>			
We engage prior to ESG-related divestments.	<input type="checkbox"/>			
Other, describe	<input type="checkbox"/>			

FI 15.4

Indicate what your organisation conducts engagements with issuers on.

Select all that apply

	SSA			
We engage on ESG risks and opportunities affecting a specific bond issuer or its issuer.	<input checked="" type="checkbox"/>			
We engage on ESG risks and opportunities affecting the entire industry or region that the issuer belongs to.	<input checked="" type="checkbox"/>			
We engage on specific ESG themes across issuers and industries (e.g., human rights).	<input checked="" type="checkbox"/>			
Other, describe	<input type="checkbox"/>			

FI 15.5

Indicate how your organisation ensures that information and insights collected through engagement can feed into the investment decision-making process.

Select all that apply

	SSA			
Ensuring regular cross-team meetings and presentations.	<input type="checkbox"/>			
Sharing engagement data across platforms that is accessible to ESG and investment teams.	<input type="checkbox"/>			
Encouraging ESG and investment teams to join engagement meetings and roadshows.	<input type="checkbox"/>			
Delegating some engagement dialogue to portfolio managers/credit analysts.	<input type="checkbox"/>			
Involving portfolio managers when defining an engagement programme and developing engagement decisions.	<input type="checkbox"/>			
Establishing mechanisms to rebalance portfolio holdings based on levels of interaction and outcomes of engagements.	<input type="checkbox"/>			
Considering active ownership as a mechanism to assess potential future investments.	<input type="checkbox"/>			
Other, describe	<input checked="" type="checkbox"/>			
We do not ensure that information and insights collected through engagement can feed into the investment decision-making process.	<input type="checkbox"/>			

If 'other' has been selected, please give a description

Various teams at USS may engage with sovereign governments through dedicated one-on-one meetings, informally at conferences and events, or through hosting government or regulator delegations as they visit London - as outlined in the previous question. However, all teams at USS would represent the scheme in line with the responsible investment principles outlined in USS's Statement of Investment Principles and the scheme's Investment Beliefs which cover RI and ESG matters.

FI 15.6

Additional information.[OPTIONAL]

As noted, we are answering these questions in the context of our SSA holdings (not credit). We engage with policy makers on an ongoing basis around certain ESG issues which could affect a market's (and therefore an economy's) performance. Topics may include management of climate change risk and governance standards applied to companies in the market.

Meeting notes are deposited on the internal research home page on Bloomberg and are available to the Fixed Income and Credit teams, Equities team and the RI team. The Credit team sits in close proximity to their colleagues in the Public Equities and RI teams and they meet formally and informally on a regular basis to discuss ideas and companies.

FI 16	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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FI 16.1	Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.			
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☒ Yes

FI 16.2	Please attach or provide a URL to your fixed income engagement policy document. [Optional]			
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	URL			
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<https://www.uss.co.uk/how-uss-invests/responsible-investment/activities>

☐ No

Outputs and outcomes

FI 17	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	General
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FI 17.1	Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or performance.			
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Select all that apply

	SSA			
We measure whether incorporating ESG impacts portfolio risk.	<input checked="" type="checkbox"/>			
We measure whether incorporating ESG impacts portfolio returns.	<input checked="" type="checkbox"/>			
We measure the ESG performance/profile of portfolios (relative to the benchmark).	<input type="checkbox"/>			
None of the above	<input type="checkbox"/>			

FI 17.2	Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [OPTIONAL]			
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Back-test

Back-testing / modelling was employed in the development of the investment process for the Emerging Markets Debt (local currencies) portfolio in 2017 which uses the ESG country ranking as one of the core components for portfolio construction. This backtesting demonstrated a link between ESG factors and portfolio performance with a bias toward quality with lower default risk in portfolio construction.

Carbon Footprint

We carbon footprint our fixed income portfolio's by comparing the carbon intensity of the portfolio to the carbon

intensity of the corresponding benchmark. We did not find this a useful processes for our sovereign debt portfolio which is UK Gilt focussed.

FI 18	Voluntary	Public	Descriptive	PRI 1,2
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FI 18.1	Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.
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☒ Example 1

	Type of fixed income
<input checked="" type="checkbox"/> SSA	
	ESG issue and explanation
Scenario analysis and stress testing	
	RI strategy applied
<input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds	
	Impact on investment decision or performance
<p>During 2019 the RI Team in collaboration with the Investment Risk Team conducted scenario analysis and stress testing of the USS reference portfolio using a tool developed by Ortec Finance. The results of this scenario analysis were presented to USS Investment Committee at their November awayday. The analysis took a top down approach to assess the impact of different climate scenarios on GDP. The impact on GDP is then used to model impacts on numerous financial indicators such as interest rates, inflation and exchange rates using historical correlations. This provided some interesting insights in terms of the impact of the different scenario's on market returns in different geographical regions which will have implications for sovereign debt investors. This workstream will continue in 2020 and further analysis will be conducted that will feed into asset allocation decisions.</p>	

☐ Example 2

☐ Example 3

☐ Example 4

☐ Example 5

Universities Superannuation Scheme - USS

Reported Information

Public version

Confidence building measures

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Confidence building measures

CM1 01	Mandatory	Public	Additional Assessed	General
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CM1 01.1 Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:

- ☐ Third party assurance over selected responses from this year's PRI Transparency Report
- ☐ Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- ☐ Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year)
- ☐ Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year)
- ☐ Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
- ☒ Other, specify

Please see an outline of the sign-off process for USS's response to the PRI below in CM1.02.

- ☐ None of the above

CM1 01.2 Additional information [OPTIONAL]

Text on case studies and asset specific processes are reviewed by the relevant departments/ portfolio managers. The review takes place with the individual with the closest responsibility to the text being checked. Where statistics are referenced they will typically be derived from in-house management information systems or external service providers e.g. the voting statistics are provided by Minerva. The data and processes referred to in the report are periodically verified for the scheme's annual reports or reviewed by the scheme's Investment Committee and internal Audit & Risk function. The whole report is reviewed by the Head of RI and signed off by the Communications Department.

CM1 02	Mandatory	Public	Descriptive	General
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CM1 02.1 We undertook third party assurance on last year's PRI Transparency Report

- ☐ Whole PRI Transparency Report was assured last year
- ☐ Selected data was assured in last year's PRI Transparency Report
- ☒ We did not assure last year's PRI Transparency report
- ☐ None of the above, we were in our preparation year and did not report last year.

CM1 03	Mandatory	Public	Descriptive	General
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CM1 03.1 We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:

- ☐ We adhere to an RI certification or labelling scheme
- ☒ We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report

CM1 03.3

Provide a link to the public report (such as a sustainability report that you carry out third party assurance over and for which you have used extracts of in this year's PRI Transparency Report. Also include a link to the external assurance provider's report.

Link to sustainability, RI, or integrated report [URL]

<https://www.uss.co.uk/~media/document-libraries/uss/how-uss-is-run/reports-and-accounts/report-and-accounts-2019.pdf>

Link to external assurance provider's report [URL]

<https://www.uss.co.uk/~media/document-libraries/uss/how-uss-is-run/reports-and-accounts/report-and-accounts-2019.pdf>

☒ ESG audit of holdings

CM1 03.4

Describe the process of external/third party ESG audit of holdings, including which data has been assured.

We have an alert coded into Bloomberg which would warn a portfolio manager if a pending trade involved a cluster-munitions manufacturer detailed on the Pax list.

We regularly undertake carbon footprinting of portfolios to monitor the carbon intensity of the portfolios versus their benchmarks and identify the most carbon-intensive stocks for potential portfolio actions.

Periodically we run an ESG portfolio reviews and human rights controversies reviews for our actively managed public market portfolios to identify material ESG risks for further analysis, discussion with the portfolio managers and prioritisation of engagement.

☐ Other, specify

☐ None of the above

CM1 03.5

Additional information [OPTIONAL]

The scheme's auditors check the voting data reported in the Annual Report.

CM1 04

Mandatory

Public

Descriptive

General

CM1 04.1

Do you plan to conduct third party assurance of this year's PRI Transparency report?

☐ Whole PRI Transparency Report will be assured

☐ Selected data will be assured

☒ We do not plan to assure this year's PRI Transparency report