

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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly 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.

PRI disclaimer

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
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	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	✓	Public		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	✓	Public				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	✓	Public	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	🔒	n/a	✓						
LEI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
LEI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

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 engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	🔒	n/a	✓						
FI 05	Type of ESG information used in investment decision	🔒	n/a	✓						
FI 06	Types of screening applied	🔒	n/a	✓						
FI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
FI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	🔒	n/a	✓						
FI 11	Review of ESG issues while researching companies/sectors	🔒	n/a	✓						
FI 12	Processes to ensure integration is based on robust analysis	🔒	n/a	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	✓	Public	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	🔒	n/a		✓					
FI 20	Engagement with government issuers	✓	Public		✓					

Direct – Private Equity				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PE 01	Breakdown of investments by strategy	✓	Public							✓
PE 02	Typical level of ownership	✓	Public							✓
PE 03	Description of approach to RI	✓	Public	✓					✓	
PE 04	Investment guidelines and RI	✓	Public		✓					
PE 05	Fund placement documents and RI	🔒	n/a	✓			✓		✓	
PE 06	Formal commitments to RI	🔒	n/a				✓			
PE 07	Incorporating ESG issues when selecting investments	✓	Public	✓						
PE 08	ESG advice and research when selecting investments	✓	Public	✓						
PE 09	ESG issues in investment selection process	✓	Public	✓		✓				
PE 10	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PE 11	Encouraging improvements in investees	✓	Public	✓	✓					
PE 12	ESG issues impact in selection process	✓	Public	✓						
PE 13	Proportion of companies monitored on their ESG performance	✓	Public		✓					
PE 14	Proportion of portfolio companies with sustainability policy	🔒	n/a		✓					
PE 15	Actions taken by portfolio companies to incorporate ESG issues into operations	🔒	n/a		✓					
PE 16	Type and frequency of reports received from portfolio companies	🔒	n/a		✓	✓				
PE 17	Disclosure of ESG issues in pre-exit	✓	Public		✓					
PE 18	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PE 19	Examples of ESG issues that affected your PE investments	✓	Public	✓		✓				
PE 20	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	
PE 21	Approach to disclosing ESG incidents	🔒	n/a						✓	

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	🔒	n/a	✓			✓		✓	
PR 07	Formal commitments to RI	🔒	n/a				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Public		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Public		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Public		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

Direct - Infrastructure				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
INF 01	Breakdown of investments by equity and debt	✓	Public							✓
INF 02	Breakdown of assets by management	✓	Public							✓
INF 03	Largest infrastructure	✓	Public							✓
INF 04	Description of approach to RI	✓	Public	✓					✓	
INF 05	Responsible investment policy for infrastructure	✓	Public	✓					✓	
INF 06	Fund placement documents and RI	🔒	n/a	✓			✓		✓	
INF 07	Formal commitments to RI	🔒	n/a				✓			
INF 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
INF 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
INF 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
INF 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
INF 12	ESG issues impact in selection process	✓	Public	✓						
INF 13	ESG issues in selection, appointment and monitoring of third-party operators	✓	Public				✓			
INF 14	ESG issues in post-investment activities	✓	Public		✓					
INF 15	Proportion of assets with ESG performance targets	✓	Public		✓					
INF 16	Proportion of portfolio companies with ESG/sustainability policy	✓	Public		✓					
INF 17	Type and frequency of reports received from investees	✓	Public		✓	✓				
INF 18	Proportion of maintenance projects where ESG issues were considered	✓	Public		✓					
INF 19	Proportion of stakeholders that were engaged with on ESG issues	✓	Public		✓					
INF 20	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
INF 21	Examples of ESG issues that affected your infrastructure investments	✓	Public	✓		✓				
INF 22	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	
INF 23	Approach to disclosing ESG incidents	🔒	n/a						✓	

Universities Superannuation Scheme - USS

Reported Information

Public version

Organisational Overview

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- ☐ 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 or endowment
- ☐ Development bank
- ☐ Reserve - sovereign or government controlled fund
- ☐ Other, specify

OO 02	Mandatory	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

234

OO 02.4 Additional information. [Optional]

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

OO 03	Mandatory	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****Gateway/Peering****General****OO 04.1**

Indicate the year end date for your reporting year.

31/12/2013

OO 04.2

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

	trillions	billions	millions	thousands	hundreds
Total AUM		40	289	212	200
Currency	GBP				
Assets in USD		62	750	373	287

OO 04.3

Indicate the level of detail you would like to provide about your asset class mix.

☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)**OO 06****Mandatory****Descriptive****General****OO 06.1**

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

☐ Publish our asset class mix as percentage breakdown☒ Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	<10%
Fixed income – corporate	0	<10%
Fixed income – government	10-50%	<10%
Fixed income – other	0	0
Private debt	0	<10%
Private equity	<10%	<10%
Property	<10%	<10%

Infrastructure	<10%	0
Commodities	0	0
Hedge funds	0	<10%
Forestry	<10%	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 06.2 Additional information. [Optional]

Some of our asset classes constitute less than one per cent of our assets under management, for example externally managed Real Estate. We have however listed those allocations as one per cent so that we can provide details of the fund's RI activities in these areas.

OO 07

Mandatory to Report Voluntary to Disclose

Peering

General

OO 07.1

Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.

	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total externally managed assets</i>	100%

OO 07.2

Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08

Mandatory to Report Voluntary to Disclose

Peering

General

OO 08.1

Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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OO 09.1	Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.
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USS is one of the largest pension funds in the UK. As an open, defined benefit scheme, in-house fund manager and asset owner, USS's long-term and universal investor perspective distinguishes us from many other institutional investors. We take seriously our role as a long-term owner of companies and other assets, and devote substantial resources to oversee and monitor the management of those assets. As the majority of the fund's assets are internally managed, the most significant resource has been put towards integrating RI into the management and oversight of these assets. We believe shareholder engagement and active oversight of our investments is vital for ensuring we deliver long-term and sustainable growth to pay the pensions of our beneficiaries.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.
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- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☒ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

OO 10.2	Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.
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- ☒ Yes, our total listed equities are 10% or more of our total AUM
- ☐ No, our total listed equities are less than 10% of our total AUM

OO 10.3	Additional information. [Optional]
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As a large asset owner, USS works to integrate RI across a wide range of different asset classes: the approaches taken in real estate differ from private equity, as do infrastructure and external credit managers. The fund manages the majority of its assets internally. As a result, this is where the fund has focused its resources. Even with a team of six staff dedicated to RI working closely with internal portfolio managers, with a further specialist focusing solely on the sustainability of the fund's real estate portfolio, USS has focused on breadth rather than depth in some areas of coverage. Whilst significant progress has been made in integrating ESG into our investment processes, we are conscious there is more to be done. We continually look at ways in which we can improve our performance and keep apace with best practice: our membership of the PRI is a great help in this.

OO 11	Mandatory	Gateway	General
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OO 11.1	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.
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- ☒ Fixed income – government
- ☒ Private equity
- ☒ Property
- ☒ Infrastructure
- ☒ Forestry
- ☐ Cash
- ☐ None of the above

OO 11.2	Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.
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- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☒ Private debt
- ☒ Private equity
- ☒ Property
- ☒ Hedge funds
- ☐ None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

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 - Government

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 - Corporate
- ☒ Fixed Income - Government
- ☒ Private Debt
- ☒ Private Equity
- ☒ Property
- ☒ Hedge funds

Closing module

☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

Universities Superannuation Scheme - USS

Reported Information

Public version

Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
OA 01.1	Indicate if you have a responsible investment policy.		
	<input checked="" type="radio"/> Yes <input type="radio"/> No		
OA 01.2	Indicate if you have other guidance documents or more specific policies related to responsible investment.		
	<input checked="" type="radio"/> Yes <input type="radio"/> No		
OA 01.3	Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]		

Our Statement of Investment Principles outlines the fund's approach to RI. The fund also publishes an RI strategy, Responsible Property Investment Policy and Voting and Engagement Policy on our web-site. Additionally the fund has internal RI guidance notes and processes for Equity teams which relate to the integration of Environmental, Social and Governance issues/risks into investment processes. We also have internal guidance for private markets, fixed income and the monitoring of externally managed assets. These policies are consistent with our published approach. The key aspects of the funds strategy, first articulated in 2007, are fully aligned with the aspirations of the PRI:

- Integration of RI across asset classes
- Engagement with companies and other assets
- Engagement with policy makers.

OA 02	Mandatory	Core Assessed	PRI 6
OA 02.1	Indicate if your responsible investment policy is publicly available.		
	<input checked="" type="radio"/> Yes		
OA 02.2	Provide a URL to your responsible investment policy.		
	URL http://www.uss.co.uk/Documents/RI%20STRATEGY%202006%20_Public%20version...pdf		
	<input type="radio"/> No		

OA 02.3

Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes

☐ Yes, all

☒ Yes, some

OA 02.4

List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Statement of Investment Principles	http://www.uss.co.uk/UssInvestments/StatementofInvestmentPrinciples/Pages/default.aspx
Voting Policy	http://www.uss.co.uk/Documents/Railpen%20USS%20UK%20Joint%20Voting%20Policy%20Dec%202013.pdf
Responsible Property Investment	http://www.uss.co.uk/Documents/RPIPPolicy.pdf
Fixed Income Approach	http://www.uss.co.uk/UssInvestments/Responsibleinvestment/Integration/Pages/default.aspx
Overall Approach to RI	http://www.uss.co.uk/UssInvestments/Responsibleinvestment/Integration/Pages/default.aspx
Private Markets Enhanced Due Diligence	http://www.uss.co.uk/Documents/EDDMarch2014.pdf

☐ No

Private Markets

The fund also has a process document for our investments in private markets (including Private Equity, private co-investments and direct investment, and Infrastructure). Excerpts from this document are provided in our responses to the sections covering these asset classes.

Legal Advice

As well as the Statement of Investment Principles and other RI policies highlighted above, it is important to be aware of the legal context of USS, which governs the fund's trustees and provides the key rationale behind the fund's RI strategy:

USS is a multi-employer pension fund with around 400 member institutions (from UK universities and other higher education and research institutions), governed under UK trust law to invest and pay pensions for nearly 330,000 individuals. In common with other UK based occupational pension funds, our RI policy must be consistent with our legal responsibility. This means treating the financial interests of our members as paramount and managing the fund consistently with proper diversification and prudence.

USS is unlike retail ethical or socially responsible investment funds which enable individuals to express their personal values in their investments. USS is also unlike some non-UK pension funds whose legal framework is different from that of a UK trust based scheme. USS is not permitted to make investment decisions based purely on an ethical or moral stance.

The fund has developed an active engagement and stewardship approach and does not undertake ethical screening or operate exclusion policies. Further details regarding our approach and the fund's Response to the UK Stewardship Code can be found at <http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/RIObjectivesStrategy/Pages/default.aspx>.

The rationale against a screening and divestment approach was provided by the fund's legal advisors DLA Piper in 1999, and the legal advice was updated in September 2006 (a copy of which is available to members and the public via our website at <http://www.uss.co.uk/Documents/Legal%20advice%20to%20USS%20on%20RI%20from%20DLA%20Piper%20Sept06.pdf>). In summary, the DLA Piper advice to USS states that the funds trustees cannot base investment decisions on an ethical or moral position, and must make investment decisions on a financial basis.

Nevertheless, the legal advice also states that the fund can and should take environmental, social, governance, ethical, etc., issues into account in its investment-decision making where these issues are material to performance: this therefore forms the basis of the fund's responsible investment policy and strategy.

The USS legal advice was recently endorsed by the Law Commission in their 2013 Consultation Paper 215 on Fiduciary Duties of Investment Intermediaries: "Where any ethical, social, environmental, corporate governance issue can be regarded as having a current or potential impact on actual or contemplated investment, whether from the point of view of the return to be expected of that investment, its liquidity and/or its underlying capital value, in my view it is entirely consistent with the duties of the Trustee Company referred to above to take those considerations into account". (see http://lawcommission.justice.gov.uk/docs/cp215_fiduciary_duties.pdf para 10.56).

OA 03.1

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<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

OA 03.2

Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Whilst the Statement of Investment Principles applies to all AUM, our implementation is more mature in certain asset classes, as outlined in this report.

We would welcome any advice and guidance on how to integrate RI into cash as an asset class.

The guidelines on environmental issues is associated with our real estate policy.

OA 04**Mandatory****Core Assessed****General****OA 04.1**

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

☒ Yes

OA 04.2

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

As a beneficial owner with in-house fund management and RI capabilities serving only one client, USS does not face the potential conflicts of interest that commercial fund managers may need to address. USS takes all reasonable steps to identify, record, manage and disclose conflicts of interest. 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. The fund has a strong internal compliance function and is authorised and regulated by the FCA.

☐ No

Objectives and strategies

OA 05**Mandatory****Gateway/Core Assessed****General****OA 05.1**

Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes
OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year
☐ Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☐ Quarterly
☒ Biannually
☐ Annually
☐ Every two years or less
☐ It is not reviewed

☐ No

OA 05.4**Additional information. [Optional]**

The Responsible Investment team has objectives set at the beginning of the year. Performance against these objectives is assessed on a biannual basis. The objectives are aligned to the USS investment strategy. This forms part of the appraisal process and reporting to the funds' investment committee and board.

The objectives and strategy are disclosed on our web-site at:

<http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/RIObjectivesStrategy/Pages/default.aspx>

The RI strategy covers all asset classes, in all markets managed by the fund, and outlines across three core areas of activity:

- Integration of extra-financial issues into investment decision making
- Engagement and voting
- Market wide activities and public policy

OA 06	Voluntary	Descriptive	General
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OA 06.1

List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	To facilitate USS internal fund manager access to ESG data from thier Bloomberg terminals
Key performance indicators	Identification and appointment of appropriate ESG data service providers; and work with them (and Bloomberg) to develop bespoke solutions for USS.
Describe the progress achieved	The RI Team assessed and appointed service providers. Internal portfolio managers now have access to governance data, with ES data being work in progress.

☒ Add responsible investment objective 2

Objective 2	Develop an Enhanced Due Diligence (EDD) Process to better integrate ESG issues into the Private Markets (Private Equity, Direct Investment and Infrastructure) investment processes.
Key performance indicators	Develop working governance framework for EDD for private markets. EDD undertaken on new investments made during the year.
Describe the progress achieved	EDD undertaken on new investments made during the year, including Heathrow and Australian rail infrastructure.

☒ Add responsible investment objective 3

Objective 3	Ensure coordinated approach to policy engagement across the investment function.
Key performance indicators	Development of policy process document and appropriate oversight mechanisms. Appointment of external service provider. Identification of policy priorities (ESG and other) for 2013/14.
Describe the progress achieved	Process document approved and ESG priority areas signed off by the USS Board. Service provider appointed. Significant engagements with policy makers across multiple jurisdictions undertaken.

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	To facilitate USS internal fund manager access to ESG data from their Bloomberg terminals
Key performance indicators	Expansion of current provision to include environmental and social data

☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Detailed monitoring of equity portfolio exposure to ESG issues on a systematic basis and engagement opportunities identified
Key performance indicators	Process in place and regular meetings between RI and portfolio managers undertaken. Engagements with companies on material ESG issues identified undertaken.

☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Continued engagement with policy makers on relevant ESG issues
Key performance indicators	Access to and time in front of appropriate policy makers and input to relevant consultations.

Governance and human resources

OA 07	Voluntary	Descriptive	General
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OA 07.1

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

The RI team present updates and progress against the RI Strategy to the USS Board on an annual basis, and the USS Investment Committee every six months. The team reports into the Head of Equities who sits on the Executive Committee of USS Investment Management. The team also interacts with relevant senior managers for example, the CEO, CIO, Head of Policy and Head of Private Markets as and when appropriate.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08

Mandatory

Gateway/Core Assessed

General

OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), 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
- ☒ External managers or service providers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other role, specify
 - Head of Equities**
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☒ Other role, specify
 - Public Markets Manager Selection Team**
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
----------------	---

Number

7

OA 08.3	Additional information. [Optional]
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RI Team of six plus one dedicated Sustainability Manager in the Property Team. In addition the RI function works very closely with portfolio managers across asset classes to integrate RI considerations investment decision making. USS made its first appointments in RI in 2000 and continued to build the team over the next decade.

OA 09	Voluntary	Additional Assessed	General
OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.		

Board members/Board of trustees

- ☒ Responsible investment included in personal development and/or training plan

USS's trustee directors have access to a dedicated team of RI experts. There is a direct reporting line from the RI Team to the Board and Investment Committee (which contains members of the Board). The advantage of having a well resourced six person internal team is that specialist staff can take a lead on the integration of RI activities into fund investment activities. As a result of having these internal staff, trustee directors do not need the same level training that would be necessary for a fund where there were no internal resources. RI issues appear far more frequently on the board's agenda than in similar schemes and as such the trustee directors are more exposed to these issues and are able to draw upon internal expertise to develop their understanding and knowledge. The trustee board also receives a formal update on RI activities and progress against the RI strategy once a year, and the fund's Investment Committee receives formal updates twice per year. Additionally, sections on RI are included in USS's Annual Report and Members Annual Report, which are signed off by the trustee, and specific briefings are provided to the Board when an issue of particular importance or relevance is identified. For example, in 2013, specific briefings were provided on:

- Auditor independence and mandatory rotation
- Tobacco investments
- IFRS and accounting standards
- Voting Policy and Practice

In addition, new trustee directors will frequently get an induction on all activities associated with the fund, including responsible investment.

Many of USS's existing trustee directors were also kept up to date with the funds' RI activities by Howard Jacobs when he was an elected member of the PRI Advisory Committee. Mr Jacobs was formally designated the RI representative on the USS board up to the point where he ceased being a trustee director (2012).

☐ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ 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,

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

Portfolio managers

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

Investment analysts

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

Dedicated responsible investment staff

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

Other role

Head of Equities

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

Other role

Public Markets Manager Selection Team

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

OA 09.3	Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.
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The above responses apply to our public equity portfolio managers and analysts.

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1	Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.
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☒ Yes

OA 10.2	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

☒ Asian Corporate Governance Association

	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]

- USS is an active regular participant on ACGA calls
- The fund participated in several ACGA delegate trips to Asia, including the delegation to Japan which met with the stock exchange, FSA, JIAA and METI.
- The fund was also represented at the ACGA annual conference in South Korea which met with the Korean Stock Exchange, POSCO and Samsung.
- Representatives of the RI team are regularly in touch with the ACGA CEO and other ACGA staff regarding future and current initiatives.
- Where relevant we reference ACGA as experts on corporate governance in the region and will call upon them for their advice.
- ACGA CEO delivers an annual presentation to USS Investment Management portfolio managers.
- USS is often co signatory to letters and supporter of engagements with regulatory bodies and companies on corporate governance matters in the regions.

☒ Association for Sustainable & Responsible Investment in Asia

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 presented at the climate change event in Hong Kong organised by Asria in June 2013.

☒ 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 of ASCI.

☒ 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 2002.

☐ 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

☒ 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 attended CII conferences during the year and participated in a delegation to visit the US regulators. The fund also signed on to the Amicus brief regarding class action law suits.

☒ 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]

Participated in the Investment council and participated in a number of company meetings.

☒ 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

☒ 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 utilised the forum to galvanise support for several of the fund's initiatives, including USS work on audit and accounting - see below. In the past USS facilitated the establishment of a secretariat for the group.

☒ 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 benchmark on real estate - in 2009 in collaboration with other international pension funds and Maastricht University. USS continues to support the initiative and participated in the benchmarking survey for 2013.

☒ 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 fund provides an advisor to the IIGCC's board seat, and actively participates in IIGCC's Policy and Property workstreams.
- The fund helps to facilitate the link between the IIGCC and IPF Sustainability Interest Group - as detailed below - through its steering committee representation and active membership of both groups.
- During the year, USS was a key delegate in key IIGCC meetings with European politicians, including the Director General of the Energy Directorate and the Climate Change Commissioner. USS also participated in IIGCC meetings with UK civil servants and MPs to encourage support for EU climate change related policies and UK policy.
- 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).
- USS participated in the 2013 Global Investor Survey on Climate Change - this was commissioned by IIGCC alongside the other global climate change networks mentioned above.

- ☐ 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]

RI Team members presented and attended several ICGN conferences during the year.

- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☒ Local Authority Pension Fund Forum

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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Although USS is not a member of LAPFF, (as the fund is not a local authority pension fund), members of the RI team presented at several LAPFF conferences on audit and accounting issues, our voting policy and corporate governance during the year.

☒ 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]
--

USS was a founder signatory of the PRI and was actively involved in the development of the initiative. One of the Co-Heads of the USS Responsible Investment team is a member to the PRI Association Board.

- USS posted its Position Paper on the EU Audit Market to the PRI Clearing House during the year to raise awareness of the concern and strengthen the coalition (see also section below on collaboration on Audit).
- USS has also participated in Clearing House collaborations on the Carbon Disclosure Leadership Index (which ran into 2013) and the Investor Working Group on Sustainable Palm Oil.
- In the past a trustee of USS was elected to the Council of PRI.

☒ 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]

The Co-Head RI presented at an UKSIF event and members of the RI team participated at several events organised by UKSIF during the year.

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

EcoPAS

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 in the Eco-Portfolio Analysis Service (EcoPAS) benchmark which enables property owners, such as USS, to understand the environmental risks in their investment portfolios focusing on environmental variables thought likely to impact asset and portfolio values, as well as performance.

- ☒ 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

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 was heavily involved in a number of Tomorrow's Company (TC) initiatives at both trustee and officer level. USS provided funding and significant input to TC's 2020 Stewardship project which looked to improve the effectiveness of investor stewardship. The fund also contributed to the publication of a guide for trustees 'Tomorrow's Value' which explores long-term investing.

- ☒ Other collaborative organisation/initiative, specify

GC100 Investor Working 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]

The fund dedicated significant resource in 2013 to The GC100 and Investor Group collaboration which was convened, with backing from BIS, to develop guidance for companies on the Directors' Remuneration Reporting Regulations 2013.

☐ No

USS was a founder signatory to the PRI (participating in the launches in both New York and Paris), set up the IIGCC, worked closely with others to establish the Enhanced Analytics Initiative, and we were a founder signatory to the CDP. We have been involved in numerous collaborations in addition to ones noted above including the following:

PharmaFutures - USS continued to be an active participant in Pharma Futures - an investor-led dialogue between the pharmaceutical industry and its investors. 2013 saw the continuation of USS' support for the initiative which the fund co-convened and funded in 2004. USS hosted two of the workshops in our offices which included senior representatives from pharmaceutical companies, institutional investors and lead pharmaceutical industry participants. See <http://pharmafutures.org/>

Audit - USS convened an international coalition of investors towards the end of 2012 to ensure the institutional investor voice was heard in the international debates on auditor rotation and auditor independence. The coalition published a long-term investor position paper on proposed EU reforms and met with regulators, senior industry figures and EU representatives throughout 2013. The coalition gained additional signatories throughout the year, including via the PRI Clearing House as mentioned above. See url below for further details.

Accounting and IFRS - USS helped to convene a group of major European institutional investors to warn that current accounting standards fail to give sufficient priority to prudence or provide a "true and fair view" of the underlying health of a company. The group prepared a one page Position Paper on IFRS in November 2012, outlining concerns and calling for a review of the current endorsement process for IFRS standards in Europe. The group flagged these concerns with policy makers throughout 2013. For more details on USS' audit and accounting work please see <http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/MarketWideInitiativesPublicPolicy/AuditandAccountingIssues/Pages/default.aspx>

Remuneration Principles - USS alongside Hermes EOS, the National Association of Pension Funds (NAPF), BT Pension Scheme and RPMI Railpen published "Remuneration Principles for building and reinforcing long-term business success". The report sets out five principles which provide a sound framework for remuneration committees to use when thinking through, devising and implementing their remuneration policies. Details of the principles are available at <http://www.uss.co.uk/news/Pages/MajorPensionFundsandInvestorsleadrethinkonBoardroomPay.aspx>.

Hedge-fund governance - The fund led a delegation of investors to meet with Cayman based regulators and industry leaders to present their proposals for improvements for the governance of hedge funds. This led to several joint investor follow-up letters and submissions to the main regulator in Cayman (CIMA) outlining our expectations for reform.

Energy Futures - The fund (RI and the then Head of UK Equities) participated in the Energy Futures collaborative project "Systems not Silos", which reflected investor concerns that long-term and systemic risks (e.g. climate change) are not sufficiently factored into energy-related stock valuations. The aim of this project was to encourage investors and energy companies to consider how macro issues like climate change should be built into long term decision making.

Carbon Asset Risk (CAR) Initiative - USS is part of the Carbon Asset Risk (CAR) initiative, coordinated by Ceres and the Carbon Tracker initiative, with support from the Global Investor Coalition on Climate Change. The group of 70 global investors manages more than \$3 trillion of collective assets. On Thursday 24th October 2013, the group launched the first-ever coordinated effort to spur 45 of the world's top oil and gas, coal and utility companies to assess the financial risks that climate change poses to their business plans and concerns around stranded assets.

Japan Engagement Consortium - USS was a founder participant in the G40 Japan Engagement Consortium (JEC). JEC is a global institutional investor collaboration bringing together Japanese and international institutional shareholders. The partnership links international funds with local investors and

Japanese based executives to assist in engagement with Japanese companies. The consortium enables USS to be represented as part of a larger pool of assets when speaking to companies and regulatory bodies and ensure engagement is conducted in a way that is sensitive to Japanese culture and norms. See <http://www.governanceforowners.com/jec>.

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
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- ☒ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☒ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☒ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☐ Other, specify

☐ No

OA 11.3	Additional information. [Optional]
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The USS Responsible Investment team engages with companies, policy makers and other investors, all with the aim of both improving the management of environmental, social and governance issues, and in generating more sustainable long term returns for the fund and its members.

USS's key focus on climate change has been to encourage policymakers to develop appropriate long-term policies and regulations to limit the impact of a changing climate. USS strongly believes that this is the most appropriate and efficient use of the funds limited resources in this area.

The fund actively presents at conferences and other forums, encouraging pension funds and other investors to address climate change risks and opportunities. Recent engagements with companies have included a focus on how they are responding to the stranded assets debate. It also reviews climate change risks associated with real estate and infrastructure investments. The fund has also taken a leading role in encouraging better audit practices in the companies in which we invest.

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
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☒ Yes

☒ Yes, individually

☒ Yes, in collaboration with others

OA 12.2	Select the methods you have used.
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☒ Endorsed written submissions to governments, regulators or standard-setters developed by others

☒ Drafted your own written submissions to governments, regulators or standard-setters

☒ Participated in face-to-face meetings with government members or officials to discuss policy

☐ Other, specify

OA 12.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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☒ Yes, publicly available

	provide URL
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<http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/MarketWideInitiativesPublicPolicy/regulatoryissues/Pages/default.aspx>

☐ No

☐ No

Collaboration

USS recognises the power of investor collaboration to add weight to individual company engagements and to address market wide systemic failures. The fund's commitment to collaboration is acknowledged within USS's Statement of Investment Principles:

"Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Trustee Company expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes."

The fund was an early leader in collaborative engagement and involved in the establishment of several collaborative initiatives which support stewardship activities and collective engagement in the UK and other markets. Collaborative engagement is articulated in the fund's RI Strategy:

"Principle 3: Work in alliances

USS will continue to work in collaboration with other institutional investors, particularly pension funds, in seeking to implement its RI strategy. The additional influence, the shared learning, and the greater efficiency associated with collaboration, means that this forms a central plank of [our] approach to RI."

The fund places significant emphasis on fostering good working relationships with peer funds in the UK and internationally and continues to hold key roles in many collaborative initiatives. These include:

ACGA (Asian Corporate Governance Association)
 CGF (Corporate Governance Forum)
 CII (Council of Institutional Investors)
 Eumedion
 GIGN (Global Investors Governance Network)
 ICGN (International Corporate Governance Network)
 ICPM (International Centre for Pension Management)
 IIGCC (Institutional Investors Group on Climate Change)
 JEC (Japan Engagement Consortium)
 NAPF (National Association of Pension Funds)
 Pharma Futures
 Tomorrow's Company
 UN PRI (United Nations Principles for Responsible Investment)

The RI Team often leads and participates in joint investor meetings with UK and global companies, particularly on matters relating to remuneration, board structure and independence, disclosure and environmental performance. On occasion, USS has been represented by another investor in an engagement where the fund has been unable to participate e.g. due to language or geographical constraints.

Climate Change

As a pension fund with liabilities which stretch out decades into the future, USS is aware that if climate change occurs as predicted in certain models, it will have significant implications for both the fund and its members. As a result, USS has been looking at climate change as an investment issue for many years. The activities of the fund include:

- Encouraging companies to improve their disclosures of carbon emissions and how they are managing climate risks
- Engaging with companies to encourage better management of climate risk

- Engaging with policy makers to ensure appropriate climate change policies are established to encourage the transition to a low carbon economy.

Public Policy Engagement

USS contributed to two select committees of the UK Parliament in 2013, one on the Kay review into long term investing (attended by the fund's CIO) and the other on stranded assets and climate change (attended by the Co-Head of Responsible Investment). The fund participated in meetings with civil servants in both the UK and at the EC on a range of issues on a range of issues including climate change, long term investing, auditor rotation and infrastructure.

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1 Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

☒ Yes

OA 13.2 Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

With respect to strategic allocations between markets, particularly within emerging markets, there is an implicit awareness of how for example governance standards for public equities can impact market and individual company performance.

The fund has and continues to invest in clean tech and renewable energy assets, and other real assets such as timberland.

RI integration into strategic asset allocation is at an early stage at USS, and it is an area where more work needs to be done. We look forward to PRI helping to share best practice in this area.

☐ No

OA 14	Voluntary	Descriptive	PRI 1
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OA 14.1 Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

☒ Yes

OA 14.2 Indicate the percentage of your total AUM invested in environmental and social themed areas.

	% of total AUM
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1

OA 14.3	Please specify which thematic area(s) you invest in and provide a brief description.
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	Area
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☒ Clean technology

	Asset class invested
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- ☒ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☒ Private equity
- ☐ Property
- ☒ Infrastructure
- ☐ Hedge funds
- ☒ Forestry

	Brief description of investment
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The fund has committed approximately £160million (\$300million) in renewable energy, low carbon and clean tech investments. The first of these investments was made in 2000. This includes investment in funds that encourage or develop clean technologies, as well as funds that develop low carbon energy infrastructure, including wind power, and solar PV. The fund has an additional allocation of £200 million (\$400million) to timberland which acts as a carbon sink (see below and OA15.1).

- ☐ Green buildings
- ☒ Sustainable forestry

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☒ Forestry

Brief description of investment

USS is invested in ASA and/or FSC certified timberland in the US and Australia. Further details are outlined in OA15.1.

- ☐ Sustainable agriculture
- ☐ Microfinance
- ☐ SME financing
- ☒ Social enterprise / community investing

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☒ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Forestry

	Brief description of investment
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USS has invested in a fund run by Bridges Ventures, a specialist fund manager dedicated to using an impact-driven investment approach to create superior returns for both investors and society at-large. Bridges is a PRI signatory. Please see the following site for more information: <http://www.bridgesventures.com/>

- ☐ Affordable housing
 ☐ Education
 ☐ Global health
 ☐ Other area, specify
- ☐ No

Asset class implementation not reported in other modules

OA 15	Voluntary	Descriptive	General
OA 15.1	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
Forestry	<p>USS is invested in ASA and/or FSC certified timberland in the US and Australia. The fund ensures that timberland investments have adopted best practice health and safety and environmental management standards through engaging directly with these assets on a regular basis and in some instances having a board position. All USS's timberland investments are ASA or FSC certified.</p> <p>HQ Plantations</p> <p>An example forestry investment is HQPlantations, Queensland's largest FSC certified plantation timber company. HQPlantations major asset comprises of a 99 year license from Queensland Government to manage, harvest and re-grow plantation timber Government owned lands. HQPlantations manages 343,000 hectares (ha) of which 212,000 ha are utilised for hardwood and softwood plantation production. Each year two million tonnes of wood is harvested for sawn timber, plywood, reconstituted panels and wood chip products for domestic and international markets.</p> <p>USS own approximately 35% of the company and is represented on the board. Health, safety and environmental performance are on the agenda for all board meetings - on which USS participates. Further, weather / climate related issues play an important role in the risks faced by timberland, and this formed an important discussion point in the due diligence for the asset.</p> <p>HQPlantations' forest management systems are independently certified under the Forest Stewardship Council forest management standard and the Australian Forestry Standard (AFS). Both forest certification systems require HQPlantations to meet internationally-accepted criteria for sustainable forest management covering economic, social, environmental and cultural perspectives. Details are described in HQP's Forest Stewardship Plan www.hqplantations.com.au/Links/foreststewardshipplan2013.pdf.</p>

Innovation

OA 18	Voluntary	Descriptive	General
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OA 18.1

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

In-house RI capability - to reduce conflicts of interest and ensure the fund's long term perspective is integrated within decision making, the fund has developed in-house capabilities for the implementation of the RI strategy. The fund has an RI Team of six, plus a Sustainability Manager within the Property Team. This is one of the biggest commitments from a pension fund worldwide.

Commitment to collaboration and addressing market-wide issues - the fund recognises that collaboration and policy / market level engagement may be more effective to progressing the integration of ESG, than a lone pension fund voice. Since 2000 the fund has dedicated considerable effort to founding and ensuring the on-going success of collaborative initiatives, and addressing systemic impediments to the integration of ESG issues into investment decisions.

Leadership and innovation - the fund has often been the first or early adopter of new methods of progressing the integration of ESG. In 2013, this was demonstrated through our work on audit, hedge fund governance, and enhanced due diligence in the private markets space.

Assurance of responses

OA 19

Voluntary

Additional Assessed

General

OA 19.1

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes
OA 19.2

Indicate who has reviewed, validated and/or assured your reported information.

- ☒ Reviewed by Board, CEO, CIO or Investment Committee
- ☒ Validated by internal audit or compliance function
- ☐ Assured by an external independent provider, specify name

OA 19.3

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

The RI team present updates and progress against the RI Strategy to the USS Board on a yearly basis, and the USS Investment Committee every six months. More frequent interactions occur with the CIO.

The RI team was subject to an internal audit inspection in Q4 2013 - which reported back in Q1 2014.

☐ No

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.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
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SAM 01.1	Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.
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USS is predominantly an in-house manager, with most of the fund's assets managed by USS Investment Management in London.

Where USS does use external managers, processes have been established to ensure that ESG issues are included in the selection process, and increasingly the monitoring of these managers. Examples include covering the management of ESG issues under the Request for Proposal (RFP) processes for fixed income managers, a detailed due diligence process for the selection of private equity General Partners (GPs), and a process for evaluating and scoring the quality of governance at hedge funds. Details on these processes (and other externally managed asset classes) are provided in the following sections.

Feedback is provided to external managers regarding our assessment of their ESG integration and positive actions to improve procedures have been taken by a number of fund managers in response to this feedback. For example, a number of our external fund managers have sought to formalise or improve their processes for ESG integration, become more transparent on their activities in this area, undertaken training for investment staff and/ or signed up to the PRI.

The RI team is working with the fund's recently established Public Markets Manager Selection (PiMMS) Team to refine current processes in place for public market manager selection and monitoring to more formally assess the external managers procedures governing ESG integration.

SAM 02	Mandatory	Core Assessed	PRI 4
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SAM 02.1	Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.
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☒ Yes

SAM 02.2	Indicate how your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers. [Optional]
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☒ We use investment consultants in our selection and appointment of external managers

Asset class

- ☐ Listed Equity (LE)
- ☒ Fixed income - corporate (FIC)
- ☒ Fixed income - government (FIG)
- ☐ 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 - corporate (FIC)
- ☒ Fixed income - government (FIG)
- ☐ Private equity (PE)
- ☒ Property (PR)
- ☒ Other asset classes
- ☐ We use fiduciary managers

SAM 02.3	Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants and/or fiduciary managers.
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- ☐ Responsible investment is included in the selection process for investment consultants
- ☐ Consultants' responsibilities in relation to responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with them
- ☐ Responsible investment is considered when reviewing investment consultants' advice on manager selection and performance monitoring
- ☒ We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

☐ No

SAM 02.4	Additional information. [Optional]
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The advantage of having an in house team of investment professionals (USS Investment Management employs approximately 120 staff including six RI specialists plus a sustainability manger for our real estate portfolio) is that selection of external managers etc can generally be undertaken by internal staff rather than through consultants. RI has been integrated into these processes - as outlined in the forthcoming SAM questions.

Notwithstanding the above, an investment consultant is used within the hedge fund selection and monitoring process to support the internal PiMMS team. The consultancy firm is a 'professional service partner' signatory to the PRI and aware of USS's work on responsible investment and improving governance standards in hedge funds.

The fund does employ Mercers as a pension consultant to advise it Board (rather than for manager selection). Mercers are of courses a signatory to the PRI.

Further, consultants may be used within the Property Team to help with the due diligence prior to investment in a fund (though no new fund investments were made during 2013), and to assist in the monitoring of performance for the international funds.

SAM 03	Mandatory	Gateway	General
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SAM 03.1	Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring
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Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - corporate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - government	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private debt	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Hedge funds	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

SAM 03.2	Additional information. [Optional]
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In 2013 the majority of external manager appointments were made in private markets and hedge funds. We also appointed a passive manager for public equities. However, we made no new appointments in corporate or government fixed income or property.

In general, all external fund manager appointments are reviewed by the RI team - or for property, by the Sustainability Manager - to assess RI procedures and processes for the management of ESG risks. The different approaches adopted for each asset class are discussed in the following sections. (In some instances, the answers provided under the 'direct' sections for the asset class will also be relevant).

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	General
SAM 04.1	Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.			
	Listed equity (LE)			

Type of strategy	As % of externally managed listed equity
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

Fixed income - corporate (FIC)

Type of strategy	As % of externally managed corporatefixed income
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Fixed income - government (FIG)

Type of strategy	As % of externally managed government fixed income
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

SAM 05	Mandatory	Gateway	PRI 1,2
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SAM 05.1	Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:
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	Active investment strategies
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Active investment strategies	FIC	FIG
Screening	<input type="checkbox"/>	<input type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

	Passive investment strategies
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Passive investment strategies	LE		FIG
Screening	<input type="checkbox"/>		<input type="checkbox"/>
Thematic	<input type="checkbox"/>		<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>		<input type="checkbox"/>
None of the above	<input type="checkbox"/>		<input checked="" type="checkbox"/>

**SAM
05.2**

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	FIC
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We require our external managers to engage on our behalf	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

**SAM
05.3**

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>

Fixed Income Corporate

Whilst the external credit managers do not have a specific ESG requirement in their mandate, USS did undertake a formal Request for Proposal (RFP) and review process to assess how the managers integrate RI into their investment decision making processes.

The fund also participated in a group meeting between UK pension funds and one of our external credit mandate providers to discuss ESG issues within the credit portfolios: such group meetings reinforce with the manager that clients take RI issues seriously. It also enables funds to avoid the "*you are the only ones asking for this*" response which has been common in the past.

All three of USS's specialist corporate bond portfolio managers are signatories to the PRI, with two joining since they were appointed. This is unusual as fixed income tends to lag public equities markets in adoption of RI.

Listed Equities

In listed equities, the fund recently appointed an external manager to run the it's UK index fund via a pooled fund structure. USS secured voting rights to ensure the these holdings were voted in line with our in-house holdings, reflecting our perspective and engagement activities. Where we do not have an active holding, the external manager will execute the voting in-line with their own approach.

Private Markets - Private Equity and Property

Within private markets, the RI team had conversations with a number of private equity GPs on their identification and management of ESG issues. The property team's Sustainability Manager, supported by RI, reviewed a number of the external managers active in the indirect real estate portfolio.

Other

The RI team also fed in RI considerations to the RFP processes for the appointment of a custodian for the fund. Whilst this is not an "external fund management" issue, custody arrangements significantly influence the fund's ability to discharge ownership rights, particularly voting for listed equities, and effects the visibility of the fund's holdings to the market. Demonstrating USS's RI requirements to the global custodian banks helps to ensure shareholders do not become disenfranchised due to custody arrangements.

Selection

SAM 06

Mandatory

Core Assessed

PRI 1-6

SAM
06.1

Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:

General

	LE	FIC	FIG
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the type of ESG reporting you expect	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Evaluate index providers' ESG incorporation when designing the index	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	LE	FIC
Discuss the managers' engagement processes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in influencing companies' ESG practices and performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss how information gained through engagement is incorporated into investment decision-making	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other engagement issues in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

(Proxy) voting

	LE
Discuss the managers' voting processes	<input checked="" type="checkbox"/>
Discuss how information gained through research for (proxy) voting is used in investment-decision making	<input checked="" type="checkbox"/>
Other (proxy) voting issues in your selection process, specify	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>

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

With regard to integration influencing the investment decisions made by managers, this is not really possible within a passive investment strategy. However, the listed equity fund manager has an active approach to stewardship, voting and engagement - and as these aspects are an integrated part of their passive asset management strategy, we would consider them to be an example of ESG integration in a holistic sense of their stewardship of investments.

With regard to assessing the ESG capabilities of our external fixed income fund managers, the fund gained information on the different providers' approaches through the RFP process and through follow-up face to face meetings, (as well as more informally through ad-hoc informal meetings at industry events).

Appointment

SAM 07	Voluntary	Additional Assessed	PRI 4
SAM 07.1	When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:		
	General		

	LE	FIC	FIG
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general RI considerations in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Engagement

	LE	FIC
Specific requirements relating to engagement	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations relating to engagement in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(Proxy) voting

	LE
Specific requirements relating to (proxy) voting	<input checked="" type="checkbox"/>
Other RI considerations relating to (proxy) voting in investment management agreements, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

	Reporting
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	LE	FIC	FIG
Reporting on the agreed responsible investment activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations relating to reporting in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**SAM
07.2**

Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for listed assets.

ESG requirements do not tend to be written into the formal contracts and investment management agreements. As an in-house fund manager employing investment professionals, USS's favoured approach to monitoring external manager performance is through meetings and discussions.

A requirement for access to discuss RI issues is made clear in the appointment process, and we believe it plays a strong role in reinforcing the need for our fund manager to address RI issues.

For fixed income, RI questions were included in the RFP process. Once managers were shortlisted, more detailed questioning took place face to face, with the RI team undertaking interviews with relevant staff from the potential fund managers. Through these processes, the fund's requirement for information on ESG matters and access to fund managers for periodic discussions on these issues is made clear.

In relation to proxy voting for the listed equity portfolio, the arrangements were discussed with the fund manager and service provider, then detailed in a side letter to provide a written record for the three parties involved.

As the Public Markets Managers Selection (PiMMS) role develops, the current processes for manager selection and monitoring will be reviewed.

Monitoring**SAM 08****Mandatory****Core Assessed****PRI 1****SAM
08.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	LE	FIC	FIG
Include responsible investment as a standard agenda item at performance review meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects of your monitoring, specify	<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"/>

ESG incorporation

	LE	FIC	FIG
Request information on ESG incorporation in specific investment decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other ways you monitor ESG incorporation, specify	<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"/>

Engagements

	LE	FIC
Review the ESG information relevant to the engagements	<input type="checkbox"/>	<input type="checkbox"/>
Discuss the number of engagements and their comprehensiveness	<input type="checkbox"/>	<input type="checkbox"/>
Discuss the type of role played (i.e. leading or supporting)	<input type="checkbox"/>	<input type="checkbox"/>
Review the progress of ongoing engagements and/or outcomes of completed engagements	<input type="checkbox"/>	<input type="checkbox"/>
Other ways you monitor engagement activities, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

(Proxy) voting

	LE
Review the number or percentage of votes cast	<input checked="" type="checkbox"/>
Request an explanation of reasons for votes cast	<input checked="" type="checkbox"/>
Discuss whether companies were informed of the reasons for votes against management recommendations or abstentions/withheld votes	<input type="checkbox"/>
Review the number of resolutions on ESG issues filed or co-filed	<input type="checkbox"/>
Discuss the changes in company practice (outcomes) that have been achieved from voting activities	<input type="checkbox"/>
Other ways you monitor (proxy) voting activities, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

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

As noted in response to Question SAM 07.2, USS's preferred approach to reviewing manager performance is face to face meetings. Whilst many of the issues above may be discussed, we do not currently have pro-forma set agenda items, with the review process being adapted to take into account formerly raised issues, projects and activities undertaken during the year - either within USS, or at the external fund manager. In 2013, the focus has been on our much larger internal asset base, and we are in the process of reviewing our strategy in conjunction with the PiMMS team.

Further, as highlighted in previous questions, it should be noted the in-house RI team participates in many networks and collaborative initiatives with fund managers, some of which seek to identify best practice and benchmark fund managers ESG activities (see the collaborative engagement section under OA10 for examples). Members of the RI team also regularly present at industry events and will meet external fund managers in a peer-to-peer capacity, for example as panellists at events. Through these roles, representatives of the fund are able to gain insights to external fund manager performance on ESG matters, which informally feeds into the monitoring process.

SAM 09	Mandatory	Core Assessed	PRI 2
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SAM 09.1	For the listed equities where you have given your external managers a (proxy) voting mandate, indicate the approximate percentage (+/- 5%) of votes that were cast during the reporting year.
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☒ We track or collect this information

	Votes cast (to the nearest 5%)
--	--------------------------------

	%
--	---

98

	Specify the basis on which this percentage is calculated
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- ☐ 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 track or collect this information

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
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**SAM
10.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	PE	PR	
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss minimum responsible investment expectations that managers must meet	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>	<input type="checkbox"/>	
Other general aspects in your selection process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

Investment selection (pre-investment) of underlying holding

	PE	PR	
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other pre-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

Investment monitoring (post-investment) of underlying holding

	PE	PR	
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other post-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

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

The Property and the RI teams periodically assess the fund's external property managers regarding their Responsible Property Investment processes and activities.

SAM 10.2

Provide additional information relevant to your organisation's selection approach for non-listed assets. [Optional]

As indicated in other sections of this report, the advantage of specialist in-house personnel in private equity, property and RI is that USS can directly undertake due diligence and monitor its external fund managers on ESG issues.

Appointment

SAM 11	Voluntary	Additional Assessed	PRI 4
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SAM 11.1

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in agreements/fund formation contracts for your non-listed assets:

General

	PE	PR	
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input type="checkbox"/>	<input type="checkbox"/>	
Other general RI considerations in your agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

Investment selection (pre-investment) of underlying holding

	PE	PR	
Specific requirements relating to how ESG issues are identified and managed in investment decision-making	<input type="checkbox"/>	<input type="checkbox"/>	
Other RI considerations relating to investment selection in your agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

Investment monitoring (post-investment) of underlying holding

	PE	PR	
Specific requirements relating to the manager supporting or influencing the underlying holdings' management of ESG factors	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Other RI considerations relating to investment monitoring in your agreements, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

Reporting

	PE	PR	
Reporting on the agreed ESG implementation activities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Reporting on company incidents relating to ESG issues	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>	<input type="checkbox"/>	
Other RI considerations relating to reporting in your agreements, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

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

Private Equity (PE)

Whilst, as a matter of policy, we do not impose any set ESG criteria or requirements for investments, during our due diligence we review a General Partners' (GP's) approach to the management of ESG risks and opportunities for all PE investments. The fund seeks to identify shortfalls in ESG practices and encourage activities to mitigate such risks where concerns are identified. An RI questionnaire (see below) is circulated to GPs pre investment and responses are followed up with a call to discuss the case studies and matters raised. As part of the due diligence process, USS reviews previous investments made by the private equity house/ linked funds, and then requests information on how specific ESG issues were addressed.

As a result of this process all of USS's external managers are aware of the focus that USS has on RI issues and understand the fund's likely information requirements in this area.

A number of USS's PE managers have become PRI signatories whilst the fund has been investing in them.

Property (PR)

We do not stipulate that responsible investment considerations are included within our external agreements and contracts. However, USS's Responsible Property Investment policy covers our indirect investments (see below). Aligned with this, we periodically engage with our external managers and encourage them to report on ESG issues and activities. In particular, we encourage participation in industry benchmarks, including GRESB and EcoPAS, and collaborative initiatives such as PRI. (Details of USS's involvement in these and other collaborative initiatives working with property fund managers are outlined in section OA 10).

Private Equity**RI Questionnaire for GP's**

USS's Approach to Responsible Investment

The Universities Superannuation Scheme Ltd (USS) operates the second largest pension fund in the UK. The fund is a long term and responsible investor, and takes seriously its fiduciary obligations to its members and beneficiaries.

In fulfilling these obligations, USS takes account of short and long term value drivers in its investment process. Extra-financial factors are considered in conjunction with financial information. In particular, we believe investee companies' corporate governance, reputation management, environmental risk exposure, and human resource management should be evaluated as part of an assessment of a company's competitive positioning and long term profitability. The fund also seeks to actively encourage responsible corporate behaviour, which is based upon the belief that:

- management of such issues is good for long term corporate performance, and
- better management of these issues will protect and enhance the value of the fund's investments.

Our approach aims to ensure long term value delivery for our pension fund beneficiaries.

Implications for Managers

USS expects that its fund managers, both internal and external, will take account of potentially material corporate governance, social and environmental considerations in the selection, retention and realisation of fund investments. In addition, where the manager owns the assets or company, USS expects the manager to ensure that the above issues are managed to reduce risks, identify opportunities and to protect the reputation of the fund.

Questions for Managers

- Please describe how your due diligence process incorporates an assessment of environmental, social and governance risks in the assets you are examining.
- Please identify the main environmental, social and corporate governance risks both your firm and investee portfolio companies face, and explain how these risks are managed. Please provide concrete examples.

USS is supportive of greater transparency to both Limited partners (LPs) and other stakeholders by private equity companies. The fund supported the reporting framework proposed by the British Venture Capital Association / Walker Consultation in the UK in 2007 (<http://www.walker-gmg.co.uk/>).

- Please explain your policy on disclosure pertaining to your own operations and those of investee companies, and provide supporting material.

USS is a signatory to the UN Principles of Responsible Investment (<http://www.unpri.org>). These commit signatories (currently representing some \$30+ trillion in assets) to six aspirational Principles that help guide responsible investment strategy in all asset classes. Building on the PRI, the US Private Equity Council (<http://www.privateequitycouncil.org>) published its own Responsible Investment

Guidelines in February 2009.

- Please outline your views on the PRI and PEC Guidelines, whether you have signed up to them and, if not, your reasons for not doing so.

For further information please contact RI@uss.co.uk.

Property

USS's Responsible Property Investment Policy, 2013/14

The Universities Superannuation Scheme Ltd is a committed long term and responsible investor. The fund 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 fund to both ensure the financial returns needed to fulfil its commitments and reduce any potentially adverse environmental and social impacts generated by the fund'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:

Responsible governance and management procedures

- Monitoring progress towards meeting RPI commitments and targets, continually driving improvement in our performance;
- Maintaining established internal governance procedures, including an RPI committee led by the Sustainability Manager, which reviews the implementation and ongoing appropriateness of the RPI policy and objectives, and monitors progress towards meeting the commitments therein.

Responsible engagement

- Integrating environmental and social considerations into the selection of managing agents, consultants and suppliers, and working with them to promote the successful implementation of our RPI policy;
- Communicating with our key stakeholders including tenants about our policy, objectives and performance, and maintaining an appropriate level of employee awareness of RPI issues.

Responsible investment strategy

- Taking action to understand and mitigate environmental and social risks relevant to each of our portfolios;
- Setting portfolio and asset-specific RPI goals in our annual portfolio and property business plans, and tracking performance against these.

Responsible asset management

- Investigating the risk of environmental and social impacts when considering direct acquisitions and aiming to mitigate them following purchase;
- Ensuring managers take environmental and social risks into account regarding indirect investments;
- Integrating RPI considerations into the design and specification of major refurbishments and new developments, and into the selection of advisers, agents, consultants, developers, valuers and contractors, and other key stakeholders during the development process;
- Placing an emphasis on the consistent assessment, measurement and monitoring of

our most significant environmental and social impacts, against agreed key performance indicators (KPIs);

- Reducing landlord controlled consumption of energy and water, minimising the production of waste and increasing recycling rates;
- Conducting ongoing occupier engagement over RPI issues;
- Including sustainability performance information where relevant into marketing materials and dialogued with occupiers and buyers.

Signed on behalf of the RPI Committee

Monitoring

SAM 12

Mandatory

Core Assessed

PRI 1-6

SAM 12.1

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE	PR	
Include responsible investment as a standard agenda item at performance review meetings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Other general aspects of your monitoring, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

Investment selection (pre-investment) of underlying holding

	PE	PR	
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other ways ESG issues are incorporated in the pre-investment process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

Investment monitoring (post-investment) of underlying holding

	PE	PR	
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Request examples of ESG issues identified within the portfolio and action taken in response	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Request details of how ESG factors were considered when preparing to exit from investments	<input type="checkbox"/>	<input type="checkbox"/>	
Other ways ESG issues are monitored in the post-investment process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

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

Following the publication of the GRESB (real estate) benchmark results, the fund will discuss the external fund manager's performance against these results.

**SAM
12.2**

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

Private Equity

In addition to the questionnaires and discussions undertaken under the due diligence process, the RI team try to meet with GPs whenever possible to review how ESG issues have been included in the investment decision making process, post our investment in the fund. Such meetings would include a review of the companies / assets in which the GP has invested to identify any specific risks or concerns.

In terms of reporting, we have requested that GPs provide USS with updates where particular environmental or social issues arises in an asset or portfolio company. The fund plans to review GP's responses to the PRI reporting framework (as we will seek to do with all external fund managers for all asset classes).

Property

The fund has a significant in-house capability in property asset management (as outlined in the direct property section) as well as an in-house sustainability manager who sits within the property function. The property team has professional contact with external fund managers on a regular basis as a peer UK institutional investor on many property and sustainability related fronts. Through such contact, the fund is able to informally monitor and interact with external fund managers to assess ESG performance and encourage adoption of best practice.

Other asset classes

SAM 13	Voluntary	Descriptive	PRI 1-6
SAM 13.1	Describe how your organisation, and/or your investment consultants, address responsible investment factors in manager selection, appointment and/or monitoring process for the following asset classes:		

Asset Class	Description
Private debt	The enhanced due diligence process undertaken for private equity GP selection, is also applied to private debt. Please see the responses provided earlier in this (SAM) reporting module.
Hedge funds	<p>USS's priority to date has been to focus on the governance of hedge funds as opposed to the integration of ESG into the investment process. This is because the majority of the investment styles employed by USS's hedge fund managers do not lend themselves to integration, due to the algorithmic nature of their trading strategies.</p> <p>The fund has taken a lead role in encouraging improvements to the governance of the hedge funds invested in by USS to increase the protection of USS investments through improved governance. The RI team working alongside the Hedge Fund (now PiMMS) team has also sought to stimulate an international debate on hedge fund governance at a market level, particularly in the main domiciles in which funds are incorporated such as the Cayman Islands, the largest offshore centre for hedge funds.</p> <p>Since the fund commenced activities in this area, we have seen considerable progress in the development of hedge fund governance both at a fund and market level. The fund has led several delegations to the regulator in Cayman and is generally regarded as a leader in promoting best practice in hedge fund governance.</p> <p>With respect to USS's specific hedge fund investment process, prior to investment, the RI team provides an independent assessment and rating of the quality and independence of the board of each hedge fund into which we propose investing. This due diligence process includes questionnaires sent to the manager and independent directors and a follow-up telephone interview with a specific director. Where concerns regarding independent oversight are identified, RI will propose remedial actions that the fund should consider to improve the quality of the board and may make any investment conditional on remedial action to be undertaken. Post investment, the state of governance at USS's hedge funds is reviewed on a regular basis to ensure it continues to meet our requirements.</p>

Below details the governance assessment and director questionnaire used within the hedge fund due diligence process.

Hedge Fund Governance Assessment:

Director Questionnaire to be completed by all independent directors

As part of USS's due diligence process, we will also assess the governance structure of potential hedge fund investments to ensure that our interests as investors in the Fund are effectively addressed and protected. A key part of our assessment will focus on the role, contribution and oversight functions of the independent directors as well as the overall composition and governance structure of the board. We will also assess the relationship between the managers and the board of directors. The process will involve a questionnaire sent to all independent directors and a follow-up with one or more of the independent directors.

We would be grateful if you could provide us with the following information:

1. Please list your current hedge fund directorships and those which you have held over the last 5 years.
2. Please describe your background prior to becoming a hedge fund director (A full CV would be sufficient)
3. Describe any current, pending or threatened litigation which involves yourself, your organisation or, to the best of your knowledge, any of your colleagues?
4. How many directorships have you resigned from over the last 5 years and for what reasons?
5. How many times have you been removed from office over the last 5 years and for what reasons?
6. Please describe how you were appointed to the board of x and how long you have been a director?
7. How many hours/days are you able to devote to xxx per month?
8. How often are board meetings organised and how many of them are face-to-face?
9. Do the directors receive reports directly from service providers before the board meetings?
10. Please list any conflicts of interest you may have or other issues which you think we should be aware of in carrying out our due diligence?
11. To what extent do you interact with the staff of the investment manager?

Pool of questions for director calls

Additional key feature of calls will be specific follow-up questions to answers received in completed questionnaire. The following questions will be considered based on the responses received from the directors and the IM.

Governance structure and background of directors

12. An overview of the overall governance structure of the board
13. How did the Director come to be appointed
14. What is his/her connection with the Fund?
15. What selection process did he/she have to go through?
16. Director's opinion on the balance of skill sets and experience at board level, what could be improved?

Board meetings

17. The frequency and length of board meetings
18. Does the Director receive reports directly from service providers before the board meetings, which service providers typically provide input?
19. Does the Director have the chance to ask questions of the service providers at the meetings?

Role and contribution of directors

20. What is the Director's attendance records at meetings?
21. An overview of the independent directors' interaction with management
22. The processes in place and examples that can be used to illustrate how shareholder interests are and have been protected at board level
23. What are considered to be as the key roles and responsibilities of the board and the independent directors, including responsibilities on the following issues (if they have been actively discussed since the Director became a board member):
 - Imposition of gates
 - Change of strategy and investment parameters
 - Breach/revision of risk targets - draw downs, volatility targets
 - Valuations, especially illiquids
 - Regulatory breaches
 - Risk management
 - Service providers including administrators, prime brokers, external auditors etc
 - Reporting of financial statements
 - Conflicts of interest
24. Can he/she give one or two examples of where he has had to intervene/take action to address a point of concern?
25. Are there any board sub-committees, and if so what are their functions?
26. Could you provide examples of circumstances in which independent directors would decide it necessary to interact with shareholders?
27. Discussion of any additional concerns the independent directors may have.

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.		
		%	
	60		
SAM 15	Voluntary	Descriptive	PRI 2
SAM 15.1	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	Hedge Fund Governance - Quality of Board.
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 – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input checked="" type="checkbox"/> Hedge funds
Scope and process	USS reviewed the Corporate Governance arrangements in place at the fund "A" as part of the selection process. We asked for additional board directors to be appointed to increase the level of independence on the board and to improve the quality of oversight and robustness of challenge provided by the board.
Outcomes	Fund "A" refused to comply with our request and USS decided not to invest as a result.

☒ Add Example 2

Topic or issue	ESG Integration
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 checked="" type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Hedge funds
Scope and process	Questions on RI were included in the RFP process. After an initially limited response further discussion with the manager highlighted that they did have a strong bottom up approach to the inclusion of ESG issues in their investment process.
Outcomes	We decided to invest. The manager has subsequently put significant resources into upgrading its RI policies and practices and has become a signatory to the PRI. They also appointed an external consultant to review their processes and embedded a new framework which includes ESG champions on each investment desk.

☒ Add Example 3

Topic or issue	Proxy Voting
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 – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Hedge funds
Scope and process	<p>Working together with the external fund manager and voting service provider, the fund developed protocols to enable USS to execute voting rights where we held an active position in the stock in-house. Whilst USS was comfortable with the external manager's approach and activities into stewardship, voting and engagement, we wanted to ensure that USS's entire holdings in a company were voted in line with our more significant in-house holding, and in support of our related voting and engagement activities.</p>
Outcomes	<p>USS ensured the fund obtained appropriate voting rights to ensure USS voting is undertaken in a consistent manner in support of the in-house (the fund's largest) exposure.</p>

☒ Add Example 4

Topic or issue	ESG integration into PE manager processes
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 – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input checked="" type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Hedge funds
Scope and process	<p>USS undertook its bespoke RI due diligence process (see PE section for details) on a new fund from a PE house where USS had invested before. In the years that USS has been an investor with this firm, it has significantly enhanced its RI process and has become a signatory to the PRI. Following investment, a member of the RI team was invited to attend a two day CSR focused meeting run by the GP where the fund's portfolio companies shared experiences and learning.</p>
Outcomes	<p>Through attending the meetings, USS was able to ensure that portfolio companies were aware of investor interest and views on the need for CSR; and to reinforce advice from the GP on the need to address ESG issues.</p> <p>USS were also able to discuss RI / CSR issues directly with portfolio companies: this is unusual in that LPs rarely have direct access to portfolio companies.</p>

☒ Add Example 5

Topic or issue	Sustainability performance of real estate
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 – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input checked="" type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Hedge funds
Scope and process	When we met with our UK indirect property fund managers to discuss progress they had made with regards to ESG, some of them confirmed they had not entered the benchmark GRESB. We advised it would be beneficial that they did so.
Outcomes	In 2013 all of our UK indirects had participated in GRESB.

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1 Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.

- ☐ Yes, we disclose information publicly
☐ Yes, we disclose information to clients/beneficiaries only
☒ We do not proactively disclose information to the public and/or clients/beneficiaries

SAM 16.4 Additional information. [Optional]

The fund provides limited information on its indirect investments at the present time, preferring to focus transparency on our internally managed assets. We will review this in 2014.

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.

Overview

LEI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active – fundamental and other active strategies

% of internally managed listed equities

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

LEI 01.2

Additional information. [Optional]

The vast majority of our equity assets are actively managed, approaching 100% at this time. In 2013 we did have a passive fund managed internally but this was transferred to an external manager during the second half of the year.

LEI 02

Voluntary

Descriptive

PRI 1

Integration of ESG issues into investment decision making is a core pillar of USS's Responsible Investment strategy. The fund has pursued an integration approach for all markets and all asset classes. Notable developments pertaining to listed equities are provided below.

ESG information is obtained via a number of sources including brokers, ESG service providers (see LEI 4.2) and directly from the company through meetings and their disclosures.

During 2013, enhancements were made to portfolio managers' access to ESG analytical data. For example, company level GMI governance ratings were made available to USS's public equity fund managers via their Bloomberg terminals. This was a bespoke solution developed by the USS RI team in conjunction with Bloomberg. MSCI E&S ratings will be made available to fund managers via Bloomberg in early 2014. This will allow fund managers to assess ESG risk data alongside traditional financial metrics and incorporate the ESG feeds into their analytical tools.

The in-house investment function regularly monitors its investee markets and companies. Where ESG matters arise, portfolio managers will flag points of interest or concern to the RI team, particularly where further advice or research or engagement is required. Similarly, the RI team will flag ESG areas of interest or concern on individual stocks, sectors and countries where investments are held to the relevant portfolio managers. The teams sit alongside each other facilitating such interaction. ESG integration is explicitly contained in the equity portfolio managers' objectives and annual appraisal. As appraisal ratings feed through to variable pay, integration also has an impact on remuneration.

Considerable resource is also dedicated to engagement. Engagement is a key source of ESG information on companies and is a core aspect of the fund's commitment to stewardship best practice (please see our Stewardship Code Statement for further details <http://www.uss.co.uk/UssInvestments/Responsibleinvestment/EngagementActivities/Pages/StewardshipCodeStatement.aspx>).

Portfolio managers and the RI team regularly meet with company executives, non-executive directors and attend analysts' briefings etc. Engagements relating specifically to ESG matters will tend to be conducted by the RI team, frequently in conjunction with the portfolio manager.

Research notes and meeting records from engagements are maintained and shared across departments. Cross-departmental access to such records was improved during the year due to enhanced IT capabilities.

Where collaborative engagement or participation in collaborative initiatives, or engagement via a consultancy relationship would be more effective, USS will use these approaches. For example, in Japan where culture / language are a significant issue, USS participates in the Japan Engagement Consortium (<http://www.governanceforowners.com/jec>), a collaborative arrangement between investors and a service provider. Further details of the fund's involvement in collaborative initiatives can be found in OA10.

The fund also takes an active approach to voting and seeks to integrate ESG information gleaned through the proxy research process into the investment decision chain. All voting decisions are made in-house by the RI team in conjunction with the portfolio manager. Proxy analysis and any engagement letters raised through voting at a company are stored on the shared Bloomberg terminal for easy access from both teams. These processes help to ensure governance considerations are integrated into the portfolio investment rationale for stock selection.

Additional information on the fund's voting and engagement approach can be found in the LEA section of this report and on the fund's website <http://www.uss.co.uk/UssInvestments/Responsibleinvestment/>.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
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LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) 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)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)

%
100

- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed listed equities

100%

LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

The scheme's trustee recognises that ESG issues can impact the value of investments and performance of the fund.

As outlined under our response in OA2.5, the fund's lawyers have advised that the fund's trustee cannot base investment decisions on an ethical or moral position, and must make investment decisions on a financial basis. This therefore precludes screening based on ethical and moral criteria as an appropriate option for the fund. The legal advice does however, state that the fund can and should take, environmental, social, governance, ethical, etc., issues into account in its investment-decision making where these issues are material to performance. It is this advice that forms the rationale behind the fund's adoption of integration (and stewardship) as the main RI strategy.

LEI 04	Voluntary	Additional Assessed	PRI 1
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LEI 04.1

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
☒ 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 04.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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The fund utilises ESG data from a variety of sources as outlined above.

USS's ESG data service providers include but are not limited to the following: MSCI, GMI, REPRisk, Boardex, Manifest, Glass Lewis, PIRC. The fund also uses sell side research from major broking houses and smaller boutique suppliers.

Critically, the advantage of having in-house resource is that USS can also undertake its own research. Research is also supplemented by information gained via engagement with companies. Information from such engagements is also passed to portfolio managers ensuring they have a broader range of information to help make better investment decisions.

As a result, rather than outsourcing engagement activities (which separates engagement from the investment decision), USS's integrated approach to engagement means that the fund not only fulfils Principle 2 (active ownership) but also Principle 1 (integration of RI into investment decisions).

LEI 04.3	Indicate if you incentivise brokers to provide ESG research.
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☒ Yes

LEI 04.4	Describe how you incentivise brokers.
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Unlike the majority of investors, USS has fully "unbundled" its research and broking fees. Investment research is an explicit cost in the annual budget 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 is common in the industry. The research budget is allocated desk by desk with RI holding a segregated budget allocation to reward brokers, particularly on investment research that integrates ESG considerations. Each desk reviews the research notes and analysis utilised, on a 6 monthly basis 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.

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 fund helped to establish the Enhanced Analytics Initiative in 2004 to address this concern. For further details please see: <http://www.uss.co.uk/UssInvestments/Responsibleinvestment/RIResources/ArchivedMaterials/Pages/EnhancedAnalyticsInitiative.aspx>

☐ No

LEI 05	Voluntary	Additional Assessed	PRI 1
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LEI 05.1	Indicate if 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 05.2	Additional information. [Optional]
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A process has been developed whereby notes on company meetings, voting, and research (company, thematic and sector) can be deposited in Bloomberg and made available to fund managers and the RI team (the Internal Research Homepage). This system permits portfolio managers access to RI information and reports and vice versa. It is also normal practice for the RI team and portfolio managers to meet ahead of company engagements, to discuss critical issues and perceptions of the firm. The RI team reports to the Head of Equities and sits with the portfolio managers. Dialogue between the teams is frequent, particularly around voting season or where we are undertaking more in-depth engagement with a company, and the teams are well integrated.

(C) Implementation: Integration of ESG issues

LEI 10	Voluntary	Descriptive	PRI 1
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LEI 10.1	Describe how you integrate ESG factors into investment decision making processes.
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Please see our response to LEI 02.1. All public equities desks have their own documented investment process, each process includes an explanation of how the desk integrates ESG considerations. As such the approach taken differs from desk to desk reflecting investment strategy and particular facets of the different global markets.

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 11.2	Additional information. [Optional]
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As previously indicated in LEI 02.1 and LEI 05.2., in 2013 we commenced the integration of ESG data into Bloomberg data flows received by our public equity managers. The Corporate Governance data (supplied by GMI) were added to Bloomberg, and the fund has initiated the process of adding E / S data (supplied by MSCI) - this will be completed in early 2014. These data sources are supplemented by more detailed analyses supplied by the RI team.

During 2014, this process will be supported through a regular and detailed portfolio review which will analyse the most significant ESG risks faced by each portfolio.

LEI 12	Voluntary	Descriptive	PRI 1
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LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ 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
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☒ Other, specify

Please see LEI 12.3 below for a fuller explanation of our response.

- ☐ None of the above

LEI 12.2

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 was incorporated into investment decisions
- ☒ Other, specify
 Bespoke developments in Bloomberg have improved accessibility to ESG data, voting engagement letters, portfolio managers' investment rationales etc across the RI and Equities department.
- ☐ None of the above

LEI 12.3

Additional information.

USS conducted an extensive review of the ESG research market prior to appointing its external providers, and chose those whom we believe provide best data for the fund's current requirements.

We recognise that certain providers are stronger in certain markets or ESG issues. This variation in strengths of the different research providers underpins the fund's rationale for utilising multiple research and rating agencies. The use of more than one source also enables USS to cross check and interrogate data more easily. The quality of the information provided by our service providers is also reviewed periodically at the point of contract renewal. USS will also provide feedback to the research provider when we identify inaccuracies or inconsistencies in their analysis, or where we are skeptical about their conclusions, as we believe that this will help them to improve the service.

Where the fund is undertaking a more detailed engagement, in-house (desk based) analysis will be undertaken utilising a variety of information sources, and where issues of concern are raised, we will generally discuss these with the company in order to gain clarification or comment.

LEI 13**Voluntary****Additional Assessed****PRI 1**

LEI 13.1

Indicate into which aspects of investment analysis you integrate ESG information.

- ☐ (Macro) economic analysis
- ☒ Industry analysis
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Analysis of company strategy and quality of management
 - ☒ Systematically
 - ☐ Occasionally
- ☐ Idea generation
- ☐ Portfolio construction
- ☒ Fair value/fundamental analysis
 - ☐ Systematically
 - ☒ Occasionally

LEI 13.2

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.

- ☐ Adjustments to income forecasts (sales, earnings, cash flows)
- ☐ Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- ☐ Other adjustments to fair value projections, specify
- ☒ Other, specify

USS does not have a standardised house investment style, therefore integration within analysis is at portfolio manager discretion.

 - ☐ Systematically
 - ☒ Occasionally

LEI 13.3

Additional information.

The reality is that ESG data may not always influence the investment decisions over the time frames in which investment decisions are made. However, ESG issues may influence the portfolio manager's perception or view of the company and market, risk profile, quality of management and ability to execute strategy.

However, whilst ESG issues may not be material for a company now, it does not mean that they are not important or without implication for the long term performance of that company. This is why USS has multiple approaches within its RI Strategy including:

- integration where ESG issues are material
- engagement with companies to encourage improved management or performance, such as adherence to bestpractice and/ or industry norms and the provision of data required to monitor performance
- engagement with policy makers, regulators and industry bodies to move markets towards accepting the materiality of ESG issues

Outputs and outcomes

LEI 15	Voluntary	Descriptive	PRI 1
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LEI 15.1

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

☒ Integration of ESG issues

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
- ☐ Other, specify

LEI 15.2

Additional information.

ESG factors are one amongst many that may influence investment decisions.

LEI 16	Voluntary	Descriptive	PRI 1
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LEI 16.1

Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

a) Impacted funds' financial performance

		Integration of ESG issues	
		<input checked="" type="radio"/> Yes <input type="radio"/> No	

b) Reduced funds' risk or volatility

		Integration of ESG issues	
		<input checked="" type="radio"/> Yes <input type="radio"/> No	

c) Improved funds' ESG performance

		Integration of ESG issues	
		<input checked="" type="radio"/> Yes <input type="radio"/> No	

LEI 16.2	Describe how you are able to determine these outcomes and your actual performance.
-----------------	--

Our equities team considers ESG performance, and the potential to improve a company's investment performance as part of their investment thesis. However, ESG issues are usually just one factor that influences an investment decision and are rarely the only driver. Equally, they are rarely the only factor driving the financial performance and share price of a company. As such USS has not sought to measure how the incorporation of ESG factors and stewardship has affected financial performance of the listed equities portfolios. However, at an individual stock level, engagement has sought to release value, raise market confidence and reduce volatility, factors which our fund managers integrate into their investment decisions. We have had some success in influencing company policies and corporate governance arrangements, and can demonstrate a number of occasions where this has impacted the value of our investments.

LEI 17	Voluntary	Descriptive	PRI 1
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LEI 17.1	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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☒ ESG issue 1

	ESG issue and explanation
Corporate Governance American energy company where the board structure and a "poison pill" provision, were a concern.	
	ESG incorporation strategy applied
<input checked="" type="checkbox"/> Integration	
	Impact on investment decision or performance
We invested in the company in the belief that the ESG profile of the company could be improved. Following engagement the company removed the "poison pill" provision.	

☒ ESG issue 2

ESG issue and explanation
<p>Climate change.</p> <p>Environmental factors are an integral part of our analysis of the electrical utilities, sensor and auto parts industries.</p>
ESG incorporation strategy applied
<input checked="" type="checkbox"/> Integration
Impact on investment decision or performance
<p>Our US desk has taken underweight and overweight positions based on the above analysis.</p>

☒ ESG issue 3

ESG issue and explanation
<p>Social Issues. Fair pay and working conditions</p> <p>USS reviewed the policies relating to pay and conditions at a large wholesaler and noted their conviction that these policies impact customer service and therefore sales.</p>
ESG incorporation strategy applied
<input checked="" type="checkbox"/> Integration
Impact on investment decision or performance
<p>The factors outlined above were a consideration in our decision to invest in the firm.</p>

☒ ESG issue 4

ESG issue and explanation
<p>Bribery and Corruption/ Internal controls.</p> <p>USS has a holding in a defence, aerospace and security company which had experienced a significant number of high profile corruption allegations.</p>
ESG incorporation strategy applied
<input checked="" type="checkbox"/> Integration
Impact on investment decision or performance
<p>The company reviewed and restructured the internal control environment and this was a key consideration in our decision not to sell the company.</p>

☐ ESG issue 5

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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LEI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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☒ We disclose it publicly

Provide URL

<http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/EngagementActivities/Pages/StewardshipCodeStatement.aspx>

Provide URL

<http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/EngagementActivities/Pages/default.aspx>

LEI 18.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
-----------------	---

☒ Yes

LEI 18.3	Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.
-----------------	---

☐ Broad approach to ESG incorporation

☒ Detailed explanation of ESG incorporation strategy used

**LEI
18.4**

Indicate how frequently you typically report this information.

- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 18.5

Additional information. [Optional]

The fund publishes the RI strategy, annual RI Activity Reports and includes sections on RI in the Members Annual Report and fund's Annual Report. See www.uss.co.uk.

We also respond to questions on ESG related matters and the fund's RI strategy from members and participate in industry survey covering RI and ESG issues, such as those conducted by ShareAction, IIGCC, IMA, GRESB, EcoPAS, NAPF, and the TUC.

Universities Superannuation Scheme - USS

Reported Information

Public version

Direct - Listed Equity Active Ownership

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Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

The fund first articulated its engagement approach to responsible investment (RI) in 1999. For over a decade the fund has employed an in-house responsible investment team (now six in number) who work alongside the fund's in-house portfolio managers to practice active stewardship of the fund's assets, including engagement with companies on environmental, social and governance (ESG) matters. USS's approach to stewardship and engagement are outlined in the fund's Stewardship Code Statement and the RI pages on the USS website - <http://www.uss.co.uk/UssInvestments/Responsibleinvestment/Pages/default.aspx> Extracts are included below.

USS engages with companies when it thinks it is in the fund's long-term interests to do so.

Where we believe that an asset is underperforming or failing to meet best practice in relation to extra-financial issues, or its conduct is impairing the scheme's long-term prospects or reputation, the fund will seek to influence relevant parties to effect change. The kind of change that we seek may range from a change in governance structure, a shift in strategy or a new approach towards particular environmental or social challenges. USS endeavors to identify risks and opportunities at an early stage to minimise loss and maximise returns for the fund. Whilst USS is committed to transparency and disclosure, this is balanced with the need to build confidence with investee companies. USS will not generally seek publicity around company engagements.

USS's approach to engagement aims to be flexible, adaptable and responsive to events. The fund will consider engagement whether the company is held in an active or passive fund, or whether or not the fund is underweight or overweight .

The RI team works closely with portfolio managers where possible. Engagements are frequently undertaken by combinations of internal portfolio managers and the RI team, providing valuable investment information to the fund managers (see our response under the Listed Equity - Integration section for further detail) and sending companies strong signals on the extra financial issues under discussion.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

Process

Process for engagements run internally

LEA 03

Mandatory

Core Assessed

PRI 2

LEA
03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☉ Yes

LEA
03.2

Describe how you identify and prioritise engagements.

Opportunities for engagement arise from our participation in collaborative initiatives with peers, voting, market sources and discussions internally with portfolio managers and colleagues. Before the fund commits to engaging with a company the RI team and portfolio managers will consider materiality; the exposure of USS; the likelihood of the engagement being effective; other engagements currently being undertaken; and other priorities the fund is focusing on at the company; other projects the fund has committed to; and relationships with third parties - such as other investors or collaborative initiatives. We also identify key thematic issues such as climate change adaption, stranded assets and health and safety and discuss these issues with investee firms.

☐ No

LEA 04

Mandatory

Core Assessed

PRI 2

LEA
04.1

Indicate if you define specific objectives for your engagement activities.

☒ Yes

☐ Yes, for all engagement activities

☒ Yes, for the majority of engagement activities

☐ Yes, for a minority of engagement activities

☐ No

LEA
04.2

Indicate if you monitor the actions that companies take following your engagements.

☒ Yes

☐ Yes, in all cases

☒ Yes, in the majority of cases

☐ Yes, in the minority of cases

**LEA
04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

Where we are undertaking a direct engagement with a single company, progress is more easy to track. USS tends to be a long-term holder of most of the companies we invest in, with engagement forming part of a dialogue with the company so it is easier to monitor and evaluate.

Where we lend our name to a larger initiative or someone else's lead engagement, we will follow progress through updates on collective fora or through project updates from those leading.

☐ No

**LEA
04.4**

Additional information. [Optional]

With regard to setting objectives for engagement LEA 4.01, some of the engagements we undertake are intended to build relationships and improve our understanding with the firms business model, risks and strategy better. In some instances, the intention may not be to influence a particular behaviour or activity, and the objectives may be less specific. On other occasions there will be more clearly identified objectives against which progress can be tracked.

Process for engagements conducted via collaborations

LEA 05

Mandatory

Core Assessed

PRI 2

**LEA
05.1**

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

☐ Yes

☒ No

LEA
05.3

Additional information.[Optional]

USS participates in numerous collaborative initiatives in many regions (and across many asset classes). Whilst we do not have a formal process for prioritising collaborative engagements, the RI team will consider any new engagement on its individual merits, taking into account the relevance to USS and the resource commitment required.

If the proposal would necessitate a significant time or resource commitment, the initiative would be considered at senior management level within USS Investment Management or potentially be escalated to the Board.

Details of USS's extensive participation in collaborative initiatives is detailed in our response to OA10.

LEA 06

Mandatory

Core Assessed

PRI 2

LEA
06.1

Indicate if the collaborative engagements in which you are involved have defined objectives.

- ☒ Yes
- ☐ Yes, for all collaborative engagement activities
 - ☒ Yes, for the majority of collaborative engagement activities
 - ☐ Yes, for a minority of collaborative engagement activities
- ☐ No

LEA
06.2

Indicate if you monitor the actions companies take following your collaborative engagements.

- ☒ Yes
- ☐ Yes, in all cases
 - ☒ Yes, in the majority of cases
 - ☐ Yes, in the minority of cases

LEA
06.3

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

Generally, if we are participating and have committed resources to a collaborative initiative, we will follow the project to its conclusion.

☐ No

Process for engagements conducted with/on your behalf by service providers

LEA 07	Mandatory	Core Assessed	PRI 2,4
LEA 07.1	Indicate if you play a role in the engagement process that your service provider conducts on your behalf.		
<input checked="" type="radio"/> Yes			
LEA 07.2	Indicate what role you play in engagements that your service provider conducts on your behalf.		
<input checked="" type="checkbox"/> Specify the issues for the engagement <input checked="" type="checkbox"/> Specify the objectives for the engagement <input checked="" type="checkbox"/> Select the companies to be engaged with <input checked="" type="checkbox"/> Participate directly in the engagements with your service provider <input checked="" type="checkbox"/> Actively monitor and review the activities of the service provider <input type="checkbox"/> Other, specify			
<input type="radio"/> No			
LEA 07.3	Additional information. [Optional]		

All of the above apply to the work we undertake with the Japan Engagement Consortium (JEC). Certain aspects would also apply to our work with other collaborative initiatives e.g. membership bodies with secretariat functions (where it is not totally clear whether these would be classified as 'service providers').

LEA 08	Mandatory	Core Assessed	PRI 2,6
LEA 08.1	Indicate whether you monitor and/or discuss the following information provided to you by your service provider		
Please select all that apply			
<input checked="" type="checkbox"/> The subject (or ESG issue(s)) of engagement <input checked="" type="checkbox"/> The objectives of the engagement <input checked="" type="checkbox"/> The rationale for engagement <input checked="" type="checkbox"/> The frequency/intensity of interactions with companies <input checked="" type="checkbox"/> Progress towards achieving engagement goals <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input checked="" type="checkbox"/> Next steps for engagement activity <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above			

LEA
08.2

Additional information. [Optional]

The Japan Engagement Consortium (JEC) conducts engagement in Japan on our behalf and helps us overcome language and cultural barriers. The portfolio managers and RI team monitor the engagement conducted by the JEC on our behalf through regular contacts and reports. We have quarterly meetings with the JEC to prioritise engagement candidates, set objectives, discuss meeting outcomes and follow up on outcomes for specific companies. We also influence their priorities. Views fed back from the JEC have helped to inform our portfolio managers' views of the companies.

General processes for all three groups of engagers

LEA 09

Voluntary

Additional Assessed

PRI 1,2

LEA
09.1

Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

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
09.2

Additional information.

Where the RI team considers information to be timely and material or relevant to the portfolio manager to inform their investment decisions it would be shared with them and other colleagues, such as the head of desk, RI team colleagues and/ or posted to our internal research home page (IRH) on Bloomberg as appropriate. The strength of Bloomberg IRH is that it is part of the portfolio managers' work flow. It is easily accessible, as it is integrated with historic internal notes and external broker research (See LEI 02.1 for more details about this development).

All engagement documents from our external engagement service provider (the Japan Engagement Consortium) are sent directly to the portfolio manager for consideration as well as the RI Team and the IRH page on Bloomberg.

However not all ESG or engagement information is automatically shared with the portfolio managers. The RI team participates in many collaborative initiatives where the information gleaned may be less material to the investment case. In such circumstances, the information would be shared within the RI team, but we would not seek to post it to the IRH shared portal or flag it to the portfolio managers in most circumstances.

LEA 10

Mandatory

Gateway/Core Assessed

PRI 2

LEA
10.1

Indicate if you track the number of companies you engage with.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input 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 checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Collaborative engagements	<input 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 checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Service provider engagements	<input 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 checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

LEA
10.2

Additional information. [Optional]

Whilst records of company meetings are maintained, we do not systematically track the number of engagement meetings, letters or conversations we have with companies or whether the engagement was collaborative or not. However, we can estimate for 2013, we sent over 200 engagement letters in relation to proxy voting or corporate governance matters; and the RI Team were involved in engagements (of varying depth and duration) with over 80 companies.

Outputs and outcomes

LEA 11

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

LEA
11.1

Indicate the number of companies with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	999999
Collaborative engagements	999999
Service provider engagements	999999

LEA
11.2

Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

**LEA
11.3**

Indicate what percentage of your collaborative engagements you were a leading organisation during the reporting year. [Optional]

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

**LEA
11.4**

Indicate for which part of your service provider engagements you were highly involved during the reporting year. [Optional]

Type of engagement	% High involvement
Service provider engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.5	Additional information. [Optional]
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Please note 99999 was entered into the boxes above as we were unable to enter zero.

Please see our comments in LEA 10.

We do not consider the number of company engagements to be an appropriate indicator of the quality of engagement. As a result we have no reason to collect those statistics.

With regard to question LEA11.3, whilst USS regularly will lead on collaborative engagements e.g. with other peer international pension funds, we do not track the exact number or wish to report on it.

With regard to the service provider engagements in question LEA11.4, we were highly involved in developing the scope and agenda for the Japan Engagement Consortium (JEC) led engagements, but owing to them being undertaken in Japan, in Japanese, did not participate in the meetings.

LEA 12	Voluntary	Additional Assessed	PRI 2
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LEA 12.1	Indicate if your engagements in the reporting year covered E, S and/or G issues.
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Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input type="checkbox"/> Environmental <input type="checkbox"/> Social <input type="checkbox"/> Corporate Governance <input checked="" type="checkbox"/> We do not track this information
Service provider engagements	<input type="checkbox"/> Environmental <input type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 12.2	Provide an estimated breakdown by E, S and/or G issues.
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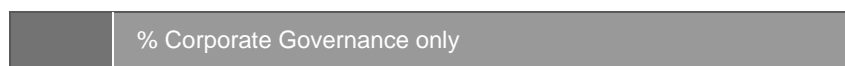
	Individual / Internal staff engagements
--	---



30



10



50



10

100%



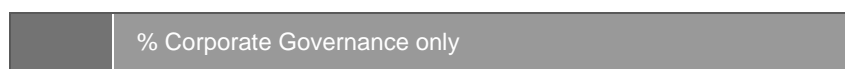
100%



5



5



85



5

100%

LEA 12.3	Additional information.
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Our responses to question LEA 12.2 are estimates. As previously stated (Que LEA 10.2) we do not maintain statistics relating to our engagement activities.

LEA 13	Voluntary	Descriptive	PRI 2
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LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
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☐ Yes

☒ No

LEA 13.3	Additional information.
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Whilst we note commitments to change practices on an individual company's file, we do not systematically collate these numbers.

LEA 14	Voluntary	Descriptive	PRI 2
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LEA 14.1	Provide examples of the engagements that your organisation carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Governance - Remuneration
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	Ensure remuneration policy is aligned with the long-term interests of shareholders.
Scope and Process	<p>USS communicated regularly with a firm in the UK banking sector during 2013.</p> <p>Meetings covered a wide range of issues, including remuneration, board decision making, board changes, regulatory changes, performance, risk oversight, cultural change/ corporate values and capital structure.</p> <p>USS met with the former chair of the remuneration committee, to discuss their experiences and gain greater insight into board dynamics.</p> <p>USS met with the Chairman and had a wide ranging discussion of the issues outlined above.</p> <p>USS also participated in collaborative engagements on specific issues. Joint meetings with the company organised by NAPF and the Corporate Governance Forum. Joint communications were also issued around the AGM with Railpen (our partner in the UK Voting Alliance).</p>
Outcomes	<p>The engagement is regarded as a partial success. USS gained assurance regarding the new risk oversight provisions the firm introduced and the commitment of the firm to embedding new cultural values, throughout the organisation.</p> <p>Whilst, we were unable to support the remuneration proposal at the AGM due to concerns regarding the alignment of pay with performance, the company assured us that a full review of remuneration would be conducted during the financial year of 2013.</p> <p>It should be noted that many of the issues raised in the discussions are longer term and it will take time, to gauge the full impact of this engagement.</p>

☒ Add Example 2

Topic or ESG issue	Governance - Remuneration, combined CEO and Chairman roles, board independence, audit tenure, safety and labour issues and political donations.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	To improve corporate governance standards at the firm and to express our concerns regarding the damage to reputation being caused by the ongoing operational issues reported in the press.
Scope and Process	We wrote to the Company Secretary prior to the vote to explain the rationale for not supporting a number of resolutions at the AGM. USS owned a small index holding in the company.
Outcomes	The company split the roles of Chairman and CEO. However our concerns regarding the other corporate governance issues outlined above remain. The company has taken additional steps to better manage their operational risks and corporate reputation.

☒ Add Example 3

Topic or ESG issue	Governance - Audit Independence
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	We had concerns regarding the independence of the recently appointed Chairman of the Audit Committee, he was a former partner of the firm's newly appointed auditors.
Scope and Process	A joint engagement letter from USS and Railpen (Partner of our voting alliance) was sent to the firm.
Outcomes	<p>The concern was raised ahead of the AGM but we received no response from the firm. As a result we abstained from the corresponding votes at the company AGM.</p> <p>Progress will be monitored at future shareholder meetings and the vote will be escalated to against if no change is noted.</p>

☒ Add Example 4

Topic or ESG issue	Supply Chain Issues - Retail clothing
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	To understand better how the company manages it's supply chain risk.
Scope and Process	We did not hold shares in the company at the time of the engagement. The company is generally regarded as best in class within it's sector in terms of supply chain management and it was important for USS to understand how these risks are being managed. We participated in a conference call with the firm and a portfolio manager also met the firm.
Outcomes	The engagement was successful in terms of our understanding of how the global apparels market approaches supply chain risk. We also reconfirmed to the company that these issues are important to investors and as such disclosure and dialogue are critical.

☒ Add Example 5

Topic or ESG issue	Bribery and Corruption
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	To understand what actions the firm was taking to manage their exposure to bribery and corruption and in particular regulatory action being taking in China and the US.
Scope and Process	Extensive research was conducted into the firm's exposure to bribery and corruption risk and their response in terms of managing these risks. USS liaised with research providers and brokers to enhance the perspectives gained from our discussions with the company.
Outcomes	We took some comfort from the firm's response. However we continue to monitor the situation and will feed our views into our voting in 2014.

☒ Add Example 6

Topic or ESG issue	Climate Change - Stranded Assets
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>To understand the views of large resources companies in the Oil, Gas, and mining sectors toward the risk of assets being 'stranded' (i.e. un-economic to extract from the ground).</p> <p>To understand what analysis has been conducted on their assets and future potential assets.</p> <p>To encourage companies to disclose their views, analysis and assumptions on the subject.</p>
Scope and Process	<p>Conference calls were scheduled during 2013 to discuss stranded assets with three large resource companies which USS held in the portfolio. Representatives from the RI team also attended meetings and road shows organised by these companies.</p>
Outcomes	<p>A number of companies have now provided additional information on how they view the stranded asset issue, including two out of the three companies we met with individually.</p> <p>We are still talking to the other firm regarding this matter. However we recognise the long term nature of this issue.</p> <p>The fund also participated in an international collaboration to contact a number of companies exposed to stranded assets. Outcomes showed that a number of companies have now provided additional information on how they view the stranded asset issue.</p>

☒ Add Example 7

Topic or ESG issue	Governance
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Discontinuation of takeover defences. Focus on profits and returns rather than growth Improved communication on strategy
Scope and Process	The Japanese Engagement Consortium (JEC) held numerous meetings with the company prior to 2013, with representatives of USS attending two of those meetings. USS also met with the firm in London and governance issues were discussed during these meetings.
Outcomes	In February 2013, the company announced that they would be discontinuing the anti-takeover provisions when they expired at the 2013 AGM. They also set ROE and EPS as key performance metrics for senior management and announced a share buy back programme, thus formalising the importance of returns. In 2011 the company moved to a holding company structure. Part of the rationale for this move was to streamline the strategic decision making within the business and allow executives to focus on strategic rather than just operational issues.

☐ Add Example 8

☐ Add Example 9

☐ Add Example 10

Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6
LEA 15.1	Indicate whether your organisation proactively discloses information on its engagements.		

☒ We disclose it publicly

	please provide URL
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<http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/Communications/Pages/default.aspx>

LEA 15.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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☒ Yes

LEA 15.3	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.
-----------------	--

	Engagement information disclosed
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- ☐ Details of the selections, priorities and specific goals of engagement
- ☐ Number of engagements
- ☐ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☐ Outcomes that have been achieved from the engagement
- ☒ Other information

Examples of the funds engagements are provided in the RI Activity Reports and may be raised in the RI sections of USS's Annual Reports.

LEA 15.4	Indicate how frequently you typically report engagements information.
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- ☐ Disclosed continuously (prior and post engagements)
- ☐ Disclosed quarterly
- ☒ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify

☐ No

☐ We disclose it to clients and/or beneficiaries only

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

LEA 15.6	Additional information. [Optional]
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In relation to 15.3

Examples of company engagements are provided to members and the public via our RI Activity Reports. Additional details / cases are provided to trustees and for industry surveys. We also disclose information on our market level and public policy engagements (e.g. with listing authorities or corporate representative bodies) on our website and in the RI Activity Reports. Such engagements may often influence listed equities at a market or sector level, e.g. inputting to the development of corporate governance codes or listing rules.

(Proxy) voting and shareholder resolutions

Overview

LEA 16	Voluntary	Descriptive	PRI 2
LEA 16.1	Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).		

The fund is committed to voting its proxies in an informed manner. All votes are confirmed in house by the RI team in association with the portfolio manager. Further details regarding our approach can be found on our website.

To date the fund has not filed a shareholder resolution. It is unusual to see shareholder resolutions in our home market (the UK), as shareholders have good access to management and boards.

However, USS remains open to this potential route for escalation and has submitted a co-filing in the past.

We always carefully review and consider shareholder resolutions where they have been submitted in the US and other markets.

Process

LEA 17	Mandatory	Descriptive	PRI 2
LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.		

Approach

- ☐ We use our own research or voting team and make our own voting decisions without the use of service providers.
- ☒ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on

- ☐ the service provider voting policy signed off by us
- ☒ our own voting policy
- ☐ our clients requests or policy
- ☐ other, explain
- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 19	Voluntary	Descriptive	PRI 2
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LEA 19.1 To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.

- ☐ Obtain confirmation that votes have been lodged:
- ☐ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☒ None of the above

LEA 19.2 Provide additional information on your organisation's vote confirmation efforts.

The fund has worked with service providers and via collaborative initiatives with other investors to encourage improvements to systemic shortfalls within the voting chain. The fund has also flagged these concerns to the European Commission in the past e.g. within the ESMA Consultation on the Proxy Advisory Industry in 2012 - a copy of our submission is available on our website at <http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/MarketWideInitiativesPublicPolicy/regulatoryissues/Pages/default.aspx#faqlink24>.

During 2013 we did not participate in any formal initiatives to promote end to end voting confirmations. However, discussions were held with the fund's custodian and appointed service provider, and at other industry forums, to continue to flag concerns in this area. On occasion we asked for email advice from the registrar, sub custodian, depository, broker or the company themselves to confirm our vote had been received

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1 Indicate if your organisation has a securities lending programme.

- ☒ Yes

**LEA
20.2**

Indicate how voting is addressed in securities lending programme.

Please select one of the following

- ☐ We recall most securities for voting on all ballot items
- ☒ We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
- ☐ We occasionally recall some securities for voting on some 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 shares for voting purposes
- ☐ Other (please specify)
- ☐ No

**LEA
20.3**

Additional information. [Optional]

Stock Lending: USS has an active securities lending programme. To ensure that the fund is able to vote all its shares at important meetings or where USS is a significant shareholder, USS has worked with its service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. Where we hold 3% or more, of the issued share capital of a company, stock is recalled to ensure we vote our entire holding. In other circumstances we monitor the meetings and the proportion of stock on loan, and will restrict and / or recall lent stock in the event of a contentious vote, or in relation to engagement activities, on a case by case basis further to discussion with the portfolio manager. Certain stocks are permanently suspended from the stock-lending programme where we do not consider lending to be in the best interests of the fund.

LEA 21

Mandatory

Core Assessed

PRI 2

**LEA
21.1**

Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

- ☒ Yes, in most cases
- ☐ Sometimes, in the following cases:
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]
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Where we have voted against management or abstained on a resolution we will write to the company providing them with the reasons for our decision. We will also use these letters to raise other governance related concerns that may fall outside of the immediate remit of the shareholder meeting. Examples of such engagement letters are outlined in LEA 14.1.

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

90

	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

**LEA
22.2**

If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]

The fund has increased its coverage of voting markets gradually since 2007. By 2012, c. 93% of listed equities by value were voted.

In 2013 we voted at c.670 companies, on more than 10,000 resolutions at 750 events. Due to a service provider error we missed the Korean proxy season in 2013.

For 2014, the fund will be voting nearly all proxies with few exceptions. The exceptions are due to concerns over share blocking, market level concerns over the processing of proxies, the quality of proxy information and/or resource constraints. In such markets we will vote on individual companies where the portfolio manager indicates that it is necessary to do so.

☐ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
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**LEA
23.1**

Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

☒ Yes, we track this information

**LEA
23.2**

Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	<div> <div></div> <div>%</div> </div> 83
Against (opposing) management proposals	<div> <div></div> <div>%</div> </div> 8
Abstentions	<div> <div></div> <div>%</div> </div> 9

100%

**LEA
23.3**

For the reporting year, describe your approach towards voting on shareholder resolutions.

During 2013 USS voted on over 120 shareholder resolutions. The proposals included counter motions on dividends and alternative director candidates proposed by peer shareholders, activist and employee shareholders, as well as ESG proposals, which covered issues such as:

- enhanced disclosure on political donations and lobbying;
- the inclusion of long-term remuneration within the compensation scheme;
- the adoption of a recycling strategy;
- the inclusion of an environmental expert on the board;
- the establishment of a board committee on human rights
- the appointment of an independent chairman;
- the adoption of the majority voting standard; and
- the strengthening of equal opportunities policies.

The RI team, in consultation with the portfolio managers where appropriate, review each proposal on a case by case basis (like all other resolutions). Where the fund does not support a proposal or finds the company's response to be lacking, feedback is provided via an engagement letter to the company (as per usual procedure).

We are able to report in 47 instances last year, the fund supported shareholder proposals. In 32 instances the fund abstained and in 48 instances the fund voted against. However, we do not consider this information to be particularly meaningful without the full context.

☐ No, we do not track this information

**LEA
23.4**

Additional information.

The fund voted in favour of 83% of resolutions, abstained on 9% and voted against 8%. However, these statistics mask the fact that USS voted against management at 66% of the companies at which we voted. This numbers is up from 55% in 2012.

LEA 24

Voluntary

Descriptive

PRI 2

**LEA
24.1**

Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

☐ Yes

☒ No

LEA 25

Voluntary

Descriptive

PRI 2

**LEA
25.1**

Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

☒ Add Example 1

Topic or ESG issue	Voting and Engagement Policy Update and Statistics
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	<p>The fund continues to work closely with RPMI RailPen under a voting alliance which the funds convened in 2010 in order to pool governance expertise and resources for voting in the FTSE All-Share. The USS Railpen Voting and Engagement Policy was updated for 2013 following the 2012 proxy season, to reflect changes in best practice and, in particular, the fund's strengthened stance on auditor independence - as outlined in the joint investor position paper on audit.</p> <p>The December 2012 policy (signed off by the trustee) outlines the fund's expectations on auditor tenure, non-audit fees and Audit Committee independence. In addition, the policy articulates the fund's strengthened approach to escalating concerns around persistent poor environmental and social disclosures as a voting issue. The policy was communicated to FTSE 350 Chairmen in the first quarter of 2013, ahead of the 2013 proxy voting season.</p> <p>The policy was also reviewed in Q4 2013 ahead of the 2014 proxy season and amended to reflect the changes in remuneration regulations in the UK.</p>
Scope and Process	<p>Internal staff highlight key market developments or areas of concern and update the policy, working with Railpen to agree wording.</p> <p>The policy is submitted to the respective funds trustee boards for sign off and approval. For USS, this entailed the Co-Head of RI presenting on the changes and outlining the fund's proposed escalation strategy for flagging matters of concern around the auditor.</p>
Outcomes	<p>The fund practices good stewardship and continues to encourage companies to adopt corporate governance best practice.</p> <p>USS communicated its governance expectations to companies during 2013 and encouraged change through its voting activities; supported by engagement letters.</p>

☒ Add Example 2

Topic or ESG issue	Audit and auditor independence
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	<p>Policy signed off by the trustees - see above.</p> <p>In line with the fund's strengthened voting policy to encourage independent auditor oversight, the fund paid close attention to auditor tenure, non-audit related fees, director independence and financial expertise on the Audit Committee.</p> <p>For specific "auditor appointment" elections, the fund voted on 541 proposals, as follows:</p> <ul style="list-style-type: none"> • For 66% • Abstain 28% • Against 6% <p>The fund highlighted concerns relating to auditor independence and/ or oversight through engagement letters to over two hundred companies during the year. The fund will escalate its voting on these concerns (e.g. move from an abstention to a vote against) where the company fails to respond in 2014.</p>
Scope and Process	Implementation of the voting policy
Outcomes	Quite a few companies have announced their intention to change audit firm or put their auditor contract out to tender in 2014. This has included some of the firms where USS and RPMI Railpen raised concern in 2013.

☒ Add Example 3

Topic or ESG issue	Governance
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To ensure voting decisions are made in a consistent manner across internally and externally managed portfolios and ensure that externally held stock is voted in accordance with in-house views.
Scope and Process	The RI Team worked closely with the external manager of our passive fund and our voting service provider to ensure consistent voting across stocks held in externally managed portfolios and stocks held in portfolios managed internally.
Outcomes	This protocol commenced in December 2013. Consistency has been achieved.

☒ Add Example 4

Topic or ESG issue	Independence concerns - governance
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To enhance independent representation on the board and increase transparency and disclosure regarding related party transactions in order to better protect minority shareholder interests.
Scope and Process	Voting at the AGM followed up by an engagement letter (per our standard process).
Outcomes	<p>We abstained against four non-independent directors at the AGM.</p> <p>The vote was followed up by an engagement letter, issued jointly with RPMI Railpen. In the letter we explained that we would like to see the proportion of independent directors on the board increased to a majority level. Further, that the Board's Audit and Remuneration Committees should comprise solely of independent directors. We also called for enhanced transparency on related party transactions.</p> <p>The votes and comments were disclosed post event on the fund's website at http://www.uss.co.uk/UssInvestments/Responsibleinvestment/Communications/VotingDisclosureReports/Pages/VotingDisclosureReports.aspx</p> <p>The abstentions on board directors will be escalated to "against votes" if insufficient progress is made before the the next AGM.</p>

☒ Add Example 5

Topic or ESG issue	Remuneration and auditor independence
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Improve remuneration disclosure to demonstrate alignment of pay with performance to ensure an independent audit process.
Scope and Process	<p>USS withheld votes on the adoption of the remuneration report due to concerns regarding alignment of pay with performance, particularly in relation to the vesting of long term incentive awards.</p> <p>Further we had concerns regarding potential conflicts of interest for a member of the remuneration committee due to their ties with the remuneration consultants.</p> <p>Similarly, the fund also abstained on the auditor proposals due to concern regarding auditor's tenure as the company's statutory audit firm.</p>
Outcomes	We will be monitoring disclosures to ensure the company justifies the vesting of awards; to inform our view on the appropriateness of the membership of the Remuneration Committee; and to see if the Audit Committee has committed to putting the audit out to tender in 2014. Voting will be escalated to "against" if concerns persists.

☒ Add Example 6

Topic or ESG issue	Japan governance
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Demonstrate support for the adoption of international governance best practice standards at a company in Japan.
Scope and Process	<p>In conjunction with the Japan Engagement Consortium, USS took the decision to vote in favour of all items on the agenda at the 2013 AGM of Toyota Motor Corporation in Japan as they had taken a leadership move to appoint independent external directors to their Board.</p> <p>USS alongside two other investors wrote to the company to support the progressive step to appoint outside independent directors. The letter also called for enhanced disclosure from the company and encouraged the board's to outline its rationale for appointments, consultancy fees and to provide directors biographies. This would ensure that shareholders were informed of the Board's nominations process and decisions and were able to take an informed view on conflicts of interest.</p>
Outcomes	The letter helped stimulate dialogue and bring about a subsequent meeting with the company with the JEC representing USS (as the meeting was held in Japanese in Japan).

☒ Add Example 7

Topic or ESG issue	CSR and governance
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To ensure the company is managing human rights issues in line with international best practice
Scope and Process	Further to a shareholder proposal at a US company, the fund outlined support for the formation of a CSR Committee on the Board to provide oversight of the supply chain and related issues, including human rights, corruption and environmental concerns.
Outcomes	Whilst USS did not vote in favour of the shareholder proposal - as is was overly prescriptive in its detail - USS's abstention vote and follow up letter sought to demonstrate international investor support for Board level oversight to manage potentially damaging ESG issues within the company's supply chain.

- ☐ Add Example 8
☐ Add Example 9
☐ Add Example 10

Communication

LEA 26

Mandatory

Core Assessed

PRI 2,6

LEA
26.1

Indicate if your organisation proactively discloses information on your voting activities.

- ☒ We disclose it publicly

provide URL

<http://www.uss.co.uk/UssInvestments/Responsibleinvestment/voting/Pages/default.aspx>

LEA
26.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ☒ Yes

LEA
26.3

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☐ Explain some voting decisions
- ☒ Only explain abstentions and votes against management
- ☐ No explanations provided

**LEA
26.4**

Indicate how frequently you typically report voting information.

- ☐ Continuously (primarily before meetings)
- ☒ Continuously (soon after votes are cast)
- ☐ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

Universities Superannuation Scheme - USS

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

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Overview

FI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

Fixed income – government

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - government

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

FI 02

Mandatory to Report Voluntary to Disclose

Peering

General

FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.

Credit quality	Fixed Income - Government
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

FI 02.2

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Government
Primary market (new issues)	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

ESG incorporation in actively managed fixed income

FI 03	Voluntary	Descriptive	PRI 1
-------	-----------	-------------	-------

USS invests in fixed income across two key areas - the Bonds portfolio and Tactical Asset Allocation portfolios.

For the Bonds Portfolio the RI Team produces an annual ranking of countries in terms of key governance, social and environmental risks for use in the Fixed Income investment process.

Scores from selected global indices are combined to provide a composite country score and ranking which reflects a broad range of environmental, social and governance indicators. The ranking is used in the sovereign debt selection process. The data in the rankings are used in comparisons between countries in cases where the financial returns and other factors are deemed equal by the Fixed Income team.

The rankings are based upon an equally weighted amalgamation of the component headline scores, rebased to one hundred, for four base indices detailed below:

- Corruption Perceptions Index, Transparency International
- Human Development Index, UN Development Programme
- Environmental Performance Index, Yale & Colombia Universities
- Index of Economic Freedom, Wall Street Journal and Heritage Foundation

The indices were selected due to their credibility and accessibility, and the range of social and environmental criteria that they combine. This includes (but is not restricted to):

- Adult literacy and education enrollment
- Air pollution
- Biodiversity and habitat protection
- Carbon intensity
- Corruption
- Female representation
- Investment and regulatory restrictions
- Life expectancy
- Population below poverty line
- Price controls
- Private property rights
- Water accessibility and quality

We continue to monitor the availability of additional data sets, particularly in relation to governance, human rights and labour standards to add to the customised index.

As the four data sets used do not cover exactly the same countries, a number of states are not represented in the USS combined data set. For countries outside this full data set, the Fixed Income team would consult with the RI team for an individual decision. This is however unlikely, as those countries outside the coverage of the combined data set are unlikely to be of the appropriate investment grade.

This process does not cover our Tactical Asset Allocation portfolio, which also includes government debt. However, ESG considerations, including those detailed above, may be taken into account in the fundamental analysis and rationale for placing investments if they are considered material.

FI 13	Mandatory	Core Assessed	PRI 1
-------	-----------	---------------	-------

FI 13.1	Indicate if you incorporate ESG issues in investment analysis and decision making for your government fixed income investments.
---------	---

☒ Yes

FI 13.2	Indicate for what percentage of your government fixed income investments you incorporate ESG issues in investment analysis and decision making.
---------	---

- ☒ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☐ >90%

FI 13.3	Indicate if in active strategies, E, S and G issues are reviewed while researching government issuers.
---------	--

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 13.4

Describe your approach to incorporating ESG issues in government fixed income investments. [Optional]

ESG factors are only considered systematically in fixed income investment decisions, once traditional financial analysis has been undertaken. If at this point there are two bonds where, for example, the financial returns and other factors (such as liquidity) are deemed equal by the Fixed Income team, then the sovereign debt ranking outlined in the previous question is used in comparisons between countries. Due to the increased size of the fixed income portfolio in 2013, liquidity concerns tended to be the primary differentiator used, rather than ESG ranking.

☐ No

Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
-------	-----------	-------------	-------

Fixed Income - Government

- ☐ Narrow down or prioritise the investment universe
- ☒ Buy / sell / weight decisions
- ☐ Other, specify

FI 16	Voluntary	Descriptive	PRI 1
-------	-----------	-------------	-------

FI 16.1

Indicate if you believe (by applicable strategy) that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

Fixed Income - Government

a) Impacted funds' financial performance

ESG incorporation (for actively managed funds)	
<input type="radio"/> Yes	
<input checked="" type="radio"/> No	

b) Reduced funds' risk or volatility

ESG incorporation (for actively managed funds)	
<input type="radio"/> Yes	
<input checked="" type="radio"/> No	

c) Improved funds' ESG performance

ESG incorporation (for actively managed funds)

- ☐ Yes
☒ No

FI 16.2

Describe how you are able to determine these outcomes and your actual performance.

Whilst it is hoped that the inclusion of ESG ranking data (all other things being equal) would enable portfolio managers to select investments with lower volatility and risk, we have not developed processes to measure the impacts on the performance of portfolio. We would be keen to learn if such tools were available.

FI 17

Voluntary

Descriptive

PRI 1

FI 17.1

Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.

- ☐ ESG issue 1
☐ ESG issue 2
☐ ESG issue 3
☐ ESG issue 4
☐ ESG issue 5

FI 17.2

Additional information.

Due to changes in the mandate for sovereign debt in 2013, the portfolio considerably increased in size, with credit ratings, liquidity concerns and macro/economic issues dominating investment decisions during the year. The fund has not identified any specific examples of ESG issues effecting investment decisions in 2013, although we do have examples from previous years. As a result, USS plans to review its approach to ESG integration for the fixed income asset class in 2014.

Communication

FI 18

Mandatory

Core Assessed

PRI 2,6

FI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.

- ☒ We disclose it publicly

Provide URL

<http://www.uss.co.uk/UssInvestments/ResponsibleInvestment/Integration/Pages/default.aspx>

FI 18.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

FI 18.3

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

☒ Broad approach to ESG incorporation

☐ Detailed explanation of ESG incorporation strategy used

FI 18.4

Indicate how frequently you typically report this information.

☐ Quarterly or more frequently

☐ Between quarterly and annually

☐ Less frequently than annually

☒ Other, specify

Ad hoc, as processes are updated.

☐ No

☐ We disclose it to clients/beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries

Engagement in fixed income investments

Fixed Income - Government

FI 20

Voluntary

Descriptive

PRI 2

FI 20.1

Indicate if you engage with government issuers such as government departments (national or local), agencies and other entities in order to influence their approach to ESG issues that may affect creditworthiness.

☒ Yes

FI 20.2

Please describe your organisation's approach to engagement in government fixed income.

It is very difficult for a UK based pension fund to engage with the issuers of sovereign debt. The fund does engage with governments around the world on a range of issues including corporate governance standards and climate change, but these are not directly linked to our government debt investment process.

☐ No

Universities Superannuation Scheme - USS

Reported Information

Public version

Direct – Private Equity

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Overview

PE 01

Mandatory to Report Voluntary to Disclose

Peering

General

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 checked="" type="radio"/> <10% <input type="radio"/> 0%
(Leveraged) buy-out	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
<div>Other investment strategy, specify</div> <div>Credit</div>	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Total	100%

PE 02

Mandatory to Report Voluntary to Disclose

Peering

General

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

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

USS will usually hold minority stakes in its private equity direct investments. The nature of these holdings vary between co-investments alongside a private equity General Partner (GP) to, in a few cases, direct investments, where USS has led the investment itself.

PE 03	Voluntary	Descriptive	PRI 1-6
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PE 03.1

Provide a brief overview of your organisation's approach to responsible investment in private equity.

As outlined in the previous question, USS's direct holdings in private equity are via co-investments and direct investments. Both are frequently (but not always) held alongside or via a private equity GP.

Prior to investment with a new GP - either via a fund or directly - USS outlines its expectations on responsible investment and undertakes due diligence via a questionnaire and follow up call with the GP. The questionnaire asks for details regarding the GP's approach to ESG due diligence and management of these issues at investee assets. It also asks for views on the PRI and PEC Guidelines and whether the GP is a signatory to the PRI (please see the SAM section for further details).

In addition, USS has adopted an Enhanced Due Diligence (EDD) process for direct and co-investments in private equity assets. The EDD process seeks to identify any criminal, 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.

The EDD process will consider ESG issues such as:

- Health& Safety management and performance.
- Environmental management and performance including systems controls, pollution control, noise control and liabilities such as contaminated land and asbestos.
- Stakeholder relations, including planning, regulators, local communities and employees/ unions.
- Governance - including internal controls, key man risk, remuneration and alignment, other shareholders and board directorships.

The EDD process feeds into the investment decision making process with risk and mitigating factors highlighted in the Private Markets Investment Committee report, upon which the final investment decision is taken.

USS will seek board positions and/or information rights to enable effective, regular oversight and management of the asset where possible. Where the due diligence process has identified ESG concerns, USS will work with the GP and / or other lead investors pre or post investment to address such concerns, if appropriate.

PE 04**Mandatory****Core Assessed****PRI 2****PE 04.1**

Indicate if your organisation's investment guidelines for private equity refer to responsible investment.

- ☒ Our investment guidelines do refer to responsible investment

PE 04.2

Describe how your organisation's investment guidelines outline your expectations on staff and portfolio companies' approach towards ESG issues [Optional].

Please see our response under PE 03.1.

- ☐ Our investment guidelines do not refer to responsible investment
- ☐ We do not have investment guidelines

Pre-investment (selection)

PE 07

Mandatory

Gateway

PRI 1

PE 07.1

Indicate if your organisation typically incorporates ESG issues when selecting private equity investments.

☒ Yes

PE 07.2

Describe your organisation's approach to incorporating ESG issues in private equity investment selection. [Optional]

Please see our response under 3.1

☐ No

PE 08

Voluntary

Descriptive

PRI 1

PE 08.1

Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the private equity investment selection process.

☒ Internal staff

Specify role

Investment Managers Private Markets Group

Specify role

Co-Head / Advisor RI

Specify role

Other heads of desk/ colleagues

- ☒ External resources
- ☒ Environmental advisors
 - ☒ Social advisors
 - ☐ Corporate governance advisors
 - ☒ Regulatory and/or legal advisors
 - ☐ Other, specify type of advisors/roles
- ☐ No use of internal or external advice on ESG issues

PE 08.2 Additional information.

For many of the investments in this asset class, the appointment of external diligence advisors is frequently instigated by the GP leading the co-investment, or the intermediaries associated with the sale of an asset. Where ESG advice has been sought, USS will seek access to such reports. The types of issues covered may include regulatory / legal issues, governance structures and environmental issues. Discussions on social matters, particularly health and safety, and labour rights, will tend to be covered in these reports where material. For certain deals, USS itself will commission and / or direct such detailed due diligence.

The fund also has access to ESG service providers for listed equities. Where appropriate, data will be used from these sources to compliment the vendor due diligence, or other private equity sources e.g. to provide information on peer firms that are listed, or sector specific issues where listed company practices may provide useful benchmarking data.

PE 09

Mandatory

Core Assessed

PRI 1,3

PE 09.1

Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.

ESG issues

- ☒ Environmental

List up to three typical examples of environmental issues

Contaminated land liabilities

Climate Change - including weather, sea level rise, flooding

Pollution and Environmental Management Systems

- ☒ Social

List up to three typical examples of social issues

Labour relations and unionisation

Health and Safety

Stakeholder relationships incl customer and political sensitivities

- ☒ Governance

List up to three typical examples of governance issues

Key man risk/ succession concerns

Ownership structure and voting rights, control clauses, alignment, remuneration
Reporting, internal controls, oversight and audit

PE 10	Voluntary	Additional Assessed	PRI 1,3
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PE 10.1	Indicate what type of ESG information your organisation typically considers during your private equity investment selection process.
---------	--

- ☒ Raw data from target company
- ☒ Benchmarks against other companies
- ☒ Sector level data/benchmarks
- ☒ Country level data/benchmarks
- ☒ Reporting standards, industry codes and certifications
- ☒ International initiatives, declarations or standards
- ☒ Engagements with stakeholders (e.g. customers and suppliers)
- ☒ Advice from external resources
- ☐ Other, specify
- ☐ We do not track this information

PE 10.2	Additional information.
---------	-------------------------

The nature of direct and particularly co-investments, where deal times can be very short, makes detailed due diligence and access to information sometimes very difficult. It is unlikely we would seek or have available data from all the above sources for every deal. In these cases, due diligence has to be risk based and rely on information from the GP and the expertise and experience of internal staff in researching the asset and the risks that it could pose.

PE 11	Voluntary	Additional Assessed	PRI 1,2
-------	-----------	---------------------	---------

PE 11.1	During deal structuring, indicate if your organisation typically encourages continuous improvements from potential investees with regard to their management of ESG issues.
---------	---

- ☐ Yes
- ☒ No

PE 11.3	Additional information.
---------	-------------------------

Where we have influence, and the due diligence highlights shortfalls, we will encourage improvements where they are within our power of influence: in co-investments, which are led by GPs, the level of influence of LPs is often minimal. However, for direct investments, particularly where we have a board position, the fund will seek to ensure that ESG issues are appropriately managed.

PE 12	Voluntary	Additional Assessed	PRI 1
-------	-----------	---------------------	-------

PE 12.1	Indicate if ESG issues impacted your private equity investment selection processes during the reporting year.
---------	---

- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☐ ESG issues led to the abandonment of potential investments
- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☒ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☒ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

PE 12.2	Additional information.
---------	-------------------------

Governance and control is often a key factor in the negotiating process for direct Private Equity and co-investment deals. There have been deals dropped where the fund could not gain sufficient assurance on the governance of the investment.

Post-investment (monitoring and active ownership)

PE 13	Mandatory	Gateway/Core Assessed	PRI 2
-------	-----------	-----------------------	-------

PE 13.1	Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies.
---------	---

- ☐ Yes
- ☒ No

PE 13.4	Additional information. [Optional]
---------	------------------------------------

The fund closely monitors its direct investments and investments via GPs. Members of the private markets team will attend annual meetings and sit on advisory boards of funds where USS invests, as well as on boards of directly held assets where we can. Where ESG issues arise, the fund will engage with management to understand the concerns and ensure they are being addressed appropriately.

PE 17	Voluntary	Additional Assessed	PRI 2
-------	-----------	---------------------	-------

PE 17.1	Indicate whether your organisation discloses information on ESG issues to potential buyers prior to exit for private equity investments.
----------------	--

- ☐ We always include ESG issues in pre-exit information
- ☐ We include ESG issues in pre-exit information in the majority of cases
- ☐ We include ESG issues in pre-exit information in the minority of cases
- ☒ We do not include ESG issues in pre-exit information

PE 17.2	Apart from disclosure, describe how your organisation considers ESG issues at exit.
----------------	---

USS is not usually responsible for the exit decisions, as we tend to be minority stakeholders; and the direct private equity portfolio is relatively immature so they have a limited number of exits.

Outputs and outcomes

PE 18	Voluntary	Additional Assessed	PRI 1,2
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PE 18.1	Indicate whether your organisation measures how your approach to ESG issues in private equity investments has affected financial and/or ESG performance.
----------------	--

	Financial performance
--	-----------------------

- ☐ We measure how ESG issues affect financial performance
- ☒ We do not measure how ESG issues affect financial performance

	ESG performance
--	-----------------

- ☐ We measure changes in ESG performance
- ☒ We do not measure changes in ESG performance

PE 19	Voluntary	Descriptive	PRI 1,3
--------------	------------------	--------------------	----------------

PE 19.1	Provide examples of ESG issues that affected your private equity investments during the reporting year.
----------------	---

☒ Add Example 1

ESG issues	Social - responsible debt recovery
Sector(s) of the investment affected	Debt servicing
Impact (or potential impact) on the investment	Debt collection servicer's license to operate and USS's reputational risk
Activities undertaken to influence the investment and its response	As part of the due diligence process for a potential private equity investment in non performing loans portfolios, USS worked with the GP and the asset servicer to review responsible debt recovery practices.

☒ Add Example 2

ESG issues	Governance - oversight and key man
Sector(s) of the investment affected	Corporate
Impact (or potential impact) on investment	Key man risk, internal controls, accountability and alignment of interests
Activities undertaken to influence the investment and its response	The fund's due diligence process considered key man risk and oversight concerns. Access to the asset during the deal process gained comfort on these issues, and changes to governance structures were negotiated to mitigate these risks post investment.

☒ Add Example 3

ESG issues	Health and Safety
Sector(s) of the investment affected	Energy
Impact (or potential impact) on investment	Risk management for asset and reputationally for USS
Activities undertaken to influence the investment and its response	USS's enhanced due diligence sought reassurance regarding health and safety implementation for contractor firms to ensure policy was implemented across all jurisdictions/ assets within the scope of the deal.

☐ Add Example 4

☐ Add Example 5

Communication

PE 20	Mandatory	Core Assessed	PRI 6
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PE 20.1	Indicate whether your organisation proactively discloses ESG information on your private equity investments.
---------	--

- ☐ Disclose publicly
- ☐ Disclose to investor clients (LPs)/beneficiaries only
- ☒ No proactive disclosure to the public or to clients (LPs)/beneficiaries

Universities Superannuation Scheme - USS

Reported Information

Public version

Direct - Property

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

PR 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 01.1

Provide a breakdown of your organisation's internally managed property investments by equity and debt.

Property investments instruments

☒ Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10%

PR 01.2

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

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

☒ Debt investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Debt investments	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10%

Total 100%

☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

PR 02

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

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 type="radio"/> <10% <input checked="" 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%
Total	100%

PR 03**Voluntary****Descriptive****General****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

PR 04	Voluntary	Descriptive	PRI 1-6
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PR 04.1	Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.
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The fund 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 fund to both ensure the financial returns needed to fulfil its commitments, and reduce any potentially adverse environmental and social impacts generated by the fund'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.

PR 04.2	Provide a brief overview of your organisation's approach to responsible investment in property where you hold debt.
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NA

PR 05	Mandatory	Core Assessed	PRI 1-6
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PR 05.1	Indicate if your organisation has a Responsible Property Investment (RPI) policy.
---------	---

☒ Yes

PR 05.2	Provide a URL if your RPI policy is publicly available. [Optional]
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<http://www.uss.co.uk/UssInvestments/pmg/property/Pages/default.aspx>

☐ No

PR 05.3	Additional information. [Optional]
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The Responsible Property Investment policy has been made publicly available since 2008 and is updated annually.

Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
-------	-----------	---------	-------

PR 08.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
---------	--

☒ Yes

PR 08.2	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]
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The risks of ESG impacts are investigated when considering direct acquisitions. Any impacts are mitigated following purchase against agreed key performance indicators.

☐ No

PR 08.3	Additional information. [Optional]
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ESG impacts are an important consideration within our pre-investment process. We carry out detailed due diligence, in line with our Responsible Property Investment Policy commitment of "investigating the risk of environmental and social impacts when considering direct acquisitions and aiming to mitigate them following purchase".

PR 09	Voluntary	Descriptive	PRI 1,4
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PR 09.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.
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- ☒ Internal staff
 - ☒ Specify role
 - Sustainability Manager
 - ☐ Specify role
 - ☐ Specify role
- ☒ External resources
 - ☒ Environmental advisors
 - ☐ Social advisors
 - ☐ Corporate governance advisors
 - ☒ Regulatory and/or legal advisors
 - ☐ Other, specify type of advisors/roles
- ☐ No use of internal or external advice on ESG issues

PR 09.2	Additional information.
----------------	-------------------------

The Sustainability Manager is directly accountable for all Responsible Property Investment matters. Externally the fund works closely with its Investment Advisors and Property Managers, with dedicated monthly meetings held. We are also supported by a specialist sustainability consultancy, who assists us with reporting, and the monitoring and setting of new management and performance targets. With regards to due diligence we have various external providers who support us when assessing environmental and sustainability risk, including flooding and contaminated land.

PR 10	Mandatory	Core Assessed	PRI 1,3
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PR 10.1	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.
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ESG issues

- ☒ Environmental

List up to three typical examples of environmental issues

Contaminated Land
 Flooding
 Waste, water and energy

- ☒ Social

List up to three typical examples of social issues
--

Health and Safety
 Disability access
 Tenant type

☒ Governance

List up to three typical examples of governance issues

Tenant covenant check

Bribery and corruption

Business ethics

PR 10.2 Additional information. [Optional]

The consideration of ESG issues is an integral part of the property investment selection process. As a responsible investor this is important so that any issues can be uncovered and thoroughly investigated prior to acquisition.

PR 11	Voluntary	Additional Assessed	PRI 1,3
--------------	------------------	----------------------------	----------------

PR 11.1 Indicate what type of ESG information your organisation typically considers during your property investment selection process.

- ☒ Raw data from the target property asset/company
- ☒ Appraisals/audits
- ☒ Benchmarks/ratings against similar property asset
- ☐ Country level data/benchmarks
- ☒ Data aligned with established property reporting standards, industry codes and certifications
- ☐ International initiatives, declarations or standards
- ☒ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☒ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

PR 11.2 Additional information.

An example of an ESG issue we explore prior to acquisition is energy consumption. These data enables us to understand better the efficiency of the asset, what parts are the responsibility of the landlord and the tenant, what potentially could be done to make the asset more efficient, and whether the ownership will affect the fund under the Carbon Reduction Commitment.

PR 12	Voluntary	Additional Assessed	PRI 1
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PR 12.1	Indicate if ESG issues impacted your property investment selection process during the reporting year.
----------------	---

- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☐ ESG issues led to the abandonment of potential investments
- ☐ ESG issues impacted the investment in terms of price offered and/or paid
- ☐ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☒ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

PR 12.2	Additional information.
----------------	-------------------------

We generally consider the same ESG issues across the office, retail and industrial sectors, however the detail of these factors can vary depending on the type of use, and location.

Selection, appointment and monitoring third-party property managers

PR 13	Mandatory	Core Assessed	PRI 4
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PR 13.1	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
----------------	--

☒ Yes

PR 13.2	Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.
----------------	---

- ☒ Selection process of property managers incorporated ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Contractual requirements when appointing property managers includes ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Monitoring of property managers covers ESG responsibilities and implementation
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers

PR 13.3

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

When we select and appoint Property Managers we consider their experience and ability to both manage and lead upon Responsible Property Investment matters and initiatives.

PR 13.4

Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]

We have dedicated monthly Responsible Property Investment meetings with our Property Managers, where every asset is monitored against various management objectives and performance targets.

☐ No

PR 13.5

Additional information. [Optional]

When we appoint our Property Managers we ensure ESG issues are covered within the contractual requirements.

Post-investment (monitoring and active ownership)

Overview

PR 14**Mandatory****Gateway****PRI 2****PR 14.1**

Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.

☒ Yes

PR 14.2

Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.

- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and refurbishments
- ☒ We consider ESG issues in property occupier engagements
- ☒ We consider ESG issues in community engagements related to our properties
- ☐ We consider ESG issues in other post-investment activities, specify

PR 14.3

Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]

Both USS and our Property managers consider ESG issues to be extremely important, hence monthly meetings are held where such issues are discussed, actioned and resolved.

☐ No

PR 14.4

Additional information. [Optional]

We operate an active ESG post-acquisition programme whereby the asset's waste, water and energy consumption (if there are common parts) is monitored. An action plan is put in place to address any potential improvements raised during the due diligence process.

Property monitoring and management

PR 15

Mandatory

Core Assessed

PRI 2,3

PR 15.1

Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.

- ☐ >90% of property assets
- ☒ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 15.2

Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.

ESG issues

☒ Environmental

List up to three example targets per issue

Contaminated Land – remediation occurring on industrial estates.

Water – the reduction of consumption in our buildings.

Energy – the reduction of consumption in our buildings.

☒ Social

	List up to three example targets per issue
--	--

Health and Safety – the reduction of incidents across the portfolio.

Tenant type – background checks including trading purpose.

☒ Governance

	List up to three example targets per issue
--	--

Tenant covenant check – the monitoring of tenant turnover (where applicable).

☐ We do not set and/or monitor against targets

PR 15.3	Additional information. [Optional]
----------------	------------------------------------

We closely monitor ESG issues post acquisition. As part of our contractual agreement with our Property Managers, they support us in implementing ESG improvements. This may include the monitoring of waste, water and energy consumption data, comparing this against performance targets, and rolling out actions, where considered necessary, across the portfolio.

PR 16	Voluntary	Additional Assessed	PRI 2
--------------	------------------	----------------------------	--------------

PR 16.1	List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.
----------------	--

☒ Add certification scheme, rating and benchmark 1

Specify	EcoPAS
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input checked="" type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 2

Specify	GRESB
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input checked="" type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 3

Specify	BREEAM
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input checked="" type="radio"/> <10% of property assets (in terms of number of property assets)

PR 16.2	Additional information.
---------	-------------------------

We ensure all purchased assets include an Energy Performance Certificate (EPC). We enter the EcoPAS benchmark each year which assists us in understanding where we have no EPCs across the portfolio. We have compared this data against tenant leases and expires, and have set out an action plan for improvements. Where a property refurbishment or fit out occurs we ensure the works are undertaken in consideration of achieving as high an EPC grade as possible.

Property developments and refurbishments

PR 17	Mandatory	Core Assessed	PRI 2
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PR 17.1	Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.
---------	---

- ☒ >90% of active developments and refurbishments
- ☐ 51-90% of active developments and refurbishments
- ☐ 10-50% of active developments and refurbishments
- ☐ <10% of active developments and refurbishments
- ☐ N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

PR 17.2

Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.

- ☐ Minimum environmental site selection requirements
- ☐ Minimum environmental site development requirements
- ☒ Sustainable construction materials
- ☐ Minimum water efficiency requirements
- ☐ Minimum energy efficiency requirements
- ☐ Energy generation from on-site renewable sources
- ☐ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☒ Construction contractors comply with sustainability guidelines
- ☐ Other, specify

PR 17.3

Additional information. [Optional]

All our developments and refurbishments aim to improve their ESG performance, this is mainly focused around the EPC rating where we aim to ensure the grade achieved is no worse than a 'D'. We are currently trialling ESG standards for our contractors on larger builds and refurbishments.

Occupier engagement

PR 18**Mandatory****Core Assessed****PRI 2****PR 18.1**

Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.

- ☐ >90% of occupiers
- ☐ 51-90% of occupiers
- ☒ 10-50% of occupiers
- ☐ <10% of occupiers

(in terms of number of occupiers)

PR 18.2	Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.
----------------	---

- ☐ Distribute a sustainability guide to occupiers
- ☒ Organise occupier events focused on increasing sustainability awareness
- ☐ Deliver training on energy and water efficiency
- ☐ Deliver training on waste minimisation
- ☒ Provide feedback on energy and water consumption and/or waste generation
- ☒ Provide feedback on waste generation
- ☒ Carry out occupier satisfaction surveys
- ☐ Other, specify

PR 18.3	Additional information. [Optional]
----------------	------------------------------------

We communicate ESG matters with our tenants across all of our multi-let offices and retail schemes. This programme includes presenting to our tenants quarterly waste, water and energy consumption data (common parts only). We also chair a Green Building Forum at a shopping centre, where the meeting agenda is based solely on environmental and sustainability matters.

PR 19	Voluntary	Additional Assessed	PRI 2
--------------	------------------	----------------------------	--------------

PR 19.1	Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.
----------------	---

- ☐ >90% of leases or MoUs
- ☒ 51-90% of leases or MoUs
- ☐ 10-50% of leases or MoUs
- ☐ <10% of leases or MoUs
- ☐ 0% of leases or MoUs
- ☐ N/A, no leases or MoUs were signed during the reporting year

(in terms of number of leases or MoUs)

PR 19.2	Additional information.
----------------	-------------------------

We have been rolling out green leases across the direct property portfolio since 2012. We have also drafted a MoU and propose to trial it at an office and a shopping centre in 2014.

Community engagement

PR 20	Voluntary	Additional Assessed	PRI 2
--------------	------------------	----------------------------	--------------

PR 20.1	Indicate in respect of what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year.
----------------	---

- ☐ >90% of property assets
- ☐ 51-90% of property assets
- ☒ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 20.2	Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.
----------------	--

- ☐ ESG education programmes for the community
- ☐ ESG enhancement programmes for public spaces
- ☐ Research and networking activities focusing on ESG issues
- ☐ Employment creation in communities
- ☒ Supporting charities and community groups
- ☐ Other, specify

PR 20.3	Additional information.
----------------	-------------------------

We actively encourage nominated charities to promote their organisations within our shopping centres, taking full advantage of the high levels of footfall.

Outputs and outcomes

PR 21	Voluntary	Additional Assessed	PRI 1,2
--------------	------------------	----------------------------	----------------

PR 21.1	Indicate whether your organisation measures how your approach to ESG issues in property investments has affected financial and/or ESG performance.
----------------	--

	Financial performance
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- ☒ We measure how ESG issues affect financial performance

PR 21.2	Describe the measures your organisation uses to assess the impact of your approach to ESG issues on your property investments' financial performance.
----------------	---

We include ESG issues into the business planning process e.g. the impact of low graded EPCs. We have also entered two benchmarks, GRESB and EcoPAS.

- ☐ We do not measure how ESG issues affect financial performance

	ESG performance
--	-----------------

☒ We measure changes in ESG performance

PR 21.3	Describe the measures your organisation uses to assess the impact of your activities on your property investments' ESG performance.
----------------	---

We have an active programme which includes the setting and monitoring of waste, water and energy targets against our largest assets.

☐ We do not measure changes in ESG performance

PR 21.4	Additional information.
----------------	-------------------------

The property industry has not as yet found a definitive link between ESG issues and financial performance.

PR 22	Voluntary	Descriptive	PRI 1,3
--------------	------------------	--------------------	----------------

PR 22.1	Provide examples of ESG issues that affected your property investments during the reporting year.
----------------	---

☒ Add Example 1

ESG issue	Flooding
Types of properties affected	Offices, retail and industrial
Impact (or potential impact) on investment	High
Activities undertaken to influence the investment and the outcomes	To understand the flooding risk, and factor this into the business planning.

☒ Add Example 2

ESG issue	Living Wage
Types of properties affected	Offices, retail and industrial
Impact (or potential impact) on investment	Medium
Activities undertaken to influence the investment and the outcomes	To research the impact of implementing the living wage across the direct portfolio.

☒ Add Example 3

ESG issue	Waste
Types of properties affected	Offices, retail and industrial
Impact (or potential impact) on investment	Low
Activities undertaken to influence the investment and the outcomes	To aim to divert 100% of waste from landfill.

☐ Add Example 4

☐ Add Example 5

PR 22.2	Additional information. [Optional]
----------------	------------------------------------

ESG issues can vary each year depending on purchases and sales, legislation, public sentiment and the investment mandate.

Communication

PR 23	Mandatory	Core Assessed	PRI 6
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PR 23.1	Indicate if your organisation proactively discloses ESG information on your property investments.
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☒ Disclose publicly

	provide URL
--	-------------

<http://www.uss.co.uk/UssInvestments/pmg/property/Pages/default.aspx>

PR 23.2

Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.

- ☐ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)
- ☐ Other property reporting standards, specify
- ☒ No property specific reporting standards are used

PR 23.3

Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.

- ☐ Yes
- ☒ No

PR 23.4

Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients/beneficiaries.

Public	Clients/beneficiaries
<input type="checkbox"/> ESG information on how you select property investments	<input type="checkbox"/> ESG information on how you select property investments
<input checked="" type="checkbox"/> ESG information on how you monitor and manage property investments	<input checked="" type="checkbox"/> ESG information on how you monitor and manage property investments
<input checked="" type="checkbox"/> Information on your property investments' ESG performance	<input checked="" type="checkbox"/> Information on your property investments' ESG performance
<input type="checkbox"/> Other, specify	<input type="checkbox"/> Other, specify

PR 23.5

Indicate your organisation's typical frequency of disclosing ESG information to the public and/or your clients/beneficiaries.

Public	Clients/beneficiaries
<input type="radio"/> Quarterly or more frequently	<input checked="" type="radio"/> Quarterly or more frequently
<input type="radio"/> Semi annually	<input type="radio"/> Semi annually
<input checked="" type="radio"/> Annually	<input type="radio"/> Annually
<input type="radio"/> Every two years or less frequently	<input type="radio"/> Every two years or less frequently
<input type="radio"/> Ad-hoc, specify	<input type="radio"/> Ad-hoc, specify

**PR
23.6**

Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries. [Optional]

We disclose our ESG information openly via our website and various internal reports and papers. This information relates to waste, water and energy reduction targets, and numerous management objectives.

- ☐ Disclose to clients/beneficiaries only
- ☐ No proactive disclosure to the public or to clients/beneficiaries

PR 23.7

Additional information. [Optional]

Each year we develop our reporting procedures, ensuring we are clear, transparent and accurate.

Universities Superannuation Scheme - USS

Reported Information

Public version

Direct - Infrastructure

PRI disclaimer

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Overview

INF 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

INF 01.1

Provide a breakdown of your organisation's internally managed infrastructure investments by equity and debt.

Infrastructure investment instruments	Percentage of your internally managed infrastructure investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Debt investments	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Total	100%

INF 01.2

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
- ☐ N/A, we hold 100% debt investments

INF 01.3

Additional information. [Optional]

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

INF 02

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

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 checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors/their third-party operators	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Total	100%

INF 03	Voluntary	Descriptive	General
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 checked="" 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

INF 04	Voluntary	Descriptive	PRI 1-6
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INF 04.1

Provide a brief overview of your organisation's approach to responsible investment in infrastructure where you have equity stakes.

USS's direct infrastructure strategy and increase in target allocation was established in 2011/12. As a result the portfolio is not yet complete, and the focus to date has been on securing new assets for the fund. The fund's approach to responsible investment has therefore focused on the integration of ESG considerations into the pre-investment, due diligence phase.

USS has adopted an Enhanced Due Diligence (EDD) process for infrastructure assets. The EDD process seeks to identify any criminal, ethical, governance, reputational, environmental and social risks that could potentially affect the value of infrastructure investments. The process also considers whether the operators or USS's external managers (where relevant) have appropriate processes to mitigate these factors.

During the due diligence phase, EDD will consider ESG factors such as:

- Health and Safety management and performance
- Environmental management and performance including systems controls, pollution control, noise control and liabilities such as contaminated land and asbestos
- Stakeholder relations, including planning, regulators, local communities and employees/ unions
- Governance - including internal controls, key man risk, remuneration and alignment, other shareholders and board directorships

Post investment, the fund will generally seek a board position to enable effective, regular oversight and management of the asset.

Additional details on USS's infrastructure investment approach can be found at <http://www.uss.co.uk/ussinvestments/pmg/ied/Pages/default.aspx>.

INF 04.2

Provide a brief overview of your organisation's approach to responsible investment in infrastructure where you hold debt.

USS will undertake a similar level of enhanced due diligence, as outlined above, irrespective of whether we hold debt or equity in an asset. This is because, whilst roles in the governance structure and USS's degree of influence may differ, the risk posed by extra financial factors can impact asset performance whether we are an equity or debt holder.

INF 05**Mandatory****Core Assessed****PRI 1-6****INF 05.1**

Indicate if your organisation has a responsible investment policy for infrastructure.

- ☒ Yes
☐ No

INF 05.3	Additional information. [Optional]
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USS's RI strategy document and Statement of Investment Principles applies to all asset classes and we do not have a specific RI policy for infrastructure investments. However, the fund has a process document which governs the private markets due diligence process which includes USS's infrastructure investments.

This is available at <http://www.uss.co.uk/Documents/EDDMarch2014.pdf>

Pre-investment (selection)

INF 08	Mandatory	Gateway	PRI 1
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INF 08.1	Indicate if your organisation typically incorporates ESG issues when selecting infrastructure investments.
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☒ Yes

INF 08.2	Describe your organisation's approach to incorporating ESG issues in infrastructure investment selection. [Optional]
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Please see our response to question INF 04.1 for an outline of USS's investment process.

Examples include:

- Heathrow - the focus of due diligence was not limited to the management of the actual site (although this was reviewed). Critical due diligence was undertaken to understand environmental and social risks associated with a major airport, and to gain a view on policy issues that could impact the asset, particularly with regard to climate related policy.
- Rail transportation - USS has invested in two rail lines in Australia, both of which are designed to reduce road traffic to and from airports (Sydney and Brisbane). In undertaking due diligence for the assets it was important to ensure that safety standards were strong, and environmental risks (including those posed by a changing climate) are understood and managed.

☐ No

INF 09	Voluntary	Descriptive	PRI 1,4
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INF 09.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the infrastructure investment selection process.
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☒ Internal staff

☒ Specify role

Portfolio Manager / Private Markets team

☒ Specify role

Co-Head RI / RI Advisor

☒ Specify role

Operational Due Diligence

☒ External resources

☒ Environmental advisors

☒ Social advisors

☐ Corporate governance advisors

☒ Regulatory and/or legal advisors

☐ Other, specify type of advisors/roles

☐ No use of internal or external advice on ESG issues

INF 09.2

Additional information.

The Responsible Investment and Operational Due Diligence teams work closely with the infrastructure investment managers in the Private Markets Group to undertake enhanced due diligence as described in INF 04.1. External research covering some, if not all ESG considerations, will generally be commissioned by the vendor, the owners of the asset or their advisors, or by USS itself. The fund will specifically employ its own external advisors / consultants to assess ESG issues if these are deemed material for the asset under investigation.

INF 10

Mandatory

Core Assessed

PRI 1,3

INF 10.1

Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.

ESG issues

☒ Environmental

List up to three typical examples of environmental issues

Contaminated land

Climate Change - weather related risk, sea level rise, responses to policy risk

Flooding

☒ Social

List up to three typical examples of social issues

Labour relations

Health and Safety

Political risk

☒ Governance

List up to three typical examples of governance issues

Succession and key man risk

Remuneration and alignment of management

Control - shareholder agreements

INF 10.2	Additional information. [Optional]
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The risks faced by infrastructure assets will tend to be specific and unique to each asset, with factors such as country, location and political environment needing careful consideration. As a result, whilst there may be some issues that are common to most infrastructure assets (safety management for example), the potential impact of the issues, and the due diligence conducted, is likely to vary for each specific asset under consideration.

INF 11	Voluntary	Additional Assessed	PRI 1,3
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INF 11.1	Indicate what type of ESG information your organisation typically considers during your infrastructure investment selection process.
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- ☒ Raw data from the target infrastructure asset/company
- ☒ Benchmarks/ratings against similar infrastructure asset
- ☒ Sector level data/benchmarks
- ☒ Country level data/benchmarks
- ☒ Reporting standards, infrastructure sector codes and certifications
- ☒ International initiatives, declarations or standards
- ☒ Engagements with stakeholders (e.g. contractors and suppliers)
- ☒ Advice from external sources
- ☐ Other, specify
- ☐ We do not track this information

INF 11.2	Additional information.
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The sources and availability of data, and access to the management team, vary significantly deal by deal. However, all of the above could be within the scope of information sought - either through consultants, or through USS's desk based research, or through site visits to the asset.

In many cases, particularly those which are larger or more complex, specialist environmental due diligence will be undertaken using external consultants.

The due diligence will always include online research into the asset, the potential impacts of the asset (or similar assets) to identify any risks which may be present.

The EDD process (outlined in INF04.1) feeds into the investment decision making process, with risks and mitigating factors highlighted in a Private Markets Investment Committee (PMIC) report, upon which the final investment decision is taken.

INF 12	Voluntary	Additional Assessed	PRI 1
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INF 12.1	Indicate if ESG issues impacted your infrastructure investment selection processes during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☒ ESG issues led to the abandonment of potential investments
- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☒ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☒ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

INF 12.2	Additional information.
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Given the nature of infrastructure as an asset class, ESG issues are implicit factors considered within the context of most deals.

In terms of abandonment of investments, ESG factors are amongst many issues which are considered by the due diligence process. There have been a number of occasions where ESG factors have played a more critical role in a decision where, for example, the fund has been unable to get comfortable with the governance arrangements associated with an asset, or where the safety and security of assets have been called into question.

Selection, appointment and monitoring of third-party operators

INF 13	Mandatory	Core Assessed	PRI 4
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INF 13.1	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party operators.
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☒ Yes

INF 13.2	Indicate your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party operators.
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- ☐ Selection process of third-party operators incorporates ESG issues
- ☐ Contractual requirements when appointing third-party operators includes ESG issues
- ☒ Monitoring of third-party operators covers ESG responsibilities and implementation
 - ☐ For all third-party operators
 - ☐ For a majority of third-party operators
 - ☒ For a minority of third-party operators

INF 13.3

Provide a brief description of your organisation's selection, appointment and monitoring of third-party operators. [Optional]

With regard to the selection and monitoring of third party operators / management: When investing in infrastructure, the incumbent operator frequently continues to run the asset post investment. As a result, a core part of pre-investment due diligence is frequently an assessment of how well the existing management has been operating the asset: this would include governance and internal controls and the management of environmental and social issues.

Post investment, USS will usually hold a board position or have information and attendance rights for Board meetings / papers. Board meetings and reports will often include health and safety, environmental management and employee issues as standing agenda items. Through these mechanisms, the fund is able to gain oversight of management and third party operators on all operational issues, including ESG matters.

INF 13.4

Describe how your third-party operators contribute to the management of ESG issues for your infrastructure investments. [Optional]

As USS is a pension fund not an operator of assets, the fund relies heavily on external professionals to manage its directly held assets. Third party operators play a key role in the day to day management of any asset - including the management of ESG issues.

In addition to board positions (and the oversight this delivers, as outlined above), the fund undertakes site visits to assets to assess the on-going management of its infrastructure assets, including environmental and social issues. As many of the fund's infrastructure investments are relatively recent acquisitions, it is planned that such assessments will form part of the ongoing oversight process.

☐ No

INF 13.5

Additional information. [Optional]

Infrastructure as an asset class at USS is relatively immature, and the fund's portfolio is growing. As a result, due diligence prior to investment has been the focus of the fund's assessment of ESG issues to date.

Post-investment (monitoring and active ownership)

Overview

INF 14

Mandatory

Gateway

PRI 2

INF 14.1	Indicate if your organisation, and/or operators, consider ESG issues in post-investment activities relating to your infrastructure assets.
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☒ Yes

INF 14.2	Indicate how your organisation, and/or operators, considers ESG issues in the following post-investment activities relating to your infrastructure assets.
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- ☒ We consider ESG issues in the monitoring and operation of infrastructure
- ☒ We consider ESG issues in infrastructure maintenance
- ☒ We consider ESG issues in stakeholder engagements related to our infrastructure
- ☒ We consider ESG issues in other post-investment activities, specify

INF 14.3	Describe how your organisation, and/or operators, considers ESG issues in post-investment activities related to your infrastructure investments. [Optional]
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USS has secured board positions at most investee infrastructure assets. Through participation on the board, the fund receives regularly updates on the financial performance, risks and ESG activities at investee assets. Information may be received informally via discussions and emails, and formally through board papers and board meetings. Board meetings tend to be held on a quarterly basis.

The board will consider strategy, implementation, risk management and alignment of executives. In doing so, USS staff receive reports from management and/or external sources on ESG issues such as remuneration, environmental management and performance, health and safety performance, union relations, human resources, internal controls, regulatory and other stakeholder issues, governance structures etc.. Environmental and social issues are frequently a standing issue at board meetings for infrastructure assets and the board will also oversee the establishment of KPI's and targets relating to ESG issues where appropriate.

Through these mechanisms and on-site visits the fund is able to monitor investee management and deliver oversight to executives post-investment. It is likely the fund's capacity in this area will develop as the portfolio matures.

☐ No

Infrastructure monitoring and operations

INF 15	Mandatory	Core Assessed	PRI 2
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INF 15.1	Indicate the proportion of infrastructure assets where your organisation, and/or operators, included ESG performance in investment monitoring during the reporting year.
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- ☒ >90% of infrastructure assets
- ☐ 51-90% of infrastructure assets
- ☐ 10-50% of infrastructure assets
- ☐ <10% of infrastructure assets

(in terms of number of infrastructure assets)

INF 15.2

Indicate ESG issues for which your organisation, and/or operators, typically sets and monitors targets (KPIs or similar) and provide examples per issue.

☒ Environmental

List up to three example targets per issue

Energy consumption and therefore carbon emissions

Noise

Potential implications of a changing climate.

☒ Social

List up to three example targets per issue

Health and Safety

Labour rights

Community engagement

☒ Governance

List up to three example targets per issue

Board structure and oversight

Minority shareholder rights

Remuneration

☐ We do not set and/or monitor against targets

INF 15.3

Additional information. [Optional]

Whilst there may not be specific targets or KPIs set for the above issues, either management, the operator, or USS, as part of the oversight function, will monitor performance of such ESG issues where they are material. The materiality of different issues will vary greatly between assets.

INF 16

Mandatory

Additional Assessed

PRI 2

INF 16.1

Indicate if you track the proportion of your infrastructure investees that have an ESG/sustainability-related policy (or similar guidelines).

☐ Yes

☒ No

INF 16.4	Additional information. [Optional]
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Whilst we do not track this as a specific metric, many of the fund's assets are in regulated or high profile industries where sustainability policies and reporting are required / standard industry practice. As such, the majority of USS's infrastructure assets would have an ESG or sustainability related policy (or similar guidelines).

In addition, a significant number of the assets in USS's portfolio publish their own CSR reports, or have sustainability sections on their websites. For example:

- Heathrow - <http://www.heathrowairport.com/about-us/community-and-environment/sustainability>
- ConnectEast - <http://www.eastlink.com.au/page.aspx?cid=110>

INF 17	Voluntary	Descriptive	PRI 2,3
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INF 17.1	Indicate the type and frequency of reports you request and/or receive from infrastructure investees covering ESG issues.
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Type of reporting

☒ Overarching portfolio asset/company reports or similar where management disclosure, financial and ESG data are integrated

Typical reporting frequency

- ☐ Quarterly or more frequent
☐ Semi annually
☐ Annually
☐ Every two years or less
☒ Ad-hoc, specify

☐ Standalone reports highlighting targets and/or KPIs covering ESG issues

☒ Other, specify

Information provided in board papers

Typical reporting frequency

- ☒ Quarterly or more frequent
☐ Semi annually
☐ Annually
☐ Every two years or less
☐ Ad-hoc, specify

☐ No reporting on ESG issues requested and/or provided by infrastructure investees

Infrastructure maintenance

INF 18	Mandatory	Core Assessed	PRI 2
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INF 18.1	<p>Indicate the proportion of active infrastructure maintenance projects where ESG issues have been considered.</p> <p> <input type="radio"/> >90% of active maintenance projects <input type="radio"/> 51-90% of active maintenance projects <input type="radio"/> 10-50% of active maintenance projects <input type="radio"/> <10% of active maintenance projects <input checked="" type="radio"/> N/A, no maintenance projects of infrastructure assets are active </p> <p>(in terms of number of active maintenance projects)</p>
INF 18.2	<p>Describe your approach to ESG considerations for infrastructure maintenance projects. [Optional]</p>

This level of information is probably too detailed for a pension fund to be expected to collect and collate. This is the type of data that would be expected by the managers of the asset to collect.

Stakeholder engagement

INF 19	Voluntary	Additional Assessed	PRI 2
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INF 19.1	<p>Indicate which stakeholders your organisation, and/or operators, engaged with on ESG issues in relation to your infrastructure assets during the reporting year and what proportion of your investments they apply to.</p>
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	Stakeholders engaged
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☒ Regulators

	Percentage of infrastructure assets these apply to
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- ☐ >90% of infrastructure assets
☒ 51-90% of infrastructure assets
☐ 10-50% of infrastructure assets
☐ <10% of infrastructure assets

(in terms of number of infrastructure assets)

☒ Communities

	Percentage of infrastructure assets these apply to
--	--

- ☐ >90% of infrastructure assets
☐ 51-90% of infrastructure assets
☒ 10-50% of infrastructure assets
☐ <10% of infrastructure assets

(in terms of number of infrastructure assets)

- ☐ Other stakeholder, specify
☐ Other stakeholder, specify

INF 19.2	Describe your approach to stakeholder engagements in relation to your infrastructure assets.
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Where appropriate USS would (and has) engage directly with stakeholders, in particular regulators where the asset is part of a regulated industry. More often however, stakeholder engagement will be conducted by the executive team operating the asset: given the nature of infrastructure assets, such engagement is very common and generally will be co-ordinated by the asset operator.

Outputs and outcomes

INF 20	Voluntary	Additional Assessed	PRI 1,2
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INF 20.1	Indicate whether your organisation measures how your approach to ESG issues in infrastructure investments has affected financial and/or ESG performance.
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	Financial performance
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- ☐ We measure how ESG issues affect financial performance
☒ We do not measure how ESG issues affect financial performance

	ESG performance
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- ☐ We measure changes in ESG performance
☒ We do not measure changes in ESG performance

INF 20.4	Additional information.
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Whilst USS does not systematically record data associated with the ESG performance of its infrastructure assets, the management of our assets certainly do. The fund believes that this is a more appropriate level for such information to be collected and used. Where ESG issues are more material, we would anticipate they would be reported to the board as outlined in our response to INF14.3.

INF 21	Voluntary	Descriptive	PRI 1,3
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INF 21.1	Provide examples of ESG issues that affected your infrastructure investments during the reporting year.
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☒ Add Example 1

ESG issue	Community engagement on environmental matters
Types of infrastructure affected	Transportation
Impact (or potential impact) on investment	The asset undertakes extensive engagement with community groups to seek better community and political relationships and protect the asset's license to operate.
Activities undertaken to influence the investment and the outcomes	The initiative was underway prior to USS investment. http://www.heathrowairport.com/about-us/company-news-and-information/airports-commission/local-community

☒ Add Example 2

ESG issue	Sustainability
Types of infrastructure affected	Toll road
Impact (or potential impact) on investment	Reputation, community and political relations; mitigating risks of fines, breach of concession terms and / or clean up liability costs from pollution.
Activities undertaken to influence the investment and the outcomes	USS is invested in ConnectEast which holds the concession to operate the EastLink motorway in the outer south-eastern suburbs of Melbourne. ConnectEast recognises their responsibilities extend to delivering social and environmental improvement to the regions in which they operate. The company has committed to several environmental and social sustainability initiatives, and publicly report on their activities via an annual Sustainability Report. Initiatives cover issues such as air quality, landscape and habitat, water run off, noise, road safety, recreational/ fitness use, charitable donations to fire fighting charities and art. See http://www.connecteast.com.au/page.aspx?cid=600

☒ Add Example 3

ESG issue	Environmental, H& S
Types of infrastructure affected	Transportation
Impact (or potential impact) on investment	Fuel efficiency and safety key factors in assessing attractiveness of investment
Activities undertaken to influence the investment and the outcomes	USS invested in NATS, the UK's leading provider of air traffic control services. The asset's record on aviation safety, reduced delays and promoting the most fuel efficient routes and holding patterns formed part of the rationale behind the investment. http://www.uss.co.uk/news/Pages/USSinvestsinNATS.aspx

☐ Add Example 4

☐ Add Example 5

Communication

INF 22

Mandatory

Core Assessed

PRI 6

INF 22.1

Indicate if your organisation proactively discloses ESG information on your infrastructure investments.

- ☐ Disclose publicly
- ☐ Disclose to clients/beneficiaries only
- ☒ No proactive disclosure to the public or to clients/beneficiaries