

Implementation Statement 2024 – a snapshot

This is a summary of our Implementation Statement, which confirms how the Statement of Investment Principles has been followed throughout the year and outlines the scheme's voting and engagement behaviours.

USS's Implementation Statement (the Statement), sets out how, and to what extent, our investments have followed the Statement of Investment Principles (SIP) and the Default SIP during the scheme year ending 31 March 2024. It applies to both the Retirement Income Builder, the defined benefit (DB) part, and the Investment Builder, the defined contribution (DC) part.

Review of the SIP and Default SIP

Following the completion of the 2023 valuation, we reviewed and considered updates to the SIP in March 2024. A formal consultation with employers on the proposed updates took place during April 2024, and the new SIP was finalised in May 2024. This year's Implementation Statement is based on the previous SIP that was in place for 2023/24. We'll be reporting against the new SIP next year.

How the SIP has been followed during the year

- ✔ **Following our review, we believe that the SIP, the Default SIP, and the Stewardship and Voting Policy have been accurately followed during the scheme year April 2023 to March 2024.**

The kind of investments held:

- For the Retirement Income Builder (the DB part), there were no changes to the Valuation Investment Strategy (VIS) over the year to 31 March 2024 and the Implemented Portfolio corresponds to the actual investments held in the DB part. The Implemented Portfolio invests in a range of asset classes, such as, but not limited to, listed equities, government bonds, commodities, and private market assets including equity and debt, infrastructure, and property.
- For the Investment Builder (the DC part), we regularly review our DC fund options against member requirements and make enhancements as required. The investment objectives of the USS Default Lifestyle Option funds are designed to deliver long-term returns above inflation, while protecting against market volatility in the years before retirement. The type of assets held in the Do It For Me and Let Me Do It options depends on the objectives and strategy of each DC fund.

To keep things simple, we have used USS/we/our as a catch-all reference for different parts of the USS group. So, depending on where it appears, USS/we/our means either the scheme (Universities Superannuation Scheme), the trustee (Universities Superannuation Scheme Limited) or the trustee's principal investment manager (USS Investment Management Limited or USSIM). We may refer specifically to one of these three elements, where it is helpful to do so.

✔ **We are satisfied with the operation of our risk management and measurement processes.**

We believe that risk is best understood and managed using multiple approaches and have a structure in place to monitor the risks relevant to both the DB and DC parts. The SIP recognises USS's exposure to investment, funding, and operational risks. USS considers these risks when advising on investment policy, strategic asset allocation and portfolio management, and manager and fund selection when applicable.

Our Investment Framework for the DB and DC parts takes a holistic approach to both risk management and the assessment of USSIM's investment management performance. For risk management it uses a range of risk metrics across investment, liquidity, counterparty, and climate risks. For the assessment of USSIM's investment management performance, we use a range of investment objectives with investment balanced scorecards. The scorecards include six important categories and there is one scorecard for each of DB and DC. These categories have been designed to be consistent with the best interests of the scheme:



You'll find how the Investment Committee has assessed USSIM's performance under the new Investment Framework at [our investment performance](#).

Responsible Investment

USS is a long-term, responsible investor with a legal duty to invest in the best financial interests of our members and beneficiaries, so we can pay pensions long into the future.

Our new Responsible Investment (RI) Policy was approved in March 2024, which sets out USS's investment beliefs about RI and its commitment to the RI principles. The RI Policy and the SIP set out the belief that USS is a Universal Owner. Universal Ownership involves having highly diversified and long-term portfolios that, by virtue of their large size, are broadly representative of global capital markets. You can read more about this in [our dedicated blog](#).

✔ **We believe our RI related policies and procedures in relation to engagement activities have been materially followed during the year.**

Details of our approach to responsible investment can be found [on our website](#) and in our latest [Stewardship report](#).



Specifically on voting, we believe there have been no material divergences from our voting policies during the year.

When we own shares in a company, it usually means we have the right to vote on how that company is run. As an active, long-term owner of the companies we invest in, exercising the right to vote is one of the cornerstones of our stewardship approach.

In January 2024, we introduced an updated Voting Guidance document which supports our Stewardship and Voting Policy. Key updates for the 2024 AGM season include an increasing expectation for board diversity, an increased focus on climate change and new sector specific criteria for antimicrobial resistance.

From April 2023 to March 2024, we exercised our vote at 99.9% of resolutions where we were eligible to vote. We voted against management at least once at 82% of eligible meetings. Below you'll find some examples of this year's significant votes:

- We voted against Shell's Energy Transition Progress Update as we no longer had confidence that Shell was making the overall progress we would expect, and for the Shareholder resolution for them to align their 2030 targets with the Paris Agreement. We also voted against the re-election of Shell's Chairman and the Chair of the Safety, Environment and Sustainability Committee due to concerns that the company's plans to decarbonise fell short of our expectations.
- We voted against the re-election of BP's Director due to the absence of meaningful engagement with shareholders following strategic changes to BP's net zero strategy, and the lack of opportunity to vote on the changes. We also voted for the Shareholder resolution, which requested that the board align climate change targets with the goal of the Paris Agreement.
- We voted for of all three shareholder resolutions at Electric Power Development's AGM as we had concerns with how the company's plans to manage the responsible decline of the coal portfolio align with its decarbonisation strategy, and how its compensation policy incentivised executives to work towards its climate goals.
- We voted against Glencore's Climate Progress Report as we did not consider the transition strategy credible regarding its projected thermal coal production exposure and capital expenditure.

For more on our significant votes see our full Implementation Statement in our [Report and Accounts](#). You can also find the outcome of all our voting actions [on our website](#).

Investment Governance



We believe our policies in relation to the arrangement with USSIM and any asset managers have been materially followed during the year.

The SIP covers USS's policy on how the arrangements with USSIM incentivise USSIM to make decisions in the long-term interests of USS. USS is satisfied that its arrangements incentivise USSIM to align its investment strategy and decisions with USS's policies, including whether to manage certain investments itself or to appoint external managers, because of the relationship between the trustee and USSIM, and the non-profit arrangements in place.

Financially material considerations



We are satisfied that the investment strategy and management of the assets are in the best financial interests of the members and beneficiaries.

USS has a legal duty to invest in the best financial interests of members and beneficiaries, with an appropriate level of risk. In carrying out this duty, we expect our investment managers (both USSIM and the external managers appointed by USSIM) to take into account all financially material considerations in the selection, retention and realisation of investments. This includes responsible investment considerations (such as, but not limited to, climate change) where these are considered relevant financial factors. This approach is implemented in three ways:

- Integration into investment decision-making processes
- Stewardship, engagement and voting rights
- Engagement with policymakers and regulators in markets in which we invest

We believe that addressing climate change is financially material and is in the best financial interests of our members. That's why we've set an ambition to be net zero by 2050 if not before. Take a look at our [TCFD report](#) for our latest progress towards net zero.

There are some circumstances where we may consider non-financial factors, such as when:

- They would not pose a risk of significant financial detriment to the scheme, for example, where the choice is between two investments which are broadly equivalent from a financial perspective, and
- USS has good reason to believe that all members would share each other's concerns about the non-financial factors

In the Investment Builder (the DC part), we are able to offer members an investment choice and therefore alternative options are made available. These are based on member research and allow members to reflect their views and preferences and take account of their own position on the risks of potentially lower returns. There have been no circumstances over the past 12 months outside of these alternative options where non-financial factors could be taken into account for investment decision-making.