

Stewardship Conflicts of Interest Policy



1. Introduction

We are a responsible, active and engaged steward of a diverse mix of investment assets both in the UK and internationally. As it is possible that conflicts of interest will arise from time to time in relation to these stewardship activities, we have created this policy.

This policy:

- Sets out USS Group's policy on how conflicts of interest should be managed in relation to stewardship; and
- Provides examples of when conflicts may arise in relation to the stewardship of USS's assets.

2. What is a conflict of interest?

Typically, a conflict of interest exists wherever a competing business or personal interest impairs the disinterested professional judgment of an individual (or entity) who has a duty to act in the best interests of another party.

There are many types of conflicts of interest that may arise in relation to stewardship activities, for example:

- One of the individuals employed by one of the external managers we appoint to manage our investments may be incentivised to deal with that investment so as to suit their own personal interests rather than USS's best interests;
- One of our professional advisers may have a personal relationship with one of our investee companies or its management team;
- One of our employees or directors may have a personal relationship with the senior management of, one of the companies in whom we hold shares;
- One of our employees or directors may be a director of one of the companies in whom we hold shares and may owe duties to that company in their capacity as a director that conflict with the duties to us;
- One of our external managers may be engaging with a contrary position to USS with a company in which we hold shares; or

- A USS Group individual may have a close relationship with one of our stewardship-related service providers.

In addition to managing actual conflicts of interest, it is also important that potential and perceived conflicts are effectively managed. See further below.

3. Defined terms

The following words and expressions shall have the following meanings when used in this policy:

- **“Affected Individuals”** means:
 - USS Group’s employees (including temporary employees), directors, non-executive committee members; and
 - USS Group’s contractors, secondees, external consultants and any agency personnel;
- **“conflicts of interest”** means:
 - *Actual conflicts of interest* (i.e. there is a real, existing conflict);
 - *Potential conflicts of interest* (i.e. there is a situation which may result in a conflict); and
 - *Perceived conflicts of interest* (i.e. a situation which there may appear to be a conflict, even if this is not the case).
- **“Group Conflicts Policy”** means the USS Group Conflicts of Interest Policy (to which this policy is annexed);
- **“Trustee”** means Universities Superannuation Scheme Limited, which is the sole corporate trustee of USS;
- **“USS”** means Universities Superannuation Scheme;
- **“USS Group”** means the Trustee and any group undertaking (as defined in section 1161(5) of the UK Companies Act 2006) of the Trustee (which, for the avoidance of doubt, includes USSIM);
- **“USSIM”** means USS Investment Management Limited; and
- **“We”** or **“our”** refers to USS Group.

4. Who does this policy apply to?

This policy applies to all Affected Individuals and suppliers and advisers engaged in our stewardship activities.

5. What are the objectives of this policy?

The objectives of this policy are to ensure that in relation to conflicts of interest that arise in relation to the stewardship of USS’s assets that:

- All appropriate steps are taken to prevent, manage and disclose conflicts of interest;
- USS’s interests are at the forefront of all stewardship activities;
- The ethical standards of the USS Group are met;
- Legal and regulatory requirements, guidance and codes of practice are complied with; and
- The material risk posed by conflicts is minimised and eliminated where possible.

6. Policy principles

We are committed to ensuring that USS's best interests are at the forefront of everything we do. We expect all our employees, directors, contractors and suppliers to uphold the highest standards of conduct and comply fully with this policy and all associated documentation. Any breach of this policy will be taken extremely seriously.

We take appropriate steps to manage and prevent conflicts of interest in the context of stewardship and investment management, including by:

- Reserving certain decisions to the boards of the Trustee or USSIM (and their sub-committees). This includes a requirement that the Trustee board approves our voting policy;
- Having a voting policy that sets out how we will vote the shares of the UK and international companies in which we invest thus minimising the risk that conflicts of interest arising in respect of investee companies impact the way in which we vote their shares. The operation of this policy is delegated to the USS Responsible Investment Team who are responsible for ensuring it is complied with. In addition, we record and publicly disclose our voting actions on USS's website;
- Providing summaries of our voting activities in our Annual Report and Accounts and Stewardship Code Report;
- Requiring those of our employees that are appointed by us to our special purpose vehicles or investee companies to undergo training on how to manage any conflicts of interest that could arise;
- Requiring Affected Individuals to declare and manage conflicts of interest in accordance with the Group Conflicts Policy and to disclose any breaches of that Policy;
- Having a Whistleblowing Policy which supports employees in making disclosures regarding conflicts of interest without fear of reprisals;
- Including appropriate references to acceptable employee conduct and compliance with the Group Conflicts Policy within our internal compliance manuals and other appropriate documents/policies;
- Providing training on the identification, disclosure and management of conflicts of interest;
- Reviewing the conflicts of interest that are declared, assessing them and determining how they should be managed (for example by the relevant individual recusing themselves from decision making);
- Maintaining conflicts of interests registers and logs. Conflicts of interest also appear on the agenda for each meeting of the Trustee and USSIM boards and their sub-committees;
- Applying other relevant policies and procedures including in relation to gifts and hospitality, external appointments, personal account dealing and investment research payments;
- Establishing measures to ensure confidential information and unpublished price-sensitive information received by USSIM or other members of the USS Group is managed appropriately;
- Explaining annually, in our Stewardship Code Report, information about where we have identified and managed any conflicts of interest related to our stewardship activities. This includes disclosing examples of how we have addressed those conflicts; and
- Periodic reviews of the adequacy of USS Group's systems and controls.

See below in relation to suppliers and advisers.

7. Our external managers, suppliers and advisers

In relation to our stewardship activities, we require that all suppliers and advisers (including external managers):

- Undertake all activities so as to mitigate, avoid or manage any conflicts of interest or any abuse of an individual's position of trust and responsibility; and
- Have processes and procedures in place to identify any conflicts of interest.

USS Group has a detailed on-boarding process for all suppliers which includes consideration of conflicts of interest. Prior to appointing any suppliers or advisers in relation to our stewardship activities, we will consider whether the adviser has any conflicts of interest and, if required, consider what steps are necessary to manage any conflicts of interest arising in relation to an adviser. We will also consider conflicts of interest during our ongoing management of our relationships with these suppliers and advisers.

We are also aware that there are potential misalignments between our approach to stewardship, and the stewardship activities of external managers which could lead to conflicts of interest. To address the potential agency problem, we incorporate stewardship into our external manager selection, appointment and monitoring processes. Where possible we retain the right to determine how votes will be cast, irrespective of whether the assets are managed by ourselves or by a third party. In addition, this risk is also mitigated by the majority of USS's investment assets being managed by USSIM which is part of the USS Group rather than by external asset managers. Whilst there is a risk of conflict arising between the Trustee and USSIM (and we have put processes in place to manage and mitigate this risk) on the whole the interests of the Trustee and USSIM are aligned.

8. Annual Review

This policy and the Group Conflicts Policy are both reviewed annually, and any changes are approved by, or on behalf of, the Trustee Board.