



# The Universities Superannuation Scheme's Response to the Climate Emergency

A Report by DivestUSS

Summary

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[divestuss.org](https://divestuss.org)

## 1. Summary

USS (the Universities Superannuation Scheme) is the largest pension fund in the UK by assets (approximately £90 billion).

Despite “long recognising the... risks” of climate change,<sup>1</sup> USS still has large investments in the industries responsible for the climate emergency. We recognise that USS has made plans to decarbonise its investment portfolio, and can see that this presents many complex challenges, in particular because much data is unavailable. However, even so, we consider there are fiduciary as well as moral duties to make deeper structural changes to their portfolio immediately. We do not have the time to wait for full data.

It is the view of many USS members that their pension scheme should urgently take further action, including divestment from fossil fuel companies.<sup>2</sup> Other major pension funds have taken this action (such as ABP, the huge Dutch public sector fund),<sup>3</sup> as have the fund managers of many UK universities (around 100 of which have committed to fossil fuel divestment).<sup>4</sup>

## USS's current position:

1. Its top 100 holdings include over £570m in fossil fuel companies;
2. Its list of all holdings includes 48 leading fossil fuel companies;
3. It has £18bn in pooled investment vehicles, which are not easily disaggregated into source investments;
4. It has holdings in banks/insurance companies that are significant lenders to, and underwriters of, fossil fuel producers with consequent carbon emissions;
5. It does not provide information on lending to fossil fuel companies, through the purchasing of bonds and similar investment vehicles;
6. It has committed to 'net zero' by 2050, with interim targets of a 25% reduction by 2025 and a 50% reduction by 2030 from 2019 levels for the emissions from the private companies across its public and private equity and debt portfolios.<sup>5</sup> However, it reports that it has only achieved a 3.7% reduction between 2019-2021 for this element of its portfolio, so may struggle to achieve the 2025 target.<sup>6</sup>
7. It reports that the carbon footprint data on around half of its assets is unreliable or missing, and that only 12.5% of its assets can currently be stated to be consistent with the Paris Climate Agreement.<sup>7</sup>
8. The 2022 USS £5bn "climate tilt" – in one public equity portfolio only – does not cover the first year of the reductions required by their current policy, and covers less thereafter;
9. It provides no analysis of the credibility of its assumed carbon offsetting;
10. It claims that the policy of 'engagement' with companies such as Shell is leading to significant progress towards decarbonisation. However, its voting record on shareholder resolutions at AGMs tends to support the company directors' plans, rather than challenge them to take more urgent action;
11. It argues that its fiduciary duty to members' financial interests prevents divestment from fossil fuels. However, this takes no account of medium and long-term risks of such assets becoming stranded, and is inconsistent with their decision to divest from tobacco, thermal coal and unconventional weapons;
12. It has not published the results of the 2020 survey of active USS members (undertaken by Maastricht University) on their attitudes towards sustainable investment.

## **We recommend that:**

1. USS should immediately stop purchasing bonds from those companies and supporting banks that explore for, and exploit, new fossil fuel reserves;
2. USS should conduct a more detailed assessment of the emissions impact of their current holdings, in particular the lending and underwriting of banks in which it invests, and an assessment of the emissions impact of the most cash rich companies in which USS is invested;
3. USS should publish full information on all its holdings;
4. USS should vote against the re-appointment of directors in companies that are not recognised, by external assessors, to have committed to a credible path towards zero emissions;
5. USS should divest from companies that have not committed to a credible path towards zero emissions, based on published criteria;
6. Given the systematic under-reporting of emissions by companies, the challenges of measuring the carbon emissions of an investment portfolio, and the evidence of accelerating climate change, USS should change its reductions commitments to 60% by 2030, and 100% by 2040;
7. USS should commit to absolute carbon reduction targets for its portfolio, not intensity reductions. Any missing of targets on this trajectory should be agreed to be made up for within the two subsequent years;
8. USS should commit to excluding from its climate emergency plans both carbon offsets and the financing of carbon capture technologies;
9. USS should press Maastricht University to publish the 2020 member survey results, and should itself conduct a more comprehensive survey, covering all members (active, deferred, and pensioner) in 2022-23, after consultation with members on the survey's design;
10. USS should consider making its ethical fund the default option in its Defined Contribution section, and seek members' views on this;
11. USS should implement regular meetings with members to explain the actions being taken on emissions reductions;
12. USS should invite USS member climate scientists to provide evidence and information sessions for USS Board members.

**Read the full report at:**

**[divestuss.org/report](https://divestuss.org/report)**

## References

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<sup>1</sup> USS, 2022, *Taskforce on Climate-Related Financial Disclosures Report (TCFD)*, p.2

<sup>2</sup> DivestUSS, 7 November 2021, *October Meeting with USS*

<sup>3</sup> ABP, 26 October 2021, *ABP stops investing in fossil fuel producers*

See also: The Guardian, 26 October 2021, *One of world's biggest pension funds to stop investing in fossil fuels*

<sup>4</sup> People & Planet, August 2022, *Universities committed to pursuing fossil fuel divestment*

<sup>5</sup> USS, 14 February 2022, *USS announces interim targets to reaching Net Zero ambition*

<sup>6</sup> USS, 2022, *TCFD*, p.37

<sup>7</sup> USS, 2022, *TCFD*, p.36