

# Church Commissioners approach to CLIMATE CHANGE INVESTMENT



## About us

The Church Commissioners for England manage a **£9.2bn endowment fund** in an ethical and responsible way to support the **mission of the Church of England**. No new contributions can be made to the fund, which means that growth can only be created by positive returns on investments. These returns pay for around one-sixth of the total annual running costs of the Church of England, supporting its mission and ministry for today and for future generations.

We are committed to making a **positive difference when responding to the climate emergency**. In addition to reducing emissions within our portfolio, we also want to see the decarbonisation of the real economy. That means engaging with both policymakers and companies, and taking an approach that extends across the portfolio and is not limited to any particular asset class or fund.

## Impact investments in climate solutions

The Commissioners are global leaders in impact investment among their peers, investing their fund where there is a measurable beneficial social or environmental impact alongside financial return. In 2020, the Commissioners won the first award for Best in Impact Investing by Investment & Pensions Europe.

The Investment teams, in partnership with the Responsible Investment team, are consistently on the lookout for appropriate impact investments.

Over the year to July 2021, the **Commissioners invested more than £100m** into impact investments, with another £100m identified in the immediate investment pipeline.

As at year-end 2020, the Commissioners had just under **£630m in climate solution investments**.

# Q & A

## The Church Commissioners, their investment policy and climate change



### What is a universal asset owner?

The Church Commissioners are a universal asset owner. This means that our portfolio of assets reflects that of the diverse global investment ‘universe’. Investments are made into small start-up companies, through to the largest companies in the world. Investments are also made into all sectors of the global economy, and geographically across all continents.

The Commissioners invest in this way to have a ‘diversified’ portfolio. Having a diversified investment portfolio enables an investor to deliver more consistent returns with less volatility. This helps the Commissioners provide the Church with a more reliable and stable income every year.



### What is engagement?

An investor has the right to speak to the management of companies they own shares in about climate change, and other issues they might want to address, and to file and vote on company resolutions in relation to issues including climate change. The Commissioners are committed to divest from all fossil fuel companies not aligned with the goals of the Paris Agreement by 2023. We have already divested from all thermal coal and tar sands companies and from nine high-carbon companies that failed to reach the National Investment Bodies’ (NIBs) interim 2020 climate change hurdles.

The Commissioners believe the current ambition of public policymakers around the world is not sufficient. It is therefore a critical part of our engagement strategy to engage with public policymakers to ensure the enabling environment is in place to allow us to meet the net-zero 2050 goals. The Responsible Investment team is involved in policy engagement with governments around the world through the UN-convened Net-Zero Asset Owner Alliance policy workstream, the Institutional Investors Group on Climate Change policy working group, and as members of the Investor Policy Dialogue on Deforestation, of which the Commissioners are Co-Chairs of the Indonesia engagement.

**Divestment is not something the Commissioners shy away from if it is necessary.**



## Why 2050 when the rest of the Church is 2030?

The Church Commissioners are supportive of the General Synod's 2030 net-zero target with respect to its operational footprint, and we want to support our colleagues across the Church in working towards that target.

At the same time, the Commissioners recognise that in our role as a universal asset owner it is vital to help the global economy to transition to net zero, and therefore commit to reducing the footprint of our investment portfolio by 2050.

In January 2020, the Church Commissioners committed their investment portfolio to being net zero by 2050, in line with the Paris Agreement, as a member of the UN-convened Net-Zero Asset Owner Alliance. This target was set before the Synod set its 2030 net-zero target for the Church, excluding the investment portfolios of the NIBs, in February 2020. In 2021, the Commissioners set an interim target to cut the portfolio's carbon intensity by 25% by 2025, based on 2019 levels.

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## Some people have questioned why these goals are not aligned to the same date. There are two reasons for this.

- 1 The Commissioners' Investment approach is based on trying to decarbonise the real world, based on academic research and industry best practice. The Commissioners do not have the direct power to make companies in their investment portfolio net zero. Instead, we use our power as a shareholder to engage with companies. The 2050 net-zero target for our investment portfolio maximises the impact we can have on climate change, by using our voice and convening power to influence companies to transition. This is important not only because it will mitigate climate change but also because it will help secure the endowment in the long-run.
- 2 The Church's path to net zero by 2030 is through making operational changes to churches, cathedrals and other church buildings and assets. The Carbon Reduction target paper (GS 2159) put to the Synod in February 2020 specifically recognised it wouldn't be appropriate for the NIBs (including the Commissioners) to be included in an earlier target and that 2050 was more realistic.



## Why not divest from fossil fuel investments now?

The Commissioners are often asked why they remain invested in carbon intensive companies, and don't divest now. The reason is that we believe we can make a much greater impact in the world by staying invested in companies and changing them through direct engagement as a shareholder (where there is a belief that such engagement may lead to change), rather than divesting and handing our shares over to other investors, who may not have this objective. For example, 12 companies made changes to their strategy and operations in 2020 in response to the NIBs' extensive engagement regarding alignment to the Paris Agreement, while nine that didn't were divested. Yet the Commissioners

are committed to divesting from all fossil fuel companies not aligned with the Paris Agreement goals by 2023.

The Commissioners focus on using their influence as a responsible investor to engage companies and policymakers on setting and supporting net-zero targets, thus bringing more constituents of their portfolio on to the same decarbonisation pathway. As asset owners with holdings across all aspects of the global economy, the Church Commissioners' journey to net zero is reliant on influencing change in the real economy and policy environment as a whole, rather than implementing carbon-saving measures ourselves.

“ It's part of our strategy to engage. We do divest from companies that have shown they aren't engaging. If you look at the leadership we're showing on climate change, we're not the laggards, we're at the leading edge ”

**Bishop David Walker**

DEPUTY CHAIR OF CHURCH COMMISSIONERS