

Church Commissioners approach to CLIMATE CHANGE INVESTMENT



About us

The Church Commissioners for England manage a **£10.3bn 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.

The Church Commissioners is committed to making a **positive difference when responding to the climate emergency**.

In addition to reducing emissions within our portfolio, the Church Commissioners 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.

Investing in solutions

Investing in solutions covers a range of activities. It includes investing directly in sustainable forestry, funds investing in climate infrastructure or green buildings, or investing in shares of large listed companies that help decarbonise the economy through funds that have a general mandate that fits within our responsible investment approach. Our investments in assets that address climate change and in publicly listed companies focused on climate solutions add up to more than £800mn. In addition to this £800mn, we also invest in and enable initiatives in other parts of the portfolio.

For example, we work with and enable our farming tenants to provide climate solutions, including consent for renewable energy, supporting improvements to slurry infrastructure or updating lease terms to ensure climate resilience. We have also invested with external asset managers who are investing in

line with the energy transition, although those investments are not categorised as a solution, and in funds which have a broader focus on environmental and social impact combined with the aim of setting science-based targets for the companies in the fund. The following examples form part of our holistic approach to investing in climate solutions.

Key Priorities

- Improve our ability to capture investments in climate solutions across the portfolio
- Continue to work with our Real Assets portfolio to adopt climate solutions
- Continue to invest in climate solutions across the portfolio

Q & A

The Church Commissioners, the investment policy and climate change



What is a universal asset owner?

The Church Commissioners is a universal asset owner. This means that the 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 Church 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 Church 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. In 2023 the Church Commissioners excluded all remaining oil and gas majors from its portfolio, and all other companies primarily engaged in the exploration, production and refining of oil or gas, unless they are in genuine alignment with a 1.5°C pathway. We have already divested from all thermal coal and tar sands companies and from 28 high-carbon companies that failed to reach the National Investment Bodies' (NIBs) 2021 climate change hurdles.

The Church Commissioners believe the current ambition of public policymakers around the world is not sufficient. It is therefore a critical part of the engagement strategy to engage with public policymakers to ensure the enabling environment is in place to allow net-zero 2050 goals to be met. 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 Church 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 is 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 its 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 the investment portfolio by 2050.

In January 2020, the Church Commissioners committed its 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 does not have the direct power to make companies in its investment portfolio net zero. Instead, the Church Commissioners use its power as a shareholder to engage with companies. The 2050 net-zero target for the investment portfolio maximises the impact on climate change, by using the Church Commissioners' 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 Church Commissioners) to be included in an earlier target and that 2050 was more realistic.