

Church of England Pensions Board

Adam C.T. Matthews
Director, Ethics and Engagement

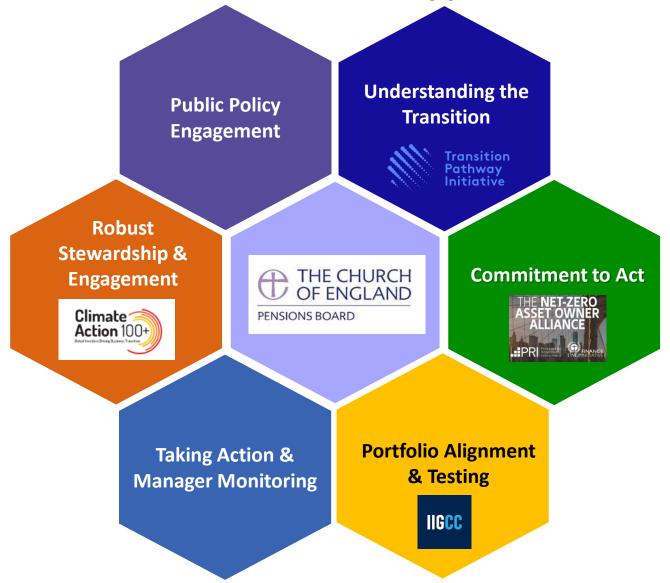
Fund Outline

- ■£2.8 billion AUM and growing
- ■38,000 current and future beneficiaries (clergy and church workers)
- Long term institutional investor invested globally and across multiple asset classes
- ■Embed ethical policies into our investment approach
- Climate Change viewed as both a financial and ethical risk



1 yr (to end of 2019)	15.5% (net of
	fees)
3 yr	8.2% p.a.
5 yr	8.6% p.a.
10 yr	9.2% p.a.
15 yr	8.0% p.a.

Serving Our Beneficiaries' Interests: Our Approach to Climate Change



Understanding the Transition









Public Policy Engagement Understanding the Transition



Asset Owner Tool

2017 Created & Co-Chair (on behalf of National Investing Bodies) with the Environment Agency Pension Fund the Transition Pathway Initiative (TPI) to provide an independent academic asset owner tool – expanding to sovereign & corporate bonds

Supported by 64 funds with \$19 trillion AUM

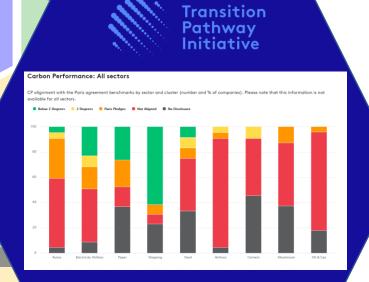
Robust
Stewardship &



Transition

THE CHURCH OF ENGLAND
PENSIONS BOARD





Robust Engagement & Stewardship

Robust

Stewardship &

Engagement

Climate 🗲

Action 100+

TPI Indicator Framework underpins \$42 trillion AUM supported CA100+

Model Engagement Framework based on Shell CA100+ engagement

Co-Chair with UBS of Mining & Steel **Engagement Group**

Developing Value Chain Engagement/Ecosystem with Swedish AP Funds

TPI integrated into Proxy voting & AGM Resolutions

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Public Commitments

2015 Climate Policy Adopted sets aims

2018 Commitment

Climate 🗲 Action 100+

New Manager Monitoring Framework: imbedding climate criteria & TPI analysis

Passive Index: Development of FTSE-TPI Climate Transition Index £600m

Impact Investment: £125m impact investment commitment

Infrastructure (low carbon): £85m

Private Equity Mandate: Exploring low carbon opportunities with new mandate

Taking Action & Manager Monitoring Port

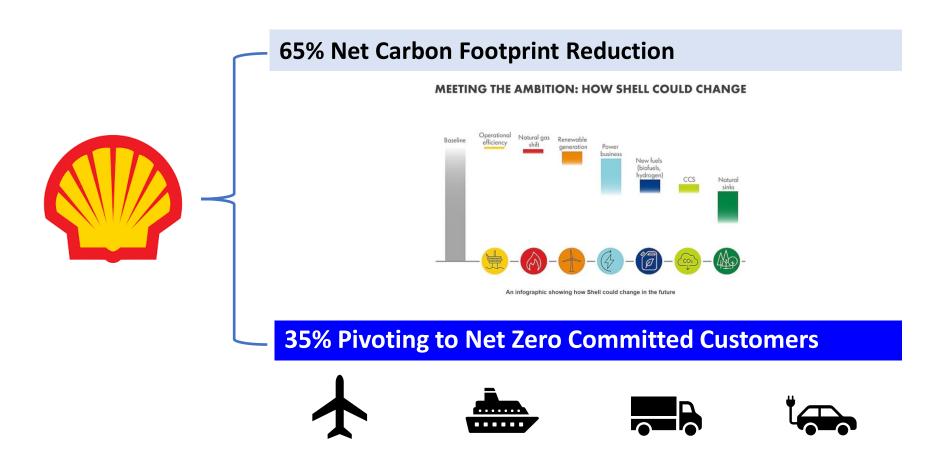
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Robust Engagement & Stewardship

Case Study: Net Zero Pathway



Taking Action & Manager Monitoring

Public Policy Engagement Understand

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Index overview

FTSE

Russell

half of

Robust
Stewardship &
Engagement

Climate Action 100+



FTSE TPI Climate Transition Index Series

Aligning a global equity portfolio with the climate transition

all to the

Passive Index: Development of FTSE-TPI Climate Transition Index £600m

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opportunities with new mandate

Taking Action & Manager Monitoring

Portfolio Alignment & Testing

IIGCC

2020 Commitment to Net Zero Asset Owners Alliance by 2050

Develop Asset Owner Framework:
Co-Chair with Dutch Fund (APG on behalf ABP) the IIGCC Paris Aligned Investing Initiative (PAII) to develop a transparent and credible framework for Pension Funds to deliver Net Zero commitments Portfolio Wide Testing & Reporting:
Scenario testing by Mercer, PAII Vivid Economics and reporting against TCFD

Public Policy Engagement

Supporting Public Policy Interventions (IIGCC/PRI) and leadership of funds like Brunel

New Sovereign Bond Approach through TPI

Corporate Climate Lobbying Programme with AP7, BNP, ASI & New Global Lobbying Standard

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IIGCC The Institutional Investors Group on Climate Change





THE CHURCH OF ENGLAND

Annex 1: EUROPEAN INVESTOR EXPECTATIONS ON CORPORATE LOBBYING ON CLIMATE CHANGE

October 2018

Key asks from investors informing TPI's 2020-2025 strategic plan

- An increase in the number of companies and sector covered
- More geographical coverage to include companies in high impact sectors who have a small presence internationally but a big presence in the domestic setting
- An expansion of the asset classes we cover to include Sovereign and Corporate Bonds



on

Scenario testing by Mercer, PAII Vivid

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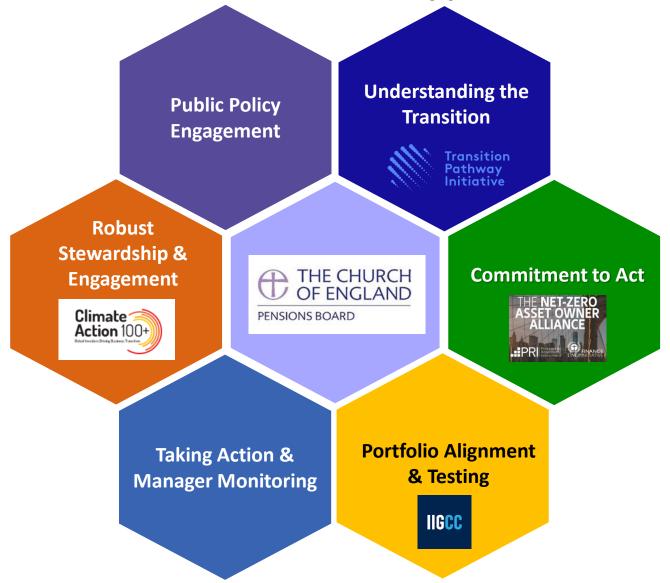
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Climate OF ENGLAND
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Taking Action & Manager Monitoring

Serving Our Beneficiaries' Interests: Our Approach to Climate Change







WHAT?

WHY?

OUTPUT

1. PLANNING AND DISCUSSION SET EXPECTATIONS, IMPROVE UNDERSTANDING, E,S or G?

JOINT, ACTIONABLE POLICY



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JOINT, ACTIONABLE POLICY

2. ANALYSIS / MONITORING

UNDERSTAND STARTING POINT AND PACE OF CHANGE

SET PRIORITIES AGREE PLAN



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3. IMPLEMENT

MAKE PORTFOLIO CONSISTENT WITH POLICY

PROGRESS TO TARGETS



3. IMPLEMENT

CONSISTENT WITH

POLICY

WHY? OUTPUT WHAT? SET EXPECTATIONS, 1. PLANNING JOINT, **IMPROVE** AND ACTIONABLE UNDERSTANDING, **DISCUSSION** POLICY E,S or G? Large scheme / engaged sponsor **Bespoke target UNDERSTAND** setting 2. ANALYSIS / SET PRIORITIES STARTING POINT AND **MONITORING** AGREE PLAN PACE OF CHANGE **Engagement** with managers **Impact** investing MAKE PORTFOLIO

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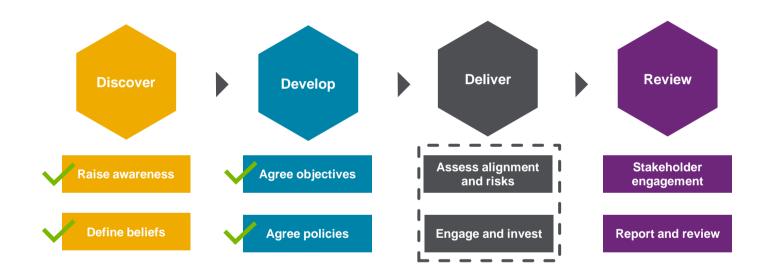


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The Responsible Investment Roadmap







Can capability keep up with the ambition?

50%

reduction in carbon emissions needed over the next decade to limit the rise in global temperatures to no more than 1.5 degrees Celsius above pre-industrial levels by the end of the century

73%

of trustees believe that climate change will impact on returns within a timeframe they are concerned about

47%

of trustees believe they have a duty and an ability to help tackle climate change





How are pension schemes addressing this?

Scheme A

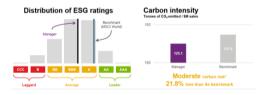
Beliefs

Sponsor initiated

Objectives and policies

ESG "best-in-class"

Assess alignment and risks



Engage and invest

Replace equity managers





How are pension schemes addressing this?

Scheme A

Scheme B

Beliefs

Sponsor initiated

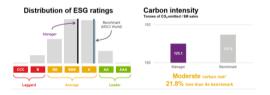
Trustee initiated

Objectives and policies

ESG "best-in-class"

Invest for impact = returns
Do no harm

Assess alignment and risks



Portfolio deep dive

Engage and invest

Replace equity managers

Full alignment



Empower Results®