

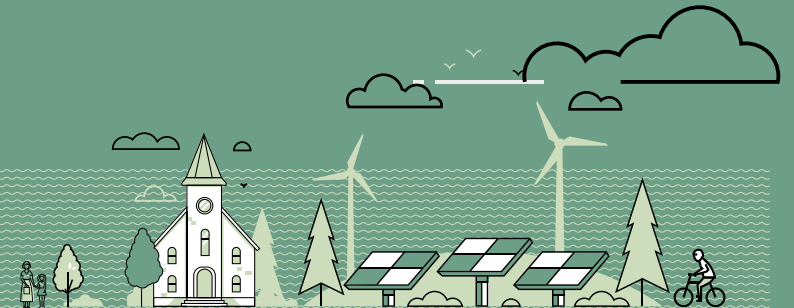


For the Common Good: Stewardship at the Church Commissioners

Stewardship report 2020



The Church
Commissioners
for England





Welcome to the Church Commissioners Stewardship Report 2020

There has never been a greater need for responsible and ethical investment. Companies and investors must act now to combat climate change and a host of social challenges highlighted by Covid-19. In 2020, we worked to meet these challenges, and, towards the end of the year, reviewed our responsible investment priorities. Our future work will be grounded in two themes: Respect for the Planet and Respect for People.

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For more information on how we distribute our returns, please visit our Annual Report.





Who we are and what we believe

We are a unique investment body...

We manage the Church of England's endowment fund – some £9.2 billion – to support the Church's mission in perpetuity. The way we do it must contribute to the common good, and so we seek to make the Church's teaching and values real in all our work.

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Who we are



“In the very first book of the Bible, humanity is given responsibility for stewardship of God’s creation. The story of God’s creative and redemptive love, explored through stories, moral precepts and poetry in the books that follow, provides insight and challenge to every generation, not least our own. Our responsible investment work takes that body of wisdom as its moral compass. It guides us in the very particular challenges and opportunities to invest for good purpose as well as to achieve the returns necessary to enable Church ministry in our poorest communities.”

Bishop of Manchester, David Walker
Deputy Chair, Board of Governors

Who we are

The Church of England owns a diverse portfolio of assets, currently worth £9.2 billion. The Church Commissioners, a charitable body established in 1947, is responsible for managing those assets in a manner that will fulfil the Church’s mission and fund the Church in perpetuity.

We have two duties. We must create long-term financial returns to fund the activities of our churches, cathedrals and dioceses, which deliver the Church’s mission in its most direct way. And we must make sure that the way we invest, and the things we invest in, bring benefits to the wider world. In this way our assets can work hardest to change things for the better.

We are governed by our Assets Committee which has exclusive power and a duty to act in all matters relating to the management of the Commissioners’ assets subject to any general rules made by the Board.

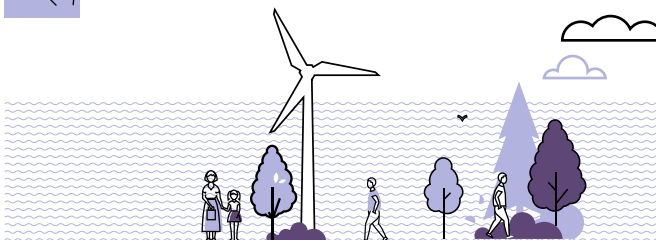
A responsible, ethical investor

Our goal is to be at the forefront of responsible investment. Being a responsible investor means being an active one, using the power of our voice to encourage companies to make the changes the world needs.

Responsible investment is about holding a diversified portfolio across asset classes, investing for the long term, and integrating environmental, social and governance (ESG) issues into everything we do. Our approach is shaped by advice from the Ethical Investment Advisory Group (EIAG). The advice also applies to the Church’s two other investing bodies, the Church of England Pensions Board and CBF Church of England Funds.



For more info on how we distribute our returns, please visit our Annual Report

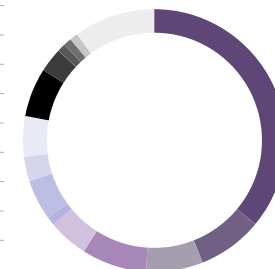


Our returns contribute to the common good and support ministry by:

- Funding mission activities
- Supporting ministry costs in dioceses with fewer resources
- Paying bishops’ ministry and some cathedral costs
- Administering the legal framework for reorganising parishes and settling the future of closed church buildings
- Paying clergy pensions for service prior to 1998

Breakdown of assets under management as at 31/12/20

Public equities	35.6%
Defensive equities	7.5%
Multi-asset	7.3%
Private equity	9.5%
Timber	4.7%
Infrastructure	0.9%
Credit strategies	4.7%
Commercial property	2.9%
Residential property	5.3%
Farmland	6.5%
Strategic land	2.9%
Indirect property	1.2%
Value-linked loans	0.9%
Currency hedging	0.2%
Cash and equivalents	9.9%



The Church’s National Investing Bodies

- The Church Commissioners – responsible for the endowment fund
- The CBF Church of England Funds – responsible for the individual investments belonging to parishes, dioceses, Church schools and Church charitable trusts
- The Church of England Pensions Board – responsible for retirement housing and pensions for those who have served or worked for the Church



Welcome from our Chief Investment Officer, Tom Joy



“Our ambition is to be at the forefront of responsible investment; in effect, our approach is to do good as we seek the returns that play such an important part in supporting the Church’s work.”



Responsible investment isn’t new – but it is arguably more important than ever. And while the Church Commissioners’ endowment fund has a long history of investing ethically, we know that there is a role for us in building momentum for investment that goes further in having a positive, real-world impact on issues that matter.

Our commitment to responsible investment applies across all assets, including real estate.

This approach fits with the values and purpose of the Church, and of the Church Commissioners. And it aligns with our fiduciary duty as stewards of the fund, because applying an ESG lens to investments helps us ensure that they will continue to support the Church in the long term.

Demonstrating effective stewardship

This report has been prompted by the Financial Reporting Council’s new Stewardship Code, which asks UK investors to report against it and to demonstrate how they are performing against its 12 principles. At the same time, we hope it will help our beneficiaries and other stakeholders understand how we approach responsible investment, and how we believe we are aligned with the Stewardship Code’s definition of high standards of stewardship: ‘the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society’.

Delivering returns to support the Church’s work

We know that responsible investment must also be sound investment. Our ability to support the Church’s work in perpetuity relies on earning sustainable returns from our investments, and we are constantly focused on performance. Our endowment was worth £9.2 billion at the end of the year.

We continued to meet our returns target of CPIH+4%. Our longer-term numbers also remained strong, with our 5-, 10- and 30-year performances all ahead of our target return.

This level of performance must not be taken for granted, especially as investors generally are likely to be entering a period of lower returns across all markets. We will only maintain strong returns if we continue to invest and manage funds responsibly and well. We do so with the conviction that investing for financial returns and investing for positive social and environmental impact are not only compatible, but mutually supportive.

“Investing for financial returns and investing for positive social and environmental impact are not only compatible, but are mutually supportive.”

The PRI Leaders’ Group and Impact Investing Award

We have been named in the PRI Leaders’ Group in its inaugural year, 2019, and again in 2020. The Leaders’ Group showcases PRI signatories that are ‘at the cutting edge of responsible investment’, and highlights trends in what these leading signatories are doing. We were again recognised in responsible investment (RI) awards this year, winning IPE’s inaugural award for Best in Impact Investing in 2020.



Welcome from our Chief Investment Officer, Tom Joy_{continued}

Going further than ever to achieve impact

The year has seen significant progress in our ambition to harness our investment to generate positive impacts on the environment and society globally. In November 2020, we published a report on our progress in creating a framework to target, manage and measure the social and environmental impacts of our investments – a key tool in helping us understand how and where to allocate capital effectively to deliver both financial and non-financial impacts.

At the same time, we continued with our work of identifying the key issues and engaging with companies, policy-makers and peers to shape change – work we support through our voting policy and record, described on pages 12 to 14.

We also showed we are willing to take a stand on the issues that matter. In January 2020, for example, we joined the United Nations-convened Net-Zero Asset Owner Alliance, which commits members to transition their investment portfolio to net-zero greenhouse gas emissions by 2050. As part of our commitment, we will also be setting interim targets and reporting on our progress against these every five years to 2050: a significant step for a fund such as ours, covering a wide range of actively-managed asset classes.

Climate change remains our top engagement priority – and we describe our approach in detail on pages 18 and 19. It is the area where we have the most in-depth dialogue but it is far from the only issue we focus on. Among the many effects of the Covid-19 pandemic has been the spotlight it has shone on social inequality. The wider need to help societies build back from its effects once again underlines the need for strong, impact-focused, responsible investment.

I am confident that with the team and processes we have in place we will play an important part in the Covid-19 recovery – not least because of the commitment and flexibility that everyone at the Church Commissioners has shown during these sad and challenging times. I believe our values and culture helped us make a smooth transition to working from home, and that while Covid-19 may have changed the way we do our daily work, it has not changed the principles and sense of purpose that underpin the way we invest.

Tom Joy
Chief Investment Officer

This report is reviewed and approved by our governing body, the Assets Committee, and signed by our Chief Investment Officer.

Covid-19

We have been able to support the Church during the pandemic by funding sustainability grants specifically to help dioceses and cathedrals meet the financial challenge of Covid-19.

The first package totalled £75 million of liquidity support, working with the Archbishops' Council, and we followed this up with the establishment of a £35 million diocesan sustainability fund as well as a £10 million expansion of the cathedral sustainability fund; these were earmarked in particular for short-term assistance to dioceses and cathedrals in 2020 and 2021.





Being different, to make a difference

Bess Joffe, Head of Responsible Investment



“Respect for the Planet and Respect for People... reflect our values and our beliefs that climate change, nature loss and unjust social structures are harmful to the world and present significant and complex portfolio-wide risks.”

We are not like other investors

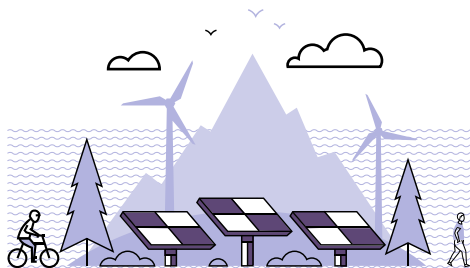
That was clear to me as soon as I joined the Church Commissioners Responsible Investment (RI) Team in 2020. I was recruited over Zoom. All around, Covid-19 was changing lives and livelihoods. Black Lives Matter protests were shining a light on social injustice. And report after report continued to underline the urgency of the crisis in our climate and our ecosystems.

So the two themes of our updated RI Policy – Respect for the Planet and Respect for People – could not be more resonant. They reflect both our values and our beliefs that climate change, nature loss and unjust social structures are harmful to the world and present significant and complex portfolio-wide risks. The world needs to change and being part of that movement makes investment sense, both ethically and financially.

For the Church Commissioners, this means helping to shape, lead and innovate, rather than follow. We integrate ESG thinking into our analysis, and we engage, vote and advocate to shape policy and drive the changes in company behaviour we want to see. And we are committed to impact investment. In 2019, the Commissioners began to develop a pioneering framework to measure and manage impact across our strategically managed portfolio.

But while we’re passionate about doing things differently, we never forget we have to do things right. Our task as the RI Team is made easier by the strong leadership we have from our valued trustees, our CEO and our CIO and the continued support of our investment colleagues.

We’re convinced that when ESG issues are well managed they deliver positive impact on the long-term performance of investments. So we know that RI is essential for an endowment that helps fund the Church in perpetuity.





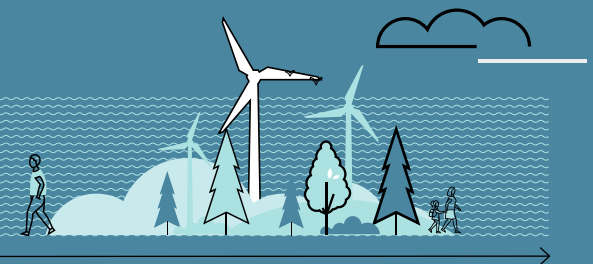
How we do stewardship

...investing as a force for good in the world...

To invest as a force for good, we must ask ourselves: do we invest and use our influence to get companies to change? Or do we not invest at all and therefore have no voice? We are guided by the view that, where we remain invested, we will work for positive change.

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Ethical exclusions

“The Ethical Investment Advisory Group works with the NIBs to develop practical and timely advice, driven by their needs to respond to increasingly complex ethical issues and invest in a way that is distinctly Anglican. While practice and understanding change over time, the Christian guiding principles of promoting social justice, human flourishing and the common good endure.”

Barbara Ridpath
EIAG Chair

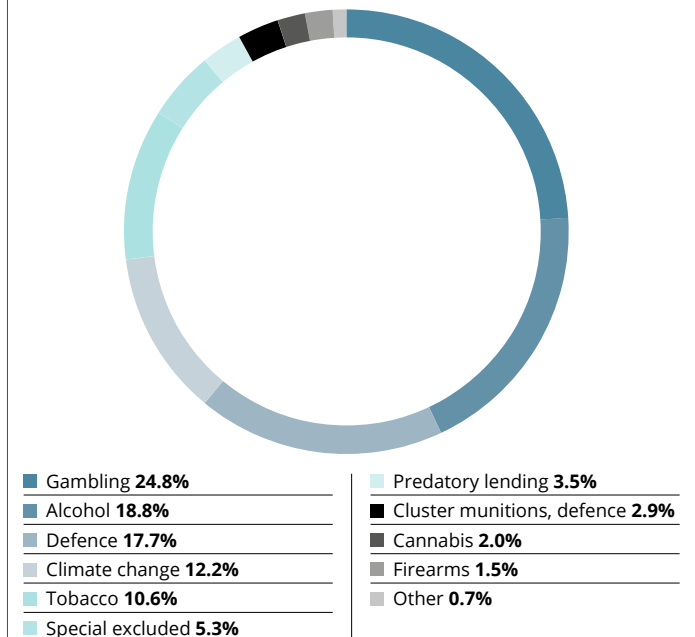
Our ethical approach

Our duty, along with our fellow NIBs, is to invest ethically, in a way that is distinctly Christian. This means our entire approach must align with the Church’s teaching and values. In practice this covers everything from how we decide which assets to invest in, how we manage those assets both directly and through partners, and how we function as an organisation.

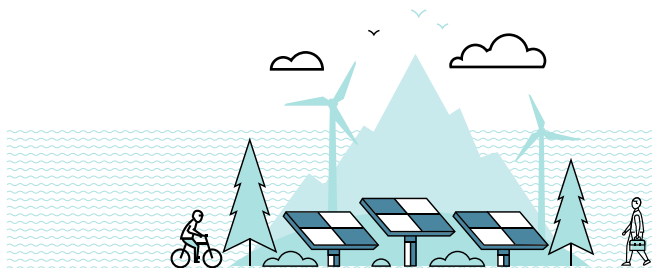
In determining what is and is not ethical, we rely on the guidance of the Ethical Investment Advisory Group (EIAG), which supports all three NIBs. It develops ethical advice which informs policies that are developed by the NIBs. Once the policies are approved by the NIBs’ governing bodies, the policies are made public and implemented.

We exclude from our direct investments companies involved in indiscriminate weaponry, conventional weaponry, non-military firearms, pornography, tobacco, alcohol, gambling, high interest rate lending, extraction of thermal coal and production of oil from oil sands, subject to revenue thresholds. Our approach to indirect investments is shaped by our Pooled Funds Policy. This sets parameters for our use of pooled funds and a cap on indirect exposure to restricted investments.

In 2020 we identified 459 companies which were in breach of our ethical policies. The operational oversight of the ethical exclusion is undertaken by the Screening Committee. The Committee is formed by staff representatives of the NIBs. The Committee reports to the NIBs’ senior management and ultimately to the NIBs’ CEOs.



This reflects the restricted list as of October 2020 (effective from October 2020 to January 2021). The list is based using constituents of the MSCI ACWI IMI, Russell 3000 and Numis Smaller Companies indices.





Active ownership

ESG integration



“The Assets Committee seeks to ensure that ESG considerations are integrated into all investment decisions and not just an add-on or ‘nice to have’. The two pillars, Respect for the Planet and Respect for People, sit at the forefront of our minds when making investment and engagement choices. In this way, we acknowledge the opportunities we have to act for the common good and reflect our values and beliefs that climate change, nature loss and unjust social structures are harmful to the world and present significant and complex portfolio-wide risks.”

Loretta Minghella

First Church Estates Commissioner

Putting our Responsible Investment Policy into action

We believe that responsible investment is an intrinsic part of being a good investor, for both ethical and financial reasons. Our RI Policy outlines our approach to RI and the reasons behind why we take our approach. At an overarching level, our RI commitments are based on the Church Commissioners' Investment Policy and ethical policies we adopt as advised by the EIAG. We divide our work into three pillars: Respect for the Planet, Respect for People and Corporate Governance. Our RI Policy then outlines the tools we utilise to try and achieve these outcomes, of which active ownership is one of the most important.



For more info, please visit our [Responsible Investment Policy](#)

An ever-more responsible team

The RI Team is composed of six ESG expert analysts, headed by Bess Joffe, who joined the team in August 2020. Bess joined the Church Commissioners with an established record of leading stewardship efforts and reports to Tom Joy, our Chief Investment Officer. The RI Team is integrated in the Investment Division. It contributes with its expertise in several areas spanning from integration of ESG into contractual matters to representing the Commissioners on external advisory committees.

Our guiding principles for responsible investment are the UN-backed Principles for Responsible Investment (PRI), UN Guiding Principles on Business and Human Rights, and our commitment to transition our investment portfolio to net-zero GHG emissions by 2050. Our in-house team sponsors their implementation across our portfolio, including with our

external asset managers. In the same way that we don't tell our asset managers how to think or invest on our behalf, we don't require them to become PRI signatories either, for example. However, we do expect them to actively consider responsible investment and find their own expression of it, such that we can be confident that what they do on our behalf is in line with our principles.

To that end, we developed our own Responsible Investment Manager Framework, against which we assess and rate all our managers in all asset classes once a year. We understand that some managers might not score highly from the outset, and we're taking a responsible investment journey with them. However, we are firm about our RI expectations. If a manager persistently underperforms against our RI expectations, we question their alignment with our mission and may reassess the allocation.

ESG integration in our investments

Working with the people who manage our investments is critical to our success. In 2020, we continued to engage with managers on climate change across public equities, private equities, private debt, infrastructure and real estate.

We use these engagements with our managers to outline our 2050 net zero ambition and to discuss their capacity and plans for carbon reporting and decarbonisation. We have produced guidance for our private equity general partners (GPs). A number of our GPs have either completed or are in the process of completing carbon reporting for their portfolios and exploring decarbonisation strategies.





Active ownership

ESG integration continued

We own 92,700 acres of forest land within our timberland portfolio. This is all certified as sustainably managed, and in aggregate we invest around £400 million in sustainable forestry. In 2020, our investments paid for 2.5 million trees to be planted across 3,386 acres. We also own just under 4,000 acres of woodland within England (in our rural portfolio), which includes Sites of Special Scientific Interest and conservation areas.

Land use and climate change

In 2020, we began a 'natural capital' assessment of all our rural land and forests, to create a baseline for their carbon footprint and also to understand better their impact on broader environmental issues such as air quality and biodiversity. **The results will feed into our 2025 target-setting process. They should also support our ability to protect and enhance the natural capital on our directly-held land.**

As part of our net zero commitment and involvement with the Asset Owner Alliance (AOA) we carried out a comprehensive carbon footprint assessment of our real estate portfolio ahead of the 2025 interim carbon reduction targets. Following this, we are working with consultants to develop a real estate strategy for achieving net zero emissions by 2050.

ESG integration with internally managed assets

We incorporate ESG considerations in all asset classes, including property. We assess new direct property investments against our Property Investments Policy, checking the property uses and tenants for breaches of our ethical investment exclusions. Cases of doubt or uncertain interpretation are discussed with the Head of Responsible Investment to ensure adherence to the Commissioners' ethical policies, and may be referred to our trustees.

We consider material environmental and social issues as part of our due diligence process, and we employ property managers after a tender process that includes ESG considerations such as health and safety, fire safety, disability non-discrimination, environmental and sustainability policies, quality standards, equal opportunities and data protection. For a case study on our Hyde Park Estate holdings, see page 20.

ESG integration with externally managed assets

We invest in private equity through specialist asset managers, known as General Partners (GPs). The vast majority of our work in private markets involves engaging with our GPs to integrate stewardship into their investment processes.

We assess all current and prospective GPs against our proprietary RI Manager Framework; managers have to meet a minimum score to be investable within our portfolio.

We contractually incorporate RI considerations in a side letter to the main legal agreement with our GPs which outlines our RI priorities and what we expect from them.

We have seen direct results from our engagement with GPs. For example, as part of our 2050 net zero target we contacted GPs to discuss their plans for carbon reporting and decarbonisation in the light of our long-term target and produced a guidance document on how to approach the issue. A number of our GPs are now in the process of carbon reporting their portfolios and exploring decarbonisation strategies.

In venture capital, the exercise of stewardship by investors is more challenging as the dynamic between investors and GPs is different. Nonetheless, we rate all of our venture managers on RI in the same way as our other investments, and raise issues such as climate change, diversity and other ESG-related matters with them.





Active ownership

Engagement

To be at the forefront of responsible investment, we need to engage with some of the companies we invest in so that we can work together to improve environmental, social and governance performance. It is our most powerful tool for shaping the outcomes we want to see from our management of our fund – and it is a field in which our values and purpose equip us to take a leading role.

We focus our engagement priorities on material ESG issues identified after consultation with our stakeholders including the EIAG, our Investment Division and the wider Church.

In 2020, we carried out a wide range of engagements on our key topics. Climate action and corporate governance, two of our core engagement themes, were where we engaged most with companies. We also discussed issues such as business strategy, human capital management, conduct and culture, and pollution and waste management.

One of our key risks is of course investment returns. We believe that good stewardship and the application of our responsible investment principles are drivers of long-term, sustainable performance and therefore contribute to mitigating that risk. Nonetheless we are cognisant of systemic, market-wide risks and the EIAG carries out periodic horizon scanning to support all NIBs in this respect. We also work closely on this with regulatory and industry bodies, including the UN PRI, and our stewardship service provider, EOS at Federated Hermes.

Alongside the EIAG and the NIBs in 2020 we continued our review on the impact of Big Tech on society and we formalised our approach on human rights and tackled the controversial gambling-like features in the gaming industry.

“My background is in environmental issues, and I have a keen interest in human rights, so I was really pleased to join the team in May 2020 as an analyst. It’s essential we know which companies may be breaching international norms so we can engage with them, either directly or via our fund managers, and encourage them to address these issues. I’m really proud to contribute to this work, because I know how important it is for all of our stakeholders.”

Rebecca Woods
RI Team

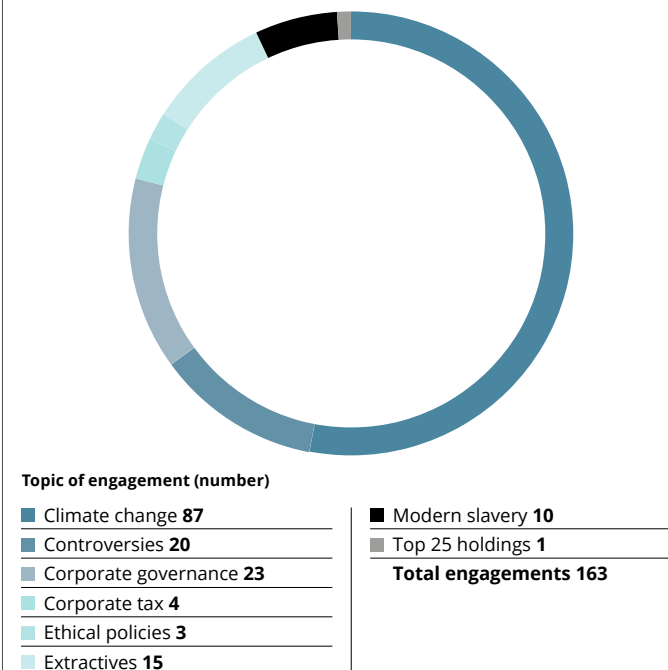
Expanding our engagement reach

In 2019 we appointed Hermes EOS as our external engagement overlay provider. Hermes EOS supports our engagement on a wide range of environmental, social and governance issues, complementing the work of our internal team. One of our reasons for appointing Hermes EOS was their focus on prompting companies to adopt business strategies aligned with the Paris climate goals. In 2020, Hermes engaged with 176 companies.

Disinvestment

We may divest from any individual company in any line of business due to ethical, environmental or social concerns if, after sustained dialogue, the company has not responded constructively to the issue we raise.

Our engagements





Active ownership

Voting

Voting is one of our shareholder rights which we leverage to shape companies' policies and encourage good governance. We have a joint voting policy with the Church Investors Group, which sets out our approach to voting on issues including executive pay, governance, diversity, modern slavery, audit, climate change policy, tax and employee pay. We expect boards to uphold best practice for addressing ESG issues as well as demonstrating risk oversight aligned with shareholder returns.

Our 2020 voting in numbers

19,281

votes cast (of which 80.2% were management resolutions)

17.8%

proportion of management resolutions we voted against or from which we withheld our vote

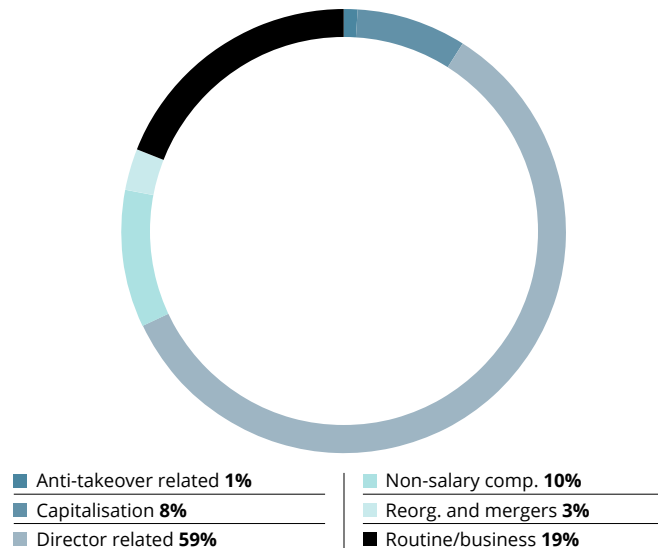
>80%

shareholder resolutions supported



For more info, please visit Church Investors Group

Our 2020 voting in numbers



Where we use our vote to dissent

While we will use our vote on a wide range of issues, the main areas that trigger dissenting votes are executive pay, auditor independence and board composition.

On executive pay, most of our dissent votes this year were triggered by executive pay schemes failing to integrate ESG metrics into their variable pay schemes, or when we considered companies' short-term awards to be excessive. This is particularly prevalent in US markets, where executive pay is outsized compared with other markets.

Our dissent votes on board composition are high partly because there are a large number of resolutions on this issue: in 2020, 59% of the resolutions we voted on related to director elections. Examples of our dissent include voting against the reappointment of Remuneration Committee Chairs because we are dissatisfied with executive pay and the lack of progress on the issue; and voting against the appointment of Audit Committee Chairs because we are concerned about the long tenure of an external auditor and have no information that the Board is addressing this issue.

Shares on loan

A small proportion of our shares are on loan. They amount to less than 0.5% of our assets under management, and we follow the International Corporate Governance Network's Code of Best Practice and recall all stocks ahead of companies' meetings.

We rely on ISS as proxy research advisor. We annually run due diligence to ensure that our votes have been casted according to our vote recommendations.



For more info, please visit our Voting Report



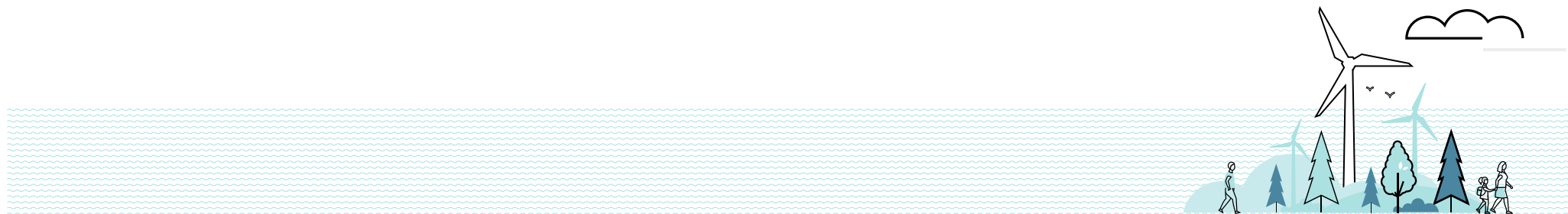


Active ownership

Voting_{continued}

Summary of our voting policy

Policy area	What we look for	Reasons for voting against or abstaining
Executive Remuneration Executive Remuneration Policy	<ul style="list-style-type: none"> Adoption of local best practices Excessive quantum Integration of ESG metrics Alignment with shareholder interests Alignment between executive and wider workforce's pay 	Against remuneration report/policy when failing our principles Against Remuneration Committee Chair (when concerns persist for more than 2 years) and whole Remuneration Committee (when pay scheme breaches more than three principles of our Executive Remuneration Policy)
Governance Statement of Ethical Investment Policy	<ul style="list-style-type: none"> Board composition and independence 	Against re-election of non-independent directors when board independence is not in line with local good practice and where there is evidence of poor attendance at meetings
Diversity Statement of Ethical Investment Policy	<ul style="list-style-type: none"> Board and senior management diversity 	Against Chair of Nomination Committee when board composition is less than 33% women (FTSE 350) Against all members of Nomination Committee when board composition is less than 25% women (FTSE 100) Against Chair of Nomination Committee where there are no women on the board (global) Abstain on report and accounts where there is no disclosure on gender diversity at Executive Committee level
Modern slavery Statement of Ethical Investment Policy	<ul style="list-style-type: none"> Modern slavery policy disclosure 	Abstain where the company's modern slavery statement is in the lower quartile of either Know the Chain or The Business and Human Rights Resource Centre's ranking of FTSE 100 companies
Audit Statement of Ethical Investment Policy	<ul style="list-style-type: none"> Disclosure of non-audit fees External auditor's tenure 	Against Chair of Audit Committee where there is no disclosure or excessive non-audit fees or auditor's tenure exceeds 10 years (EU) or 20 years (US)





Active ownership

Voting_{continued}

Summary of our voting policy_{continued}

Policy area	What we look for	Reasons for voting against or abstaining
Climate change Climate Change Policy	<ul style="list-style-type: none"> TPI Framework and Performance Pathway TPI management Lobbying disclosure 	<p>Against the re-election of Board Chair where the company has not reached at least Level 2 (i.e. companies assessed at Levels 0 and 1) of TPI Framework</p> <p>Against re-election of Board Chair where the company is included in the CA100+ programme, is in the electrical utility (power generation) sector, or is covered by TPI but does not have a TPI Performance Pathway that is either aligned or below the NDC (Paris Agreement) pathway</p> <p>Against auditors where the company faces risks associated with climate change but the auditor's report is silent on the issue</p> <p>Abstain on report and accounts applicable for CA100+ companies where there is no disclosure of lobbying activities or trade association membership</p>
Responsible tax	<ul style="list-style-type: none"> Tax transparency 	<p>Against re-election of Board Chair where the company (FTSE 350 and Russell top 50) shows no disclosure of corporate tax management</p>
Employee pay Executive Remuneration Policy	<ul style="list-style-type: none"> Living Wage 	<p>Abstain on remuneration report where companies that are FTSE 100 constituents in either the financial services, communications or pharmaceuticals sectors are not Living Wage accredited or have not met engagement standards</p>
Tailings	<ul style="list-style-type: none"> Tailings corporate disclosure 	<p>Against re-election of Board Chair where the company has not responded to a disclosure request made by the Investor Mining and Tailings Safety Initiative</p>

“At the Commissioners I ensure that we exercise our voting rights across our public equity holdings. This is in line with the International Corporate Governance Network’s Global Stewardship Principle 5 which states that “investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence and judgement across their entire portfolio in the interests of beneficiaries or clients. This approach is also consistent with the NIBs’ Statement of Ethical Investment Policy.”

Sheila Stefani
RI Team





Advocacy and collaboration

Collaborative engagement for driving change

Investors working together can have a more powerful influence in driving change within individual companies and for society as a whole. We believe we have a leadership role to play in initiatives that aim to shape policy and behaviour among the companies we and others invest in. In 2020, around half of our engagement interventions were undertaken as part of a collaborative effort.

“It’s been inspiring to use our position as a responsible asset owner to run collaborative engagements through Climate Action 100+. Building relationships with other investors and company management enables us to have an ongoing dialogue that leads to real change. Being able to enhance shareholder value whilst tackling the planet’s greatest challenge is a win-win opportunity!”

Harry Ashman
RI Team

Working collaboratively to address systemic risk in 2020

During the year, we supported a number of collective public policy initiatives to address systemic risk at a global level. These covered: ensuring fairness in governments’ Covid-19 recovery plans; various environmental and climate change issues; company regulation and directors’ accountability for the treatment of their employees; and objectionable content on social media.

Some of our key collaborations

- **Principles of Responsible Investment (PRI)** works to understand the investment implications of ESG factors and helps signatories incorporate ESG into their investment and ownership decisions. We have worked extensively with PRI, including in the development of our impact investment framework.
- **National Investing Bodies** are guided by the EIAG’s advice; the Church Commissioners jointly co-ordinates stewardship activities with the other NIBs on engagement programmes like extractives, controversies, tailings, modern slavery and tax. We also jointly set up policies based on the EIAG advice.
- **The Transition Pathway Initiative (TPI)** is a global initiative co-founded by the Church of England’s National Investing Bodies (the Church Commissioners, Church of England Pensions Board and CBF Church of England Funds). The TPI helps investors assess how well their portfolios are aligned with the goals of the Paris Agreement to restrict the global average temperature rise to well below 2°C.

- **The United Nations-convened Net-Zero Asset Owner Alliance**, which we joined in 2020, is an international group of 37 institutional investors, representing \$5.7 trillion of assets under management, which are committed to transitioning their investment portfolios to net-zero emissions by 2050. The Church Commissioners is involved in all workstreams of the Alliance: Engagement, Policy, Monitoring Review and Verification, and Financing Transition.
- **Climate Action 100+** is an investor-led initiative that aims to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change. We joined CA100+ at its inception and have taken the lead on engagement with three companies operating in energy, forestry and chemical sectors. For more on how we are addressing climate change, see pages 18 and 19.
- **Find It, Fix It, Prevent It – Modern Slavery Engagement**, a coalition of investors, led by CCLA, has demonstrated its support for the Find It, Fix It, Prevent It project by signing an investor statement. The statement supports three collaborative working groups which are taking action to encourage companies to do more to tackle modern slavery. A core part of the project is direct investor engagement with companies. This project seeks to promote better policies and processes for addressing slavery.
- **Wild West End**, of which we are a member, is a collaborative initiative among the largest West End property owners for protecting and enhancing biodiversity and safeguarding green spaces. Since 2016, we regularly monitor the quality of green spaces and key biodiversity species. We collectively set up restorative biodiversity programmes including the provision of nesting and feeding opportunities for birds and bats to counter their decline.





Impact investing

Win-win solutions

All investments have an impact on the world. While ESG analysis helps us understand how a company operates, assessing the outcomes of investment activities can help us direct capital towards better solutions for society, and also our portfolio.

For example, using our impact framework we've identified £480 million of our investments contributing to address environmental solutions. Not only do we expect these investments to increase in value as environmental issues are more effectively priced, but more importantly they address systemic issues like increasing global temperature. Greater investment into climate solutions will help reduce the overall long-term risk of all our portfolio investments in the face of climate change.

Our impact investment framework

In early 2019, we began the process of creating an impact investment framework to target, manage and measure impact across our whole investment portfolio. We spoke to several of our peers with impact investing experience, as well as leading industry bodies such as the PRI, the Impact Management Project (IMP) and the Global Impact Investing Network (GIIN).

Our framework aims to identify investment opportunities which could deliver environmental and social outcomes as well as being in line with our investment criteria. It also maps investment themes to the UN Sustainable Development Goals.

Six investment principles for our approach to impact investment

1. Fiduciary alignment

Our chosen approach should always be consistent with our fiduciary duty to provide an income for our beneficiaries.

2. Complementary

It should complement our existing responsible investment activities, and be useful and practical from an investor perspective.

3. Outcome-focused

It should be rooted in the non-financial priorities of our beneficiaries, aiming to deliver these over time.

4. Universal

It should cover and be implementable across our entire, multi-asset portfolio.

5. Flexible

It should have flexibility to evolve, given the nascency of impact investment and impact measurement.

6. Exemplary

It should be aligned with industry best practice, which will also continue to evolve.

“With impact investing, the goal is to expand *the risk-return frontier* to become *the risk-return-impact frontier*. Long-term investors can better serve their beneficiaries and society if the real-world outcomes of investments are embedded into the investment process. This is what we are trying to do at the Church Commissioners: develop a better understanding of the real-world outcomes of our investment activities to allow us to act not only as more responsible investors, but more sophisticated investors in general. It's exciting and humbling to work on these issues within an organisation where everyone is pulling in the same direction.”

Aaron Pinnock
RI Team



For more info, please visit our approach to impact investing





Outcomes in 2020

...acting in response to current issues...

Addressing the problems that harm the world today and in the longer term requires action now. Tackling the climate crisis is urgent – and no less so is improving people's lives today. Here we highlight some of our strongest outcomes from 2020.

In this section

- 18 Climate
- 20 Environmental
- 21 Social issues
- 22 Partnering with communities
- 23 Selecting our managers





Climate

In 2020, we expanded our climate engagements across all asset classes.

Climate engagement, escalation and divestment

Our approach is guided by the commitments made by all the Church of England National Investing Bodies (NIBs), including the Church Commissioners, in a July 2018 General Synod debate on climate change.

At that debate the NIBs reaffirmed their commitment to engage urgently and robustly with companies with poor ratings from the Transition Pathway Initiative (TPI) (see page 15). In 2020, we also committed to start disinvesting from companies that are not taking seriously their responsibilities to help the transition to a low carbon economy.

By 2023 we will disinvest from fossil fuel companies that, in our assessment, are not prepared to align with the goal of the Paris Agreement to restrict the global average temperature rise to well below 2°C.

Companies making changes to meet our climate hurdles

In 2020 the NIBs announced that 12 companies with which we were engaging intensively had made changes to meet our 2020 climate change hurdles. However, the NIBs restricted investment in nine companies which hadn't met the required hurdles, which were set using Transition Pathway Initiative (TPI) data.

Taking action across our portfolio

In addition to reducing emissions within our portfolio, we also want to see the decarbonisation of the real economy. That means engaging with both policy-makers and companies, and taking an approach which extends across our whole portfolio and is not limited to any particular asset class or fund.

We are expanding our knowledge of the carbon footprint of our entire portfolio so we can better understand the impact of our investments. We are engaging with our investment managers to get more detail within private markets, and partnering with consultants to develop carbon footprinting in specialised areas such as real assets. We hope to be able to report a whole-portfolio carbon footprint by the end of 2021 – one that looks forward, at future carbon issues, as well as at current performance.

Win-win investments in climate solutions

Energy transition is a key element of our infrastructure investment portfolio, and we look for opportunities to invest where we can strengthen the zero carbon networks of the future.

In April 2020, we made a £30 million commitment to the Zouk Electric Vehicle Charging Infrastructure Fund, which will support the roll-out of the UK's electric vehicle charger network. Zouk's largest investment is in Instavolt, one of the UK's leading EV charging operators, with a rapid charge network across the country and ambitious plans for growth.

Zouk, which has also secured a £200 million commitment from the UK Government, aims to enable substantial carbon savings by funding up to 164,000 EV chargers.

Installing 164,000 EV chargers in the UK would

save

387 million

kg of CO₂ emissions

replace the need for

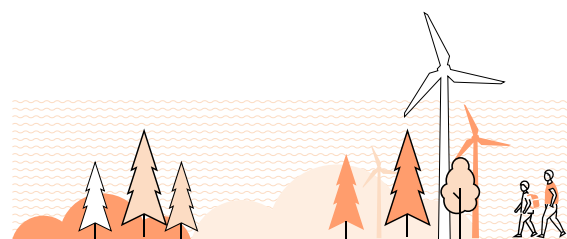
309 million

litres of petrol/diesel

prevent

3.5 million

kg of nitrogen oxide emissions





Climate continued

Our carbon footprint

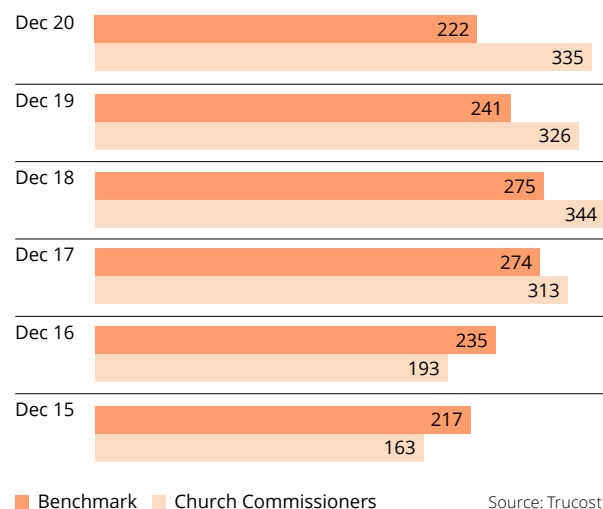
We have historically monitored the carbon footprint of our public equities portfolio relative to our benchmark (MSCI ACWI). We monitor our carbon footprint for two primary reasons: (1) to monitor the exposure that our investments have with regard to physical and transition climate risk, and (2) as responsible investors we believe it is important to stay aware of the carbon impact that our investments have. At the end of 2020 the carbon footprint of our portfolio was 335 tonnes of CO₂e per £1 million of revenue, compared to 222 tCO₂e for our benchmark.

Our carbon footprint is above the benchmark as a result of a small number of stock selection decisions by some of our fund managers. The 2020 figure also does not take into account the climate-related investment restrictions that we announced in December 2020, which will be reflected in our next reporting year.

Our responsible investment strategy is driven by our desire to enact real-world change, and as such we believe in undertaking constructive dialogue with companies, even when they are heavy emitters. We are committed to engaging with such companies and encouraging them to invest into low carbon solutions for their respective sectors. In cases where companies are unwilling to have proactive dialogue with us or other investors, we then consider divestment, as demonstrated through our climate-related investment restrictions programme.

Listed equities carbon footprint 2015–2020

Tonnes CO₂ equivalent per £1 million revenue

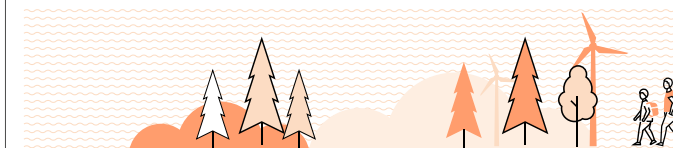


Net zero commitment

We are actively working on reducing our carbon footprint and in Q1 2021 we will set our first carbon emissions reduction target on the road to a net zero portfolio by 2050.

As members of the Net-Zero Asset Owner Alliance (AOA). This target will cover the period 2019 to 2025 and will be in line with the recommendations from the AOA. For our directly managed real assets portfolio, we will be taking a holistic approach to net zero, enhancing natural capital and carbon sequestration, whilst reducing emissions. Our primary goal is decarbonisation of the real economy, which we actively seek to realise through engagement with policy-makers and companies. **Our vision is a net zero emissions global economy by 2050, in which our portfolio will have a net zero carbon footprint.**

We have allocated capital to the FTSE TPI USA Climate Transition Index, which uses the Transition Pathway Initiative's (TPI's) analysis to adjust exposure to companies according to how prepared they are for managing the transition to a low carbon economy. This allows us to take the risks and opportunities of the climate transition through a passive mandate, with a positive impact on our carbon footprint in future years.





Environmental

Spotlight on the Hyde Park Estate

The Hyde Park Estate is one of London's 'Great Estates', and a jewel in the crown of our land portfolio, with around 1,700 residential properties, commercial, and retail units. A key part of its appeal is the work we have been doing on urban biodiversity to enhance the Estate's green spaces – not just traditional gardens, but other areas like putting green roofs on developments. We know that the decisions we make today for the Estate will be appreciated by its residents and businesses for many years to come, and the more we make it a desirable place to live, work, shop, eat out and visit, the better the financial outcomes will be for our beneficiaries now and into the future as well.



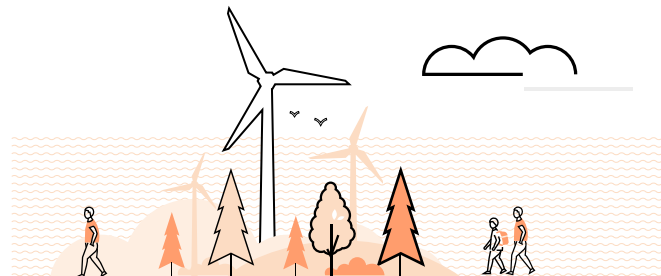
Green spaces

We steward our real assets by investing in green solutions and safety as well as being aligned with our ethical policies. Our relationships with our contractors and agents are shaped by our principles and we periodically engage with our tenants and local councils. In 2020 we began baselining our carbon footprint across all our real estate assets with the view of developing a pathway to net zero in line with our portfolio-wide commitment.

In 2018 the Church Commissioners set a target for 10% green space on the Hyde Park Estate.

In 2020 our efforts were recognised as we received double accolades from the Landscape Institute and the Ciria/ Susdrain Awards.

In 2020 we exceeded our own target by delivering 12.5% of green space on the Hyde Park Estate. This provision of green space is important for promoting sustainable living in urban spaces.



The Water Gardens in the Hyde Park Estate was recognised by the Landscape Institute and won the 2020 award in the category Excellence in Horticulture and Planting Design following its revamp in 2018/19. The Institute described the updated garden as:

“An inspiring example of a planting-led scheme. The project went beyond the original brief to explore the potential of planting across the site and to take every opportunity to increase the green content. The range and diversity of planting and the commitment to sustainable practices, including the unforeseen use of Sustainable Drainage Systems (SuDS) to provide water for irrigation, were impressive. This is a highly inclusive and innovative project that has taken a refreshing and forward-looking approach to a historic site and that has overcome and worked within considerable constraints.”

The Ciria Awards judges commented:

“A beautiful space creatively refurbished. Uncovering forgotten water management techniques. Bringing colour where so many grey spaces exist. This is quality thinking.”



Social issues

Big Tech and human rights

Despite the challenges of Covid-19, investors have continued to work collaboratively to address key systemic issues which benefit from collective engagement, such as the interface between Big Tech and human rights. Our approach is being shaped by the review currently undertaken by the EIAG.

“In 2020, I worked with other major investors to create a framework of clear expectations for Big Tech companies with regards to human rights, in collaboration with the Danish Institute for Human Rights.

I was also able to add value to the Big Tech discourse by inputting into the exempt solicitation in support of a shareholder’s resolution we co-filed at Alphabet. The resolution requested that the Board of Directors establish a committee to oversee Alphabet’s human rights risks.

Despite the fact that the resolution did not pass, our efforts, combined with those of the other co-filers, resulted in positive outcomes. Later in the year Alphabet announced changes to the Audit Committee’s terms of references. The Committee’s mandate now explicitly includes oversight of civil and human rights-related risks and the company also created a Human Rights Executive Council.

I look forward to continuing collaborative engagement on Big Tech and human rights in 2021, which will be supported by the recommendations of the EIAG Big Tech review.”

Olga Hancock
RI Team

Tailings dams – using our voice to address a systemic risk

Tailings dams represent a threat to the environment if not managed properly. There have been a number of very serious failures, most recently the Brumadinho dam disaster in Brazil in January 2019. This led to the loss of over 245 lives and 25 missing people (as of May 2019). To mark the anniversary of the disaster, in January 2020, we took part in an investor initiative led by the Church of England Pensions Board and the Swedish Council on Ethics to raise standards of tailings dam management and disclosure, including joining a collaborative investor initiative urgently calling for public disclosure by listed extractives companies of tailings facilities and risks. During the first half of the year, we also engaged with four companies that did not respond to investors’ requests, resulting in a disclosure from Exxon. We also contributed to the Global Industry Standard on Tailings Management, endorsed by the Global Tailings Review (GTR), United Nations Environment Programme (UNEP), Principles for Responsible Investment (PRI) and International Council on Mining and Metals (ICMM).





Partnering with communities

Tackling modern slavery in communities

In 2020, we worked with The Clewer Initiative on a campaign to raise awareness of modern slavery. In February we arranged a seminar with rural stakeholders, which resulted in the development of a phone app, in eight languages, to get the message out to farmers and workers about the risk of modern slavery. The Farm Work Welfare App, launched in July 2020, and endorsed by the National Farmers' Union, includes information on what to look out for, and allows users to report concerns to the UK's 24-hour modern slavery helpline.



Read more on this issue on The Clewer Initiative's website:
www.theclewerinitiative.org

Fostering thriving communities

Our Strategic Land portfolio includes land across England which, at present, is suitable for the delivery of approximately 28,500 new homes, of which we anticipate around 8,600 will be affordable. The scale of development varies from 25 homes to new communities of >2,500 homes, with all of the associated community benefits. These can typically include new primary schools, community venues, local retail centres and libraries. In addition, sports facilities and significant new areas of open space and new walking and cycle links and networks benefit not only new residents but the existing community. Additionally, we have a number of landholdings suitable for the delivery of significant employment opportunities, in some cases as part of substantial new mixed-use communities. Engaging with key stakeholders, including local authorities, existing communities and local parishes and dioceses, is at the heart of what we do.

In 2020 we commissioned Hoare Lea, a leading sustainability consultant, to help us to begin formalising our ESG materiality process within the Strategic Land portfolio. Our process is aligned with the global sustainable development agenda. We hope that by taking this approach, we will be able to maximise the wider societal and environmental benefits that our developments deliver for all communities where we have a presence across England.

In undertaking this work, we have regard to the five core values defined by the Archbishops' Commission on Housing, Church and Community, which articulates a clear vision of what good housing should be: sustainable, safe, stable, sociable and satisfying. We agree that these values are an important step in building thriving and successful communities.



For more info, please visit our Strategic Land
ESG Integration Report

"In 2020 we have undertaken important work on a materiality and social value analysis of all of our strategic land holdings. We actively encouraged broad stakeholder participation and, as a result, have generated a clear set of material issues for the Commissioners. In 2021 we will use these to establish key performance indicators to allow us to measure the future environmental and social performance of the portfolio."

John Weir
Head of Real Estate





Selecting our managers

Improving ESG integration

Almost all of our securities assets are managed by third party investment managers. We assess and work closely with all of our managers to ensure that they adopt good ESG integration and stewardship practices for the assets they manage on our behalf. We do this across all of our invested asset classes: listed equity, private equity, private debt and venture capital strategies.

Many of our managers demonstrate strong overall ESG integration in the investment due diligence process, but are generally less strong on specific climate change issues, such as incorporating scenario analysis into their process or backing public policy supporting the transition to a low carbon economy. As part of our efforts on this topic, and directly related to the 2050 net zero commitment we adopted in 2020, we started an engagement effort with our investment managers to increase their policies and practices with regard to climate change. We are already seeing strong progress from many of our managers as a result of this effort.

We also assessed our investment managers' diversity and inclusion in 2020. While we have monitored the team diversity of our managers for some time, in 2020 we began to include the topic to assess all of our managers, following feedback from our Assets Committee. We now engage our managers frequently about their diversity, which enables us to track their progress in this area.

We were pleased to deliver positive outcomes with our external managers through the application of our RI Manager Framework in 2020.

More than 75% of our managers had increased their RI rating since our original investment, with notable improvements for 75% of our multi-asset managers, 67% in private equity and 50% in private credit. These improvements include developments such as PRI membership, adopting climate change assessment/carbon reporting approaches, joining Climate Action 100+, increasing the integration of ESG and expanding internal ESG teams and data. While we cannot take the credit for this, we know we've had some influence, given our engagements with them and their outcomes.

75%

of our managers had increased their RI rating since our original investment

with notable improvements for

75%

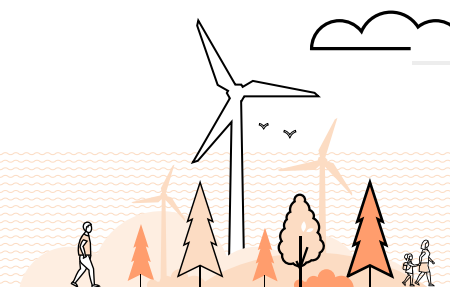
of our multi-asset managers

67%

in private equity

Ever more responsible manager

Since 2014 we have partnered with an emerging market small/mid-cap manager in our equity portfolio. We have seen staggering improvement in the manager's overall ESG stewardship approach. The manager has joined CDP and Net Zero Asset Managers Initiative, thus demonstrating ESG leadership in the regional space where it operates. In 2020 the manager became a registered B Corp and achieved an A+ rating from PRI, having scored a C when we first invested in 2014. In 2020 we have proudly doubled our investment mandate with the manager as result of the fund manager's strong investment performance and robust ESG credentials. Based on our assessment of their portfolio, we believe they now also meet our criteria as an impact investment.





Our governance

...setting and maintaining ethical standards...

Being a responsible investor means holding ourselves to the high standards we expect of everyone else. We are accountable to Parliament, General Synod (the national assembly of the Church of England) and, as a registered charity, the Charity Commission.

In this section

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- 26 Ensuring our suppliers act responsibly
- 27 Being a responsible employer
- 28 The Church Commissioners and Board of Governors at April 2021





Our governance structure

“The Church Commissioners serve the Church through supporting its Mission. We strive for excellence in how we operate, including investing our fund responsibly with a dual focus on ‘Respect for the Planet’ and ‘Respect for People’.”

Gareth Mostyn
Chief Executive

The Church Commissioners are incorporated and constituted under the Church Commissioners Measure 1947. We are a registered charity in England and Wales.

The Church Commissioners form one of seven National Church Institutions (NCIs). We are a separate legal entity, but together the NCI is a common employer. We are one of three National Investing Bodies (NIBs) of the Church of England, the other two being the Church of England Pensions Board, which manages retirement housing and pensions, and the CBF Church of England Funds, which manages the investment assets of dioceses, cathedrals and parish churches.

The Church Commissioners are a charitable endowment. Our key role is to steward and manage the Church's endowment portfolio to provide sustainable financial support in perpetuity to the mission and ministry of the Church of England. Given the legal status of the Church, we are accountable to Parliament, General Synod, and, as a registered charity, the Charity Commission.

Importantly, Synod members have the opportunity to ask the Commissioners formal questions about any aspect of our work at every Synod meeting. In addition, we present our annual report for debate when General Synod's Business Committee agrees there is sufficient agenda space. We also voluntarily make use of fringe meetings to explain particularly topical aspects of our work, or at times (e.g. the beginning of a new quinquennium after the new intake of Synod members) to give a more general overview of the Commissioners.

There are 33 Church Commissioners, who have trustee responsibility for meeting our charitable obligations. Six of the Commissioners hold offices of state and the other 27 make up the Board of Governors, the main policy-making body.

The Board of Governors, its committees and responsibilities

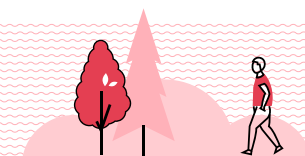
The Board of Governors has overall responsibility for carrying out the Commissioners' business. The members of the Board are registered as charity trustees with the Charity Commission.

The Board is organised into four committees: Assets; Audit & Risk; Bishoprics & Cathedrals; and Mission, Pastoral & Church Property. Trustees are joined as necessary by other, non-trustee members, and the Board and all the committees are supported by an executive team led by the Chief Executive and Secretary, Gareth Mostyn.

Assets Committee

On behalf of the Board, the Assets Committee is responsible for everything to do with asset management, operating within general rules set by the Board. At the heart of these rules is the principle that the Assets Committee, and the Responsible Investment Team that reports to it, will manage the Church's assets in complete accordance with our ethical investment policies, which themselves are approved by the Board. The Assets Committee reports quarterly to the Board. Full details are provided on page 28.

The Assets Committee provides oversight of our stewardship activities. In addition, ESG issues are incorporated into our risk register, which is reviewed at executive level for, and by trustees at, every Assets Committee meeting.





Ensuring our suppliers act responsibly

In 2020, the Commissioners appointed a Vendor and Contracts Manager for the Church Commissioners Investment Division. We then developed a Vendor Governance Framework to conduct due diligence across our service providers, which will be reviewed annually. This framework includes consideration of ESG and diversity for all suppliers. At the same time, we are compliant with the NCIs' Procurement Policy. It requires that all suppliers demonstrate policies and compliance on health and safety, modern slavery, sustainable procurement and equal opportunities.

Managing risk

The Board is ultimately responsible for overseeing risk, and reviews our risk management arrangements at least annually. The Board is supported by the Audit & Risk Committee, which regularly reviews our identified strategic and operational risks and how we manage them. The Assets Committee reviews operational risks related to investments.

Legal agreements: our legal agreements outline our responsible investment priorities and what we expect from managers. We also agree side letters to allow us to not participate in certain investments.

Auditing and assurance – 2020 reviews

Thorough, objective auditing is essential for ensuring we manage ourselves and our investments in line with our principles. In 2020, the NCIs' internal audit and risk management department, which reports to the Audit & Risk Committee, carried out two audits of our responsible investment practices: in June, an audit of our climate change strategy and risk management and in September, an ethical compliance review.

June 2020: Climate Change Strategy and Risk Management

The first internal audit concluded that our climate change policies and strategies were longstanding and robust, and had been communicated appropriately to all stakeholders. It also concluded that we had the right measures in place to align with the Church's overall climate change strategy and to co-ordinate effectively with the other NIBs. However, the audit noted that our climate change policy was due for review (since we had developed and been involved in a number of initiatives since 2015 as well as being subject to 2018's General Synod motion), and that the way we co-ordinate with the other NIBs could be improved. It also noted that we had not yet defined what 'net zero' means, but that this is in progress. We are acting on all the findings of the audit.

September 2020: Ethical Compliance Review

The second audit considered the adequacy and effectiveness of our ethical investment framework and structures. It concluded that we have longstanding, robust policies and frameworks for our investment activities and that these are embedded in our relationships with fund managers. It also concluded that we have a robust and streamlined voting process which prioritises voting decisions for companies with greater significance.

Promoting transparency

Engaging with stakeholders is inherent to what we do. Within the Church, because of our unique structure, some of our Commissioners are also representatives of our beneficiaries, and we are also accountable to General Synod, which elects a certain proportion of our Commissioners. We present our Annual Report and Accounts to General Synod, and its members can question us about our work. In 2020 these included questions about our response to Covid-19 and our investment approach to climate change and social inequality.

Externally we are accountable to Parliament and the Charity Commission. The Second Church Estates Commissioner carries out those duties for us, which includes answering questions in the House of Commons.





Being a responsible employer

The NCIs' values are at the heart of everything that the Church Commissioners do: Excellence, Integrity and Respect. Along with our fellow NCIs, we are an accredited Living Wage employer and ensure that all our staff have a living wage appropriate to where they live. We are also a Disability Confident employer. We report in full on our organisation and people in our Annual Report, but here we want to comment on a key theme – belonging and inclusion – because it is at the heart of being a responsible, ethical employer.

In common with all the NCIs, we believe that everyone should feel that they belong and are valued for who they are and what they contribute.

To this end, in October 2019, we launched a Belonging and Inclusion strategy and action plan, following extensive consultation across the NCIs. The plan focuses on four areas: leading and signalling, generous behaviours, mentoring and learning, and celebrating and storytelling.

Here are some highlights from 2020:

- **Leading and signalling:** we require our recruiters to give us diverse shortlists for all new hires. The percentage of people who classed themselves as black or minority ethnic within the Commissioners was 10.9% (2019: 9.5%) compared with overall representation of 15.7% (2019: 15.8%) across the NCIs. The percentage of women in senior positions within the Commissioners was 40% compared with overall representation of 38% in 2020 across the NCIs. The percentage of people who classed themselves as having a disability was 3.3%, a slight fall from 2019 (3.8%). Staff turnover dropped in 2020 to 9% compared to 19% in 2019.

- **Generous behaviours:** diversity awareness is part of our induction programme for all employees. Overall, 96 staff joined the NCIs in 2020.
- **Mentoring and learning:** our first pan-NCI mentoring scheme started at the beginning of 2020 with 33 colleagues signing up to be paired with senior leaders. This developmental programme was open to everyone and promoted to groups that are under-represented at more senior levels. It was an important first step towards addressing progression and retention, by signalling an explicit investment in developing cross-NCI relationships at all levels. We launched a second round for a new cohort in December 2020.
- **Celebrating and storytelling:** we have cross-NCI employee resource groups, including groups for women, BAME, LGBT and colleagues with disabilities. The NCIs launched the Living in Love and Faith project (LLF). LLF is a Church of England-wide process to learn together about how the Christian understanding of God relates to questions of identity, sexuality, relationships and marriage.

Incentivising stewardship

Staff engaged directly in the management of the Church Commissioners' investment portfolio are on separate contracts of employment and sit outside the NCI pay arrangement. Salaries are designed to reflect the market for investment specialists which encourages consistent outperformance of the Commissioners' target investment return over a sustained period and appropriate stewardship of our assets in line with the Church's values.



Managing trustees' conflicts of interest

Because of the proper constitutional arrangements that govern how we are organised, some of our trustees have an inherent conflict of interest, being also beneficiaries of the charitable activities of the Church Commissioners.

To manage these conflicts, we have a Code of Conduct for trustees which includes a Conflict of Interest Policy consistent with Charity Commission guidance, and the Seven Principles of Public Life set out by the Committee on Standards in Public Life. All trustees receive a copy of the Code when they are appointed and must declare any conflicts of interest.

We periodically review our Code of Conduct.

A key principle of the Code is that trustees' overriding consideration must be the best interests of the Church Commissioners and the beneficiaries of our charitable activities. Each trustee must act personally so as to promote the objectives of the charity and not as the representative of any group or organisation; this applies regardless of how that trustee was nominated, elected or selected. The Code also sets out how conflicts of interest should be handled.

We keep a register of interests of all trustees which is open to inspection on request by the Commissioners, Members of the UK Parliament, government officials and General Synod members. It is also displayed at our Annual General Meeting.



The Church Commissioners and Board of Governors at April 2021

The Board of Governors transacts the functions and business of the Commissioners except where, by statute or through delegation by the Board, these are exercised by committees. Except State office holders, all Church Commissioners are members of the Board of Governors.

Archbishop of Canterbury, Justin Welby, Chair

Archbishop of York, Stephen Cottrell

Church Estates Commissioners appointed by HER MAJESTY

Loretta Minghella OBE, First Church Estates Commissioner

Andrew Selous MP, Second Church Estates Commissioner

Church Estates Commissioner appointed by THE ARCHBISHOP OF CANTERBURY

Eve Poole, Third Church Estates Commissioner

Elected by the General Synod

HOUSE OF BISHOPS

Bishop of Manchester, David Walker, Deputy Chair

Bishop of Bristol, Vivienne Faull

Bishop of Birmingham, David Urquhart

Bishop of Newcastle, Christine Hardman

HOUSE OF CLERGY

Revd Anne Stevens

Revd Christopher Smith

Revd Stephen Trott

HOUSE OF LAITY

Jay Greene

Canon Peter Bruinvels

Canon Elizabeth (Betty) Renshaw MBE

Jacob Vince

Elected by THE DEANS

Dean of Ely, Mark Bonney

Dean of Gloucester, Stephen Lake

Nominated by HER MAJESTY

Duncan Owen

Suzanne Avery

Nigel Timmins

Nominated by THE ARCHBISHOPS OF CANTERBURY AND YORK

Morag Ellis QC

Busola Sodeinde

Mark Woolley

Nominated by THE ARCHBISHOPS OF CANTERBURY AND YORK

After consultation with others including the Lord Mayors of the Cities of London and York and the Vice-Chancellors of Oxford and Cambridge Universities.

Poppy Allonby

Helen Steers

Alan Smith

State office holders

First Lord of the Treasury

Lord President of the Council

Lord Chancellor

Secretary of State for Culture, Media and Sport

Speaker of the House of Commons

Speaker of the House of Lords

Secretary to the Church Commissioners and Board of Governors

Gareth Mostyn

Assets Committee

Subject to any general rules made by the Board, has an exclusive power and duty to act in all matters relating to the management of the Commissioners' assets.

Loretta Minghella OBE, Chair

Revd Christopher Smith

Bishop of Birmingham, David Urquhart

Canon Peter Bruinvels

Poppy Allonby

Suzanne Avery

Helen Steers

Duncan Owen

Mark Woolley

Gareth Mostyn, Committee Secretary





Looking to 2021 and beyond

...to make a positive difference now and in the future.

We aim to create a positive impact now and in the future by using our role as a long-term responsible investor to make the biggest – and best – difference that we can. Our themes for this vision are Respect for the Planet and Respect for People.





Looking to 2021 and beyond

Our aim

Our aim is to be at the forefront of global responsible investment. We want to have a positive, real-world impact on the issues that matter, while ensuring we achieve the sustainable returns that support the Church's work. This year we launched 'Challenge 2030', a broader, more holistic approach that will help us play our part in addressing the challenges facing our planet and society in the next decade.



Respect for the Planet

- Climate change, including meeting our commitment to net zero by 2050
- Natural capital, including biodiversity and forestry, among other issues

Respect for People

- Just transition
- Human rights
- Diversity and inclusion
- Fourth industrial revolution

At the forefront of global responsible investment.

Governance

- Responsible voting
- Integrated governance
- Focused engagement
- Public policy and regulatory consultation

Impact

- Increase our allocation to 'win-win' impact investment solutions
- Improve our ability to measure and manage the real-world impacts of our portfolio with a goal of increasing net positive impact of our portfolio



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Further copies of this review may be obtained free of charge.

churchofengland.org



The Church
Commissioners
for England

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