THE CHURCH OF ENGLAND

Many of the world's leading coal mining companies are failing to manage effectively the business risks arising from climate change, according to a new report from the Transition Pathway Initiative (TPI).

The TPI is backed by asset owners and investors with over £4 trillion ($5.2 trillion) of assets under management. The assessment of companies' carbon emissions management is carried out by the London School of Economics' Grantham Research Institute on Climate Change and the Environment and supported by data from FTSE Russell.

The latest assessment, which follows earlier ones on electricity utilities and oil and gas companies, evaluated the management policies and processes of the world's 20 largest coal mining companies. It found that:

- Small to mid-cap pure play coal mining companies lag behind the large, diversified mining companies.
- The large, diversified mining companies, such as Anglo American, BHP Billiton, Glencore and Rio Tinto, perform well relative to other sectors.
- Some pure play coal mining companies - DMCI Holdings, Inner Mongolia Yitai Coal and Shougang Fushan Resources Group - do not appear to publicly acknowledge climate change as a business issue at all.
- Less than half of companies measure their lifecycle carbon emissions, despite the overwhelming importance of downstream emissions from burning coal to the overall carbon footprint of coal mining.
- The sector as a whole lags behind the electricity utilities sector.

TPI assessments, which are used by investors to gauge the carbon risk in their portfolios, looks at both management quality and the extent to which companies' carbon performance and policies are consistent with international targets on the transition to a low carbon economy under the Paris Agreement.

The assessment of mining companies covers only management quality at this stage because many mining companies do not yet publish adequate data on carbon emissions to evaluate performance.

Management quality of the world's top 20 coal mining companies

Commenting on the study, Professor Simon Dietz, Co-Director of the London School of Economics Grantham Research Institute said: "There is plenty of room for improvement in the quality of management of carbon emissions for virtually all of the companies assessed in this report. Many companies in this sector are poorly prepared for the inevitable regulatory risks that they face."

Adam Matthews, Co-Chair Transition Pathway Initiative and Head of Engagement for the Church Commissioners and Church of England Pension Board said: "As investors we are pleased to see some of the largest general mining companies addressing the risks to their business posed by climate change. They are clearly engaging at a strategic level with the transition to a low carbon economy. However, we still need to be able to assess the future carbon reductions of these companies against the globally agreed 2 degree pathway. As of today there is still insufficient data disclosure to be able to assess this.

"It is also extremely concerning that a significant group of mining companies do not even seem to be acknowledging the fundamental risk to their businesses posed by climate change."

Emma Howard Boyd, Chair of the Environment Agency said: "Climate change is obviously challenging to the business model of the mining industry, but there is demonstrable evidence some companies are making progress in managing the risk of transition to a low carbon economy, even in the most challenging of sectors."

Read further analysis of the new assessment in *Management quality of coal mining companies: a commentary*.

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