

- **'FTSE TPI Climate Transition Index' launched at London Stock Exchange with £600 million allocation from the Church of England Pensions Board.**
- **First Global Index that enables passive funds to capture company alignment to the Paris Climate Agreement.**
- **This new generation of Index has been developed by the Church of England Pensions Board, in collaboration with FTSE Russell and the Transition Pathway Initiative (TPI). The TPI is based at the London School of Economics Grantham Research Institute.**
- **The Index responds to the latest call by the Governor of the Bank of England, challenging pension funds to address the financial risk of climate change.**
- **The index is the first to embed forward looking data from the London School of Economics hosted Transition Pathway Initiative (TPI) which tracks whether companies align to 2DC or below 2DC/Net Zero.**
- **The Index will reward those companies with public targets aligned to the Paris Agreement whilst significantly underweighting or excluding those that do not.**
- **The index methodology results in improvements in relation to climate relevant metrics:**
 - **Exposure to green revenues increases by 35%**
 - **Exposure to Fossil Fuel Reserves is reduced by 69%**
 - **Exposure to operational CO₂ emissions is reduced by 36%**
- **In the Oil & Gas sector, and based on TPI assessments, Shell and Repsol are included in the index whilst ExxonMobil, Chevron and BP are not. Were the latter companies to set emissions targets covering all their emissions that align to the Paris Agreement then the Index rules would allow inclusion.**

The development of the Index has been an important project of the Church of England Pensions Board over the past 18 months as it seeks to integrate the insights of the Transition Pathway Initiative (TPI) into its passive investments.

The Transition Pathway Initiative (TPI) is a global initiative led by asset owners and supported by asset managers. Aimed at investors and free to

use, the TPI assess how individual companies are positioning themselves for the transition to a low-carbon economy through a public, transparent online tool. The TPI is backed by 62 funds with over US \$18 trillion of combined assets under management or assets under advice.

TPI is co-chaired by the Church of England Pensions Board and the Environment Agency Pension Fund in partnership with the Grantham Research Institute at the London School of Economics. Data has been provided by FTSE Russell.

The new index embeds forward-looking climate data from TPI - namely the TPI *carbon performance metric* that assesses a company on its plans for alignment with the transition to a low carbon economy. Companies currently excluded from the index would be included if they set public emissions targets (covering all their emissions) aligned to the goals of the Paris Agreement.

The Church of England Pensions Board also announced today that it is allocating £600 million to the FTSE TPI Climate Transition Index.

- Under the index, the Pensions Board portfolio will have a 49.1% lower carbon intensity than its current passive allocation.
- The Index results in changes to some key holdings across a range of high impact emissions sectors – for example in Oil and Gas, where there has been less progress on alignment with the Paris goals.
- The exclusion of companies does not represent disinvestment from key energy intensive sectors but recognises that there is a path for an Oil and Gas company to transition in line with the Paris Agreement.
- At the launch, the Church of England Pensions Board and FTSE Russell issued an open invitation to other pension funds to consider this approach for their passive investments and in managing their climate transition risk.

Clive Mather, Chair of the Church of England Pensions Board said:

“This is an industry leading undertaking on behalf of our beneficiaries to address the financial risks within our passive investments posed by companies

that are not addressing climate change. It will allow the Pensions Board, to deliver on a large part of our 2023 commitment to the General Synod of the Church of England to have disinvested from those companies, assessed by TPI, that have not set themselves on a path to alignment with the goals of the Paris Climate Agreement. The Index also meets a key part of our commitment to be a net zero Pension Fund. We invite all other pension funds that are passively invested to join us in developing such an approach, and not to simply disinvest but incentivise companies to transition whilst having real world consequences for those that do not do so and put at risk achieving a net zero world.”.

Justin Welby, Archbishop of Canterbury commented:

“We all have both a moral and financial responsibility to address the climate emergency and to use those tools available to us to support the goals of the Paris Climate Agreement. For Christians and people of conscience, this is even more so when you see the impacts on the world’s poorest and least equipped to adapt to extreme weather, as well as the impacts on the beauty of God’s creation. Today’s launch and commitment of £600 million by the Church of England Pensions Board is world leading in not only embedding the insights of the Transition Pathway Initiative (TPI), that the Church co-chairs with the Environment Agency Pension Fund, but in demonstrating that it is possible to act, to take leadership and in doing so challenge the market that is currently aligned to a world of 3.8 degrees of warming. I congratulate the Board and all those involved in this unique and industry leading partnership and invite other Pension Funds to work with us in advance of the UN Glasgow Climate Conference later this year.”

Adam Matthews, Director of Ethics and Engagement for the Church of England Pensions Board & Co-Chair of the Transition Pathway Initiative (TPI) said:

“Last month Governor Mark Carney challenged people to ask what their pension funds are doing to address the financial risks of climate change. Working over the past 18 months we have developed an answer that enables passive investors to play their part in supporting the goals of the Paris Climate Agreement. The message is clear to all publicly listed companies: put in place targets and strategies aligned to Paris and be rewarded with inclusion in the Index, or work against the long term interests of beneficiaries and wider society, and be excluded.

“The Church of England Pensions Board will no longer be invested in several household names in the oil industry. The Index leaves open a path for any one of these excluded companies to transition in line with the Paris Agreement and claim their place in the index at a later date.”

Waqas Samad, CEO, FTSE Russell and Group Director of Information Services, London Stock Exchange Group said:

“We are delighted to launch the FTSE TPI Climate Transition Index alongside The Church of England Pensions Board and the Transition Pathway Initiative. This unique collaboration has enabled FTSE Russell to create a new index to support investors seeking greater alignment to the goals of the Paris Agreement and gain exposure to the opportunities that companies can generate from the transition to a low carbon economy. It is the latest innovation in FTSE Russell’s diverse range of climate indexes, developed in line with evolving client needs. We remain committed to supporting our clients and understanding investors’ perspectives in incorporating sustainable investment approaches into their strategies.”

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