

Twelve companies made changes to stay off the Church's restricted list.

The Church of England National Investing Bodies (NIBs) have been active for many years in fighting climate change and are committed to reducing the carbon footprint of our investment portfolios to net zero by 2050. In 2018 the Church of England Synod called for the NIBs to divest from fossil fuel companies not aligned with the goals of the Paris Agreement by 2023, leading to the NIBs setting 2020 and 2023 investment hurdles.

Following extensive engagement efforts by the NIBs, 12 companies made changes to meet the NIBs' 2020 climate change hurdles. However, the NIBs have restricted investment in nine companies because they don't meet the standards of the climate change hurdles. The hurdles were set using Transition Pathway Initiative (TPI) data, with more in place for the next three years, pushing high carbon sectors to align with the Paris Agreement.

The Church Commissioners for England, the Church of England Pensions Board and CBF Church of England Funds, which comprise the NIBs, will divest the restricted companies in which they have holdings as soon as possible. This is the first time the NIBs have restricted companies that fall short of specific carbon emission standards.

These actions are part of the NIBs' commitment to transitioning their portfolios away from firms that are unwilling to act upon the financial, physical or reputational risks posed by climate change.

The NIBs are founding members of the TPI and participate in the Climate Action 100+ (CA100+) engagement initiative. Engagements with 21 companies that were at risk of not meeting the emissions standards were conducted in close collaboration with CA100+ dialogues. The companies were informed of changes they had to make to meet the standards.

Following that engagement, nine companies were restricted, two were put under review and 10 improved their disclosure, governance or strategy sufficiently to avoid restrictions this year.

The restricted companies are:

- American Electric Power (USA)
- Anhui Conch Cement (China)
- Berkshire Hathaway (USA)
- FirstEnergy (USA)
- Formosa Petrochemical (Taiwan)
- Korea Electric Power Corp (Korea)
- Oil & Natural Gas (India)
- PPL (USA)
- SAIC Motor (China)

The total value of the NIBs' holdings in these companies was £32.23m on 21 October 2020.

The companies under review for 12 months have demonstrated positive engagement and are being given more time to make changes. The companies are:

- PGE (Poland)
- Reliance Industries (India)

The NIBs are long-term investors and will continue to engage with companies to meet our investment and carbon footprint objectives. Our engagement strategy is to build alliances with likeminded investors to engage with company boards and executives. We will have new climate hurdles in 2021, 2022 and 2023, and we will actively engage with companies that are at risk of falling short of those hurdles.

Duke Energy and Vistra Energy are companies that made changes following engagement, announcing 2050 net zero targets in September 2019 and 2020, respectively. Other engagements include Power Assets Holdings and Rosneft, both of which improved climate-related disclosure significantly. Dialogue is ongoing with all companies covered by the standards, seeking to ensure continued progress.

Bess Joffe, Director of Responsible Investment for the Church Commissioners for England, said: "We are pleased with the response we've had from the 12 companies that improved their performance over the past year. Engaging with companies to align with the goals of the Paris Agreement helps ensure we reduce our portfolio's emissions without limiting our universe of investable companies. However, those companies that fail to take adequate action to mitigate climate change have no place in our portfolio."

Adam Matthews, Director of Ethics and Engagement for the Church of England Pensions Board, commented: "As a fund we are committed to net zero by 2050 or sooner and this is a further step in aligning our investments to that objective. It is also a key part of meeting the commitments we have made to our beneficiaries and stakeholders. We have demonstrated it is possible to secure change in company behaviour and we will continue to engage robustly with companies that could fall short of our hurdles in the next three years as we continue to play our part in supporting the low carbon transition."

Helen Wildsmith, Stewardship Director – Climate Change, CCLA, added: "Actively engaging with US electrical utilities via Climate Action 100+, is one of the ways in which the NIBs are meeting their commitments as members of the UK and Canadian government-led Powering Past Coal Alliance."

Further information:

1. In June 2018 the Church of England Synod passed a resolution which endorsed the NIBs' approach and the NIBs then set the 2020 and 2023 divestment hurdles.
2. The NIBs have been active in the climate change space. The Church of England Pensions Board collaborated with The Transition Pathway Initiative (TPI) and FTSE Russell to launch the ["FTSE TPI Climate Transition Index"](#) in January 2020.
3. The Church of England Pensions Board co-chaired an initiative which launched a new ['Net Zero Investment Framework'](#) in August 2020.
4. The Powering Past Coal Alliance includes members from across governments, sub-nationals, electrical utilities and the finance sector: [PPCA Members | Powering Past Coal Alliance](#).

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