



The Church of England Pensions Board and Church Commissioners for England continue their engagement with other investors and asset owners to effect real world change on their journey to being net zero-aligned funds.

The Pensions Board and Commissioners use their influence as responsible investors to engage companies and policy makers on setting and supporting robust decarbonisation targets, thus bringing more constituents of their portfolios in line with the Paris Agreement and their other climate commitments.

The Transition Pathway Initiative (TPI) remains a core part of the Pensions Board and Commissioners' climate strategy, and is increasingly being used by other investors. It is currently supported by 104 investors with USD \$25 trillion of assets under management, and underpins the \$54 trillion Climate Action 100+'s net zero company benchmark. Insights from TPI have also been integrated into the award winning FTSE TPI Climate Transition Index.

At yesterday's fourth annual TPI State of the Transition Summit 2021, chaired by Adam Matthews, Chief Responsible Investment Officer at the Pensions Board, a number of investors responded to the annual review of progress made by companies assessed by TPI. Bess Joffe, Head of Responsible Investment at the Church Commissioners, spoke about the work still needed to transition to net zero and Adam Matthews laid out the challenge for investors as well as the future vision for TPI to be expanded.

Adam Matthews said: "This is the first report of the transition decade, a decade during which we will see major changes within society and across the corporate sector as it moves with increasing pace to address climate. Companies that do not respond to the demands of investors will be footnotes in corporate history. TPI is at the heart of the Pensions Board's approach to climate, enabling us to differentiate between companies that are beginning to transition and those that are not. It directly underpins our own commitments to disinvest from fossil fuel companies not assessed as aligned by 2023. Those companies that set ambitious and credible targets will be the companies that retain their social license and responsible shareholders.

"However, for investors to play their full role in line with their own commitments to be net zero, they need independent academically rigorous tools like TPI. That is why I am enormously excited by the vision I began to set out, as Chair of TPI, to dramatically scale TPI as the common good investor tool, seeking to support the global climate transition."

Bess Joffe said she and the Commissioners' Responsible Investment team have noted that despite the number of net zero commitments from high emitters increasing from 14 last year to 35 now, according to the TPI Transition Report 2021, yet there's much more to do.

She said: "The net zero commitments we have seen to-date often contain loopholes, significant caveats or an overreliance on offsets. As an industry we must quickly get to grips with the level of offsets we are comfortable seeing in net zero strategies and which emissions sources they should use to abate."

In addition, the Church Commissioners is looking to its fund managers, their progress towards net zero and whether they are in line with the

Commissioners' target to reduce the carbon intensity of its portfolio by 25% by 2025. This is in addition to engaging with carbon-intensive companies to ensure they meet the Commissioners' climate hurdles this year, next year and in 2023 or be added to the Church's National Investment Bodies' divestment list.

Bess commented: "While we want to get to net zero by effecting change in the real economy, ultimately we may need to make tough decisions on whether to divest from intransigent companies and, indeed, to sever ties with managers not keeping pace with our decarbonisation ambitions."

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