

The Church of England Pensions Board has published its inaugural Climate Action Plan, demonstrating its continued ambition on addressing climate change as a systemic financial risk and key societal issue.

“In serving our pension scheme members, we are focused on protecting their retirements in the long term,” said Adam Matthews, Chief Responsible Investment Officer for the Church of England Pensions Board. “Climate change is a clear and present risk that will be far more damaging to investment portfolios and to the global economy if we fail to transition to net-zero in an orderly, timely way. This is why our Climate Action Plan focuses on key systemic risks like demand for fossil fuels, corporate climate lobbying, climate finance in emerging markets, and seeking strong ambition from companies.”

The new plan focuses on two key themes: transitioning the economy away from fossil fuels, and aligning financial flows with the aims of the Paris Agreement.

These themes are addressed through six strategic pillars:

First, commitment to act – establishing targets, commitments and governance to oversee the strategy.

Second, public policy engagement – ensuring the policy environment enables the transition in the real economy, challenging negative climate lobbying and encouraging positive climate lobbying from portfolio companies.

Third, understanding and driving the transition – building the tools, knowledge and data required to direct capital towards the transition to net-zero.

Fourth, robust stewardship and engagement – using the full range of levers available as shareholders to engage companies to act on climate change and escalate where needed.

Fifth, manager monitoring – ensuring the asset managers we appoint are investing in line with our investment beliefs and strategies as they relate to climate change.

And finally, aligning our portfolio with net zero – assessing, reporting on and aligning the carbon footprint of our investments by asset class with a transition to net-zero emissions, including stress-testing.

Following the Church of England Pensions Board’s decision to divest its remaining oil and gas holdings in May 2023, the plan also incorporates a focus on engaging companies that are significant users of fossil fuels, including the automotive sector, utilities and steel, as well as a continued focus on the mining industry, which is a key sector within the transition.

The plan incorporates a new focus on increasing reporting, measurement and investment in climate solutions, and working in partnership with

other pension funds to increase investment in emerging markets through leadership of the Emerging Markets Just Transition Investment Initiative.

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