



The Church of England Pensions Board today published its 2023 Stewardship Report, focusing on four key themes: Systemic Stewardship, Investing for a Sustainable World, Investing For a Just World, and Good Governance.

“This is the fourth stewardship report produced by the Pensions Board for our scheme members. It is also the most comprehensive in detailing the approach of the Board and the impact we seek through our stewardship of the assets entrusted to us,” said Clive Mather, Board Chair.

“Ethical and responsible investment is at the heart of our approach and trustee decision-making.” The Board’s growth assets returned 7.3% in 2023.

“2023 saw significant progress on climate change exceeding our medium term 2030 portfolio target, progress in the mining sector on safety and launch of a major undertaking to reshape the way investors understand, invest and steward the whole mining sector.” said Adam Matthews, the Board’s Chief Responsible Investment Officer (CRIO), “Our approach is informed by our scheme members’ views. We continue to ensure that our investments and stewardship not only generate the necessary returns but positively shape the world in which they live and they will retire into.”

Key highlights from 2023 include:

- Systemic Stewardship:

Led global change on safety of mining waste with the first 23 largest public mining companies reporting on their conformance with the Global Industry Standard on Tailings Management with 238 of the highest consequence of failure dams in scope.

Launched the \$11 trillion USD backed Global Investor Commission on Mining 2030 to establish a consensus on the role finance has in realising a vision of a socially and environmentally responsible mining sector.

Developed a Sustainability Charter for the approx. £50 billion per annum, bulk annuity market.

- Good Governance:

Cast 17,623 votes at AGMs and undertook over 1,000 engagements with companies.

Supported 64% of shareholder resolutions.

Voted against management on executive pay at 40% of companies.

Engaged all our managers under the Asset Owner Diversity Charter (AODC) programme. This takes the form of a comprehensive and standardised request of asset managers to report a range of quantitative and qualitative disclosures that relate to diversity.

- Investing for a Sustainable World:

In 2023, the Board further reduced the weighted carbon intensity of its portfolio by 36%. The Board has reduced portfolio carbon intensity overall for the assessed asset classes by 71% since 2019, and this is well ahead of its 2030 medium term portfolio target. This follows the Board's June 2023 decision to disinvest its remaining equity and debt holdings in oil and gas companies, and other changes in the portfolio.

Secured commitment from National Grid to undertake a review of their corporate climate lobbying in line with the Global Standard on Responsible Climate Lobbying. As a result of the work the Board, led together with Sweden's AP7 and French fund manager BNP Paribas, 34.7% of the 167 companies engaged by Climate Action 100+ now regularly review and report on their corporate climate lobbying.

Co-Chaired the ASCOR initiative that developed the first public assessments of countries' climate opportunities and risks. Released first pilot assessment of 25 countries and will support investor engagement with countries around climate policies.

- Investing for a Just World:

Increased the scope of our focus on Living Wage accreditation-related voting expanded in 2023 to cover the breadth of the UK's 350 largest companies (the FTSE 350).

Served as a member of the UK Government's Department for Work and Pensions Taskforce on Social Factors alongside other pension industry stakeholders. The Board played an active role in shaping the Taskforce's guidance document, intended to help inform and encourage pension fund trustees to take social considerations into account in the way they invest on behalf of their scheme members.

Deepened our involvement with several collaborative initiatives on human rights including participation in the PRI's Advance initiative focused on engaging companies in the extractives and renewable energy industries on human rights – two business areas in which operations often intersect with high-risk geographies.

Looking ahead to 2024:

The Board also set out its future priorities, which include:

- Developing its approach to supporting peacebuilding efforts in conflict areas with a particular focus on the relationship with extractive companies.
- The publication of a fair reward framework to reshape the lens through which investors look at executive remuneration.
- Investing in emerging markets in line with the Emerging Markets Just Transition Principles.

“Ensuring companies do not contribute to conflicts but instead are positive catalysts for sustainable and flourishing communities will be a major focus for our future work. We are under no illusion as to how difficult and complex this can be, often the simple presence of an extractive company, even extremely well run, can destabilise and change forever the local environment within which they operate. In turn this can create the conditions for conflict,” said Adam Matthews. “I saw this first hand during my visit to different conflict areas in 2023. We have also seen how engaging companies changes responses, and combined with engagement with local communities and local faith groups, that can lead to positive outcomes. With conflict growing in the world, there is an enormous opportunity for the Church as an investor to develop a new approach that can support wider peacebuilding and reconciliation efforts.”

"The Anglican Communion is present in over 165 countries, many of which are experiencing conflict," said Martha Jarvis, Permanent Representative to the United Nations for the Anglican Communion. "Companies can play a positive role in these contexts, but their operations can also contribute to drivers of conflict. Being able to work with the Pensions Board to develop approaches to peacebuilding, supporting companies as constructive actors and as they engage with local communities, is an extremely welcome development."

Key highlights of future work include:

- **Peacebuilding:** Building on the Board’s work on human rights, in 2024 the Board will be focusing on the role responsible investors can play in supporting peacebuilding and reconciliation processes. This will have a particular focus on the role of extractive companies in conflict prone parts of the world and looking to use the leverage of investors in companies to ensure they are positive actors and not catalysts for conflict. This is an evolving approach for the Board in close engagement with Lambeth Palace, Bishop’s Court in Cape Town, and the Anglican Communion.
- **Emerging Markets:** The Board’s intention in 2024 to invest in supporting the transition in Emerging Markets, which require considerable investment if these markets are to transition, means we are likely to invest in some higher carbon assets in economies such as South Africa. This is intentional and in line with the Board’s careful consideration of the role we can play as an investor not only meeting our investment risk/return requirements but also by supporting the transition in line with the Emerging Markets Just Transition Principles. Enabling such markets to transition is vital to achieving an orderly climate transition – which is the scenario that best supports our scheme Members long-term interests. Through our investments in higher emission profile companies (not in the oil and gas sector) we will be supporting company transition plans intended to result in real world emissions reductions from actual changes in company behaviours. Over time, this will not only reflect positively in our portfolio in terms of reduced real world emissions but also in actual change in key industrial sectors in those economies.
- **Fair Reward:**

As detailed in the Stewardship Report the Board has been working with peer Pension Funds to devise a better way to consider pay in companies from the top executives to the lowest paid workers. Working with the High Pay Centre and an asset owner steering group, the Board has led the development of a Fair Reward Framework that will be launched in 2024 to provide an independent and transparent lens on the approach of a company to pay. Too often the debate is about the excessive pay of the most senior executive with limited attention on the lowest paid workers and other stakeholders. The Fair Reward Framework is intended to enable pension funds to recalibrate the lens as to how we consider reward policies and practices more holistically across the whole company in relation to its performance.

- **Water:** To convene Asset Owners around the long-term stewardship needed for the UK Water Industry and the role investors can play to address the loss of confidence and social licence of the sector.

A copy of the 2023 Stewardship Report can be downloaded [here](#).

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