



Church Commissioners for England

Responsible Investment Framework

Introduction

The Church Commissioners believe that taking account of environmental, social and governance ('ESG') issues is an intrinsic part of being a good investor.

We hold this belief for both ethical and financial reasons.

Ethically, we think that investors who take account of ESG issues will be better aligned with the broader objectives of society and better corporate citizens.

Financially, our experience is that when ESG issues are well managed they can have a good impact on the performance of investments, particularly over the longer term.

It is for these reasons that the Commissioners signed the UN Principles for Responsible Investment ('PRI') in 2010.

Being a signatory involves a formal commitment to integrate ESG issues into investment analysis and decision-making; to be active owners of investments; and to incorporate ESG issues into ownership policies and practices.

Adherence to, and implementation of, our Responsible Investment Framework is everyone's responsibility; individual investment teams lead on ESG integration and active ownership for the area of investments for which they are responsible.

The role of the Head of Responsible Investment ('RI') is to support, monitor and communicate implementation of this policy.

ESG integration

We are committed to the integration of material ESG issues into investment analysis and decision-making across all asset classes.

It is the responsibility of individual team heads to ensure that proposed investments are appropriate on both investment and ethical/responsible investment grounds.

External asset management

Most of our investment assets are externally managed.

When selecting external investment managers we will take into account the extent to which a manager is able to manage our ethical investment restrictions and integrate ESG issues in their investment analysis and decision-making. We maintain an indicative list of potential ESG issues that could bear on investment decision-making and which we expect managers to have regard to where this is appropriate to their area of investment and strategy.

Staff making investment recommendations to trustees are required to assess recommended managers using our RI manager rating system. This specifies minimum standards that all managers must meet and enables us to identify managers who are strong performers already and managers who will need to improve their integration of ESG issues.

We will specify RI requirements in our Investment Management Agreements, side letters for pooled funds/indirect investment vehicles and other appropriate legal documentation.

Internal asset management

Where we do not use third party investment managers we will take account of all material ESG factors in our own investment appraisals using our indicative list of potential ESG issues and we will assess ourselves using our RI manager rating system.

Active ownership

We expect our external asset managers to be active owners of their investments in a way that is appropriate to their area of investment and strategy. We will additionally undertake active ownership activities ourselves as an asset owner.

Certain specific expectations and commitments are set out below.

Listed Equities – Voting

We believe that shareholders should always vote at company general meetings, except where doing impedes the ability of investors to deal in the shares (in so called share-blocking markets).

Where we hold shares directly we vote ourselves rather than delegating this responsibility to the asset managers to whom we give investment mandates. Where we hold shares indirectly in pooled funds we expect managers to vote their shares. We run a stock lending programme but will recall UK shares for voting.

We conduct our own voting in line with the adopted policy recommendations of the Church's Ethical Investment Advisory Group ('EIAG') on corporate governance, executive remuneration and other ethical issues.

Listed Equities – Engagement

We believe that asset managers should monitor the investment quality of investee companies and that the longer the expected holding period, the greater the responsibility to assume stewardship responsibilities.

We expect our investment managers to conduct engagement activities, including on ESG issues, as appropriate in the light of their expected holding periods and the issues arising at investee companies. We expect our managers to report to us on their engagement activities.

We believe that in addition we have a responsibility to ensure that a programme of ethical engagement is conducted with investee companies that is appropriate for a national investing body of the Church of England and consistent with the policy recommendations and guidance of the EIAG.

Direct property active ownership

We believe in active ownership in all areas of our direct property portfolio – commercial property, residential property, rural land and strategic land. We will seek to manage ESG issues effectively across our direct property estate to achieve outcomes consistent with both our investment management objectives and our ethical investment policies.

RI Reporting

We expect our asset managers to report to us regularly in line with our asset manager RI reporting requirements.

We will be transparent about our RI activities and performance.

We will report annually, in detail, to the PRI on our implementation of the Principles for Responsible Investment, as PRI requires of all signatories. PRI will publish an annual report on its website containing the public elements of our disclosures. We welcome this.

In addition, we will publish any assessment reports prepared by PRI about our implementation of the Principles that we are permitted by the organisation to publish.

Finally we will disclose ourselves in our annual report and/or on the Church of England website sufficient information for stakeholders to understand:

- our investment restrictions
- our selection and monitoring of external asset managers
- the ESG characteristics our listed equity portfolio compared to the wider market, including its carbon footprint
- our voting activity, including our voting on UK executive remuneration
- our engagement activities and those of our managers, including engagement successes we have achieved

- the extent to which our portfolio includes investments with strong sustainability characteristics
- the organisations we work with on RI
- our plans for RI activities.

Adopted by the Church Commissioners' Assets Committee, 8 July 2015