

THE NATIONAL INVESTING BODIES

To All Synod Members

21st June 2016

Dear Synod Member,

Re: Update on the development of a Climate Change Engagement Framework

At the July Synod in 2015 the Bishop of Manchester, Rt Revd David Walker, proposed on behalf of the National Investing Bodies (NIBs), resolution GS2004 (Climate change and Investment Policy). The resolution was approved with an amendment that the NIBs will publish an engagement framework by June 2016. We are writing today to update Synod members on the progress that has been made.

In response to this commitment over the past year the NIBs have been working to develop a comprehensive framework for our engagement on climate change – called the **Transition Pathway Initiative**. This approach builds upon, and is informed by, the considerable efforts already undertaken including shareholder resolutions submitted and passed last year at BP and Shell AGMs, and further efforts this year which saw successful resolutions passed at Anglo American, Glencore and Rio Tinto. As has been widely reported the Church Commissioners also co-filed a resolution with the New York State Common Retirement Fund at ExxonMobil's annual general meeting, aiming to improve their disclosure practices relating to climate change.

In order to ensure our intervention takes account of international developments following the 2015 Paris climate change conference and the Governor of the Bank of England's G20 Financial Stability Board Task Force on Climate-related Financial Disclosures, we have been clear that the Transition Pathway Initiative must make a genuine difference to maximise the impact of engagement efforts. With this intent, and in line with the Synod Resolution for robust engagement, we have undertaken the following steps:

- Convened and created the **Transition Pathway Initiative**, jointly with the Environment Agency Pension Fund. We have formed a group of international asset owners (currently 8 shortly to be 15).
- Developed a partnership with the London School of Economics Grantham Research Institute on Climate Change and Environment and a data provider to support the development of a methodology to plot the progress of companies against transition to a 1.5/2 degree world.

This has been a considerable undertaking and we are close to being in a position to publicly launch the Initiative.

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When launched the Initiative will

1. Define what a low carbon transition path is for companies in different sectors (in the first year it will profile; automobiles, mining, oil and gas, and utilities sectors).
2. Provide a clear, transparent and online tool hosted by an academic institution and free at the point of use that can monitor and track company and sector performance, as well as provide objective analysis that can be used to assess risk and opportunities relating to climate change transition.
3. Invite other asset owners and the wider market to adopt/support this approach to maximise its impact.
4. Outline how individual asset owners will use this tool to:
 - i) Inform investment decision making;
 - ii) Inform and structure engagement interventions to strongly encourage companies to move along the path;
 - iii) Inform and potentially align voting at AGMs with other shareholders that support this approach.

This week the Transition Pathway Initiative has been publicly presented at a major investor conference in the City of London. This is intended to announce that the Initiative exists and serve to invite a broader group of asset owners to join us. The formal launch will take place in September when the detail of the initiative will be presented and asset owner commitments will be made public.

We were keen to let Synod know the reason for this slight delay in the full announcement of this initiative as we have developed a much more comprehensive approach with other asset owners. We believe this approach has the potential to have a far greater impact in supporting investor action on climate change. In order to ensure this has the impact we intend we need a little longer to ensure the methodology works and delivers the level of analysis we require. We hope that this short delay is understandable in the context of the intervention we are seeking to make.

In advance of this coming Synod, the Environment Working Group was briefed on the latest progress in developing the initiative and it is our intention to keep them and any other interested parties informed of further progress ahead of the launch. By the time Synod meets in February we expect to be able to present Synod with a detailed update on this Initiative and plan to hold a fringe meeting then to brief members.



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During the July Synod Bishop David (Church Commissioner and Member of the Ethical Investment Advisory Group) and Dr Jonathan Spencer (Chairman of the Church of England Pensions Board) will be available to answer any questions that you may have. If you have any questions please do not hesitate to contact Adam Matthews, Head of Engagement for the Church Commissioners and the Church of England Pensions Board, who has been developing the Initiative. He can be contacted at: adam.matthews@churchofengland.org or on 020 7898 1098.

With kind regards,

Andrew Brown
Chief Executive
Church Commissioners

Bernadette Kenny
Chief Executive
Pensions Board

Michael Quicke
Chief Executive
CCLA Investment Managers