



The Church  
Commissioners  
for England



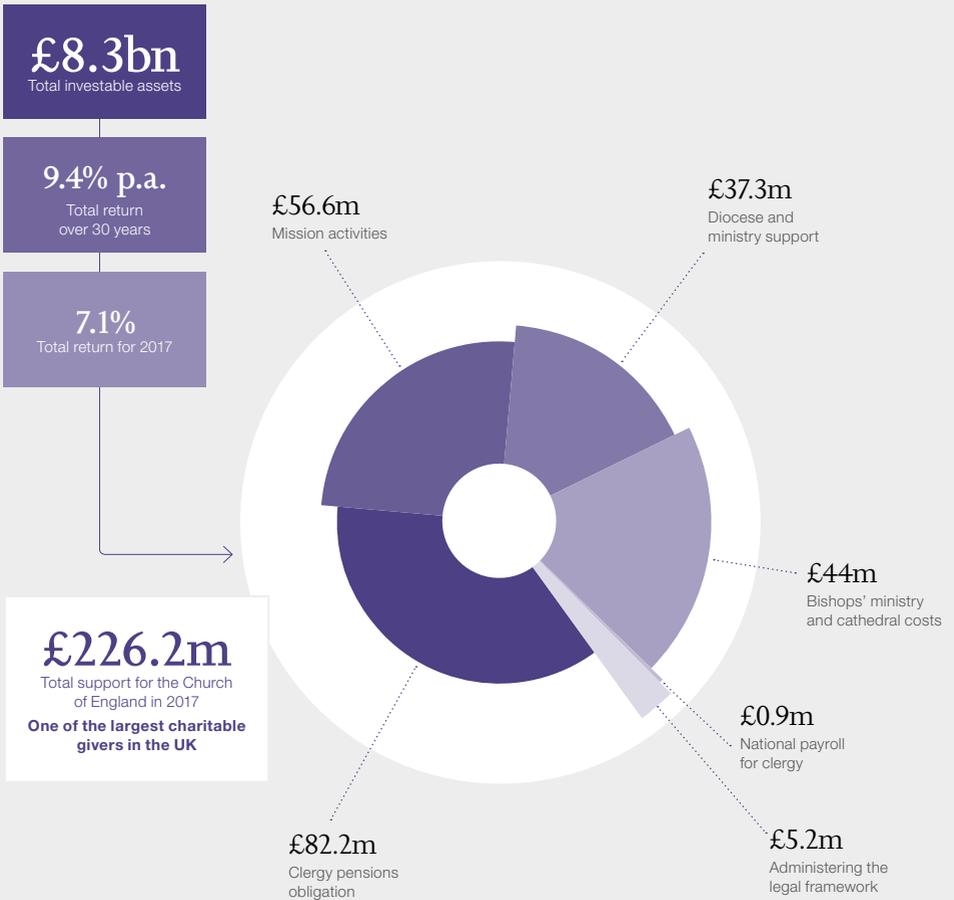
# Investing in the Church's growth



The Church Commissioners  
Annual Review 2017

# The Church Commissioners at a glance

We manage an £8.3bn investment fund in a responsible and ethical way, using the money we make to contribute towards the cost of mission projects, dioceses in low-income areas, bishops, cathedrals, and pensions.



# Welcome

The Church Commissioners exist to support the work and mission of the Church of England today and for future generations, helping it to remain a Christian presence in every community.



This year's annual review bears witness to the crucial role the Church Commissioners continue to play in ensuring the long-term stability and growth of the Church, providing ministry support, funding bishops, cathedrals and other crucial expenditures.

Effective stewardship of investments remained an absolute priority in 2017. The successful launch of the Transition Pathway Initiative at the beginning of 2017 has been followed up with great enthusiasm by other asset owners, and the Commissioners have also continued to file shareholder resolutions with some of the world's largest oil and gas suppliers to drive the change we want to see. Most notably, ExxonMobil has now committed to increased disclosures on climate change following thanks to a successful resolution filed by the Commissioners.

The Church Commissioners' work proves that a passion for the Gospel, an ethical foundation and rigorous stewardship can successfully coincide. I look forward to continuing to partner with them as we work together to support the Church of England's mission to see the Gospel of Jesus Christ lived and proclaimed in word and deed.

**Justin Welby**  
Archbishop of Canterbury



It is with gratitude that I once again look back on a satisfactory year for the Church Commissioners. We exist to support the work and mission of the Church of England – that means it is important for us to be both a responsible and ethical investor. The returns from those investments are used to help the Church further her mission across the country, proclaiming the gospel of Jesus Christ and serving local communities.

After very strong investment markets in 2016 last year's performance was more muted for all investors. Notwithstanding this, the Commissioners achieved a very creditable 7.1% driven through various asset management initiatives.

As ever, I want to place on record my thanks to all of the Church Commissioners, our staff, and our partners within the Church of England – both at the other National Church Institutions and in dioceses across the country. It continues to be an enormous privilege to serve as Secretary to the Church Commissioners, and I look forward to seeing the continued impact of our work in the months and years ahead.

**Andrew Brown**  
Secretary to the Church Commissioners

# Mission

The Church Commissioners fund mission in churches, dioceses and cathedrals throughout the Church of England.



Above: Members of the congregation at the Bishop's Certificate Presentation at Southwark Cathedral in September 2017.

Whether funding city centre churches, community projects in low-income areas or research programmes to examine how the Church can grow, the returns on the Church Commissioners' investments make a tangible difference to the lives of thousands across the country.

The Church Commissioners take advice from independent advisors on how much we are able to give to the Church each year. In 2017 we gave £226.2m – around 15% of the Church's overall income, and making us one of the largest charitable givers in the UK.

## Mission projects

Our funding is targeted towards mission opportunities and those areas which are most in need.

Having worked with the Archbishops' Council as part of the Renewal and Reform programme, our funding for mission has been divided into two streams – Strategic Development Funding (for mission projects) and Lowest Income Communities Funding (for dioceses serving lower-income areas).

Strategic Development Funding supports major projects within dioceses that can make a significant impact on their mission to the communities they serve. Since 2014 over £15m has been given to 24 projects across the country, including for church planting, multi-faith work, work in schools, and help for rural parishes to develop the use of their buildings.

Lowest Income Communities Funding is given to 25 dioceses, determined by a formula that takes into account average income and population. It is designed to give dioceses extra capacity to serve less financially well-off communities.

### **Bishops**

The Church Commissioners support the ministry of bishops and archbishops – funding their stipends, office and working costs. How bishops spend their funding is up to them, ensuring they can meet needs specific to their dioceses.

Our support also extends to bishops' houses. Some are historic properties, such as the two archbishops' palaces at Lambeth and Bishopthorpe. However, most have been bought or built more recently, and are regularly reviewed to ensure they provide appropriate accommodation to facilitate the bishops' work and mission.

### **Cathedrals**

Cathedrals are focal points not only for the Church, but for the communities they serve, opening their doors to millions of visitors each year.

The Church Commissioners support the ministry of cathedrals through two funding streams. 'Section 21' funding is given to every cathedral, funding the stipends and pension costs of the dean and two residential canons at all cathedrals except Oxford and the Isle of Man. 'Section 23' funding is given to fund staff costs for cathedrals with the lowest incomes, freeing up local resources and helping to facilitate mission and ministry to their local communities.

### **Pensions**

The Church Commissioners meet the cost of clergy pensions earned in service until the end of 1997, ensuring that those who have served the Church can be secure in their retirement.

Clergy pensions since 1998 are funded by dioceses, and managed by the Church of England Pensions Board.

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### **Amount given to the Church by the Church Commissioners in 2017**

**£226.2m**

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### **The approximate percentage of the Church's overall income provided by the Church Commissioners each year**

**15%**

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### **Amount awarded for Strategic Development Funding in 2017**

**£44m**

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### **Dioceses receiving Lowest Income Communities Funding**

**25**

## CASE STUDY

# Exeter



Walkhampton Church is not just a place where people come to worship every Sunday. There should be no divide between the sacred and the secular. We have to bring the world into our church and the church has to go out into the world.

**Revd Nick Shutt**

Rector, St Mary's Walkhampton



Exeter diocese has 607 church buildings, of which 88% are listed. More than half are in a rural location but with only 25% of the total population of the diocese. £1m of Strategic Development Funding over seven years was awarded to the diocese in June 2016 for their Growing the Rural Church programme. The project began at the beginning of 2017, and works with rural mission communities to develop their resources and, in particular, their church buildings, enabling them to grow in prayer, make new disciples and serve the people of Devon with joy.

At the end of 2017 there were eight live projects, including the West Dartmoor mission community. After discussions with the Growing the Rural Church team, St Mary's Walkhampton in the mission community was identified as being able to fill a gap in the local economy by offering accommodation to the many walkers and tourists visiting the area. The church is partnering with the Churches Conservation Trust as a Champing venue, a growing 'slow tourism' initiative offering guests accommodation in the peaceful setting of rural churches.

From Spring 2018 St Mary's will become the first Champing site in Devon. Members of both the worshipping and local communities are delighted that the church is being used in this way, and it will provide a welcome boost to the church's income. The diocese aims to engage with around 100 rural churches during the initial seven year project. It anticipates that the proactive approach will release existing church members to focus their time, money and energy on growing in prayer and making new disciples and also that the act of engaging and partnering with the wider community will in itself be missional.

## CASE STUDY

# Blackburn



I am delighted to hear the news of the success of our application for SDF funding. I believe passionately that if we are serious about the renewal of the Church we must commit ourselves afresh to proclaiming Good News to the poor.

## Bishop Philip North

Blackburn Diocese was awarded £1.5m of Strategic Development Funding in December 2017 to fund work in outer urban estates and parishes over six years. Made up of three projects, the programme focuses on training new leaders – both lay and ordained – with a view to providing a model for other dioceses and strengthening mission in the areas where the work is located.

The project comprises three models of mission and training in highly deprived outer estates:

- In Blackpool, the award is funding 20 young adults to take part in a new ministry experience scheme over the next six years. Participants will be living on the Mereside Estate alongside local residents, as well as in nearby deprived urban parishes in the town. The first three participants in the scheme have begun their work, spending almost a year in the town working with local churches and gaining experience working with the Church Army and of school chaplaincy, hospital ministry, lay ministry, service chaplaincy, and prison chaplaincy.
- Elsewhere in the town, the funding is being used for a lead evangelist and pioneer evangelist, based at Grange Park Church Army Centre of Mission and working with the churches of St Mark's, Layton and St Luke's, Staining. Vicar Revd Peter Lilicrap said "This is an amazing step of faith by the Church Commissioners as we seek to take the Good News of the Gospel to a neglected part of this large parish.



Since the Anglican church in the heart of the estate was demolished for housing and the only pub closed there has seemed to be a lack of hope. Our hope and prayer is that the Church Army Centre of Mission will flourish."

- The funds will also enable the Diocese to launch the M:Power programme – a groundbreaking new way of discerning, forming and sending leaders from and for urban parishes. This is being delivered in partnership with St Mellitus College, and will be based at St James Lower Darwen, near Blackburn, where placement opportunities will also be provided for those training for ordination.

On receiving news of the funding, Bishop of Burnley, Philip North, said: "I am delighted to hear the news of the success of our application for SDF funding. I believe passionately that if we are serious about the renewal of the Church we must commit ourselves afresh to proclaiming Good News to the poor."

"This project will share the Good News with people living on our urban estates by planting a number of new congregations. However, it will also ensure that church life is sustainable over the long term in these areas by forming quality lay and ordained leaders both from and for our estates. Our aim is to call and form local leaders who can be good news for their communities."

# Investment

The Church Commissioners manage an investment fund of £8.3bn in an ethical and responsible way, returning 7.1% in 2017.



Above: Coniston Court Gardens on the Hyde Park Estate, redesigned and reopened in May 2017 and dedicated to former First Church Estates Commissioner Sir Andreas Whittam Smith.

We are concerned not only with how the money we provide to support the mission of the Church of England is used, but how that money is made in the first place. As such, we are committed to ethical and responsible investment.

The Church Commissioners' approach to responsible investment is shaped by the ethical policies we have adopted on the recommendation of the Church of England Ethical Investment Advisory Group (EIAG) and by our commitment to the UN-backed Principles for Responsible Investment (PRI).

Our approach involves ethical investment exclusions; incorporation of environmental, social and governance issues; action on climate change risks and opportunities; impact investments; and engagement and voting.

Climate change is not only an important ethical issue for the Church, but a financial risk for long-term investors. As long-term investors, the Church Commissioners are leading the way in supporting the transition towards a low-carbon economy.

## Investment timeline

**December 2014**

BP and Shell resolutions filed

**May 2015**

Launch of Climate Change Policy

**December 2015**

ExxonMobil resolution filed for first time

**April/May 2015**

BP and Shell resolutions passed

**May 2015**

Divestment from tar sands and thermal coal

**December 2015/  
January 2016**

Anglo American, Glencore and Rio Tinto shareholder resolutions filed

Since the adoption of our climate change policy in 2015 the Church Commissioners, along with the Church of England Pensions Board, has taken the following steps:

- Analysis of climate change investment risk, supporting the capacity of other investors to assess risk (through the Transition Pathway Initiative and other tools)
- Carbon footprinting of our portfolio
- Disinvestment from thermal coal and tar sands companies (if this comprises more than 10% of their revenue), and the threat of disinvestment from those unresponsive to engagement
- Robust strategic engagement and market-shaping interventions, such as the ExxonMobil resolution.

As of December 2017, approximately 3.5% of the Church Commissioners' portfolio qualified as low-carbon investments, and we continue to pursue opportunities to add commercial renewable power generation on our rural and forest estates.

We continue to work closely with the Pensions Board and CCLA/CBF Church of England Funds, and supported the founding of the 'Aiming 4 A' initiative which saw resolutions filed and passed at companies such as BP and Shell.

**Low-carbon investments as of the end of 2017**

**£256m**

**The amount we have divested from fossil fuel companies who have not met our climate change policy**

**£9m**

**The total value of the asset owners and managers backing our Transition Pathway Initiative**

**£5trn**

**The vote which our shareholder resolution at ExxonMobil received in 2017, despite the opposition of the Board**

**62%**

**April/May 2016**

Anglo American, Glencore and Rio Tinto shareholder resolutions passed

**January 2017**

Launch of Transition Pathway Initiative

**June 2017**

TPI report on utilities sector

**September 2017**

TPI reports on steel and cement sectors

**December 2016**

ExxonMobil resolution filed for second time

**May 2017**

ExxonMobil resolution passed with 62% support

**July 2017**

TPI report on mining sector

## CASE STUDY

# Exxon



Climate change is one of the most significant long-term risks investors face, and it is essential that companies confront the challenge that it poses.

## Edward Mason

Head of Responsible Investment,  
Church Commissioners for England



2017 saw a hugely significant milestone in our ongoing engagement with ExxonMobil on climate change.

Following successful resolutions filed at BP, Shell and major mining companies as part of the 'Aiming 4 A' initiative in 2015 and 2016, we filed a shareholder resolution at ExxonMobil in 2016 in conjunction with New York State Common Retirement Fund. Similar to those previous resolutions, it asked the company to disclose the expected impact of measures to limit climate change to two degrees on their business.

Although similar resolutions at other companies had attracted the support of their boards, ExxonMobil's vigorously opposed it. Despite this more than 60 institutional investors with over \$10trn of assets under management between them pre-declared their support, and at the AGM our resolution attracted 38% support. At that point it was the highest vote ever recorded for a climate resolution at ExxonMobil, representing a significant shareholder revolt and demonstrating a significant degree of support.

We filed the same resolution again with New York State in 2017. This time it gained 62% support from investors at the AGM in May – an unprecedented victory in the face such of strong opposition from the company.

After further discussions with the company, Exxon agreed to our request at the end of 2017, committing to publish a two-degree scenario analysis which was published by the company in early 2018.

In our 2015 Climate Change Policy we set ourselves the task of engaging robustly with companies on climate change. Our work with ExxonMobil is the clearest indication yet that this strategy is producing results and changing companies' behaviour. We have a deep-seated ethical and theological motivation for engaging thoroughly on climate change as a faith investor. We are also convinced that thorough climate-related financial disclosure is a prerequisite for successful investment management.

As responsible, long-term investors it is crucial that companies take the challenge of climate change seriously, for the sake of the common good and for the ongoing returns that will help support the Church of England for decades to come.

## CASE STUDY

# Transition Pathway Initiative



I applaud the TPI and its founding members. It represents yet another potentially powerful way of aligning real-world global investments with the real-world urgency of meeting the goals, aims and aspiration of the Paris Climate Change Agreement.

**Patricia Espinosa**

Executive Secretary, UN Climate Convention (UNFCCC)



Our Climate Change Policy, launched in 2015, commits us to engaging with companies we hold shares in on climate change, assessing whether they are taking seriously their responsibilities as part of the transition to a low-carbon economy.

As a result of this commitment we have formed an industry-leading tool called the Transition Pathway Initiative (TPI), launched in January 2017 at the London Stock Exchange. The TPI is co-chaired by the Church of England Pensions Board and Church Commissioners with the Environment Agency Pension Fund. It draws on best available data and analysis by leading partner organisations: the Grantham Research Institute (of the LSE) and FTSE Russell.

TPI is a transparent and academically-robust tracking tool and is now supported by over 25 asset owners and asset managers globally with over £5 trillion of Assets Under Management combined. It tracks how companies in high-polluting sectors are doing against their future projected carbon emissions and against the two-degree scenario outlined in the Paris Agreement.

Investors are free to use the tool as they wish. As a result of our climate change policy we will be using it to track the impact of our engagement in a more rigorous, consistent and transparent way than would have been possible with any other tools available.

Sector reports on steel, cement, coal, oil and gas and electric utilities have been published, and are available free on the TPI website, with further sectors profiled soon. More information can be found on the TPI website, at [transitionpathwayinitiative.org](http://transitionpathwayinitiative.org).



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