



The Church
Commissioners
for England



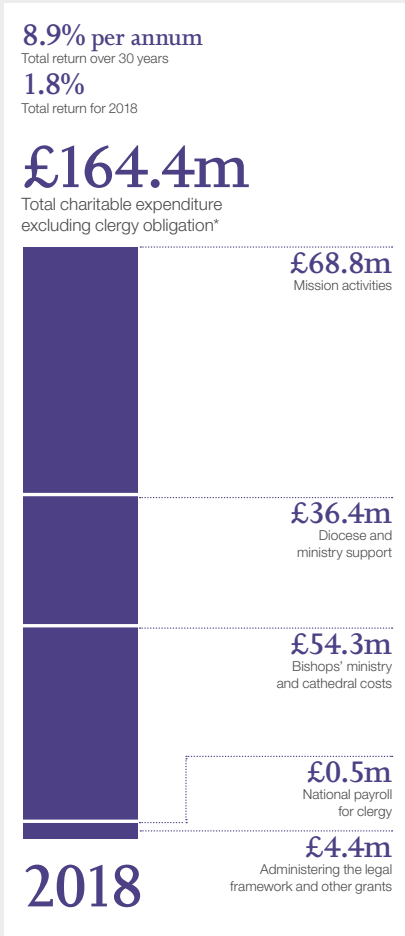
The Church
Commissioners
Annual Review 2018



Supporting
the work and
mission of
the Church
of England

The Church Commissioners at a glance

We manage an £8.2bn investment fund in a responsible and ethical way. Each year we use the returns from our fund to facilitate growth, contribute to the common good and reimagine ministry by supporting mission activities, cathedrals, bishops, pensions and dioceses with fewer resources.



£121.2m

*Cash paid on clergy pensions for both 2017 and 2018

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.



The Church Commissioners are key partners in providing the Church of England with vital financial resources to help our 12,500 parishes proclaim the Good News of Jesus Christ across all communities. This Annual Review bears witness to this role which ensures the long-term stability and growth of the Church.

The urgency of climate change continued to be a major theme for the Commissioners as they use engagement and their voting rights with some of the world's largest oil and gas suppliers to drive change. In 2018 General Synod affirmed its support for the Church Commissioners' (and other National Investing Bodies') approach to tackling climate change.

I look forward to a continuing partnership with the Church Commissioners in 2019 as we work together to support our wider mission of ensuring the Gospel of Jesus Christ is lived and proclaimed in word and deed.

Justin Welby
Archbishop of Canterbury

The dedication and passion of Christians working across the country to further the mission of Jesus Christ are truly humbling. The Church Commissioners support the Churches' vital work in communities throughout England in addition to their responsibilities for the ongoing ministry and mission of bishops, cathedrals and for clergy pensions.

In 2018 the Commissioners continued to support the Renewal and Reform programme with £24.6m Lowest Income Communities Funding for 26 diocesan projects, with an additional £10.9m to support 20 of these dioceses to transition between funding approaches.

Strategic Development Fund projects have been supported in 36 dioceses since 2014 and two further tranches, totalling £61.6m, were awarded in 2018.

We continue to lead as an ethical and responsible investor, being at the forefront of investor action on climate change, supporting the Transition Pathway Initiative ('TPI') to track corporate alignment with the low-carbon transition, as well as our industry-leading climate engagement programme.

I am privileged to serve the Church and look forward to seeing the 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.

The Church Commissioners make funds available to the Archbishops' Council for mission initiatives in dioceses across England. 2018 marked the second year of revised funding distribution as part of the Renewal and Reform programme, designed to address some of the deep-rooted missional challenges facing the Church.

Mission projects

Half of the available funding was distributed as Strategic Development Funding ('SDF'), and half through formula-based Lowest Income Communities Funding ('LInC'). Dioceses with reduced formula-based funding, compared to the amount received under the previous formula, receive transitional funding up to 2026. A one-off sum for restructuring has also been made available to help dioceses adjust to the new arrangements.

Two further tranches of SDF were awarded in 2018 to 20 projects in 20 dioceses, totalling overall £64.9m. In 2018, 25 dioceses received LInC totalling £24.6m. An additional £10.9m was paid to support dioceses that are receiving less funding than they did under the previous formula.

Bishops

The Church Commissioners meet the stipends, office and working costs of the archbishops and bishops to support their ministry. The Commissioners also support diocesan bishops with housing. In 2018, significant works took place in houses where there were new diocesan bishops or vacancies, including London, Truro, Bristol and Derby.

Cathedrals

Cathedrals are focal points not only for the Church but for the communities they serve and open their doors to millions of visitors annually. We support the ministry of cathedrals through two funding streams under the Cathedrals Measure 1999. In 2018, £6.1m supported the stipends and pension costs of the dean and two residentiary canons at all cathedrals except Oxford and the Isle of Man.



Mission

A further £3.6m in grant funding was provided to fund staff costs at cathedrals with the lowest unrestricted income. The Church Commissioners continued to make grants from the Cathedrals Sustainability Fund in 2018 with 12 cathedrals being awarded grants from the fund totalling £1.5m.



£164.4m

amount given to the Church by the Church Commissioners in 2018

15%

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

25

dioceses receiving Lowest Income Communities Funding of £24.6m

£64.9m

amount awarded for Strategic Development Funding in 2018

The Cathedrals Working Group ('CWG') report was debated at the July General Synod and a motion from the House of Bishops endorsing the report's recommendations was passed. The Cathedrals Support Group ('CSG') oversees the implementation of the CWG report with each of the CSG workstream leads being twinned with someone from the cathedral community.

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.

Our work in action

Manchester

“ — This grant will enable us to grow churches in our most deprived areas. — ”

David Walker
Bishop of Manchester



Manchester diocese was awarded £2.1m of SDF to grow a younger and more diverse church, especially in areas of deprivation. The project includes two elements:

- The Children Changing Places project aims to create a ‘Christian discipleship pathway’ for children in the town of Bolton.
- The Small to Small Community Church Plants project aims, over the next six years, to plant 16 small churches in the poorest areas and those that currently have the lowest church attendance.

The Bishop of Manchester, Dr David Walker, said: “This grant will enable us to grow churches in our most deprived areas that enrich people’s lives through new-found faith and the fellowship of others in their community. It will also enable us to develop our work with children and families in our Church Schools and local pre-school groups in the Bolton area, helping more young people to retain their Christian faith and identity.

Our work in action

Portsmouth

New disciples and missional communities

Portsmouth diocese has been seeking to form new disciples and new missional communities by developing pioneering training and pioneering posts for lay and ordained ministers, focusing on hard to reach areas (primarily inner city, outer housing estates and remote rural areas), new housing areas and work with young people.

Following SDF awarded in 2015 a resource church, Harbour Church, was planted in the city

centre, fresh expressions of church created and a cohort of lay pioneers recruited.

Harbour Church has now expanded to five congregations across three churches with 600 worshippers, with an average age of 26. Harbour Church is also running St Albans' Copnor's Tots and Toddlers groups, which are attended by 300 children and adults; and 210 people have completed the Alpha course at Harbour Church in the last 12 months. Across the diocese, fresh

expressions are now reaching 2,465 people – up from 935 people in 2015.

In December 2018 a further SDF grant of £2.2m will help worshippers to repair and refurbish St Margaret's Church in Eastney, which had been closed in 2015. The funding will also enable Harbour Church to consolidate with its new partner churches, St George's, Portsea and St Alban's, Copnor; and it will allow St Luke's Church, Southsea, to employ two pioneer ministers.



“ I have always been passionate about church being a place full of life, where people can find real friendship and community... ”

Revd Alex Wood
Vicar of Harbour Church
and Priest-in-Charge of
St George's, Portsea

Investment

The Church Commissioners manage a diversified portfolio spread across a broad range of asset classes, consistent with our ethical guidelines.



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 exclusions; incorporation of environmental, social and governance issues; action on climate change risks and opportunities; engagement and voting; impact monitoring and impact investments.

The Commissioners were rated A+ for Responsible Investment ('RI') Strategy & Governance by PRI in our annual assessment in 2018 and gained A+ ratings for Manager Selection, Appointment and Monitoring for all asset classes. We were rated A for engagement and voting, and for our management of our directly held property assets. This was the best ever PRI assessment.

The Commissioners were again recognised in RI awards: our Head of Responsible Investment, Edward Mason, won the inaugural International Corporate Governance Network ('ICGN') Global Stewardship Champion Award for his engagement on climate change at ExxonMobil.

£344.6m

of the Commissioners' investment portfolio (approx. 4.25%) qualified as low-carbon investments

£9m

the amount we have divested from oil and gas companies who have not met our climate change policy

£10.3trn

the combined assets under management of asset owners and managers backing the Transition Pathway Initiative ('TPI')

60%

in the UK, we did not support 60% of remuneration reports and 53.7% of remuneration policies

17,066

the Commissioners voted on 17,066 resolutions presented at 1,146 company meetings across 55 different markets. We voted against (or withheld votes) on 15.6% of resolutions presented

“ _____ Our focus to be a leader in ethical and responsible investment showed excellent results. _____ ”

Andrew Brown
Secretary to the Church Commissioners

In 2018, the Church of England National Investing Bodies ('NIBs'), including the Commissioners, made important climate change engagement commitments:

- In July, General Synod welcomed the NIBs' establishment of the Transition Pathway Initiative ('TPI').
- The NIBs re-affirmed their commitment to engage urgently and robustly with companies rated poorly by the TPI and, beginning in 2020, to start to divest from those not taking seriously their responsibilities to assist with the transition to a low-carbon economy.
- In a new commitment, the NIBs indicated that by 2023 they would divest from fossil fuel companies that they have assessed, drawing on TPI data, as not prepared to align with the goal of the Paris Agreement to restrict the global average temperature rise to well below 2°C.
- The General Synod motion incorporating these commitments was passed overwhelmingly.

Case study: The Commissioners' Climate Action 100+ leads

ExxonMobil

The Commissioners are CA100+ leads for ExxonMobil alongside New York State Common Retirement Fund. In May 2018, we attended Exxon's AGM in Dallas and commenced CA100+ engagement, including via an in-person meeting in the US in November. In December we co-filed a shareholder proposal with New York State Common Retirement Fund,

backed by a coalition of other investors, asking the company to set long-term emissions reduction targets aligned with the goals of the Paris Agreement, covering both the company's operational and product emissions.

In 2018 Exxon took some important steps forward on climate change that had been

requested by the Commissioners, including publishing its fullest ever climate risk report (in line with the shareholder proposal we succeeded in getting passed in 2017) and joining the Oil and Gas Climate Initiative ('OGCI'), a group of global oil and gas companies founded by CEOs committed to the ambitions set by the Paris Agreement.

“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



Glencore



The Commissioners are CA100+ leads for Glencore. In May 2018, we attended Glencore's AGM in Zug, Switzerland, and asked three questions related to emissions targets, remuneration policy and carbon pricing. We met Board and executive team members on multiple occasions during 2018, with discussion focusing on our request that the

company should disclose its commitment to strategic alignment with the goals of the Paris Agreement.

In 2018, at the Commissioners' request, Glencore agreed to evaluate the climate lobbying of the trade associations of which it is a member and to publish this analysis before its 2019 AGM.

Royal Dutch Shell

The Church Commissioners believe it is our responsibility as shareholders to vote at company AGMs in a way which is consistent with our values as an ethical and responsible investor.

2018 saw a significant milestone in the passing of a resolution at the Royal Dutch Shell AGM to set and publish targets for greenhouse gas emissions.

This shareholder resolution was filed by NGO Follow This and called on Shell to publish emissions reduction targets aligned with the Paris goals, including for emissions linked to the use of Shell's products. The Commissioners had supported this resolution in 2017 and did so again in 2018.

Shell had, however, already taken a significant step towards aligning its business with the Paris Agreement at the end of 2017, announcing an ambition to halve its net carbon emissions by 2050.

In December 2018, Shell went further and published a joint statement with investors participating in CA100+ (including the Church of England Pensions Board) committing to operationalise its long-term ambition through rolling short-term emissions reduction targets linked to executive remuneration.



“ Our active engagement and voting record provide greater leverage and influence than by acting alone or by forced divestment. ”

Loretta Minghella
First Church Estates Commissioner



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OF ENGLAND

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