



THE CHURCH
OF ENGLAND

PENSIONS BOARD

Member Webinar: Stewardship

Wednesday 7 December 2022

Additional Q&A

Thank you for sharing your questions with us.

We tried to answer as many member questions as time allowed on the 7th December. Here are the answers to those questions we didn't cover in the sessions.

Please note that where we had a number of questions on a similar theme, these will have been grouped so that only one question appears here. We have also edited some questions e.g for brevity and privacy. This might mean some questions are worded differently to how they were submitted.

If you have any further questions or comments please email cepbfeedback@churchofengland.org

Fossil fuels and alternative energy

Questions	Answers
<p>1 I understand the present policy on fossil fuel investments arises from thinking done about four or five years ago. Much has changed since then. It appears dioceses are increasingly stepping away from fossil fuel investments. Will you now follow their lead?</p>	<p>Today less than 0.3% of our total investments are in the oil and gas sector, and therefore in fossil fuels. This has declined considerably as we have engaged with companies and made informed decisions about which companies are responding to the engagement and which are not. Those that have not we have sold.</p> <p>We made a commitment to General Synod that, along with the other National Investing Bodies, that we will divest (i.e., sell) any holdings we have in oil and gas by 2023, where those companies do not have plans that demonstrably align to the goals of the Paris Agreement. We have created an independent global academic research centre at the London School of Economics to discern which companies are transitioning. We will make our final judgement based upon the independent assessment and will be updating Synod on this commitment in July 2023.</p> <p>However, we should be under no illusion that selling our shares reduces emissions as we merely sell them to someone else. We have sought to establish a global net zero Standard for the Oil and Gas sector so that we know what credible transition plans are and to hold companies accountable to that Standard. This has been piloted with a number of companies and will be launched in the New Year. The Standard is extremely exacting and for the first time recognises that a company can have a strategy to close down.</p>
<p>2 The world is on a pathway for unliveable global temperatures. The UN, the IEA and most scientists say companies should not be investing in new gas oil or coal projects. Why does the Pensions Board invest in companies that are seeking to grow fossil fuel extraction? Do you invest in alternative energy sources and companies?</p>	<p>Less than 0.3% of total investments today are in oil and gas companies. We are not pursuing new investments in this area. We have 12 times more of our funds invested in green solutions/alternatives than we do in fossil fuel companies.</p> <p>Our small holding in oil and gas (now less than 0.3% of total investments) gives us a foot in the door for engagement to drive change across the sector. Our engagement is having an impact. For example, we have led the development of a new net zero standard for oil and gas.</p> <p>We are also aware that when you look at developing countries and emerging economies, they have a differentiated pathway for their emissions as agreed under the Paris Agreement. This may mean that a country like South Africa will use Gas whilst it moves away from coal and is building its renewables future.</p>

Disinvestment/divestment

Questions	Answers
<p>1 Can you give examples of where you have withdrawn an investment for significant ethical reasons?</p>	<p>Yes. Last year we, along with the other National Investing Bodies of the Church of England, restricted investments in 28 companies, as these companies hadn't made sufficient progress against the climate goals set under the 2015 Paris Agreement. For more details, please refer to: Church of England restricts investment in climate laggards The Church of England</p> <p>We also withdrew our investments in Vale a mining company in Brazil following the Brumadinho disaster that killed 270 people. However, we also set up a global initiative to ensure increased safety across the mining industry on tailings dams. As a result of this we have created a global industry standard on tailings dams with the UN and industry. This is now being implemented by the world's largest mining companies and we are in the process of ensuring the whole industry adheres to it to help ensure such disasters never happen again.</p>
<p>2 Can you explain more about the Pensions Board investment exclusion list?</p>	<p>We invest in line with the guidance from the Ethical Investment Advisory Group (EIAG) which seeks to align our approach with our Christian ethos. That means that there are some companies we just don't invest in, as their products/activities are contrary to our ethical policies.</p> <p>For instance, we don't invest in any companies that involved in the sale or production of indiscriminate weapons, or in gambling or pornography. Last year, we excluded 467 companies from investment on ethical or responsible investment grounds (including 28 new exclusions related to climate change). These are just a few examples of the 'screens' or restrictions we have in place.</p> <p>We also use revenue threshold tests, to help inform our analysis of the companies we exclude (noting that one firm might operate in multiple sectors).</p> <p>For more information on our approach to screening, please see page 30 of our Stewardship report. https://www.churchofengland.org/sites/default/files/2022-10/5562_Stewardship_Report_vFINAL.pdf</p>
<p>3 If shareholders disinvest from multi-national companies what is to stop unethical investors buying the shares they sell, while ethical investors lose leverage?</p>	<p>This goes to the heart of why at present we choose to stay invested in some sectors, in accordance with the guidance from the EIAG. Being invested – even to a small degree - gives us a position round the table to advocate for change and try to change corporate behaviour.</p>

		<p>If we chose to divest and sell our shares, in all likelihood our shares would be bought by another investor who might not feel as strongly about some matters as we do e.g., climate transition, labour rights, diversity, executive pay, and would vote differently at key company meetings.</p> <p>Take the mining sector – this is rife with challenging ethical issues. However, we have developed an ethical policy to guide our work in the sector. The policy recognises the importance of the sector in providing many of the materials we use in society and for the low carbon transition. Not engaging with it is not an option. As a result, our approach has led to a global engagement initiative that is driving tangible change with our eyes fully open to the ethical challenges within the sector but a commitment to do all we can to change it. Mining 2030 sets this agenda out and we will be detailing more information on this in January 2023. It is an ambitious agenda for mining companies!</p>
4	<p>How does the Board handle investments in Israel/Palestine? In particular, are there any restrictions around investment in companies who benefit from economic activity in illegally occupied territory?</p>	<p>The EIAG advises the National Investing Bodies (NIBs) to expect all the companies in which they invest to manifest conscientiousness with regard to human rights and sensitivity towards the communities in which they operate. The NIBs have established processes, in line with the recommendations of the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises to periodically undertake due diligence analyses aimed at identifying portfolio companies complicit in breaches of international norms and human rights.</p> <p>Following the letter from the Archbishop of Canterbury and the Cardinal Archbishop of Westminster (12/06/2020), the NIBs procured appropriate research and data in order to evaluate investee companies' business practices for upholding international norms and human rights when operating in disputed territories and will identify any companies deemed unwilling, uncooperative or complicit with human rights violations in the Occupied Territories as part of their established due diligence processes.</p>

Collaboration

Questions		Answers
I	<p>The presenter mentioned that there is more leverage with engaging in social change with companies when they are looking at raising debt.</p>	<p>The Board chairs the Transition Pathway Initiative, which is supported by 120 funds with over \$50trn in assets under management. TPI is an industry leading tool, which assesses company readiness for the transition to a low carbon economy. TPI is now providing the foundational assessment of Government and Corporate bonds to support a new international project to look at how the bond market is supporting the climate transition.</p>

	<p>Significant market players can act in isolation to great effect. As a smaller player, with whom does the Pensions Board liaise in the wider corporate bond/debt markets to present a common voice?</p>	<p>This new project (called ASCOR) is co-chaired by the Board and the BT pension fund, and is supported by asset owners, investors and asset managers who jointly manage \$5trn of assets.</p> <p>https://www.unpri.org/ascor-project/the-ascor-project-progress-report/10120.article</p>
<p>2</p> <p>How can parishes support your work to address some of the root causes of social and economic injustice? How can Dioceses help too?</p>	<p>Every person and church body that has a pension with the CofE Pensions Board is playing a part in this work just by having a pension with us.</p> <p>Changing some of the issues we highlighted in the webinar feels like a big task, and will definitely involve working in partnership with all parts of the Church, as well as other investors, Governments, asset owners, lobbying groups, CEOs etc.</p> <p>One area that is key is public policy. In particular on climate change. Companies and investors can commit to net zero but unless public policy is aligned then we will not be able to achieve our targets. Often policy is the main barrier. Therefore, anything Diocese and Churches can do to engage government on this agenda is important. For example, it is government that is in charge of licensing new oil and gas in the North Sea. Likewise, it is government that is licensing a new coal mine.</p> <p>Another area is on critical minerals for the transition. There are many minerals that are needed and how we use them is key. Doing all we can to recycle batteries and advocating for more recycling of minerals is vital as well as seeking greater support from government for a more circular economy in minerals.</p> <p>We also benefit enormously from hearing members views. This helps inform our priorities as well as our approaches. Please continue to ask questions and attend events like the 7th December session, and raising awareness with your colleagues. We would appreciate your feedback as to what might help best tell the story of the work we are doing on members' behalf e.g., videos, case studies, presentations to Diocesan Synods etc. Please get in touch at cepbfeedback@churchofengland.org, with suggestions.</p>	