

⊕ CHURCH COMMISSIONERS *for* ENGLAND

OUR APPROACH TO SUSTAINABILITY FOR REAL ASSETS





OUR APPROACH IN ACTION: Supporting climate resilience and biodiversity

A visit to Papley Grove Farm, Cambridgeshire, with Nature Friendly Farming Network (NFFN) to learn about new sustainable farming techniques. Martin Lines, chair of NFFN, explains the benefits of using buffer strips within the middle and edges of a field (front cover) and cover crops (this image). The strips and cover crops provide habitats for nature that reduce the use of pesticides and fossil fuel inputs. This approach helps improve soil health, biodiversity, carbon capture, resilience and profitability. The Church Commissioners are members of NFFN and work with experts and collaboration groups such as NFFN to understand and promote emerging best practice among our farm tenants.



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WHO WE ARE

“To be at the forefront of responsible ESG investment our approach to Real Assets must be aligned to, and consistent with, our approach to other asset classes within our fund and our overarching goal to achieve a net zero world by 2050. This will ensure that we mitigate and adapt to the impacts of climate change in robust ways. This report sets out how we are striving to do so.”

ALAN SMITH, FIRST CHURCH ESTATES COMMISSIONER

✚ To learn more about our wider stewardship approach please click [here](#)

✚ To learn more about our Climate Action Plan please click [here](#)

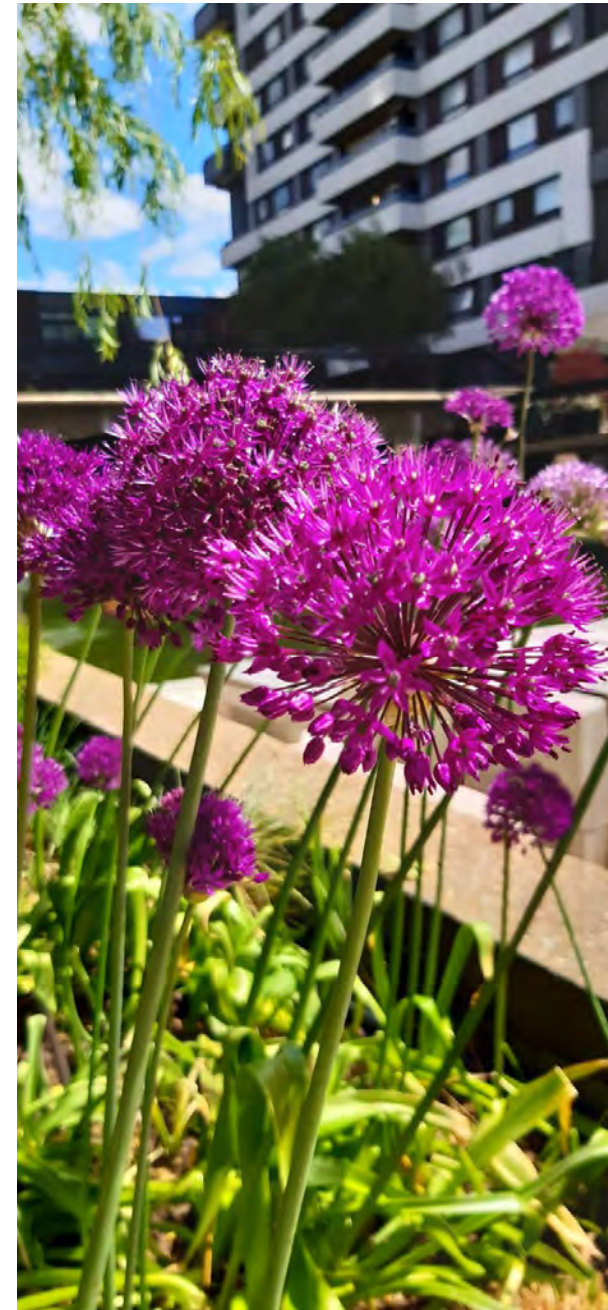
The Church Commissioners, a charitable body established in 1948, has a strategic focus to support the Church of England’s mission and ministry, particularly in areas of need and opportunity, in perpetuity. We do this through the effective, sustainable management of the Church of England’s endowment fund – which is valued at approximately £10bn.

We are a unique investment body, with two duties. We must create long-term financial returns to fund some mission activities through our churches, cathedrals, and dioceses. And we must make sure that the way we invest, and what we invest in, brings benefits to the wider world in a way that consistently shows positive outcomes in its contributions to the common good. In this way, our assets can work hardest to change things for the better, as we seek to make the Church’s values real in all our work.

Real Assets makes up about a quarter of our overall investment portfolio, involving a diverse range of asset types – Farmland, Sustainable Forestry, Development Land, Built Environment and Infrastructure – and is valued at approximately £2.5bn (as at December 2022).

Creating climate resilience and adaptation is not merely an option, but a necessity for securing our shared future in the face of an increasingly volatile and unpredictable climate. Our goal in Real Assets, as with the rest of the portfolio, is to be at the forefront of responsible investment to support this. Being a responsible investor means being an active one, using the power of our voice to encourage stakeholders including farmers, forest managers, housing developers and building tenants to build resilience and make the adaptations the world needs.

Our approach to responsible investment includes ethical restrictions, integrating environmental, social and governance risks and opportunities into our investment process, and actively seeking to positively influence sustainability outcomes of the portfolio, e.g. by engaging with tenants, investment managers and regulators, and by investing in social and environmental solutions. Our ethical restrictions are shaped by advice from the Ethical



Investment Advisory Group (EIAG), which also provides advice to all National Investing Bodies (NIBs), including the Church of England Pensions Board and CBF Church of England Funds.

Our thematic priorities are rooted in an attempt to understand and engage positively with the challenges relating to climate change, nature loss and growing social inequality. They were identified by our Responsible Investment team through the review of our responsible investment policy and approved by our Assets Committee in November 2022. The outcome is a lens of systemic risk through which we view the world. We believe that having a robust approach to addressing these challenges is an intrinsic part of being a good investor across all asset classes.

Our stewardship approach is grounded in the ethical policies we adopt as a faith-based investor, and in our overarching investment policy in the context of delivering the fund’s long-term target investment return. We believe that taking account of Environmental, Social and Governance (ESG) issues is an intrinsic part of being a good investor across all asset classes and hold this belief for both ethical and financial reasons. Because of this belief, we are comfortable that we are delivering in the best interest of our beneficiaries.

£2.5bn

The approximate value of the Real Assets portfolio

REPORT OVERVIEW

“Caring for our planet is a critical part of our responsible investment approach and core to the Church’s mission. This report aims to demonstrate our approach, the importance we place on sustainability and examples of this in action.”

GARETH MOSTYN, CHIEF EXECUTIVE

THE IMPORTANCE OF REAL ASSETS

Our portfolio is made up of tangible assets that are central to our stewardship mission. These are socially important assets that provide food, places of work, nature habitats, sustainable construction materials, homes and communities. We recognise an expectation and desire on the part of stakeholders for our approach to prioritise sustainability. Land and buildings are significant contributors to global emissions with the built environment estimated to comprise 30% of global emissions and farming in the UK contributing around 10% of total UK emissions. At the same time, Real Assets can help mitigate the risks of climate change through carbon sequestration and renewable energy, as well as provide for critical needs of society, including housing, care, nature protection and food production. Although we cannot achieve these objectives on our own, the role we play to support climate resilience and adaptation, as land and building owners, is significant.

We have therefore designed an approach to the sustainable management of the portfolio that reflects our ambition to lead in this space and collaborate with others and shape best practice.



Key highlights from recent initiatives



Our Land and Built Environment Investments are estimated to be absorbing or avoiding more greenhouse gases than they are emitting. Our Infrastructure investments, that predominantly focus on green energy, are helping to avoid emissions. We emphasise this is an estimate and a starting point. It does not diminish our focus on reducing emissions across our portfolio.



100% of our forests are now certified as sustainable. We have planted more than 12m trees in the past five years, while doubling the area of native woodland across our forests in the UK.



Our Development Land portfolio is suitable for the delivery of around 30,000 new homes, of which we anticipate roughly 9,000 will be affordable. This, we understand, would take forward more new housing and communities than any other private landowner in England.



We have committed over £250mn to green infrastructure or social impact initiatives.



During 2022, the Asset Management team visited over 50% of the equipped farms within the portfolio. We used these visits to meet our farming tenants and discuss their businesses, environmental aspirations and identify potential future initiatives.

We also recognise the importance of providing insight into, and being transparent about, our approach to sustainability. With this report, we aim to demonstrate how we have been living up to this and how we plan to continue to do so well into the future.

RECENT INITIATIVES

Although we have further to go, we take pride in many of our initial achievements and the work we have done to genuinely integrate sustainability into our culture, decision-making and operations. (See key highlights from recent initiatives box to the left.)

For example, we have put in place environmental clauses within new leases, launched new investment initiatives that focus on green infrastructure and social impact, established a wide range of partnerships with the farming sector, and helped to deliver new housing communities.

We have also undertaken a two-year review of our natural capital and estimated emissions, contributed to policy, as well as put in place an overarching approach to sustainability and portfolio-level action plans that integrate sustainability objectives into each sub-portfolio (for example, Sustainable Forestry or Farmland). These are reviewed in more detail within the sub-portfolio sections.

APPROACH TO THE REPORT

We also recognise the need to build on these initiatives and have therefore set out in this report a range of next steps that aim to build on our initial work, focus on key challenges and advance new initiatives.

We will review this initially at an overall portfolio level and then look in more detail at specific asset classes or sub-portfolios.

We know we cannot address every area of focus in one report, nor can we show every example or share sensitive material. We hope that this publication provides additional reassurance and helps encourage debate and best practice.

OUR PORTFOLIO

“Our portfolio is diversified across a wide range of assets, valued at £2.5bn and represents a broad set of challenges, responsibilities and opportunities.”

TOM JOY, CHIEF INVESTMENT OFFICER

MAKE-UP OF OUR PORTFOLIO

The Real Assets portfolio makes up about a quarter of the overall investment portfolio, involving a diverse range of asset types, and is valued at approximately £2.5bn. These asset types are grouped into two broad categories: Land (60% of the portfolio's total value) and Built Environment and Infrastructure (40%).

60% LAND

Within Land, we invest in farmland, sustainable forestry and land to be developed mostly for housing and community infrastructure. The core investment rationales are rental income, the periodic sale of certified timber and selective land sales.



40% BUILT ENVIRONMENT AND INFRASTRUCTURE

Built Environment and Infrastructure assets are made up of commercial property and residential properties, along with infrastructure investments that are largely focused on renewable energy and transportation. By value, about 40% of these assets are directly managed and leased by us. The rest of the portfolio is either let on long leases (typically over 100 years) that provide long-term operational control to the leaseholder, or is invested within a fund.

CHALLENGES

“We want to be open about the challenges, constraints, unknowns and key areas that we want to improve. We acknowledge the broad range of stakeholder expectations and we hope this document can demonstrate what we are doing, the rationale and what we want to do next.”

JOHN WEIR, HEAD OF REAL ASSETS

We believe it is important to be upfront about the challenges and constraints we face. This is because such an approach makes for a richer, more wide-ranging debate, and can help ensure better outcomes.

Yet we are clear-eyed about the fact that the answers to some challenges are not always straightforward. We also do not subscribe to approaches that gloss over challenges or assume all problems have easy solutions.

For example, what is the best way to use land for food production, as well as increase carbon capture and biodiversity? Should we take land out of food production or does this create further problems elsewhere? How can highly fertile land be farmed in a way that mitigates increased risks of climate change? What is the likely emissions profile of ‘best practice’ versus ‘standard practice’, and how close can we get to net zero farming?

Other challenges relate to the fact that some issues are industry-wide, such as how to handle data collection, legal and contractual rights, and whether operational changes are enforceable. This is especially the case with older and longer leases, under which our tenants and leaseholders have long-term occupational rights and control.

Some challenges are fiduciary, such as those that relate to charitable status and obligations to meet financial requirements under our constitution set up to serve the mission of the Church of England.

None of this represents a barrier to progressing sustainable stewardship of the Real Assets portfolio. To the contrary, a big part of our approach is embracing and finding solutions to such challenges and hurdles.



OUR APPROACH IN ACTION: challenges

Evidence of long-term erosion of lowland peaty soils – that is accelerated by climate change – from June 2022 in Cambridgeshire. Land such as this is highly productive farmland that feeds society. One third of England’s fresh produce is produced in this area of the UK. The land is let on long-term leases that grant succession rights to farming tenants.

We engage with and understand the legitimate debates and concerns relating to land use and soil emissions that are not easily resolved. As members of Fenland SOIL, we work with farmers, scientists and experts to understand such issues and work towards new management strategies to mitigate the impact and adapt to climate change. (See also box on [page 10](#).)

OUR APPROACH

“We take a collaborative and action-based approach that seeks to address key challenges and create change that has real effect. We believe long-term stewardship and value are interlinked. We focus on our key spheres of influence to help make a long-term impact.”

PAUL JAFFE, HEAD OF SUSTAINABILITY FOR REAL ASSETS

Our approach is underpinned by four elements that are consistent with the revised responsible investment approach to systemic risk (climate change, nature degradation, social inequality), as well as with the principles of the Net Zero Asset Owners Alliance, a member-led initiative of 84 institutional investors committed to transitioning their investment portfolios to net zero greenhouse gas (GHG) emissions by 2050. We adopt this approach within each sub-portfolio to help identify the specific areas we can make the biggest difference and appropriate initiatives to take forward.



PHILOSOPHY

Long-term stewardship and long-term value are linked

Our overall philosophy is that long-term stewardship and long-term value are interconnected and mutually supportive. As a consequence, we are always thinking about the risks of inaction and how we might need to invest to maintain long-term value and resilience, as well as make necessary adaptations. We are committed to improving assets with long-term societal value, such as farming, forestry and housing.



OBJECTIVE

Create change that has real effect

Our objective is to use our resources in a way that supports change to real effect. This means, for example, remaining active and committed investors within farming, rather than simply divesting to reduce our portfolio footprint, and considering what impact we can make outside of our direct emissions or those from the portfolio. It includes supporting tenants, peers and wider industry to understand and implement the best steps to create change.



APPROACH

Focus on key spheres of influence

Our approach focuses on our key spheres of influence and where we are best placed to have an impact on change, given that we are landlords and large-scale landowners. These spheres will be different, depending on each asset type and sub-portfolio. In practical terms, this means we take a proactive and action-based approach to the stewardship of our assets.

We place a high priority on collaborating with a range of stakeholders to help shape, support and share the best approaches to delivering the change needed.



ACTION

Target initiatives that have the greatest long-term impact

Supported by strong governance and decision-making, we target initiatives that have the greatest impact while operating within our fiduciary constraints and charitable purpose. This will naturally include new purchases and some divestment – but simply selling out of carbon intensive assets would be unlikely to deliver the change that matters.

Actions we take include putting in place environmental clauses within new leases; investment initiatives that focus on green infrastructure and social impact; establishing a wide range of collaborative initiatives and partnerships, especially within the farming sector; inputting into policy; and helping to deliver new housing communities.

OUR APPROACH continued

IMPLICATIONS OF OUR APPROACH

We recognise that each asset class and investment is different, and is at a different transitional stage, so the potential for transition will vary. For example, we do not currently know exactly what low carbon farming will look like or how to accurately measure it (although we will try). But we do know sustainable farming is an essential long-term societal requirement. Simply focusing on our annual portfolio emissions as a measure of success would therefore be wrong, as it may be hard to measure, slower to see changes and there is a risk of short-sighted decision-making.

This means that a range of additional indicators and approaches will be needed alongside key metrics, such as annual carbon emissions. We are developing these and they will vary depending on each sub-portfolio. Some of these indicators may be harder to quantify (such as biodiversity improvement or social value) or less tangible. Nonetheless, we will still seek to measure, monitor and benchmark. Likewise, the initial impact of an initiative may not always be substantial but can still help to send longer-term signals, demonstrate proof of concept and catalyse long-term change. We recognise that this has the potential to feel unsatisfactory in an environment that demands quantification and a 'pass/fail' approach. Therefore, it is important that we regularly articulate our approach and the initiatives we are undertaking for our key stakeholders.



OUR APPROACH IN ACTION: collaborating on challenges

We are members of Fenland SOIL, a not for profit organisation established to understand the specific issues relating to peaty soils and agriculture in the Fens. The group brings together farmers, landowners, academics and conservationists to inform and develop 'whole farm' land use policies to improve biodiversity and mitigate against the impacts of climate change. As well as providing workshops on best practice and input on policy, the group has

contributed towards the investment in flux tower technology (right side of photo) to give highly detailed measurements of carbon dioxide and how key variables impact this. Our November 2022 Advisors Day (pictured here), brought together more than 40 key professionals who work on the Farming portfolio to share in these learnings. The event was attended by both the First and Second Church Estates Commissioners.



HOW WE HAVE ASSESSED OUR EMISSIONS

“We are proud that we have investments that sequester high levels of carbon. It reflects how our investment approach can both meet our financial objectives and be good for the environment. This is a starting point and helps us identify key areas of focus and it does not diminish our focus on reducing emissions across our portfolio.”

SOFIA BARTHOLDY, NET ZERO LEAD

112,000

Our farmland’s approximate emissions (tCO₂e) – the highest within our portfolio but of a similar emission profile to assessments by other landowners

116,000

The estimated amount of carbon dioxide (net of emissions) absorbed by our Sustainable Forestry portfolio (tCO₂e)

In 2022, working with third parties, we completed a comprehensive, two-year baselining project to understand our estimated annual emissions profile. This includes Scope 3 site emissions and therefore includes emissions from activity carried out by our tenants.

Annual portfolio emissions do not include emissions, sequestration or avoided emissions relating to activity post our ownership. For example, future housing development or future avoided emissions due to renewable infrastructure. The baselining also identified avoided emissions from renewable energy sources. These are stated separately from sequestered emissions.

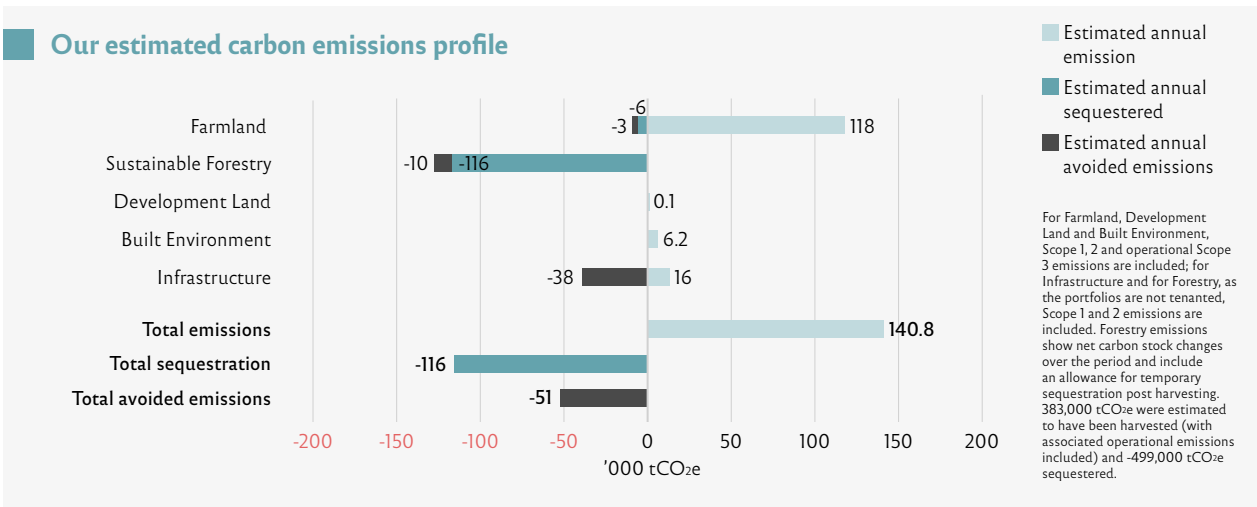
FINDINGS

Farmland: Our farmland was estimated to have by far the most significant level of emissions (112,000 tCO₂e). Within this portfolio, dairy farming was the largest relative contributor; largely due to methane emissions. This finding is similar to other landowners. Other farmland emissions related to the expected use of nitrogen application and fertilisers, as well as fuel for farming machinery. The estimation does not include any assumption of specific sustainable farming practices and, we believe, is therefore a conservative estimation.

Sustainable Forestry: This portfolio was estimated to be absorbing, net of harvesting and emissions, approximately 116,000 tCO₂e. This includes the benefit of carbon stored in harvested wood products that was estimated to be a discounted 89,000 tCO₂e (as wood, especially in construction, continues to store carbon post harvesting). The level of net sequestration is expected to increase as planted trees absorb more carbon.

Development Land: The land that we own for future development, as predominantly dormant land, has only a small level of current activity on the site (100 tCO₂e). Therefore, the estimated annual emissions were low. We are developing analysis to calculate emissions that relate to future development post our ownership.

Built Environment and Infrastructure: One of our infrastructure investments, an active anaerobic digester that captures methane for use as biofuel, avoids more



carbon than the rest of the infrastructure portfolio emits in total. While the rest of the portfolio has operational emissions, most of our infrastructure funds are focused on providing solutions to the green transition. We are working on methodology to calculate future emissions and avoided emissions. When compared to farmland, built environment assets make up a much smaller level of annual emissions, but are still an important area of focus.

IMPLICATIONS

The emissions profile is dominated by our Farmland and Sustainable Forestry portfolios. Overall, our Real Assets portfolio was estimated to be absorbing or avoiding more greenhouse gas emissions than it was emitting.

We expect this position to improve further in the coming years. We recognise, nonetheless, we have high levels of emissions overall, especially from farming, and need to play an active role in reducing these. In line with the Partnership for Carbon Accounting Financials (PCAF), we are focused on reducing our emissions rather than simply on our net emissions position as an end goal. We are concentrating on using available levers to influence

real world emissions reductions, in alignment with the goals of the Paris Agreement.

We can take some pride in the estimation that the Real Assets portfolio has a significant capacity to sequester carbon, as it highlights how our investment strategy can simultaneously achieve our financial goals and benefit the environment. However, this is just a beginning, and the exercise has helped us pinpoint crucial areas that require attention; both within our direct control and across our key spheres of influence.

We would also emphasise the data is based on sophisticated estimates rather than primary data. This means we are not currently able to get a significant enough level of portfolio-wide emissions data from our tenants. This is partly due to the lack of lease provisions and, especially in the case of farming, the modelling methodology of on-farm emissions is relatively new and may vary considerably. A key focus over the next year is to improve our access and use of primary data, including emissions from our tenants. This includes continued work with the Greenhouse Gas Protocol to establish international standards for greenhouse gas accounting in forestry, as well as analysing future emissions relating to future projects.

BEYOND EMISSIONS: NATURE AND SOCIAL IMPACT

“We recognise that nature recovery and social equity must be prioritised alongside emissions reductions. More often than not, they are inextricably linked.”

OLGA HANCOCK, HEAD OF RESPONSIBLE INVESTMENT

One of the biggest challenges faced by all stakeholders forging their path to a net zero world is that a just transition is needed to also protect and support nature recovery, alongside social mobility and wellbeing.

While there will inevitably be some trade-offs and compromises among competing objectives, our overall philosophy is that emissions, nature, social mobility and financial value are mutually reinforcing and cannot be looked at in isolation.

For example, regenerative farming can simultaneously reduce emissions, increase carbon capture and promote soil health, biodiversity and nature recovery (see [front page](#) and [page 2](#)). As part of any new letting, we carry out a pre-letting environmental assessment (PLEA) to identify the best ways to increase biodiversity and create the necessary obligations to ensure these are taken forward (see boxes on [pages 18](#) and [19](#)).



Our forests provide places for leisure and recreation as well as biodiversity improvements

Photo courtesy of One PlanetAdventure

Another example is how wetland regeneration increases carbon capture while creating habitats for wildlife. One example of this is our work as part of the Blue Recovery Leaders Group and the Wildfowl & Wetlands Trust (see [page 19](#)).

Our sustainable timber production takes place alongside important work to promote biodiversity, including restoring plantations on ancient woodland sites to native woodland and participating in scientific trials to improve forest resilience, tree species diversity and to reduce the use of pesticides. At least 20% (by area) of our UK forests are managed with biodiversity as the primary objective. This includes native tree species, unplanted areas of natural vegetation, and mature trees retained to benefit biodiversity. As well as habitat protection and carbon storage, forestry also benefits air quality regulation, employment, flood prevention and recreation (see box on [page 26](#)).

Our Development Land portfolio has helped support the delivery of new housing, affordable housing and community infrastructure. Our governance process ensures a living wage, as a minimum, is paid under all contracts and in our supply chains. We also recognise system risks outside our supply chains and look to work with appropriate organisations, such as The Clewer Initiative, to help protect workers.

We recognise that different parts of our portfolio can be used in different ways to address challenges. These specific areas of focus, and how we take action, are outlined in detail in the following sub-portfolio sections.

20%

One fifth of our UK forests are managed with biodiversity as the primary objective

SUB-PORTFOLIOS



FARMLAND

"We are committed to the long-term stewardship of our farmland. We strive to manage and conserve the natural resources of our estates in accordance with best practice, while supporting sustainable farming businesses and food production."

CIARA WILLIAMS, PRINCIPAL ASSET MANAGER



ABOUT OUR FARMLAND PORTFOLIO

Our diverse farmland holdings throughout England are leased to knowledgeable and skilled farming tenants who are committed to producing quality food, while responsibly managing both the land and soil.



Photo courtesy of Henry Falkingham



OUR APPROACH IN ACTION: engagement and knowledge-sharing

Sharing best practice and innovation will be key to improving farming methods. To help support this, in September 2022, we commenced a series of 'In Conversation With' interviews to demonstrate how our farming tenants are incorporating agroecological

practices into their businesses. Paul Temple (above) shared his experiences of how no-till farming and a deep awareness of soil health have paved the way for his farm's first insecticide-free year. To see more from this interview and others please visit [here](#).

The portfolio consists of approximately 82,000 acres across 45 estates in England. As a let investment portfolio, all farmland is subject to lease which, in general, provides full operational control to farming tenants through a range of tenancy structures, with around two thirds of tenants having succession rights. We have over 500 farming tenants, 136 equipped farms and over 1,500 tenancy agreements. There are also 34 mineral sites, let for the excavation of aggregate and subject to restoration and improvement obligations, as well as renewable energy sites, including a wind turbine and two solar farms embedded within the portfolio. As much as 92% is enclosed farmland, with other elements including native woodland, coastal margins and recreational space.

Over 90% of the farmland is Grade I-III (productive to highly productive) with the rest a mixture of urban, non-agricultural land or poorer soils. Around 72% of the landholdings are used for growing combinable crops and around 20% is improved grassland. The remainder of the land is farmed for a mixture of leguminous or non-agricultural land. The portfolio has areas of peaty agricultural soil, mainly located across the Fens.

500+
Tenants

90%
Grade I-III farmland

82,000
Acres

100%
Leased portfolio

136
Equipped farms



HOW WE SEE THE CHALLENGES, AND HOW WE ARE APPROACHING THEM

“We are committed to a thriving tenanted sector and believe that having sustainable, resilient and profitable farming businesses must be at the core of environmental improvement.”

ROBBIE BRETT, ENVIRONMENTAL ASSET MANAGER

THE CHALLENGES: HISTORIC FARMING PRACTICE AND CURRENT PRESSURES

Productive agricultural land is essential for food production and security. At the same time, emissions from farming are significant and contribute to over 10% of the UK's carbon footprint. Environmental issues relating to post-war farming practices are increasingly well recognised. These prioritised crop yield and high input approaches over nature conservation. This has resulted in a material loss of biodiversity and nature-friendly habitats, such as hedgerows or woodlands, as well as a reduction in soil health.

There is significant sector-wide focus across all areas of farming to reverse many of these practices; from policy to supply chains to farmers themselves. Some practices, such as the use of cover crops or low tillage cultivation are increasingly being adopted. At this stage, however, policy, data and incentivisation is nascent and best practice is still emerging. Risks remain around the speed at which farmers can transition to more sustainable farming methods. These risks include knowledge levels, certainty of outcome, risk of reduced yield, the need to invest in new equipment infrastructure, access to subsidies and grants and concern over the time transition may take.

Pressures on farming are, perhaps, at their highest ever. In addition to adopting new practices, there are escalating land-use demands for renewable energy or carbon capture, the loss of farm subsidies, spiralling input costs, crop damage from extreme weather and the imperative of biodiversity maintenance and restoration. There is an expectation that land can deliver on all these areas and there remains ongoing debate about the right balance and focus.

OUR BELIEF: SUSTAINABLE FOOD PRODUCTION AND SUSTAINABLE FARMING BUSINESSES

Our view is that the most productive agricultural land must still be prioritised for food production. If too much of England's fertile farmland is diverted to alternative uses, this would only create greater pressures on food production outside of the UK. This would likely rely on

less productive land and result in both higher emissions and risks to nature. As over 90% of our farmland is productive or highly productive, this means the majority of our portfolio will remain as commercial farmland. We also continue to believe that farmers are best placed to deliver changes and that having sustainable, resilient and profitable farming businesses must be at the core of environmental improvement. We will work with best-in-class farm tenants to use their expertise to balance commercial agriculture with sustainable practices.

CORE OBJECTIVE: SUSTAINABLE FARMING, NATURE PROTECTION AND EMISSIONS REDUCTION

While our emphasis will remain on leasing land to farming tenants, we are focused on improving how land is farmed and managed in a way that ensures nature and soil health are protected and greenhouse gas emissions are reduced.

This includes incorporating biodiversity into soil and surrounding landscape, managing bio-waste, improving soil health and reducing the use of pesticides and chemical fertiliser. It includes the use of cover crops, field margins, reduced tillage, growing a diverse range of crops, incorporating livestock and the use of new technologies and data. These practices are broadly referred to as sustainable farming, nature-friendly farming, regenerative farming or agroecological farming.

Alongside sustainable farming methods, we also look at additional ways to protect nature and reduce emissions while maintaining food production at the core. Working with our farming tenants, these include unlocking appropriate marginal land that can be used to improve hedgerows, woodland and wetland (see box on [page 19](#)); increased carbon capture and use of renewable energy; landscape improvement and connectivity; reducing methane emission from dairy farming and preventing peatland degradation within the Fens.



A new slurry management system, funded by the Commissioners, at Reeds Farm (organic dairy), Chichester, October 2022

HOW WE SEE THE CHALLENGES, AND
HOW WE ARE APPROACHING THEM
continued

HOW WE IMPLEMENT CHANGE

In shaping our approach, in 2022 we completed a two-year review of how we promote our core objectives to increase the levels of sustainable farming, protect nature and reduce emissions. The result was the identification of five areas where we believe we can make the biggest difference:

- 1

Lease structure and tenant selection

We ensure new lease structures and tenant selection are aligned to identify and prioritise environmental initiatives, data sharing and sustainable farming practices.
- 2

Tenant engagement

Most existing leases do not yet have such clauses, and will take time to bring into effect, so we engage with our farming tenants and identify opportunities to support change outside of the lease obligations. These include voluntary commitments, data sharing, lease restructures, farm audits or access to funding for environmental initiatives.
- 3

Collaboration

We ensure appropriate forums are set up and facilitate knowledge sharing, best practice and access to expertise. This will be both with farming tenants and wider parts of the farming network, such as supply chains, landowners, scientific research and policy makers.
- 4

Investment

We have started to provide access to transition capital to support sustainable initiatives, such as upgrading dairy infrastructure. We will also look to use our expertise and scale to help unlock initiatives and schemes that may be harder for individual tenants to access.
- 5

Influence

We will also use our position, alongside others, to help shape policy and legislation to support sustainable farming practices, environmental protection and emission reduction.



OUR APPROACH IN ACTION: dairy infrastructure

Dairy emissions are a key source of farming emissions. A key component of this relates to slurry management and methane capture. We are investing in new systems that improve the slurry storage provision, as well as provide irrigation provisions to help protect against drought. We encourage farming tenants to apply for funding, such as the Government's Slurry Infrastructure grant, and we look at ways to help further invest. We are also working with parties on new methane capture technology and anaerobic digestate potential.





RECENT INITIATIVES

“We have materially increased our engagement and collaboration with farmers, tenants and industry leaders to understand the portfolio’s emissions and understand current practices and approaches to sustainable farming. We have established forums and partnerships with peers and stakeholders. New lettings and investment now focus on encouraging agroecological farming practices.”

GUY WEBB, SENIOR ASSET MANAGER

Key work over the past 24 months includes:

Baselining

Working with environmental consultants Cumulus, 3Keel and AECOM, in 2022 we completed a detailed baselining that identified the estimated emissions profile and natural capital of the portfolio. The baselining provided key data and recommendations that helped identify key areas of focus and form the basis of our adopted approach.

New leasing approach

All publicly marketed lettings now include a robust tenant selection criteria centred on environmental and social metrics and environmental lease clauses. These provide requirements such as soil testing, data sharing and setting collaborative environmental targets. As part of any new letting, a pre-letting environmental assessment (PLEA) will now be carried out to identify areas of nature-based improvement (see box opposite).

Partnerships and collaboration

We established or joined groups, including the peer-led Institutional Landowners Group (that also includes the Duchy of Cornwall, Duchy of Lancaster and The Crown Estate); Fenland SOIL (see box on [page 10](#)); Future Land Forum (see box on [page 20](#)); the Country Land and Business Association (CLA); and the Wildfowl & Wetland Trust’s Blue Recovery Leaders Group. These groups provide forums for collaborating on integrating regenerative farming practices, as well as focus on specific areas, including reducing peatland degradation and wetland creation. We have also established relationships with the RSPB and Nature Friendly Farming Network (NFFN), a group of UK farmers who have come together to champion sustainable farming that is good for nature, to help integrate best practice farming approaches.

Tenant engagement and data

We organise regular estate visits to meet tenants to discuss their businesses, environmental aspirations and identify potential initiatives. During 2022, we visited more than 50% of the equipped farms within the portfolio. We have started to receive primary data submitted on a voluntary basis relating to soil health and farming



OUR APPROACH IN ACTION: leasing and tenant selection

We believe that farming tenants are best placed to farm and manage the land. At the same time, it is vital to ensure that sustainable and nature-friendly farm principles are adopted and reflected in the lease provisions. All publicly marketed lettings now include tenant selection criteria and environmental lease clauses. These provide requirements such as soil testing, data sharing and environmental targets.

As part of any new letting, a pre-letting environmental assessment (PLEA) will now be carried out to identify areas of nature-based improvement. This photo is of Welton Farm, Cumbria, where, following a selection process that focused on sustainability, the new lease provides such environmental clauses. To learn more about Jim Campbell and his work at Welton Farm please visit [here](#).



Photo courtesy of Charlene Bell at Beyond Imagination Photography

emissions. And through our ‘In Conversation With’ interview series, we can share stories of exemplary farmers who have incorporated some helpful approaches to using regenerative practices in their farming operations and overall business planning (see [pages 15](#) and [20](#)).

Policy

We provide input to, and help influence, ongoing Government reviews on the farm tenanted sector. This includes The Rock Review from the independent Tenancy Working Group.



Photo courtesy of Lisa Stevens



OUR APPROACH IN ACTION: leasing and nature recovery

While the majority of our portfolio will be used for commercial farming, we identify land where nature recovery should be prioritised. Building on our partnership with the WWT as part of the Blue Recovery Leaders Group, in early 2023 we worked with Hereford Wildlife Trust (HWT) to agree a 25-year lease at Bartonsham Meadows, Hereford. The intention is to restore the expanse of grassland, which is regularly inundated by the River Wye, to be wildflower and floodplain meadows. Floodplain meadows protect

the local area against flooding and are able to store significant levels of carbon. These will give a home to iconic meadow wildlife, such as skylarks, barn owls and voles, while pollinators including orange-tip butterflies and bumblebees will benefit from the spring and summer flowers. The Trust also plans to plant orchards, restore old hedgerows, reintroduce former ponds and improve public access. Over 2023, we will co-create an environmental action plan for the site and will continue to work with HWT over the long term.



LOOKING FORWARD AND NEXT STEPS

Over the past two years, we have identified key focus areas where we can make a difference and worked hard to advance these. We believe this work is both strategic and carried out with passion – with the core aim of supporting sustainable farming, nature recovery and emission reductions. This work provides a strong platform to respond to the challenges across farming. We are advancing a range of future initiatives to build on this initial work.

Our ambition, backed up by appropriate investment, leasing and engagement, is that the use of sustainable farming methods becomes common practice within the portfolio within five years. We expect to achieve this in both new and existing tenancies. In addition to improved farming methods, we also expect to see tangible improvements in the use of renewables and increased tree planting and landscape-scale environmental enhancements.

EMISSIONS TARGETS AND DATA

We anticipate initial improvements in emissions, resilience and nature recovery. However, at this stage, we are not proposing to set interim portfolio targets for carbon emissions or biodiversity. We acknowledge this is a different approach from other landowners and there is an understandable expectation that targets should be set.

However, we believe there is still a lack of specificity on emissions and biodiversity outcomes in relation to the expectations from best practice, as well as limited ability to accurately measure and variations on what is appropriate for each individual farm. We are also sometimes constrained contractually in terms of enforcing changes in how farmers carry out farming practices.

This is why we are determined to ensure increased access to primary on-farm data, further identification of suitable land for alternative uses and nature recovery, and tenant engagement supporting research and piloting new technology to help monitor emissions.

NEXT STEPS

Over the course of 2023, we expect to have collated a range of additional data points relating to our farming tenants and best practice. These will help share additional insight into existing practice and adoption of more sustainable farming practices. We expect this to help us with new initiatives, target setting and support for our farmers.

In addition to this, during 2023 we will continue to facilitate initiatives that support knowledge sharing and best practice and will include tenant workshops; establishing a pilot farm network; facilitating cluster groups and 'buddy systems', as well as engaging with industry-leading research projects. These methods of integrating genuine environmental improvement will target working directly with our farming tenants, but also seeking engagement from other landowners, those within the supply chain and policymakers.

We look forward to sharing further insight into our progress and approach on a regular basis.



For our first instalment of the '[In Conversation With](#)' series, Scott Norris (above) discussed his use of technology-enabled agriculture and plans to increase the use of regenerative farming practices.



OUR APPROACH IN ACTION: cross-sector partnerships and collaboration

Cross-sector collaboration with peers and other key parts of the industry is critical to effecting real change within farming. In 2022, we helped establish a Future Land Forum alongside other landowners, property professionals, finance bodies, supply chain representatives and farming businesses. The forum discusses key issues relating to land management, the importance of cross-sector work, as well as input

into emerging policy. The December meeting (pictured), included guest speaker Christopher Papworth, of Red Tractor, who discussed farm assurance schemes and supply chain dynamics. Led by the WWT, we have also helped establish an environmental best practice group with institutional landowning peers and support from the Blue Recovery Leaders Group, to protect and increase wetland habitats.



OUR APPROACH IN ACTION: woodland and habitat creation

As part of all new leases, farm-specific initiatives relating to biodiversity will be identified and included. We collaborate purposefully with our tenants to improve hedgerows and review appropriate opportunities to plant on-farm woodlands, agroforestry and silvopasture. We regularly meet with tenants on a 'non-agenda' basis (rather than to discuss a specific commercial issue) to continue to build relationships and work together to identify areas for improvement, such as opportunities to improve hedgerow and using marginal areas for tree cover.

We participated in the Queen's Green Canopy initiative on a range of schemes, including an 8,000 mixed tree plantation in north-west England. We also seek to facilitate or fund a range of other local tree-planting initiatives. Here, students from Lime House School help to plant over 12,000 trees in Willowclose Wood, Carlisle. Biodiversity improvement is embedded in our wider work on regenerative agriculture that promotes environmental improvements alongside the need for food production.



SUSTAINABLE FORESTRY

"We are committed to the long-term, sustainable management of our forests and land. We will achieve this through environmentally and socially responsible approaches and outcomes, while generating a sustainable investment return. We also explore opportunities for renewable energy developments, woodland creation and biodiversity improvements that achieve social, environmental and economic benefits."

ALEKSI EHTEE, SENIOR ASSET MANAGER



ABOUT OUR SUSTAINABLE FORESTRY PORTFOLIO

Sustainably managed forests have been part of our portfolio since 2011, when we first invested in forestry in the UK and United States (US). Of our current portfolio acreage of roughly 92,000, circa two thirds are in the US and one quarter in the UK. We also have a small acreage in Ireland and Australia.

2011
First forestry
investment

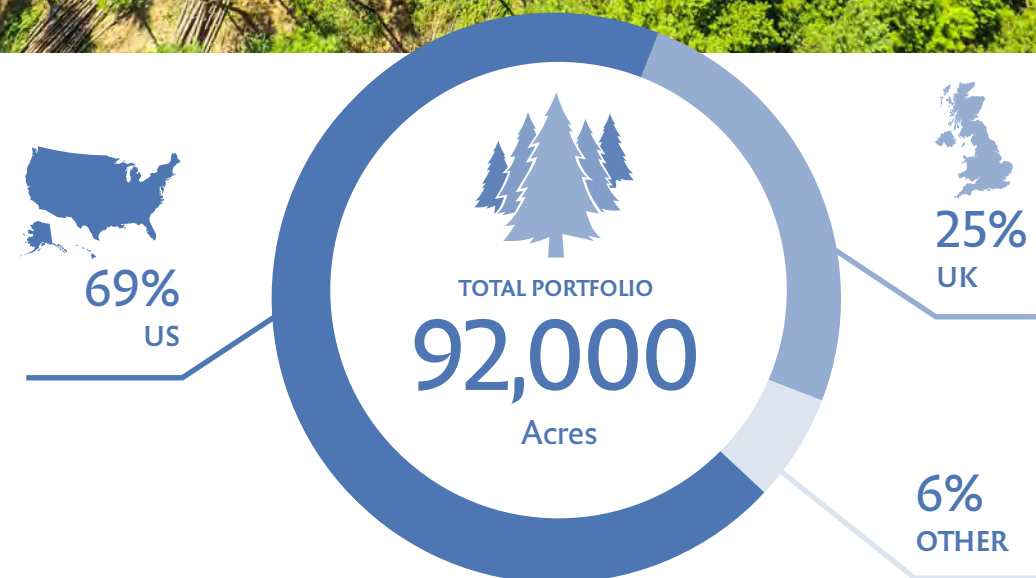
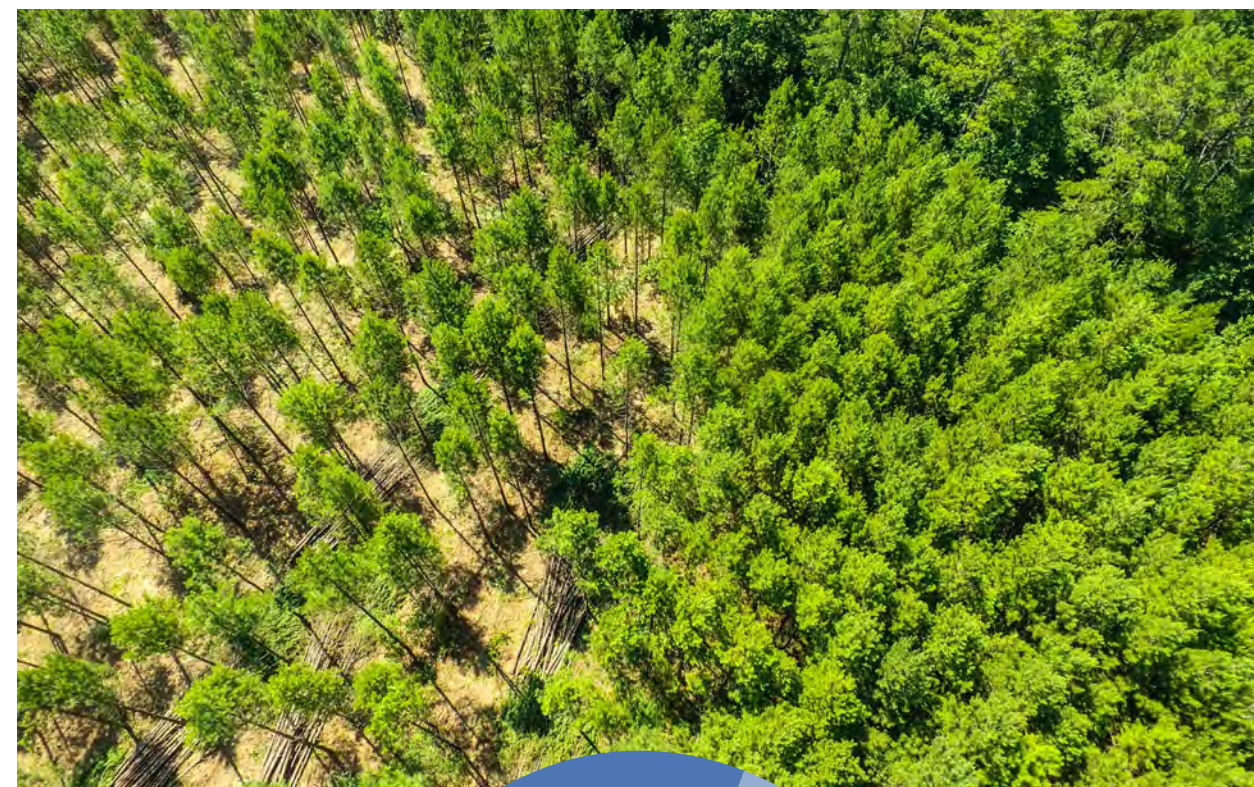
100%
Sustainably
managed

All of our forests are managed according to local best management practices (e.g. UK Forestry Standard) and have been independently certified as adhering to strict environmental, social, and economic standards. This ensures, for instance, robust biodiversity conservation practices, maintenance of good soil quality, protection of rivers and streams, and sustainable labour practices. Similarly, all harvested timber is certified as being sustainably produced (e.g. Forest Stewardship Council (FSC)).

Not all forests we have acquired initially met the requirements for sustainable management through certification. Through our ownership, all of these forests are now certified as being sustainably managed, as evidenced through independent, third-party certification.

Tree species are selected based on their suitability for each site, considering factors such as species diversity and demand from timber processing. The majority of the forests consist of coniferous trees, which grow quickly, sequestering large amounts of carbon, and are ideal for use in, for instance, construction. A significant proportion of the harvested timber will store carbon in wood-based products for decades to come, while the harvested areas are replanted to continue the cycle of carbon sequestration and sustainable timber production. Sustainably produced timber is a renewable resource and a direct substitute for non-renewable, carbon-intensive materials, such as concrete, steel and plastics.

We are also engaged with the development of renewable energy within our forests. Our existing 31MW of wind energy generation capacity in Scotland is set to increase significantly – a 168MW wind project in South Ayrshire is set to become fully operational in 2023. The renewable energy generation from these wind farms will provide enough electricity to power over 150,000 homes and avoid 240,000 tCO₂e annually. We are exploring opportunities for further wind energy generation in the UK and have a significant pipeline of potential solar energy developments in the US.





OUR APPROACH IN ACTION: forestry management initiatives in the UK

Sustainably managed forests provide a renewable timber resource for a range of products and end uses. Our approach to forestry has resulted in significant timber production, while expanding areas of native woodland and increasing renewable energy development. This photo was taken in September 2022, in Scotland, on a learning tour attended by our CEO and First Church Estates Commissioner. Here you can see:

1. Parts of a new wind farm that will produce the equivalent power for over 130,000 homes and avoid over 200,000 tCO₂e annually.

- 2. Established forests that will provide sustainable and FSC-certified timber for uses such as construction.
- 3. Newly established mixed broadleaf woodland to help support biodiversity.
- 4. Bare hills which show how degraded this relatively harsh landscape was before new trees were planted.
- 5. Two excellent tour guides explaining the innovative techniques used to grow this important resource more efficiently (and store more carbon) and some of the less well-known activities that go into supporting wildlife and habitats.



HOW WE SEE THE CHALLENGES, AND HOW WE ARE APPROACHING THEM

“We are proud to manage the portfolio in a highly sustainable way, as evidenced by third-party certification. The portfolio contributes positively through carbon and biodiversity outcomes, alongside investment returns. Our aim is to build on the strong environmental and commercial position we are already in.”

JOHN WEIR, HEAD OF REAL ASSETS

While the management and harvesting practices in certified forests are inherently sustainable, effectively communicating this fact can be challenging. Instinctively, felling trees may not feel appropriate considering the length of time it takes for an individual tree to grow or potentially incorrectly associating sustainable forestry with global deforestation. When considered on a landscape scale, however, harvesting and replanting create a continuous cycle of renewable resource production and an alternative to non-renewable, carbon-intensive materials. Sustainable forest management ensures this is undertaken considerately, prevents deforestation, reduces atmospheric carbon, and protects biodiversity.

One way to overcome these communication challenges is through an international standard for reporting on impacts. We are currently supporting work to establish international standards for greenhouse gas accounting in forestry and land use through participation in a pilot programme for the Greenhouse Gas Protocol.

A related challenge is the lack of data around end uses of harvested timber. After harvesting, timber will continue to sequester carbon. The duration of carbon storage will vary depending on the specific products for which it is used. We are not able to verify the exact end uses of our timber. However, from analysing regional averages, and the products produced in nearby sawmills, we estimate that most of the harvested timber goes to end uses that store carbon over the long term, such as construction materials. We estimate this to be over 50% by volume, with the rest used for materials such as packaging, pulp or paper. Generally, all of a tree that is suitable for making long-lasting products is utilised for such purposes. These are, in most cases, the highest value products, so economics generally support maximising the production of long-term carbon storage products.

We have identified five areas that we believe form part of an effective approach to these challenges, as well as to land use and forestry management:

1 Certification and monitoring

Active and responsible management, in line with certification standards, is fundamental to ensuring sustainability. Regular measurement and projection of carbon and other key metrics are also required to monitor future progress.

2 Biodiversity

In addition to tree planting for timber production, management strategies must support the integrity and function of natural habitats, as well as protect or enhance biodiversity.

3 Public benefit

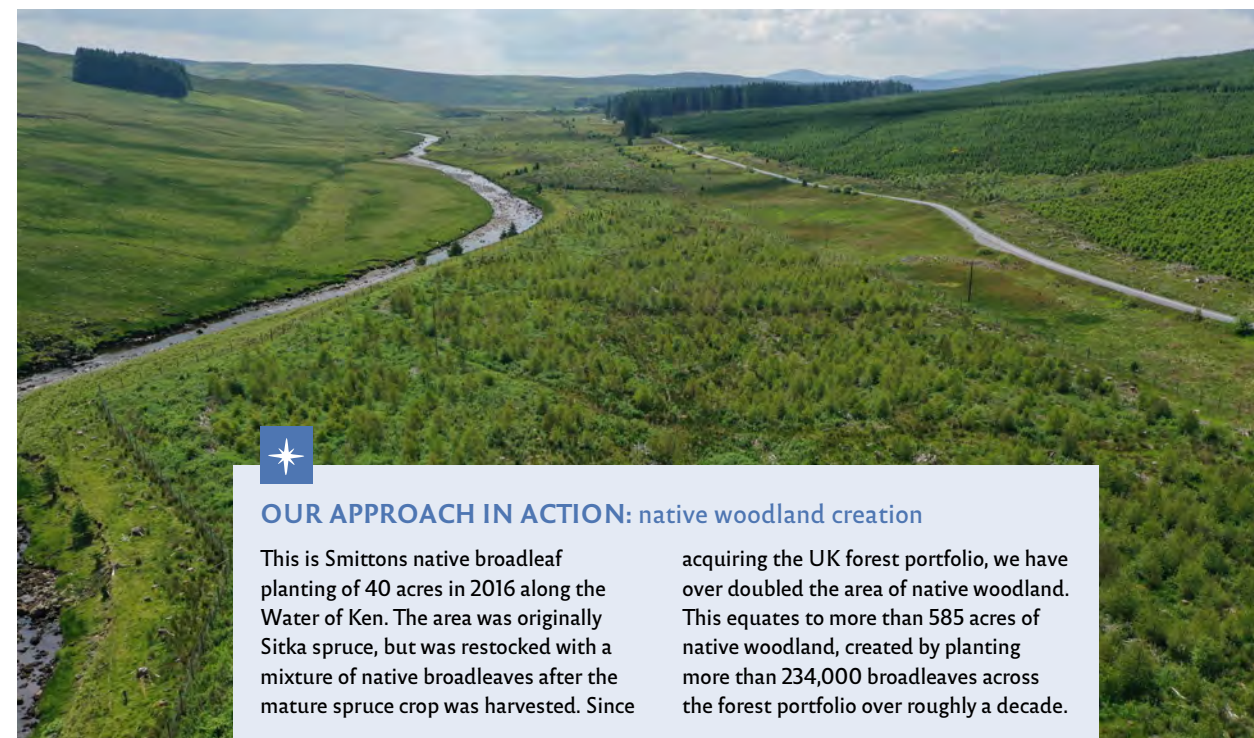
Ensuring that our forests create recreational and employment benefits, alongside other ecosystem services, is a priority.

4 Resilience and adaptation

Seeking to maintain or increase carbon capture and ensure the resilience of forests in a changing climate is vital for long-term stewardship of land. This is a role we proactively play, working with both industry and the scientific community, where appropriate.

5 Renewable energy

Within our forests, we look for opportunities to incorporate renewable energy generation, where possible.



OUR APPROACH IN ACTION: native woodland creation

This is Smittons native broadleaf planting of 40 acres in 2016 along the Water of Ken. The area was originally Sitka spruce, but was restocked with a mixture of native broadleaves after the mature spruce crop was harvested. Since

acquiring the UK forest portfolio, we have over doubled the area of native woodland. This equates to more than 585 acres of native woodland, created by planting more than 234,000 broadleaves across the forest portfolio over roughly a decade.



OUR APPROACH IN ACTION: social benefit and recreation

The Commissioners' Llandegla forest in Wales is an active commercial forest, which combines a recreational centre with timber production. Our UK forests, in particular, provide significant recreational benefits to the public, with more than 250,000 people visiting Llandegla alone each year to cycle, walk or run. These forests are generally located in rural areas, supporting local economies and providing employment opportunities where they may otherwise be limited. All of our forests in the UK are open for recreational access. Our management of Llandegla was recognised as best-in-class at the Royal Welsh Agricultural Society Woodlands Competition in 2021.



Photo courtesy of One Planet Adventure



RECENT INITIATIVES

We have delivered a range of measures that support positive environmental and social change. These include renewable energy developments and a pipeline of further projects, carbon accounting and modelling to help consider climate impacts, woodland creation, increasing areas managed for biodiversity, and restoring areas to improve habitats.

Work undertaken so far includes:

Certification and forest management

As of 2023, 100% of our established forests are currently certified as being managed in accordance with local best management practices and have been independently verified as adhering to strict environmental, social and economic standards. All harvested timber is certified as being sustainably produced. We have received industry recognition for our responsible forest management (see boxes on [pages 26](#) and [29](#)) in 2014, 2015, and 2021.

Sustainable timber production

We produced over 200,000 tonnes of sustainable, renewable timber in 2022, helping to reduce pressure on vulnerable forest ecosystems and aiding a reduction in the consumption of non-renewable materials.

Habitat creation and conservation

We protect areas of high biodiversity across all our forests and consider opportunities to further enhance biodiversity. In the UK, biodiversity is the primary objective in the management of at least 20% of our forests in terms of area. This includes native woodland, which we have doubled across our UK forests since acquisition, with more native woodland planted on an annual basis (see box on [page 25](#)). We are also working to protect parts of habitat and heritage on areas of Scheduled Ancient Monuments (see box on [page 29](#)).

Research

We participate in scientific trials and support research into improving forest productivity, resilience, diversity and carbon capture. We are pilot testing for the Greenhouse Gas Protocol's Land Sector and Removals Guidance to establish an international standard for how to account for emissions and removals.

Carbon capture

We produced a carbon modelling tool in 2022 to forecast long-term carbon sequestration and harvest removals across our forest investment portfolio. Over the past five years, we have planted more than 11.8 million trees, with 2.7 million planted in 2022. This will result in increasing levels of carbon sequestration over the next



As part of his summer internship, Jonathan joined our forestry inspections to learn about the benefits of sustainable forestry and use of timber in construction products

20 years across our forests. Our indicative analysis suggests net sequestration, excluding allowances for temporary sequestration, will be more than 100,000 tCO₂ (net) per annum, on average, over the next 20 years.

Renewable energy

Working with a range of stakeholders, the 168MW South Kyle wind farm, in Ayrshire, became partially operational in late 2022. Once fully operational in 2023, it will have the capacity to power the equivalent of 130,000 homes and 200,000 tCO₂e avoided (see box on [page 24](#)).



OUR APPROACH IN ACTION: tree planting and woodland creation

This photo shows Warroch Hill, in Perthshire, with its award-winning forest in the background and additional woodland creation, undertaken in 2020, in the foreground. It won Scotland's Finest Woods Awards in 2015 for best new commercial forest planting in Scotland (James Jones Trophy for New Commercial Forest). We are currently undertaking an assessment of opportunities for

woodland creation in areas of open ground. To look at the best ways to plant new woodland, we participate in scientific trials to support tree establishment, health and biodiversity. These include improving climate resilience and adaptation through increased tree nutrient, accelerating traditional tree breeding, improving forest resilience and tree species diversity, and reducing pesticide use.



LOOKING FORWARD AND NEXT STEPS

We will advance a number of ongoing initiatives, as well as take forward new projects that support biodiversity, advance carbon capture and improve resilience.

- ✿ We will continue to focus on the sustainable management of our forests and land, building on the positive environmental contribution the forestry portfolio already makes. Key components will be continued sustainable timber production, advancing renewable energy developments, carbon sequestration and planting new woodlands.
- ✿ Alongside this, we will advocate best practice projects in areas such as carbon accounting, where we will continue to pilot test the Greenhouse Gas Protocol's Land Sector and Removals Guidance. This work will increase our understanding of the contribution our forests make in terms of carbon sequestration.
- ✿ Specifically, we intend to plant two diverse, new woodlands in Scotland and Wales, and are exploring opportunities for mitigation banking in Georgia, which would involve restoring stream and wetland features. These will have a positive impact in terms of biodiversity and carbon capture.
- ✿ Going forward, we will continue to communicate information about the projects we undertake and how we manage our forests in a sustainable and responsible manner.



OUR APPROACH IN ACTION: conservation

In this photo, taken in July 2022, we are discussing the method statement to carefully remove trees within Scheduled Ancient Monuments. These trees were planted prior to our ownership in the 1970s. This work enables conservation of important cultural heritage and restoration of biodiverse moorland. We continue to make progress in restoring all ancient woodland areas (plantations on ancient woodland sites) to native woodland across our land holdings in Scotland. Progress to date sees 18.4 acres of land under this native woodland classification, and through long-term forest plans we are committed to restoring the remaining 1.2 acres to native woodland and planting additional broadleaves as a buffer to expand the native woodland element.





DEVELOPMENT LAND

“We create the foundations upon which thriving, vibrant and sustainable communities are delivered. Our focus is on delivering new homes and employment opportunities across England, via the town planning system, to support the long-term needs of local communities and wider society. By integrating sustainability into the heart of our approach, we will identify opportunities to address local needs, shape the approach of developers and help to enhance the natural environment.”

JOANNA LOXTON, HEAD OF STRATEGIC LAND

Photo courtesy of Crest



ABOUT OUR DEVELOPMENT LAND PORTFOLIO

The Commissioners own land across England which is ideal for the provision of sustainable new homes and employment opportunities. This land is often referred to as Strategic Land.

30k
Potential
new homes

9k
Affordable
homes

9k
Homes subject
to live planning
applications

7m
Sq ft of
commercial space

Our portfolio currently has the capacity to deliver approximately 30,000 new homes, of which we anticipate around 9,000 will be affordable. Around 9,000 new homes are currently subject to live planning applications. The scale of our developments varies from 11 homes to new communities comprising thousands of homes with all of the associated infrastructure and community benefits.

Additionally, we also have a number of landholdings suitable for the delivery of significant employment opportunities, in some cases as part of substantial new mixed-use developments. This includes 7m sq ft of commercial floor space that will create significant new employment opportunities and support economic growth.

While we see ourselves as having an integral role in the delivery of new homes and communities across England, the Commissioners are landowners, not housebuilders. As such, we work with local planning authorities to find appropriate sites that can meet and respond to local housing, economic and community needs for allocation within local plans. These are locally developed planning policy documents that identify appropriate and sustainable locations for new development. Subject to securing a local plan allocation, we then apply for outline planning permission that secures the general principles of how a site can be developed. Securing planning permission allows us to then work in partnership with professional developers, including housebuilders, to facilitate the delivery of these new homes and communities. We generally then sell, or part sell, the land to a developer that specialises in building out the sites.

Our approach is to work closely and collaboratively with local councils, key stakeholders and members of local communities, including the diocese and churches, in bringing forward our development proposals. Further information on our approach to development land can be found [here](#).



OUR APPROACH IN ACTION: public amenity

In November 2022, the Commissioners and Landlink Estates submitted an outline planning application for a mixed use development comprising 2,200 homes and new employment space on land to the north west of Bersted in West Sussex. The site forms a major part of a strategic allocation in the Arun District Local Plan for at least 2,500 homes. As well as providing much needed new homes and employment space, the proposed development will deliver a range of new public amenity benefits for new and existing residents. These include substantial levels of new public open space that exceeds Arun District Council's planning policy requirements.

The development has been designed around a continuous green open parkland that will provide 61 acres of publicly accessible space – offering opportunities for play, leisure and recreation, including a new community sports hub with sports pitches. The development will also provide a hierarchy of wider public open spaces linked via a network of wellness trails through and around the site more than 7km in length. In addition to this, the development will incorporate land for a new three-form entry primary school (with special educational needs and disabilities (SEND) and nursery provision) and two new centres with capacity to provide retail opportunities, GP facilities and a pub.



HOW WE SEE THE CHALLENGES, AND HOW WE ARE APPROACHING THEM

“We are focused on embedding sustainability into our development proposals at the local plan promotion, planning application and delivery stages. We believe this approach will have the biggest long-term benefits to communities and the environment.”

TOM SOUTHGATE, SENIOR ASSET MANAGER

There is broad consensus that there is a severe shortage of housing across England and that action is needed to address this issue and respond to the identified need. This was the focus of the [Coming Home](#) report, prepared by the Archbishops’ Commission for Housing, Church and Community in 2021, which helped articulate a clear vision of what the commission considered good housing should be: sustainable, safe, stable, sociable and satisfying.

The provision of affordable housing and strong infrastructure is vital for the creation of healthy communities. For both new and existing residents, new developments need to adequately deliver sufficient schools, libraries, retail, walking and cycle networks, and employment opportunities (see box on [page 31](#)).

To a large extent, our ability to deliver new development opportunities is directed (as it is for other landowners and developers) by planning policy, the planning process and building standards. This will dictate the timing of delivery, the form and nature of our proposals.

This includes sustainability matters, such as biodiversity net gain, surface drainage and energy efficient standards, as well as the level and type of affordable housing provision. Understandable issues with the planning system, especially around speed and capacity to process applications, are widely documented. In addition, there is no industry best practice approach for applying sustainability principles to strategic development portfolios.

In crafting our approach, in 2022 we completed a review of how we currently deliver on our Environmental, Social and Governance (ESG) aspirations. The results highlighted how we are already performing well on many sustainability and social value matters but also identified areas we can improve on and how we can strengthen our existing performance. The identified areas of improvement related to long-term stewardship beyond the planning application stage and greater need for focus on ESG when selecting development partners and project teams.

This review has helped shape our future approach and identify three priority areas where we can make the biggest difference. This approach aligns with the principles of [Coming Home](#). Work is underway on each priority but has not yet been formalised across all of our projects. The three priority areas are:

1 Local plan allocation

This ensures that a site is appropriately identified within the local planning framework against an identified local need. We ensure material sustainability matters are identified, addressed and promoted at inception to support the local plan process. It includes early identification of local community and environmental needs; early and ongoing engagement with local stakeholders to identify impact areas that positively influence and inform site specific policy (see box on [page 34](#)); and increased data collection and analysis of environmental, emission and social impacts.

2 Planning applications

Typically, the Commissioners seek outline planning permission for our developments. This permission establishes the fundamental principles of the

development, including the proposed land use, scale and overall layout. When submitting a planning application, we ensure relevant and appropriate sustainability measures, in line with policy requirements, are included and secured by planning condition and/or legal agreement. This helps to protect specific priorities we see as important.

3 Delivery

This involves either the sale of the site to a developer or working with a development partner to deliver the scheme. When selling or granting rights to a developer, we communicate our desire to see certain key sustainability initiatives incorporated into the planned project. We seek to maximise sustainability commitments as part of the sale/tender process. We look to place appropriate restrictions and obligations to prevent future dilution of obligations that we have committed to through the planning application process. Going forward, we are also looking at alternative delivery approaches, including development licences, joint ventures with master developers and retaining some form of ownership, such as key community infrastructure.



Image courtesy of Scott Brownrigg



OUR APPROACH IN ACTION: affordable housing

Where appropriate, we have taken forward schemes that deliver increased levels of affordable housing. We received planning permission for 13 new homes, 77% of which will be affordable, in Shepherdswell, Dover. The new homes will allow older generations to downsize into age-appropriate accommodation, while enabling younger, low-income families to stay in houses in the village. The first houses are expected to be available from 2024. The new development supports the Archbishops'

Commissions' vision for more affordable homes and stronger communities, as outlined in the Coming Home report. We attended a ceremony to mark the laying of the first stone, alongside officers and members from Dover District Council and representatives from English Rural Housing Association, the Community Land Trust and the local parish council. The scheme is already significantly over subscribed and reflects the need for high quality and affordable housing.

Photo courtesy of English Rural Housing Association



RECENT INITIATIVES

“There is currently no industry best practice approach for applying ESG to strategic housing development portfolios. With the development of our sustainability framework we are aiming to help advance the industry’s approach to ESG.”

JOANNA LOXTON, HEAD OF STRATEGIC LAND

In addition to our ongoing focus on delivering housing and employment, over the past two years we have initiated work on five key areas:

ESG reporting

In February 2021 we published our first [ESG materiality report](#), entitled Strategic Land ESG Integration. This was the result of an independent and comprehensive ‘materiality analysis’ that identified our 10 key topic areas that reflect our strategic economic, environmental and social priorities. Following this, the identified topic areas were used to undertake a baseline analysis of our portfolio’s existing ESG performance. The [baseline report](#) was published in March 2023.

This work has been instrumental in determining the most significant ESG risks and opportunities and helping to develop a sustainability framework to maximise the impacts of our projects.

Sustainability framework

To ensure our objectives across the three priorities above can be achieved we have created a Best Practice Sustainability and ESG Framework. This is a toolkit designed to help our professional advisors (such as architects, planning consultants and technical consultants) consider and embed our 10 key ESG topic areas into our projects at all stages. These elements include placemaking and social inclusion, biodiversity, affordable housing, climate change and net zero carbon. This also addresses the current lack of a standardised industry best practice approach for applying sustainability principles to strategic development portfolios. The framework also includes the use of a ‘sales charter’, which requires developer commitments as part of the sales process. We have used an early version of the sustainability framework across a range of current projects and we expect formal implementation during 2023.

Net zero and affordable housing

We are currently working to promote a sustainable housing-led opportunity in Epsom, Surrey. In January 2023, we were successful in achieving a draft allocation within the emerging local plan for the area for 1,500



OUR APPROACH IN ACTION: consultation

We look at a range of ways and methods to consult with local stakeholders and communities, and recognise the need for various methods of engagement. At Bushfield Camp in Winchester, the project team has undertaken an extensive consultation exercise with the local council, multiple stakeholders and the community to engage on the emerging plans for the allocated employment site. A range of engagement tools have been utilised including an interactive map, online survey, dedicated email address, manned freephone, multiple drop in events and one to one meetings. The information was essential in developing relationships, gaining local support and ensuring the views of the local community were taken on board in the final development proposals.

new homes. The draft policy sets out a requirement for all homes to be net zero carbon. This would be our first net zero scheme in the portfolio (see box on [page 35](#)). We are also engaged with local authorities and housebuilders on future initiatives on net zero housing, and how the wider development industry is seeking to transition to net zero.

On affordable homes, in 2022, we completed a partnership with English Rural Housing Association to build a 13-home scheme in the village of Shepherdswell, Dover. Ten of these homes (77%) will be affordable (see box on [page 33](#)). We are reviewing a range of other rural sites that may be suitable for delivery of similar affordable housing-led opportunities that help meet local housing needs, working in partnership with local communities, councils and housing associations.

Housing delivery

We are investigating a range of delivery options for our large-scale sites, following planning permission, and are progressing a pilot study in West Yorkshire for a new community of 1,535 new homes and 35 hectares of employment land. This pilot began in 2022 and is focused on options for us to retain a greater role in the delivery of the future development. Options being reviewed include longer-term ownership, joint decision-making boards and the use of development licences that place specific obligations on the developer. The pilot will provide detailed and practical information that will shape our approach to using such options across future developments.

Increased engagement

To help shape and communicate our new approach to housing and strategic developments, we have materially increased our engagement in a number of areas. This has included holding a range of workshops with our professional advisors; working with the Bishop for Housing’s Advisory Board and Housing Executive Team; adopting new methods of engaging with local communities (see box on this page) and providing publicly available reports to document our work across sustainability and social value.



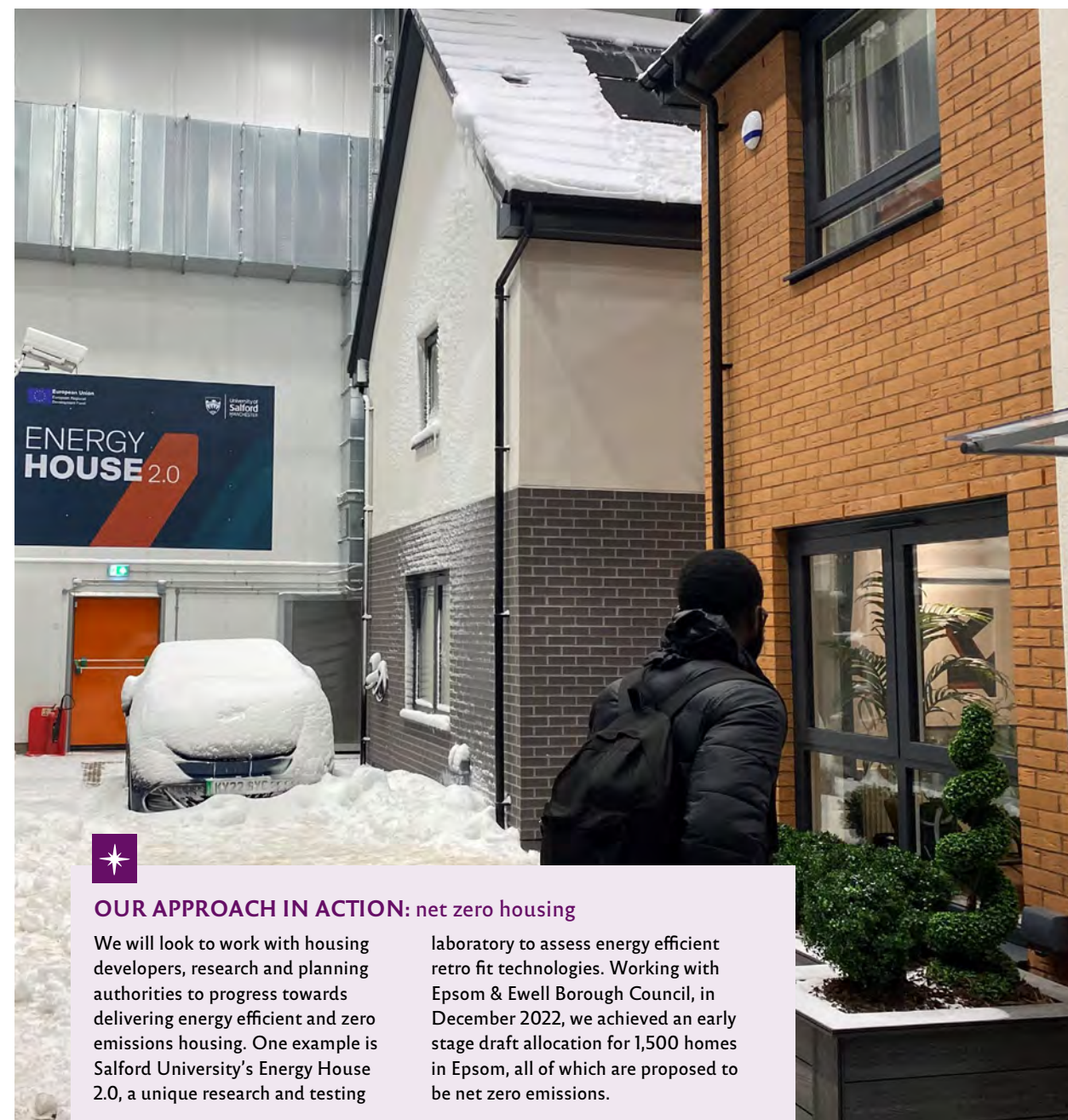
LOOKING FORWARD AND NEXT STEPS

“We have worked hard over a two-year period to design ways in which to deliver new housing and developments more sustainably and meet the specific needs of local communities. The work undertaken has established strong foundations on which we can implement change that has real effect.”

MATTHEW NAYLOR, PRINCIPAL ASSET MANAGER

Over the past two years, we have identified key priority areas and started to implement changes across our projects to address these. We believe this provides a robust platform on which to build. The next stage is to ensure our plans are implemented in a way that drives our aspirations across all the sites we work on. We believe our approach will help collaboration with other landowners and local authorities, as well as ensuring our work with developers focuses on bringing forward sustainable development.

- ✿ We will continue to engage with the Government, local planning authorities, housebuilders and developers, landowners and local communities to help deliver our objectives and drive the sustainability agenda, both within our portfolio and within the wider industry. This includes looking at net zero housing and the use of renewable energy. We are also working on the measurement of future social value, biodiversity and embodied and operational emissions.
- ✿ We recognise that delivering new communities and strategic scale developments is complex and there will always be debate about what is right for a local community and wider policy. There will continue to be new challenges, discussion and uncertainty. But we believe our approach sets us up well to respond to these and we look forward to keeping stakeholders updated on milestones, progress and impact.



OUR APPROACH IN ACTION: net zero housing

We will look to work with housing developers, research and planning authorities to progress towards delivering energy efficient and zero emissions housing. One example is Salford University's Energy House 2.0, a unique research and testing

laboratory to assess energy efficient retro fit technologies. Working with Epsom & Ewell Borough Council, in December 2022, we achieved an early stage draft allocation for 1,500 homes in Epsom, all of which are proposed to be net zero emissions.



BUILT ENVIRONMENT AND INFRASTRUCTURE

"We are focused on the responsible management and improvement of our built environment. We seek to deliver in renewable infrastructure, social impact, green space and energy efficiency across a diverse range of ownership structures and asset types. We look to work collaboratively with tenants, managing agents and investment managers. We believe that even small actions can make a difference, and together we can be greater than the sum of our individual parts."

ROSEMARIE JONES, DEPUTY HEAD OF REAL ASSETS



ABOUT OUR BUILT ENVIRONMENT AND INFRASTRUCTURE PORTFOLIO

The Built Environment and Infrastructure portfolio is made up of a mix of residential and commercial property, together accounting for roughly 85% of the portfolio's value, as well as infrastructure investments that support green energy and transportation (15% by value).

Most of our residential property, by value, is in the Hyde Park Estate, which stretches across 90 acres of Central London. The Estate consists of gardens, other green space and around 1,700 residential and commercial properties, next to Hyde Park itself. We own the freehold of 242 residential buildings across the estate, comprising over 1,300 individual houses or flats and 135 commercial units. Working with specialist investment managers, we also invest in a range of funds that support social impact. This includes supported housing for long-term tenants in need of assisted living arrangements, acquiring and renovating affordable housing in the US for low-to-moderate income residents and providing lower-cost residential units in underserved and deprived parts of the UK.

The commercial property in the portfolio is located across the UK and is a mixture of retail, leisure, offices and industrial. The largest assets by value, at the time of publication, are the Metrocentre in Gateshead; Wycombe Retail Park; and 19-26 Long Acre, Covent Garden, London. Most of the commercial and residential properties that we manage are already built and leased,



while only a small amount (less than 2% by value) is either under refurbishment, with the aim of improving the quality and energy efficiency of the building, or has been identified for such refurbishment.

Through specialist investment managers, we also invest in infrastructure that supports the built environment. Most of our infrastructure investments focus on green energy (about 70% by committed capital) or transportation. This includes investments in electric vehicle charging points, wind and solar farm developments and anaerobic digestion that uses bio waste and methane capture.

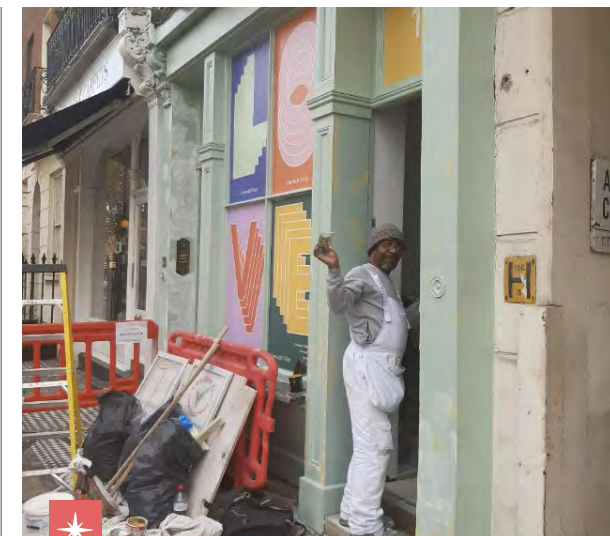
By value, for the sub-portfolio, roughly 40% is directly managed and leased by us. For these, we typically grant leases directly to the occupiers, usually on shorter than 25-year leases. This would include, for example, leasing retail units at retail parks. Around 30% is let on long leases (typically over 100 years) that provide long-term operational control to the leaseholder. The remaining 30% is invested through specialist investment managers, who then manage our investments.

1,700

London's Hyde Park Estate includes a large number of residential, commercial and retail properties

242

The number of residential buildings' freeholds included in this portfolio



OUR APPROACH IN ACTION: leasing and refurbishment

We have adopted green leases for all new commercial lettings. Clauses follow best practice in line with Better Buildings Partnership recommendations and include requirements on data sharing and a focus on energy and waste consumption, as well as minimum refurbishment standards. When refurbishing residential buildings, we install hydrogen-ready gas boilers and A-rated appliances. Where possible, we install heat source air pumps, rainwater harvesting and green roofing. All vacant properties and landlord-controlled areas use backed green energy supplies backed by Renewable Energy Guarantees of Origin (REGO) certificates. In 2020, we received the Construction Industry Research and Information Association (Ciria) Award for small scale retrofit of the Water Gardens within the Hyde Park Estate. Portsea Mews, which is part of the Hyde Park Estate, is set to undergo refurbishment to achieve the BREEAM Excellent standard. This will involve the installation of green roofs and a commitment to preserving the site's important heritage value by retaining and refurbishing all features that enhance and represent the mews' character, as well as supporting biodiversity.



HOW WE SEE THE CHALLENGES, AND HOW WE ARE APPROACHING THEM

It is widely acknowledged that the built environment is a key source of emissions, accounting for around 30% of global emissions through the use of fossil fuels, energy inefficiency (especially of older buildings) and the high levels of energy and materials required to develop new buildings (often referred to as embodied emissions).

Given that over 80% of the building stock that exists today will still exist in 2050, it is vital that existing building performance is improved. It is also important to refurbish or retrofit older buildings where possible, rather than redevelop, to reduce the impact of embodied emissions relating to construction. On top of this, there is also a need to ensure that buildings are designed and managed to support social mobility and wellbeing.

Energy efficiency standards in the UK are improving, for both new and refurbished buildings. This is due to legislation, planning requirements and market forces: occupiers and investors are increasingly demanding energy efficient buildings alongside improved green spaces and wellbeing.

Yet there are still challenges, particularly with the improvement and refurbishment of existing buildings

that are leased and occupied, which may limit the landlord's ability to carry out refurbishment works, implement new management strategies or collect energy data to monitor emissions.

We have identified three priorities where we will take action to reduce the use of fossil fuels, and promote social inclusivity and wellbeing:

1 Green energy

A transition from fossil fuels to renewable energy is imperative if we are to achieve a net zero world. We must invest in integrating renewable energy into our built environment and also supply energy to the national grid. Where possible, tree planting and sequestration should be increased.

2 Energy efficiency

The energy required to create and operate buildings needs to be reduced, through day-to-day management, collaboration with tenants, boosting thermal efficiency and careful consideration of the mechanical and electric equipment used. Reuse of existing buildings and materials should be prioritised over new materials.

3 Social benefit

Building on the principles of the Coming Home report, our buildings and dwellings must help support social equity and wellbeing. This should include identifying opportunities to support specific needs and affordable housing, as well as green spaces to support wellbeing and nature.

Where we directly manage or control property, we incorporate the above into our decision-making and actions. This includes, through the management of common areas and outdoor space, the new leases we grant to tenants, the design specification of refurbishments and investment decisions. We also seek collaboration with tenants and look at ways to fulfil our objectives outside of our contractual means. Where we invest with specialist investment managers, and do not directly manage or lease assets, we work to ensure the appropriate metrics and targets are set and monitored to deliver the expected improvements.



OUR APPROACH IN ACTION: green space

Hyde Park Estate in London. A greenhouse and cold frames were installed in an unused paved corner of the garden at Devonport, within the Estate. The greenhouse is used by gardeners on the Estate to grow plants from seed, bring on cuttings and enable us to increase the number of plants grown on the Estate and therefore reduce the carbon impact of bringing them in

from elsewhere. This works alongside other initiatives to boost biodiversity and wellbeing, such as No Mow May and tree planting as part of The Queen's Green Canopy initiative. The Estate has become a wildlife oasis in Central London, with key sightings in the gardens in 2021 including a cormorant, heron, pheasant and a fox with its cubs.



RECENT INITIATIVES

“We integrate sustainability principles into our decision-making processes and management of the built environment. As a result, we are beginning to witness tangible outcomes, and this progress serves as a foundation on which we can continue to build and advance our sustainability goals.”

CHARLOTTE MOSS, PRINCIPAL ASSET MANAGER

£200mn

The funds committed to renewable energy infrastructure initiatives through specialist investment managers

Over the past 24 months, we have delivered a range of new initiatives and policies to support change. These include new environmental lease clauses, improved green spaces, refurbishments that enhance energy performance, and installation of renewable energy within our assets. We have also increased our investment through specialist managers to support green infrastructure and create social impact.

Recent initiatives include:

New leasing approach

We have adopted green leases for all new commercial lettings that focus on data sharing, reducing energy usage and minimum refurbishment standards (see box on [page 37](#)).

Refurbishments

When refurbishing buildings, we improve energy efficiency through installations such as LED lighting, air source heat pumps and hydrogen ready boilers. Refurbishments we undertake aim to meet, at a minimum, legislation that requires an Energy Performance Certificate (EPC) rating of B for commercial space by 2030 and C for residential space by 2028. See box on [page 37](#)). Working with specialists, we have invested in the sustainable refurbishment of MK Gateway, an empty office building in Milton Keynes. It has been designed to a standard that we believe will achieve Excellent or Outstanding under the Building Research Establishment Environmental Assessment Method (BREEAM), a widely recognised UK environmental assessment certification for buildings. Portsea Mews, which is part of the Hyde Park Estate, has also been designed to achieve the BREEAM Excellent standard.

Green space

A range of initiatives have been undertaken, including tree planting as part of The Queen's Green Canopy (a tree planting initiative) and wildflower meadow planting (see box on [page 21](#)). For a new housing development in Catford, we are proposing to triple the amount of biodiversity. This included new wetland areas and the planting of 66 new trees.



OUR APPROACH IN ACTION: social impact

In 2021, the Commissioners committed £20mn in the Social Supported Housing Fund, a collaboration between fund manager Schroders and social housing specialist Civitas. Its aim is to provide bespoke, safe, and appropriate social supported housing for vulnerable adults, addressing a chronic lack of supply in this type of accommodation. These bespoke houses put independence and wellbeing at the heart of their strategy. This will not only lead to a better quality of life for people living in such facilities, but also free up much-needed NHS beds. As many as 64% of the houses are located in the 40% most deprived authorities nationally. Furthermore, the investment contributes to urgently needed specialised supported housing across the country.

Renewable energy

We have committed over £200mn to renewable energy infrastructure initiatives using specialist investment managers. These include the development of wind and solar farms in Ireland and an anaerobic digester in the US. At Metrocentre, Gateshead, a large solar rooftop and electric vehicle charging infrastructure was installed in 2022 (see box on [page 40](#)). We are also bringing forward EV charging points at Brislington Retail Park and expect them to be operational over 2023/2024. All electricity supplies that we manage are now backed by the UK energy regulator's Renewable Energy Guarantees of Origin (REGO) scheme.

Social impact

All employees, either of the Church of England or through managing agents, receive a living wage as a minimum. We have committed, through specialist investment managers, about £75mn to a range of social impact initiatives. This includes supported housing for

long-term tenants in need of assisted living (see box above), acquiring and renovating affordable housing in the US for low-to-moderate income residents, and providing low cost residential units in underserved and the most deprived parts of the UK.

Collaboration

In early 2023, we became members of the Better Buildings Partnership, a collaboration of leading property owners working together to improve the sustainability of commercial buildings. We are also members of local initiatives, including the Wild West End, and work with other property owners to encourage birds, bees and bats back into the heart of London, and create greater connections with nature for residents, visitors and workers to enjoy. We are also signatories to The Sustainable City Charter for Westminster. This is a collaborative effort between businesses and the public sector, providing a framework for taking action in the built environment.



OUR APPROACH IN ACTION: integrating renewable energy into the built environment

We have worked with the long leaseholder at the Metrocentre in Gateshead to install solar panels and electric charging points. The solar panels cover an area equivalent to 88 tennis courts on specially constructed solar car ports. Forty-six new EV charging ports are being added. We are working on further renewable infrastructure across other parts of the portfolio. This includes investment in Instavolt, which delivers rapid charging stations for electric vehicles across the UK, and electric car charging points on the Hyde Park Estate and retail parks.



LOOKING FORWARD AND NEXT STEPS

Moving ahead, we will give considerable attention to appraising and improving the energy efficiency of our built environment assets, while also keeping up our dedication to green energy and investments that have a positive social impact.

✱ In the coming years, a key area of focus will be improving and measuring the energy efficiency of our built environment portfolio. Value will be increasingly linked to energy performance and buildings that do not improve will be at risk of losing value and potentially becoming unsellable or unlettable. Market forces and legislation relating to energy performance will assist in improving efficiency standards. This includes the need for an EPC rating of B or higher for commercial buildings by 2030 and C for residential buildings by 2028. Therefore, we will establish a precise pathway, policies and milestones to increase the energy efficiency standard of our assets. For example, any new letting, renewal or refurbishment should incorporate necessary EPC improvements and environmental lease clauses as a minimum.

✱ We will work with our specialists, tenants and stakeholders to responsibly manage, sustainably retrofit and support green infrastructure across our built environment. Where we have leases outside of our direct control, we work with the long leaseholders and residents to support energy efficiency and sustainability. Where we directly manage an asset, we responsibly operate and lease the buildings to achieve these goals. We will work with our peers, such as through the Better Buildings Partnership, to establish and follow best practice. As with other areas of portfolio such as farmland, collaboration will remain key to taking forward initiatives that are beyond our direct control.

✱ Over the course of 2023, we will collect data across a range of key metrics. This will include, where possible, direct energy performance to help monitor emission reductions and other key indicators that help signal change such as EPC data, avoided emissions and percentage of leases with environmental clauses. From this, we will then look to set additional targets relating to energy and social impact. We will also continue to work with specialist investment managers to invest in green infrastructure and social impact projects that meet our financial objectives and ensure committed capital is successfully deployed.



OUR APPROACH IN ACTION: renewable infrastructure

Investing with specialist investment managers is a key way in which we can support the transition to renewable energy. In 2022, we committed €30mn to the maiden institutional fund of Pioneer Point Partners, a UK-based sustainable infrastructure investment specialist. The fund will run for 10 years and focus on infrastructure investments that support the energy transition and the circular economy

across western Europe. Other investors include Texas Municipal Retirement Systems and European Investment Fund. The fund will target a diverse portfolio of up to 10 investments, including biogas development in Ireland and a range of renewable energy initiatives in Spain. This includes 11 operating hydroelectric plants (one of which is shown here) that are expected to be operational from 2024.



Photo courtesy of Crest

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