

# Church of England Pensions Board

## Ethical Investment Policy Statement

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### Introduction

1. The Church of England Pensions Board is committed to *ethical and responsible investment*<sup>1</sup>, and this document outlines how the Board implements this commitment in the way we invest, interact with our asset managers, and steward the underlying assets we own.
2. The Church of England Pensions Board provides retirement services for those people who work or minister for the Church. Over 700 Church organisations (including dioceses, cathedrals, parishes, mission agencies and Church charities) participate in three pension schemes, and £3.2 billion is invested on behalf of 43,000 individual members. In addition, 2,500 retirees are supported through Church retirement housing.
3. The way we invest impacts society and the environment, so we work to guard against harms and seek beneficial outcomes. We apply ethical investment policies, informed by the advice of the Church's independent Ethical Investment Advisory Group (EIAG). The EIAG brings together leading experts, from a range of backgrounds, to develop timely and practical ethical investment advice, based on Anglican and Christian theology.
4. In order to align our investments and stewardship activity with our ethical and responsible investment policies, the Board has developed a strong and integrated in-house responsible investment function. 7 FTE staff, led by the Chief Responsible Investment Officer (co-head of investments) deliver our responsible investment commitments.

### Our Approach to Investing Responsibly

5. ***“The Pensions Board invests for the long term to deliver our pension promises. We will be a leader in ethical and responsible investment, acting in members' interests, and reflecting the Church of England's ethos and mission.”***
6. **“Investing for the long term to deliver our pension promises”** - The board is responsible for three pension schemes, with various defined benefit and defined

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<sup>1</sup> See for example Section 8 of the Statement of Investment Principles of the Church of England Funded Pensions Scheme (CEFPS) here: <https://www.churchofengland.org/about/leadership-and-governance/church-england-pensions-board/pensions-board-investments/how-we>.

contribution sections, none of which have a short-term time investment horizon. Some of our new members will begin to draw their pensions in 50-60 years. A core objective of the common investment fund (the CIF) is to invest on behalf of all three schemes, taking advantage of economies of scale, and enabling trustees of each scheme to ensure there are “sufficient assets to meet the Scheme’s liabilities as they fall due”<sup>2</sup>. These investments are complemented by scheme specific assets (liability matching) and contracted payments from insurers (bulk annuities). For defined contribution pensions, the trustees set investment strategies that “provide a range of investment funds and de-risking options, that enable members to fulfil their retirement needs and ambitions”<sup>3</sup>.

7. **“A Leader in Responsible Investment”** – Our responsible investment approach takes into account material environmental, social, and governance factors, and the ethics and ethos of the Church of England (see below). We have a well-developed approach to stewardship that seeks to use our voice, rights, and responsibilities as an asset owner to influence companies and play a constructive role in the financial ecosystem. We recognise that some systemic risks (like the climate emergency) are relevant to us and the performance of our investments, and need to be addressed rather than avoided because we have a diversified long-term portfolio. By being a leader, we can enhance the impact of our strategies to drive change in the real economy and reduce systemic risk. For example, we co-founded the Transition Pathway Initiative (TPI), which has grown to be supported by over \$60 trillion AUM (assets under management), and informs investment decision-making in many pension schemes, including our own. Our work on safety in the mining sector has been adopted by a significant proportion of the mining sector and is backed by investors with £24 trillion AUM and we are leading a Global Investor Commission to reshape the role investors play in the future of the sector.
8. **“Acting in members’ interests”** – we steward the schemes’ assets because we believe this improves the risk/return profile of the investments made on our members’ behalf (our trustees are bound by statutory and fiduciary duties). We are informed by members’ views, and we consider the world our beneficiaries are living in and will retire into.
9. **“Reflecting the Church of England’s ethos and mission”** – we are guided by Advice from the Ethical Investment Advisory Group, a majority independent group charged with the role of providing advice grounded in Christian and Anglican theology to Church related investors. This advice includes for example reference to the Church of England’s Marks of Mission, the role of investors in society, and theological reflection on particular topics, such as “big tech”, extractive industries, human rights and tobacco.
10. The Board’s Stewardship Reporting includes three further facets to our approach to Stewardship, which relate to the “How”, the way in which we deliver the four part statement above, namely: **Transparency** (we report regularly and transparently on our stewardship activity); **Stewardship** (we are an active asset owner and dedicate in-house resources to proxy voting, maintain a list of excluded investments, and work to deliver impactful corporate and policy engagement); and **Tackling Systemic Challenges** (investment time horizon is measured in decades rather than quarters, and we recognise that certain issues pose systemic challenges to our investments and the world our members will retire into. We therefore prioritise engagement on crosscutting issues, such as with

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<sup>2</sup> From the [Statement of Investment Principles](#) for our largest scheme.

<sup>3</sup> From the [Statement of Investment Principles](#) for the scheme (CAPF) with a DC section.

climate change and with extractive industries, where we devise long-term interventions that are focused on outcomes in the real economy and in our portfolio).



### Summary of Restrictions

11. The Pensions Board has adopted a number of thematic ethical and responsible investment policies. In general, the Board expects companies in which we invest to manifest sustainable environmental practice, fair treatment of customers and suppliers, responsible employment practices, conscientiousness with regard to human rights, sensitivity towards the communities in which they operate and best corporate governance practice.
12. In order to ensure, as far as reasonably practicable, that the Board is not exposed to companies that materially breach our policy commitments, all managers are provided with the table below, outlining restricted business involvement. In public markets, this is supplemented with a quarterly list of restricted issuers that fall into these categories (and any other restricted companies), and implementation is written into relevant legal agreements.

### 13. Summary

<b>Policy</b>	<b>Businesses restricted</b>	<b>Limit % of revenues</b>
Defence	Involvement in the design, manufacture and distribution of indiscriminate weaponry (cluster munitions, land mines, and fissile material or componentry specifically for nuclear weapons, chemical weapons, biological weapons)	0% (any involvement)
	Manufacture, distribution, and sale of controversial weapons	10%
Adult Entertainment	Production, distribution, and retail of pornography	3%
Tobacco	Retail, distribution and production of tobacco products and e-cigarettes	10%
Cannabis	Retail, distribution and production of recreational cannabis products	10%
Gambling	Any form of gambling, including spread betting	10%
Non-military firearms	Production or sale of non-military firearms or ammunition, excepting companies specialising exclusively in products specifically designed for hunting or sporting purposes	10%
	Assault Rifles	0%
High interest rate lending	Provision of home-collected credit ('doorstep lending'), unsecured short-term loans ('payday loans') or pawnbroker loans	10%
Alcohol	Retail, distribution and production of alcohol	25%
Climate Change	Production of oil from tar sands	10%
	Mining of thermal coal	10%
	Oil and Gas production	(by GICS sub-industry or equivalent)

This document was approved by the Board on 19<sup>th</sup> September 2024.