



# 2024

 THE CHURCH  
OF ENGLAND  
PENSIONS BOARD

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT



# About the Pensions Board's TCFD report

The Church of England Pensions Board ("the Board") is pleased to publish its fifth Task Force on Climate-related Financial Disclosures (TCFD) report, covering the period from 1 January 2024 to 31 December 2024. This report aims to meet the requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, which align with the recommendations of the Task Force on Climate-related Financial Disclosures. This report also provides updates on the Board's implementation of its Climate Action Plan, and its deforestation commitments under the Finance Sector Deforestation Action initiative.

## ABOUT THE CHURCH OF ENGLAND PENSIONS BOARD

We provide retirement services to those who serve or work for the Church of England. More than 44,000 people across 700 Church organisations rely on us for their pensions. We carefully steward the c.£3.4bn of funds under our care, investing these responsibly and for the long term. We also support 2,400 residents with retirement housing.

We invest sustainably and responsibly to pay pension promises across the long term. As good stewards of the funds entrusted to us, and informed by Church teaching, we engage with the companies, sectors and assets in which we invest. We also work with other investors to drive change on key issues that matter most to our members and the world into which they will retire.

## ABOUT OUR PENSION SCHEMES

### **The Church of England Funded Pensions Scheme (CEFPS)**

Provides pensions and benefits for clergy and others in ministry, for service from January 1998. Benefits earned before 1998 are administered by the Board and funded by the Church Commissioners.

### **The Church Workers Pension Fund (CWPF)**

Provides pensions for the staff of employers linked to the ministry and mission of the Church of England. This has been the fastest growing scheme in recent years, as parishes and other Church organisations choose to join CWPF, to offer qualifying employees a pension scheme that meets auto-enrolment standards and has excellent ethical credentials.

### **The Church Administrators Pension Fund (CAPF)**

Provides pensions for the staff of the National Church Institutions. The fund has two sections: a defined benefit section which closed to new entrants in 2006, and a defined contribution section.

# The Board's approach to climate change

Climate change is a systemic risk to the global economy; it also impacts the lives and livelihoods of our beneficiaries and the world into which they will retire. We recognise that climate change impacts the poorest disproportionately, including those in parts of the world most impacted by extreme weather events and resource shortages.

## In terms of risk to our portfolio, we have identified two main types of risk:

- **Transition risk:** related to the financial risks to portfolio companies and countries transitioning to net zero by 2050, such as market risks and stranded asset risks. For example, speeding up the move to clean energy technologies improves the affordability of energy and can relieve pressures on the cost of living more broadly, which could lead to stranded asset risk for non-clean energy investments<sup>1</sup>.
- **Physical risks:** the financial impacts of extreme weather events and sea level rise which can also impact companies and countries. For example, economic losses associated with extreme weather events in Europe amounted to €18bn in 2024<sup>2</sup>.

The Board sees climate change and nature loss as systemic risks, which can destabilise the entire global financial system due to interconnectedness and compounding effects of these systems. The physical impacts of climate change, like temperature rises and extreme weather events, can also negatively impact nature. For instance, in 2023, the Panama Canal faced severe drought due to freshwater shortages, driven by increased temperatures, increasing the cost of shipping through the canal by 36%<sup>3</sup>. Similarly, activities like deforestation and land-use change that cause nature loss, also turn carbon sinks into carbon sources. The associated and dynamic impacts of these two systems



disrupt critical ecosystem services, causing downstream impacts on supply chains, food security, and the economy.

## Climate change and the fiduciary duty of pension trustees

A report<sup>4</sup> commissioned by the UK Government and released by the Financial Markets Law Committee (FMLC) in 2024 examined the link between the fiduciary duty held by pension trustees and the financial risks of climate change. The report defines fiduciary as the duty of care for beneficiaries that pension trustees have as part of their commitment "to act on behalf of another".

The report sought to determine the fiduciary duty trustees have with regards to climate change, finding that trustees

must classify climate change as a financial factor and consider it as part of investment decision-making. It also concluded that relying on existing regulation and legislation is not sufficient given this would not sufficiently address risks. The paper underscored the important role of stewardship in delivering long-term investment returns within the context of climate change.

1. [International Energy Agency. 2024. Strategies for Affordable and Clean Energy Transitions.](#)

2. [European Commission. 2024. European State of the Climate Report 2024.](#)

3. [Financial Times. 2023. Severe drought in Panama hits global shipping industry.](#)

4. [Financial Markets Law Committee. 2024. Pension Fund Trustees and Fiduciary Duties: Decision-making in the context of Sustainability and the subject of Climate Change.](#)

## About the report continued

### ALIGNING OUR APPROACH TO THE TCFD RECOMMENDATIONS

#### Governance

A company's governance around climate-related risks and opportunities

#### Strategy

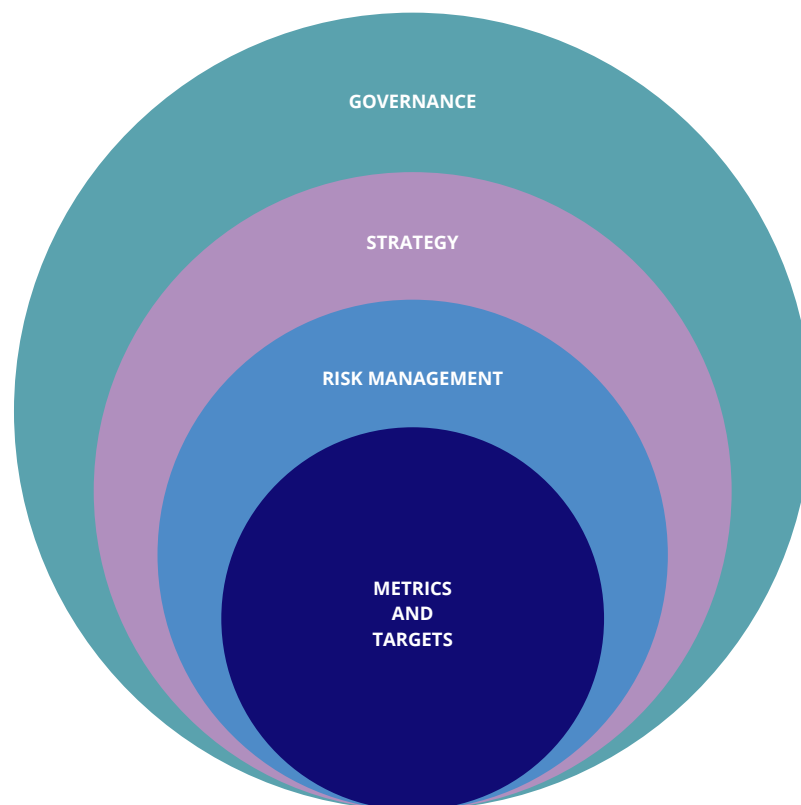
The actual and potential climate-related risks and opportunities on a company's business, strategy, and financial planning

#### Risk management

The processes used by a company to identify, assess, and manage climate-related risks and opportunities

#### Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities



### How we have developed our climate approach

Given our fiduciary obligations and the systemic risks posed by climate change and nature loss, we have looked to globally leading frameworks to develop our approach. We have also incorporated the advice of investment consultants as appropriate.

The two main frameworks we have used are: the Net Zero Investment Framework (NZIF) and the Task Force on Climate-related Financial Disclosure (TCFD). Both frameworks enable institutions to select levers to act as appropriate for their fiduciary duties.

Our approach seeks to maintain a leadership position that both limits the impact of climate change and nature loss on our portfolio returns and ensures a positive retirement income for our beneficiaries, while also seeking to act on mitigating the broader systemic risk to the global economy.

The TCFD guidelines focus on four aspects: governance, strategy, risk management, and metrics and targets. Our TCFD report is structured in line with these topics.

We have also used NZIF, a globally leading investor framework developed by the Institutional Investors Group on Climate Change (IIGCC). The NZIF framework includes objectives, governance and strategy, strategic asset allocation to guide internal portfolio actions, and stakeholder and market engagement and policy advocacy and stewardship to influence the external environment. As part of developing our approach we have selected the elements of NZIF we believe will have the most impact on addressing climate risk aligned with our fiduciary duties and our portfolio risks.

## About the report continued

### How nature fits into our strategy and approach

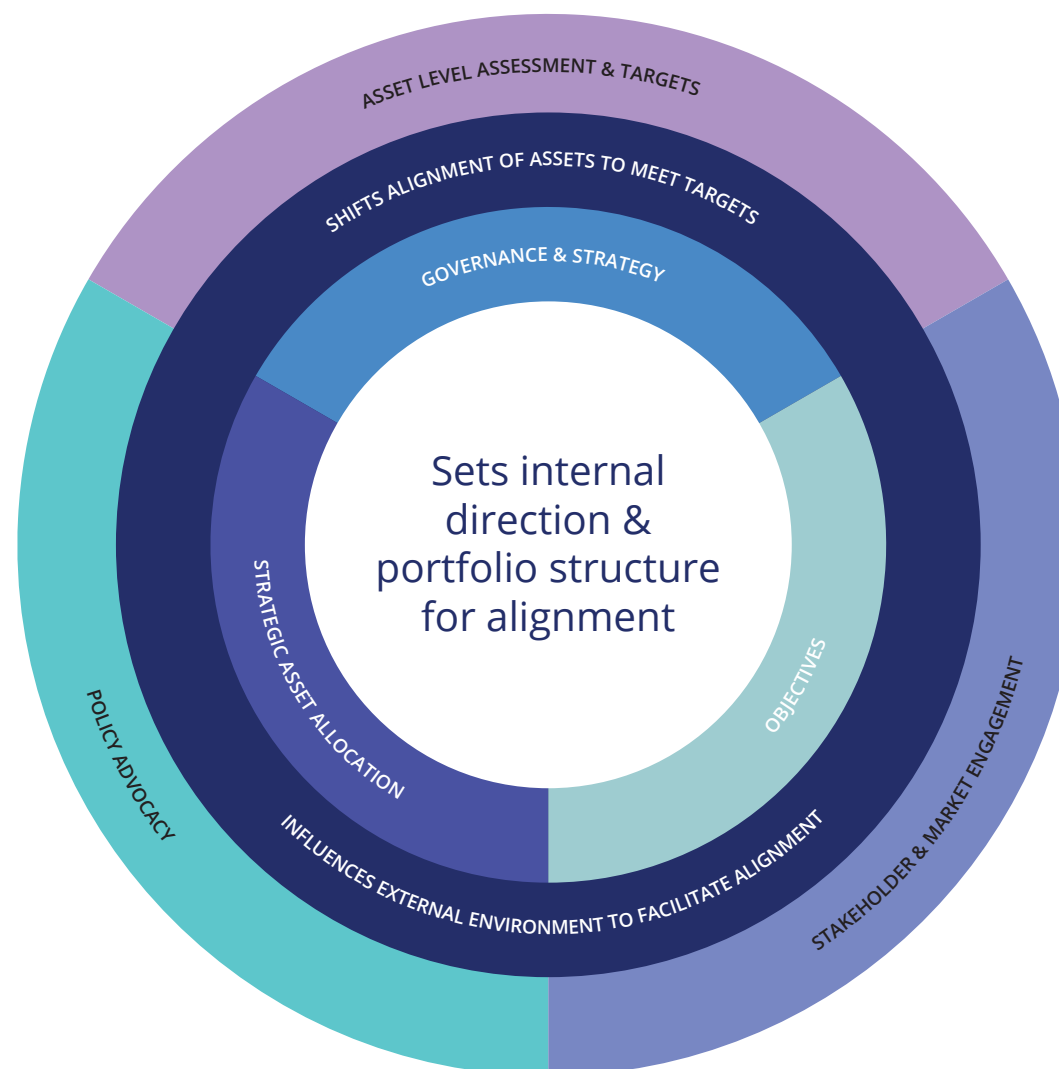
Nature loss and climate change are interconnected risks<sup>5</sup>. The global economy could see shocks upwards of US\$5trn due to biodiversity loss and ecosystem damage, which act as risk amplifiers of the physical impacts of climate change<sup>6</sup>. The significance of this interconnection was underscored in 2024 by the release of the Intergovernmental Panel on Biodiversity and Ecosystem Services (IPBES) [Thematic Assessment Report on the Interlinkages among Biodiversity, Water, Food and Health](#). The report demonstrates that approaches that address climate and nature simultaneously are essential to mitigating the dual climate and nature crises.

The Pensions Board took several steps in 2024 to strengthen its approach to nature which will be outlined in this report. It is our intention to develop this integration of climate and nature strategies during 2025 and provide an update in our 2025 reporting.

5. IPBES. 2024. [Summary for Policymakers of the Thematic Assessment Report on the Interlinkages among Biodiversity, Water, Food and Health of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services](#).

6. Oxford University. 2023. [The Green Scorpion: the Macro-Criticality of Nature for Finance](#).

## APPLYING THE NET ZERO INVESTMENT FRAMEWORK

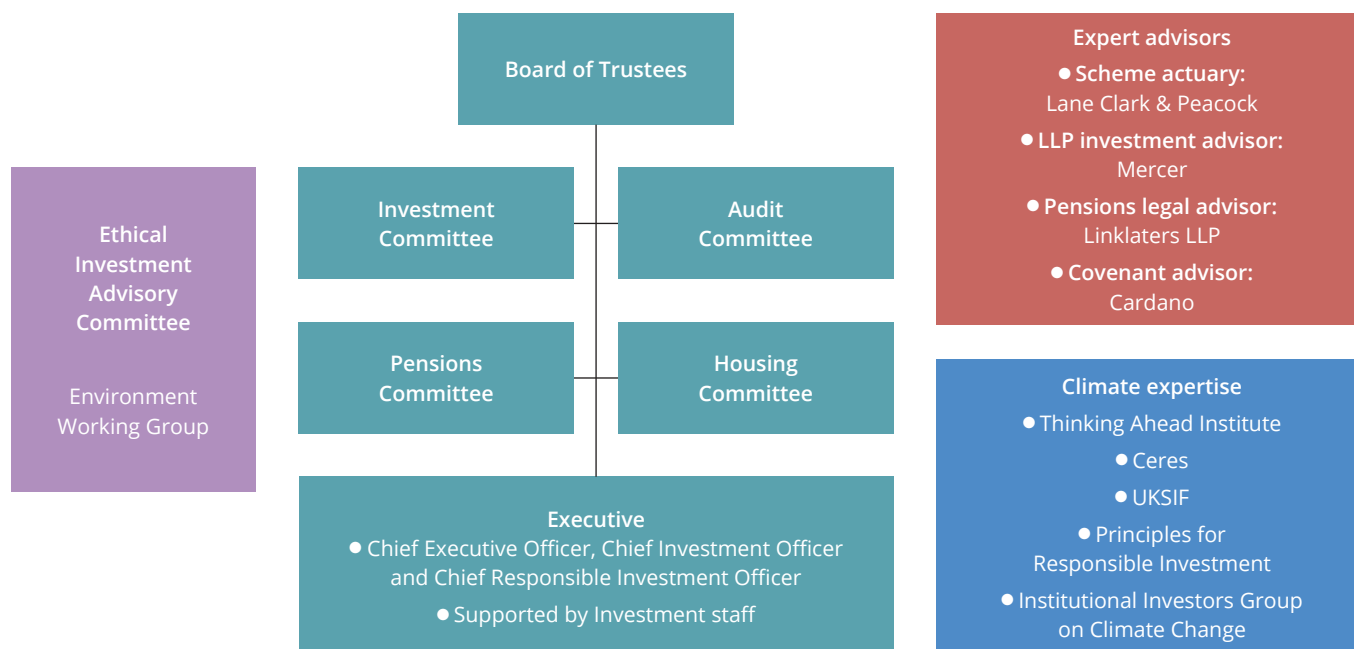


# Governance

## Summary of our progress in 2024

- We excluded investment in 109 companies following due diligence informed by independent climate change assessments. We continued to exclude investment in debt and equity of oil and gas companies that have climate plans misaligned with the goals of the Paris climate agreement.
- We implemented an update to our voting policy and stewardship escalation framework in line with our Climate Action Plan targets and commitments.
- Climate issues are updated at every Investment Committee and Board meeting, and we additionally held three detailed sessions related to climate change at our Investment Committee in 2024.
- We conducted new climate change scenario analysis for both the defined benefit scheme and the covenant in 2024, which was presented to the Board and Investment Committee in dedicated sessions for trustees in the preparation of this report.

## OVERVIEW OF GOVERNANCE STRUCTURE



## Overview of governance approach

The Board of Trustees has responsibility for climate-related risks and opportunities relevant to the Board's investments. The Investment Committee (one of four Board Committees) supports the Board of Trustees by making recommendations and overseeing the Board's investment approach including on climate change. The Executive, specifically the roles of Chief Executive Officer, Chief Investment Officer and Chief Responsible Investment Officer, are the lead executives responsible for ensuring appropriate strategies are in place to understand, identify, measure, monitor, control, and report risks and opportunities related to climate change, and responsible investment concerns more broadly. They are supported by management, which includes in-house responsible investment specialists, who support the Board and its Investment Committee with standing agenda items at meetings and regularly review the Board's approach. The Board is also supported by expert advisors, particularly its investment consultant.

Our trustees are elected or appointed by the members and employers of the pension schemes and other relevant bodies. In line with the Board governance requirements the Chair of the Board is appointed by the Archbishops of Canterbury and York with the formal approval of the General Synod of the Church of England.

## Process for managing climate risks

The Board of Trustees' approach to addressing climate risk is undertaken in the following ways:

- The Investment Committee provides updates to the Board at every meeting as a standing agenda item, which includes a review of progress against the Board's stated objectives on responsible investment, asset



## Governance continued

manager climate-related assessments, and company engagements. It also conducts climate scenario analysis at least every three years.

- The Board of Trustees was engaged in the development of the Climate Action Plan, directly contributing to its development before formal Board Trustee approval in November 2023.
- The Church of England Ethical Investment Advisory Group (EIAG) provides non-binding ethical investment advice to the Board and Investment Committee and has committed to review the climate advice annually.
- In 2024, the Board was supported by several expert consultants, including Mercer and Cardano, who provided both the Board and the Investment Committee with climate-related advice.
- Where appropriate, the Board engages with climate experts to produce relevant insights to inform trustee decision-making on climate change to better understand risks and opportunities.
- The Board is supported by senior management and staff, who provide updates on key events and developments in climate change. For example, management conducted a detailed discussion on emerging markets climate finance with the Investment Committee in 2024, relating to the Board's leadership of the Emerging Markets Just Transition Investing Initiative and sharing insights garnered from that initiative.
- The Investment Committee, informed by both consultants and the Executive, has considered the robustness of climate scenarios and questioned

the underlying assumptions that inform the scenarios. The Board has also participated in dialogues with other pension funds about the use and limitations of climate scenario analysis and to further develop the Board's approach and inform decision-making.

- Climate change is identified as a key risk in the Board's risk register, which is regularly reviewed by executive management, the Board and the Audit Committee.

### Transparency and reporting

The Board has three key documents which provide transparency on its approach to managing climate risk and opportunity:

- Climate Change Policy (updated 2020), which provides high-level, overarching guidance to the Board. Following advice from the Ethical Investment Advisory Group (EIAG) we anticipate the adoption of a new Environment Policy

that more holistically addresses climate change inclusive of nature and biodiversity risks. Once adopted this will supersede the 2020 Climate Change Policy.

- The Board's Climate Action Plan, released in 2023.
- Annual TCFD reporting.

In addition, the Board integrates climate considerations into many other reports and policies:

- Climate change is recognised in our Schemes' Statement of Investment Principles and Investment Beliefs as "a major financial, social, and ethical risk" for trustees and executives to consider.
- Annual Stewardship Report, which covers climate change-related stewardship including voting.
- The Board's Annual Report to scheme members, which covers the Board's overall performance during the reporting period, including responsible investment and climate change.

### Ensuring sufficient expertise

Climate change is a complex topic. As such, the Board is committed to maintaining sufficient external and in-house expertise to manage this. Three members of our investment team have significant climate-related skills and experience, including formal training, and have held prominent positions in climate-related initiatives as chairs, co-chairs, steering committee members, or board members. Formal training such as courses by the Principles for Responsible Investment and the CFA Institute are supported with paid study leave where appropriate. During the reporting year one member of staff received a





## Governance continued

commendation from the University of Cambridge for her Master of Studies in Sustainability Leadership thesis on climate and investment.

### Establishing a culture of climate risk awareness

The Board of Trustees ensures staff are informed on progress against climate objectives, via reporting and regular briefings within the Board's management and staff meetings. Within decision-making processes, staff, management, advisors, committee members and trustees are encouraged to challenge and question conclusions.

### Process of selecting advisors and providing data

Advisors are selected through the Board's established procurement processes, to ensure competency, expertise and value for money. For the investment consultant, advice on climate change is explicitly mentioned in the tender process and assessment process. Once appointed, it is included in the formal documentation ("Strategic Objectives for Investment Consultancy Services"). The investment consultant is reviewed against their strategic objectives annually, including on climate change. Consultants undertaking scenario analysis were provided with liability and asset allocation information during the scheme year, and carbon footprint data was calculated based on holdings data from the Board's Custodian, also during the scheme year.

### Leadership and memberships of trade associations and climate initiatives

We are a member of trade associations and other initiatives that address climate change. The following tables note where we hold significant leadership positions of relevant bodies, and where we hold memberships and are active within various industry working groups.





## Governance continued

LEADERSHIP ROLES WITHIN CLIMATE INITIATIVES			
Organisation	Purpose	Role	Our representative
Transition Pathway Initiative (TPI)	The Transition Pathway Initiative, a collaboration between the London School of Economics, FTSE Russell and investors, assesses companies' climate readiness and supports sustainable investment decisions.	Board member, Treasurer of TPI Ltd, and former Chair	Dr Stephen Barrie, Deputy Chief Responsible Investment Officer Previously Adam Matthews, Chief Responsible Investment Officer
Institutional Investors Group on Climate Change (IIGCC)	The IIGCC brings the investment community together to drive significant progress towards a net-zero and climate-resilient future.	Board member Co-Chair Corporate Programme Co-Chair Emerging Markets Co-Chair Climate Lobbying	Laura Hillis, Director Responsible Investment
Paris Aligned Asset Owner (PAAO) initiative	The PAAO initiative is a global group of asset owners committed to transitioning their investments to achieve net zero portfolio GHG emissions by 2050, or sooner.	Co-Chair of the Steering Group	Adam Matthews, Chief Responsible Investment Officer
Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Investor Initiative	The ASCOR initiative has developed an independent, academically rigorous, publicly available assessment framework that evaluates countries on their progress managing the low-carbon transition.	Co-Chair of the Global Steering Committee	Adam Matthews, Chief Responsible Investment Officer
HM Treasury-backed Transition Plans Taskforce (TPT)	The TPT was launched by HM Treasury in April 2022 to develop a gold standard for climate transition plans and inform UK regulation.	Taskforce member	Adam Matthews, Chief Responsible Investment Officer
Global Investor Commission on Mining 2030	Mining 2030 is a collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector overall by 2030. Climate change and critical minerals for the transition are an important part of its agenda.	Chair	Adam Matthews, Chief Responsible Investment Officer
UN Secretary General's Advisory Panel on Critical Energy Transition Minerals	Development of bespoke recommendations for the UN Secretary General on critical energy transition minerals.	Member	Adam Matthews, Chief Responsible Investment Officer

**Governance** continued**MEMBERSHIPS AND PARTICIPATION WITH CLIMATE-RELATED INITIATIVES**

Initiative	Participant status
Transition Pathway Initiative (TPI)	Member, co-founder and former Chair
Institutional Investors Group on Climate Change (IIGCC)	Member
Ceres	Member
Australian Council of Superannuation Investors (ACSI)	International member
Principles for Responsible Investment (PRI)	Member
Finance Sector Deforestation Action (FSDA)	Member
Powering Past Coal Initiative	Member
Climate Action 100+	Member
Nature Action 100	Member
UK Sustainable Investment and Finance Association (UKSIF)	Member
Thinking Ahead Institute	Member





# Strategy

The Board released its first [Climate Action Plan \(CAP\)](#) in 2023, which set out its overarching aims through its work on climate change and specific focus areas and actions.

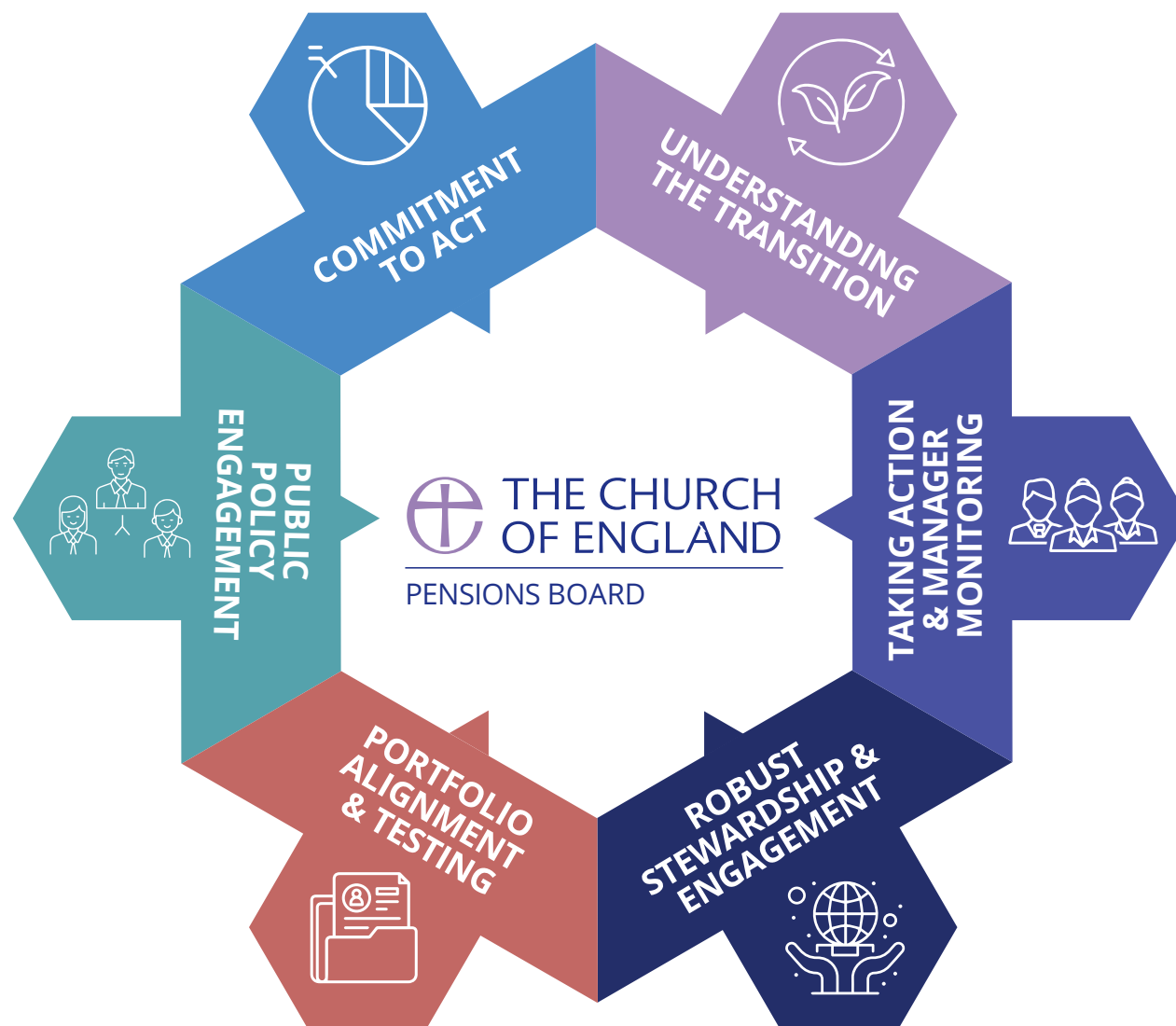
The aims of the CAP are:

- To serve our beneficiaries by addressing climate risk and realising competitive returns to meet our pensions commitments across the short, medium and long term.
- To play a leadership role, in line with the expectations and ambitions of our beneficiaries, aimed at limiting global warming to no more than 1.5°C above pre-industrial levels.
- To reach net zero in our investment portfolio by 2050.

These goals reflect the reality that we are investing in the context of a global economy in transition, which means transitioning our portfolio to net zero emissions over time is a strategic response; and the evidence that limiting global warming to 1.5°C delivers better portfolio outcomes in terms of returns over the long term<sup>7</sup>, than higher temperature outcomes do.

We take a systemic approach to climate change, so the key actions we focus on in this Climate Action Plan are:

- Supporting a rapid transition away from fossil fuels.
- Ensuring a substantial increase in investment and financing for the transition and in climate solutions.



7. [Mercer, 2019. Investing in a Time of Climate Change.](#)

## Strategy continued

### 1. Understanding the transition

We are committed to understanding the complexity of the transition, and to directly lead and create tools to inform investor decision-making and support real-world impact. Much of this work has resulted in the creation of leading market tools, standards, and frameworks to support investor ambition and to ensure clarity and progress. In 2024, we acted on this priority in the following ways:

- Recognising the critical role of mining to the global energy transition we continue to chair the Global Investor Commission on Mining 2030, which produced a [Landscape Report](#) detailing the strategic importance of the sector, future demand for minerals, and the challenges the sector faces, as well as levers available to investors to support a vision of a socially and environmentally responsible mining sector by 2030. The multistakeholder commission's work is supported by 82 investors with \$15trn in assets under management as well as the United Nations and the Principles for Responsible Investment (PRI).
- We supported a report released by the Institutional Investors Group on Climate Change, [Momentum: Addressing Methane Emissions from Fossil Fuel Operations](#).
- We continued to co-chair the Paris Aligned Asset Owners initiative and supported the release of the [Net Zero Investment Framework update \(NZIF 2.0\)](#).
- We continued to lead the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) initiative as co-chair, which has created an independent assessment methodology and tool and now assesses 70 countries representing 85% of global emissions.

### STRATEGIC APPROACH OF THE GLOBAL INVESTOR COMMISSION ON MINING 2030



For more information, visit [mining2030.org](https://mining2030.org)



## Strategy continued

- Two members of the Board's investment team contributed to an academic paper: "Corporate disclosures need a biodiversity outcome focus and regulatory backing to deliver global conservation goals" with academics from Newcastle University. The paper attempted to set out the policy and corporate context that would enable a transition to a nature-positive future, aligned with the Kunming Montreal Global Biodiversity Framework agreed at COP15 in Montreal. The paper was published in Conservation Letters.



### ASSESSING SOVEREIGN CLIMATE-RELATED OPPORTUNITIES AND RISKS (ASCOR)

The Pensions Board established ASCOR in 2022 together with other investors to develop a publicly available, independent, and open-source investor framework and database assessing the climate-related opportunities and risks of sovereign bond issuers.

In 2024, ASCOR released its largest assessment of sovereign bond issuers, reviewing the climate change performance of 70 high, middle and low-income countries. These issuers were assessed against the ASCOR framework, which was developed by the Transition Pathway Initiative at the London School of Economics following a public consultation in 2023. Collectively accounting for more than 85% of global greenhouse gas (GHG) emissions and 90% of global GDP, the 70-country universe covers the key national players in the low-carbon transition. They are also the most relevant countries for investors to incorporate climate change considerations into their sovereign bond evaluations, as together they cover 75–100% of the major sovereign bond market indices.

#### Key findings from the initial assessment included:

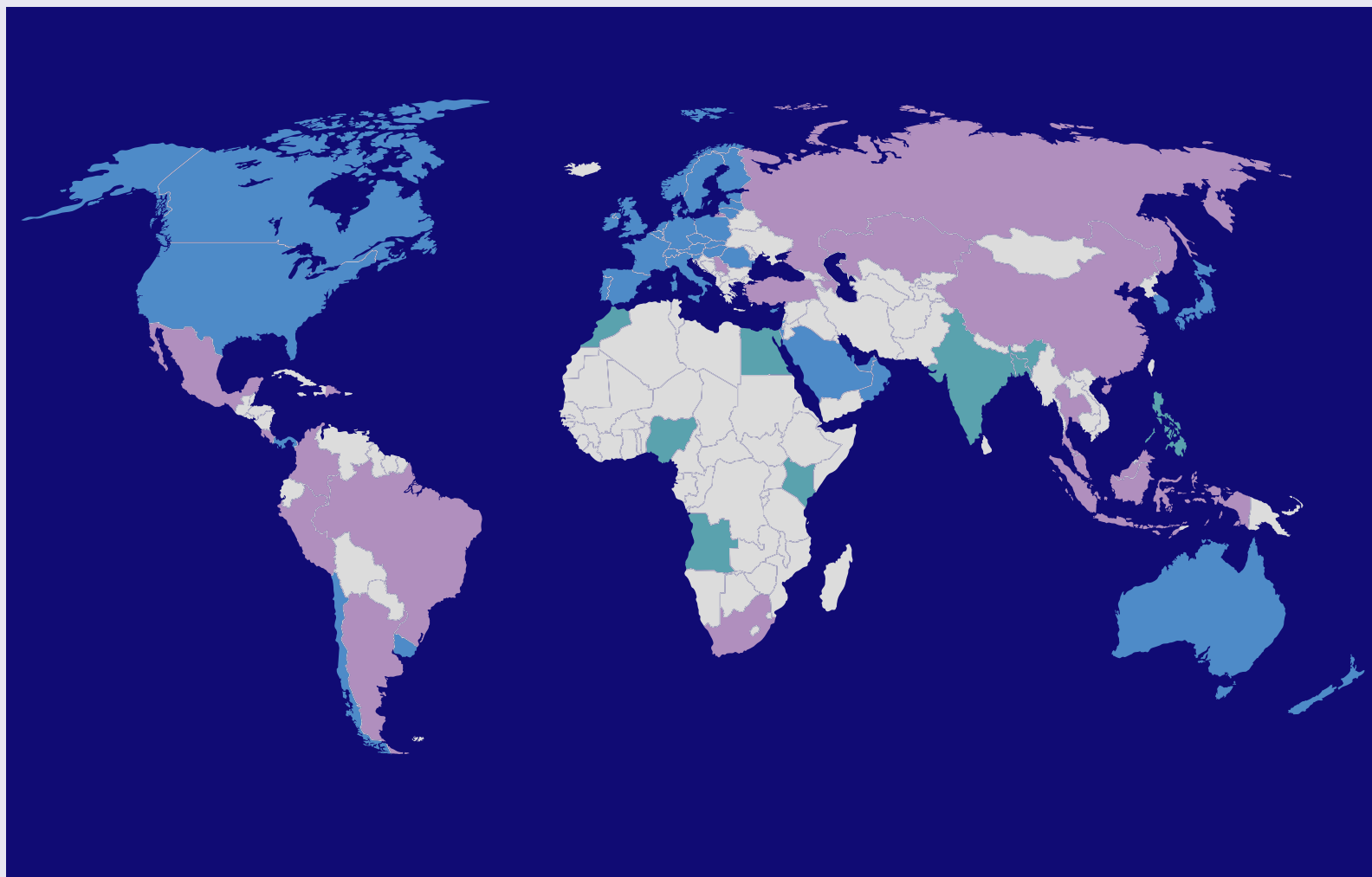
- 40 of the 70 countries assessed have reduced their emissions over the past five years and almost all have established medium-term targets.
- Not a single country has a historical emissions trend or 2030 target that aligns with its national 1.5°C benchmark. Only a few are aligned with their "1.5°C fair share" (an allocation based on equity principles) in their emissions trends or 2030 targets.

- 40 out of the 70 assessed countries have established a legal framework for national climate policy through a climate framework law.
- Countries perform poorly on commitments to phase out fossil fuel subsidies and production, making finance flows inconsistent with a 1.5°C future.
- Most of the developed countries (81%) assessed fail to contribute or commit to their proportional share of the US\$100bn climate finance goal.
- Only one-third of the developing countries assessed have been transparent about the costs of their mitigation and adaptation measures. This may constrain public and private finance flows towards these objectives.

It is anticipated that ASCOR will further its research capability in the future and will also be incorporated into sovereign engagement initiatives on climate change being undertaken by institutional investors globally.

ASCOR is led by asset owners and asset managers, and supported by international investor networks. The Advisory Committee consists of AIGCC, Allspring Global Investments, Amundi, Ceres, Chronos Sustainability, Church of England Pensions Board, Colchester Global Investors, IGCC, IIGCC, Insight Investments, MFS, Ninety One and PRI.

## Strategy continued

MAP OF COUNTRIES ASSESSED IN THE ASCOR TOOL IN 2024, BY INCOME GROUP<sup>8</sup>

■ High-income ■ Middle-income ■ Low-income

**Note: High-income countries (45) assessed are:** Australia, Barbados, Canada, Chile, France, Germany, Italy, Japan, Poland, Saudi Arabia, United Kingdom, United States, Uruguay, Austria, Bahrain, Belgium, Cyprus, Czechia, Denmark, Estonia, Finland, Hong Kong, Hungary, Ireland, Israel, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Oman, Panama, Portugal, Qatar, Republic of Korea, Romania, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Arab Emirates.

**Middle-income countries (17) assessed are:** Argentina, Azerbaijan, Brazil, China, Colombia, Costa Rica, Dominican Republic, Indonesia, Kazakhstan, Malaysia, Mexico, Peru, Russian Federation, Serbia, South Africa, Thailand, Türkiye.

**Low-income countries (8) assessed are:** Angola, Bangladesh, Egypt, India, Kenya, Morocco, Nigeria, Philippines.

8. [ASCOR framework: methodology note, 2024.](#)



## Strategy continued

### 2. Robust stewardship and engagement

Responsibly managing our investments is central to our values and our duties to our beneficiaries. We also recognise the transformational role stewardship can play when asset owners work with companies to improve their ambition and commitments to climate action, and when we hold them accountable for credible strategies to deliver on their commitments. Our strategy is to focus our engagements on the industries and themes that are most critical and impact real-world emissions reductions, and that have the potential to be catalytic in the transition to net zero emissions globally. In 2024, we acted on this priority in the following ways:

- We undertook 67 company engagements on climate change in 2024 and two on nature.
- We supported 63% of the shareholder resolutions on climate change we voted on at company Annual General Meetings in 2024.
- We attended and/or spoke at 10 Annual General Meetings in 2024 with a climate focus, including Anglo American, National Grid, and BMW.
- We publicly pre-declared votes on climate change topics before the Bank of America, Goldman Sachs, Morgan Stanley, and Toyota Annual General Meetings.
- We voted against management resolutions at 16 Climate Action 100+ focus companies due to a lack of lobbying disclosure, consistent with our commitment in our Climate Action Plan.
- We led a collaborative engagement on methane emissions from metallurgical coal mines with Anglo American, supported by 16 investors, and BHP, supported by 19 investors. Following this, Anglo American committed to developing a methane abatement plan, and BHP to conducting pilot methane assessments at some open-cut mines.
- We continued to co-chair the IIGCC's lobbying workstream, which saw five companies produce their first lobbying reviews in 2024, bringing this to a total of 36.5% (or 62) of the 170 Climate Action 100+ companies that have produced at least one review.
- We continued to co-lead engagements with Anglo American, BMW, Mercedes, National Grid, Renault, and VW through the Climate Action 100+ initiative.
- We established three engagements under Nature Action 100 with Anglo American, BHP and Associated British Foods.



## Strategy continued

### WORKING WITH OTHER INVESTORS TO ENGAGE WITH COMPANIES ON LOBBYING

Since 2018, the Board has been focused on addressing the issue of corporate climate lobbying as a systemic issue that delays or blocks effective climate policy. As a shareholder in many companies that conduct advocacy with governments, we have sought greater transparency and evidence of good corporate governance from companies around their lobbying and advocacy efforts related to climate change.

In 2022, we launched the [Global Standard on Responsible Climate Lobbying](#) with other investors and partners. This remains the best articulation of good corporate practice and what we advocate companies report against. We also engaged with initiatives like the Climate Action 100+, InfluenceMap, the Transition Plan Taskforce, the Transition Pathway Initiative, We Mean Business, and the World Benchmarking Alliance to ensure corporate lobbying and advocacy was recognised as an integral part of assessing companies' climate ambition and performance.

In 2024, we continued to lead on this issue by:

- Voting against management resolutions at 16 Climate Action 100+ companies for failure to produce lobbying disclosures six years after the initiative was launched, including: Bluescope Steel, Bunge, Caterpillar, Colgate-Palmolive, Daikin, Dow, Holcim, PACCAR, Panasonic, Procter & Gamble, Suzuki Motor, Toray Industries, Trane Technologies, Walmart and Xcel Energy.

- Pre-declaring a vote in favour of a resolution at Toyota calling for the company to improve its climate resolutions.
- Speaking at the Annual General Meetings of National Grid, VW, Mercedes, BMW, and Barclays about climate lobbying.
- Co-leading engagements with UK banks including Barclays and HSBC to call on them to produce their first lobbying and advocacy disclosures.

By the end of 2024, 62 of the Climate Action 100+ companies (of 170) had produced a disclosure on climate change. Through our engagements on lobbying in 2024, National Grid produced its first disclosure, and Renault agreed to produce its first disclosure in 2025. We are beginning to see evidence that companies that are producing reviews are taking more proactive steps to call for positive climate policy. For example, Nestlé and Unilever broke ranks with the European Round Table on Industry (ERT) which was calling for major reductions in sustainability reporting requirements for companies in the European Union (EU). Nestlé and Unilever, conversely, have vocally supported the continuation of these sustainability reporting measures. Similarly, Ford has been vocal in its support for the EU's 2035 zero emissions target for light vehicles despite other industry lobbying. All three companies have previously disclosed on climate lobbying using the Global Standard on Responsible Climate Lobbying.





## Strategy continued

### 3. Public policy engagement

Ensuring the right public policy environment is critical to achieving the goals of the Paris Agreement. In 2024, we acted on this priority in the following ways:

- We continued to strongly advocate for greater attention to emerging markets climate finance. We participated in several roundtables and events on climate finance in emerging markets and supported a report: “The UK as a Climate Finance Hub: Unlocking capital from institutional investors towards EMDEs”. This report, and our previous efforts leading the Emerging Market Just Transition Investing Initiative with other asset owners, led to the UK Government establishing a new taskforce on emerging market climate finance. The Pensions Board’s CEO, John Ball, has been invited to join the taskforce, which will begin in 2025.
- At the United Nations biodiversity COP16, we developed and released a statement<sup>9</sup> supported by 27 global pension funds representing US\$2.5trn in assets, calling for greater ambition from governments in addressing the biodiversity crisis and to end deforestation, aligned with the Kunming Montreal Global Biodiversity Framework.



9. [Church of England. 2024. COP16 Investors worth USD 2.5 trillion call on governments to take bold action on biodiversity.](#)



## Strategy continued

### STATEMENT TO GOVERNMENTS TO ADDRESS BIODIVERSITY LOSS FROM LONG-TERM INVESTORS

Nature and biodiversity loss presents a serious risk to the stability of global financial markets. As long-term pension investors with diversified portfolios, we are invested across all sectors and geographies of the global economy and have a long-term obligation to act in the best interests of our beneficiaries.

Nature and biodiversity loss is a systemic risk which poses a material risk to all levels of the economy and can impact investment returns in all asset classes and markets. As universal owners, we cannot diversify, or stock pick our way out of large systemic risks.

To safeguard the future prosperity of our beneficiaries we need to address the root causes contributing to this crisis. Effective, robust nature and biodiversity policies and regulations are needed at all levels of government not only to protect the inherent value in nature to society, but also to protect the global economy and the proper functioning of markets on which long-term investment performance relies. Robust policy will help protect our investment portfolios and our beneficiaries' future prosperity and wellbeing from the potential impacts of unaddressed nature and biodiversity loss. Therefore, we are calling on governments to:

- Establish ambitious national targets, nature-related transition plans, and commitments to halt and reverse biodiversity loss, with a focus on transformation of key sectors, stopping deforestation, and protecting and restoring critical ecosystems.

- Develop mandatory disclosure regulations for companies with material nature-related impacts or dependencies, as well as nature-related transition plans, with metrics strongly tied to biodiversity outcomes.
- Establish and implement regulation to protect nature and biodiversity for all sectors that contribute to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services' (IPBES) five drivers of biodiversity loss.
- Invest in the development and scaling of financial mechanisms to protect and restore nature and biodiversity.

Left unaddressed, the risks from nature and biodiversity loss will continue to erode both investment returns and investor confidence. Conversely, jurisdictions which put effective policies, regulations, targets and disclosure standards in place will build resilience and are likely to attract nature-aware capital, driven by long-term investors.

A whole-of-government approach is needed to unlock the public and private capital flows necessary to transition to a nature positive future. Long-term pension investors stand ready to support governments to take action to address biodiversity loss today and into the future.

### 4. Portfolio alignment and testing

We apply leading tools and methodologies to our own investment portfolio, across asset classes, to meet our goal of reaching net zero portfolio emissions by 2050. This includes our membership of the Paris Aligned Asset Owner initiative and our Climate Action Plan, which uses the Net Zero Investment Framework. Further, we have used guidance from Finance Sector Deforestation Action and other guidance to assess our portfolio for deforestation risks.

In 2024, we continued to work on ensuring these approaches are embedded in different asset classes.

### Public equity

In 2024, public equity represented 19.5% of the Board's investment portfolio. This asset class represents a key lever for us to achieve emissions reductions in the real economy through stewardship.

The Board's emissions reduction target for this asset class is to reduce emissions intensity by 7% year on year, which equates to a 35% reduction by 2025 and a 55% reduction by 2040 from a 2019 baseline.

Since 2019, the emissions intensity of this portfolio has reduced by 64.9%, a substantial overachievement of this target to date. However, it is important to note that as the path to decarbonisation in the real economy is non-linear, our portfolio's emissions intensity pathway has been non-linear as reflected in the graph on page 19, which compares our target pathway to our actual pathway for emissions reductions since 2019.

We noted in the 2023 TCFD report that we expected the emissions intensity pathway to increase in 2024 which has

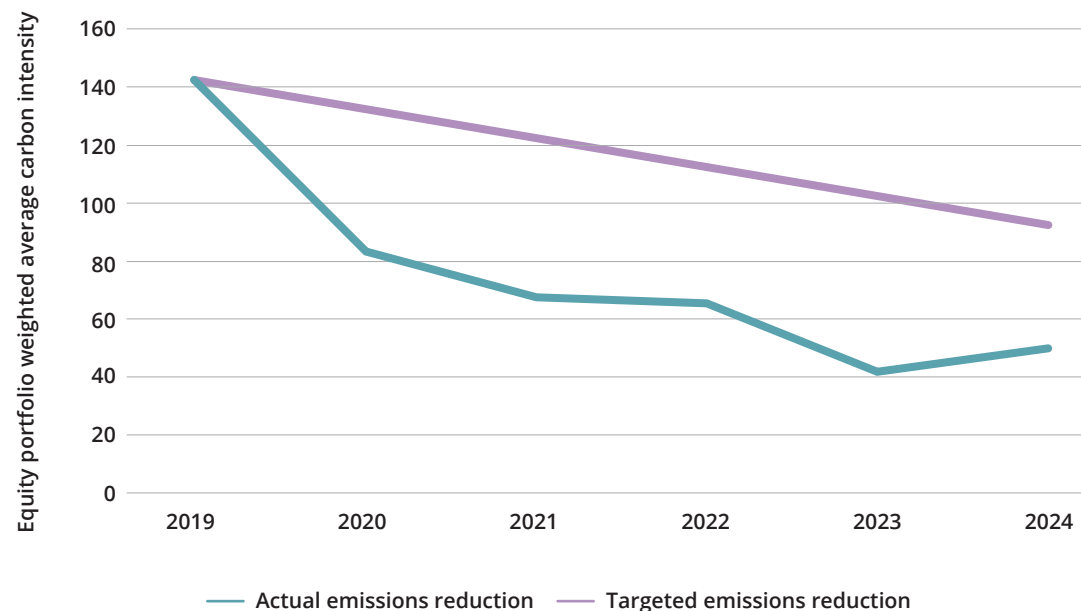
## Strategy continued

occurred, with an increase of 19.6% from 2023 to 2024. This reflects several issues: first is the non-linearity of the emissions reduction trajectory in the real economy; the second is investment decisions we have taken. Notably the Board is committed to continuing investment in emerging markets despite the higher emissions intensity of these investment opportunities. In 2024, we made a new investment allocation to emerging markets public equity which is reflected in the new emissions figures. While emissions are generally reducing in developed markets, the International Energy Agency (IEA) estimated they increased 1.5% in 2024 in emerging markets driven by rising energy demand due to economic and population growth<sup>10</sup>. Supporting emerging markets through the transition to net zero emissions is critical to see these goals achieved globally and an important pillar of the Board's approach to addressing climate change. We intend to look for opportunities to reduce the emissions from this portfolio in partnership with our relevant asset manager, and by increasing our stewardship efforts. We also intend to increase our focus on public policy engagement in emerging markets, using ASCOR data.

Given this commitment to invest in emerging markets and various headwinds in the pathway to net zero for the global economy, we continue to expect to see non-linearity in our emissions reduction pathway across the portfolio. Our public equity emissions intensity since 2019 is shown in the table and graph on this page, and in 2024, the weighted average carbon intensity of our public equity portfolio was 49.88 tCO<sub>2</sub>e.

10. [International Energy Agency. 2025. Global Energy Review.](#)

### ACTUAL VERSUS TARGETED EMISSIONS REDUCTION: 2019-2024



	2019	2020	2021	2022	2023	2024
WACI (tCO <sub>2</sub> e/\$m sales)	142.2	83.1	67.5	65.4	41.7	49.88
Weighted average carbon footprint (Scope 1 and 2)	170.29	77.12	76.7	68.04	37.83	38.10
Year-on-year reduction		-41.56%	-18.77%	-3.11%	-36.24%	19.63%

## Strategy continued

### Corporate bonds and high-yield debt

Our priority for our corporate bonds and high-yield debt portfolios, which represent 10.4% of our total portfolio, is to increase our GHG emissions data so that we are better able to understand and set targets for this important asset class.

Accessing GHG emissions data in debt markets can be challenging because unlisted companies are not subject to the same reporting requirements as publicly listed companies. There are also jurisdictional differences in regulation and different methodologies used, so it is important that we increase both the quantity and quality of the data we have, whilst being open about the limitations.

The good news is data coverage is improving for this asset class and has increased from 4.4% in 2019, to 33% in 2024. However, this is still too poor for us to establish a baseline of GHG emissions for the portfolio to set emissions reduction targets. Therefore, our priorities for this asset class are: a) improve data quality and quantity and b) ensure high-quality stewardship is being conducted with the companies in these portfolios both directly (consistent with our climate priorities) and indirectly (via our asset managers).

Once data coverage is over 80%, a commonly accepted standard for good data coverage, we intend to set a quantitative GHG emissions reduction target.



### Deforestation portfolio assessment

As a signatory to the Financial Sector Deforestation Action (FSDA) since 2022, the Board has begun work to reduce deforestation-linked risks within the investment portfolios.

In 2024, we reassessed (from an initial assessment in 2022) our public equity holdings using 2023 Forest 500 data. This assessment identified 73 companies on the 2023 Forest 500 list, representing 13.87% of our public equity portfolio. We will continue to monitor our holdings with the annually updated Forest 500 data and intend to incorporate both company engagement and policy engagement as part of our approach to deforestation, and will report on our progress in our 2025 report.

GREENHOUSE GAS EMISSIONS FROM THE CORPORATE BONDS AND HIGH-YIELD DEBT PORTFOLIO	2019	2020	2021	2022	2023	2024
WACI (tCO <sub>2</sub> e/\$m sales)	13.5	15.1	12.9	32.7	67.0	119.3
Weighted average carbon footprint (Scope 1 and 2)	0.6	1.1	1.6	2.2	10.9	22.4
Data coverage by amount invested (%)	4.4%	5.6%	8.8%	19%	27.1%	32.9%

### DEVELOPING AN APPROACH FOR CLIMATE SOLUTIONS

Climate solutions are an area of focus for the Board because we have identified that institutional investors have an important role in contributing to climate finance needs. Increasing exposure to climate solutions is also a recommendation from our 2024 scenario analysis, described in detail in the risk management section of this report.

According to Climate Policy Initiative analysis, climate finance is still falling far short of what is needed for the transition to net zero and is likely only around a quarter of what is required<sup>11</sup>. We are particularly focused on the opportunities within emerging markets, when we can find investment opportunities that have the right risk and return characteristics. The Board's approach to climate solutions investment is outlined in detail in its Climate Action Plan. The Board has led work on climate solutions in several ways:

- Engaging with managers on accessing investment opportunities in climate solutions which has led to an increase in investment in renewables in our infrastructure investments.
- Leading initiatives like the Emerging Markets Just Transition Investing Initiative which will progress in 2025 by being part of the IIGCC's ongoing emerging markets priority area, and with a new UK taskforce on emerging markets climate finance being established.

11. [Climate Policy Initiative. 2024. Global Landscape of Climate Finance 2024.](#)



## Strategy continued

### 5. Manager monitoring

The Pensions Board works with asset managers across a wide range of asset classes including public equity, emerging market equity, sovereign debt, fixed income, private equity, and infrastructure. In doing so, we collect climate-related data and regularly review the climate characteristics of each portfolio. We also monitor asset managers' climate stewardship, policy commitments and capacity to bring climate insights to bear on their investment decisions.

In 2024, we held over 50 engagements with our asset managers, which regularly included climate change. Topics discussed included climate assessment and reporting, climate solutions and opportunities, investment weightings that are adjusted due to climate assessments, and managers' internal capacity to consider climate risks and opportunities. In 2025, we are intending a refresh of our manager monitoring process and will provide an update on our expectations for managers on climate change in our 2025 TCFD report.

### ENGAGING WITH OUR ASSET MANAGERS ON CLIMATE CHANGE



In 2024, the Board engaged with our managers on several climate-related topics, including the development of the ASCOR project (Assessing Sovereign Climate-related Opportunities and Risks), co-chairing that project alongside our sovereign debt manager (see detailed description of ASCOR above).

The Board also engaged two infrastructure managers on energy-from-waste (EfW) assets, specifically their emissions profiles and plans to introduce more comprehensive carbon capture and storage.

The energy-from-waste sector already plays an important role in decarbonising disposable waste by diverting it away from climate-damaging landfill. Landfill releases harmful methane emissions, and methane is a much more potent greenhouse gas than carbon dioxide (by up to 83x). Landfilling can also cause soil and water contamination and uses significant land space.

While EfW assets have relatively high emissions, our fund managers believe that it is unreasonable to compare the carbon intensity of energy produced as a by-product of waste treatment with other forms of energy generation without accounting for the avoided emissions associated with landfill.

Following our conversations with the fund managers and after reviewing the sustainability and avoided emissions reports of the two EfW assets in our portfolio, we concluded that although there were roadmaps in place to develop effective carbon capture solutions, the current technology has a long way to go before most of the carbon emissions are captured. We have removed the classification of 'Climate Solutions' that previously applied to these assets and plan to continue to engage and support the delivery of emissions reduction programmes at these sites.

# Risk management

## Climate change poses significant financial risks to pension funds, both in the UK and globally, with potential declines in investment returns projected through 2050.

Research by Ortec Finance indicates that UK pension funds could experience investment return declines of up to 30% by 2050 under high warming scenarios<sup>12</sup>. The Pensions Regulator (TPR) emphasises that climate change remains a major systemic financial risk, threatening the long-term sustainability of the UK's occupational pensions. TPR expects trustees to integrate climate-related risks into their investment governance<sup>13</sup>.

### Why we do climate scenario analysis

Conducting climate scenario analysis is a critical step for pension trustees to understand the impact of climate change risks on the portfolio. Climate scenario analysis involves applying financial modelling to the current portfolio and current strategic asset allocation pursued by an investor, typically using several plausible but distinct scenarios, across multiple time horizons, to identify potential risks to the portfolio.

This is to inform and guide decision-making, rather than to direct decision-making. It is unlikely that any one scenario will play out exactly, so climate scenario analysis is best understood as providing useful, informative information rather than predicting the future.

### Our approach to climate scenario analysis

The Board conducts climate scenario analysis every 2-3 years, or at the discretion of the Investment Committee. Our 2024 analysis covers two aspects:

- Covenant climate scenario analysis, which assesses how climate change risks and opportunities impact an

employer's ability to fulfil its liabilities to pay pensions to beneficiaries.

- Portfolio climate scenario analysis, which assesses how a pension scheme's investments and liabilities might be affected by different future climate-related scenarios.

### Results of our 2024 scenario analysis

#### Covenant scenario analysis approach

The Board worked with Cardano, one of our consultants, to develop our climate scenario analysis for the Board's covenant analysis. Cardano used three scenarios:

- **Rapid Transition (1.5°C):** Immediate global decarbonisation efforts result in the highest near-term transition risks but reduced long-term physical impacts. Requires significant investment by the Church of England to mitigate potential annual offsetting costs of up to £61m by 2030 if emissions remain at current levels.
- **Orderly Transition (<2°C):** Gradual but decisive climate policy action leads to moderate transition risks and long-term physical risks. If emissions targets are met, annual offset costs could be as low as £1m by 2030.
- **Failed Transition (>4°C):** Lack of climate action results in significantly increased physical risks (flooding, wildfires) and major long-term economic impacts, including a projected 41% reduction in diocesan net assets by 2045 due to lower investment returns and increased damage to physical assets.

12. Ortec Finance. 2024. *Climate risks facing the pension industry worldwide*.

13. The Pensions Regulator. 2025. *Climate adaptation report*.

## CHURCH OF ENGLAND'S APPROACH TO CLIMATE AND NET ZERO

To conduct the covenant scenario analysis, Cardano had to consider the "sponsoring body" (the Church of England) and its resilience to climate risk.

Part of this is looking at how the Church of England, as an institution, is responding to climate change. The Church of England released a [Routemap to Net Zero Carbon](#) in 2022.

Key targets and commitments set by the Church of England include:

- Net zero 2030 target for Scope 1 and 2 emissions.
- £190m from the Church Commissioners to assist in meeting this target.
- Substantial focus on decarbonising housing and buildings including churches, cathedrals and schools.



## Risk Management continued

### Covenant scenario analysis results

- The best outcome for the Board is a rapid transition scenario in the short, medium and long term.
- A failed transition is a poor outcome for the Board, particularly over the medium and long term.
- Risks have increased overall since the 2022 analysis largely due to delays in the economic transition to a low-carbon economy, and changes in the physical risk assessments provided by the Intergovernmental Panel on Climate Change (IPCC) as greater consensus about severity of risks is achieved.
- The severity and frequency of physical risks, such as flooding and wildfires, are expected to increase in the medium and long terms across the UK, particularly in a failed transition. This could have material financial and operational implications, especially in dioceses with significant asset bases in flood-prone areas.
- Over the long term, demographic changes may be driven by climate change and increase the risk for the Church, particularly in a failed transition where the dioceses will experience changes in giving and physical impacts to assets.



### Portfolio scenario analysis approach

Mercer conducted a climate scenario analysis on the Board's Defined Benefit Scheme using models co-developed with Ortec Finance and Cambridge Econometrics. The analysis incorporates Mercer's climate-aware capital market assumptions and leverages the E3ME economic model to assess physical and transition risks. The scenarios explore both direct and systemic financial impacts over short (five years), medium (20 years), and long-term (40 years) horizons.

Mercer modelled four scenarios (which is an increase from three in our previous 2022 analysis) which are as follows:

- **Rapid Transition (1.5°C):** This scenario is characterised by disruptive but decisive climate action where transition risks are priced in sharply around 2025. Physical risks from climate change still materialise despite earlier climate mitigation; however, long-term physical risks are less than other scenarios.
- **Orderly Transition (2°C):** Characterised by a gradual and coordinated policy shift aligned with the Paris Agreement. In this scenario, impacts are moderated by climate regulation and technological advances. This scenario provides the most stable pathway from an economic perspective.
- **Limited Transition (2.6°C):** This scenario sees moderate policy progress with partial implementation of Nationally Determined Contributions (NDCs). Physical damage is more pronounced than in either lower temperature scenario. This represents a scenario where ambitions fall short despite some progress.

COVENANT SCENARIO ANALYSIS SUMMARY RESULTS	SHORT-TERM < 5 YEARS	MEDIUM-TERM 20 YEARS	LONG-TERM 40 YEARS
Rapid Transition	Medium risk	Medium risk	Medium risk
Orderly Transition	Medium risk	Medium risk	Higher risk
Failed Transition	Medium risk	Higher risk	Higher risk



## Risk Management continued

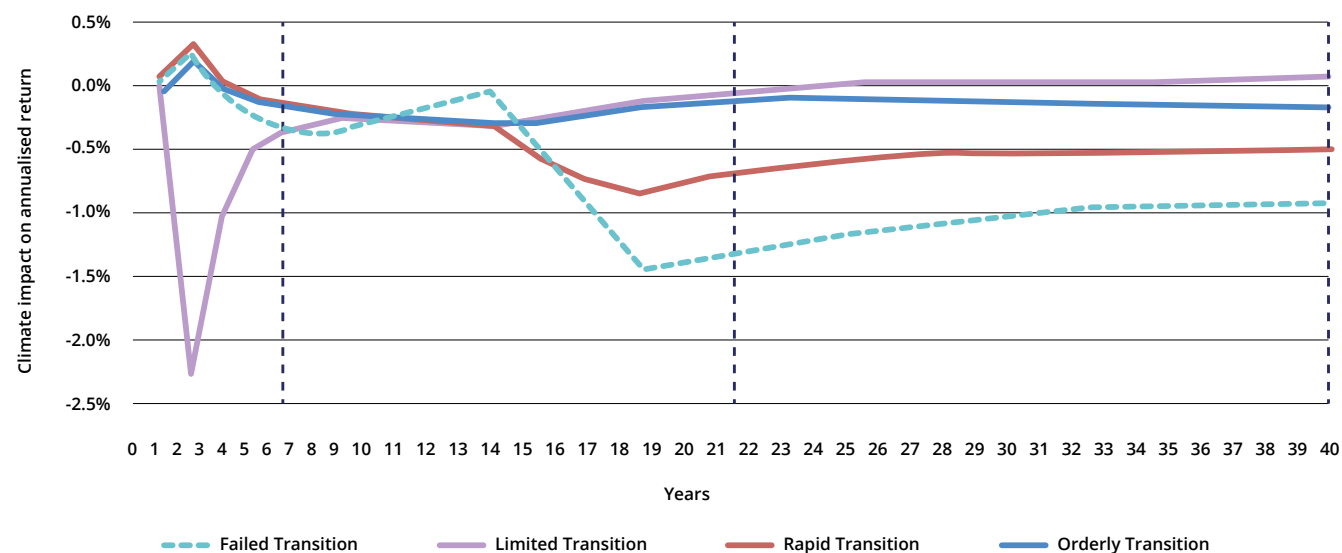
- **Failed Transition (3.7°C):** In this scenario, little meaningful climate policy is enacted, which leads to severe physical impacts and major economic decline globally. Market repricing occurs in stages as physical impacts are accounted for.

### Portfolio scenario analysis main findings

- A successful transition is key to protecting pension returns, with a failed transition the worst outcome for our beneficiaries.
- Our current asset allocation, which includes a range of climate strategies and excludes fossil fuels, performs broadly better than asset allocation approaches without sustainability approaches.
- It is likely that financial markets will experience repricing shocks in all scenarios, which underscores the need to focus on long-term investment returns and resilience.
- There are risks in all scenarios for energy assets such as oil and gas, fossil fuel utilities, and renewable assets.
- In lower temperature scenarios, transition risk is a greater concern, whereas in higher temperature scenarios physical risk is a greater concern.

The impact of the four scenarios on our allocation vs a baseline is shown in the following graph.

### CLIMATE IMPACT ON RETURN FOR CURRENT ASSET ALLOCATION



### Conclusions for the Pensions Board from 2024 scenario analysis

1. **Climate solutions investment:** to continue to engage with asset managers on options to increase exposure to climate solutions and develop a long-term approach to increase exposure across asset classes over time.
2. **Physical risk and resilience:** to update climate stewardship objectives with portfolio companies to explicitly include boosting physical risk and resilience where appropriate.
3. **Sovereign and policy engagement:** to increase our focus on sovereign and policy engagement given many of the gaps and barriers in achieving lower carbon scenarios are policy related.
4. **Adopt a nexus approach:** to incorporate nature aspects such as deforestation, food systems and water into our consideration of environmental issues, given the interlinkages with climate change mitigation and adaptation.

# Metrics and targets

Metrics and targets for this report are derived from the commitments in the Board's Climate Action Plan, which are being reported on for the second time. The Board's 2023 TCFD report provides more detail about the reason for the selection of these metrics.

SUMMARY OF PORTFOLIO TARGETS <sup>14</sup>		
Type	% of portfolio	Targets
Global Equities	19.5%	<ul style="list-style-type: none"><li>• 7% year-on-year reduction in carbon emissions intensity (WACI) which equates to -35% by 2025 and -55% by 2040.</li><li>• Carbon performance (TPI) in line with Paris (2°C scenario) by 2023 (achieved).</li><li>• We also vote all of our shares in line with our voting policy and the escalation framework described in our Climate Action Plan.</li></ul>
Emerging Market Equity	3.4%	This is a new mandate, and we are exploring possibilities to apply an emissions reduction target.
Property	7.2%	Preference: CRREM: Below 2°C warming pathway. To be set once our manager's methodology has been reviewed. Likely: 100% aligned or aligning to net zero by 2050.
Private Equity	7%	We are working with our asset manager on an approach to this asset class.
Infrastructure	18.4%	Target WACI better than year-on-year improvement of 7%.
Private Debt	7.4%	We are working with our asset manager on an approach to this asset class.
Emerging Market Debt	2.9%	We will apply ASCOR assessments when available.
Alt Income Producing Assets	1.8%	We are working with our asset manager on an approach to this asset class.
High-Yield Debt	3.6%	This is a new mandate, and we are exploring possibilities to apply an emissions reduction target.
Corporate Bonds	6.8%	Excluding non-aligned companies in focus high-emitting sectors by 2023 (achieved).
Cash	3.4%	N/A
Gilts & LDI	18.6%	We will apply ASCOR assessments to our gilts investments when available.

14. At December 2024.

## Metrics and targets continued

The following table provides a summary of the Board's performance against its selected Climate Action Plan targets.

2024 PERFORMANCE AGAINST CLIMATE ACTION PLAN TARGETS		
STEWARDSHIP		
Target/metric	2023 performance	2024 performance
Number of engagements on climate change during the calendar year 2022	260 engagements	69 engagements <sup>15</sup>
Percentage climate-related shareholder resolutions we supported	74.5%	62%
Percentage CA100+ focus companies that have published a lobbying review	34.5%	36.5%
Votes against companies based on a lack of climate lobbying disclosure	N/A	16 votes
Public policy		
Submissions and engagements with public policy, regulatory and other consultations	9 submissions to public policy enquiries and forums.	7 engagements or submissions to policy forums and events.
Understanding the transition		
Support and chair the development of sector standards	<p>The CA100+ Net Zero Standard for Diversified Miners was released in early 2023.</p> <p>The Board also chaired the Transition Plan Taskforce for metals and mining.</p>	Supported the release of reports including: IIGCC report on methane, Mining 2030 Landscape Report.
Development of tools and standards to support climate finance and investment	<p>Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) launched in 2023.</p> <p>We completed a consultation on emerging markets investment principles.</p>	<p>Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) released an assessment of 70 countries in 2024.</p> <p>Contributed to a report on the UK as a Climate Finance Hub written by IIGCC.</p> <p>Supported the launch of NZIF 2.0 as Chair of Paris Aligned Asset Owner initiative.</p>

15. The quantity of engagements in 2024 is lower than 2023 due to a high volume of letters co-signed by the Pensions Board, such as the initial Nature Action 100 letters, which took place that year.



## Metrics and targets continued

2024 PERFORMANCE AGAINST CLIMATE ACTION PLAN TARGETS		
STEWARDSHIP		
Target/metric	2023 performance	2024 performance
Portfolio alignment		
Public equity: 7% year-on-year reduction in carbon emissions intensity (WACI), which equates to -35% by 2025, -55% by 2040, and net zero by 2050.	Year-on-year change (-/+): -36.2%  Change (+/-) since 2019 baseline: -70.7%  WACI (tCO <sub>2</sub> e/\$m sales): 41.7 Weighted average carbon footprint (Scope 1 and 2): 37.83 Data coverage: 99.4%	Year-on-year change (-/+): +19.6% <sup>16</sup>  Change (+/-) since 2019 baseline: -64.9%  WACI (tCO <sub>2</sub> e/\$m sales): 49.88 Weighted average carbon footprint (Scope 1 and 2): 38.10 Data coverage: 99.7%
Bond portfolio: No current target given poor data availability.	Year-on-year change (-/+): +104.9%  Change (+/-) since 2019 baseline: 396.3%  WACI (tCO <sub>2</sub> e/\$m sales): 67 Weighted average carbon footprint (Scope 1 and 2): 10.9 Coverage: 27.1%	Year on year change (-/+): 78% <sup>17</sup>  Change (+/-) since 2019 baseline: 783.4%  WACI (tCO <sub>2</sub> e/\$m sales): 119.3 Weighted average carbon footprint (Scope 1 and 2): 22.4 Coverage: 32.9%
Report on AUM to climate solutions.	£142m, which is 5% of the total portfolio.	£148m, which is 5% of the total portfolio.
Asset class coverage of climate solutions data.	Equities: 98.3% Corporate bonds: 34.6% Infrastructure: 100%	Equities: 99.4% Corporate bonds: 73.8% Infrastructure: 100%
Percentage AUM in climate solutions relative to the benchmark for public equities.	Equities: 4.8% vs. MSCI World 3.9% (+0.9%)	Equities: 7.24% vs. MSCI World 6.50% (+0.75%)
Asset manager engagement		
Engagements with managers on priority issues including climate change.	23	Climate change is a standing agenda item at manager meetings (>50 took place in 2024).
Percentage of our managers with a high-level commitment to net zero emissions. <sup>18</sup>	50%	68%

16. See the explanation on page 18 that provides context for this year's change.

17. Further information is provided under "Strategy" about the emissions performance of the portfolio during the 2024 reporting period.

18. Many of the Board's asset managers' climate commitments are linked to the Net Zero Asset Managers' Initiative, which announced its suspension pending review in January 2025. We are monitoring developments.

# Glossary

**Aligned to net zero:** A company which has a credible commitment and a verified science-based pathway to decarbonise and reach net zero by 2050 or sooner.

**Asset class:** A category of financial instruments, constituents of which share similar characteristics. Examples of asset classes include equities (stocks), bonds (fixed income), private equity, infrastructure, and property.

**Assets under management (AUM):** The total market value of all investments managed by a financial institution or investment advisor on behalf of their clients.

**Climate Action 100+ (CA100+):** A global investor engagement initiative, seeking improved climate disclosure and practice by 170 of the most systemically important GHG emitters.

**Climate solutions:** A climate solution investment typically refers to an investment in an economic activity, good or service that contributes substantially to the emissions reductions required by a 1.5°C pathway.

**Engagement:** A dialogue with a company, government or other actor with the aim of raising an issue, influencing or achieving change.

**Financial Sector Deforestation Action (FSDA):** This initiative brings together more than 30 financial institutions that have committed to using best efforts to end commodity-driven deforestation in their investment and lending portfolios.

**Greenhouse gas emissions (GHGs):** The emissions of gases that are capable of absorbing infrared radiation and thereby trapping heat within the atmosphere. The 1997 Kyoto Protocol defines six gases as GHGs: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride.

**Institutional Investors Group on Climate Change (IIGCC):** An industry association that represents European asset owners and managers in pursuing activities designed to address climate risks and opportunities.

**Nature Action 100 (NA100):** A global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature and biodiversity loss.

**Net zero:** A state in which the GHG emissions put into the atmosphere are approximately equal to the GHG emissions taken out of the atmosphere.

**Paris Agreement:** The Paris Agreement is an international treaty on climate change developed at COP21 in Paris in 2015. Its principal goals are to maintain a global average temperature increase to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. As of 2021, the Paris Agreement has been signed by 191 countries and ratified by 186 countries.

**Physical risks:** Risks which pertain to the physical impacts that occur as the global average temperature rises. For example, the rise in sea levels could have impacts such as flooding and mass migration. Extreme weather events, such as flooding and fires, could become more frequent and severe, and these incidents could threaten physical assets and disrupt supply chains.

**Scenario analysis:** A process of analysing possible future events by considering alternative possible outcomes (scenarios).

**Scope 1 GHG emissions:** An organisation's direct GHG emissions. These might be created as an organisation combusts fossil fuels or uses fuel in transportation.

**Scope 2 GHG emissions:** An organisation's emissions associated with the generation of purchased electricity, heating/cooling, or steam for its own consumption.

**Scope 3 GHG emissions:** An organisation's indirect emissions other than those covered in Scope 2. This includes the emissions associated with an organisation's supply chain and product use by customers.

**Stewardship:** A practice undertaken by investors which involves using tools such as engagement, voting and advocacy as ways to influence corporate behaviours.

**Transition risk:** Transition risk arises as the economic system moves towards low-carbon, climate-resilient solutions. Changes in industry regulation, consumer preferences and technology will take place and impact on current and future investments.

**Weighted Average Carbon Footprint (WACF):** WACF is the sum of the total absolute scope 1 and 2 CO<sub>2</sub>-e emissions for the portfolio, divided by the value of the portfolio.

**Weighted Average Carbon Intensity (WACI):** WACI measures the carbon intensity (Scope 1 + 2 emissions per USD 1 million sales) for each portfolio company, multiplied by its portfolio weight.



We hope you find this report informative.  
If you have any feedback, please email  
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