

The Church Pension Fund Sustainability Report

Response to General Convention Resolution 2022-A089

At the 80th General Convention, Resolution A089, entitled “Resolution on Divestment & Just Transition,”⁴² urged The Church Pension Fund (CPF) to be mindful of the Church’s desire to become increasingly invested in renewable and clean energy and also requested that CPF provide a report that includes a sustainability plan to the 81st General Convention.

CPF has been investing directly in climate solutions since at least 2015 and continues to be mindful of the Church’s desire to become increasingly invested in renewable and clean energy. CPF has actively researched investment opportunities linked to sustainability and renewable/clean energy, which are described in the sustainability plan below.

CPF and its affiliated companies (CPG) are committed to corporate social responsibility, and that commitment serves as the foundation for its focus on sustainability. The faith and values of The Episcopal Church guide and inform all of CPG’s work. We recognize that CPF has been called upon to care for the Church by providing comprehensive, cost-effective retirement, health, and life insurance benefits to its clergy and lay employees. CPG gives expression to the priorities of the Church by supporting its social, ethical, and environmental values, while also remaining true to its fiduciary, regulatory, and other legal responsibilities.

This report will review CPG’s environmental sustainability efforts in response to General Convention Resolution 2022-A089. However, CPF also considers a broader definition of sustainability in the context of our work—specifically, what helps make CPF’s vision to provide the highest possible level of financial security in retirement to the people we serve, in a manner that is consistent with exemplary financial stewardship on our part and with the evolving needs of the Church, sustainable for the long term. This vision requires that CPF focus on a broad range of sustainability issues beyond the environment, such as diversity and inclusion, human rights, community engagement, corporate governance, and employee relations.

1. Corporate Values and Environmental Sustainability

As a business, we make meaningful efforts to support environmental sustainability, including:

- **LEED Gold Certification**—The corporate headquarters in New York has received LEED Gold certification for our implementation of environmentally sustainable practices in the construction and operation of our office.

- **Field Agent Transportation**—The agents for Church Insurance Agency Corporation receive higher transportation reimbursements when they use hybrid automobiles for business travel.
- **Sustainability in Responding to Insurance Claims**—In cases where buildings or appliances need to be replaced, we work with clients to encourage the application of LEED and Energy Star standards.
- **Electronic Statements and Communications**—We encourage the use of electronic publishing for benefit statements and communications. We work with our benefits partners to provide their benefits statements electronically and offer all communications, from the annual report to our pension plan guides, electronically.
- **Electronic Processing**—If possible, enrollments and account updates are processed electronically.
- **Green Publishing**—Church Publishing continues to work with its vendors to publish its print titles using green processes and sustainable paper sources. The growth of our electronic offerings has reduced the demand for print titles.
- **Facilities Management**—Through the efforts of employees and facilities management, we follow sustainable practices in running our office. Our efforts include using low-VOC paints and carpets, videoconferencing to replace travel, sustainable construction methods and furniture selection, energy-saving and recycled supplies, and recycling.

2. Investments and Environmental Sustainability

CPF's investment portfolio is managed to generate the returns needed to make benefit payments and meet financial obligations, which is typical for a mature pension fund. We believe we can be true to this primary responsibility while also supporting environmental sustainability objectives through a four-part socially responsible investing strategy:

- **Investing for Positive Impact:** proactively seeking out and investing with managers who deliver both strong returns and positive social impact.
- **Shareholder Engagement:** using CPF's position as an institutional investor to address corporate social responsibility of companies in the investment portfolio.
- **ESG Incorporation:** considering material environmental, social, and governance (ESG) issues as part of CPG's investment analysis and review.
- **Thought Leadership:** sharing CPF's experience and industry relationships to catalyze growth and advance best practices in socially responsible investing.

We discuss each of these topics below.

INVESTING FOR POSITIVE IMPACT

Consistent with Resolution 2022-A089, CPF is aware of the Church’s desire to actively invest in renewable energy. Its impact investment strategy directly responds to this desire. Since the last General Convention, CPF has made the following investments, which add to the number of clean energy investments already in its portfolio:

- \$30 million investment in Environmental Commodities Partners Capital. This investment fund invests in environmental commodities, which are designed to create a market and set a price for carbon emissions, such as carbon allowances, carbon offsets, and regional emission reduction credits. These commodities create costs for carbon emissions and incentives for using cleaner fuels, while supporting a regulatory framework to reduce emissions.
- \$25 million investment in New Energy Capital VI, which provides funding for mid-stage renewable energy projects. This investment fund meets the need for renewable energy project developers to obtain flexible financing and catalyzes growth in renewable energy.
- \$10 million investment in ArcTern Ventures Fund III, which invests in companies that provide carbon reduction solutions for high-emitting industries, such as electricity and energy, manufacturing, mobility, and food systems.

In addition to identifying, researching, and making these investments, CPF continues to research additional opportunities on an ongoing basis.

SHAREHOLDER ENGAGEMENT

CPF uses our voice as a shareholder to advance issues of environmental sustainability within the companies we own. The shareholder engagement process includes letters, dialogues, and, if necessary, the filing of shareholder resolutions to raise issues we believe to be important to CPF and the Church.

Historically, CPF has advocated for increased environmental disclosure from companies with high carbon emissions, believing that “what gets measured gets managed” and that more efficient management of resources leads to better investment results. While advocating for disclosure is still a component of the CPF strategy, recent efforts have been guided by General Convention Resolution 2022-Co16 (Climate Change—Carbon-Intensive Lending),⁴³ which requested

“That the 80th General Convention of The Episcopal Church direct the Executive Council (Domestic & Foreign Missionary Society, aka DFMS) and its Committee on Corporate Social Responsibility (CCSR), in conjunction with the Church Pension Fund (CPF), to establish and coordinate shareholder strategy addressing Carbon-Intensive Lending by U.S. Banks and other financial lending institutions.”

CPF works with CCSR and other investors to encourage financial institutions to issue reports disclosing a transition plan that describes how they intend to align financing activities with sectoral greenhouse gas emissions reduction targets, including the specific measures and policies to be implemented, reductions to be achieved by such measures and policies, and timelines for implementation and associated emission reductions. We believe that by requiring these companies to be explicit about their transition plans, investors can hold them accountable, and the targets are more likely to be achieved.

THOUGHT LEADERSHIP

CPF seeks to convene and connect investors, to advance best practices in socially responsible investing, and to increase the flow of capital into renewable and clean energy and other socially responsible investments. CPF has hosted in-person events and virtual *Insights & Ideas* webinars outlining best practices in responsible investment. These events have brought together industry leaders and stakeholders across the Church to advance our shared knowledge of the space.

Specific to environmental sustainability, since the last General Convention, CPG has hosted the following events:

- **Global Faith-Based Investors and the Climate Crisis:** Held during the United Nations Climate Week in 2023, this event focused on the role global faith-based investors can play in promoting solutions to address the climate crisis.
- **Sustainable Investing Landscape and Strategies:** This event highlighted key issues being raised in 2023, including how climate represents both a risk and an opportunity that investors need to consider carefully.
- **The ABCs of ESG:** This webinar sought to demystify the confusing terminology used by investors and explain how all investors can work with their financial partners to ensure environmental issues are properly considered in their investment portfolios.

Replays of some of these events can be found on CPG’s website at *Insights & Ideas*.⁴⁴

OTHER MATERIAL ENVIRONMENTAL SUSTAINABILITY INVESTMENT CONSIDERATIONS

The CPF investment team believes many environmental, social, and governance (ESG) issues present material opportunities and risks. As part of their normal investment analysis and review, CPF investment professionals work with current and prospective managers to more fully understand how the managers incorporate environmental issues into their investment decision-making.

Among the most material ESG issues, climate change presents significant opportunities and risks to investors. Significant capital will be flowing into climate change solutions, which could generate attractive returns. On the other hand, climate change may negatively impact some industries and investments, and companies need to manage the transition to a lower carbon economy. The CPF investment team has introduced climate change as a macroeconomic lens that will be considered in constructing a long-term investment portfolio. This lens can be applied to understanding what investment themes to pursue and how to evaluate the investment firms responsible for managing CPF's assets.

3. Collaboration Across the Church

In pursuing a socially responsible investment strategy, CPF works closely with CCSR to coordinate on shared priorities. We believe we can focus on meeting our fiduciary obligations while also supporting environmental sustainability. CPF has invested in renewable energy, advocated on issues of environmental sustainability and corporate social responsibility, collaborated and invested with other sustainable investors, and incorporated environmental considerations into its investment portfolio, taking into account our fiduciary responsibilities.

In doing so, we support the call for Stewardship of Creation, and the faith and values of The Episcopal Church are reflected in our work.

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