As the Trustee of the Church of Ireland, The Representative Church Body is tasked with supporting the ministry of the Church for generations to come. This objective is supported through the prudent management of investments. As a religious organisation, stewardship obligations are more than purely for financial benefit and the RCB has a responsibility to invest in a manner consistent with the witness and ethos of the Church of Ireland. This leads us to consider long term environmental, social and governance factors (ESG) when we make investment decisions, manage our investments and engage with companies in which we invest. The RCB takes the view that this approach will also contribute positively towards the long term sustainability of the asset base.

What is ESG?

The impact of ESG on financial performance tends to emerge gradually over time. These factors can have clear, direct impacts on a company’s short term profitability, for example, through greater regulation leading to higher operating costs. They can also have indirect impacts on a company’s long term performance by influencing branding, customer loyalty, ability to attract talent etc.

The RCB believes that organisations which manage ESG factors effectively are likely to create sustainable value over the long term and hence are considered an essential component of investment analysis. This approach is adopted both by the in-house investment team and by any active manager appointed by the RCB. The RCB actively seeks to avoid investment in businesses which would be inconsistent with the ethos and mission of a Christian organisation.

The RCB does not invest in companies where a significant source of revenue (in excess of 10%) is derived from the production of weapons (including key parts and services) and/or from the manufacture of tobacco products. From time to time companies, or external managers, may have or acquire exposure to interests which we would prefer to avoid via subsidiaries and/or takeovers and these are reviewed on a case by case basis by the Investment Committee.

Climate Change and environmental stability are recognised by the RCB as a distinct and critical responsible investment issue. The RCB supports the transition to a low carbon economy and has taken significant steps to reduce the climate change impact of its investment portfolios.

Certain carbon-intensive companies are not considered likely to be able to assist with the transition to a low carbon economy and on this basis investment exclusions are in place for companies where more than 10% of turnover is derived from the a) the extraction of thermal coal and b) the extraction of tar sands. As appropriate within the context of the agreed investment strategy and risk parameters, the RCB aims to increase its exposure to green...
alternatives and to seek companies with good environmental policies that are committed to reducing their carbon footprint consistent with a 2 degree alignment as laid out in the Paris Pledge.

The RCB considers engagement to be an important component of its ESG policy and participates in both corporate and public policy engagement in collaboration with other investors through the Church Investors Group (CIG) and the Institutional Investors Group on Climate Change (IIGCC) on Climate Change and other ESG issues.

How is ESG implemented?

<table>
<thead>
<tr>
<th>Integrate ESG into Investment Decisions</th>
<th>Actively Engage as Owners</th>
<th>Make an impact through Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Integrate material ESG factors into due diligence, investment analysis, monitoring and asset management</td>
<td>• Act as a constructive, active owner by advocating progress on defined areas and exercising our voting rights as shareholders</td>
<td>• Collaborate with other like-minded global investors via the Church Investors Group (CIG) and Institutional Investors Group on Climate Change (IIGCC) to advocate for better performance on ESG factors in companies and markets in which we invest</td>
</tr>
</tbody>
</table>

Individual Companies may also be excluded from time to time because of unethical behaviour or consistent breaches of core ESG principles. Exclusion should always be a measure of last resort once the company’s will and commitment to improve its practices have been assessed.

As shareholders, we seek to be active, engaged and informed owners. We endeavour to monitor ESG factors and to engage (most frequently collaboratively) with companies to promote improved management of ESG issues in order to enhance long-term outcomes in the companies for the benefit of Church of Ireland beneficiaries. Third party research is used to identify companies globally that may be ineligible for investment under our policy. Such research is not exhaustive and resources are limited, but RCB is committed to having a strong ‘ethical’ as well as a strong financial ‘balance sheet’.

The Investment Committee monitors ESG issues on an on-going basis and conducts a detailed ESG review of its investments annually to ensure that the investments held for all funds remain consistent with the RCB’s ESG policy and that the investment managers continue to be sensitive to the Church’s expectations on environmental, social and governance issues in their investment decision-making process.

December 2019