THE CHURCH OF ENGLAND

The Church Investors Group (CIG) has informed FTSE 350 companies, ahead of this year’s AGM season, that it will take a tougher voting line where reform on key issues is deemed to be too slow.

The Church Investors Group (CIG) represents church organisations with combined investment assets of approximately £21 billion and includes the main investing bodies of the Church of England and the Methodist Church.

Members of the CIG using the common voting template will continue to hold directors to account and refuse to re-elect directors where the company is out of line with best practice.

The CIG has tightened its voting policy in the following areas:

Corporate tax transparency

The CIG will vote against the Chairs of FTSE 350 and Russell 50 companies with a score of zero for tax transparency in the FTSE ESG ratings. This is the first time that corporate tax transparency has featured in the CIG voting template

Toughening of voting on climate change

The CIG will not only vote against Chairs of companies rated Level 0 or 1 by the Transition Pathway Initiative (TPI), but also vote against Chairs of electricity utilities (covered by both TPI and Climate Action 100+) which do not have emissions reduction pathways consistent at least with the Nationally Determined Contributions submitted by parties to the Paris Agreement, or whose disclosure is inadequate in order to make such an assessment

Toughening of voting on gender diversity

The CIG will vote against the Chair of the Nominations Committee of companies that are constituents of the main indexes in Europe, USA, Australia and New Zealand but do not have at least one female director (board gender diversity voting was confined to the UK previously, and we continue to have higher expectations in the UK)

Toughening of expectations on disclosure of pay ratios

The CIG will vote against remuneration reports of FTSE 350 companies that do not disclose the pay ratio between the CEO and average employee

Toughening of expectations on the Living Wage

The CIG will not support (abstain) remuneration reports of FTSE100 companies in the telecommunication sector that they are not Living Wage accredited (this requirement had applied to financial and pharma companies only before).

New expectations on board responsiveness at FTSE 350 companies in alignment with the new UK Governance Code

The CIG will encourage the early adoption of the revised UK Governance Code. The CIG will expect boards of companies which have experienced a vote against management of 20% or more to be responsive to investors' concerns by showing commitment to shareholder engagement and rectifying areas of high concern.

The CIG will continue to take a hard line on excessive executive remuneration; last year the CIG template led participating members to withhold support from over 60% of FTSE350 remuneration reports. The CIG's policy allows for votes against a whole remuneration committee in the most egregious cases where three or more of our remuneration principles are breached.

In addition, the CIG continues to have concerns about CEOs receiving pension payments that are more generous than those made to other staff and as last year will not support (abstain) remuneration reports where the CEO receives a pension payment of more than 30% of salary.

The Revd Canon Edward Carter, Chair of the Church Investors Group, commenting on the 2019 voting template said:

"Ultimately a company's license to operate depends on the confidence of the public and its long-term contribution to the common good. Our voting template for 2019 sends a strong signal to companies about the issues where we want to see change. Climate change, diversity, remuneration and corporate tax are areas that concern not only fairness but also the mitigation of risk to the companies themselves and wider society

As asset owners, we will continue to press with our votes the need for companies to act responsibly and work not only for the benefit of shareholders but also contribute to the wider common good in both the short and long term."

Notes to editors

Corporate Tax Transparency

Edward Mason, Head of Responsible Investment for the Church Commissioners for England said "Transparent corporate tax reporting is now a well-established requirement for shareholders and society. By integrating an assessment of tax transparency into our voting template, we are aiming not only to challenge companies who aren't reporting adequately on this issue but also to signal to other investors that it is possible use votes on routine AGM business imaginatively to reflect environmental, social and governance concerns. Tax transparency has improved a lot in the UK but the picture is very different in the US and we have decided to take a stand."

Climate change

Adam Matthews, Head of Ethics and Engagement for the Church of England Pensions Board, said, "If an electric utility company is assessed by the transition pathway initiative (TPI) as not aligning to the low carbon economy then we will be voting against the Chair of the Board. This will be the first time we will be using our vote within this sector based upon the assessment of their future alignment to the Paris Climate Agreement. This represents a significant escalation of our stewardship of the sector and when we vote against the Chair, we are clearly signalling to the Board a growing loss of confidence in the strategy the company is pursuing and questions the Board's ability to manage the low carbon transition."

Executive pay/renumeration

Stephen Beer, Chief Investment Officer at the Central Finance Board of the Methodist Church and Vice Chair of the Church Investors Group said, "We continue to fight the same battles on executive pay. Despite the claims of some companies to be listening, we still see excessive executive pay schemes. Many of them are supported by investors. Not only are such schemes unjust, they risk damaging public support for a market economy. Ultimately, a business is shooting itself in the foot if it does not get this right."

Gender diversity/Corporate tax

Carlota Garcia-Manas, Senior Analyst for the Church Commissioners for England said, "We have engaged with companies on corporate tax and gender diversity over many years. There is clear evidence that companies with good corporate governance and diverse boards demonstrate stronger performance and have better reputations. So it makes sense to use our voting rights to further our long-standing stewardship goals.

In relation to gender diversity our track record is strong in this area in the UK where we have seen improvements and where our expectations remain high. Board gender diversity voting is now to be extended and we will vote against the Chair of the Nominations Committee of companies that are constituents of the main indexes in Europe, USA, Australia and New Zealand but do not have at least one female director."

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