



The Church Investors Group (CIG or the Group), representing 70 members and £21bn in assets, has this week written to the leaders of FTSE 350 companies to inform them that it will be enhancing its scrutiny of corporates ESG aspects this AGM season.

The CIG already holds companies to high standards on executive pay, boardroom gender diversity, climate change, and tax justice. It regularly votes against executive remuneration schemes and votes against the reappointment of directors when pay schemes are particularly excessive.

This year, new measures extend expectations on diversity and hold directors to account on Modern Slavery. Mining companies face additional scrutiny on the issue of the management of tailings dams following the Brumadinho disaster that killed 270 people last year.

CIG members will exercise their rights as shareholders under UK company law, voting according to a common template agreed between them.

They believe such action is required to ensure all FTSE 350 companies recognise their role in overcoming global challenges as well as their obligations to the communities in which they operate.

The largest members of the CIG include the Central Finance Board of the Methodist Church, the Church Commissioners, the Church of England Pensions Board, and the CBF Church of England Investment Funds.

The Church Investors Group has reformed voting policy in the following areas:

Promoting diversity within executive leadership

The CIG believes that diverse teams are both fairer and more effective teams, and that further actions are required to encourage diversity below the board level.

The CIG will now:

- Refuse to vote in support of the Report and Accounts when executive committee diversity is not disclosed.
- Where the level of diversity is disclosed, it will vote against the re-election of nomination committee members if the proportion of women at that level is too low.

Regarding nominations committees, the CIG will:

- Vote against the re-election of FTSE350 nomination committee chairs where the proportion of women in the executive committee is less than 33%.
- Vote against the re-election of FTSE100 nomination committee members where the proportion of women on their executive committee is less than 25%.

Enhancing the reach of our scrutiny of board-level gender diversity

The CIG votes against the reappointment of directors who are members of nomination committees which have not ensured their boards have a minimum level of boardroom gender diversity. The CIG looks to the Davies or Hampton Alexander reviews for guidance.

We are now also voting on boardroom diversity beyond UK listed companies. Outside the UK, companies that are constituents of the main indexes in Europe, USA, Australia, and New Zealand are expected to include two female directors. All other boards are expected to include at least one female board member.

Protecting the planet and improving climate change transparency

Church investors have used their voting rights to raise concerns over climate change issues, both via shareholder resolutions and withholding support for director elections where companies have been identified as laggards in addressing climate change.

Now, the CIG will incorporate into its assessment:

- A review of director remuneration ensuring the company's policy is consistent with its stated approach to climate change.
- A review of auditors' reports to ensure they have not failed to identify and communicate to shareholders the risks associated with climate change.
- An analysis of any political lobbying or trade association memberships that run contrary to the company's stated position on climate change.

Modern Slavery and mining tailings dams

This year brings two additional criteria. To complement its engagement on the issue, the CIG will not support Report and Accounts where a company's Modern Slavery statement is inadequate. It will use rankings by Know the Chain and the Business and Human Rights Resource Centre.

The CIG supports the Investor Mining and Tailings Safety Initiative, calling for better standards to prevent tailings dam disasters. It will vote against the Chairs where relevant companies have not responded to engagement on this issue.

Opposing excessive executive pay and the inequalities in our society

The CIG will continue to take a hard line on excessive executive remuneration particularly in terms of pensions.

Now, CIG members will oppose reports or policy votes where executives receive demonstrably superior pension arrangements when compared to the wider workforce.

The Revd Canon Edward Carter, Chair of the Church Investors Group, commenting on the 2020 voting template said:

"Church investors have led the way in using their votes at company AGMs, including voting on the reappointment of directors. These new criteria are all

about expecting companies to play a responsible role in society. In this respect, the addition of Modern Slavery as a voting issue is particularly welcome as it complements our plans for investor collaboration to encourage companies to take their responsibilities seriously."

Stephen Beer, Chief Investment Officer of the Central Finance Board of the Methodist Church and Vice Chair of the Church Investors Group said:

"By looking at gender diversity below board level, we want to encourage lasting change in the companies in our portfolios. Changes at board level still need to be made but we are looking for signs of deeper change."

Shelia Stefani, Corporate Governance Specialist at the Church of England said:

"The further strengthening of our voting template supports the increasingly active role church investors are playing at company AGMs. Companies should expect investors to be raising issues and incorporating ethical, environmental, social and governance issues into voting. Climate change is an area we are particularly concerned about and our support for managements will be driven by how they respond to this crisis."

Adam Matthews, Director (Ethics and Engagement), of the Church of England Pensions Board and Co-Chair of the Mining & Tailings Safety Initiative said:

"Companies that have not responded to the request for disclosure of the number of tailings dams, safety standards and processes they have in place present a systemic risk to both communities, the environment and to their investors. The loss of 270 lives last year has meant investors have intervened to ensure best practice becomes the minimum standard across the industry and not just within a few leading companies. We are announcing today that we will use our votes at company AGMs to reinforce our expectation of company disclosures to the Global Tailings database."

[Click here to read the release on the CIG website](#)

The Church Investors Group

The CIG exists to promote ethical investment for the public benefit. Our objects are detailed fully in our Articles of Association. We work to achieve these in the following ways:

- By encouraging the formulation of investment policies based on Christian ethical principles and to assist each other in putting such policies into practice.
- Helps members actively develop and maintain investment policies that represent their faith and wider responsible investment practice. We publish in-depth research on issues that matter. Previous topics have included executive remuneration and climate change.
- By encouraging responsible business practices through engagement with company managements.
- Engages with business collectively with the goal of raising corporate standards. We have a track record of delivering change. Recent engagement activity is detailed in our news section and annual reviews.
- Sharing information and views on ethical matters related to investment.

During 2019, the CIG has applied its voting template to over 5,000 management proposals across more than 250 FTSE350 constituent companies. In line with our stated policy and ethics, we have voted against management proposals over 750 times.

The Church Investors Group is a company registered in England and Wales with Company No. 11024016 and a charity registered in England and Wales with number 1179162. The CIG's Articles of Association are [here](#). The CIG Secretariat is provided by CCLA.

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