

Church Commissioners
Assets Committee Securities Group
H2 2016 Voting Report
Note by Emiliano Torracca, Voting & Screening Manager

Summary:

In fulfilment of the obligations arising under the UK's Stewardship Code , this report provides a record and analysis of votes cast in respect of the shares owned by the Church Commissioners for England at meetings taking place during the second half of 2016.

Detail

1. The report is split into two parts (A and B) covering respectively the *UK*¹ and *Rest of the World* (with the exclusion of shareblocking markets)².
2. Advice was prepared and voting enacted by the specialist proxy voting firm ISS Europe Ltd ("ISS") in line with an agreed bespoke policy template. Whilst the majority of votes cast were as generated under the approach set out in the template, on occasion discretion was exercised to cast a different vote. Discretion is applied whenever the vote generated under the template does not align with the Church Commissioners' ethical investment objectives. In these instances, the explicit consent of investment staff is first obtained before votes are cast.
3. All voting activity was overseen by the Church Commissioners and Pensions Board Engagement Team, principally by the Ethical Screening and Stewardship Manager.

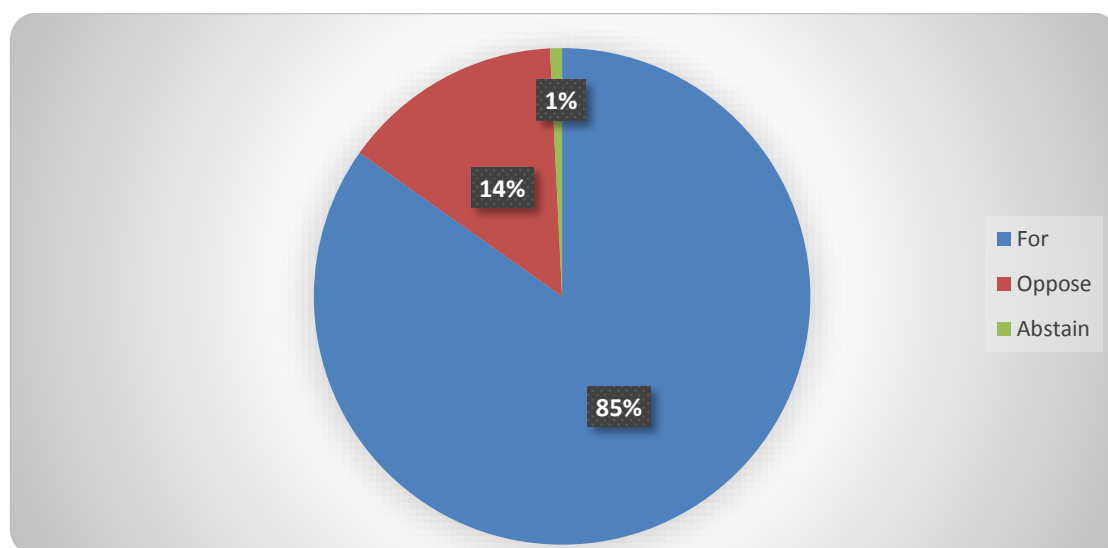
¹ Including companies domiciled in similar markets: these are Bermuda, Guernsey, Jersey and the Isle of Man.

² Shareblocking (and equivalent provisions) can either arise as part of established market practice or through requirements introduced by custodians operating within particular markets, meaning that voted shares must be held until after a particular future date. Markets in which the Commissioners' voting practice has been affected by this or similar provisions in the period include Italy, Norway, Switzerland and Germany.

Part A - UK (including Bermuda, Guernsey, Jersey and the Isle of Man)
AI. VOTING OVERVIEW³

4. Management Resolutions

Resolution type:	For	Oppose	Abstain	Total
All	1742	296	16	2054



5. Alignment with ISS Policy and CIG Voting Template

	For	Oppose	Abstain	% of Total
Template instructions same as ISS	1731	68	3	87.7
Template instructions differed from ISS	0	216	13	11.2
Template overridden / ISS advice overruled	12	11	0	1.1

Number of meetings voted during the period	154
Number of companies holding meetings (including investment trusts)	137

6. Shareholder Resolutions

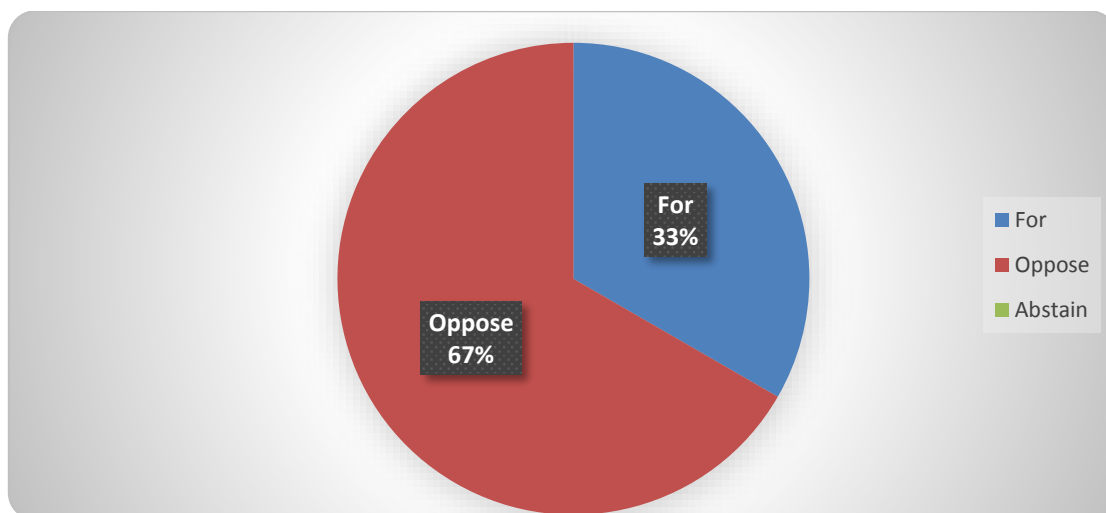
Resolution type:	For	Oppose	Abstain	Total
Shareholder	1	2	0	3

³ For resolutions raised by management, the classifications 'For' and 'Oppose' distinguish votes cast to indicate satisfaction with/disapproval of the company's management. For resolutions raised by shareholders, the classifications 'For' and 'Oppose' indicate situations in which adoption of the shareholder resolution is believed to be / not to be in the best interests of shareholders.

A2. VOTING ON REMUNERATION-RELATED RESOLUTIONS⁴

7. Remuneration-related resolutions

Resolution type:	For	Oppose	Abstain	Total
Remuneration Report/Policy	43	86	0	129



8. Alignment with ISS Policy and CIG Voting Template⁵

	For	Oppose	Abstain	% of Total
Template instructions same as ISS	40	15	0	42.6
Template instructions differed from ISS	0	69	0	53.5
Template overridden / ISS advice overruled	3	2	0	3.9

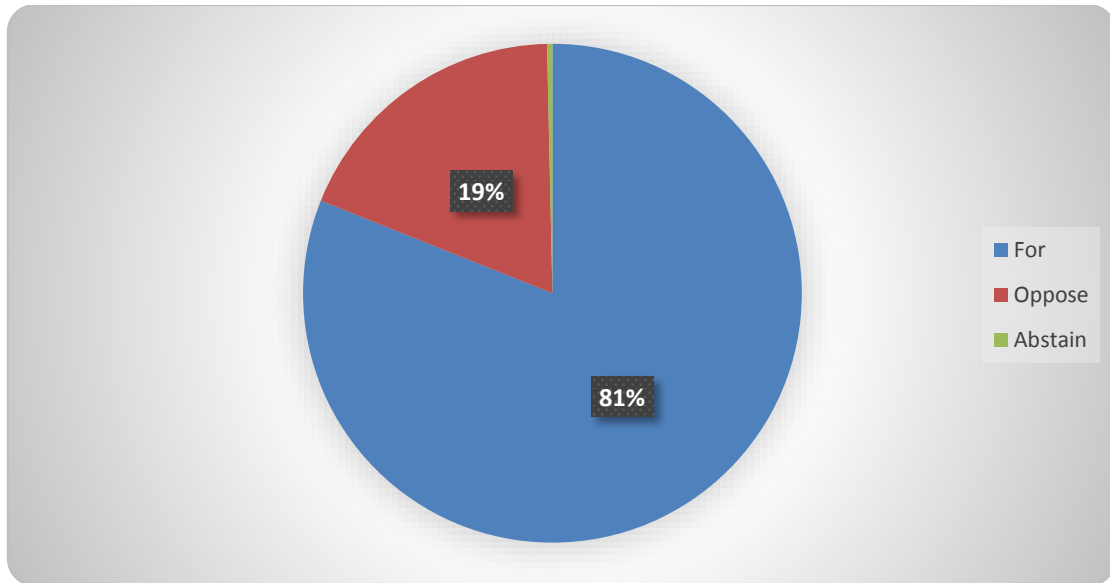
A3. VOTING ON DIRECTOR-RELATED RESOLUTIONS

9. Director Related Resolutions

Resolution type:	For	Oppose	Abstain	Total
Election of Directors ⁶	697	160	3	860

⁴ The data therefore aggregates voting with respect to proposals on remuneration reports and remuneration policies (and any equivalents e.g. "Say on Pay" votes). Votes cast with respect to the introduction or amendment of specific remuneration plans are not reported here.

⁵ Votes reflect the voting policy laid out in our policy on executive remuneration, available at: <https://www.churchofengland.org/media/1717796/executive%20remuneration%20policy%20april%20202013.pdf>



10. Alignment with ISS Policy and CIG Voting Template

	For	Oppose	Abstain	% of Total
Template instructions same as ISS	695	35	1	85.0
Template instructions differed from ISS	0	117	2	13.8
Template overridden / ISS advice overruled	2	8	0	1.2

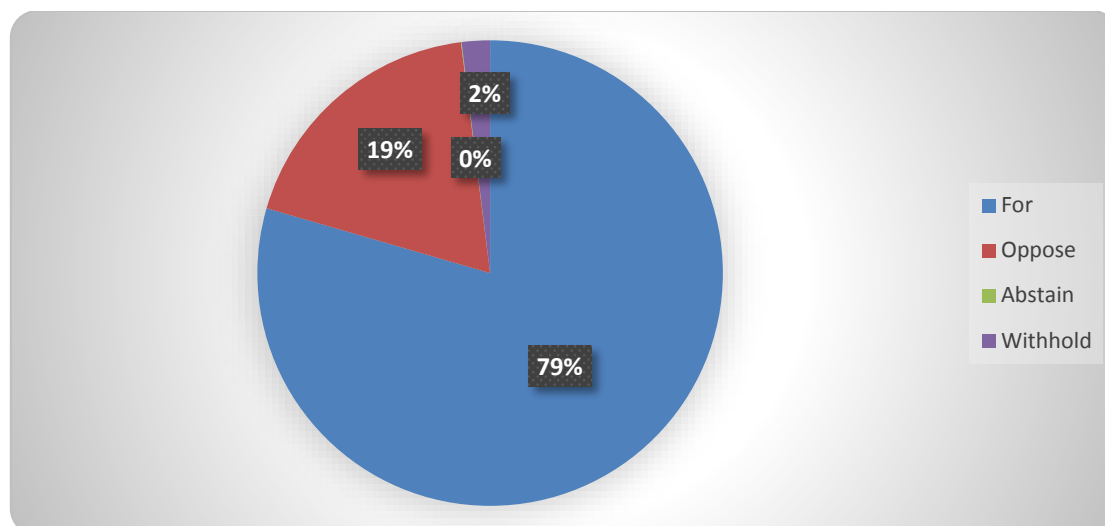
H2 2016 saw a further decrease in our votes in support of Directors (from 86% in H2 2015 to 81% in H2 2015), due to the extension of the rule on female representation to FTSE350 companies (in 2015 it covered FTSE100 only). In line with the Davis Report this rule triggers a vote 'Against' the Chair of the Nomination Committee if female representation at board level was below 25%.

Part B - Global (ex UK, Switzerland, Luxembourg, Norway)

BI. VOTING OVERVIEW

11. Management Resolutions⁷

Resolution type:	For	Oppose	Abstain	Withhold	Total
All*	1787	416	1	44	2248



12. Alignment with ISS Policy and CIG Voting Template

	For	Oppose	Abstain	Withhold	% of Total
Template instructions same as ISS	1779	243	0	28	91.2
Template instructions differed from ISS	0	172	1	16	8.4
Template overridden / ISS advice overruled	8	1	0	0	0.4

Number of meetings voted during the period	289
Number of companies holding meetings	253

The decrease in the number of meetings voted at global companies (289 in H2 2016 versus 336 during the same semester in 2015) is the result of divestment by the Church Commissioners of a global passive mandate in September 2016.

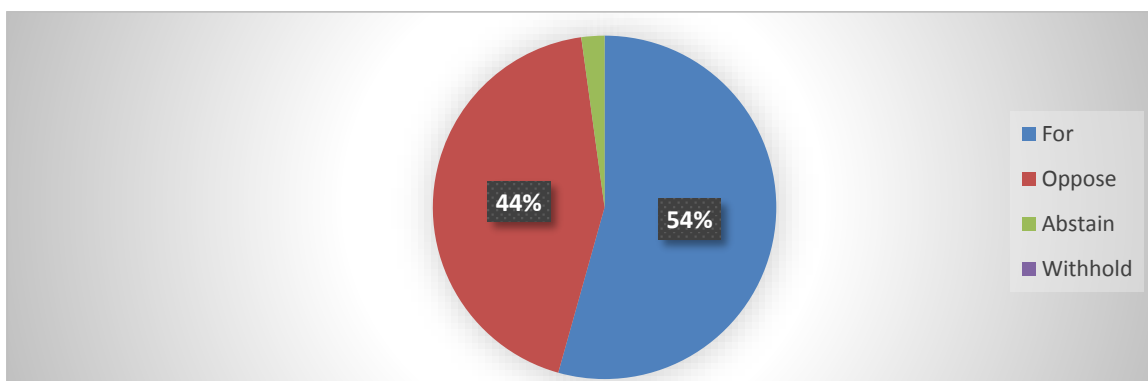
⁷ The classifications 'For' and 'Oppose' again distinguish votes either in support of or against the wishes of the company's management. 'Withhold' votes can only be registered in the USA/Canada and can only be registered against certain classes of resolutions such as the election of directors or the election of corporate auditor.

13. Management Proposals. Breakdown by Country (Top ten countries by meetings voted)

Country	Vote Instruction	Total	
Australia	Against	18	39.13%
	For	28	60.87%
Brazil	Against	8	32.00%
	For	17	68.00%
Canada	Against	4	7.14%
	For	49	87.50%
	Withhold	3	5.36%
China	Against	2	3.08%
	For	63	96.92%
India	Against	25	14.71%
	For	145	85.29%
Ireland	Abstain	1	1.05%
	Against	24	25.26%
	For	70	73.68%
Japan	Against	7	9.86%
	For	64	90.14%
Russia	Against	2	9.52%
	For	19	90.48%
South Africa	Against	132	18.57%
	For	579	81.43%
USA	Against	101	15.93%
	For	492	77.60%
	Withhold	41	6.47%

14. Shareholder Resolutions⁸

Resolution type:	For	Oppose	Abstain	Withhold	Total
Shareholder	25	20	1	0	46



15. Breakdown by country

Country	Vote Instruction	Total	
Brazil	Abstain	1	50.00%
	For	1	50.00%
Canada	For	3	100.00%
Canada Total		3	
China	For	3	100.00%
China Total		3	
Finland	For	1	100.00%
Finland Total		1	
India	Against	1	100.00%
India Total		1	
Israel	Against	1	100.00%
Israel Total		1	
Poland	Against	14	100.00%
Poland Total		14	
Taiwan	Against	1	100.00%
Taiwan Total		1	
USA	Against	3	15.00%
	For	17	85.00%
USA Total		20	

⁸ For shareholder resolutions, the vote applied represents the position taken in response to the specific resolution. Oppose votes indicate situations where we do not believe that adoption of the shareholder resolution is clearly in the best interests of shareholders.

*So-called "Say When on Pay" resolutions have not been included.

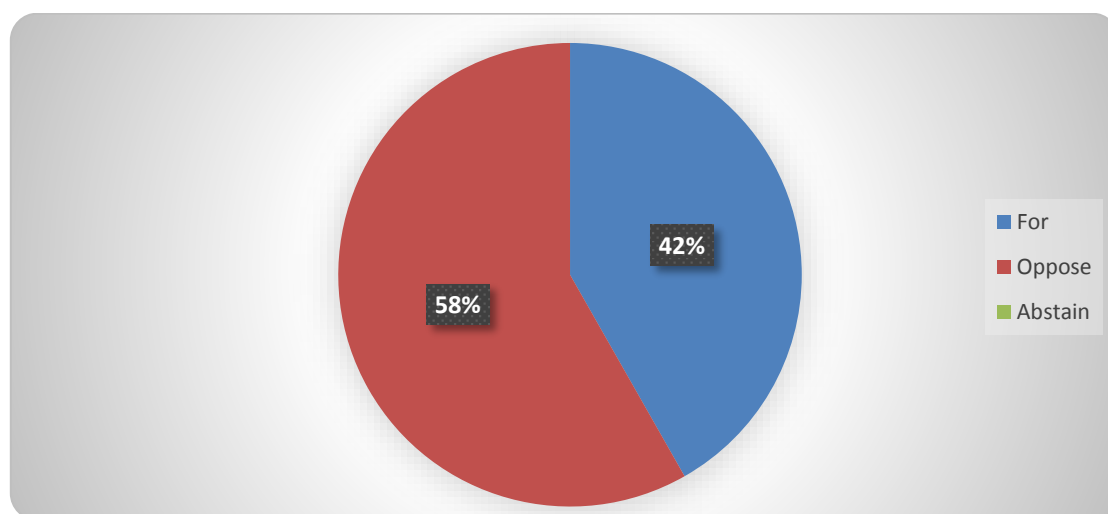
16. Shareholder proposals takeaways for H2 2016

US-Proxy Access: "Proxy access" refers to the right of shareowners to place their nominees for director on a company's proxy card. This lets investors avoid the cost of sending out their own proxy cards when they are dissatisfied with a corporate board and want to run their own candidates for director. Since it was first approved by the SEC in 2010, proxy access has become a regular and prominent feature in US shareholder activism. Proxy access retained its prominence with 79 shareholder proposals on ballots in 2016 (39% of all governance-related shareholder proposals in the US), 40 of which received majority shareholder support. Of the 70 companies targeted by the NYC Funds (the most active proponent), proposals were withdrawn at 50 companies due to engagement with Boards on proxy access and Boards deciding to unilaterally adopt proxy access, or place a management sponsored proxy access proposal on the ballot. The Commissioners supported all of the three proxy access proposals voted during H2 2016 at Bed Bath & Beyond Inc., H&R Block, Inc. and Microsoft Corporation. Of these the proxy access proposal at Bed Bath & Beyond passed with the support of 61% of the votes cast, while at H&R and Microsoft the support was not sufficient to pass the resolution but still significant (29.8% and 26.8%, respectively).

B2. VOTING ON COMPENSATION ISSUES

17. The figures provided below represent a holistic view of voting on a range of compensation issues and reflect proposals such as: remuneration policies; remuneration reports; long and short-term incentive plans for executives and/or employees; remuneration for directors and certain other specified individuals; retirement benefits and severance packages; advisory votes on executive compensation (also known as “Say on Pay”); and requests for authority to issue stock to employees.

Resolution type:	For	Oppose	Abstain	Total
Compensation Issues	99	138	0	237



18. Remuneration Proposals-Breakdown by Country (top 10 countries by number of remuneration-related proposals voted)

Country	Vote Instruction	Total	
Australia	Against	15	83.33%
	For	3	16.67%
Brazil	Against	5	71.43%
	For	2	28.57%
Canada	Against	3	50.00%
	For	3	50.00%
France	Against	2	25.00%
	For	6	75.00%
India	For	12	100.00%
Ireland	Against	7	58.33%
	For	5	41.67%
Japan	For	4	100.00%

Singapore	Against	2	50.00%
	For	2	50.00%
South Africa	Against	38	71.70%
	For	15	28.30%
USA	Against	61	59.80%
	For	41	40.20%

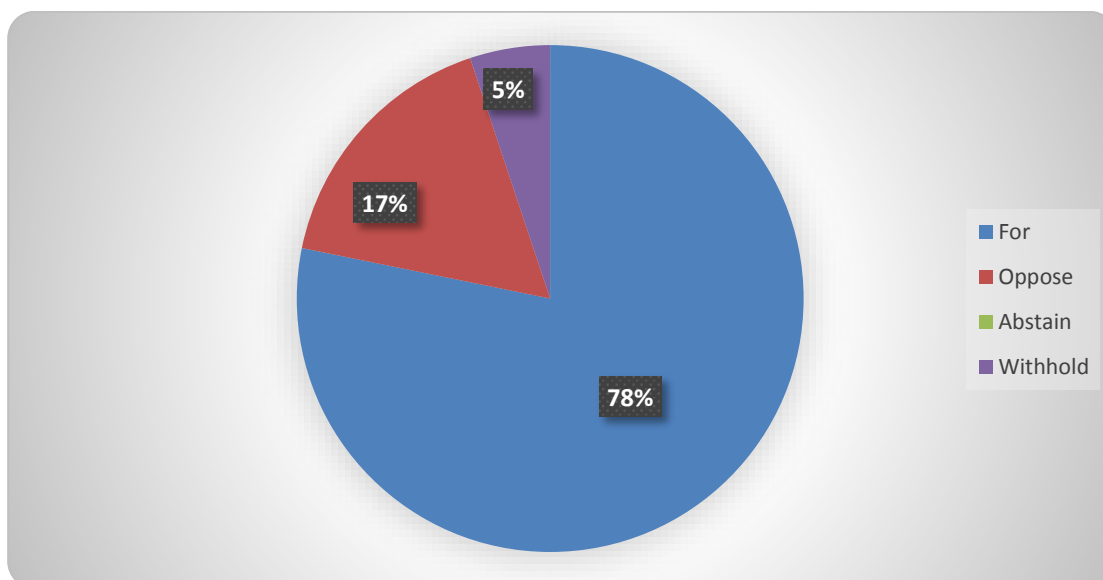
19. Alignment with ISS Policy and CIG Voting Template

	For	Oppose	Abstain	% of Total
Template instructions same as ISS	94	52	0	61.6
Template instructions differed from ISS	0	85	0	35.9
Template overridden / ISS advice overruled	5	1	0	2.5

B3. VOTING ON DIRECTORS

20. Election of Directors

Resolution type:	For	Oppose	Abstain	Withhold	Total
Election of Directors	642	137	0	42	821



21. Election of Directors Proposals-Breakdown by Country (top 10 countries by number of election of directors-related proposals voted)

Country	Vote Instruction	Total	
Australia	Against	2	11.11%
	For	16	88.89%
Canada	Against	1	2.70%
	For	33	89.19%
	Withhold	3	8.11%
France	Against	4	40.00%
	For	6	60.00%
India	Against	17	36.17%
	For	30	63.83%
Ireland	Against	14	36.84%
	For	24	63.16%
Japan	Against	4	10.00%
	For	36	90.00%
Singapore	Against	2	13.33%
	For	13	86.67%
South Africa	Against	25	19.84%
	For	101	80.16%

Taiwan	Against	16	100.00%
USA	Against	37	9.14%
	For	329	81.23%
	Withhold	39	9.63%

22. Alignment with ISS Policy and CIG Voting Template

	For	Oppose	Abstain	Withhold	% of Total
Template instructions same as ISS	639	73	0	28	90.1
Template instructions differed from ISS	0	64	0	14	9.5
Template overridden / ISS advice overruled	3	0	0	0	0.4

Emiliano Torracca
Voting and Screening Manager
Commissioners & Pensions Board Engagement Team

Church House
Great Smith Street
London SW1P 3AZ

24 January 2017