

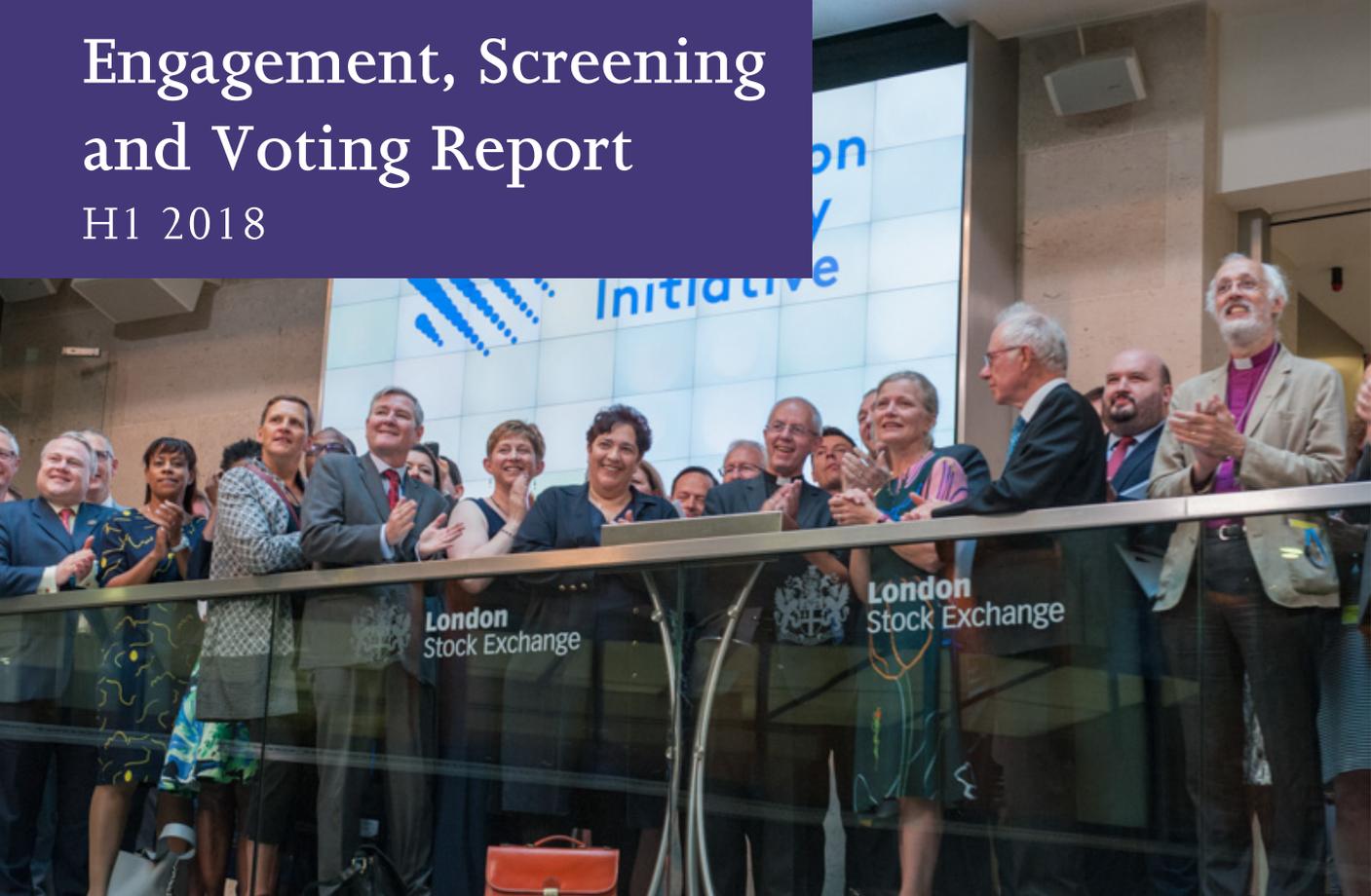


The Church  
Commissioners  
for England



# Engagement, Screening and Voting Report

H1 2018



Responsible Investment Team

# Contents

Introduction .....	3
Engagement .....	4
Climate Change Programme .....	5
Alcohol Engagement Programme .....	6
Corporate Tax Engagement Programme.....	7
Governance Engagement Programme.....	7
Extractive Industries Engagement Programme .....	8
Screening .....	9
Voting: Overview.....	10
Voting: Management Resolutions (UK).....	12
Remuneration (UK).....	13
Directors (UK) .....	14
Voting: Management Resolutions (Global).....	15
Remuneration (Global).....	16
Directors (Global) .....	17
Voting: Shareholder Resolutions (UK) .....	19
Voting: Shareholder Resolutions (Global) .....	21
Appendix: Actual Votes and CIG Recommendations.....	23

# Introduction

This report provides a H1 update to the Church Commissioners' Assets Committee on the implementation of engagement, screening and voting in accordance with the ethical policies and stewardship responsibilities of the Church Commissioners.

During June 2018, with the Church of England Pensions Board creating their own engagement function, the Commissioners' stewardship function was moved from the joint team in the Pensions Board and integrated into the Commissioners' Responsible Investment team. Going forward, this will provide the Commissioners with additional agility and the expertise and professionalism to fulfil the team's mission to be at the forefront of responsible investment and stewardship. The voting and screening functions for both the Commissioners and Pensions Board will remain shared but, with effect from June 2018, have been carried out from the Commissioners' Responsible Investment Team.

## FRC Consultation

In January 2018, the Commissioners and the Pensions Board responded to the FRC consultation on the Revised UK Corporate Governance Code. Our response is available on the [FRC website](#)<sup>1</sup>. We:

- expressed support for companies enhancing their engagement with wider stakeholders;
- agreed companies should report on how they promote culture aligned with their purpose, strategy and values;
- agreed that companies should provide additional reporting on shareholder concerns in cases of high shareholder votes against management<sup>2</sup>;
- welcomed the FRC's proposals on diversity and succession planning, board independence, a wider remit for remuneration committees and the need to curb excessive pay.

## PRI Assessment

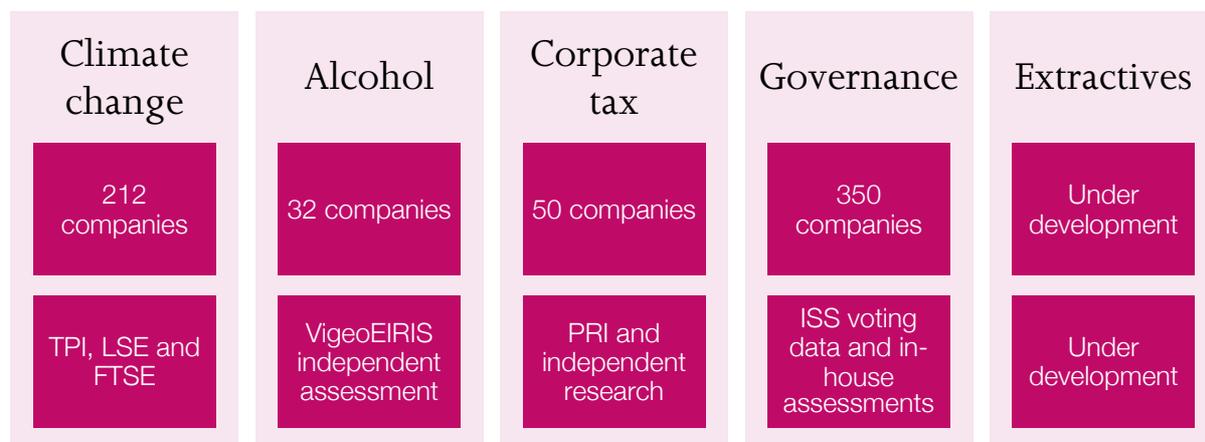
The Engagement Team supported the Commissioners Investment Team with the Active Ownership module of their Principles for Responsible Investment (PRI) report. The Commissioners went on to receive an 'A' rating for Active Ownership in the PRI's assessment report.

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<sup>1</sup> <https://www.frc.org.uk/getattachment/83a61822-bcdd-4ea5-836c-8827d1a7696e/Church-of-England-National-Investing-Bodies.aspx>

<sup>2</sup> High dissent refers to instances where a resolution receives 20% or more votes against. The Investment Association publishes a Public Register of meetings of companies in the FTSE All-Share which have received significant shareholder opposition to proposed resolutions or have withdrawn a resolution prior to the shareholder vote.

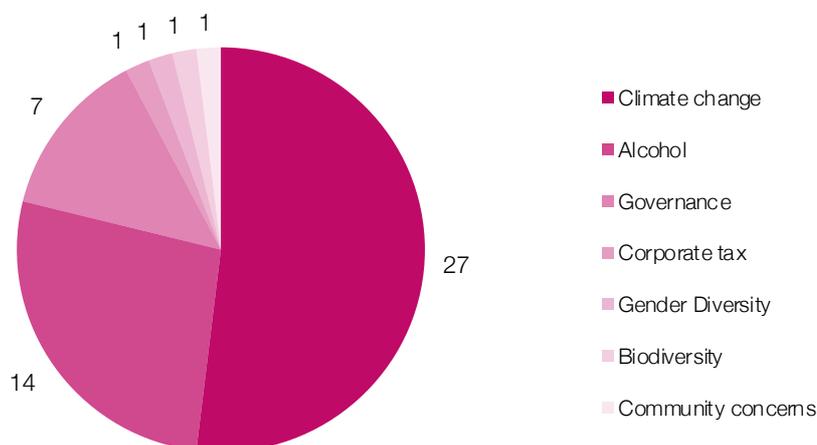
# Engagement



## Engagement activity in H1 2018

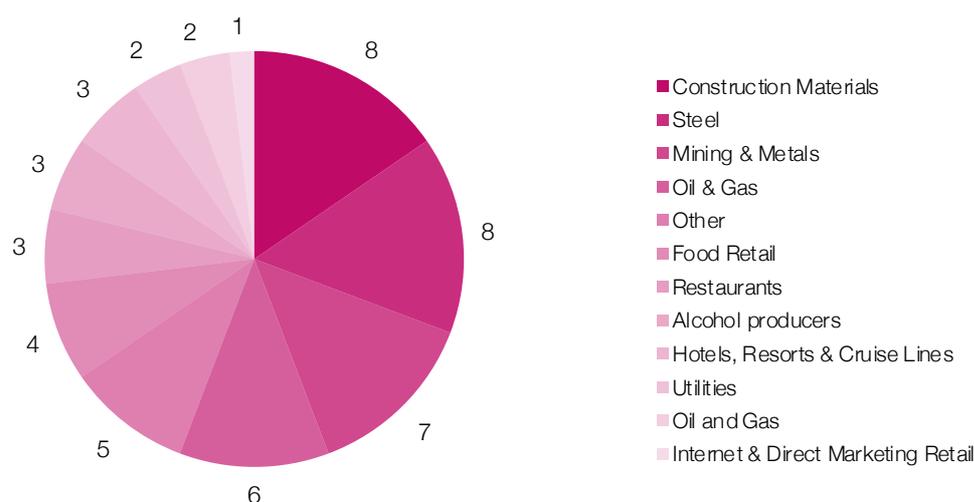
There were 52 engagements on behalf of the Commissioners during H1 2018. While 54% of these interventions were part of collaborative programmes, almost 95% of the activities were led by members of the stewardship team. The majority of engagements, nearly 52%, were focused on climate change, reflecting the priority the National Investing Bodies (NIBs<sup>3</sup>) give to the issue. This is followed by our Alcohol Engagement and Corporate Governance Programmes. Starting in the second quarter of the year we have also initiated efforts to engage with companies on gender diversity, focused on companies with no women on the board. This has been done in collaboration with the 30% Club Investor Group.

Chart 1: H1 2018 – Commissioners engagement by theme (52)



<sup>3</sup> The Church Commissioners is one of the three Church of England National Investing Bodies (NIBs).

Chart 2: H1 2018 – Commissioners engagement by sector (52)



### Climate Change Programme

The second quarter of the year was particularly focused on engagements in the global Climate Action 100+ (CA100+) initiative. As reported in Q1, during the first quarter of the year, 37 companies were contacted by the Transition Pathway Initiative (TPI) for not having sufficient disclosure to allow their performance assessment. This engagement focused on the following sectors: cement, steel, utilities, autos and paper (the Commissioners did not hold all of the companies). Each company was asked to provide future disclosure that would enable TPI performance assessments. Their attention was drawn to the practice of their peers, who were already making sufficient disclosure. TPI also published its first assessments of the management quality and future carbon performance of both the top 20 Automobile Manufacturing companies and the top 19 Pulp and Paper companies<sup>4</sup>.

### CASE STUDY

#### Climate Action 100+

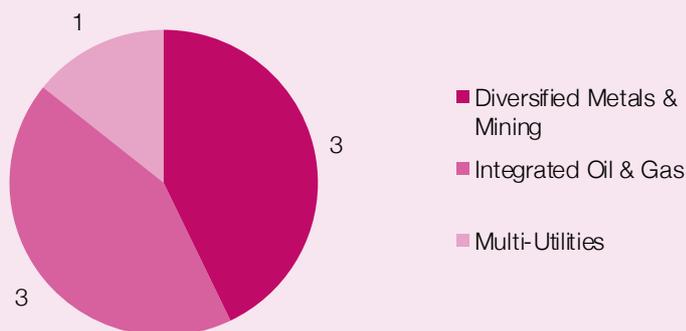


The Church Commissioners joined CA100+ in 2017. This is a global initiative supported by 289 investors with nearly USD \$30 trillion in assets under management. The initiative has a 2023 horizon and focuses on three main areas, climate governance, action and disclosure. Company progress can be benchmarked using the assessments published by TPI.

The work that the Commissioners’ stewardship specialists have done on climate engagement over the last few years, for example under ‘Aiming for A’ and with ExxonMobil, have now been wrapped up in this global effort.

During H1, we had seven major engagement interactions with three CA100+ companies, namely ExxonMobil, Glencore and Centrica.

<sup>4</sup> The detailed reports can be found at: <http://www.lse.ac.uk/GranthamInstitute/tpi/publications/>



**Glencore**

We attended Glencore’s AGM in Zug and asked three questions related to emissions targets, remuneration policy and carbon pricing.

**ExxonMobil**

We attended ExxonMobil’s AGM in Dallas and commenced CA100+ engagement in a call.

**Centrica**

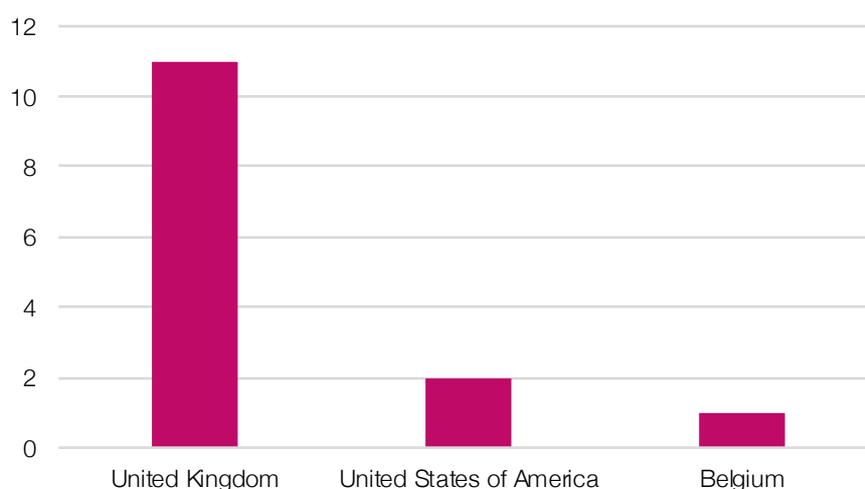
We supported CA100+ engagement by attending Centrica’s AGM in London and asking a question about climate-related public policy leadership.

During H2, the Commissioners will work with fellow investors to develop future strategy for engagement with our lead companies, Glencore and ExxonMobil.

**Alcohol Engagement Programme**

This three-year engagement was launched in Q4 2017 and was followed up in H1 2018 with direct engagement with companies to ensure responses to the baseline assessment. As we develop the engagement, the intention is to align this programme with one of the aims of the SDGs (UN Sustainable Development Goals), to reduce the harm associated with NCDs (Non-Communicable Diseases) by one third by 2030. During H1-2018, 14 interactions took place with companies. These included letters, face-to-face meetings and attendance at one AGM (to initiate dialogue via the Company Secretary). As the engagement has been rolled out, we have been approached by investment managers who are interested in partnering with the Commissioners. Consideration is being given to how this may be best developed.

Chart 3: Alcohol phase 2 – H1 2018 engagements by country (14)<sup>5</sup>



**CASE STUDY**

**A Company in the Restaurants industry**

In May 2018, we met the Chair of the Group to discuss our programme and to request a response to our questionnaire. The initiative was well received, and the discussion strongly endorsed by the Chair who immediately put us in touch with the Head of Technical and Menu Management who responded to our questionnaire and a meeting has been organised in Q3 for the Senior Investment Stewardship Analyst to see facilities and test some of our findings.

**Key takeaways**

Strong leadership support for our alcohol initiative. Significant progress on assessment based on this engagement. The company is likely to be recommended for continuing investment eligibility.

**Corporate Tax Engagement Programme**

The PRI collaboration group started meetings with focus companies during Q2 2018. The Commissioners joined a call with a Pharmaceuticals company that focused on tax policies and governance, risk management and disclosure. During Q1 members of the joint engagement team of the Commissioners and Pensions Board met with senior partners specialising in corporate tax law to seek their insight into the most effective way to approach the discussions with the company boards.

**Governance Engagement Programme**

A number of engagements have occurred with companies that responded to our pre-voting season letter setting out areas in which we were likely to vote against management as a result of our new voting policy. This has proven a worthwhile engagement and companies have been responsive to our outreach. During Q2 2018 we initiated an engagement on board gender diversity in collaboration with the 30% Club Investor Group. A newly-listed company has been targeted for its generally substandard board composition practices and in particular for the total lack of female board members.

<sup>5</sup> Chart 3 indicates the number of interactions on responsible alcohol practices by company location.

**Extractive Industries Engagement Programme**

Considerable work has been underway since the National Investing Bodies (NIBs) launched their Extractives Industries policy. Consultations have taken place at a working level across the National Investing Bodies (NIBs) to test the in-house methodology that has been developed to screen extractive industry companies. Discussions have also been held with ICMM (International Council of Mining & Metals) and IPIECA<sup>6</sup> on specific aspects of the programme to receive industry input.

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<sup>6</sup> Originally, the International Petroleum Industry Environmental Conservation Association.

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## Screening

With regard to our gambling exclusion, it is worth noting that in May the UK government imposed a £2 stake limit on fixed-odds betting terminals, an issue on which the churches have long been active in campaigning.

In H1 2018 the ethical screens of the Church Commissioners were as follows:

Commissioners policies converted into ethical screens	Revenue threshold
2011 Adult Entertainment	3%
2011 Alcohol	UK bespoke assessment Globally 25%
2013 Civilian Firearms	10%
2015 Climate Change (Thermal Coal / Oil Sands)	10%
2010 Defence	Indiscriminate weapons >0% Conventional weapons 10%
2003 Gambling	10%
2011 High Interest Rate Lending	10%
1965 Tobacco	10%
2008 Human Embryonic Cloning	10%

The following table indicates the number of companies captured by screens in H1 2018<sup>7</sup>.

Screen category	Companies screened (last quarter)	% of total exclusions
Gambling	93 (95)	26.2
Defence	94 (94)	26.5
Alcohol	51 (50)	14.4
Climate Change	44 (44)	12.4
Tobacco	35 (35)	9.9
Special	22 (19)	6.2
HIRL / Predatory Lending	12 (13)	3.4
Alcohol and Tobacco	1 (1)	0.3
Adult Entertainment and Alcohol	1 (1)	0.3
Human Embryonic Cloning	1 (1)	0.3
Defence and Climate Change	1 (1)	0.3
<b>Total</b>	<b>355 (353)</b>	

<sup>7</sup> This reflects the restricted list as of April 2018 (effective from April to June 2018).

## Voting: Overview

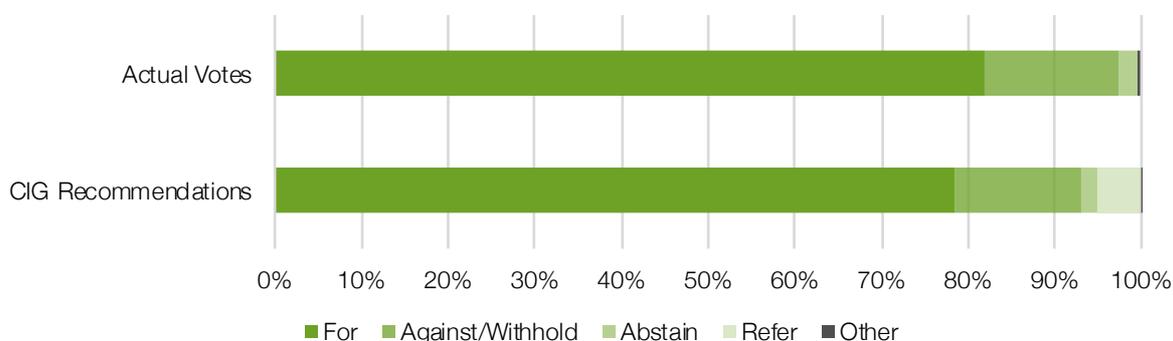
The detailed voting report is split into two parts: management resolutions and shareholder resolutions. Each section is further divided into UK and Global (with the exclusion of share blocking markets). The majority of votes cast were as generated under the approach set out in the CIG (Church Investors Group) voting template, but where required discretion was exercised to cast a different vote.

Discretion is applied when the vote generated under the template does not reflect the Church Commissioners' ethical investment objectives. In H1 2018 discretion was used 102 times to deviate from standard voting outcomes under the CIG (Church Investors Group) template. Examples include: two Metals & Mining Companies (Remuneration Report and Annual Report respectively); a Construction & Engineering Company (Remuneration Report and Chairman of Remuneration Committee), two Integrated Oil & Gas Companies (Board Re-election & Shareholder Engagement respectively), a Health Care Company (Annual Report) and two Supermarkets (Remuneration Report). In all these instances consent from investment staff was obtained before votes were cast.

All voting activities are principally overseen by the Investment Stewardship Analyst, who is responsible for the voting activities of the Church Commissioners and the Pensions Board.

Particular highlights from 2018 H1 are:

Chart 4: Actual votes and CIG recommendations – UK and global region (13,017)



- In H1 the Church Commissioners voted on 13,017 resolutions presented at 836 meetings (65.4%, Global; 34.6% UK Region).
- The Church Commissioners voted against management (or withheld votes) on 15.1% of resolutions presented in the UK and the Global regions.
- In H1 657 votes were referred for evaluation. After careful consideration, we acted as followed on the referred votes:
  - UK: 242 referrals (4.1% of UK votes) resulting in:
    - Abstain: 2.5% (6)
    - Against: 11.2% (27)
    - For: 86.4% (209)
  - Global: 415 referrals (5.8% of Global votes) resulting in:

- Abstain: 8.2% (34)
- Against (or Withhold): 21.4% (89)
- For: 66.3% (275)
- Other<sup>8</sup>: 4.1% (17)

— Since Q1 2018 we have reported voting data in chart format; full raw data is available in the appendix.

## 2018 voting template

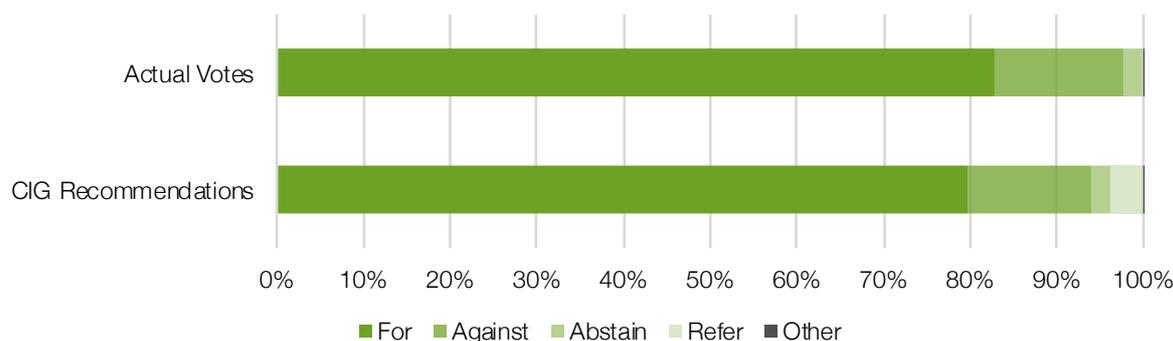
Theme (Policy)	Criteria	Vote
<b>Executive Remuneration</b> Executive Remuneration Policy	<ul style="list-style-type: none"> <li>— Excessiveness of executive pay</li> <li>— Use of non-financial criteria in the determination of incentives</li> <li>— Long-term balance of the incentive framework</li> <li>— Breaches of local good practice</li> <li>— Executive pay compared to pay at below-executive level</li> </ul>	<ul style="list-style-type: none"> <li>— Against remuneration report / policy</li> <li>— Abstain remuneration report / policy or incentive schemes</li> </ul>
<b>Governance</b> Statement of Ethical Investment Policy	<ul style="list-style-type: none"> <li>— Board composition and independence</li> </ul>	<ul style="list-style-type: none"> <li>— Against re-election of non-independent directors when board independence is not in line with local good practice</li> </ul>
<b>Diversity</b> Statement of Ethical Investment Policy	<ul style="list-style-type: none"> <li>— Board diversity</li> </ul>	<ul style="list-style-type: none"> <li>— Against chair of nomination committee where board female balance is below 33% (FTSE 350)</li> <li>— Against all members of nomination committee when board female balance is below 25% (FTSE 100)</li> </ul>
<b>Audit</b> Statement of Ethical Investment Policy	<ul style="list-style-type: none"> <li>— External auditor independence</li> <li>— Length of tenure</li> <li>— Size of non-audit fees</li> <li>— Other concerns over independence of external or internal audit</li> </ul>	<ul style="list-style-type: none"> <li>— Against the re-election of director: chair of the audit committee when conditions in the policy are met</li> <li>— Against the re-election of all audit committee members if conditions in the policy are met (case-by-case basis)</li> </ul>
<b>Climate Change</b> Climate Change Policy	<ul style="list-style-type: none"> <li>— Poor TPI assessment</li> <li>— Poor CDP assessment</li> </ul>	<ul style="list-style-type: none"> <li>— Against the re-election of the chair (TPI laggard)</li> <li>— Abstain the report and accounts where the CIG considers a FTSE 350 company to be a CDP laggard</li> </ul>
<b>Employee Pay</b> Executive Remuneration Policy	<ul style="list-style-type: none"> <li>— Living wage (UK only)</li> </ul>	<ul style="list-style-type: none"> <li>— Against FTSE 100 constituents in either the Financial Services or Pharmaceutical sectors where the company is not a Living Wage accredited employer or otherwise did not meet the CIG's engagement standard.</li> </ul>

<sup>8</sup> Other includes votes pertaining to the frequency of remuneration disclosure as well as no votes.

## Voting: Management Resolutions (UK)

In H1 2018, the Church Commissioners voted on 5,859 management resolutions and voted against management on 14.8% of resolutions. The main concerns were remuneration (including oversight provided by the Remuneration Committee), auditor independence, gender representation at board level and political donations.

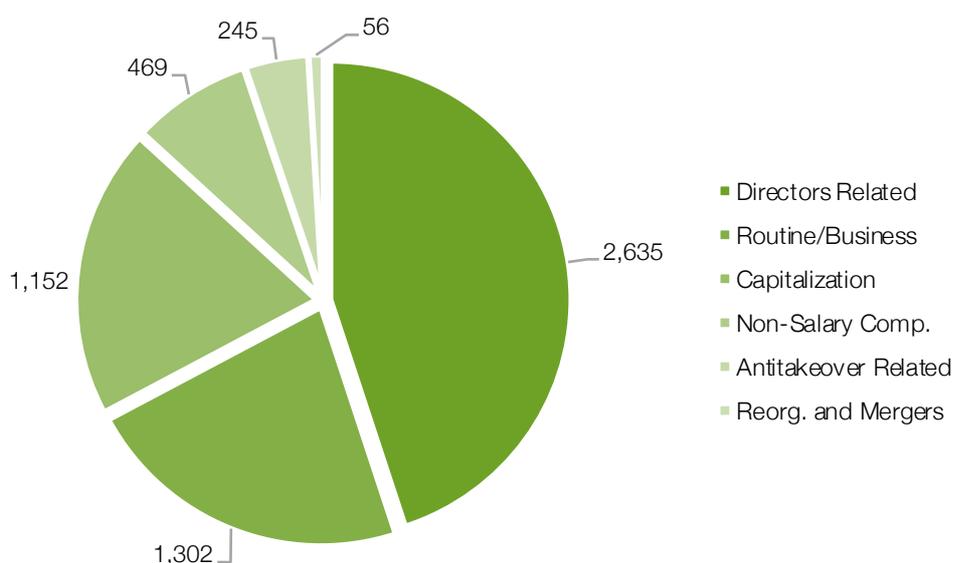
**Chart 5: Actual votes and CIG recommendations – management resolutions – UK region (5,859)**



### Resolution category types

It is not surprising to note that the majority of resolutions voted on during the quarter were related to director re-elections (45.0%), followed by resolutions on the report and accounts (22.2%). The majority of dissent votes were cast for resolutions relating to remuneration and director-related resolutions. A detailed analysis of dissent votes on executive pay and director elections are presented under the “Remuneration-UK” section and “Directors – UK”.

**Chart 6: Resolution category types**



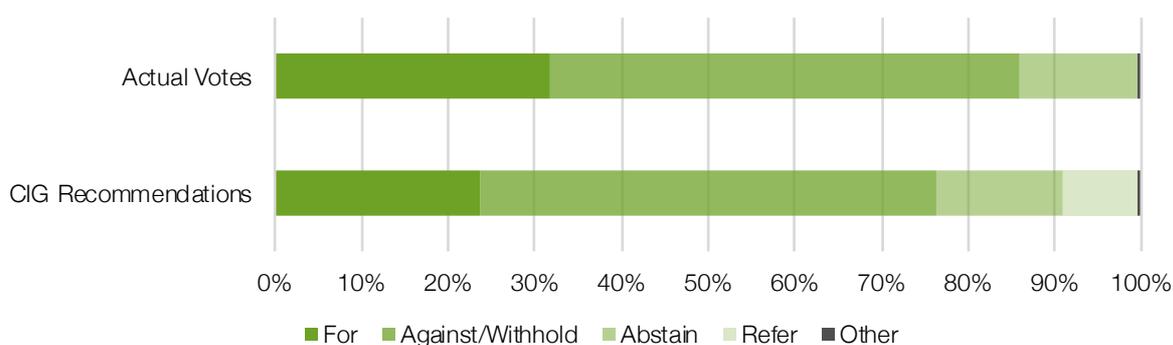
## Remuneration (UK)

### Remuneration-related resolutions

In H1 2018, the Church Commissioners voted on 469 compensation resolutions presented by management. These resolutions included votes on the approval of remuneration reports, remuneration policies, non-executive director fees and all-employee share plans. In the first half of the year, 62.9% of compensation resolutions were related to approval of remuneration reports and 17.3% related to approval of remuneration policy. The outstanding resolutions were mainly related to either Long Term Incentive Plans (LTIPs) or employee share plans.

We did not support 63.7% of remuneration reports and 53.1% of remuneration policies. The vote on the remuneration policy would normally reflect our assessment of the framework for executive remuneration, whilst votes on remuneration reports reflect our assessment of the application of the policy for the year under review. Our votes also take into consideration any specific circumstances applicable to the year under review, such as the grant of exceptional bonuses (“golden handshakes”/“parachutes”) or the use of discretion in determining the grant of bonuses or termination payments.

**Chart 7: Actual votes and CI&G recommendations – compensation resolutions – UK region (469)**



From Q1, as result of the UK Government calling on all listed companies to publish the pay ratios between executive directors and workers, we started abstaining on the approval of remuneration reports where companies did not disclose pay ratios. In the first half of 2018, the Commissioners abstained on the approval of remuneration reports and policies of 51 UK companies due to the lack of disclosure of a CEO/employee pay ratio.

## CASE STUDY

### Persimmon Plc: Approve Remuneration Report

Following the strong performance of the company and in line with the remuneration policy agreed by shareholders back in 2012, which had a “no cap LTIP”, the overall quantum of executive directors' pay was exceptionally high. The CEO was awarded total remuneration of ca. £47 million.

This garnered widespread investor and public scrutiny, as the company's performance had been boosted by the UK Government's Help to Buy scheme of 2013. Due to the outcry, both the Board Chair and the Chair of Remuneration Committee tendered their resignations accepting responsibility for the lack of a cap within the scheme rule.

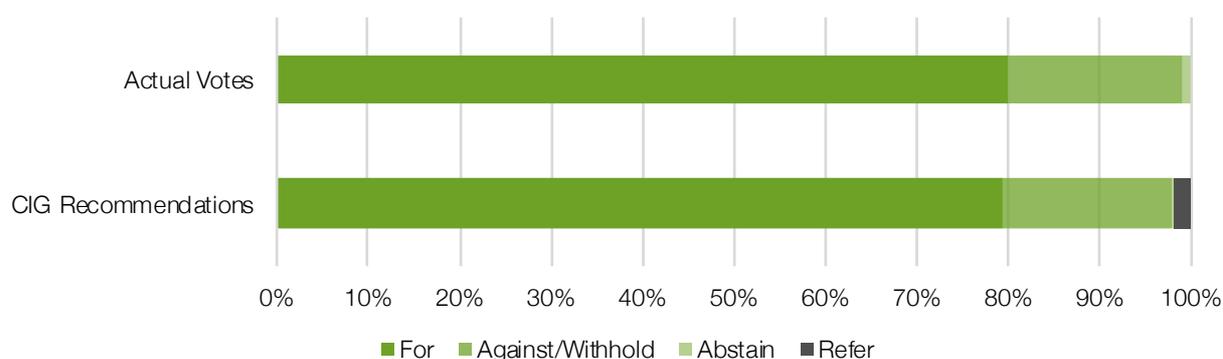
**VOTE: Against**

## Directors (UK)

### Director elections resolutions

In H1 2018, the Church Commissioners voted on 2,635 resolutions related to director elections, of which 19.1% were votes against management recommendations. Director-related resolutions cover the election and re-election of directors including the chairs and members of various committees. The Church Commissioners assess independence and board composition when voting on board members.

**Chart 8: Actual votes and CIG voting template – director election resolutions – UK region (2,635)**



### Gender diversity

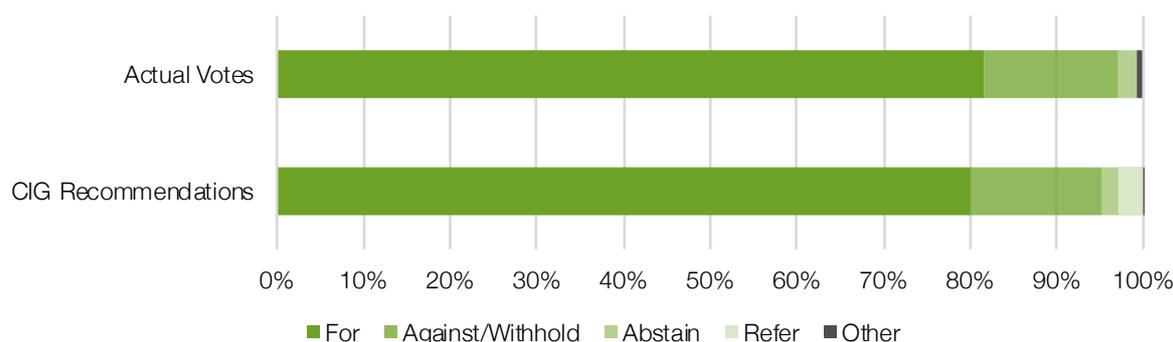
The Church Commissioners are a current member of the UK Investor Group of the 30% Club and supporters of the Hampton-Alexander review recommendations, therefore we hold accountable companies which are not deemed to promote gender diversity at board level. In H1 2018, we voted against director elections at 103 companies due to concerns over the Nomination Committee's actions to address gender diversity.

# Voting: Management Resolutions (Global)

## Overview

In H1 2018, the Church Commissioners voted on 6,841 management resolutions of which we expressed dissent against management on 15.6% of them in global meetings. The main concerns were board independence, auditor tenure, shareholder rights, and remuneration (including oversight performed by remuneration committees and inclusion of ESG considerations into variable remuneration).

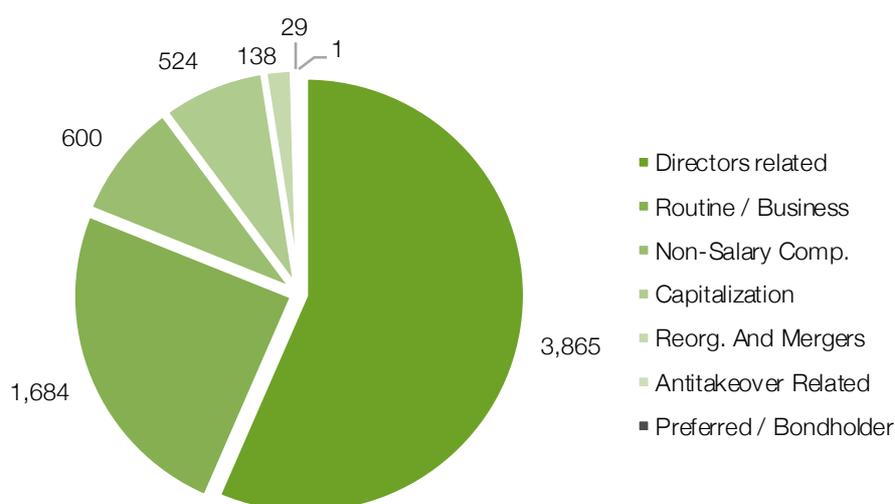
**Chart 9: Actual votes and CIG voting template – management resolutions – global region (6,841)**



### Resolution category types

Not surprisingly the majority of resolutions voted on during the quarter were related to director re-elections (56.5%), followed by resolutions on the Report and Accounts (24.6%). At global level, the Church Commissioners remain concerned about compensation resolutions namely approval of remuneration reports and share plans as well as approval of remuneration policy. A fuller discussion about this topic is available in the Remuneration section.

**Chart 10: Resolution category types**



## Remuneration (Global)

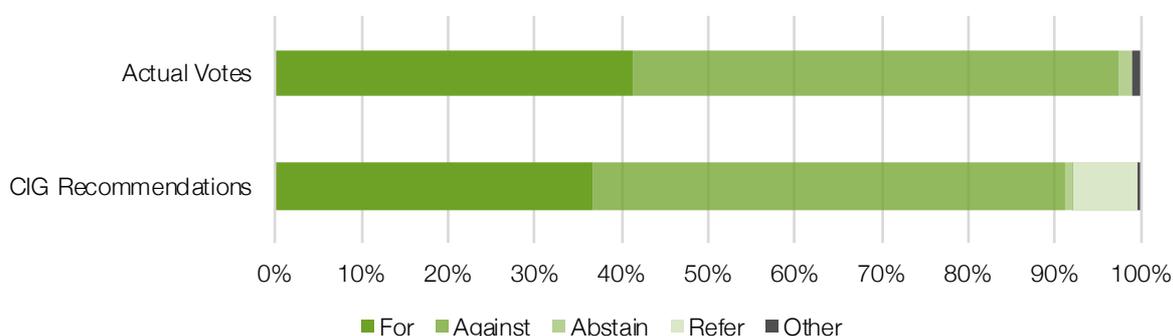
### Remuneration-related resolutions

In H1 2018, the Commissioners voted on 600 compensation resolutions. These types of resolutions included votes on the approval of remuneration reports, remuneration policies and all-employee share plans. The vote on the remuneration policy would normally assess the framework for executive remuneration, while votes on remuneration reports take into account the application of the policy for the year under review.

In the quarter, 54.7% of compensation resolutions were related to approval of remuneration reports and 12.7% related to approval of remuneration policy. In this regard, we withdrew support from 67.1% of the remuneration reports and 57.9% of the remuneration policies.

Our votes also take into consideration any specific circumstance applicable to the year under review, such as the grant of exceptional bonuses (“golden handshakes”/“parachutes”), employee share schemes and the use of discretion used in determining the grant of bonuses or termination payments. Each type of resolution is reviewed according to the EIAG<sup>9</sup>-recommended remuneration policy and best practice.

**Chart 11: Actual votes and CIG recommendations – compensation resolutions – global region (600)**



Among the 45 refer votes during the period, we withdrew support from approval of the remuneration report of an Oil & Gas Drilling company because its executive pay does not take into consideration ESG issues and the company’s LTIP is time-based not linked to performance-based metrics. We also withdrew support from approval of the Remuneration Policy for the Chairman and CEO at an Integrated Oil & Gas company (which attracted 18.19% dissent) because the board did not disclose a cap on long-term awards, while the number of awards to be granted in 2018 increased. In addition, the board did not provide sufficient information on long-term awards in case of an executive’s departure and the board retained discretion in determining “golden hellos”.

The Church Commissioners are also aware that in the US, the Tax Cuts and Jobs Act (TCJA) is to introduce changes in the treatment of top executive pay for public companies by setting limits on tax deductibility. The new system applies to the CEO, CFO and the three highest paid executive officers. Companies will only be able to make deductions for the first \$1m from these executives’ annual base salary. Annual bonuses, stock options, performance-based equity and deferred compensation will be taxable.

<sup>9</sup> EIAG: Ethical Investment Advisory Group

**CASE STUDY**

**Mastercard Inc. - Advisory Vote to Ratify Named Executive Officers' Compensation**

In 2018, the company’s CEO received a total remuneration package worth \$22m, which is 153% higher than the company-defined peers’ CEOs. Variable pay represents 93% of the CEO’s pay package.

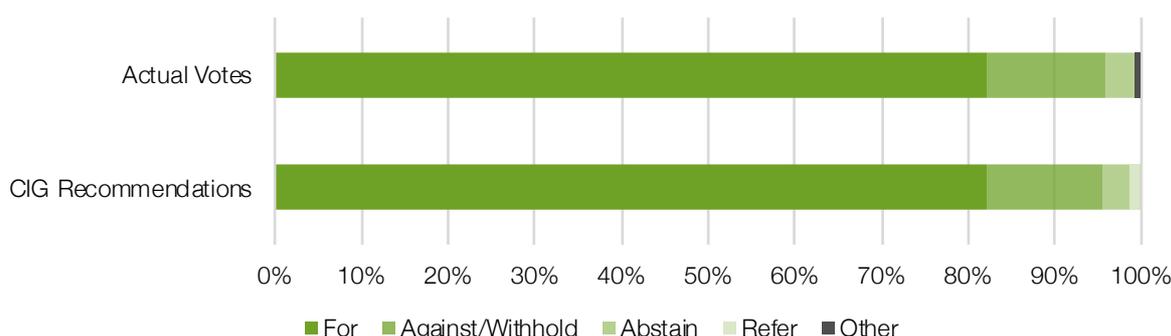
We withdrew support given that total CEO pay increased 12.5 percent despite the decline of net income, EPS, ROA and ROIC compared to 2016. With regards to the bonus, the committee is deemed to have excessive discretion in determining the incentive awards. Furthermore, there is no disclosure of target goals linked to equity awards, which include time-based stock options. The Company also provided the CEO generous perquisites, such as company-leased aircraft for personal use.

**VOTE: Against**

**Directors (Global)**

In H1 2018, the Church Commissioners voted on 3,865 director related resolutions, of which we voted 13.3% against management recommendations. The category includes the election of directors as well as discharge of the Supervisory Board, amendment of the articles governing the appointment of directors and “proxy access” laws to encourage board accountability. The Church Commissioners assess the independence of directors as well as board composition to ascertain that best practice is applied to the nomination of board members.

**Chart 12: Actual votes and CIG voting template – director election resolutions – global region (3,865)**



In H1 2018, we withdrew our support from 516 director related resolutions. The majority of our dissent votes focussed on companies incorporated in the United States, Brazil, France, Switzerland and Ireland. The main rationales behind our dissent were board structure, board independence, creeping control from controlling shareholders and an ongoing dissatisfaction with stewardship oversight. A complete tally of our dissent vote is available in the appendix.

Chart 13: Director election – dissent ballots

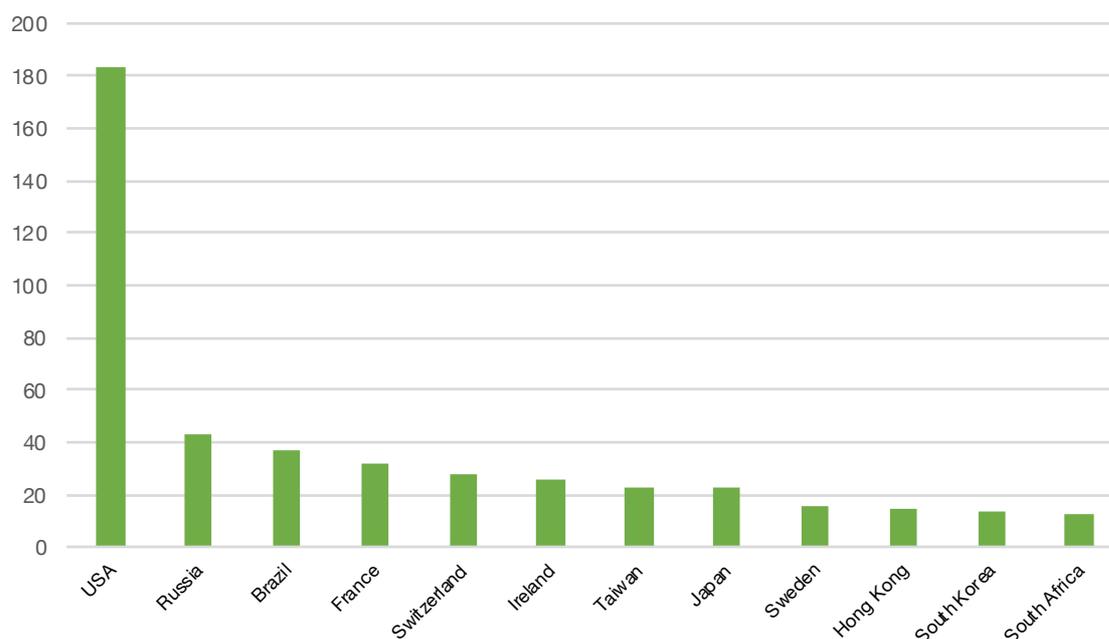


Chart 13 indicates the countries with the highest dissent vote on director re-election by ballot (See Table 13 for full details).

## CASE STUDY

### An Internet & Direct Marketing Retail Company- Elect Director

We withdrew support for the re-election of the president of the Company because, in line with best practice and the CIG guidelines, unfettered consolidation of power is deemed detrimental to minority shareholders. The president is the founder of the company (owning 16.3% of its voting rights) as well as its CEO.

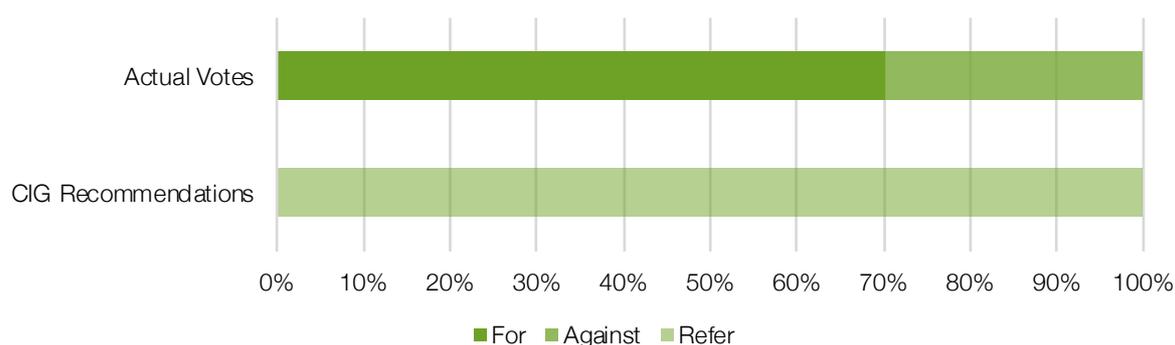
**Vote: AGAINST**

## Voting: Shareholder Resolutions (UK)

### Overview

In H1 2018, the Church Commissioners voted on four UK shareholder-proposed resolutions; and we voted in support of three out of the four proposals. The supported proposals were related to climate change (Royal Dutch Shell), asset reporting (Millennium & Cophthorne Hotels) and shareholder rights (Invesco).

Chart 14: Actual votes and CIG recommendations – shareholder resolutions – UK region (10)<sup>10</sup>



In H1 we voted against the approval of the 2017 Financial Statements and Statutory Reports of Rio Tinto Plc because the board denied UK shareholders a vote on the climate-related lobbying resolution presented at the Australian entity Rio Tinto Limited. The resolution sought increased transparency around its climate lobbying activities.

The resolution was filed by the Australian Centre for Corporate Responsibility (ACCR) and co-filed by Australian Local Government Super, the Church of England Pensions Board and the Seventh Swedish National Pensions Fund (AP7) – the Church Commissioners are not Rio Tinto Ltd shareholders. Rio Tinto's board did not treat UK/Australian shareholders as a joint electorate and UK shareholders were not given an opportunity to express an opinion through a shareholder proposal, on issues which could affect the long-term interests of the company.

Despite the fact that neither the leading proxy advisors nor the board supported the resolution and denied UK shareholders a vote, the resolution received 18% support (representing investors with £1.8trn under management) marking the resolution as one of best supported shareholder resolutions in Australian corporate history<sup>11</sup>.

<sup>10</sup> Ten ballots related to four shareholder resolutions.

<sup>11</sup> <https://accr.org.au/shareholder-action/resolution-voting-history/>

**CASE STUDY****Royal Dutch Shell - Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions**

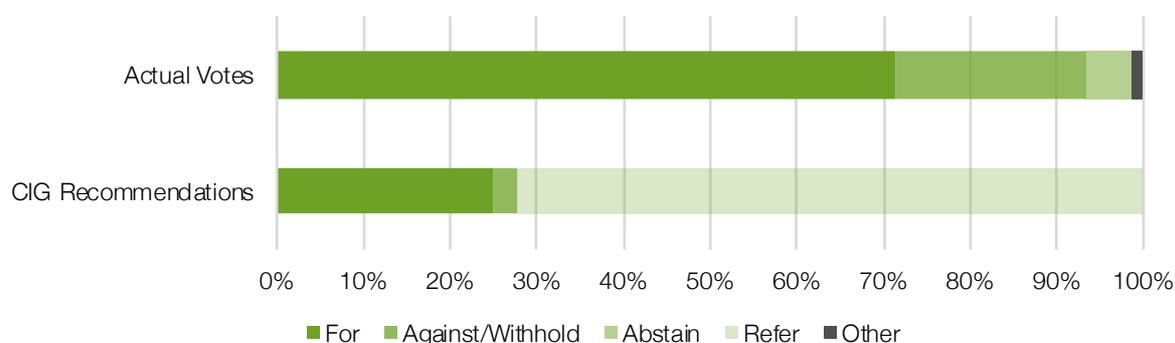
This shareholder resolution was filed by NGO “Follow This”. The resolution called on Shell to publish targets for ‘scope 3 emissions’ or emissions linked to the use of Shell’s products. The resolution required Shell to set and publish targets aligned with the Paris Climate Agreement goal to limit global warming to well below 2°C. The Company opposed the resolution because it has already declared its ambition to halve its net carbon emissions by 2050. While the Commissioners welcomed the ambition of the company, we expect companies to set and publish targets aligned with the Paris Agreement.

**Vote: FOR**

## Voting: Shareholder Resolutions (Global)

### Overview

Chart 15: Actual votes and CIG voting template – shareholder resolutions – global region (307)



In H1 2018, the Church Commissioners voted on 307 shareholder resolutions ballots proposed at 86 meetings in the Global region. Most of the shareholder-proposed resolutions were related to standard corporate governance matters like appointment of directors or establishing committees representing minority shareholders, remuneration, sustainability, and shareholder rights. Regarding the latter, we note increasing shareholder action to address companies' differential ownerships and unfriendly control structures for minority shareholders.

The large majority of shareholder resolutions supported were related to shareholder calls for improved corporate governance standards including director elections, boosting board independence and enhancement of shareholder rights including lowering the threshold for written consent. We have also been supportive of resolutions which sought increased disclosure on climate change, sustainability, human rights and "fake news". We did not support resolutions where disclosure was insufficient to determine the resolution's merits or resolutions were deemed too prescriptive.

## CASE STUDY

### ExxonMobil Corporation

Following the successful shareholder proposal at the 2017 AGM, co-filed by the Church Commissioners, calling for the company to issue a report on climate change policies, in February 2018 the Company published a report called "Positioning for a Lower Carbon Energy Future" where it considers the impact of policies to meet a 2° Celsius scenario by 2050. Investors have generally welcomed the report as a good baseline for engagement. Although we look forward to seeing further progress in disclosure next year, we voted against the Chair of the Audit committee as the Company does not address comprehensively climate change's risks. Exxon's Audit Committee Charter states that one of the activities of the committee is to "discuss from time to time the Corporation's policies with respect to risk assessment and risk management".

As lead investor in the Climate Action 100+ (as described in the engagement section), the Church Commissioners are engaging with the company along with the New York State Common Retirement Fund.

Despite our attempts, the Church Commissioners were disappointed by the scant opportunities given by the company to investors for engaging with Exxon's Board. As a result we voted against the re-election of directors sitting on the Board Affairs Committee which is accountable for the policy at board level on engagement (or non-engagement) with shareholders.

## Appendix: Actual Votes and CIG (Church Investors Group) Recommendations

Table numbers correspond with chart numbers in the Voting section of the report.

**Table 4: Actual votes and CIG recommendations – UK and global region**

	For	Against (Withhold)	Abstain	Refer	Other	Total
Actual votes	10,656	2005	300	0	56	13,017
CIG recommendations	10,214	1882	260	657	4	13,017

**Table 5: Actual votes and CIG recommendations – management resolutions – UK region**

	For	Against (Withhold)	Abstain	Refer	Other	Total
Actual votes	4,854	870	133	0	2	5,859
CIG recommendations	4,671	827	127	232	2	5,859

**Table 7: Actual votes and CIG recommendations – compensation resolutions – UK region**

	For	Against (Withhold)	Abstain	Refer	Other	Total
Actual votes	149	254	64	0	2	469
CIG recommendations	111	247	68	41	2	469

**Table 8: Actual votes and CIG voting template – director election resolutions – UK region**

	For	Against (Withhold)	Abstain	Refer	Other	Total
Actual votes	2,107	503	25	0	0	2,635
CIG recommendations	2,091	485	13	46	0	2,635

**Table 9: Actual votes and CIG voting template – management resolutions – global region**

	For	Against (Withhold)	Abstain	Refer	Other	Total
Actual votes	5573	1067	151	0	50	6,841
CIG recommendations	5466	1047	133	193	2	6,841

**Table 11: Actual votes and CIG recommendations – compensation resolutions – global region**

	For	Against	Abstain	Refer	Other	Total
Actual votes	248	337	8	0	7	600
CIG recommendations	220	328	5	45	2	600

**Table 12: Actual votes and CIG voting template – director election resolutions – global region**

	For	Against	Abstain	Refer	Other	Total
Actual votes	3179	515	121	50	0	3,865
CIG recommendations	3183	516	133	0	33	3,865

**Table 14: Actual votes and CIG voting template – shareholder resolutions – UK region**

	For	Against (Withhold)	Abstain	Refer	Other	Total
Actual votes	7	3	0	0	0	10
CIG recommendations	0	0	0	10	0	10

**Table 15: Actual votes and CIG voting template – shareholder resolutions – global region**

	For	Against (Withhold)	Abstain	Refer	Other	Total
Actual votes	219	68	16	0	4	307
CIG recommendations	77	8	0	222	0	307

Table 13: Actual votes and CIG voting template – director election resolutions – global region

Country	Total	%
USA	183	35.5%
Russia	43	8.3%
Brazil	37	7.2%
France	32	6.2%
Switzerland	28	5.4%
Ireland	26	5.0%
Taiwan	23	4.5%
Japan	23	4.5%
Sweden	16	3.1%
Hong Kong	15	2.9%
South Korea	14	2.7%
South Africa	12	2.3%
China	9	1.7%
Mexico	6	1.2%
Turkey	5	1.0%
Cayman Islands	5	1.0%
Vietnam	4	0.8%
Thailand	4	0.8%
Netherlands	4	0.8%
United Arab Emirates	3	0.6%
Poland	3	0.6%
India	3	0.6%
Canada	3	0.6%
Luxembourg	2	0.4%
Liberia	2	0.4%
Germany	2	0.4%
Egypt	2	0.4%
Curacao	2	0.4%
Belgium	2	0.4%
Indonesia	1	0.2%
Denmark	1	0.2%
Australia	1	0.2%
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