



The Church
Commissioners
for England



Engagement, Screening and Voting Report



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Responsible Investment Team

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Introduction

1. This report provides an annual update on the implementation of engagement, screening and voting in accordance with the ethical policies and stewardship responsibilities of the Church Commissioners.
2. As discussed in the H1 2018 report, when the Church of England Pensions Board created their own engagement function in June 2018, the Commissioners' stewardship function was moved from the joint team in the Pensions Board and integrated into the Commissioners' Responsible Investment team. This is starting to 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 remain shared but, with effect from June 2018, are executed by the Commissioners' Responsible Investment team.
3. **Public policy developments and advocacy**

In January 2018, the Commissioners and Pensions Board responded to the Financial Reporting Council (FRC) consultation on the Revised UK Corporate Governance Code. Our response is available on the [FRC website](#)¹. 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 shareholders' concerns in cases of high shareholder dissent against management²;
 - 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

In July, the Commissioners and Pensions Board welcomed the publication of the new [UK Corporate Governance Code](#)³ and supporting Guidance on Board Effectiveness. The intention is that the revised code should underpin the establishment of a business culture which promotes long-term engagement between companies, investors and wider stakeholders. Company reporting on the Code will be available from 2020 as the Code applies to accounting periods beginning 1 January 2019.

In July, the Commissioners and Pensions Board also responded to the Department for Business, Energy & Industrial Strategy (BEIS) consultation on Insolvency and Corporate governance. We expressed:

- support for companies strengthening their engagement with wider stakeholders;

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

² 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.

³ <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.PDF>

- support for greater disclosure on corporate structure and how directors fulfil their duties against section 172 of the Companies Act 2006; and
- an interest in seeing BEIS promote further guidance on disclosure of auditors' independence as well as greater disclosure on companies' dividend policy and capacity, including distributable profits/reserves.

Finally, in December, the Commissioners and Pensions Board attended the FRC roundtables on the new Stewardship Code. The revised Code will integrate certain objectives of the Shareholder Rights Directive II⁴ which calls for facilitation of the exercise of shareholder rights, institutional investor transparency, and increased accountability from service providers.

4. PRI Assessment

As disclosed in the H1 2018 report, the Commissioners received an 'A' rating for Active Ownership in the latest PRI's assessment report.

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L0828&from=EN>

Engagement

Climate change	Alcohol	Corporate tax	Governance	Extractives
212 companies	32 companies	50 companies	350 companies	Under development
TPI, LSE and FTSE	VigeoEIRIS independent assessment	PRI and independent research	ISS voting data and in-house assessments	Under development

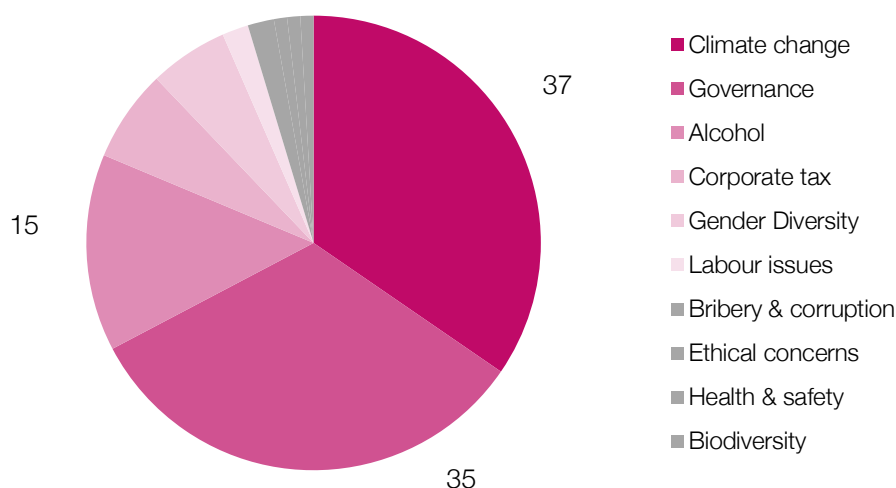
5. Engagement activity in 2018

During 2018, the Commissioners engaged directly with 78 companies through 107 interactions. While 47% of these interventions were part of collaborative programmes, in almost 87% of the activities, the Commissioners took a leading role. 15 companies were the subject of more than one engagement interaction.

The majority of engagements were in the areas of climate change, governance and alcohol. These projects represent over 81% of our engagement efforts. Climate change remains our top engagement priority and we have strengthened our position and profile through our work in Climate Action 100+ and the Transition Pathway Initiative (TPI). We also remain a very active participant in the PRI corporate tax engagement, as well as the 30% Club Investors Group's efforts to support gender diversity.

We engaged with nine of our top 20 holdings, mostly on corporate governance issues, as shown in appendix 3.

6. Chart 1: Commissioners engagement by theme 2018 (107)



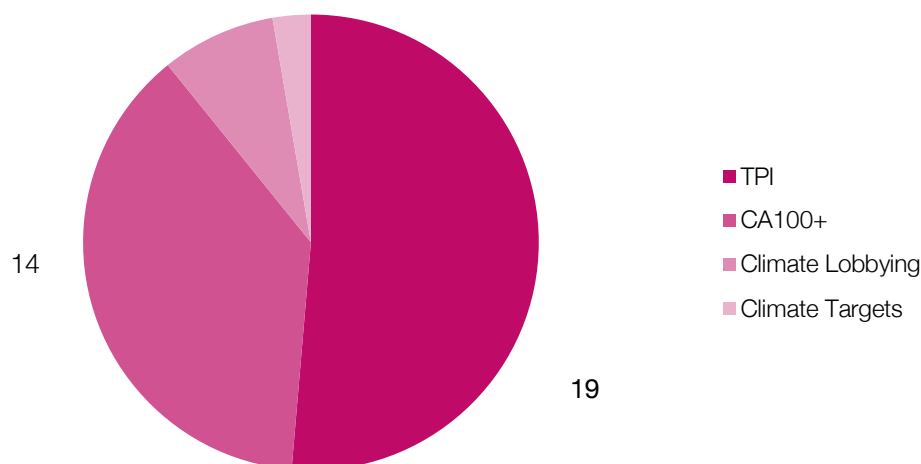
7. Climate Change Programme

2018 saw the further consolidation of the Commissioners' position as an international influencer in climate change engagement.

We led and supported a number of high-profile Climate Action 100+ engagements. Additionally, we participated in a number of industry discussions (including an International Council on Mining and Metals (ICMM)⁵ roundtable to discuss the requirements of the Taskforce on Climate-Related Financial Disclosures (TCFD)⁶ in October 2018) and were requested to provide investor views for a strategy review at IPIECA⁷, the global oil and gas industry association for environmental and social issues.

In summer 2018, we became co-lead for Oil & Gas sector engagements for Climate Action 100+ (CA100+) European companies, under the auspices of the Institutional Investors Group on Climate Change (IIGCC)⁸. This resulted in our leading development of the framework that will be used for assessment of and engagement with major European oil and gas companies.

Chart 2: Climate engagements 2018



⁵ <http://www.icmm.com>

⁶ www.fsb-tcfd.org

⁷ www.ipieca.org

⁸ IIGCC is the European chair of CA100+.

Climate Change Annual Update

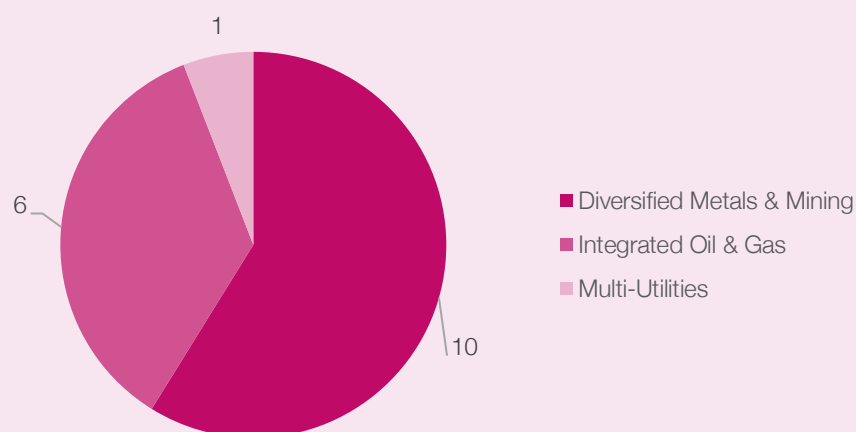
Climate Action 100+



The Church Commissioners joined CA100+ on its inception. This is a global initiative supported by 310 investors with more than USD \$32 trillion in assets under management. The 5-year initiative has a 2023 horizon and focuses on three main areas: climate governance, action and disclosure. TPI became one of its official data partners in 2018 and its assessments will be used to benchmark companies before and during engagement. The Commissioners sit on the Steering Group and Technical Advisory Group of TPI and the Engagement Advisory Group and Resolutions Sub-group of IIGCC.

During 2018, we had 14 major engagement interactions with eight⁹ CA100+ companies on climate strategy and an additional three interactions on climate lobbying.

Chart 3: 2018 CA100+ Engagement by Sector



Glencore

The Commissioners are CA100+ leads for Glencore. In May 2018, we attended Glencore's AGM in Zug, Switzerland, and asked three questions related to emissions targets, remuneration policy and carbon pricing. We met Board and executive team members on multiple occasions during 2018 with discussion focusing on our request that the company should disclose its commitment to strategic alignment with the goals of the Paris Agreement ahead of the company's AGM in 2019.

Glencore was a possible target for a shareholder resolution on climate lobbying. The Company told us of their plans to evaluate the climate lobbying of the trade associations of which they are members and confirmed in an investor letter that they would publish this analysis before their 2019 AGM.

ExxonMobil

The Commissioners are CA100+ leads for Exxon, alongside New York State Common Retirement Fund. In May 2018, we attended Exxon's AGM in Dallas and subsequently commenced CA100+ engagement, including via an in-person meeting in Boston in November. In December we co-filed a shareholder proposal with New York State Common Retirement

⁹ Some engagements are done in the Commissioners' capacity as coordinator of the European CA100+ oil and gas sector and the Commissioners are not necessarily always shareholders at the time of the interaction.

Fund, backed by a coalition of other investors, asking the company to set emissions long term reduction targets covering both its operational and product emissions.

Exxon took a number of steps forward on climate change in 2018 including: publishing its fullest ever climate risk report, becoming a member the Oil and Gas Climate Initiative (OGCI¹⁰), leaving the American Legislative Exchange Council (ALEC¹¹), a lobby organisation known for opposing climate policy, committing \$1m over two years to lobbying for a US carbon tax, and joining a meeting convened by the Pope at the Vatican to discuss the oil and gas industry and climate change.

BP

In 2018, we joined the IIGCC's 8:8 dialogue with BP. This brings together 8 lead investors with 8 representatives of the company. The focus of engagement during the year was the investor side's request that the company should disclose its commitment to strategic alignment with the goals of the Paris Agreement ahead of the company's AGM in 2019.

Transition Pathway Initiative



In July 2018, TPI organised its first 'State of Transition' Summit at the London Stock Exchange, with the Archbishop of Canterbury conducting the market opening prior to a day of discussion reviewing the state of transition of key emissions intensive sectors, the stewardship responsibilities of asset owners and managers, and climate policy gaps. The Summit was attended by global investors and senior company representatives.

TPI engaged with 39 companies during 2018 on behalf of the Commissioners and Pensions Board seeking enhanced public disclosure. Of those, 17 were either direct holdings of the Commissioners or contacted for research purposes (i.e. companies were not held at the time). The Commissioners led engagement with an electricity utilities company due to its significant contribution to the Commissioners' portfolio carbon footprint, as reported in our 2017 Annual Report.

Asian Electricity Utility Company

The investor leads from CA100+ had been unsuccessful in initiating dialogue with the company. We were able to secure a teleconference with the CEO. While we were encouraged by the company's strategy to transition from coal-fired power generation, we were disappointed by its reluctance to disclose information going beyond compliance requirements. We will continue to liaise with the lead investors and to seek enhanced disclosure.

8. Alcohol Engagement Programme

This three-year engagement was launched in Q4 2017 and was followed up in 2018 with direct engagement with all companies in scope to ensure responses to the baseline assessment. During 2018, 15 engagements took place with companies in the UK, US and Belgium. During the year, one of the hotel companies included in the project confirmed their alcohol revenues were below 5% of turnover meaning the company is no longer in scope

¹⁰ www.oilandgasclimateinitiative.com

¹¹ www.alec.org

for our alcohol policy. We made particular inroads with a retailer but remain concerned about their retail of 3-litre high strength white cider bottles.

As we develop the engagement, we are aligning this programme with one of the aims of the UN Sustainable Development Goals (SDGs) to reduce the harm associated with NCDs (Non-Communicable Diseases) by one third by 2030. The SDGs are an area of great interest to other responsible investors and this linkage may help us as we explore avenues for our efforts on responsible alcohol to be taken up more widely in the investment community.

CASE STUDY

Company in the restaurants sector

In May 2018, we attended the company's AGM and met the Chair of the company to discuss our programme and to request a response to our questionnaire. The programme was well received by the Chair who put us in touch with the Head of Technical and Menu Management. They responded to our questionnaire and a meeting was organized in Q3 with the Senior Investment Stewardship Analyst to test some of our findings.

Key takeaway

We found strong leadership support for our responsible alcohol initiative led to significant progress in our assessment. The company looks likely to be recommended for continuing investment eligibility.

9. Corporate Tax Engagement Programme

The UN-backed Principles for Responsible Investment (PRI) collaborative engagement on corporate tax started meetings with focus companies during Q2 2018. The Commissioners were pivotal in generating materials for the initiative in the form of an "Information Pack". This is now used by other investors in their follow-ups with companies.

During the year, we engaged with five companies through 7 interactions. This included outreach through letters, meetings and calls. We organized multi-investor meetings with our two lead companies, namely Microsoft and AstraZeneca.

CASE STUDY

Microsoft

In July 2018 a group of nine investors led by the Church Commissioners held a teleconference with Microsoft. The main takeaways for the company were to work on a global tax strategy (building on their UK statement), to incorporate tax risk in the audit committee charter and to work with investors in enhancing disclosure.

Key takeaway

While US companies are reluctant to speak with investors about corporate tax, it is possible to make progress working with other investors under the auspices of the PRI.

10. Governance Engagement Programme

After the proxy voting season, we reached out to the top 50 holdings where we have consistently voted against management resolutions over multiple years. For FTSE350 companies, this communication also focused on our expected future votes as a result of the annual review of our voting policy¹². This has proven a worthwhile engagement and companies have been responsive to our outreach.

During Q2 2018 we started to engage on board gender diversity in collaboration with the 30% Club Investor Group. The Commissioners took the lead on engagement with a FTSE250 company, while supporting engagements with three other companies in the Oil & Gas and Internet & Direct Marketing Retail sectors.

CASE STUDY

Auto parts & equipment company

The Company was targeted as a member of the FTSE 250 with no female board members. In June 2018 the Commissioners established a dialogue with the Company and led a group of six investors representing over £2.1 trillion of assets.

The Company undertook to explore joining the 30% Club and to take forward their work on executive pipeline¹³ diversity. In August 2018, the Company announced the appointment of their first female Non-Executive Director. We welcomed the news and urged continued focus on widening female representation at board and senior executive level.

11. Extractive Industries Engagement Programme

Following the launch of the Extractive Industries Policy at the end of 2017, the Pensions Board has been leading work developing a methodology for assessment of and engagement with companies. Discussions were also held with ICMM and IPIECA on specific aspects of the proposed programme to receive industry input. A programme co-ordinated across the National Investing Bodies (NIBs) is expected to commence during 2019.

¹² This is done in collaboration with the CIG (Church Investors Group).

¹³ Senior management or direct reports to the Executive Committee.

Screening

12. In 2018, we strengthened our approach to excluding companies involved in cluster munitions and landmines by extending our restriction to capture any company more than 30 percent owned by a parent company involved in these highly controversial indiscriminate weapons.
13. Following the tragic mass shooting at Marjory Stoneman Douglas High School in Parkland Florida in February 2018, where 17 people (fourteen students and three staff) were killed by a 19-year old armed with an assault weapon, the Church Commissioners, along with the other NIBs, decided to tighten further our approach to non-military firearms and to implement a precautionary zero-tolerance approach to companies manufacturing or selling assault weapons (precautionary because no such companies were held). Companies deriving any revenues whatsoever from the manufacture or sale of assault weapons are now being excluded from direct investment with no turnover threshold applied.
14. With regard to our gambling exclusion, it is worth noting that in May the UK government announced a £2 stake limit on fixed-odds betting terminals, an issue on which the Church of England has taken a lead campaigning on.
15. In 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%
2018 Civilian Firearms (semi-automatic)	>0%
2015 Climate Change (Thermal Coal / Oil Sands)	10%
2010 Defence	Indiscriminate weapons >0% Conventional weapons 10%
2003 Gambling	10%
2011 Predatory Lending	10%
1965 Tobacco	10%
2008 Human Embryonic Cloning ¹⁴	10%

¹⁴ Note this screen, which was never breached, will not be applied from 2019 onwards due to changes in the EIAG's advice.

16. The following table indicates the number of companies captured by screens in 2018:¹⁵

Screen category	Companies screened (last report)	% of total exclusions
Defence	92 (94)	26.7
Gambling	89 (93)	25.8
Alcohol	51 (51)	14.8
Climate Change	45 (44)	13.0
Tobacco	33 (35)	9.6
Special	21 (22)	6.1
Predatory Lending	12 (12)	3.5
Adult Entertainment and Alcohol	1 (1)	0.3
Human Embryonic Cloning ¹⁶	1 (1)	0.3
Defence and Climate Change	0 (1)	0.0
Alcohol and Tobacco	0 (1)	0.0
Total	345 (355)	

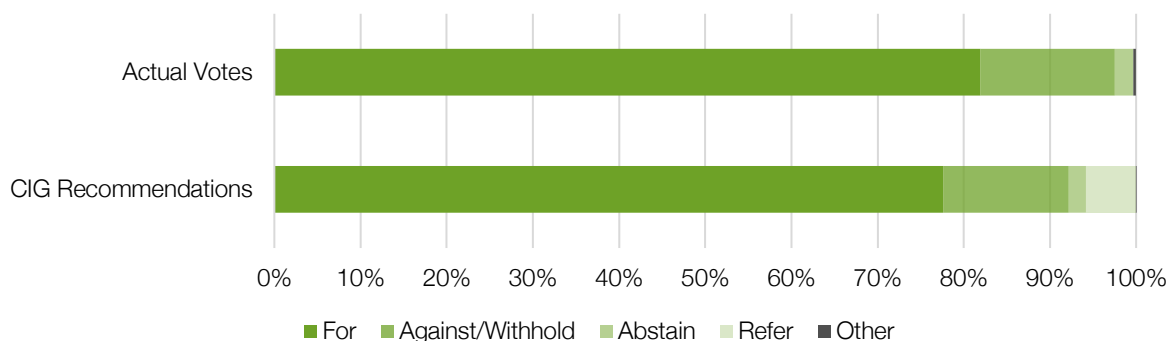
¹⁵ This reflects the restricted list as of October 2018 (effective from October 2018 to January 2019).

¹⁶ This was a precautionary exclusion rather than a formal breach.

Voting: Overview

17. This 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 markets¹⁷). The majority of votes cast were as generated under the approach set out in the agreed Church Investors Group (CIG) voting template. Where required, discretion was exercised to cast a different vote.
18. Discretion is applied when the vote generated under the template does not reflect the Church Commissioners' ethical investment objectives. In 2018 discretion was used 171 times to deviate from standard voting outcomes under the CIG template. In all instances consent from investment staff was obtained before votes were cast.
19. Particular highlights from 2018 are:

Chart 4: Actual votes and CIG recommendations – UK and global region (17,066)



- In 2018 the Church Commissioners voted on 17,066 resolutions presented at 1,146 meetings across 55 different markets (64.3%¹⁸ Global; 35.7% UK¹⁹ Region). The majority of the meetings were voted during the period March to June (73.5%).
- The Church Commissioners voted against management (or withheld votes) on 15.6% of resolutions presented in the UK and the Global regions.
- In the period 992 votes were referred for evaluation. After careful consideration, we acted as followed on these referred votes:
 - UK: 349 referrals (4.4% of UK votes) resulting in:
 - Abstain: 8
 - Against: 25
 - For: 316

¹⁷ In countries in which shares that must be deposited for a certain period of time or blocked from trading for that period of time in order to be voted at the annual meeting ([Center for Financial Market Integrity](#)).

¹⁸ Percentage is based on country of incorporation.

¹⁹ UK region includes Bermuda, Guernsey, Jersey, the Isle of Man and the United Kingdom.

- Global: 643 referrals (7.0% of Global votes) resulting in:
 - Abstain: 34
 - Against/Withhold: 133
 - For: 459
 - Other 17²⁰
- Details of vote instructions for the Commissioners' top 20 Holdings as of the end of 2017 are available in appendix 1. In 2018, we started reporting voting data in chart format; full raw data is available in appendix 2.

20. 2018 voting template

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

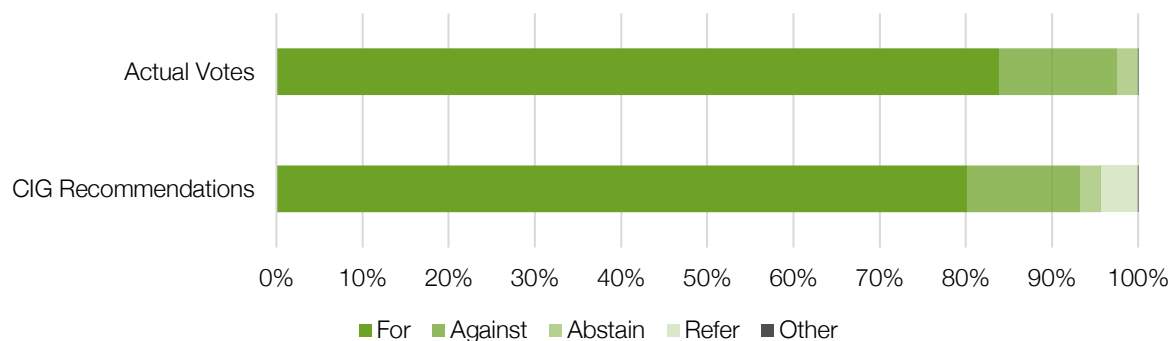
²⁰ Other includes votes pertaining to the frequency of remuneration disclosure as well as no votes

Voting: Management Resolutions (UK)

Overview

21. In 2018, the Church Commissioners voted on 7,905 management resolutions and voted against management on 13.8% of resolutions. The main concerns were remuneration (including oversight provided by the Remuneration Committee), auditor independence, gender representation at board level and political donations.

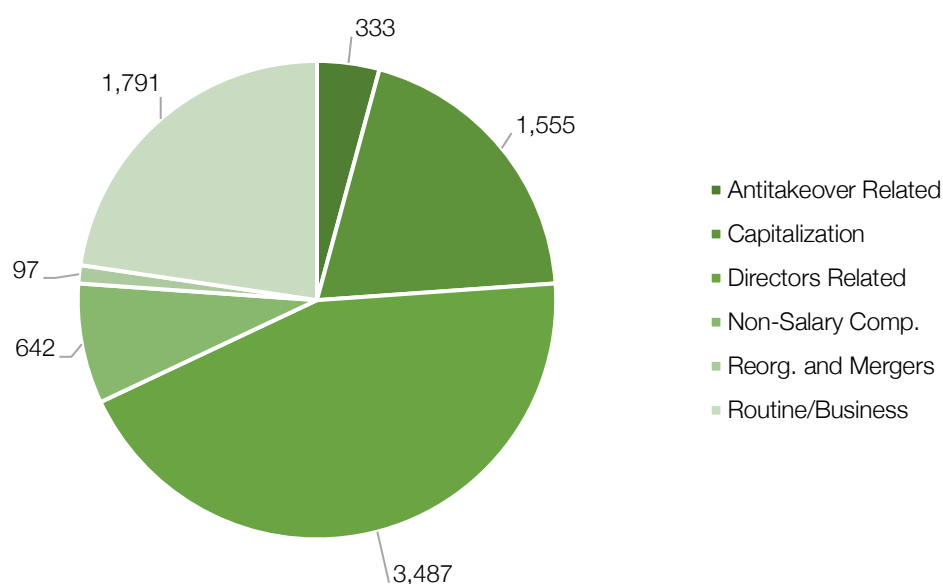
22. **Chart 5: Actual votes and CI&G recommendations – management resolutions – UK region (7,905)**



23. 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 (51.4%), followed by resolutions on the remuneration-related issues (33.9%). The majority of dissent votes were also cast for resolutions relating to remuneration and director-related resolutions. A detailed analysis of dissent votes on executive pay and director elections is presented under the “Remuneration-UK” section and “Directors – UK”.

24. **Chart 6: Resolution category types**



Remuneration (UK)

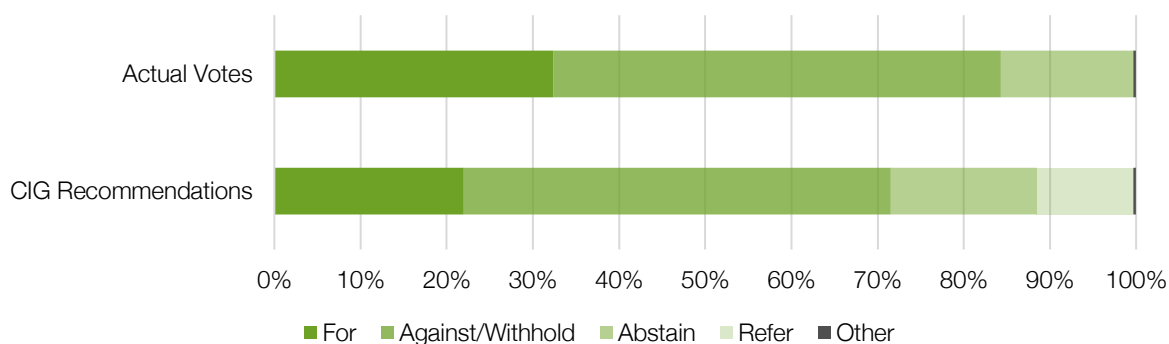
25. Remuneration-related resolutions

In 2018, the Church Commissioners voted on 642 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, 62.3% of compensation resolutions were related to approval of remuneration reports and 16.8% 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 60.0% of remuneration reports and 53.7% 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 use of discretion in determining the grant of bonuses or termination payments.

Despite the increasing shareholder expectations on environmental and social issues, nearly half of 2018's dissent votes on UK remuneration resulted from the lack of ESG performance measures linked to executive variable pay. We also remained concerned about the short-termism of annual bonuses, excessive pay-outs and remuneration packages that did not reflect accurately the companies' performance and investors' returns. Our concerns with remuneration also triggered our withdrawal of support to the re-election of the Chair of Remuneration Committees where the Commissioners voted against management on executive pay for at least two consecutive years. It is estimated that this affected half of the companies whose executive pay we did not support in 2018.

26. Chart 7: Actual votes and CIG recommendations – compensation resolutions – UK region (642)



27. From Q1, as result of the UK Government calling on all listed companies to publish their pay ratios between executive directors and the rest of the workforce, we started abstaining on the approval of remuneration reports where companies did not disclose such pay ratios. In 2018, the Commissioners abstained on the approval of remuneration reports and policies of 72 UK companies due to the lack of disclosure of their CEO/employee pay ratio. Our votes concur with the FRC's findings which state "the quality of remuneration committee reporting has remained static in 2017/18. In particular, the standard of reporting on the relationship between directors' remuneration and employee pay, and the successful

achievement of company strategy, is poor”²¹. In this regard, the Church Commissioners welcome the Investment Association 2018 Principles of Remuneration²² (November 2018) calling on companies to “adopt new pay ratio reporting requirements early, to maximise transparency over pay and ensure that there is accountability for high levels of pay internally”²³.

CASE STUDY

Homebuilding company: 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. Back in 2012, the Church Commissioners voted against the remuneration policy.

This award garnered widespread investor and public scrutiny, especially 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 Chair of the Board and the Chair of Remuneration Committee tendered their resignations, accepting responsibility for the lack of a cap within the scheme rules on the eve of the AGM. In November 2018, the Board asked for the CEO's resignation due to the negative impact on the reputation of the business triggered by his 2018 pay-out.

VOTE: Against

Directors (UK)

28. Director elections resolutions

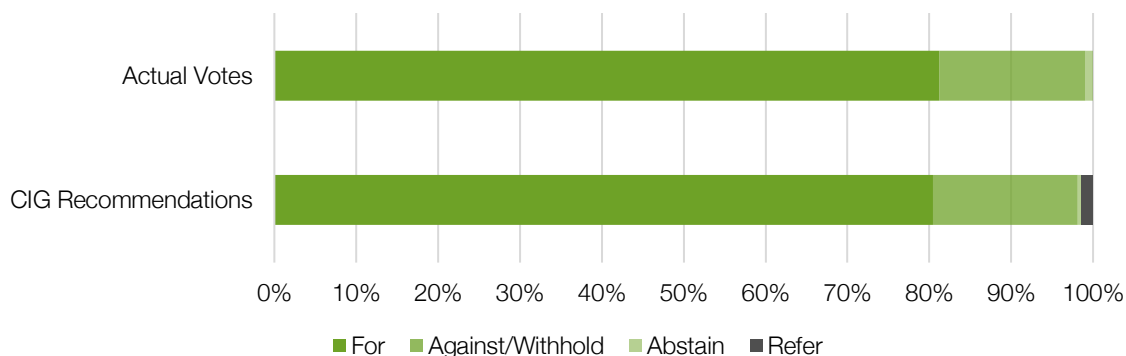
In 2018, the Church Commissioners voted on 3,487 resolutions related to director elections, of which 17.9% were votes against management recommendations. Director-related resolutions cover the election and re-election of directors including the chairs and members of various committees. The Church Commissioners assess independence and board composition when voting on board members as well as how well board committees are implementing best practices on corporate governance and responding to shareholders' feedback. For instance, the Commissioners vote against the re-election of the Chair of the Audit Committee where concerns about auditor tenure exist or the percentage of non-audit fees exceed audit fees on a continuous basis and without justifiable explanation.

²¹ FRC. 2019. Annual Review of Corporate Governance and Report 2017/18. [Online]. [10 January 2019]. Available from: <https://www.frc.org.uk/getattachment/f70e56b9-7daf-4248-a1ae-a46bad67c85e/Annual-Review-of-CG-R-241018.pdf>

²² <https://www.ivas.co.uk/media/13874/Principles-of-Remuneration-Nov-2018-FINAL.pdf>

²³ <https://www.theinvestmentassociation.org/media-centre/press-releases/2018/high-pay-under-fire-in-toughened-investor-rules.html>

29. Chart 8: Actual votes and CIG voting template – director election resolutions – UK region (3,487)



30. Audit

As previously stated, the Church Commissioners vote against the re-election of the Chair of Audit Committees where non-audit fees exceed audit fees in consecutive years without adequate explanation, there is a lack of auditor refreshment or non-audit fees are not disclosed. In 2018, we voted against director elections at 76 companies due to concerns about audit tenure. Our concerns concur with the findings of the [study](#)²⁴ run by the Competition and Markets Authority (CMA) on audit quality which stated that “choice is too limited, with the Big Four audit firms conducting 97% of the audits of the biggest companies”²⁵. We also welcomed the CMA’s proposal for legislation to “separate audit from consulting services; introduce measures to substantially increase the accountability of those chairing audit committees in firms, and impose a ‘joint audit’ regime giving firms outside the Big Four a role in auditing the UK’s biggest companies”.²⁶

31. Gender Diversity

As members of the UK Investor Group of the 30% Club, the Church Commissioners are supporters of the Hampton-Alexander review recommendations. As a consequence, we scrutinize companies which are not deemed to promote gender diversity at board level. In 2018, we voted against director elections at 136 companies due to concerns over the Nomination Committee’s lack of action to address gender diversity. As of January 2019, the Church Commissioners remain concerned that 53.7% of FTSE 350 companies have boards in which female representation is less than 30 percent. This includes 1.7% of FTSE 350 boards without any female directors²⁷.

²⁴ <https://www.gov.uk/cma-cases/statutory-audit-market-study>

²⁵ <https://www.gov.uk/government/news/cma-proposes-reforms-to-improve-competition-in-audit-sector>

²⁶ <https://www.gov.uk/government/news/cma-proposes-reforms-to-improve-competition-in-audit-sector>

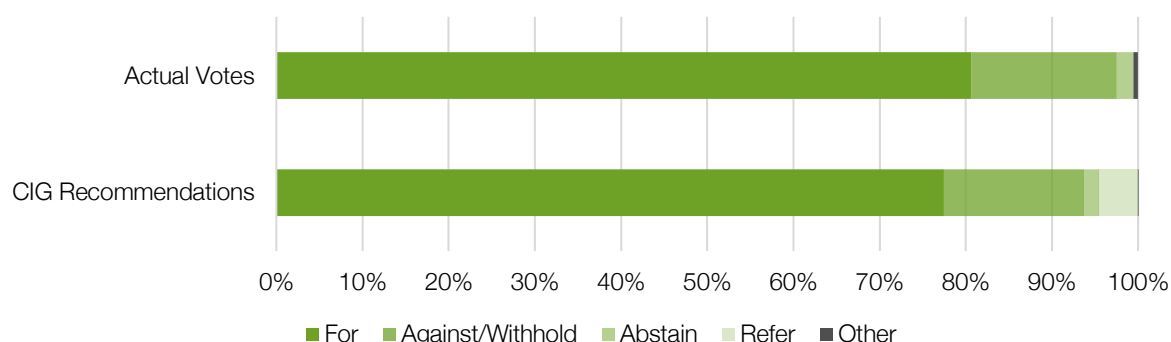
²⁷ Data calculated by exporting MSCI data on January 15 2019.

Voting: Management Resolutions (Global)

Overview

32. In 2018, the Church Commissioners voted on 8,812 management resolutions. Of these, we expressed dissent against management in 16.9% of 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).

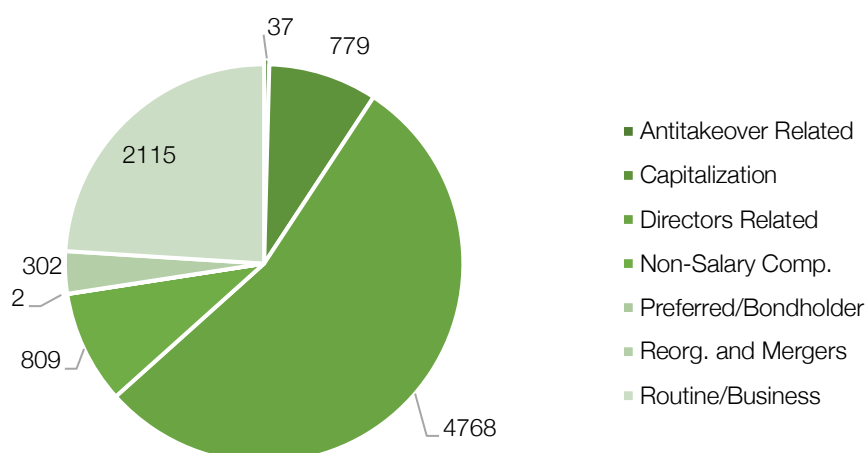
33. Chart 9: Actual votes and CIG voting template – management resolutions – global region (8,812)



34. Resolution category types

Not surprisingly the majority of resolutions voted on during the quarter were related to director re-elections (45.6%), followed by resolutions on compensation (32.6%). 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 policies. A fuller discussion about this topic is available in the Remuneration section.

35. Chart 10: Resolution category types



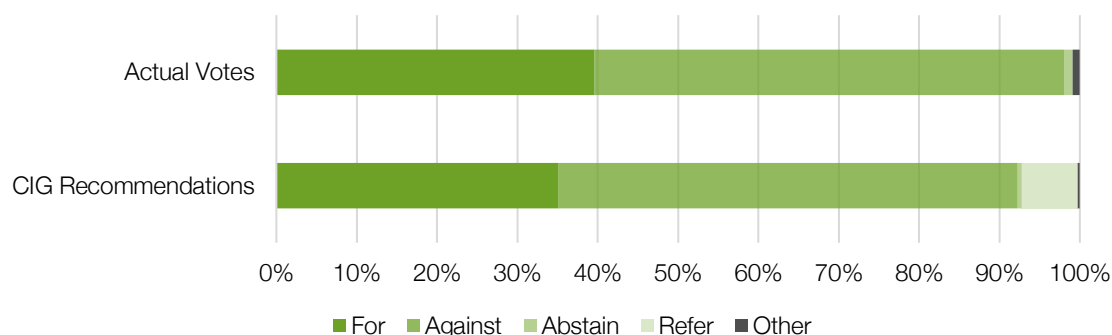
Remuneration (Global)

36. Remuneration-related resolutions

In 2018, the Commissioners voted on 809 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.

During the year, 51.7% of the compensation resolutions were related to approval of remuneration reports, 13.1% related to approval of remuneration policies and 6.3% related to approval of executive share plans and LTIPs. In this regard, we withdrew support from 68.9% of remuneration reports, 64.2 % of remuneration policies and 60.8% of executive share plans/LTIPs.

37. Chart 11: Actual votes and CIG recommendations – compensation resolutions – global region (809)



38. Among the 45 refer votes during the period, we withdrew support from approval of the remuneration report of an Oil & Gas Drilling company its executive pay did not take into consideration ESG issues and the Company's LTIP was time-based and not linked to performance-based metrics. We also withdrew support from approval of the Remuneration Policy for the Chairman and CEO at another oil and gas company (this 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. Furthermore, the Company's 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".

39. 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.

CASE STUDY

A Financial Company - 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.

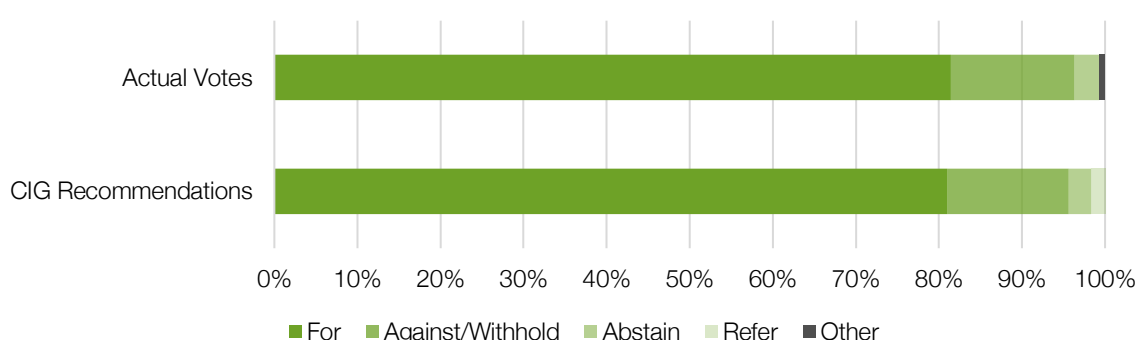
We withdrew support given that total CEO pay increased 12.5 percent despite the decline of net income, EPS (Earning per Share), ROA (Return on Assets) and ROIC (Return on Invested Capital) compared to 2016. With regards to the bonus, the committee is deemed to have excessive discretion in determining 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)

40. In 2018, the Church Commissioners voted on 4,768 director-related resolutions. Of these, we voted against 14.9% of 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 independence and board composition when voting on board members as well as how well board committees are implementing best practices on corporate governance and responding to shareholders' feedback.

41. Chart 12: Actual votes and CIG voting template – director election resolutions – global region (4,768)



42. Since 2018 the Church Commissioners, as co-founders of TPI, have voted against the re-election of Chairs of the Board when companies had insufficient disclosure or processes to manage their contribution to climate change. In 2018, we voted against the re-election of the Chair of the Board at two companies.

43. In 2018, we withdrew our support from 711 director related resolutions. The majority of our dissent votes focussed on companies incorporated in the United States, Switzerland, Russia, Brazil and Hong Kong. The main rationales behind our dissent were board

structures, 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.

44. Chart 13: Director election – dissent ballots

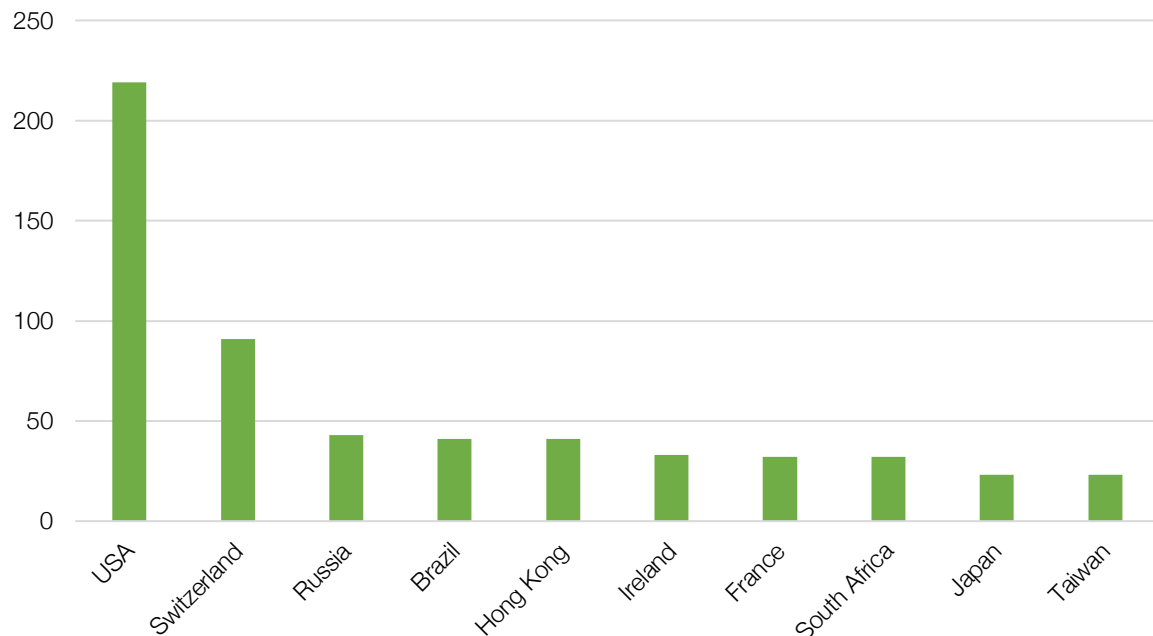


Chart 13 indicates the countries with the highest dissent vote on director re-election by ballot (See Table 13 on page 28 for full details).

CASE STUDY

Amazon.com, Inc.- Elect Director Jeff Bezos

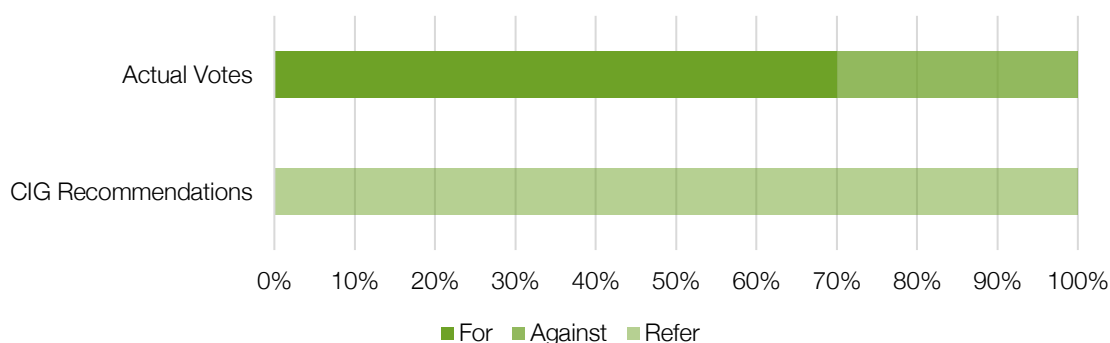
We withdrew support for the re-election of Jeff Bezos as president of the Company because, in line with best practice and the CIG guidelines, unfettered consolidation of power is deemed detrimental to minority shareholders. Jeff Bezos is the founder of the company (owning 16.3% of Amazon's voting rights)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

Vote: AGAINST

Voting: Shareholder Resolutions (UK)

45. In 2018, the Church Commissioners voted on four UK shareholder-proposed resolutions, voting in support of three out of these four proposals. The supported proposals were related to climate change (Oil and Gas), asset reporting (Hotel & Leisure Company) and shareholder rights (Banks). We voted against a proposal to establish a shareholder committee (Banks).

46. **Chart 14: Actual votes and CIG recommendations – shareholder resolutions – UK region (10)**²⁸



47. In 2018, 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.

48. 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.

49. Despite the fact that neither the leading proxy advisors nor the board supported the resolution and UK shareholders were denied a vote, the resolution received 18% support (representing investors with £1.8 trillion of assets under management) making the resolution one of best supported shareholder resolutions in Australian corporate history²⁹.

²⁸ Ten ballots related to four shareholder resolutions.

²⁹ <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’ – 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 had 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.

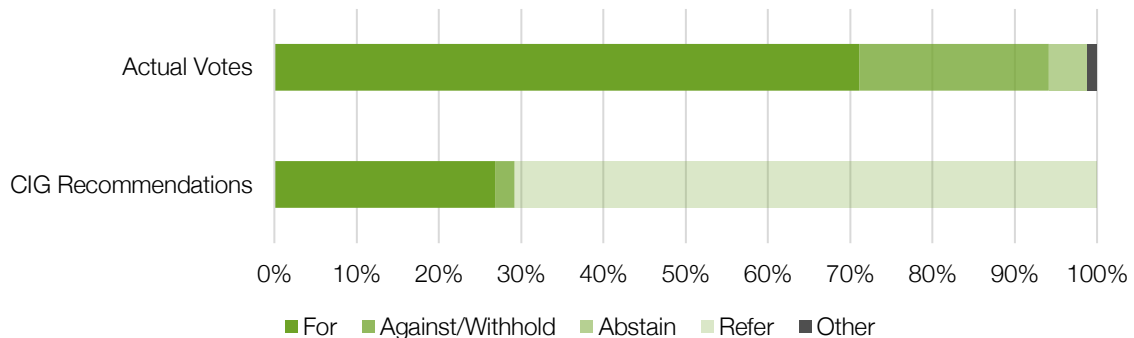
In December 2018, Shell published a joint statement³⁰ with CA100+ investors, committing the company to disclose short-term emissions targets linked to remuneration, undertake reviews of progress, align climate reporting with the TCFD recommendations and review trade associations’ activities on climate lobbying.

Vote: FOR

³⁰ https://www.shell.com/media/news-and-media-releases/2018/joint-statement-between-institutional-investors-on-behalf-of-climate-action-and-shell/_jcr_content/par/textimage_d010.stream/1543782013771/6ef313062ba4c7e9d1b6f348595c553177c46e021e1310491a2053b0dbfa3991/03-dec-2018-joint-statement-institutional-investors-and-shell.pdf

Voting: Shareholder Resolutions (Global)

50. Chart 15: Actual votes and CIG voting template – shareholder resolutions – global region (339)



51. In 2018, the Church Commissioners voted on 339 shareholder resolution ballots proposed at 96 global meetings. Most of the shareholder-proposed resolutions were related to standard corporate governance matters like appointments 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.

52. 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 responsibility over "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 on climate risk at the 2017 AGM co-filed by the Church Commissioners, the Company published a report in February 2018 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 make sufficiently comprehensive disclosure on climate risk. 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 on Exxon in Climate Action 100+, the Church Commissioners are continuing to engage 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 1: Actual votes and CIG 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	13,984	2,657	369	0	56	17,066
CIG recommendations	13,246	2,489	335	992	4	17,066

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

	For	Against (+Withhold)	Abstain	Refer	Other	Total
Actual votes	6,628	1,088	187	0	2	7,905
CIG recommendations	6,332	1,043	189	339	2	7,905

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

	For	Against (+Withhold)	Abstain	Refer	Other	Total
Actual votes	208	333	99	0	2	642
CIG recommendations	141	318	109	72	2	642

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

	For	Against (+Withhold)	Abstain	Refer	Other	Total
Actual votes	2,832	623	32	0	0	3,487
CIG recommendations	2,804	617	16	50	0	3,487

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

	For	Against (+Withhold)	Abstain	Refer	Other	Total
Actual votes	6,823	1,438	146	403	2	8,812
CIG recommendations	7,105	1,491	166	0	50	8,812

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

	For	Against (+Withhold)	Abstain	Refer	Other	Total
Actual votes	320	473	9	0	7	809
CIG recommendations	284	462	4	57	2	809

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

	For	Against (+Withhold)	Abstain	Refer	Other	Total
Actual votes	3,883	711	141	0	33	4,768
CIG recommendations	3,860	699	129	80	0	4,768

Table 13: Geographical distribution of top 10 countries by Director Re-Election Dissent (in percentage)

Country	% of Dissent Vote
USA	30.8%
Switzerland	12.8%
Russia	6.0%
Brazil	5.8%
Hong Kong	5.8%
Ireland	4.6%
France	4.5%
South Africa	4.5%
Japan	3.2%
Taiwan	3.2%

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	241	78	16	0	4	339
CIG recommendations	91	8	0	240	0	339

Appendix 2: 2018 AGM voting – twenty largest global equity holdings

Company Name	Proposal Code Description	Management Recommendation	Vote Instruction
Acuity Brands Inc.	1a Elect Director Peter C. Browning	For	For
	1b Elect Director G. Douglas Dillard, Jr.	For	For
	1c Elect Director Ray M. Robinson	For	For
	1d Elect Director Norman H. Wesley	For	For
	1e Elect Director Mary A. Winston	For	For
	2 Ratify EY as Auditors	For	For
	3 Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
	4 Advisory Vote on Say on Pay Frequency	One Year	One Year
	5 Amend Omnibus Stock Plan	For	For
	6 Approve Executive Incentive Bonus Plan	For	Against
	7 Report on Sustainability* ³¹	Against	For
Alphabet Inc.	1.1 Elect Director Larry Page	For	For
	1.2 Elect Director Sergey Brin	For	For
	1.3 Elect Director Eric E. Schmidt	For	For
	1.4 Elect Director L. John Doerr	For	Withhold
	1.5 Elect Director Roger W. Ferguson, Jr.	For	For
	1.6 Elect Director Diane B. Greene	For	For
	1.7 Elect Director John L. Hennessy	For	For
	1.8 Elect Director Ann Mather	For	Withhold
	1.9 Elect Director Alan R. Mulally	For	For
	1.10 Elect Director Sundar Pichai	For	For
	1.11 Elect Director K. Ram Shriram	For	Withhold
	2 Ratify Ernst & Young LLP as Auditors	For	For
	3 Amend Omnibus Stock Plan	For	Against

	4 Approve Recapitalization Plan for all Stock to Have One-vote per Share*	Against	For
	5 Report on Lobbying Payments and Policy*	Against	For
	6 Report on Gender Pay Gap*	Against	For
	7 Adopt Simple Majority Vote*	Against	Against
	8 Assess Feasibility of Including Sustainability as a Performance Measure for Senior Executive Compensation*	Against	For
	9 Adopt a Policy on Board Diversity*	Against	For
	10 Report on Major Global Content Management Controversies*	Against	For
Amazon.com Inc.	1a Elect Director Jeffrey P. Bezos	For	Against
	1b Elect Director Tom A. Alberg	For	For
	1c Elect Director Jamie S. Gorelick	For	For
	1d Elect Director Daniel P. Huttenlocher	For	For
	1e Elect Director Judith A. McGrath	For	For
	1f Elect Director Jonathan J. Rubinstein	For	For
	1g Elect Director Thomas O. Ryder	For	For
	1h Elect Director Patricia Q. Stonesifer	For	For
	1i Elect Director Wendell P. Weeks	For	For
	2 Ratify Ernst & Young LLP as Auditors	For	For
	3 Advisory Vote to Ratify Named Executive Officers' Compensation	For	For
	4 Adopt Policy on Board Diversity*	*Withdrawn Resolution*	
	5 Require Independent Board Chairman*	Against	For
	6 Provide Vote Counting to Exclude Abstentions*	Against	Against
Astrazeneca Plc.	1 Accept Financial Statements and Statutory Reports	For	For
	2 Approve Dividends	For	For
	3 Reappoint PricewaterhouseCoopers LLP as Auditors	For	For
	4 Authorise Board to Fix Remuneration of Auditors	For	For
	5a Re-elect Leif Johansson as Director	For	For

	5b Re-elect Pascal Soriot as Director	For	For
	5c Re-elect Marc Dunoyer as Director	For	For
	5d Re-elect Genevieve Berger as Director	For	For
	5e Re-elect Philip Broadley as Director	For	For
	5f Re-elect Graham Chipchase as Director	For	Against
	5g Elect Deborah DiSanzo as Director	For	For
	5h Re-elect Rudy Markham as Director	For	For
	5i Elect Sheri McCoy as Director	For	For
	5j Elect Nazneen Rahman as Director	For	For
	5k Re-elect Shriti Vadera as Director	For	For
	5l Re-elect Marcus Wallenberg as Director	For	Against
	6 Approve Remuneration Report	For	Against
	7 Approve EU Political Donations and Expenditure	For	Against
	8 Authorise Issue of Equity with Pre-emptive Rights	For	For
	9 Authorise Issue of Equity without Pre-emptive Rights	For	For
	10 Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For
	11 Authorise Market Purchase of Ordinary Shares	For	For
	12 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
	13 Adopt New Articles of Association	For	For
Baidu Inc.	Data Not Available		
BP Plc	1 Accept Financial Statements and Statutory Reports	For	For
	2 Approve Remuneration Report	For	Against
	3 Re-elect Bob Dudley as Director	For	For
	4 Re-elect Brian Gilvary as Director	For	For
	5 Re-elect Nils Andersen as Director	For	For
	6 Re-elect Alan Boeckmann as Director	For	For
	7 Re-elect Frank Bowman as Director	For	For

	8 Elect Dame Alison Carnwath as Director	For	For
	9 Re-elect Ian Davis as Director	For	For
	10 Re-elect Dame Ann Dowling as Director	For	For
	11 Re-elect Melody Meyer as Director	For	For
	12 Re-elect Brendan Nelson as Director	For	For
	13 Re-elect Paula Reynolds as Director	For	For
	14 Re-elect Sir John Sawers as Director	For	For
	15 Re-elect Carl-Henric Svanberg as Director	For	For
	16 Appoint Deloitte LLP as Auditors and Authorise Their Remuneration	For	For
	17 Authorise EU Political Donations and Expenditure	For	Against
	18 Authorise Issue of Equity with Pre-emptive Rights	For	For
	19 Authorise Issue of Equity without Pre-emptive Rights	For	For
	20 Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For
	21 Authorise Market Purchase of Ordinary Shares	For	For
	22 Adopt New Articles of Association	For	For
	23 Approve Scrip Dividend Program	For	For
	24 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
Cerner Corp.	1a Elect Director Mitchell E. Daniels, Jr.	For	For
	1b Elect Director Clifford W. Illig	For	For
	2 Ratify KPMG LLP as Auditors	For	For
	3 Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
Glaxosmithkline Plc	1 Accept Financial Statements and Statutory Reports	For	For
	2 Approve Remuneration Report	For	Against
	3 Elect Dr Hal Barron as Director	For	For
	4 Elect Dr Laurie Glimcher as Director	For	For
	5 Re-elect Philip Hampton as Director	For	For

	6 Re-elect Emma Walmsley as Director	For	For
	7 Re-elect Vindi Banga as Director	For	For
	8 Re-elect Dr Vivienne Cox as Director	For	For
	9 Re-elect Simon Dingemans as Director	For	For
	10 Re-elect Lynn Elsenhans as Director	For	For
	11 Re-elect Dr Jesse Goodman as Director	For	For
	12 Re-elect Judy Lewent as Director	For	For
	13 Re-elect Urs Rohner as Director	For	Against
	14 Appoint Deloitte LLP as Auditors	For	For
	15 Authorise the Audit & Risk Committee to Fix Remuneration of Auditors	For	For
	16 Authorise EU Political Donations and Expenditure	For	For
	17 Authorise Issue of Equity with Pre-emptive Rights	For	For
	18 Authorise Issue of Equity without Pre-emptive Rights	For	For
	19 Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For
	20 Authorise Market Purchase of Ordinary Shares	For	For
	21 Approve the Exemption from Statement of the Name of the Senior Statutory Auditor in Published Copies of the Auditors' Reports	For	For
	22 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
	23 Adopt New Articles of Association	For	For
Henry Schein Inc.	1a Elect Director Barry J. Alperin	For	Against
	1b Elect Director Gerald A. Benjamin	For	For
	1c Elect Director Stanley M. Bergman	For	Against
	1d Elect Director James P. Breslawski	For	For
	1e Elect Director Paul Brons	For	For
	1f Elect Director Shira Goodman	For	For
	1g Elect Director Joseph L. Herring	For	For
	1h Elect Director Kurt P. Kuehn	For	For

	1i Elect Director Philip A. Laskawy	For	For
	1j Elect Director Anne H. Margulies	For	For
	1k Elect Director Mark E. Mlotek	For	For
	1l Elect Director Steven Paladino	For	For
	1m Elect Director Carol Raphael	For	For
	1n Elect Director E. Dianne Rekow	For	For
	1o Elect Director Bradley T. Sheares	For	For
	2 Increase Authorized Common Stock	For	For
	3 Adopt the Jurisdiction of Incorporation as the Exclusive Forum for Certain Disputes	For	Against
	4 Amend Certificate of Incorporation	For	For
	5 Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
	6 Ratify BDO USA, LLP as Auditors	For	For
HSBC Holdings Plc	1 Accept Financial Statements and Statutory Reports	For	For
	2 Approve Remuneration Report	For	Against
	3(a) Elect Mark Tucker as Director	For	For
	3(b) Elect John Flint as Director	For	For
	3(c) Re-elect Kathleen Casey as Director	For	For
	3(d) Re-elect Laura Cha as Director	For	For
	3(e) Re-elect Henri de Castries as Director	For	For
	3(f) Re-elect Lord Evans of Weardale as Director	For	For
	3(g) Re-elect Irene Lee as Director	For	Against
	3(h) Re-elect Iain Mackay as Director	For	For
	3(i) Re-elect Heidi Miller as Director	For	For
	3(j) Re-elect Marc Moses as Director	For	For
	3(k) Re-elect David Nish as Director	For	For
	3(l) Re-elect Jonathan Symonds as Director	For	For
	3(m) Re-elect Jackson Tai as Director	For	For
	3(n) Re-elect Pauline van der Meer Mohr as Director	For	Against

	4 Reappoint PricewaterhouseCoopers LLP as Auditors	For	For
	5 Authorise the Group Audit Committee to Fix Remuneration of Auditors	For	For
	6 Authorise EU Political Donations and Expenditure	For	Against
	7 Authorise Issue of Equity with Pre-emptive Rights	For	For
	8 Authorise Issue of Equity without Pre-emptive Rights	For	For
	9 Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For
	10 Authorise Directors to Allot Any Repurchased Shares	For	For
	11 Authorise Market Purchase of Ordinary Shares	For	For
	12 Authorise Issue of Equity in Relation to Contingent Convertible Securities	For	For
	13 Authorise Issue of Equity without Pre-emptive Rights in Relation to Contingent Convertible Securities	For	For
	14 Approve Scrip Dividend Alternative	For	For
	15 Adopt New Articles of Association	For	For
	16 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
Lloyds Banking Group Plc	1 Accept Financial Statements and Statutory Reports	For	For
	2 Elect Lord Lupton as Director	For	For
	3 Re-elect Lord Blackwell as Director	For	Against
	4 Re-elect Juan Colombas as Director	For	For
	5 Re-elect George Culmer as Director	For	For
	6 Re-elect Alan Dickinson as Director	For	For
	7 Re-elect Anita Frew as Director	For	Against
	8 Re-elect Simon Henry as Director	For	Against
	9 Re-elect Antonio Horta-Osorio as Director	For	For
	10 Re-elect Deborah McWhinney as Director	For	For
	11 Re-elect Nick Prettejohn as Director	For	For

	12 Re-elect Stuart Sinclair as Director	For	For
	13 Re-elect Sara Weller as Director	For	For
	14 Approve Remuneration Report	For	Against
	15 Approve Final Dividend	For	For
	16 Reappoint PricewaterhouseCoopers LLP as Auditors	For	For
	17 Authorise the Audit Committee to Fix Remuneration of Auditors	For	For
	18 Authorise EU Political Donations and Expenditure	For	Against
	19 Authorise Issue of Equity with Pre-emptive Rights	For	For
	20 Authorise Issue of Equity in Relation to the Issue of Regulatory Capital Convertible Instruments	For	For
	21 Authorise Issue of Equity without Pre-emptive Rights	For	For
	22 Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For
	23 Authorise Issue of Equity without Pre-emptive Rights in Relation to the Issue of Regulatory Capital Convertible Instruments	For	For
	24 Authorise Market Purchase of Ordinary Shares	For	For
	25 Authorise Market Purchase of Preference Shares	For	For
	26 Adopt New Articles of Association	For	For
	27 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
Microsoft Corp.	1.1 Elect Director William H. Gates, III	For	For
	1.2 Elect Director Reid G. Hoffman	For	For
	1.3 Elect Director Hugh F. Johnston	For	For
	1.4 Elect Director Teri L. List-Stoll	For	For
	1.5 Elect Director Satya Nadella	For	For
	1.6 Elect Director Charles H. Noski	For	For
	1.7 Elect Director Helmut Panke	For	For
	1.8 Elect Director Sandra E. Peterson	For	For

	1.9 Elect Director Penny S. Pritzker	For	For
	1.10 Elect Director Charles W. Scharf	For	For
	1.11 Elect Director Arne M. Sorenson	For	For
	1.12 Elect Director John W. Stanton	For	Against
	1.13 Elect Director John W. Thompson	For	For
	1.14 Elect Director Padmasree Warrior	For	For
	2 Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
	3 Ratify Deloitte & Touche LLP as Auditors	For	For
Oracle Corp.	1.1 Elect Director Jeffrey S. Berg	For	Withhold
	1.2 Elect Director Michael J. Boskin	For	For
	1.3 Elect Director Safra A. Catz	For	For
	1.4 Elect Director Bruce R. Chizen	For	Withhold
	1.5 Elect Director George H. Conrades	For	Withhold
	1.6 Elect Director Lawrence J. Ellison	For	Withhold
	1.7 Elect Director Hector Garcia-Molina	For	For
	1.8 Elect Director Jeffrey O. Henley	For	For
	1.9 Elect Director Mark V. Hurd	For	For
	1.10 Elect Director Renee J. James	For	For
	1.11 Elect Director Charles W. Moorman, IV	For	For
	1.12 Elect Director Leon E. Panetta	For	Withhold
	1.13 Elect Director William G. Parrett	For	For
	1.14 Elect Director Naomi O. Seligman	For	Withhold
	2 Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
	3 Ratify Ernst & Young LLP as Auditors	For	For
	4 Report on Gender Pay Gap*	Against	For
	5 Report on Political Contributions*	Against	For
	6 Report on Lobbying Payments and Policy*	Against	For
	7 Require Independent Board Chairman*	Against	For
Naspers Ltd	1 Accept Financial Statements and Statutory Reports for the Year Ended 31 March 2018	For	For

2 Approve Dividends for N Ordinary and A Ordinary Shares	For	For
3 Reappoint PricewaterhouseCoopers Inc as Auditors of the Company with Brendan Deegan as the Individual Registered Auditor	For	For
4 Re-elect Mark Sorour as Director	For	For
5.1 Re-elect Craig Enenstein as Director	For	For
5.2 Re-elect Don Eriksson as Director	For	For
5.3 Re-elect Hendrik du Toit as Director	For	For
5.4 Re-elect Guijin Liu as Director	For	For
5.5 Re-elect Roberto Oliveira de Lima as Director	For	For
6.1 Re-elect Don Eriksson as Member of the Audit Committee	For	For
6.2 Re-elect Ben van der Ross as Member of the Audit Committee	For	For
6.3 Re-elect Rachel Jafta as Member of the Audit Committee	For	For
7 Approve Remuneration Policy	For	Against
8 Approve Implementation of the Remuneration Policy	For	Against
9 Place Authorised but Unissued Shares under Control of Directors	For	Against
10 Authorise Board to Issue Shares for Cash	For	Against
11 Authorise Ratification of Approved Resolutions	For	For
1.1 Approve Fees of the Board Chairman	For	For
1.2 Approve Fees of the Board Member	For	For
1.3 Approve Fees of the Audit Committee Chairman	For	For
1.4 Approve Fees of the Audit Committee Member	For	For
1.5 Approve Fees of the Risk Committee Chairman	For	For
1.6 Approve Fees of the Risk Committee Member	For	For
1.7 Approve Fees of the Human Resources and Remuneration Committee Chairman	For	For

	1.8 Approve Fees of the Human Resources and Remuneration Committee Member	For	For
	1.9 Approve Fees of the Nomination Committee Chairman	For	For
	1.10 Approve Fees of the Nomination Committee Member	For	For
	1.11 Approve Fees of the Social and Ethics Committee Chairman	For	For
	1.12 Approve Fees of the Social and Ethics Committee Member	For	For
	1.13 Approve Fees of the Trustees of Group Share Schemes/Other Personnel Funds	For	For
	2 Approve Financial Assistance in Terms of Section 44 of the Companies Act	For	For
	3 Approve Financial Assistance in Terms of Section 45 of the Companies Act	For	For
	4 Authorise Repurchase of N Ordinary Shares	For	For
	5 Authorise Repurchase of A Ordinary Shares	For	Against
Prudential Plc	1 Accept Financial Statements and Statutory Reports	For	For
	2 Approve Remuneration Report	For	Against
	3 Elect Mark Fitzpatrick as Director	For	For
	4 Elect James Turner as Director	For	For
	5 Elect Thomas Watjen as Director	For	For
	6 Re-elect Sir Howard Davies as Director	For	Against
	7 Re-elect John Foley as Director	For	For
	8 Re-elect David Law as Director	For	Against
	9 Re-elect Paul Manduca as Director	For	Against
	10 Re-elect Kaikhushru Nargolwala as Director	For	For
	11 Re-elect Nicolaos Nicandrou as Director	For	For
	12 Re-elect Anthony Nightingale as Director	For	Against
	13 Re-elect Philip Remnant as Director	For	Against
	14 Re-elect Anne Richards as Director	For	For
	15 Re-elect Alice Schroeder as Director	For	For

	16 Re-elect Barry Stowe as Director	For	For
	17 Re-elect Lord Turner as Director	For	For
	18 Re-elect Michael Wells as Director	For	For
	19 Reappoint KPMG LLP as Auditors	For	For
	20 Authorise the Audit Committee to Fix Remuneration of Auditors	For	For
	21 Authorise EU Political Donations and Expenditure	For	For
	22 Authorise Issue of Equity with Pre-emptive Rights	For	For
	23 Authorise Issue of Equity with Pre-emptive Rights to Include Repurchased Shares	For	For
	24 Authorise Issue of Equity without Pre-emptive Rights	For	For
	25 Authorise Issue of Equity in Connection with the Issue of Mandatory Convertible Securities	For	For
	26 Authorise Issue of Equity without Pre-emptive Rights in Connection with the Issue of Mandatory Convertible Securities	For	For
	27 Authorise Market Purchase of Ordinary Shares	For	For
	28 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
	29 Adopt New Articles of Association	For	For
Royal Dutch Shell Plc	1 Accept Financial Statements and Statutory Reports	For	For
	2 Approve Remuneration Report	For	Against
	3 Elect Ann Godbehere as Director	For	For
	4 Re-elect Ben van Beurden as Director	For	For
	5 Re-elect Euleen Goh as Director	For	For
	6 Re-elect Charles Holliday as Director	For	For
	7 Re-elect Catherine Hughes as Director	For	For
	8 Re-elect Gerard Kleisterlee as Director	For	Against
	9 Re-elect Roberto Setubal as Director	For	For
	10 Re-elect Sir Nigel Sheinwald as Director	For	For

	11 Re-elect Linda Stuntz as Director	For	For
	12 Re-elect Jessica Uhl as Director	For	For
	13 Re-elect Gerrit Zalm as Director	For	For
	14 Reappoint Ernst & Young LLP as Auditors	For	For
	15 Authorise the Audit Committee to Fix Remuneration of Auditors	For	For
	16 Authorise Issue of Equity with Pre-emptive Rights	For	For
	17 Authorise Issue of Equity without Pre-emptive Rights	For	For
	18 Authorise Market Purchase of Ordinary Shares	For	For
	19 Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions*	Against	For
Samsung Electronics Co. Ltd	1 Approve Financial Statements and Allocation of Income	For	For
	2.1.1 Elect Kim Jeong-hun as Outside Director	For	For
	2.1.2 Elect Kim Sun-uk as Outside Director	For	For
	2.1.3 Elect Park Byung-gook as Outside Director	For	For
	2.2.1 Elect Lee Sang-hoon as Inside Director	For	Against
	2.2.2 Elect Kim Ki-nam as Inside Director	For	For
	2.2.3 Elect Kim Hyun-suk as Inside Director	For	For
	2.2.4 Elect Koh Dong-jin as Inside Director	For	For
	2.3 Elect Kim Sun-uk as a Member of Audit Committee	For	For
	3 Approve Total Remuneration of Inside Directors and Outside Directors	For	For
	4 Amend Articles of Incorporation	For	For
Taiwan Semiconductor Manufacturing Co Ltd	1 Approve Business Operations Report and Financial Statements	For	For
	2 Approve Profit Distribution	For	For
	3 Approve Amendments to Articles of Association	For	For
	4.1 Elect F.C. Tseng with Shareholder No. 104 as Non-Independent Director	For	For

	4.2 Elect Mei-ling Chen , a Representative of National Development Fund, Executive Yuan with Shareholder No. 1, as Non-Independent Director	For	For
	4.3 Elect Mark Liu with Shareholder No. 10758 as Non-Independent Director	For	Against
	4.4 Elect C.C. Wei with Shareholder No. 370885 as Non-Independent Director	For	For
	4.5 Elect Sir Peter L. Bonfield with ID No. 504512XXX as Independent Director	For	For
	4.6 Elect Stan Shih with Shareholder No. 534770 as Independent Director	For	For
	4.7 Elect Thomas J. Engibous with ID No. 515274XXX as Independent Director	For	For
	4.8 Elect Kok-Choo Chen with ID No. A210358XXX as Independent Director	For	For
	4.9 Elect Michael R. Splinter with ID No. 488601XXX as Independent Director	For	For
Tesco Plc	1 Accept Financial Statements and Statutory Reports	For	For
	2 Approve Remuneration Report	For	Against
	3 Approve Remuneration Policy	For	Against
	4 Approve Final Dividend	For	For
	5 Elect Stewart Gilliland as Director	For	For
	6 Elect Charles Wilson as Director	For	For
	7 Re-elect John Allan as Director	For	Against
	8 Re-elect Mark Armour as Director	For	For
	9 Re-elect Steve Golsby as Director	For	For
	10 Re-elect Byron Grote as Director	For	Against
	11 Re-elect Dave Lewis as Director	For	For
	12 Re-elect Mikael Olsson as Director	For	For
	13 Re-elect Deanna Oppenheimer as Director	For	Against
	14 Re-elect Simon Patterson as Director	For	For
	15 Re-elect Alison Platt as Director	For	For
	16 Re-elect Lindsey Pownall as Director	For	For
	17 Re-elect Alan Stewart as Director	For	For

	18 Reappoint Deloitte LLP as Auditors	For	For
	19 Authorise Board to Fix Remuneration of Auditors	For	For
	20 Authorise Issue of Equity with Pre-emptive Rights	For	For
	21 Authorise Issue of Equity without Pre-emptive Rights	For	For
	22 Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For
	23 Authorise Market Purchase of Ordinary Shares	For	For
	24 Authorise EU Political Donations and Expenditure	For	For
	25 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
Vodafone Group Plc	1 Accept Financial Statements and Statutory Reports	For	For
	2 Elect Michel Demare as Director	For	For
	3 Elect Margherita Della Valle as Director	For	For
	4 Re-elect Gerard Kleisterlee as Director	For	For
	5 Re-elect Vittorio Colao as Director	For	For
	6 Re-elect Nick Read as Director	For	For
	7 Re-elect Sir Crispin Davis as Director	For	For
	8 Re-elect Dame Clara Furse as Director	For	For
	9 Re-elect Valerie Gooding as Director	For	Against
	10 Re-elect Renee James as Director	For	For
	11 Re-elect Samuel Jonah as Director	For	For
	12 Re-elect Maria Amparo Moraleda Martinez as Director	For	For
	13 Re-elect David Nish as Director	For	For
	14 Approve Final Dividend	For	For
	15 Approve Remuneration Report	For	Against
	16 Reappoint PricewaterhouseCoopers LLP as Auditors	For	For
	17 Authorise the Audit and Risk Committee to Fix Remuneration of Auditors	For	For

18 Authorise Issue of Equity with Pre-emptive Rights	For	For
19 Authorise Issue of Equity without Pre-emptive Rights	For	For
20 Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For
21 Authorise Market Purchase of Ordinary Shares	For	For
22 Authorise EU Political Donations and Expenditure	For	For
23 Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
24 Approve Sharesave Plan	For	For
25 Adopt New Articles of Association	For	For

Appendix 3: Engagements with top 20 holdings

Company name	Sector	Country	Topics	Rationale
Acuity Brands	Electrical Components & Equipment	United States of America	Governance	Following our voting, a letter was sent explaining our concerns with executive pay. We were supportive of a shareholder resolution requesting a report on sustainability.
Alphabet	Internet Software & Services	United States of America	Governance	Following our voting, a letter was sent explaining our concerns with executive pay, board members' overboarding. We were supportive of a shareholder resolution requesting a recapitalization to have one-vote-per-share.
Amazon.com	Internet & Direct Marketing Retail	United States of America	Corporate tax, labour issues, governance	We engaged comprehensively with the company with relation to their labour conditions and corporate tax. We also, following our voting, sent a letter explaining our concerns about the combination of CEO and Chair roles.
AstraZeneca	Pharmaceuticals	United Kingdom	Corporate tax	The Commissioners is the lead investor for PRI and organized a meeting with the Company in September 2018. While the company is advanced in its inclusion of global considerations into its UK tax strategy there is still room for improvement on inclusion of tax as a material risk in its Audit Committee ToR, more country-based disclosure and disclosure around unacceptable practices.
BP	Integrated Oil & Gas	United Kingdom	Climate change	The Commissioners is part of the 8:8 group of investors leading on CA100+ engagement. We have contributed to shaping the disclosure asks and alignment with Paris.

Henry Schein	Health Care Distributors	United States of America	Governance	Following our voting, a letter was sent explaining our concerns related to the combined role of CEO/Chair, executive pay and adopting the jurisdiction of incorporation for resolving Certain Disputes
Microsoft	Systems Software	United States of America	Corporate tax	We engaged with the company as a lead investor for the PRI engagement on corporate tax. More details can be found in the engagement section of this report.
Royal Dutch Shell	Integrated Oil & Gas	Netherlands	Climate change	The Commissioners have engaged directly with the company before it published its "Sky scenario" and supported the CA100+ group that progressed IIGCC engagement and negotiated the joint statement with the company in late 2018.
Tesco	Food Retail	United Kingdom	Alcohol	The Commissioners engaged with Tesco regarding their disclosure of responsible practices around alcohol. The next step is to set up a meeting to discuss best practice in sponsorship amongst other issues.



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The stewardship function of the Church Commissioners' Responsible Investment team is made up of:



Edward Mason
Head of Responsible Investment



Carlota Garcia-Manas
Senior Investment Stewardship
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Sheila Stefani
Investment Stewardship Analyst