

February 2018

Church Investors announce harder line on AGM voting policy

The Church Investors Group has told FTSE 350 companies, ahead of this year's AGM season, that it will take a harder line where reform in three key areas is deemed to be too slow. CIG will encourage other shareholders to hold directors to account and refuse to re-elect directors where the company is out of line with best practice.

The Church Investors Group (CIG) represents church organisations with combined investment assets of approximately £17 billion and includes the main investing bodies of the Church of England and the Methodist Church.

The CIG has tightened its voting policy in three main areas:

Executive pay

The CIG will review fairness in the workplace and will withdraw support for remuneration reports where pay ratios are not disclosed, Chief Executive pensions are excessive, or where financial services or pharmaceutical companies do not pay the living wage.

Gender diversity

The CIG will now vote against the re-election of nomination committee chairs where the board has less than 33% women and it will vote against all directors on the nomination committee where less than 25% of board directors are women.

Climate change

The CIG now votes against the re-election of the company chair when a company is making little progress to transition to a low carbon world. Companies will be measured against their scores from the Transition Pathway Initiative, a project established by the Church of England with the Methodist Church as a founder member.

The Reverend Canon Edward Carter, Chair of the Church Investors Group, said *"The best companies contribute to the common good through their products and services and the way they treat their employees. Their directors understand that if they are not doing something about fairness and about the risks facing us today, they are part of the problem and risk losing the confidence of the public and ultimately their licence to operate "*

Stephen Beer, Chief Investment Officer of the Central Finance Board of the Methodist Church, said *"Church investors have long sought to address excessive executive pay and encourage the adoption of the Living Wage. Our new policy will enable us to send a clear signal to companies that we expect them to consider fairness when setting executive pay levels. We encourage the wider investment community to hold directors accountable and ensure more responsible stewardship on this critical subject."*

Carlota Garcia-Manas, Deputy Head of Engagement for the Church Commissioners and Church of England Pensions Board, said *"In 2018 we will not support the re-election of the*

Company Chair if the company has received a low grade on the Transition Pathway Initiative, indicating a lack of awareness and action on climate transition risk. We continue to see climate change as a key issue and encourage other investors to partner with us in ensuring we hold companies accountable to the highest standards and adapting their activities to fit with the Paris Agreement."

The full voting policy is available on the CIG website at www.churchinvestorsgroup.org.uk.

ENDS

Notes for editors

About the Church Investors Group

The Church Investors Group represents institutional investors from many mainstream Church denominations and church related charities. Its aims are to encourage the formulation of investment policies based on Christian ethical principles, to encourage responsible business practice through engagement with company managements and to share information and views on ethical matters related to investment.

The CIG has 61 members, predominantly drawn from the UK and Ireland. Combined investment assets exceed £17bn.

About the Church Investors Group Proxy Voting Initiative

As responsible investors members of the CIG seek to promote best practice standards of corporate governance at investee companies. Exercising ownership rights by voting at company AGMs is an important part of many of our members' collective approach. Consequently, CIG members have developed a common voting policy administered by proxy voting agency ISS on a global basis. Members currently implementing the policy include the Church Commissioners for England, the CBF Church of England Investment Funds, The Church of England Pension Board, the Central Finance Board of the Methodist Church, and the United Reformed Church Ministers Pensions Trust.

During 2017 the CIG initiative did not support 60% of Remuneration Reports, and 56% of Remuneration Policies as proposed by FTSE 350 constituent companies. During the same period CIG guidelines recommended against 37% of Nomination Committee Chairs.

The Transition Pathway Initiative (TPI)

The TPI is an asset owner-led and asset manager-supported global initiative which identifies companies' preparedness for transition to the low carbon economy, supporting efforts to address climate change. Launched in January 2017, academically-robust and publicly available online, it is now supported by over 25 global asset owners with more than £5 trillion/\$6.5 trillion combined AUM.*

www.transitionpathwayinitiative.org