

## 2019 VOTING GUIDELINES

This policy has been developed following consultation with members of the £21bn Church Investors Group and will be applied by participating members at all meetings in 2019.<sup>1</sup> It is designed to promote best-practice standards of corporate governance and reflect the values of our members. The Guidelines are administered by ISS and the below details where our guidance defaults away from their standard analysis.

### STANDARD PROPOSALS

Political Donation Authority Resolutions: Voting activity will challenge donations to political parties which may be seen as political in nature, or excessive.

New or Amended Articles of Association: Voting activity will challenge changes / new articles where the proposed change is detrimental to shareholder rights.

### ELECTION OF DIRECTORS

In terms of director election CIG supports local market best practice. Over and above this, the guidelines challenge:

- The re-election of combined Chair and Chief Executive;
- Executive or connected chair;
- Overcommitted Directors; Poor Board/Committee Attendance, and
- Where a controlling shareholder exists, there should be sufficient safeguards in place to allow the Directors to operate independently of that shareholder.
- In addition, to reflect our wider stewardship priorities our voting activity will address any concerns about poor disclosure of the steps taken to address the risks and opportunities relating to climate change.
- The board has not responded positively to concerns raised by shareholders.

### EXECUTIVE REMUNERATION POLICIES, REPORTS AND NON-UK EQUIVALENTS

Remuneration structures should incentivise the generation of sustainable, long-term, shareholder value and reflect our members' values. CIG members will challenge the resolution if the current / proposed remuneration scheme(s) breaches any of the following five principles:

- Remuneration schemes should be in line with accepted local-market good practice
- Short term incentive awards should not exceed 100% of base salary for 'on target' performance and/or 200% as a maximum award. Companies should disclose 'maximum' and 'target' award levels.
- Possible awards for short term performance should not exceed possible long-term awards.
- Disclosed 'Non-financial' metrics should be incorporated into variable remuneration schemes.
- Companies should be able to demonstrate that the remuneration of the workforce as a whole, has been considered when determining executive remuneration. Within the FTSE350 this will require both the disclosure of a remuneration ratio and equitable treatment of staff in terms of pensions.

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<sup>1</sup> Included within the CIG members who participate in the initiative are: The Church Commissioners for England, the CBF Church of England Funds, the Church of England Pensions Board, and the Central Finance Board of the Methodist Church.

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## COMMITTEE MEMBERSHIP

Votes will focus on the re-election of the relevant committee chair. However, where there are multiple issues or repeated issues over several years, this may be extended to the entire committee.

**Nomination Committee:** In general CIG members support efforts to increase the diversity of company boards and senior management. Negative votes will be applied where we do not consider enough progress has been made on this issue.

**Audit Committee:** CIG members will seek to promote the independence of auditors. We will consider negative votes where there are concerns over: the level of non-audit fee; the lack of a regular tender process; and/or where there is an historic unresolved accounting issue.

**Remuneration Committee:** Negative votes will be considered when proposed Remuneration Reports breach a number of the above principles and/or where we intend to vote against a Remuneration Report for two or more consecutive years.

## SHAREHOLDER PROPOSALS:

Shareholder resolutions are considered by CIG members on a case-by-case basis in line with their wider investment and stewardship priorities.

## SUPPORTING ENGAGEMENT PROGRAMMES

Negative vote outcomes will be considered where we have had an unsatisfactory response to our engagement or where we still believe significant concerns remain. Engagement programmes include, but are not limited to, company responses to: Climate Change; Living Wage; and Tax Transparency.

## CORPORATE TRANSACTIONS:

Decisions and voting on transactions will be made on a case-by-case basis following discussions with the relevant fund managers.

## INVESTMENT COMPANIES

Investment companies are subject to different governance requirements and norms. As such our approach to voting at these companies is based upon the Association of Investment Companies (AIC) governance guidelines.

**Voting Guidelines correct as of March 2019**

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