SHAREHOLDERS for CHANGE

ACTION!

THE RESPONSIBLE SHAREHOLDER'S REVIEW

23 May 2018 · Number 3/18

THE MONTH AT A GLANCE

The first AGM season for the SfC - Shareholders for Change network is going to an end. Together, we have supported seven different actions at seven AGMs of European companies: Acea, Generali, Rheinmetall, Eni, Leonardo, Engie and Enel. At Generali's AGM we have criticised the incomplete divestment from coal and voted against the remuneration plan, with 162,000 shares. At Rheinmetall's we have asked more than 20 questions, in two different interventions, on the controversial export of bombs to Saudi Arabia. We have sent written questions on tax avoidance to the French energy company Engie and rebuked Eni on its insufficient investments in renewable energies. Our engagement will continue also after the AGMs: we will discuss fiscal and environmental practices with the Spanish textile giant Inditex (Zara) and will prepare a detailed report on tax avoidance by a well known European corporation. Since we are not completely satisfied with the answers provided by the companies during the AGMs, we will get back to most of them asking new questions and, in some cases, requiring a meeting with their management. In any case we, will keep you updated: the €22bn invested by the SfC network are never sleeping and there's always room for improvement also for best-in-class companies.

IN ONE WORD

Closed-door engagement

Together with other church banks, Bank für Kirche und Caritas (BKC) is bringing up a number of issues to DZ Bank, the central institution for more than 1,000 co-operative banks in Germany, also in the name of SfC. DZ Bank is asked to set up an ambitious climate change strategy, an exit strategy from coal in all business activities, the exclusion of any kind of nuclear weapons producers in any product line and a reasonable strategy about aggressive tax avoidance and the presence in tax havens. DZ Bank will bring these points in its internal discussion. The church banks will formulate a letter and BKC will sign it also on behalf of SfC.
(Source: BKC)

SFC ASKS QUESTIONS AT RHEINMETALL AGM

On 9 May, Fondazione Finanza Etica (FFE) and Bank für Kirche and Caritas, on behalf of SfC - Shareholders for Change, attended the annual general meeting of Rheinmetall, a leading German defence company. SfC's interventions criticised the export of bombs from Sardinia to Saudi Arabia by the Italian subsidiary RWM Italia SpA. «The bombs exported to the Saudis are used to attack Yemen, in a war that has no legitimacy from the point of view of international law and has generated thousands of civilian deaths», declared Tommy Piemonte of Bank für Kirche und Caritas, who intervened at the meeting together with a representative of FFE and of Rete Italiana Disarmo (Italian Disarmement Network).
The company evaded most of the 20 questions asked by SfC but confirmed its aim to further invest in Sardinia (€10-20m in the next two years). Besides SfC, there were critical interventions from the German NGOs Urgewald and ECCHR as well as the Yemenite NGO Mwatana.
(Source: FFE, BKC)

SFC AT GENERALI AGM: COAL STILL A PROBLEM

On 19 April, Fondazione Finanza Etica (FFE), on behalf of SfC - Shareholder for Change, attended the AGM of Generali, a leading European insurance group. Simone Siliani, director of FFE, asked questions on the financial statements and the remuneration plan. SfC criticised Generali's divestment from coal, announced in February. «It is certainly an important step forward», added Siliani. «But Generali won't divest from Polish coal plants and will keep insuring coal projects, while important competitors, such as Axa or Zurich, are restricting their underwriting». FFE and the French member of SfC Meeschaert Asset Management, that holds 162,000 Generali's shares, abstained on the budget and voted against the remuneration plan, that envisages a total remuneration of €8.67m for the CEO: 437 times the minimum wage. The limit set by Meeschaert is 240 times. Besides SfC, there were critical interventions from the Italian NGOs Re:Common and Greenpeace Italy.
(Source: FFE, Meeschaert)

SFC CRITICISES ENI'S PLAN ON RENEWABLES

On 10 May, Fondazione Finanza Etica (FFE), on behalf of SfC, attended the AGM of the Italian oil giant Eni. FFE voted with the French investors Ecofi Investissements and Meeschaert, founding members of SfC, which hold approximately 150,000 Eni shares in total.
In its interventions, and in the 60 questions sent before the meeting in collaboration with the NGOs Re: Common and Global Witness, SfC criticised, in particular, the group's investments in Congo-Brazzaville, Nigeria and Basilicata (Southern Italy) as well as its strategy on renewable energies, launched in 2016. «That strategy is absolutely inadequate. After two years, the company still does not provide any information on its progress», continued Baranes. FFE, Ecofi Investissements and Meeschaert voted against the remuneration plan and expressed doubts on the pay out ratio (85.4%): «especially in this delicate transition period, the company should reinvest a much higher portion of its profits». (Source: FFE, Ecofi, Meeschaert)

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VOICES FROM THE SOUTH

Workers and activists call on H&M's shareholders to fulfill the living wage commitment. Back in 2013 H&M announced that 850,000 workers of its supply chain, spread over ca. 40 countries (many of them in poor regions) would be paid a fair living wage by 2018. Instead of that materializing on workers' pay slips, however, the goal itself has disappeared from H&M's corporate communication, just as the original documents have disappeared from the brand's website. H&M corporate communication now refers only to the introduction of the Fair Wage Method by supplier factories. The 850,000 workers and their actual incomes are no longer a part of the picture. The proposal to discuss the unfulfilled living wage commitment at the AGM on 8 May as part of the formal agenda was not taken on board. Many workers have already joined the "Turn Around, H&M!" campaign, launched by Clean Clothes Campaign. In Bangalore, about 1,500 of them participated in the international launch on 1 May. «We have enough of H&M's fake morality. That is the fundamental reason why we enthusiastically launched the campaign, and we will not stop campaigning until H&M fulfills their living wage promise», said Rukmini Vaderapura Puttaswamy of the Garment Labour Union. (Source: Clean Clothes Campaign)

GRAPH OF THE MONTH

McD Europe Franchising Sàrl, selected financial data, 2009-2015, USD millions[28]

Year	Turnover	Post-Tax Profits	Tax	Tax Rate
2009	785.8	8.4	3.8	30.9%
2010	896.0	54.6	4.9	8.2%
2011	1,025.2	174.9	4.7	2.6%
2012	1,008.8	172.5	3.2	1.8%
2013	1,064.9	284.3	4.2	1.4%
2014	1,180.2	540.4	5.6	1.0%
2015	1,041.9	540.6	3.8	0.7%
Total (2009-2015)	**7,002.7**	**1,775.7**	**30.1**	**1.7%**

McDonald's: "an unhappier meal“ European and American trade unions EPSU, EFFAT and SEIU just published a new report on McDonald's tax practices, focusing on the company's use of tax avoidance mechanisms in Europe and low-tax and secrecy jurisdictions around the world. Titled 'Unhappier Meal', the report shows that McDonald's has significantly changed its corporate structure after the European Commission started investigating its tax dealings with Luxembourg and has become less transparent on tax and more reliant on tax-havens, such as Cayman Islands, Bermuda and Guernsey. "The new corporate structure is so untransparent that the new tax base is currently unknown. It does not allow for public scrutiny of the companies' accounts, including taxes owed and paid", underlines the report. (Source: Unhappy Meal, May 2018)

JUST BEFORE GOING TO PRESS

Open letter on sustainable finance to the European Commission
On 17 April about 40 financial institutions and NGOs, including SfC-Shareholders for Change, GLS Bank, Bank für Kirche und Caritas, Triodos and WWF, sent an open letter to the European Commission, asking to consider additional aspects in the regulation of financial markets, such as, for example, the inclusion of sustainability in the mandate of the European Supervisory Authorities and an EU classification system for defining sustainable finance. The full text of the letter is available here: https://goo.gl/gQqkHu (Source: Institute for Social Banking)

Deutsche Bank chair Paul Achleitner faces investor revolt
Investment manager Hermes has piled further pressure on Deutsche Bank chairman Paul Achleitner ahead of a crunch vote on his future at the lender's annual general meeting on 24 May. Shareholders have secured a motion to vote for the removal of Mr Achleitner at the AGM. Hermes said Mr Achletiner had "serious questions" to answer regarding the bank's under-performance and high turnover of senior staff. (Source: The Telegraph)

BOOKS, FILMS & MORE

Tax justice and poverty. A new report by the Jesuits. "Tax justice and poverty", published in March, is the result of a research and advocacy project, conducted in Germany and Africa by Jesuit missions, that investigated the interrelationships between tax justice and poverty. The basic assumption was that, if everybody pays taxes according to legal obligation and financial capability, African countries would no longer need financial development assistance. As it turned out, the assumption is justified and there are many parallel developments behind the tight situation of public finances in states as different as Germany/Bavaria, Kenya and Zambia: competition for investment and corporation headquarters (including tax measures) forced states to accommodate demands of private and corporate wealth-holder because of which the tax burden shifted towards low and middle income households, and a lot of revenue is lost because of aggressive tax avoidance and tax evasion in all segments of society. At the same time, restrictions on public households make governments keep tax administrations understaffed, even though it is them who earn far more in revenue than they cost in salaries and insurance. (Source: Tax Justice and Poverty. Link: https://goo.gl/a6VPZM)

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