

# ACTION!

**THE RESPONSIBLE  
SHAREHOLDER'S REVIEW**

27 September 2018 · Number 6/18

## THE MONTH AT A GLANCE

10 years after Lehman's collapse, financial services companies still perform badly on ESG issues: work-related stress is at critical levels, nearly a third of analysed companies (228 in total) are facing controversies, while the climate change performances is weak. This is evidenced by Vigeo-Eiris' sector report, published on 13 September. The sector ranks 30th out of Vigeo Eiris' total research universe, divided into 39 sectors. The Shareholders for Change (SfC) network is currently engaging two financial services companies: DZ Bank, the central institution of German cooperative banks (divestment from coal and nuclear weapons) and the Italian insurance and asset management giant Generali (divestment from coal and excessive executive remuneration). «Some of our members are historically underweighting the financial sector in their portfolios due to the investments of big financial companies in the defence industry or in controversial infrastructure projects», declares Luca Mattiazzi, CEO of Etica Sgr, one of the seven founding members of the network. «As a network we believe, however, that this sector has a great potential: we support engagement activities also in order to improve financial companies' ESG performance and see the "real" best in class of them enter our investing universe».

## IN ONE WORD

### Ten years after Lehman

The decade since the collapse of Lehman Brothers hasn't been long enough to restore investors' faith in banks. Data on stock prices and fund positioning suggests the aversion to the banking industry hasn't gone away. Down 8% from their 2007 peak, financial stocks are the only major group in the S&P 500 Index that has yet to fully recover from the bear market. Banks were the most-avoided industry among hedge funds at the end of June, while mutual funds cut their holdings to a five-year low, data compiled by Goldman Sachs showed. Regulations and a weak economic recovery are blamed for the banks' underperformance.

(Source: Bloomberg)

## LAUNCHED: GERMAN SRI LOBBYING GROUP



Around 30 representatives of German social banks, sustainability rating agencies, NGOs and players in the SRI sector attended the first "Roundtable on Sustainable Finance" on 29th August in Frankfurt am Main. The goal of the meeting was to discuss possibilities of co-operation in order to express and represent common positions vis-à-vis the European Commission and other institutions. In a period in which national and EU regulations on sustainable finance are being drafted and an increasing number of mainstream investors are interested in sustainable finance, it is seen as strategic by the pioneers and experts in the field of sustainable finance in Germany to come together and have a common voice. Shareholders for Change's (SfC) founding member Bank für Kirche und Caritas, a German catholic church bank, participated in the roundtable and presented SfC's goals and the possibility of joining the new European engagement networks to the participants. (Source: BKC)

## SFC DIALOGUE ON COBALT IS A SUCCESS



The dialogue of Ecofi Investissements (on behalf of SfC) with the automotive sector companies Renault (France) and Daimler (Germany), on their sourcing of cobalt (used in electric cars), has been successfully completed in September. «In May we have asked a number of specific questions to both companies and we are satisfied with the quality of their answers», declared Cesare Vitali, head of ESG research at Ecofi Investissements. According to a survey by Amnesty International, published in November 2017, both corporations were failing to address child labour concerns. while not disclosing any concrete measure to cope with them. Renault has committed to conduct five audits on the suppliers in 2019, while co-operating with Amnesty and joining the Responsible Cobalt Initiative. Daimler, that has also joined the Responsible Cobalt Initiative, said that they are investing to find a viable alternative to cobalt. (Source: Ecofi)

## SFC'S FIRST VICTORY ON YEMEN BOMBS



«It is time to shed light on the Italian bombs (produced by the German company Rheinmetall, our note) used by Saudi Arabia to bomb Yemen», declared the Italian defence minister Elisabetta Trenta on 17 September. And added: «I have asked the foreign ministry to stop exports and terminate existing contracts if there were a violation of the Italian law». «This declaration goes in the right direction. The foreign ministry should now act consequently and stop any supply of weapons to the Saudis», said Francesco Vignarca, coordinator of the Italian network Rete Italiana per il Disarmo (Italian network for disarmament). Rete Disarmo has engaged Rheinmetall together with Shareholders for Change at the company's AGM in Berlin in May. The minister's declaration is a small, first success of a comprehensive engagement strategy which includes critical shareholding, political lobbying and more classical NGOs' campaigning. (Source: Rete Disarmo)

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## VOICES FROM THE SOUTH

### Drug companies dodging \$112 millions per year in tax in seven developing countries.

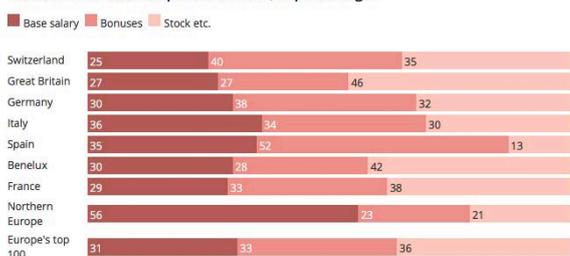
New Oxfam research shows that four pharmaceutical corporations – Abbott, Johnson & Johnson, Merck & Co and Pfizer – systematically hide their profits in overseas tax havens. Across 16 countries, these companies appear to be dodging an estimated \$3.8 billion in tax per year, including an estimated \$112 million per year in seven developing countries: Thailand, India, Ecuador, Colombia, Pakistan, Peru and Chile. This activity is depriving developing countries of money that is urgently needed to meet the health needs of people, while charging very high prices for their products. With the missing \$ 112 million, these countries could, for example, buy pneumonia vaccines for nearly nine million children.

«It is poor women, who rely more heavily on public healthcare services, provide care for loved ones when healthcare systems fail, and foot the bill for regressive taxes, who pay the highest price, robbing them of opportunity to improve their lives and lift themselves out of poverty. We are all customers of these drug companies. They need us to buy their products. If we speak out, they will have to listen», declared Oxfam. (Source: Oxfam)



## GRAPH OF THE MONTH

Breakdown of CEO compensation 2017, in percentages



Source: Willis Towers Watson - [Get the data](#)

SWI swissinfo.ch

**Swiss CEOs still the best off in Europe.** CHF8.7 million (\$9.05 million): this was the median compensation of bosses of top companies in Switzerland in 2017, according to this year's Eurotop 100 report, released on 20 September by consultancy group Willis Towers Watson.

This puts Switzerland firmly at the head of the

European rankings for CEO pay, ahead of Great Britain (a median of CHF7.21 million) and Germany (CHF7.18 million). Notable is that among the 100 largest European companies, Swiss CEOs receive the lowest proportion of their compensation in the form of fixed salaries, at 25%, the report writes. Cultures of pay incentives differ across Europe: in Scandinavia considerably more emphasis is placed on fixed compensation. (Source: SwissInfo)

## BOOKS, FILMS & MORE

### Don't bank on the bomb: co-operative banks under the spotlight in Germany.

"Don't bank on the bomb", produced by PAX a member of the Nobel Peace Prize winning International Campaign to Abolish Nuclear weapons (ICAN) is the only report detailing the global investments by financial institutions in companies producing nuclear weapons. According to its latest edition, published in March, 329 investors made \$525 Billion available to nuclear weapon producing companies between January 2014 and October 2017 (+18.24% compared to the previous period). On 3 September ICAN Germany launched a campaign targeting German "Volksbanken" (cooperative banks) that, according to the ICAN's report, are financing Airbus, a company that produces and maintains nuclear missiles, with a \$ 66m loan, through their central institution DZ Bank. ICAN has started a mail campaign so that the «Volksbanken can finally assume responsibility». Bank für Kirche und Caritas, which is already engaging DZ Bank on coal divestment issues, also on behalf of SfC, together with other church and alternative banks, will continue to engage the bank on its alleged investments in nuclear weapons. (Source: PAX, BKC)



## JUST BEFORE GOING TO PRESS

### Vanguard engages with more than 700 companies

US funds giant Vanguard engaged on \$1.6trn worth of its equity assets last year, ramping up its engagement efforts by 63% from 2014, its latest annual stewardship report reveals. The \$5.1trn passive manager revealed it engaged with 721 companies across 24 countries over the last year, making 168,786 votes at company meetings. In total, Vanguard engaged with 200 companies in carbon-intensive industries, increasing its support for environmental disclosure proposals to 11 out of 76, from two out of 92 a year before. (Source: Responsible Investor)

### 153 investors call for the continuation of the Bangladesh Accord for Fire and Building Safety

On 13 September, 153 investors representing US\$2.8 trillion in assets, have called for the continuation of the Bangladesh Accord for Fire and Building Safety until it has completed its mandate. While Accord stakeholders agree significant progress has been made since 2013, they claim all of the original safety goals have not yet been fully achieved nor is the government of Bangladesh fully ready to take over the functions of the Accord. (Source: Iccr)