SfC SHAREHOLDERS for CHANGE

ACTION!

THE RESPONSIBLE SHAREHOLDER'S REVIEW

18 Juli 2018 · Number 5/18

THE MONTH AT A GLANCE

According to Andrew Logan, director Oil & Gas at Ceres, the 2018 AGM season saw the fewest shareholder votes on carbon asset risk since investors began filing on this issue in earnest in 2013. This is no accident: the fact that only six carbon asset risk proposals ultimately reached the proxy this year is «a sign of growing investor power», says Logan, and illustrates the «rapid movement of this issue from the fringes to the very center of investor conversations with the energy industry». After last year's record-setting votes, companies know that they will face a public rebuke from shareholders if they don't embrace 2-degree scenario analysis and articulate a strategy to manage the coming low-carbon transition. As a result, of the twenty 2-degree scenario analysis proposals that were filed this year, 13 were withdrawn as companies including DTE Energy, Dominion Energy and Southwestern Energy committed to conduct the analysis investors requested. At other companies, like Marathon Petroleum, it wasn't even necessary for investors to file a proposal in the first place as companies opted to take stock of demonstrable investor interest and took steps to respond on their own. Our SfC - Shareholders for Change network engaged seven companies on climate-related issues in the AGM season 2018.

IN ONE WORD

2018: a season of firsts

There were a number of "firsts" in the 2018 AGM season when it comes to climate change proposals. For the first time, a North American company endorsed a shareholder proposal on climate change. Exxon Mobil was the first company to consider the implications of a sub-2-degree scenario for its assets. We also saw the first company to disclose asset-specific stranding risks in its reporting. For the first time, investors rejected a company's attempt to pass off poor disclosure (on asset stranding risks) as the real thing (Anadarko). LGIM has been the first asset manager to call on oil companies to embrace a managed decline strategy.
(Source: Responsible Investor)

SFC PRESENTED ENGAGEMENT REPORT

On 28 June SfC - Shareholders for Change launched its first engagement report in Vienna, at the headquarters of fair-finance, one of the network's seven founding members. The report presents the main engagement projects of SfC in the AGM season 2018.
«With assets under management of over 22bn euros, we have voted and asked questions at companies' annual general meetings, sent letters to the boards and met with corporations», declared Andrea Baranes, president of Fondazione Finanza Etica, which coordinates SfC. «In total, we have started 15 engagement projects, that are still ongoing».
Shareholders for Change's members have asked questions, among others, on cobalt supplying methods in the automotive sector, criticised tax avoidance schemes and excessive remuneration plans and drawn attention to the negative environmental and financial impacts of investments in the coal industry.
The report is available online under: https://bit.ly/2moR1da
(Source: SfC)

SFC CRITICISES ENGIE'S TAX PLANNING

On 18 May, Meeschaert Asset Management, on behalf of SfC, attended the AGM of the French electric utility Engie. SfC sent a number of questions on Engie's alleged aggressive tax planning before the meeting. «We have asked which measures have been put in place to respond to current charges of aggressive tax optimisation or even tax evasion», declared Aurélie Baudhuin, SRI Research Director and Deputy CEO of Meeschaert Asset Management. «We also asked when the company intend to publish a country-by-country reporting, as part of the Oecd's BEPS (Base erosion and profit shifting) project». The company answered that it does not intend to publish any country-by- country reporting before this practice is generally adopted by all companies at global level. «We will continue to engage Engie on taxation issues», continued Aurélie Baudhuin. «The company is, however, very interesting as far as its governance and climate strategy are concerned».
(Source: Meeschaert)

SFC ENGAGES RENAULT & DAIMLER ON COBALT

In May, Ecofi Investissements, on behalf of SfC, has started a dialogue with the automotive groups Renault (France) and Daimler (Germany) on the sourcing of cobalt. According to a survey published by Amnesty International in November 2017, almost half of the 28 largest companies that use cobalt - mostly supplied from the Democratic Republic of Congo (DRC) - were failing to demonstrate even "minimal" compliance with international due diligence standards. 20% of cobalt is mined by hand, often by children as young as seven. According to Amnesty, Renault and Daimler are the worst companies among electric carmakers in addressing child labour concerns. While Renault has committed itself to a responsible supply of cobalt and published a list of its suppliers, Daimler - according to Ecofi - «hasn't disclosed any concrete measures to implement its Supplier Sustainability Standards». The engagement with both Renault and Daimler is currently ongoing.
(Source: Ecofi Investissements)

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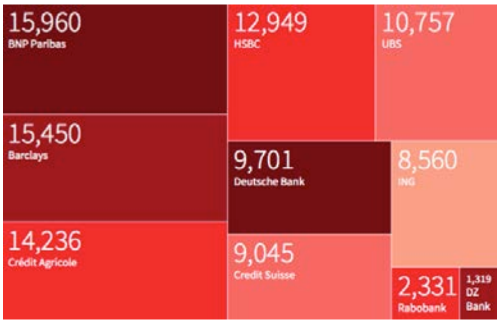
VOICES FROM THE SOUTH

US subpoenas Glencore over alleged corruption

On 3 July the US Justice Department ordered Glencore, a Switzerland-based mining giant, to hand over documents relating to alleged money laundering and corruption. The subpoena requests documents concerning business dealings in Nigeria, the Democratic Republic of Congo (DRC), and Venezuela from 2007 to the present. Last year, the Paradise Papers revealed that (in 2009) Glencore furtively loaned Israeli billionaire Dan Gertler $45m while the businessman helped the company secure a controversial mining agreement in the DRC. As part of the deal, two companies later controlled by Glencore received a total of US$440 million in discounts on payments to a DRC-controlled copper mining company. At the time, this amount was greater than the country's entire education budget, according to a report of the Africa Progress Panel based on the leaked documents. The report says Gertler, who is known to be a close friend of the Congolese president, was influential in helping the two mining companies obtain access to an extremely rich copper-cobalt deposit at 48 times less than the market rate. Glencore and Gertler have consistently denied wrongdoing in their business transactions in the DRC. (Source: OCCRP)

GRAPH OF THE MONTH



Dirty profits.

The global extractives industry is heavily involved in some of the worst labour, environmental and human rights violations. In Dirty Profits 6, "Facing Finance" shows that banks have continued to invest in destructive mining companies, despite knowledge of violations. Over €100 billion has been provided by the largest European banks to the ten worst mining groups (Glencore, BHP Billiton, Gazprom, Rio Tinto, etc.) through capital provision (loans, equities and bonds) over the period 2010–2017. In total BNP Paribas (€15.9 billion) and Barclays (€15.4 billion), closely followed by Crédit Agricole (€14.2 billion), were the largest providers of capital to the companies over the seven year period. (Source: *Dirty Profits 6*, Facing Finance, May 2018)

JUST BEFORE GOING TO PRESS

Dutch giant ABP exits Posco Daewoo over palm oil deforestation

Dutch civil service pension giant ABP (€480bn AUM) has announced it will divest its €300,000 stake in South Korea's Posco Daewoo (automotive, machinery, chemicals) over palm oil deforestation in Indonesian Papua. The fund said that the Korea Exchange-listed company was involved in logging to make palm oil plantations. ABP, that had engaged the company in the past, declared that Posco Daewoo had not acted fast enough and that it no longer had confidence that it would improve. (Source: Responsible Investor)

Ireland to become world's first country to divest from fossil fuel companies.

The Republic of Ireland will become the world's first country to sell off its investments in fossil fuel companies, after a bill was passed with all-party support in the lower house of parliament on 12 July. The state's €8bn national investment fund will be required to sell all investments in coal, oil, gas and peat «as soon as is practicable», which is expected to mean within five years. The Irish state investment fund holds more than €300m in fossil fuel investments in 150 companies. (Source: Business and Human Rights)

BOOKS, FILMS & MORE

Time to recharge. The second survey on cobalt supplying by Amnesty International.

A new report by the Jesuits. The world's largest electronics and electric vehicle companies are not doing enough to ensure the cobalt in batteries they make or supply is not mined by child labour in the Democratic Republic of Congo, according to Amnesty International (AI). In its survey "Time to recharge", published in November 2017, Amnesty ranks industry giants including Apple, Samsung Electronics, Dell, Microsoft, BMW, Renault and Tesla on how much they have improved their cobalt sourcing practices since January 2016, when the first AI's report ("This is what we die for") was published. The new survey finds that while a handful of companies have made progress, others are still failing to take even basic steps like investigating supply links in the DRC. Apple performed the best in Amnesty's ranking, having named its suppliers and engaged with them to address child labour concerns. Of the electric carmakers the best performer was BMW, while Daimler and Renault scored the worst. (Source: Financial Times. Link to the survey: https://bit.ly/2hurNYK).