Internal Document · Year 8 · Number 46 Thursday 21 December 2017 · published by Fondazione Finanza Etica

ACTION!

THE RESPONSIBLE SHAREHOLDER'S REVIEW

THE MONTH AT A GLANCE

On 20 December, **Shell** and the Italian oil giant **Eni** have been ordered to stand trial in Milan on charges of aggravated international corruption for their role in a 2011 $1.1bn deal for Nigerian oil block OPL 245. The judge set March 5 as the date for the trial to begin. **Eni's current CEO** Claudio **Descalzi**, **former CEO** Paolo **Scaroni**, **Chief Operations Officer** Roberto **Casula** were also ordered to face trial alongside four Royal Dutch Shell staff members including Malcolm Brinded CBE, former Executive Director for Upstream International and **two former MI6 agents employed by Shell**. No company as large as Royal Dutch Shell or such senior executives of a major oil company have ever stood trial for bribery offences. The investigation by the Milan public prosecutor was triggered by a complaint filed in Autumn 2013 by **Global Witness**, The Corner House, **Re:Common** and Nigerian anti-corruption campaigner Dotun Oloko. «The Nigerian people lost out on over $1 billion dollars, equivalent to the country's entire health budget, as a result of this corrupt deal. It will be the biggest corporate bribery trial in history», said **Simon Taylor**, co-founder of Global Witness. Global Witness, Re:Common and **Fondazione Finanza Etica** are engaging Eni on this issue since 2014, asking questions at the company's AGMs and meeting with Eni's managers.

IN ONE WORD

Arms sales.
Sales of arms and military services by the world's 100 biggest defence companies came to $374.8bn last year. Though sales rose by only 1.9%, that was **the first annual increase since 2010**, spurred by regional tensions and ongoing military campaigns. American and European companies dominate the industry, accounting for 82.4% of all arms sales. **Lockheed Martin** was the world's largest arms company in 2016, with revenues from weapons sales of $40.8bn. The Italian company **Leonardo** ranks 9th, while Thales (France) is 10th.
(Source: Economist, Sipri)

SFC, A NEW €22BN EUROPEAN SHAREHOLDER ENGAGEMENT GROUP LAUNCHED IN MILAN

A new shareholder engagement lobby, focusing on ethical and responsible investment issues, has been launched by a group of European institutional investors on 6 December in Milan, Italy. The network, called **Shareholders for Change** (SFC) and set up by a group of European institutions with assets of over €22bn, said its main aim was to consolidate efforts on ethical issues around European blue chip firms.
«We felt that there was a lack of co-ordinated effort in dealing with European companies, and we believe this platform has the ability and agility to deal with issues which we feel we need to focus on together», said **Laura Berry**, vice-president of **Etica Sgr**'s Ethical Committee and advisor to the network.
«If we have an Italian fund manager and a French fund manager who have shared issues around an Italian company, there is no platform or forum for them to be able to come together to discuss these issues. So there is a gap in the market for a cross-border network like this», she added.
Founding members of the group include a mix of European banks, foundations and asset managers: the German-based **Bank für Kirche und Caritas**, the French fund managers **Ecofi Investissements** and **Meeschaert** Asset Management, the Italian **Etica Sgr** and **Fondazione Finanza Etica**, the Austrian **fair-finance Vorsorgekasse** and the Spanish **Fundacion Fiare**.
Unlike other shareholder groups, the SFC will work more as a **facilitating hub**, rather than a structured organisation, which means that most of the group's conversations would take place virtually, with more effort spent on attending annual general meetings and organising meetings with companies. **Andrea Baranes**, president of the Italian Fondazione Finanza Etica, which coordinated the launch of the new group, said: «Our goal is to organise joint participation in European AGMs, co-sign letters to companies, submit resolutions, organise meetings with corporations and discuss new engagement activities».
(Source: Responsible Investor)

CHILD LABOUR: A NEW LIST BY MSCI

Controversy surrounding school-age interns working illegal overtime at **Foxconn**, a key supplier to **Apple**, is fuelling concerns that many more companies could be exposed child labour. Companies worldwide are under pressure to act following a commitment by the latest **G20 summit** to **eliminate child labour** by 2025.
Almost one in 10 children worldwide, an estimated 152m, are employed as child labour, with more than half involved in hazardous work, according to **ILO**. **Apple** is one of a **list of 62 companies** compiled by **MSCI** that face allegations of either directly employing underage workers or engaging suppliers that use child labour. **Imperial Brands** (tobacco) and **British American Tobacco** are also on the list.
«Child labour allegations could point to other unresolved corporate governance issues that could be of concern to long-term institutional investors», said MSCI.
(Source: Financial Times fm)

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VOICES FROM THE SOUTH

Guatemalan women vs Canada's mining giants On 28 March 2011 a group of 11 Guatemalan women filed a lawsuit in Superior Court in Ontario, Canada, against **Hudbay Minerals** and its subsidiary **HMI Nickel Inc.** The women alleged that the companies were complicit in the gang rapes suffered at the hands of security personnel hired by the defendant companies. The women claim that the gang rapes occurred in January 2007 during forced evictions of members of the Mayan Q'eqchi' community living in El Estor. The companies' nickel mining project – the Fenix project – is located in El Estor. Members of this community have challenged the legitimacy of the mining concession granted for the Fenix project. Hudbay Minerals says it will vigorously defend itself against the allegations of rape. Two further lawsuits have been filed in 2010 and 2011. All three lawsuits are currently ongoing. In November 2017, 11 Guatemalan women travelled to Canada to give testimony as part of the ongoing discovery procedure. (Source: Business & Human Rights Resource Centre)

GRAPH OF THE MONTH

NINE TOP WESTERN BANKS INCREASED THEIR FINANCING TO COAL PLANT DEVELOPERS AFTER THE ADOPTION OF THE PARIS AGREEMENT

Bank	2015	Companies financed	2016	Companies financed
Barclays	$585m	7	$982m	6
BNP Paribas	$335m	5	$1.004bn	5
Citi	$1.117bn	11	$2.605bn	11
Crédit Agricole	$221m	3	$411m	4
ING	$841m	10	$1.040bn	4
JPMorgan Chase	$516m	4	$848m	7
Société Générale	$435m	6	$1.010bn	6
Standard Chartered	$278m	4	$691m	7
UBS	$859m	6	$2.487bn	4

Banks vs. the Paris agreement. According to the report "Banks vs. the Paris agreement", published by Banktrack, Rainforest Action Network and Friends of the Earth on 11 December, many of the world's largest banks are actively undermining the Paris agreement on climate change by pouring billions of dollars into coal plant developers. The researchers also found that **nine western banks** increased their financing of coal plant developers in 2016: Citi, UBS, Barclays, Société Générale, BNP Paribas, ING, JPMorgan, Standard Chartered and Crédit Agricole. The details can be found in the table above. (Source: BankTrack)

JUST BEFORE GOING TO PRESS

Orange chief to face trial over government payout.
Orange chief executive Stéphane Richard is to stand trial for complicity in fraud and embezzlement over a €405m payout made by the French state when he was a high-ranking finance ministry official, a judiciary aide confirmed. The head of France’s largest telecoms company, who was the chief of staff of then finance minister Christine Lagarde at the time of the payout, will be tried alongside five other suspects including Bernard Tapie, who received the money.
(Source: Financial Times)

ICCR: executive pay packages at pharma may incentivise drug pricing risks.
A group of members of ICCR announced on 13 December that they have filed resolutions at five major pharmaceutical companies asking for information about how well executive pay incentives mitigate long-term financial risks associated with mounting public concerns over the affordability of prescription medicines. The investors argue that an executive compensation incentive program reliant on revenue growth solely from drug price increases is a risky and unsustainable strategy. The five companies target by ICCR are Abbvie, Amgen, Biogen, Bristol Myers Squibb, and Eli Lilly. (Source: ICCR)

BOOKS, FILMS & MORE

Funding tar sands.
A new report published by Rainforest Action Network, BankTrack, Re:Common and Urgewald (a.o.)

According to a new report released on 1 November, commercial banks continue to finance the tar sands sector at levels that do not align with the Paris Agreement and are surging in 2017. The report, **Funding Tar Sands: Private Banks vs. the Paris Climate Agreement**, released by Rainforest Action Network (RAN) and 11 organisations from around the world, finds that tar sands financing for producers and pipeline companies so far in 2017 is already at levels 50% greater than all of the financing committed in 2016. Tar sands have extraction costs, greenhouse-gas intensity, major environmental and Indigenous rights impacts. Yet, the thirty-three banks analysed in the report have financed tar sands to the tune of $32 billion in 2017 alone. The top 5 tar sands banks in Europe are: **Barclays, HSBC, Deutsche Bank, BNP Paribas** and **Crédit Suisse**.
Download the full report here: *https://goo.gl/qpqBgg*