

Put Climate on the Big Banks' Books: Campaign FAQ

How are the Big 4 Banks and Climate Change connected?

The world has more fossil fuels than we can safely use. Up to 80% of the fossil fuel reserves owned by publicly listed companies can never safely be burnt if we are to avoid warming in excess of the internationally agreed 2 degree target, yet companies' current value assumes they can extract this 'unburnable carbon'. Once the world takes significant action to reduce global emissions, demand for fossil fuels will fall, as will their share prices. For more information see the [Stranded assets and the fossil fuel divestment campaign](#) report from the University of Oxford. Australia's Big 4 Banks are major financiers of fossil fuels, especially coal. As well as lending to fossil fuels, the Banks have superannuation and investment arms, which are significant investors in fossil fuel companies. This investment in 'unburnable carbon' is a financial risk for investors, not to mention the climate.

What can shareholders do?

Shareholders are the ultimate owners of companies. If enough of them talk, companies will listen. Investor action was a major factor in the successful campaign against South African apartheid. Shareholders can write and talk to their companies but if that doesn't work then shareholders can move motions at company Annual General Meetings. That is what this campaign will do. In 2014, responding to a shareholder resolution, Exxon Mobil agreed to publish a report on its website describing how it assesses the risk of stranded assets from climate change. Shareholders can of course sell their shares in the banks. However this runs the risk that someone less concerned about climate change buys them and fails to hold the banks accountable for their contribution to climate change.

Who is behind this campaign?

The Australasian Centre for Corporate Responsibility (ACCR) is coordinating this campaign. We are partnering with the Asset Owners Disclosure Project, 350.org and some ethical financial advisors to make this a campaign that will make a difference to what our banks do. ACCR was set up to enable shareholders to engage with their companies. You can find out more about us at www.accr.org.au. ACCR is a new organisation in Australia but it is modelled on the US Interfaith Centre for Corporate Responsibility and the UK Share Action, both of which have outstanding reputations in the area of corporate democracy.

What are we doing?

We plan to move climate change related resolutions at the AGMs of the Big 4 banks - ANZ, NAB Westpac and Commonwealth bank. To move a resolution at an AGM you

need to have at least 100 shareholders to support it. We are looking for more shareholders to join us.

What will the resolution say?

The wording of the resolutions has not yet been finalised but will be along the following lines:

“That, it be resolved, shareholders note:

- *worldwide carbon reserves exceed the internationally agreed safe ‘budget’ by a factor of 3;*
- *the value of these assets will need to be written down, consequently large financial losses are foreseeable;*
- *our bank has \$Yb oil, coal & gas loans on it’s balance sheet and \$Zb investments in such assets in the holdings of our wealth management arm yet our bank scores poorly in international ratings of the quality of disclosure of carbon risk by financial institutions;*

Shareholders direct the board to better disclose the risks associated with these holdings to our shareholders, customers and investors.”

How to help lodge the climate change resolutions

We need at least 100 shareholders to support a resolution at each AGM, however it is very likely that when we give the resolution to the company they will want us to make changes before it can go on the AGM agenda. If we have to get all shareholders who have supported the resolution to sign the amended resolution we likely won’t have enough time to get it lodged. This means there is a risk that the resolution would not be on the AGM agenda, and thus would not be debated at the AGM. Because of this, we are asking shareholders to sign a limited **Power of Attorney** that gives a third party limited rights to lodge a resolution with your bank and vote for resolutions. These are known as ‘governance rights’. This will not affect your ability to buy or sell your shares, or your income from the shares.

What are “governance rights”?

Governance rights are rights attached to your shares, which allow you to vote at company meetings and to raise and propose issues for discussion or resolution at such meetings. All shareholders have these rights, even though you may not have known about them.

If I did give a company or person a Power of Attorney, could they do anything with my shares other than vote or raise issues at company meetings?

No, they couldn’t buy more shares or sell them or take any other action.

Is there a cost in granting this Power of Attorney?

No.

Will there be any obligation upon me to actively assist with the lodgement of resolutions or requests to the company in focus?

No.

Are there any tax consequences of granting this Power of Attorney?

No.

Is there any chance I will incur any costs as a result of granting this Power of Attorney?

No. Where statements or resolutions need to be distributed by the company to all shareholders, the Corporations Act provides for these arrangements to be made at the company's expense. Any Power of Attorney would only be used to make a request for a distribution of statements or resolutions if this was indeed the case.

What happens if I disagree with the content of a proposed resolution or statement?

You can withdraw your power of attorney simply by contacting Ethinvest, the ethical investment advisor who is acting on our behalf. For more information about Ethinvest, see: www.ethinvest.com.au

Will it become widely known that my name has been used?

It is possible, though not likely. If you grant a Power of Attorney, the Company Secretary of the company, which is subject to a resolution or request for the distribution of a statement, will know you are one of many shareholders and sponsors of that resolution or request. However, it is up to them whether or not they make any use of that knowledge. Unless you have a high profile, it is hard to imagine they would want to publicise your action.

What is the difference between appointing a power of attorney in regard governance rights and a proxy?

A Power of Attorney is more general, your attorney can do what a proxy can do but they can also request, on your behalf, that the company include material on the agenda of an AGM. A proxy, on the other hand, is solely a person who attends a meeting on behalf of another shareholder.

How do company annual general meetings (AGM's) work?

At AGMs, the board of directors and the management of the company discuss the operations of the company with the shareholders. Shareholders may vote on high-level

resolutions dealing operation of the company, the remuneration of executives, resolutions put forward by the shareholders, etc.

Does a resolution have to get 51% of the vote to be “successful”?

No. The most successful resolutions get withdrawn. That means the board agrees to act in accordance with the proposal because it considers there is already ‘enough’ concern amongst its shareholders. Even if the resolution proceeds but fails to win majority shareholder support, it will often still have a significant influence on the operations of the company. Sometimes, the same resolution has to be put a few years in a row to garner sufficient support. Once support has reached 10 to 15%, proponents generally view their actions as having been successful. This is because change is usually triggered by this level of support.

In Australia how many shareholders do you need to be able to put a proposed resolution to an AGM?

In Australia 100 shareholders can request that a company distribute a notice about a matter of concern to all the shareholders. Similarly, 100 shareholders can lodge a resolution for consideration by all shareholders at their next meeting

If I wish to participate, what kind of shares do I need to hold?

You need to hold fully paid ordinary shares, ie with the ticker ANZ, CBA, NAB or WBC. Only holders of these shares have the right to support resolutions for consideration at the Big 4 Banks AGMs. Holders of preference shares, floating rate notes etc do not have these rights.