

May 2003



**Friends of  
the Earth**

# Briefing

# UK plc: AGM SEASON

## Introduction

Spring is traditionally 'AGM Season' – the time when UK plc reports back to shareholders on how their money is being spent. All publicly listed companies are obliged by law to hold an annual general meeting (AGM) where they present their reports and accounts to shareholders and where directors answer questions on their business activities.

But this year, Friends of the Earth is making sure that it is not just the normal shareholders who are present at the AGMs and that the questions that get asked are about more than just the financial bottom line.

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**Friends of the Earth inspires solutions to environmental problems, which make life better for people.**

**Friends of the Earth is:**

- the UK's most influential national environmental campaigning organisation**
- the most extensive environmental network in the world, with almost one million supporters across five continents and over 60 national organisations worldwide**
- a unique network of campaigning local groups, working in over 200 communities throughout England, Wales and Northern Ireland**
- dependent on individuals for over 90 per cent of its income.**

**To join or make a donation call us on 0800 581 051**

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## **UK plc: AGM SEASON**

Friends of the Earth has bought shares in 18 British companies who are putting profits before people and the environment and we will be making sure that the voices of affected communities are heard inside and outside the relevant AGMs. We are bringing local community representatives to London, from the UK and abroad, to enable them to put their questions direct to the directors whose decisions are ruining their lives, livelihoods and local environment.

But Friends of the Earth is not just seeking a change in the behaviour of these specific companies. There are countless examples of UK plc putting profits before people and the environment and we will also be using AGM season to push for changes to UK company law so that local communities can hold UK companies to account for their impacts all year round, and not just for one hour in the spring sunshine.

## **UK plc**

The UK is the fourth largest economy in the world and the largest foreign direct investor. The way in which UK plc goes about its business directly affects the lives of hundreds of millions of people across the globe, as well as the world's environment. From big international players such as Shell, BP and Rio Tinto, whose business lies in exploiting natural resources; right down to the supermarkets, food processors and packaging industry, UK businesses have global reach and global impacts.

Business is often described as a force for good, bringing jobs, services, and running the engine of the economy. But it is important to remember that business does not exist to “do good” but to make money for its shareholders. And under UK company law company directors are obliged to do just that. This can leave British business in a difficult position – bound to make profits, even when profit may be at the expense of local communities and the environment.

This is true for British companies operating in countries where local laws either do not provide adequate protection, or where local laws are inadequately enforced, so people and the environment do not receive the protection they deserve. Take for example the case of British American Tobacco's operations in Brazil where it owns 74 per cent of the Brazilian company Souza Cruz. Brazilian tobacco farmers accuse Souza Cruz of putting their health and environment at risk as a result of the pesticides they are required to use. The farmers have reported symptoms associated with the use of organophosphates, including depression, anxiety, neurological dysfunction, muscle aches and Parkinson's disease like tremors.

In 1995, Shell publicly announced its commitment to sustainable development and has produced vast number of glossy brochures on the subject. And yet, for people living next to Shell refineries and factories in Manila in the Philippines, Durban in South Africa, the Niger Delta, Norco in Louisiana, and Port Arthur in Texas, little has changed. They are suffering from skin complaints, breathing problems and cancer that, they say, are linked to Shell's activities. For them, Shell is still putting its profits before people and the environment.

And BP – who promised it would go “beyond petroleum” – is looking for public money to build a pipeline across central Asia, transporting oil from the Caspian Sea to the Mediterranean and western markets. BP has used its power as a multinational to persuade the governments affected in Azerbaijan, Georgia and Turkey to make the area around the pipeline exempt from

environmental standards and others laws – leaving local people and the environment without protection and at great risk.

But companies operating here in the UK also put their profits before people and the environment. Port developer ABP wants to develop a giant port on the edge of the New Forest which will destroy a environmentally valuable coastline. British Airports Authority and British Airways are pushing for a massive expansion in airports, despite the fact that aviation is the most polluting and least efficient form of transport - yet it pays no tax on fuel - and despite the impact of airports on local communities. And British supermarkets such as Sainsbury's and Tesco are putting the future of farming and the countryside in the UK at risk by relying on cheap imported fruit and veg, rather than produce grown at home.

## **Exposing companies**

In October 2000, Prime Minister Tony Blair called on top 350 British companies to publish annual environmental reports by the end of 2001. More than three-quarters of the top British businesses ignored the challenge – and the figure has not improved much today. If that's how UK plc responded to a “challenge” from the top politician in the land merely to report on social and environmental issues, no wonder local communities are having little success in persuading companies to change their practices.

Companies may be reluctant to publicise their impacts on the environment, but local people, environmental groups and other NGOs are working to remedy the situation. Friend of the Earth will be “exposing” several UK companies during AGM season for the impact they are having on people and the environment.

And Friends of the Earth's representatives, accompanied by local community members, will be taking their concerns into company AGMs to question directors about their environmental impacts. For a list of the companies under scrutiny, see below.

## **Time to change the rules to benefit “stakeholders”, not just shareholders**

It's clear that the “voluntary approach” – leaving companies to regulate themselves on social and environmental issues has failed and that people and the environment are suffering as a result.

Friends of the Earth is calling for a change in UK company law to require companies to take account of their wider responsibilities and to provide affected communities with a means of redress and/or compensation when companies fail to do so.

Even on reporting, as things stand, companies who publish environmental and social reports do so voluntarily. There are no sanctions if they fail to do so, and no rules as to what they should include. This means the reports provide an ideal opportunity for companies to publicise good practice, and overlook any activities which may be seen as undesirable. Such ‘greenwash’ is misleading to the public and investors – and should be stopped. A legal requirement to publish environmental and social information would create a level-playing field for companies – giving a just advantage to those who operate a high standards, while rightly exposing those whose practice leaves much to be desired.

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Friends of the Earth believes there should also be duties on directors to minimise negative social and environmental impacts, and to consult with stakeholders before embarking on major projects.

At the World Summit on Sustainable Development in Johannesburg last year, the UK Government pledge to:

*“Actively promote corporate responsibility and accountability... including through the full development and effective implementation of intergovernmental agreements and measures, ...and appropriate national regulations”.* (Paragraph 45ter, in final plan of implementation text).

Now it must follow through on this promise by legislation here at home.

## **The Corporate Responsibility Bill**

The Government is already committed to reforming existing Company Law and has published a discussion document, “Modernising Company Law”. Modernising Company Law represents the largest revision of UK company law in nearly 150 years.

Friends of the Earth believes this legislation is a unique opportunity for the Government to introduce legislation which exerts more control over the wide ranging impacts companies have on our lives. An opportunity to guarantee that business addresses stakeholder concerns as well as the short-term interests of the shareholder.

For this reason, Friends of the Earth is a founding member of the Corporate Responsibility Coalition (CORE) which pulls together environment, human rights and development organisations, think-tanks, progressive companies and trade unions to campaign for changes to UK company law. Members of the coalition include Amnesty International (UK), Christian Aid, GMB Union, National Union of Journalists (NUJ), New Economics Foundation, Traidcraft, Unison and Unity Trust Bank.

The Corporate Responsibility Bill has been drafted by the CORE campaign, proposing legislation that would recognise the rights of stakeholders. The Bill covers the following principles:

The duty to prepare and publish reports - companies with a turnover greater than £5m shall produce and publish reports on their economic, environmental and social impacts.

Stakeholder Consultation - before embarking on major projects companies shall take reasonable steps to consult with and respond to affected stakeholders.

Clearly Defined Directors Duties - directors shall be required to consider the wider impacts of their business.

Enforcement - the creation of a Standards Board to set standards, monitor and ensure the effective implementation of the consultation on major projects.

For more information on the CORE Coalition, and the Corporate Responsibility Bill see: [www.corporate-responsibility.org](http://www.corporate-responsibility.org)

**Dates and details for AGM season 2003:**

<b>Company</b>	<b>AGM date</b>	<b>Place</b>	<b>Issues</b>
<b>BAT (British American Tobacco)</b>	15 April	The Brewery, Chiswell St.	Business activities in Burma and pesticides use in Brazil
<b>ABP (Associated British Ports)</b>	15 April		Plans for a “superport development” at Dibden Bay near Southampton, which will destroy nationally and internationally important wildlife sites and part of the proposed New Forest national park.
<b>Rio Tinto</b>	17 April		Destructive mining activities in Indonesia (detailed new report from Friends of the Earth Indonesia)
<b>Shell</b>	23 April	QE2 Conference Centre	Community representatives from The Philippines, South Africa, Nigeria, Texas and Louisiana will be asking why the Shell refineries they live next to are damaging their health and their environment. Friends of the Earth will be publishing a major new report on Shell – in the style of a spoof Shell social and environment report.
<b>Barclays</b>	24 April		
<b>BP</b>	24 April	Royal Festival Hall London SE1 8XX @11am	Friends of the Earth will be asking questions about the Baku Ceyhan pipeline (see also AMEC)
<b>Anglo American</b>	25 April		Mining in South America and southern Africa
<b>BAe (British Aerospace)</b>	29 April		Defence manufacturer.
<b>AMEC</b>	8 May	Radisson hotel London	AMEC subsidiary Spie has the construction contract for the Georgia section of BP’s Baku-Ceyan pipeline. It will have massive implications for human rights and the environment. Later this year, Spie will also be prosecuted for an alleged bribing of an official to get a dam building contract as part of the Lesotho Highlands Water Project.
<b>Premier Oil</b>	9 May	Drapers Hall (possibly)	Drilling for gas in Kirthar National Park, Pakistan.
<b>Balfour Beatty</b>	15 May	Royal Lancaster Hotel, London	Balfour Beatty may also be implicated in the bribery case relating to the Lesotho Highlands Water Project
<b>P&amp;O</b>	16 May		Want to build super-port in Thames Estuary at Shell Haven

**UK plc: AGM SEASON**

<b>HSBC</b>	30 May	Barbican Hall	
<b>Tesco</b>	13 June	Royal Lancaster Hotel @11am	Numerous issues around food and farming and their attempted take over of Safeway.
<b>BA</b>	15 July		Lobbying for expansion of the aviation industry (see also BAA).
<b>Sainsbury's</b>	23 July	Queen Elizabeth Conference Centre	Numerous issues around food and farming and their attempted take over of Safeway.
<b>Safeway</b>	Early July		Should shareholders accept a takeover that would create a massive supermarket chain?
<b>BAA (British Airports Authority)</b>			Behind Freedom to Fly group which aggressively lobbies for more and easier air travel (despite costs to climate and local communities)