

# Media Briefing

## AGM SEASON 2004

### IS THE GOVERNMENT GOVERNING UK plc?

April 2004

#### Introduction

On April 7<sup>th</sup> 2004 Friends of the Earth launches AGM Season 2004 with a question for Tony Blair and the British Government: are you doing enough to govern the activities of UK plc?

Annual general meetings (AGMs), traditionally held by companies in the spring and early summer, are an opportunity for shareholders to question company directors on how their money is being spent. And in recent years, shareholders have been vociferous in raising their concerns.

For Friends of the Earth, annual general meetings are also an opportunity to highlight where company policies and practice are putting profit before people and the environment, both here and abroad.

Around the world, Friends of the Earth is working with communities who are directly affected by the activities of UK plc. Their experiences show the damage that can be done by British companies operating overseas, particularly in countries where regulation is weak, prone to corruption, or poorly enforced. Environmental destruction and pollution impact on local communities, affecting their health, their lives and livelihoods. Often these companies are the same ones that publish glossy corporate social responsibility reports, boasting their ethical credentials. Local communities have another story to tell.

Last year, Friends of the Earth brought some of the communities who live next door to Shell's plants to the company's AGM in London to share their experiences with shareholders. Shell claims to be a market leader when it comes to corporate social responsibility, but Shell's neighbours did not recognise this view. Working with Friends of the Earth, they published their own version of Shell's annual report, recounting the company's year from their perspective. This year, they and other affected communities, will be in London once again.

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.

How UK plc goes about its business is under growing scrutiny. The Government will soon require UK companies to carry out an Operating and Financial Review following questions about business practice. And investors are increasingly alert to the links between corporate behaviour and company performance. For many investors, there is a growing awareness that responsible company behaviour makes good business sense.

Business is often described as a force for good, bringing jobs, services, and running the engine of the economy. But businesses do not exist to 'do good' but to make money for shareholders. And as things stand, Friends of the Earth believes too many companies are making those profits at the expense of local communities and the environment.

That is why corporate governance is more than just an issue for investors. It is an issue for Government. While investors may demand high standards from directors, there will be no guarantees of standard practice and no protection for communities or the environment, unless all companies are bound by law. That is why Friends of the Earth is calling on the UK Government to introduce corporate accountability legislation to ensure companies meet their responsibilities across the board.

The Corporate Responsibility Bill, introduced by Labour MP Andy King in January 2004, with Friends of the Earth's support, would have provided a framework for such legislation. The Bill would have introduced mandatory reporting, forcing companies to publish annual reports explaining the significant social, environmental and economic impacts of their activities; and expanding directors' duties to include a duty of care to consider the environmental, social and economic impacts of their activities.

Although the Bill will not make it into law in the Parliament, there is growing pressure on the Government to legislate and opportunities exist, as with Operating and Finance Review to tighten existing legislation. Friends of the Earth will use AGM Season 2004 to highlight how companies' activities show it is time for the Government to act.

## **AGM Season 2004**

This year, Friends of the Earth's AGM Season kicks off on April 7<sup>th</sup> at the AGM of mining company Rio Tinto. Friends of the Earth will exercise its share options at Rio Tinto and at other companies over the coming months to highlight where, despite the claims made in their corporate literature, they are still putting profits before people and the environment.

But as part of this year's AGM Season, Friends of the Earth will also take its message to the MPs who are responsible for ensuring the proper governance of UK plc. We will invite MPs to meet with some of UK plc's neighbours from around the world and to hear at first hand how British companies are putting the lives and livelihoods of communities at risk.

Take the people living next door to Shell. The oil giant hit the headlines after it delayed its annual report and AGM following problems with its claims over levels of oil reserves. But the news that Shell had misinformed investors was of no surprise to the people who live next door to Shell's operations. They are used to hearing promises that fail to materialise.

Individuals from communities living next to Shell in Nigeria, the Philippines, the US and South Africa joined Friends of the Earth at Shell's AGM in London last year. They met with the then Chair, Sir

Philip Watts, and raised their concerns about the pollution, leaks and health impacts of living next door to Shell. Sir Philip reassured these community representatives that their concerns would be looked into. One year on, Shell has a new chairman, but the problems faced by Shell's neighbours have not gone away. They will be back in London this year to remind the new Chair of the promises the company made.

Take high street bank HSBC. The bank likes to advertise how it responds to the different needs of communities around the world, but in Indonesia it is funding the expansion of the palm oil plantations which force local communities off their land and replace sustainable small mixed forest farms with monocrop plantations of oil palm. Palm oil has become a huge business – the oil is now found in around one in three products on our supermarket shelves – but its impact is being ignored. Oil palm plantations are replacing primary rainforest and impinging on the habitat of endangered species including the Sumatran tiger and the orang-utan. HSBC claims to operate to high environment standards and has just published its first Corporate Social Responsibility report, where it boasts of “*investing in nature*”. It is also signed up to the Equator Principles - a voluntary code that states signatories will not invest in environmentally damaging projects. But when it comes to investing in the Indonesian palm oil business, these fine principles do not seem to apply.

Or take British mining giant Rio Tinto. Last October, a massive landslide at the Grasberg mine in West Papua, Indonesia, killed eight workers and injured five after employees had warned management over safety concerns. An Indonesian Government official commented that the accident was the “*likely result of management negligence*”. (Photos of the accident are available from Friends of the Earth). On the day of last year's AGM, WALHI (FOE Indonesia) published a detailed report warning of the social and environmental impacts associated with Rio Tinto's operations in the country.

Rio Tinto's controversial plans for an ilmenite mine in south-east Madagascar will also be the subject of questions at the AGM. Andrew Lees, former Campaigns Director at Friends of the Earth, died in Madagascar on New Years' Eve 1994 whilst researching the impacts of the proposed mineral sands mining project that will destroy at least two thirds of Madagascar's unique east coast littoral forest remnants – one of the world's most precious coastal forest areas. Rio Tinto is expected to make their final decision on whether to go ahead with the project this year.

But companies operating 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 an 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 and despite the impact of airports on local communities. 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.

## **What we want to see**

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, Oxfam, Traidcraft, Unison and Unity Trust Bank.

The CORE Coalition is campaigning for changes to UK company law so that financial obligations are counterbalanced by social and environmental concerns. Specifically, the Government must introduce:

- Mandatory reporting – requiring all UK companies to report annually on the impact of their operations, policies, products and procurement practices on people and the environment both in the UK and abroad
- New legal duties on directors – to take reasonable steps to reduce any significant negative social or environmental impacts
- Foreign direct liability – to enable affected communities abroad to seek redress in the UK for human rights and environmental abuses resulting directly from the operations, policies, products and procurement practices of UK companies or their overseas subsidiaries

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

### AGMs under the spotlight

| Company                        | Date of AGM | Corporate Irresponsibility   | How legislation, such as that outlined in the CORE Bill, would make a difference   |
|--------------------------------|-------------|--|--|
| Rio Tinto                      | April 7     | <ul style="list-style-type: none"> <li>• social and environmental problems associated with the company's mines in Indonesia, including a fatal mining disaster in West Papua last October.</li> <li>• highly controversial plans for a devastating ilmenite mine in SE Madagascar – decision likely to be made this year</li> </ul>                  | <ul style="list-style-type: none"> <li>• Foreign Direct Liability would allow affected communities in Indonesia would be able to sue Rio Tinto in UK for compensation</li> </ul>   |
| Associated British Ports (ABP) | April 15    | <ul style="list-style-type: none"> <li>• plans for a super-port on internationally important wildlife site at Dibden Bay near Southampton (within boundary of New Forest National Park)</li> </ul>   | <ul style="list-style-type: none"> <li>• Destroying an internationally important wildlife site would contravene a legal duty on directors to take reasonable steps to minimise environmental damage</li> </ul>                 |
| BP                             | April 15    | <ul style="list-style-type: none"> <li>• Baku-Ceyan pipeline will result in greenhouse gas emissions equivalent to third of UK's emissions and social and environmental problems along pipeline route</li> <li>• Company spending more money than ever before looking for oil and gas despite rebranding itself "<i>Beyond Petroleum</i>"</li> </ul> | <ul style="list-style-type: none"> <li>• Foreign Direct Liability would allow affected communities along the pipeline route to sue BP in UK for compensation if their project ruins their livelihood or environment</li> </ul> |
| Anglo American                 | April 21    | <ul style="list-style-type: none"> <li>• Human right controversies associated with its mines in Colombia</li> <li>• Local community in Durban, South Africa fighting subsidiary MONDI over pollution from pulp and paper plant</li> </ul>  | <ul style="list-style-type: none"> <li>• Foreign Direct Liability would allow affected communities to seek redress in UK courts</li> </ul>   |
| British American Tobacco       | April 21    | <ul style="list-style-type: none"> <li>• Calls itself a responsible company even though it sells a product that kills half the people that use it, as directed</li> </ul>  | <ul style="list-style-type: none"> <li>• BAT's claims to be acting responsibly would be at odds with the information it would</li> </ul>   |

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| BAT               |          | <ul style="list-style-type: none"> <li>Problems with pesticide use and poor wages on tobacco plantations</li> </ul>   | <ul style="list-style-type: none"> <li>have to include in a legally required social and environmental report</li> </ul>   |
| Barclays          | April 29 | <ul style="list-style-type: none"> <li>Financing companies that are clearing rainforests, despite promises to the contrary in glossy brochures</li> </ul>   | <ul style="list-style-type: none"> <li>Mandatory reporting would force Barclays to declare how its investments have fuelled environmental destruction. Legal duties would force them to take steps to reduce the impacts</li> </ul>   |
| BAe               | May 5    | <ul style="list-style-type: none"> <li>Massive advertising campaign proclaims that BAe provide “<i>shelter from the storm</i>” while being one of the world’s largest arms manufacturers</li> </ul>   | <ul style="list-style-type: none"> <li>BAe’s claims to be acting responsibly would be contradicted by the information contained in a legally required report</li> </ul>   |
| AMEC              | May 19   | <ul style="list-style-type: none"> <li>Constructing the Baku-Ceyan pipeline in Turkey (see also BP)</li> </ul>  | <ul style="list-style-type: none"> <li>Foreign Direct Liability would allow communities affected by AMEC’s construction activities to seek redress in UK courts</li> </ul>  |
| Cadbury Schweppes | May 21   | <ul style="list-style-type: none"> <li>Concerns about intensive cocoa production, marketing of fatty, sugary products via schools and about worker exploitation</li> <li>Use of palm oil as an ingredient in foods, despite implications for rainforests which are cleared to grow the crop</li> </ul>  | <ul style="list-style-type: none"> <li>A duty on directors to take reasonable steps to reduce significant negative social and environmental impacts would force Cadbury’s to address the issue of sourcing sustainable palm oil</li> </ul>  |
| HSBC              | May 28   | <ul style="list-style-type: none"> <li>Has helped finance creation of palm oil plantations, resulting in clearance of tropical rainforest</li> </ul>  | <ul style="list-style-type: none"> <li>A duty on directors to take reasonable steps to reduce significant negative social and environmental impacts would have stopped HSBC financing rainforest destruction in Indonesia</li> </ul>  |
| Tesco             | June 18  | <ul style="list-style-type: none"> <li>broken promises to source tropical timber from independently certified sustainable sources and instead sold garden furniture last summer made from illegal Indonesian timber</li> <li>accused of treating British farmers unfairly</li> <li>aggressive expansion is reducing consumer choice of where to shop</li> </ul> | <ul style="list-style-type: none"> <li>Tesco’s selling of illegally sourced tropical timber would have clearly contravened legal duties to take environmental issues seriously</li> <li>A stronger supermarket code of practice, enforced by a watchdog, would regulate treatment of farmers</li> </ul> |
| Shell             | June 28  | <ul style="list-style-type: none"> <li>communities living on Shell’s refinery “fencelines” are suffering from health problems and pollution of their environment</li> <li>Shell is now in trouble for overstating its financial performance after years of overstating its social and environmental performance</li> </ul>                                      | <ul style="list-style-type: none"> <li>Mandatory reporting would ensure Shell produces meaningful environmental reports rather than greenwash</li> <li>Foreign Direct Liability would allow affected communities to seek redress in UK courts</li> </ul>  |
| Sainsbury’s       | July 12  | <ul style="list-style-type: none"> <li>Sells countless products containing palm oil and has failed to address the</li> </ul>  | <ul style="list-style-type: none"> <li>A duty on directors to report on significant environmental</li> </ul>  |

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|     |         | <p>environmental impacts</p> <ul style="list-style-type: none"> <li>• accused of treating British farmers unfairly</li> </ul>   | <p>impacts of products would force Sainsbury's to document the severity of the palm oil issue. A duty on directors to take reasonable steps to reduce those impacts would force them to do something about it rather than ignore the issue</p> <ul style="list-style-type: none"> <li>• A stronger supermarket code of practice, enforced by a watchdog, would regulate treatment of farmers.</li> </ul> |
| BA  | July 20 | <ul style="list-style-type: none"> <li>• aggressively lobbying for a massive expansion of the aviation industry against the interests of both people and the environment.</li> </ul>  | <ul style="list-style-type: none"> <li>• A duty on directors to report on impacts of company policies would force BA to declare its lobbying activities in favour of airport expansion</li> <li>• Mandatory reporting would force BA to publish environmental reports detailing the impact of the aviation industry on climate change</li> </ul>   |
| BAA | July 27 | <ul style="list-style-type: none"> <li>• A master of 'greenwash' (pretending to be green while in reality continuing with unsustainable business as usual by promoting aviation).</li> <li>• The company has broken promises made to local residents over not seeking a third runway at Heathrow</li> </ul> | <ul style="list-style-type: none"> <li>• A duty on directors to report on impacts of company policies would force BAA to declare its lobbying activities in favour of airport expansion</li> <li>• Mandatory reporting would force BAA to publish reports detailing the impact of its activities, rather than superficial issues such as wild flowers next to runways</li> </ul>                         |