

# **Benchmarking for change: Corporate political expenditure and climate lobbying in Australia**

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ACCR is a multidisciplinary organisation with expertise in shareholder strategy, equities analysis, climate science and legal risk. Our focus is enabling investors to escalate their engagements with major, heavy-emitting listed companies in their portfolios, as a tool for managing physical climate risk.

# How well do top ASX companies disclose & govern their political spending and climate lobbying?

1. Benchmarking political spending governance of leading ASX companies to the S&P 500
2. Assessing how key ASX Energy & Resources companies govern their climate lobbying
3. Tools and recommendations for investor stewardship

# Political spending & climate lobbying: benchmarking leading ASX companies to the S&P 500



# Governance of political spending: Australian companies lag far behind US

## Leading ASX companies are far behind US S&P 500 on transparency and governance of corporate political expenditure.

- CPA-Zicklin Index is the leading benchmark for transparency of corporate political spending in the US
- We compared ISS ESG assessments of 50 top ASX companies\* with CPA-Zicklin assessments of S&P 500
- **Average Australian performance was about a third of US performance in 2022, around half of US performance in 2015.**
- CPA-Zicklin engagement dates back to 2004.

### 50 leading ASX companies vs. US S&P 500 performance on the CPA-Zicklin Index

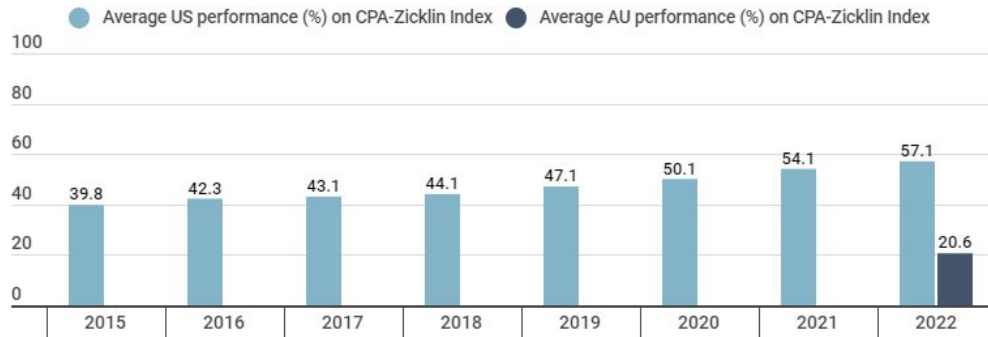


Chart: ACCR | Source: CPA-Zicklin (US), ISS-ESG (AU)

# Governance of political spending: Australian companies lag far behind US

## No high performers on governance of political spending among Aus. companies

- **None of the Australian companies scored as high as even the average score of the US companies**
- **Majority scored in the bottom 20% of performance.** The majority of US companies scored over 60%.

Distribution of AU and US companies across CPA-Zicklin Index tiers (2022)

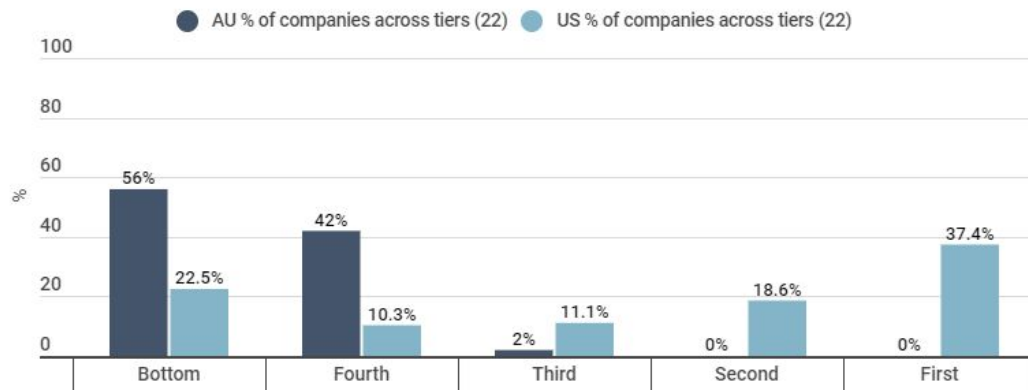


Chart: ACCR | Source: CPA-Zicklin (US), ISS-ESG (AU)

# Governance of political spending: Australian companies lag far behind US

## Australian companies underperform across categories

- Average Australian performance **consistently behind the US across categories**, particularly in Oversight
- Australian companies show same gap between Policy ('say') and Disclosure ('do')

AU and US companies' performance in CPA-Zicklin Index categories (2022)

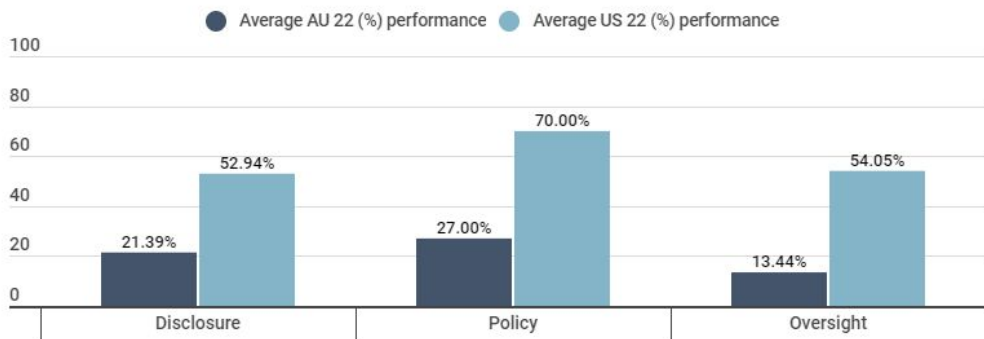


Chart: ACCR | Source: CPA-Zicklin (US), ISS-ESG (AU)

# ASX companies have the potential to perform at the highest levels

## Company size does not limit performance

- **Market capitalisation is a weak predictor of performance** on the CPA-Zicklin Index
- **Small companies regularly outperform large companies**, and perform at the highest levels
- Size predicts 4.5% of variation in performance for the Australian companies. There is a stronger relationship (8.5%) for similar sized US companies (USD 7-197b)

Size vs performance: AU and similar-sized US companies on CPA-Zicklin (2022)

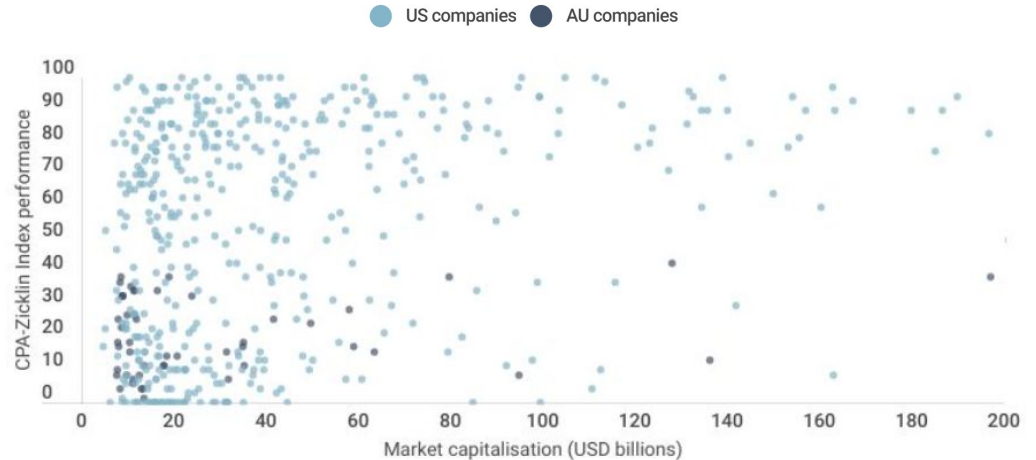


Chart: ACCR | Source: CPA-Zicklin (US), ISS-ESG (AU), Bloomberg (MktCaps)



# US experience shows improved governance of political spending is feasible

## US companies have improved significantly over time

- Good disclosure and governance of political spending is **increasingly mainstream** among leading US companies

Changing distribution of 'core' US companies on CPA-Zicklin Index (2015-2022)

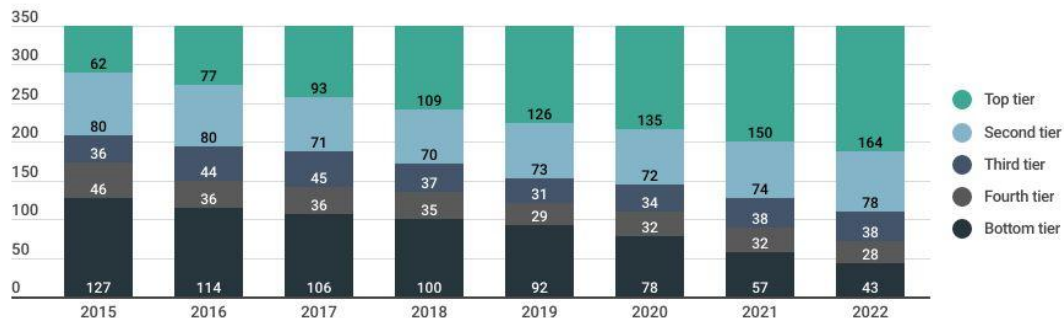


Chart: ACCR | Source: CPA-Zicklin

# 'Leaders' and 'laggards' will emerge over time

## Australian market is relatively immature, with no clear leaders

- In the bottom two tiers of performance, **US companies perform worse** than Australian companies
- Some of these companies are what CPA-Zicklin calls 'basement dwellers' – they consistently perform poorly and resist change

### Average Australian and US performance across CPA-Zicklin Index tiers (2022)

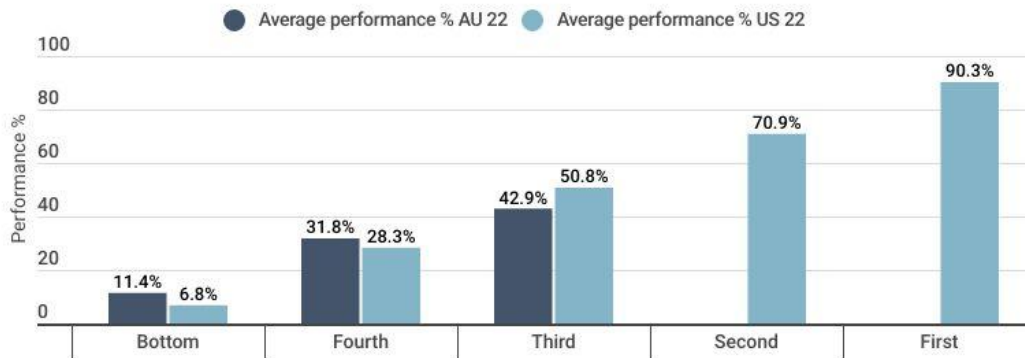


Chart: ACCR | Source: CPA-Zicklin (US), ISS-ESG assessments (AU)

# AU-company governance of political spending appears to be improving slightly

## Increased shareholder, regulator and consumer pressure around ESG matters brings small lift to Australian companies

- 14 of 20 companies ACCR assessed on the CPA-Zicklin Index in 2016 improved by 2022.
- The 20 companies improved by 4.6% on average.

Change in Australian companies' performance on the CPA-Zicklin Index (2016-2022)

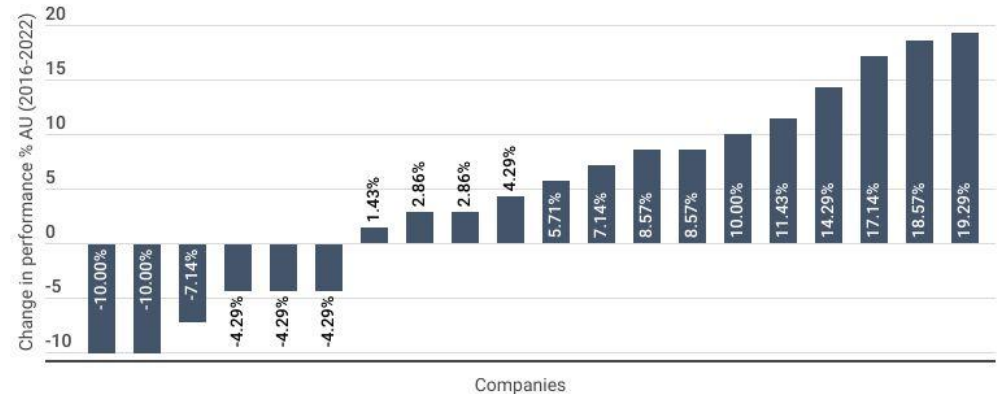


Chart: ACCR | Source: ACCR (16) & ISS-ESG (22) assessments

# Investor engagement is key to improving governance of political spending

## Engagement improves governance, but engagement in Australia has been limited

- US companies that are engaged by investors but **do not come to agreement with investors on average still perform 65% better** than non-engaged companies
- Companies that come to agreement with investors on average perform twice as well as companies not engaged by investors
- **No investors have filed shareholder resolutions specially on direct political expenditure in Australia**

### US company performance on CPA-Zicklin Index compared with engagement history

	Agreement	No Agreement	No Engagement
No. of companies	154	70	271
Average CPA-Zicklin Index score	79.9%	68.1%	41.2%
Average market cap (USD billions)	109.72	143.60	43.28

# Pick low-hanging fruit first and grow ambition over time

## Companies take easier actions first but become bolder over time

- US companies have improved across all areas of Oversight, and **greater proportions of them are taking on a broader and bolder range of actions**
- There are similar trends for Policy and Disclosure

US performance on Oversight categories of CPA-Zicklin Index (2015-2022)

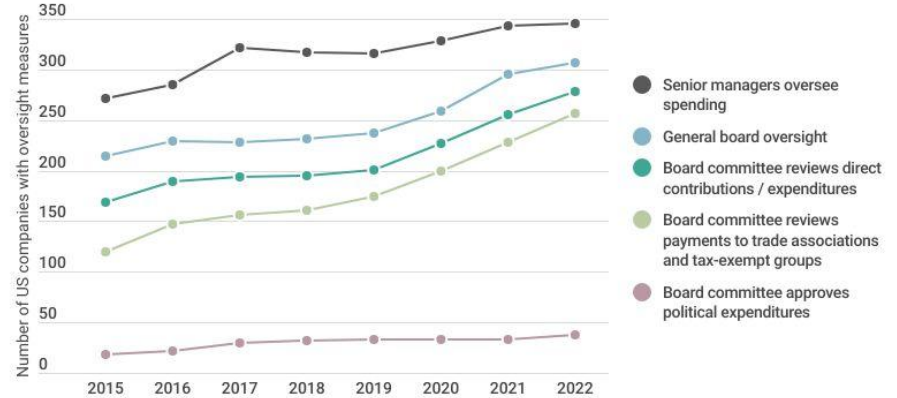


Chart: ACCR | Source: CPA-Zicklin

# Assessing how key ASX Energy & Resources companies govern their climate lobbying



# Energy & Resources companies are major political donors

## Companies at the heart of the energy transition have high political spending

- Companies in the Energy and Resources sector have made at least **15% of all political spending declared to the AEC** over the last decade.
- This proportion may be higher still if undeclared spending (e.g. subscriptions) and donations channeled through political fundraising bodies and lobbying firms were counted. *(Donations from outlier donor Clive Palmer would push this higher still.)*
- **Donations are only one part of political spending**, which includes money put to lobbying and advertising.

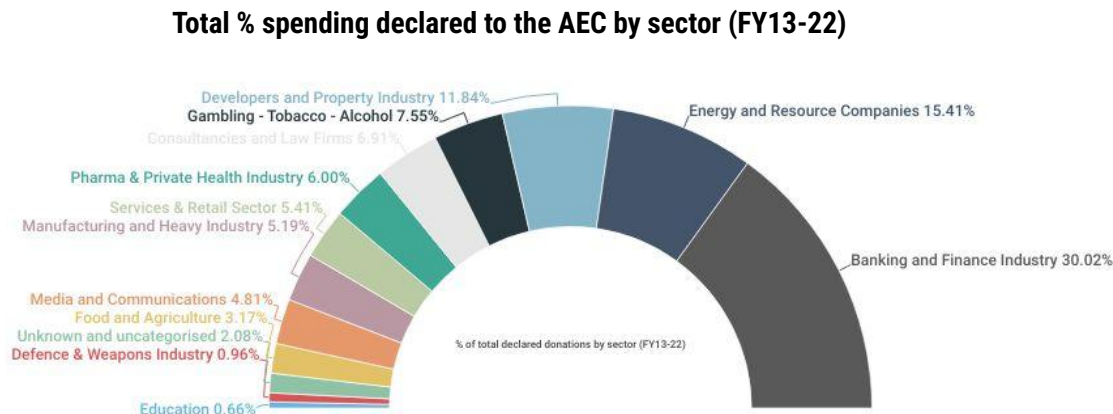


Chart: ACCR | Source: AEC donations data (via D4S Project)

# Political spending by the Energy & Resources companies is influential

## Energy & Resources companies have stalled positive climate policy with political spending

- The E&R sector made particularly large donations in **2014 and 2015**, where it contributed around **39% and 22% of total donations respectively**.
- Large donations in 2014 and 2015 were part of a broader, high-profile industry advocacy campaign against greater regulation and policies for climate action that had run since at least 2010.
- These efforts contributed to the repeal of increased mining taxes and the Australian Emissions Trading Scheme

### Yearly % donations declared to the AEC by sector (FY13-22)

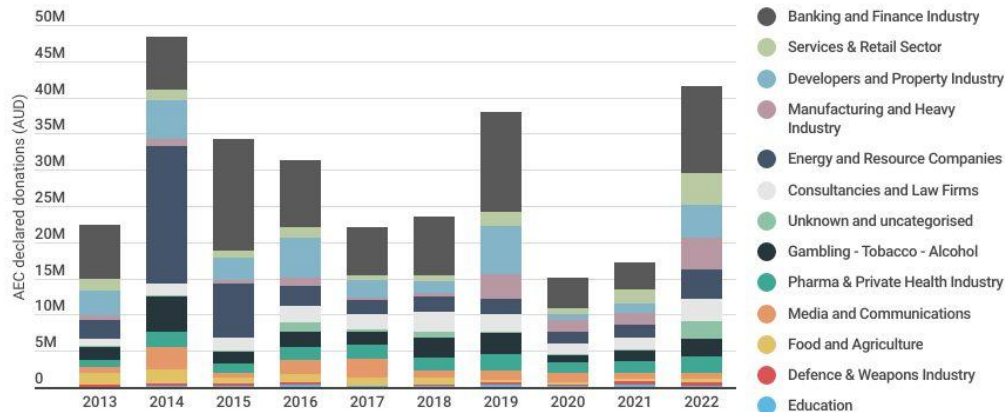


Chart: ACCR | Source: AEC donations data (via D4S Project)



# Performance of leading Australian E&R companies on CPA-Zicklin is low

## Five Australian E&R companies ACCR regularly engages score low on governance of political spending

- Each of the companies – Rio Tinto, BHP, Woodside, Origin and Santos – perform well below the US average.

Performance (2022) of 5 E&R companies on the CPA-Zicklin Index compared with:  
US and Australian averages (L) and performance of these companies across categories (R)

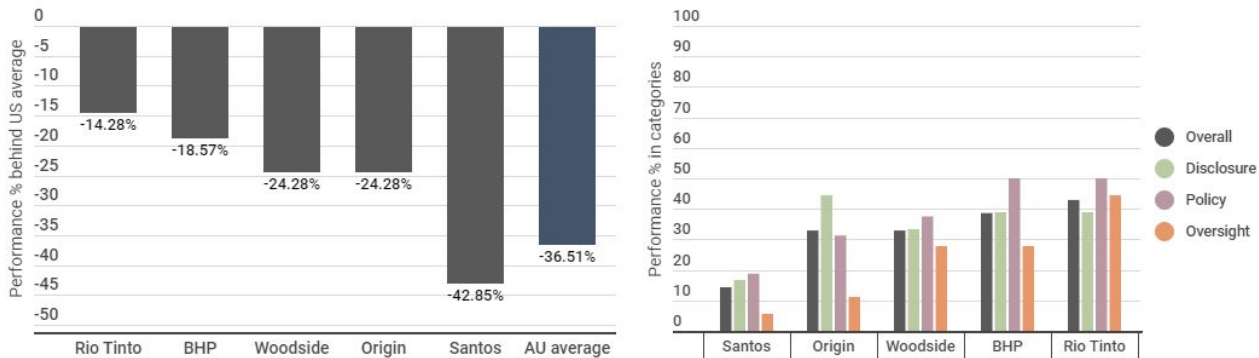


Chart: ACCR | Source: ACCR (16), ISS-ESG (22)

# Climate policy engagement of five E&R companies is not clearly positive

## InfluenceMap assessments show mixed and negative engagement

- Assessments by the think tank InfluenceMap do not find any of the companies to be clearly positively aligned with the goals of the Paris Agreement.
- 'C' band performance indicates mixed climate policy engagement. D and below indicates increasingly negative engagement on climate policy.

## InfluenceMap assessments of 5 E&R companies' climate policy engagement

Company	Performance band	Organisation score	Relationship score	Engagement intensity
Origin	C-	57%	62%	45%
BHP	C-	62%	50%	44%
Rio Tinto	D+	58%	50%	37%
Santos	D-	45%	46%	22%
Woodside	D-	38%	49%	40%

# Five E&R companies significant have 'say-do' gap for climate lobbying

For climate lobbying, there is a gap between what Energy & Resources companies commit to and what they implement

- ACCR assessed the five E&R companies on the **Global Standard for Responsible Climate Lobbying, an investor-backed standard for best practice** on corporate climate lobbying.
- Gentailer Origin and diversified miners Rio Tinto and BHP outperform oil & gas companies Santos and Woodside. But all have a gap between what they commit to and what governance and disclosure they implement for climate lobbying.

Performance of 5 E&R companies on the Global Standard (2022)

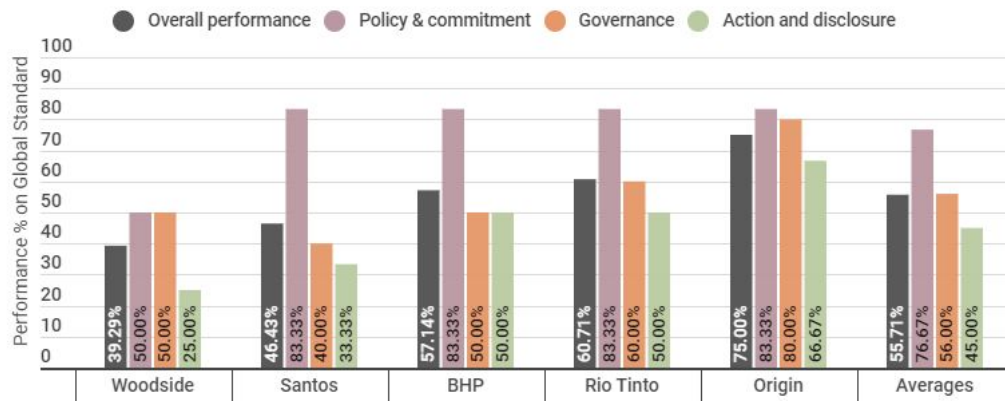


Chart: ACCR | Source: ACCR assessments

*Note: the Global Standard is yet to release a scoring methodology. ACCR analysis should not be understood as definitive but indicative and serve as a guide to investors interested in increasing engagement on climate lobbying.*

# Tools and recommendations for investor stewardship



# Key takeaways for investor stewardship

## Takeaways and recommendations

- **Investors can use the CPA-Zicklin Index and the Global Standard on Responsible Climate Lobbying** to measure and improve the transparency and accountability of companies' political expenditures and climate lobbying.
  - Beyond the latter seeking alignment with the Paris Agreement, **neither is prescriptive to management and boards.**
  - **Shareholder engagement is critical to driving change. CPA-Zicklin has proved a powerful tool** and the Global Standard has similar potential.
- **Prioritise engagement with Energy & Resources companies**
  - Energy & Resources companies in Australia are **large political spenders**, have **significant sway** over policy, and **on balance are not clearly aligned** with the Paris Agreement in their climate policy engagements.
  - These **companies appear to have significant 'say-do' gaps** for climate lobbying.
  - The **Global Standard** can serve as a systematic tool for identifying areas for improvement and engagement.
- **Persistent engagement produces steady growth in ambition, but can also result in rapid change**
  - There is **growing pressure** from regulators, investors and consumers to better manage & disclose political spending and lobbying.
  - Use **CPA-Zicklin and Global Standard criteria** to help companies identify 'low-hanging fruit' and chart a path for future improvement.
  - US companies have **generally improved gradually** on political spending governance, but **some have improved 'overnight' when engaged** (by up to 97.1 percentage points in a single year, and numerous companies by over 50 points in a year).

# Thank you

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