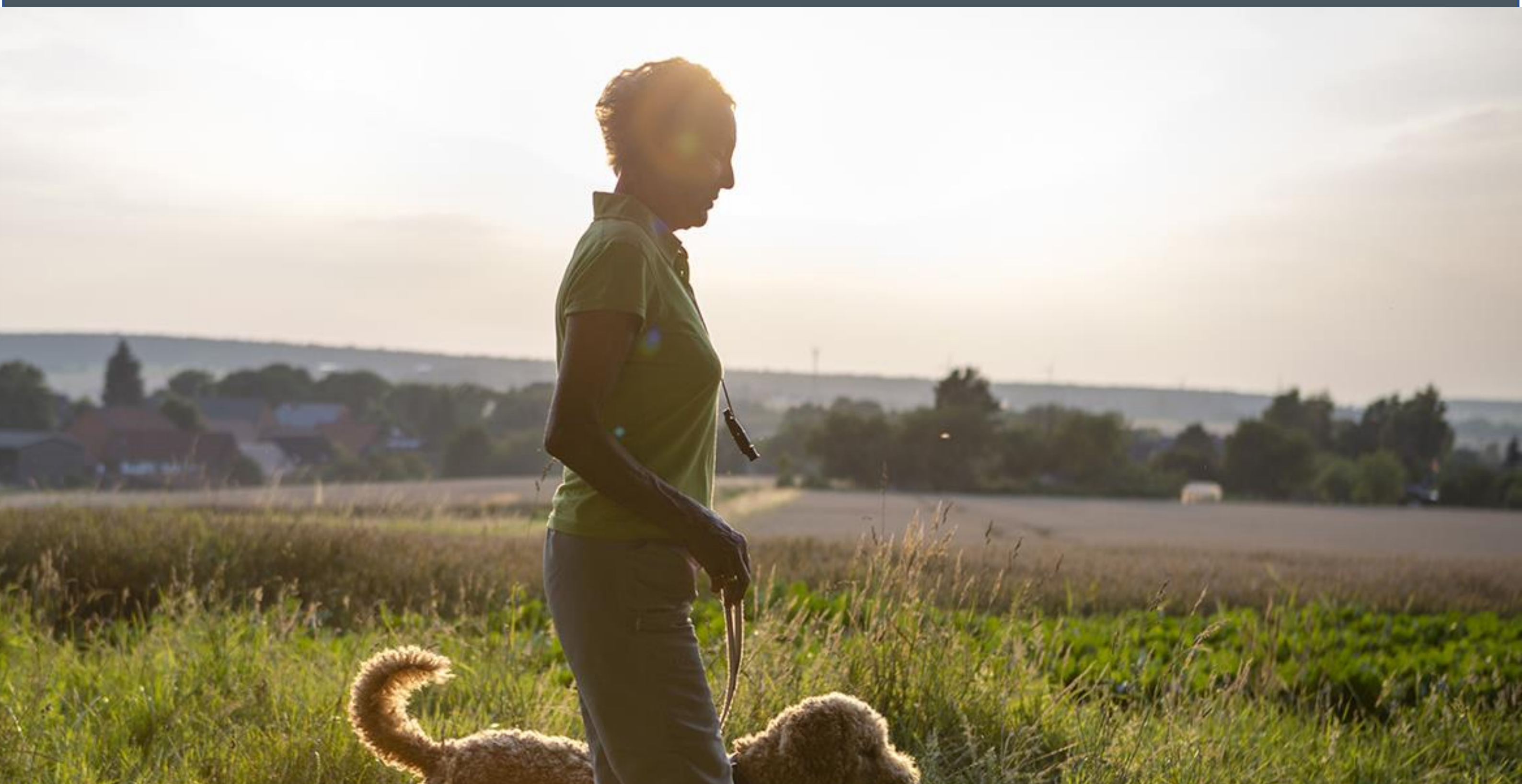
COTA
SOUTH AUSTRALIA
For older Australians

ACTING ON CLIMATE CHANGE:
Choosing where to spend and invest

A COTA SA Initiative

June 2022



About COTA SA and Climate Change

COTA (Council on the Ageing) SA is the peak body representing the rights, interests and futures of more than 633,000 South Australians aged 50+. We are an older people's movement engaging every day with diverse older South Australians all over our state. We provide a platform to ensure that older people are part of decision-making by government and industry, and also offer a range of independent supports and services.

COTA SA takes the threat of climate change seriously and has committed to join the movement for action on climate change.

COTA SA aims to:

- Facilitate learning about why climate change matters, how climate change impacts lives and what can be done.
- Reflect the concerns of older people to support action on climate change.
- Learn from and share stories of older people taking action on climate change.
- Partner with other generations and organisations to support their work, find opportunities for collaboration and increase the influence and opportunities of older people to tackle climate change.

COTA SA's Climate Change Group is made up of older South Australians and offers a program of activities to meet the objectives outlined above. This report has been written by members of COTA SA's Climate Change Group.

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Acknowledgment of Country

We acknowledge the Kaurna people of the Adelaide Plains as the traditional custodians of the land on where COTA SA's office is based and where we met with companies for this project. We pay our respects to Elders past, present and emerging.

Introduction

We are all affected by climate change. The science points to the planet warming and increasing extremes of weather over the last few years – storms, floods and fire particularly – can't be brushed aside. We must act to mitigate and adapt.

Are older people concerned about the impact of climate change?

In the most recent COTA SA climate change survey (December 2021), 85% of the older South Australians who responded were concerned about the impact of climate change, consistent with a previous survey conducted in 2020.[1] At the top of the list of concerns were the environmental impact of climate change and the impact that climate change will have on future generations.

The 2022 COTA NSW 50+ Report *What older people think* reported a consistent finding such that climate change "was the predominate issue of concern, with over half of respondents indicating that this was of primary concern to them."[2]

What actions are people taking?

The COTA SA 2021 survey found that older South Australians were already taking practical and direct steps in their own lives to limit their impact on the climate. Increasing recycling and reuse, managing water usage and efficiency, installing solar panels, planting more trees, and installing water tanks were all cited by more than 50% of respondents.[3]

In each COTA SA survey, in our 2021 climate change workshop and in the 2020 webinar with the Australian Youth Climate Coalition, older people wanted information about further steps they could take to make a difference and have a positive impact.

Through the COTA SA Climate Change Group further strategies emerged –

1. Moving from petrol to electric vehicles
2. Using heat pumps to replace gas in household appliances
3. Using the connections of older people to Australian businesses to encourage them to move to Net Zero.

This report is about the work being done by the Climate Change Group on the third strategy – working with Australian businesses.

[1] Climate Change • COTA SA
[2] https://www.cotansw.com.au/wp-content/uploads/sites/5/2022/05/COTA-50-Report-2022_-What-Older-People-Think_WEB.pdf
[3] Climate Change • COTA SA

Big businesses are carbon emitters. Can we apply pressure on big businesses?

All older South Australians have connections to businesses in Australia:

- We purchase goods and services including from shops like Woolworths and chemists such as National Pharmacies
- We have bank balances and credit and debit cards with major banks like ANZ or Commonwealth Bank.
- Many of us have investments in businesses either directly though the ownership of shares or indirectly through our superannuation.

These businesses want our relationship with them to continue. We, in turn, are impacted by the decisions they make to reduce carbon emissions.

So, how can we go about using our relationship power to make a change?

What has COTA SA done?

The COTA SA Climate Change Group wanted to exercise its customer power and find out more. It started by setting up meetings with seven SA-based companies that are listed on the Australian Stock Exchange (ASX). The companies approached to date are Adbri, Argo, Beach Energy, Cooper Energy, Elders, Oz Minerals and Santos. Each has a climate change plan on its website.

COTA SA wrote to the Chairs of their Boards seeking meetings to discuss their commitment to achieve Net Zero Emissions by 2050, how they are going to achieve that target, and how they would ensure that their shares would retain value through the journey.

What we asked the companies

The Climate Change Group looked for the extent of commitment the companies showed to reducing Greenhouse Gases (GHG) to Net Zero Emissions (NZE) by 2050 or before. We wanted to know:

- The company's emissions reduction targets
- How serious the company's governing board was about achieving those targets
- Whether the company was reporting their climate change exposures in their regular and public financial reports (Task Force on Climate Financial Disclosure - TCFD)
- Whether the company had a clear plan to achieve NZE with clear intermediate targets and not just a "way-into the future" 2050 target – did they have a Decarbonisation roadmap?

What the companies said about their commitment to Net Zero Emissions

At the time of writing this report we had visited all the companies on the list in Table 1 except Santos and Adbri. Most meetings were for an hour or so with the Chair, the Chief Executive and/or senior staff. We were generally impressed with the thought that had been given the topic of climate change and the seriousness with which they were reporting to us as their stakeholders.

Several companies had targets that lacked ambition. In particular, the challenge for the energy companies was immense: while progress could be made on their Scope 1 and 2 emissions (relating to their own operations), the Scope 3 emissions (in effect, their customers' emissions) were extremely difficult to reduce to Net Zero – either directly or by offset.[4]

An interesting point made by several companies concerned their cultural values: these companies had a clear statement of values held by the organisation and its staff. Living up to these values was seen as a key driver to attract and retain staff at a time when there are skill and workforce shortages.

The companies generally appreciated engaging with COTA SA and noted the real concerns of COTA SA members about climate change. The point was made to us that, for some of SA-based companies, a substantial proportion of the shareholders are themselves based in SA, and have held their shares for some time, thus making them in scope of representation by COTA SA. Several companies have already invited us to return when their next Sustainability report is released.

Table 1 (see next page) summarises our findings.

[4] Why are Scope 3 Emissions so important? Scope 3 emissions are crucial to understand the carbon pledges. Scope 1 and Scope 2 emissions refer to direct emissions whereas Scope 3 emissions refer to the indirect emissions. With an oil company for example, the Scope 1 and 2 emissions refer to the emissions they use as they extract oil but the Scope 3 emissions include those emissions when we would actually burn the oil as petrol in our car for instance. Those Scope 3 emissions constitute the bulk of an oil company's emissions footprint.

Table 1: Summary of findings

Company Name	***Company Representatives***	***Target Net Zero greenhouse gas emissions (GHG) by 2050?***	***Target for Scope 3 Emissions?***	***Agreed to TCFD Disclosure?***	***Climate Governance at Board level?***	***Decarbonisation Roadmap***
Argo Investments	**Timothy Binks:** COO	No. Argo does not screen its target companies for carbon or GHG emission aspirations.	No	No	None reported	None reported
Beach Energy	**Glen Davis:** Chair	"Aspiration" to Net Zero GHG by 2050 (Scope 1 & 2 only). Targeting 25% emissions reduction by 2025.	No reference to Scope 3	No	Yes	None reported – Internal initiatives
Elders	**Mark Allison:** MD/CEO **Nick Clark:** EGM Business Improvement **Karena Milios:** Sustainability Manager	Target Net Zero by 2050 (Scope 1 & 2 only)	Developing Scope 3 profile by FY22	Yes	Yes	Yes – Dependent on Feedlot Technology
OZ Minerals	**Rebecca McGrath**: Chair **Tim Richards:** GM Government & Climate **Kerinna Chadwick**: Corporate Affairs Exec **Matt Reed:** Operations Exec	Target Net Zero by 2030 (Scope 1 & 2 only)	Under development	Yes	Yes	Yes – Published
Cooper Energy	**Iain MacDougall:** GM HSEC and Technical Services	Achieved Net Zero Scope 1 & 2 emissions in 2021 (dependent on offsets).	Partial (working with customers)	Yes	Yes	Yes - Published
Santos	No response to request for a meeting	Target Net Zero by 2040 (Scope 1& 2 only)	Partial (working with customers)	Yes	Yes	Yes – Dependent on successful CCS
Adbri	No response to request for a meeting	Target Net Zero by 2050 (Scope 1 & 2 only)	Under development	Yes	Yes	Yes - Launched May 2022

Explanatory notes:

- *A **Target** is a published and firm business commitment to reach a particular outcome. An **Aspiration** is a stated desire, but not a commitment.*
- *Task Force on Climate-related Financial Disclosures (**TCFD**) has set recommendations for helping businesses disclose climate-related financial information.*
- ***Scope 1 & 2** emissions are emissions directly associated with a firm's operations (producing a product or service). **Scope 3** emissions are emissions from Suppliers and Consumers of a firm's products and services (upstream or downstream activities) and typically represent 70% – 80% of a firm's carbon footprint.*

Are there other approaches customers can take?

Another approach tested by the COTA SA Climate Change Group is asking questions about responses to climate change at a company's Annual General Meeting (AGM). It is a very straightforward process for shareholders. In fact, at the most recent AGM of Argo – an Adelaide-based investment company - four of the nine questions asked were on the topic of climate change. The same process – of seeking a meeting or putting questions at an AGM – can be used with any company with which a person has an investment relationship.

What to do if a business isn't committed to Net Zero

If, at the end of the process of talking to companies or reviewing their approach to climate change, you continue to have concerns, then what's next?

Companies are increasingly paying attention to their Environmental, Social and Governance (ESG) standing. You can check ESG scoring to evaluate companies on their ESG impact. ESG criteria are much more comprehensive than "Net Zero by 2050". Data for scoring processes can be found either using the companies' own websites or from sites such as this resource.

If a commitment to reducing impact on our climate matters to you, then companies to invest in may be in sectors such as:

- Renewable energy, energy efficiency and battery storage.
- Banking, subject to how the bank assesses the ESG impacts of businesses it lends to.
- Food – focussing on sustainable food production.
- Healthcare including pharmaceutical and medical research companies which act responsibly.
- Those which manage natural capital (including land, ecosystems and water) well.
- Infrastructure which contributes to a sustainable society.

Companies to avoid may be in sectors such as:

- Fossil fuel investments
- Companies that restrict human rights, exploit workers or discriminate.
- Investments which cause unnecessary harm to animals, including live export.
- Mining, if the process or product causes harm to people and the environment.
- Logging of old-growth forests.
- Weapons manufacture.
- Those which act against the interest of Indigenous people.
- Tobacco and gaming.

Although ESG investment screening is only now coming to prominence in our media, Australia is now into its 11th year of ESG Research Awards run by the Responsible

Investment Association of Australia (RIAA). In the last two years, awards have gone to research on climate change, modern slavery and labour hire. See more here.

Do ESG investments generate reasonable returns?

Return on investment is important for the long-term value of superannuation for Australians of all ages. The consensus is that whereas fossil fuel investments may become "stranded" in the medium-term, ESG investments will have longer-term sustainability. They are investments which have an ongoing value to the community and should therefore generate returns to match. The most recent Responsible Investment Association of Australia (RIAA) report researched in collaboration with KPMG shows that firms which take ESG criteria into account generally perform well (see more here).

Conclusion

Surveying of older South Australians indicates an overwhelming concern about the impact of climate change on the environment and on future generations and there is active interest in being part of taking action to prevent and to mitigate it. Many older people told us that they are already taking action including by improving the thermal efficiency of their homes, recycling, installing solar panels and replacing gas appliances for example.

People however are also looking to apply pressure directly to businesses that are carbon emitters. Many businesses rely on the funds older people contribute as shareholders or consumers. The COTA SA Climate Change Group has shown that it is powerful, possible and reasonable to ask the companies you invest in about their carbon emissions and decarbonisation roadmaps. This document outlines the start of a process which can be replicated by any individual or group.

With enough information, it is possible to make a decision about whether to continue investing in, or purchasing from, a business that is not acting quickly or decisively enough to reduce emissions. For people not directly involved in managing their finances, enlist the help of a financial planner or tell your superannuation provider of your requirement that the companies in your portfolio have a Net Zero carbon commitment. These decisions can also take into account the financial volatility of our economy.

Every step taken has the potential to help reduce carbon emissions. Keep in touch with us about your journey in using your spending and investments to combat climate change.

Important

Note - This report provides general information only and does not take account of individual circumstances. Before making an investment decision, consider seeking advice from an authorised financial adviser.