The Australian extractive sector needs to be proactive in enabling Paris-aligned public policy

The Australian extractive sector has a critical role to play in delivering the resources needed to deliver a prosperous low carbon economy. As vocal supporters of the Paris Agreement investors have called upon global leaders and governments to strengthen nationally-determined contributions to meet the global emissions reduction goal and to do this by 2020. We now call on companies to do more to direct their trade associations and industry bodies in enabling Paris aligned policy.

For long term institutional investors, the mitigation of climate change is essential to safeguard investments. A smooth transition to a low carbon economy requires governments to implement effective policy mechanisms, by providing the right incentives to support investment in low carbon assets while supporting communities in the changes that such a shift will engender.

Companies need to contribute constructively to that process. Companies should be consistent in their policy engagement with governments and ensure any engagement conducted on their behalf via industry bodies is aligned with the objectives of the Paris Agreement. The funding of organisations undertaking lobbying in contradiction with companies' own stated positions is a real concern which presents material business risks.

Concerns over particular trade association memberships held by many extractive companies include the Minerals Council of Australia (MCA), Coal21 and other state level industry associations such as the New South Wales Minerals Council that continue to undermine effective climate policy. Counter to this, many of their members are developing strategies and establishing targets aligned with the Paris Agreement - demonstrating the challenge at hand for companies in bringing their trade associations into alignment.

Companies must take a more active role in steering advocacy. In practice this means:

- Having a robust governance framework to ensure all direct and indirect public policy engagement supported by the company is consistent with the company's own position on climate change, long term shareholder interests and across geographies;
- Having a clear policy and process to identify climate related policy positions and misalignment;
- Proactively managing memberships and establishing a clear escalation strategy to address misalignment, which could include membership termination; and
- Disclosure of the above in company reporting.

Companies should encourage their trade associations to:

Support governments to achieve net zero emissions by 2050. The best available science indicates that this is required to limit global warming to 1.5°C and well below 2°C above pre-industrial levels;

- Encourage governments, by 2020, to update their 2030 Nationally Determined Contributions to be in line with emission reduction objectives of the Paris Agreement; and:
- Ensure national targets and emissions policy represent the Paris Agreement's principles of achieving the highest possible level of ambition. We are concerned that the use of Kyoto carryover credits would undermine the Paris Agreement and cannot represent this level of ambition.

Deciding where the line should be drawn and how to escalate when there is conflict between the benefits trade association membership brings and misalignment on policy positions is a critical question that companies need to resolve. Investors expect companies to ensure that they are aligned with the Paris Agreement and that company resources are not used to support trade associations that act for short term gain - undermining Paris Agreement objectives – and present long-term risks to shareholder value.

Aberdeen Standard Investments

Aegon Asset Management

AMP Capital

Amundi

APG Asset Management

Australian Ethical Super

Aviva Investors

AXA IM

BMO Global Asset Management

BNP Paribas Asset Management

Boston Common Asset Management, LLC

California State Teachers' Retirement System (CalSTRS)

CANDRIAM

CCLA

Central Finance Board of the Methodist Church

Church Commissioners for England

Devon Funds Management

Epworth Investment Management Limited

GAM Investments

Hermes EOS on behalf of its stewardship clients

Hermes Investment Management

HESTA

HSBC Global Asset Management

IFM Investors

Insight

Joseph Rowntree Charitable Trust

Kames Capital

Legal & General Investment Management

LGPS Central

Local Authority Pension Fund Forum

M&G Investments

Merian Global Investors

NEI Investments

New York State Common Retirement Fund

Newton Investment Management

Nordea Asset Management

P+ (DIP/JOEP)

PGGM

PKA A/S

Plato Investment Management

RPMI Railpen

Sarasin & Partners

Statewide Super

Storebrand Asset Management

Transport for London Pension Fund

Uniting Financial Services

VicSuper

Vision Super