

# Washington H Soul Pattinson and Co Ltd

## Shareholder resolutions and supporting statements

### **Resolution 1 – Amendment to the Constitution**

Insert into the Constitution in clause 26 'Notice of meetings of members' the following new sub-clause: "The Company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the Company partially or exclusively vested in the Directors has been or should be exercised. Such a resolution must relate to a material risk identified by the Directors or the Company and cannot advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the Directors or the Company."

### **Resolution 2 – Portfolio alignment**

Given the recognised risks and opportunities associated with climate change, shareholders request the company disclose, in subsequent annual reporting, information demonstrating how its investment and stewardship activities with respect to holdings in energy producers are aligned with the climate goals of Paris Agreement.<sup>1</sup>

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<sup>1</sup> [Paris Agreement](#), Article 2(1)(a)

## **Supporting Statement 1**

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of SOL is not conducive to the rights of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of SOL, its board and shareholders.

Passage of this resolution – to amend the SOL constitution – will simply put the company in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

## **Supporting Statement 2**

SOL recognises its exposure to climate-related risks through its significant investment in “energy producers with exposure to fossil fuels”.<sup>2</sup>

In particular, investments in New Hope Corporation (NHC) accounted for 11.4% of SOL’s net asset value as at 31 July 2021.<sup>3</sup> NHC derives more than 95% of its revenue from the sale of thermal coal, and is pursuing a major expansion of its New Acland coal mine.

The thermal coal mining sector faces significant transition risk as the world moves to implement the Paris Agreement on climate change. The International Energy Agency (IEA) provides a widely-referenced scenario to reach net zero emissions in the global energy sector by 2050 with a 50% chance of limiting global warming to 1.5°C (NZE2050).<sup>4</sup> This scenario concludes no new coal mines or expansions can proceed from 2021, and that coal power must be phased out in developed economies by 2030 and globally by 2040.

NHC’s Bengalla mine has approval to produce up to 15 Mtpa ROM coal out to 2039,<sup>5</sup> while its proposed AU\$900 million New Acland Stage 3 expansion would expand that mine’s

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<sup>2</sup> <https://www.whsp.com.au/wp-content/uploads/2021/11/SOL-AR2021.pdf> 44

<sup>3</sup> Ibid 7

<sup>4</sup> <https://www.iea.org/reports/net-zero-by-2050>

<sup>5</sup> <https://newhopegroup.com.au/bengalla-mine/>

production capacity to 7.5 Mtpa ROM and extend its production life by 12 years.<sup>6</sup> NHC is also continuing to spend heavily on exploration activities across other coal developments that will not be financially viable under a net zero by 2050 scenario. NHC has assessed 231 Mt of marketable reserves for its Lenton, Elimatta and Taroom coal tenements.<sup>7</sup> Under NZE2050 there would be no market for this coal, making those assets worthless.

The inconsistency between NHC's capital expenditure plans and the NZE2050 represent significant and increasing transition risk for SOL. However, SOL has opposed shareholder resolutions at NHC's last two annual general meetings, which called on the company to preserve capital and manage transition risks by managing down coal production in line with global climate goals. Adoption of this resolution is therefore required for SOL shareholders to understand if and how SOL is appropriately managing the significant transaction risk it faces as a result of investment in energy producers.

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<https://eisdocs.dsdip.qld.gov.au/New%20Acland%20Coal%20Mine%20Stage%203/Project%20changes/new-acland-coal-mine-stage-3-project-cg-change-report-imposed-conditions.pdf>

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<https://dg4g35go95sg8.cloudfront.net/wp-content/uploads/2267999-New-Hope-Group-2021-Coal-Reserves-and-Reserves.pdf> 2