

# FINANCIAL TIMES

Exxon seeks to block vote on investor proposal on emissions

Shareholders' group wants oil company to include targets in its annual report

Ed Crooks in New York

February 24, 2019

ExxonMobil, the world's largest listed oil company, is trying to prevent an investor proposal on setting targets for greenhouse gas emissions from coming up for a vote at its annual meeting in May.

The company has written to the Securities and Exchange Commission, the financial regulator, arguing that the proposal is misleading, amounts to an attempt to "micro-manage the company" and has already been substantially implemented.

The proposal, backed by investors with a total of \$1.9tn under management, led by the pension fund for New York state, calls on Exxon to start setting short, medium and long-term targets for reducing greenhouse gas emissions, including those released when its products are used.

Exxon argued that it was already cutting its emissions and that forcing it into unilateral action could make it harder for countries to meet their pledges under the Paris climate agreement.

Thomas DiNapoli, New York state's comptroller, accused the company of "trying to deny shareholders' right to vote on a significant climate risk concern", and said its opposition was "shortsighted and disappointing". The state's employee pension fund holds Exxon shares worth about \$830m.

The decision on whether to allow Exxon to prevent a vote on the proposal will be a test for the SEC, which in recent years has accepted some requests from companies to avoid votes on climate-related proposals, but has accepted others.

The proposal calls for Exxon to set targets for emissions that are "aligned with the greenhouse gas reductions goals established by the Paris climate agreement".

In its letter to the regulator, the company says that this framing "reflects a misunderstanding both of the nature of the Paris agreement and of the global energy economy", which makes the proposal fundamentally misleading. It argues that it can help countries cut emissions, for example by providing gas to substitute for coal in power generation, and by providing plastics that make cars lighter and more fuel efficient. If Exxon cut its own production, it adds, the oil would simply be supplied by other producers.

Setting short, medium and long-term targets for the greenhouse gases released by its products would mean giving shareholders oversight over its "day-to-day considerations", the company says, and it is anyway reducing its emissions through initiatives such as its plan to cut leaks or methane from its operations.

Edward Mason, head of responsible investment at the Church Commissioners for England, another investor supporting the proposal, described the company's opposition as "an outdated reflex".

“At other companies, shareholder engagement has moved on and investors are able to have productive engagement on climate strategy at board level . . . Our proposal deserves more serious consideration and review by Exxon,” he said.

Calpers, the California state employees’ pension fund, another supporter of the proposal, said that if Exxon disagreed with the plan, it should be discussed at the annual meeting and put up for a vote. It added: “The SEC should not be in the role of muffler to important debate.

”The disagreement comes as several other natural resources companies have been responding to pressure from investors over climate change.

Last week, the mining and commodities group Glencore said it planned to cap its coal production at its 2019 level.

Royal Dutch Shell announced in December that it would link executive pay to emissions targets, which include greenhouse gases released when its products are used.

BP said earlier this month that reductions in its own greenhouse gas emissions had been included as a factor in the pay of 36,000 employees, and has agreed to disclose how its spending plans and strategy align with the Paris agreement.

The pressure from shareholders has been stepped up since the 2017 launch of Climate Action 100+, a group of 323 investors with \$32tn under management, including AllianceBernstein, Pimco and Trillium, that focuses on about 60 companies deemed to be “systemically important emitters”, including the largest listed oil, mining and power companies.



## **Exxon asks U.S. regulator to block climate-change resolution - investors**

By Reuters • 25/02/2019

By Suzanne Barlyn

(Reuters) - Exxon Mobil Corp is trying to block an investor proposal that calls on the world's largest publicly traded oil company to set targets for lowering its greenhouse gas emissions, two of the investor groups involved said on Sunday.

Exxon in late January wrote to the U.S. Securities and Exchange Commission that the proposal, which is set for a vote at its May annual meeting, is misleading and an attempt to “micro-manage the company,” spokespeople for investors supporting the proposal said.

The Financial Times reported on the letter earlier on Sunday.

The Church Commissioners for England (CCE), the endowment fund of the Church of England, an institutional investor that supports the proposal, as well as New York State Comptroller Thomas DiNapoli, who manages the state's pension fund that is pushing the proposal, both saw the Exxon letter, officials for both groups told Reuters.

"Trying to strike out a shareholder proposal from institutional investors with a fiduciary responsibility to manage climate risk is an outdated reflex," CCE head of responsible investment Edward Mason said in a statement. "Our proposal deserves more serious consideration."

Exxon rivals Royal Dutch Shell PLC and BP Plc have taken steps to broaden disclosure on greenhouse gas emissions or tied executive pay to reducing emissions.

Investors supporting the Exxon proposal manage a total of \$1.9 trillion and are led by DiNapoli.

"Exxon is trying to deny shareholders' right to vote on a significant climate risk concern," DiNapoli said in a statement on Sunday. Exxon's position is "shortsighted and disappointing."

Exxon spokesman Scott Silvestri said in an email on Sunday that the company did not have anything to share ahead of the company proxy being filed.

The proposal, led by New York state's pension fund, calls on Exxon to start setting targets for cutting greenhouse gas emissions that are "aligned with the greenhouse gas reductions goals established by the Paris climate agreement," including for use of its own products.

But those short, medium and long-term targets would allow shareholders to supervise its "day-to-day" considerations, Exxon wrote to the SEC.

CCE spokesman Mark Arena said that Exxon told the SEC that it has already put many of the measures the proposal requires in place.

The 2015 Paris Agreement which aims to limit a rise in average world temperatures to "well below" two degrees Celsius (3.6 degrees Fahrenheit) above pre-industrial times.

In 2017, DiNapoli spearheaded a campaign that convinced a majority of shareholders to call on Exxon to detail risks it could face from rising global temperatures.

Exxon produced a report last year outlining how global oil demand could drop sharply by 2040, but critics said the report fell short on areas like how climate policies could affect company finances.



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By [REUTERS](#)

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