

The Deal

ESG Investor Group Urges Exxon CEO-Chair Split

A shareholder group with 145 ESG-focused members and \$2.5 trillion in assets is pushing the energy giant to shake up its C-suite, just after it installed Inclusive Capital Partners' Jeff Ubben on its board.

By Ronald Orol

3 March 2021

<https://pipeline.thedeal.com/article/287ybk8bt7smt84xdg268/deal-news/activism/esg-investor-group-urges-exxon-ceo-chair-split?cmpid=em:ca030321>

A shareholder group with 145 ESG-focused members and \$2.5 trillion in assets on Wednesday, March 3, launched a campaign urging Exxon Mobil Corp. (XOM) to separate the roles of CEO and chairman as part of a broader push to drive the energy giant to cut its carbon emissions.

The Coalition for a Responsible Exxon, or CURE, comprises a variety of religious groups, environmental-focused investors and other firms based in the U.S. and Europe. The Interfaith Center on Corporate Responsibility, one member, represents more than \$500 billion in assets. Other members include the Seattle City Employees' Retirement System, Arjuna Capital LLC and corporate accountability nonprofit As You Sow.

The group said Exxon needs to split the chairman-CEO role held by Darren W. Woods to "foster board independence" and to "align" CEO pay with shareholder value. It also said the split would help ensure that "corporate and trade association lobbying is aligned with the aims of the Paris Agreement."

The Paris climate agreement, approved in 2015, seeks to keep global warming to below 2 degrees Celsius. The Biden administration rejoined the agreement in January after the Trump administration withdrew in 2017.

Even so, it is unclear how much of an impact the group will have. None of the members are even close to joining the ranks of Exxon's largest investors. A source familiar with the situation noted that CURE's five biggest investors represent roughly 1% of shares of the oil and gas production company.

The new campaign emerged after the Irving, Texas-based company on Monday installed ESG activist Jeff Ubben and another director on its board, a move that came after upstart insurgent fund Engine No. 1 LLC nominated a four-person slate of dissident candidates — including three renewable resource experts — to Exxon's board. The activist fund, which is not a member of CURE, wants Exxon become more disciplined in how it allocates capital towards energy investments and focus more on diversified cleaner energy production.

On Wednesday, Woods outlined the company's plans through 2025 at the company's investor day. In a release, Exxon said it plans to increase its dividend, reduce debt and fund "advantaged projects while working to commercialize lower emission technologies in support of the goals of the Paris Agreement."

In comments to investors, Woods said Exxon is working to reduce emissions and develop solutions "such as carbon capture" and "low-carbon" hydrogen needed to "decarbonize" higher-emitting sectors of the economy, something that is needed for society to achieve "net zero emissions."

Some investors, including public pension funds, argue, however, that Exxon is an outlier because, unlike other big well-known energy companies, it has not committed to reduce greenhouse gas emissions at operations to net zero by 2050.

California Public Employees' Retirement System sustainability chief Anne Simpson said at The Deal's Shareholder Activism Seminar last week that other energy giants, including Total SA (TOT), BP plc (BP), Royal Dutch Shell plc (RDSA) and Occidental Petroleum Corp. (OXY), have made that commitment.