



exxon's unconventional route to block esg shareholder proposals

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From the article...

Exxon's lawsuit is part of a larger trend of corporations and conservative groups seeking to overturn or limit ESG regulations and initiatives through the courts. Recent cases have challenged the SEC's authority, the Department of Labor's guidance, and the Supreme Court's Chevron precedent.

Exxon Mobil (Exxon) has opted for an unconventional approach to circumvent challenges against environmental, social, and governance (ESG) proposals from activist shareholders. Instead of engaging in the customary process of trying to block shareholder proposals from going to a shareholder vote with the U.S. Securities and Exchange Commission (SEC), the oil giant has chosen to litigate against some of its shareholders.

On Jan. 21, 2024, in a complaint filed with a federal court in Texas, Exxon requested the court to block the proposals from shareholders Arjuna Capital and Follow This and stated that they were investing solely to advocate for changes detrimental to Exxon's core operations. Both shareholders have a history of putting forward climate-change-focused proposals for shareholder votes at Exxon and other oil and gas companies. In its complaint, Exxon alleges that, by asking it to accelerate its carbon emission reduction plans and to broaden the scope to target the emissions it measures to include its suppliers and customers in addition to its own, it is essentially asking Exxon to "change its day-to-day business by altering the mix - or even eliminating - certain of the products that it sells." *Exxon Mobil Corporation v. Arjuna Capital, LLC and Follow This (2024)*. In addition to blocking the shareholder proposal, Exxon is also seeking attorney's fees and other relief the court may deem appropriate. After the complaint was filed, the activist shareholders withdrew their proposal, but Exxon has said it plans to proceed with the suit.

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