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Exxon Mobil Corporation

(Name of Registrant as Specified in Its Charter)

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The "splash" page to Engine No. 1 LLC's website, www.engine1.com, has been updated to reference and link to certain third-party articles which are reproduced below.

Financial Times Jan 28, 2021
Olive is the new green in fighting climate change
https://www.ft.com/content/e37bb0b5-3362-497a-8df7-7c28b95d0cb4
If this week is anything to go by, 2021 will be the "Year Of Green"... Meanwhile, ExxonMobil, America's largest oil major, is considering further cuts to fossil fuel investments and more spending on sustainable technologies.

Olive is the new green in fighting climate change
It's a valuable middle way as no 'brown', carbon-emitting company can change its colours overnight
Financial Times
By Gillian Tett
28 January 2021

If this week is anything to go by, 2021 will be the "Year Of Green".

On Tuesday, BlackRock said it will demand that all companies demonstrate plans to reach carbon zero by 2050. That same day, attendees at the virtual World Economic Forum issued pious climate pledges.

On Wednesday, Mark Carney, former Bank of England governor, and Bill Winters, head of Standard Chartered bank, pledged to turbocharge the carbon offsets market. US president Joe Biden also suspended the issue of new oil and gas drilling permits on federal land.

Meanwhile, ExxonMobil, America's largest oil major, is considering further cuts to fossil fuel investments and more spending on sustainable technologies. This shift, which comes as the company is under pressure from activists, is arguably the most startling of all. Exxon has hitherto been so defiantly wedded to fossil fuel that it has been a top target of environmentalists.

As the green bandwagon accelerates, though, it is time to consider a linguistic rethink. When teenage activist Greta Thunberg burst on to TV screens a couple of years ago, she demanded an immediate shift from carbon-emitting activities, like fossil fuels, to sustainable ones.

This "brown" versus "green" framing was admirably clear. Ms Thunberg also has a knack for irritating middle-aged executives, and thus deserves credit for shifting the debate. That is especially so as she also promoted understanding of a crucial concept: our globe has a measurable carbon "budget" which limits the emissions the planet can tolerate before irreparable environmental damage is done.

However, the issue now is not to divide the world into binary buckets of "green" and "brown", as activists still demand and the European Commission's new taxonomy attempts to do. Rather, it is to make currently brown activities less damaging and as fast as possible; in effect, create a blend of greenish-brown.

Thus it might be better to call 2021 the "Year Of Olive". What then really matters now is how quickly "olive" companies turn their activities a lighter shade of green and that they do so in a way that can be measured credibly.

Take the activist battle at Exxon, which looks like a tale of green David versus brown Goliath. The oil group was one of America's largest and most respected companies. The activist, Engine No. 1, was created last month and owns just $40m in Exxon shares.

However, its "Reenergize Exxon" campaign has won backing from Calstrs, the huge California teachers retirement plan. DE Shaw wants spending cuts and BlackRock may back the activists. That is because Engine No. 1 understands olive. It is not demanding an immediate cessation of drilling but a credible plan that Exxon become net zero, fairly fast.

Exxon officials, of course, say they are already working on this. Their corporate website trumpets investments in carbon capture technology and other strategies to offset emissions. In that respect, it is not alone. Numerous other companies talk about carbon offsets too, which often involve planting forests. That is partly because trees are telegenic, but also because groups such as Salesforce have launched an eye-catching "trillion-tree" campaign.

Offsets can be a useful complement to decarbonisation plans. But there has been some lamentably poor reporting and greenwashing in this market. So Messrs Carney and Winters are now trying to put it on a more credible path. Let us hope they succeed.

Meanwhile, the "Reenergize Exxon" group rightly wants more. Offsets cannot be more than a small part of any solution. It is equally if not more important to fund new technologies, as Bill Gates did last week. Offsets such as planting trees also cannot become a distraction from the key task: making proper cuts to emission laden activities.

What Engine No. 1 wants Exxon to do is: show precisely how it will become a greener shade of olive quickly, by cutting oil and gas activities and embracing renewables.

This approach will not satisfy purists, who want "green now" and oppose funding anything short of that. But it is more likely to work. These days, investors increasingly award a share price premium to companies that are moving faster along the olive spectrum than their rivals. Financiers are also developing instruments that cut the cost of capital for greener groups.

Call this, if you like, an emerging olive yield curve. As such, it is welcome — with two caveats. First, it is not good enough for companies to tiptoe along this yield curve; the maths of the carbon budget means they need to move fast. Second, investors need a credible system for placing companies on an olive yield curve and measuring their progress.

In that respect, it is disappointing that BlackRock was vague this week about how it will measure the credibility of companies' plans to get to carbon zero. It is also unnerving that the European Commission's green taxonomy seems focused on a rigid, binary framework and that it is taking so long to harmonise sustainable accounting standards.

If we are going to make real progress on fighting climate change, it is vital to recognise the need to embrace an olive framework, track a company's movement along an olive yield curve and speed its transformation. That will demand far more than planting trees, no matter how telegenic they are.

oilprice.com Jan 27, 2021
The Activist Investor Transforming America's Largest Oil Company
https://oilprice.com/Latest-Energy-News/World-News/The-Activist-Investor-Transforming-Americas-Largest-Oil-Company.html
Engine No. 1, the new activist investor firm seeking long-term policy changes at Exxon, said on Wednesday it had formally nominated four independent director candidates to the supermajor's board, continuing shareholder pressure on the biggest U.S. oil and gas firm to start thinking of its business in the energy transition.

The Activist Investor Transforming America's Largest Oil Company
Oilprice.com
By Tsvetana Paraskova
27 January 2021

Engine No. 1, the new activist investor firm seeking long-term policy changes at Exxon, said on Wednesday it had formally nominated four independent director candidates to the supermajor's board, continuing shareholder pressure on the biggest U.S. oil and gas firm to start thinking of its business in the energy transition.

"Investors increasingly want to see companies focused on the long-term and ExxonMobil is no exception. We believe that ExxonMobil's Board needs new members who have proven success positioning energy companies for today as well as tomorrow, and who are sufficiently independent from the current Board to ensure a clean break from a strategy and mindset that have led to years of value destruction and poorly positioned the Company for the future," Engine No. 1 said.

The investor firm sent a letter to Exxon last month demanding that the supermajor reinvent itself for "much-needed change."

The activist investor—which has the backing of California State Teachers' Retirement System (CalSTRS), the second-largest U.S. pension fund and owner of over $300 million in value of Exxon stock - seeks greater long-term discipline in capital allocation, as well as a sustainable plan for value creation in the changing world.

Days after the investor firm demanded changes and announced it would be nominating candidates for independent directors, Exxon said it plans to reduce the intensity of the greenhouse gas emissions from its operated upstream assets by 15 to 20 percent by 2025, in support of the Paris Agreement.

Earlier this month, the supermajor also released an Energy and Carbon Summary that, for the first time in the company's history, makes public the amount of carbon dioxide emissions produced across its value chain—so-called Scope 3 emissions.

"While recently ExxonMobil has taken incremental steps in the face of financial and shareholder pressure, we believe a reactive short-term approach is no substitute for a proactive long-term strategy that addresses the threats and opportunities facing the Company in a changing world," Engine No. 1 said today.

Harvard Business Review Jan 20, 2021
Can a Tiny Hedge Fund Push ExxonMobil Towards Sustainability?https://hbr.org/2021/01/can-a-tiny-hedge-fund-push-exxonmobile-towards-sustainability
Something interesting is happening among shareholders of the energy giant ExxonMobil, which may usher in a new era in activist investing. A new activist hedge fund, Engine No. 1, is pushing widespread reform at Exxon through its "Reenergize Exxon" campaign.

Can a Tiny Hedge Fund Push ExxonMobile Towards Sustainability?
Harvard Business Review
By Robert G. Eccles and Colin Mayer
20 January 2021

Summary: A tiny hedge fund is taking on ExxonMobil, accusing the energy giant of dragging its feet on climate change, which has led to disappointing financial returns. Amazingly, the fund's campaign has received the support of one of the largest asset-owners in the world, the California State Teachers' Retirement System (CalSTRS). The fund wants four changes at Exxon: (1) refresh the board; (2) impose greater long-term capital allocation discipline; (3) implement a strategic plan for sustainable value creation in a changing world; and (4) realign management incentives. If it succeeds in pushing through a new slate of directors, the hedge fund will embolden a new generation of activist investors who can push corporations to embrace more progressive ESG policies.close

Something interesting is happening among shareholders of the energy giant ExxonMobil, which may usher in a new era in activist investing. A new activist hedge fund, Engine No. 1, is pushing widespread reform at Exxon through its "Reenergize Exxon" campaign. What makes this campaign extraordinary is Engine No. 1's tiny size — it holds only a $40 million stake in the multibillion dollar company. Yet there are strong signals that Engine No. 1 is in position to reorganize and reform Exxon from the very top of the company.

Exxon's financial situation certainly lends itself to an activist hedge fund campaign. As of December, 2020, Exxon's market cap hovered around $175 billion, down from its peak of $528 billion on December 24, 2007, but up from its trough of $139 billion on October 26, 2020. In August 2020, it's 92-year membership in the Dow Jones Industrial Average ended. And in an open letter of December 7, 2020, addressed to Exxon's board of directors, Engine No.1 notes that Exxon's Return on Capital Employed (ROCE) for Upstream projects (which have historically accounted for over 75% of total capital expenditures) has fallen from an average of around 35% from 2001-2010 to around 6% from 2015-2019.

The company's poor capital allocation decisions are based on decades of denial about climate change on the company's strategy. Greenpeace has documented over 50 years of climate change denial and Exxon's actions to thwart efforts to deal with climate change. Exxon counters that it "has supported development of climate science in partnership with governments and academic institutions for nearly 40 years."

This research certainly hasn't influenced the company's strategy. Carbon Tracker notes in an October 2020 report by Paul Spedding, "How the Mighty Are Fallen—How Chasing Growth Destroyed Value in ExxonMobil," that a major reason behind this poor performance was that Exxon overinvested in highcost assets in order to chase growth. "The consequential ballooning in its capital base and its operating costs were a major factor behind the collapse in its return on capital. Its shareholder returns followed suit."

So, what chance does Engine No. 1 have to succeed with its campaign? We think it has a good chance for three reasons. We have already discussed the first — the company's continued abysmal financial performance with no reason to believe it will improve under its current leadership and strategy. It is important to note that Engine No. 1's campaign is not based on ExxonMobil's irresponsible approach to climate change; it is based on the financial consequences of this approach. That's a message that the broader shareholder community can easily get behind.

The second is that Engine No. 1 is making four sensible and reasonable recommendations: (1) refresh the board; (2) impose greater long-term capital allocation discipline; (3) implement a strategic plan for sustainable value creation in a changing world; and (4) realign management incentives. Spedding would likely agree with (2) and (3): "In an energy transition, a low-cost strategy with capital discipline will be more beneficial for shareholders than chasing growth. Matching its volume ambitions to a Paris-accord demand profile would be a step in the right direction," he wrote in the Carbon Tracker report. The executive compensation system must then be changed to provide the right incentives for a different and better strategy.

Given the company's track record, it is unlikely the last three recommendations can be implemented without the first. Towards that end, Engine No. 1 has proposed an alternative slate of four independent directors: Gregory J. Goff, Kaisa Hietala, Alexander Karsner, and Anders Runevad. Goff was the CEO of Andeavor, a leading petroleum and marketing company, and was named in 2018 by the Harvard Business Review as one of the "Best Performing CEOs in the World." Hietala served as the EVP of Renewable Products at Neste, a petroleum refining and marketing company, named in 2019 by Innosight as one of the "Top 20 Business Transformations of the Past Decade." Karsner is Senior Strategist at X (formerly Google X) and is a Precourt Energy Scholar at Stanford University's School of Civil and Environmental Engineering. Runevad was the CEO of Vesta Wind Systems, a wind turbine, manufacturing, installation, and servicing company, and was included in Fortune's "Businessperson of the Year" list in 2016. All of these directors bring valuable energy experience to the Exxon board.

Getting these four candidates elected to the board will require a majority of the shares voted at the company's annual shareholder meeting on May 27, 2020. Which gets us to the third reason we think this campaign can succeed — there is a good chance Engine No. 1 can get the necessary votes. Proxy voting is playing hardball, but this is a skill activist hedge funds have honed over many years of practice, and this is what Engine No. 1 brings to the party. They have made the case for change and now they must round up the necessary votes to enact it.

This campaign is already gaining steam. For starters, on December 7, 2020, the California State Teachers' Retirement System (CalSTRS), the second largest public pension fund in the United States with $280 billion in assets under management and owning $300 million of Exxon's shares, announced it would support this alternative slate. Further, Exxon's top three shareholders own nearly 18% of the shares (Vanguard with 7.75, State Street Global Advisors with 5.17, and BlackRock with 4.99). The top 10 own about 25 percent of the company's shares. The company has a large retail shareholder base which historically has not showed up at the annual meeting in large numbers. This means that if Engine No. 1 can marshal the votes of the largest shareholders, they have a good chance to prevail.

We asked Aeisha Mastagni, a Portfolio Manager in the Sustainable Investment & Stewardship Strategies Unit at CalSTRS, why they were supporting what some might think is a quixotic campaign. Her response: "At CalSTRS we are developing the idea of 'Activist Stewardship.' The idea is to combine our role as a constructive, engaged shareholder with deep financial analysis, while utilizing the full suite of activist tools available to address companies that are failing their shareholders and other stakeholders. ExxonMobil is our first example and it's hard to think of a better one given the company's financial performance and decades of indifference to its shareholders."

In other words, Engine No. 1 is part of what might become a major shift in equity markets. Traditionally, activist funds have been regarded as the thorn in the side of management pursuing nothing other than short-term shareholder returns. However, some funds are now recognizing that environmental and social issues are major constraints on the financial performance of their investments. Pure long-term financial considerations are therefore dictating a greater focus on issues that activist investors have previously shunned. If the Little Engine's "Reenergize Exxon" campaign succeeds, it could be the prelude to many similar ones by other funds to the benefit of shareholders and society at large.