

## MOMENTUM SHIFTS AS INVESTORS CONSIDER GROWING LINK BETWEEN ESG AND EPS

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A trio of recent developments illustrate growing support for Environmental Social and Governance (ESG) initiatives in the U.S., as well as abroad. ESG regulatory and legal risks now appear top of mind for institutional investors, as evidenced by the events described below.

Jessica Wirth Strine of Sustainable Governance Partners (formerly with Vanguard and Blackrock) in a recent [video interview](#) noted that investors now are more aggressively voting for environmental policy change, rather than working through engagement behind the scenes. Investors are also evaluating the interplay between ESG and EPS (Earnings Per Share). Examples include:

- ExxonMobil [announced](#) on June 2, 2021 updated preliminary voting results, stating that a third nominee of activist hedge fund Engine No. 1 appears to have won a third board seat, in addition to the two seats announced at the May 26 annual meeting, for control of one-fourth of the company's 12-member board. Engine No. 1 waged a campaign to force the company to adopt a "climate transition" plan resulting in net-zero emissions from the company – and its products – by 2050. Institutional investors Blackrock and Vanguard each posted voting bulletins following the meeting explaining why they voted for the dissident nominees, citing industry experience, among other things. Shareholders also approved proposals seeking more information on lobbying activities, including climate lobbying.
- A Dutch court ordered Royal Dutch Shell to reduce its greenhouse gas emissions by 45% (compared to 2019 emissions) by 2030 and to become aligned with the climate goals of the Paris Agreement.
- Chevron shareholders voted 60.7% in favor of a nonbinding shareholder proposal to reduce "Scope 3" emissions, according to an updated vote count [announced](#) by Chevron following its annual meeting. Scope 3 emissions, which are not directly controlled by Chevron, result from use of products by customers and suppliers (such as gas emissions resulting from consumers taking car vacation trips, etc.).

ESG is quickly moving from a nice-to-have social responsibility movement to a critical board oversight and corporate strategy responsibility.

## RELATED PRACTICE AREAS

- Securities & Corporate Governance

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