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JUNE 2021



## Could Exxon's New Engine No. 1 Board Members and the Court Ruling against Royal Dutch Shell Foreshadow Change for the Oil and Gas Industry?

Long a political heavyweight across the globe, the oil companies recently suffered a strong blow after investors, clients, and the courts pushed two of the largest to pay more attention to risks from climate change.<sup>1</sup> In a quest to shake up the oil and gas industry, dissident financial backer, Engine No. 1, won three Exxon board seats.<sup>2</sup> The vote comes as support for environmental, social, and governance shareholder resolutions have grown. The resolutions raise important corporate responsibility questions at annual shareholder meetings and seek to shape how public companies police themselves.<sup>3</sup> The election came as a surprise to an energy sector struggling to address rising investor worries about global warming. It served as a wake-up call to Exxon executives that years of poor profits were no longer acceptable.<sup>4</sup>

Engine No. 1, founded only seven months ago, on December 1, 2020, prides itself as a company on a mission to shake up the oil industry from the inside out and to push these rich multinationals to prepare for a future without fossil fuel.<sup>5</sup> Industry titans—BlackRock and As You Sow hailed the Engine No. 1 board win as a welcome development.<sup>6</sup> According to BlackRock, “Exxon and its Board need to assess further the company's strategy and board expertise against the possibility that demand for fossil fuels may decline rapidly in the coming decades [...] The company's current reluctance to do so presents a corporate governance issue that has the potential to undermine the company's long-term financial sustainability.”<sup>7</sup> As You Sow's CEO Andrew Behar sees the Engine No. 1 board victory as a “powerful signal [that] has been sent to every oil company, to every company that's polluting, to every company that's in the economy [...] These boards can't continue ignoring their shareholders. Shareholders have said 'enough.' Shareholders are using their power. This has been a long time coming.”<sup>8</sup>



### **Could Exxon's New Engine No. 1 Board Members and the Court Ruling against Royal Dutch Shell Foreshadow Change for the Oil and Gas Industry? (Continued)**

In a second major development, a court in the Hague recently ordered Royal Dutch Shell to cut its carbon emissions by 45% by 2030 in a landmark case brought by Friends of the Earth with over 17,000 co-plaintiffs.<sup>9</sup> Dutch Shell's "sustainability policy was found to be insufficiently 'concrete' by the Dutch court in an unprecedented ruling that will have wide implications for the energy industry and other polluting multinationals."<sup>10</sup> The ruling against Royal Dutch Shell is perceived to set the scene for more corporate climate cases. According to Joana Setzer, assistant professor at the Grantham Research Institute at the London School of Economics and Political Science ("LSE"), "The judgment is "mind-blowing" by "basically changing ... what Shell is at the core. 'That's huge,' the court is telling the company they have to make financial sacrifices and shift their behavior."<sup>11</sup>



## After Archegos Fiasco, Credit Suisse Continues to Drown in an Ocean of Debt Controversies

Just as it seemed as though the storm clouds were parting after the Archegos fiasco, Credit Suisse found itself in the news for another debt controversy, this time with GFG Alliance, a U.K. firm run by Sanjeev Gupta. Sanjeev is widely known for buying out troubled steelworks and factories to keep them alive and save jobs. GFG Alliance's problem with Credit Suisse started when its main financier, Greensill Capital UK Ltd, collapsed in March 2021, leaving GFG Alliance scrambling for cash.<sup>12</sup> According to Reuters, “Credit Suisse Asset Management in March froze \$10 billion of funds managed on behalf of outside investors, whose money is poured into trade-finance loans sourced by the now-insolvent Greensill. As a result, borrowers like steel magnate Sanjeev Gupta's GFG Alliance may be unable to pay, potentially leaving investors on the hook for \$2.3 billion of losses.”<sup>13</sup>

In the wake of the GFG Alliance financial problem, the U.K.'s fraud prosecutor opened a probe into Sanjeev Gupta's GFG Alliance over suspicions of fraud and money laundering, causing a potential lender to the group to withdraw from agreements to provide new financing. The U.K. Serious Fraud Office investigation relates to the financing agreement between GFG Alliance and Greensill Capital.<sup>14</sup>

Meanwhile, the Swiss government has entered a talk to rethink its financial system after Credit Suisse's financial scandals were tied to debt insolvency.<sup>15</sup> Credit Suisse's hefty misfortunes from the breakdown of the Archegos family office and the devastation of customers' ventures supported by bankrupt British agent Greensill have rankled controllers and set off an uncommon conversation among Swiss legislators about fining investors.



## Can Bitcoin Go Green?

Bitcoin miners use a large amount of energy to process transactions in exchange for bitcoin payments.<sup>16</sup> Ultimately, it makes sense that these miners would choose cheap energy (often derived from carbon-intensive fossil fuels such as coal) to feed their computing needs.<sup>17</sup> However, Bitcoin lost over a third of its value in May, perhaps in part due to Elon Musk voicing concerns about bitcoin mining's impact on the environment.<sup>18</sup> This loss in value may be one incentive for bitcoin miners to look at renewable energy.<sup>19</sup> Moreover, Sheldon Bennett, CEO of a crypto miner, DMG Blockchain Solutions Inc, said he had discussions with "multiple banks and financial institutions" that are "willing to pay a premium" for bitcoins that fulfill a growing demand for ESG compliance.<sup>20</sup>

Shortly after Musk's announcement that Tesla suspended acceptance of bitcoin for vehicle purchases, the Bitcoin Mining Council was created.<sup>21</sup> This council consists of North American Bitcoin miners, Elon Musk, and others who will "promote energy usage transparency and encourage miners to use renewable sources."<sup>22</sup>

The concerns over bitcoin mining could potentially be a win for the environment. Ark Invest CEO Cathie Wood spoke at Coindesk's Consensus 2021 conference and said that miners focusing on renewable energy sources "will encourage an acceleration in the adoption of renewables beyond which otherwise would have taken place."<sup>23</sup> She went on further to state that this may make the solar industry, which has been struggling, more attractive.<sup>24</sup> It will be interesting to see how the Bitcoin mining industry evolves in the future. Bitcoin Mining Council member Peter Wall, CEO of Argo, is hopeful the council will inspire positive change.<sup>25</sup> According to Wallstreet Journal, "It's early days, it's embryonic. There will be lots of discussions moving forward about the best way to promote sustainable Bitcoin mining and to do it not just in North America."<sup>26</sup>



## Apple Suppliers in China Rely on Forced Labor

Several Apple suppliers may have utilized confined workers in China, as per The Information. Apple has previously denied utilizing vendors who use forced labor of Uyghurs, a Muslim minority group persecuted in China.<sup>27</sup> According to the study conducted by The Information, seven of Apple's major suppliers used forced labor programs, including – Luxshare Precision Industry, Avary Holding, CN Innovations, and Suzhou Dongshan Precision Manufacturing Co., Shenzhen Deren Electronic Co., Advanced-Connectek, AcBel Polytech, and Shenzhen Deren Electronic Co.<sup>28</sup>

Workers can be jailed for refusing to join the work programs, the report says, and those enrolled in the programs are often moved far from their homes.<sup>29</sup> Apple does not publicly disclose its suppliers, but the journal confirmed their ties to the corporations through official documentation and current personnel at the suppliers. According to The Information, Amazon, Google, Microsoft, Facebook, and other corporations were also linked to the suppliers.<sup>30</sup>



## About the SDGs, Targets, and Indicators

### The SDGs

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals ("SDGs"), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go together with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.<sup>31</sup>

### Targets

The SDGs targets are set to be achieved by 2030. There are approximately 169 targets covering a broad range of sustainable development issues.<sup>32</sup>

### Indicators

The SDGs indicators are used to measure progress made by the United Nations member states towards the achievement of SDGs targets. There are approximately 232 indicators set by the United Nations to measure SDGs progress.<sup>33</sup>



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