Bloomberg
Oil Giant Exxon Is Challenged by Trio of Small French Investors
Albertina Torsoli and Gaspard Sebag
16 July 2021

- Minority shareholders criticize governance of subsidiary Esso
- Exxon says there's no basis for claims on lack of transparency

A group of French minority investors is taking on international oil giant Exxon Mobil Corp. over corporate governance at its local refining unit Esso SA Francaise.

The trio, which holds just over 0.5% of Esso SAF, already inflicted one small defeat on the U.S. supermajor and has pledged to keep protesting what it calls a lack of transparency at the unit. Exxon says there is no basis for the allegations.

CIAM, a fund manager that describes itself as using corporate activism to unlock value in its investments, is leading the effort. It joined forces with businessman Didier Le Menestrel's ARJO holding company and an unnamed individual shareholder at last month's annual general meeting, voting down a resolution to approve rules governing transactions between Exxon and its French subsidiary.

The U.S. giant, which indirectly owns nearly 83% of the French company, had to abstain on that vote due to conflict of interests.

CIAM said in a statement that Exxon "isn't being transparent" about the terms of these related-party transactions. The fund manager, which acquired 50,000 Esso SAF shares in March, is also critical of the unit for not submitting several service agreements with Exxon entities to a shareholder vote.

Exxon "firmly contests any accusations of lack of transparency," a spokeswoman in France, who also represents the Esso SAF subsidiary, said by email. Exxon complies with "applicable legal requirements in this matter and we also contest the totally unjustified and unwarranted accusations of 'problematic' corporate governance."

The AGM vote doesn't void what are known as regulated agreements on related-party transactions between Exxon entities and Esso SAF. It does mean the French unit's administrators are now directly liable for any negative consequences linked to carrying them out.

Crude Supply

Topping CIAM's list of grievances are annual transactions of about 7 billion euros ($8.3 billion) that provide all of Esso SAF's crude oil from ExxonMobil Sales and Supply. Esso SAF doesn't put the terms of these purchases up for shareholder approval.

CIAM's lawyer, Julien Visconti, said minority investors are getting lower returns due to the "opacity" surrounding service agreements billed to Esso SAF. The fund is considering legal action, he said.

Shares of Esso SAF have dropped about 57% in the past two years, compared with a decline of 22% in Texas-based Exxon.

The U.S. company said a regulated agreement isn’t legally required for Esso SAF’s annual crude purchases because ExxonMobil Sales and Supply isn’t part of the subsidiary’s ownership chain, and the two units have no common administrators.

“It is a normal supply operation concluded at market conditions,” Esso SAF’s board said in written answers to shareholder questions.

CIAM and le Menestrel also have the support of Eximium SAS, a French investment holding company that has about 90,000 Esso SAF shares. It didn’t take part in the AGM vote on the related-parties resolution.

“As time goes by, Esso’s industrial apparel is at the service of Exxon but without a fair reward,” Eric Blache, Eximium’s investment director, said by phone.