Report
DYNAMO 121
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Intentions and Gestures

In Dynamo Report 112, we addressed the climate issue in an attempt to identify the reasons why an issue that has become so urgent and has aroused so much interest/discussion, has failed to advance the agenda of effective resolutions at the desired speed. We see two fundamental ingredients: (i) a phenomenon governed by the laws of complex systems – non-linear, gradual, and cumulative, and difficult to see with the naked eye until it collapses in the form of perceptible extreme events; (ii) a problem of collective action, which unfolds along different time scales and where individual and social incentives/interests are misaligned, typically characterizing a tragedy of the commons, with very particular scales and difficulties.

Knowing the size of the challenge, the Intergovernmental Panel on Climate Change (IPCC)[1] – the leading scientific authority on the subject – has for more than three decades sought to warn public policy makers and interested parties in general about the consequences of global warming on life on the planet. Simulating plausible scenarios of greenhouse gas emissions, the IPCC demonstrates that restricting global warming to 1.5°C above pre-industrial levels – something perfectly feasible within the laws of chemistry and physics – would be fundamental to preserving the most fragile ecosystems and the most vulnerable populations, while also recognizing that the journey would require "unprecedented transitions in all aspects of society" (IPCC, 2018). In this same 2018 document, *Special Report on a Global Warming of 1.5°C*, in order to guide acceptable mitigation trajectories, the expression 'net zero' appeared for the first time, referring to when the remaining anthropogenic emissions must be offset by capture/absorption schemes, thereby establishing their neutrality.

The IPCC's goal of limiting the increase in warming to 1.5°C has become the main benchmark for adjusting behaviors and proposals for anyone who wants to show that they are in tune with this concerted movement. Just like the ball of yarn in the hands of Theseus in the mythological episode, the contingency trajectory projects net zero by 2050 as a reference for the way out of the climate labyrinth.

Since then, the 'renewable' gears of economies have started to move at a faster pace. To wit, some illustrative samples of the evidence[2]: Ninety per cent of countries have revised their Nationally Determined Contributions (NDCs), reflecting a reduction of 5 Gt compared to the first round; global campaigns are getting more and more members (the UN's Race to Zero has 13,500 members, including 10,200 companies; the Climate Clean Air Coalition, linked to the United Nations Environment Programme [UNEP], has 160 countries); governments have launched significant incentive programs (the most relevant being the Inflation Reduction Act in the United States) and have allocated an aggregate of USD 1.34 trillion in clean energy resources since the pandemic; global investments in renewable energies have surpassed the fossil fuel segment since 2018, and the stock of employed personnel is the highest since 2020; in 2023, progress in the installation of photovoltaic panels and electric vehicles production is in step with the 2050 net zero trajectory; even with an aggregate GDP growth of 1.7%, emissions in advanced economies fell by 4.5%, something unprecedented for a non-recessionary period, and which shows a structural trajectory of emissions reduction.

On the other hand, those more skeptical will also find vestiges that feed their more cautious views, given the scale of the effort of what still needs to be delivered. Here, too, we are collecting evidence: global emissions related to the energy sector continued to grow by 1.1% in 2023, which projects a trajectory of 2.4° C of global warming with severe impacts on the planet by the end of the century; even incorporating the latest updates, the projection of the NDCs consolidated today points to a drop of only

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1 *The Intergovernmental Panel on Climate Change is the United Nations body set up in 1988 to be responsible for producing scientific assessments and reports on climate issues; it's considered by many to be the leading technical reference on the subject.*

2 *As in the past, in order to make the text more concise, we have opted for abbreviated quotes. The full bibliographical references can be found on our website. The information collected in this paragraph and hereafter was based on the following documents: IEA, 2023a, 2023b, 2023c, and Smil 2024.*

2% in emissions in 2030 (relative to 2019), when the IPPC estimates that the reduction should be 43%; the need to reduce global emissions by 2030 is practically equivalent to the current combined emissions of the United States and China; developed countries need to reduce their emissions by 80% by 2035 and emerging countries by 60%; as demand for energy continues to rise, the share of fossil fuels in the global energy supply, which for decades has been around 80%, will fall to "only" 73% by 2030[3].

And so the pendulum of the energy transition continues to swing between those who see important progress and those who see worrying slowness. We continue to follow with interest this macro environment of country action and aggregate results that summarize important directions in decarbonization trajectories. At the moment, however, we prefer to move in a different direction, focusing our attention where we usually do: among companies. We decided to take a peek outside in order to examine how the forces of the energy transition, beyond mere narrative, are affecting documents and corporate practice in some of the companies most exposed to the issue. In short, we chose a sample of companies in the O&G (oil and gas) and utilities segments in the United States and Europe.

From various angles, we recognize that our sample is not homogeneous; on the contrary, it comprises companies with different asset bases, business strategies, and corporate profiles, incorporated in different jurisdictions and subject to different regulatory regimes. However, we don't intend to go into the specific merits of their operations, strategies or even valuations. We are only interested in the dimension of the corporate/shareholders´ discussions; indeed, our exclusive selection criterion was the fact that they are relevant companies operating in business segments related to the production of fossil fuels and/or the production/distribution of energy from these fuels, the use of which is at the center of the controversies over global warming. These companies are, in other words, deeply involved in the energy transition.

From this particular perspective, amidst the diversity of our collection, we observed common patterns of conduct among shareholders and directors, clearly giving this interaction a line of unity. We will highlight the main elements of this evidence and at the end we will try to summarize them by concluding that even in this specific dimension of the companies analyzed, the problem of collective action remains prevalent.

In the following Report, we leave the specific environment of energy companies and delineate some forces for change that we have observed in other parts of society. We will discuss some of the obstacles that hinder the expression of these social preferences as well as some proposals for reforms to overcome them. Finally, we update some thoughts on environmental issues and the ESG controversy.

Before we begin, a brief warning: the reading ahead of us doesn't promise to be the lightest. We'll be dealing with technical subjects and documents, as well as following some somewhat arid discussions. However, we see merit in the method. Only in this way, we do believe, will we be able to cut through the superficial rhetoric of good intentions in order to reach the real substance of pragmatic resolutions and gestures.

Let's start with the American companies. Exxon Mobil, Chevron, ConocoPhillips, Occidental, Valero, Marathon and Phillips 66. Exxon and Chevron are the two oil majors. Conoco is the third – slightly smaller because it spun off its distribution assets (Phillips 66) and is no longer fully verticalized. Occidental is not among the producing majors; however, among the American ones, it stands out on the decarbonization journey. Valero is the largest refiner; Marathon is positioned more downstream, with refining, logistics, and distribution assets.

Both the articles of incorporation and the bylaws of American companies tend to be quite parsimonious and non-specific when it comes to the business purpose. They are short, generic passages that give companies wide latitude, allowing them to engage in virtually any type of activity.

Chevron, ConocoPhillips, Occidental, Valero, Marathon, and Phillips 66, incorporated in the state of Delaware, have the same wording, with the following standard text:

> *The purpose of the corporation is to engage in* ***any*** *lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.*

Exxon, incorporated in New Jersey in 1882, has the following wording in its bylaws:

> *The purposes for which the corporation is organized are to engage in* ***any or all*** *activities within the*

3 *China is the greatest national expression of this ambiguity that characterizes transition movements. In 2023, China contributed 60% of the global additions of photovoltaic panels, wind energy, and electric cars; at the same time, it was again the record holder for emissions growth, registering a per capita emission 15% higher than that of developed nations.*

purposes for which corporations now or at any time hereafter may be organized under the New Jersey Business Corporation Act ...

The Bylaws and Articles of Incorporation deal in great detail with the rights of shares, rules on voting, participation in meetings, and the powers/duties of directors, but prefer this general wording when they talk about the 'corporate purpose'. As far as we can tell, the main reasons for this are to (i) offer the greatest possible flexibility of action; (ii) avoid risks or legal disputes over the interpretation of the scope of activities; and (iii) facilitate the adherence of companies' governance structures to a widely known jurisdictional standard (predominantly Delaware).

In the case of Exxon, in addition to that first general paragraph, the Certificate of Incorporation goes so far as to list activities that the company can engage in, ranging from any type of business in mining, manufacturing, and trading, transporting goods and merchandise "by land and water," buying land and building various types of constructions (buildings, vessels, docks), and operating telegraph and telephone lines, among others. So no mention of the word 'energy,' or even 'oil.' Curiously, although the document has undergone changes (the last in 2001), there was no concern to update the activities, apparently listed back at the time of incorporation in 1882.

The companies incorporated in Delaware don't even list their activities, being guided by the generic paragraph mentioned above. In other words, a simple first observation is that the articles of incorporation of American companies remain completely impassive in relation to any updating of the business purpose. If not even the energy business is included in the articles of association, there is nothing to be said about updating this purpose.

One of the most controversial and challenging aspects of the climate agenda concerns the treatment of information on the scope of companies' emissions, known as Scopes 1, 2 and 3, a taxonomy defined since the first edition of the GHG Protocol published in 2001 (WRI & WBCSI, 2001). As a reminder, Scope 1 refers to emissions for which the facilities/companies are directly responsible, resulting from their own activities. Scope 2 consists of indirect emissions from the use of electricity grid facilities. Scope 3 considers indirect emissions not controlled by the company, produced throughout the value chain, comprising the life cycle of the product/service.

Scope 3 emissions are by far the most significant, estimated to be 11 times higher than Scope 1 emissions. In some companies, they represent more than 70%, sometimes almost the totality of consolidated emissions. Given its relevance, breadth and difficulty, Scope 3 encompasses much of the discussion. Because it involves the entire production chain, from the extraction of raw materials to the final disposal of the product, numerous challenges arise along this journey. In addition to specifying the life horizon of the product, questions about the granularity of the information, the demarcation of the boundaries to be considered, and the lack of control are usually pointed out as obstacles. In addition, there are several voluntary methodologies for adherence: GHG Protocol, GRI, TCFD, SBTi, CDP, and EcoVadis, etc. The lack of standards and the different emphases create liberality for companies and make it difficult for investors to make comparisons.

When one crosses the threshold of the company itself, the difficulties in identifying boundaries and responsibilities become much less clear. One problem inherent in Scope 3 is that of double counting: for example, in theory, the emissions of a vehicle by its end user should be reported by the oil company, the refinery, the fuel distributor, the car rental company, the transport company and even the employer in the case of an employee commuting to work, resulting in multiple counts.

The issue is still poorly resolved, even among those whose job it is to determine clear rules to guide the actions of agents in the market. In March 2022, the SEC proposed climate-related disclosure rules, following in the footsteps of the Corporate Sustainability Disclosure Directive (CSRD) in the European Union. The package included information on climate risks, materiality of impact on the business, financial metrics to be included in the statements, as well as disclosure of information on Scope 1, 2 and, additionally, Scope 3 greenhouse gas emissions, provided that the emissions were material or if the company had established commitments/targets. Over the course of two years, the proposal received around 24,000 comments from participants. The final version of the rule was published recently, in March 2024, albeit limiting the disclosure criteria initially proposed. It did so by making Scope 1 and 2 mandatory only when material, and completely eliminating Scope 3, thus making the requirements in the United States more lenient than those in the European Community.

The repercussions of the issue went beyond the technical sphere of the capital market. Labeled as an ESG debate, it became embroiled in ideological/partisan discussions. In this bipolar arena, some accused the SEC of overstepping its authority and competence, causing irreparable damage to companies. Others accused the regulator of arbitrarily watering down the regulation,

missing an opportunity to follow the European 'vanguard,' in this case, failing to provide important information for the decision-making of conscientious shareholders. In response to the public comments, the SEC emphasized its focus on investor protection and its role in providing investors with access to comparable and consistent information, rather than adopting a more prescriptive stance seeking to influence companies' decisions on how to manage climate risks. Some believe that the SEC's hands were tied by the limitations of its own "scope": Unlike the European Community, the US regulator does not have the authority to oblige private companies, something that would be implicit if the Scope 3 requirements were maintained. Such was the controversy that, just nine days after the regulation was published, a federal appeals court imposed a temporary suspension pending judicial review of the new rules. The issue remains unresolved in the main body that guides the conduct of the world's largest capital market.

Paradoxically, precisely because it sits on a threshold of vagueness and ambiguity, Scope 3 appears to be a good demarcation criterion for investors to gauge the level of compliance/resistance of companies in relation to climate ambitions. Arguments that support whether to disclose or pursue Scope 3 metrics tend to situate the level of engagement or distrust of companies. On the other hand, such difficulties get in the way of good monitoring and effective measurement of these metrics, which offers opportunities for announcements of commitments, albeit of low-credibility. We know that we need to look at these targets with critical rigor, given that this is a region that is ripe for greenwashing statements according to allegations of misconduct involving large corporations that have already gained ground in the media.

After examining the articles of association and making this quick digression into Scope 3, let us now take a look at the dynamics of governance and climate discussions in the context of general meetings and other corporate documents.

There is a long history of shareholders questioning at the Annual General Meetings (AGMs) the environmental impacts of O&G companies activities, mainly prospection and exploration. In our research, we found that climate issues in particular have been on the agenda of shareholder proposals for at least two decades. At Exxon's AGM in 2002, a shareholder, citing the IPCC report from the previous year, expressed themselves in the following terms: "*Growing evidence points to global warming caused, in part, by fossil fuel burning ...*" At Chevron, records of a motion urging the company to increase its exposure to renewable energies start to appear in 2003. Since then, climate issues have not ceased to be on the agenda of these companies' shareholder proposals. Demands regarding Scope 3 commitments reached the AGMs in 2019, not coincidentally in the first crop of meetings following the IPCC's special report warning of the dangers of the planet warming above 1.5ºC. Since then, shareholders have been urging directors to establish Scope 3 commitments in line with the Paris Agreement on the grounds that this is a risk management initiative and a way of protecting corporate assets in view of the possible obligations, litigation, and interventions arising from climate exposure.

The directors defend themselves: "*The majority of Chevron's Scope 3 emissions result from the use of products by customers, not activities controlled by Chevron" (...) The proposal would have Chevron adopt absolute Scope 3 GHG emissions reduction targets, which would require shrinking Chevron's business. Your Board does not believe that committing to reduce Chevron's absolute Scope 3 GHG emissions is in stockholders' interests, nor should it be Chevron's responsibility*" (Chevron, 2023).

Exxon continues to refuse to make Scope 3 commitments: "*We do not set Scope 3 targets (...) using the GHG Protocol to understand how societal activities drive emissions is appropriate and useful; using it to measure and manage company or sector-wide emissions is flawed and counterproductive. It also ignores growing energy demand, enabling no comparison of alternative ways to meet that demand.*"

At the 2021 AGM, Exxon was the target of activism when a small investor, the Engine 1 fund, launched a successful campaign arguing that Exxon lacked directors with specific experience in the energy transition and that the company had been misallocating capital to hydrocarbon exploration with low financial returns, ignoring the future risks of a low-carbon economy. The Fund, with only 0.02% of the capital, amassed the votes of several other institutional investors – index and pension funds – and managed to elect three directors, an unprecedented episode. From then on, Exxon committed itself to a 20/30% reduction in emissions by 2030 and net zero by 2050, for scopes 1 and 2. Additionally, it promised to subject hydrocarbon investments to a fine toothcomb, as well as announcing carbon capture, hydrogen, and biofuel projects.

It is common to find the argument among the majors that without an effective reduction in demand, a reduction in supply promoted by the established companies would simply cause a shift in global production to the domains of less transparent players, a phenomenon known in

environmental taxonomy as leakage. And thus, Conoco takes a stand: "*Scope 3 targets do not address demand and do not limit global production and in our view are ineffective in reducing global emissions. Our responsibility to shareholders is to strongly compete for transition demand by offering resilient, low cost of supply, low GHG emissions intensity production with goals for operational emissions, while also pursuing energy transition opportunities. This approach provides long-term shareholder value and supports an orderly energy transition that avoids large-scale energy price shocks.*"

A common practice in all companies is the tendency for directors to recommend votes against third-party motions put to the vote at shareholders' meetings. Invariably, they get the support of the majority of shareholders and, as a result, proposals to reform governance or deepen environmental commitments have been rejected. As an illustration, in the case of Chevron, the following are examples of matters related to climate issues submitted for consideration at the last three general meetings: preparation of a study on the impacts of reducing plastic demand; recalculation of the baseline for reference of progress in reducing emissions, excluding divestments in the period; adoption of medium and long-term targets for reducing Scope 1, 2, and 3 emissions; drafting of a document showing how the assumptions in the IEA's net zero scenario affect the company's financial statements and asset base. Faced with these requests, Chevron's board reaffirmed that its carbon intensity reduction targets had been carefully established, in alignment with the company's strategic guidelines, and at the same time compatible with maintaining growth in the O&G business. In other words, the board saw no need to meet the requirements and recommended that shareholders vote against the proposals in all cases.

Until recently, shareholder proposals contained an exclusively pro-environment activist tenor, prompting companies to accelerate decarbonization commitments. But in 2023, an individual shareholder called on Chevron to rescind its 2021 commitment, when the "*Company adopted a misguided activist resolution insisting on decarbonization according to a politicized schedule through reductions in Scope 3 emissions*," which, in this shareholder's view, would contrast with Chevron's "*business purpose*," which "*is to sell petroleum products and to make operating decisions that maximize an objectively determined and financially measurable return on shareholders' investment.*

In this financial year (2024), motions questioning directors for making "*unrealistic*" climate commitments have become more frequent. And so, at Conoco's last AGM (May 2024), a shareholder, treating the climate issue as "*overstated alarmism*," requested that the board revisit the executive remuneration guidelines, eliminating incentives linked to the reduction of greenhouse gases and "*other scientifically dubious goals.*" An identical request was brought to Exxon's AGM by another shareholder who believes that the "*catastrophic*" climate scenarios are mere "*apocalyptic predictions*" and that the energy transition metrics, being "*unscientific, create a breach of fiduciary duty.*" According to the author of the motion "*ExxonMobil is an oil and gas company and should focus on what it does best. The company cannot afford to be left behind because of misguided executive pay incentives.*" In the same vein, the SEC's recent backtracking on the aforementioned Scope 3 regulation has not gone unnoticed and has already had repercussions at Chevron's last AGM (2024), where a shareholder questioned the company's having taken on a Scope 3 target. Arguing that voluntary carbon footprint reduction commitments expose the company to "*a risk of SEC enforcement without providing clear benefit to the climate or other values,*" the shareholder asked for a document to be drawn up analyzing the situation. Also in these situations, the directors have not recognized the merit of the shareholders' claims. They argue that the internal strategic planning and risk management processes are such that they allow the company to "*safely deliver higher returns and lower carbon emissions intensity.*" They therefore recommended voting against the motions; the shareholders did so, confirming the power of directors in American companies and their ability to aggregate votes, even when the substance of the arguments goes in different directions .

In the clash of narratives, the usual tactic employed by the directors is to try to deconstruct the legitimacy of the petitioners. Thus, we see directors pointing out that some proposals are formulated by shareholders with a very small number of shares, recognized by an "activist" identity far removed from any genuine interest or commitment to the long-term fate of the company. This deconstruction strategy was taken to the extreme in January of this year when Exxon filed a lawsuit against Arjuna Capital and Follow This, two parties that, according to the company, masqueraded as investors with legitimate interests in order to act as a Trojan horse, forcing a complete halt to investments in hydrocarbon production. Exxon argued that, year after year, the same proponents submit motions that have already been widely defeated at previous meetings, and this implies a recurrence of costs borne by the vast majority of shareholders who have already expressed their opposition.

Moving away from the majors, we see a broader spectrum of positions. Occidental has been striving to build a more "*environmental-friendly*" reputation. "Oxy" has announced a declared target of net zero Scopes 1 and 2 by 2040 (ambition in 2035) and net zero Scopes 1, 2, and 3 by 2050, in line with European companies. And perhaps this is also why, unlike the others, as far as we can see, the company received only one shareholder motion at the last AGM, calling for greater transparency in corporate lobbying activities. In other words, a request not specifically concerning the climate issue.

Valero, the world's largest independent refiner with 15 oil refineries, as well as a major global producer of renewable diesel and ethanol, has announced a target of becoming net zero by 2030. As yet, they have no Scope 3 target. This absence was questioned by a shareholder at the 2023 AGM; the company's response was to say that it has no control over customers and that currently, a Scope 3 commitment would mean having to shut down refineries. Valero also defended itself by arguing that it is currently the industry leader in low-carbon projects and has the lowest Scope 3 intensity in the segment. Moreover, the company believes that there are ways to seek alignment with Paris other than by switching off refineries. The shareholders voted in favor of management.

Marathon has 13 refineries, produces various petrochemical products, has logistics assets (midstream) and also distributes products at 6,000 service stations under its banner. The company has emissions reduction targets for Scopes 1 and 2 of 30% by 2030, and 15% for Scopes 1, 2, and 3 by 2050. Curiously, despite the timider decarbonization targets, no shareholder presented a motion on the subject at the last AGM.

Phillips 66 is the result of the spinoff of ConocoPhillips in 2012, leaving it with refining, logistics, distribution, and petrochemicals assets. The company has twelve refineries, 72,000 miles of pipelines, more than 50 terminals, and 7,200 gas stations under three brands. However, its decarbonization ambitions are among the least aggressive. The emission reduction targets are based on intensity and not absolute: 30% Scope 1 and 2, and 15% Scope 3 by 2030; and 50% Scope 1 and 2 by 2050. At the last two AGMs, shareholders recalled that CPChem, a co-subsidiary of Phillips and Chevron, is one of the world's largest producers of polymers used in the manufacture of single-use plastics and thus largely responsible for polluting the planet's waters; moreover, they warned that the company has been rapidly expanding the production of virgin plastics from fossil fuels. The shareholders requested that Phillips 66 provide a report explaining the impacts of (i) a significant reduction in demand for virgin plastics on the company's financial position; (ii) a change in the business model moving towards the production of plastics with technologies that are already available and cost-effective. Here too, the board unanimously recommended that the shareholders vote against the motion.

With boards more awake after the Exxon GM episode, companies are putting out various reports: *Advancing Climate Solution* (Exxon), *Plan for the Net-Zero Energy Transition* (Conoco), *Advancing Energy Progress* (Chevron), *Leading the Way in Carbon Management* (Occidental), *ESG Report* (Valero), *Perspectives on Climate-Related Scenarios* (Marathon), *Sustainability Report* (Phillips 66), where they describe their arguments, goals, commitments, and decarbonization strategies. These strategies are presented as part of the 'business performance' at AGMs as accountability and arguments to ask for support for the (re) election of the Board. In other words, they are not being voted on as separate resolutions.

The fact that they are included in management's evaluation package and not as a specific item on the voting agenda also serves in terms of providing legal protection for the directors in the event that the environmental targets and commitments are not met. It is assumed that any potential accusation of liability for breach of fiduciary duty, reputation damage, or even violation of the corporate law of the state of incorporation for failure to meet the commitments made would mean unappetizing litigation.

In summary, in the case of US companies, the main conclusions are as follows:

1. There is no sign of updating the business purpose in the articles of association, which remain inert, resting on the long tradition of US corporate law;
2. The boards have been refractory to the motions brought to the meetings, either by the 'activist' shareholders or more recently by the 'conservative' ones. In both cases, the majority of the base has chosen to support the establishment by voting against the proponents of the initiatives;
3. Companies have shown a 'pragmatic' sensitivity to the energy transition. Board members seek to take the reins of initiatives by presenting environmental plans/strategies;

4. The way in which plans/strategies are presented at AGMs can make directors less exposed to legal constraints and liabilities.

Saudi Aramco

The National Oil Companies (NOCs) are state-owned companies in a sensitive sector that generally evoke narratives around 'national sovereignty' and 'energy security,' making it difficult to enforce transparency and governance to the same standards as private companies. That's why, as a group, we preferred to leave them out of our sample, with the exception of Saudi Aramco, the Saudi Arabian state-owned company, due to its relevance as the world's largest energy company, one fully verticalized from well to gas station. In the 2020 IPO, the Saudi government sold 1.5% of Saudi Aramco, which was valued at USD 1.7 trillion. The Saudi state currently owns 90.2% of the company.

In 2021, Aramco published its first Sustainability Report describing its transition strategy. Today, the company has targets to reduce Scope 1 and 2 emissions by 50% by 2035 and net zero by 2050, and zero flaring by 2030 – something that was met with skepticism by environmentalists. Significant investments in the transition were also announced: they plan to expand gas production by more than 50%, capex in hydrogen and carbon capture (CCUS), as well as the creation of a USD 1.5 billion sustainability venture capital fund. In January of this year, the company said it would allocate a further USD 4 billion to this fund.

According to the bylaws, Aramco's main objective is to engage in activities related to the "energy industry, including hydrocarbons, chemicals and other associated and complementary industries." Like the others, there is nothing about energy transition in the bylaws. However, the Saudi state does have several different prerogatives, for example: (i) the power to determine the company's production ceilings (it recently did so by limiting production to 12 million bbl/d); (ii) the right to buy out the remaining shareholders if the state makes a public offer and 75% of the shareholders accept.

A committee has also been set up, which meets quarterly to deliberate on sustainability issues and is responsible for preparing a follow-up report. Recently, the company announced the suspension of plans to expand oil capacity due to the energy transition, adding that the Saudi Kingdom has enough spare capacity to cushion the oil market in the event of conflicts or natural disasters. In the words of the Saudi minister: "We're transitioning. *And transitioning means that even our oil company – which used to be an oil company – became a hydrocarbon company. Now, it's becoming an energy company."*

Let us now switch geography and look at European companies: the traditional ones in O&G: Shell, BP, Equinor, Total, ENI, and Repsol, as well as several utilities in the energy sector: Engie, E.ON, and Iberdrola.

Shell

RDS (Royal Dutch Shell) is currently an English company. The bylaws follow the US standard. In other words, they say nothing about the company's purpose; instead, they basically regulate share rights, voting, and rules for participation in meetings, powers, and directors' duties.

In Shell's case, the board itself took the reins of the decarbonization initiatives; and at the 2021 General Meeting it submitted, in a pioneering way, an Energy Transition Plan for the consideration of the shareholders. In the Chairman's words, the shareholders' vote would be purely advisory, that is, non-binding with the Board and the Executive Committee tasked with implementation. 88.7% of those present at the AGM voted in favor of the Plan. It is interesting to note that the emissions reduction target for 2030 was 'only' -20%. Later that year, in 2021, the Dutch court ordered Shell to aim for -45%. The Board updated the Plan and, at the GM the following year, submitted a target of -50%, both complying with the Court and much

Dynamo Cougar x Ibovespa
Performance in R$ up to August 2024

Period	Dynamo Cougar	Ibovespa*
120 months	226.7%	121.9%
60 months	38.6%	34.5%
36 months	-10.6%	14.5%
24 months	27.8%	24.2%
12 months	16.2%	17.5%
Year (2024)	4.9%	1.4%
Month (August)	6.5%	6.5%

(*) Ibovespa closing. Indices are presented as economic reference only. and not as a benchmark.

more in line with its European peers. Again, the resolution was widely supported by the attending shareholders.

More recently, Shell scaled back the speed at which emissions intensity is falling and withdrew the intermediate target of 2035, citing greater uncertainty over the transition path. Coincidence or not, the announcement came after a court ruling in favor of the company in a lawsuit filed in the English courts by an NGO. In the case of ClientEarth v Shell, the plaintiff alleged that Shell's directors had failed to act according to its climate risk management strategy. In the record, the judge states that the applicant's case "ignored the fact that the management of a business of the size and complexity of that of Shell will require the directors to take into account a range of competing considerations, the proper balancing of which is a classic management decision with which the court is ill-equipped to interfere" (RCJEW, 2023). The magistrate also took the opportunity to undermine the effects of the orders imposed by the Dutch court, stating that the nature and extent of the Shell directors' liability are governed by the law of England, where the company is incorporated.

BP

BP's Articles of Association are also completely silent on the business purpose of the company, which was incorporated in England & Wales in 1909.

In 2020, the board set a different course for BP, launching "a new purpose and ambition, a new strategy, a new financial frame, a new sustainability structure and a new leadership team." Despite the noble intentions, two years later, BP decided to scale back its commitments to the transition by setting slightly more modest targets: a 20%/30% decrease (previously 35%/40%) in Scopes 1, 2 and 3 in 2030, and an oil & gas production target in 2030 only 25% lower than in 2019, that is, no longer a 40% reduction as previously advertised. The company maintained the net zero target (Scopes 1, 2, and 3) in 2050 and stated that the new objectives remained consistent with the Paris goals.

Like Shell, BP's board submitted the plan to the AGM for a non-binding advisory vote only, garnering almost equal support from 88.5% of those present. Environmentalists and representatives of the Labor party accused the company of colluding with investors and the government, claiming they were only interested in dividends and taxes, and taking advantage of the energy crisis to profit at the expense of the environment and the population. It is true that the company's recent discourse has been more pragmatic, smoothing out the downward curve in oil production in order to focus on cash generation and improving returns for shareholders, including by increasing the volume of share buybacks. Details of environmental progress are provided in the Environmental Report, the Sustainability Report, and the Net Zero Ambition Progress Update.

Earlier this year, BP's decarbonization strategy came under fire from a British fund (Bluebell). Defining itself as a "passionate environmentalist," the fund questioned the company's "unrealistic" net zero trajectory, said to be destroying shareholder value and jeopardizing BP's contribution to an orderly transition. At the end of the day, the essence of the argument lies in a call for greater capital discipline and care in project execution. It seems to us that blaming the climate for BP's underperformance is not entirely fair, since Equinor, for example, has been more aggressive in deploying capital to energy transition and has achieved consistent returns on its investments in renewables. Financial indiscipline and poor execution should not doom the drive towards net zero.

Equinor

Equinor (formerly Statoil, the Norwegian state oil company) is one of the companies most committed to the energy transition. It has a Scope 3 net zero target for 2050 and aggressive plans to build renewable parks. The pressure from activists in Norway has been intense. Just as an example, at the 2023 GM, among other proposals, activists proposed that the company no longer use turbine blades made from carbon fiber; moreover, they asked Equinor to eliminate any/all hydrocarbon prospecting activities by 2025. The board recommended a no vote and was supported.

Equinor publishes various documents setting out arguments, strategies and commitments to the transition, in an effort to show that (a) the company's values and aspirations are in line with a low-carbon world and (b) its ambitions are scientifically supported. All this gives them the breathing room to continue investing in hydrocarbon production. The main documents are the *Equinor Book*, the *Energy Transition Plan 2022* (which was submitted and approved at the AGM) and the *Integrated Annual Report*, also subject to approval at the AGM.

The 2023 AGM also endorsed an amendment to the object clause of the *Articles of Association*, as follows:

Previous version, since May 2018:

*The object of Equinor ASA is to engage in exploration, production, transportation, refining and marketing of **petroleum and petroleum-derived products**, and other forms of energy, as well as other business. The activities may also be carried out through participation in or cooperation with other companies.*

New version, May 2023:

*Equinor's objective is to develop, produce and market **various forms of energy** and derived products and services, as well as other business. The activities may also be carried out through participation in or cooperation with other companies.*

Basically, the company has removed the specificity of oil, replacing it with "energy" in a general sense. This is symbolic, given that Equinor is still state-owned (the Norwegian government holds 67%) and keeping in mind that O&G is the source of income for the sovereign wealth fund (Norges Bank), which is so important for the prosperity of Norwegian society. Perhaps this explains why the statute was only recently updated.

TotalEnergies

Until recently, Total was the French oil company. In 2020, it formally became a European Community company. From a corporate/statutory point of view, there seems to have been no change. The justification was more commercial, in order to streamline doing business in Europe.

The company's Articles of Association describe its purpose as follows:

Article 3 - Purpose

The Company's purpose is, directly or indirectly, in all countries:

1. *To conduct all activities relating to production and distribution of **all forms of energy**, including electricity from renewable energies;*
2. *To search for and extract mining deposits, and particularly **hydrocarbons** in all forms, and to perform manufacturing, refining, transportation, processing and trading in the said materials, as well as their derivatives and by-products;*

In addition to conducting activities related to the chemical sector, rubber sector, and any other operations related or similar thereto.

The statute, therefore, keeps the oil DNA in mind, without making specific mention of the energy transition, preferring the flexibility of a general wording, that is, "all forms of energy."

Total is also formalizing its decarbonization strategy in documents *Company Strategy 2022* and *Sustainability & Climate – Progress Report 2023,* which received a broad favorable vote from shareholders in an "advisory resolution" at the AGM. At the same meeting, the shareholders followed the board and rejected the proposal that the company should announce bolder Scope 3 commitments.

ENI

ENI is controlled by the Italian government, which holds a 32.3% stake. The company's energy transition began in 2014. Here too, there seems to have been no concern to update the bylaws, where hydrocarbons remain in the first paragraph of the corporate purpose:

Part II – Corporate Purpose

*Article 4, 4.1 The corporate purpose is the direct and/or indirect exercise, through equity holdings in companies or other entities of activities in the field of **hydrocarbons** and **natural gases**, such as exploration and development of **hydrocarbon** fields, the construction and operation of pipelines for transporting the same, the processing, transformation, storage, use and sale of **hydrocarbons** and* natural gases*, in compliance with the terms of concessions provided for by law.*

The corporate purpose also includes the direct and/or indirect exercise, through equity holdings in companies or other enterprises, of activities in the fields of chemicals, nuclear fuels, geothermal energy, other renewable energy sources and energy in general... It also mentions other activities in the fields of water distribution, environmental protection, sanitary treatment, financial activities, banking, and real estate.

ENI has set the following decarbonization targets: net zero in upstream, Scopes 1 and 2 – 2030; net zero in all other businesses Scopes 1 and 2 – 2035; and net zero Scopes 1, 2, and 3 – 2050. The company reported that it plans to invest EUR 13.8 billion in low- and zero-carbon activities in the 2023-2026 period, which should account for 70% of the company's total capex by 2030. "For us, being carbon neutral is a target, not just an ambition."

The decarbonization strategy until 2050, dubbed 'Plenitude,' starts with solar, wind, and "valorization of gas/LNG as a 'bridge' energy source further ahead envisages

converting refineries into biorefineries, carbon capture and storage projects, blue and green hydrogen, and nuclear energy ('magnetic fusion'). Unlike the other companies, we couldn't find any evidence of environmental activism in ENI's AGMs. We just don't know if this is due to the fact that shareholders are effectively more pacified, in Plenitude, or due to the practice in the country, maintained since the pandemic, of allowing meetings to be held behind closed doors, without transmission, where only legal representatives can physically attend, and shareholder proposals need to be sent at least three days in advance...

Repsol

Repsol was a Spanish state oil company until its privatization in the 90s. Today it is a true corporation. BlackRock, Norges Bank, JP Morgan, and Vanguard are the largest shareholders.

Like the others, Repsol is still trying to balance its hydrocarbon portfolio while making progress in the transition. The company is projecting 20 GW of renewable capacity in 2030, up from 2.3 GW last year. It needs to ramp up a lot. It has an emissions reduction commitment of -30% in 2030 and Scope 3 net zero in 2050. The company has an innovative footprint and is betting on various technologies. Repsol is building biofuel plant, a hydrogen biomethanol-based plant (electrolyzer), a pilot plant for CO_2-based synthetic fuels; and in the chemicals area, a plant for recyclable plastics and another for recycled polymers.

Despite defining itself as a multi-energy company, and with the motto since 2008 of "inventing the future," the articles of association continue reflecting the past.

The item "corporate purpose" reads as follows:

2.1. The Company is incorporated for the following purposes:

I. *The research, exploration, exploitation, importing, storage, refining,* ***petrochemistry*** *and other industrial operations, transport, distribution, sale, exportation and marketing of* ***hydrocarbons*** *of any kind, their by-products and residues.*

II. *The research and development of sources of energy other than those deriving from hydrocarbons and the exploitation, manufacture, importation, storage, distribution, transport, sale, exportation and marketing thereof.*

Then there is the possibility of exploring activities in real estate, services at gas stations, and the provision of financial and management services for subsidiaries. Nothing about other forms of energy, much less the energy transition.

Like other companies, Repsol usually presents the update of its decarbonization plan at the AGM, in the general context of rendering accounts. At the 2023 general meeting, there was only one statement from Greenpeace accusing the company of being too slow on this path.

Enel

Enel, Italy's former national electricity company, privatized in 1999, still has the Italian state as its largest shareholder. With a 23.6% stake, the Italian Ministry of Finance elects the majority of board members. Enel is the largest generation/electricity utility in Europe and the second largest in the world with 88,000 MWs installed (68% renewable), as well as around two million kilometers of distribution assets (networks).

The company aims to discontinue the use of coal by 2027 and the natural gas chain by 2040, when it plans to reach 100% renewable production, as well as net zero by 2050. The decarbonization strategy and the commitments to contribute to a "just transition" are described in the documents *ESG focus for Investors* and *Strategic Plan 2023-2026*. They were presented at the *Investor Day*, but are not included in the minutes of the AGM.

According to the bylaws, Enel's corporate purpose can be exercised through the following operational activities:

a) *in the* ***electricity*** *industry, including the activities of production, importation and exportation, distribution and sale, as well as transmission within the limits of existing legislation;*

b) *in the* ***energy industry in general****, including* ***fuels****, and in the field of environmental protection, as well as in the water sector;*

Also described are businesses related to the communications, information technology, and multimedia industries, as well as sectors whose businesses are based on network environments, such as electricity, water, gas, heating, and telecommunications.

In other words, here too the statute has not been updated to accommodate the new purposes of sustainability. We haven't seen any climate-related demands from shareholders at the AGMs. Again, we don't know if this is partly due to a lack of incentives stemming from the rules on participation. At the 2023 AGM, the company was

questioned in regards to governance, when a British fund classified the process for appointing board members as non-transparent and 'toxic.' Despite a certain embarrassment imposed on the establishment, the fund was unable to rally supporters and lost the race to the main shareholder.

Engie

Engie, a French giant that resulted from the merger between Gaz de France (GDF) and Suez, is one of the most active companies in the transition. The purpose of and commitment to the transition is spelled out in the bylaws, defining the company's 'raison d'être' in the context of a new legal framework, explained below. The objectives then branch out, showing the company's DNA in gas (GDF), water (Suez), and now electricity. It's worth remembering that Engie has never been an oil producer, only a gas producer; therefore, it was already on the cleaner side of hydrocarbons and already embarked on the transition; so, perhaps that's why stamping the purpose on the bylaws would seem less vexing and more natural.

The so-called PACTE law (Action Plan for the Growth and Transformation of Companies) passed by the French parliament in 2019 was the first legislative initiative aimed at encouraging companies to adopt corporate commitments with broader purposes. The law amended the French civil code by recommending that companies consider not only the interests of shareholders, but also 'corporate interests,' notably 'social and environmental aspects' related to their activities.

In the strongest version, the regulations allow French companies to become 'committed companies' ('société à mission'). In order to acquire this status, among other resolutions, companies must describe in their articles of association the methods they will use to achieve these objectives, as well as create a committee with unrestricted access to corporate documents and broad investigative powers. Among large French companies, Danone was the first to make such commitments. In June 2020, shareholders forming a quorum of 99% supported the then CEO's campaign and decided to inaugurate the new corporate standard, under the purpose of "bringing health through food to as many people as possible" and embedded in the action plan, *Danone: One Planet. One Health*. Shortly afterwards, activist funds began to question the company's unfavorable performance, it having lost relevance among historic rivals such as Nestlé and Unilever. The investor campaign led to the resignation of the CEO and the announcement of operational adjustments such as the loss of two million jobs worldwide. The new CEO announced a plan to renew the company's competitiveness by slimming down its product portfolio and geographies. Without negotiating its sustainability objectives, Danone remains a 'société à mission.'

In the mildest version, the regulation suggested in a non-mandatory way that companies include their 'raison d'être' in their articles of association. Then, when actually stated in the articles of association, the company becomes legally bound to comply with the vision. Perhaps for this reason, most French companies have chosen to leave the statement out of the articles of association. And even when they are present, they appear in the form of generic wording, largely bereft of any suggestion of an expressly binding commitment. This seems to be the case with ENGIE.

ENGIE – Statute

2.1 Purpose ('raison d'être')

ENGIE's purpose is to act to accelerate the transition towards a carbon-neutral economy, through reduced energy consumption and more environmentally friendly solutions... *The purpose brings together the company, its employees, its clients and its shareholders, and reconciles economic performance with a positive impact on people and the planet. ENGIE's actions are assessed in their entirety and over time.*

Next, after defining the purpose, the statute goes through an extensive list of object activities.

2.2 Objective

The company's objective is the management and development of its current and future, tangible and intangible assets, in France and abroad, by all means and, especially to:

- *prospect, produce, process, import, export, buy, transport, store, distribute, supply and market* ***gas*** *of any kind and in all forms, electricity and* ***all other forms of energy****;*
- *conduct trading in any energy, particularly* ***natural gas and electricity****;*
- *supply services, to all types of customers, related directly or indirectly to the aforementioned activities, and particularly services to* ***facilitate energy transition****;*

Other activities involving engineering, real estate, insurance, water distribution and sanitation are also listed.

ENGIE has made a self-imposed commitment to reach net zero by 2045. It has an investment plan and specific targets to progress the transition in seven different sources – wind, solar, hydro, geothermal, biomass, biogas, and hydrogen – and has committed to a complete phase out of coal by 2025 in Europe and 2027 in the rest of the world. At the 2023 AGM, a proposal by 16 shareholders to change the bylaws and give shareholders more say on the climate issue was rejected, following a recommendation from the board.

E.ON

E.ON is a corporation resulting from the merger of two former German state-owned companies privatized at the end of the 1980s, which merged in 2000 to form the new company. Also in 2010, E.ON presented its strategy with the slogan 'Better & Cleaner Energy.' In 2014, E.ON announced its intention to separate the conventional energy assets and focus on renewable sources, networks, and energy solutions for customers. The spin-off took place in 2016, creating Uniper. In 2018, E.ON completely exited Uniper's capital by selling its shares to the Finnish company Fortum. After merging with Germany's RWE in 2018, E.ON is now the largest operator of energy networks and infrastructure in Europe.

The Corporate Purpose of the Company is stated as follows:

> § 2. *The corporate purpose of the Company is the* ***provision of energy supply (primarily electricity and gas)*** *and water supply as well as the provision of disposal services. The Company's activities may encompass the generation and/or production, transmission and/or transport, the acquisition, distribution and trading. Facilities of all kinds may be built, acquired and operated, and services and cooperations of all kinds may be performed.*

Two other sections complete the spectrum of activities by establishing that the company can also have businesses and shareholdings, particularly in the industries listed in the paragraph above. With such a comprehensive list of possibilities, the company, which today basically operates distribution networks, a RAB (regulated asset base) business, didn't bother to update or specify its bylaws.

E.ON seems to pride itself on its environmentally friendly footprint and likes its catchphrases:

"We are the playmaker of the green energy transition." "We act – instead of just making promises. We pave the way. We are leaders – not just followers." "When you invest in E.ON, you are investing in decarbonization. You are investing in a secure energy supply for Europe."

Yet the communication effort just can't consolidate unanimity. At the 2022 AGM, one investor questioned E.ON's slowness in getting rid of legacy assets. The company's pension fund still owns 15% of the Nord Stream gas pipeline (Russia-Germany) and the company has a stake in an international consortium that owns uranium enrichment plants. In addition, the investor also spoke out against the fact that E.ON is forcing the privatization of local energy operators, thereby taking away the right of municipalities and their citizens to control an essential service. The motion did not garner votes, and the Meeting followed management in voting against the initiatives.

Iberdrola

The third largest electricity company in the world by market value and the first in Europe without state participation, Iberdrola is a full corporation, whose main shareholders include Qatar Investment Authority, BlackRock, Vanguard, and Norges Bank.

The company is the world leader in renewable energies, with 42,000 MW installed. Its Strategic Climate Action Plan promises EUR 17 billion in renewable capex by 2025, a 65% reduction in Scope 1, 2, and 3 emissions by 2030, and net zero by 2040.

Iberdrola has some unusual governance arrangements. The statute mentions that the company recognizes and seeks to obtain a 'social dividend' for the value contribution of its activities for the benefit of all stakeholders, in line with the UN SDGs (Sustainable Development Goals). Another unusual item states that the board can take measures to encourage participation in the AGM, including the payment of financial incentives ('participation bonus' or 'engagement dividend') subject to reaching a minimum quorum. We don't recall seeing an incentive of this nature in any other bylaws. Perhaps this is an exaggerated reflection of the times in which sovereign wealth funds and passive investors with low shareholding interest are emerging as the main shareholders in corporations. For those who see corporate participation essentially as a microcosm of democratic exercise, the design of a pecuniary incentive is not only unusual but can also be interpreted as a quasi-insult.

In the articles of association, the wording of the corporate purpose clause does not deviate from the

generic pattern of the others: the company can engage in a wide range of activities, particularly everything related to electricity and gas.

The novelty can be seen below, in Article 5, 'Corporate Interest':

> *The Company conceives of the corporate interest as the common interest of all persons owning shares of an independent company, with its own distinct bylaw-based identity, focused on creating comprehensive (economic, environmental, social and governance) and sustainable value by engaging in the activities included in its corporate object, taking into account the other* ***Stakeholders*** *related to its business activity and consistently with its institutional reach, in accordance with the* ***Purpose and Values of the Iberdrola Group*** *and the commitments made in its Code of Ethics.*

And it is in the ***Iberdrola Group's Purpose and Values*** document, which appears eleven times in the articles of association, that Iberdrola's peculiarity lies. There the company's purpose is defined: It defines the company's purpose thusly: "To continue building together each day a healthier, more accessible energy model, based on electricity. This commitment, "to the well-being of people and the preservation of the planet", reflects the company's strategy of pursuing, together with "all its Stakeholders," the following objectives:

a. *A real and comprehensive energy transition, based on the* ***electrification*** *of the economy as a whole, which contributes to the Sustainable Development Goals (SDGs) — particularly the fight against climate change — and generates new opportunities for economic and social development.*
b. *A more electric mode that* ***shifts away from fossil fuels****; the widespread use of electricity from renewable sources; efficient storage; smart grids; and the digital transformation.*
c. *An energy model that's* ***healthier for people****, whose short-term health and well-being depend on the quality of their environment;*

The text then reinforces the ambition of trying to help create a society that favors equity and sustainability.

In other words, as we've seen, company articles of association are generally quite sparing or even silent about the transition. The values and purposes are 'loose,' appearing in non-binding documents, while describing principles and good intentions. Management commitments are presented in AGM material, but not as specific voting agenda. By bringing the Purpose into the bylaws, Iberdrola has innovated, incorporating more explicit messages about the transition into the bylaws, such as the ambition to pursue a model that "abandons the use of fossil fuels." Moreover, in doing so, the company seems to have given a more binding status to its commitments.

It turns out that it is the board that formulates the ***Purpose and Values*** document, as set out in the bylaws. In other words, even this best case does not seem ideal. It would be better if the shareholders, meeting spontaneously (and not induced), could define the company's purposes and values.

Here we must interrupt our journey through the corporate documents and discussions on the climate issue examined by this group of companies in the energy sector. We recognize that our power of summary was compromised; indeed, we had to go through a vast amount of material produced by the companies in response to a growing volume of proposals submitted for discussion at the meetings. The diligence of the arguments demonstrates the directors' commitment to defending results without compromising reputation.

The impassiveness of the business purpose clauses in the articles of association and the result of the expression of will in the democratic counting of votes reveal evidence that, despite all the rhetoric, a pragmatic attitude continues to prevail among directors and shareholders. The climate problem squarely hits the core business of energy companies, making explicit the trade-off involved in the decision of agents to contribute marginally to a future common good and renounce a particular interest in the present. This is the classic dilemma of collective action, aggravated in this case by its global scope and broad time scale: the collective benefit diluted and distant, the individual cost integral and immediate.

In the next Report, we intend to identify institutional elements that contribute to cementing these behaviors, taking the opportunity to describe reform proposals that are currently circulating in academic debates. We will leave the specific environment of energy companies with such striking empirical evidence to bring some of the forces of change that we observe in other regions of society, and which may eventually consolidate the stability of these results. At the end, we will update some thoughts on environmental issues and the controversial ESG; thus we will present some of

DYNAMO COUGAR x IBOVESPA
(Performance in US$)*

Period	DYNAMO COUGAR Year	DYNAMO COUGAR Since Sep 1. 1993	IBOVESPA** Year	IBOVESPA** Since Sep 1. 1993
1993	38.8%	38.8%	7.7%	7.7%
1994	245.6%	379.5%	62.6%	75.1%
1995	-3.6%	362.2%	-14.0%	50.5%
1996	53.6%	609.8%	53.2%	130.6%
1997	-6.2%	565.5%	34.7%	210.6%
1998	-19.1%	438.1%	-38.5%	91.0%
1999	104.6%	1,001.2%	70.2%	224.9%
2000	3.0%	1,034.5%	-18.3%	165.4%
2001	-6.4%	962.4%	-25.0%	99.0%
2002	-7.9%	878.9%	-45.5%	8.5%
2003	93.9%	1,798.5%	141.3%	161.8%
2004	64.4%	3,020.2%	28.2%	235.7%
2005	41.2%	4,305.5%	44.8%	386.1%
2006	49.8%	6,498.3%	45.5%	607.5%
2007	59.7%	10,436.6%	73.4%	1,126.8%
2008	-47.1%	5,470.1%	-55.4%	446.5%
2009	143.7%	13,472.6%	145.2%	1,239.9%
2010	28.1%	17,282.0%	5.6%	1,331.8%
2011	-4.4%	16,514.5%	-27.3%	929.1%
2012	14.0%	18,844.6%	-1.4%	914.5%
2013	-7.3%	17,456.8%	-26.3%	647.9%
2014	-6.0%	16,401.5%	-14.4%	540.4%
2015	-23.3%	12,560.8%	-41.0%	277.6%
2016	42.4%	17,926.4%	66.5%	528.6%
2017	25.8%	22,574.0%	25.0%	685.6%
2018	-8.9%	20,567.8%	-1.8%	671.5%
2019	53.2%	31,570.4%	26.5%	875.9%
2020	-2.2%	30,886.1%	-20.2%	679.0%
2021	-23.0%	23,762.3%	-18.0%	538.9%
2022	-7.8%	21,899.9%	12.0%	615.4%
2023	32.1%	28,965.0%	31.8%	842.8%
2024***	-10.2%	25,998.0%	-13.2%	717.9%

(*) Considering that this is a Fund that has existed since 1993. the figures were converted into dollars (US$) as a way to eliminate the volatility of the Brazilian currency throughout the period and. in this way. minimize the risk of possible misinterpretations by the reader in the case of an investment decision/ divestment. Dynamo Cougar is a fund that invests in NAV of an equity investment fund and is currently closed for new investments. (**) Ibovespa closing price. The index is presented as a mere economic reference and does not constitute a target or benchmark for the Fund. (***) Return up to August 2024.

the reflections that guide our work at Dynamo on these issues, which we believe to be of fundamental importance.

Rio de Janeiro, 18th September 2024.

Additional information:

- **Inception:** 09/01/1993
- **Objective:** Deliver NAV appreciation above inflation in a medium/long term horizon by investing at least 95% (ninety-five percent) of the fund´s net worth in the NAV of Dynamo Cougar Master Equity Investment Fund ("Master Fund")
- **Target investor:** Qualified investors
- **Status:** Closed for new investments
- **Redemption grace period:** 12 months grace period or liquidity fee of 3% for redemption within this time period*
- **Redemption NAV:** D+12 (calendar days)*
- **Redemption payment:** D+2 (working days) after NAV conversion*
- **Applicable taxation:** Equity
- **Anbima´s classification:** "Equity – Free Portfolio"
- **Management fee:** 1.90% per year for the Fund + 0.10% for the Master Fund
- **Performance fee:** on the top of IPCA + IMAB*
- **Average monthly net worth last 12 months:** R$ 5.988,0 Million.

(*) Detailed description provided in the bylaws

To find more information about Dynamo and our funds. or if you wish to compare the performance of Dynamo Cougar to other indices in different time periods. please visit our website:

www.dynamo.com.br

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