2018 Shareholder Resolution
Devon Energy
Request: Report on Executive Comepnsation Metrics

WHEREAS: As long-term shareholders, we believe that compensation metrics should incentivize the creation of sustainable, long term value. The standards for long term value at oil and gas companies are changing as the global imperative to limit climate change becomes more urgent and energy markets transition toward a low carbon economy.

The Paris Agreement to accelerate greenhouse gas reductions underscores the challenges faced by the oil and gas industry. Government policies to speed a low carbon transition -- including fuel efficiency standards, carbon pricing, and carbon emission standards -- compel new planning metrics. Similarly, low carbon market forces including competition from cleaner technologies compel new responses.

Emphasizing these trends, Moody's has warned that "Carbon transition poses significant risks for the oil and gas industry," and Wood Mackenzie writes that "oil companies risk being left behind."

Our company's Incentive Plan links executive cash bonuses to reserve replacement and 'production and reserve growth', without qualification.

Shareholders are concerned that linking incentive compensation to oil and gas reserve development, without reference to the long term economic viability of those resources in a decarbonizing economy, including under a 2 degree Celsius scenario, may inappropriately encourage investments in projects with the potential to become stranded in a low carbon economy.

Carbon Tracker (CTI) estimates that oil majors' combined upstream assets would be worth $140 billion more if restricted to projects consistent with limiting climate change to 2 degrees. Similarly, a June 2017 CTI report found that 30 to 40 percent of Devon's current potential upstream capital expenditures are outside of the 2 degree carbon budget.

Compensation incentives tied to reserve growth may also discourage management from considering innovative new strategies such as diversification. Standard and Poor's notes that under a low price "stress scenario" associated with declining demand, the speed with which companies react and modify their strategies, including their investments, is an important potential rating consideration.

Accordingly, shareholders ask our company to assess the value of continuing to tie executive compensation to the growth of oil and gas reserves.

BE IT RESOLVED: Shareholders request that Devon Energy issue a report assessing, in light of climate change and the global transition to a low carbon economy, the benefits and risks of using oil and gas reserve additions as a metric in executive compensation. The report should be produced at reasonable cost and omit proprietary information.

SUPPORTING STATEMENT: The report should further consider whether severing the link between reserve growth and executive compensation would better reflect increasing uncertainty over climate regulation and a decarbonizing global energy market.