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Chevron, Exxon Mobil Hear From Shareholders On 'Fracking'

Shareholders at today's annual meetings of Chevron and ExxonMobil showed strong support for resolutions that would require the companies to report on environmental and financial risks of using a controversial means of extracting natural gas.

At the Chevron meeting in San Ramon, Calif., 41% of shareholders voted in favor of the resolution seeking the report on hydraulic fracturing, or fracking, in natural gas drilling, said **As You Sow**, the shareholder advocacy group that filed the resolutions. At the ExxonMobil meeting in Dallas, 28% of shareholders supported a similar resolution.

Fracking is a process of injecting a mixture of water, chemicals, and particles underground to create fractures through which gas can flow for collection.

Unlike electoral votes where a majority is needed, shareholder resolutions are non-binding and often even small votes have a big impact, says **As You Sow**. A vote of 10%, for example, is usually enough to send a clear message to company management.

"Today's votes clearly demonstrate that mainstream investors are concerned about fracking and want more disclosure on how these companies are dealing with the environmental, public health, and financial risks associated with this practice," says Michael Passoff, Senior Strategist with **As You Sow**. "The fact that 41% of Chevron investors voted in favor of more disclosure, an exceptionally high level of support for a first-year resolution, shows how seriously the company's shareholders are taking this issue."

"We know there are risks," ExxonMobil CEO Rex Tillerson said to reporters after the meeting. "We're not trying to characterize this as an activity that does not have risks."

According to Bloomberg News, Tillerson also said that overzealous regulation of intensive drilling techniques is impeding development of natural gas fields.

Shareholders are concerned that these potential environmental and health impacts will result in regulatory, legal, financial, and reputational risks to the companies and want to know how the companies intend to mitigate the risks associated with fracking, says **As You Sow**. Resolution proponents filed shareholder rebuttals with the SEC and produced investor fact sheets which are available for ExxonMobil and Chevron.

"As the use of hydraulic fracturing skyrockets, communities, regulators, and investors are growing increasingly concerned about the environmental impacts of this process," says Jon Jensen of the Park Foundation in Ithaca, N.Y. and one of the co-filers of the ExxonMobil resolution. "Shareholders need assurance that companies are candidly disclosing these risks and are adopting best management practices to minimize them." The ExxonMobil resolution was co-filed by **As You Sow** and the Unitarian Universalist Service Committee.

These resolutions received strong support from mainstream institutional investors. Both ISS and Glass Lewis, the two largest proxy advisory services in the country, supported the resolutions at Chevron; ISS also supported the Exxon resolution. The New York State Common Retirement Fund, the second largest pension fund in the country, also voted for these resolutions.

"In the absence of meaningful disclosure, investors have no way of fully assessing the risks and rewards from investing in various companies in the energy sector, and are concerned about unpleasant shocks to shareholder value," says Larisa Ruoff of Green Century Capital Management. The Ultra Petroleum resolution was co-filed by **As You Sow** and Green Century Capital Management. Ultra Petroleum also held its annual meeting today but declined to announce the results of the vote and, for the second year, refused shareholders their right to speak on behalf of the resolution.