



WHEREAS:

The current accounting system for oil and gas reserve replacement has inherent limitations that impede ExxonMobil's ability to adapt to a climate constrained global energy market.

A primary metric the market uses to assess the value of an oil and gas company is its reserve replacement ratio. (Cambridge Energy Policy Forum, March 2015). Reserve replacement is currently denominated in oil and gas units, incentivizing the production and development of new oil and gas reserves. Where annual oil and gas reserve replacement is not fully achieved, a company's stock market value is likely to be impaired and top company executives may not receive full incentive packages. This fuel specific reporting metric does not allow management the latitude needed to optimize enterprise goals in a carbon constrained environment.

Global governments recognize severe risks associated with a warming climate and the need to limit warming to 2 degrees Celsius or less. At the Conference of the Parties in Paris, world leaders made significant commitments to reduce greenhouse emissions and initiated discussions to implement carbon pricing policies. As worldwide energy needs grow, it is becoming increasingly likely that such demand will be met with a much greater amount of renewable energy. Climate change induced transitions are already occurring in energy markets in the form of rapid energy efficiency increases, decreasing costs of renewables, and disruptive technology development such as electric vehicles.

The need for Exxon to develop new pathways in response to these transitions is highlighted by Citi, Statoil, and other analysts, which predict that global oil demand could peak in the next 10 to 15 years. As the 2015 oil market decline demonstrates, even a relatively small global oversupply of oil can substantially decrease the value of oil companies.

Company management must have maximum flexibility to optimize production and development of energy reserves in line with these changing market conditions and opportunities. Further, management should be incentivized to adopt a stable, long-term revenue path that includes replacing carbon holdings with renewable energy. The current system of oil and gas reserve replacement accounting hampers such flexibility and creates inappropriate incentives. Moving to a system that accounts for resources in energy units, such as the internationally accepted standard British Thermal Units, instead of oil and gas, will create a new measure of successful operation and incentivize a stable transition to a climate appropriate resource mix. It will also help foster better company valuations by investors, creditors, and analysts, thus improving capital allocation and reducing investment risk.

BE IT RESOLVED:

Proponents request that, by February 2017 and annually thereafter in a publication such as its annual or Corporate Social Responsibility report, Exxon quantify and report to shareholders its reserve replacements in British Thermal Units, by resource category, to assist the Company in responding appropriately to climate change induced market changes. Such reporting shall be in addition to reserve reporting required by the Securities and Exchange Commission, and should encompass all energy resources produced by the company.