



BE IT RESOLVED:

Shareholders request that Devon Energy issue a report that assesses, in light of global concerns about climate-change and the resultant pressures to transition to a low carbon economy, the benefits and risks of continuing to use oil and gas reserve additions as a metric in named executives' compensation. The report should be produced at reasonable cost and omit proprietary information.

WHEREAS:

As long-term shareholders, we believe that compensation metrics should incentivize the creation of sustainable value. We further understand that the standards for sustainable value are changing as the global imperative to limit climate change becomes more urgent and energy markets transition toward a low carbon economy. Our company's incentive compensation should reflect this global change.

The Paris Agreement to accelerate greenhouse gas reductions underscores the challenges faced by the oil and gas industry in this changing environment. Government policies to speed the transition to a low carbon economy -- 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, in October 2016, Fitch Ratings urged energy companies to plan for "radical change."

Shareholders are concerned that tying executive compensation to growth of oil or gas reserves, without reference to the economic viability of those reserves at varying cost and price levels, may incentivize a continued focus on reserve growth at a time when management should be planning for a changing energy economy. This incentive may inappropriately encourage the addition of reserves which are likely to become stranded in a low carbon economy. Carbon Tracker estimates oil majors' combined upstream assets would be worth \$140 billion more *if restricted* to projects consistent with limiting climate change to 2 degrees. This compensation incentive 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.

The recent volatility in oil and gas prices has only heightened the importance of management evaluating the costs and benefits of developing new oil and gas reserves, rather than simply amassing additional reserves in response to compensation incentives.

Accordingly, shareholders ask the company to assess the value of continuing to tie executive compensation to growth of oil and gas reserves; whether severing the link between reserves growth and executive compensation would better reflect increasing uncertainty over climate regulation and a decarbonizing global energy market; and what metrics more closely align senior executives' and long-term shareholders' interests.