Capital Distributions

WHEREAS:

In the face of global climate change, we believe investor capital is at risk from investments in projects that may prove economically stranded and unburnable if fossil fuel demand is reduced through public policy carbon restrictions, pricing and competition from renewables.

Global governments have agreed "the increase in global temperature should be below 2 degrees Celsius." The International Energy Agency states, "No more than one-third of proven reserves of fossil fuels can be consumed prior to 2050 if the world is to achieve the 2° C goal."

In 2015 Citigroup estimated the value of unburnable fossil fuel reserves could amount to over 100 trillion dollars out to 2050:

> "Lessons learned from the stranding of assets via the recent fall in the oil price gives food for thought about what the impact of the introduction of carbon pricing (or similar measures from Paris COP21) on higher-cost fossil fuel reserves might be."

The industry cancelled approximately 200 billion dollars of capex in 2015 (Wood Mackenzie). The Carbon Tracker Initiative (CTI) estimates 2 trillion dollars of industry capex and 72.9 percent of ExxonMobil's capex is "unneeded" if we are to achieve a 2 degree pathway.

Massive production cost inflation over the past decade has made the industry vulnerable to a downturn in demand and oil prices.

- A decade of cost escalation and the recent decline in oil prices has eroded the sector's returns on equity to a record 29 year low (Citigroup).
- Major new project costs have recently averaged between 70 and 100 dollars per barrel, raising the risk of stranded, unprofitable assets (Goldman Sachs).
- A "capex crisis" has increased upstream oil investment 100 percent (2005 to 2013), while crude oil supply has increased only 3 percent (Kepler Cheuvreux).

Analysts indicate companies may not be adequately accounting for or disclosing downside risks from lower than expected demand and prices.

- The equity valuation of oil producers could drop 40 to 60 percent under a low carbon scenario (HSBC).
- Approximately 40 percent of current oil investments are stranded at prices below 75 dollars per barrel in the current price environment (Citigroup).
- Approximately 44 percent percent of Exxon's potential future product portfolio (2014 to 2050) requires an oil price of 75 dollars per barrel to be economical (CTI).

Investors are concerned ExxonMobil risks eroding shareholder value through investments in what may prove stranded, uneconomical assets in a low carbon demand scenario. Exxon's capital expenditures grew at a compound annual growth rate of 9 percent from 2005 to 2014, coinciding with a 1 percent net income decline. Exxon cut total capital distributions (summing dividends and share buybacks) to shareholders approximately 25 percent over the last twelve months.

RESOLVED: Shareholders hereby approve, on an advisory basis, Arjuna Capital/Baldwin Brothers' proposal that ExxonMobil commit to increasing the total amount authorized for capital distributions (summing dividends and share buybacks) to shareholders as a prudent use of investor capital in light of the climate change related risks of stranded carbon assets.