

# Vote Bulletin – Exxon Mobil Corporation

**Meeting Type** – Annual

**Meeting Date** – 05/25/2022

**Key Issues** – Climate Change and Environmental Management

**Vote Decisions** – Leading up to Exxon’s 2022 annual general meeting, State Street Global Advisors analyzed the company’s disclosures on environmental, social, and governance issues most relevant to this year’s proxy. This analysis was complimented by half a dozen engagements with Exxon in 2022. These engagements included both the outgoing and incoming Lead Independent Director, other independent members of the board, senior management, as well as subject matter experts. In addition to these engagements, we evaluated several factors when analyzing the environmental shareholder proposals on the ballot including alignment with our disclosure expectations, market and industry trends, and peer performance, among others. Ultimately, we voted ABSTAIN on both climate-related shareholder proposals featured below and voted FOR the proposal requesting a report on plastics pollution.

## Shareholder Resolutions

| Item number | Item description   | Management recommendation | SSGA vote |
|-------------|--|---------------------------|-----------|
| 6           | Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal | AGAINST                   | ABSTAIN   |
| 8           | Report on Scenario Analysis Consistent with IEA’s Net Zero by 2050       | AGAINST                   | ABSTAIN   |
| 9           | Report on Reducing Plastic Pollution                                     | AGAINST                   | FOR       |

## Voting Rationale

### **Abstain – Item 6 – Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal**

This proposal requests the company sets medium- and long-term Scope 1, 2, and 3 greenhouse gas (GHG) emissions targets consistent with the goals of the Paris Agreement. As mentioned in our [President & CEO’s 2022 letter](#), we published our [“Disclosure Expectations for Effective Climate Transition Plans”](#) in January 2022. We leveraged this guidance to help inform our proxy voting decisions at companies in carbon-intensive sectors that received shareholder resolutions related to enhancing climate-related disclosure. Over the past year, Exxon has strengthened disclosure on its corporate-wide decarbonization strategy and updated capital plans to support the company’s low-carbon commitments. In Q4 2021, Exxon adopted more aggressive medium-term GHG intensity targets as well as committed to upstream and corporate-wide Scope 1 and 2 absolute emissions reductions. The company also enhanced its methane and flaring goals, targeting a 70-80% reduction in methane intensity by 2030, an increase from 40-50% previously.

Per our [Guidance on Climate-related Disclosures](#), we recognize the challenges associated with achieving Scope 3 reductions, though we do encourage companies to adopt incremental Scope 3 goals. We have seen Scope 3 GHG targets become market practice in Europe while US-based companies have begun to adopt such goals, including Occidental Petroleum Corporation, Chevron Corporation, and Phillips 66. We recognize that investor interest in Scope 3 target setting is steadily growing and have encouraged Exxon during our engagements to adopt incremental Scope 3 targets in line with peers. However, methodologies for calculating and setting Scope 1, 2, and 3 targets consistent with limiting global temperature rise to well below 2°C, as requested by this proposal, are still being developed. One of the

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leading organizations in this effort, the Science Based Targets initiative (SBTi), currently “is unable to accept commitments or validate targets for companies in the oil and gas or fossil fuels sectors<sup>1</sup>.”

We voted to abstain on the proposal due to the lack of industry standards on Paris-aligned target setting for this sector and given the company’s improved disclosure in line with our expectations and responsiveness on strengthening GHG targets. We will continue to actively engage Exxon on its efforts to operationalize long-term climate commitments and encourage stronger disclosure in line with our expectations and with peers.

#### **Abstain – Item 8 – Report on Scenario Analysis Consistent with IEA’s Net Zero by 2050**

The “Report on Scenario Analysis Consistent with IEA’s Net Zero by 2050” proposal contains three central expectations 1) conduct an IEA NZE 2050 scenario analysis 2) obtain an audit of the report and 3) report on how the scenario would affect assumptions and estimates underlying financial statements including carbon pricing, asset valuations and retirements, capex, etc. Through our research and engagement, we found that Exxon has substantially fulfilled the first two expectations.

Regarding the third expectation of the proposal, we recognize the growing investor interest in such disclosure and evolving market practice. Recent frameworks such as the IIGCC Net Zero Investment framework include expectations around incorporating climate risk into financial accounts and the SEC proposed rule has raised this topic as well. European peers including BP Plc, Shell Plc, and TotalEnergies SE, as well as some domestic oil and gas companies disclose information raised by the proposal such as commodity price assumptions used in impairment testing and impacts of climate scenarios on asset values in their financial statements. Exxon also referenced modelling of operating cash flow under the IEA NZE 2050 scenario in its latest disclosure. However, we view the disclosure of climate risk in financial statements as an emerging topic and recognize that consistent standards for reporting such information is not yet available. Regarding carbon pricing, Exxon fails to meet our expectation to disclose the average or range of carbon price assumptions used for project/business decisions. This information is disclosed by a number of oil and gas companies globally.

As Exxon has substantially met some, but not all, of the expectations outlined in the proposal, we voted abstain. We will continue to monitor regulatory and industry developments regarding incorporating climate risk into estimates underlying financial statements and engage the company on disclosing carbon price assumptions in line with our expectations.

#### **For – Item 9 – Report on Reducing Plastic Pollution**

We voted to support the “Report on Reducing Plastic Pollution” proposal as enhanced disclosure would allow investors to better understand how the company is managing risks related to virgin plastic products such as changing regulation, reputational risk, shifting consumer preference, and recycled content ambitions of many packaging companies.

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<sup>1</sup> “Guidance for the oil and gas sector”. The Science Based Targets initiative. <https://sciencebasedtargets.org/sectors/oil-and-gas>

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4769270.1.1.GBL.RTL Exp. Date: 06/30/2023