

FINANCIAL STATEMENT ASSUMPTIONS AND CLIMATE CHANGE

WHEREAS:

Many policymakers, investors and companies have converged on goals including the need to limit global temperature increase to 1.5° C and to reach net zero global greenhouse gas (GHG) emissions by 2050, if not sooner.¹

The International Energy Agency's Net Zero 2050 Roadmap (NZE) describes an energy sector path for net-zero GHG emissions. According to the IEA, no investment in new fossil supply projects is needed in a net zero scenario and the IEA anticipates oil prices dropping as low as \$36/barrel in 2030 and \$24/barrel in 2050, projecting a negative trend for a fundamental input in developing ExxonMobil's cash flow projections for oil and gas production assets.²

Yet ExxonMobil continues development of new fossil fuel resources, even while acknowledging³ that climate change scenarios pose uncertainties that may lead to impairments. Investors are concerned that the continued development of new fossil fuel resources increases the risk of such future impairments. ExxonMobil's existing, audited annual disclosures do not provide investors with sufficient insight into stranded asset risk related to the energy transition. "If climate change impacts the entity, the auditor needs to consider whether the financial statements appropriately reflect this," according to the International Auditing and Assurance Standards Board.

An independent September 2021 analysis⁴ concluded that the financial statements of ExxonMobil lack the requisite transparency about climate-related assumptions and estimates, and company disclosures do not appear to use Paris-aligned assumptions and estimates. In contrast, peers (Royal Dutch Shell, bp, TotalEnergies) released more transparent disclosures in their audited financial statements, articulating the extent of consideration of climate change contingencies and risks.⁵

RESOLVED: Shareholders request that ExxonMobil's Board of Directors seek an audited report assessing how applying the assumptions of the International Energy Agency's Net Zero by 2050 pathway would affect the assumptions, costs, estimates, and valuations underlying its financial statements, including those related to long-term commodity and carbon prices, remaining asset lives, future asset retirement obligations, capital expenditures and impairments. The Board should obtain and ensure publication of the report by February 2023, at reasonable cost and omitting proprietary information.

Supporting statement

The proponent recommends the requested report be supported with reasonable assurance from an independent auditor.

¹ See, for instance, Glasgow Financial Alliance for Net Zero, with over \$130 trillion in assets under management. <https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/>

² IEA, [World Energy Outlook](#), October 2021, p. 101.

³ E.g., MD&A: <https://www.sec.gov/ix?doc=/Archives/edgar/data/34088/000003408821000064/xom-20210930.htm>

⁴ Carbon Tracker with Climate Accounting Project, *Flying Blind: the glaring absence of climate risks in financial reporting*, Table 2, p. 24.

⁵ <https://www.sec.gov/Archives/edgar/data/34088/000121465921004380/cg421210px14a6g.htm>

Investors with \$103 trillion in assets under management have already called for companies and their auditors to rigorously disclose climate risks in financial reporting, or risk overstatement by failing to integrate impacts on profits and financial positions.⁶

Last year, this topic received 49.4% support of ExxonMobil investors. In light of ExxonMobil's disclosures regarding potential impairments from uncertain climate scenarios depressing product demand, it is urgent for investors to vote in favor.

⁶ <https://www.unpri.org/accounting-for-climate-change/investor-groups-call-on-companies-to-reflect-climate-related-risks-in-financial-reporting/6432.article>