Capital Distributions

WHEREAS: In the face of global climate change, we believe Exxon faces two physical constraints that make growth planning untenable. First, unconventional growth assets such as oil sands, ultra-deep water, and Arctic are significantly more expensive and carbon intensive to develop and have sent Exxon's profitability on a southerly course for the last decade. Second, there is only so much carbon we can pump into the atmosphere without catastrophic climate disruption.

Citibank estimates unburnable fossil fuel reserves could amount to over $100 trillion in stranded assets out to 2050 if the global community meets its Paris Agreement commitments. The Carbon Tracker Initiative 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.

Analysts indicate companies may not be adequately accounting for downside risks from lower-than-expected demand. The equity valuation of oil producers could drop 40 to 60 percent under a low carbon scenario (HSBC).

Investors are concerned ExxonMobil is at risk of eroding shareholder value through investments in what may prove economically stranded, unburnable assets in a low carbon demand scenario. Citibank notes:

> "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 due to the oil price decline (Wood Mackenzie). That decline paired with a decade of historic levels of capital spend on "growth" assets has eroded profitability and Exxon's risk profile.

- ROE and ROIC are at a quarter-century low
- Capital expenditures tripled from 2005 to 2015
- Exxon's operating profit margins dropped -68 percent from 2006 to 2015
- Exxon's sterling AAA credit rating was downgraded
- Exxon failed to increase reserves year over year (2015)

Exxon's capital expenditures grew at a compound annual growth rate of 6 percent from 2005 to 2015, coinciding with a 7 percent net income decline. In 2015, Exxon cut total capital distributions (summing dividends and share buybacks) to shareholders 35 percent.

The *Financial Times* editorial board has stated, "Rather than investing in potentially stranded oil and gas projects… the oil companies would do better to continue returning money to shareholders through dividends and share buybacks."

Chatham House, the 2nd most influential global think-tank, advocates prioritizing capital distributions over reserve growth, stating, "A major new strategy for the IOCs could be to shrink their capital base to match specific demand; shareholders will then benefit from the value released from their shares."

RESOLVED: Shareholders hereby approve, on an advisory basis, 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.