

Investment Stewardship

Vote Bulletin: ExxonMobil Corporation

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| Company | ExxonMobil Corporation (NYSE: XOM) |
| Market and Sector | United States, Energy |
| Meeting Date | 31 May 2023 |
| Key Resolutions ¹ | <p>Item 8: Report on Methane Emission Disclosure Reliability</p> <p>Item 9: Adopt Medium-Term Scope 3 GHG Reduction Target</p> <p>Item 16: Report on Social Impact from Plant Closure or Energy Transition</p> |
| Key Topics | Corporate strategy, climate risk, human capital management |
| Board Recommendation | The board recommended shareholders vote AGAINST Items 8, 9, and 16 |
| BlackRock Vote ² | BlackRock voted AGAINST Items 8, 9, and 16 |

Overview

ExxonMobil Corporation (Exxon) is a globally integrated energy company headquartered in the U.S.

BlackRock Investment Stewardship (BIS) engages with companies to better understand how company leadership identifies and manages the material risks and opportunities in their business model that, in our assessment, can impact their ability to deliver durable financial performance for long-term investors like BlackRock’s clients. We also engage to provide an investor perspective on corporate governance practices.

BIS has an extensive, multiyear engagement history with Exxon, during which we’ve discussed a range of corporate governance topics that, in our assessment, are important for long-term financial value creation, including board quality and effectiveness, corporate strategy, human capital management, as well as the board’s oversight of and management’s approach to material climate-related risk and opportunities. BIS has witnessed a shift in Exxon’s engagement and disclosure approach over recent years, including that independent directors now actively participate in engagements, and management is proactive in seeking engagement with investors to discuss their disclosures, targets, and long-term strategy. As a long-term shareholder, we welcome this more open engagement approach.

¹ ExxonMobil Corporation, “[Notice of 2023 Annual Meeting and Proxy Statement](#)”, 13 April 2023.

² BIS conducts proxy voting for those clients who authorize BIS to vote on their behalf. As part of BlackRock’s Voting Choice program, eligible clients can have a say in the proxy voting process by selecting their own proxy voting policy or one of 14 available third-party policies. 47% (\$2.1 trillion of \$4.5 trillion) of our index equity assets are eligible to participate in Voting Choice, and clients representing 25% of the \$2.1 trillion in eligible assets are enrolled in Voting Choice. Currency shown in USD. Source: BlackRock. Data as of March 31, 2023.

Rationale for BlackRock's vote

At Exxon's May 2023 annual general meeting (AGM), BIS supported the election of Exxon's directors and all management proposals. BIS did not support any shareholder proposals. Based on our assessment, the financial cost to the company to respond to the proposals outweighed any incremental informational benefit to investors. On balance, the proposals were overly prescriptive in nature, unduly constraining on management, or addressed business risks that the company's existing practices and disclosures adequately cover. We explain our voting position on three proposals of note below.

Item 8: Report on Methane Emission Disclosure Reliability (AGAINST)

BIS did not support this shareholder proposal because, in our assessment, Exxon has provided sufficient disclosures on both their approach to methane emissions abatement as well as how they are working to accurately measure and monitor methane emissions.

This shareholder proposal on the agenda at Exxon's May 2023 AGM requested that the company "issue a report analyzing the reliability of its methane emission disclosures. The report should: [b]e made public, omit proprietary information, and be prepared expeditiously at reasonable cost; and [s]ummarize the outcome of efforts to directly measure methane emissions, using recognized frameworks such as OGMP; and whether those outcomes suggest a need to alter the Company's actions to achieve its climate targets."³

In our view, Exxon's disclosures on their operational methane emissions, and their management of associated risks, give investors sufficient information to understand the company's approach. In addition to reporting on their emissions and reduction plans in their 2023 Advancing Climate Solutions Report⁴ and greenhouse gas (GHG) data supplement,⁵ on May 19, 2023, the company published information further clarifying their approach to methane management.⁶ Exxon's approach includes investments in technologies for direct measurement of methane emissions. They also have numerous leak detection and continuous monitoring programs in place and under development.^{7,8,9}

Exxon also has made a number of commitments related to methane, including plans to eliminate routine flaring across global operated upstream assets by 2030 in line with the World Bank Zero Routine Flaring Initiative and, as of 2022, they ceased all routine flaring in the Permian basin.¹⁰ They have committed to the Oil and Gas Climate Initiative's (OGCI's) Aiming for Zero Methane Emissions Initiative, of which they are a signatory and joined the Gas Technology Institute-led Project Veritas with 30 other leading organizations to develop and implement a standardized, science-based, technology-neutral, measurement-informed approach to reporting methane emissions.^{11,12}

Overall, BIS found Exxon's approach to managing methane emissions in their operations to be on par with the efforts of leading peers. The company has rigorous targets to reduce methane emissions, is deploying a wide range of technologies to more accurately measure progress against these targets and is participating in industry efforts to improve the accuracy of direct methane measurement. In our assessment, the company's

³ ExxonMobil Corporation, "[Notice of 2023 Annual Meeting and Proxy Statement](#)", 13 April 2023.

⁴ ExxonMobil Corporation, "[2023 Advancing Climate Solutions Progress Report](#)", December 2022.

⁵ ExxonMobil Corporation, "[Advancing Climate Solutions Progress Report GHG Data Supplement April 2023](#)", 14 April 2023.

⁶ ExxonMobil Corporation, "[Letter to shareholders](#)", 19 May 2023.

⁷ Such as "satellites, aircraft, drones, facility-scale, near-continuous monitoring via fixed cameras and sensors, on-the-ground manual leak detection, and a first-of-its-kind stratospheric balloon with hyperspectral sensors." ExxonMobil Corporation, "[Letter to shareholders](#)", 19 May 2023.

⁸ ExxonMobil Corporation, "[Letter to shareholders](#)", 19 May 2023.

⁹ Under their methane emissions reduction program, Exxon "has conducted more than 39,000 leak surveys on more than 9.2 million components at more than 11,500 production sites to date. This includes expanding a continuous monitoring program in the Permian Basin to cover about 700 unconventional production sites by 2025." ExxonMobil Corporation, "[Letter to shareholders](#)", 19 May 2023.

¹⁰ Exxon also has a commitment to eliminate all natural gas-driven pneumatic devices by 2025 in key U.S. unconventional operated assets and to accelerate the phase-out of these devices across all global operated assets where technically feasible.

¹¹ OGCI, "[Aiming for Zero Methane Emissions Initiative](#)".

¹² GTI Energy, "[Project Veritas](#)".

existing disclosures already include the information requested in the shareholder proposal. On balance, the costs of additional reporting were not warranted and therefore, not aligned with our clients' financial interests. We will continue to engage with Exxon on the important topic of methane emissions management generally, as well as on the technology and reporting of direct methane measurement.

Item 9: Adopt Medium-Term Scope 3 GHG Reduction Target (AGAINST)

BIS did not support this shareholder proposal because, in our view, the methodology for setting scope 3 targets in carbon intensive industries is still under development. Until there is a common framework for managing the related uncertainty and complexity, we look to company management to determine the appropriate disclosures to help investors understand their approach. Further, complying with the specific ask of the shareholder proposal may be unduly constraining on management and the board's ability to set the company's long-term business strategy.

The shareholder proposal requested that Exxon "set a medium-term reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C."

In our commentary, "[Climate-related risk and the energy transition](#)", we discuss that, as investors, we find it helpful to be able to evaluate companies' assessments of their emissions across their value chain, or scope 3 emissions, where appropriate, and any efforts to reduce them over time. A growing number of companies have started disclosing scope 3 emissions estimates, which provide important insight into the full carbon component of companies' goods and services. This further allows investors to evaluate the long-term risks and resilience of companies' value chains. However, we recognize that the methodology, accounting, assurance, and regulatory landscape for scope 3 emissions is complex, varied, and evolving. We understand that the scope 3 disclosures that companies are able to make at this time will necessarily be on a good faith and best-efforts basis. We believe that by meaningfully addressing risks relating to operational emissions including by setting emissions reduction targets on scope 1 and 2 emissions, including methane, companies can reduce the risk of climate to their businesses.

In January 2022, Exxon announced updated scope 1 and 2 GHG emissions reduction targets through 2030 relative to 2016 levels, including a 20-30% reduction in corporate-wide GHG intensity by 2030, a 40-50% reduction in upstream GHG intensity by 2030, and a 70-80% reduction in corporate-wide methane intensity by 2030. Exxon also plans to achieve net-zero emissions in the Permian basin by 2030 and has a broader target to achieve net-zero scope 1 and 2 GHG emissions by 2050.

From the supporting statement of the shareholder proposal, it also appears that the proponent is requesting that the company make particular strategic decisions; "[b]y investing in alternatives, a global integrated energy company like ExxonMobil could decrease emissions without ultimately shrinking business."¹³ As an investor on behalf of our clients, BlackRock relies on the boards and management teams of companies to ultimately steer the strategies they deem most appropriate with the objective of delivering durable long-term financial returns. Our role is not to replace the judgment of management and the board but to engage to better understand the company's strategy going forward.

Exxon has continued to enhance their disclosure and action around managing climate-related risks and opportunities. In December 2022, the company released a 2023 Advancing Climate Solutions Report which outlines their approach to "strengthening energy supply security and reducing emissions to support a net-zero future while growing value for our shareholders and stakeholders."¹⁴ In it, the company highlights several of their achievements and initiatives such as a target to increase the amount invested in lower-emission initiatives

¹³ ExxonMobil Corporation, "[Notice of 2023 Annual Meeting and Proxy Statement](#)", 13 April 2023, page 85.

¹⁴ ExxonMobil Corporation, "[2023 Advancing Climate Solutions Progress Report](#)", December 2022.

by 15% to approximately \$17 billion through 2027. From 2021, Exxon has grown their Low Carbon Solutions business by focusing on opportunities such as carbon capture and storage (CCS), hydrogen and biofuels. This has included signing a significant commercial CCS agreement in October 2022.¹⁵

Based on these efforts and our engagements with the company, BIS believes that Exxon's management and board have demonstrated a more defined commitment to capturing opportunities relating to a transition to a low carbon economy, as well as minimizing attendant risks. Therefore, BIS did not believe it was in the financial interests of our clients to support this shareholder proposal.

Item 16: Report on Social Impact from Plant Closure or Energy Transition (AGAINST)

BIS did not support this shareholder proposal because, in our assessment, Exxon is taking the appropriate steps and already providing disclosure regarding their approach to workforce continuity amid a transition to a low-carbon economy.

The shareholder proposal requested that the board issue “a report regarding the social impact on workers and communities from closure or energy transition of the Company’s facilities, and alternatives that can be developed to help mitigate the social impact of such closures or energy transitions.”¹⁶

In our experience, companies that invest in the relationships that are critical to their ability to meet their strategic objectives are more likely to deliver durable, long-term financial performance. By contrast, poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks. This is particularly the case regarding a company’s workforce, as a significant number of companies acknowledge the importance of their workers in creating long-term financial value. Consequently, when we engage with companies on how they navigate material risks and opportunities presented by a low carbon transition, our conversations often include asking questions to understand how they plan to support affected workers.

BIS has engaged with members of Exxon’s board and management team numerous times to better understand how the company is managing several high-profile concerns around human capital management and employee retention in order to ensure that the company continues to be able to attract and retain the talent needed for the future. We have found the board to be highly engaged on the subject and taking actions to oversee the company’s risk management.

Exxon already discloses how they approach workforce continuity, stakeholder engagement, training and development in light of a transition to a low carbon economy. In May 2023, Exxon released a statement on “supporting a just transition.”¹⁷ In it, the company highlights their view that to accomplish sustained emissions reductions, a balanced approach will be needed, taking into account their key stakeholders including employees, customers and the communities in which they operate. As outlined in the statement, Exxon’s strategic objectives related to their support for a just transition include a focus on providing professional growth opportunities for employees and engaging with employees and the communities in which they operate.¹⁸ Exxon also discusses its role as chair of the Just Transition Task Force with Ipieca, a global oil and natural gas association to advance environmental and social performance across an energy transition.¹⁹

In our assessment, Exxon’s current disclosures provide adequate information for investors to make informed investment decisions. We therefore determined not to support the shareholder proposal.

¹⁵ See previous footnote.

¹⁶ ExxonMobil Corporation, “[Notice of 2023 Annual Meeting and Proxy Statement](#)”, 13 April 2023.

¹⁷ ExxonMobil Corporation, “[Supporting a just transition](#)”, 16 May 2023.

¹⁸ See previous footnote.

¹⁹ Ipieca, “[Accelerating a just transition](#)”. The task force shares best practices and information to help “support the oil and gas industry’s participation in international collaboration to transition to a lower-carbon world in a way that’s just and fair for workforces, communities, and consumers.”

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders as appropriate. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability-related risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.²⁰

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with durable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

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²⁰ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.