

## Investment Stewardship

# Vote Bulletin: ExxonMobil Corporation

Company	<b>ExxonMobil Corporation (NYSE: XOM)</b>
Market and Sector	United States, Energy
Meeting Date	25 May 2022
Key Resolutions <sup>1</sup>	<p><b>Item 6:</b> Reduce Company Emissions and Hydrocarbon Sales (Shareholder proposal)</p> <p><b>Item 7:</b> Report on Low Carbon Business Planning (Shareholder proposal)</p> <p><b>Item 8:</b> Report on Scenario Analysis (Shareholder proposal)</p> <p><b>Item 9:</b> Report on Reducing Plastic Production (Shareholder proposal)</p> <p><b>Item 10:</b> Report on Political Contributions (Shareholder proposal)</p>
Key Topics	Climate risk, natural capital, corporate political activities
Board Recommendation	The board recommended shareholders vote AGAINST these shareholder proposals
BlackRockVote <sup>2</sup>	BlackRock Investment Stewardship voted AGAINST 6, 7, 9, 10 and FOR Item 8

### Overview

ExxonMobil Corporation (Exxon) is a multinational oil and gas corporation headquartered in Texas. The company is engaged in the exploration, development, and distribution of oil, gas, and petroleum products and operates through the following segments: Upstream, Downstream and Chemical.

BlackRock Investment Stewardship (BIS) has a long history of comprehensive engagement with Exxon during which we have discussed a range of corporate governance and sustainable business matters that we believe contribute to a company's ability to deliver the durable, long-term shareholder returns upon which our clients depend to meet their financial goals. This has included discussions on board composition and effectiveness, as well as Exxon's approach to managing material climate risks and opportunities, which BlackRock believes can be an important factor in companies' long-term prospects.

In order to assess companies' strategies to navigate the energy transition, BIS engages with company leadership to better understand the plans the company has in place. As discussed in our commentary, [Climate](#)

<sup>1</sup> ExxonMobil, "2022 Annual Meeting of Shareholders".

<sup>2</sup> We recognize that some of our clients may take a different view, and more of our clients are interested in having a say in how their index holdings are voted. Beginning in 2022, BlackRock is taking the first in a series of steps to expand the opportunity for clients to participate in proxy voting decisions where legally and operationally viable. To do this, BlackRock developed new technology and worked to enable a significant expansion in proxy voting choices for more clients. For more information see: <https://www.blackrock.com/corporate/about-us/investment-stewardship/proxy-voting-choice>

[risk and the global energy transition](#), BlackRock's stewardship approach is based on our fundamental role as a fiduciary to our clients. As the world transitions to a low-carbon economy, we are interested in hearing from companies, on behalf of our clients, to better understand how they are assessing and managing the risks and opportunities arising from the decarbonization of the global economy, while also managing for a reliable energy supply and a just transition. These disclosures by companies help inform how BIS votes, where we have authority from our clients to do so, to advance their long-term financial interests.<sup>3</sup>

We look for companies to demonstrate that they have strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways well below 2°C, as well as global ambitions to limit temperature rise to 1.5°C. Thorough company disclosures allow investors to understand corporate climate action plans, track progress, and assess the strategic changes that a company may undertake to adapt their business models to respond to different energy transition scenarios.<sup>4</sup> As investors, we understand that net zero pathways will not be linear or streamlined; the macroeconomic environment, including energy markets, is complex and volatile, and there is a great deal of regulatory and geopolitical uncertainty.<sup>5</sup>

At Exxon's 2021 annual general meeting (AGM), shareholders, [including BlackRock](#), voted to elect three shareholder-nominated directors with industry experience relevant to the energy transition. Since the 2021 meeting, we have been encouraged by the efforts Exxon has made to enhance their competitive position and long-term financial resilience in light of the anticipated long-term shift in the global energy mix.<sup>6</sup>

In January 2022, the company published their "Advancing Climate Solutions Progress Report," which included a new net zero target in the Permian Basin by 2030. The report also set new methane emissions reduction targets, including a goal to achieve zero routine flaring by 2030 to meet the World Bank commitment, and a goal to reduce absolute flaring and emissions by 60% and 70% respectively by 2030.<sup>7</sup> The report also discussed Exxon's plans to reduce absolute greenhouse gas (GHG) emissions by an estimated 30% for the company's upstream business and 20% for the entire corporation by 2030, which "are projected to be consistent with the goals of the Paris Agreement."<sup>8</sup> Further, Exxon announced the aspiration to achieve net-zero emissions from its operated assets by 2050.<sup>9</sup>

In addition, we have seen the company continue to make investments towards carbon capture and hydrogen, noting that "through 2027, ExxonMobil plans to invest more than \$15 billion on initiatives to lower greenhouse gas emissions."<sup>10</sup> The company has stated that "[i]nvestments will include projects to reduce greenhouse gas emissions from existing operations and increased investments in the Low Carbon Solutions businesses. The same capabilities, technical strengths and market experience that support base energy and chemical businesses will

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<sup>3</sup> Voting on our clients' behalf, when authorized to do so, is one of our core Stewardship responsibilities. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term financial interests. We aim to be a supportive, long-term focused shareholder who takes the context in which a company operates into consideration and makes voting decisions to advance our clients' interests. We make climate-related voting decisions after carefully assessing companies' risk oversight and mitigation, alongside their disclosures detailing how climate risk and opportunity are integrated into their strategy and plans.

<sup>4</sup> We recognize that companies cannot deliver the energy transition in isolation. A range of stakeholders, including policy makers and consumers, have a role to play to ensure a better equilibrium between supply and demand, given the global economy's current dependence on traditional energy sources and the parallel need to invest in cleaner energy alternatives and other technologies. In our engagements we may also discuss how companies see their role in achieving that equilibrium.

<sup>5</sup> BlackRock Inc., "[Managing the Net-Zero Transition](#)", February 2022.

<sup>6</sup> Recent comments by shareholders suggest the acknowledgment of Exxon's progress made since the 2021 AGM. Please see Financial Times, "[Signs of change at ExxonMobil a year after hedge fund proxy fight](#)". May 2022.

<sup>7</sup> ExxonMobil, "[Advancing Climate Solutions: 2022 Progress Report](#)". January 2022.

<sup>8</sup> ExxonMobil, "[Updated 2021 Energy & Carbon Summary](#)". Updated April 2021.

<sup>9</sup> ExxonMobil, "[ExxonMobil announces ambition for net zero greenhouse gas emissions by 2050](#)", January 2022.

<sup>10</sup> ExxonMobil, "[Advancing Climate Solution – 2022 Progress Report](#)".

help drive commercial growth opportunities for carbon capture and storage, biofuels and hydrogen.”<sup>11</sup> As a long-term investor on behalf of our clients, we welcome the steps that the company has taken to enhance the oversight, management, and disclosure of climate-related risks and opportunities.

Nonetheless, we believe that Exxon can continue to strengthen and build on the foundation that has been laid over the last year. We would welcome further disclosure and open dialogue on forward-looking transition planning and GHG reduction efforts. We believe this would further enhance investors’ confidence that Exxon’s strategy and capital allocation planning support the resilience of the company’s portfolio of businesses through the energy transition and their ability to deliver durable long-term financial returns.

## **Rationale for BlackRock’s vote**

### **Item 6: Reduce Company Emissions and Hydrocarbon Sales (AGAINST)**

**BIS did not support this shareholder proposal in recognition of the steps the company has taken in the past year on setting scope 1 and 2 GHG emissions reduction targets. We also acknowledge the current complexities surrounding scope 3 emissions reduction targets for the oil and gas industry in particular.**

The shareholder proposal requested that the company “set and publish medium- and long-term targets to reduce the greenhouse gas (GHG) of the Company’s operations and energy products (Scope 1, 2, and 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.”<sup>12</sup>

Exxon currently has an ambition to achieve scope 1 and 2 net zero GHG emissions from all operated assets by 2050 and to reach scope 1 and 2 net zero emissions in the Upstream Permian Basin by 2030.<sup>13</sup> Exxon has also made notable improvements on their medium-term target setting since the 2021 AGM. The company has not set scope 3 emissions reduction targets; however, we recognize that the issue of scope 3 emissions targets is complex, particularly for the oil and gas industry. In our commentary, [Climate risk and the global energy transition](#), we describe our view that scope 3 emissions are a major global societal issue and, for companies where they are material, the prospect of future policy change could affect the economic viability of their business models. At this stage, however, we view scope 3 emissions differently from scope 1 and 2 emissions, given the methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies.

That said, we appreciate when companies discuss how they are working with customers to help them lower their emissions and how they holds suppliers to the same rigorous emissions reduction standards as they expect of themselves. In our engagements over the past twelve months, we have discussed Exxon’s efforts toward their goals. We look forward to continuing to engage with the company on scope 3 emissions and learning about the avenues for consistent frameworks across the oil and gas industry.

For the above reasons, we consider the proposal to be overly prescriptive and therefore not in the long-term economic interests of our clients. As a result, BIS did not support this proposal.

### **Item 7: Report on Low Carbon Business Planning (AGAINST)**

**BIS did not support this shareholder proposal based on our assessment that it is overly prescriptive in nature and unduly constraining on management, and therefore not in our clients’ long-term economic interests.**

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<sup>11</sup> See previous footnote.

<sup>12</sup> ExxonMobil, “[Notice of 2022 Annual Meeting and Proxy Statement](#)”, April 2022.

<sup>13</sup> ExxonMobil, “[ExxonMobil announces ambition for net zero greenhouse gas emissions by 2050](#)”, January 2022.

The shareholder proposal requested that Exxon “issue a report (at reasonable cost, omitting proprietary information) describing how the company could alter its business model to yield profits within the limits of a 1.5-degree Celsius global temperature rise by substantially reducing its dependence on fossil fuels.”<sup>14</sup>

BIS voted against this proposal as, in our assessment, it is overly prescriptive and strays into micromanagement of business decisions that we do not believe to be the domain or responsibility of shareholders.

In particular, the proposal asks Exxon to report on how it can alter its business model specifically within the limits of a 1.5°C temperature rise scenario. We do not believe that it is the position of shareholders to tell companies what their corporate strategies should entail, including whether changes to the business model are warranted.<sup>15</sup> Rather, based on a company’s disclosures, BIS assesses the robustness of their climate action plan, board oversight, and capital allocation plan in addressing the risks and opportunities presented by the global energy transition.

We believe Exxon is making encouraging strides to improve their disclosure to provide shareholders with insight into their strategic business planning around the energy transition which the company feels is aimed at their core competencies.<sup>16</sup> The company has a goal to achieve net-zero emissions from its operated assets by 2050 with interim 2030 targets and has increased planned investments to \$15 billion from 2022 through 2027 to help accelerate emission reductions in operations and grow lower-emission business opportunities in carbon capture and storage, hydrogen, and biofuels.<sup>17</sup>

In recent engagements with the company, we have shared feedback and discussed disclosures that we believe could be enhanced, including continued detail on their progress and oversight of these low carbon plans and a more detailed breakdown of their capital expenditures in support of their stated goals.

Given the proposal’s focus on “how the company could alter its business model,” which we found unduly constraining on the company, BIS did not believe this proposal was in the long-term economic interests of our clients. As a result, we did not support this proposal.

#### **Item 8: Report on Scenario Analysis (FOR)**

**BIS supported this shareholder proposal because we believe shareholders would benefit from more fulsome information on the company’s scenario planning in relation to a range of pathways of the global energy transition.**

The shareholder proposal requested that Exxon issue “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.”<sup>18</sup>

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<sup>14</sup> ExxonMobil, “[Notice of 2022 Annual Meeting and Proxy Statement](#)”, April 2022.

<sup>15</sup> BlackRock engages on long-term corporate strategy, purpose and financial resilience to understand how companies are aligning their business decision-making with their purpose and adjusting their strategy and/or capital allocation plans to address the risks and opportunities of their operations to deliver long-term value for their shareholders. We are not in the position, nor do we seek, to dictate a company’s strategy or its implementation.

<sup>16</sup> ExxonMobil, “[Advancing Climate Solution – 2022 Progress Report](#)”.

<sup>17</sup> See previous footnote.

<sup>18</sup> ExxonMobil, “[Notice of 2022 Annual Meeting and Proxy Statement](#)”. April 2022.

A similar proposal received nearly 50% shareholder support at the 2021 AGM,<sup>19</sup> including from BlackRock. In response, Exxon updated their disclosure, *Advancing Climate Solutions*,<sup>20</sup> to include an analysis of the company's business and investment portfolio under the International Energy Agency's Net Zero by 2050 (IEA NZE 2050) scenario, including existing operations and future opportunities across its business in oil, natural gas, fuels, lubricants, chemicals, lower-emission fuels, hydrogen, and carbon capture and storage. The analysis found that the company "could continue to grow cash flows over time through reduced investments in oil and natural gas and increased investment in accretive projects in chemicals, carbon capture and storage, low-emissions fuels, and hydrogen." Exxon states that this analysis was reviewed in a third-party quality assurance audit.

While we recognize Exxon's efforts to date, we nonetheless believe their disclosure could be reasonably augmented to better allow shareholders to understand how they are managing and mitigating risks that may arise from the global energy transition. Exxon's current disclosure does not, in our assessment, include specific information regarding the potential impacts of climate-related issues on their business, such as a detailed discussion on asset retirement assumptions, carbon pricing and projections, and supply and demand scenarios. We believe enhancements to the disclosures Exxon made in response to the shareholder proposal from last year would provide greater clarity on the drivers underlying the scenario outcomes, including the increased demand for energy specific to the current macro environment.

Investors have greater clarity — and ability to assess risk — when companies detail how their business model aligns to scenarios for the global economy that limit temperature rises to well below 2°C, moving toward net zero emissions by 2050.

We acknowledge that the IEA NZE 2050 scenario is one possible scenario and open to change and interpretation, as is typical of any long-term scenario planning exercise. However, thorough analysis and robust disclosure of this analysis is useful for investors to shed light on a company's preparedness and general position to mitigate the risks and capture opportunities from the energy transition—which supports the long-term shareholder value creation on which our clients, the asset owners, depend to meet their financial goals. It is for these reasons that we voted in favor of the proposal.

#### **Item 9: Report on Reducing Plastic Production (AGAINST)**

**While we acknowledge the materiality of plastic pollution for the company, BIS did not support this shareholder proposal because we do not believe that the report as requested in the resolved clause set forth by the proponent would yield the most material information for investors. We also believe that the proposal is overly constricting on the Board.**

The shareholder proposal requested that the Board issue "an audited report addressing whether and how a significant reduction in virgin plastic demand, as set forth in *Breaking the Plastic Wave's* System Change Scenario to reduce ocean plastic pollution, would affect the Company's financial position and assumptions underlying its financial statements."<sup>21</sup>

Engaging on plastics pollution is an increasingly important topic for BIS, as discussed in our commentary on [Our approach to engagement on natural capital](#). We appreciate when companies who produce or rely heavily on plastics in their products or operations disclose information on how waste is managed. This disclosure might include how they are accelerating efforts related to recycling and reuse of plastic products to minimize waste, such as efforts to improve infrastructure support in challenged areas, efforts and investments around research

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<sup>19</sup> ExxonMobil, "Form 8-K/A". May 26, 2021.

<sup>20</sup> ExxonMobil, "[Advancing Climate Solutions: 2022 Progress Report](#)". January 2022.

<sup>21</sup> ExxonMobil, "[Notice of 2022 Annual Meeting and Proxy Statement](#)". April 2022.

and innovation to develop substitute products for single-use plastics such as biodegradable plastics, as well as targets established to limit runoff and waste and to support efforts to clean up existing plastics pollution.

While BIS believes that plastics pollution is a material risk for the company, we do not believe that the requested audited report focused on a single aspect of the issue, namely a significant reduction in virgin plastic demand, would provide us with the most decision useful information. Moreover, the proposal asks the company to assess the impacts on “the company’s financial position and assumptions underlying its financial statements.” We believe that this level of diligence on a limited scenario as encompassed in the “Breaking the Plastic Wave’s System Change” is out of context with the type of disclosures typical of companies under relevant voluntary sustainability standards, such as the Sustainability Accounting Standards Board (SASB).

Along with our concerns about the specific request of the shareholder proposal, we believe that Exxon is already disclosing actions that it is taking to address the issue of plastic pollution and recycling. For example, the company announced plans in October 2021 to build its first large-scale plastic waste advanced recycling facility to convert plastic waste into raw materials.<sup>22</sup> The facility will have advanced recycling capacity to process approximately 500,000 metric tons of plastic waste per year and be operational by year-end 2026.<sup>23</sup> Also, the company’s recent Sustainability Report discusses the issue of plastic waste management and recycling efforts, and the steps they are taking to increase plastic recyclability and waste recovery.<sup>24</sup>

For these reasons, we consider the proposal to be too prescriptive and the information to be gleaned, limited, and therefore not in the best long-term economic interests of our clients. As a result, BIS did not support this proposal.

However, we will continue to monitor and engage on this important issue.

#### **Item 10: Report on Political Contributions (AGAINST)**

**BIS did not support this shareholder proposal because, in our assessment, Exxon’s enhanced disclosure regarding their political spending and lobbying activities provides sufficient information for investors to make informed investment decisions.**

The shareholder proposal requested that the company “prepare and semiannually update a report [. . .] [disclosing] electoral contributions and expenditures (direct and indirect) with corporate funds, including the board’s role (if any) in that process.”<sup>25</sup> Specifically, the proposal requests a report on Exxon’s electioneering expenditures rather than their lobbying expenditures, which generally make up the majority of companies’ expenditures made through trade associations. The company received a similar shareholder proposal in 2021 which received approximately 30% support, including from BIS,<sup>26</sup> to which we believe the company has been responsive.

BIS regularly engages with companies to understand how they use corporate political activities to support policy matters material to their long-term strategy and shareholder value. As part of this, we look at companies’ publicly available disclosures to understand how lobbying and political contributions support their stated policy positions.

As explained in our commentary on [Our perspective on corporate political activities](#), we look to companies that engage in political activities to develop, maintain, and disclose robust processes, including effective board oversight, to guide these activities and mitigate associated risks. It is helpful to investors’ understanding if

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<sup>22</sup> ExxonMobil, “[ExxonMobil to build its first large-scale plastic waste advanced recycling facility](#)”, October 2021.

<sup>23</sup> ExxonMobil, “[ExxonMobil to build its first large-scale plastic waste advanced recycling facility](#)”, October 2021.

<sup>24</sup> ExxonMobil, “[Sustainability Report](#)”.

<sup>25</sup> ExxonMobil, “[Notice of 2022 Annual Meeting and Proxy Statement](#)”. April 2022.

<sup>26</sup> ExxonMobil, “[Form 8-K/A](#)”. May 26, 2021.

companies provide accessible and clear disclosures so that investors can easily understand how companies' political activities support their long-term strategy, including on their stated public policy priorities.

Since the 2021 AGM, Exxon has enhanced their political activities and lobbying disclosure, building on their existing disclosure which provided a list of trade associations where dues were paid of \$100,000 or more and which used a portion of such payments for lobbying. Exxon publishes on their website a list of all third-party U.S. organizations in which they or their affiliates are members, and the portion of their membership fees that was reportedly used for lobbying. This list, along with an accounting of the company's direct and grassroots lobbying, is available as part of their newly published Lobbying Report, which was developed after discussion with investors.

For these reasons, we believe that Exxon's enhanced disclosure regarding their political spending and lobbying activities provides sufficient information to investors and therefore, in our view support for this proposal was not in our clients' interests.

## 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. 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 (ESG) 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.<sup>27</sup>

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 sustainable, 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](https://blackrock.com/stewardship)

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<sup>27</sup> 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.