

Shareholder Resolution on Climate Data at ExxonMobil Corporation

Annual Shareholders' Meeting: May 26, 2004, Dallas, Texas

Vote YES on Proxy Item No. 11: Climate Science Report

SUMMARY

A coalition of institutional investors is seeking your support for a shareholder proposal at ExxonMobil that requests that the company clearly demonstrate the scientific evidence supporting its controversial position on climate change.

Specifically, the resolution asks ExxonMobil to explain the differences between its position and those of the [Intergovernmental Panel on Climate Change](#) and the [National Academy of Sciences](#). The resolution also asks the company to estimate the costs of mitigating climate change compared to the costs of failing to address the issue. Finally, ExxonMobil is asked to produce all relevant, peer-reviewed research that have lead to the company's conclusions.

The **Resolution on Climate Data (Proxy Item 11)** is supported by: the Connecticut State Treasurer's Office, Maine State Treasurer's Office, Christian Brothers Investment Services, Rockefeller Financial Services, CalPERS, and other institutional investors.

RATIONALE

Investors expect companies to support financial statements with facts. We should hold the companies to the same standard where circumstances exist that can critically affect shareholder value. ExxonMobil, like every other oil company, faces substantial risks from climate change and efforts to address it. Investors have the right to know that the company is basing its response on sound information and is developing appropriate strategies to manage such risk.

"ExxonMobil's strategy appears to be to "hope for the best" – a strategy that works as long as the risk of climate change evaporates. But if anything other than that occurs, ExxonMobil does not appear prepared to manage the risks to the company and protect long-term shareholder value."
Mark Mansley, Claros Consulting
Sleeping Tiger, Hidden Liabilities

Unfortunately, the company has so far declined to provide shareholders those assurances. The recent publication, *A Report on Energy Trends, Greenhouse Gas Emissions and Alternative Energy*, does little to address shareholder concerns because it assumes a fairly unchanged regulatory and international business environment over the next few decades. That is the exact head-in-the-sand approach that has investors concerned. One cannot prepare for future risk by assuming it will not happen.

Many of the institutions that supported last year's resolutions on climate risk and renewable energy strategies (both of which received over 20% of the vote) will be expressing their concern about ExxonMobil's climate change position by supporting this year's resolution on climate data.

Your support for this proposal will amplify the request that company management provide shareholders with needed information—data that will enable investors to better gage management's level of attention and analysis to this issue.

EXXONMOBIL SHAREHOLDER VALUE AT RISK

ExxonMobil's continuing response to climate change puts long-term shareholder value at risk. The company is missing opportunities which competitors are grabbing, and the risks ExxonMobil is exposing itself to are far greater than the risks the company faces from any likely policies to reduce emissions. These unnecessary risks and missed opportunities include:

- **Reputational risk.** The hit on ExxonMobil's direct brand value could be some \$2-\$3 billion. Greater still are the broader consequences of a damaged reputation, in areas such as staff retention and recruitment, and political access. These could amount to some \$10-\$50 billion of market value. ExxonMobil is particularly vulnerable to reputational damage outside of the U.S., where an increasing amount of its business is.
- **Litigation risks.** ExxonMobil's current climate risk strategy exposes the company as an obvious potential defendant in climate change-related litigation, as damage from global warming mounts. In years to come, the legal costs alone could amount to \$200 million-\$1 billion a year if the tobacco industry is any guide. And although establishing liability may be years away, if ExxonMobil were found liable, the damages would be vast – potentially exceeding \$100 billion.
- **Risks from sudden policy changes.** By opposing precautionary action, ExxonMobil is exacerbating its risks from sudden changes in policy on fossil fuel use – especially those that might be triggered by a sudden shift in climate. If caught unprepared under such a scenario, it could lead to major asset write-offs and significantly damage shareholder value.
- **Missed revenue opportunities.** If ExxonMobil supported a mandatory framework to reduce greenhouse gas emissions, ExxonMobil could seize several opportunities. First, it could boost the value of its huge gas reserves. (Gas has an advantage over coal in such regimes – so ExxonMobil's current policy benefits the coal industry). Second, ExxonMobil has the potential to generate revenues from emissions-trading mechanisms from such frameworks. Third, ExxonMobil has the potential to transform the company into a total energy business, increasing global market share, through diversification into cleaner energy sources.

MOUNTING EVIDENCE OF CLIMATE RISK TO INTERNATIONAL BUSINESS

- Recent launch of the international Climate Group by CEOs, national governments, state and municipal officials, and institutional investors.
- A Department of Defense report, [*An Abrupt Climate Change Scenario and Its Implications for U.S. National Security*](#), concluded that problems associated with climate change might jeopardize national security, and that “there is substantial evidence to indicate that significant global warming will occur during the 21st century.”
- According to a January 2004 article in the [*Columbia Journal of Environmental Law*](#), “The time has come for counsel for corporate clients to come to grips with the issue of climate change... When an issue of such magnitude arises, legal problems are never far behind, and climate change is no exception to this rule. In the last few years, the subject of climate change has become one of the most dynamic legal and political issues now facing industry.”
- “In the wake of global warming, it is getting more and more difficult to forecast climate change, and many businesses, small and big, are affected,” warned Japanese insurer Sumitomo Mitsui this year.
- Swiss Re Chief Executive John Coomber adds, “Climate change is a phenomenon that is starting to have a major impact on Swiss Re, its partners, and our clients. The question is no longer whether global warming is happening, but how it's going to affect our business.”