



Company: Exxon Mobil Corporation, United States

Meeting Date: May 31, 2017

Proposal: Item 12: Report on Impacts of Climate Change Policies

Board Recommendation: AGAINST

BlackRock Vote: FOR

Supporting a shareholder proposal following extensive management engagement

The BlackRock Investment Stewardship team has identified climate risk disclosure, in line with the Task Force on Climate-related Financial Disclosures (TCFD), as one of our five engagement priorities for 2017-18.

Exxon Mobil Corporation (Exxon) is a global energy company listed on the New York Stock Exchange. BlackRock has been engaging in direct and private dialogue with Exxon over several years on a wide range of governance issues that we believe have long-term economic implications for investors. Some of our engagements have been in the context of shareholder proposals, including on the management and reporting of climate-related risk.

In the past year, we've engaged more directly on Exxon's reporting of climate-related risks. We have also engaged with the shareholder proponents to better understand their views. We believe it is in long-term shareholders' best economic interests for Exxon to enhance its disclosures. We therefore voted in favor of the shareholder proposal focused on the 2-degree Celsius warming target (the "2-degree scenario") as outlined in the Paris Agreement under the United Nations Framework Convention on Climate Change.

In addition, we have repeatedly requested to meet with independent board directors over the past two years to better understand the board's oversight of the company's long-term strategy and capital allocation priorities amidst major strategic challenges and regulatory inquiry (including but not be limited to oversight of climate risk). The company declined to make directors available, citing a non-engagement policy between independent board members and shareholders.

As a result, we have not been able to fully assess the board's oversight of a range of key risks and its decision-making process pertaining to long-term strategy and capital allocation. In line with our expectations that the lead independent director should be available to shareholders, we voted against the re-election of the lead independent director and the chair of the committee responsible for setting this policy in both 2016 and 2017. We will continue to request direct engagement with the independent directors.



Additional Background:

At Exxon's May 31, 2017, annual general meeting (AGM), BlackRock supported a shareholder proposal seeking publication of the long-term portfolio impacts of technological advances and global climate change policies. The requested reporting would address the financial risks associated with a global economic scenario consistent with the globally agreed upon 2-degree scenario. We note that climate-related scenario analysis, including but not limited to a 2-degree scenario, is a key aspect of the TCFD recommendations.

This is the second straight year Exxon has received a similar proposal. In 2016, following engagement and in expectation of meaningful improvements in reporting of the potential economic impacts of climate risks to Exxon's business, BlackRock voted against the proposal, in line with the board's recommendations. In making our vote decisions on the 2-degree scenario shareholder proposals over the past two years, we have assessed the company's existing reporting on climate risks, energy supply/demand forecasts, carbon pricing expectations, stress testing and project planning approach, and board oversight of related risks.

Following the 2016 AGM, at which the shareholder proposal on 2-degree scenario planning received support of approximately 38% of votes cast, the company published its *2016 Energy & Carbon Summary*. We welcome this evolution in Exxon's reporting so that shareholders can better assess the resiliency of the company's operations and business model. However, we remain concerned that Exxon's reporting does not substantially address a 2-degree scenario. Importantly, the report does not address the impact that scenario could have on the performance of the business.

We will continue our dialogue over time with Exxon and other companies on a range of issues of economic relevance, including but not limited to climate-related risks, and regardless of whether the companies have received a shareholder proposal.