FOR IMMEDIATE RELEASE: Mar. 31, 2014
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Shareholders: ExxonMobil Takes Crucial Step of Acknowledging Carbon Asset Risk … But More Is Needed

Shareholder Advocates Seek Scenario Planning for a Low Carbon Economy

In a much-anticipated report to shareholders today on stranded carbon asset risk, ExxonMobil expressed the view that there is limited basis for concern. Shareholder advocates Arjuna Capital and As You Sow - which withdrew a shareholder resolution when ExxonMobil agreed to release the report - expressed disappointment with aspects of the response, but noted that it is a historic first step forward, providing greater insight into how Exxon is approaching climate change risk and representing an end to the company's previous refusal to acknowledge climate change issues.

The report makes clear that shareholders and ExxonMobil do agree on some fundamental points with regard to climate change. First, "ExxonMobil takes the risk of climate change seriously," as do shareholders. Second, ExxonMobil "continues to take meaningful steps to help address the risk" including "improving energy efficiency and reducing emissions at our operations," being "on the forefront of technologies to lower greenhouse gas emissions" and a host of other actions to reduce climate change impacts. Third, with regard to global policy to address climate change, most shareholders and ExxonMobil would tend to align:

> *"ExxonMobil advocates an approach that ensures a uniform and predictable cost of carbon; allows market prices to drive solutions; maximizes transparency to stakeholders; reduces administrative complexity; promotes global participation; and is easily adjusted to future developments in climate science and policy impacts."*

Nonetheless, shareholders were disappointed in the level of disclosure in the report and will continue to work with Exxon and other fossil fuel companies to increase transparency in key areas. Importantly, shareholders asked ExxonMobil to issue a report on how it stress tests capital investment opportunities and risk in a scenario where global temperature rise is limited to 2 degrees Celsius, in essence requiring that 2/3 of current fossil fuel reserves remain in the ground through 2050. Such a scenario means that some fossil fuel companies will not be able to sell some or all of their reserves, thereby stranding those assets and causing the value of the company to decline. Rather than providing information as to whether its reserves would be stranded, Exxon ignored the question. In its response, the company said it believed that any future capping of carbon-based fuels to the levels of a "low carbon scenario" is highly unlikely due to pressing social needs for energy.

Shareholder advocates from Arjuna Capital and As You Sow, who pursued the report from ExxonMobil through a shareholder resolution, reacted with disappointment to Exxon's quick dismissal of risk factors associated with stranded carbon assets.

Natasha Lamb, director of equity research and shareholder engagement at Arjuna Capital said:

"Investors now know that ExxonMobil is not considering a low-carbon scenario in its planning, which places shareowner capital at risk. We believe the company should protect shareholder value by divesting assets at greatest risk of stranding, diversifying investments into low-carbon alternatives, and returning money to shareholders that might otherwise fund future 'at risk' assets. While Exxon asserts that we will face social upheaval if carbon-based fuels are limited, we believe the greatest social disruption will come from climate change itself in the form of physical displacement and food scarcity - as outlined in today's release of the IPCC report."

"We appreciate that Exxon provided this report at a time when other companies have been unwilling to bring their assumptions into the open," said Danielle Fugere, president of As You Sow. "However, shareholders need more in-depth information about how Exxon is positioned to withstand climate risk. We will continue working with Exxon and other fossil fuel companies to increase disclosures about these critical issues including how companies analyze value of capital investments across a range of scenarios, including the worst case scenario."

"Exxon's report proves that the debate is less about whether the world will take action to curb climate change and more about how quickly it will happen," said Andrew Logan, director of the Oil & Gas Program at Ceres, which coordinates the Carbon Asset Risk Initiative. "Exxon has acknowledged the significant risks climate change poses to its business, the likelihood of a price on carbon, and growing momentum to address climate change – yet still calls a low-carbon scenario unlikely. Investors disagree, and will continue to push Exxon to align their planning with this reality."

Arjuna Capital and As You Sow continue to call for the integration of carbon asset risk into Exxon's scenario planning. In a low-carbon economy, additional questions that the proponents wish to see addressed include: "What percent of company assets are most at risk of stranding?; What would be the decline in company value?; What would losses be?; How would Exxon stack up against its competitors?" The report today does nothing to address these important concerns.

Exxon's position today stands in stark contrast to President Obama's goal to reduce greenhouse gases by 80 percent by 2050 and acknowledgement by world governments that we cannot burn more than one-third of current proven carbon reserves if we are to prevent a greater than 2 degree rise in global temperature.

Based on facts as we know them, the $20 trillion in reserves currently on the balance sheets of the 200 largest coal, oil, and gas companies are at risk of devaluation and stranding.

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As You Sow is a nonprofit organization that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information visit www.asyousow.org.

Arjuna Capital is the sustainable wealth management platform of Baldwin Brothers Inc., an SEC-registered independent financial advisory firm established in 1974. For more information visit www.arjuna-capital.com.