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Groundbreaking Climate Accounting Resolution Heads for Shareholder Vote at Oil Giants Chevron and Exxon

Major proxy advisors recommend votes in favor of resolution

BERKELEY, CA—MAY 24, 2021—First year shareholder resolutions filed by Christian Brothers Investment Services at ExxonMobil, and by *As You Sow* at Chevron, will be up for a vote at the companies' annual general meetings on May 26. The non-binding resolutions ask Exxon and Chevron to issue an audited report assessing how a significant reduction in fossil fuel demand, as set forth in the International Energy Agency's (IEA) net zero emissions by 2050 scenario, will affect each company's financial position and the underlying assumptions they use in company financial statements.

Additional co-filers of the proposal at Exxon Mobil include M&G Investments and the following members of The Interfaith Center on Corporate Responsibility: Benedictine Sisters of Virginia, Dominican Sisters of Hope, Maryknoll Sisters, Sisters of St. Dominic of Caldwell, NJ, and Presbyterian Church (USA).

The world's leading proxy advisors — including ISS, Glass Lewis, and PIRC, Europe's largest independent provider of proxy research — have recommended their clients vote in favor of these proposals.

The proposals ask Exxon and Chevron to assess, in an audited report, the impacts from a rapidly decarbonizing economy as set forth in the IEA's Net Zero by 2050 scenario and report. The net zero scenario shows that oil and gas demand will decline by 75% and 55%, respectively, and no new investment in oil and gas fields is necessary. Investors seek information on the financial impacts such dramatic changes would have on Exxon and Chevron's enterprises.

"By applying this net zero by 2050 scenario to their enterprises, and disclosing how such a swift decarbonization of the economy will affect their financial outcomes across a range of indicators, investors will gain a clearer understanding of the company's standing in the face of burgeoning action on the climate crisis," **said John W. Geissinger, chief investment officer at Christian Brothers Investment Services.**

A rapid global transition toward net zero greenhouse gas (GHG) emissions is occurring. Governments, companies, investors, and banks are increasingly committing to net zero by 2050 emission reductions goals. Among other commitments, the U.S. recently set a net zero-aligned goal of more than 50% reduction in economy-wide GHG emissions by 2030; five of the largest U.S. banks and dozens of global banks have set net zero goals; and one in five of the world's 2,000 largest publicly listed companies has now adopted a net-zero emissions target.

Collectively, these commitments signal the likelihood of rapid global decarbonization and a major decrease in demand for high carbon products, including oil and gas.

"As climate risk grows, investors seek integration of that risk into company financial reporting and assumptions," **said Danielle Fugere, president of *As You Sow*.** "It is no longer acceptable for companies like Exxon and Chevron to recognize the urgency of climate change in their sustainability reports, only to fall back on business as usual assumptions in their audited financial statements. Such a practice prevents shareholders from understanding the full effect climate change will have on enterprise value and balance sheets."

The importance of aligning company audited financial statements with company climate commitments is recognized by investors globally. Recent reports including The Role of Accounting and Auditing in Addressing Climate Change and Lifting the Veil: Investor Expectations for Paris Aligned Financial Reporting for Oil and Gas have highlighted the need to address climate discrepancies in company financial reporting. Similarly, investors representing assets worth more than $103 trillion, have issued a letter urging companies to reflect climate-related risks in financial reporting.

The U.S. Securities and Exchange Commission has also recently intensified its focus on climate-related reporting, including rejecting Chevron and Exxon's challenges to these auditing proposals.

In 2020, peer companies Shell, BP, and Total set net-zero emissions by 2050 targets and re-assessed how the global imperative to meet the Paris Agreement's 1.5 degree Celsius goal would impact commodity prices and impairment rates. All three subsequently announced major write-downs of assets associated with their re-assessments of future demand assumptions, underscoring the need to respond proactively to a changing economy that has the potential to severely disrupt a company's financial standing.

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Christian Brothers Investment Services, Inc. (CBIS) is a Catholic socially responsible investment management firm and Registered Investment Advisor. CBIS is a manager of managers, engaging third-party institutional investment firms to actively sub-advise the assets within its portfolios.

As You Sow is a nonprofit organization that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building and innovative legal strategies. Click here to see As You Sow's shareholder resolution tracker.