

Risk Factors Comparison 2024-02-28 to 2023-02-22 Form: 10-K

Legend: New Text Removed Text Unchanged Text Moved Text Section

ExxonMobil's financial and operating results are subject to a variety of risks inherent in the global oil, gas, and petrochemical businesses ~~;~~ and the pursuit of lower- emission business opportunities. Many of these risk factors are not within the company's control and could adversely affect our business, our financial and operating results, or our financial condition. These risk factors include: Supply and Demand The oil, gas, and petrochemical businesses are fundamentally commodity businesses. This means ExxonMobil's operations and earnings may be significantly affected by changes in oil, gas, and petrochemical prices and by changes in margins on refined products. Oil, gas, petrochemical, and product prices and margins in turn depend on local, regional, and global events or conditions that affect supply and demand for the relevant commodity or product. Any material decline in oil or natural gas prices could have a material adverse effect on the company's operations, financial condition, and proved reserves, especially in the Upstream segment. On the other hand, a material increase in oil or natural gas prices could have a material adverse effect on the company's operations, especially in the Energy Products, Chemical Products, and Specialty Products segments. Our pursuit of lower- emission business opportunities including carbon capture and storage, hydrogen, ~~and~~ lower- emission fuels **, and lithium** also depends on the growth and development of markets for those products and services, including implementation of supportive government policies and developments in technology to enable those products and services to be provided on a cost- effective basis at commercial scale. See " Climate Change and the Energy Transition" in this Item 1A. Economic conditions. The demand for energy and petrochemicals is generally linked closely with broad- based economic activities and levels of prosperity. The occurrence of recessions or other periods of low or negative economic growth will typically have a direct adverse impact on our results. Other factors that affect general economic conditions in the world or in a major region, such as changes in population growth rates, periods of civil unrest, government regulation or austerity programs, trade tariffs or broader breakdowns in global trade, security or public health issues and responses, or currency exchange rate fluctuations, can also impact the demand for energy and petrochemicals. Sovereign debt downgrades, defaults, inability to access debt markets due to rating, banking, or legal constraints, liquidity crises, the breakup or restructuring of fiscal, monetary, or political systems such as the European Union, and other events or conditions that impair the functioning of financial markets and institutions also pose risks to ExxonMobil, including risks to the safety of our financial assets and to the ability of our partners and customers to fulfill their commitments to ExxonMobil. Our future business results, including cash flows and financing needs, ~~will~~ **may** also be affected by the **occurrence, severity, pace and** rate of recovery ~~from the COVID-19 pandemic, as well as the occurrence and severity of future outbreaks,~~ **public health epidemics or pandemics;** the responsive actions taken by governments and others ~~;~~ **;** and the resulting effects on regional and global markets and economies. Other demand- related factors. Other factors that may affect the demand for oil, gas, ~~and~~ petrochemicals **or our other products**, and therefore impact our results, include technological improvements in energy efficiency; seasonal weather patterns; increased competitiveness of, or government policy support for, alternative energy sources; changes in technology that alter fuel choices, such as technological advances in energy storage **or other critical areas** that make wind ~~and~~ **;** solar **;** **hydrogen, nuclear or other alternatives** more competitive for power generation; changes in consumer preferences for our products, including consumer demand for alternative ~~-~~ fueled or electric transportation or alternatives to plastic products; and broad- based changes in personal income levels. See also " Climate Change and the Energy Transition " below. Other supply- related factors. Commodity prices and margins also vary depending on a number of factors affecting supply. For example, increased supply from the development of new oil and gas supply sources and technologies to enhance recovery from existing sources tends to reduce commodity prices to the extent such supply increases are not offset by commensurate growth in demand. Similarly, increases in industry refining or petrochemical manufacturing capacity relative to demand tend to reduce margins on the affected products. World oil, gas, and petrochemical supply levels can also be affected by factors that reduce available supplies, such as the level of and adherence by participating countries to production quotas established by OPEC or " OPEC " and other agreements among sovereigns; government policies, including actions intended to reduce greenhouse gas emissions, that restrict oil and gas production or increase associated costs; ~~and~~ the occurrence of wars ~~;~~ **or** hostile actions, **including disruption of land or sea transportation routes;** natural disasters ~~;~~ **;** disruptions in competitors' operations ~~;~~ **;** **and** logistics constraints ~~;~~ **;** or unexpected unavailability of distribution channels that may disrupt supplies. Technological change can also alter the relative costs for competitors to find, produce ~~;~~ and refine oil and gas **;** and to manufacture petrochemicals. Other market factors. ExxonMobil's business results are also exposed to potential negative impacts due to changes in interest rates, inflation, currency exchange rates, **changes in usage of the U. S. dollar in global trade,** and other local or regional market conditions. In addition to direct potential impacts on our costs and revenues, market factors such as rates of inflation may indirectly impact our results to the extent such factors reduce general rates of economic growth and therefore energy demand, as discussed under " Economic conditions ". Market factors may also result in losses from commodity derivatives and other instruments we use to hedge price exposures or for trading purposes. Additional information regarding the potential future impact of market factors on our businesses is included or incorporated by reference under **"** Item 7A. Quantitative and Qualitative Disclosures About Market Risk **"** in this report. Government and Political Factors ExxonMobil's results can be adversely affected by political or regulatory developments affecting our operations. Access limitations. A number of countries limit access to their oil and gas resources, including by restricting leasing or permitting activities, or may place resources off- limits from development altogether. Restrictions on production of oil and gas could increase to the extent governments view such measures as a viable approach for pursuing national and global energy and climate policies. Restrictions on foreign investment in the oil and gas sector tend to

increase in times of high commodity prices, or when national governments may have less need for outside sources of private capital. Many countries also restrict the import or export of certain products based on point of origin. Restrictions on doing business. ExxonMobil is subject to laws and sanctions imposed by the United States or by other jurisdictions where we do business that may prohibit ExxonMobil or its affiliates from doing business in certain countries, or restricting the kind of business that may be conducted, including acquiring or divesting certain assets. Such restrictions may provide a competitive advantage to competitors who may not be subject to comparable restrictions. Lack of legal certainty. Some countries in which we do business lack well-developed legal systems, or have not yet adopted, or may be unable to maintain, clear regulatory frameworks, for or oil may have evolving and gas development unharmonized standards that vary or conflict across jurisdictions. Lack of legal certainty exposes us our operations to increased risk of adverse or unpredictable actions by government officials, and also makes it more difficult for us to enforce our contracts. In some cases, these risks can be partially offset by agreements to arbitrate disputes in an international forum, but the adequacy of this remedy may still depend on the local legal system to enforce an award. Regulatory and litigation risks. Even in countries with well-developed legal systems where ExxonMobil does business, we remain exposed to changes in law or interpretation of settled law (including changes that result from international treaties and accords) and changes in policy that could adversely affect our results, such as:

- increases in taxes, duties, or government royalty rates (including retroactive claims or punitive taxes on oil, gas and petrochemical operations);
- price controls;
- changes in environmental regulations or other laws that increase our cost of operation or compliance or reduce or delay available business opportunities (including changes in laws affecting offshore drilling operations, standards to complete decommissioning, water use, emissions, hydraulic fracturing, or production or use of new or recycled plastics, as well as laws and regulations affecting trading);
- actions by policy-makers, regulators, or other actors to delay or deny necessary licenses and permits, restrict the availability of oil and gas leases or the transportation or export of our products, or otherwise require changes in the company's business or strategy that could result in reduced returns;
- regulatory interpretations that exclude or disfavor our products under government policies or programs intended to support new or developing markets or technologies, or that otherwise are not technology-neutral;
- adoption of regulations mandating efficiency standards, the use of alternative fuels or uncompetitive fuel components;
- adoption of disclosure government payment transparency regulations that could create competitive disadvantages, require us to incur disproportionate costs, or increase legal risk due to a need to rely on uncertain estimates or extrapolations (such as emissions of third parties) and lack of uniform standards across jurisdictions, or by requiring us to disclose competitively sensitive commercial information, or that could cause us to violate the non-disclosure laws of other countries; and
- government actions to cancel contracts, redenominate the official currency, renounce or default on obligations, renegotiate terms unilaterally, or expropriate assets.

Legal remedies available to compensate us for expropriation or other takings may be inadequate. We also may be adversely affected by the outcome of litigation, especially in countries such as the United States in which very large and unpredictable punitive damage awards may occur; by government enforcement proceedings alleging non-compliance with applicable laws or regulations; or by state and local government actors as well as private plaintiffs acting in parallel that attempt to use the legal system to promote public policy agendas (including seeking to reduce the production and sale of hydrocarbon products through litigation targeting the company or other industry participants), gain political notoriety, or obtain monetary awards from the company. The continued adoption of similar legal practices in the European Union or elsewhere would broaden this risk and has begun to be applied to some of our competitors in the European Union. Security concerns. Successful operation of particular facilities or projects may be disrupted by civil unrest, acts of sabotage or terrorism, cybersecurity attacks, the application of national security laws or policies that result in restricting our ability to do business in a particular jurisdiction, and other local security concerns. Such concerns may be directed specifically at our company, our industry, or as part of broader movements and may require us to incur greater costs for security or to shut down operations for a period of time. Net-zero scenarios. Driven by concern over the risks of climate change, a number of countries have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions including emissions from the production and use of oil and gas and their products as well as the use or support for different emission-reduction technologies. These actions are being taken both independently by national and regional governments and within the framework of United Nations Conference of the Parties summits under which many countries of the world have endorsed objectives to reduce the atmospheric concentration of carbon dioxide (CO₂) over the coming decades, with an ambition ultimately to achieve "net zero". Net zero means that emissions of greenhouse gases from human activities would be balanced by actions that remove such gases from the atmosphere. Expectations for transition of the world's energy system to lower-emission sources, and ultimately net-zero, derive from hypothetical scenarios that reflect many assumptions about the future and reflect substantial uncertainties. The company's objective to play a leading role in the energy transition, including the company's announced ambition ultimately to achieve net zero with respect to Scope 1 and 2 emissions from operations with continued technology development and policy support where ExxonMobil is the operator, carries risks that the transition, including underlying technologies, policies, and markets as discussed in more detail below, will not be available or develop at the pace or in the manner expected by current net-zero scenarios. The success of our strategy for the energy transition will also depend on our ability to recognize key signposts of change-changes in the global energy system on a timely basis, and our corresponding ability to direct investment to the technologies and businesses, at the appropriate stage of development, to best capitalize on our competitive strengths. Greenhouse gas restrictions. Government actions intended to reduce greenhouse gas emissions include adoption of cap and trade regimes, carbon taxes, carbon-based import duties or other trade tariffs, minimum renewable usage requirements, restrictive permitting, increased mileage and other efficiency standards, mandates for sales of electric vehicles, mandates for use of specific fuels or technologies, and other incentives or mandates designed to support certain technologies for transitioning to lower-emission energy sources. Political and other actors and their agents also increasingly seek to advance climate change objectives indirectly, such as by seeking to reduce the availability or increase the cost of financing and investment in the oil and gas sector.

These actions include delaying or blocking needed infrastructure, utilizing shareholder governance mechanisms against companies or their shareholders or financial institutions in an effort to deter investment in oil and gas activities, and taking **other** actions intended to promote changes in business strategy for oil and gas companies. Depending on how policies are formulated and applied, such policies could negatively affect our investment returns, make our hydrocarbon-based products more expensive or less competitive, lengthen project implementation times, and reduce demand for hydrocarbons, as well as shift hydrocarbon demand toward relatively lower-carbon alternatives. Current and pending greenhouse gas regulations or policies may also increase our compliance costs, such as for monitoring or sequestering emissions. Technology and lower-emission solutions. Achieving societal ambitions to reduce greenhouse gas emissions and ultimately achieve net zero will require new technologies to reduce the cost and increase the scalability of alternative energy sources, as well as technologies such as carbon capture and storage (CCS). CCS technologies, focused initially on capturing and sequestering CO₂ emissions from high-intensity industrial activities, can assist in meeting society's objective to mitigate atmospheric greenhouse gas levels while also helping ensure the availability of the reliable and affordable energy the world requires. ExxonMobil has established a Low Carbon Solutions (LCS) business unit to advance the development and deployment of these technologies and projects, including CCS, hydrogen, and lower-emission fuels, **and lithium**, breakthrough energy efficiency processes, advanced energy-saving materials, and other technologies. The company's efforts include both in-house research and development as well as collaborative efforts with leading universities and with commercial partners involved in advanced lower-emission energy technologies. Our future results and ability to grow our LCS business, help nations meet their emission-reduction goals, and succeed through the energy transition will depend in part on the success of these research and collaboration efforts and on our ability to adapt and apply the strengths of our current business model to providing the energy products of the future in a cost-competitive manner. Policy and market development. The scale of the world's energy system means that, in addition to developments in technology as discussed above, a successful energy transition will require appropriate support from governments and private participants throughout the global economy. Our ability to develop and deploy CCS and other lower-emission energy technologies at commercial scale, and the growth and future returns of LCS and other emerging businesses in which we invest, will depend in part on the continued development of supportive government policies and markets. Failure or delay of these policies or markets to materialize or be maintained could adversely impact these investments. Policy and other actions that result in restricting the availability of hydrocarbon products without commensurate reduction in demand may have unpredictable adverse effects, including increased commodity price volatility; periods of significantly higher commodity prices and resulting inflationary pressures; and local or regional energy shortages. Such effects in turn may depress economic growth or lead to rapid or conflicting shifts in policy by different actors, with resulting adverse effects on our businesses. In addition, the existence of supportive policies in any jurisdiction is not a guarantee that those policies will continue in the future. See also the discussion of "Supply and Demand," "Government and Political Factors," and "Operational and Other Factors" in this Item 1A. In addition to external economic and political factors, our future business results also depend on our ability to manage successfully those factors that are, at least in part, within our control, **including our capital allocation into existing and new businesses**. The extent to which we manage these factors will impact our performance relative to competition. For projects in which we are not the operator, we depend on the management effectiveness of one or more co-venturers whom we do not control. Exploration and development program. Our ability to maintain and grow our oil and gas production depends on the success of our exploration and development efforts. Among other factors, we must continuously improve our ability to identify the most promising resource prospects and apply our project management expertise to bring discovered resources online as scheduled and within budget. Project and portfolio management. The long-term success of ExxonMobil's Upstream and Product Solutions businesses, as well as the future success of LCS and other emerging lower-emission investments, depends on complex, long-term, capital-intensive projects. These projects in turn require a high degree of project management expertise to maximize efficiency. Specific factors that can affect the performance of major projects include our ability to: negotiate successfully with joint venturers, partners, governments, suppliers, customers, or others; model and optimize reservoir performance; develop markets for project outputs, whether through long-term contracts or the development of effective spot markets; **qualify for certain incentives available under supportive government policies for emerging markets and technologies**; manage changes in operating conditions and costs, including costs of third party equipment or services such as drilling rigs and shipping, supply-chain disruptions, and inflationary cost pressures; prevent, to the extent possible, and respond effectively to unforeseen technical difficulties that could delay project start-up or cause unscheduled project downtime; and influence the performance of project operators where ExxonMobil does not perform that role. In addition to the effective management of individual projects, ExxonMobil's success, including our ability to mitigate risk and provide attractive returns to shareholders, depends on our ability to successfully manage our overall portfolio, including diversification among types and locations of our projects, products produced, and strategies to **acquire or** divest assets. We may not be able to divest assets at a price or on the timeline we contemplate in our strategies. Additionally, we may retain certain liabilities following a divestment and could be held liable for past use or for different liabilities than anticipated. The term "project" as used in this report can refer to a variety of different activities and does not necessarily have the same meaning as in any government payment transparency reports. Operational efficiency. An important component of ExxonMobil's competitive performance, especially given the commodity-based nature of many of our businesses, is our ability to operate efficiently, including our ability to manage expenses **and**, improve production yields on an ongoing basis **and successfully integrate and achieve the anticipated synergies of acquisitions, including the acquisition of Pioneer Natural Resources Company**. This requires continuous management focus, including technology **integration and** improvements, cost control, productivity enhancements, **harmonizing the functions, policies, procedures and processes**, regular reappraisal of our asset portfolio, and the recruitment, development, and retention of high-caliber employees. Research and development and technological change. To maintain our competitive position, especially in light of the technological nature of our businesses and the need for continuous

efficiency improvement, ExxonMobil's technology, research, and development organizations must be successful and able to adapt to a changing market and policy environment, including **continuous improvement in the efficiency of hydraulic fracturing technology and** developing technologies to help reduce greenhouse gas emissions. To remain competitive, we must also continuously adapt and capture the benefits of new and emerging technologies, including successfully applying advances in the ability to process very large amounts of data to our businesses. Safety, business controls, and environmental risk management. Our results depend on management's ability to minimize the inherent risks of oil, gas, and petrochemical operations, to effectively control our business activities, **including trading**, and to minimize the potential for human error. We apply rigorous management systems and continuous focus on workplace safety and avoiding spills or other adverse environmental events. For example, we work to minimize spills through a combined program of effective operations integrity management, ongoing upgrades, key equipment replacements, and comprehensive inspection and surveillance. Similarly, we are implementing cost-effective new technologies and adopting new operating practices to reduce emissions, not only in response to government requirements but also to address community priorities. We employ a **comprehensive-robust and actively evolving** enterprise risk management system to identify and manage risk across our businesses. We also maintain a disciplined framework of internal controls and apply a controls management system for monitoring compliance with this framework. Substantial liabilities and other adverse impacts could result if we do not timely identify and mitigate applicable risks, or if our management systems and controls do not function as intended. Cybersecurity. ExxonMobil is regularly subject to attempted cybersecurity disruptions from a variety of sources including state-sponsored actors. **See Item 1C in this Report for information on** ExxonMobil's **program** defensive preparedness includes multi-layered technological capabilities for **managing prevention and detection of cybersecurity risks** disruptions; non-technological measures such as threat information sharing with governmental and industry groups; annual internal training and awareness campaigns including routine testing of employee awareness and an emphasis on resiliency, including business response and recovery. If the measures we are taking to protect against cybersecurity disruptions prove to be insufficient or if our proprietary data is otherwise not protected, ExxonMobil, as well as our customers, employees, or third parties, could be adversely affected. We **have limited ability to influence third parties, including our partners, suppliers and service providers (including providers of cloud-hosting services for our data or applications), to implement strong cybersecurity controls and** are also exposed to potential harm from cybersecurity events that may affect ~~the their~~ operations of third parties, including our partners, suppliers, service providers (including providers of cloud-hosting services for our data or applications), and customers. Cybersecurity disruptions could cause physical harm to people or the environment; damage or destroy assets; compromise business systems; result in proprietary information being altered, lost, or stolen; result in employee, customer, or third-party information being compromised; or otherwise disrupt our business operations. We could incur significant costs to remedy the effects of a major cybersecurity disruption in addition to costs in connection with resulting regulatory actions, litigation, or reputational harm. Preparedness. Our operations may be disrupted by severe weather events, natural disasters, human error, and similar events. For example, hurricanes may damage our offshore production facilities or coastal refining and petrochemical plants in vulnerable areas. Our facilities are designed, engineered, constructed, and operated to withstand a variety of extreme climatic and other conditions, with safety factors built in to cover a number of uncertainties, including those associated with wave, wind, and current intensity, marine ice flow patterns, permafrost stability, storm surge magnitude, temperature extremes, extreme rainfall events, and earthquakes. Our consideration of changing weather conditions and inclusion of safety factors in design covers the engineering uncertainties that climate change and other events may potentially introduce. Our ability to mitigate the adverse impacts of these events depends in part upon the effectiveness of our robust facility engineering, our rigorous disaster preparedness and response, and business continuity planning. Insurance limitations. The ability of the Corporation to insure against many of the risks it faces as described in this Item 1A is limited by the availability and cost of coverage, which may not be economic, as well as the capacity of the applicable insurance markets, which may not be sufficient. Competition. As noted in Item 1 above, the energy and petrochemical industries are highly competitive. We face competition not only from other private firms, but also from state-owned companies that are increasingly competing for opportunities outside of their home countries and as partners with other private firms. In some cases, these state-owned companies may pursue opportunities in furtherance of strategic objectives of their government owners, with less focus on financial returns than companies owned by private shareholders, such as ExxonMobil. Technology and expertise provided by industry service companies may also enhance the competitiveness of firms that may not have the internal resources and capabilities of ExxonMobil or reduce the need for resource-owning countries to partner with private-sector oil and gas companies in order to monetize national resources. As described in more detail above, our hydrocarbon-based energy products are also subject to growing and, in many cases, government-supported competition from alternative energy sources. Reputation. Our reputation is an important corporate asset. Factors that could have a negative impact on our reputation include an operating incident or significant cybersecurity disruption; changes in consumer views concerning our products; a perception by investors or others that the Corporation is making insufficient progress with respect to our ambition to play a leading role in the energy transition, or that pursuit of this ambition may result in allocation of capital to investments with reduced returns; and other adverse events such as those described in this Item 1A. Negative impacts on our reputation could in turn make it more difficult for us to compete successfully for new opportunities, obtain necessary regulatory approvals, obtain financing, and attract talent, or they could reduce consumer demand for our branded products. ExxonMobil's reputation may also be harmed by events which negatively affect the image of our industry as a whole. Projections, estimates, and descriptions of ExxonMobil's plans and objectives included or incorporated in Items 1, 1A, **1C**, **2**, **5**, **7**, and **7A** of this report are forward-looking statements. Actual future results, including project completion dates, production rates, capital expenditures, costs, and business plans could differ materially due to, among other things, the factors discussed above and elsewhere in this report.