February 7, 2024

To The Board of Directors of ExxonMobil:

We write representing concerned investors to share our deep misgivings regarding the lawsuit filed by Exxon on January 21 against its shareholders Arjuna Capital and Follow This, sponsors of a proposal focused on climate risk and seeking an accelerated reduction in GHG emissions to meet net zero by 2050 goals. We believe this costly and unnecessary suit constitutes a serious threat to shareholder rights. It also sends a clear message that the company is seeking to shut down any debate by its shareholders on actions needed to address climate risk. This unprecedented suit risks alienating shareholders, harming Exxon's reputation, and undermining the Securities and Exchange Commission (SEC) by circumventing efficient, effective and time-honored procedures established by the agency. We urge the Board to intervene to convince management to abandon this legal strategy.

The Interfaith Center on Corporate Responsibility is a coalition of over 300 institutional investors that for over 50 years have practiced active ownership, i.e., the regular engagement of their portfolio companies in an effort to help them mitigate their environmental and social risks. As you know, given the significant impacts of its operations, Exxon is frequently petitioned by its shareholders to adopt more sustainable practices and policies. These requests often take the form of shareholder proposals put forward for a vote at the annual general meeting of shareholders. Any shareholder has the legal right to invoke the shareholder proposal process as long as they meet the ownership thresholds set forth in the shareholder proposal rule, Rule 14a-8. Over roughly the last twenty-five years, proposals at Exxon have been filed by a wide range of investors and have garnered support from fellow shareholders representing trillions of dollars in AUM. In particular, climate-related proposals have served as an avenue for investors to express their views to Exxon about the need to address the climate risks inherent in its business model, with several achieving majority votes. Other proposals garnering votes in the 35% to 49% range represent strong messages of dissent from shareholders calling for more urgent action to better manage climate risk. It is a dangerous precedent to attempt to limit this crucial and productive form of investor-management communication without good cause by filing a lawsuit.

The SEC has clear procedures a company can use (a "no-action request") to seek the Staff's concurrence that omission of a proposal will not trigger SEC enforcement action. For example, if Exxon believes this particular proposal addressed substantially the same subject matter as one voted on in the past two years that did not obtain sufficient support (15%) to be refiled, it can choose to argue this to the Staff. If the Staff is convinced by Exxon's argument, Exxon could omit the proposal, obviating the need for legal action. But the lawsuit is also a clear attempt to undermine the SEC's authority and its credibility, which is consistent with attacks led by trade associations such as the U.S. Chamber of Commerce and the National Association of Manufacturers of which Exxon is a member. Both groups are threatening legal action claiming that the Staff should have no authority to provide no-action relief. In taking its case to the courts (including forum shopping by filing in a favorable jurisdiction), Exxon is undermining a long-standing private ordering process that has been extremely beneficial to both investors and companies. Absent the SEC Staff as arbiter, investors would be forced to appeal to the courts to protect their rights, ushering in a new era of onerous and costly litigation.

We have been in numerous discussions with a range of investors inside and outside of our coalition who shared their concerns about the negative implications of this lawsuit. All see this antagonistic and highly unusual action by Exxon as an attack on shareholders' rights and the 14a-8 process to deny shareholders the ability to engage management on how it is managing climate risk - a significant financial risk threatening Exxon's business and, by extension, its investors. The lawsuit is akin to a "SLAPP suit" intended to intimidate perceived opponents and silence dissenting points of view. The perception that this lawsuit is less about the individual proposal and more about shareholder rights more broadly is further reinforced by Exxon's announcement earlier this week that it intends to pursue the case despite the proponent's withdrawal of the proposal and that it will seek an award of attorneys' fees and costs associated with the suit. One could easily see that going forward Exxon will invoke the courts as a default option to settle differences with its shareholders.

Exxon argues that the proponents do not have the company's economic interests at heart and are instead driven by an "extreme agenda" calculated to shrink the company's business. This is an attempt to villainize a long line of shareholders who for years have asked Exxon to take necessary steps to meet its goal of net zero carbon emissions by 2050, a goal recently reiterated by thousands of global world leaders, businesses, and other key stakeholders at COP 28. Far from being an extreme agenda, a focus on the transition of the oil and gas sector to clean energy has long been a mainstream discussion both inside and outside the investor community. Exxon further argues that a proposal asking for an acceleration of "the pace of emissions reductions" and a summary of "new plans, targets and timetables" for this effort deals with the company's "ordinary business operations" and attempts to "micromanage" the company. It is well-established science that climate change poses a serious threat to companies, our economy and the future well-being of the planet, which the Staff has long recognized takes proposals on the issue out of the realm of ordinary business. To trivialize a request from shareholders that Exxon demonstrate that it is taking this threat seriously raises serious questions about its commitment to address these risks. This is troubling on many levels, but the disregard it shows for investors seeking to mitigate portfolio risks is breathtaking.

We appeal to the Board, whose members serve as the elected representatives of the shareholders, to direct management to abandon this highly combative and controversial legal strategy and to ensure it is not invoked in the future.

Sincerely,

Josh Zinner, CEO, ICCR

Rob Fohr, Board Chair, ICCR