



Seattle City Employees' Retirement System



Local Authority Pension Fund Forum

December 5, 2017

ExxonMobil Corporation
Attention: Board of Directors
Steven Reinemund, Presiding Director
5959 Las Colinas Boulevard
Irving, TX 75039-2298

Dear Mr. Reinemund,

We are writing to request dialogue with you to discuss the company's governance practices, particularly as they pertain to the mitigation of risk and recognition of opportunity related to climate change. Climate-related concerns appear to be of broad interest to your shareowners, given that at your most recent annual meeting, 62% of shares voted counter to the board's recommendations and in support of a shareholder proposal requesting a report on ExxonMobil's capital planning and business strategy related to climate change. Similarly, over 30% of votes were cast against the company's executive compensation program, 28% of shares voted withheld support from the re-election of Board Affairs Committee Chair Kenneth Frazier, and 22% of votes cast withheld support from your own re-election to the board. These vote outcomes occurred in the context of recent declines in ExxonMobil's profitability, allegations that ExxonMobil historically sought to mislead investors and the public about climate change, and a regulatory investigation into the company's method of valuing its reserves.

Under Mr. Frazier's leadership, the company has preferred that shareholders submit their concerns to the board of directors in a restrictive format through the company's website rather than engaging in direct dialogue with the company's directors. The significant level of investor discontent directed at the board at the 2017 shareholder meeting should prompt a reversal of the board's policy barring direct interactions with its shareowners. The existing policy is clearly out of step with your shareholder's expectations as well as contemporary corporate governance practices. ExxonMobil's peers have that found direct dialogue with investors can offer directors valuable outside perspectives and counsel while allowing boards to clarify their handling of strategic challenges and material risks such as those ExxonMobil faces with regard to climate change.

Investors have had little opportunity to interact directly with the board or its nominating committee on the myriad challenges facing the company. It remains unclear whether ExxonMobil's board is appropriately equipped to successfully navigate the complex and constantly shifting business environment in which the company operates, and whether a

reconfigured mix of boardroom skills and perspectives is necessary for more effective governance of climate risk and opportunity in the present and future.

Among the simplest steps ExxonMobil could take to ensure that its board evolves along with the business landscape is disclosing a clear board refreshment and succession planning policy and process. The policy should prioritize the recruitment of directors who can inject fresh, climate-competent boardroom perspectives that constructively challenge traditional strategic assumptions. Furthermore, the policy should target the recruitment of directors who can deepen the integration of climate considerations across board committee functions and into board-level decision-making, and directors who have the capacity to transform the company's business model in response to the business implications of climate change. While the recent appointment of Dr. Susan Avery, a climate scientist, is a welcome step in this direction, it should mark the beginning of a board transformation continuum and not be an end in itself.

Michael Boskin's impending retirement next year provides a valuable opportunity to strengthen the board's governance of climate-related risk and opportunity. Mr. Boskin, who has faced criticism for allegedly challenging the validity of climate change science, chaired the board's Public Affairs Committee from 2004-2006, a period during which ExxonMobil allegedly funded groups promoting misleading information about climate change. Replacing Mr. Boskin with a director who possesses a suite of professional experiences and skillsets relevant to the business context facing the company and a climate science-based business outlook would augment the board's ability to effectively confront the complex long-term strategic challenges and risks facing the company.

Further, the board ought to reconsider the design of its director compensation program, which currently includes a provision that ties the vesting of restricted stock grants to board member retirement ages. This provision may have the unintended consequence of hampering board refreshment opportunities given that directors have an added incentive to serve on the board until their retirement age.

ExxonMobil has also faced criticism from multiple quarters for inadequately tying executive pay to its financial performance. A misalignment of executive pay and company performance is especially pertinent for oil and gas firms in a low oil price environment. Incorporating climate risk mitigation metrics in ExxonMobil's executive compensation programs would focus the C-suite on fortifying the company's long-term resiliency including during weak commodity price/low carbon demand business environments that may accompany global carbon moderation policies and market forces.

In sum, investors increasingly consider the business implications of climate change as a complex array of interconnected strategic, financial, reputational and competitive long-term risks and opportunities. To substantively and sustainably address them, ExxonMobil's board should consider changes to multiple aspects of its director nomination processes, its executive compensation program's design and its interaction with shareholders. We welcome the opportunity to discuss these matters with you as the board contemplates its response to the sharp dissent aired by investors seeking reform across a spectrum of concern areas at this year's shareholder meeting.

Sincerely,

Michael Frerichs
Illinois State Treasurer

Councillor Keiran Quinn
Chairman
Local Authority Pension Fund Forum (LAPFF)

Jeffrey S. Davis
Executive Director
Seattle City Employees' Retirement System