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ExxonMobil

July 26, 2019

Vanessa Countryman
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Subject: Roundtable on the U.S. Proxy Process
File No. 4-725

Dear Ms. Countryman:

I am Vice President – Investor Relations and Secretary of Exxon Mobil Corporation. ExxonMobil is one of the most widely held public companies in the United States, with more than 3.4 million registered and beneficial shareholder accounts. I am writing on behalf of ExxonMobil to share our experience (1) on how proxy advisory firms impact disclosure and engagement efforts and (2) with the current shareholder proposal process.

We commend the Commission for taking up these issues. We believe proxy advisors provide a valuable service, and we encourage the Commission to look for practical solutions that preserve this value while addressing any identified regulatory shortcomings.

ExxonMobil is very proud to be a company in which long-term individual shareholders represent a substantial portion of our investors, including many retirees and multi-generational shareholders who come to our annual meeting each year. For the last 137 years, we have been a foundational piece of many of our investors' retirement strategies. Our shareholders rely on us to make investments that will provide them with an attractive return, and support a reliable and growing dividend. We have grown our dividend every year for the past 37 years. Based on available data in 2018, retail investors owned approximately 44% of our outstanding shares and those shares were more likely to be voted with management on our say-on-pay proposal than shares voted by institutional shareholders. This resulted in an approximately 20% higher approval rating of say-on-pay for shares owned by retail shareholders than shares voted by institutional shareholders.

Over the past 10 years, our shareholders have voted on more than 100 total proposals, including 77 shareholder proposals, providing us with significant experience in this process. This experience shows that proxy advisor recommendations have an immediate, first day impact on shareholder voting. While our comments and the data provided in this letter focus only on the most recent years, these experiences are representative and consistent with what we have seen as a public company throughout the last decade.

PART I: HOW PROXY ADVISORY FIRMS IMPACT DISCLOSURE AND ENGAGEMENT EFFORTS

ExxonMobil has extensive experience with proxy advisory firms. We understand that many of our shareholders value their services, and we acknowledge the desire for institutional investors to seek independent, third-party voting recommendations to help meet their fiduciary duties given the current regulatory environment. Based on our experience, we believe improvements can be made to ensure that proxy advisory firms' voting recommendations are fair, open, informed, accurate and unbiased.

In this letter, we address how:

1. Proxy advisors' reliance on one-size-fits-all models, rather than industry-specific or company-specific ones, creates incomplete and misleading disclosure that, if followed, can undermine long-term shareholder value creation, especially as it relates to compensation structures.

2. Fiduciary safeguards and safe harbors are undermined by ISS' creation of multiple ISS-branded "specialty policy" reports, often making recommendations that conflict with its standard "benchmark" report. These alternative reports are not provided to companies to review and frequently contain serious inaccuracies and omissions that shareholders trust as correct disclosure. Some of these alternative reports also appear to purposefully assume speculation and allegations are facts, raising concerns about the independence and integrity of the disclosure and voting recommendations.

3. Misleading disclosure could often be cost-effectively addressed by permitting issuers to provide response statements as part of each proxy advisor benchmark and specialty policy report that includes voting recommendations. Response statements from issuers could serve to disclose to investors the use or misuse of discretionary practices by proxy advisors, such as seemingly arbitrary changes in peer groups from year to year. Proxy advisors and issuers should also be legally responsible for their statements to deter fraudulent disclosures.

4. Proxy reports including an issuer response statement would allow for new safe harbors that could save all parties significant time and monetary expense over the current regulatory structure resulting from IA-2106 and the 2004 ISS and Egan-Jones no-action letters. We would recommend providing safe harbors (1) for fiduciaries who vote with proxy advisors' recommendations when the proxy advisor and issuer agree, and (2) for fiduciaries who consider the disclosure and choose to abstain from voting when the proxy advisor and issuer disagree.

5. The current practice of automatic voting of shares with predetermined voting policies immediately following issuance of a proxy advisor's voting recommendations should be prohibited. Our data suggests that at least 15% of our shares are voted immediately upon the release of ISS' benchmark report (i.e., before shareholders could reasonably read the report or the company would have had an opportunity to address the analysis). Additional disclosure on a proxy advisor's analysis is only effective if it is received prior to votes being cast.

6. At a minimum, automatic voting should be disabled when the proxy advisor's voting recommendation differs from the board's recommendation and the company provides an issuer's response statement. In these limited cases, the fiduciary should be required to certify that they have read the proxy advisor's analysis, read the issuer's response statement and confirmed their votes.

ExxonMobil Designs Its Executive Compensation Program to Link Executives' Decisions with Shareholders' Returns Resulting From Those Decisions Over a Long-Term Time Horizon

The capital-intensive nature of our business means that the results of the decisions made by management (such as new projects, acquisitions or divestments) are often not experienced by shareholders until 5 to 10 years (or longer) from the time the decision was made. To recognize this fact, performance-based shares for the senior executives in our executive compensation program vest 50% at 5 years and 50% at 10 years or retirement, whichever is later. We believe this design incentivizes a long-term perspective in decision making and mitigates the risks of a shorter-term vesting period—where executives could prefer to underinvest in the long-term by pursuing fleeting, short-term returns that would provide an outsized impact on their compensation.

In fact, many different factors influence the development of a project beyond concerns of the price of oil and the cost of the development. The company must consider geopolitical developments, financial markets risk, technology developments, government policies, and stability and security, among other factors. Our successful liquefied natural gas project in Papua New Guinea provides an example of the development process. ExxonMobil acquired an interest in the associated fields in 1993. Development proceeded until the 1997 Asian financial crisis led the project to be suspended. Efforts to develop the field restarted in 2004 before being suspended again in 2007. In 2009, full funding for the project was approved, 16 years after the initial investment. Production only began in 2014. Short-term incentives would have discouraged development of this project at several different points and also would have failed to hold management accountable for the results of the project after its eventual funding. Within this context, and given the nature of our industry, we believe our design best serves our shareholders.

ExxonMobil's long restriction periods also ensure that executives are required to hold shares throughout the commodity price cycle. Oil prices are highly volatile, with swings often occurring rapidly. For example, crude oil prices (Brent) fell over 50% between June and December of 2014 and 80% between June 2014 and February 2016. In this business context, formula-based compensation programs with short-term target setting and three-year vesting might encourage executives to make short-term decisions by enabling them to monetize performance shares at a much faster pace and avoid a decline in share value driven by short-term oil price fluctuations. For example, if the same number of shares were granted to an executive each year from 2008 through 2017, ExxonMobil's program only permitted 8% of these shares to be monetized prior to the 2013 downturn in oil prices versus 58% of shares in a three-year target-setting program. In effect, the design of our incentive award program is aimed at making long-term shareholders, rather than short-term shareholders, out of our executives.

The unique design element that allows for this long-term orientation of our performance shares is that the performance criteria are applied at the date of grant. While the performance share award is still subject to complete monetary loss based on the performance of our stock or the failure of the employee to meet the terms of the grant, the number of shares is fixed at grant. In fact, neither we nor any market participant has clear line of sight for 10 years in the future to set credible and practical targets that would facilitate the “performance at vest” model commonly found in other companies’ compensation programs. We recognize that this approach requires careful judgment by the board compensation committee to determine the appropriate number of shares at grant, but we contend that an incentive program does not have to incorporate short-term target-setting to be performance-based. In fact, the committee considers numerous objective factors such as financial and operating metrics, progress towards strategic objectives and benchmarking to determine the number of shares at grant. We also agree with our shareholders’ feedback that the design of our incentive program will only be effective with very long vesting periods, consistent with those incorporated into the ExxonMobil program.

We understand and respect that other businesses or industries may be different and require a different approach. It is our strong belief that the differences between industries and individual company business models illustrate why executive compensation, like many other matters voted on at our annual meeting, require company-specific determinations.

Proxy Advisor Analysis is Anchored in a One-Size-Fits-All Compensation Model for All Companies That is Inadequate for Multifaceted Shareholder Decisions Like the Say-On-Pay Vote

In contrast, it is our experience that proxy advisory firms rely upon a one-size-fits-all model to measure each company’s compensation program, which is not necessarily tied to the nature of the industry as a whole or a company’s specific business needs. This analysis forms the basis for further qualitative assessment and, ultimately, the proxy advisory firm’s voting recommendations. Over time this has resulted in a broad market standardization for executive compensation that does not necessarily account for industry or company-specific realities and may or may not tie to shareholders’ returns at all. This can result in businesses disconnecting their executive compensation from their business model and orienting behavior towards the short-term, merely to earn a “FOR” recommendation.

As an example, ISS, the leading proxy advisor, measures "relative degree of alignment" between a company's CEO pay and Total Shareholder Return (TSR) over the prior three year period.[1] This benchmark, and similar measures, assumes the same standards and design features for every company's compensation program. In effect, through this singular assessment model, ISS implies that every company should use a similar target-setting executive compensation model for their business that is sensitive to short-term (three years or less) changes in TSR.

ISS' substantial influence creates an entirely different "alignment" task for our board of directors and undoubtedly those of other companies. Instead of aligning executive compensation with how management's decisions today will affect shareholders' returns in the long-term, executive compensation must be sufficiently aligned with the broad market standard promoted by the proxy advisors or risk an "AGAINST" recommendation and a possible vote against directors in future years. This structure can in turn create a strong incentive for boards to forgo aligning pay with long-term shareholder returns wherever it may conflict with the proxy advisor's generic modeling approach.

Our own analysis suggests this short-term emphasis is not an accurate predictor of longer-term positive results for our shareholders. Specifically, in looking at performance over the last 51 years from 1968 to 2018, ExxonMobil's one-year TSR has less than a 1% correlation to ExxonMobil's 10-year TSR. Even three-year historical TSR predicts less than 2% of ExxonMobil's 10-year TSR. At least for analyzing our highly volatile and cyclical industry, we fail to understand why short-term TSR is used as a performance benchmark and believe analysis of our company based on this approach does not align with the interests of shareholders. We have engaged with ISS on these points each year. We believe ISS understands our position, but has a strong internal pull through their metrics and philosophy towards this generalized, one-size-fits-all approach to all companies and regards ours objections as simply differences of opinion and not as evidence of the analytical shortcomings that are inevitable without a company or industry-specific approach. We believe that shareholders need timely access to both of these viewpoints each proxy season to make this determination for themselves.[2]

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[1] See ISS' "Pay for Performance Mechanics" on their website, page 4. https://www.issgovernance.com/file/policy/active/americas/Pay-for-Performance-Mechanics.pdf. The other measures listed include "multiple of median" over a one-year period, "pay-TSR alignment" over a five year period and "financial performance assessment" over a three year period.

[2] We filed supplemental proxy materials in 2018 and 2017 with our perspective on Institutional Investor Services (ISS) reports for those years. Those material provide additional detail on these issues. For 2018, see:
https://www.sec.gov/Archives/edgar/data/34088/000119312518164959/d589753ddefa14a.htm.
For 2017, see:
https://www.sec.gov/Archives/edgar/data/34088/000119312517176852/d360050ddefa14a.htm.
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Erroneous or Incomplete Analysis Creates Misleading Disclosure in the Market

This issue illustrates one of the points from the SEC's Roundtable on November 14, 2018 that may be generally misunderstood. ISS was clear in their testimony at the SEC Roundtable that they correct all "errors of fact."[3] Their comments suggest that issues that are not errors of fact are properly categorized as a "difference of opinion." This position significantly impacts the quality of the disclosure in their reports. ISS provides a copy of their benchmark report to us each year, though we note this is not done for many smaller issuers.[4] In our discussions of the benchmark report with ISS, "facts" are generally narrowly defined, such as whether a biography correctly reflects a director's experience. ISS traditionally has responded promptly to these sorts of errors, which are generally available in our proxy and could undermine client confidence in the quality control applied to ISS reports if left uncorrected. However, much more important issues that impact the analysis, such as company-specific considerations in the compensation design, are not recognized as "errors of facts" that must be addressed or brought to shareholders' attention.

Ultimately, we do not believe it is productive to discussions of shareholder value to argue over whether any particular issue falls into the "errors of fact" category or the "difference of opinion" category. These determinations can substitute our or a proxy advisor's judgment for the judgment of shareholders and lead to suboptimal disclosure. Instead, providing both viewpoints to shareholders can allow them to make their own determinations of what is material and most consistent with the shareholder's long-term best interest. We believe it is this desire for superior disclosure and transparency for shareholders that has led other commenters, such as the National Investor Relations Institute (NIRI), to recognize the space between these "errors of fact" and "differences of opinion" and request that the SEC require proxy advisors to correct "factual and <u>other</u> errors" in their reports.[5] The objective behind the request can be achieved by providing both proxy advisors' and issuers' responses in the proxy advisors' reports and allowing shareholders to make their own determinations of errors and opinions in their analysis.

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[3] At the SEC Roundtable on November 14, 2018, Gary Retelny, CEO and President of ISS, stated: "It is unacceptable for an error not to be corrected, period, end of story. It has to be corrected. Now how it happens, when it happens, whether in fact it is an error or not, or it's a difference of opinion, is a whole different issue. So I know we can spend a whole panel on whether it's a difference of opinion or an error. But if there is an error, it needs to be corrected. ISS corrects all errors of fact in our reports. Now when we do correct it, we can talk about that as well." We have provided this quote in an effort to faithfully represent this position in our discussion and take no issue with the accuracy of this statement. We believe that ISS takes very seriously any error of fact that it identifies and seeks to correct it promptly and publicly.

[4] We note, as discussed below on pages 9 and 10, that we do not receive a draft of any of the five specialty policy reports that ISS produces and sells as ISS recommendations. We believe this lack of review, and the apparent use of a different factual standard in these reports that accepts unsourced allegations and accusations as facts, leads to significantly inferior disclosure than exists in the benchmark reports. In these specialty reports, ISS' explanation that any issues are differences of opinion does not appear to be plausible.

[5] NIRI comment letter dated November 13, 2018. See page 3: https://www.sec.gov/comments/4-725/4725-4640463-176452.pdf

ISS Produces Specialty Reports Separate From Their Customized Reports That Are Neither Independent Nor Based on Maximizing Shareholder Value

The review process described above was given some treatment at the SEC's November 2018 Roundtable. However, the participants in that discussion did not cover, or were not aware, that ISS produces six separate, full reports on each public company every proxy season, not just one benchmark report.[6] We were able to access three of these six reports this year. The benchmark report, which is the report ISS shares with us for review, and two of ISS' five specialty reports: (1) the Social Responsible Investing (SRI) Voting Recommendations and (2) the Taft-Hartley Advisory Services' Policy Voting Recommendations. Each report has different discussions of the proposals and competing sets of voting recommendations. A comparison of the significantly different recommendations for directors and shareholder proposals is included in **Attachment 1**.

To properly understand the context of these specialty reports, we believe it is important to separate two of the main services that ISS provides. First, ISS assists clients in casting their votes. To accomplish this, proxy advisory firms offer a range of policies, each providing a different lens for investors to customize their default voting policies for the proxy advisor to execute.[7] ISS has provided some disclosure of this process and its use:

> "As part of our proxy advisory solutions, ISS analyzes proxy statements and makes voting recommendations based on more than 400 customized voting guidelines adopted by institutional clients, as well as on ISS' own voting policy options. These include a **standard benchmark policy focused solely on protecting shareholder value and mitigating governance risk**, and a wide array of specialty policies that evaluate governance issues from the perspective of **sustainability, socially responsible investing, public pension funds, labor unions or mission and faith-based investing**. As is the case with the custom policies, clients select the ISS benchmark or specialty policy they deem to best serve the interests of their investment or fiduciary managed accounts."[8] (emphasis added)

We recognize the absolute right of shareholders to consider any factors they believe are relevant in voting their shares—regardless of whether these factors maximize shareholder value. However, there are questions on whether these specialty reports are truly "independent" analysis that should quality for the SEC's safe harbor guidance.[9] Additionally, ISS' five branded, specialty reports contain different levels of disclosure and analysis that are not equally researched and of the same quality for investors.

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[6] Each of these six reports is an ISS report with ISS recommendations. They are not client-requested reports based on a client's predetermined metrics of what is important to them. Each of these six ISS reports is marketed as an ISS recommendation and generally available to the investor market.

[7] The following link shows ISS' different policies for voters to consider: https://www.issgovernance.com/policy-gateway/voting-policies/ . We note the "Specialty Policies," which include five different sets of guidelines: (1) Taft-Hartley, (2) Socially Responsible Investing (SRI), (3) Sustainability, (4) Public Fund and (5) Catholic Faith-Based.

[8] See ISS Comment Letter dated August 7, 2018: https://www.sec.gov/comments/s7-09-18/s70918-4184213-172552.pdf

[9] ISS separately produces client reports upon request based on a client's specific predetermined policies. Those client reports are confidential and are delivered only to the client. Given this service, it is puzzling why ISS would need more than one general benchmark report. The existence of the five specialty reports, which are not client specific, raises questions as to their purpose and appropriate use within the SEC's safe harbor guidance.

The Production of Multiple Competing Reports Undermines the SEC's Fiduciary Guidance Based on Independent, Third Party Analysis

The market is generally familiar with ISS' benchmark report and this report serves an important role for fiduciaries. Current SEC guidance provides that these fiduciaries generally must exercise the voting franchise of their clients[10] and that potential legal liability for conflicts of interest between the fiduciary and the client can be avoided if the securities are voted in accordance with a predetermined policy based on the recommendations of an "independent third party."[11] So, when a fiduciary votes in line with ISS' recommendations, it has this safe harbor available to it in fulfilling its fiduciary duty to its clients. Conversely, when it votes against the ISS recommendation, there is no safe harbor and it must rely on its own, often costly, analysis.

With a single report based on the benchmark policy, which ISS asserts is "focused solely on protecting shareholder value and mitigating governance risk," the SEC's fiduciary system arguably functions as it was intended.[12] However, based on our conversations with ISS following this proxy season, these specialty reports default to support <u>all</u> shareholder proposals, unless they conflict with the "theme" of the specialty report. This contrasts with the supposedly shareholder maximizing approach ISS takes towards analyzing shareholder proposals in its benchmark report. The implicit bias in the specialty reports undermines the fiduciary system by packaging these reports as "independent third party" recommendations similar to the benchmark report.

With multiple proxy advisor reports containing conflicting recommendations, fiduciaries with sympathies for the SRI or labor recommendations, for example, could both vote their preferences and satisfy the SEC's voting safe harbor, regardless of the impact on shareholder value. Even if this were consistent with the SEC's intent in IA-2106, we note that other perspectives do not have the same safe harbor protections as ISS' preferred perspectives advanced in these specialty reports. The production of these alternative reports bearing the ISS imprimatur have the effect of providing favored legal status to certain subsets of clients with particular issue priorities and also positions ISS as an advocate for those particular issue priorities.

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[10] See footnotes 3, 23 and the corresponding text in SEC Release 2106: https://www.sec.gov/rules/final/ia-2106.htm#P44_4184

[11] See SEC Release 2106.

[12] However, we note that there is no ISS policy or report that is focused solely on "protecting shareholder value". We believe such a policy could come to significantly different conclusions on corporate governance questions where there is no clear correlation to shareholder value. For example, ISS' has almost uniformly adopted the European position of supporting independent chair proposals. These recommendations occur despite the lack of consensus of the proposal's effect and the lack of adoption of this proposal by investors in the U.S. capital markets over the last two decades. This position could be viewed as another example of ISS' preference for general policies over individual company analysis or could even be perceived as another point of ISS advocacy.

This unequal standard seems to undermine the SEC's desire to eliminate conflicts between fiduciaries and investors and create a level and diverse marketplace. In producing these specialty reports, ISS is engaging in or supporting certain activist behavior to the exclusion of other viewpoints. For example, ISS states that the source of its "Taft-Hartley" policy guidance is the "AFL-CIO Proxy Voting Policy."[13] We believe the SEC should consider what type of reports qualify for safe harbor treatment as it seeks to replace the prior guidance to fiduciaries in the 2004 ISS and Egan-Jones no-action letters. At a minimum, we believe any report used to satisfy an SEC safe harbor should be reviewed by the issuer, be made publicly available and include disclosure of the potential impact of the recommendation on shareholder value.

We believe the SEC should consider updating the informal independent third party safe harbor. We believe the SEC should consider what makes a third party "independent" and whether (1) producing multiple reports with conflicting recommendations or (2) general reports that are not client-specific and do not seek to maximize long-term shareholder value is consistent with this definition.[14] At a minimum, we believe the SEC should consider requiring these additional specialty reports to be reviewed with the issuer, with sufficient time for review and comment, and any issuer response be included in the report prior to the report's release for it to qualify for the safe harbor. Additional disclosure should also be required by the proxy advisor to clearly explain in the report how the report differs from a shareholder value maximizing analysis as well as identifying any surveys, discussions or other processes used to update or develop these reports and their underlying policies each year.[15][16]

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[13] See the bottom of each of pages 2-70 of the Taft-Hartley Proxy Voting Guidelines: https://www.issgovernance.com/file/policy/active/specialty/Taft-Hartley-Advisory-Services-US-Guidelines.pdf

[14] We believe the SEC could also consider whether the current safe harbor is appropriate where voting policies are not seeking to maximize shareholder value. These strategies could be simpler or more complex than a value maximizing strategy. In either case, they seem likely to require individualized, custom-designed evaluations by the fiduciary or a third party, not simply a general market report based on an uncustomized policy. These evaluations could also stand on their own merits with investors without a safe harbor.

[15] It is unclear how ISS changes these specialty policies and reports each year. While this point has been raised by others for the benchmark report as well, we believe it is especially important to have proper disclosure to understand how ISS is redefining socially responsible investing or faith-based voting from year to year and whose input is being considered in this process.

[16] We also note that ISS in 2018 acquired the German ESG proxy report company, OEKOM, and has begun producing separate analysis on U.S. companies under the name ISS-OEKOM. We believe the use of subsidiaries and other affiliates to produce potentially conflicting analysis and investment advice under the same brand names, or even client service agreements, raises additional issues for fiduciaries and investors, including potential internal conflicts at the proxy advisor and the need for firewalls. We would encourage the SEC to consider these developments as part of any future guidance or rulemaking.

ISS' Specialty Policy Reports Are Not Reviewed By Issuers and Do Not Meet the SEC's Disclosure Standards

Unlike the benchmark report, which ISS sends to us for review prior to release, we have never reviewed or seen a draft of any of the specialty reports prior to release. These specialty reports are produced by a separate team at ISS and we believe this lack of review has significantly impacted the quality of the disclosure and analysis in these reports. The SRI report reads as a litany of often unsourced allegations that appear to have been taken from cursory internet searches. The report itself describes "controversies," "accusations," and "allegations". These hearsay statements are taken as facts and evidence of company failings without speaking to the issuer or, it appears, conducting any independent analysis. They are then used as the basis for justifying recommendations against the issuer, including votes against directors. We do not believe this disclosure represents careful, first-hand research by ISS or would withstand the scrutiny of a serious review or SEC disclosure standards such as Rule 14a-9. It is also not clear to us that it represents the work of an independent third party advisor.

In contrast to the Taft-Hartley report, which appears to replicate the AFL-CIO's positions under ISS auspices, the SRI report relies on this amalgamation of allegations to justify its default voting recommendations in favor of shareholder proposals. This misleading disclosure matters. As we discuss later in this letter, we have observed a material impact from these reports on proxy voting. As a result, we believe these are material disclosures upon which investors are relying and, therefore, these reports should be held to a fiduciary standard of accuracy. We believe serious and necessary improvements to these disclosures and recommendations are needed.

Given the state of the disclosures, we strongly encourage the SEC to renew its review of these specialty reports against the benchmark reports. As it considers new rules or guidance, the SEC should consider whether these types of specialty reports should include additional disclosure at the beginning of the reports on how they differ from the benchmark standard,[17] what are the sources of the information included in the report, and what independent verification, if any, the proxy advisor has undertaken before reprinting mere allegations. Given the vagueness, ambiguity and errors included in the lists of "controversies" in these reports, it may not be possible to simply address these issues appropriately in the two weeks prior to the annual meeting. The SEC should consider whether presenting misleading and unsubstantiated allegations as the basis for voting recommendations should give rise to SEC actions and subsequent issuer and shareholder rights-of-action under Rule 14a-9 or similar rules to allow the SEC to safeguard investors and ensure that disclosure is accurate.

[17] The SEC should consider whether a specialty report designed to promote a specific viewpoint can fulfill the safe harbor requirements of IA-2106. If a fund is seeking a goal other than maximizing value, conflicts of interest may take significantly different forms and not be alleviated by a third party evaluation.

The Regulatory Framework is Not Balanced Across All Market Participants

We believe transparency can best remedy most analytical errors and misleading disclosures. However, as BlackRock noted in their comment letter, the SEC's disclosure framework is not consistently applied to all parties engaged in the proxy voting process. They state:

> "Currently, while some participants in the proxy voting ecosystem are subject to significant reporting requirements, other participants have no requirements at all and therefore provide no transparency. For example, registered funds are required to publicly file Form N-PX on an annual basis, which discloses a fund's proxy voting record with respect to portfolio securities held by the fund. Likewise, public companies provide significant disclosure on conflicts and related party transactions in their public filings.
>
> Conversely, proxy advisory firms are not subject to similar disclosure rules, even though they play an important role in the corporate governance ecosystem. These firms provide research and recommendations on the thousands of shareholder votes at U.S. public companies. For context, there were over 25,000 unique ballot items for the Russell 3000 for the year ending June 30, 2018, according to Institutional Shareholder Services (ISS). The research and recommendations of proxy advisors are an important input for many institutional investors. Yet, there currently are no standards or regulations that apply to reports prepared by proxy advisory firms to summarize proxy statements, and provide analysis and recommendations. Notwithstanding general proxy voting guidelines, proxy advisors do not disclose their methodology for their analyses and vote recommendations, and offer limited insight into which companies receive consulting services. Additional disclosure around potential conflicts of interest and how they are mitigated may be warranted."[18]

We believe BlackRock raises a number of disclosure issues that the SEC should seriously consider. Following the withdrawal of the 2004 ISS and Egan-Jones no-action letters, each of these areas deserves a fresh review to make sure that investment professionals and beneficial shareholders have all of the information they need to evaluate proposals and ensure votes are cast consistent with shareholders' best interests and preferences. Equally, registered funds such as BlackRock deserve a clear legal framework to replace the no-action letters. The new framework should recognize the potential benefits of using proxy advisors' services and articulate the responsibilities of proxy advisors.

[18] See BlackRock's comment letter dated November 16, 2018: https://www.sec.gov/comments/4-725/4725-4656351-176506.pdf

In our view, the most important disclosure issue is ensuring that all material information is available to shareholders before the time they choose to cast their vote and regardless of which proxy report they receive. Proxy advisors should be subject to the same direct obligations as other participants in the process. They should ensure full and complete disclosure for shareholders for each set of recommendations they produce because shareholders are relying on this information to be accurate. Proxy advisors' actions can result in the omission of material information at the time shareholders make their voting decisions if proxy advisors (1) do not include in their report material information they know or receive from issuers, (2) undercut issuer or third party sources of material information by automatically voting shares immediately following the release of their report, or (3) do not confirm or change prior voting instructions upon the release of new, material information.[19]

The Problem of Incomplete Voting Information Can Be Cost-Effectively Fixed By Including an Issuer Response Statement in the Proxy Report

Disclosure can be improved by providing an issuer's response statement to the proxy report. Numerous comment letters, including BlackRock's and NIRI's, suggest some variant of allowing issuers to include additional disclosure for shareholders as part of the proxy advisors' reports. This strategy would impose the costs on issuers, not proxy advisors or investors, similar to the current costs for making a supplemental proxy filing. Since the proxy advisors are already providing us their benchmark report prior to publication, we do not believe a requirement to provide each report five business days prior to its release would significantly impact proxy advisors' schedules or workloads as some commenters have suggested. We also believe there are significant time and cost efficiencies for shareholders in this approach by combining different sources of information for shareholders to analyze in a single document.

If the SEC does take this approach, we would caution against adopting a model where one party makes a definitional distinction between "facts" and "differences of opinions." All parties should bear responsibility (and antifraud liability) for all of their statements and analyses on each of their reports and should be willing to stand behind them all. Equally, no party should put itself in the place of shareholders in making these imprecise determinations of whether something is a material dispute or not. Information is either material or immaterial to shareholders in their own review. They should receive all information together and the accuracy can be ensured through the antifraud protections of Rule 14a-9 or similar provisions.

There have been concerns expressed that engagement with issuers in the form of an issuer response will somehow weaken the proxy advisors' recommendations or independence. However, these relationships and feedback mechanisms already exist. The proxy advisors engage with us throughout the year. The only difference is that the process of these engagements, including the agreements and disagreements, are not available to the public for review. If making these engagements publicly available by including an issuer response statement did influence a proxy advisor's recommendation, we believe this would be the proper role of disclosure and ultimately benefit all parties. To provide adequate disclosure to investors, more transparency about what facts proxy advisors have considered – not less – is required**.**

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[19] For example, ISS has a policy that they will not change their automatic voting or recommendations within five days of the shareholder meeting. This provides almost no time for corrections if the report is submitted eight or less days prior to the shareholder meeting. They may also decline to do so as part of a "disagreement" over the new information or for any other reason. We discuss the problems associated with automatic voting below.

Including an Issuer Response in Proxy Reports Could Provide the Basis for New Safe Harbors to Replace the 2004 No-Action Letters

This approach would bring together the two most important sources of information for shareholders. Issuers are recognized as the most knowledgeable party about their business. For example, ISS sends their benchmark recommendations to us and solicits our feedback because their own review can never cost-efficiently match the level of knowledge that we have about our own operations. Equally, many shareholders have stated that proxy advisors provide an outside view that can illuminate issues that management may not be focused on.

When both sources of disclosure are brought together for shareholders, we believe market synergies appear that the SEC could harness to save additional costs for investment advisors and other shareholders. Other comment letters have taken turns discussing the potential limitations and conflicts that either issuers or proxy advisors can suffer from. However, we have not seen any discussion of the mutual policing relationship that exists between proxy advisors and issuers. Both parties are incentivized to point out and seek to correct the limitations of the other party's analysis. This has significant value for funds and other shareholders looking for the "independent" analysis described in IA-2106.

Where proxy advisors and issuers agree on a proposal, you have a truly independent analysis because both sources with their separate strengths have come to the same conclusion. This seems a much stronger basis to determine that an "independent" analysis (as described in IA-2106) has taken place than the framework of the 2004 no-action letters. It also provides a strong basis for a new safe harbor for funds to have satisfied their fiduciary duty whenever the board of directors and proxy advisors provide the same recommendation and the fiduciary votes consistently with these recommendations.

A second safe harbor could be considered where a fund has received a proxy advisors' report along with a dissenting issuer's statement and then determines not to vote. There are a number of proposals where the costs and benefits of the proposal are not clear to the market. In scenarios where an investment advisor has undertaken the due diligence of reviewing a proxy advisors' recommendation and an issuer's response and is unclear which direction to proceed, a safe harbor enabling them not to vote provides an additional market choice for the fund to fulfill its fiduciary duty rather them forcing them to support or oppose a proposal that they consider an unknown or a 50-50 proposition. While the SEC has been clear in Staff Legal Bulletin 20 that any investment advisor may currently determine not to vote on a proposal, a safe harbor limited to funds who have undertaken this significant effort to fulfill their fiduciary duty would enhance market options. It would also be applied on a proposal by proposal basis consistent with IA-2106 instead of being simply a policy not to vote that could appear to be an abdication of their fiduciary duty.

We believe the framework above represents an opportunity to significantly reduce management costs for funds and shareholders by reducing the time required to review company and shareholder proposals. Even for investors taking a more active voting approach, this would allow enhanced focus at lower cost on proposals they view as a priority.

Funds that choose to do additional review or establish custom policies that result in different votes that did not qualify for the safe harbor, would be no worse off than under the current guidance and could still fulfill their fiduciary duties by undertaking their own analysis of the proxy advisor's report, the issuer's statement and any other material data. These safe harbors would not preclude any strategy that considers all of the relevant information. We believe there are already signs that the market is looking for ways to allow different investors to achieve the cost-saving described above or take a more active voting strategy. Our hope is for the SEC to provide a clear regulatory framework that allows broader market choices for investment advisors and other shareholders while enhancing transparency and available information.

We also believe these safe harbors could either (1) replace the current "independent third party" safe harbor articulated in IA-2106, which can be manipulated through the production of multiple reports that appear to provide support for certain alternative voting positions favored by the proxy advisor over others, or (2) complement a revised "independent third party" safe harbor that is clearer on what reports the fiduciary is relying upon and the rigor required in those reports to permit reliance. Fundamentally, we believe many solutions are possible that ensure that all fiduciaries and investors have equal access to any SEC safe harbors regardless of their viewpoints on any issue.

In summary, we urge the Commission to consider establishing two safe harbors for investment advisors that would enable them to meet their fiduciary duties in a more cost-effective manner while facilitating disclosure and engagement for shareholders:

1. A safe harbor for all matters in which the proxy advisory firm and issuer agree in their voting recommendations.

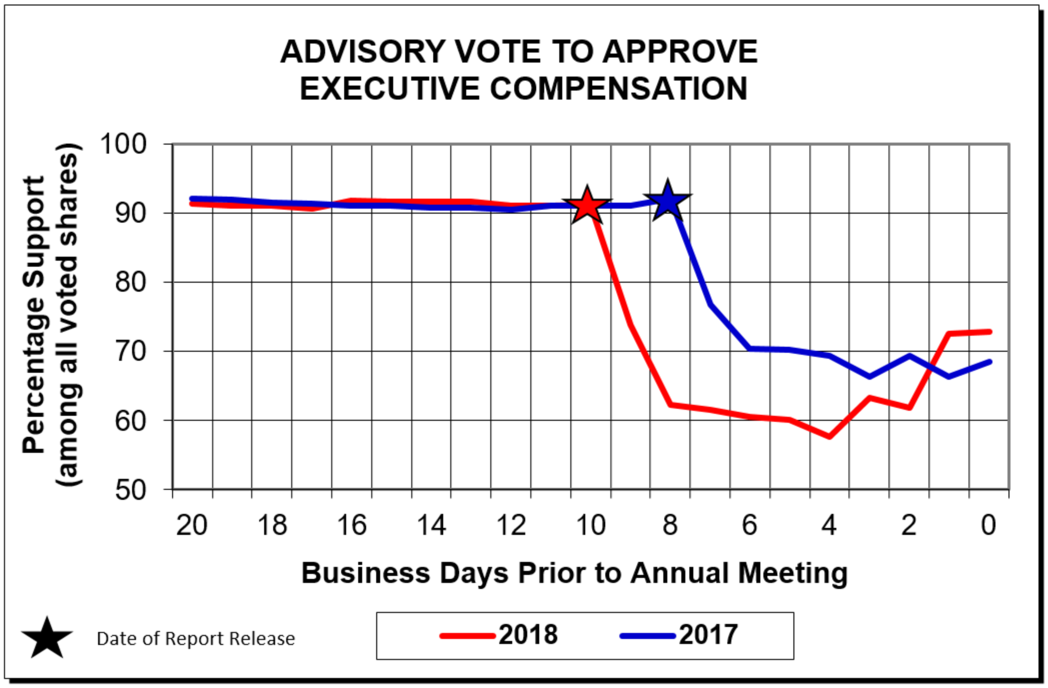
2. A safe harbor for contested matters when the investment advisor has considered the disclosures and chosen to abstain from voting.

Funds that do not qualify for either safe harbor would still have a clear pathway forward to fulfill their fiduciary duties by considering the proxy advisor's recommendation, considering any issuer response statement and using their judgement to vote in the best interests of their investors.

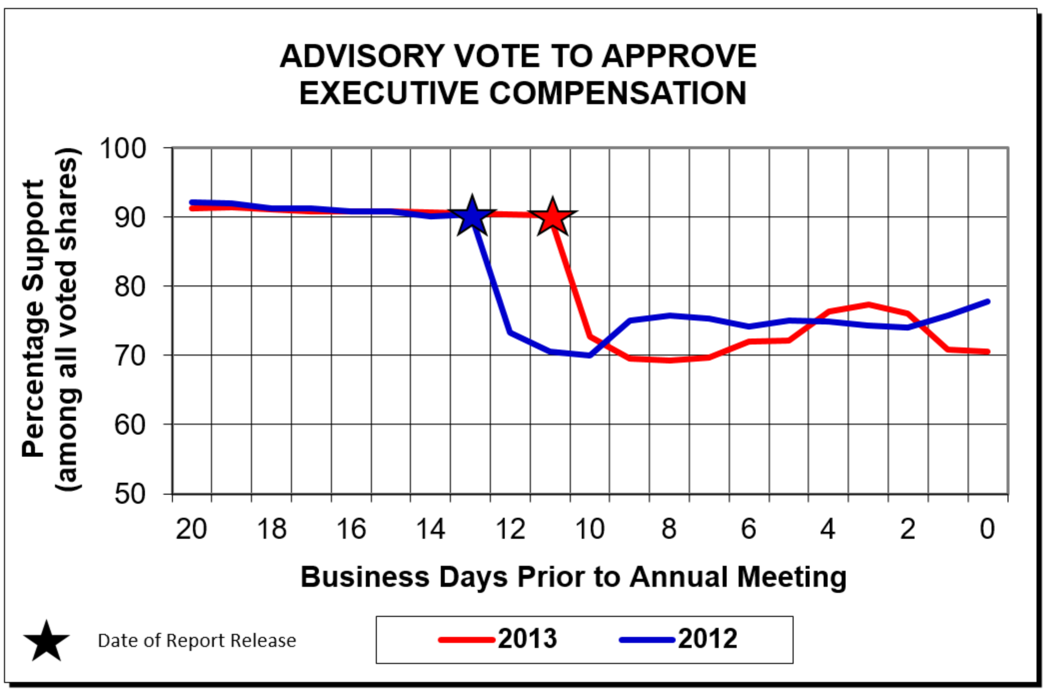
The SEC Should Ensure that Proxy Advisors' Automatic Voting Policies Do Not Hinder Shareholders Receipt of All Material Information

While we believe the framework described above could provide substantial time and cost savings in the proxy process, this would only be effective if shareholders have access to the issuer statements prior to their votes being cast by the proxy advisors. Under the current system, many votes are cast on the basis of the proxy advisors' recommendations prior to issuers having the chance to engage with voters.

To better understand how to communicate with our shareholders and what information is most meaningful to them in their voting decisions, ExxonMobil monitors the changes in our shareholders' votes over the voting period. As an example, in analyzing our Say-On-Pay votes, the impact of the ISS recommendation is unmistakable. **Attachment 2** contains the data showing change in the vote on the first day after the ISS report was released.

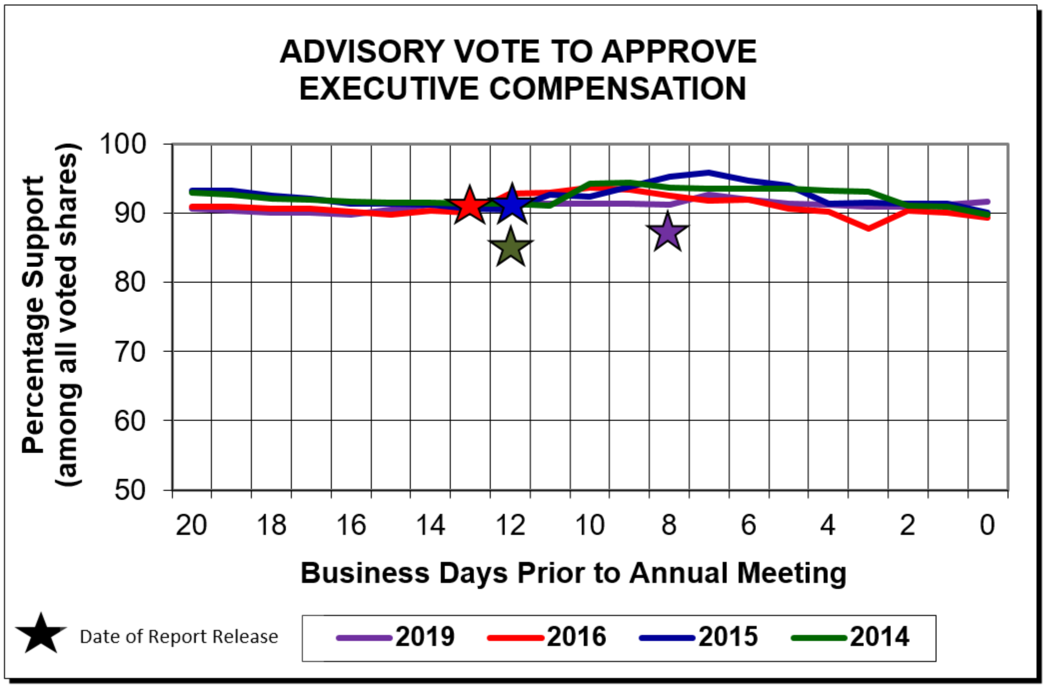


The chart above shows voting percentage each business day prior to the annual meeting. The day that the ISS report was released with an "AGAINST" recommendation saw a significant drop in the vote "FOR", and that was observed immediately on the first day. This trend is not new. The chart below for 2012 and 2013 shows an almost identical drop.



We believe these first day impacts are significant because they represent votes cast where ISS' customers, in all likelihood, had not had a chance to fully review and analyze the basis for these recommendations. In years with an "AGAINST" vote recommendation, we observed between a 15% and 18% one-day drop in the vote. Reviewing both 2017/2018 and 2012/2013 shows that the first day decline in voting remained constant in size year over year and matched perfectly with the direction of the ISS recommendation.

There has been some commentary that similar data from other companies does not truly show the impact of an ISS recommendation, but instead is simply a function of the votes being submitted by ISS once funds' analyses are complete. However, ExxonMobil received "FOR" recommendations from ISS during the 2014, 2015, 2016, and 2019 years and witnessed no discernable drop. This demonstrates that the change was not simply votes being cast, but the impact of the ISS recommendation.



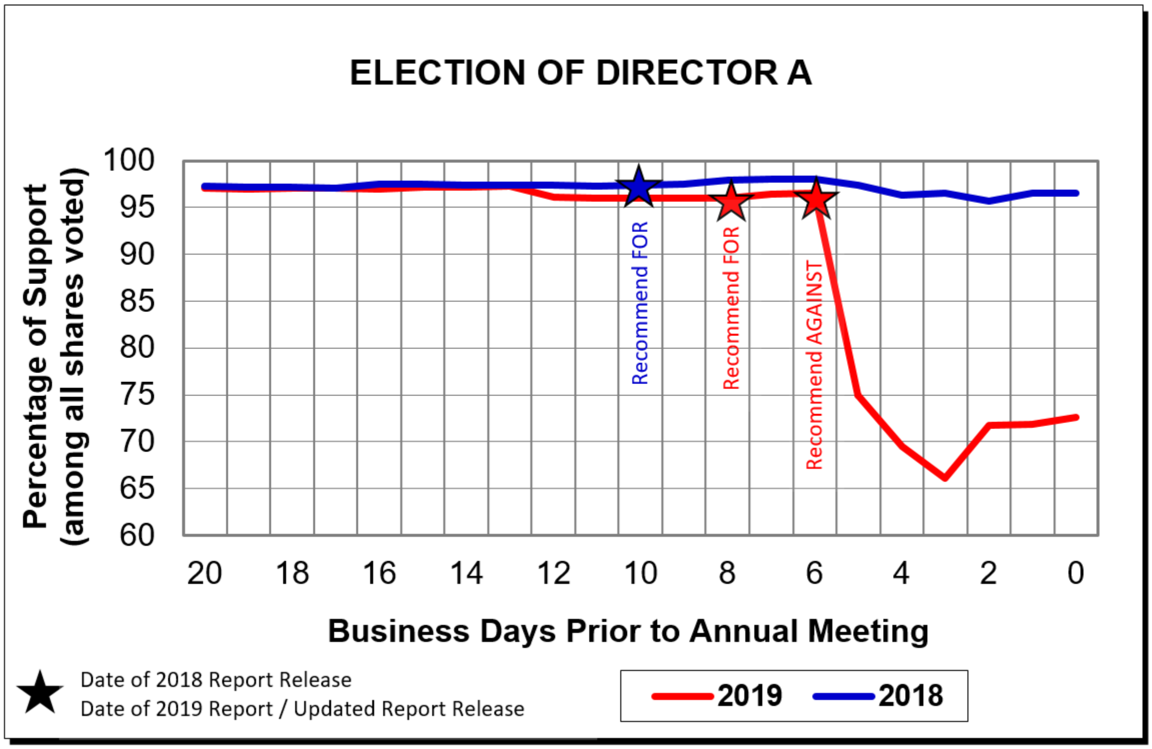
The ISS recommendation appears to be the sole reason for this first day voting pattern in these distinct, separated periods over the last eight years. No significant design changes occurred in the structure of our pay program throughout these years. The ISS recommendation is the only variable we have been able to identify to explain this change implying that it is not simply an input or additional source of information for our shareholders in the proxy process. Instead, the ISS recommendation perfectly predicts the votes of many of our shareholders each year and determines the ultimate vote of at least 15% of our shares on the very first day the report is released.[20][21]

[20] ExxonMobil is not the first company to provide data on this trend. Following the SEC's 2010 request for comment, Johnson & Johnson presented data in an October 19, 2010 comment letter showing that 13.4%-17.9% of their shares were voted in accordance with the ISS recommendation on the first business day following the ISS recommendation in each of 2008, 2009 and 2010: https://www.sec.gov/comments/s7-14-10/s71410-115.pdf.

[21] Additionally, IBM, in an October 15, 2010 comment letter, provided similar data of first business day automatic voting for IBM and at least six other Fortune 500 companies of between 10.9% and 17.8%. Both J&J's and IBM's data are consistent in size and scope with the data we present in this letter: https://www.sec.gov/comments/s7-14-10/s71410-84.pdf.

Changes in ISS Recommendations Following the Release of Their Benchmark Report Show the Same Immediate Voting Impact

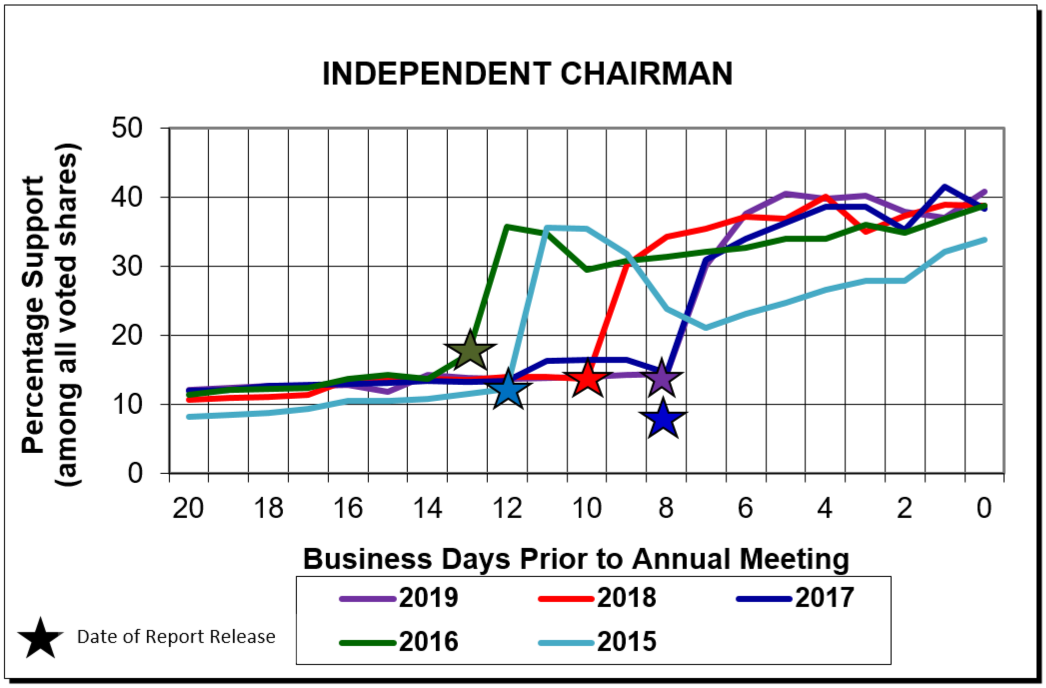
Changes in ISS recommendations during the proxy season show further evidence of the immediate impact of these recommendations. During the 2019 proxy season, ISS changed its voting recommendation for one of our directors from "FOR" to "AGAINST" after discovering belatedly that the director had recently exceeded the number of board memberships permitted by ISS' overboarding policy. The chart below shows that the negative impact was not connected to votes being submitted once ISS had completed their analysis, but was in fact automatic and immediately changed to match the ISS recommendation.



Significantly, the additional board membership triggering the concern for the director occurred prior to ISS' issuance of its "FOR" recommendation, and therefore was publicly available information for ISS' investor clients to consider independent of the proxy advisors' voting recommendation. The change in ISS' recommendation (in response to previously disclosed information it had missed) and the immediate correlation to voting behavior is clear evidence of automatic voting occurring without sufficient opportunity for due diligence.

Shareholder Proposals Also Receive a First-Day Bump Following ISS' Recommendation

We have observed a similar pattern across our shareholder votes on other matters. For example, in looking at our independent chair votes, one can see the same impact, but this time as an increase to the vote on a shareholder proposal receiving a "FOR" recommendation from ISS.

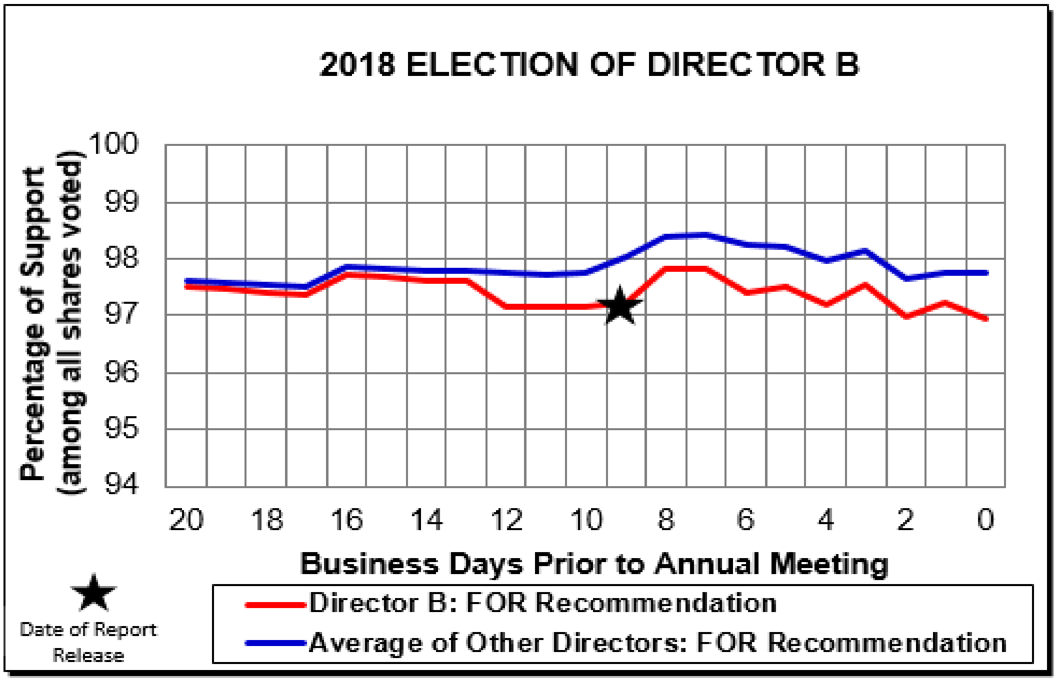


The consistency in the magnitude of the immediate vote against management for these proposals suggests that a regular set of funds engage in default voting based on the ISS recommendation on the same day that this recommendation is released and before they have had a reasonable chance to read their report or consider any issuer response to it. This is occurring each year on many, and potentially all, matters.

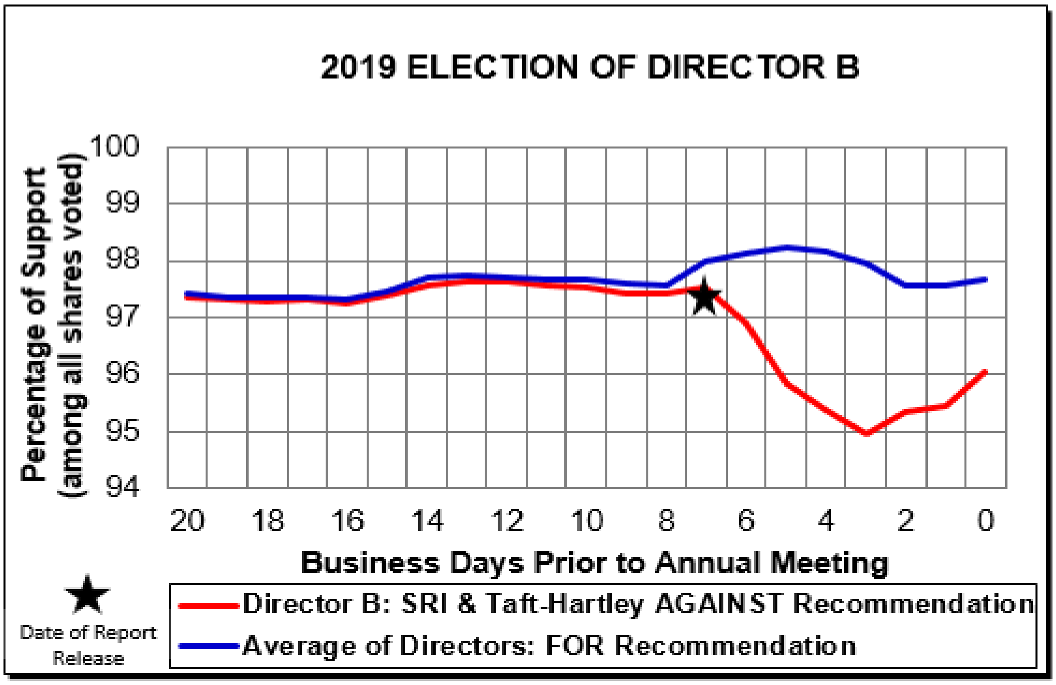
We note that this activity implicates only a subset of funds that invest in our shares. In fact, as we have sought to engage our shareholders over the last decade, we have noted an increased level of sophisticated engagement by many funds, who are taking their fiduciary responsibilities very seriously. However, this consistent subset of immediate votes also demonstrates the need for the SEC to consider whether it believes the current system is providing funds the opportunity to incorporate all relevant information prior to their votes being submitted.

In Addition to the Automatic Voting Occurring on the Benchmark Report, ISS' Specialty Reports Also Have a Material Impact on Shareholder Voting

The chart below shows the votes for Director B, who was not our CEO or presiding director, in 2018. The director received a "FOR" recommendation on each of the ISS benchmark report, SRI report and Taft-Hartley report in 2018. Although there is a slight increase when the reports are released, there is no real effect. This year serves as a control group.



The 2019 chart below shows the impact of the SRI and Taft-Hartley reports. In 2019, the same director received a "FOR" recommendation on the ISS benchmark report, but the director received an "AGAINST" recommendation on each of the SRI and Taft-Hartley specialty reports. No change occurred in the director's assignments and we were not able to identify any targeted vote against the director or complaints against the director in any of engagements. The only factor we have been able to identify is the change in the specialty reports' recommendations.



While we do not observe any strong first-day voting trend upon the release of the SRI and Taft-Hartley reports, the impact and materiality of these recommendations can be observed by the drop in the director's vote following the release of the SRI and Taft-Hartley specialty reports. This data matches our experience in engaging with shareholders this season, some of whom took interest in this director's vote following the release of those reports. As suggested by the chart, in the days just before the annual meeting, some of our shareholders this year initially voted consistent with these reports before reversing their vote following continued company engagement. This impact is independent of the automatic voting connected to the benchmark report that we have shown in the prior charts. It suggests that these specialty reports should be independently reviewed and evaluated under the same proxy rules applicable to the proxy advisor's solicitations through the benchmark report.

For Any Reform to Be Effective, Automatic Voting by a Minority of Funds Must be Addressed

If this pattern of automatic voting is allowed to continue, creating an issuer response will not solve the underlying problem. Nor will any other proposed reform we have seen. A significant number of our shares will continue to be voted in line with the proxy advisors' recommendations without any review, or even opportunity to review, the issuer's response.

We believe that automatic voting of shares with predetermined voting policies (without a fiduciary certifying that they have read the proxy advisor's analysis, any issuer response and confirmed their votes), should be prohibited. Given the often superficial and "one-size-fits-all" nature of many of the proxy advisors' analyses, we do not believe their report is, or should be, the only source of information determining voting decisions. To the extent that it becomes so, it undermines issuer engagement with shareholders. Additionally, we believe that most funds already confirm, and that all funds should confirm, how a proxy advisor interprets and applies their voting policies to proposals.

However, our data suggests that at least 15% of our shares are voted immediately upon the release of ISS' benchmark report (i.e., before shareholders could reasonably read the report or the company would have had an opportunity to address the analysis). This automatic voting can be replaced with a simple process for funds that have given their proxy to the proxy advisor to execute the votes on their behalf or otherwise participate in automatic voting. First, votes are not immediately cast upon release of the proxy advisor's reports. Two or three days after the proxy advisors' reports are released, fiduciaries could (1) confirm their receipt and review of the recommendation, any issuer's response statement and any other information they have determined is necessary to fulfill their fiduciary duty in casting the vote and (2) confirm or modify their vote under their prior custom voting policy. This certification would be direct evidence of their fulfilling of their fiduciary duties. We believe this is a targeted, low-cost fix to this dilemma and that the SEC should adopt this type of measure.

While we think a standard asking voting fiduciaries to confirm they have read the proposal analysis is a reasonable requirement, we recognize that many investors believe there are significant costs savings in using proxy advisors to automate the voting process for non-controversial issues. As an alternative and at a minimum, automatic voting could be addressed by disabling it only when the proxy advisor's voting recommendation differs from the board's recommendation and the company provides an issuer's response statement. In these limited cases, the fiduciary should be required to certify that they have read the proxy advisor's analysis, read the issuer's response statement and confirmed their votes. After a two or three day pause, fiduciaries could provide the necessary certification.

This active step by fiduciaries would demonstrate that they had fulfilled their fiduciary duty and could even be paired with or justify the new safe harbors. We believe this proposal represents an opportunity for the SEC to create significant cost savings over existing regulation while focusing all parties on the high priority proposals. While many issuers appear to have complained about proxy advisor services, a much smaller number have been willing to publicly file supplemental proxy materials on these points. A review of recent supplemental proxy filings suggests that the number of proposals where an issuer has historically responded to a proxy advisor to correct or add facts is small. In 2018, issuers made supplemental proxy filings disputing proxy advisor reports in less than 1% of annual meetings.[22] This data implies that this issue could potentially be addressed without much change to the current system.

If this policy were paired with the safe harbors described earlier that (1) cover proposals where proxy advisors and the board agree on the recommendation and (2) cover non-votes when an issuer response statement is filed, the workload for funds independently reviewing the proxy advisors' work to ensure their agreement with the analysis and correct application of their custom policies could drop significantly, with part of this savings in cost and time being applied to better evaluate those proposals with issuer responses. Savings from the safe harbors could mitigate even a significant uptick in issuer response statements, which would need to be serious and real disputes to avoid reputational damage and negative feedback from funds. Moreover, savings would be disproportionately available to those funds who are already fulfilling their fiduciary duties by zealously reviewing each proposal and are currently at a potential cost disadvantage against those funds who may be relying on automatic voting to limit costs.

We believe this regulatory approach is consistent with a strong, disclosure-based market. No voice would be favored by regulatory safe harbors over any other. Regulation is minimized to allow the market to work and evolve, including changes over time in investor voting preferences. We do not believe in and are not proposing that proxy advisors or any other group be regulated for the purpose of increasing regulation or adding additional costs to the proxy process. Instead, we believe the SEC can target current market distortions to reduce costs, better inform shareholders and enhance the ways for them to express their voices and investing preferences.

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[22] Recent data recorded 32 supplemental proxy filings with disputed factual errors, analytical errors or material disagreements in the 2018 proxy season through September 30, 2018. See: https://corpgov.law.harvard.edu/2018/11/07/are-proxy-advisors-really-a-problem/#13. Jonathan Bailey from Neuberger Berman stated at the Proxy Roundtable that they vote at "about 4,500 meetings a year." Assuming each error was on a separate proxy and using Neuberger Berger to represent a typical fund, this means that companies only raised public objections that were subject to antifraud liability in 0.71% of proxy filings last year.

Shareholders Would Benefit From These Disclosure and Procedural Enhancements

While we have laid out above a framework that we believe would bring benefits to all parties, we believe it would be helpful to also provide an example of why the issuer's point of view may provide additional material disclosure to shareholders even where a disagreement could be characterized as a "difference of opinion." The current use of compensation peer groups is illustrative of the lack of regulatory safeguards and communication tools available to issuers in the current marketplace.

As an example, the ISS compensation peer group for ExxonMobil has been in a constant state of flux with 19 changes made to our peer group in the last five years. We do not believe our case is unique. It is important to note that these changes occur long after the compensation to be voted on has been decided by our board. For example, for our annual meeting on May 30, 2018, which covered compensation already paid during the year ending 2017, our peer group was finalized by ISS in their report released in May 2018. However, by contracting ISS' consulting services, a company gains access to a "preview" of the ISS peer group in January. We did so and received a preview of the peer group in January 2018.

In February 2018, Berkshire Hathaway was added to our peer group. Our business, along with that of all of our other ISS-selected peers, is capital intensive and focused on significant engineering and manufacturing processes. Berkshire is a holding company with a finance and insurance business model. In exploring the peer groups of our peers, including our closest energy competitors, Berkshire had not been selected as a peer for any of them. In fact, Berkshire had not been selected as a peer for any other public company.

What we have been able to determine from our own analysis is that the inclusion of Berkshire negatively impacted our compensation scores. If ISS had instead used the peers it used for our largest U.S. industry competitor, we would have received a more favorable score. As such, we believe the inclusion of Berkshire inappropriately contributed to the "AGAINST" recommendation we received on executive compensation in 2018.

As we sought to reach out to our shareholders to discuss the addition of Berkshire, we generally received one of three responses. First, those we spoke with agreed that they could not understand why this change was made to the peer group and that they would consider this in their analysis. We believe this shows the value of having an issuer response delivered along with the proxy advisor's report. A second group agreed that this change did not make sense, but told us that we should continue working through this with ISS because it was important to them that ISS issue a "FOR" recommendation for their fund to vote with management. Finally, we had a substantial third group who declined to speak with us citing either their workload during the height of proxy season or their vote already being cast. While we understand the time constraints of our shareholders during proxy season, we believe their unwillingness to reconsider the matter after their initial vote was cast, although it could technically be changed until the votes are tabulated, illustrates why disabling automatic voting for a disputed proposal is so important.

The time when a vote is cast is the proxy equivalent of the "effective time" for a securities purchase under the disclosure laws. We encourage the SEC to provide rules and guidance that prioritize making all material information available to shareholders prior to the time the proxy advisors deliver their clients' votes.

As a result of these meetings, while we felt our engagements on this point had some effect, we recognized our limited ability to counter the use of a misleading peer company in ISS' analysis. We expect this problem is shared, and likely heightened, among smaller public companies that may not have the same resources as ExxonMobil to complete the same "just-in-time" shareholder engagements required to communicate our position on a proxy advisor's analysis in cases of dispute.

We note that the revised peer group that ISS Consulting shared with us in their January 2019 preview excluded Berkshire. ISS issued a "FOR" recommendation on our 2019 say-on-pay vote in their benchmark report, partially owing to this revised peer group.

Current Engagement Tools Are Ineffective in Reaching Shareholders Who Rely on Proxy Advisors' Reports

ExxonMobil participated in more than 80 shareholder engagements during the last proxy cycle. We believe the limitations of the engagement tools available for public issuers to speak with funds and shareholders constitute one of the biggest problems for the proxy advisor market. To be clear, we do not believe this is the fault of proxy advisors. Instead, we believe proxy advisors are a victim of their own success. The power and importance of their reports is far-reaching and prioritized over other communications.

In contrast, a company that seeks to engage funds and other shareholders through conference calls will be severely limited in who it can reach even with hundreds of engagements and even more limited in who will participate. Alternatives, such as filing supplemental proxy materials, do not appear to be widely read or considered and typically cannot be filed until after the immediate voting impact of the proxy advisor recommendation has already occurred.

We believe that having the ability to include an issuer response statement in the 2018 ISS reports to alert investors to the inclusion of Berkshire in our peer group would have resulted in a significantly better informed shareholder base at much lower cost and, ultimately, would have benefited ISS by either allowing them to withdraw Berkshire prior to the 2018 meeting (which they did anyway in 2019) or providing them with superior disclosure in their report and less risk of it being misleading. Additionally, the ability to disable automatic voting for this proposal would have provided an avenue for those funds who were not willing to engage with us to review the issuer's response and better fulfill their fiduciary duties to their investors. These investors would also have a clear disclosure through the certification that their investment managers had seen the information and considered all sides of the issue in voting on their behalf.

We encourage the SEC to implement ways to address the informational asymmetry that many funds and shareholders may be working under as it has done in other markets. We believe that this would benefit all parties, including the proxy advisors, by ensuring that their report is a source of complete information for all funds and shareholders.

PART II: OUR EXPERIENCES IN THE SHAREHOLDER PROPOSAL PROCESS

Thinking Through the Resubmission Thresholds

For the past 20 years, shareholders have submitted an average of over 16 shareholder proposals each proxy season. We believe our significant experience with this process has given us insight into how proposals progress in the public sphere that is representative of the market as a whole. There was an argument put forward at the SEC Roundtable that proposals start small, but gain traction as attention is brought to an issue. In our experience, this is too general an assertion. Instead, we have noted that proposals generally fall into one of three groups.

First, to the best of our knowledge after reviewing records of the modern era, we have never received a proposal opposed by the board that began with single-digit support and grew to majority support. While these proposals can marginally increase in their support over time, a first-year showing with less than 10% support is a clear line of demarcation.

Second, a significant number of proposals have a 20% to 25% "floor" based on proxy advisory firm support for the proposal, but do not gain significant additional investor support and remain indefinitely around the 20% to 40% level. This represents a level of support the board must consider to be sure, but more importantly means that a strong majority of shareholders have rejected the proposal year after year. For example, we received the same independent chair proposal this 2019 proxy season for the 18th year, a period of time during which three different individuals have served in the role. Initial and even renewed engagements bring us the opportunity to revisit issues at the board and management level. However, this value is not constant from year to year over an 18-year period. At some point, when should the will of the majority of shareholders be honored?

Finally, proposals that gain sufficient momentum to pass typically do so in two to three years. Proxy access proposals are a recent example of this kind of proposal. These proposals rise quickly to win widespread investor support and are quickly distinguishable from the proposals that languish year after year at lower, fixed levels of support.

The current resubmission thresholds are ineffective at distinguishing between these three categories or recognizing the realities of how the shareholder proposal process has evolved. There is a significant expense for each resubmission of issues that shareholders have already seen and rejected. Many resubmissions require yearly support of outside counsel or other experts. These costs play heavily into the "friction" costs of being a public company, which we estimate for us at more than $100,000 per proposal each year even for identical, repeat proposals. Unfortunately, our experience is that the costs can greatly exceed this amount based on the significant board and senior management time dedicated to each proposal, even before considering any outside counsel costs. These expenses burden public markets and may influence private companies to delay or avoid public offerings. The argument that certain proposals should be allowed to linger indefinitely because they could eventually reach a majority vote is costly, burdensome to shareholders who must consider the same issue year after year, and does not match our experience.

We believe the resubmission thresholds should be revised to reflect the current market realities. Resubmission should require a 10% vote after the first year, a 25% vote after the second year, and a 50% vote after the third year. Failure to reach these thresholds should trigger a "cool-off" period where the proposal is excluded for the number of years it was previously included. These meaningful thresholds distinguish between the three groups of proposals to appropriately balance resubmission with a recognition of the will of the majority of shareholders and acknowledgement of the costs inherent in this process.

Ultimately, we hope the SEC will not be fixated on the numbers of the resubmission thresholds, but in trying to distinguish between these different categories. For example, the three year 30% threshold that has been proposed elsewhere could be paired with a mandatory "cool-off" period after the fifth year of the proposal. A backstop in some form is clearly needed as no proposal can justify the time and cost of being presented to shareholders for 18 years while ignoring the clear will of the majority of those shareholders.

Equally, we believe that a regulatory standard that links the number of years of submission to the length of the "cool-off" period provides the appropriate incentives to a proponent. For universal policy issues impacting all (or multiple) companies that may be under or close to the thresholds, this would encourage proponents to spread the proposals across different companies from year to year both enhancing the number of shareholders exposed to their issue while spreading the costs of this process more evenly through the market. For proponents fixated on a certain company either because the issue is company-specific or because the proposal is influenced by personal animus, this would provide a more conclusive end to the issue for both management and shareholders to move forward (either in adoption or exclusion of the proposal).

We note that none of these proposed thresholds would impact the initial submission of shareholder proposals or the resubmission of a repeat proposal after the temporary "cool-off" period. Instead, this is a targeted adjustment to recognize that (1) shareholder proposals were never designed to be a one-way sliding scale that inevitably pressured management and boards in any proponents' direction due to the repeated costs of the process regardless of the level of support the proponent received, and (2) companies like ExxonMobil now receive conflicting and diametrically opposed proposals on a variety of topics that can all continue indefinitely while doing little more than adding costs.

Reconsidering "Proposals by Proxy"

Our experience with proposals submitted by proxies suggests that the appropriateness of this avenue of submission should be reconsidered by the Commission in light of the underlying purpose of Rule 14a-8: establishing fair parameters around the process by which *shareholders* of a company may submit proposals for consideration by other shareholders.

For many years, one of the most prolific sponsors of shareholder proposals for ExxonMobil (as well as many other companies) has been an individual who owns no shares of company stock but instead files proposals under color of a "proxy" executed by an actual shareholder. More recently, we have experienced a growing trend in which professional activist organizations that own no ExxonMobil stock obtain "proxy" authorizations from a shareholder and thereafter proceed to act in all respects as the proponent of a proposal, including: drafting and filing the proposal; addressing any deficiency notices supplied by the Company with respect to the proposal; handling engagement with the Company, including negotiations surrounding potential withdrawal of the proposal and the actual withdrawal if such negotiations are successful; responding to no-action requests the Company may choose to submit to the SEC with respect to the proposal; engaging in solicitation efforts with respect to the proposal if the proposal is ultimately included in the Company's proxy statement; and attending or appointing a representative to attend the Company's annual meeting to present the proposal. In the 2019 proxy season, one such organization acted as lead filer on three shareholder proposals and as a "co-filer" on two other proposals submitted for the Company's annual meeting.[23] In none of the multiple engagements or interactions with proponents-by-proxy has the Company had any dealings or contact whatsoever with the actual shareholder on whose behalf the proxies purport to act, other than being provided with an initial proxy document bearing the shareholder's signature.

Our experience in engaging with these proposals by proxies is also strikingly different than engagements with our shareholders. For example, the most prolific sponsor has made clear that they want the proposal in the proxy regardless of its relevance. One year, in response to the submission of a proposal to eliminate supermajority requirements, we confirmed to the sponsor that we did not have a supermajority voting requirement. The sponsor nevertheless declined to withdraw and said they would let the SEC determine if the proposal were appropriate. Other sponsors will often submit proposals that are general and fall within previous SEC guidance, only to want to discuss other issues that would not pass the SEC's no-action review if properly presented. ExxonMobil currently has over 3.4 million shareholder accounts, so the inclusion of a proposal in our proxy statement represents perhaps the most cost-effective bulk mail option available for dissemination of any viewpoint.

[23] By obtaining "proxies" from different individuals, professional proponents owning no shares of Company stock are able to submit multiple proposals whereas actual shareholders are limited to one proposal per meeting.

We recognize that a shareholder, especially an individual shareholder who may be submitting a proposal for the first time, may legitimately seek assistance in formulating an appropriate proposal and obtaining sufficient proof of ownership to demonstrate eligibility to submit the proposal. However, we believe that the shareholder should remain the contact and proponent of the proposal. We do not believe it is appropriate or consistent with the proper purpose of the annual meeting of shareholders for persons or groups holding no economic stake in a company to effectively "borrow" shares (at no cost) from an otherwise uninvolved shareholder and to use those shares to advance agendas of their own through the shareholder proposal process.[24]

Fundamentally, shareholder proposals should be just that: proposals submitted by and presented by shareholders regarding the companies in which they have invested. Non-shareholders who wish to make their views known to a company have many channels for doing so, but assuming the mantle of a real shareholder should not be one of them. We therefore urge the Commission to reconsider the rationale for allowing "proposals by proxy" and to consider (1) whether proposals by proxy are appropriate at all, and, if so, (2) what additional steps can be taken to ensure that shareholders who make use of a proxy in fact retain an interest and play an active role in any proposal submitted on their behalf throughout the proposal process and its presentation at the shareholder meeting.

We appreciate the opportunity to offer these comments. ExxonMobil would also be pleased to address any questions the Commission may have about these comments or to provide additional information that may be helpful.

Sincerely,

Neil A. Hansen
Vice President, Investor Relations
and Corporate Secretary

[24] At a minimum, serial submissions year after year by parties who are not shareholders seems to violate the spirit of the holding period requirement. These parties demonstrate long-term interest in the company without ever taking on the risks or reward incentives of our shareholders.

Attachment 1

Comparison of ISS' 2019 Recommendations on the Benchmark, SRI and Taft-Hartley Reports

Differences against the Benchmark Report Have Been Bolded.

Proposals	Benchmark	SRI	Taft-Hartley
Director 1	FOR	FOR	FOR
Director 2	FOR	**AGAINST**	**AGAINST**
Director 3	AGAINST	AGAINST	AGAINST
Director 4	FOR	FOR	FOR
Director 5	FOR	FOR	FOR
Director 6	FOR	FOR	FOR
Director 7	FOR	FOR	**AGAINST**
Director 8	FOR	**AGAINST**	**AGAINST**
Director 9	FOR	FOR	FOR
Director 10	FOR	**AGAINST**	**AGAINST**
Ratify Auditors	FOR	FOR	**AGAINST**
Ratify Executive Compensation	FOR	FOR	FOR
Independent Chair	FOR	FOR	FOR
Special Meeting Bylaw	FOR	FOR	FOR
Board Matrix	FOR	FOR	FOR
Separate Climate Committee	AGAINST	**FOR**	**FOR**
Report on Petrochemical Operations	AGAINST	**FOR**	**FOR**
Report on Political Contributions	FOR	FOR	FOR
Report on Lobbying	FOR	FOR	FOR

Attachment 2

Immediate Change in Proxy Voting Following the Release of the ISS Recommendation

Years Showing the Impact of Automatic Voting Have Been Bolded.

Advisory Vote to Approve Executive Compensation

Year of Annual Meeting	ISS Recommendation	First Day Change in Vote
2019	FOR	+1.5%
2018	AGAINST	**-17.3%**
2017	AGAINST	**-15.3%**
2016	FOR	+2.7%
2015	FOR	+2.2%
2014	FOR	-0.2%
2013	AGAINST	**-17.5%**
2012	AGAINST	**-17.1%**

Shareholder Proposal for an Independent Chair

Year of Annual Meeting	ISS Recommendation	First Day Change in Vote
2019	FOR	**+15.6%**
2018	FOR	**+16.5%**
2017	FOR	**+16.3%**
2016	FOR	**+18.4%**
2015	FOR	**+23.3%**