SANFORD J. LEWIS, ATTORNEY

February 22, 2016

Via electronic mail to shareholderproposals@sec.gov

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Shareholder Proposal to Exxon Mobil Corporation Regarding stranded assets due to climate change policy on behalf of New York State Common Retirement Fund

Ladies and Gentlemen:

The New York State Common Retirement Fund (the "Proponent") is beneficial owner of common stock of Exxon Mobil Corporation ("ExxonMobil" or the "Company") and has submitted a shareholder proposal (the "Proposal") to the Company, together with the Endowment Fund of the Church of England as a co-lead proponent and other investors as co-filers.[1] I have been asked by the Proponent to respond to the letter dated January 22, 2016 (the "Company Letter") sent to the Securities and Exchange Commission by Louis L. Goldberg of the law firm of Davis Polk. In that letter, the Company contends that the Proposal may be excluded from the Company's 2016 proxy statement by virtue of Rule 14a-8(i)(3) and Rule 14a-8(i)(10).

I have reviewed the Proposal, as well as the letter sent by the Company, and based upon the foregoing, as well as the relevant rules, it is my opinion that the Proposal must be included in the Company's 2016 proxy materials and that it is not excludable by virtue of those rules. A copy of this letter is being emailed concurrently to Louis L. Goldberg of Davis Polk.

SUMMARY

The Proposal requests that the Company prepare and publish an annual assessment of long term portfolio impacts of public climate change policies, at reasonable cost and omitting proprietary information, including analysis of the impacts on ExxonMobil's oil and gas reserves and resources under a scenario in which reduction in demand results from carbon restrictions and related rules or commitments adopted by governments consistent with the globally agreed upon 2 degree target. The reporting should assess the resilience of the Company's full portfolio of reserves and resources through 2040 and beyond and address the financial risks associated with such a scenario.

[1] Co-filers of the Proposal include: Zevin Asset Management, LLC on behalf of Ellen Sarkisian, The Regents of the University of California, Vermont Pension Investment Committee and The Brainerd Foundation.

PO Box 231 Amherst, MA 01004-0231 • sanfordlewis@strategiccounsel.net
(413) 549-7333 ph. • (413) 825-0223 fax

In response to a previous shareholder proposal, the Company issued a March 2014 report entitled **Energy and Carbon – Managing the Risks** ("**2014 Report**") asserting its opinion that it is unlikely global and national governments will enact policies consistent with the global goal of constraining carbon as needed to contain global temperature rise to 2 degrees Celsius. Thus, the Company declined to calculate the economic impact on its portfolio should such policies be put into place.

The Company asserts that the Proposal is excludable under Rule 14a-8(i)(3) either because it fails to define terms or fails to address the central aspects of its implementation. However, the meaning of "public climate policies consistent with the 2 degree target" is clear. It is clear within the Company's own 2014 Report, and within current policymaking circles, investor analysis, public and media discussion of this controversy, and also in reading the Proposal in its entirety. The fact that global solutions and approaches to meeting the 2 degree target are still subject to innovation and policy refinement does not render the Proposal vague. Enough is known about the general direction of public policy related to the 2 degree target and its potential restrictions on carbon and fossil fuels to allow the Company to assess these issues, and the meaning of the Proposal is neither unclear to shareholders nor to Company management. Despite a zealous effort by the Company to create uncertainty and forego action, the Proposal is not excludable as vague or misleading.

The Company also asserts that it has substantially implemented the Proposal through its existing disclosures in which it concluded it is highly unlikely that global governments will impose restrictions on fossil fuels consistent with the 2 degree scenario. In support of its argument that the Proposal is excludable under Rule 14a-8(i)(10), the Company notes that it issued the 2014 Report in response to a previous shareholder proposal, in which it stated the Company is "confident that none of our hydrocarbon reserves are now or will become stranded" through 2040. The present Proposal is clearly written as a response to that prior Company report, which the Proponent, the co-lead proponent and co-filers believe dramatically underestimates the prospect for global restrictions to meet the 2 degree target. The essential purpose of the Proposal is for the Company to calculate the potential losses in the event its optimistic conjectures prove false. As such, the Company's reporting, including the 2014 Report, does not meet the essential purpose of the current proposal. The Company has not issued a report fulfilling these purposes, and therefore the Proposal is not substantially implemented.

Moreover, the Company's current use of a carbon proxy price, which it asserts as its means of calculating climate policy impacts, merely amplifies and reflects its optimistic assessments of national and global climate policies. The Company Letter notes that ExxonMobil is setting an internal price as high as $80 per ton; in contrast, the 2014 Report notes a carbon price of $1000 per ton to achieve the 450 ppm (2 degree scenario) and the Company reportedly stated during the recent Paris climate talks that a 1.5 degree scenario would require a carbon price as high as $2000 per ton within the next hundred years. Thus, with an order of magnitude gap between the Company's proxy pricing and its statements regarding what would be needed to restrict carbon consistent with the 2 degree goal, it is clear that ExxonMobil's current carbon pricing does not reflect a calculation of the costs and risks to the Company if the 2 degree scenario is implemented by policymakers.

THE PROPOSAL

The Proposal states:

"RESOLVED: Shareholders request that by 2017 ExxonMobil publish an annual assessment of long term portfolio impacts of public climate change policies, at reasonable cost and omitting proprietary information. The assessment can be incorporated into existing reporting and should analyze the impacts on ExxonMobil's oil and gas reserves and resources under a scenario in which reduction in demand results from carbon restrictions and related rules or commitments adopted by governments consistent with the globally agreed upon 2 degree target. The reporting should assess the resilience of the company's full portfolio of reserves and resources through 2040 and beyond and address the financial risks associated with such a scenario.

Supporting Statement:

It is our intention that this be a supportive but stretching resolution that ensures the long-term success of the company.

Recognizing the severe and pervasive economic and societal risks associated with a warming climate, global governments have agreed that increases in global temperature should be held below 2 degrees Celsius from pre-industrial levels (Cancun Agreement). Pursuant to the Durban Platform, 184 parties submitted plans to reduce greenhouse gas emissions in advance of the 21st Conference of the Parties. In November 2014 the United States and China agreed to policy and regulatory actions to reduce greenhouse gas emissions and re-affirmed and expanded those actions in September 2015.

ExxonMobil recognized in its 2014 10-K that "a number of countries have adopted, or are considering adoption of, regulatory frameworks to reduce greenhouse gas emissions," and that such policies, regulations, and actions could make its "products more expensive, lengthen project implementation timelines and reduce demand for hydrocarbons," but ExxonMobil has not presented any analysis of how its portfolio performs under a 2 degree scenario.

In response to a previous shareholder resolution regarding Carbon Asset Risk, ExxonMobil asserted "that an artificial capping of carbon-based fuels to levels in the 'low carbon scenario' [such as IEA 450ppm] is highly unlikely" and did not test its portfolio against a 2 degree scenario.

However, ExxonMobil's peers, Shell, BP, and Statoil have recognized the importance of assessing the impacts of these scenarios by endorsing the "Strategic Resilience for 2035 and beyond" resolutions that received almost unanimous investor support in 2015. BHP Billiton now publishes a "Climate Change: Portfolio Analysis" evaluating its assets against 2 degree scenarios, and ConocoPhillips states that it stress tests its portfolio against 2 degree scenarios. More recently, ten major oil and gas companies have announced that they will support the implementation of clear stable policy frameworks consistent with a 2 degree future.

This resolution aims to ensure that ExxonMobil fully evaluates and mitigates risks to the viability of its assets as a result of public climate change policies, including in a 2 degrees scenario."

BACKGROUND

Growing Financial Risks of Climate Change

Climate change and the risks it is generating for companies have become major concerns for investors. These concerns have been magnified by the 21st Session of the Conference of the Parties (COP 21) in Paris, where 195 global governments agreed to restrict greenhouse gas (GHG) emissions to no more than 2 degrees Celsius from pre-industrial levels and submitted plans to begin achieving the necessary GHG emission reductions. In the agreement, signatories also acknowledged the need to strive to keep global warming to 1.5 degrees, recognizing current and projected harms to low lying islands. Although the reduction goals are not set forth in an enforceable agreement, the parties put mechanisms in place for transparent reporting by countries and a ratcheting mechanism every five years to create accountability for achieving these goals. U.N. Secretary General Ban Ki-moon summarized the Paris Agreement as follows: "The once unthinkable [global action on climate change] has become the Unstoppable."[2]

Achievement of even a 2 degree goal requires *net zero global emissions* to be attained by 2100.[3] Achieving net zero emissions this century means that the vast majority of fossil fuel reserves cannot be burned. As noted by Mark Carney, the President of the Bank of England, the carbon budget associated with meeting the 2 degree goal will "render the vast majority of reserves 'stranded' – oil, gas, and coal that will be literally unburnable without expensive carbon capture technology, which itself alters fossil fuel economics."[4]

As the profound implications of a warming world resonate with global policymakers, and a credible path to action has been initiated, the need for companies to provide reliable information on the financial risks and opportunities associated with climate change has only been underscored. Investors require clear, transparent, and comparable information about climate change impacts to make informed assessments about their use of capital. This need for clear and complete information has been echoed by a range of financial regulatory agencies and institutions, from the Bank of England to the Financial Stability Board (FSB) which recently set up a Task Force on Climate-Related Financial Disclosures (TCFD) under the chairmanship of Michael Bloomberg. The goal of the TCFD is to develop voluntary, consistent climate-related financial risk disclosure mechanisms to provide critical informative information to investors, lenders, insurers, and other stakeholders. France recently created mandatory climate risk disclosure requirements.[5]

---

[2] COP21: UN chief hails new climate change agreement as 'monumental triumph,' http://www.un.org/apps/news/story.asp?NewsID=52802#.Vq751VJRJuQ
[3] United Nations Environmental Program. UN Says Global Carbon Neutrality Should Be Reached by Second Half of Century, Demonstrates Pathways to Stay Under 2°C. Nov, 2014.
[4] Bank of England. Breaking the tragedy of the horizon - climate change and financial stability - speech by Mark Carney. Sept, 2015. http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx#1
[5] Pensions & Investments. France to require institutional investors to disclose carbon exposure. May, 2015. http://www.pionline.com/article/20150522/ONLINE/150529958/france-to-require-institutional-investors-to-disclose-carbon-exposure

Australia also just announced that its Senate will conduct an inquiry into how Australian companies report their investments in fossil fuels and their exposure to the carbon bubble.[6]

Global governments are now on a clearly acknowledged path to decarbonisation. The message of Paris and the urgency for action will have profound effects on regulatory policy, technological progress, and consumer demand in the energy sector which contributes up to 76% of GHG emissions and is therefore ground zero for change.[7] The array of climate change-related risks to oil and gas companies resulting from regulatory, technological, financing changes, and associated demand reductions, must not only be assessed by the Company and internalized, but shared with investors to allow them to make fully formed investment decisions. In a 2010 disclosure Guidance Update, the SEC recognized the need for comprehensive climate disclosure.[8] Over the past 5 years, the need for clear disclosure on the risks of climate change has only become more evident.

Previous investor efforts sought and failed to encourage ExxonMobil to quantify financial risks in the event climate policies effectively implement the 2 degree goal

In 2014, a proposal was filed by shareholders seeking a carbon asset risk report.[9] The Company agreed to issue a report which, in name, addressed the proposal's request. However, instead of calculating the losses associated with carbon restrictions, the Company asserted in its report a belief that any future capping of carbon-based fuels to the levels of a 'low carbon scenario' (the two degree scenario) is highly unlikely due to pressing social needs for energy. In a nutshell, the Company stated quite simply:

> "[W]e are confident that none of our hydrocarbon reserves are now or will become stranded."[10]

As reported by the BBC:

> **"Exxon Mobil shrugs off climate change risk to profit," BBC News, April 1, 2014,** http://www.bbc.com/news/business-26830555

---

[6] http://www.climateinstitute.org.au/articles/media-releases/inquiry-into-carbon-risk-disclosure-welcomed.html

[7] Environmental Protection Agency. Global Greenhouse Gas Emissions Data. http://www3.epa.gov/climatechange/ghgemissions/global.html

[8] SEC. Commission Guidance Regarding Disclosure Related to Climate Change. 2010. https://www.sec.gov/rules/interp/2010/33-9106.pdf

[9] The 2014 proposal filed by Arjuna Capital and As You Sow asked ExxonMobil to "prepare a report . . on the Company's strategy to address the risk of stranded assets presented by global climate change, including analysis of long and short term financial and operational risks to the [C]ompany." However, it did not contain the specificity of the current Proposal. The proposal was not found excludable by the Staff, but was withdrawn after the Company agreed to publish a report on carbon asset risk. That report, the 2014 Report, skirted the core concerns of the investors, instead adopting the Company's optimistic outlook on fossil fuel restraints.

[10] Exxon Mobil, Energy and Carbon – Managing the Risks, page 1.

> Exxon Mobil, the US's largest oil and gas company, said in a new report that world climate policies are "highly unlikely" to stop it from producing and selling fossil fuels in the near future.
>
> The firm says its oil and gas reserves will not lose value as the world adapts to rising temperatures.
>
> However, Exxon does not dispute that global warming is happening. …

As the largest oil company in the United States, the Company's risk calculation is not only a statement of assessment of public policy, but can also be understood as a commitment to continue efforts to mold public policy to promote continued fossil fuel sales. As such, the 2014 Report seemed a dire warning to the global community, and showed the intent of ExxonMobil to neglect the implications of continuing to stake the Company's future on the development, sale and promotion of fossil fuels. This was reflected in a *Financial Times* headline interpreting the same report:

> **"Exxon warns global warming targets 'unlikely' to be met," Financial Times, Ed Crooks, March 31, 2014,** http://www.ft.com/cms/s/0/67f73d56-b90a-11e3-a189-00144feabdc0.html#axzz40GYWRSWI
>
> ExxonMobil, the US oil group, said it was "highly unlikely" that the world would cut greenhouse gas emissions sufficiently to keep global warming within the internationally agreed limit of 2C.

Failing to meet the 2 degree goal means, according to scientists, that the world will face massive coastal flooding, increasingly severe weather events, and deepening climate disruption. It will impose billions of dollars in damage on the global economy, and generate an increasing number of climate refugees worldwide. [11]

ANALYSIS

I. The Proposal is not excludable under Rule 14a-8(i)(3) because it is neither vague nor misleading.

The Company asserts that the Proposal is vague and misleading, claiming that most investors might not understand the low carbon scenarios set forth in the Proposal. However, the 2 degree target and the policy options related to its achievement have been widely reported, and most notably, the Company's own 2014 Report adequately describes what it calls the low carbon/2 degree scenario, if only to refute the likelihood of policymakers' success in implementing it. The 2014 Report states on page 8:

---

[11] Citi GPS, Energy Darwinism II: Why a Low Carbon Future Doesn't Have to Cost the Earth, August 2015; Department of Defense, National Security Implications of Climate Related Risks and a Changing Climate (July 2015) available at http://archive.defense.gov/pubs/150724-congressional-report-on-national-implications-of-climate-change.pdf?source=govdelivery

> One focus area of stakeholder organizations relates to what they consider the potential for a so-called carbon budget. Some are advocating for this mandated carbon budget in order to achieve global carbon-based emission reductions in the range of 80 percent through the year 2040, with the intent of stabilizing world temperature increases not to exceed 2 degrees Celsius by 2100 (i.e., the "low carbon scenario"). A concern expressed by some of our stakeholders is whether such a "low carbon scenario" could impact ExxonMobil's reserves and operations – i.e., whether this would result in unburnable proved reserves of oil and natural gas.

The report goes on to explain why the Company considers this scenario of carbon restrained fossil fuel sales so unlikely that it declined to calculate the financial implications. Thus, in 2014 the Company had a clear sense of what it understood the 2 degree scenario to be. And, in light of increasing global attention to climate change, it is untenable to argue the 2 degree scenario has somehow become less clear since then.

The Staff of the Division of Corporation Finance (Staff) has already rejected arguments related to purported vagueness of language similar to that of the current Proposal in *The AES Corporation*, Jan 19, 2016. In that instance, the proposal contained a very similar resolved clause and supporting statement:

> RESOLVED: Shareholders request that AES, with board oversight, publish an assessment (at reasonable cost and omitting proprietary information) of the long term impacts on the company's portfolio of public policies and technological advances that are consistent with limiting global warming to no more than 2 degrees Celsius over pre-industrial levels.
>
> SUPPORTING STATEMENT: Such report should assess the resilience of AES's portfolio including under a scenario in which reduction in demand results from carbon restrictions and related rules adopted by governments consistent with the globally agreed upon 2 degree target accompanied by continued cost reductions in clean energy technologies (such as the IEA's 450ppm scenario). The report should assess the impacts on the company's full portfolio of power generation assets and planned capital expenditures through 2040 and address the financial risks associated with such a scenario.

AES argued that the future scenarios sought in this wording were ambiguous, for instance, "consistent with" the 2 degree target could mean technologies and policies allowing more or less than the target, and that the public policies that may be adopted in the future are ambiguous and unknown. The Staff rejected these arguments and found that the Proposal was not excludable under Rule 14a-8(i)(3).

As in AES, the Company here argues that the Proposal is vague and misleading because it asks the Company to assess the impact of a reduction in demand from "public climate change policies" consistent with the "2 degree" target:

> The meaning and implications of this reference to "2 degree" are not fully explained in the Proposal and are likely only understood and appreciated by shareholders with a significant level of knowledge and expertise regarding climate change science and policy. *Company Letter,* page 4.

The Company acknowledges that the 2 degree goal is widely understood among experts:

> Within the international expert community, "2 degree" is generally used as shorthand for a low carbon scenario under which CO2 concentrations in the earth's atmosphere are stabilized at a level of 450 parts per million (ppm) or lower, representing approximately an 80% reduction in greenhouse gas emissions from current levels, which according to certain computer simulations would be likely to limit warming to 2 degrees Celsius above pre-industrial levels and is considered by some to reduce the likelihood of significant adverse impacts based on analyses of historical climate variability. *Company Letter*, page 4.

But the Company fails to acknowledge that this widely reported goal is also consistently understood among diverse sources, including financial analysts, investment advisors, the general press and public, and, most importantly for purposes of this response, investors generally: Mercer, *Investing in a Time of Climate Change* (June 2015); BlackRock, *The Price of Climate Change: Global Warming's Impact on Portfolios* (October 2015); Charles Schwab, *5 Ways Climate Policies May Impact Your Portfolio* (December 2015); Dallas Morning News, *Historic Deal to Curb Global Warming Reached* (Dec. 12, 2015).

The Company next asserts that there is no agreement regarding what carbon limits need to be met by what years among members of the global scientific community citing the evolving understanding of the IPCC, which in 2007 asserted that emission levels must peak by 2015, and then in subsequent years a peak in the emission levels target was pushed back to 2030. The existence of evolving understanding about how to limit damage to the global ecosystem goes with the territory of this issue; it's not a reason for the Company to decline to examine the risks that these evolving policies could eventually collide with its bottom line.

The Company goes on to assert that the Proposal is vague about exactly what actual "public climate change policies" intended to achieve 2 degrees the Proponent is asking the Company to assess. The point is for the Company to do a careful analysis, and specifically, as is made clear by the overall language of the Proposal, to consider a scenario in which "reduction in demand results from carbon restrictions and related rules or commitments adopted by governments consistent with the globally agreed upon two degree target." The Proposal makes it clear in context that it is specifically referring to a "low carbon scenario such as IEA 450 ppm," however, it also provides flexibility for the Company to review other publicly available materials, including those of its peers, to evaluate and determine the range of plausible pathways to achieve the 2 degree scenario and choose the trajectory or trajectories that it views as most likely. The Company is merely being asked to use the same tools it used to forecast demand and price through 2040 to develop an alternative scenario consistent with the agreement reached by 196 nations to address the global problem of climate change.

Other companies seem to have no difficulty evaluating the 2 degree scenario. As the Proposal notes, other major oil companies are now publishing analyses evaluating their assets against 2 degree scenarios. ConocoPhillips, BHP Billiton, and Statoil have all developed their own 2 degree scenario analyses, and BP and Shell are currently developing these kinds of scenarios in response to shareholder resolutions from 2015.

Shell[12] sees itself moving towards a net zero emissions future as visualized in the chart below:

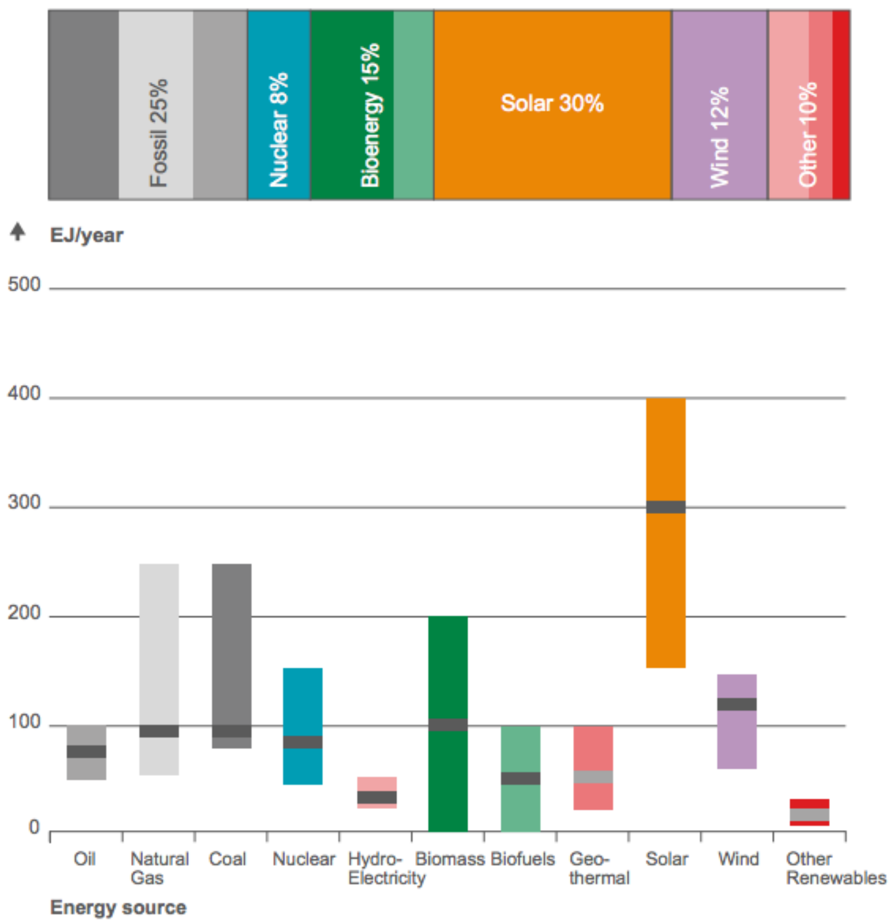


Figure 3: Example ranges for a feasible energy portfolio providing 1,000 exajoules per year primary energy that is commensurate with net-zero emissions.

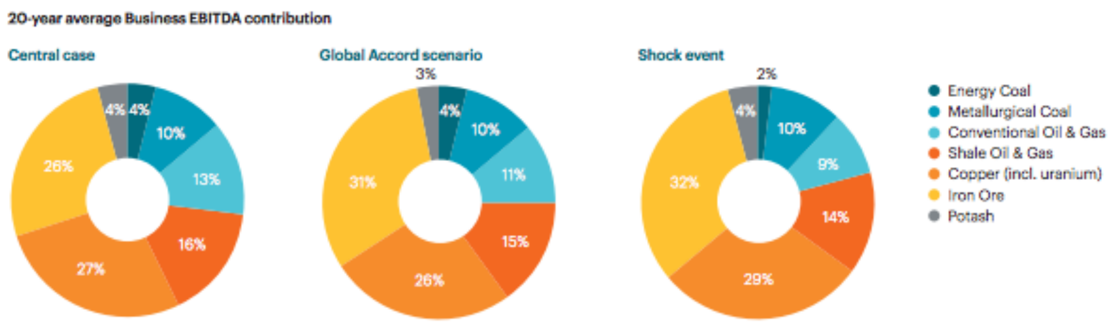
BHP Billiton sees at least two different 2 degree trajectories, one that begins with strong policies now and one that is brought about after a "shock" to the system such as a major weather catastrophe and results in more draconian regulations:

In practice, there are many ways the world could limit global temperature rises to 2°C

[12] http://www.shell.com/energy-and-innovation/the-energy-future/shell-scenarios.html

> within this century. Global Accord considers the impacts of an orderly transition where emissions align with the levels indicated by the IPCC after 2030. Along with scenario analysis, we also test the portfolio against shock events. These are unlikely and extreme events that are typically short-term but may have associated longer-term impacts. We have developed a shock event based on Global Accord that describes a much more rapid shift to a 2°C world where emissions align with the levels indicated by the IPCC by 2030, driven by very aggressive policy measures and technology developments.[13]

The following is a visual representation of what this could mean for BHP portfolio. The company envisions an uptick in uranium (increased nuclear power) and reductions in oil and coal use. They assume a 25% increase in the renewable power share of the energy mix under the Global Accord Scenario as compared to the central case:



The 2 degree scenario is well understood by the Company's peers, and while there are many pathways to achieving it, there is much more consensus around what that trajectory may look like than ExxonMobil claims. Furthermore, 188 nations submitted "nationally determined contributions" which form the basis for the implementation of the Paris agreement and none of those include the radical suggestions that Exxon points to in raising the specter of nations deciding to "significantly reduce global population" or to "significantly reduce global GDP or economic growth." Rather, the focus of the nationally determined contributions and actions discussed in the Paris agreement focus on increasing growth while decreasing the carbon intensity of energy supplies, and any suggestions by ExxonMobil to the contrary amount to little more than fear mongering.

As the Company points out, the sum of the actions from the nationally determined contributions does not reduce emissions sufficiently to achieve the 2 degree target, but the COP21 agreement deals with that by requiring review and additional ratcheting down of emissions every 5 years. That means that additional commitments will need to be put in place as early as 2020 under the "ratchet" mechanism to achieve the 2 degree target. Well-respected financial analyst UBS has explained that reaching the 2 degree target would require "largely carbon free output from the electricity sector from about 2030 onwards" (See UBS Mind the Gap (December 2015)). The IEA (a source that ExxonMobil routinely relies upon in its disclosures including its annual Energy Outlook report) has explained that the carbon intensity of energy supply would need to drop to less

[13] BHP Billiton, Climate Change Portfolio Analysis, 3 (Sept. 2015).

than 1/4 of 2013 levels by 2050 in order to meet the 2 degree scenario. This would mean annual net additions of low-carbon power capacity would more than double while carbon intensity of power generation would decline to near-zero by mid-century. [14]

In addition, several analysts have projected that electric vehicle technology and growth will play a significant role in reducing global GHG emissions. China and India have already begun to implement new policies aimed at increasing electric vehicle use since the Paris Agreement was finalized. [15]

The Proposal allows ExxonMobil to exercise its judgment in deciding which analysts and agencies to rely upon in choosing to develop its own version of a plausible 2 degree scenario. For example, the Company may rely upon other reputable financial analysts or energy agencies who have begun to explain the impacts of the Paris Agreement. These include Barclays, Moody's, the IEA, Goldman Sachs, Citigroup, and others. The Proposal's essential purpose, however, is not fulfilled under a scenario in which the Company decides (as it did in response to the 2014 shareholder resolution) that an internationally agreed upon climate target itself is implausible and therefore no evaluation of impact scenarios is performed.

Examples of prior Staff decisions cited by the Company allowing Rule 14a-8(i)(3) exclusions are inapposite. The proposals in question either referenced and failed to explain external standards *ExxonMobil* (March 11, 2011), ("GRI") (sustainability guidelines) *General Electric Company* (January 15, 2015) (referencing "SEC Staff Legal Bulletin No. 14C"), or failed to address essential aspects of implementation, as in *The Boeing Company* (March 2, 2011) (concurring with the exclusion of a proposal requesting, among other things, that senior executives relinquish certain "executive pay rights" because the proposal did not sufficiently explain the meaning of the phrase) and *General Electric Company* (January 23, 2003) (proposal seeking an individual cap on salaries and benefits of one million dollars failed to define the critical term "benefits").

There are no external definitions or gaps in implementation instruction justifying exclusion under Rule 14a-8(i)(3) here. Investors in Exxon Mobil can reasonably be expected to read news regarding climate change, and to understand enough about the discussions at COP 21 and the 2 degree and 1.5 degree scenarios. In the present case, the supporting statement and readily available information, including news coverage and peer activities, overcome the argument that the Proposal is vague and misleading to the Company or its investors.

II. The Company has not substantially implemented the Proposal and therefore is unable to exclude it pursuant to Rule 14a-8(i)(10).

---

[14] See IEA, Track the energy transition: Where we are, how we got here, and where we need to be (December 2015). http://www.iea.org/publications/freepublications/publication/COP21EnergyTransition_DataBrief_08December.pdf

[15] Platts, New Policies in China and India Could Spell Oil Slowdown (available at http://www.platts.com/podcasts-detail/policy/2016/january/india-china-oil-policy-0122?hootpostid=8a70254feca763a77c50cdfe404d19cc); Forbes, Can China be a Key Market for Tesla Motors (Feb. 6, 2016).

A. <u>The Proposal is not substantially implemented within the meaning of prior Staff decisions.</u>

The Proposal clearly asks the Company to do what it refused to do in 2014, to consider the cost to the Company associated with the low carbon scenario in which governments effectively enforce the 2 degree scenario. The fact that the Company has decided to be blindly optimistic and assume such a scenario is too unlikely to calculate does not constitute substantial implementation of the Proposal.

The Company characterizes the Proposal's "essential objective," as "an annual assessment of long term portfolio impacts of public climate change policies." In order to do so, the Company ignores the rest of the Proposal's language, which is clearly directed toward addressing the failure of the Company's current approaches and its 2014 Report to address risks of near and long-term risks to fossil fuel assets as a result of the impacts of climate policy should the Company's current optimistic projections fail.

B. <u>The Company's use of carbon pricing is a proxy for the company's optimistic risk assessment.</u>

Exxon Mobil's optimistic appraisal of the lack of effective government regulation to implement the 2 degree scenario is also reflected in its process of setting a carbon price internally for purposes of investment decisions. As stated in the Company's 2014 Report:

> We also address the potential for future climate-related controls, including the potential for restriction on emissions, through the use of a proxy cost of carbon… . The proxy cost seeks to reflect all types of actions and policies that governments may take over the Outlook period [through 2040] relating to the exploration, development, production, transportation or use of carbon-based fuels. Our proxy cost, which in some areas may approach $80/ton over the Outlook period, ….is…not the same as a "social cost of carbon," which we believe involves countless more assumptions and subjective speculation on future climate impacts. It is simply our effort to quantify what we believe government policies over the Outlook period could cost to our investment opportunities.[16]

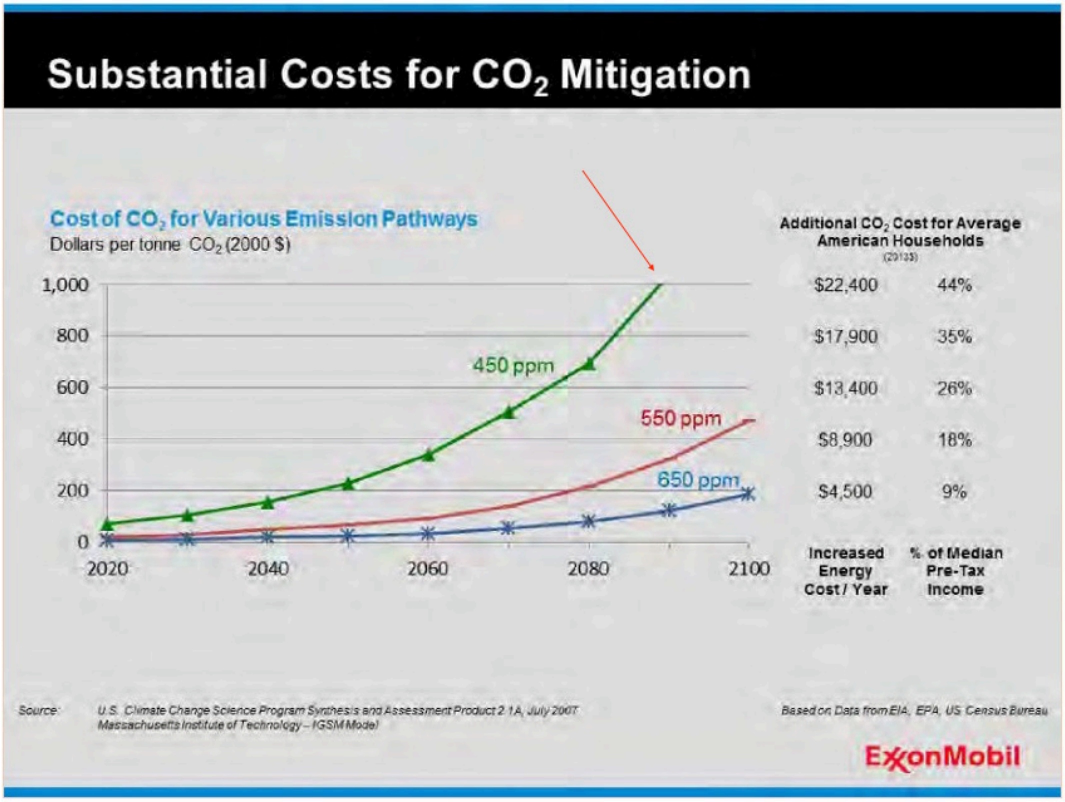
These internal prices for carbon are set by the Company based on its understanding of public policy, so that the proxy pricing measures merely echo its upbeat assessment of the future of fossil fuels. For instance, the same report that indicates the above pricing also notes:

> "Stabilization at 450 ppm would require CO2 prices significantly above current price levels, rising to over $200 per ton by 2050. By comparison, current EU Emissions Trading System prices are approximately $8 to $10 per ton of CO2."[17]

[16] Exxon Mobil, Energy and Carbon -- Managing the Risks, pages 17-18.

[17] *Id,,* page 8.

And furthermore, a graph in the 2014 Report, on page 9, shows that a 450 ppm carbon scenario would lead to $1000 per ton by 2090:



It is clear, then, that ExxonMobil is rejecting the 450 parts per million carbon scenario in the course of its internal carbon pricing. The Company has reported that the more aggressive global goal of keeping temperature increase to 1.5 degrees Celsius would be even more costly. Peter Trelenberg, manager of environmental policy and planning at Exxon Mobil reportedly told the Houston Chronicle editorial board:

> Trimming carbon emissions to the point that average temperatures would rise roughly 1.6 degrees Celsius - enabling the planet to avoid dangerous symptoms of carbon pollution - would bring costs up to $2,000 a ton of CO2. That translates to a $20 a gallon boost to pump prices by the end of this century... . [18]

Thus, the Company's current internal carbon pricing seems to assume that the world's policymakers and energy technology innovators will not be able to contain carbon emissions

[18] "Exxon Mobil backs carbon tax," Houston Chronicle, Collin Eaton and Susan Carroll, Dec. 7, 2015 http://www.houstonchronicle.com/business/energy/article/Exxon-espouses-carbon-tax-amid-Paris-climate-talks-6682461.php

sufficient to cap temperature growth at 1.5 degrees Celsius or even 2 degrees Celsius, but that instead, the Company can expect the economic and policy environment to continue to support its sales of fossil fuels even though atmospheric carbon is then anticipated to induce climate temperature increases well beyond the global climate goals.

The Company also claims that it is already "stress testing" its investments:

> **We also financially "stress test" our investment opportunities, which provides an added margin against uncertainties**, such as those related to technology development, costs, geopolitics, availability of required materials, services and labor. Stress testing, which differs from alternative scenario planning, further enables us to consider a wide range of market environments in our planning and investment process. [emphasis added] *Company Letter*, page 8.

The Company's assertion that it engages in financial "stress testing" of investment opportunities substantially differs from a bona fide testing of the stress of a low carbon scenario sought by the Proposal. Further, any claims that the Company does so on an "internal" basis clearly fail to meet the Proposal's request for public disclosure of such analysis so that investors may assess the Company's ability to mitigate risks. The request of the Proposal to consider a true low demand scenario is consistent with the way that analysts in a wide array of situations request companies to go beyond optimistic projections, and undertake stress testing of lower demand scenarios. For instance, Barclays states that: "…we think fossil-fuel companies should at the very least be stress-testing their business models against a significant tightening of global climate policy over the next two decades."[19] There is no indication to shareholders that the Company undertakes any analysis of lowered demand scenarios. The Proposal seeks precisely this type of analysis urged by Barclays and others. Therefore, in the absence of responsive action by the Company that actually provides such an analysis, the Proposal cannot possibly be substantially implemented.

The Proponent certainly agrees that substantial implementation could occur if the Company disclosed information that fulfilled the guidelines of the Proposal, even if the information was provided in separate publicly available sources, e.g., the Company's sustainability report and its 10K. But the Company cannot be said to have done as *Entergy Corp.* (Feb. 14, 2014) and *Duke Energy* (Feb. 21, 2012), where those companies' reporting on GHG emissions in various forums addressed the essential purposes of the proposals. Nor is its behavior consistent with other cited cases, e.g. *Wal-Mart Stores, Inc.* (March 25, 2015) ("diversity and inclusion metric related to employee engagement" was already included in the Company's Management Incentive Plan); *Exelon Corp.* (Feb. 26, 2010) (online political contributions report fulfilled guidelines of proposal).

Although a company need not implement the proposal in exactly the manner requested, it must address the essential purpose and guidelines in order to argue it has been substantially implemented. Here, that essential purpose is a publicly available analysis of the impact on the Company resulting from public policies consistent with the globally agreed upon 2 degree target to mitigate climate change. The Company has not done so.

[19] Barclays, *Climate Change: Warming up for COP-21*, Nov. 14, 2015.

III. The Company must include the full text of the Proposal, as written, in the 2016 Proxy.

In footnote 1 of the Company Letter, the Company notes:

> Pursuant to Rule 14a-8(l), the Company is not required to include a shareholder proponent's name in its proxy statement. As stated in Staff Legal Bulletin No. 14C (Jun. 28, 2005), "Rule 14a8(l) is a self-executing provision of the rule that permits a company to exclude from its proxy statement a shareholder proponent's name, address, and number of voting securities held, as long as the company includes a statement that it will provide this information to shareholders promptly upon receiving an oral or written request." ExxonMobil's longstanding practice is to name only the lead filer of a proposal in the Company's proxy statement and to provide information regarding any co-filers only upon request. The Church of England purports to act as "co-lead-filer" of the Proposal but in the Company's view is more properly considered a co-filer. Accordingly, if the Proposal is included in the 2016 Proxy Materials, references to the "endowment fund of the Church of England" will be removed.

We believe that the Company is misconstruing Rule 14a-8(l) and Staff Legal Bulletin 14C in concluding that it can alter the language of the Proposal so as to eliminate the names of the filers. The rule in question states:

> (l) Question 12: If the company includes my shareholder proposal in its proxy materials, *what information about me must it include along with the proposal itself*?
>
> (1) The company's proxy statement must include your name and address, as well as the number of the company's voting securities that you hold. However, instead of providing that information, the company may instead include a statement that it will provide the information to shareholders promptly upon receiving an oral or written request.

As is clear from this language, the rule specifically applies to *additional information* to be included along with the *"proposal itself"*. In this instance, the reference to the co-lead filer is included in the language of the Proposal itself. It is not additional. The Proposal states at the top of the page:

> **(NOTE: All text below this sentence is part of the submitted stockholder resolution.)**
>
> This resolution is submitted by the New York State Common Retirement Fund and the endowment fund of the Church of England as lead proponents of a filing group.
>
> RESOLVED: Shareholders request that by 2017 ExxonMobil publish an annual assessment of long term portfolio impacts of public climate change policies, at….

Accordingly, in this instance, mentioning the Endowment Fund of the Church of England as well as the New York State Common Retirement Fund is not a question of including "additional information" along with the Proposal, but is part of the Proposal itself. Therefore, we request the Staff when issuing its determination of the Company's request for no action relief to expressly instruct the Company that it may not alter the language of the Proposal so as to delete this reference to the filers.

CONCLUSION

Based upon the foregoing analysis, the Proposal is not excludable under Rule 14a-8(i)(3) or Rule 14a-8(i)(10).

We urge the Staff to notify the Company that the proposal is not excludable and therefore the Company may not, in reliance on Rule 14a-8, omit the Proposal from its 2016 Proxy Materials, nor alter the language of the Proposal. Please feel free to phone me at 413 549-7333 if you have any questions regarding this matter.

Sincerely,

Sanford Lewis

Cc:

Louis L. Goldberg, Davis Polk

Patrick Doherty, Director of Corporate
Governance, New York State Common
Retirement Fund

Andrew Brown, Secretary, Church
Commissioners for England

Adam C.T. Matthews, Head of Engagement,
Church Commissioners for England

Sonia Kowal, President, Zevin Asset
Management, LLC

Jagdeep Singh Bachher, Chief Investment
Officer, The Regents of the University of
California

Elizabeth A. Pearce, Vermont State Treasurer,
Vermont Pension Investment Committee

Ann Krumboltz, Executive Director, The Brainerd Foundation

Timothy Smith, Walden Asset Management