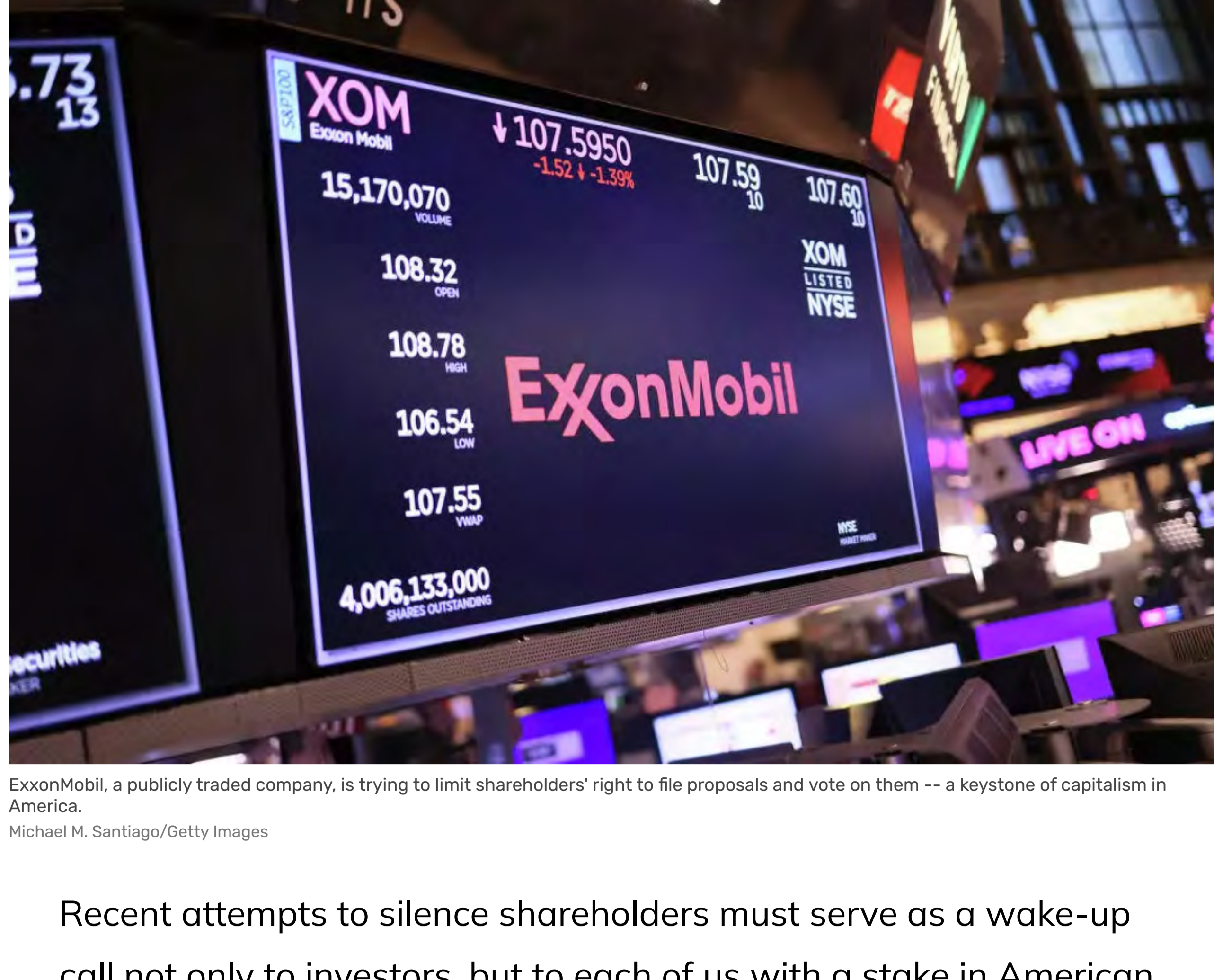


OPINION // OUTLOOK

Exxon shouldn't be able to silence its shareholders | Opinion

The corporate behemoth's lawsuit is a wake-up call to investors. And all Americans.

By Michael Frerichs
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ExxonMobil, a publicly traded company, is trying to limit shareholders' right to file proposals and vote on them -- a keystone of capitalism in America.
Michael M. Santiago/Getty Images

Recent attempts to silence shareholders must serve as a wake-up call not only to investors, but to each of us with a stake in American prosperity. Exxon Mobil's [unprecedented lawsuit against two shareholders](#), and [latest political efforts](#) to silence others, stand to undermine shareholder voting rights and pose a serious threat to American prosperity and competitiveness.

These actors seek to tie America's [\\$50 trillion equity market](#) to a [vision of the world that is narrow, outdated and fundamentally limited](#) in imagination and scope. Whether you lead an activist hedge fund, work for the world's largest asset manager or look after local teachers' pensions, these efforts deserve your fullest attention and opposition. For too long we have allowed a [coordinated silencing campaign](#) to [set the agenda](#). Instead of forcing America's free market — a cornerstone of its wealth and democracy — to remain hitched to the 20th century, now is the time to vigorously defend shareholder democracy and move companies into the 21st century.

On Jan. 21, Exxon Mobil [filed a lawsuit](#) against sustainable investment groups Arjuna Capital and Follow This to block an emissions disclosure proposal they filed from going to a shareholder vote, circumventing the regular process of petitioning the Securities and Exchange Commission. Despite the shareholder groups [dropping the proposal](#), Exxon has chosen to [move forward with the lawsuit](#). The oil giant argues that the proposal is an attempt to “micromanage” the company, and that it's in breach of rules prohibiting repeat motions that fail to win a minimum number of votes. If their lawsuit prevails, it could significantly [undercut the right](#) to file shareholder proposals and vote on them, which is a [keystone of capitalism](#) in America.

In addition, Sen. Bill Hagerty, R-Tenn., has [introduced legislation](#) doubling down on the attacks against shareholders, responsible investing and the energy transition. The bill, called the Rejecting Extremist Shareholder Proposals that Inhibit and Thwart Enterprise (RESPITE) for Businesses Act, would give public companies the power to exclude shareholder proposals that “interfere with their ordinary business operations.”

Technological change and innovation have made America into a rich superpower, based on market mechanisms that foster accountability and change. The [SEC, shareholders and open public discourse](#) all play a critical role in creating an ecosystem of free and fair competition. That includes holding companies accountable based not only on current performance but also on future fitness and the boldness of their vision.

In a competitive global landscape, [knowledge is power](#). It's clear the world [cannot](#) — and [will not](#) — continue to operate on the 20th-century template. Companies must evolve their business models and move toward the future that investors know is inevitable. The risks to business as usual are [manifold and systemic](#).

If the government stifles competition, if the government decides who can and can't be held accountable to what standards, other jurisdictions will step forward to become the 21st-century economic powerhouse and ultimately [set the agenda](#). America — its people, industry and its role in the history books — deserves more.

The rest of the world will not wait up. There can be no “RESPITE” from the changes [already underway globally](#), which will [influence](#) the economic and investment landscape in decades to come. A transition away from fossil fuels is [on the books](#). And the pace of investment, innovation and transition will not abate.

The [perils](#) for diversified shareholders, who suffer lasting economic harm when individual companies prioritize their own short-term cash flows over the health of the critical systems upon which our economy relies, are all too [apparent](#). But the [perils to companies](#) that have [touted their role](#) in contributing to this transition also cannot be overlooked.

What is needed, now more than ever, is transformation. That takes accountability, hard work and the willingness to take an honest look in the mirror and accept change where and when it is demanded. Shareholders have a critical role to play in this process.

Just as each listed company is [required to report quarterly profits and revenues](#), so too shareholders should decide whether a company is executing to its highest potential based on the evolving metrics *they* deem crucial to its business. Let shareholders determine what does and does not matter to them in determining a company's fitness for the 21st century. If it takes legal threats, blacklisting and political manipulation to dictate what can be deemed relevant, that speaks volumes about whether a company or industry thinks it's up to the test.

Tie yourself to a sinking ship and you end up at the bottom of the ocean. Companies that refuse to adapt, companies that refuse transparency because they know their current efforts do not stand the test, will go the way of that sinking ship.

We have seen shareholders — including the [Interfaith Center on Corporate Responsibility](#), which represents some \$4 trillion in assets; and the [California Public Employees' Retirement System](#) — [speak out against this lawsuit](#). Even the Council of Institutional Investors, [of which Exxon is a member](#), has offered support for the SEC as a [fair arbiter](#) over what proposals should be put to a vote.

2024 is set to be a crucial year. It is time for finance to throw its collective weight against these bullying practices.

If silence and evasion seemed convenient tactics in 2023, by 2024 it should be all too clear that backing down has become unacceptable. Make no mistake: These incursions, if left unchecked, will be just one step in a much bigger project to remove a system of checks and balances that enable America's market to operate prosperously and freely.

What's at stake, quite simply, is our future. It's time to let corporations, politicians and money managers know: The voice of the few will not strong-arm and silence the many. At the end of the day, boards remain accountable to us, and the asset owners we represent. If they do not take heed, if they seek to strong-arm us or evade the writing on the wall, our votes and our money will pick sides.

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