



FONDO PENSIONE NAZIONALE A CAPITALIZZAZIONE
PER I LAVORATORI DELLE FERROVIE DELLO STATO

EUROFER

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ExxonMobil Corporation
5959 Las Colinas Boulevard,
Irving, Texas 75039-2298, USA

Attention:

Mr Stephen Littleton, Vice President, Investor Relations

Re: Dialogue on ESG matters regarding your company

Dear Mr. Littleton,

Fondo Pensione EUROFER is the pension fund for employees of the Italian State Railways, established in March 2002 as a non-profit organization with the goal of ensuring the associated workers their standard of living during retirement, thanks to an additional contribution pension plan, complementary to the public one.

As of December 31st, 2019, over 75,000 active workers from 117 companies were members of the fund with assets under management of €1,153,779,296 a portion of which is invested in shares of your Company.

EUROFER integrates the principles of sustainability and ESG (i.e. environmental social and governance) in its investment strategies, coupled with investment principles of a typical pension fund, which require a non-speculative investment approach, a long-term time horizon, a low portfolio turnover, and a stable relationship with its members. All investments (both equity and debt) of EUROFER follow a social responsibility policy.

With this letter, we bring to your attention specific ESG aspects with the aim of creating a positive, constructive and long-term dialogue, specifically:

- **Report your policy and business plans with targets in line with Paris Goals**
- **Report your lobbying activity on climate change**
- **Implement a prison labor policy used by your suppliers**

1.Report your policy with targets in line with Paris Goals

EUROFER, in line with similar requests from some ICCR investor networks, requires companies to publish a report (at a reasonable cost, preserving confidential information) describing whether and how they intend to reduce their contribution to climate change and align their operations and investments with the aim of the Paris Agreement to contain the global temperature rise to well below 2 degrees Celsius.

The report should include information, at the discretion of the board of directors and its managers, on the relative advantages and disadvantages of integrating the following actions:

- **Adoption of greenhouse gas emission reduction targets related to the company's overall carbon footprint, including emissions related to products;**
- **Develop long-term business plans to align the company's overall carbon footprint with the Paris goals;**
- **Reduce capital investment in the development of fossil fuels not aligned with the Paris goals;**
- **Investing on a large scale in renewable energy or other emission reduction measures.**

The Intergovernmental Panel on Climate Change (IPCC) report declares that a global warming above 1.5 degrees Celsius will create catastrophic impacts. In particular, it indicates that global carbon dioxide emissions must reach "net zero" by 2050. Studies indicate that if warming is contained within 1.5 degrees Celsius compared to 2 degrees currently forecasted, that would translate into an estimated savings of 20 trillion dollars for the global economy by 2100.

The energy industry is a major contributor to climate change, and ExxonMobil is the fourth largest global GHG emitter in the industry¹. ExxonMobil's investment choices are important. Every dollar invested in fossil fuel-related resources increases the risk to the economy and the investor's portfolio.

Investors recognize this growing risk. The Norwegian sovereign wealth fund has announced divestment from the oil and gas exploration and production companies. The European Investment Bank and the World Bank have announced that they will halt funding fossil fuel projects. Other investors are asking the major producers of GHG emissions to align with the Paris goals. The criteria for alignment include: publication of data on Scope 1 to 3 emissions; adoption of a net zero target by 2050 or equivalent; a business plan to become Paris Aligned; and reducing the carbon footprint.

Other companies in the oil and gas sector are taking steps towards alignment with the Paris goals. Shell announced its ambition to reduce the greenhouse gas intensity of Scope 3 and cut the life span of oil reserves below industry standards². Total has invested substantially in renewable energy and storage. Equinor is diversifying towards renewable energies. Orsted, formerly an oil and gas company, sold its fossil fuel portfolio. Repsol has announced a net zero target by 2050 and will devalue billions of non-aligned assets³.

Conversely, ExxonMobil doesn't address Scope 3 emissions. Greenhouse gas reduction measures address only operational emissions (which represent less than 13% of total emissions). The company's investments in alternative technologies are largely offset by its investments in fossil fuels (\$200 million versus \$20 billion, respectively)⁴. A recent analysis by the company Carbon Tracker finds that 35% of Chevron's production up to 2040 is outside the Paris goals of containment global

¹ <https://www.theguardian.com/environment/2019/oct/09/revealed-20-firms-third-carbon-emissions>

² <https://www.bloomberg.com/opinion/articles/2019-06-05/shell-spending-plans-show-oil-s-end-is-no-longer-talk>

³ https://www.repsol.com/en/press-room/press-releases/2019/repsol-will-be-a-net-zero-emissions-company-by-2050.chtml?utm_campaign=zero_201912_sost-climatico&utm_source=twitter&utm_medium=social

⁴ <https://www.chevron.com/stories/chevron-announces-20-billion-capital-and-exploratory-budget-for-2019>

warming by 2 degrees⁵. The Transition Pathway Initiative indicates that Chevron's carbon intensity trajectory is far above the Paris goals⁶.

EUROFER asks you to kindly provide more information to address these concerns.

Al contrario, ExxonMobil non rendiconta le emissioni di tipo Scope 3. Your greenhouse gas reduction goals are short-term, limited to certain operations, and do not affect Scope 3 emissions. Exxon does not have a long-term business plan to align operations with the Paris 1.5 degree targets, announcing instead it plans for substantial growth in its reserve base, including emissions-intensive tar sands⁷. A recent analysis by the company Carbon Tracker finds that 35% of Chevron's production up to 2040 is outside the Paris goals of containment global warming by 2 degrees⁸. The Transition Pathway Initiative indicates that Chevron's carbon intensity trajectory is far above the Paris goals⁹.

EUROFER asks you to kindly provide more information to address these concerns.

2.Rendicontare l'attività di lobbying sul cambiamento climatico

EUROFER, in line with a similar request from other investor networks, requests that the Board of Directors conduct an evaluation and publish a report within the next year (at a reasonable cost, omitting confidential information) describing whether and how Chevron's lobbying activities (direct and through trade associations) are aligned with the objective of limiting average global warming to well below 2 degrees Celsius (the Paris Agreement goal on climate). The report should also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate those risks.

According to the most recent "Emissions Gap Report" published by the United Nations Environment Program, critical gaps remain between the commitments made by national governments and the actions needed to prevent the worst effects of climate change. Businesses have an important and constructive role to play in enabling policy makers to fill these gaps¹⁰.

Corporate lobbying activities that are inconsistent with achieving the objectives of the Paris Agreement. They present regulatory, reputational and legal risks to investors. These efforts also present systemic risks to our economies, since delays in the implementation of the Paris Agreement increase the physical risks of climate change, pose a systemic risk to economic stability, and introduce uncertainty and volatility into our portfolios.

EUROFER believes that lobbying activities aligned with the Paris goals help mitigate these risks and contribute positively to the long-term value generation of investment portfolios.

Trade associations and other politically active organizations that speak in favor of businesses often create obstacles to progress in tackling the climate crisis.

⁵ <https://carbontracker.org/reports/balancing-the-budget/>

⁶ <https://transitionpathwayinitiative.org/tpi/companies/chevron>

⁷ <https://corporate.exxonmobil.com/-/media/Global/Files/energy-and-carbon-summary/Energy-and-carbon-summary.pdf>

⁸ <https://carbontracker.org/reports/balancing-the-budget/>

⁹ <https://transitionpathwayinitiative.org/tpi/companies/chevron>

¹⁰ <https://www.unenvironment.org/interactive/emissions-gap-report/2019/>

As investors, we believe that achieving the agreed goal of the Paris Agreement is imperative. Climate change will have a devastating impact on our beneficiaries and the value of their portfolios. Two hundred institutional investors managing \$ 6.5 trillion recently wrote to Chevron, asking about how the company is handling this critical governance issue¹¹.

There is currently insufficient information available to help investors understand how Chevron operates to ensure that its lobbying activities, directly, on behalf of the company and indirectly, through trade associations, are in line with the objectives of the Paris agreement and whether ExxonMobil takes actions to address any mismatches.

Therefore, EUROFER urges the board of directors and the management to verify the lobbying activities of the company related to the climate and to report to the shareholders about them.

3. Implement a prison labor policy used by your suppliers

EUROFER, in line with a similar request from some investor networks, urges the board of directors to adopt a policy that commits the company to take measures to address the use of prison labor and the unpaid diversion program¹² in its operations and in the supply chain. In doing so, ExxonMobil may consider auditing suppliers to identify sources of unpaid diversion program manpower in its supply chain, report to shareholders on these findings, and develop additional criteria or guidelines for its suppliers and operators regarding the use of prison labor and diversion program.

According to ExxonMobil documentation related to workplace and its suppliers forced or compulsory labor is forbidden together with forms of compensation contrary to labor laws. There is no reference on issues of legally permitted prison labor and on the use of the work of the unpaid diversion program.

Financial and operational risks related to the use of inmate labor and the unpaid diversion program in a company's operations and supply chain can adversely affect shareholder value. For example, the use of prison work in supply chains can damage a company's reputation. In 2015, Whole Foods suffered a significant backlash when customers acknowledged that in-store products were being sold in stores.

The use of prison labor can also lead to a significant disruption in the supply chain. In 2018, various media outlets including Time Magazine and The Guardian revealed that tens of thousands of prisoners orchestrated multi-week work stoppages to protest significant human and labor rights violations. As the New York Times reported, these protests are increasing in size and scope, and future work stoppages are realistic as states continue to discuss ways to deal with prison labor. Colorado, for example, recently passed Amendment A, which bans unpaid prison labor. Participants in diversion programs were not convicted of any crime. According to recent reports from

¹¹ <https://www.ceres.org/news-center/press-releases/200-investors-call-us-companies-align-climate-lobbying-paris-agreement>

¹² Il programma di diversione è un programma per autori per la prima volta di alcuni tipi di reato per dare loro la possibilità di evitare di essere contrassegnati da una condanna per reato per il resto della loro vita.



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the Center for Investigative Reporting, diversion programs have provided unpaid and involuntary work to numerous companies, including ExxonMobil¹³.

This is inconsistent with the principles outlined in ExxonMobil's documents relating to workplace labor and that of its suppliers and supplier contractors. Several complaints, including class actions lawsuits, have been filed against companies using this type of labor. They claim violations of federal labor laws, which require employers to pay at least the minimum wage to employees, and human trafficking laws. In addition, several state investigations into contracting companies providing this work have been launched. This could lead to wider penalties.

Although ExxonMobil documents relating to workplace activity and supplier and supplier contractor expectations prohibit forced or compulsory labor and forms of compensation contrary to labor laws, they may fail to pay sufficient attention the use of prison labor and the job diversion program.

EUROFER believes that a careful analysis of supply chain behaviors in relation to prison work and the unpaid diversion program could help ensure that ExxonMobil does not suffer reputational damage or supply chain disruptions.

We hope that you will consider our requests as a stimulus to obtain greater consensus from all your stakeholders.

We await a kind response to our requests and we are ready to carefully analyze any further documentation regarding the points highlighted.

Sincerely,

Avv. Antonella D'Andrea, Presidente



¹³ <https://www.revealnews.org/article/they-worked-in-sweltering-heat-for-exxon-shell-and-walmart-they-didnt-get-paid-a-dime/>

