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Dear Exxon Directors,

For several years I have asked you to select a Chairman of the Board who is not also the Chief Executive Officer of the company. I have not been successful in arranging a personal meeting with you. The Annual Meeting choreography does not permit substantive conversation. The best way I have to communicate with you my continuing conviction that separation of Chairman and CEO is essential is by writing in the voice of Chairman and raising the issues that seem to me to be important. I am not qualified to be Chairman of Exxon and do not have the knowledge or experience that would be requisite in such a person. Maybe, you are already raising these issues – so much the better. I begin by acknowledging gratefully what appears a superlative operating record. The vagaries of diversification in '60s (Exxon actually offered me a job.), acquiring department stores in the '80s and the Parachute Creek debacle are in the past. The important question for the board now is to devise an appropriate strategy to make the most profitable company in the history of business the best company in the world for the foreseeable future.

1. Why is our company the one with the bull's eye on its chest? Why are we the target of so much hostility? Is this simply envy of our size and profitability? Is there a particular confrontational Exxon style that is essential to our quality of operation? Do we have to be ornery to be successful? Or, are we needlessly creating antagonism in a world that does not always accommodate the efficient operation of large companies? Hostility exists on several levels. Among them are:
  - i. the perception of inappropriate influence over government, particularly with respect to environmental and energy policies;
  - ii. the perception that we earn too much money – “how can a company be accused of earning too much money in a capitalist system?” seemed to be the response of CEO Tillerson in a generally successful appearance on television. There are several quick answers
    - a. If it has no identified commercial use for the money and simply sits on a “cash mountain”;
    - b. If by all comprehensible comparative standards too much money is paid to the senior executives;

- c. If the money that the company “earns” appears to be a simple wealth transfer from the retail buyer of gasoline and home heating oil to the company that has added no value to justify increased profits.
    - d. It seems unfair that the “tax” of inflated oil prices should inure exclusively to the profit of the company.
  - iii. The perception that we are insensitive with respect to our responsibilities as a “good citizen”
    - a. We appear never to pay legal judgments. Other companies seem able to settle litigation disputes; we seem to persist as a party with the deepest pockets and no social conscience.
    - b. Lord Browne’s prompt appearance and public acceptance of responsibility for Texas City is in sharp contrast with our own chronicle of shame with respect to Valdez.
  - iv. In sum, there is basis to conclude that Exxon “dances to a different drummer” and in doing so invites all constituencies to interpret its activities from an unfavorable perspective. Even though we are the biggest company in the world, does it make sense – almost as bravado – to defy human needs to be able to relate to us?
- 2. Lets address the question directly of “making too much money”
  - i. I make no charge of accounting or legal impropriety, but it strikes me – as an economic matter – that Dickens was right: “These are the best of times; these are the worst of times”. While the immediate cash returns in 2006 are startlingly large, the economic reality is that the deterioration in relationships with host countries and the adverse redefinition of the financial circumstances in which we operate have materially diminished the real net worth of Exxon. (As a former long time customer of more than 1 million bbls/ year of Exxon Venezuela #6, I personally feel this loss.) A real statement of our economic condition might NOT indicate that we are holding excessive cash reserves; it might suggest that we need reserves to provide alternatives to the increasing arbitrariness of host governments. Do we make this argument convincingly, or does our silence communicate that so long as the numbers are good we don’t have to explain anything to anybody.
  - ii. Is the answer satisfactory that oil price is simply a question of “the market” Sometimes we win, sometimes we lose. It seems to me the market answer is too simplistic: Plainly we have substantial input into the factors that determine the “market price”.

Exxon largely contribute to making the oil market; Exxon can't explain its vastly increased profits – Claude Raines in Casablanca – simply as the legitimate workings of a free market. What logic of the market place compels the conclusion that Exxon should receive windfall revenues so utterly beyond its capacity to use them in its business? The public needs and demands a more credible explanation.

- iii. The published numbers (Proxy A 27) relating to cash flow (in \$ millions) deserve study:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash from operations	48,138	40,551	28,498
Investment in property, plant and equipment	13,839	11,986	12,859
Common Stock acquired	18,221	9,551	5,881
Cash dividends paid	<u>7,185</u>	<u>6,896</u>	<u>6,515</u>
Increase in Cash	<b>10,140</b>	<b>7,905</b>	<b>3,397</b>
 Cash and Cash Equivalents	 28,671	 18,531	 10,626

Without further explanation, this looks as if the company needs to reinvest into operating reserves and assets less than one third of the amount of cash generated fully to employ its cash flow. Put another way, the management cannot identify enough investment opportunities that satisfy risk and return requirements. The repurchase of stock – a liquidation of the company in essence – has the utility of preventing dilution of outside shareholders' interests, among other reasons on account of generous conferrals of stock benefits to insiders. In aid of what are we accumulating cash? What is the future of a business that generates three times the cash it can economically use in its principal business?

- iv. Is there a role for shale based fuels?  
Exxon cites shale as part of the recoverable oil reserves available to support production growth through 2030 (Annual Report 17). I presume that the reason Parachute Creek was aborted in the early 1980s was that the projected future oil price then did not indicate an acceptable rate of return on the required investment. It would appear that oil prices – taking an average over the last several years – are, today, at a plateau in real dollars significantly higher than in the early '80s. Is it high enough to permit satisfactory return on investment? The establishment of a large domestic energy source could be the basis for creating a new public image for Exxon.

3. Did we pay Lee Raymond too much?

- i. The usual excuses for excessive CEO pay are unavailing

- ii. Exxon is the undisputed leader in its industry, indeed, in the commercial world. There is no question of Exxon needing to accommodate the standards set by others. Other companies follow Exxon; Exxon sets the standard.
  - iii. There is no need to protect against an executive leaving to go to another company when we consider the ineluctable calculus of the Exxon pension system. My impression of Mr. Raymond, limited I am sorry to report to the briefest of exchanges at Annual Meetings, is that he is not a greedy person, and, indeed, if necessary would pay to do the job of Exxon CEO.
  - iv. This board made a decision, free of competitive pressures, to change the nature of executive compensation in America from this day on. Top executives are now partners and not professional managers. Previous Exxon managers were neither incompetent nor poorly paid. This board has – without any element of commercial necessity - increased the level of pay by an order of magnitude and changed the dynamics of American corporate governance.
  - v. Can we argue fairly that Raymond added value in a unique way? While he was the hired steward of an existing business, did he – through the Mobil merger, for example, and huge operating efficiencies – simply add so much to value that his compensation is exceptional?
  - vi. Why did Raymond get paid an amount so much greater than that paid to Lou Rawls? Have CEOs suddenly become ten times more valuable than their predecessors?
4. Does Exxon exercise an inappropriate role in influencing government policy?
- i. Exxon’s alleged involvement in Vice President Cheney’s energy task force is cited as an example of inappropriate influence.
  - ii. The alleged involvement by Exxon affiliates in overruling EPA conclusions relating to Global Warming is another.
  - iii. Exxon’s sponsoring of “think tanks” which conclude that the science of global warming is unsettled is cited as evidence of improper influence over public debate. There will be much discussion at this meeting of global warming. What I miss is not agreement; what I miss is the sense that my company is a responsible leader of discussion and policy making.
  - iv. What is a proper role for Exxon in the determination of American national energy policy?

- a. To what extent is Exxon an international business owing a duty to maximize value to its owners and without any particular responsibility to the country in which it is incorporated and has substantial operations; or
- b. Should Exxon be viewed in any wise as a Corporate Citizen of the United States with an obligation to be sensitive to our national concerns? If the answer to this is “Yes”, then Exxon should direct attention to the most sensitive of U.S. concerns – among them, global warming and the need to increase domestic sources for liquid and gas energy use?

This is an outline of the questions that I, as Chairman, would want to ask the board of directors to consider. I fully appreciate that a more qualified Chairman would ask better questions. Hopefully, those questions that have been raised will be addressed as soon as next year’s Annual Report. I had best stop as I will have trouble covering even this material in the time permitted for shareholder questions at the Annual Meeting. I will be in Dallas from noon on May 30 and would appreciate the opportunity to talk with you before the meeting.

Respectfully Yours,

Robert A.G. Monks, for  
Ram Trust Services.