

New ExxonMobil program for retail shareholders aims to promote greater participation in proxy voting

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Thousands of U.S. public companies hold annual shareholder meetings with multiple proposals to vote on, but most shareholders, especially retail investors, do not vote because they lack the time and resources to evaluate the measures. A new ExxonMobil program, developed with Davis Polk, aims to boost proxy voting by retail investors by enabling them to give a standing instruction to cast votes as recommended by the company's board.

Each year, thousands of public companies in the U.S. hold shareholders' meetings and put multiple proposals to a vote. The vast majority of shareholders simply do not have the time or resources to evaluate each proposal. Retail shareholders in particular are overwhelmed, and consequentially most do not vote, with proxy materials ending up in the garbage or ignored. While studies show that a meaningful number of public companies have seen a sizeable increase in retail shareholders, only about a quarter of them tend to vote. The result is a huge gap in corporate governance that neglects having the views of retail shareholdings represented at shareholders meetings.

ExxonMobil has over the years heard significant frustration from retail investors over the annual time commitment required to vote at shareholder meetings. The consequences are tangible: the company's records indicate that at its most recent annual meeting, nearly 40% of its outstanding shares were held by retail investors, yet like other companies, only a quarter of these retail shares were voted. Despite low vote turnout, the company's engagements have revealed that retail investors are deeply invested in ExxonMobil's future and are eager for a more accessible way to participate in the company's voting process.

In that spirit, ExxonMobil has long received feedback from its retail investors that they would welcome the ability to give a standing instruction whereby, on an ongoing basis, their votes would be cast as recommended by the company's board. Such a retail voting program would give retail investors a "Board Recommended Policy" choice and would complement the pass-through voting and other choices that currently exist.

With this feedback from its retail shareholders, ExxonMobil and Davis Polk began working on a novel program to implement a voluntary, no-cost Retail Voting Program that would allow ExxonMobil retail shareholders to authorize the company to vote their shares consistent with the recommendation of the company's board of directors at each meeting of shareholders.¹

Participating shareholders may opt out of the program to cancel their standing voting instruction at any time and at no cost. In fact, ExxonMobil will send them an annual reminder of their enrollment in the program, to ensure that the Retail Voting Program continually reflects their voting choices. Participating shareholders can also make their own voting decisions for any upcoming meeting by using the usual proxy voting mechanisms for that meeting, essentially overriding the standing instruction.

Other companies can leverage the process already established and set up similar programs. We believe that this initiative is a valuable new alternative to encourage shareholder participation in the proxy voting process, where innovation has long stagnated due to lack of interest and investment. Developments that encourage and optimize the voices of retail shareholders, a wholly underserved market, are particularly important given the growth of retail investing,

especially a method that is accessible to the user and easy to administer for companies.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Ning Chiu

+1 212 450 4908
ning.chiu@davispolk.com

Michael Kaplan

+1 212 450 4111
michael.kaplan@davispolk.com

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¹ [ExxonMobil has received no-action confirmation from the SEC that the standing instruction is consistent with applicable proxy rules](#)