

External Citizenship Advisory Panel's Views on the 2011 Corporate Citizenship Report

Sustainability issues linked to climate change, water quality and availability, human rights, and the meteoric growth of unconventional energy resources, among others, present substantial challenges and opportunities to oil and gas companies. In 2011 and 2012, at ExxonMobil's invitation, we convened on several occasions as a panel to engage with the company about important sustainability-related challenges including the effectiveness of its 9th *Corporate Citizenship Report* (CCR).

How We Engaged

As in prior years, ExxonMobil asked us to comment on its materiality analysis and on an early draft of the CCR through conference calls and written submissions. This year we brought expanded perspectives to the task following a tour of the company's Joliet refinery, including an in-depth review of how the company implements its Operations Integrity Management System (OIMS) at the project level, and a day-long meeting with ExxonMobil experts and senior management, including two of the company's five-member Management Committee.

The comments below do not provide an official endorsement; they reflect our views as individuals, rather than those of our organizations. Additionally, these comments are focused exclusively on the *quality of the reporting* and do not evaluate ExxonMobil's strategy, policies, or operational practices. In recognition of the substantial time spent, ExxonMobil provided a donation to nonprofit organizations of several panelists' choice and reimbursed panel-related expenses.

Report Quality and Credibility

Having worked with the company on its report for four years, we appreciate the CCR's tremendous progress. We recognize how seriously the company takes its corporate citizenship programs and its increasingly strategic approach to embedding socio-economic and environmental criteria into its project management, business planning and decision-making processes. We remain impressed with the exhaustive and effective materiality assessment that identifies topics for the report.

Where ExxonMobil excels:

The company excels at reporting on areas where it has made a leadership commitment, such as health and safety, business ethics, and national content. These sections are detailed, data-driven and comprehensive. We also commend ExxonMobil for expanding reporting into new areas such as potential operational and reputational impacts of its supply chain, and a fuller discussion of the role that its R&D and technologies may play in solving environmental problems.

The company has come a long way in highlighting its many management systems and processes and showing how these contribute to a *systematic* corporate approach to local projects and issues. This approach is illustrated by more meaningful examples of specific outcomes in the report.

Where our voices have been heard:

The panel appreciates how far ExxonMobil has expanded the biodiversity, water, and spills sections of its CCR – providing a more serious look at tough environmental issues. Also, we welcome the company’s willingness to reframe its discussion of shale gas, inviting a more forthright exchange of views with stakeholders rather than merely “messaging” what is a difficult emerging issue. ExxonMobil also included examples of stakeholder engagement, underscoring a growing willingness to consult with outsiders on contentious issues. We encourage going one-step further with examples of how stakeholder feedback has *changed* ExxonMobil practices.

Where we challenge ExxonMobil to up its game:

First, ExxonMobil must do more to wrestle with the inherent contradictions it faces related to climate change – providing energy for economic and social development while curbing greenhouse gases is an exceptionally complex leadership challenge for the energy sector. The report should go beyond describing how the company reduces its operational greenhouse gas emissions to discuss how it works with others to leverage large-scale change – in other words, describe what steps it is taking to *improve* the outcomes reflected in its *Energy Outlook* including proactive policy work and collaboration with other industry leaders, NGOs and the scientific community.

Second, as always, we ask the company to set and disclose sustainability performance targets so that readers may better assess the company’s progress and challenges. This is standard practice for other large, high-impact companies.

Third, to become a stronger report the CCR should become more self-critical and also embrace critical viewpoints and voices. For example, the CCR did not sufficiently acknowledge the 2011 below-average vote on executive compensation in the Corporate Governance section nor discuss this serious investor challenge sufficiently in the report itself, despite a fuller treatment in the proxy. There are other areas that would also benefit from more thorough self-assessment. The company should consider including un-edited voices from outsiders in the report, and seek third-party verification - these are best practices.

Fourth, the company’s reporting regarding its human rights can be improved. While the company shows how it engages with communities in difficult environments, including setting up grievance-settlement mechanisms, the reports should provide information on the nature of grievances more clearly, and how issues were resolved. The extent to which the company makes use of the UN Framework for Business and Human Rights (Protect-Respect-Remedy) will also be beneficial. Reporting on human rights is a relatively new field, and the company can provide leadership by being more transparent about how it assesses risks and impacts, and focuses on outcomes, and not only on outputs and processes.

Finally, the last year has seen intense public scrutiny focusing on the role of corporate political spending and lobbying. ExxonMobil discloses information on its corporate

political contributions, but the report would be enhanced with additional data on lobbying expenses, trade association dues paid, and the percentage of those dues spent on lobbying.

Conclusion

We have observed that once ExxonMobil identifies tough problems to solve, the company can be tenacious and exacting, bringing its impressive operational and technical expertise to bear in a rigorous and disciplined manner. We look forward to the company building on its current momentum and continuing its efforts to both take on large-scale and complex sustainability challenges in collaboration with others and to stretch itself to further improve its stakeholder engagement and reporting.