

The External Citizenship Advisory Panel (Panel) is pleased to share its independent opinion of ExxonMobil's 2014 Corporate Citizenship Report (CCR). Our 2014-2015 engagement period included communications with ExxonMobil via teleconference, email and an in-person meeting at ExxonMobil's corporate headquarters. This in-person meeting afforded the Panel the opportunity to meet with key ExxonMobil managers to better understand the nuances, challenges and management approaches associated with developing and operating its new liquefied natural gas facility in Papua New Guinea, and also to engage with management on approaches to measuring social performance both in the United States and abroad.

As with past years, we had an opportunity to review and comment on an early draft of the report. While the Panel's mandate does include engaging with the company on policy and strategy issues, this statement is solely focused on the company's transparency efforts through reporting.

The comments contained in this letter are not an official endorsement of the report, the company or its policies, but rather our individual and shared views on the quality and progress made in ExxonMobil's reporting efforts.

In recognition of the substantial time spent, ExxonMobil provided a donation on behalf of the panelists to nonprofit organizations of their choice and reimbursed Panel-related expenses.

#### **2014 Commentary**

The company's reporting has evolved over the seven years of the Panel's existence. The Panel has encouraged the company to adopt a reporting style that features both processes and outcomes on key sustainability issues, including specific examples of its challenges and steps taken to resolve them. While we continue to encourage ExxonMobil to enhance its transparency efforts, we also acknowledge and appreciate many of the company's efforts to be responsive to our recommendations and concerns.

The CCR provides an important overview of the company's positions and activities on sustainability-related topics. However, to better convey the strategic importance of these issues, the report could more clearly demonstrate the alignment between the company's long-term business strategy and its sustainability reporting. The interview with Ken Cohen begins to provide some of this context by addressing some explicit stakeholder questions. We hope ExxonMobil continues to expand this type of reporting in the future.

#### ***Climate Change***

The Panel recognizes the significant steps ExxonMobil has taken to reduce greenhouse gas (GHG) emissions from its internal operations. As we noted in last year's commentary on the CCR, the biggest climate impact by far comes, however, from society's use of the company's products, *not* from their production. While the CCR does mention the company's support in principle of a revenue-neutral carbon tax, it would be strengthened by additional specifics regarding the public policy measures to reduce GHG emissions that the company is prepared to support actively. It would also benefit from a discussion of the proactive steps the company is taking toward that end.

For example, it is not clear what specific steps the company, or the trade associations of which it is a significant member, are taking to bring a well-structured carbon tax to reality. Similarly, in the discussion on efforts to limit fugitive methane emissions from oil and natural gas production, the report would be strengthened if it contained examples of specific positions taken with respect to U.S. governmental efforts (mostly at the state level) to achieve such results.

The discussion of investment decision-making has been a useful addition to this year's reporting. Going forward, we encourage the company to communicate more clearly about how differences in life cycle GHG emissions impact investment decisions. Inasmuch as all oils are not the same, we encourage the company to report not only on the different costs but also on the differing environmental impacts associated with the exploration, production, distribution and use of different types of oil and gas. We would like to see how these distinctions influence the company's investment decision making.

In addition to reporting on the effect of life cycle differences on forward-looking investments, we encourage the company to enhance its reporting of the life cycle analysis of its GHG emissions by covering a significant portion of its exploration, development, production and distribution activities as well as the end use of its products.

Finally, it would help to see a more clear statement of how the company's investment decisions are being affected by the global trends towards increased production and deployment of renewable and alternative forms of energy that produce little or no greenhouse gas emissions.

### ***Human Rights and Social Performance***

Measurement of human rights and social performance is a key sustainability challenge for all companies, especially those in the oil and natural gas industry. We are pleased to see ExxonMobil's stated commitment to explore opportunities to improve the measurement and reporting of its social performance and associated human rights impacts. We encourage the company to expand work with its competitors and outside stakeholders, such as continuing to work through the *Voluntary Principles on Security and Human Rights*, to develop consistent metrics for reporting on these issues. We recognize the challenges associated with adopting standards-based and data-driven human rights reporting and look forward to continuing to work with the company to identify best practice approaches.

The 2014 CCR provides significantly improved social examples, including a case study of the company's activities in Papua New Guinea. We believe the company now has sufficient experience from diverse regions to be in a good position to not only measure processes, but also measure outcomes associated with external interventions on human rights on the ground as well as the development impact associated with its business and community investments. Drawing from our in-person meeting at ExxonMobil's headquarters, we would like to see the company publicly report on the business case for managing community engagement around oil and natural gas infrastructure projects in difficult environments. ExxonMobil is an industry leader in data-driven decision-making and can help establish best practices in the use of social data collected at the site level to improve respect for human rights.

Going forward, site-specific examples and case studies would benefit from additional context to better demonstrate whether the example is representative of a company-wide approach, a one-off activity or a company/industry best practice. Likewise, future reports should provide detailed analysis of interventions or engagements that have proved to be challenging.

### ***Site-specific Reporting***

The challenge of sustainability-related issues is that they inherently are both global and local in nature. ExxonMobil continues to do an excellent job of reporting on the corporate policies, processes and programs that it uses to identify and, where relevant, prevent and mitigate negative impacts and enhance positive ones. As sustainability-related issues such as water, human rights and socioeconomic development increasingly demand to be addressed at the local level, we encourage the company to consider developing a systematic approach to augment its global reporting with more country-level or project-level reporting. Along with company-wide performance data, the Panel would like to see the company begin to disaggregate its performance data at the site level, as well as to provide more specific information related to site-specific process and programs. This information could be contained in the body of the annual CCR or elsewhere in readily-available public sources.

### ***Role of Suppliers, Contractors, and Other Third Parties***

Companies engage with third parties on a daily basis, including suppliers, contractors, business partners and non-governmental agencies. Whether providing goods and services or independent oversight, each of these entities has a role to play in the efficient operation of a multi-national company. As the significance of third parties has become more clear, more companies are making an effort to incorporate the positive and negative impacts associated with suppliers and contractors into their disclosure efforts. Going forward, we would like ExxonMobil to begin addressing the sustainability performance of the companies with which it does business. For example, whenever possible, the company should try to quantify the cumulative impacts of its supply chain.

Additionally, when the company references its use of third parties for the purpose of oversight or assurance, we would like to better understand their role, independence, funding source, level of oversight by the company, etc.

### **Conclusion**

The Panel appreciates the opportunity to provide structured feedback on the company's transparency efforts. We recognize the substantial progress ExxonMobil has made with regard to disclosure, and look forward to future engagements with the company to continue exploring best practices in reporting.

Sincerely,

Mark Cohen  
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Jane Nelson  
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