

Paper 2 – Fortune 500 Company – Exxon Mobil Reputation Crisis by Mrisha Sharma

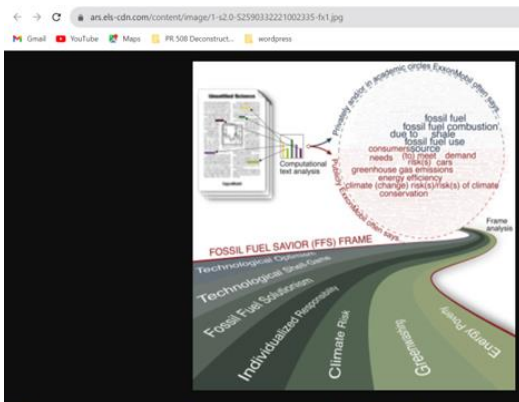
Exxon Mobil stands at third place in the Fortune 500 list, as of October 3, 2023, with its headquarters in Irving, Texas. The foundation of this global energy corporation was laid around 140 years ago and it explores, produces, refines, and markets various energy products, such as oil, natural gas, and petrochemicals. It has an excellent team of 62000 people, and the diverse workforce represents 160 nationalities, a commendable global representation. The tagline by which the company goes is 'Energy lives here,' and its mission statement says that they are committed to 'fuel the world safely and responsibly'. The question is whether they are working in compliance with all the essential regulations to keep this promise?

ExxonMobil has been under the lens for its deceitful behavior and turning a blind eye towards the dangers of climate change associated with the use and disposal of fossil fuels in the long run. In a recent study titled "Assessing ExxonMobil's Global Warming Projections," by researchers from Harvard and the Potsdam Institute for Climate Impact Research, it was revealed that Exxon scientists made accurate predictions, from 1977 to 2003, about how global warming would be caused by carbon dioxide emissions. These findings were deliberately not revealed by the company.

It was in 2015 when the discussion about Exxon hiding its findings started to gain momentum. Major news outlets discovered that the company's internal documents show that they knew about the upcoming environmental damage. Exxon disagreed with these reports and defended themselves by sharing a link to their own studies and notes from their scientists. Geoffrey Supran, lead author and former research fellow in the History of Science at Harvard along with his colleagues conducted thorough research on these documents and concluded that "they had

quantifiably misled the public, by essentially contributing quietly to climate science and yet loudly promoting doubt about that science.”

An Environmental Organization – ClientEarth has referred to the strategies of Exxon Mobil as an act of greenwashing. Darren Woods, CEO Exxon Mobil gave a shocking statement in 2020 where he stated that targeting fossil fuel emissions by oil and gas companies is nothing more than a ‘beauty competition’ because it will not be able to solve the climate change problems. The casualness with which he treated the emission problem was condemned by all.



The article published in One Earth explains how company's public communication employs misleading language to construct a storyline that undermines risks of climate change and conversely represents fossil fuels in good light and very conveniently holds the consumer responsible for their choice to use fossil fuels. A similar

notion is used in the tobacco industry where the company does not take any responsibility for selling a harmful product. On the left is the graphical representation of this by One Earth explaining the discrepancies in the internal and external communications

After all these years of denying, Exxon Mobil in 2006 made its first public statement admitting the risks of burning fossil fuels. Nonetheless, internally, Exxon executives used tactics to reduce negativity around this industry and continue making profits as surfaced during investigations conducted by The Wall Street Journal. Another aspect that came to fore was that Exxon's top executives expressed doubts about the dangers of climate change and did not feel the need to prioritize reduction of oil and gas usage.

Post this revelation, California took legal action against Exxon and other oil and gas companies. This happened while the company was publicly acknowledging the role of fossil fuels in contributing to global warming. Another lawsuit from Hawaii's Maui County, was filed in 2020 claiming that fossil fuel companies are responsible for wildfires and a recent incident in August that killed over a 100 people.

Exxon Mobil also failed to comply with the Paris Agreement, enforced in November 2016, which emphasizes that the average temperature of the earth should be maintained below 2-degree Celsius aiming to make it 1.5 degree Celsius. The company's 2025 target was rejected because it has failed to set a net-zero emission policy. They underplayed the need to spend on methods to minimize Scope 1, 2 and 3 emissions (direct, indirect and product respectively). Another issue is glamorizing the Carbon Capture and Storage scenario which they feel would produce twice the energy by 2040 as an alternate green energy, despite its failures several times while upscaling the process. The company produces 25 % of LNG ('natural' fossil gas as Exxon says) in the world and endorses it as low carbon emission fuel (which it is not) at par with solar and wind energy. Production of biofuel using Algae has been another futile exercise which is rightly called 'token project' since it has not fetched the desired results, instead it seems more as a distraction for the stakeholders.

If sources are to be believed, Exxon Mobil has earned the reputation of being a company which has spent humongous amounts of over \$33 million on groups, who on purpose mislead society into believing that climate change is a hoax. These groups tried to harbor biases against facts about the dangers fossil fuel emissions, the associated disasters which result into adding toxins to the environment, which in turn are contaminating planet Earth, fostering irreversible climatic disruptions. Over a period, all this has increased the prevalence of life- threatening diseases such

as cancers, disabilities of various forms due to mutations at cellular levels of both flora and fauna and human beings.

As per The Upright Project, which assesses how companies affect the world, Exxon Mobil has a net impact ratio of -172.6%. This indicates that its sustainability sector is mostly negative while the Societal infrastructure, Taxes, and Jobs is mostly positive. “GHG emissions, non-GHG emissions, and Scarce human capital” are the areas with negative effects. According to Sustainalytics Report, ExxonMobil’s ESG rating stands at 41.6, indicating a severe mark and it surpasses the rating of its competitors Chevron and Shell, both of which are below 40.

As a response to all the backlash the company has released its objectives for the future; stating that they will invest around \$17 billion by 2027 on “lower emission” initiatives, propel innovative methods to decrease the amount of greenhouse gas emissions from facilities by 10% as compared to the levels in 2016. Along with this they will reduce methane emissions by more than 50% across owned assets and have already achieved a 50% reduction in absolute methane emissions by 2022 compared to 2016 levels.

I think their crisis response is not as effective as it could be because they failed to repair the damage earlier. Exxon Mobil has almost always been secretive and defensive about its policies, methodologies, work ethics. The company executives have also not provided the public with any detailed apology or any kind of plan to reimburse the victims. The investigations indicate that they lack transparency.

The 2023 “Advancing Climate Solutions” report of Exxon Mobil sounds like a thoughtfully crafted strategy to bounce back in action and work to rectify their mistakes of the past. The efforts to mitigate the crisis and work on the actual underlying causes reflect upon the seriousness of the

company to regain its reputation and make sure that there is no recurrence of such crises hereon. The report also outlines the company's approach which is guided by a proactive strategic model that includes "Leading performance, Essential partner, Advantaged portfolio, Innovative solutions, and Meaningful development." The model indicates that they focus on shareholder returns, financial growth, and operational efficiency. This creates value through mutually beneficial solutions for stakeholders, helps to develop a high-performing portfolio with lower emission footprints, invest in opportunities, and innovate products and technologies targeting Net – Zero Emissions. It is mandatory to curb the impacts of fossil fuel emissions even if it means trading their profits.

As for the company's financial performance, the current stock price is \$109.99 with a recommendation from experts to buy the stock. Yahoo Finance shows that it has been largely profitable in the past ten years. The current annual reports show that Exxon Mobil generated \$364.10 billion in revenue and reported Earnings Per Share (EPS) of \$12.5 with an operating margin of 16.67%, which is better than its competitors. Therefore, it is doing well financially.

There is a welcome change whereby Exxon Mobil is adapting, complying with the environmental ethics, government rules and legalities, which is an opportunity to win over the crisis. This makes the company look reliable and shows how learning and improvement are a part of their work culture. It is crucial for a brand to acknowledge its mistake as soon as possible to maintain its reputation and trust. Exxon Mobil has the strength of a professionally dedicated and qualified team and the financial power to bring about positive change in the socioeconomic arena and restructure the company. The company has started walking the road to recovery both for itself and the environment.

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