EXXON MOBIL CORP
Form DEFA14A
May 10, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

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Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only(as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

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EXXON MOBIL CORPORATION

(Name of Registrant as Specified In Its Charter)

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Executive Compensation Overview
Executive Compensation Overview
Audio Webcast
May 10, 2013
1:00 p.m. CT

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Cautionary Statement

Cautionary Statement

Before you cast your vote on Management Resolution Item 3 - Advisory Vote to Approve Executive Compensation, please review this summary, as well as the more detailed information included in the Compensation Discussion and Analysis, compensation tables, and narrative in ExxonMobil s 2013 Proxy Statement.

Frequently Used Terms. For definitions of, and additional information (including the information required by SEC Regulation G) concerning capital employed,

return on average capital
employed,
projects,
distributions
to
shareholders,
and
other
terms
used
in
this
presentation,
see the Frequently Used Terms
on the *Investors* page of our website at exxonmobil.com.
Forward-looking Statements.
Information
concerning
future
events
or
conditions
in
this
presentation
or
subsequent Q&A period are forward-looking statements. Actual future results, including capital expenditures; business and project plans, timing, costs, and capacities; and financial and operating results or returns may differ materially due to a number of factors. These factors include: changes in oil or gas prices and other market factors affecting the oil and gas industry; the outcome of exploration and development programs; the occurrence and duration of economic recessions; changes in law or government regulation; the outcome of
commercial
negotiations;
actions
of
competitors;
the
development
of
new
technology;
and
other
factors
discussed in Item 1A of ExxonMobil s most recent Form 10-K and under the heading Factors Affecting
Future Results
on the *Investors* page of our website at exxonmobil.com. Forward-looking statements are
based on management s knowledge and reasonable expectations as of the date hereof, and we assume no
duty to update such statements as of any future date.

As shown on slide 2, please bear our Cautionary Statement in mind during today s discussion.
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Agenda
Agenda

Key Elements of ExxonMobil s Business Strategy

Shareholder Engagement

Long-Term Business Performance and Basis for Compensation Decisions

Financial and Operating Performance

Strategic Business Results

Annual Bonus Program

Restricted Stock Program

Scale and Scope of ExxonMobil

Questions and Answers
3

Turning to the agenda on slide 3, we will begin our review with a quick recap of ExxonMobil s key business strategies and discuss our shareholder engagement
in 2012.

The balance of the review will focus on how the compensation program is carefully designed to address the unique characteristics
of
our

business
and
incentivize
management
to
achieve
long-term,
sustainable
shareholder
value.
3

Key Elements of ExxonMobil s Business Strategy
Key Elements of ExxonMobil s Business Strategy
Best-in-class Upstream, Downstream, and Chemical businesses

4
Effective risk management, safety, and operational excellence
Integrated business model
Disciplined processes
World-class assets across all business lines
Focus on profitability and returns
Long-term approach

4

ExxonMobil s mission is to be the premier petroleum and petrochemical company in the world. To deliver on that mission requires
each
of
our
three
business

lines,
Upstream,
Downstream,
and
Chemical,
to
be
premier
among
their
peers.
Some of the key aspects of our strategy to achieve this mission are shown on this slide.

Our relentless attention to operational excellence supports safe, reliable, and efficient operations. We develop and deploy systems to consistently apply the highest standards leading to best-in-class operating performance.

We are uniquely positioned to fully harness value across our businesses through integration. We leverage the complementary nature of each of our businesses to capture the maximum value of every molecule that moves through our hands.

At ExxonMobil, we employ disciplined processes in everything we do, from initial resource capture, through capital project development, to ongoing operations.

Within each of our businesses, the quality, size, and diversity of our portfolio provide unique competitive advantages to ExxonMobil.

We have a continued, long-term focus on maximizing profitability and returns from every asset in each of our business lines.

This long-term approach has positioned each of our businesses to be at the
top of their respective areas of competition,
which allows us to maximize long-term shareholder value.

Given the long-term nature of our industry, and ExxonMobil s business model, it is very important to have a compensation program that effectively links executive compensation to both the performance of the business and the shareholder.

Shareholder Engagement
Shareholder Engagement

In 2012, more than 77 percent of votes cast were in favor of the say-on-pay resolution.

Wide-ranging dialogue between management and numerous shareholders, including the Company s largest shareholders.

Positive shareholder feedback was received on the following:

More than half of total compensation in equity.

Very long stock holding periods that extend through retirement.

Delayed payout of 50 percent of the annual bonus.

Disclosure of six years of realized pay history (full tenure of CEO).

Strong executive development, retention, and succession planning.

Absence of employment contracts and change-in-control arrangements.

All U.S. executives (more than 1,000), including the CEO, participate in **common** programs (the same salary, incentive, and retirement programs).

Improved overall disclosure of the compensation program.

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5

The Compensation Committee of the Board believes that our compensation program should not be designed in isolation. This also means the Committee is committed to engagement between shareholders and the Company to fully understand diverse viewpoints on the topic of executive compensation.

The Committee has carefully considered the results of the 2012 advisory vote in which more than 77 percent of votes cast supported the say-on-pay resolution (increase from 67 percent in 2011).

The Compensation Discussion & Analysis (CD&A) and brochure describe our exchange with shareholders in 2012 both before after the vote on executive compensation.

The dialogue provided an excellent opportunity to exchange perspectives.

A summary of the positive feedback we received from shareholders on our compensation program is described on this slide.

Shareholder Engagement, cont d
Shareholder Engagement, cont d

The Compensation Committee carefully considered shareholder feedback on executive compensation and identified two opportunities to enhance disclosure:

More detailed explanation of the performance basis for determining the annual bonus program.

In response, this year s disclosure provides additional detail concerning the formula basis used to determine the annual bonus program.

More explanation of the Compensation Committee s determination that restricted stock grants with long vesting periods and risk of forfeiture provide better alignment with ExxonMobil s business model than a short-term, formula-based method of structuring stock grants.

In response, this year s disclosure provides charts and expanded explanation to illustrate why we believe our current stock program aligns more closely with ExxonMobil s business model and the long-term interests of our shareholders.
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6
Last year, we also received several questions related to the formula basis for our short-term incentive program. We have enhar
disclosure in response to shareholder feedback, which includes more detailed explanation of the steps to arrive at the annual bo
This dialogue with shareholders also included discussion on whether the Company should consider the use of formula-based pa
Restricted Stock Program tied to metrics, such as one- or three-year total shareholder return (TSR).
In response to this shareholder feedback, we have enhanced our disclosure to better illustrate the direct linkage between our bu
model and our current long-term incentive compensation design versus a typical formula-based stock program.

We will cover the charts related to both of these subjects later in this webinar.

Financial and Operating Performance
Financial and Operating Performance

Financial and operating results outlined below provide additional perspective on Company performance:

Earnings of **$45 billion** in 2012, increased by 9 percent versus 2011. Five-year annual average of $36 billion in earnings.

Distributed more than **$30 billion** in dividends and share purchases to shareholders in 2012, for a distribution yield of 7.5 percent. Distributed $292 billion in dividends and share purchases since the beginning of 2000. Dividends per share increased for the 30th consecutive year.

Industry-leading return on average capital employed of 25.4 percent, with a five-year average of 24.4 percent.

Improved 2012 safety and operations performance supported by effective risk management.

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In addition to linking long-term incentive compensation to the long-term performance of the business, the Compensation Committee also links the short-term incentive compensation to the short-term financial and operating performance.

The financial and operating results outlined on slide 7 provide additional perspective on Company performance, as considered by the Compensation Committee.

As noted on the slide, earnings of $45 billion in 2012, increased by 9 percent versus 2011. Five-year annual average of $36 billion in earnings.

We also distributed more than $30 billion in dividends and share purchases to shareholders in 2012, for a distribution yield of 7.5 percent. Distributed $292 billion in dividends and share purchases since the beginning of 2000. Dividends per share increased for the 30th consecutive year.

We once again achieved an industry-leading return on average capital employed of 25.4 percent, with a five-year average of 24.4 percent.

Of critical importance in 2012, we improved our safety and operations performance that was supported by effective risk management.
7

Strategic Business Results
Strategic Business Results

Advanced a Strategic Cooperation Agreement with Rosneft to jointly participate in exploration and development activities in Russia, the U.S., and Canada.

Expansion of opportunities in Romania, Tanzania, Nigeria, Australia, and Papua New Guinea added to the resource base.

Strong progress on the following major projects:

First oil for three projects in Africa.

Kearl Oil Sands project in Canada.

Singapore Chemical Expansion project in Asia Pacific.

Liquefied Natural Gas project in Papua New Guinea.

Expansion of unconventional acreage positions in the U.S. and Canada.

Restructured Downstream and Chemical holdings in Japan.
8

8

Another key performance criterion underlying the compensation decisions made by the Compensation Committee in 2012 was the progress achieved on several strategic priorities.

The accomplishments outlined on slide 8 are expected to have a positive impact on Company performance for decades, potentially generating significant shareholder value.

We advanced the Strategic Cooperation Agreement with Rosneft to jointly participate in exploration and development activities in Russia, the United States, and Canada.

We expanded opportunities in Romania, Tanzania, Nigeria, Australia, and Papua New Guinea, thus adding to our resource base.

We achieved strong progress on the following major projects:

Expanded our unconventional acreage positions in the liquids-rich Bakken and Woodford Ardmore plays in the United States and signed an agreement to acquire acreage in the Montney and Duvernay plays in western Canada.

Restructured Downstream and Chemical holdings in Japan to further improve efficiencies and optimize returns.

First oil for three projects in Africa with a gross capacity of 350,000 barrels per day.

Completed construction and began commissioning activities for the Kearl Oil Sands project in Canada and the Singapore Chemical Expansion project in Asia Pacific.

Advanced the Liquefied Natural Gas project in Papua New Guinea.

Long-Term Business Performance and
Long-Term Business Performance and
Basis for Compensation Decisions
Basis for Compensation Decisions
9

(1) Employee and contractor safety data from participating American Petroleum Institute companies (2012 industry data not a

(2) XTO Energy Inc. data included beginning in 2011.

(3) Royal Dutch Shell, BP, and Chevron values are on a consistent basis with ExxonMobil, based on public information. For information concerning the calculation of ROCE, see page 5 of the 2012 Financial Statements and Supplemental Information i Statement.

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Given our objective of industry-leading performance in risk management and return on invested capital, this slide provides a scorecard of our performance over the last several years.

The results shown here helped form the basis for compensation decisions by the Compensation Committee.

Chart 1: Safety

Lost-time injuries and illness is one of several safety, health, and environmental metrics. We continue to substantially outperform the industry benchmark with respect to safety; a key indicator of risk management and operations excellence. The uptick in 2011 included XTO but we have returned to near best-ever performance in 2012.

Chart 2: Profitability

Return on average capital employed (ROCE) is a key metric in our industry. ExxonMobil s ROCE continues to far exceed the average of our competitors year after year and throughout the commodity price cycle, and is reflective of the investment decisions made by senior management over a long period of time.

Long-Term Business Performance and
Long-Term Business Performance and
Basis for Compensation Decisions, cont d
Basis for Compensation Decisions, cont d
10

(4) TSR represents annualized returns assuming dividends are reinvested when paid.
(5) Royal Dutch Shell, BP, and Chevron values are on a consistent basis with ExxonMobil, based on public information.
(6) AT&T, Boeing, Chevron, Ford, General Electric, Hewlett-Packard, IBM, Johnson & Johnson, Pfizer, Procter & Gamble, are on a consistent basis with ExxonMobil, based on public information.

An analysis of historical TSR shows that one- and three-year

TSR
bears
little
correlation
to
prospective long-term TSR performance.

10

We know from the previous slide that we have consistently generated industry-leading financial and operating performance, but the question is How have our shareholders fared over the long term?

We typically compare our performance, including shareholder returns, to companies with similar size and scale
in
the

same industry. However, given the relatively small number of U.S.-based oil and gas companies of comparable size and scale to ExxonMobil, and to provide a reasonable point of reference, we also compared TSR against the 12 companies used for benchmarking compensation.

As you can see from the charts, ExxonMobil exceeds the average TSR of our industry competitors and compensation comparator companies across most time periods, including the more important long-term trend for 10-, 20-, and 30-year time periods.

Our compensation strategies are designed to support long-term TSR performance as reflected in these graphs. Some compensation models advocate the use of short-term TSR as a basis to measure business performance; however, we do not believe short-term TSR is a good predictor of sustainable growth in shareholder value in the long term.

Page 48 of the CD&A describes an analysis that we recently conducted to validate our view that short-term TSR is not a good predictor of future long-term TSR.

Specifically, we measured the correlation between historical short-term TSRs (one- and three-year) and prospective long-term (10-year) TSRs for both ExxonMobil relative to the S&P 500 and ExxonMobil relative to our industry group.

Our analysis shows that there is very low correlation between short-term relative TSR and long-term stock performance when ExxonMobil is measured against the industry or S&P 500.

This underscores the importance of ExxonMobil s compensation program maintaining a strong emphasis on the long-term orientation of the business. More specifically, the compensation program discourages executives from taking short-term actions at the expense of long-term, sustainable growth in shareholder returns.

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Over the most recent five-year period, ExxonMobil average annual
combined dividend and share repurchase distribution yield was 7.2 percent,
more than 50 percent higher than the industry group average of 4.7 percent.

(1)
Dividends and share repurchases as a percentage of beginning-of-year 2008 market capitalization.

(2)
Royal Dutch Shell, BP, and Chevron values are on a consistent basis with ExxonMobil, based on public information.

Long-Term Business Performance and
Long-Term Business Performance and
Basis for Compensation Decisions, cont d
Basis for Compensation Decisions, cont d

11

Chart 5:
Annual Distribution Yield

Compares ExxonMobil to the industry group on the basis of combined dividend and share repurchase distribution yield.

Over the most recent five-year period, ExxonMobil had an average yield of 7.2 percent, more than

50 percent higher than the industry group average of 4.7 percent.

This metric further demonstrates the financial strength of ExxonMobil and its ability to provide industry-leading total distributions to shareholders.

With these short-
and long-term performance results in hand, let s now look at actual compensation awarded in 2012 and how this compensation fully aligns the interests of senior management with the interests of long-term shareholders.

CEO Compensation
CEO Compensation
12

Difference between Reported Pay
and Realized Pay
reinforces the concept
that a significant portion of the CEO s compensation is deferred, at risk of
forfeiture, and dependent on future performance of the Company
CEO Reported Pay vs. Realized Pay
6
6
Year of
Compensation
Reported Pay
(3)
Realized Pay
(4)
Realized Pay vs.
Reported Pay

Realized Pay as
a Percentage of
Reported Pay
2012
$ 40,266,501
$ 15,561,163
-$ 24,705,338
39%
2011
$ 34,920,506
$ 24,637,196
-$ 10,283,310
71%
2010
$ 28,952,558
$ 14,229,609
-$ 14,722,949
49%
2009
$ 27,168,317
$ 8,530,165
-$ 18,638,152
31%
2008
$ 32,211,079
$ 10,212,091
-$ 21,998,988
32%
2007
$ 27,172,280
$ 12,884,308
-$ 14,287,972
47%
2006
$ 22,440,807
$ 6,712,435
-$ 15,728,372
30%
Average
43%

(3) Reported Pay is Total Compensation based on the current reporting rules for the Summary Compensation Table. Reporte
the grant date value of restricted stock to put all years of compensation on the same basis (rather than the annual expense value
Summary Compensation Table for each of these years).

(4)
Realized
Pay
is
compensation
actually
received

by the CEO during the year: salary, current portion of bonus, and all other compensation as reported in the Summary Compensation Table; payouts of previously-granted Earnings Bonus Units (EBUs); and value realized on option
as reported in the Option Exercises and Stock Vested table. Excludes the value of new/unvested EBUs and restricted stock gra
value and non-qualified deferred compensation earnings, and other amounts that will not actually be received until a future date.

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A substantial portion of the CEO s compensation granted by the Compensation Committee and reported in the CD&A represents an incentive for future performance, not current cash compensation.

This long-term incentive pay will not actually be received by the CEO for many years in the future, and the value of this pay when realized may differ significantly
from the amounts shown in the

Summary Compensation Table, depending on how ExxonMobil actually performs.

Chart 6: CEO Reported Pay vs. Realized Pay

This chart demonstrates the long-term orientation of the compensation program. It shows the amount of reported pay and realized pay by the CEO since his appointment in 2006.

The reported pay is the total from the Summary Compensation Table and realized pay is the pay actually received during the year.

The difference between reported pay and realized pay reinforces the concept that a significant portion of the CEO s compensation is deferred and dependent on future performance of the Company. For example, half of the shares granted in 2012 will not vest until 2022, well into retirement.

It should also be noted that the reported pay includes $6 million in the annual pension accrual estimate that resulted from the reduction in the lump sum interest rate. The actual pension value will be determined at retirement based on the interest rate in place at that time. An increase in the interest rate would reduce the lump sum value of pension benefits.

Realized pay as a portion of reported pay averaged 43 percent (range 30 percent to 49 percent) from 2006 to 2012.

The realized pay
column includes the value realized from the exercise of stock options that
were granted in 2001 and in prior years. In 2011, 39 percent ($9.6 million) of realized pay
resulted from the exercise of the last options granted to the CEO; the execution of those
options reflects the impact of ExxonMobil stock appreciation since 2001.

ExxonMobil has not granted any stock options to the CEO or any other employee since 2001.

CEO Compensation, cont d
CEO Compensation, cont d
13
CEO Realized Pay vs. Reported Pay
ExxonMobil vs. Compensation Benchmark Companies
(1) **Comparator companies consist of: AT&T, Boeing, Chevron, Ford, General Electric, Hewlett-Packard, IBM, John**
Procter & Gamble, United Technologies, and Verizon.
(2)
Realized Pay is compensation actually received by the CEO during
the year. Amounts reported for ExxonMobil are as shown on the prior slide.
Amounts for other companies above include: salary, bonus, non-equity incentive plan compensation, and all other compensati
the Summary Compensation Table, plus value realized on option exercise or stock vesting as reported in the Option Exercises a
table. Excludes the value of new/unvested stock, option, and other plan-based awards; change in pension value and non-qualif
compensation earnings; and other amounts that will not actually be received until a future date.
(3)
Reported Pay is Total Compensation as reported in the Summary Compensation Table. The values shown correspond to the co
the highest, middle, and lowest realized pay values.
($ in thousands)
Realized Pay
(2)
Reported Pay
(3)
Realized Pay as

a Percentage of
Reported Pay
Highest
$ 68,443
$ 20,956
327%
Middle
$ 20,455
$ 25,806
79%
Lowest
$ 1,994
$ 15,362
13%
ExxonMobil
$ 15,561
$ 40,267
39%
Position
9 of 13
1 of 13
Rank (Percentile)
33
100
(1)

13

We recently completed an analysis of 2012 CEO realized pay
versus reported pay
for our compensation
benchmark companies.

The realized pay
column illustrates that ExxonMobil s CEO was at the 33rd percentile (rank 9 of 13) compared

to the 12 compensation benchmark companies in 2012, with the middle at just over $20 million and a high of just over $68 million. This underscores the unique, long-term orientation of our compensation program.

The column labeled reported pay
shows the total compensation based on the current reporting rules for the
Summary Compensation Table.

The primary difference between realized pay
for ExxonMobil and the comparator companies is the longer
orientation of our pay program.

To put the long-term nature of ExxonMobil s realized compensation values into perspective, the stock awards that vested in 2012 represented 50 percent of a grant made in 2007.

Not only does this longer-term orientation support our business model, it is also a key ingredient in our strategy to retain our executive talent.

As you can see, the CEO s pay on the Summary Compensation Table can be very different from actual take home
compensation in any given year. We believe the best way to understand these differences is to assess
multiple consecutive years of realized pay
versus reported pay
as we illustrated in the prior chart.

CEO Compensation, cont d
CEO Compensation, cont d
14
(3)
Reported Pay is Total Compensation based on the current reporting rules for the Summary Compensation Table. Reported Pay
grant date value of restricted stock to put all years of compensation on the same basis (rather than the annual expense value tha
Summary Compensation Table for each of these years).
(5) TSR represents annualized returns assuming dividends are reinvested when paid.
CEO Pay Alignment

The
following
chart
illustrates
how
the
percent
change

in Reported Pay has tracked ExxonMobil s TSR during the current CEO s tenure.

Chart 6: CEO Reported Pay vs. TSR

This chart illustrates how the percent change in reported pay has tracked ExxonMobil s total shareholder returns (TSR) during the current CEO s tenure.

There is a strong correlation between CEO pay and ExxonMobil stock performance.

In 2012, the lag effect in CEO reported pay
versus TSR is because of the impact of the pension accrual number,
as discussed on page 12 of this presentation.
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Annual Bonus Program
Annual Bonus Program
15

Annual bonus for CEO increased 5 percent in 2012 compared to a 9-percent increase in corporate earnings.

Annual bonus program based on the annual percentage change in projected net income according to a formula.

Bonus formula has been consistently applied in each of

the last 11 years, including
years in which earnings
declined.

(1)
Since bonuses are granted in late November of each year, the formula relies on a projection of calendar year earnings just prior

(2)
The purpose of the two-thirds adjustment is to mitigate the impact of commodity price swings on short-term earnings performa

(3)
The earnings projection for 2012 versus the projection for 2011 was +7 percent (7% x 2/3 = 5% change in annual bonus award

15

Since 2002, the annual bonus program for more than 1,600 executives worldwide, including the CEO, has been based on the annual percentage change in projected net income of the Corporation according to the formula shown on this slide. The net income (earnings) performance is tempered (2/3 x earnings) to mitigate the impact of commodity price swings on short-term earnings performance.

The bonus program size is a small percentage of corporate earnings (0.6 percent in 2012).

Chart 8: Percent Change in Earnings vs. Percent Change in Bonus Award Program

The line graph displays the consistent application of the bonus formula in each of the last 11 years, including years in which earnings declined.

We benchmark the bonus program, along with all other compensation, to ensure alignment with the market (as described beginning on page 42 of the CD&A).

Actual individual bonus awards are differentiated based on pay grade and individual performance assessment. For this reason, the annual change in an executive s bonus may not always track the percentage change in the bonus program.

The CEO s 2012 bonus was aligned with the formula and was based on the Compensation Committee s assessment of the CEO s performance as strong, which was heavily influenced by financial and operating results and progress on strategic priorities.

Annual Bonus Program, cont d
Annual Bonus Program, cont d
16
50 percent of annual bonus is delayed until ExxonMobil s cumulative EPS reach a specified level ($6.25).
EPS threshold has been raised steadily over the years (e.g., $3.00 in 2001).
This delayed bonus feature further aligns the interests of senior executives with sustainable growth in shareholder value.

Delayed Bonus Feature:

Annual Bonus as a Percentage of Total Pay:
Small
portion
(12
percent
for
CEO
in
2012)
of
total
compensation
to
reflect
the
Committee s continuing emphasis on the long term.
Long-term, stock-based compensation represents 49 percent of total compensation, and 72 percent of total compensation when the pension accrual is excluded.

Recoupment:
Annual bonus, including delayed portion, is subject to recoupment in the case of a material negative restatement of the Corporation s financial or operating results.
–
–
–
–
–

The annual bonus award is split into two components; a cash award which pays out immediately and a delayed award that pays out when ExxonMobil s cumulative earnings per share reach a specified level.

Delayed Bonus Feature:
For
CEO,
the
2012

bonus was $4.6 million, half of which was paid at grant date and the other half will not pay out until cumulative earnings per share reach $6.25 (vs. $6.00 in 2011). The bonus in total is up 5 percent from last year compared to a 9-percent increase in earnings.

The earnings-per-share threshold has been raised steadily over the years. For example, it was $3.00 in 2001. This delayed bonus feature further aligns the interests of senior executives with sustainable growth in shareholder value.

Annual Bonus as a Percentage of Total Pay: The bonus is designed to reflect a small percentage of total compensation (12 percent for the CEO in 2012) to help keep the emphasis on the long-term orientation of the business.

Recoupment:
The annual bonus is also subject to recoupment in the case of a material negative restatement of the Corporation s financial or operating results.

Annual Bonus Program, cont d
Annual Bonus Program, cont d
17
Summary of Three Performance Factors that Determine Annual Bonus
1.
Award
program
varies
based
on
annual
earnings

as
previously
2.
Award
program
differentiates
bonus
based
on
individual
performance
3.
Fifty
percent
of
bonus
is
delayed
until
cumulative
earnings
per
share
described.
assessment
reach a specified level.
.
,

17

In summary, the bonus program is determined annually as follows:

Annual change in bonus program determined by earnings performance, and tempered (2/3 x earnings) to account for commodity prices.

Specific individual award amounts are then determined by comprehensive individual performance assessment process.

The Compensation Committee goes one step further by delaying 50 percent of annual bonus amount and tying it to an earnings-per-share (EPS) trigger; there are not two bonuses
there is one bonus, half of which is subject to this delay
feature.

$6.25 cumulative EPS trigger is not meant to be a target but supportive of ongoing performance and continuous improvement.

During the delayed period, awards are subject to forfeiture.

Restricted Stock Program
Restricted Stock Program
Risk Management and Investments
Risk Management and Investments
18

Business model is characterized by significant capital intensity, operational risk, and long investment lead times that can span multiple decades.

ExxonMobil expects to invest $190 billion over the next five years.

18

Due to the nature of our industry and size of ExxonMobil, our senior executives are responsible for making very large capital investments
that
generate
attractive
returns
on

capital
employed
for
many
years
into
the
future.

These capital investments, including more than $39 billion in 2012, can take 10+ years to generate revenues and shareholder value. We expect to invest approximately $190 billion over the next five years to continue to exploit our diverse worldwide resource base and markets.

This level of spend requires a disciplined and selective strategy of investment. It also requires strong project execution and risk management. The restricted stock program reinforces these priorities.

This level of investment far exceeds the investments by most other companies across all industries.

Chart 9: Project Cash Flow

This
chart
is
an
example
of
the
annual
investment
required
and
the
cash
flow
generated
by
a
typical
ExxonMobil
project.
You
will
see
this
chart
again
later
as
we
describe

its
connection
to
our
restricted
stock
program.

ExxonMobil s stock program is unique in how it effectively links executive pay to our business model and the interests of long-term shareholders.

This
linkage
is
achieved
by
granting
more
than
half
of
annual compensation

in the form of
restricted stock.

50
percent
not
vesting
until
10
years
after
grant
or
retirement,
whichever
is later.

Remaining 50 percent of the shares not vesting until five years after grant.

Substantial portion of an executive s compensation is held in the form of ExxonMobil stock for many years after the executive retires.

For
example:
Restricted Stock Program
Restricted Stock Program
ExxonMobil Restricted Program
ExxonMobil Restricted Program
19
What if we compare the ExxonMobil Restricted Stock Program
with a formula-based alternative?

Half
of the
shares
granted
to
the
CEO
in
2002
will
not
vest
until January 2018, or 15 years
later.

Half of the shares granted to the CEO in 2012 will not vest until 2022, well after retirement.

Vesting is not accelerated for any reason other than death.

ExxonMobil s Long-Term Program Design:

ExxonMobil s stock program aligns with long investment lead times by granting restricted stock with long vesting periods.

Half of the CEO s reported compensation is in restricted stock (or 72 percent when the pension accrual is excluded) with vesting periods far longer than most companies across industries; 50 percent in 10 years or retirement, whichever is later, and 50 percent in five years.

This means that a substantial portion of an executive s compensation will continue to be held in the form of ExxonMobil stock for many years after the executive retires.

As an illustration of these long vesting periods, half of the shares granted to the CEO in 2002 will not vest until January 2018, or 15 years later. 2018 marks the first calendar year after the CEO reaches mandatory retirement age in 2017.
Also, as indicated earlier, half of the shares granted in 2012 will not vest until 2022,
well after retirement.
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Vesting is not accelerated for any reason other than death.

ExxonMobil s Long-Term Program Design vs. a Formula-Based Program:

Some shareholders have suggested that ExxonMobil consider using a formula-based measure of relative performance to increase the variability of our restricted stock payouts, or vesting. Several of our competitors in the oil/gas industry use a TSR ranking method with a three-year performance period.

We have tested various approaches against our business model. Specifically, we tested whether a three-year formula-based approach would match the requirements of our business model.

The observations of our analysis are described on the following slides.

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A key observation is the potential for the alternate formula-based program with a short-term focus to result in unintended consequences:

Rewarding short-term performance that bears little correlation to long-term sustainable growth in shareholder value.

Diminished focus on long-term
operations integrity.

Incentive to underinvest in the
business to achieve short-term
TSR results.

Incentive to take excessive risks.

ExxonMobil case represents an annual grant of restricted stock per normal vesting provisions.

Alternate case represents an annual grant of the same target number of shares vesting on the third anniversary of the grant date, according to a relative three-year TSR rank versus our primary competitors.

Payout factors: Rank 1 = 200 percent; Rank 2 = 150 percent; Rank 3 = 50 percent; and Rank 4 = 0 percent.

TSR ranking determined by Monte Carlo simulation with equal probability of each rank outcome; method consistent with U.S. GAAP accounting principles for valuing performance stock awards.
Restricted Stock Program
Restricted Stock Program
ExxonMobil
Program
vs.
Alternate
Formula-Based
Program,
cont d

Shares vest on the third anniversary.
Percentage of target shares vesting depends on ExxonMobil s relative three-year TSR rank versus primary competitors Royal Dutch Shell, BP, and Chevron.
Payout factors: Rank 1 = 200 percent; Rank 2 = 150 percent; Rank 3 = 50 percent; and
Rank 4 = 0 percent.
TSR ranking determined by Monte Carlo simulation consistent with U.S. GAAP accounting principles for valuing performance stock awards.
Rewarding short-term performance that bears little correlation to long-term sustainable growth in shareholder value.
Diminished focus on long-term operations integrity.

Incentive to underinvest in the business to achieve short-term TSR results.
Incentive to take excessive risks.
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Chart 10: Shares Vested by Year

This chart helps illustrate the share payout profile of the three-year formula method versus our current approach.

In this example, the red shading indicates the ExxonMobil case of an annual grant of restricted stock per the normal vesting sc
of 50 percent in five years and 50 percent in 10 years or retirement, whichever is later.

The alternate method (blue line) represents an annual grant of the same target number of shares vesting on the third anniversary of the grant date, according to a relative-TSR formula in which:
A key observation is the potential for the alternate formula-based program with a short-term focus to result in unintended consequences such as:

ExxonMobil design better aligns with the lead times and risks of our business.

Alternate design introduces high degree of variability and earlier payout:

Misaligned with ExxonMobil investment profile.

Could result in overemphasis on short-term business performance at the expense of sustainable risk management and long-term business results.

Sustainable growth in shareholder value relies on strong alignment between the design of compensation and the ExxonMobil investment profile.
Restricted Stock Program
Restricted Stock Program
ExxonMobil
Program

vs.
Alternate
Formula-Based
Program,
cont d
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Chart 11: Integration of Project Net Cash Flow

and
Compensation
Program
Design

This chart combines the prior two charts showing project net cash flow and vested shares to illustrate the relationship between the investment profile of a typical ExxonMobil project and the vesting profiles of the ExxonMobil stock program and the alternate method.

This chart also illustrates how the ExxonMobil design of granting and vesting stock better aligns with the lead times and risks of our business.

The high degree of variability of the alternate method (blue line) and earlier payout are misaligned with the investment profile of a typical ExxonMobil project and could result in an overemphasis on short-term business performance at the expense of sustainable risk management and long-term business results.

Sustainable growth in shareholder value relies on a strong alignment between the design of compensation and the ExxonMobil investment profile shown in the chart.

Approximately 70 percent of a senior executive s cumulative shares granted over the illustrated time period will be unvested and at risk during employment under the ExxonMobil program, versus approximately 30 percent for the alternate case. After retirement, the ExxonMobil executive will continue to have shares unvested and at risk of forfeiture for 10 years.

We have discussed the possibility of assigning a formula to these long vesting periods; however, the challenge is that designing a credible compensation formula requires having some reasonable line of sight. When mapping a formula to a 10-
to 15-year vesting period, there are too many unknown variables that could result in unintended consequences.

We believe the current method with unparalleled vesting periods provides a much higher risk profile than three-year formula-based incentive awards.
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Restricted Stock Program
Restricted Stock Program
ExxonMobil Restricted Program
ExxonMobil Restricted Program

Alignment with Long-Term Shareholders

Executive s compensation is at risk in a way that is similar to the risk assumed by long-term shareholders.

Our
compensation
program
is
intended

to
drive
business
decisions
by
executives
that are consistent with the priorities of long-term shareholders.

Hold *Through*
Retirement

Substantial portion of compensation is held in the form of ExxonMobil stock for many years after the executive retires.

Risk of Forfeiture

In the oil and gas industry, management decisions on large, capital-intensive
projects
affect
financial
and
operating
results
for
decades
into
the
future.

Thus, to motivate executives to achieve the best long-term results the holding
periods
and
the
risk
of
forfeiture
of
these
stock-based
awards
extend
beyond
retirement
and are far longer than most other companies.
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22

Alignment with Long-Term Shareholders:

The
underlying
premise
of
this

design feature is to encourage a mindset among senior executives that aligns with the interests of long-term shareholders.

This compensation strategy puts the value of an executive s compensation at risk in a way that is similar to the risk assumed by long-term shareholders, and it ensures that business decisions made by executives are consistent with the priorities of long-term shareholders.

This compensation strategy also ensures that the majority of compensation granted over multiple years and the shareholding net worth of senior executives are linked to the performance of ExxonMobil stock and resulting shareholder value.

The program also reinforces our retention strategy. This retention strategy in combination with our management development and succession planning programs helps achieve continuity of leadership.

Hold Through Retirement:

This design results in a hold through retirement feature; as indicated, this is unique relative to most other company compensation strategies, particularly for such a large percentage of total compensation.

Risk of Forfeiture:

In the oil and gas industry, management decisions on large, capital-intensive projects affect financial and operating results for decades into the future.

The performance feature of the stock grant is substantially reinforced by the risk of forfeiture provision that is in place for the entire period of the vesting term, which is beyond retirement.

Scale and Scope of ExxonMobil
Scale and Scope of ExxonMobil
23
12
12
($ billions)
Revenue
(2)
Market Capitalization
Assets
(3)
Net Income
(4)
Comparator Companies
Median ($)
110
185
140
10.7
75th Percentile ($)
129
198

208
13.9
90th Percentile ($)
144
216
233
16.4
ExxonMobil ($)
421
390
334
44.9
ExxonMobil Rank (percentile)
100
100
100
100
ExxonMobil -
Multiple of Median
3.8x
2.1x
2.4x
4.2x
ExxonMobil -
Multiple of Median
2.9x
1.6x
1.5x
3.2x
To further illustrate the size and scale challenge, the following demonstrates the ratio of financial values managed for each dol
compensation
paid
to
the
CEO
of
ExxonMobil
relative
to
the
CEOs
of
comparator
companies:
(5)
Scale
of
ExxonMobil
vs.
Compensation

Benchmark
Companies
(1)
(1)
Comparator companies consist of: AT&T, Boeing, Chevron, Ford, General Electric, Hewlett-Packard, IBM, Johnson & Johns
United Technologies, and Verizon. These comparator companies have been selected based on their alignment with ExxonMob
circumstances, as described in more detail beginning on page 42 of the CD&A. Financial data estimated based on publicly ava
capitalization is as of December 31, 2012.
(2)
Trailing twelve months (TTM); excludes excise taxes and other sales-based taxes, if applicable.
(3)
Excludes General Electric due to lack of comparability resulting from how assets are quantified and reported for its financial b
(4)
Trailing twelve months (TTM).
(5)
For consistency, CEO compensation is based on most recent one-year total compensation as disclosed in the Summary Compe
statements filed as of January 1, 2013.

The Compensation Committee believes that performance should be the primary basis on which compensation decisions are made, particularly annual changes in compensation.

At the same time, the Committee believes that the compensation program should recognize that our senior executives are responsible for managing a larger investment on behalf of shareholders relative to that of most other large, publicly traded companies.

The geographic scope involves conducting business in over 120 countries and territories.

This table puts into perspective the scale, scope, and complexity of ExxonMobil versus our comparator companies and the ratio of financial values managed for each dollar of compensation paid to the CEO of ExxonMobil relative to the CEOs of comparator companies.
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Vote FOR
Vote FOR
Item 3: Advisory Vote to Approve
Item 3: Advisory Vote to Approve
Executive Compensation
Executive Compensation

ExxonMobil s compensation program supports a business model that has weathered volatile commodity prices and industry business cycles for many years.

Our compensation program has contributed to a culture of performance, integrity, reliability, and consistency.

Our compensation program is designed to ensure that executives maintain an unwavering focus on the long-term performance of the business and the interests of shareholders.

YOUR VOTE IS IMPORTANT: PLEASE VOTE FOR
ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

In conclusion, ExxonMobil s compensation program supports a business model that has weathered volatile commodity prices and industry business cycles for many years and consistently generated industry-leading financial and operating performance and shareholder returns over a very long time.

The compensation program contributes to a culture of performance, integrity, reliability, and consistency. We hope that you as shareholders recognize that the compensation program has been a key ingredient in achieving these objectives.

Our compensation program is designed to ensure that executives maintain an unwavering focus on the long-term performance of the business and the interest of shareholders.

On behalf of your Board of Directors, we recognize your vote is important, and encourage you to carefully consider the information provided today and vote FOR the advisory vote to approve executive compensation.

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Questions and Answers
Questions and Answers
25

That concludes our prepared remarks. We would now be happy to take your questions.
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