MEMORANDUM

To: Public Comment File on Dodd-Frank Implementation
Title IX – Executive Compensation

From: Paula Dubberly
Deputy Director
Division of Corporation Finance

Date: February 25, 2013

Re: **Pay for Performance Rulemaking Pursuant to Section 953(a) of the Dodd Frank Act**

On February 15, 2013, Chairman Walter, Cyndi Rodriguez, Erica Williams, Deputy Chiefs of Staff to Chairman Walter, Lesli Sheppard, Senior Advisor to Chairman Walter, and Paula Dubberly, Deputy Director for Policy and Capital Markets in the Division of Corporation Finance met with the following individuals:

Michele A. Carlin
Senior Vice President, Human Resources
Motorola Solutions, Inc.

Randolph H. Powers
Manager, Compensation Benefit Plans and Policies
Exxon Mobil Corporation

Timothy J. Bartl
President
Center on Executive Compensation

Kendra Kosko
Vice President, Government Relations and Operations
Center on Executive Compensation

Ani Huang
Vice President, Compensation Practice and Research
Center on Executive Compensation

The parties discussed the rulemaking related to pay for performance required by Section 953(a) of the Dodd Frank Wall Street Reform and Consumer Protection Act. At the meeting representatives of the Center on Executive Compensation provided the attached documents.

Pay for Performance and the Comparison of the Different Measures of "Total Compensation"

The introduction of mandatory shareholder voting on executive compensation disclosures (say on pay) has caused investors to focus on more clearly understanding whether executive compensation programs result in pay for performance. This is a developing area, and there are considerable variations in how consultants, investors and proxy advisors calculate total compensation (*i.e.*, "pay") for purposes of assessing the pay-for-performance linkage. The approach used has significant consequences for determining whether a company's program aligns pay and performance.

Increasingly, both companies and investors are showing interest in moving beyond the definition of total compensation in the Summary Compensation Table, which is largely based on basic accounting estimates of future pay to alternative measures of pay that provide a more apples-to-apples comparison of pay and performance over a specific period of time. Chief among these are the realizable pay approach, which gives a point-in-time assessment by calculating what pay could be realized based on actual stock prices, and the realized pay approach, which is assesses whether pay actually realized was aligned with the performance which drove it. The purpose of this document is to discuss these approaches to measuring total compensation and to evaluate the strengths and limitations of each one.

1. **<u>Summary Compensation Table</u>**

Elements of compensation included:

- Actual cash compensation received (salary, bonus, non-equity incentive payouts)
- Grant date accounting expense of equity grants (restricted stock, performance shares, stock options)
- Increase in present value of lump-sum pension benefit
- Above-market credits to deferred compensation
- Other compensation (perquisites, savings plan match, etc.)

Purpose:

- Compliance with SEC reporting requirements
- Used by proxy advisory firms, media and others as the measure of total pay
- Compared to total shareholder return (TSR) in the ISS methodology, and by some institutional investors, when assessing pay for performance
- Used by institutional investors as a lens into compensation committee decision-making and an indication of the committee's expectations as to future performance and business strategy

Limitations:

- Mix of Realized and Contingent Pay. Mixes pay actually received (salary, bonus, non-equity incentives) with pay which is contingent on future company or individual performance and stock price appreciation and may never be received
- Mismatch in the Timing of Pay and Performance. Reports a mix of actual annual pay determined at the end of the year (bonus, non-equity incentives) with potential future pay determined during the first quarter of the year (long-term equity), which is then frequently used in pay-for-performance assessments by comparing it to actual year-end TSR. However, because the compensation committee could not have known year-end TSR when the long-term incentive grants were made, the comparison is illogical and not a helpful measure for investors of the reasonableness of the grant from a pay-for-performance perspective.
- Significant Variations in Pay Based on Long-Term Incentive Vehicle(s) Used. Total pay will vary dramatically between companies that grant equity-based long-term awards and those that grant cash-based long-term awards.
    - Equity awards are disclosed in the year granted based on the accounting expense (grant date value)
    - Cash-based long-term awards are reported in the year they pay out based on actual amounts earned
    - Therefore, different types of long-term incentives are reported at different times and based on different valuations even though they both are intended to serve the same incentive objective in the executive compensation package
- Pension Assumptions Impact Total Pay. Total pay reported in the Summary Compensation Table can vary considerably based upon changes in the executive's age and interest rates, which impact the present value of changes in pension value, an element of pay that is not related to performance and for which changes in the reported value are not within the control of the compensation committee or the executive. This can also create disconnects in comparing CEO pay among companies that have pensions and those that do not, as well as those executives who have supplemental pensions and those who do not.

2. **<u>Realizable Pay</u>**

Elements of compensation included:

- The elements of compensation included in "realizable pay" vary, as this approach is defined differently by consultants and providers of compensation data.
- For example, the executive compensation consulting firm Pay Governance includes the following elements in its measure of realizable pay, in the context of a three-year pay-for-performance analysis:
    - Actual cash compensation earned (salary, bonus, non-equity incentive payouts) in the most recent three-year period
    - The current value of performance-based compensation (cash and equity) paid out in the most recent three-year period, using stock price as of the end of the period
    - An estimate of the value of performance-based compensation which is still unearned
    - The current value of time-based options and restricted stock (whether vested or unvested) granted in the most recent three-year period, using stock price as of the end of the period
    - Pension and other compensation are not included
- Equilar, the leading provider of executive compensation data, includes the following elements in its measure of realizable pay, in the context of a three-year pay-for-performance analysis:
    - Actual cash compensation earned (salary, bonus and non-equity incentive payouts) in the most recent three-year period
    - The current value of performance-based equity paid out in the most recent three-year period, using stock price as of the end of the period
    - The current value of time-based options and restricted stock (whether vested or unvested) granted in the most recent three-year period, using stock price as of the end of the period
    - Other compensation as disclosed in the Summary Compensation Table

Purpose:

- Measures year-to-year changes in pay (typically over three years) and how such changes correlate with changes in TSR and other measures of company performance
- Given that outstanding equity awards are generally the largest component of realizable pay, this approach is most sensitive to changes in stock price and therefore is more directly related to the year-to-year changes in returns to investors

- Easy to calculate based on the information in the proxy statement.

Limitations:

- As with the SCT measure of pay, realizable pay is a hypothetical measure of pay and does not measure what the executive actually received. Rather, it is a point in time measure of what might be realized without consideration of vesting requirements or performance criteria or risk of forfeiture due to not satisfying performance conditions or tenure requirements
- May be difficult to compare across companies due to different definitions of realizable pay by consultants and data providers

3. **<u>Realized Pay</u>**

Elements of compensation included:

- Actual cash compensation earned (salary, bonus and non-equity incentive payouts)
- Performance shares actually earned in the current year
- The value of restricted shares vested in the current year
- The gain from the exercise of stock options during the current year
- Pension and other compensation are not included

Purpose:

- Measures the pay the executive received during the current year
- Allows a matching of pay actually realized with the actual results that produced such pay
    - o Requires companies to disclose the performance results that produced each element of pay actually received
    - o For stock options that were exercised, the company should disclose the grant price and the time period over which the options were outstanding and the corresponding gain to shareholders from the date of grant to the date of exercise to facilitate comparability on a one- and three-year basis
- Closely mirrors W-2 earnings and therefore is easy to understand and is a concept familiar to employees and investors
- Based on compensation numbers already reported in the proxy but which are spread across a variety of tables; does not require estimation or hypothetical representations
- Consistent with the objective of a pay for performance analysis, focuses only on those elements of pay that are performance-based

Limitations:

- Requires companies to provide information on grant date and stock price appreciation for each of the stock option awards that were exercised during the year in order to allow an accurate picture of the amount of pay attributable to the most recent one- and three-year periods
- Does not capture equity compensation vesting or stock options exercised after the executive is no longer a Named Executive Officer for proxy disclosure purposes
    - However, executives not reported in the proxy compensation disclosures are not typically the focus of say on pay voting or pay for performance assessments by investors and proxy advisors
    - Further, the grant date values of the awards subsequently exercised were included in the proxy at date of grant if the executive was a NEO at the time of the grant
- Once the vesting requirements are satisfied, the timing of exercise of options is at the election of the executive and therefore requires an analysis of performance over a greater time period than the current year (as is the case for other long-term awards covering multiple performance or vesting periods)
- Will require investors and proxy advisors to do a more in-depth analysis of pay for performance rather than a simple comparison of the Summary Compensation Table-reported total compensation and the TSR
    - While requiring more analysis there will be a clearer understanding of the linkage between actual pay and actual performance

Given the increased focus on pay and performance, and the requirement under the Dodd-Frank Act that companies clearly disclose pay actually received and performance, many companies have voluntarily provided supplemental disclosures of actual pay and actual performance (see appendix of recent disclosures). Both realizable pay and realized pay may have a place in compensation disclosures, as they are used for different purposes.

- Realizable pay is useful for determining how potential realizable pay compares with performance over time and thus allows a more complete evaluation of the pay program.
- Realized pay, by contrast is most useful in determining how closely pay and performance were actually linked over a specific period of time.

The Center believes that the realized pay approach represents the most complete approach in how pay for performance is measured and communicated to investors in light of the annual say on pay vote.

Comparison of Realized Pay Realizable Pay and Summary Compensation Table Pay

	Salary	Cash Awards		Equity Awards		
		Annual Incentive	Performance Cash	Restricted Stock	Stock Options	Performance Equity
Summary Compensation Table Pay Required by the SEC to be disclosed in proxy statements & used by ISS.	Amount paid as of the end of the reporting year.	Amount actually paid during the reporting year.		The grant date accounting expense.	The grant date Black Scholes value.	The target value amount of the performance equity award.
Realizable Pay Shows how potential equity compensation changes with performance. Models include those by Pay Governance and Equilar. Frequently measured over a 3-year period.	Amount paid during the reporting period.	Amount actually paid during the reporting period.	Amount actually earned and paid out during the reporting period. In some models, also an estimated value of the amount which is still unearned.	The current value of shares (vested or unvested) granted during the reporting period, using stock price as of the end of the period.	The current value of options (vested or unvested) granted during the reporting period, using stock price as of the end of the period.	The current value of performance shares actually earned during the reporting period, using stock price as of the end of the period. In some models, also an estimated value of the shares which are still unearned.
Realized Pay Links realized pay with actual performance. Advocated by the Center and certain institutional investors.	Amount paid as of the end of the reporting year.	Amount actually paid during the reporting year.		Value of the restricted stock that vested in the current year.	The gain on stock options exercised in the current year.	Value of performance equity earned in the current year.

Pay for Performance: A Model Executive Summary for the 2013 Proxy Season

As the 2013 proxy season begins, companies are taking note of the importance of clearly telling their pay for performance stories based on the results and best practices from 2012 say on pay votes. The number one reason that proxy advisory firms recommended a vote against company say-on-pay proposals was a perceived pay for performance disconnect. More importantly, institutional investors have been carefully reviewing and revising how they will evaluate pay for performance in 2013. Increasingly investors are expressing dissatisfaction with the comparison of compensation as disclosed in the Summary Compensation Table to company performance, whether measured by total shareholder return, the metrics in the company's compensation plan, or some combination of the two.

In addition to being a best practice, the disclosure of pay for performance is also the subject of a new Dodd-Frank Act requirement that will take effect after the SEC issues final rules. Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires companies to disclose the relationship between compensation actually paid and financial performance, taking into account the changes in the company's stock price, dividends and distributions. While the focus on pay for performance has intensified in light of say on pay, this new disclosure requirement will place even greater importance on the need for clarity in the pay for performance story companies will be presenting in their 2013 CD&As. Companies have an opportunity to help influence the SEC's decisions on its regulations implementing section 953 through the changes they incorporate into their 2013 disclosures demonstrating the linkage between pay and performance.

A Suggested Model Pay for Performance Disclosure. The Center On Executive Compensation has developed a suggested model for disclosure of pay versus performance using a realized pay approach. The model is based upon discussions with the Center SEC Disclosure Working Group and informed by best practice approaches to pay for performance disclosures we have seen in the 2012 proxy season, discussions with institutional investors regarding their expectations for disclosures and input from leading executive compensation consultants and numerous issuers as to the basis of their incentive plan designs. Outlined below are the key factors that we suggest companies cover in their pay for performance disclosures. We emphasize, however, that the disclosure for any particular company should be tailored to accurately and clearly present the board's philosophy and process for establishing incentives, consistent with the company's business strategy.

<u>Executive Summary</u> For the following reasons, we believe that the use of a crisp and well-structured executive summary would be the logical place in the CD&A to present the pay for performance story.

- Provides a context for the reader as they read the various sections of the CD&A;
- Places a focus on pay for performance that may get lost in the volume of text in the CD&A; and

- Leads with the key aspect of compensation most important to investors.

A logical way to organize the pay for performance disclosure may be as follows:

Description of Company Strategy

We have heard from institutional investors that they would like to see a clearer disclosure of how incentives support the achievement of the company's strategy. To this end, starting with a brief description of the company's strategy can help to anchor the discussion of the linkage between performance and pay.

Brief Explanation of Performance Objectives

Describing the performance objectives and metrics, both financial and nonfinancial, upon which incentives are based and how the achievement of these objectives will advance the achievement of the company strategy and thereby help investors understand the performance-strategy linkage.

Description of Performance Results

Describing the actual levels of performance that were achieved compared to the targeted levels of performance for the most recently completed year and over the past three to five years will establish a foundation for the discussion of the pay for performance linkage.

Pay Variability Based on Performance Outcomes

Demonstrating that pay varies in proportion to the accomplishment of varying levels of performance will help to clarify and validate the pay for performance linkage. In this section it is important to describe how pay and performance are aligned under the design of the current incentive plans, especially the long-term incentive plans, (the forward looking linkage) and the actual pay that was received and the actual performance that produced such pay (the backward looking linkage). This allows investors to understand the design of the incentive awards and how they worked in practice thereby providing credibility for the company's pay for performance story.

Element by Element Discussion of Actual Pay and Performance

Companies use multiple incentive awards, on both an annual and long-term basis, to incentivize performance in key areas important for the achievement of strategy. When these various awards are aggregated in the total compensation column of the required Summary Compensation Table, the ability of investors to understand the pay for performance linkage is often lost. Analysis of total compensation as reported in the Summary Compensation Table compared to annual or multi-year total shareholder return (TSR) does not capture the true pay for performance connection underlying the design of individual incentive plans. Clearly disaggregating total compensation into its various components and describing the performance results that produced the actual payouts under each element will facilitate an informed assessment of the pay for performance linkage. The attached Pay for Performance at a Glance format provides a convenient way to summarize the actual pay for actual performance linkages. To maintain credibility with investors, once a company begins using this disclosure, it should expect to continue using generally similar disclosures in the proxy statement to enable shareholders to compare the company's alignment of pay and performance year-to-year.

Matching Pay and Performance With Long-Term Incentives Under a Realized Pay Approach

A frequent question regarding realized pay disclosures is whether such disclosures are a good measure of pay for performance when pay is looked at in one- or three-year increments, since pay realized in a year from long-term incentives is often earned over several years, making comparability difficult. For example, stock options may be outstanding for as long as ten years before they are exercised, and amounts realized when options are held to term or other awards pay out can be significant. To illustrate whether alignment with shareholders existed, for stock options that were exercised, the company should disclose the grant price and the time period over which the options were outstanding and the corresponding gain to shareholders from the date of grant to the date of exercise to facilitate comparability on a one- and three-year basis. The same comparison should be presented for restricted stock and performance equity or performance cash to demonstrate the linkage with returns to shareholders.

Another question that arises with respect to stock options is whether realized pay is an appropriate measure of pay for performance, given that the executive determines when to realize pay by deciding when to exercise. This concern is addressed by spreading the gain over the period in which the options were earned, because the amount realized should be consistent with performance over the period the awards were outstanding. If there are factors that may distort the pay for performance relationship, the company should disclose the reasons for the seeming disconnect.

Competitive Positioning of Total Pay

One of the board's key decisions when considering executive compensation is the group of peer companies against which pay will be compared. Clearly disclosing the compensation comparator companies, explaining why they are the appropriate companies for determining pay competitiveness, and articulating how these companies market comparisons are used in the setting of pay build an important foundation for investor understanding of a company's pay program.

Attracting and Retaining Talent

Providing a description of how the design of the compensation program will aid in company's ability to attract and retain talent is another important element of the compensation disclosure. There are certain elements of compensation that are not purely performance-based and they often are aimed at enhancing the retention of key talent or enticing new talent to join the company. A clear description of the rationale underlying these forms of pay is important to investors' understanding of the total pay executive pay program.

The narrative description of these various elements of the pay for performance story may be made more effective and clearer with the addition of carefully selected and placed graphs or charts. The key is to provide a clear portrayal of the how and why of the compensation program and to validate in the eyes of investors that pay and performance, both financial and nonfinancial, are appropriately linked and support the achievement of business strategy.

Hypothetical Pay for Performance Disclosure

SmithCo's strategy is to provide a great place to shop, to work and to invest that will provide competitive advantage and superior returns versus other competitors in the luxury retail sector. The performance metrics that indicate our progress toward this strategy are:

- Growth in same store sales
- Return on invested capital
- Profit performance
- Return to shareholders

Our incentive programs are designed to reward the achievement of these objectives and are outlined in the following paragraphs. This information is also summarized in the Pay For Performance at a Glance table presented on page 5.

Annual incentive. Payouts are based on the achievement of year-over-year growth in same store sales (40%), pretax profit (40%) and return on invested capital (20%). Additionally, the compensation committee of the board may increase or decrease the incentive award by 25% based on the achievement of key objectives in the areas of talent development, sustainability and the expansion into new and emerging markets.

For 2012 we increased same store sales by 10% compared to a target of 8.5%. Pretax profit was $1.4 million versus a target of $1.6 million, and ROIC was 14.2% versus a target of 15.0%. The resulting annual incentive earned based on financial performance was 87% of targeted payout. For Mr. Jones, the company's CEO, the committee assessed that he fully met expectations on talent development. The company made significant advances in the development of successor candidates for key leadership roles, promoted an internal candidate to fill the retiring CFO's slot and filled 82% of key executive openings with internal candidates. Our progress on sustainability was somewhat disappointing, especially with regard to increasing the share of recycled material used in our production processes by the company and its suppliers, and we have directed management to redouble its efforts in this area.

Our expansion into new and emerging markets met expectations as evidenced by the increased market share in China, India and Brazil thorough our licensing arrangements. Based on these results the committee determined that there would be no adjustment upward or downward of the payouts produced by the performance against financial metrics. The CEO's annual incentive payout was 87% of target which equated to 130.5% of salary for a total payout of $1,305,000.

Long-term Incentives. Long-term incentives consist of performance shares, stock options and restricted shares.

Performance shares. The CEO received payout under the 2010-2012 performance share award. The payout was based on the company's relative total shareholder return compared to peer group companies (listed on page 27). These are our direct industry competitors and competitors for executive talent. Although there is no set competitive target in terms of total pay, the pay practices of these peer group companies is one input into the committee's deliberations regarding executive compensation. The company ranks in size near the middle of the peer group. The company returns a compounded rate of return to shareholders of 7.3% over the three-year performance period while the median TSR of peer group companies was 4.7%. This level of performance ranked third among the 12 peer companies and corresponds to a payout of 125% of the targeted award. The CEO received 125,000 shares with a date of payout value of $2,500,000. Payouts under the 2012-2014 performance share awards will depend on the extent to which the company's performance in creating total shareholder return meets or exceeds that of the peer group companies. The 150,000 shares awarded the CEO are intended to motivate the continued focus on TSR and to create a competitive investment return versus that of alternative investments in our sector.

Stock Options. During 2012 Jones exercised 175,000 outstanding stock options. These options were awarded in 2003 at a price of $8.50 per share. The total gain realized was $2,012,500. During the nine years the options were outstanding shareholders realized a compound return of 11.5% annually, vs. the S&P 500 return of 6.7%.

In 2012 Jones was awarded 250,000 options that vest 20% per year over a 5-year period. The award was made at 100% of the market price of the company shares on the date of grant ($20.01). These options will only have value to the extent the price of company shares appreciate over the life of the award and thus are intended to incentivize future creation of sustained increases in shareholder value.

Restricted Stock. Executives receive awards of restricted stock to enhance the retention of key talent and to provide an ongoing alignment of executive interests with those of shareholders. A special award of restricted stock was made to the CEO in FY09 in relation to the acquisition of a new business. The Company does not intend to repeat this award, which cliff-vested in 2012 after four years.

Share Ownership. To continue the alignment of the interests of management with those of shareholders over the executive's career, 25% of the shares, net of tax withholding, obtained from incentive arrangements must be retained by the executive. The company does not permit executive to enter into hedging arrangements corresponding to shares of the company.

Pay for Performance at a Glance: Comparison of Actual Pay to Actual Performance

Compensation Component	Period Earned	Amount Earned	Performance Results
Plan Triggered Payout			
Base Salary	FY12	$1,000,000	We generally target the market median when establishing base salaries. The CEO did not receive a merit increase for FY12.
Annual Incentive	FY12	$1,305,000	While sales performance was strong (10% growth vs. target of 8.5%) the company did not achieve its targeted level of profit growth ($1.4MM vs. target of $1.6MM) and fell short of the targeted rate of ROIC (14.2% vs. 15.0%). Performance on other nonfinancial objectives was as planned. Sales growth is weighted 40%, profit 40% and ROIC 20%. The performance on other objectives can increase or decrease incentive awards by +/- 25%. The weighted performance produced a payout of 87% of the targeted award, as compared to a payout of 100% in 2011. The targeted annual incentive award for Mr. Jones is 150% of salary, $1,500,000.
2010-2012 Performance Share Payout	FY10-12	$2,500,000	The total 2010-12 Performance Share Plan award was $2,500,000, representing 125% of the targeted award of $2,000,000. The payout can range from 0% to 200% of targeted award based upon the company's ranking on total return to shareholders (TSR) vs. peer group companies over the 3-year performance period of the award. The 3-year TSR for the company over the period 2010-12 was 7.3% vs. a median TSR of 4.7% among the peer group companies. This level of performance ranked 3rd among the 12 peer group companies producing a payout of 125% of target.
Total		**$4,805,000**	
Executive Triggered Exercise			
Stock Option Exercises	FY03-12	$2,012,500	The gains upon exercise of stock options in 2012 were $2,012,500, based upon stock price appreciation over the 9 year period the options were outstanding from 2003 to 2012 - this reflects an annualized gain of $223,611. During this time company shareholders realized an annual compounded rate of return of 11.5% vs. the S&P 500 annual return of 6.7%. During that time, the stock price appreciated from $8.50 when the options were awarded in 2003 to $20 at date of exercise on August 11, 2012.
Total		**$2,012,500**	
Subtotal Realized Compensation		**$6,817,500**	
Special Awards			
Restricted Stock Vested	FY09-12	$2,000,000	A special award of restricted stock was made to the CEO in FY09 in relation to the acquisition of a new business. The Company does not intend to repeat this award, which cliff-vested in 2012 after four years.
Total Realized Compensation		**$8,817,500**	

ExxonMobil

Taking on the world's toughest energy challenges.™

This year, shareholders will be asked to vote on a non-binding resolution to approve the compensation of the executive officers of Exxon Mobil Corporation as disclosed in the 2012 Proxy Statement. This vote is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. To assist you in casting your vote on this important subject, we have prepared the following summary to help explain how the compensation program supports the business goals of the Company. This summary should be read along with the more detailed disclosure in the proxy statement.

David S. Rosenthal
Vice President, Investor Relations and Secretary

Executive Compensation Overview

Please read this summary together with the more detailed information, including the Compensation Discussion and Analysis (CD&A), compensation tables, and narrative, in ExxonMobil's proxy statement dated April 12, 2012, before you cast your vote on Management Resolution *Item 3 – Advisory Vote to Approve Executive Compensation.*

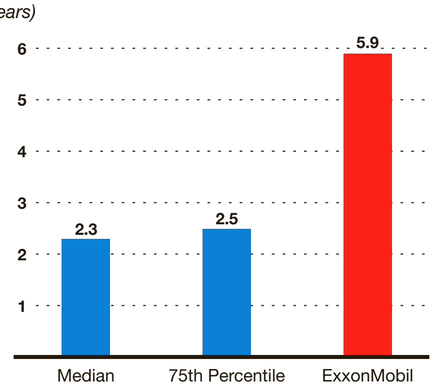
Pay for Long-Term Performance

- **Linkage to the Business Model:** ExxonMobil's compensation program is unique in how it effectively links executive pay to the business model and the interests of long-term shareholders. The business model is characterized by significant capital intensity, operations risk, and very long investment lead times that can span decades.
- **Long-Term Program Design:** The compensation program achieves this linkage by granting more than half of annual compensation in the form of restricted stock, with 50 percent of the shares not vesting until five years after grant and the remaining 50 percent not vesting until 10 years after grant or retirement, whichever is later. The basis for the size of grants includes a rigorous annual performance assessment of individual executives.
- **Hold *Through* Retirement:** These vesting periods on restricted stock are not accelerated upon retirement, which 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.
- **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, the holding periods and the risk of forfeiture of these stock-based awards extend beyond retirement.
- **Alignment with 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.
- **Holding Periods Exceed Comparators:** When all categories of annually granted compensation are combined – salary, bonus, incentive plan pay, and stock – the long-term orientation of ExxonMobil's compensation program far exceeds the holding periods of our comparator companies, with more than 80 percent of annual CEO compensation granted by ExxonMobil at risk of forfeiture. As indicated by the graph below, the holding periods for ExxonMobil are 2.5 times the median of our comparator companies.

Holding Periods of Annually Granted Compensation(1)

Comparator Companies ExxonMobil

(years)



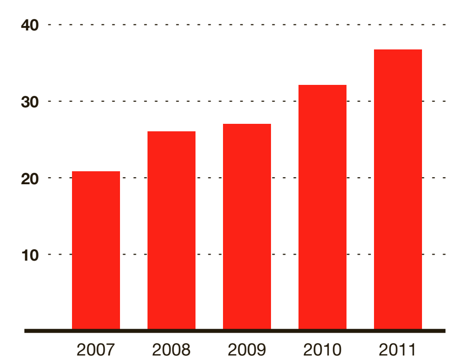
(1) This chart shows the dollar-weighted average time from grant to actual realization of the CEO's annual pay (salary, bonus, incentive awards, and equity). For this purpose, it is assumed that annual salary and bonus are paid in one year; performance-based awards are paid at target levels at the end of the performance period; and that options and other equity awards are paid or exercised at grant-date value on each vesting date. Annual pension accrual and all other compensation are excluded. Comparator companies consist of: AT&T, Boeing, Chevron, ConocoPhillips, General Electric, Hewlett-Packard, IBM, Johnson & Johnson, Pfizer, Procter & Gamble, United Technologies, and Verizon. These comparator companies have been selected based on their alignment with ExxonMobil's current business circumstances, as described in more detail on page 40 of the CD&A. For consistency, all data based on proxies filed on or before February 1, 2012.

Risk Management and Capital Commitments

- The compensation program recognizes the operating and investment risk inherent in the industry; long stock holding periods and risk of forfeiture encourage executives to focus on sustainable operations and results over the long term.
- This focus on sustainable operations and results is a critical success factor given the scale, operations risk, and long investment lead times of the capital commitment of ExxonMobil.
- To help put this capital commitment in perspective, in 2011 the Company invested more than **$36 billion**, which exceeds the market capitalization of most U.S.-based oil and gas companies. The recent history of annual capital commitments is as follows:

Capital and Exploration Expenditures

(billions of dollars)

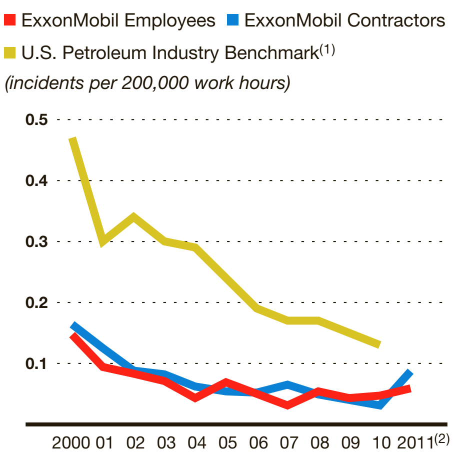


- This capital commitment requires a disciplined and selective strategy of investment. It also requires strong project execution and risk management. The compensation program reinforces these priorities.
- This rate of annual investment is in addition to a current level of capital employed that exceeds **$175 billion**.

Long-Term Business Performance and Basis for Compensation Decisions

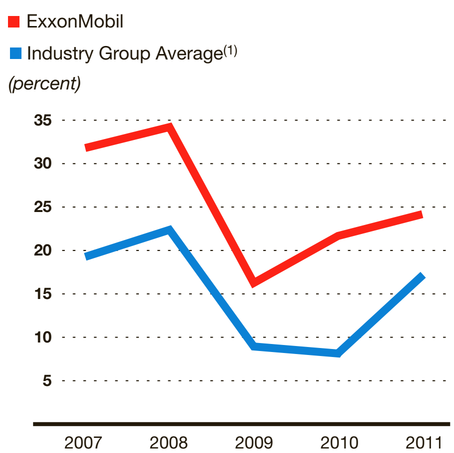
The following charts and tables illustrate the effectiveness of ExxonMobil's compensation program in delivering long-term superior results for shareholders. These results helped form the basis of compensation decisions made by the Compensation Committee in 2011 in addition to individual performance, experience, and level of responsibility.

Lost-Time Injuries and Illnesses



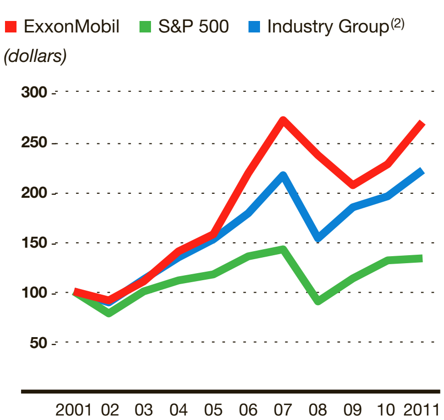
(1) Employee safety data from participating American Petroleum Institute companies (2011 industry data not available at time of publication).
(2) Includes XTO Energy Inc. data.

Return on Average Capital Employed (ROCE)



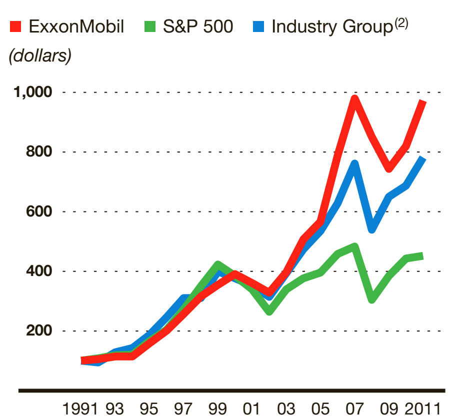
(1) Royal Dutch Shell, BP, and Chevron values are on a consistent basis with ExxonMobil, based on public information. For definitions and additional information concerning the calculation of ROCE, see page F-5 of the 2011 Financial Statements and Supplemental Information included with the 2012 Proxy Statement.

Ten-Year Cumulative Total Returns(1)



(1) The value of $100 invested in common stock of the company on January 1, 2001, assuming dividends are reinvested when paid.
(2) Royal Dutch Shell, BP, and Chevron.

Twenty-Year Cumulative Total Returns(1)



(1) The value of $100 invested in common stock of the company on January 1, 1991, assuming dividends are reinvested when paid.
(2) Royal Dutch Shell, BP, and Chevron.

The compensation strategies described herein are designed to support continuing performance of the business and total shareholder returns (TSR) over the long term. Some compensation models place more emphasis on shorter-term TSR, which generally has a low correlation with long-term results. For a more detailed analysis of the relationship between short- and long-term TSR, please refer to page 46 of the CD&A.

Financial and Operating Performance

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

- Earnings of $41 billion in 2011, increased by 35 percent versus 2010. Five-year annual average of $35 billion.
- Total shareholder return was 18.7 percent in 2011 versus S&P 500 of 2.1 percent. Ten-year annual average of 10.4 percent, versus S&P 500 of 2.9 percent.
- Distributed $29 billion to shareholders as dividends and share purchases in 2011, for a cash distribution yield of 8.0 percent. $262 billion in dividends plus share purchases since the beginning of 2000. Dividend payments per share increased for the 29th consecutive year.
- Solid safety and operations performance supported by effective risk management.
- Industry-leading return on average capital employed of 24.2 percent, with a five-year average of 25.6 percent.

Strategic Business Results

Another key factor underlying the compensation decisions made by the Compensation Committee in 2011 was the progress achieved on strategic priorities. The accomplishments outlined below are expected to have a positive impact on Company performance for decades.

- Expansion of opportunities in U.S. Gulf of Mexico and a major oil discovery with the Hadrian-5 exploration well.
- Strategic Cooperation Agreement with Rosneft to jointly participate in exploration and development activities in Russia, the United States, and other parts of the world.
- Strong progress on the following major projects:
  - Initial development of Kearl oil sands project in Canada;
  - Liquefied natural gas project in Papua New Guinea;
  - Expansion of opportunities in Iraq and other parts of the world;
  - Next phase of the Sakhalin-1 project in Russia; and,
  - Singapore Parallel Train/major Chemical expansion in Asia Pacific.
- Additional unconventional resource acquisitions enabled by XTO; continued leverage of XTO expertise to expand unconventional resource base in the United States and evaluate potential global unconventional opportunities in Argentina, Canada, Indonesia, and Poland.
- Completion of new facilities at refineries in Fawley, United Kingdom; and Sriracha, Thailand, increasing ultra-low sulfur diesel production capacity by more than 70 thousand barrels per day.
- Began construction of new world-class synthetic lubricant base stock plant in the United States.
- Restructuring of Lubes and Fuels Marketing business lines to further improve efficiencies and optimize returns.

CEO Compensation

- A substantial portion of the compensation granted by the Compensation Committee to the CEO and reported in the Summary Compensation Table represents an incentive for future performance, not current cash compensation. The Summary Compensation Table is on page 47 of the 2012 Proxy Statement.
- 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.
- The table below illustrates the difference between pay shown in the Summary Compensation Table and the actual pay realized by the CEO since he was appointed to his current position in 2006:

CEO Reported Pay vs. Realized Pay

Year of Compensation	Reported Pay(1)	Realized Pay(2)	Realized Pay vs. Reported Pay
2011	$ 34,920,506	$ 24,637,196	-$ 10,283,310
2010	$ 28,952,558	$ 14,229,609	-$ 14,722,949
2009	$ 27,168,317	$ 8,530,165	-$ 18,638,152
2008	$ 32,211,079	$ 10,212,091	-$ 21,998,988
2007	$ 27,172,280	$ 12,884,308	-$ 14,287,972
2006	$ 22,440,807	$ 6,712,435	-$ 15,728,372

(1) Reported Pay is Total Compensation based on the current reporting rules for the Summary Compensation Table. Reported Pay for 2006-2008 includes the grant date value of restricted stock (rather than the annual expense value that was reported in the Summary Compensation Table for each of these years).

(2) Realized Pay is compensation actually received by the CEO during the year, including salary, current bonus, payouts of previously-granted Earnings Bonus Units (EBU), net spread on stock option exercises, market value at vesting of previously-granted restricted stock, and All Other Compensation amounts realized during the year. Excludes the value of new/unvested EBU and restricted stock grants, deferred compensation accruals, change in pension value, and other amounts that will not actually be received until a future date.

- To achieve alignment of the organization around the Company's principles and values, all U.S. executives (more than 1000), including the CEO, participate in common programs (the same salary, incentive, and retirement programs).

CEO Reported Pay – 2011

- **Restricted Stock Grant:** The 2011 restricted stock grant was awarded at the same share level as the last three years with vesting provisions described above. The value is $17.9 million based on a grant of 225,000 shares at the fair market value on date of grant.
- **Annual Bonus:** The annual bonus for the CEO was increased 30 percent in 2011 compared to a 35-percent increase in corporate earnings to over $41 billion. The bonus was calculated at the time of grant in November 2011 based on the estimated percentage change in 2011 earnings then adjusted down to temper the impact of commodity prices on earnings.
  - **Annual Bonus as a Percentage of Total Pay:** The bonus is intentionally a small portion (13 percent in 2011) of the CEO's total compensation to reflect the Committee's continuing emphasis on long-term compensation. Long-term, stock-based compensation represents 51 percent of total compensation.
  - **Delayed Bonus Feature:** Fifty percent of the annual bonus amount is delayed until ExxonMobil's cumulative earnings per share reach a specified level ($6.00 for

the 2011 grant versus $5.75 for 2010). 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 longer-term growth in shareholder value.

– **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.

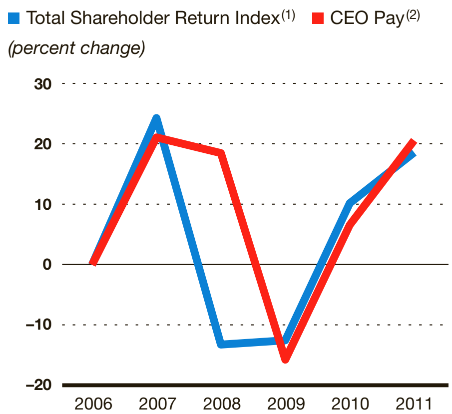
Pay Alignment

The chart to the right illustrates how the percent change in "Reported Pay" has tracked changes in total shareholder returns (TSR) during the current CEO's tenure.

Stock Options Granted 10 Years Prior

The column titled "Realized Pay" in the preceding table includes the value realized from the exercise of stock options that were granted in 2001 and in prior years. Specifically, 39 percent of 2011 "Realized Pay" includes the exercise of the last options granted to Mr. Tillerson, which would have expired if they had not been exercised in 2011. *ExxonMobil has not granted any stock options to Mr. Tillerson or any other employee since 2001*.

CEO Pay Alignment



(1) Percent change in TSR represents the annual change in stock price performance (as of fiscal year end), including reinvestment of dividends; 2006 represents the "base year."
(2) Refers to "Reported Pay," which is Total Compensation based on the current reporting rules for the Summary Compensation Table. "Reported Pay" for 2006–2008 includes the grant date value of restricted stock (rather than the annual expense value that was reported in the Summary Compensation Table for each of these years).

Scale and Scope of ExxonMobil

- 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.
- The following table puts into perspective the scale, scope, and complexity of ExxonMobil versus our comparator companies:

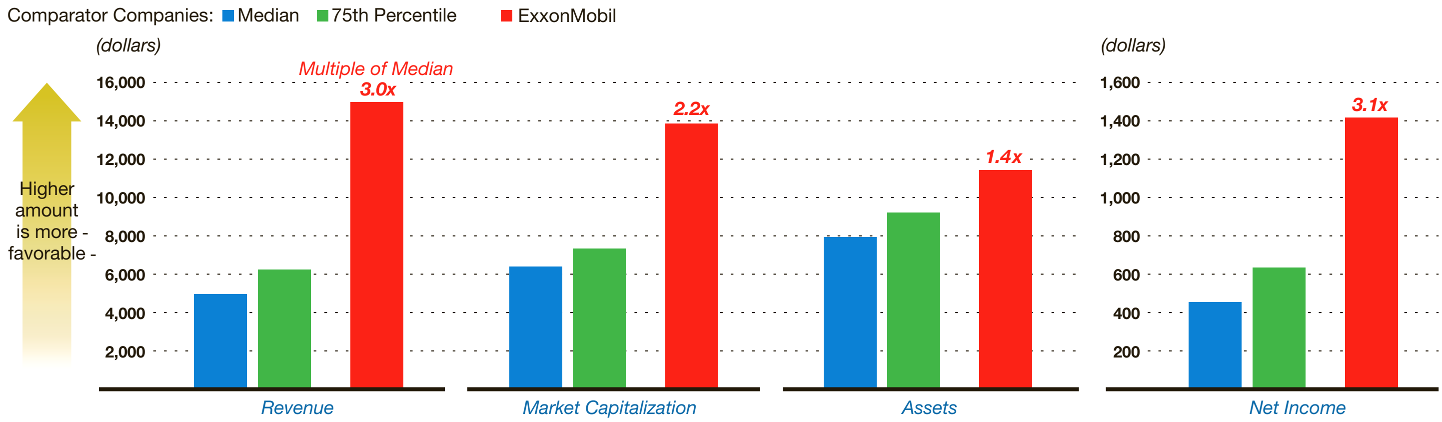
Scale of ExxonMobil vs. Comparator Companies(1)

($ in billions)	**Revenue(2)**	**Market Capitalization**	**Assets(3)**	**Net Income(4)**
Comparator Companies				
Median ($)	109	173	134	10.1
75th Percentile ($)	131	185	200	12.9
90th Percentile ($)	222	210	230	15.7
ExxonMobil ($)	**434**	**401**	**331**	**41.1**
ExxonMobil Rank (percentile)	100	100	100	100
ExxonMobil Multiple of Median	***4.0x***	***2.3x***	***2.5x***	***4.1x***

(1) Comparator companies consist of: AT&T, Boeing, Chevron, ConocoPhillips, General Electric, Hewlett-Packard, IBM, Johnson & Johnson, Pfizer, Procter & Gamble, United Technologies, and Verizon. These comparator companies have been selected based on their alignment with ExxonMobil's current business circumstances, as described in more detail on page 40 of the CD&A. Financial data reflect most recently available data disclosed by each company as of February 24, 2012 (including 8-K filings with preliminary fiscal year-end results for companies with calendar fiscal years). Market capitalization is as of December 31, 2011.
(2) Trailing twelve months (TTM); excludes excise 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 business.
(4) Trailing twelve months (TTM).

- The Committee does not suggest that compensation should be directly proportional to the relative size of the company in setting pay. Rather, the Committee places the most emphasis on individual performance and business results. At the same time, the Committee takes into consideration the size of the Company as one of several factors in determining compensation levels.
- To put the size and scale challenge in perspective, the charts below illustrate the financial values managed (from the previous table) for each dollar of compensation paid to the CEO of ExxonMobil relative to the CEOs of our comparator companies.

ExxonMobil Financial Values Managed Per Dollar of CEO Compensation vs. Comparator Companies[1]



(1) For consistency, CEO compensation is based on most recent one-year Total Compensation as disclosed in the Summary Compensation Table of the proxy statements filed as of February 1, 2012. The comparator companies and financial data assumptions are the same as footnoted in the previous table.

Development and Retention of Executive Talent

- **Technical Depth and Experience:** In our business, the technical depth and experience of executives can make a significant contribution to achieving superior business results. For this reason, the Committee believes that retaining high-quality executives for a career and developing their technical and leadership skills provide the Company with a strong competitive advantage.
- **Executive Development is an Investment:** ExxonMobil invests aggressively in the development of managers over their careers, which makes the retention of these same managers a high priority.
- **High Value of Experience, Knowledge, and Skills:** By the time these managers are promoted to senior levels in the Company, their expertise and proven performance would enable them to command large compensation packages in the marketplace from competitors that have not made the same level of investment in developing executive talent from within.
- **Rigorous Performance Assessments Coupled With Long Experience:** All Named Executive Officers in the proxy have between 31 and 40 years of experience with ExxonMobil and have been subject to rigorous annual performance assessments throughout their careers with the Company. Under our assessment process, executives must continuously perform at the highest levels or they will be reassigned or separated from the Company.
- **Succession Planning:** To support this strict meritocracy, we maintain a roster of highly qualified internal candidates for each key position.
- **No Employment Contracts:** All of our senior executives are employed "at will," with no employment contracts or severance programs; this reinforces for each executive the critical importance of continuing to achieve superior performance.

Prior Say-on-Pay Vote and Shareholder Engagement

The Compensation Committee has carefully considered the results of the 2011 advisory vote on executive compensation, in which over 67 percent of votes cast were "For" the compensation of the Named Executive Officers as described in the 2011 Proxy Statement. The Committee also discussed the Company's executive compensation program with its independent consultant, as described in more detail in the 2012 Proxy Statement.

The Committee considered shareholder feedback on executive compensation received through a wide-ranging dialogue between management and numerous shareholders, including the Company's largest shareholders, many of whom have held ExxonMobil stock for over a decade. This dialogue took place both before and after the 2011 advisory vote on 2010 compensation. This provided an excellent opportunity to discuss the linkage between pay and performance, including the Company's long-standing philosophy that executive compensation should be based on long-term performance.

We concluded from this dialogue with shareholders, including those we learned voted "Against" the proposal, that there was no consensus recommendation for any specific change to the design of our compensation program. This dialogue also included discussion on whether the Company should consider the use of formula-based pay tied to shorter-term metrics such as one- and three-year total shareholder returns. We believe that applying a short-term, formula-based approach to ExxonMobil's compensation program would undermine the uniquely long-term requirements of our proven business strategy, which are characterized by investment lead times that can span decades.

For example, a formula-based approach that relies heavily on one- or three-year total shareholder returns could encourage inappropriate risk taking and have a lasting and negative impact on ExxonMobil's business by encouraging a focus on more immediate results at the expense of our long-term underlying business model. In contrast, the compensation program described herein is designed to ensure that executives maintain an unwavering focus on the long-term performance of the business. We expect this ongoing focus will continue to generate strong operating and financial results for the benefit of our long-term shareholders.

The Committee respects all shareholder votes, both "For" and "Against" our compensation program. The Committee is committed to continued engagement between shareholders and the Company to fully understand diverse viewpoints, while discussing and demonstrating the important connection between ExxonMobil's compensation program, our business strategy, and long-term financial and operating performance.

Summary

ExxonMobil's compensation program supports a business model that has weathered volatile commodity prices and industry business cycles for many years. It sets ExxonMobil apart and has established a culture of performance, integrity, reliability, and consistency. Through this business model and the underlying compensation program and management practices that support it, the Company has become the partner of choice for many national oil companies and major investors in the oil, gas, and petrochemical industry. We believe this business model and supporting compensation program will continue to serve shareholders well in the future.

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