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Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Subject: Pay versus Performance
Release No. 34-74835; File No. S7-07-15

Dear Mr. Fields:

As Vice President-Human Resources of Exxon Mobil Corporation, I am writing to provide ExxonMobil's comments on the proposed rules to implement Section 953(a) of the Dodd-Frank Act relating to pay-versus-performance disclosure.

ExxonMobil has been in business since 1870 and our long range planning provides competitive advantage to us and our shareholders in an ever changing and uncertain industry. When looking to help our shareholders better understand how business results compare to a company's business model and the associated salary and other costs, we feel our perspective and insight will be helpful to the Commission in implementing the pay-versus-performance rule.

Background

To place our comments in context, it is important to give a brief overview of ExxonMobil's specific business model and how our approach to executive compensation is tailored to support that business model and to align our executives' interests with the interests of our long-term shareholders.

As a global, integrated oil and gas company, ExxonMobil's business is characterized by capital-intensive, long-lived projects. An individual ExxonMobil project will typically require the investment of multiple billions of dollars of capital; may have a development or construction phase extending five years or more; and may have a productive life of decades. Our business is also characterized by highly volatile oil and gas commodity prices. Accordingly, our capital-intensive, long-lived projects must be able to deliver shareholder value throughout the ups and downs of the commodity price cycle.

To support ExxonMobil's specific business model, our compensation program embodies a career-orientation and incentive awards with a longer-term structure than any other company of which we are aware. Specifically, a large portion of senior executive pay is delivered in the form of equity awards, half of which do not vest for up to 10 years from grant or later. Moreover, these awards may be forfeited if an executive leaves the company prior to an agreed retirement time, and even if not forfeited are not accelerated on retirement. Thus, a senior executive will typically hold equity that does not fully vest for up to 10 years after the executive retires.

This compensation program is designed (i) to retain high-performing executives with the company for their entire careers, so that the executive can gain experience in many different aspects of our business and in all phases of the commodity cycle; and (ii) to help ensure that senior executives remain focused on the long-term impact of their business decisions up to the point of retirement. We believe this unique compensation structure provides competitive advantage to ExxonMobil and its long-term shareholders.

Within this long-term, equity-centered program, specific award levels for the CEO and other senior executives are based on an assessment of performance that takes into account seven major factors. Special emphasis is placed on safety and operations integrity as well as return on average capital employed (ROCE).

Given the risks inherent in our industry, safety and operations integrity represent the company's "license to operate" without which other measures become irrelevant. Among financial measures of performance, we believe ROCE best measures management effectiveness, i.e., how well management has invested shareholder capital – given the long-term, capital-intensive, and commodity-based nature of our business.

In addition to these measures our Compensation Committee also considers progress in realizing strategic objectives; free cash flow; shareholder distributions; total shareholder return (over periods of up to 10, 20, and 30 years) and project execution. These factors are not given specific, formulaic weightings. Rather, the CEO or other senior executive will only receive a top-level award if ExxonMobil leads industry over the long term in all relevant categories.

This background is meant to provide context for ExxonMobil's specific comments regarding the proposed pay-versus-performance disclosure rule set forth below.

Standardized versus Principles-based Disclosure

Section 953(a) of Dodd-Frank allows the Commission wide latitude in structuring the specific disclosure rules. We understand the rule as proposed – in particular, use of cumulative five-year total shareholder return (TSR) as the relevant performance measure for all companies – is intended in part to produce disclosure that investors can readily compare among different companies.

While we recognize the merits of comparability as a general disclosure principle, in the particular case of Section 953(a) we do not believe comparability is an achievable goal even among companies in the same industry – much less across industries.

ExxonMobil's long-term, career-oriented, multi-factored incentive program as described above is, we believe, well suited to our specific business model. However, even within the integrated oil and gas industry, our peer companies tend to take different approaches to compensation design, with many focusing on one or two performance measures over a three-year period. Needless to say, our compensation program may not be well suited for a company whose business cycle is shorter or less capital intensive.

Given the fundamental differences between the business models and the design of the supporting compensation programs used by different companies and industries, any single measure of pay-for-performance is unlikely to align with the specific business model and compensation program of any particular company – much less provide data that can be meaningfully compared across companies and industries. In fact, we believe a "one-size-fits-all" approach to this disclosure is more likely to mislead shareholders by providing an artificial comparison of pay with performance that does not match a company's actual business model or the structure of its compensation program. Such an artificial picture will in turn require companies to include lengthy additional disclosure to try to help shareholders understand why the mandated pay-versus-performance disclosure does not accurately present the company's particular circumstances.

For this reason, we urge the Commission to adopt a principles-based approach to disclosure under Section 953(a), whereby each company would be able to present the particular performance measure or measures, over the particular time periods, most relevant for that company's business. For example, as previously noted, we believe there are several measures that are better indicators of management performance in our industry than short-term TSR, and we believe the appropriate time periods over which performance should be measured extend well beyond five years. For companies in other industries, other measures may be more appropriate and a five-year performance period may either be too long or too short depending on a particular industry's business cycle.

Even if the Commission determines not to allow companies flexibility to choose the performance measures most appropriate to their circumstances and retains TSR as a mandated measure for all companies, we urge the Commission to allow companies to choose the time period for determining cumulative TSR that best suits their business cycle.

Additional comments

Set forth below are additional comments on the proposed rules. Even if the Commission determines to retain a standardized, rule-based approach, we believe these comments should be addressed in the final rules in order to minimize the potential for misleading disclosure.

Pension valuation. We applaud the SEC for using the service-based definition of annual pension value. The current Summary Compensation Table (SCT) value (change in actuarial present value) includes amounts wholly unrelated to performance, the intent of Compensation Committees, or even the actual pension benefit the executive will receive at retirement. By limiting the definition of Actual Pay to changes in the present value of pensions that are attributable to service over that year, the SEC has taken a positive step to exclude "noise" associated with changes in interest rates, mortality, age, and other actuarial assumptions. We would take this one step further and urge the SEC to adopt this approach for the SCT as well, subject to the following clarification.

To avoid uncertainty in determining service-based accruals, the final rules should clarify what is meant by "actuarially determined service cost." The proposed rule references the definition found in FASB ASC Topic 715, which definition, as noted in footnote 74, reflects certain actuarial assumptions including such things as future salary increases. This reference to Topic 715 and its required use of future salary increases to estimate service cost is confusing in that it squarely contradicts subsequent language in the proposed rule, i.e., that it is not expected that the new pension disclosures would require collection of significant new data or reveal significant new information to shareholders, and that the pension's annual service cost can be calculated based on information reported in the Pension Benefits Table (PBT). Under current rules, the increases in pension value that are reflected in the SCT and PBT do not use a Topic 715 definition. Rather, they are calculated based on the difference between beginning-of-year and end-of-year net present values of accumulated pension benefits. Thus, if a company were required to use a true Topic 715 definition, the disclosure would require significant new data, reveal significant new information to shareholders, and could not be calculated based on information reported in the PBT. We recommend elimination of any reference to FASB ASC Topic 715, and a clarification that what is intended to be measured is simply the portion of the currently-reported change in pension values that is attributable to an additional year of service.

Additionally, if the above recommendation is adopted, the final rules should be further amended to list the specific factors that should be included in determining the pension impact of an additional year of service.

Inclusion of NEOs other than the CEO. We do not believe the pay for performance disclosure will benefit from inclusion of information for NEOs other than the CEO. It has been our experience in engaging with shareholders (including in connection with the annual Say on Pay vote) that investor analysis of the linkage between pay and company performance focuses almost exclusively on the pay of the CEO. This makes sense since the CEO is the person with ultimate accountability for the performance of a company, and the pay of other NEOs generally reflects the same design as the pay of the CEO.[1]

In addition, we believe inclusion of NEO information will not be meaningful to investors given the significant changes in the composition of the NEO group that may occur from year to year. Consistent with ExxonMobil's career orientation, for example, our high-performing senior executives tend to be most highly compensated in the final years of their careers. It is not uncommon for one of our senior executives to be paid more in the final years of his or her career than a younger executive with a higher level of management responsibility. Thus a senior executive may appear in the NEO group for only a year or two prior to retirement, and the NEO group as a whole may not necessarily align with the company's top level of management. For these reasons we believe inclusion of NEO data in the pay-versus-performance disclosure would not be meaningful for investors and would only further complicate an already complex additional section of the proxy statement.

Total Compensation. As proposed, the pay-versus-performance table would include a column showing Total Compensation from the SCT. We see no need for this repetitive disclosure of information that is already prominently presented in the proxy statement. We also believe repeating Total Compensation in the pay-versus-performance table would be contrary to the statutory focus on compensation "actually paid," since Total Compensation includes amounts such as grant date value of equity and performance awards and change in pension value that may not actually be paid to an executive, if at all, until sometime in the future.

Peer TSR. Section 953(a) does not require the pay-versus-performance disclosure to include peer group performance measures, or a comparison of a company's performance to a peer group. Not only is peer group performance not mandated, we do not believe it is helpful or relevant to understanding a company's own pay-versus-performance relationship and accordingly peer group disclosure should not be part of Section 402(v). Peer group performance is already provided to investors in the Item 201 performance graph, and the

[1] At ExxonMobil, for example, all executives (over 1,000 individuals) participate in the same salary, incentive, and retirement programs as the CEO.

Commission's attempt to match this graph with a company's Actual Pay results in a potentially misleading comparison of unrelated data points. All companies have different performance cycles and unique circumstances that impact point-to-point performance. The current proposal would overlook these differences and assume stock prices follow identical patterns across industry and company business cycles.

While we do not believe peer group performance is relevant for the pay-versus-performance disclosure, should the Commission retain the requirement to present peer data we support the flexibility provided in the proposed rule to use the same industry peer group as for the Item 201 performance graph. A company's performance can only appropriately be compared to the company's competitors within its own industry, especially in a commodity-driven business such as ExxonMobil's which may often be counter-cyclical to the performance of other industries.

We appreciate the opportunity to offer these comments. ExxonMobil would also be pleased to address any questions the Commission may have about these comments or to provide additional information that may be helpful.

Sincerely,