Effectively Linking Your Compensation and Business Strategies

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> "If you don't know where you are going, any road will get you there."

» Attributed to Yogi Berra
Discussion Outline

> Executive Compensation Framework
  ● Business Strategy
  ● Leadership Strategy

> ExxonMobil’s Total Rewards Philosophy and Principles

> How Business and Leadership Strategy Impacts ExxonMobil’s Program Design

> Questions and Discussion
Executive Compensation Framework

- Business & human capital objectives drive pay program design
- Avoid conforming to external norms – allow external practices to inform, but not drive
- Career growth, recognition, intrinsic rewards matter as well
Executive Compensation Framework

Understand Key Drivers

Business Strategy

Leadership Strategy

Review/Design Programs

Compensation Philosophy & Strategy

Compensation Program Design

Understand Context

Market Practices

External Perspectives and Optics

Pay/Performance Alignment

Deliver

Implementation and Communication

Financial Results and Compensation Decisions
Executive Compensation Framework: Business Strategy

- Investment scale and timeframes
- Business cycles, length and amplitude
- Nature and degree of risk
- Drivers of long-term success
- Sources of competitive advantage
Executive Compensation Framework
Executive Compensation Framework: Leadership Strategy

> Traits and skills required
> Industry- and Company-specific experience required
> Type of culture desired
> Risk-taking profile
TR Philosophy and Principles

TR Design Fully Integrated with Business and People Strategies

Business Environment
Long-term Horizon - Large Capital Investments - Worldwide Market - Cyclical Prices

Long-Term Orientation
Providing energy to meet the world's demands is a complex business - We meet this challenge by taking a long-term view on all aspects of our business, including compensation strategies.

Business Strategy

Performance Assessment & Development

Training & Education

Employee Development System

Recruiting & Orientation

Supporting Policies

Staffing & Position Planning

Total Remuneration

Results

Primary determining factor in design of Total Remuneration is alignment with business strategy and shareholder priorities.
Secondary considerations include: competitive environment, legislative activity, supply/demand balance, and workforce demographics.
Business Factors Impacting Compensation Strategy

- Long term investment horizons
- Magnitude of investments
- Global markets
- Nature of risk
- Cyclical prices
Leadership Strategy Factors Impacting Compensation Design

- Continuity of leadership and culture
- Need for Company-specific knowledge
- Stewardship
- Need for individual excellence in team environment
- Career orientation
TR Principles and Preferences

• Significant differentiation based on individual performance
  - Reinforce strong culture of continuously increasing performance
  - Aligns with expectations of shareholders
  - Creates sustainable competitive advantage

• Deliver total remuneration to attract, retain and reward employees throughout employment and during retirement

• Administer compensation over a career to align with the long-term orientation of our business
  - Career orientation has proven to be a competitive advantage
    - Low relative attrition allows for continuously improving knowledge and skill

• Flexibility to address changing business requirements and external realities

• Other key compensation principles:
  - Reward increasing responsibility
  - Employee contributions increase over time
  - Internally aligned and equitable
  - Maintain external competitive orientation
  - Deliver through base salary

• Minimize late-in-career benefit program changes
How Business and Leadership Strategy Distinctions Impact ExxonMobil’s Executive Compensation Program Design

> Career progression-oriented pay structure
> Rigorous performance assessment/growth demands
> Very long term pay delivery model
> Alignment with
  * Key business results in the short-term
  * Absolute TSR in the long-term
Internal Pay Structure and Alignment

Management employees

Overlapping ranges to achieve individual “career” compensation administration

SALARY ($)

CLASSIFICATION LEVEL

70%
Total Compensation Alignment - Example

Incentive compensation as % of total compensation increases significantly at each CL
Integration of Project Net Cash Flow and Compensation Program Design

Annual investment required and cash flow generated by a typical ExxonMobil project

Vesting profile of the ExxonMobil equity program: 50 percent of an annual grant of restricted stock or restricted stock units vest in 10 years or retirement, whichever is later, and the other 50 percent vests in five years

Vesting profile of a typical industry
# CEO Realized and Reported Pay – 2006 to 2013

<table>
<thead>
<tr>
<th>Year of Compensation</th>
<th>Realized Pay</th>
<th>Reported Pay</th>
<th>Realized Pay vs. Reported Pay</th>
<th>Realized Pay as a Percentage of Reported Pay</th>
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<tbody>
<tr>
<td>2013</td>
<td>$15,769,829</td>
<td>$28,138,329</td>
<td>-$12,369,500</td>
<td>56%</td>
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<tr>
<td>2012</td>
<td>$15,561,163</td>
<td>$40,266,501</td>
<td>-$24,705,338</td>
<td>39%</td>
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<tr>
<td>2011</td>
<td>$24,637,196</td>
<td>$34,920,506</td>
<td>-$10,283,310</td>
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<td>2010</td>
<td>$14,229,609</td>
<td>$28,952,558</td>
<td>-$14,772,949</td>
<td>49%</td>
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<td>2009</td>
<td>$ 8,530,165</td>
<td>$27,168,317</td>
<td>-$18,638,152</td>
<td>31%</td>
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<td>2008</td>
<td>$10,212,091</td>
<td>$32,211,079</td>
<td>-$21,998,988</td>
<td>32%</td>
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<td>2007</td>
<td>$12,884,308</td>
<td>$27,172,280</td>
<td>-$14,287,972</td>
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<td>2006</td>
<td>$ 6,712,435</td>
<td>$22,440,807</td>
<td>-$15,728,372</td>
<td>30%</td>
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</tbody>
</table>

*Exercised last stock options granted in 2001 that would have expired in 2011. No stock options granted since 2001.*
Questions?