



November 9, 2012

VIA EMAIL

Dr. Martha Carter
Chair
Global Policy Board
Institutional Shareholder Services, Inc.
2099 Gaither Road
Rockville, MD 20850-4045

RE: Comments in Response to 2013 Draft ISS Policy Changes

Dear Dr. Carter:

In response to your request for feedback for ISS' proposed changes to 2013 voting policies, we are providing the input below. We appreciate this opportunity and trust that our comments will assist ISS in enhancing the effectiveness of its policies.

Changes to Peer Group Selection Methodology

We are encouraged that ISS continues to evaluate the methodology for peer group selection; however, we are concerned that the proposed approach will not address the problems with the use of GICS-based methodology and it is unclear how this change will impact the peer selection for the 'super-mega' companies. ISS' peer group analysis should be changed in a manner such that it will clearly reflect companies that are true peers.

ISS should consider the use of the company's direct competitors as identified in the CD&A for the purpose of measuring business performance unless there is clearly unreasonableness in its composition based on industry or size. The choice of peers against which a company elects to benchmark performance is most directly a fundamental question of business strategy, which should be made by the company's Board. Pay programs should be evaluated as to how well they are achieving the company's stated performance objectives, which are directly linked to the company's choice of competitors for the purpose of measuring performance.

Especially for very large companies, a valid competitor group need not include a large number of companies. If the underlying business reality is that a particular market segment consists of a very small number of companies, the competitor group analysis should be consistent with that reality. Artificially enlarging a company's competitor group by including much smaller or less complex companies, or by including companies from different industries, only serves to distort not improve the performance analysis.

Pay may be compared across different industries, but it is inappropriate to compare TSR and other financial and operating performance metrics across industries due to the vastly different natures of industries, their business cycles, operating requirements/risk, and regulatory impacts. TSR and other financial and operating metrics should be compared within an industry group with companies of comparable scale, scope and complexity of operations.

For companies with the scale and geographic scope of ExxonMobil, the ISS model should recognize that competitor companies selected for measuring performance may include companies that are not U.S.-based. For this reason, the companies selected for benchmarking compensation will often appropriately be different than the international competitors selected for measuring performance.

Addition of Realizable Pay to Qualitative Pay for Performance Evaluation

ISS' proposal to incorporate a comparison of realizable pay to grant date pay as part of the qualitative evaluation of pay for performance should be reconsidered. Since realizable pay includes assumptions about future values that may not align with compensation actually paid, it results in some of the same issues as the current reporting in the Summary Compensation Table.

We continue to believe that a realized pay approach is less problematic and provides the clearest link between pay and performance. As we stated in our response to the ISS 2013 policy survey in August, many shareholders do not appreciate that take-home pay is substantially less than what is disclosed in the Summary Compensation Table and quoted by the media. Thus, a realized pay approach may be helpful and when compared to proxy disclosure compensation, it can provide a good illustration of a long-term oriented compensation program.

We have included realized pay in our proxy disclosure and it has been helpful to show shareholders the linkage between pay and performance.

Environmental and Social Non-Financial Performance Compensation-Related Proposals

We are not supportive of this policy change on the basis that shareholders' views on the compensation program, including use of non-financial metrics such as social/environmental measures, are best incorporated within the advisory vote on say on pay. A second vote on a compensation sub-topic will only confuse the matters.

We agree that non-financial factors are important to consider in determining compensation in addition to other factors such as financial and operating results. However, we believe specific compensation structuring decisions should be left to the Board and are not an appropriate subject for shareholder proposals.

Conclusion

We hope that ISS will consider the above modifications to its proposals as a means to further its process and to provide its customers with a more meaningful and valid basis for assessing compensation programs.

Sincerely,

