# For Leading Exxon to Its Riches, $144,573 a Day

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For 13 years as chairman and chief executive, Lee R. Raymond propelled Exxon, the successor to John D. Rockefeller's Standard Oil Trust, to the pinnacle of the oil world.

Mike Segar/Reuters

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Under Mr. Raymond, the company's market value increased fourfold to $375 billion, overtaking BP as the largest oil company and General Electric as the largest American corporation. Net income soared from $4.8 billion in 1992 to last year's record-setting $36.13 billion.

Shareholders benefited handsomely on Mr. Raymond's watch. The price of Exxon's shares rose an average of 13 percent a year. The company, now known as Exxon Mobil, paid $67 billion in total dividends.

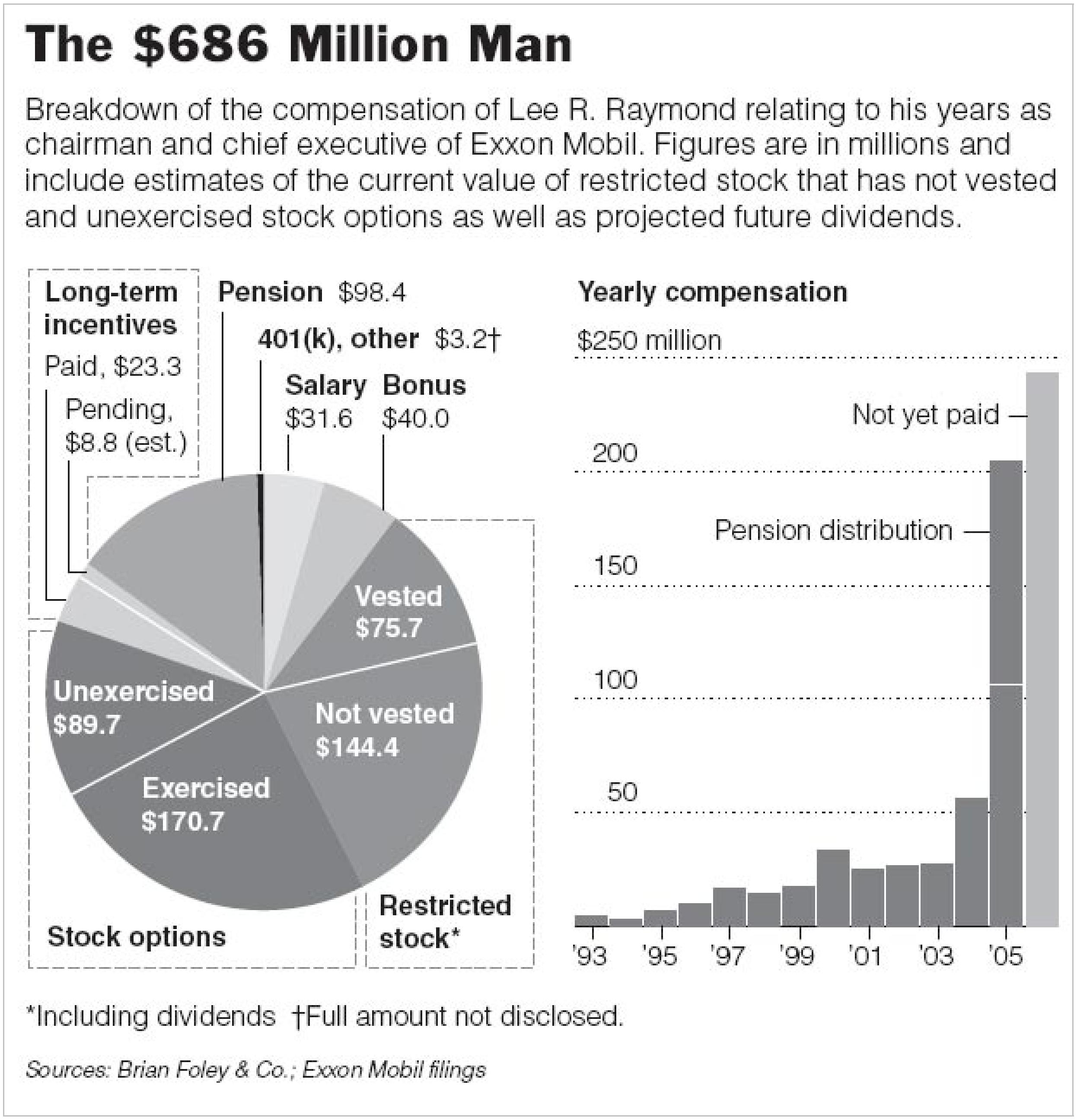
For his efforts, Mr. Raymond, who retired in December, was compensated more than $686 million from 1993 to 2005, according to an analysis done for The New York Times by Brian Foley, an independent compensation consultant. That is $144,573 for each day he spent leading Exxon's "God pod," as the executive suite at the company's headquarters in Irving, Tex., is known.

Despite the company's performance, some Exxon shareholders, academics, corporate governance experts and consumer groups were taken aback this week when they learned the details of Mr. Raymond's total compensation package, including the more than $400 million he received in his final year at the company.

Shareholder advocates point to what they describe as stealth compensation arranged for Mr. Raymond but not disclosed in proxy filings. Consumer groups complain that while last year's rise in global oil prices left many consumers feeling less prosperous, oil executives have become a lot richer from the higher prices. And some corporate governance experts argue that much of Mr. Raymond's pay came from easy profits generated by skyrocketing oil prices.

"It's entrepreneurial returns for managerial conduct," said Charles M. Elson, the director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. "Exxon was there long before Mr. Raymond was there and will be there long after he leaves. Yet he received Rockefeller returns without taking the Rockefeller risk."

Exxon says that Mr. Raymond's compensation and retirement package was tied to the company's stellar performance. According to the company proxy statement, filed Wednesday, the package recognized his "outstanding leadership of the business, continued strengthening of our worldwide competitive position, and continuing progress toward achieving long-range strategic goals."




Through an Exxon spokesman, Mr. Raymond declined to comment.

Mr. Raymond certainly distinguished himself as an oil executive. Exxon is known in the business as a disciplined and tightly focused company with an obsessive attention to the bottom line. In

1999, Mr. Raymond pulled his biggest coup by taking advantage of a slump in oil prices to acquire Mobil in an $81 billion merger, at the time the largest ever.

Thanks to his strategy, the company each day produces 2.5 million barrels of oil more than Kuwait and 9.2 billion cubic feet of natural gas. It is the world's top refiner and controls 22 billion barrels of oil reserves, the most among its publicly traded peers.

Other oil executives have also benefited from the doubling of oil prices over the last two years. For example, Ray R. Irani, the chief executive of Occidental Petroleum, received about $63 million in total compensation last year, an increase of more than 50 percent over 2004. Over the last three years, Mr. Irani has reaped more than $135 million, mostly in options and restricted stock.

David J. O'Reilly, the chief executive of Chevron, received nearly $37 million in salary, bonus, stock and stock options last year. The stock and options vest over multiple years. Mr. O'Reilly already owns stock options valued at $34 million.

Still, Mr. Raymond's package for 2005 stands out, even stripping the $98 million lump-sum value of his pension plan. He received $19.9 million in salary, bonus and other incentives for 2005. He made $21.2 million on options he exercised last year. And he was awarded 550,000 restricted shares, bringing the total he owns to 3.26 million, with a value of $199 million, at $61 a share, an average of Exxon's share price since March 1. Some of the restricted shares vest in 5 and 10 years. He owns more options that hold a value of $69.6 million.

While generous, the other major oil companies have been much more restrained with their top executives.

At BP, Lord Browne received $14.8 million in 2005, a mix of salary, bonus and the value of restricted shares that vested in February 2005 and 2006. Jeroen van der Veer, the head of Royal Dutch Shell, received $4.33 million in base pay, bonus and other benefits, a 33 percent increase from the previous year, and received shares worth another $4.5 million.

Still, the record for total compensation in one year goes to Steven P. Jobs, who received $775 million, mostly from stock options, in 2000 from Apple Computer. Michael D. Eisner, the former head of the Walt Disney Company, took home $577 million in 1997, also largely from stock option exercises.

Mr. Raymond, who is 67, has spent 43 years at Exxon. Born in Watertown, S.D., he joined Exxon in 1963 and became chairman and chief executive in 1993. At the board's request, he deferred his departure past 2003, the year he reached the company's retirement age of 65, to oversee the merged operations and pick a successor.

He agreed to stay on through 2006 as a consultant to help with high-level government contacts between oil executives and heads of state. He will receive $1 million for his services.

Pearl Meyer, a senior managing partner at Steven Hall & Partners, a New York-based company that advises corporate boards on executive compensation, said Mr. Raymond's package was fair.

"Lee Raymond is reaping the results of a 43-year career during which he led the organization through difficult times as well as some good years," Ms. Meyer said. Her previous firm provided consulting services to Exxon's board but was not involved in Mr. Raymond's retirement compensation.

"Exxon has grown and prospered," she said.

But given the recent increases in gasoline prices, to a national average of $2.60 a gallon, the public and politicians are particularly attuned to the fortunes of the oil industry these days. Congress has been considering imposing a windfall tax as well as new legislation to restrict future mergers in the industry.

"He served his stockholders well and the American public poorly," said Mark Cooper, the research director at the Consumer Federation of America.

Mr. Elson of the University of Delaware said that Mr. Raymond just happened to be at the right place to benefit from high oil prices.

"Exxon's performance has more to do with commodity prices than any strategy vis-à-vis its competitors," he said. "Everyone had a good year in the oil business."

But for most experts, the most problematic aspect of Mr. Raymond's package was his $98.4 million pension, which he elected to take as a lump-sum payment instead of annualized returns that would last through his retirement years. Also, the value of the pension rose in 2005 by about 20 percent, in large part because it was based on his final year of income. The final amount was not disclosed until the last proxy statement.

"It's a funny thing to call it a pension; basically it's a check of nearly $100 million," said Lucian Bebchuk, director of the corporate governance program at Harvard Law School and the co-author of "Pay Without Performance: The Unfulfilled Promise of Executive Compensation" (Harvard University Press, November 2004).

"That's another illustration of the huge problems that arise from the fact that pensions have not been transparent in the past and companies have used them to provide compensation under the radar screen," he said.

The Securities and Exchange Commission is considering new rules for the 2007 proxy season, which may require disclosure of far more detail about how compensation committees set pay for top corporate officers. The agency also would force companies to provide more information about the perks, retirement packages and post-employment compensation they award the most senior employees.

For Lynn Turner, a managing director of Glass, Lewis & Company, a shareholder advisory firm, and a former chief accountant at the S.E.C., shareholders should weigh in more forcefully in the choice of corporate directors.

"As long as investors continue to vote for directors who have granted large pay and benefit packages as well as oppose any reasonable limitations on compensation, management and their boards will continue to act and behave as they have without real change," Mr. Turner said.

The board of Exxon Mobil includes Hank McKinnell, the chairman of Pfizer. When he retires in 2008, Mr. McKinnell will receive a pension benefit now worth $83 million, according to the company's proxy filing. That was the largest for a chief executive at any of the companies in the Standard & Poor's 500-stock index until Mr. Raymond's pension was made public.