

## Compensation vs. Peers

### PAY LEVEL TARGETS

	TARGETED PERCENTILE OF MARKET	
	EXECUTIVES	NON-EXECUTIVES
Base Salary	75 <sup>th</sup>	60 <sup>th</sup>
Target Total Cash Comp (TTCC) <i>Base salary + target bonus</i>	75 <sup>th</sup>	75 <sup>th</sup>
Long-Term Incentives <i>(for eligible positions) Expected/target value of awards at grant</i>	~60 <sup>th</sup>	~60 <sup>th</sup>
Target Total Direct Comp (TTDC) <i>TTCC + LTI</i>	75 <sup>th</sup>	75 <sup>th</sup>
Benefits	50 <sup>th</sup>	50 <sup>th</sup>

- ▶ On an aggregate basis, Hess targets compensation levels – on average – to specific percentiles of the market
- ▶ 75th percentile means that Hess targets pay components to be more than 75% of the companies in our specified peer group

## Compensation Package

### TOTAL PAY

<b>Base Salary</b>	<ul style="list-style-type: none"> <li>▶ Recognize value of historical performance and current responsibilities and performance</li> <li>▶ Recognize internal equity of comparable positions</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reflect external market value of job responsibilities and skills (attract/retain)</li> </ul>
<b>Merit Increase</b>	<ul style="list-style-type: none"> <li>▶ Reward value of individual performance during prior year</li> <li>▶ Recognize increase in market “cost of labor” (supply/demand) for key skills</li> </ul>	<ul style="list-style-type: none"> <li>▶ Does not reflect “cost of living” (inflation) for goods and services</li> </ul>
<b>Cash Bonus</b>	<ul style="list-style-type: none"> <li>▶ Reward the achievement of annual individual, business and enterprise objectives</li> </ul>	<ul style="list-style-type: none"> <li>▶ Provide opportunity for meaningful differentiation of individual performance</li> </ul>
<b>Long-Term Incentive</b>	<ul style="list-style-type: none"> <li>▶ Reward the achievement of long-term individual and enterprise objectives</li> <li>▶ Reflect the magnitude of position’s impact on company’s success</li> </ul>	<ul style="list-style-type: none"> <li>▶ Provide opportunity for meaningful differentiation of individual potential and sustained performance</li> </ul>

### ANNUAL CASH BONUS PLAN

<b>Corporate</b>	<ul style="list-style-type: none"> <li>▶ 1/3 weighting</li> <li>▶ Metrics include enterprise profitability</li> </ul>	<ul style="list-style-type: none"> <li>▶ Formulaic payout range: 0 – 150%</li> </ul>
<b>Business Unit</b>	<ul style="list-style-type: none"> <li>▶ 1/3 weighting</li> <li>▶ Metrics include business profitability, cost control, safety, reserves, production, etc</li> </ul>	<ul style="list-style-type: none"> <li>▶ Formulaic payout range: 0 – 150%</li> </ul>
<b>Individual</b>	<ul style="list-style-type: none"> <li>▶ 1/3 weighting</li> <li>▶ Metrics include objectives specific to each employee, agreed upon with manager</li> </ul>	<ul style="list-style-type: none"> <li>▶ Discretionary assessment of management</li> <li>▶ Payout range: 0 – 150%</li> </ul>

### LONG TERM INCENTIVE

<b>Award Philosophy</b>	<ul style="list-style-type: none"> <li>▶ Provide LTI compensation that is competitive and consistent with market practices</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reward employees based on their own performance as well as that of the enterprise</li> <li>▶ Ensure LTI program is transparent and well understood</li> </ul>
<b>Program Design</b>	<ul style="list-style-type: none"> <li>▶ Requires Board approval</li> <li>▶ Timing – Annual awards granted in March</li> <li>▶ Utilize 2 vehicles – restricted stock and performance share units (PSUs)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Manage share utilization within market norms and institutional shareholder guidelines</li> <li>▶ Differentiate awards based on sector (upstream versus downstream)</li> </ul>
<b>Award Levels and Participation</b>	<ul style="list-style-type: none"> <li>▶ Differentiate individual awards by salary band, sustained performance and leadership/technical potential</li> </ul>	

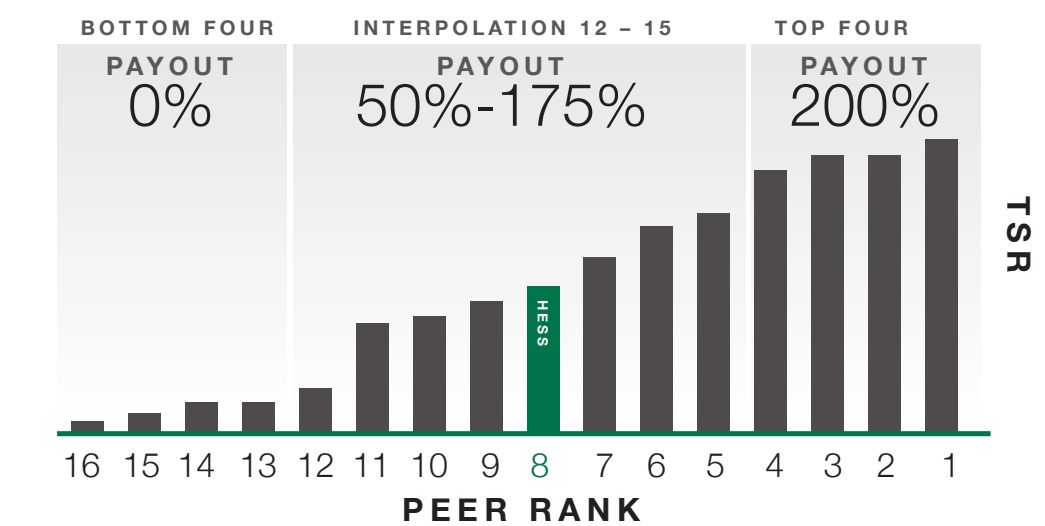
### COMPONENTS

<b>Performance Share Units PSUs</b>	<ul style="list-style-type: none"> <li>▶ Hess Total Shareholder Return (“TSR”) rank relative to 15 company peer group over a 3-year performance period</li> <li>▶ TSR is based on the 60-day average price at the beginning and end of the period</li> </ul>	<ul style="list-style-type: none"> <li>▶ Award will not payout more than 100% if Hess’ TSR is negative</li> <li>▶ Provides dividend rights but are non-voting</li> <li>▶ Valuation model generally results in PSU value being higher than restricted stock value (~115%)</li> </ul>
<b>Restricted Stock</b>	<ul style="list-style-type: none"> <li>▶ Shares of company stock that must be held for a minimum length of time (vesting period)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Provides voting and dividend rights</li> <li>▶ Vesting: 3-year “cliff” vesting</li> </ul>

### PERFORMANCE SHARE UNITS (PSUs)

RANK	PAYOUT
1	200%
2	200%
3	200%
4	200%
5	175%
6	150%
7	125%
8	100%
9	88%
10	75%
11	63%
12	50%
13	0%
14	0%
15	0%
16	0%

- ▶ Relative Total Shareholder Return (TSR) will be calculated over the 3-year performance period. Hess’ payout as % of target will depend on its TSR ranking
- ▶ In the illustration below, Hess is shown ranked 8 of the 15 peers:
  - Rank 1 through 4: 200% of the targeted number of shares will be awarded
  - Rank 5 through 12: payouts will be interpolated and range from 50% to 175%
  - Rank 13 through 16: no shares will be awarded
  - If TSR is negative: payout is capped at 100%



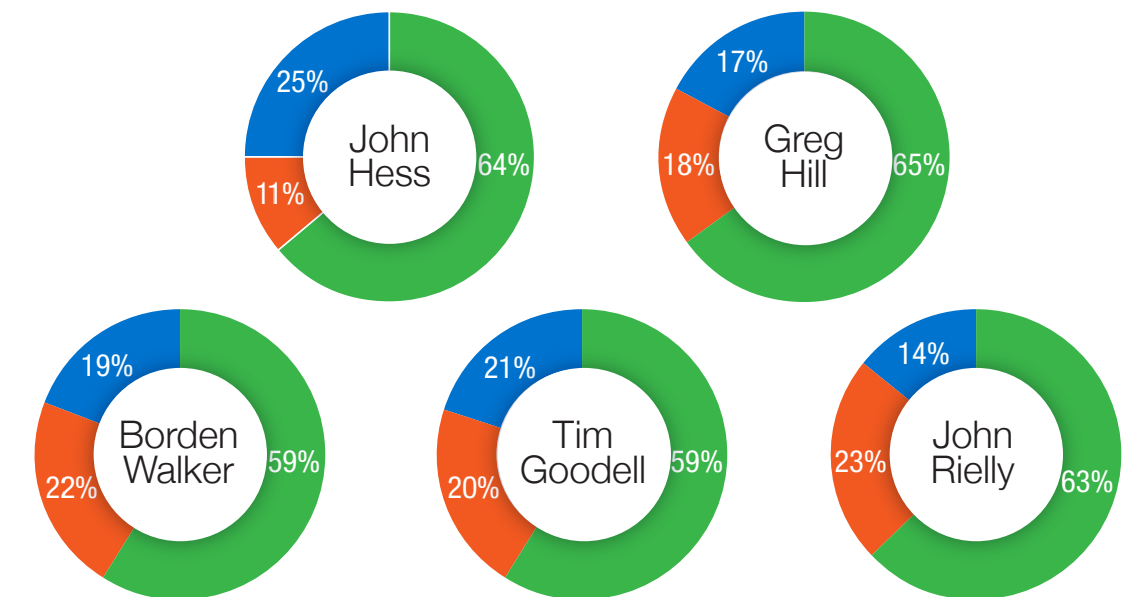
## “Top 5” Compensation

(Proxy statement disclosure)

	YEAR	SALARY	BONUS	STOCK	OPTIONS	NON-EQUITY INCENTIVE	CHANGE IN PENSION VALUE & NONQUALIFIED DEFERRED COMP EARNINGS	ALL OTHER COMP	TOTAL
<b>John B. Hess</b> Chairman & CEO	2011	1,500,000	1,307,583	4,219,584	4,280,375	1,942,417	4,210,185	14,700	17,474,844
	2010	1,500,000	1,140,327	4,216,097	4,217,489	2,609,673	4,490,661	14,700	18,188,947
<b>Greg Hill</b> EVP & President, Worldwide E&P	2011	940,000	373,883	1,737,526	1,762,432	536,117	857,097	14,700	6,221,755
	2010	900,000	317,500	1,505,879	1,506,376	757,500	978,142	14,700	5,980,097
<b>Borden Walker</b> EVP & President, M&R	2011	935,000	230,200	1,241,452	1,258,759	584,800	1,723,973	14,700	5,988,884
	2010	925,000	239,125	1,254,899	1,255,313	685,875	1,617,953	14,700	5,992,865
<b>Timothy Goodell</b> SVP & General Counsel	2011	700,000	281,633	992,993	1,006,922	418,367	322,128	14,700	3,736,743
	2010	675,000	976,025	1,003,919	1,004,251	573,975	243,085	14,700	4,490,955
<b>John P. Rielly</b> SVP & CFO	2011	725,000	126,167	992,993	1,006,922	298,833	918,719	14,700	4,083,334
	2010	725,000	92,350	1,003,919	1,004,251	382,650	805,557	14,700	4,028,427

### PAY MIX

● Salary ● Actual Annual Incentive Cash Bonus ● Long-Term Incentive Equity Award



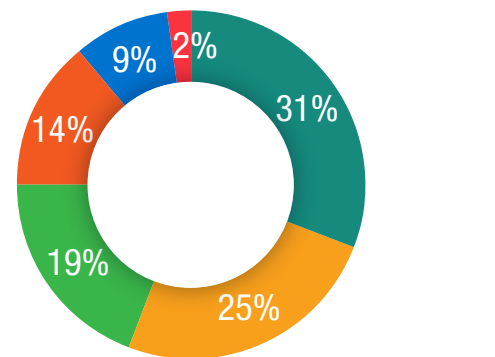
## Benefits Package

### MAJOR BENEFITS

- Medical & Pharmacy
- Dental
- Savings
- Pension
- Basic Life Insurance
- Optional Life Insurance
- Family Accident Insurance
- Long-Term Disability Insurance
- Sickness & Injury Pay
- Employee Assistance Program (EAP)
- Vacation
- Holidays
- Education Assistance
- Financial Planning Services

Full-time, non-Retail in the U.S.

### BENEFIT ALLOCATION



**BENEFITS ON AVERAGE**  
**163%**  
OF BASE SALARY

- Medical
- Vacation/Holiday
- Savings Plan
- Pension
- All Other
- Dental

## Headcount Snapshot

as of December 31, 2012

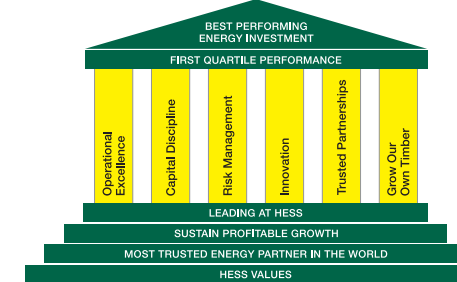
EXECUTIVES		BUSINESS UNIT	
E&P	25	E&P	9,364
M&R	19	M&R	2,542
Corporate Functional Group <i>Includes Top 5</i>	46	Corporate Functional Group <i>Includes Top 5</i>	1,371
<b>TOTAL</b>	<b>90</b>	Hovensa, HETCO	233
		<b>TOTAL</b>	<b>13,510</b>
UNITED STATES		INTERNATIONAL	
New York	320	Europe	427
Woodbridge	655	Africa	257
Houston	1,291	Asia Pacific	694
Pt Reading / Terminals / St Lucia	542	Brazil	3
E&P Field & Other US	883	<b>TOTAL</b>	<b>1,381</b>
Retail Field	8,205	Hovensa	142
<b>TOTAL</b>	<b>11,896</b>	HETCO	91
		<b>TOTAL</b>	<b>233</b>
<b>TOTAL U.S. AND INTERNATIONAL (HESS, HETCO AND HOVENSA)</b>		<b>13,510</b>	

## Board of Directors Quick Reference



### PEER GROUP

- ANADARKO E&P
- APACHE E&P
- BP Integrated
- CHEVRON Integrated
- CONOCOPHILLIPS Integrated
- DEVON ENERGY E&P
- EOG RESOURCES E&P
- EXXONMOBIL Integrated
- MARATHON E&P
- MURPHY Integrated
- OCCIDENTAL Integrated
- ROYAL DUTCH SHELL Integrated
- STATOIL Integrated
- TALISMAN ENERGY Integrated
- TOTAL Integrated



### OFFICER CRITERIA

- President, principal financial officer, principal accounting officer or any vice president in charge of a principal business unit, division or function
- Any other officer who performs a policy making function or any other person who performs similar policy making functions
- SEC's definition of "officer" is rather broad which allows for company interpretation: *This judgment factor is reflected in the wide range of practice among our own peer group*
- Nine positions designated as executive officers by Hess Board of Directors:

- CHAIRMAN AND CEO
- EVP & PRESIDENT, E&P
- EVP & PRESIDENT, M&R
- SVP AND CFO
- SVP AND GENERAL COUNSEL
- SVP, FINANCE AND CORPORATE DEVELOPMENT
- SVP, M&R SUPPLY AND FINANCIAL CONTROLS
- SVP, HUMAN RESOURCES
- VP & TREASURER

### ORGANIZATIONAL LEVELS

10 Chief Executive Officer    9 President, Executive Vice President    8 Senior Vice President    7 Vice President    6 Professional Staff and below

## “Top 5” Incentive Plan Design

(IRC Section 162m)

### Overview

- Section 162(m) of the Internal Revenue Code disallows publicly held companies from deducting compensation in excess of \$1 million that is paid to any of the proxy-named executives excluding the Chief Financial Officer, unless it is performance based.
- Cash bonuses and restricted stock awards are only deductible if they are granted under a shareholder-approved, 162(m) compliant incentive plans.

### Program Design

- Current formula = adjusted cash flow from operations
- CMDC approves compensation formulas within 90 days of the beginning of the fiscal year and certifies that the performance has been attained following the end of the year
- CMDC may exercise negative discretion, but not positive discretion
- Plan allows the Committee discretion to change the formula
- Plan must be re-approved by shareholders every five years in order to preserve the deductibility of awards

## Stock Ownership Requirements

### Ownership Requirements

- CEO: 6x base salary
- SVP: 3x base salary
- EVP: 4x base salary
- VP: 1x base salary

### Elements included in Ownership Formula

- Shares owned outright
- Restricted shares
- Shares owned through 401(k) plan investment
- Shares beneficially owned (employee or spouse)

### Elements excluded from Ownership Formula

- Stock options
- PSUs

### Compliance Time Frame

- 5 years following appointment to selected positions

GATE RIGHT

BACK COVER

FRONT COVER

GATE LEFT