

HESS CORP
Form DEF 14A
March 24, 2016
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SCHEDULE 14A

(Rule 14a-101)

Information Required in Proxy Statement

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to § 240.14a-12

Hess Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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- “ Fee paid previously with preliminary materials.
- “ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - 1) Amount Previously Paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:

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HESS CORPORATION

March 24, 2016

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders, which will be held at Hess Corporation, 1501 McKinney Street, Houston, Texas 77010, on Wednesday, May 4, 2016, at 9:00 a.m., local time. The formal notice of annual meeting and proxy statement, which are contained in the following pages, outline the action to be taken by the stockholders at the meeting.

We are pleased to furnish our proxy materials to our stockholders over the internet, as permitted by Securities and Exchange Commission rules. We believe this process will enable us to provide you with a convenient way to access our proxy materials, while reducing the costs and environmental impact of our annual meeting. A paper copy of our proxy materials may be requested through one of the methods described in the Notice of Internet Availability of Proxy Materials.

It is important that your shares be represented at the meeting whether or not you are personally able to attend. Accordingly, after reading the attached Notice of Annual Meeting of Stockholders and Proxy Statement, please promptly submit your proxy by telephone, internet or mail as described in your proxy card or Notice of Internet Availability of Proxy Materials. If you submit your proxy over the internet, you will have the opportunity to agree to receive future stockholder documents electronically via email, and we encourage you to do so. If you have received a paper copy of the proxy materials and choose to submit your vote by traditional proxy or voting instruction card, please sign, date and mail the card in the pre-addressed reply envelope provided to you. Your cooperation will be appreciated.

Sincerely yours,

Chief Executive Officer

The attached proxy statement is dated March 24, 2016 and is first being mailed to stockholders on or about March 24, 2016.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	

This document contains forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words anticipate, estimate, expect, forecast, guidance, could, may, should, project, plan, predict, will and similar expressions identify forward-looking statements, which generally are historical in nature. Forward-looking statements related to our operations are based on our current understanding, assessments, estimates and projections. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations. As and when made, we believe that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Risk factors that could materially impact future actual results are discussed in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the Securities and Exchange Commission.

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HESS CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Wednesday, May 4, 2016, at 9:00 a.m.

To the Stockholders:

The annual meeting of stockholders of Hess Corporation will be held at Hess Corporation, 1501 McKinney Street, Houston, Texas 77010, on Wednesday, May 4, 2016, at 9:00 a.m., local time, for the following purposes:

1. To elect eleven directors for the ensuing one-year term (pages 10 to 56 of the accompanying proxy statement);
2. To conduct a non-binding advisory vote to approve the compensation of our named executive officers (pages 57 and 58);
3. To act upon the ratification of the selection by the audit committee of Ernst & Young LLP as independent auditors (pages 59 and 60);
4. To approve the performance incentive plan for senior officers (pages 61 to 65);
5. To act upon the stockholder proposal described in the accompanying proxy statement if properly introduced at the meeting (pages 66 to 69); and
6. To transact any other business which properly may be brought before the meeting.

All stockholders are cordially invited to attend, although only stockholders of record at the close of business on March 17, 2016, the record date for the annual meeting, will be entitled to vote at the meeting.

By order of the board of directors,

George C. Barry

Secretary

March 24, 2016

YOUR VOTE IS IMPORTANT

You are urged to date, sign and promptly return the proxy card in the envelope provided to you, or to use the telephone or internet method of voting described in your proxy card, so that if you are unable to attend the meeting your shares can be voted.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 4, 2016:

Hess Corporation's notice of meeting, proxy statement and 2015 annual report are available at <http://www.envisionreports.com/HES>

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The following section is only a summary of key elements of the proxy statement, it is intended to assist you in reviewing the proxy statement in advance of the annual meeting of stockholders. This summary does not contain all of the information you should consider, and we encourage you to read this entire proxy statement before submitting your votes.

Your vote is important to us. Please exercise your right to vote.

Voting Matters and Board Recommendation

	Board Vote Recommendation	Page Reference (for more detail)
1. Election of eleven director nominees	FOR all of the director nominees	10
2. Advisory approval of the compensation of our named executive officers	FOR	57
3. Ratification of selection of independent registered public accountants	FOR	59
4. Approval of the performance incentive plan for senior officers	FOR	61
5. Stockholder proposal for a report regarding carbon asset risk	AGAINST	66

Nominees for Director

The following table provides summary information about each director nominee. Directors are elected by a majority of votes cast, for one-year terms expiring in 2017.

Name	Age	Director Since	Primary Occupation	Committee Memberships	Other Boards	Independent
Rodney F. Chase	72	2013	Former Deputy Group Chief Executive BP	Audit, Governance	1	YES
Terrence J. Checki	70	2014	Former EVP Federal Reserve Bank of NY	Audit	0	YES
John B. Hess	61	1978	Chief Executive Officer		1	NO

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Edith E. Holiday	63	1993	Corporate Director and Trustee	Governance (Chair)	3	YES
Risa Lavizzo-Mourey	61	2004	President and CEO, Robert Wood Johnson Foundation	Compensation	0	YES
David McManus	62	2013	Former EVP, Pioneer Natural Resources	Compensation	3	YES
Kevin O. Meyers	62	2013	Former SVP of Americas E&P, ConocoPhillips	Audit	4	YES
John H. Mullin III	74	2007	Chairman, Ridgeway Farm LLC	Governance	0	YES
James H. Quigley	63	2013	Chairman of the Board	Audit (Chair), Compensation	2	YES
Fredric G. Reynolds	65	2013	Former EVP & CFO, CBS Corporation	Audit, Governance	2	YES
William G. Schrader	58	2013	Former COO, TNK-BP Russia	Audit	3	YES

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Proxy Access. In keeping with our high governance standards and based on stockholder input, the board of directors adopted a proxy access by-law permitting a stockholder, or a group of up to 20 stockholders, owning 3% of our outstanding common stock for at least three years to nominate and include in our proxy materials up to the greater of two directors or 20% of our board of directors, provided that such stockholders and nominees follow the procedures set forth in our by-laws.

Governance Highlights	
ü 12 of 13 directors are independent (10 of 11 nominees)	ü Stock ownership policy for executives
ü Independent chairman	ü Anti-hedging and pledging policies
ü Refreshed board (majority within the last 3 years)	ü Annual board and committee evaluations
ü Annual election of directors	ü Stockholder proxy access
ü Majority vote for director elections	ü Stockholder outreach
ü Independent audit, compensation & governance committees	
ü Compensation clawback policy	X NO poison pill

Business, Strategy & Performance

Summary of Hess Business. We are a leading global independent energy company engaged in the exploration and production of crude oil and natural gas. In 2015, the board of directors and management team completed the process of transforming Hess from an integrated energy company into a more geographically focused pure play exploration and production (E&P) company. This multi-year, strategic transformation was designed to drive cash generative growth and sustainable returns to stockholders by leveraging our lean manufacturing capabilities, exploiting our deepwater drilling and project development capabilities and executing a smaller, more targeted exploratory program. We have a diversified portfolio of high-quality assets, with a balanced mix between unconventional and conventional resources, located onshore and offshore in the U.S. and select locations around the world, where we believe we have a competitive advantage.

Strategy. Our strategy in this lower for longer oil price environment is to preserve the strength of our balance sheet, preserve our operating capabilities and preserve our long-term growth options. We plan to focus on value, not volume, and for this reason we intend to reduce our activity levels across our portfolio and pursue further cost reductions in 2016 and beyond to keep our balance sheet strong. It is also important that we maintain our lean manufacturing capabilities and our deepwater drilling and project development capabilities so that we are prepared to ramp-up activity as oil prices recover. We will also proactively manage our financial flexibility so that we can continue to invest in promising cash generative growth options. Nearer term, in developments, we made important progress on the North Malay Basin project, which is expected to begin production in 2017, and at the Stampede field in the Gulf of Mexico, which is expected to begin production in 2018. Longer term, in exploration, we are participating in the Liza prospect in the deepwater offshore Guyana and the Sicily and Melmar prospects in the deepwater Gulf of Mexico. In particular, the Stabroek Block in Guyana has the potential to create substantial long-term value for our stockholders. Our board of directors regularly reviews and actively challenges management on our strategy and is fully supportive of the strategy and of its implementation by management.

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Strong Operational Performance in 2015. Through extensive cost reduction efforts, we decreased capital and exploratory expenditures and cash operating costs by approximately \$700 million, while increasing net production by 14% from 2014, to 375,000 barrels of oil equivalent per day. In addition, in July 2015, we sold a 50% interest in our Bakken midstream assets for net cash consideration of approximately \$2.6 billion. By adhering to this disciplined approach, we finished the year with one of the strongest balance sheets and liquidity positions among our E&P peers, with \$2.7 billion of cash, total liquidity including available committed credit facilities of approximately \$7.4 billion, and a debt-to-capitalization ratio, excluding the Bakken Midstream joint venture, of approximately 24.4%. In February 2016, we further strengthened our balance sheet and liquidity position by raising an additional \$1.6 billion through public offerings of common stock and mandatory convertible preferred stock.

3-Year Relative Performance

A signal of Hess accomplishments: Three-year TSR significantly outperformed the median of our 2015 peers.

Executive Compensation

Response to Low Oil Price Environment. Given the low oil price environment, and our disciplined approach to executive compensation, the compensation and management development committee approved the following compensation actions for 2015 and 2016:

held salaries flat at 2014 levels for our named executive officers (NEOs) during 2015 and 2016;

applied negative discretion to reduce the payouts to our NEOs for the enterprise performance component of the annual incentive plan from 111% to 85%, despite strong 2015 enterprise results, and made no adjustments for 2015 individual performance;

held flat annual incentive plan targets for our NEOs in 2015 and 2016; and

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reduced grant date values of long-term incentive awards for each of our NEOs in 2015 compared to 2014 to reflect the low commodity price environment and manage share utilization, and further reduced grant date values of long-term incentive awards in 2016 by an additional 15% from 2015 levels.

CEO LTI Grant Date Value

2016	\$8,080,000
2015	\$9,500,000
2014	\$9,775,000

Supplemental Disclosure of CEO Total Direct Compensation. The following table illustrates total direct compensation, which reflects the sum of base salary, actual annual incentive award and the grant date fair value of long term incentive awards, paid to our CEO from 2013 to 2015. The amounts reported in this table differ substantially from the amounts required to be reported under SEC rules in the Summary Compensation Table on page 47, and is not a substitute for such information.

CEO Total Direct Compensation

Year	Salary	Annual Incentive Award	Long-Term Incentive Award	Total Direct Compensation
2015	\$1,500,000	\$1,912,500	\$9,500,036	\$12,912,536
2014	\$1,500,000	\$3,037,500	\$9,774,979	\$14,312,479
2013	\$1,500,000	\$3,794,917	\$8,511,308	\$13,806,225

Compensation Program Key Practices. Our compensation program is guided by the following key practices, which we believe promote alignment with the interests of our stockholders.

Key Compensation Practices

ü	Directly link pay to performance and stockholder returns	ü	2015 Say on Pay Vote: 96.4% Approval
ü	Target total direct compensation within range of market median		
ü	Impose cap on CEO incentive compensation payments	X	NO hedging or pledging by executives
ü	Compensation plans designed to mitigate undue risk	X	NO employment contracts for NEOs
ü	Double-trigger change-in-control severance benefits	X	NO dividends or equivalents on unearned LTI awards
ü	Maintain a compensation clawback policy		

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		X	NO excise tax gross-ups in new change-in-control agreements
ü	Minimal use of perquisites for executives	X	NO re-pricing of stock options without stockholder approval
ü	Retain an independent compensation consultant	X	NO excessive severance or change in control benefits

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HESS CORPORATION

PROXY STATEMENT

The enclosed proxy is solicited by the board of directors of Hess Corporation for use at the annual meeting of stockholders to be held on Wednesday, May 4, 2016, at 9:00 a.m., local time, in our office at 1501 McKinney Street, Houston, Texas 77010.

On or about March 24, 2016, we commenced mailing this proxy statement, the notice of annual meeting and the proxy card to stockholders. Holders of record of common stock of the company at the close of business on March 17, 2016 will be entitled to vote at the annual meeting. Each share of common stock will be entitled to one vote. As of March 17, there were 316,735,877 shares of common stock outstanding and entitled to vote at the annual meeting. There are no other voting securities of the company outstanding. A majority of the outstanding shares of common stock, present in person or represented by proxy, will constitute a quorum at the annual meeting. Abstentions and broker non-votes will be counted as shares present for purposes of determining the presence of a quorum for the transaction of business.

In accordance with Securities and Exchange Commission (SEC) rules, we are making our proxy materials available to stockholders over the internet. On or about March 24, 2016, we mailed a Notice of Internet Availability of Proxy Materials to our stockholders. This Notice contains instructions on how to access this proxy statement and our annual report and submit a proxy over the internet. If you received a Notice by mail, you will not receive a paper copy of the proxy materials unless you request such materials by following the instructions contained in the Notice.

If at the close of business on March 17, 2016 your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and the proxy materials, as applicable, are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares in your account. If that organization is not given specific direction, shares held in the name of that organization may not be voted and will not be considered as present and entitled to vote on any matter to be considered at the annual meeting, except with respect to the ratification of the company's independent auditors. **Brokers are not permitted to vote your shares for the election of directors, for the advisory vote on executive compensation, for the approval of the performance incentive plan for senior officers or for or against the stockholder proposal without your instructions as to how to vote. Please instruct your broker how to vote your shares using the voting instruction form provided by your broker so that your vote can be counted.**

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If you are a registered stockholder, you can simplify your voting by using the internet or calling a toll-free telephone number. Internet and telephone voting information is provided on the proxy card or Notice. A control number, located on the instruction sheet attached to the proxy card or Notice, is designated to verify your identity and allow you to vote your shares and confirm that your voting instructions have been recorded properly. If you vote via the internet or by telephone, there is no need to return a signed proxy card. However, you may still vote by proxy by using the proxy card.

Proxies will be voted at the annual meeting in accordance with the specifications you make on the proxy. If you sign the proxy card or submit a proxy by telephone or over the internet and do not specify how your shares are to be voted, your shares will be voted in accordance with the recommendations of the board of directors (See Questions and Answers about the Annual Meeting and Voting).

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why did I receive these proxy materials?

You have received these proxy materials because you are a Hess Corporation stockholder, and our board of directors is soliciting your authority, or proxy, to vote your shares at the 2016 annual meeting of stockholders. The proxy materials include our notice of annual meeting of stockholders, proxy statement and 2015 annual report. If you requested printed versions of these materials by mail, these materials also include the proxy card or voting instruction form for the annual meeting. Proxy cards are being solicited on behalf of our board of directors. The proxy materials include detailed information about the matters that will be discussed and voted on at the meeting, and provide updated information about our company that you should consider in order to make an informed decision when voting your shares. The proxy materials are first being furnished to stockholders on or about March 24, 2016.

The following proposals are scheduled to be voted on at the annual meeting:

Proposal 1: Election of eleven director nominees;

Proposal 2: Advisory approval of the compensation of our named executive officers;

Proposal 3: Ratification of the selection of Ernst & Young LLP as independent auditors for the fiscal year ending December 31, 2016;

Proposal 4: Approval of the performance incentive plan for senior officers; and

Proposal 5: Stockholder proposal recommending that the company provide a scenario analysis report regarding carbon asset risk.

Can I access the proxy materials on the internet?

Yes. The company's notice of annual meeting, proxy statement and 2015 annual report are available at <http://www.envisionreports.com/HES>.

In accordance with SEC rules, we are making our proxy materials available to stockholders over the internet. On or about March 24, 2016, we mailed a Notice of Internet Availability of Proxy Materials to our stockholders. The Notice contains instructions on how to access this proxy statement and our 2015 annual report and submit a proxy over the internet. If you received a Notice by mail, you will not receive a paper copy of the proxy materials unless you request such materials by following the instructions contained in the Notice.

The Notice also includes instructions about how to request delivery of future proxy materials electronically by e-mail, and we encourage you to do so. Choosing to receive future proxy materials by e-mail will save us the cost of printing and mailing the materials to you and will reduce the impact of our annual meeting on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail prior to the next stockholder meeting containing links to the proxy materials and the proxy voting website. Your election to receive proxy materials by

e-mail will remain in effect until you change it.

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How do I attend the annual meeting?

The annual meeting will be held at Hess Corporation, 1501 McKinney Street, Houston, Texas 77010 on Wednesday, May 4, 2016 at 9:00 a.m., local time. When you arrive, signs will direct you to the appropriate room. Please note that the doors to the meeting room will not be open until 8:00 a.m. You should be prepared to present valid government-issued photo identification, such as a driver's license or passport, for admittance. In addition, if you are a stockholder of record, your name will be verified against the list of stockholders of record prior to admittance to the annual meeting. If you are a beneficial owner, you must provide proof of beneficial ownership, such as your account statement showing that you own our stock, a copy of the voting instruction form provided by your broker, trustee or nominee, or other similar evidence of ownership. If you do not provide valid government-issued photo identification and comply with the other procedures outlined above, you will not be admitted to the annual meeting. Directions to attend the annual meeting can be found at www.hess.com/company/hess-offices. You do not need to attend the annual meeting to vote. Even if you plan to attend the annual meeting, please submit your vote in advance as instructed herein.

What is the quorum requirement for holding the 2016 annual meeting?

A majority of the outstanding shares of common stock, present in person or represented by proxy, will constitute a quorum at the annual meeting. Abstentions and broker non-votes will be counted as shares present for purposes of determining the presence of a quorum for the transaction of business.

Who can vote?

Holders of record of common stock at the close of business on March 17, 2016 will be entitled to vote at the annual meeting. Each share of common stock will be entitled to one vote on all matters properly brought before the meeting. As of March 17, 2016, there were 316,735,877 shares of common stock outstanding and entitled to vote at the annual meeting. There are no other voting securities of the company outstanding.

What is the difference between holding shares as a holder of record and as a beneficial owner?

If at the close of business on March 17, 2016, the record date for the annual meeting, your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization or other nominee, then you are the beneficial owner of shares held in street name and the proxy materials, as applicable, are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares in your account. If that organization is not given specific direction, shares held in the name of that organization may not be voted and will not be considered as present and entitled to vote on any matter to be considered at the annual meeting, except with respect to the ratification of the company's independent auditors. **Brokers are not permitted to vote your shares for the election of directors, for the advisory vote on executive compensation, for the approval of the performance incentive plan for senior officers or for or against the stockholder**

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proposal without your instructions as to how to vote. Please instruct your broker how to vote your shares using the voting instruction form provided by your broker. The voting instruction forms provided by your bank, broker or other nominee will also include information about how to vote your shares over the internet or telephonically, if such options are available. Please return your completed voting instruction form to your broker and contact the person responsible for your account or vote by internet or telephone so that your vote can be counted.

How do I vote my shares?

You may vote your shares using one of the following methods (please also see the information provided above concerning the difference between holding shares as a holder of record or registered holder and holding shares beneficially through a bank, broker or other nominee – beneficial holders should follow the voting instructions provided by such nominee):

Over the internet. If you have access to the internet, you can submit your proxy online by following the instructions included on your proxy card or Notice (or voting instruction form in the case of beneficial holders for whom internet voting is available) for voting over the internet.

By telephone. You can vote by calling a toll-free telephone number listed on the proxy card (or voting instruction form in the case of beneficial holders for whom telephone voting is available). Please refer to your proxy card or voting instruction form for instructions on voting by phone.

By mail. You may vote your shares by completing, signing and mailing the proxy card included with your proxy materials (or voting instruction form in the case of beneficial holders). Please refer to your proxy card or voting instruction form for instructions on voting by mail.

In person at the annual meeting. Stockholders are invited to attend the annual meeting and vote in person at the annual meeting. If you are a beneficial owner of shares you must obtain a legal proxy from the bank, broker or other holder of record of your shares to be entitled to vote those shares in person at the meeting.

A control number, located on the instruction sheet attached to the proxy card or Notice, is designated to verify your identity and allow you to vote your shares and confirm that your voting instructions have been recorded properly. If you vote via the internet or by telephone, there is no need to return a signed proxy card. However, you may still vote by proxy by using the proxy card.

As noted above, if you hold shares beneficially in street name through a bank, broker or other nominee, you may vote by submitting the enclosed voting instruction form. Telephone and internet voting may be also available – please refer to the voting instruction form provided by your bank, broker or other nominee for more information.

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Can I change my vote?

Yes. You may revoke the proxy at any time prior to its use by:

delivering a written notice to the secretary of the company, mailed to Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036;

executing and submitting a later-dated proxy;

re-voting your shares by telephone or on the internet; or

attending the annual meeting and voting in person.

What vote is required to approve each of the proposals?

Proposal 1: Election of directors: The election of directors is considered an uncontested election as defined in the company's by-laws. This means that, to be elected as a director of the company at the 2016 annual meeting, nominees must receive a majority of the votes cast. A majority of votes cast means that the number of shares voted for a director's election exceeds 50% of the number of votes cast with respect to that director's election. Abstentions and broker non-votes are not counted as votes cast.

Proposal 2: Advisory vote to approve the compensation of the named executive officers: Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting. Abstentions will be counted as present for the purposes of this vote and will have the effect of a vote against the proposal. Broker non-votes will not be counted as present and are not entitled to vote on the proposal.