

AS YOU SOW

# The 100 Most Overpaid CEOs:

Executive Compensation  
At S&P 500 Companies

**Report Author**

**Rosanna Landis Weaver**

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# Featured Speakers



**Rosanna Landis Weaver**  
Report Author and Program  
Manager of As You Sow's  
Executive Compensation  
initiative



**R. Paul Herman**  
Founder and CEO  
of HIP Investor



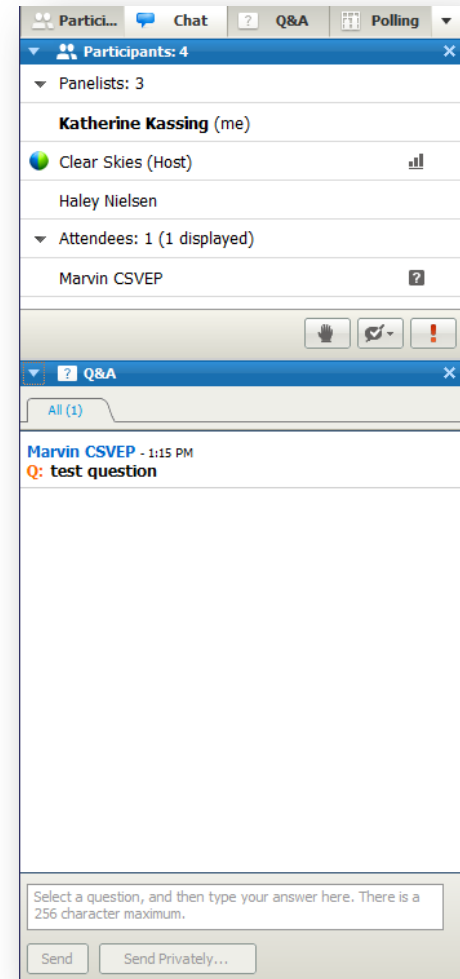
**Nell Minow**  
Journalist and  
Noted Corporate  
Governance Expert

# General Information

- For technical support call 1-866-229-3239
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- You will receive an email with a link to the recording within 24 hours
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Q&A Window

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# Rosanna Landis Weaver

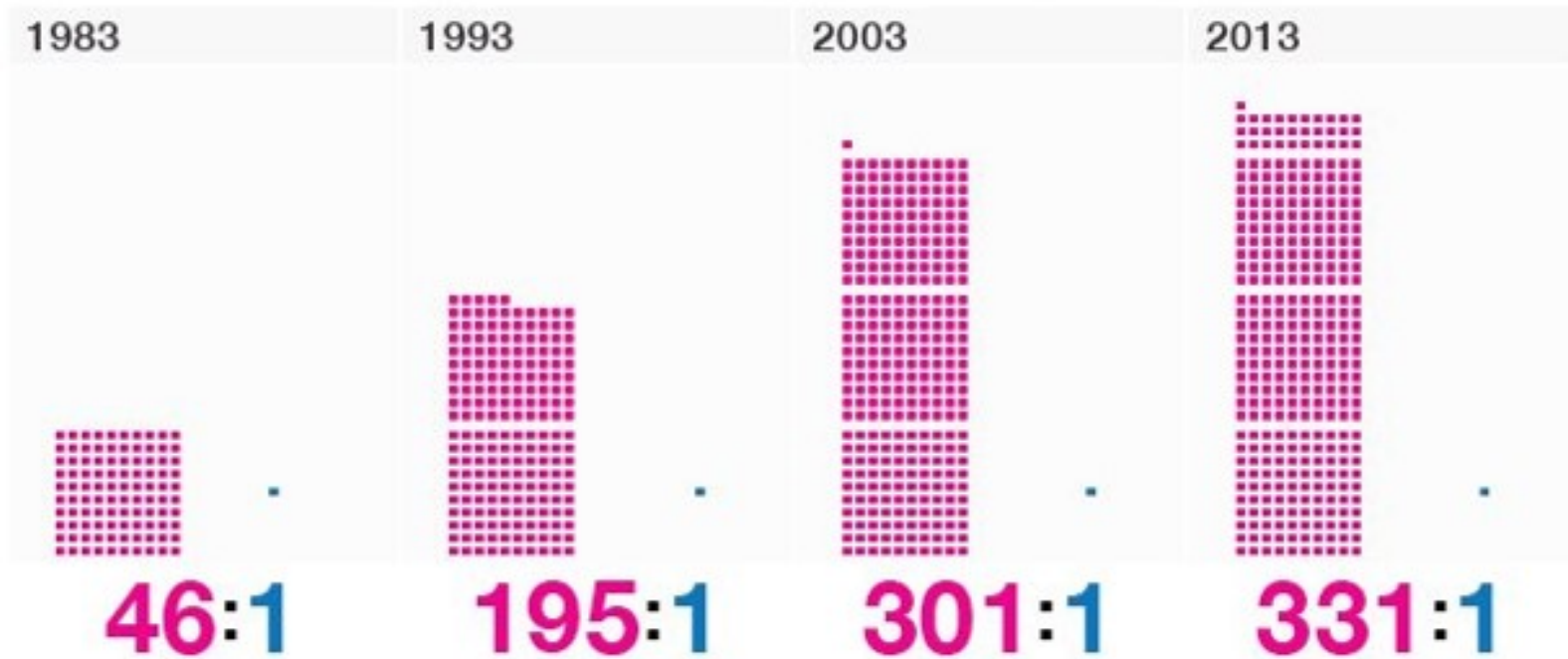
Report Author



Program Manager of As You Sow's  
Executive Compensation initiative

# CEOs are overpaid by any measure

## Ratio of **CEO** to average worker pay



Source: AFL-CIO; AP

# Top 25 Most Overpaid CEOs

**FIGURE 1 - TOP 25 MOST OVERPAID CEOs**

RANK	COMPANY	CEO	TOTAL DISCLOSED COMPENSATION
1	Nabors Industries Ltd.	Anthony G. Petrello	\$68,246,187
2	Oracle Corporation	Lawrence J. Ellison	\$78,440,657
3	Freeport-McMoRan Copper & Gold Inc.	Richard C. Adkerson	\$55,260,539
4	CBS Corporation	Leslie Moonves	\$66,932,581
5	Discovery Communications, Inc.	David M. Zaslav	\$33,349,798
6	The Walt Disney Company	Robert A. Iger	\$34,321,055
7	CVS Caremark Corporation	Larry J. Merlo	\$31,330,162
8	Viacom, Inc.	Philippe P. Dauman	\$37,186,099
9	Regeneron Pharmaceuticals, Inc.	Leonard S. Schleifer, M.D., Ph.D.	\$36,272,665
10	McKesson Corporation	John H. Hammergren	\$25,919,882
11	Ralph Lauren Corporation	Ralph Lauren	\$24,537,936
12	Salesforce.com, Inc.	Marc Benioff	\$31,333,332
13	Exxon Mobil Corporation	Rex W. Tillerson	\$28,138,329
14	The Estée Lauder Companies Inc.	Fabrizio Freda	\$31,598,679
15	Chesapeake Energy Corporation	Robert D. Lawler	\$22,423,367
16	Aetna Inc.	Mark T. Bertolini	\$30,725,409
17	Ford Motor Co.	Alan Mulally	\$23,204,534
18	Hasbro Inc.	Brian Goldner	\$27,440,726
19	American Express Company	Kenneth I. Chenault	\$21,837,420
20	Chipotle Mexican Grill, Inc.	Steve Ells	\$25,116,871
21	Comcast Corporation	Brian L. Roberts	\$31,367,254
22	General Growth Properties, Inc.	Sandeep Mathrani	\$22,102,608
23	AT&T, Inc.	Randall Stephenson	\$23,247,167
24	Honeywell International Inc.	David M. Cote	\$25,973,246
25	Abbott Laboratories	Miles D. White	\$20,865,668

# S&P 500 Companies where the highest proportion of revenue is used to pay executives

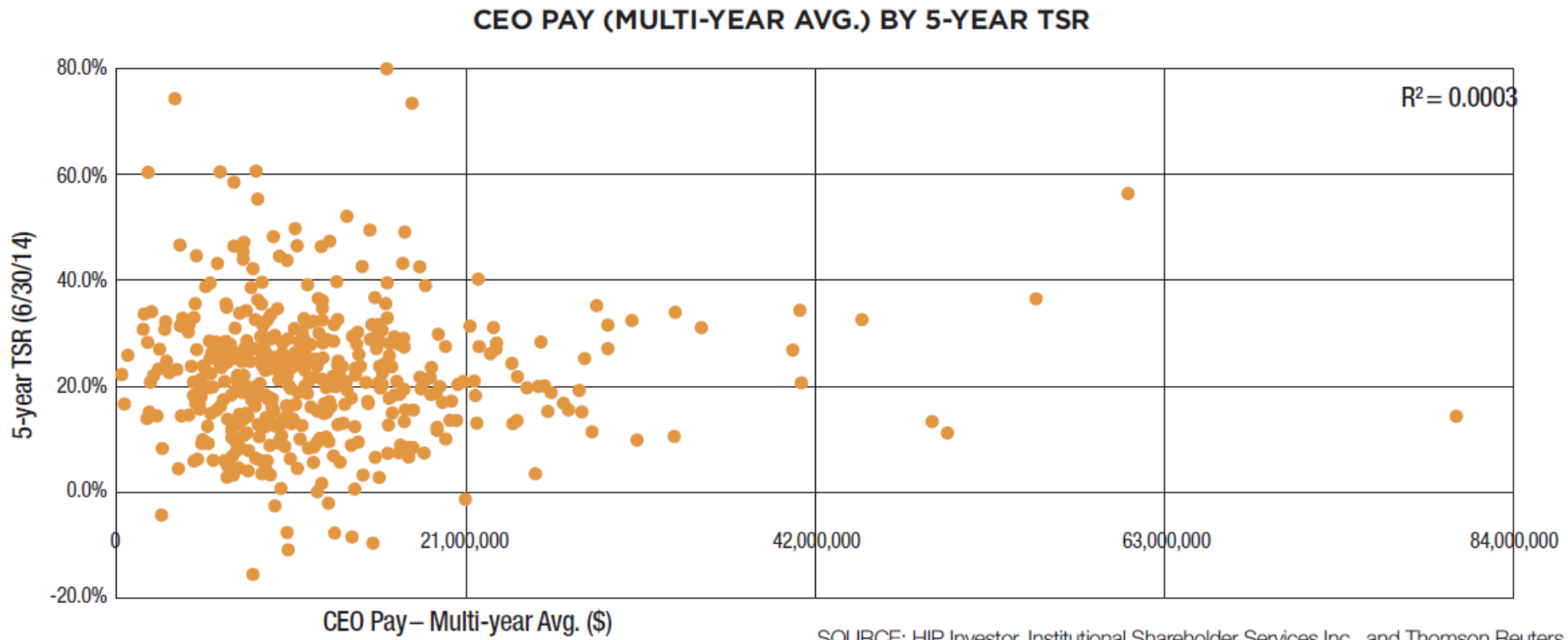


Affiliated Managers Group, Inc.



# Little correlation between CEO pay and performance

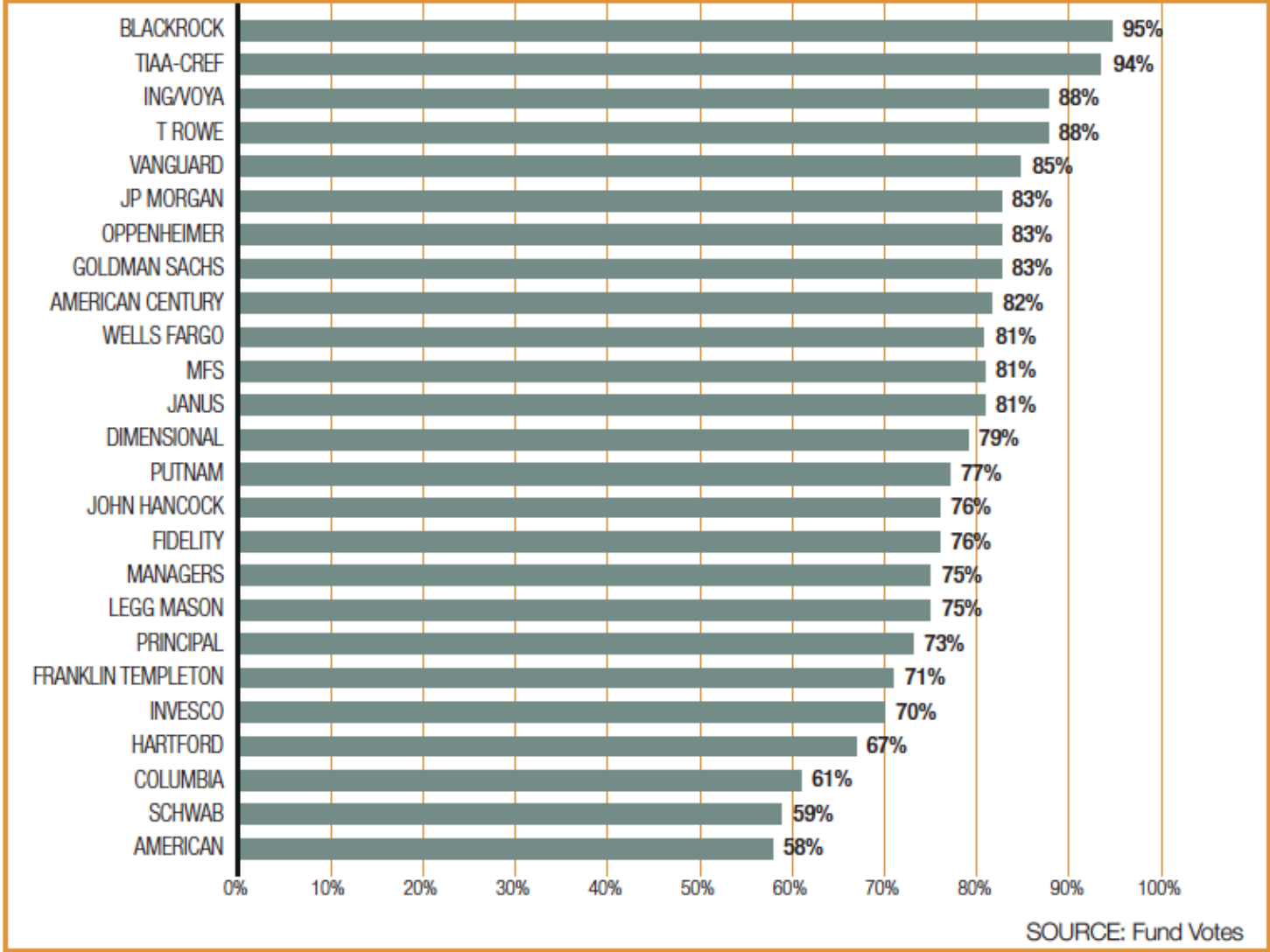
**FIGURE 10 – PAY AND PERFORMANCE: S&P 500**





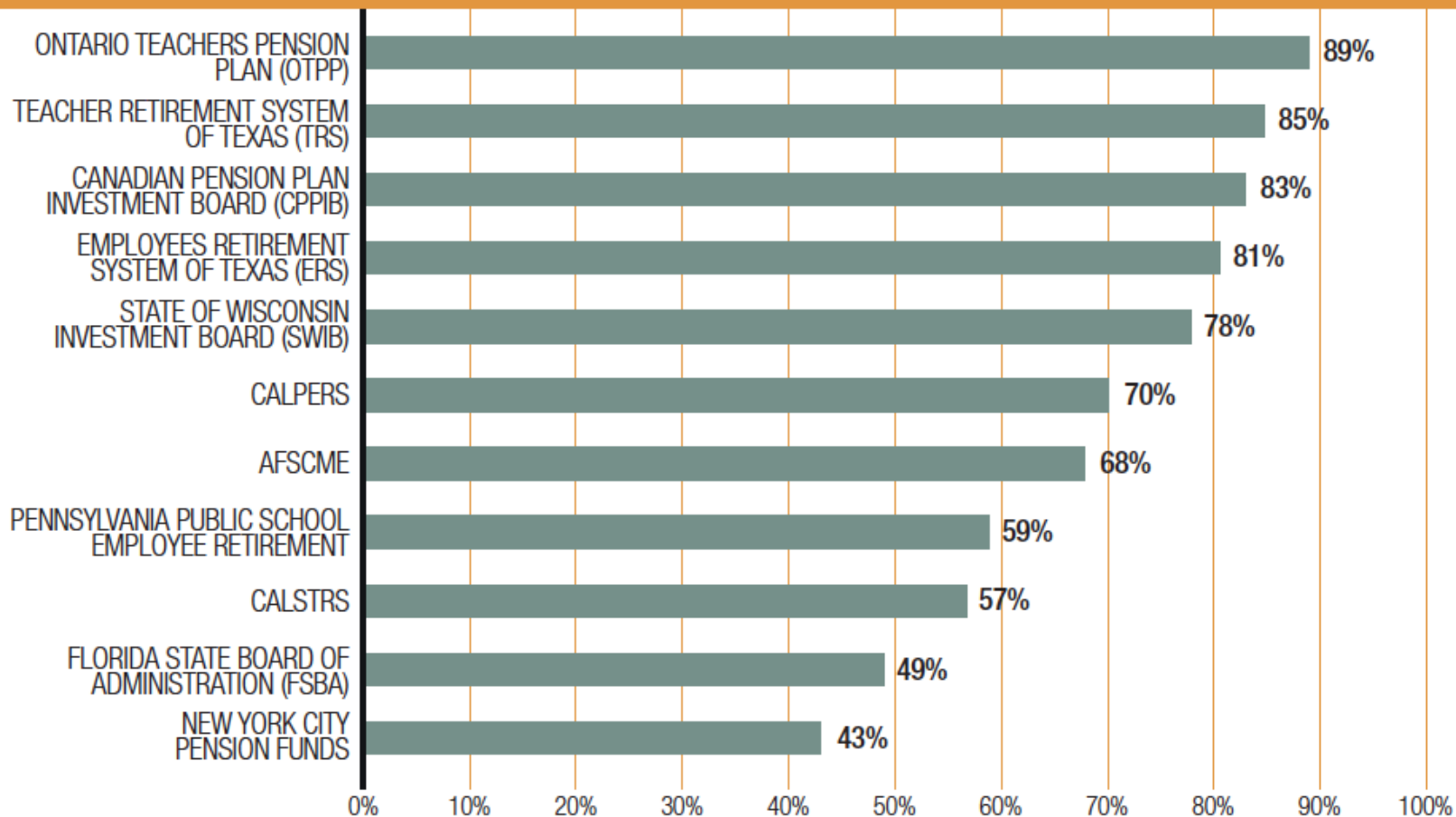
Approval Rates of Pay of 100 Most Overpaid CEOs at 25 Large Mutual Funds

FIGURE 5 – APPROVAL RATES OF PAY OF 100 MOST OVERPAID CEOs AT 25 LARGE MUTUAL FUNDS



## Approval Rates of Pay of 100 Most Overpaid CEOs at Public Pension Funds

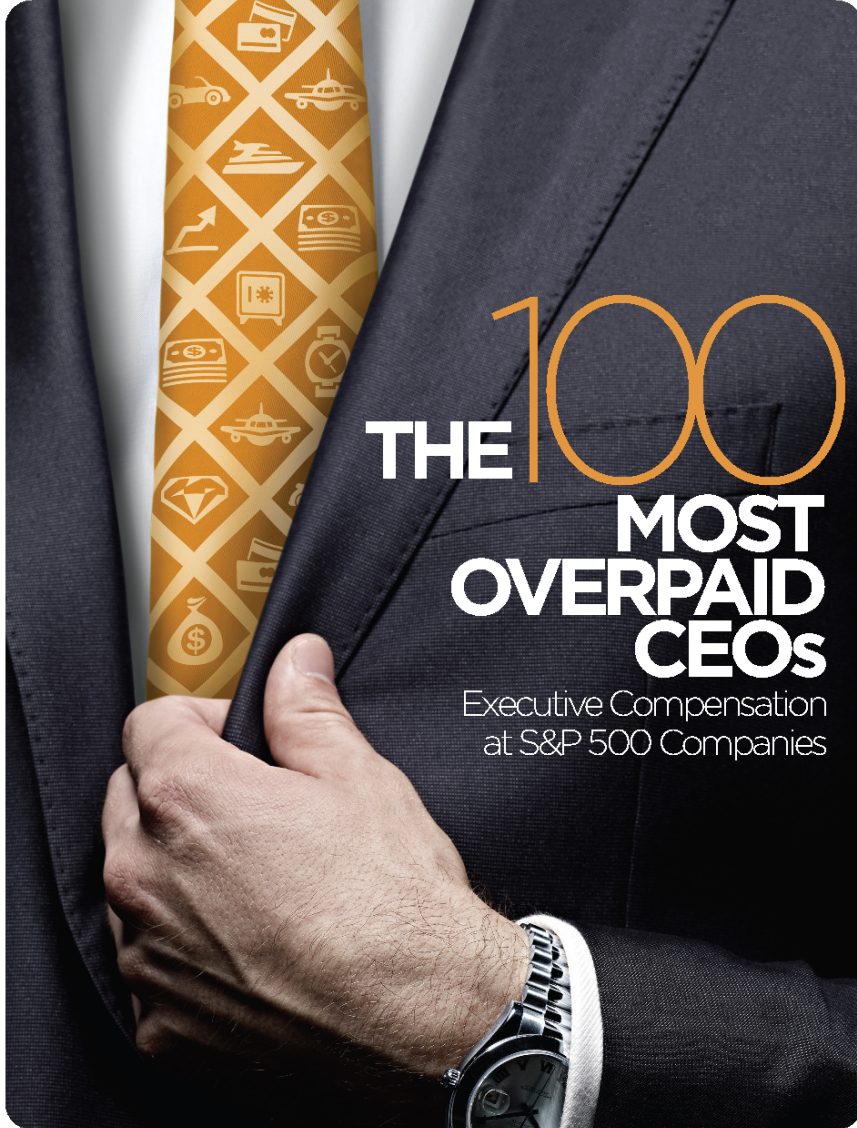
### FIGURE 6 – APPROVAL RATES OF PAY OF 100 MOST OVERPAID CEOs AT PUBLIC PENSION FUNDS



SOURCE: Fund Votes

# Compensation Committee Directors Often Serve On Multiple Committees

Richard Myers	Former Chairman of the Joint Chiefs of Staff	Deere Northrop Grumman United Technologies Aon
William Weldon	Retired Chairman and CEO of Johnson & Johnson	CVS Exxon JPMorgan Chase Chubb
Samuel Palmisano	Former Chairman, President, and CEO of IBM	American Express Exxon



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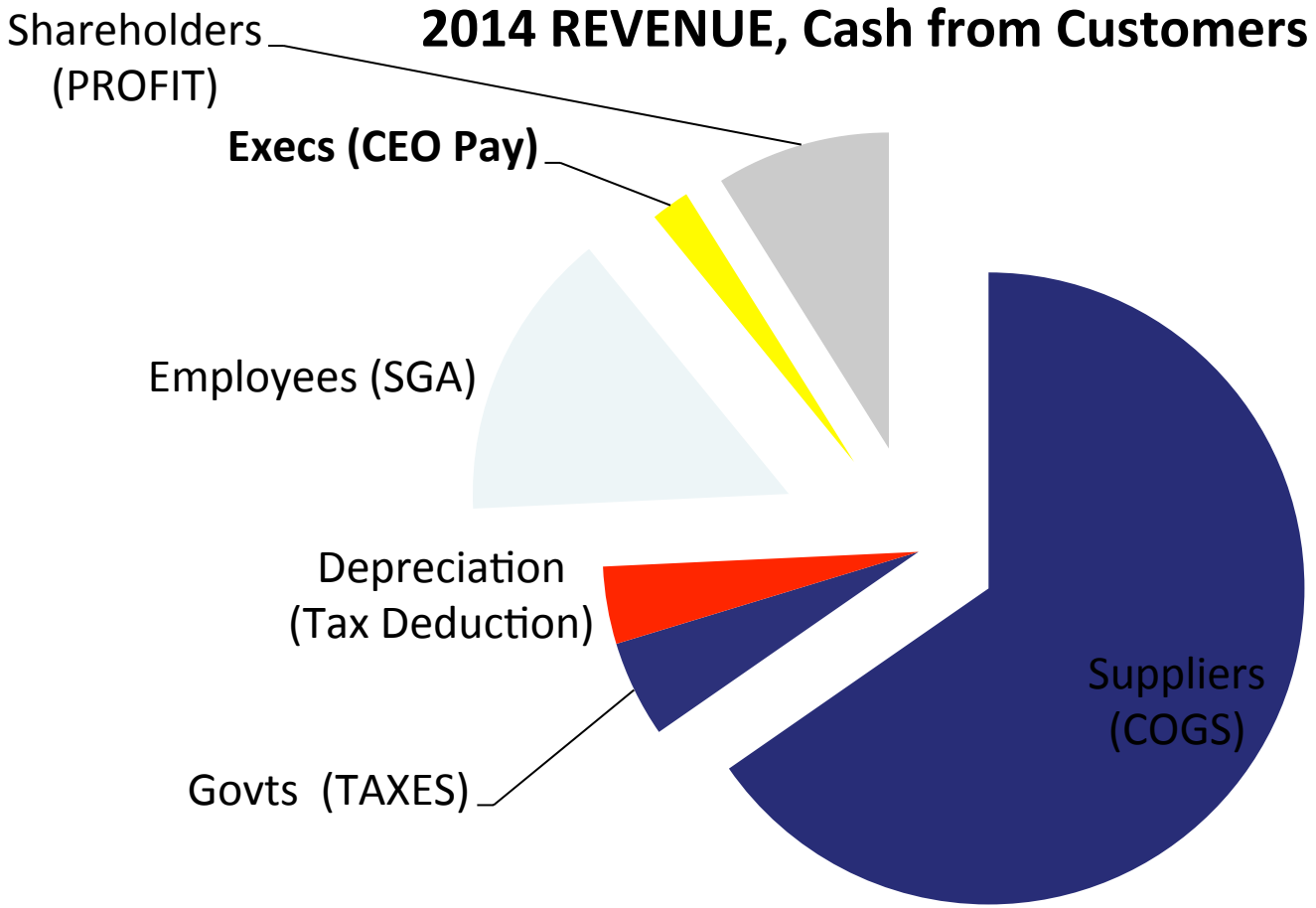


Founder + CEO of HIP Investor

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- This is not an offer of securities. All investing has risks.
- Past results are not indicative of future performance.

# Excessive CEO Pay Can Erode Shareholder Profits, or Employee Pay, or Both



Source: Computstat; GS; HIP Investor

# How HIP Investor Analyzed CEO Pay and Linkages to Financial Performance

- **Reliable sources:**
  - ISS for Total Disclosed Compensation for S&P 500 executives
  - Thomson Reuters for financial returns, and some Exec Pay data
- **Relationships tested:**
  - 1, 3 and 5 year performance
  - Total Shareholder Return (TSR), and, Return on Invested Capital (ROIC)
  - CEO's most-recent pay, and multi-year average; Exec team's most-recent-pay, and multi-year average
- **Regressions output:**
  - Highest correlation = 2.1% for 3-year ROIC of CEO-most-recent-pay
  - Typical correlation = less than 1% for multiple years & performance



# How HIP Calculated the Overpaid CEOs: e.g. Nabors Industries' Anthony G. Petrello

“CEO Pay” Starting Point, based on regression analysis	\$11, 721,072
<b>Variation for Financial Performance</b> (up for positive 5-year TSR, or down for negative 5-yr TSR)	+ or - \$ 2,503,295 Multiplied by the ratio of
Actual Financial Performance	annualized 5-year TSR: <b>Negative: - 20.7548%</b>
Expected CEO Pay	\$11,201,518
<b>Actual CEO Pay</b>	<b>\$68,246,187</b>
<b>Overpayment to CEO</b> based on regression analysis	<b>\$57,044,669</b>
<i>The predictability of CEO Pay based on Financial Performance (R-squared)</i>	<b>0.0016</b> <b>(or, 0.16%)</b>

# CEO Pay Needs Updating of Metrics and Better Accountability

- **CEO Pay is not closely linked to Financial Performance**
  - Which is a disconnect from the CEO Pay stock and option packages
- **CEO Pay frequently linked to “old” financial metrics**
  - Like Earnings Per Share (EPS)
    - Earnings are subject to massaging by accounting treatment
    - Shares outstanding are repurchased rather than invested in R&D
- **“CEO Pay Relative to Avg Worker Pay” is a key indicator of risk**
  - HIP analysis of 4,500 companies over 8 years finds that CEOs paid 400x to 1000x the average worker destabilizes the incentive structures, and pollutes the culture
  - This “new” metric also correlates to expected changes in financial returns (shareholder value; cash flow) and financial risk (volatility)

# Nell Minow



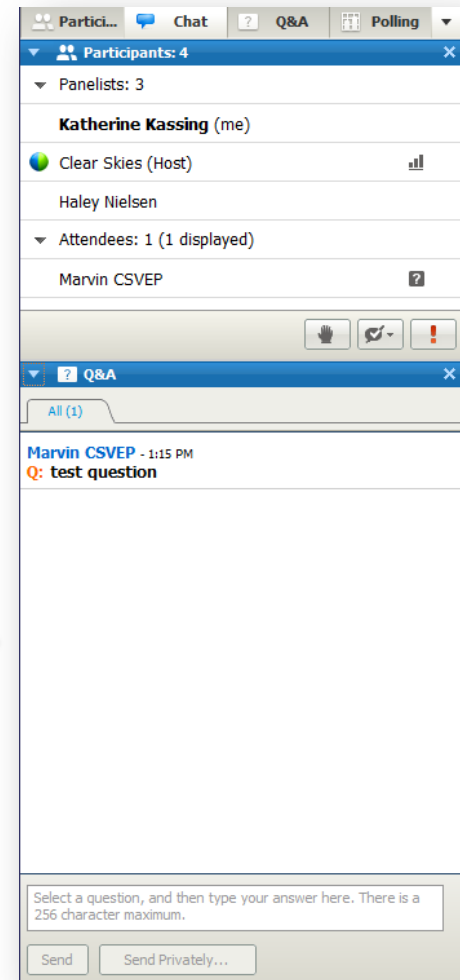
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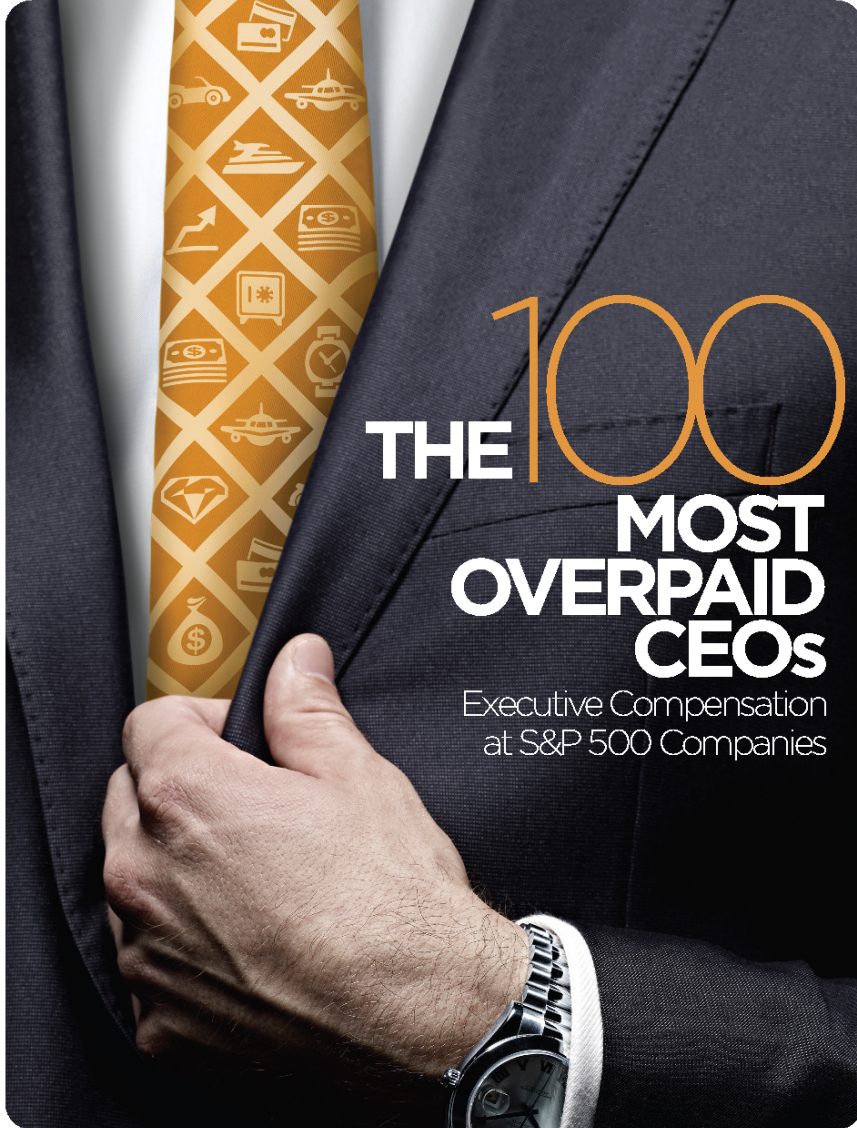
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