

Published February 2017

# THE 100 MOST OVERPAID CEOs

Are Fund Managers Asleep at The Wheel?



AS YOU SOW

## The 100 Most Overpaid CEOs

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**  
CEO + Founder  
HIP Investor



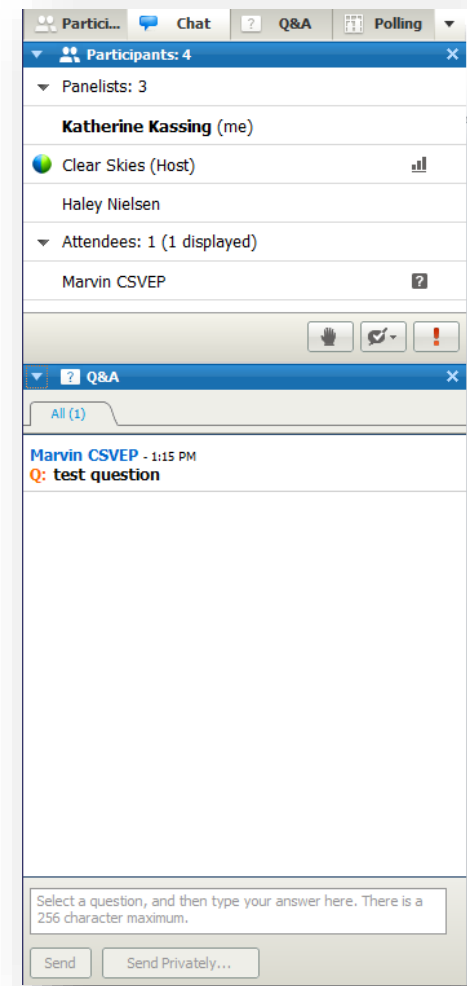
**Andrew Behar**  
CEO  
As You Sow

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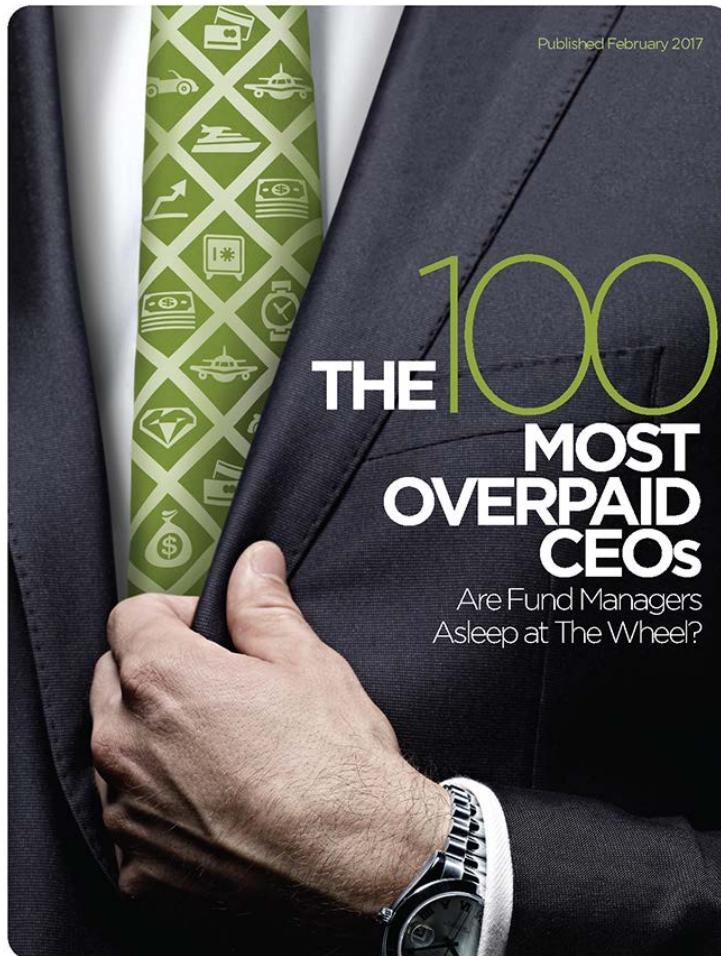


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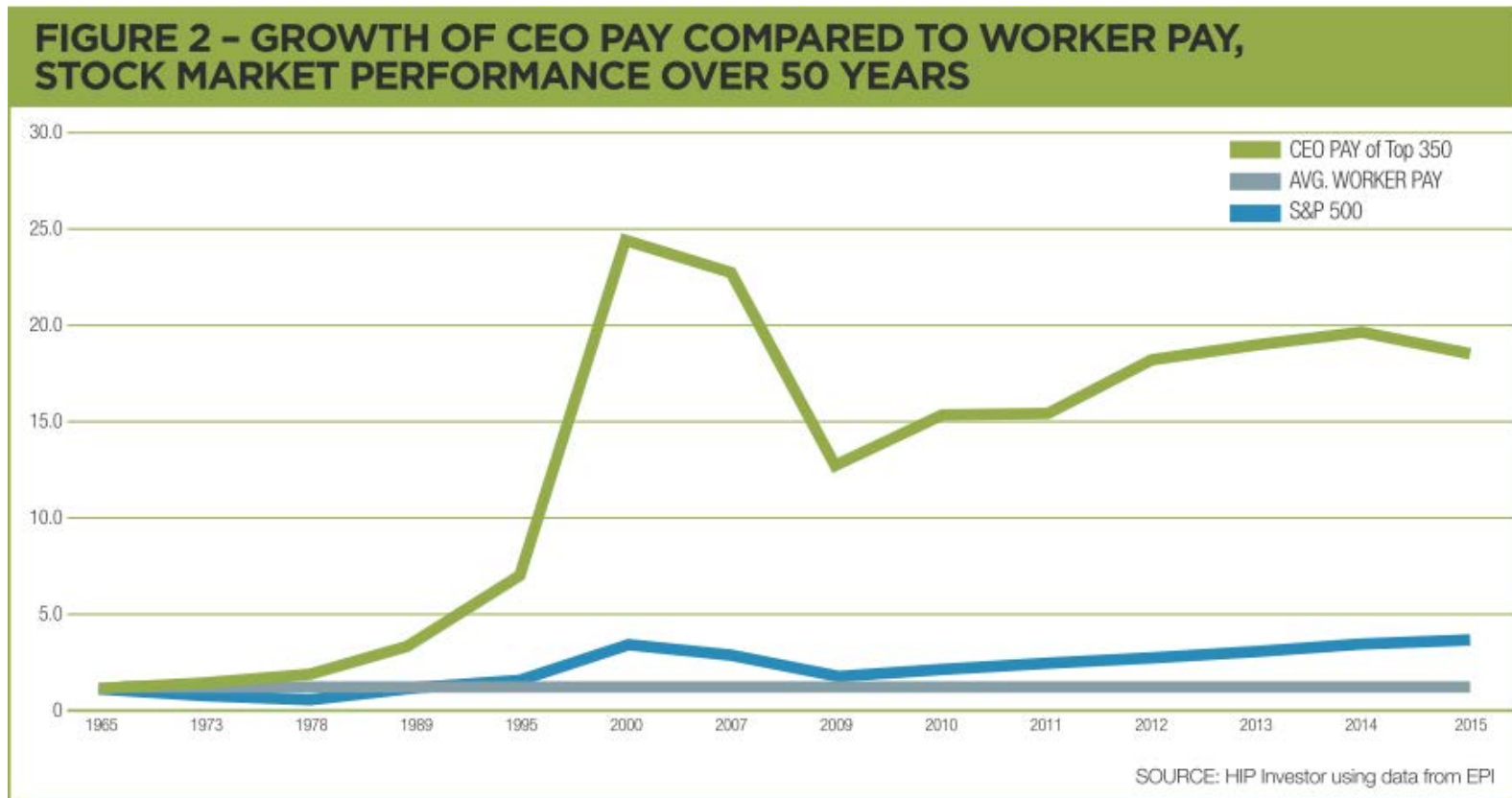
Are Fund Managers  
Asleep at The Wheel?

# Rosanna Landis Weaver



**Report Author and  
Program Manager of  
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# How has CEO pay compared to worker pay over the last 50 years?

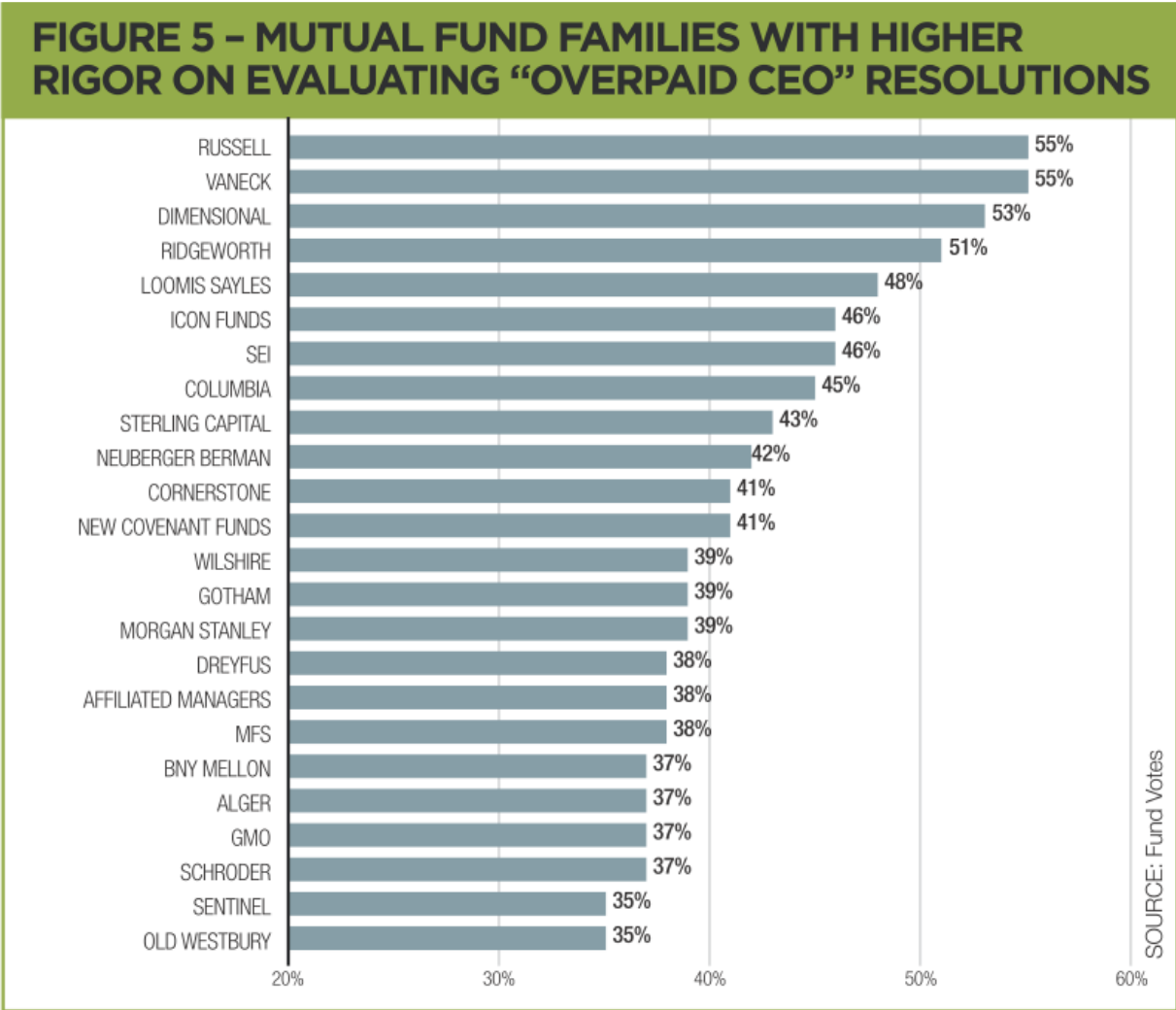


# Top 25 Most Overpaid CEOs

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

RANK	COMPANY	CEO	TOTAL DISCLOSED COMPENSATION
1	CBS	Leslie Moonves	\$56,773,822
2	Salesforce.com Inc	Marc Benioff	\$33,362,903
3	Discovery Communications	David M. Zaslav	\$32,377,346
4	General Growth Properties, Inc.	Sandeep Mathrani	\$39,247,558
5	Regeneron Pharmaceuticals	Leonard S. Schleifer	\$47,462,526
6	Oracle Corporation	Safra A. Catz and Mark V. Hurd	\$106,488,798
7	Viacom	Philippe Dauman	\$54,154,312
8	Vertex Pharmaceuticals Incorporated	Jeffrey M. Leiden	\$28,099,826
9	Honeywell International Inc.	David M. Cote	\$34,527,344
10	CVS Health Corporation	Larry J. Merlo	\$28,943,054
11	Yahoo! Inc.	Marissa A. Mayer	\$35,981,107
12	General Electric Company	Jeffrey R. Immelt	\$32,973,947
13	General Motors Company	Mary T. Barra	\$28,588,663
14	Morgan Stanley	James P. Gorman	\$22,116,052
15	SL Green Realty Corporation	Marc Holliday	\$23,047,749
16	Comcast	Brian L. Roberts	\$36,248,269
17	Exxon Mobil Corporation	Rex W. Tillerson	\$27,297,458
18	Bed Bath & Beyond Inc.	Steven H. Temares	\$19,409,668
19	Goldman Sachs Group, Inc. (The)	Lloyd C. Blankfein	\$22,586,152
20	Wynn Resorts	Stephen A. Wynn	\$20,680,391
21	Chesapeake Energy Corporation	Robert D. Lawler	\$15,418,015
22	BlackRock, Inc.	Laurence D. Fink	\$25,792,630
23	Ralph Lauren Corporation	Ralph Lauren	\$23,957,577
24	Universal Health Services	Alan B. Miller	\$20,477,031
25	Citrix Systems, Inc.	Robert M. Calderoni	\$19,631,434

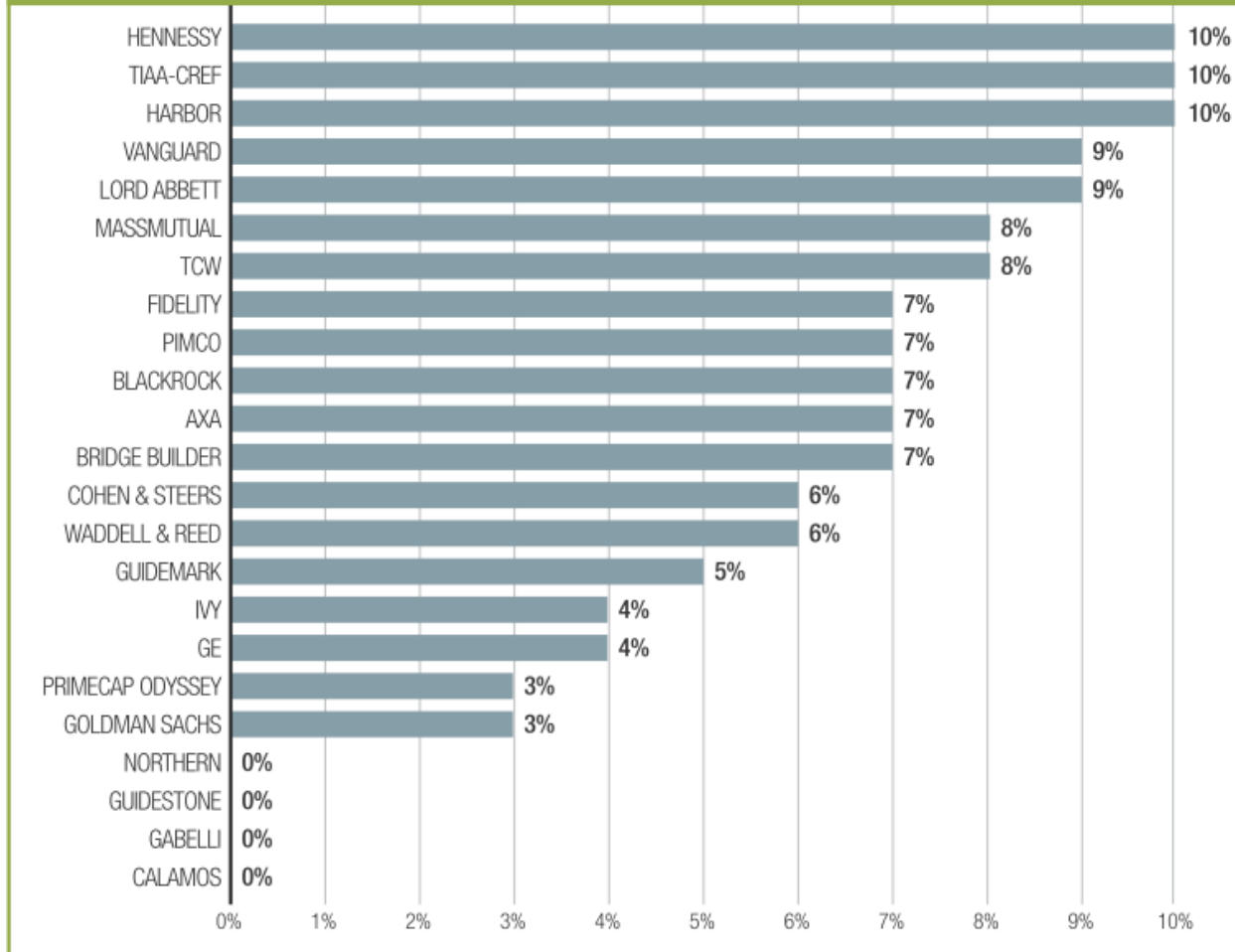
# Mutual Funds That Vote Against Overpaid CEOs



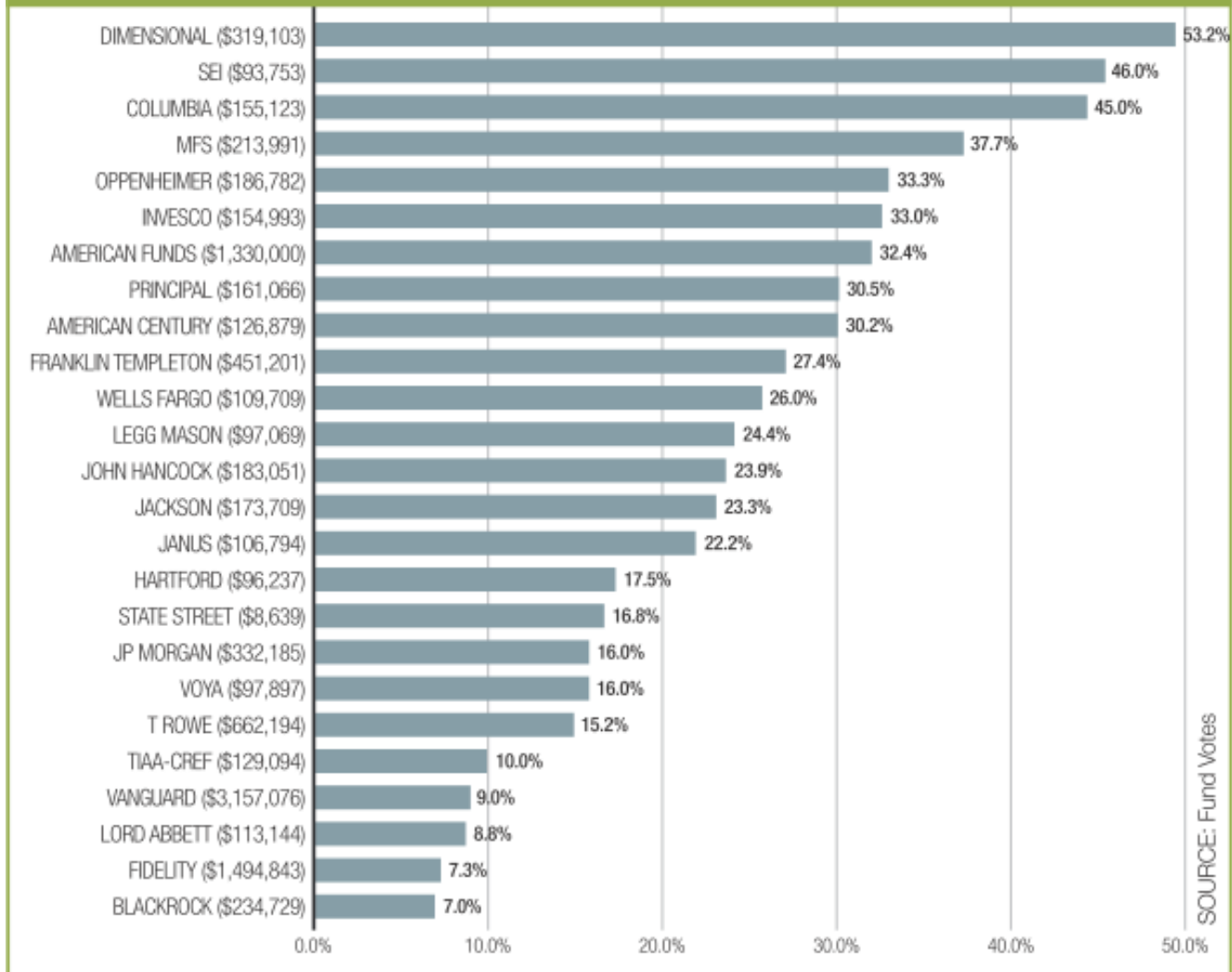


# Rubber-Stamping Mutual Funds

**FIGURE 6 - MUTUAL FUND FAMILIES MOST LIKELY TO RUBBER STAMP "OVERPAID CEO" RESOLUTIONS**



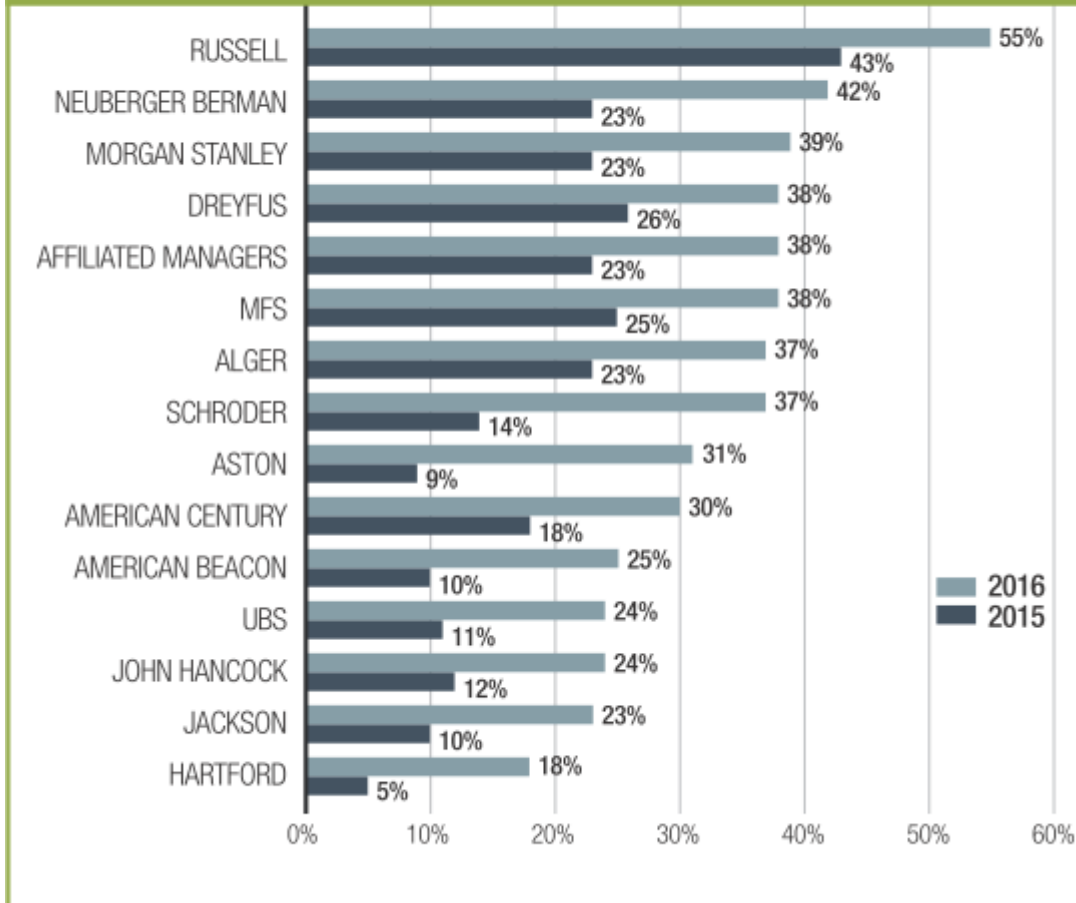
## FIGURE 7 – OPPOSITION TO “OVERPAID CEO” RESOLUTIONS AT 25 LARGE MUTUAL FUND FAMILIES



\* Fund domestic security holdings from Morningstar data as of November 2016.

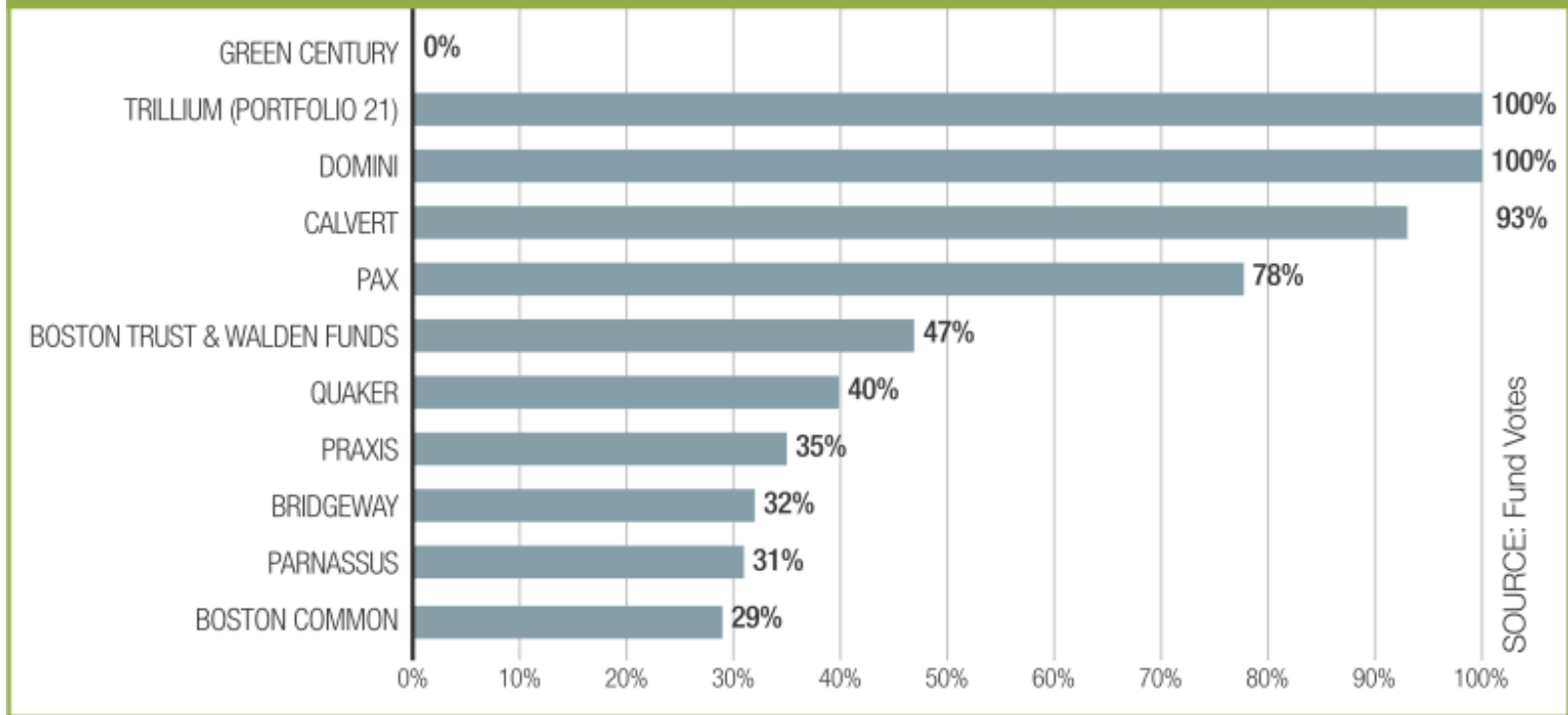
# Mutual Funds - Year Over Year Change

**FIGURE 8 - GREATEST YEAR OVER YEAR CHANGE**



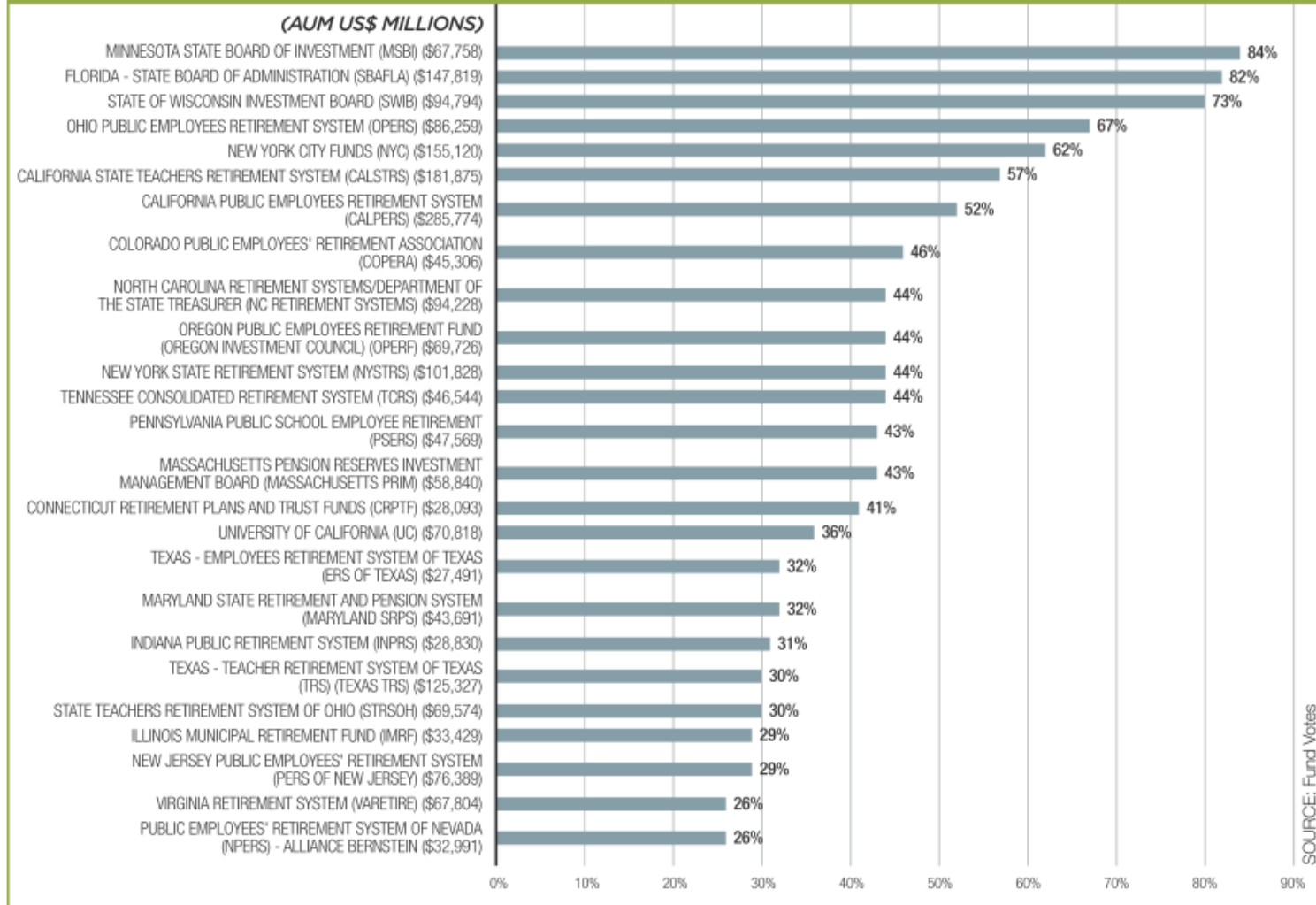
# SRI Funds & Opposition

**FIGURE 9 – OPPOSITION TO “OVERPAID CEO” RESOLUTIONS AT SRI FUNDS**



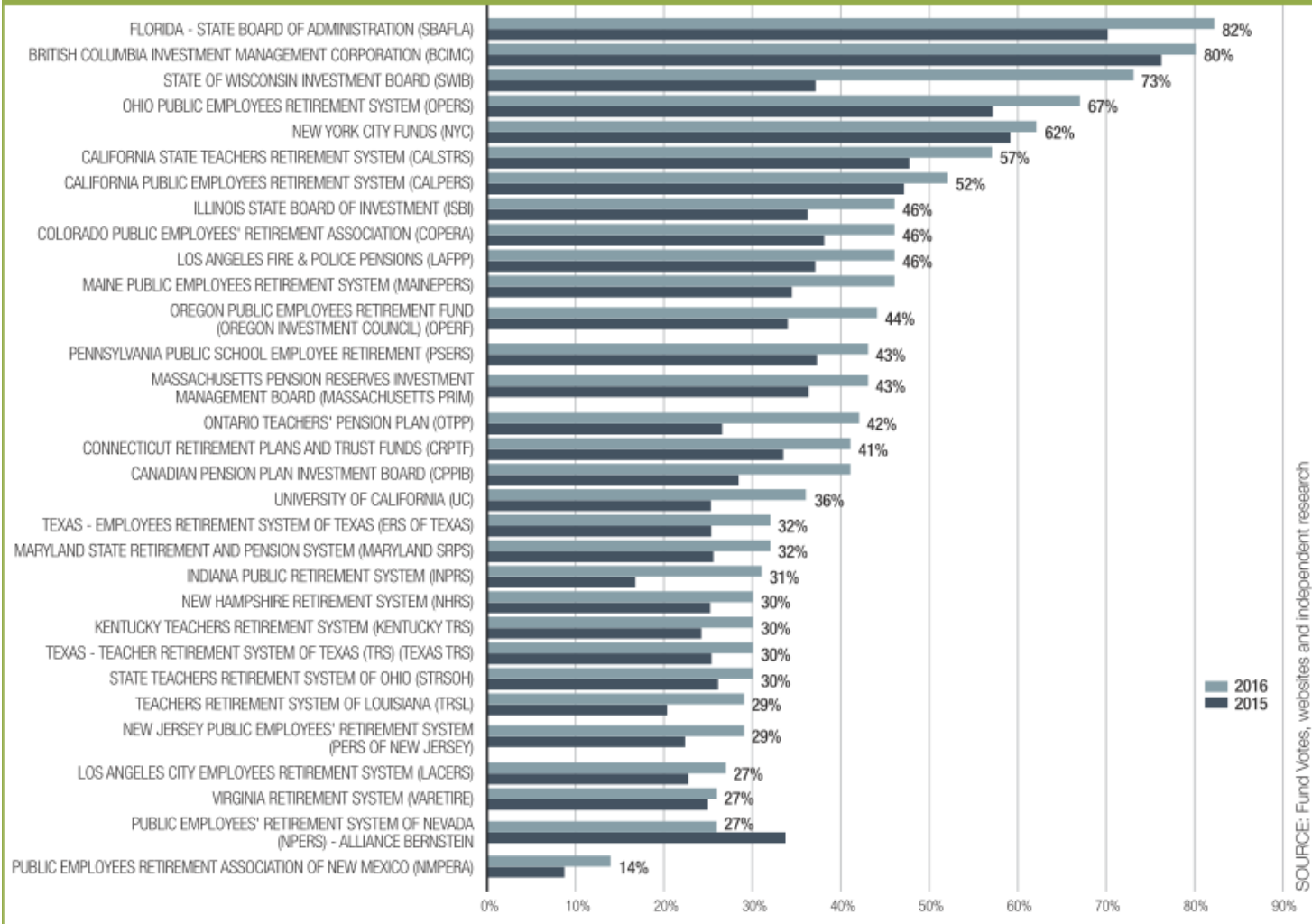
# Public Pension Funds & Opposition

**FIGURE 10 - OPPOSITION TO "OVERPAID CEO" RESOLUTIONS AT LARGEST US PENSION FUNDS**



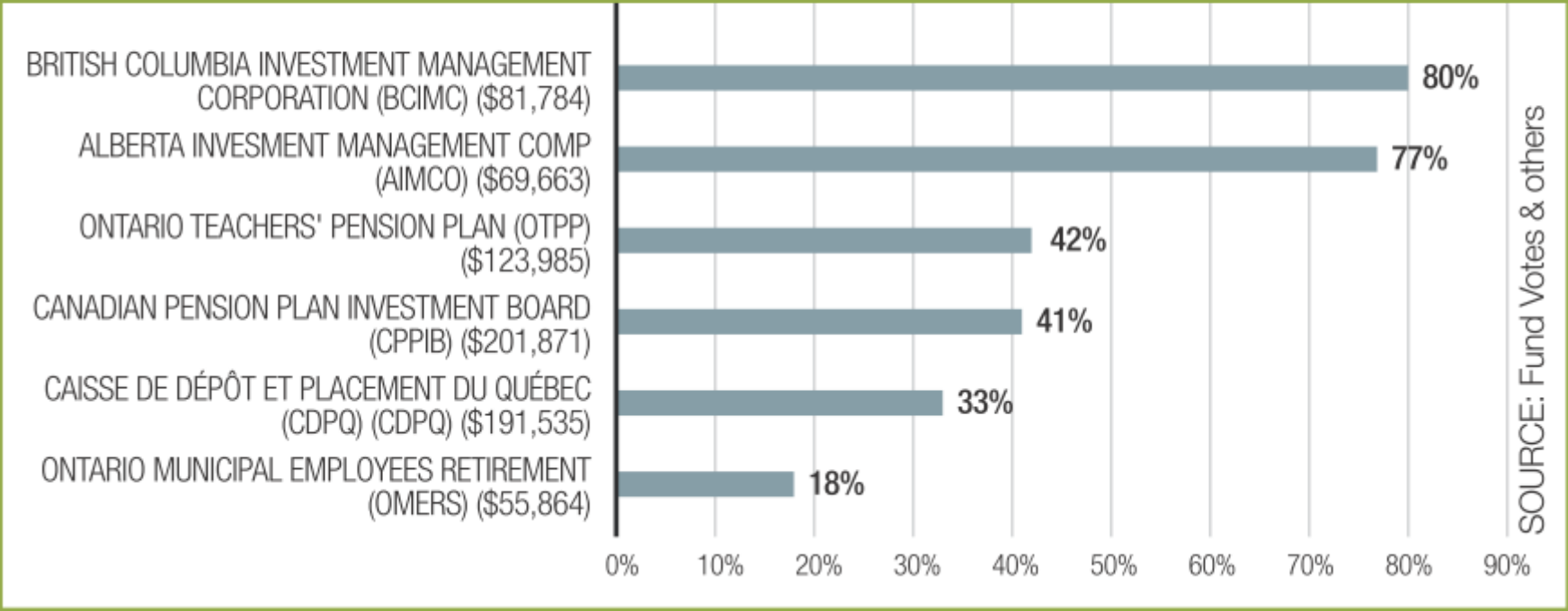
# Public Pension – Year Over Year Change

**FIGURE 11 – PUBLIC PENSION FUNDS WITH GREATEST YEAR OVER YEAR CHANGE**



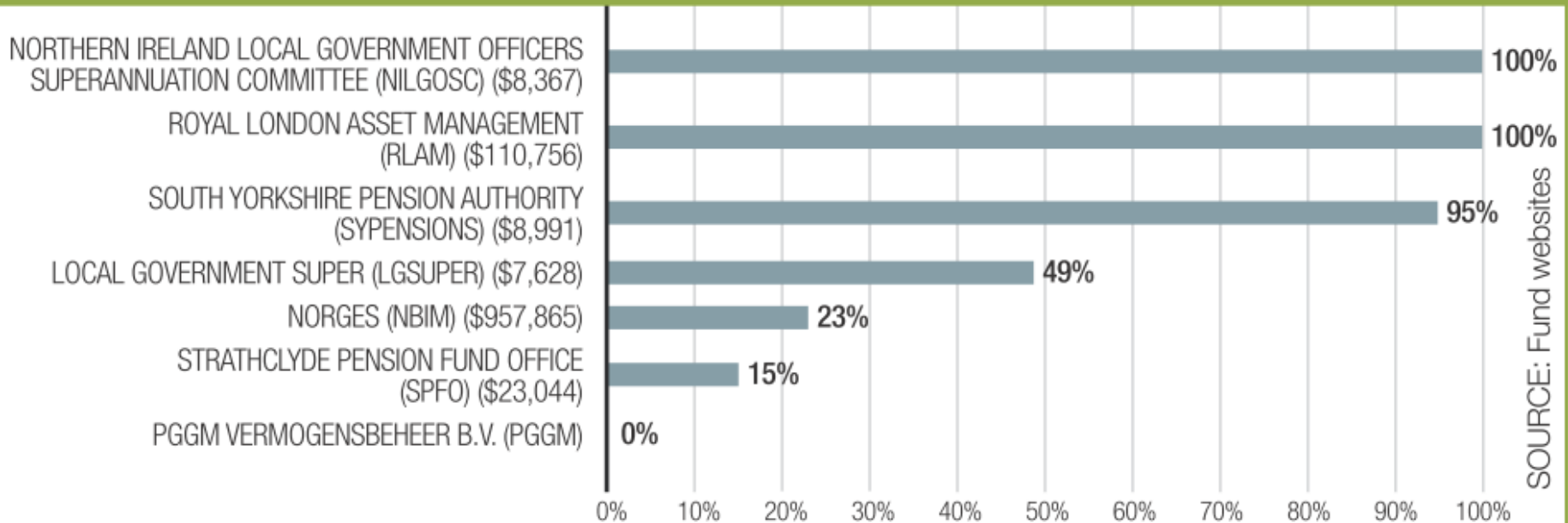
# Canadian Pension Funds

**FIGURE 12 – OPPOSITION TO “OVERPAID CEO” RESOLUTIONS AT CANADIAN PENSION FUNDS**



# International Pension Funds

**FIGURE 13 – OPPOSITION TO “OVERPAID CEO” RESOLUTIONS AT INTERNATIONAL PENSION FUNDS**





# Compensation Committee Directors

**FIGURE 14 – COMPENSATION COMMITTEE DIRECTORS AT THE TOP 10 MOST OVERPAID**

RANK	COMPANY	COMPENSATION COMMITTEE MEMBER	PRIMARY EMPLOYMENT	OTHER PUBLIC COMPANY BOARDS
1	CBS Corporation	Bruce S. Gordon		Northrop Grumman Corporation, The ADT Corporation
		Charles K. Gifford, Chair	Chairman Emeritus of Bank of America Corporation	Eversource Energy
		Doug Morris	CEO, Sony Music	
		William S. Cohen	Chairman and Chief Executive Officer, The Cohen Group	
2	Salesforce.com	Craig Conway		Guidewire Software, Inc
		John V. Roos		Sony Corporation
		Maynard Webb		Yahoo! Inc., Visa Inc
3	Discovery Communications Inc	Paul Gould		Ampco-Pittsburgh Corporation, Liberty Global, plc
		Robert J. Miron, Chair		
		Robert R. Beck		
4	Regeneron	Charles A. Baker		
		Christine A. Poon*	Executive-in-Residence, The Max M. Fisher College of Business	Prudential Financial, Inc., The Sherwin-Williams Company, the Supervisory Board of Royal Philips Electronics
		George L. Sing		
		Joseph L. Goldstein, M.D.		
		Marc Tessier-Lavigne, Ph.D., Chair*	President of Stanford University	
5	General GW. Props.	J Bruce Flatt	CEO, Brookfield	Brookfield
		John K. Haley		Amplify Snack Brands, Inc, Truck Hero, Inc
		Mary Lou Fiala	Co-Chairman, LOFT Unlimited	Regency Centers Corporation, Build-A-Bear Workshop, Inc.

# Directors on Compensation Committees of Overpaid Companies

DIRECTOR	COMPENSATION COMMITTEES AT S&P 500 COMPANIES	OTHER BOARDS	PRIMARY AFFILIATION
EDWARD M. LIDDY	3M Company, Abbott Laboratories	AbbVie Inc., The Boeing Company	Retired CEO of The Allstate Corporation
LOIS D. JULIBER	Du Pont E.I. de Nemours, Mondelez International		Retired CEO of Colgate-Palmolive Company
MAYNARD WEBB	Salesforce.com, Yahoo	Visa Inc.	Former CEO of Ebay, Founder of Webb Investment Network
MURRY S. GERBER	Blackrock, Halliburton	U.S. Steel Corporation	Former CEO of EQT Corporation
PATRICIA F. RUSSO	Merck & Co, General Motors	Alcoa Inc., Hewlett Packard Enterprise, KKR Management LLC	Former CEO of Alcatel-Lucent S.A.
RICHARD B. MYERS	Aon, Deere	Northrop Grumman Corporation, United Technologies Corporation	Interim President of Kansas State University, Former Chairman of the Joint Chiefs of Staff
RODNEY SLATER	Verizon, Kansas City Southern	Transurban Group	Partner at Squire Patton Boggs LLP
RONALD A. WILLIAMS	American Express, Johnson & Johnson	The Boeing Company, Envision Healthcare	Retired CEO of Aetna, Inc.
SAMUEL J. PALMISANO	American Express, Exxon Mobil		Retired CEO of IBM
THOMAS T. STALKAMP	Baxter International, Borgwarner		Founder and principal of Collaborative Management LLC
VANCE D. COFFMAN	3m Company, Deere	Amgen Inc.	Retired CEO of Lockheed Martin Corporation
WILLIAM A. OSBORN	Abbott Laboratories, General Dynamics	Caterpillar Inc.	Former CEO of Northern Trust Corporation
WILLIAM C. WELDON	JP Morgan Chase, CVS Health, Exxon Mobil		Retired CEO of Johnson & Johnson

# Overpaid by Pay and Performance Indicators

**FIGURE 16 – OVERPAID BY PAY AND PERFORMANCE INDICATORS**

COMPANY	PAY PREMIUM DOLLAR BY O'BYRNE	PAY PREMIUM PERCENTAGE BY O'BYRNE	HIGHEST NEIC LOWEST TSR	3/5 YEAR LOW ROIC & HIGH PAY MEASUREMENT	ROIC DECLINE & PAY INCREASE	HIGHEST INCENTIVE IN 4/5 YEARS	GAAP TO GOLD & NEIC OVER 1 MILLION	GAAP TO GOLD & BONUS INCREASE	DECLINED BONUS GOALS	EXCESSIVE EQUITY AWARDS	8/ YEAR HIGH OPTIONS INCLUDING MOST RECENT	OPTIONS MORE THAN 60% OF TOTAL	HIGH NUMBER OF OPTIONS EXERCISED & HOLDINGS DECREASE	TOTAL
Salesforce.com Inc	🚩🚩	🚩🚩		🚩	🚩		🚩			🚩				8
Viacom	🚩🚩	🚩	🚩			🚩				🚩	🚩	🚩		8
CBS	🚩🚩	🚩								🚩	🚩	🚩	🚩	7
FedEx Corporation	🚩	🚩				🚩		🚩			🚩	🚩		6
Yahoo! Inc.	🚩🚩	🚩							🚩	🚩				5
General Electric Company		🚩		🚩	🚩				🚩					4
Bed Bath & Beyond Inc.										🚩	🚩	🚩		3
McKesson Corporation						🚩								1

# Overpaid by Upward Spiral Indicators

**FIGURE 17 – OVERPAID BY UPWARD SPIRAL INDICATORS**

COMPANY	CEO PAY TO ISS PEER	CEO PAY TO COMPANY IDENTIFIED PEER	BENCHMARK HIGHER THAN 50%	20% OR MORE SALARY INCREASE IN 1 YEAR	INCREASE OF OVER \$300,000 IN PAST 5 YEARS (BUT NOT IF ALREADY %)	HIGHEST PERCENTAGE INCREASE IN SALARY	SALARY OVER \$1.5 MILLION	BONUS NOT PERFORMANCE BASED	HIGHEST RETIREMENT	ALL OTHER OVER \$500K	TOTAL
Discovery Communications	🚩	🚩	🚩			🚩	🚩🚩		🚩	🚩	8
Morgan Stanley		🚩				🚩🚩	🚩	🚩🚩	🚩		7
Wyndham Worldwide Corp	🚩	🚩	🚩			🚩	🚩			🚩	6
Mattel, Inc.				🚩	🚩		🚩		🚩	🚩	5
BlackRock, Inc.	🚩	🚩				🚩		🚩🚩			5
Activision Blizzard, Inc			🚩			🚩🚩	🚩				4
Alexion Pharmaceuticals, Inc.	🚩					🚩					3
Netflix, Inc.						🚩🚩					2

# Overpaid by Sustainability Indicators

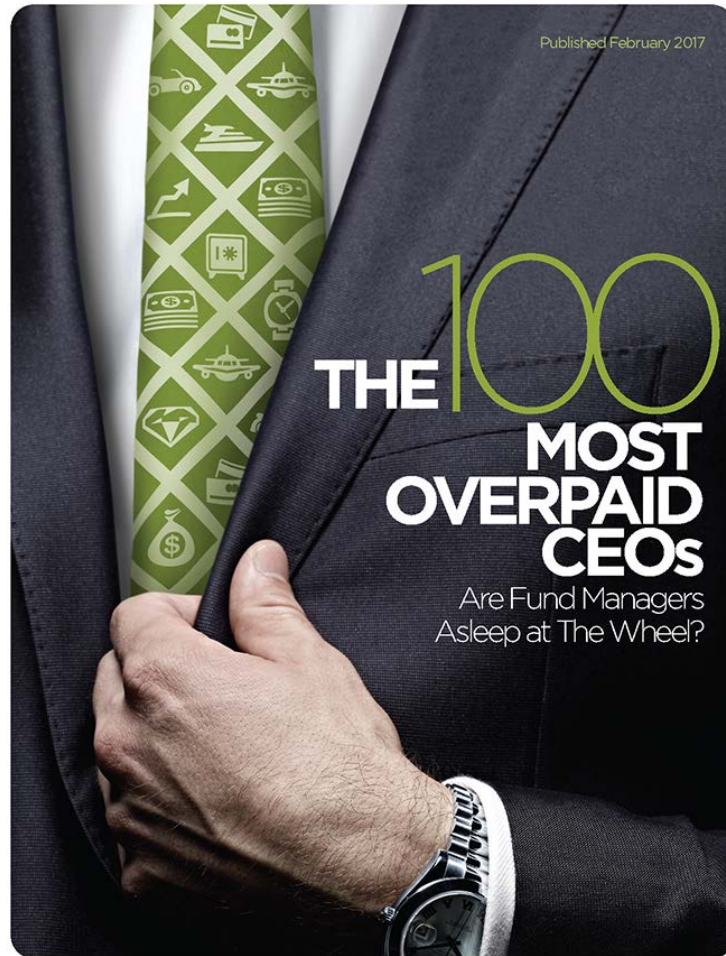
**FIGURE 18 – OVERPAID BY SUSTAINABILITY INDICATORS**

COMPANY	HIP SUSTAINABILITY	VIOLATION TRACKER	TOTAL COMP AS % OF EBIT	TOTAL COMP AS % OF REVENUE	RATIO OF CEO PAY TO AVERAGE OFFICER	RATIO OF CEO PAY TO NEXT	TOTAL
Wynn Resorts							6
Waters Corporation							6
Autodesk, Inc.							5
Centene							4
Praxair, Inc.							4
Regeneron Pharmaceuticals							3
Red Hat, Inc.							3
Anadarko Petroleum Corporation							2

# Overpaid by Consensus Measures



# HIP Investor



**R. Paul Herman**  
**CEO + Founder**

**HIP Investor**  
**Ratings +**  
**Portfolios**

# Many Overpaid CEOs Underdeliver for Investors

**FIGURE 15 – TOP 25 MOST OVERPAID BY HIP INVESTOR REGRESSION ANALYSIS**

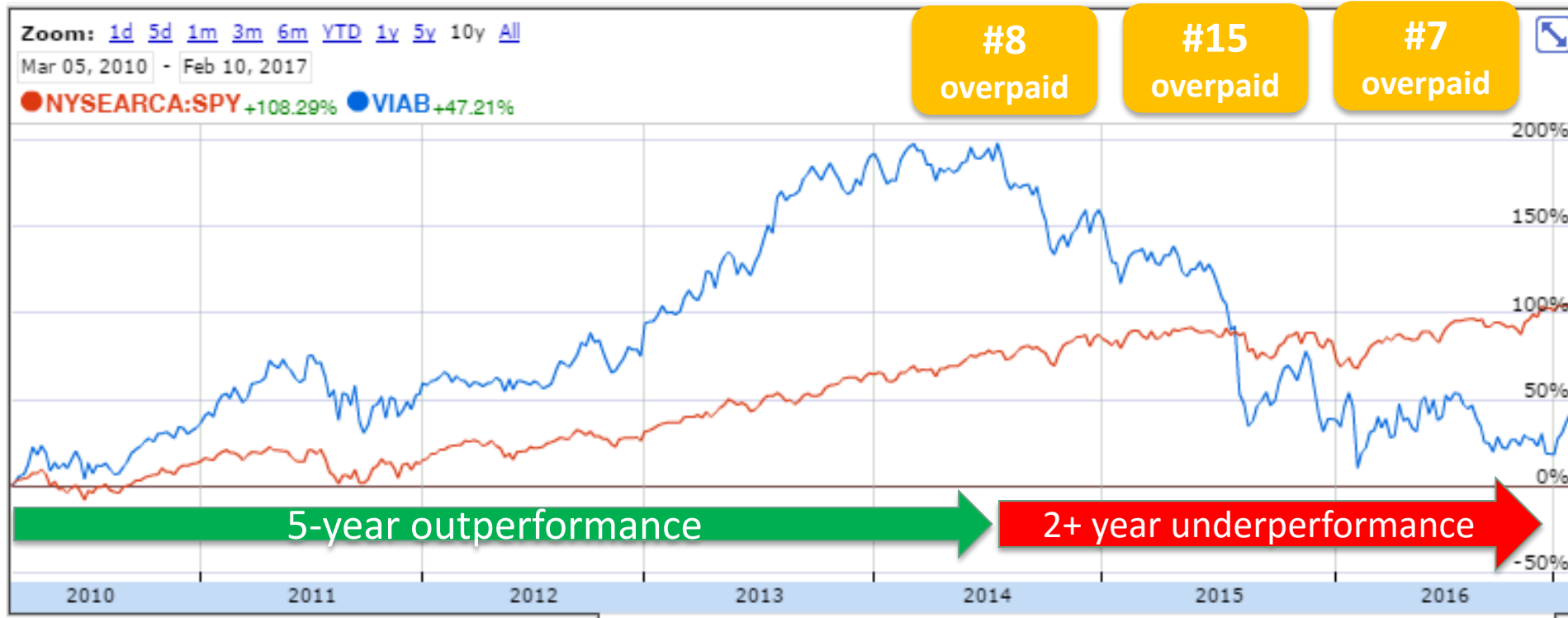
RANK	MNEM	COMPANY	CEO PAY VALUE	REGRESSION PREDICTION	EXCESS RELATIVE TO REGRESSION
1	ORCL	ORACLE CORPORATION	\$133,502,840	\$12,098,357	\$121,404,483
2	VIAB	VIACOM	\$56,872,388	\$12,509,379	\$44,363,008
3	CBS	CBS	\$56,773,822	\$14,817,651	\$41,956,171
4	REGN	REGENERON PHARMACEUTICALS	\$52,232,055	\$21,583,982	\$30,648,073
5	DIS	THE WALT DISNEY COMPANY	\$43,868,550	\$14,265,242	\$29,603,308
6	MDT	MEDTRONIC	\$39,437,960	\$12,559,407	\$26,878,553
7	GGP	GENERAL GROWTH PROPERTIES, INC.	\$39,247,559	\$13,255,754	\$25,991,805
8	CRM	SALESFORCE.COM INC	\$36,278,759	\$12,328,267	\$23,950,492
9	DISCA	DISCOVERY COMMUNICATIONS	\$35,290,135	\$11,858,517	\$23,431,617
10	YHOO	YAHOO! INC.	\$36,203,214	\$13,226,784	\$22,976,430
11	CMCSA	COMCAST	\$36,261,883	\$14,207,832	\$22,054,051
12	VRTX	VERTEX PHARMACEUTICALS INCORPORATED	\$35,812,662	\$14,153,966	\$21,658,696
13	GM	GENERAL MOTORS COMPANY	\$33,930,097	\$12,676,451	\$21,253,645
14	HON	HONEYWELL INTERNATIONAL INC.	\$34,461,344	\$13,332,422	\$21,128,922
15	GE	GENERAL ELECTRIC COMPANY	\$32,093,181	\$12,391,005	\$19,702,176
16	AON	AON, PLC	\$30,633,043	\$13,239,437	\$17,393,606
17	PEP	PEPSICO, INC.	\$29,169,017	\$11,777,263	\$17,391,754
18	TWX	TIME WARNER INC.	\$30,796,289	\$13,944,986	\$16,851,303
19	XOM	EXXON MOBIL CORPORATION	\$27,297,458	\$11,593,918	\$15,703,540
20	LMT	LOCKHEED MARTIN CORPORATION	\$28,621,760	\$13,449,947	\$15,171,813
21	CVS	CVS HEALTH CORPORATION	\$29,331,309	\$14,234,480	\$15,096,830
22	FOX	TWENTY-FIRST CENTURY FOX, INC.	\$27,820,310	\$13,632,147	\$14,188,163
23	T	AT&T INC.	\$25,272,896	\$12,027,455	\$13,245,441
24	BLK	BLACKROCK, INC.	\$25,939,539	\$13,143,153	\$12,796,385
25	LB	L BRANDS, INC.	\$27,704,127	\$15,689,715	\$12,014,412



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

- **Reliable sources:**
  - ISS for Total Disclosed Compensation for S&P500 executives
  - Thomson Reuters for financial returns, and some Exec Pay data
- **Relationships tested:**
  - 1, 3, 5 and 10 year performance
  - Total Shareholder Return (TSR), Return on Invested Capital (ROIC), and Return on Equity (ROE)
  - CEO's most-recent pay, and multi-year average; Exec team's most-recent-pay, and multi-year average
- **Regressions output:**
  - Highest correlation = only **2.7%** for **5-year TSR of CEO-most-recent-pay**
  - Typical correlation = **less than 1%** for 21 of 24 regressions by metric & duration

# Viacom: CEO Overpaid Multiple Years Even When Under-Delivering on TSR



***“Viacom CEO to present turnaround strategy”***

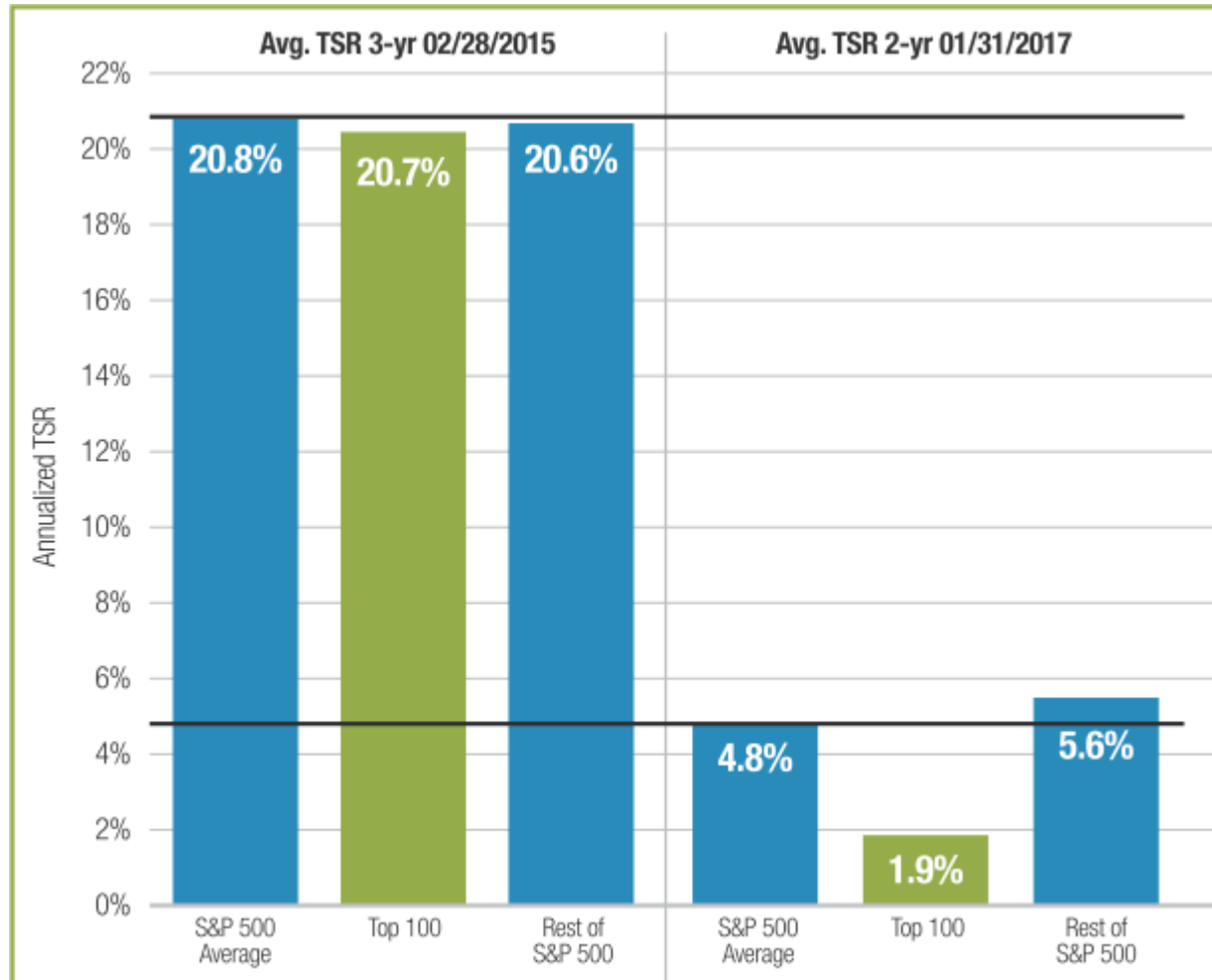
***“Viacom Inc Profit Drops 12% in Q1” (Feb. 2017)***

Source: Google Finance, as of Feb. 11, 2017

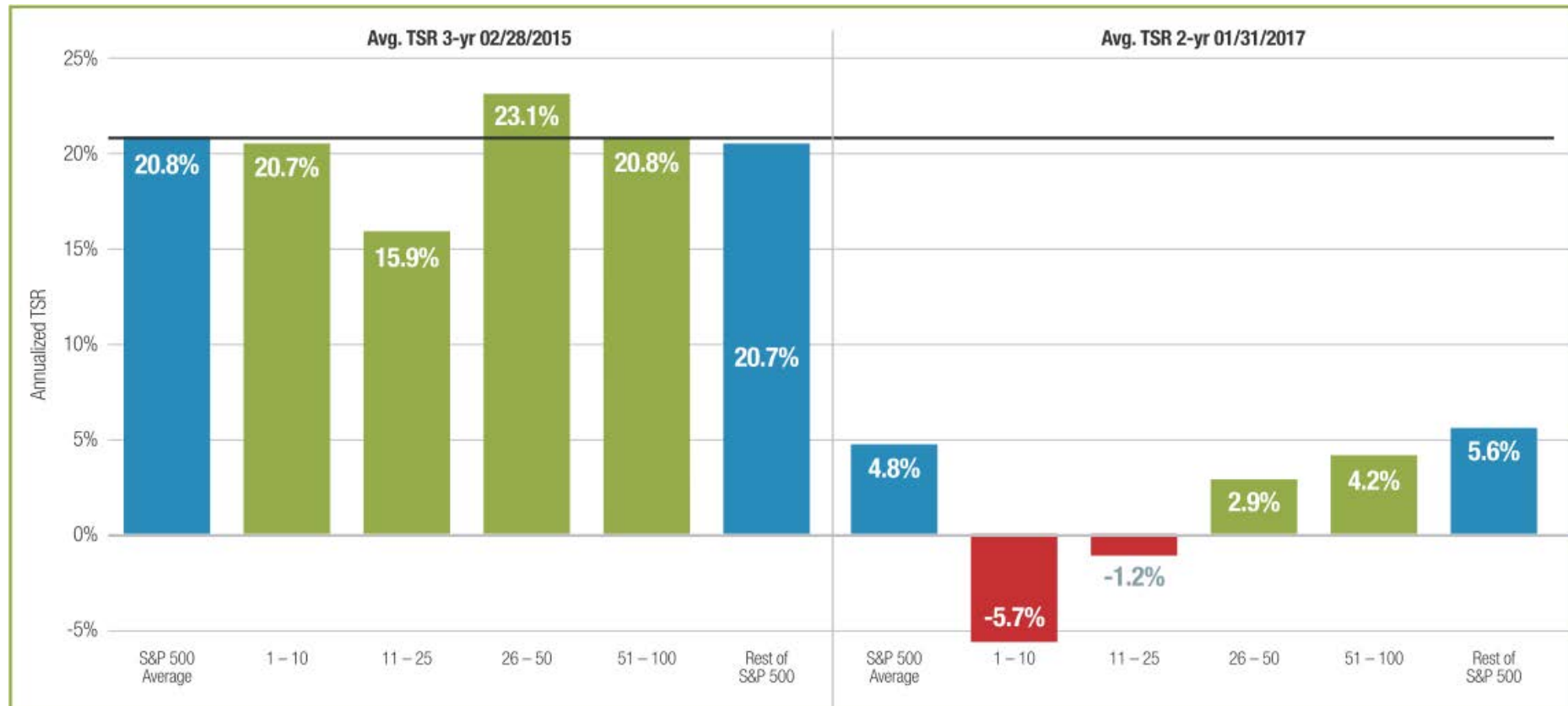
# How HIP Calculated the Overpaid CEOs: *Viacom CEO Philippe P. Dauman*

Expected CEO Pay	\$12,527,841
<b>Actual CEO Pay</b>	<b>\$56,872,387</b>
Overpayment to CEO based on regression analysis	\$44,344,546
<i>The predictability of recent CEO Pay based on 5-year Total Shareholder Return (R-squared)</i>	<i>Only 2.7%</i>

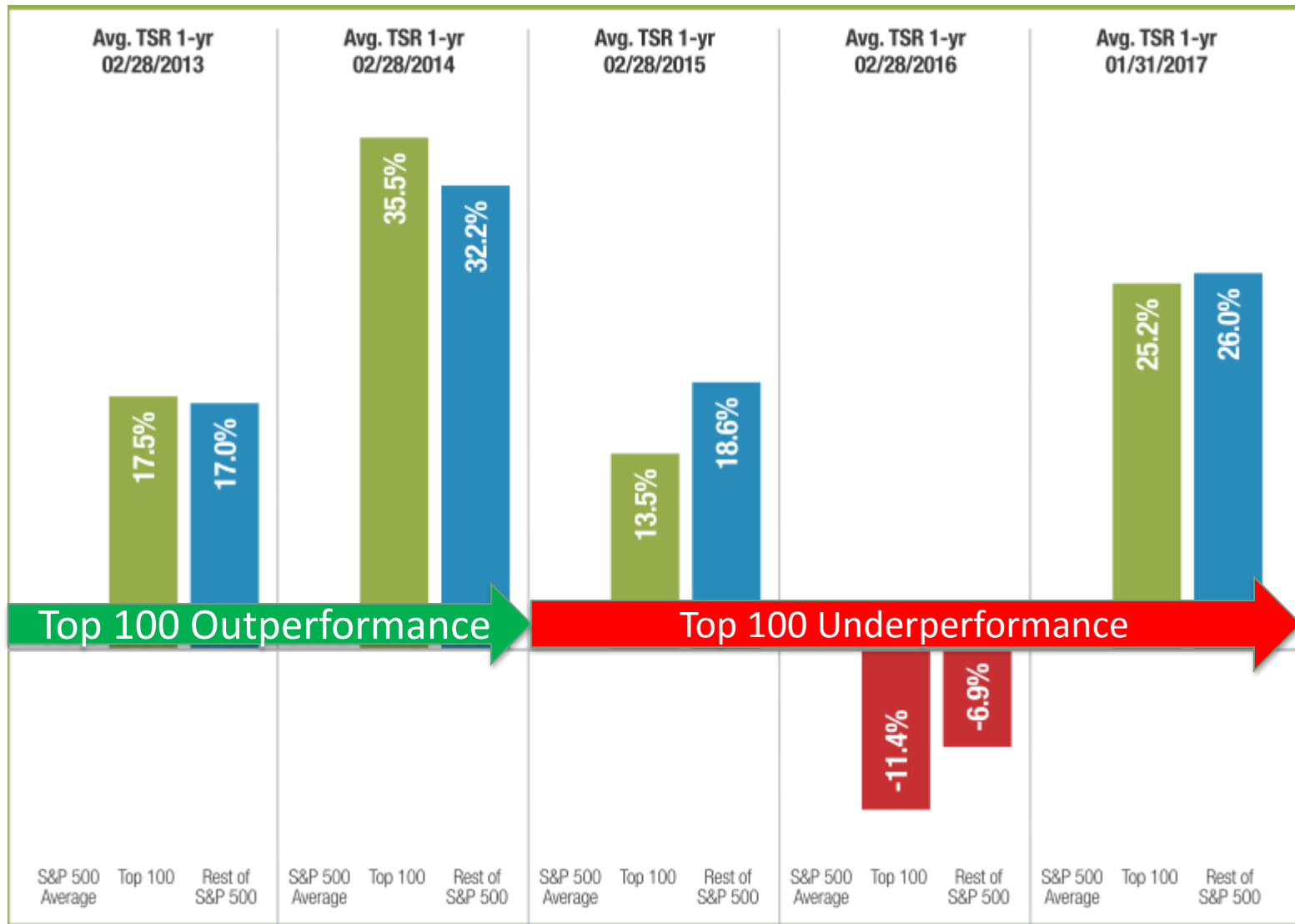
# Top 100 Overpaid Underperform S&P 500 by -60%



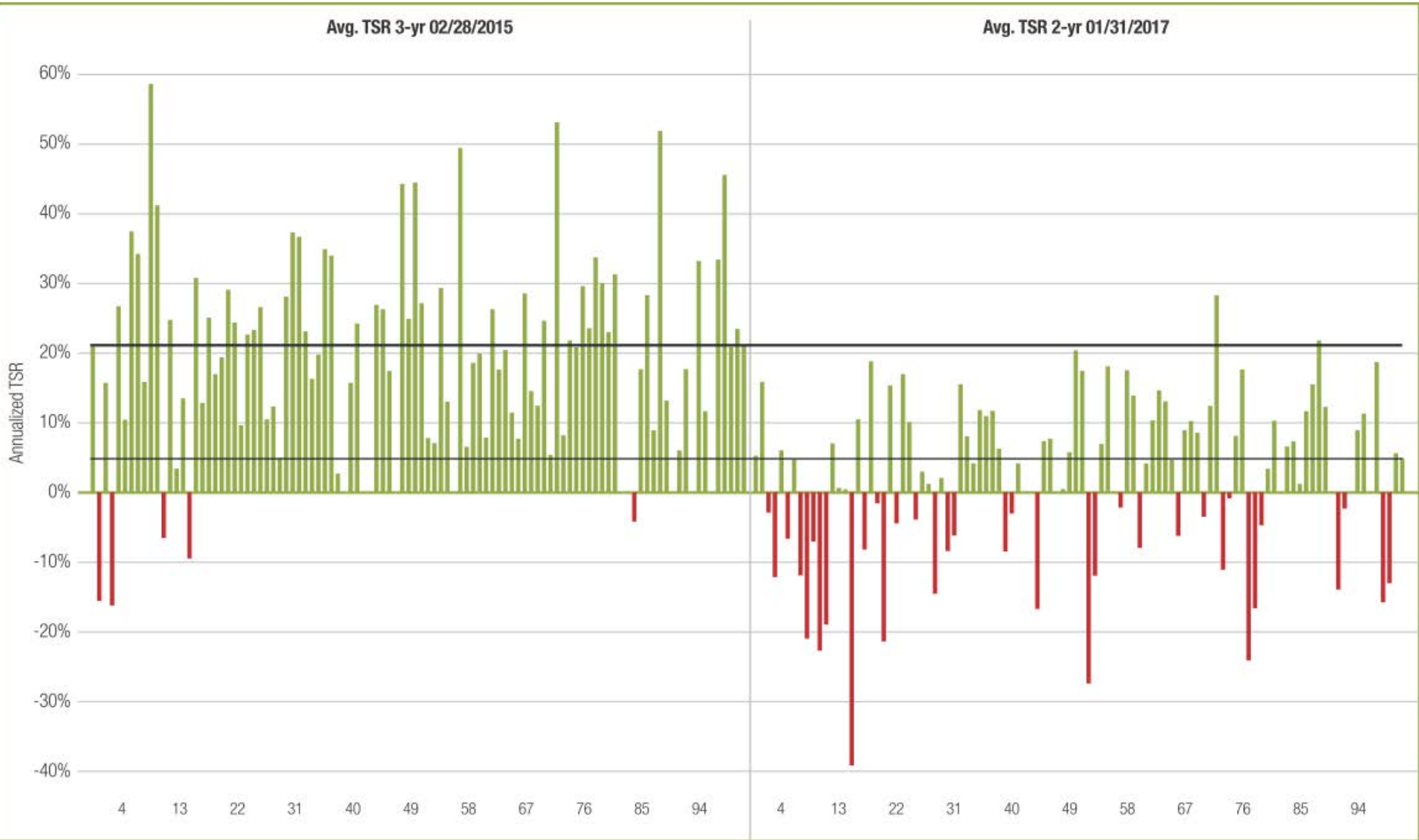
# Top 25 Overpaid Deliver Negative TSR, Lose Value



# Annual TSR Lags About When Overpay Approved



# Many Overpaid CEO Firms Have Lost Value



# CEO Pay Needs Better Accountability to Better Success Metrics

- **CEO Pay is not closely linked to Financial Performance**
  - CEO stock grants and option packages overcompensate for the results achieved
- **CEO Pay frequently linked to “old” financial metrics**
  - e.g. Earnings Per Share (EPS) is outdated metric
    - **Earnings** are subject to massaging by accounting treatment
    - **Shares** outstanding are frequently repurchased rather than invested in R&D
- **“CEO Pay to Average Worker Pay” is a better indicator of risk**
  - *HIP Investor analysis of 5,770 companies globally over 10 years finds that **CEOs paid 400x to 1000x the average worker result in frequently lower returns, increased volatility for shareholders, and a lack of accountability to shareholders***
  - This “new” metric – **CEO Pay to Average Worker Pay** – was mandated by the Obama SEC to be implemented in 2018, **but may now be deferred, delayed or revoked by Trump’s SEC**



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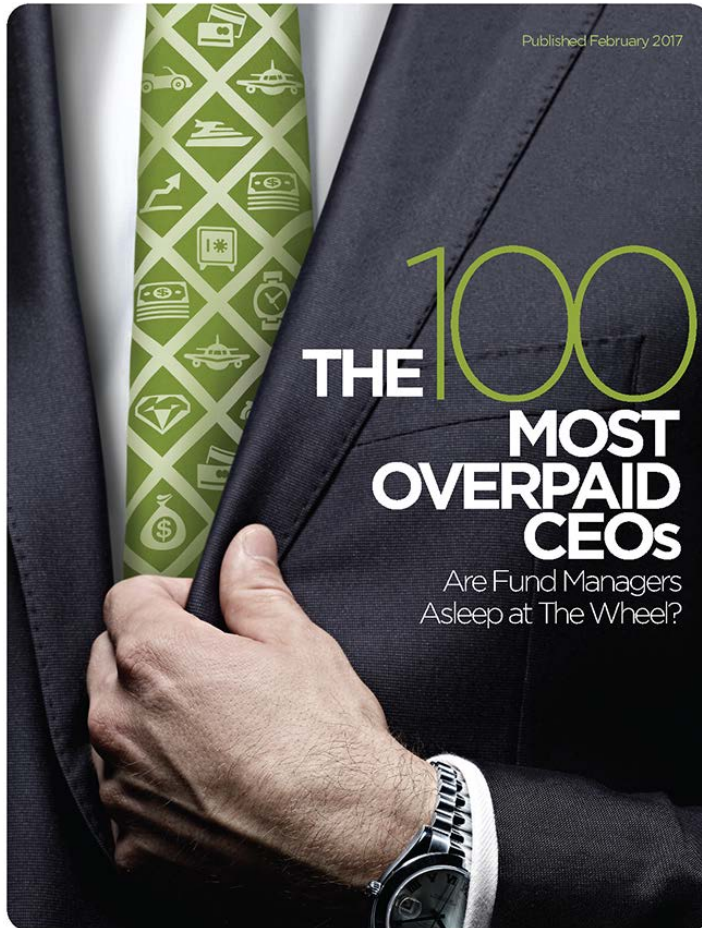
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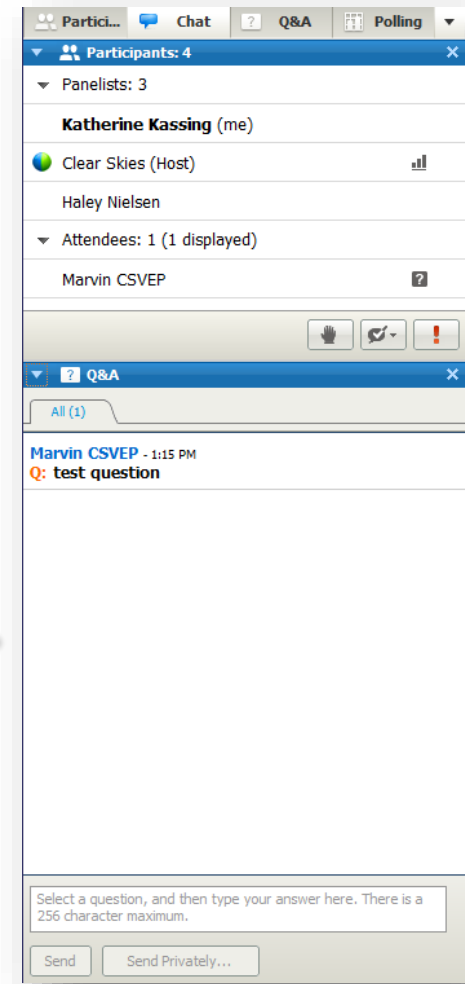
**Andrew Behar**  
**CEO**  
**As You Sow**

# Audience Q&A

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- Use the Q&A window to send us your questions

Q&A Window

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# Featured Speakers



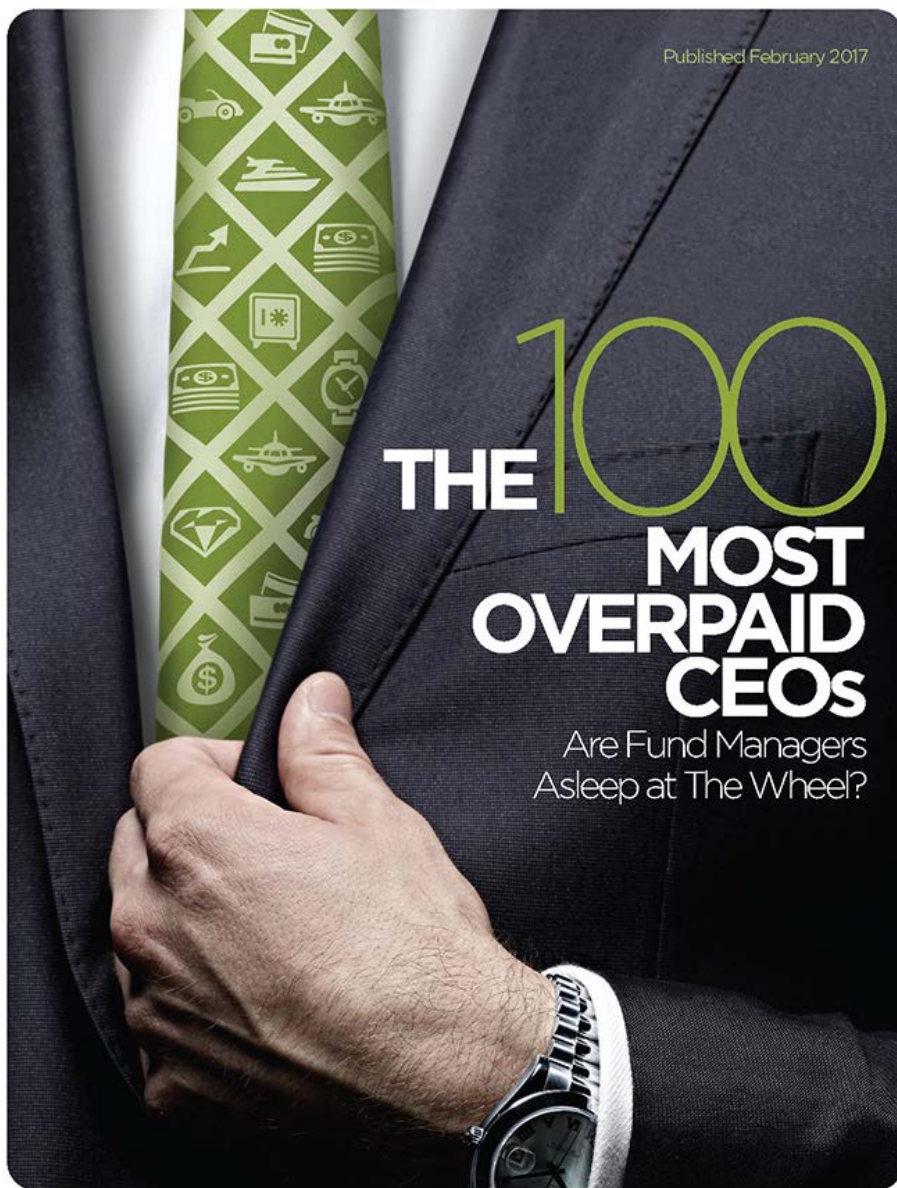
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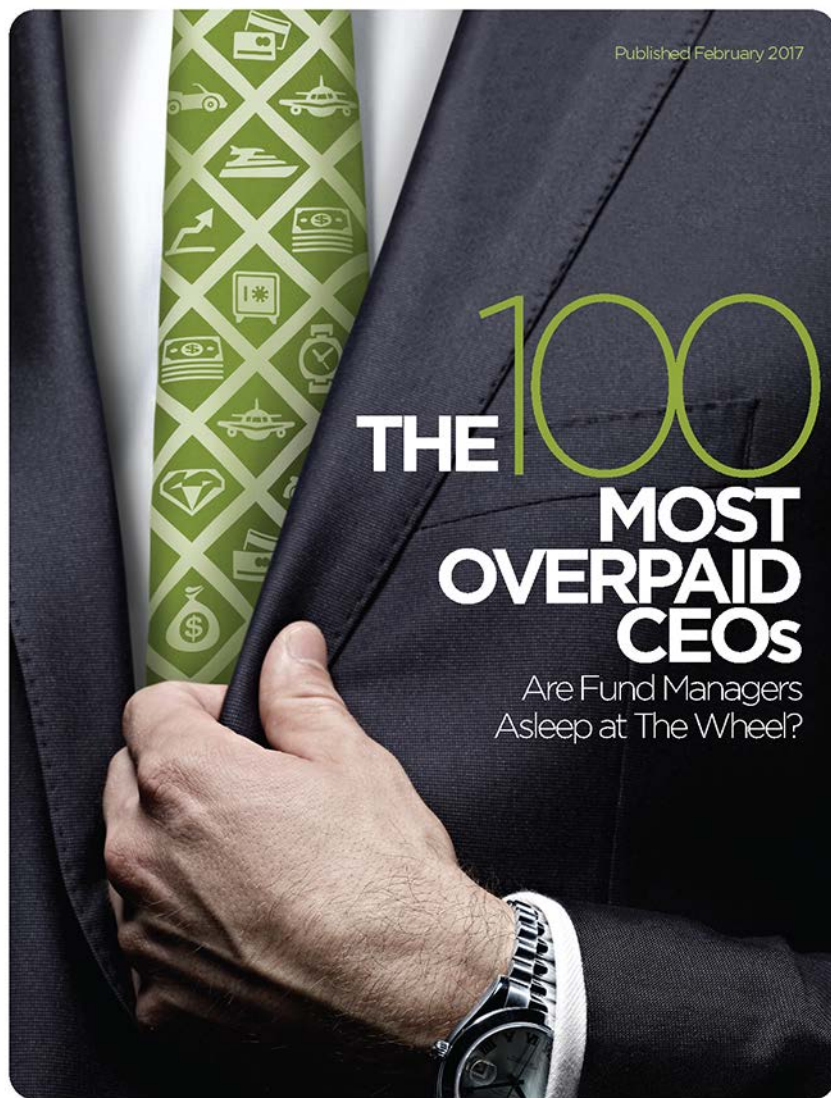
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