



## EXCLUSIVE: Q&A With Author Of 'The 100 Most Overpaid CEOs'

Javier Hasse | Mar. 11, 2015

**"CEO pay grew an astounding 937 percent over the past 35 years."**

With this clear, strong statement, researcher Rosanna Landis Weaver opens the "100 Most Overpaid CEOs: Executive Compensation in the S&P 500" report, published by the **As You Sow** Foundation.

In addition to looking into CEO compensation, the paper "examines the forces behind the trend of ever-increasing CEO pay."



### Idea Behind The Report

The idea was to identify the most overpaid CEOs in the **S&P 500** companies in order "to analyze how mutual funds and pension funds voted on these pay packages, and to consider the directors who serve on the compensation committees of these boards."

Using a methodology that combined statistical analysis and in-depth qualitative examination, the investigation "found widespread consensus on the worst actors, companies with huge pay packages that showed relatively weak shareholder returns."

### Key Findings

The report highlights four key findings:

- The two models used point at the same actors as the worst offenders in the group
- Misallocation: "The most overpaid CEOs represent an extraordinary misallocation of assets."
- Focus Is Unfocused: "There is a tremendous range in mutual fund focus and voting on this issue."
- Irresponsible Directors: "Directors who should be acting as the stewards of shareholder interests have too often compromised on that responsibility, and need to be held accountable."

### Q&A With The Author

**Benzinga (BZ): Why are these CEOs so overpaid? How did it "degenerate" into this?**

**Rosanna Landis Weaver (RLW):** Degenerate is the right word. A board overpays a CEO in just one component of pay – perhaps for reasons they think are specifically legitimate to a situation – and then a consultant highlights that overpayment when setting up the plan for another CEO. For years now, the worst, most high-pay generating practices have spread from company to company like a virus. Now the excess is baked in the system, and it will take some effort to get it out.

**BZ: Why are the top companies in this list paying so much?**

**RLW:** In some cases, it is a very powerful CEO/founder. In older proxy statements Oracle explicitly stated that Ellison recommended to the compensation committee "his own base salary, cash bonus and; size of his stock option grant." Few are that explicit anymore, but I expect on some level the practice continues.

Being a member of a board of directors can be a very sweet gig (often paying over \$100,000), and directors tend to want to stay on the good side of both other board members and the CEOs. Warren Buffett's letter to shareholders this week talked about how directors cannot be Dobermans because a certain level of collegiality improved board effectiveness. However, eager to please cocker spaniels are going too far. Perhaps we could at least hope for attentive beagles.

**BZ: Is there a way out of this?**

**RLW:** Shareholders hold the key. If you have a mutual fund you should check the full report to see how your fund voted on these companies. If you don't like their record, let them know.

One of the things that surprised me as I did the research was that TIAA-CREF voted in favor of more of these outrageous packages than JPMorgan, Goldman Sachs or almost any other fund. I hope that professors and teachers will encourage more thoughtful voting for the upcoming proxy season.

**BZ: How (or why) did you first start investigating about CEO compensation?**

**RLW:** We believe that poorly structured executive compensation is a primary driver of many of the things that concern us as long-term sustainability focused investors.

After the horrific Massey Energy mining tragedy, the government investigation showed levels of mismanagement. We read the Blankenship indictment. One thing we highlight in the study is that when mid-level executives raised safety and environmental concerns, the CEO pushed back and explicitly mentioned concerns about his stock options. We know about that there, but expect it is more widespread.

**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

