

Published February 2018

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

Download the report at
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Andrew Behar



Andrew Behar
CEO
As You Sow

Featured Speakers



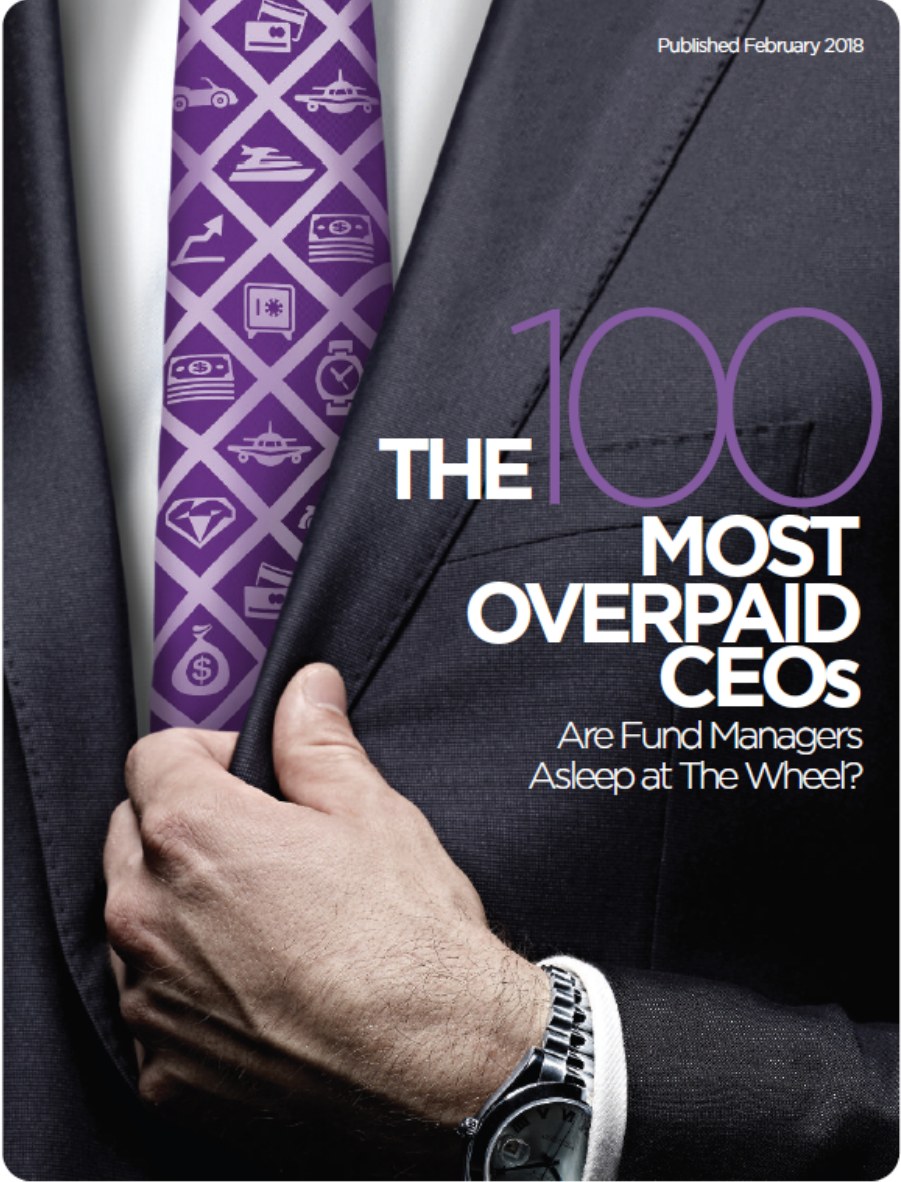
**Rosanna Landis
Weaver**
Report Author and
Program Manager of
As You Sow's
Executive
Compensation
initiative



Steven Clifford
Author
*The CEO Pay
Machine*



R. Paul Herman
CEO + Founder
HIP Investor
Ratings +
Portfolios

A man in a dark suit and a purple tie with a white geometric pattern of financial icons (car, plane, train, stock chart, dollar bill, clock, diamond, money bag, etc.) is shown from the chest down. His right hand is in his suit pocket, and he is wearing a silver watch.

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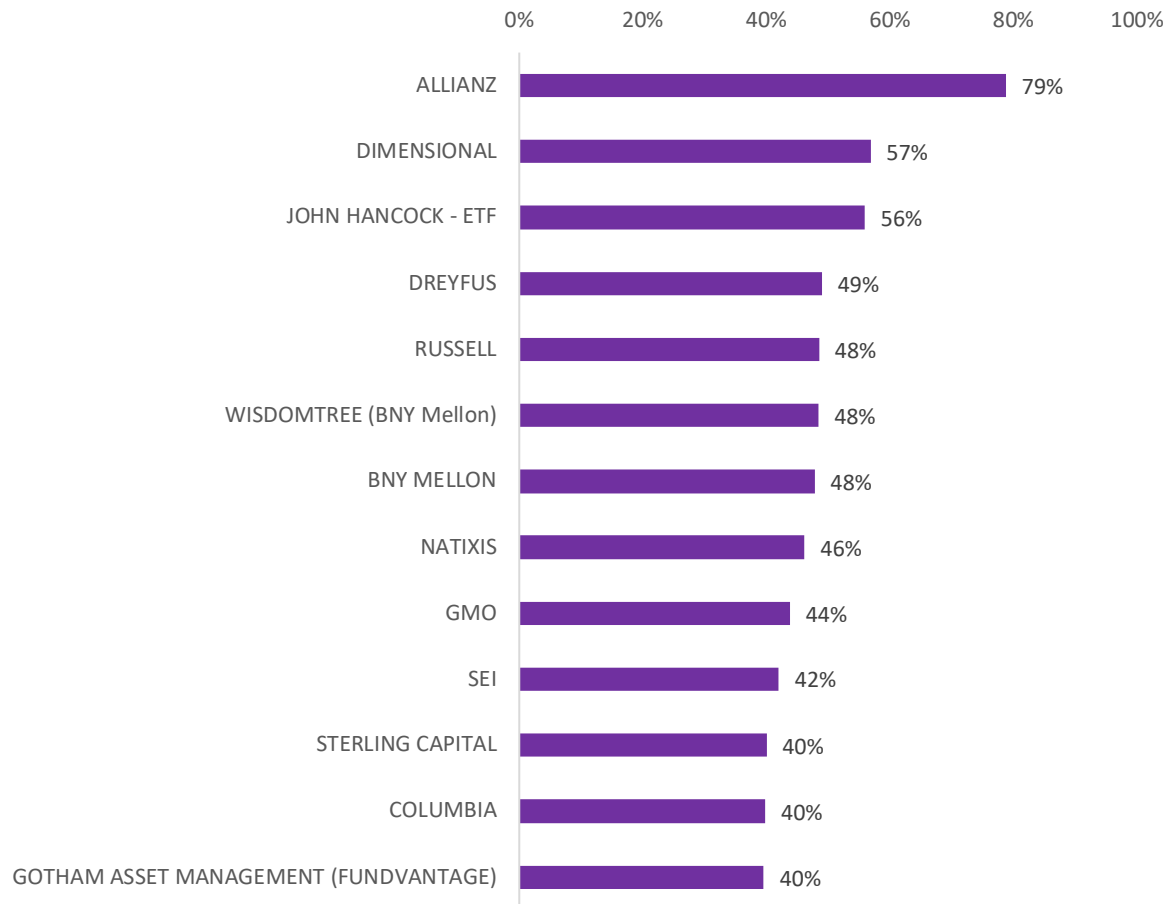
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Top 25 Most Overpaid CEOs

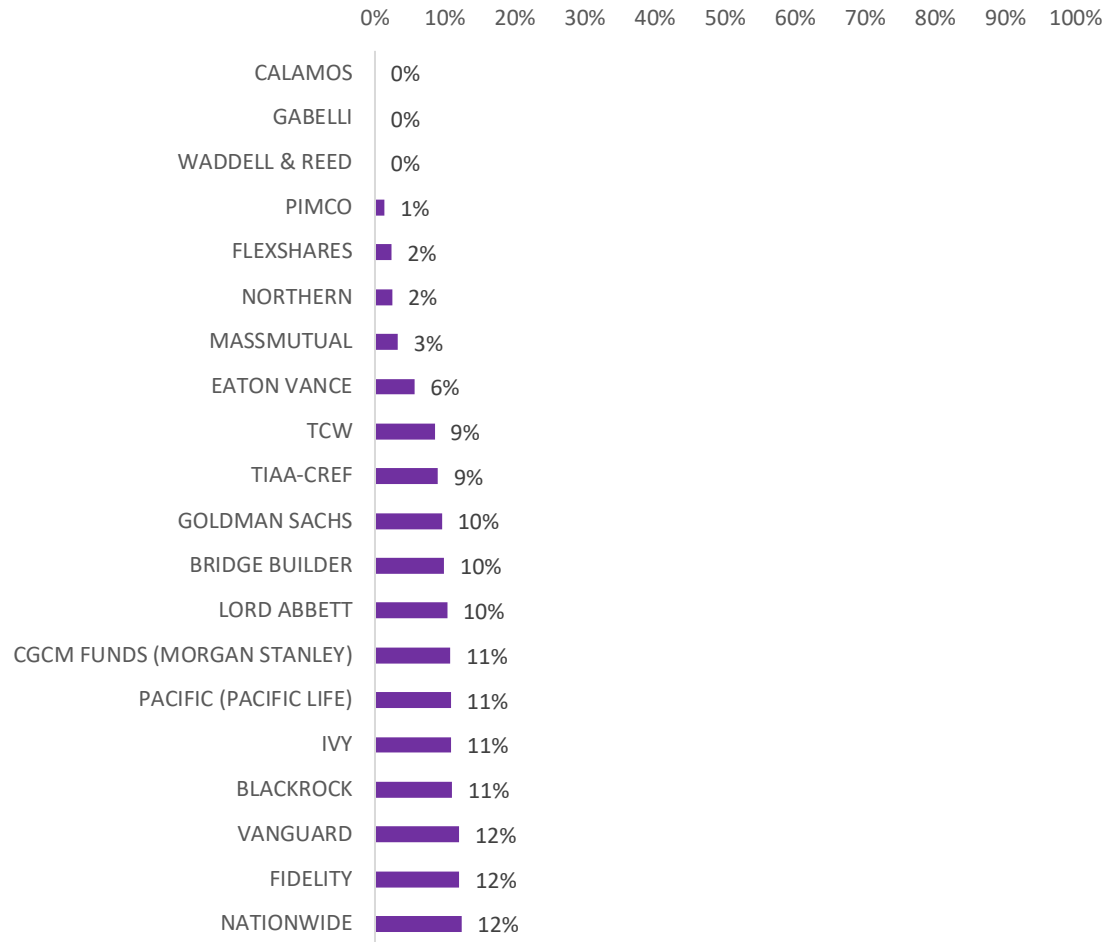
RANK	COMPANY NAME	CEO AT TIME OF PROXY VOTE	TOTAL DISCLOSED COMPENSATION
1	ORACLE	Safra A. Catz / Mark Hurd	\$82,065,708
2	ACTIVISION BLIZZARD	Robert A. Kotick	\$33,065,560
3	JOHNSON CONTROLS INTERNATIONAL PLC	Alex Molinaroli	\$46,396,770
4	CHARTER COMMS.CL.A	Thomas M. Rutledge	\$98,515,727
5	ALPHABET 'A'	Sundar Pichai	\$199,718,200
6	WYNN RESORTS	Stephen Wynn	\$28,156,985
7	INTERNATIONAL BUSINESS MACHINES	Virginia Rometty	\$32,695,699
8	REGENERON PHARMS.	Leonard S. Schleifer	\$28,337,520
9	DISCOVERY COMMS.'A'	David M. Zaslav	\$37,192,354
10	SL GREEN REALTY	Marc Holliday	\$17,326,371
11	TWENTY-FIRST CENTURY FOX CL.A	James Murdoch	\$26,379,673
12	WALT DISNEY	Robert Iger	\$43,882,396
13	EXXON MOBIL	Rex Tillerson	\$27,393,567
14	WILLIS TOWERS WATSON	John Haley	\$28,846,121
15	CONOCOPHILLIPS	Ryan M. Lance	\$19,212,038
16	LENNAR 'A'	Stuart Miller	\$19,225,403
17	ESTEE LAUDER COS.'A'	Fabrizio Freda	\$48,369,401
18	AFLAC	Daniel Amos	\$20,412,010
19	MCKESSON	John H. Hammergren	\$23,649,638
20	CITRIX SYS.	Kirill Tatarinov	\$22,273,969
21	HEWLETT PACKARD ENTER.	Margaret Whitman	\$35,564,351
22	COMCAST 'A'	Brian Roberts	\$32,963,491
23	VERTEX PHARMS.	Jeffrey M. Leiden	\$17,419,758
24	TIME WARNER	Jeffrey L. Bewkes	\$32,614,304
25	CHESAPEAKE ENERGY	Robert D. Lawler	\$15,283,363

Mutual Funds Votes Against Overpaid CEOs

Large Mutual Fund Families Most Likely to Oppose CEO Pay at
100 Most Overpaid Companies

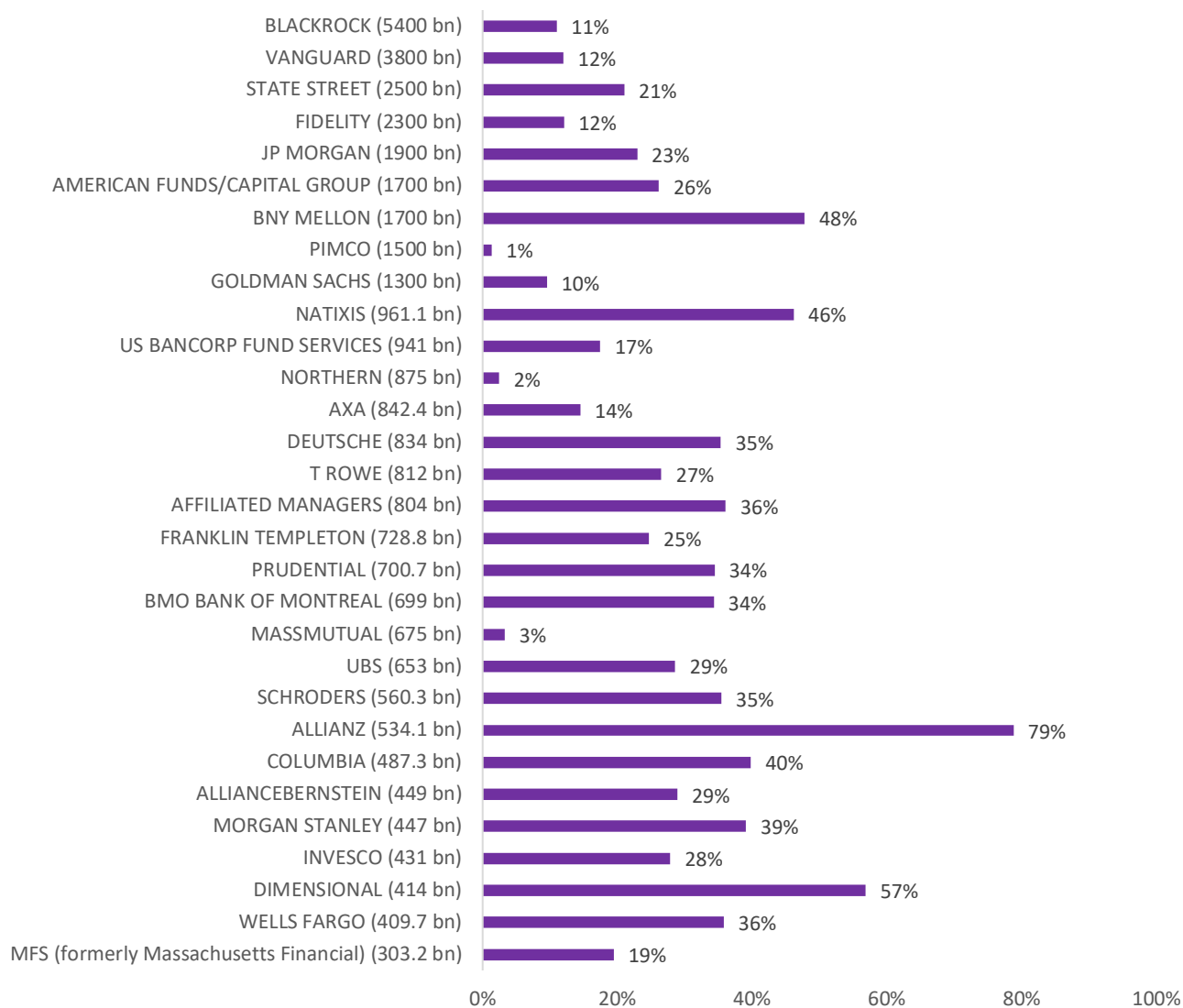


Funds Least Likely to Vote Against Overpaid CEOs

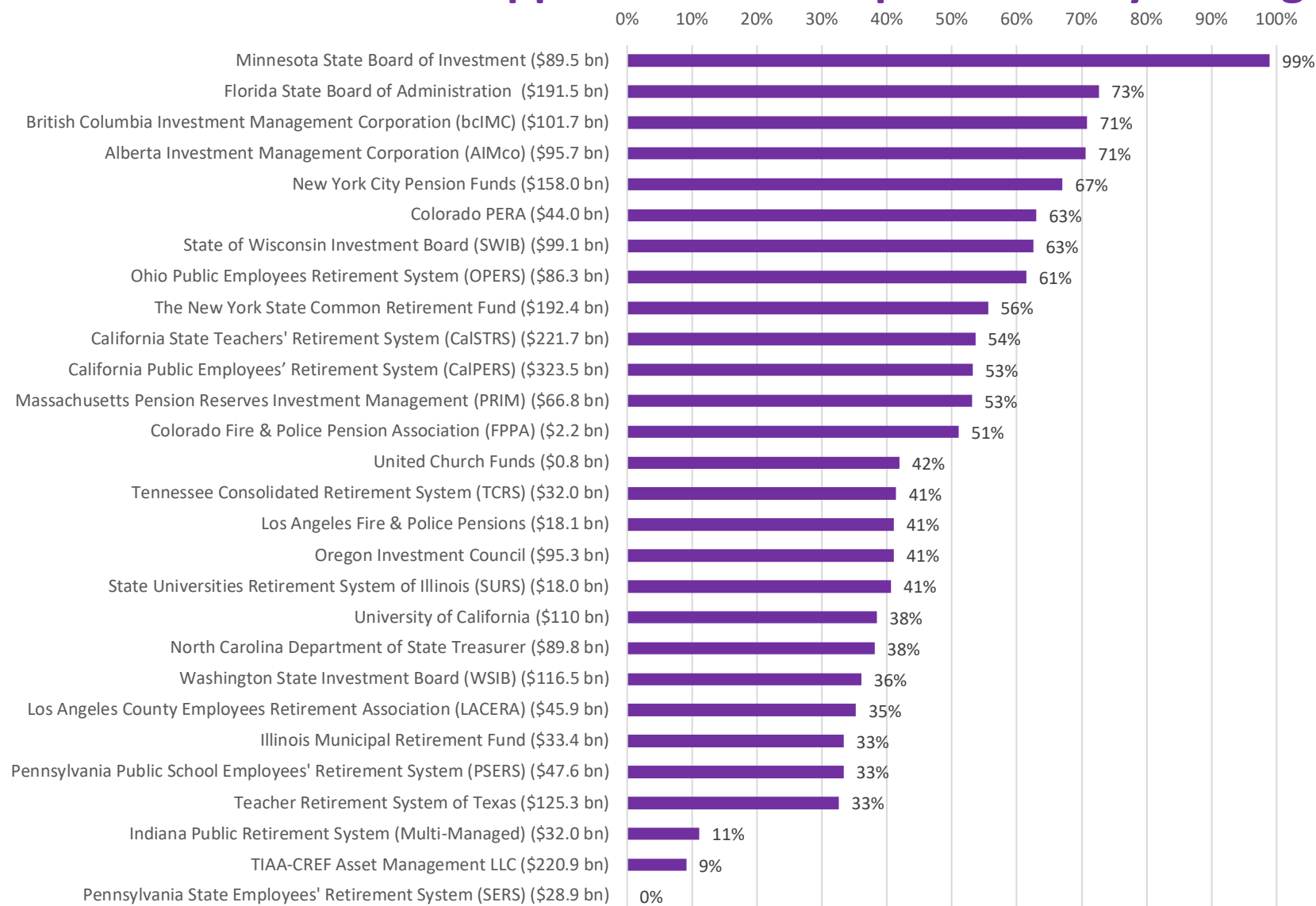


The average level of opposition of funds with assets over \$15 billion was 27%; and the median was 28%.

Opposition to Overpaid CEO Pay Packages at Largest Mutual Funds



Public Pension Funds Opposition to Overpaid CEO Pay Packages



Votes at select companies by mutual funds

MUTUAL FUND VOTES		ADVANCE AUTO	AMERICAN EXPRESS	COCA-COLA	CONOCO	CVS	EXXON	FIRST ENERGY	FREEPORT MCMORAN	GENERALELECTRIC	NEWMONT MINING	RANGE RESOURCES	REGENERON	SOUTHERN CO.	TJX
AMERICAN CENTURY	For	Against	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against	Against	Against
AMERICAN FUNDS/CAPITAL GROUP	For	Against	For	For	Mix	Against	For	n/a	Mix	n/a	For	Against	For	For	Against
BLACKROCK	For	For	For	For	For	For	Against	For	For	For	For	For	For	For	For
BNY MELLON	Against	For	For	Against	Against	Against	For	For	For	For	For	Against	Against	For	For
CALVERT	Against	Against	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against	Against	Against
COLUMBIA THREADNEEDLE	Against	For	For	Against	For	For	Against	For	For	For	For	For	Against	Against	Against
DIMENSIONAL	Against	Against	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against	Against	Against
DOMINI	N/A	Against	Against	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Against
FIDELITY	For	Mix	For	Against	For	Against	Against	Mix	For	For	Mix	Mix	For	Against	For
FRANKLIN TEMPLETON	Against	Against	For	Against	Mix	Mix	Mix	FE	For	For	For	n/a	Against	For	Against
GOLDMAN SACHS	For	For	Split	N/A	For	For	N/A	For	For	For	For	For	N/A	For	For

Votes at select companies by pension funds

PENSION FUND PARTICULAR VOTES	PENSION FUND													
	ADVANCE AUTO	AMERICAN EXPRESS	COCA-COLA	CONOCO	CVS	EXXON	FIRST ENERGY	FREEMPORT MCMORAN	GENERALELECTRIC	NEWMONT MINING	RANGE RESOURCES	REGENERON	SOUTHERN CO.	TJX
ALBERTA (AIMCO)	N/A	N/A	Against	N/A	Against	N/A	For	N/A	Against	N/A	N/A	Against	N/A	Against
BRITISH COLUMBIA (BCIMC)	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against
QUÉBEC	Split	For	For	Against	For	For	Split	Split	For	Split	For	Split	Against	Against
CALPERS	Against	Against	Against	Against	Against	N/A	Against	Against	For	Against	Against	Against	Against	Against
CALSTRS	Against	Against	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against	Against
COLORADO FIRE & POLICE	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against	Against
COLORADO PERA	N/A	For	For	Against	For	For	For	Against	For	For	N/A	Against	N/A	Against
TEXAS EMPLOYEES RETIREMENT	For	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against	Against	Against
FLORIDA	Against	Against	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against	Against
ILLINOIS MUNICIPAL	For	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against	Against	Against
ILLINOIS STATE BOARD OF INVESTMENT	Against	For	For	Against	For	For	For	N/A	For	For	For	Against	Against	Against
INDIANA PUBLIC RETIREMENT SYSTEM (MULTI-MANAGED)	For	Split	Split	Split	Split	Split	For	Against	For	For	For	Split	Split	Split
LOS ANGELES COUNTY (LACERA)		Against	Against	Against	Against	Against	N/A	Against	For	Against	Against	Against	Against	Against
LOS ANGELES FIRE & POLICE PENSIONS	Against	For	For	Against	For	For	Split	Against	For	For	For	Against	Against	Against
MARYLAND	For	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against	Against	Against

HIP Investor



R. Paul Herman
CEO + Founder

HIP Investor
Ratings +
Portfolios

Top 25 Most Overpaid CEOs (HIP Regression)

Rank	Company	HIP Regression Prediction	CEO Pay Value	Excess relative to Regression	Excess relative to Regression %
1	ALPHABET	\$16,249,986	\$199,718,200	\$183,468,214	1129%
2	CHARTER COMMS.	\$16,807,903	\$98,515,727	\$81,707,824	486%
3	ORACLE	\$17,296,037	\$82,065,708	\$64,769,671	374%
4	CBS	\$13,788,369	\$69,550,657	\$55,762,288	404%
5	ESTEE LAUDER COS.	\$15,227,370	\$48,369,401	\$33,142,031	218%
6	JOHNSON CONTROLS INTL PLC	\$18,112,552	\$46,396,770	\$28,284,218	156%
7	WALT DISNEY	\$18,034,313	\$43,882,396	\$25,848,083	143%
8	DISCOVERY COMMS.	\$11,450,148	\$37,192,354	\$25,742,206	225%
9	ACTIVISION BLIZZARD	\$12,588,775	\$33,065,560	\$20,476,785	163%
10	SCRIPPS NETWORKS INTACT.	\$10,275,022	\$28,784,239	\$18,509,217	180%
11	TIME WARNER	\$14,218,450	\$32,614,304	\$18,395,854	129%
12	REGENERON PHARMS.	\$11,438,690	\$28,337,520	\$16,898,830	148%
13	VIACOM	\$11,947,246	\$27,931,458	\$15,984,212	134%
14	ALTRIA GROUP	\$12,089,508	\$27,573,566	\$15,484,058	128%
15	COMCAST	\$17,687,953	\$32,963,491	\$15,275,538	86%
16	WYNN RESORTS	\$13,986,891	\$28,156,985	\$14,170,094	101%
17	WILLIS TOWERS WATSON	\$14,974,645	\$28,846,121	\$13,871,476	93%
18	INTERNATIONAL BUS.MCHS.	\$19,020,646	\$32,695,699	\$13,675,053	72%
19	HP	\$15,393,280	\$28,696,267	\$13,302,987	86%
20	ROPER TECHNOLOGIES	\$13,068,443	\$26,316,166	\$13,247,723	101%
21	TWENTY-FIRST CENTURY FOX CL.A	\$13,731,692	\$26,379,673	\$12,647,981	92%
22	CHUBB	\$11,878,954	\$24,419,486	\$12,540,532	106%
23	BLACKROCK	\$12,958,328	\$25,472,831	\$12,514,503	97%
24	PHILLIPS 66	\$13,205,329	\$25,055,294	\$11,849,965	90%
25	EXXON MOBIL	\$15,893,221	\$27,393,567	\$11,500,346	72%

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 Executive Pay data
- **Relationships tested:**
 - 1, 3, [5](#) year performance
 - [Total Shareholder Return \(TSR\)](#), Return on Invested Capital (ROIC), and
 - [CEO's most-recent pay](#);
(also tested for employee size, and “log” of employee size)
- **Regressions output:**
 - Highest r-squared = only **0.9%** for **5-year TSR of CEO-most-recent-pay**
 - Typical correlation = all **less than 1%** for regressions by metric & duration

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

Viacom, Inc. (VIA) ☆

NasdaqGS - NasdaqGS Real Time Price. Currency in USD

39.10 -0.10 (-0.26%)

At close: 4:00PM EST

⊕ Indicators ⊕ Comparison

📅 Dec 31, 2009 - Dec 31, 2017

#8
overpaid

#15
overpaid

#7
overpaid

#67
overpaid

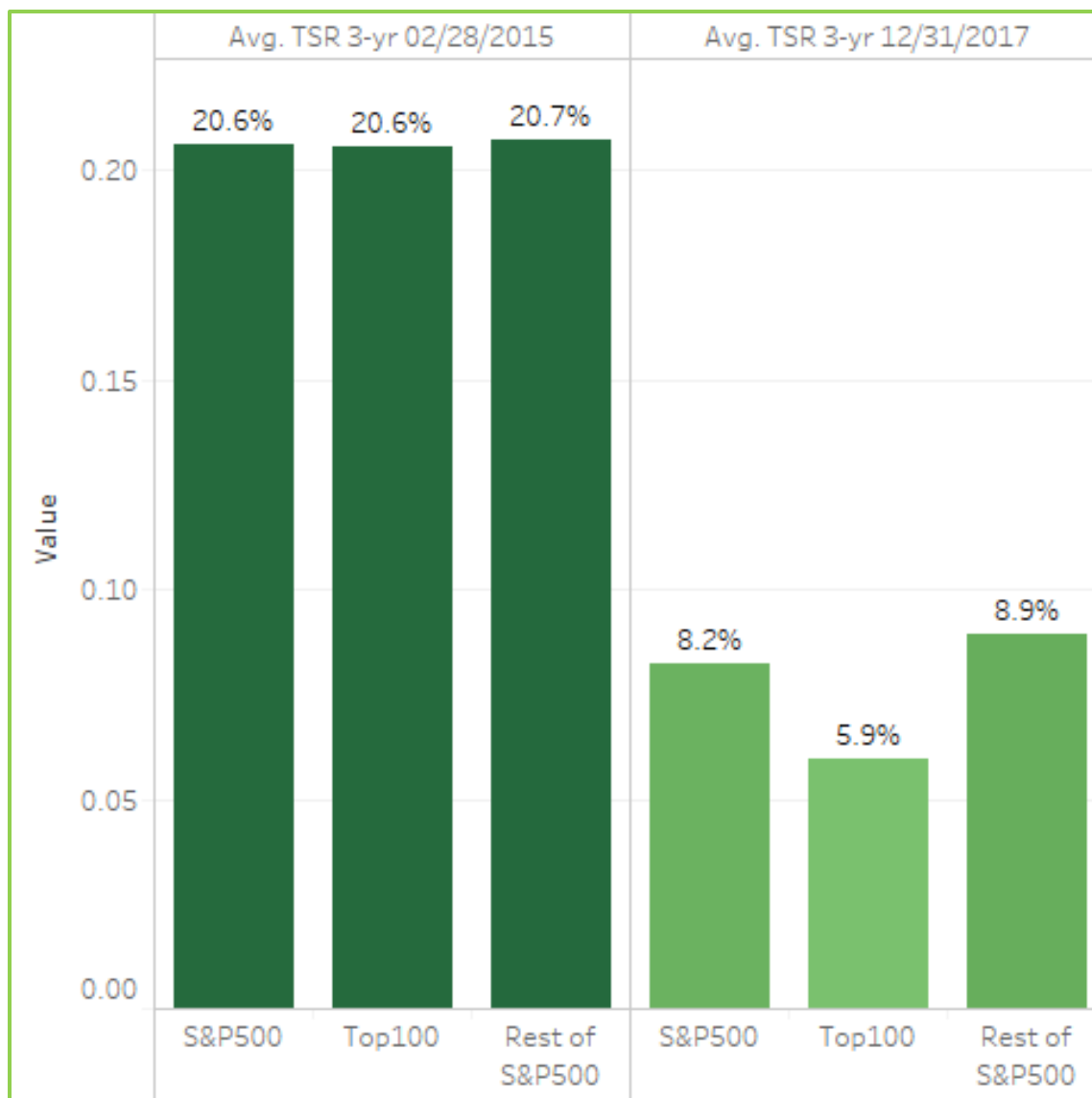


How HIP Calculated the Overpaid CEOs:

Viacom CEO Thomas Dooley

Expected CEO Pay	\$11,947,246
Actual CEO Pay	\$27,931,458
Overpayment to CEO based on regression analysis	\$15,948,212
Viacom TSR in 2017	-15%
<i>S&P500 TSR in 2017</i>	<i>+19%</i>
<i>Viacom LAGS market again:</i>	<i>-34%</i>

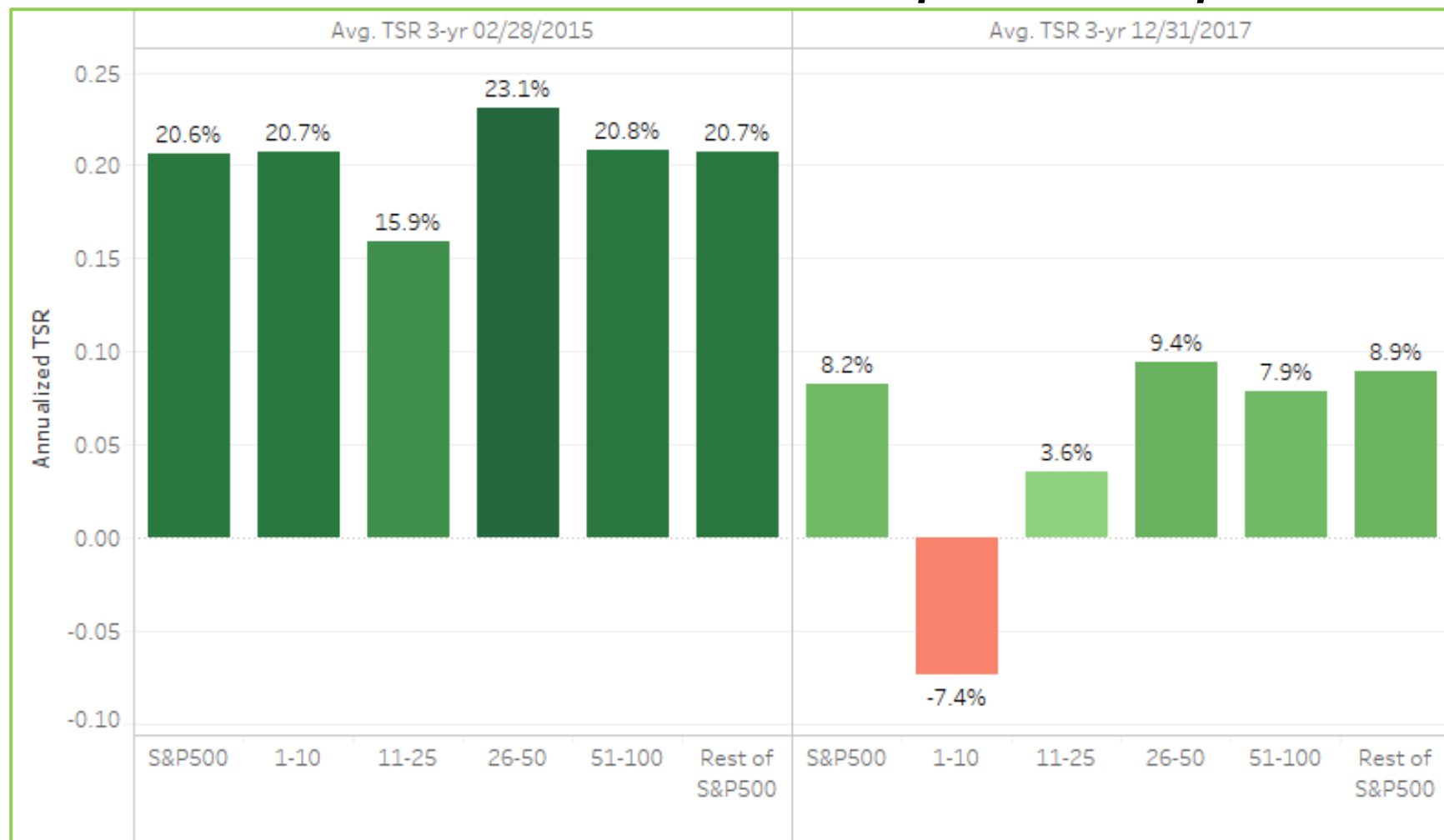
Top 100 Overpaid Underperform S&P 500 by -2.3%



**Divesting,
underweighting,
excluding, or
shorting the *100
Most Overpaid
CEOs* from 2015
would be better
for investors**

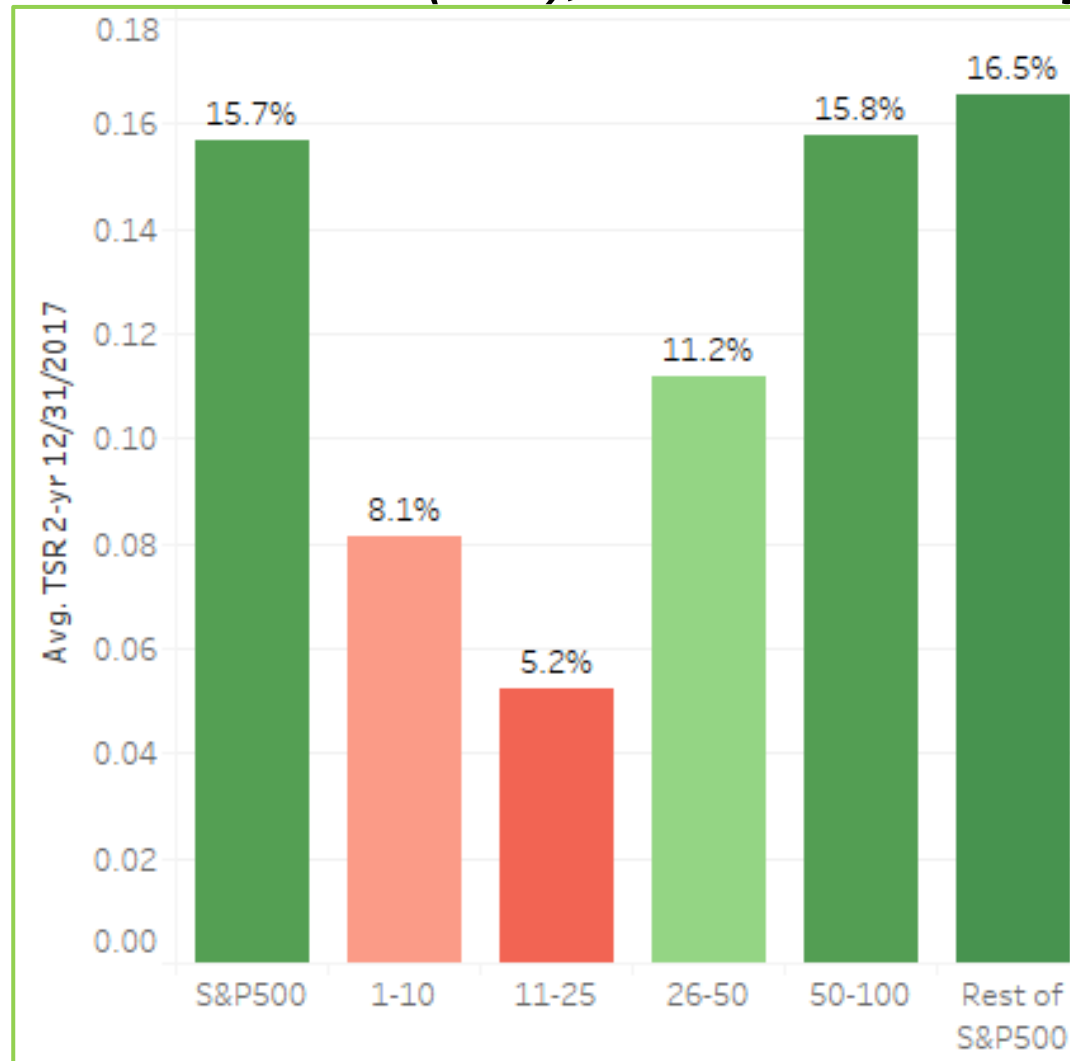
Top 10 Overpaid Deliver Negative TSR, Lose Value

**Total Shareholder Return (TSR), annualized over 3-year period
Before and After 2015 Most Overpaid CEOs report**



Overpaid CEOs from 2016 Also Underperform

Total Shareholder Return (TSR), annualized over 2-year period



**Divesting,
underweighting,
excluding, or
shorting the *100
Most Overpaid
CEOs* from 2016
would be better
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CEO Pay Needs Better Accountability to Meaningful Success Metrics

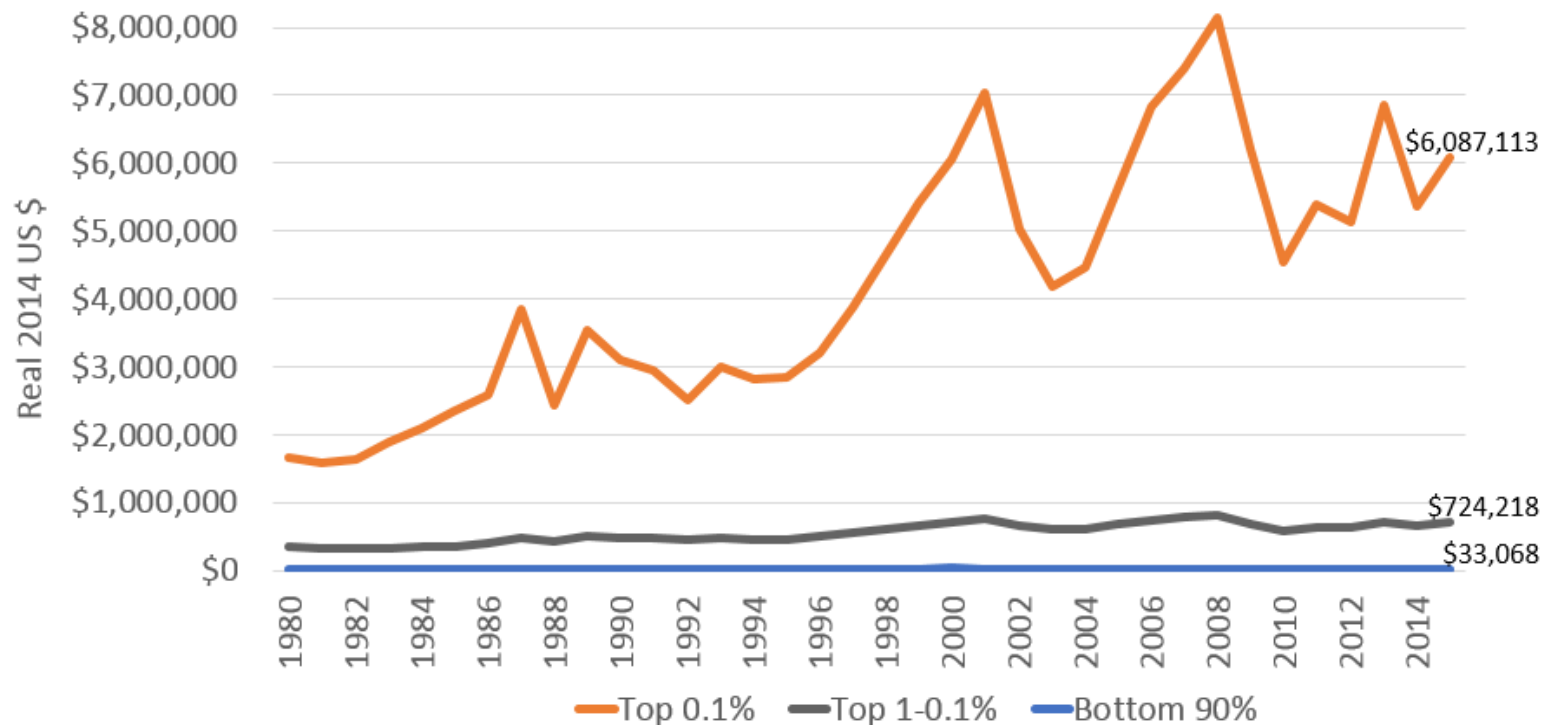
- **CEO Pay is not closely linked to Financial Performance**
 - CEO stock grants and option packages overcompensate for the results achieved
- **CEO Pay frequently linked to “old” financial metrics**
 - e.g. Earnings Per Share (EPS) is outdated metric
 - **Earnings** are subject to massaging by accounting 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 7,000 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** – mandated by Dodd Frank and the Securities and Exchange Commission (SEC) is rolling out in 2018:
Honeywell (323:1) and Apollo (1:1) are now disclosing this metric

CEO Pay Machine

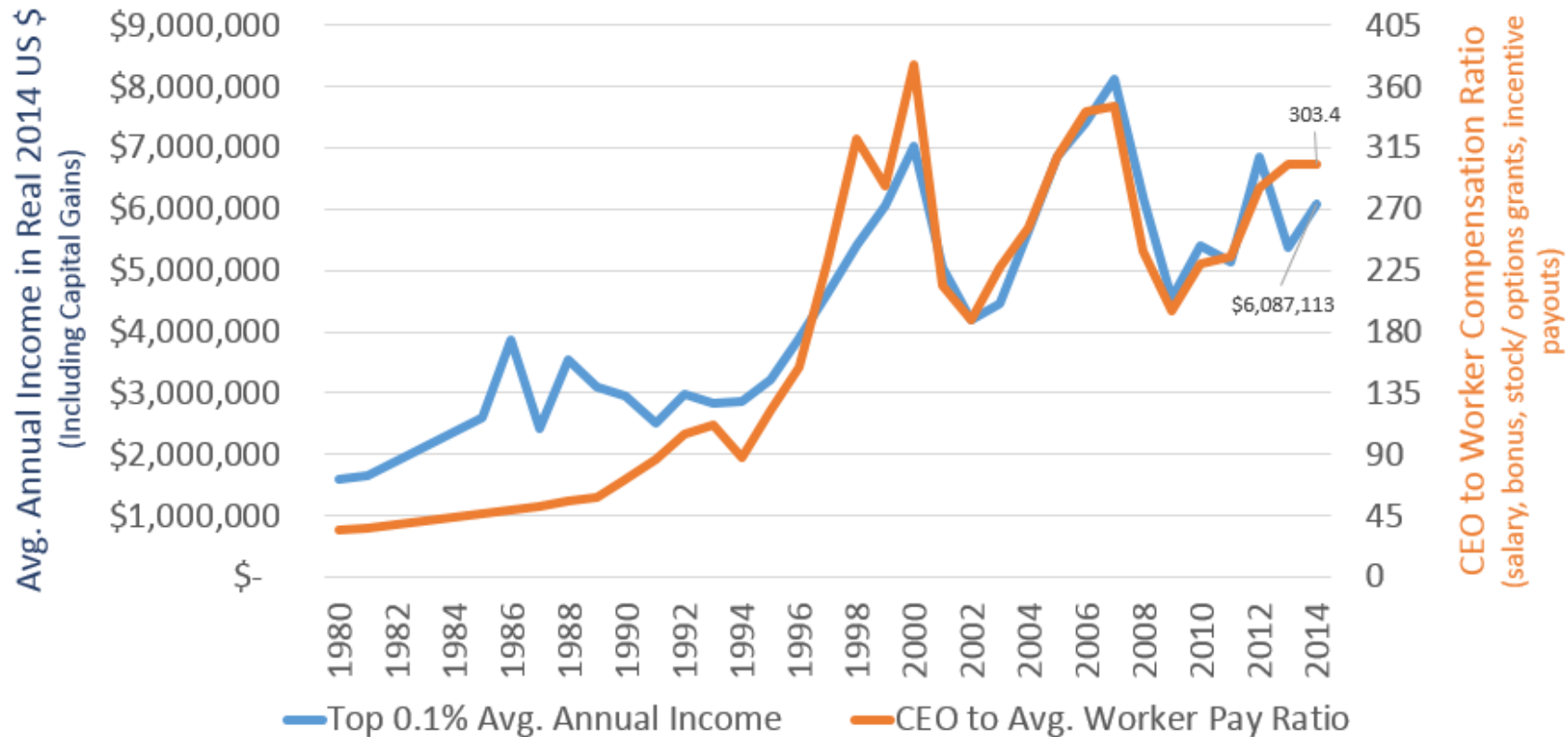


Steven Clifford
Author
*The CEO Pay
Machine*

Average U.S. Annual Income (Including Capital Gains)



Top 0.1% Average Annual Income vs. CEO to Worker Pay Ratio





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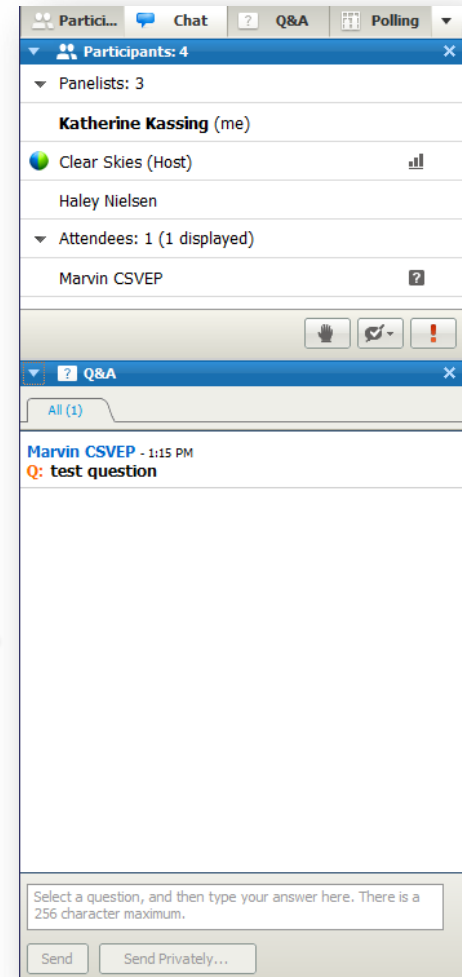
Andrew Behar
CEO
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Audience Q&A

Use the Q&A window to send us
your questions

Q&A Window

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