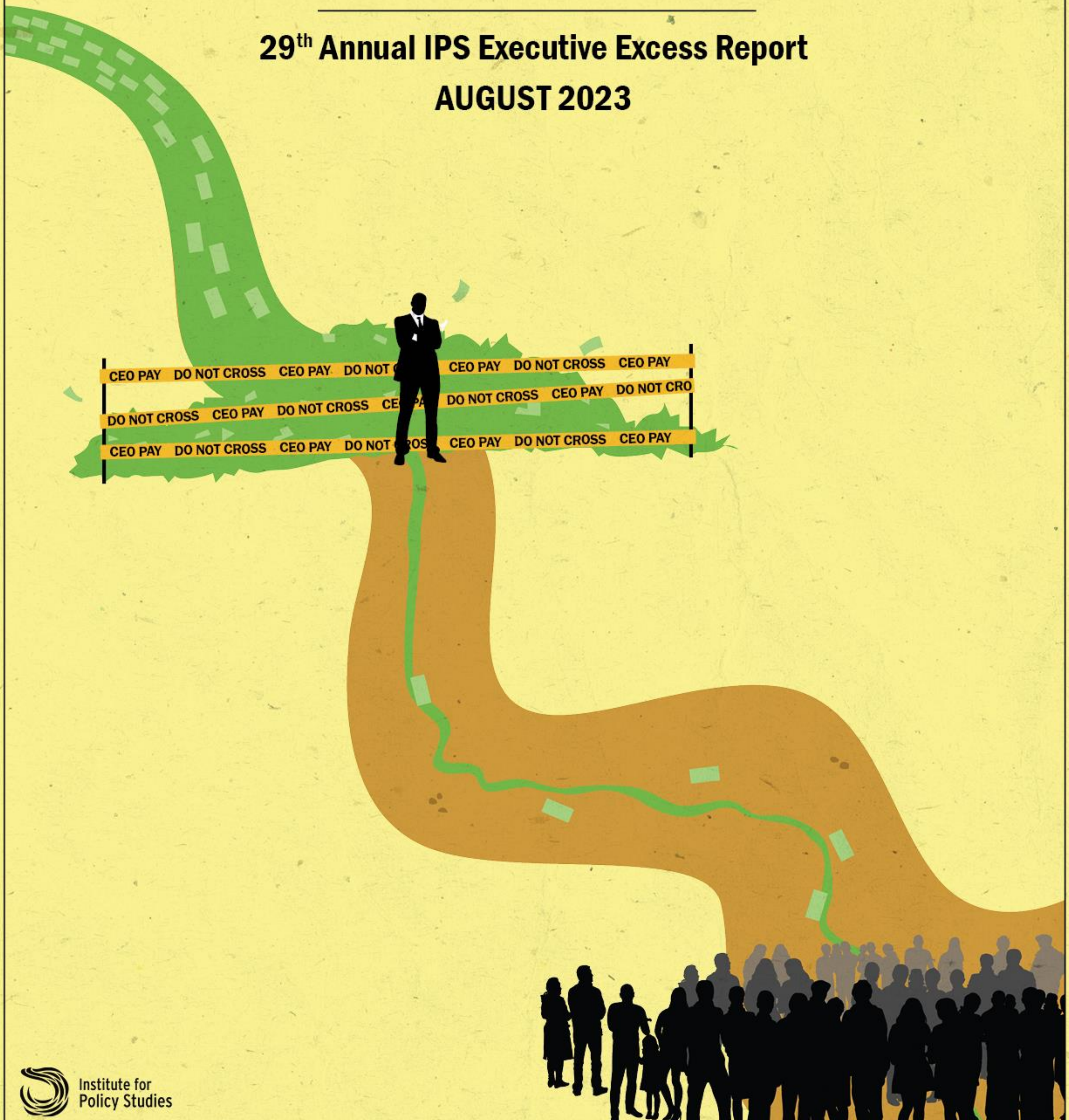
EXECUTIVE EXCESS 2023

The 'Low-Wage 100' large corporations are enriching CEOs at the expense of both workers and taxpayers

29th Annual IPS Executive Excess Report

AUGUST 2023



Institute for Policy Studies

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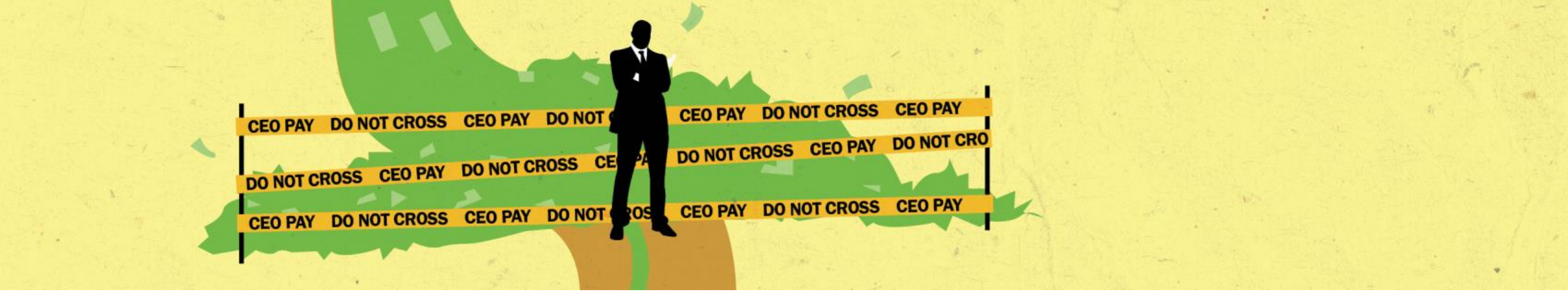
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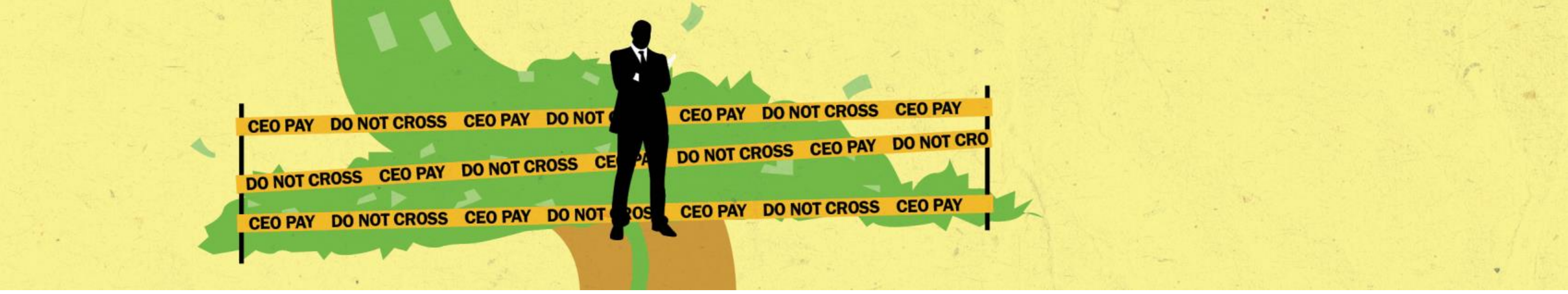


Key findings

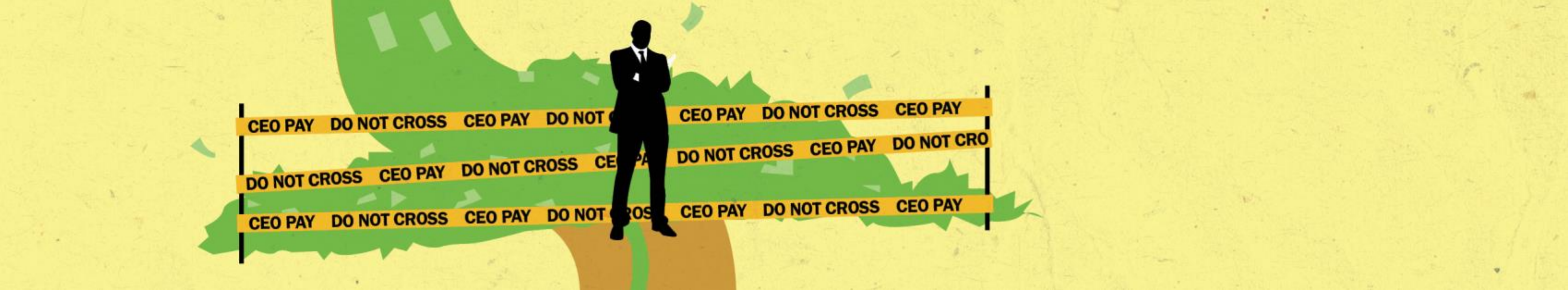
This 29th annual *Executive Excess* report takes an in-depth look at the 100 S&P 500 corporations that had the lowest median worker pay levels in 2022, a group we've dubbed the "Low-Wage 100." We analyze, for each of these firms, the total compensation and personal stock holdings of CEOs, the CEO-worker pay gap, and the overall outlays for stock buybacks. We also reveal how taxpayers are enriching — through federal contracts — the majority of the Low-Wage 100.

1. The CEO-worker pay gap at the Low-Wage 100 averaged 603 to 1 in 2022

- Low-Wage 100 CEO pay averaged $15.3 million and median worker pay averaged $31,672 in 2022.
- **Live Nation Entertainment** sported the fattest CEO paycheck *and* the widest pay gap. Michael Rapino hauled in $139 million, 5,414 times as much as his firm's $25,673 median pay.
- **Aptiv**, a vehicle parts maker with federal government contracts, had the lowest median pay, just $8,139 for a full-time manufacturing worker in Mexico. **Stanley Black & Decker** reported the highest, $47,651, but did not disclose details about the location or status of its median worker.

2. The Low-Wage 100 have spent more than $340 billion on stock buybacks since 2020

- Between January 1, 2020 and May 31, 2023, 90 of the Low-Wage 100 reported combined stock buyback expenditures of $341.2 billion. This financial maneuvering artificially inflates executive stock-based pay and siphons funds from worker wages and other productive investments.
- **Lowe's** led the buybacks list, with $34.9 billion over the past three and a half years. In 2022 alone, Lowe's spent $14.1 billion on buybacks, ***enough to give every one of its 301,000 U.S. employees a $46,923 bonus***. In 2022, Lowe's CEO Marvin Ellison enjoyed annual compensation of $17.5 million. The retailer's median annual worker pay: a mere $29,584.
- **Home Depot** came in second in our buyback rankings, with $28.9 billion in stock buybacks over the course of our study period. CEO Edward Decker kept the spigot flowing furiously after taking Home Depot's helm in 2022. The company's repurchases have totaled over $5.7 billion since last October. In 2022, Decker made 491 times Home Depot's median pay of $30,100.
- **Walmart** ranks third on the buybacks list, with nearly $23.9 billion. CEO Doug McMillon took in $25.3 million in 2022 while half of his employees earned less than $27,136.

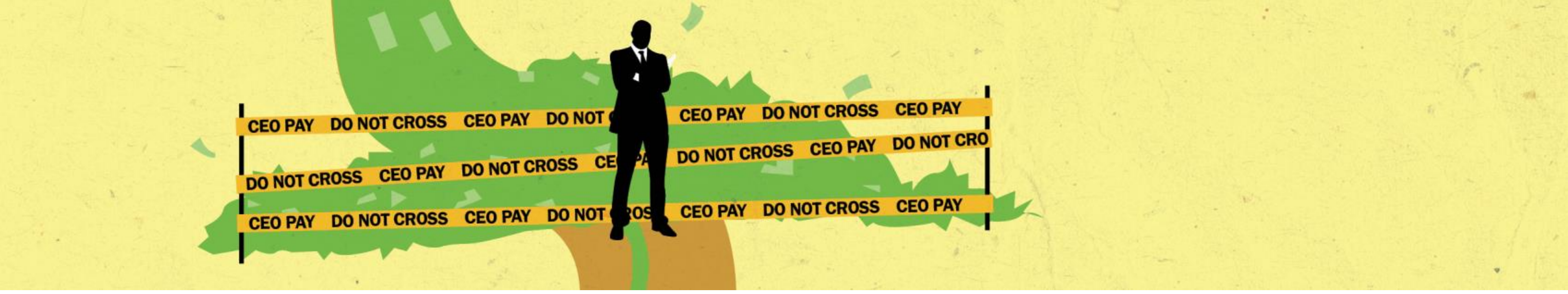


3. During their stock buyback spree, Low-Wage 100 CEOs' personal stock holdings increased more than three times as fast as their firms' median worker pay

- The CEOs of the 90 Low-Wage 100 companies that have spent funds on buybacks own approximately $14.9 billion worth of their company stock.
- At the 65 buyback companies where the same person held the top job between 2019 and 2022, the CEOs' personal stock holdings soared 33 percent to an average of $184.7 million. Median pay at these firms rose only 10 percent to an average of $31,972. These figures do not reflect inflation because the median pay figures cover a global workforce.
- **Dollar Tree** CEO Michael Witynski reaped the single largest stock gain. During his three-year stint at the helm, his stock holdings ballooned 2,393 percent to $30.5 million while Dollar Tree's median pay fell 4.4 percent to just $14,702. Over this three-year span, the retailer spent over $2 billion in company resources on buybacks.
- **FedEx** CEO Frederick Smith has the largest stockpile in the Low-Wage 100. His personal holdings have grown 65 percent to more than $5 billion since January 2020. By contrast, FedEx median worker pay fell by 20 percent to $39,177, a total that includes $9,267 in health benefits, between 2019 and 2022. See more FedEx details below in the contractor section.

4. Over half of the Low-Wage 100 receive taxpayer-funded federal contracts

- Of the 100 companies in our sample, 51 received federal contracts worth a combined $24.1 billion during fiscal years 2020-2023. These contractors spent nearly $160 billion on stock buybacks over the course of these years.
- In 2022, the average CEO pay in this low-wage contractor group stood at $12.7 million, 56 times as much as the salary of a Biden administration cabinet secretary. This group's CEOs averaged 438 times their $34,550 median worker pay.
- **Amazon**, the largest contractor in the Low-Wage 100, amassed at least $10.4 billion in federal deals, with most of that haul coming from a National Security Agency web services contract. The company has reportedly received additional classified defense contracts. Under CEO Andy Jassy's two years at the helm, Amazon has spent $5.9 billion on stock buybacks, an outlay that has helped inflate Jassy's personal stock holdings to $265 million. These millions do *not* include the bulk of his 2021 mega-grant, a reward that will vest over 10 years.
- **FedEx,** the second-largest contractor on our list, pocketed $6.2 billion from Uncle Sam in fiscal years 2020-2023. FedEx spent $3.6 billion on buybacks during this period, a maneuver that helped prop up the value of Smith's more than $5 billion in personal stock holdings, the largest stash held by any CEO in the Low-Wage 100. In 2022, his last year before transitioning to the FedEx executive chair slot, Smith made $10.6 million, 271 times FedEx median worker pay and 47 times the salary of the U.S. secretary of veterans affairs. Unlike competitor UPS, where more than 70 percent of employees are unionized, FedEx has been and continues to be notoriously anti-union.



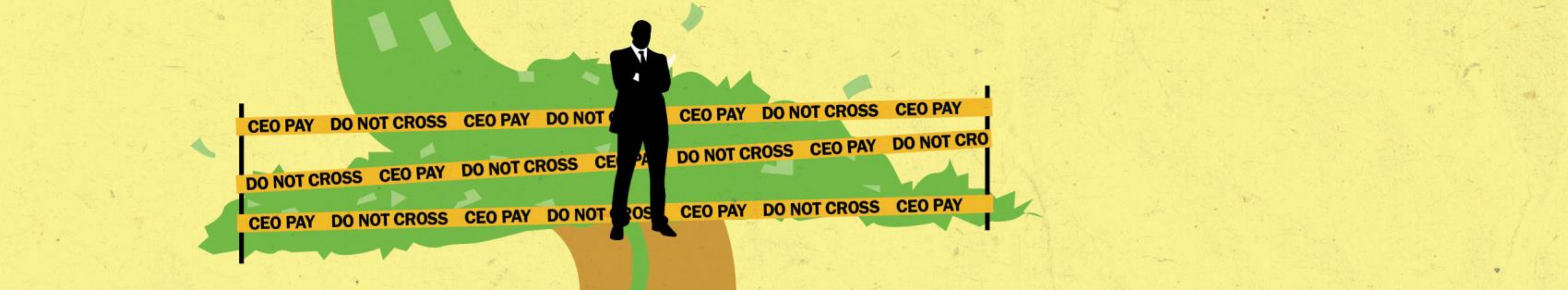
5. Policy solutions for runaway CEO pay are gaining support

Policymakers have begun taking serious steps to respond to public outrage — across the political spectrum — over executive excess.

- **Stock buybacks taxes and restrictions:** In the 2022 Inflation Reduction Act, Congress passed a 1 percent excise tax on CEO pay-inflating stock buybacks. President Biden proposed quadrupling this tax in his 2023 State of the Union address. Biden has also included a proposal in his federal budget plan that would ban top executives from selling their personal stock for a multi-year period after a buyback, preventing CEOs from timing share repurchases to cash in personally on a short-term price pop they themselves artificially created. A Senate bill, the ALIGN Act, would do just that.

- **Federal contractor incentives:** In 2022, the Department of Commerce announced plans to give priority in the awarding of new CHIPS subsidies for domestic semiconductor manufacturing to firms that do not engage in any stock buybacks. The administration has applied a number of other pro-worker conditions on federal contracts, but federal agencies could go much further to wield the power of the public purse against inequality. The Patriotic Corporations Act could serve as a model. This bill would grant preferential treatment in contracting to firms with pay ratios of 100 to 1 or less, among other benchmarks, including neutrality in union organizing campaigns.

- **Excessive CEO pay tax**: Laws to hike corporate taxes on companies with wide CEO-worker pay gap are now raising revenue in two major cities, San Francisco and Portland, Oregon. The more recent of the two taxes, San Francisco's "Overpaid Executive Tax," became effective on January 1, 2022. In May 2023, city officials announced that they now expect the tax to bring in about $125 million per year, a higher return than originally expected. San Francisco's executive tax has also proved more resilient than other local revenue sources. Legislation similar to San Francisco's has been introduced in the U.S. House and Senate and came into play during the Build Back Better negotiations. Higher tax rates on companies with wide CEO-worker pay gaps create an incentive to both rein in executive pay *and* lift up worker wages, all while generating significant new capital for vital public investments.



Introduction

In response to strikes and union organizing drives, corporate leaders routinely insist that they simply lack the wherewithal to raise employee pay. And yet top executives seem to have little trouble finding resources for enriching themselves and wealthy shareholders.

In 2021 and 2022, S&P 500 corporations spent record sums on stock buybacks, a maneuver that artificially inflates the value of a company's stock — and CEOs' stock-based pay. All employees contribute to company profits. But instead of broadly sharing the wealth, companies are using a once-illegal form of market manipulation to make those at the top of the corporate ladder even richer. This report examines the buyback activities of the 100 S&P 500 companies that pay the lowest median wages, the "Low-Wage 100."

Why do stock buybacks pose a problem for both workers and the economy?

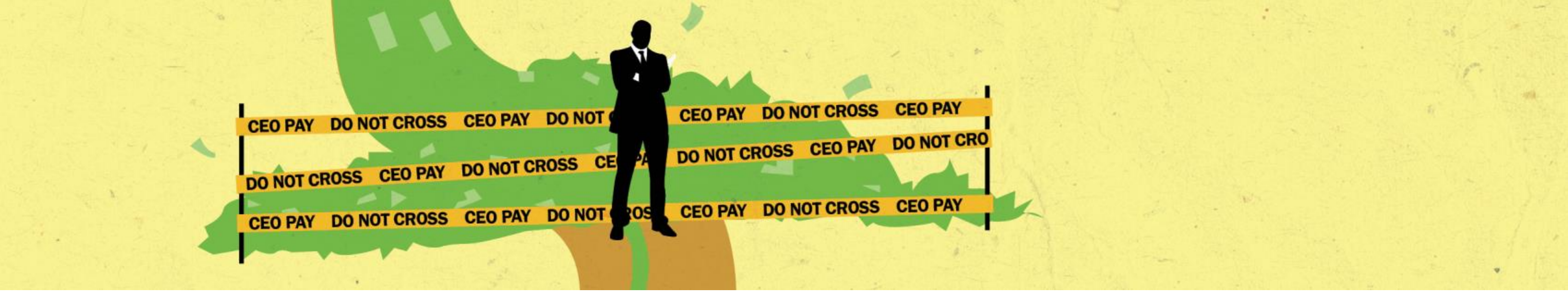
Every dollar spent on stock buybacks is a dollar not spent on worker wages, R&D, and other productive investments that would stimulate long-term growth. Analysts have well documented the association between buybacks and reduced capital investment and innovation, wage stagnation, and even layoffs.

By artificially inflating CEO pay, buybacks also significantly drive today's staggering economic inequality. In 2022, the CEO-to-worker pay ratio stood at 272-to-1 for S&P 500 companies, according to the latest AFL-CIO analysis. Study after study has shown that such extreme gaps actually undermine the corporate bottom line by reducing employee morale and productivity and raising turnover rates. We have compiled a bibliography of such studies from business schools, management consulting firms, and Treasury Secretary Yellen's academic work.

Extreme pay disparities also widen gender and racial disparities, since women and people of color make up a disproportionately large share of low-wage workers and a tiny share of corporate leaders. In 2022, women held only slightly more than 10 percent of *Fortune* 500 CEO positions while making up 63.5 percent of workers earning the federal minimum wage. Black CEOs currently lead just 8 percent of *Fortune* 500 corporations.

The vast majority of Americans — no matter their political party affiliation — see these disparities as unacceptable. One 2022 poll shows 87 percent of our nation viewing the growing gap between CEO and worker pay as a definite problem.

What can we do about these obscene divides? This annual *Executive Excess* report ends with the most comprehensive available policy menu for achieving a fair corporate compensation system. Recent steps forward, particularly those that discourage CEO pay-inflating stock buybacks, are encouraging. But much more needs to be done to ensure that the fruits of everyone's labor are equitably shared.



The Low-Wage 100

CEO pay, median worker pay, and pay ratios

Since 2018, the Securities and Exchange Commission has required publicly held firms to annually report both median worker pay — the middle value on a company's pay scale — and the ratio between CEO pay and that median. These median pay numbers offer a revealing look at how well or poorly firms are sharing their rewards.

This report zeroes in on the 100 S&P 500 companies with the lowest median wages in 2022, a figure based on a company's global workforce, including part- and full-time employees. Last year, median worker pay at these Low-Wage 100 companies averaged $31,672, and the gap between CEO and median worker pay at these enterprises averaged 603 to 1.

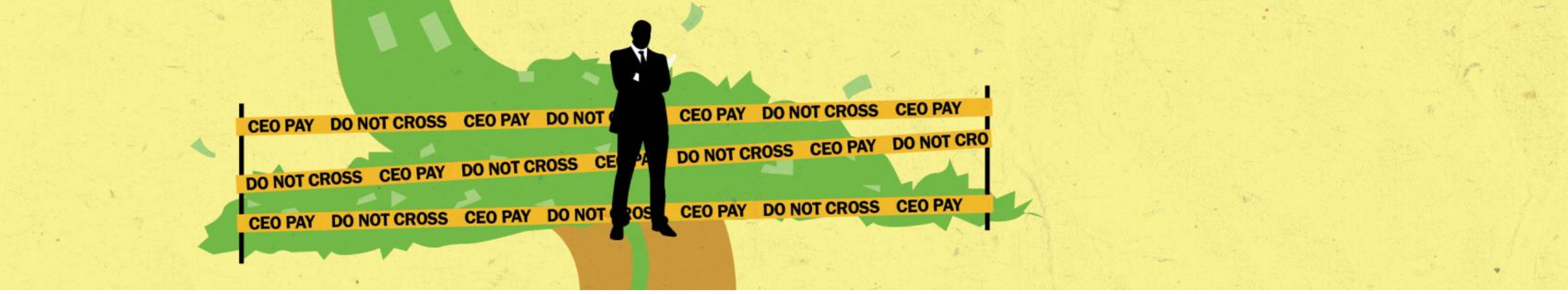
Pay Disparities in 2022

	CEO pay, $million	Median worker pay	CEO-worker pay ratio
Low-Wage 100 Average	$15.3	$31,672	603
The 5 S&P 500 firms with the lowest median pay			
Aptiv	$16.21	$8,139	1,991
Western Digital	$32.14	$9,644	3,332
Ross Stores	$11.34	$9,968	1,137
Yum Brands	$16.67	$10,398	1,603
Bath & Body Works	$6.91	$10,669	934

Source: Corporate proxy statements filed with the SEC. See Appendix 1 for details on the full Low-Wage 100.

The SEC requires firms to calculate median worker pay based on their *global* workforce. Given this requirement, we might assume that the companies with the lowest wage levels must have most of their employees in developing countries. But this is definitely not the case. Three companies that operate primarily in the United States — Ross Stores, Yum Brands (owner of KFC, Pizza Hut, Taco Bell), and Bath & Body Works — rank among the top five firms that dominate the lowest-wage list. These retail and fast food firms have chosen a business model that relies overwhelmingly on part-time employees with few benefits.

Another U.S.-based firm, Live Nation Entertainment, ranks first on our list for the largest CEO paycheck and the widest pay gap. Michael Rapino hauled in $139 million, 5,414 times as much as the concert giant's median pay of $25,673 in 2022. In its proxy statement, the company takes great pains to point out that if you nix the CEO's $109 million stock grant and all of the company's primarily part-time employees from the calculation, the Live Nation pay ratio would be merely 353 to 1.



The Low-Wage 100

Stock buybacks and CEO stock ownership

Stock buybacks were considered stock manipulation and largely banned until 1982, when President Reagan's SEC legalized them, allowing executives with stock-based pay to create huge windfalls for themselves and shareholders at the expense of workers and productive investments. We reviewed quarterly reports filed by the Low-Wage 100 between January 1, 2020 and May 31, 2023 and found that 90 of the firms had spent profits on buybacks at a combined cost of $341.2 billion.

How have CEOs personally benefited from this stock buyback spree? We poured through the footnotes in company proxy statements to determine that the CEOs in the Low-Wage 100 that have spent funds on buybacks since 2020 now own approximately $14.9 billion worth of their company stock. That would be enough to double the pay of nearly a half million workers earning $30,000 per year.

We zeroed in on the 65 buyback companies where the same person held the top job between 2019 and 2022. Since 2020, these CEOs' personal stock holdings have increased 33 percent — to an average of $184.7 million — while median pay at these firms rose only 10 percent to a $31,972 average. These figures do not take inflation into account because the median must reflect a global workforce.

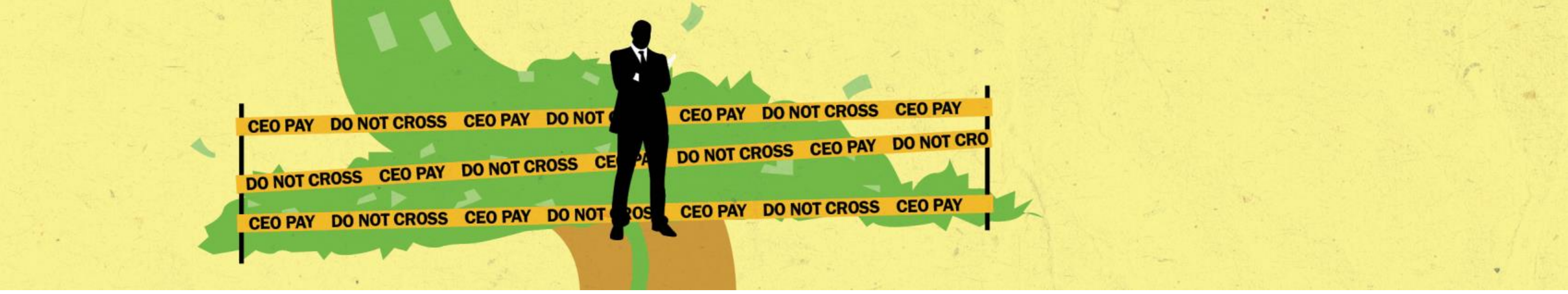
The Low-Wage 100 Corporations That Spent the Most on Stock Buybacks

	Value of CEO stock holdings		Stock buyback expenditures ($million)		Total U.S. employees, 2022	2022 buyback expenditure per U.S. employee	Median worker pay, 2022
	As of July 7, 2023 ($million)	% change, January 6, 2020-July 7, 2023	Reported January 1, 2020-May 31, 2023	2022 only			
Lowe's	$108.3	754%	$34,949	$14,123	301,000	$46,923	$29,584
Home Depot	$50.3	n/a – new CEO	$28,857	$6,633	418,900	$15,833	$30,100
Walmart	$284.6	35%	$23,861	$9,866	1,600,000	$6,166	$27,136

Sources: Corporate proxy statements and 10-K and 10-Q reports. See Appendix 1 for details on the full Low-Wage 100.

Lowe's: This home improvement chain has spent $34.9 billion repurchasing its own stock over the past three and a half years. In 2022 alone, Lowe's spent more than $14.1 billion on stock buybacks. If those funds had instead been divided among the company's 301,000 U.S. employees, the retailer could have given each worker a $46,923 bonus. Instead, Lowe's median worker pay remains below $30,000 while CEO Marvin Ellison is sitting on over $108 million in company stock, up 754 percent since the start of 2020.

Home Depot: Lowe's and Home Depot compete vigorously in both the home improvement industry *and* in buyback spending. The company blew $6.6 billion on buybacks in 2022, enough to give all 418,900 U.S.



Home Depot employees a $15,833 bonus. The company chose instead to manipulate its share price to create windfalls for executives and wealthy shareholders. Edward Decker, who took the company's helm in 2022, holds more than $50 million in company stock. His firm's typical employee earns just $30,100.

Walmart: The country's largest employer last year spent $9.9 billion repurchasing company stock, enough for a $6,166 bonus for each of Walmart's 1.6 million U.S. employees. Half of the giant retailer's employees made less than $27,136 in 2022. CEO Doug McMillon, meanwhile, has amassed nearly $285 million in Walmart stock, up an estimated 35 percent in value since the beginning of 2020.

The CEOs of Low-Wage 100 Corporations With the Largest Increases in Their Stock Holdings

	CEO in 2022	Stock buyback expenditures, reported January 1, 2020-May 31, 2023 ($million)	Value of CEO stock holdings ($million)		CEO total compensation, 2022 ($million)	Median worker pay, 2022	CEO-worker pay ratio, 2022
			As of July 7, 2023	% change, January 6, 2020-July 7, 2023			
Dollar Tree	Michael Witynski	$2,149	$30.5	2,393%	$13.98	$14,702	951
Tapestry	Joanne Crevoiserat	$2,100	$10.9	1,482%	$13.74	$29,147	471
Nike	John Donahoe II	$8,920	$18.6	769%	$28.84	$37,410	771

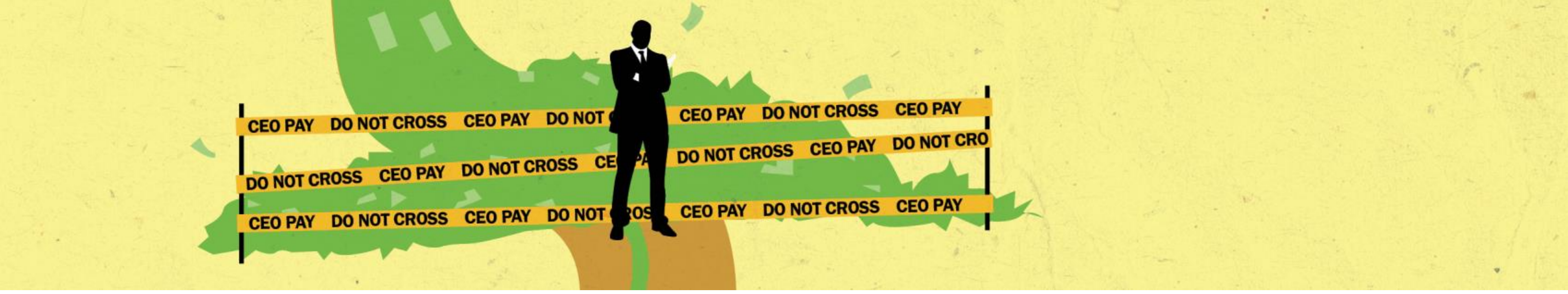
Sources: Corporate proxy statements and 10-K and 10-Q reports. See Appendix 1 for details on the full Low-Wage 100.

The CEOs with the largest increases in their stock holdings, all relatively new chief execs, have quickly amassed large stockpiles amid widespread low pay among their most typical workers.

Dollar Tree: CEO Michael Witynski reaped the biggest stock gain in the Low-Wage 100. During his three-year stint before resigning in early 2023, his personal stock holdings ballooned 2,393 percent to $30.5 million. Dollar Tree's median pay fell 4.4 percent to just $14,702 in the same time period, while the retailers' customers saw an increase in most products from $1 to $1.25. The retailer has spent over $2 billion on buybacks since 2020.

Tapestry: Joanne Crevoiserat, after moving from CFO to CEO status in 2020, has amassed nearly $11 million in company stock, a holding up 1,482 percent in value since 2020. Half of the luxury brand's employees annually make less than $29,147, a reality that leaves them unlikely to ever carry one of the company's high-end Coach handbags. Tapestry median pay increased only 2 percent between 2019 and 2022, not accounting for inflation.

Nike: The athletic wear giant has spent, since John Donahoe II took the CEO job in January 2020, nearly $9 billion on buybacks. That outlay contributed to a 769 percent hike in Donohoe's stock holdings to nearly $19 million last month. Meanwhile, half of the company's 77,239 global employees make less than $37,410.



The Low-Wage 100

Federal contracts and subsidies

Ordinary U.S. taxpayers are supporting our inequitable corporate economic order through the hundreds of billions of federal contracts and subsidies that flow every year to for-profit businesses.

Among the Low-Wage 100, 51 received federal contracts worth a combined $24.1 billion during fiscal years 2020-2023. These low-wage federal contractors spent nearly $160 billion on stock buybacks during this period. In 2022, the average CEO pay at these low-wage contractors stood at $12.7 million while the group's average CEO-worker pay ratio hit 438-to-1. The median worker pay: $34,550.

CEO pay apologists regularly argue that corporate leaders deserve their massive compensation packages because they bear enormous responsibilities and must take extraordinary risks. This argument quickly falls apart when we compare CEOs at major contractors with the government officials ultimately responsible for their contracts.

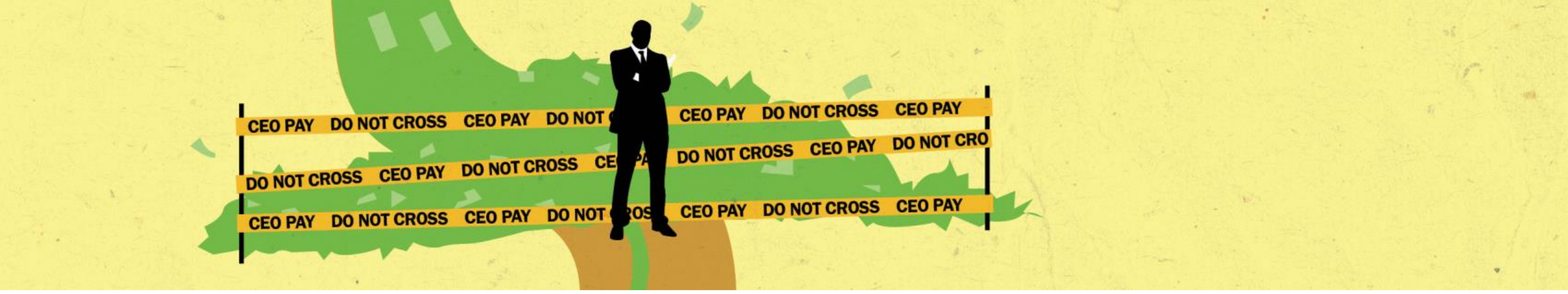
The U.S. secretary of defense, for instance, manages the country's largest workforce — more than 2 million employees — and makes life-and-death decisions on a daily basis. And yet this defense secretary and other Biden cabinet members make just $226,300 per year. The average $12.7-million CEO compensation in our low-wage contractor group runs 56 times higher than the current take-home of our cabinet secretaries. The ratio between cabinet secretary pay and the $80,320 average federal employee pay now runs less than three to one.

The only current restraint on top-level federal contractor pay remains a cap on how much contactors can expect the federal government to directly reimburse them for chief executive compensation. In 2022, that cap stood at $589,000 per executive. But this regulation in no way curbs the windfalls that contracts can generate for companies and their top executives. Lucrative government deals boost corporate earnings and share prices, and those increases, in turn, inflate CEO pay.

The Low-Wage Corporations with the Largest Federal Contracts

Company	CEO	CEO pay, 2022	Median worker pay, 2022	Pay ratio, 2022	Federal contracts, FY20-23	Primary purpose of contracts
Amazon.com	Andy Jassy	$1,298,723*	$34,195	38*	$10,403,985,746	Web services
FedEx	Frederick Smith	$10,596,150	$39,177	271	$6,162,738,757	Mail services
Johnson Controls	George Oliver	$14,929,350	$47,588	314	$1,960,631,899	Energy systems

Sources: Corporate proxy statements and USAspending.gov. See Appendix 1 for details on the full Low-Wage 100.
*Jassy accepted modest pay in 2022 after receiving a 2021 stock grant valued at $212 million.



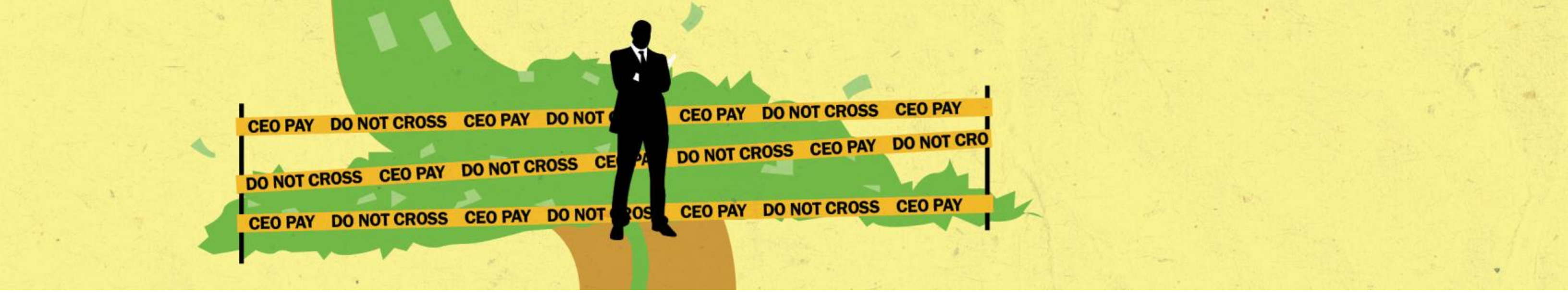
Amazon: We were able to gather information on $10.4 billion in Amazon contracts during the FY2020-2023 period, including $10 billion to provide web services for the National Security Agency. But the full extent of Amazon's taxpayer-funded contracts remains unknown. The company reportedly also received a lucrative share of a multi-billion-dollar CIA contract for cloud services. The details and exact value of this contract continue to be classified. Amazon is also in the running for a share of another $9 billion Defense Department cloud services contract.

In his first year at the helm in 2021, Amazon CEO Andrew Jassy raked in compensation valued at $212.7 million, nearly all of it in stock-based awards that will vest over a decade. That sum is 6,474 times the company's median pay and 961 times the salary for the U.S. secretary of defense. In 2022, the company bumped up its spending on anti-union consultants to more than $14 million to fight campaigns at several warehouses, including the State Island site where management is still refusing to negotiate a contract, more than a year after workers voted in the first U.S.-based Amazon union.

FedEx: During FY2020-2023, FedEx raked in nearly $6.2 billion in federal contracts to provide mail services that included pharmaceutical deliveries for the Veterans Administration. The FedEx deals with Uncle Sam dwarf the $1.4 billion their leading competitor, United Parcel Service, received in federal business during this period. Both UPS and the public Postal Service have heavily unionized workforces. FedEx management, by contrast, has opposed organizing efforts, and the firm currently has a minimal union presence outside its pilot crew.

CEO Fred Smith spent $3.6 billion on buybacks between 2020 and July 2023, a maneuver that helped prop up the value of his personal stock holdings — the largest of any CEO in the Low-Wage 100. His personal holdings have grown 65 percent, to more than $5 billion, over the past three and a half years. By contrast, FedEx median worker pay fell by 20 percent to $39,177, including $9,267 in health benefits, between 2019 and 2022. Smith made $10.6 million in 2022, his last year before transitioning to the company's executive chair position. That $10.6 million rates as 271 times the FedEx median worker pay and 47 times the salary of the U.S. cabinet secretary of veterans affairs.

Johnson Controls: Originally based in Milwaukee, Johnson Controls moved its headquarters to Ireland in 2016 to lower its U.S. tax bill. But the company continues to receive major taxpayer-funded federal contracts, a haul worth nearly $2 billion in FY2020-2023, primarily for upgrading federal buildings to a more energy-efficient status. The firm could receive considerably more over coming years, thanks to new infrastructure and energy legislation. Under CEO George Oliver's leadership, the firm has spent $4.5 billion on stock buybacks since 2020. That contributed to a 139 percent increase in his personal stockholdings, to $131.7 million. In 2022 Oliver made 314 times as much as his typical employee.



Policy Recommendations

We highlight here three areas of CEO pay policy reforms that have gained traction in recent years. Appendix 2 catalogs a much more extensive menu of options.

Stock buybacks taxes and restrictions

Before 1982, federal rules generally treated buybacks as illegal stock manipulation. Several bills, including the Reward Work Act (HR 3694) championed by Rep. Chuy Garcia (D-IL), have been introduced to reinstate that ban. Recent reforms move the ball in that direction.

The 2022 Inflation Reduction Act introduces a 1 percent excise tax on CEO pay-inflating stock buybacks. President Biden proposed quadrupling this tax in his 2023 State of the Union address.

Biden has also included in his federal budget proposals restrictions on the sale of executives' personal stock after a buyback to prevent CEOs from timing share repurchases to cash in personally on a short-term price pop they themselves artificially created. A Senate bill introduced in March 2023, the Advancing Long-term Incentives for Governance Now (ALIGN) Act, would require executives to hold stock-based compensation for at least three years and to hold their stock for 12 months following the announcement of a stock buyback. A 2019 SEC investigation revealed that in the eight days following a buyback announcement top executives sold five times as much stock on average as they had on ordinary days.

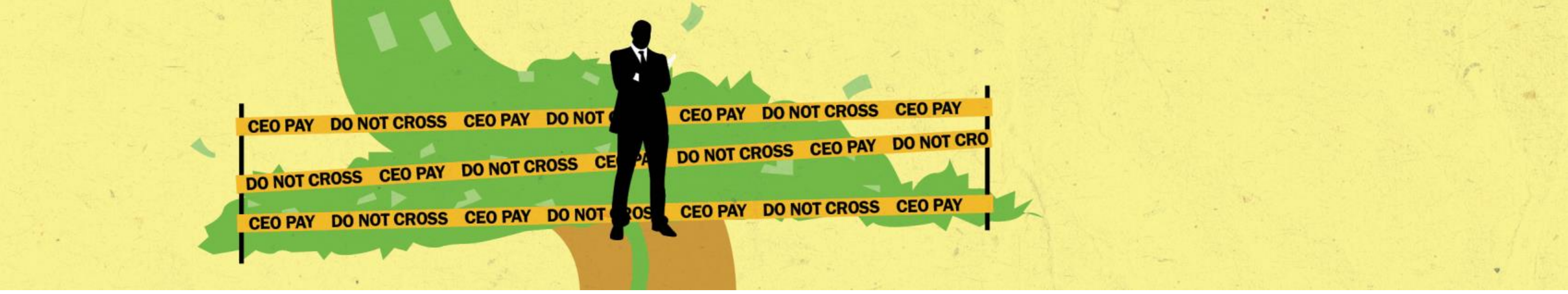
In France, where companies are also hitting buybacks records, President Emmanuel Macron has proposed requiring companies with more than 5,000 employees to increase profit-sharing with workers if they engage in buybacks.

Federal contractor incentives

President Biden has flexed his executive powers in numerous ways to help working families. He has, for instance, lifted the wage floor for certain federal contract workers to $15 per hour. And he has ordered large construction firms involved in public infrastructure projects to negotiate collective agreements with their workers, a requirement that should be expanded to contractors that provide goods and other services.

In 2022, the U.S. Department of Commerce announced that the agency would give priority in the awarding of new CHIPS subsidies for domestic semiconductor manufacturing to firms that do not engage in any stock buybacks. This important step should be expanded to all corporate recipients of federal contracts, grants, and subsidies.

The administration could also do much more to leverage the power of the public purse against extreme pay disparities. The proposed Patriotic Corporations Act could serve as a model. This bill would grant



preferential treatment in contracting to firms with CEO-worker pay ratios of 100 to 1 or less, among other benchmarks, including neutrality in union organizing. The Congressional Progressive Caucus has called on Biden to introduce such incentives. By encouraging big companies to narrow their pay gaps, the administration would also help ensure that taxpayers get the biggest bang for the buck for federal contract dollars. Studies have shown that companies with narrow gaps tend to perform better.

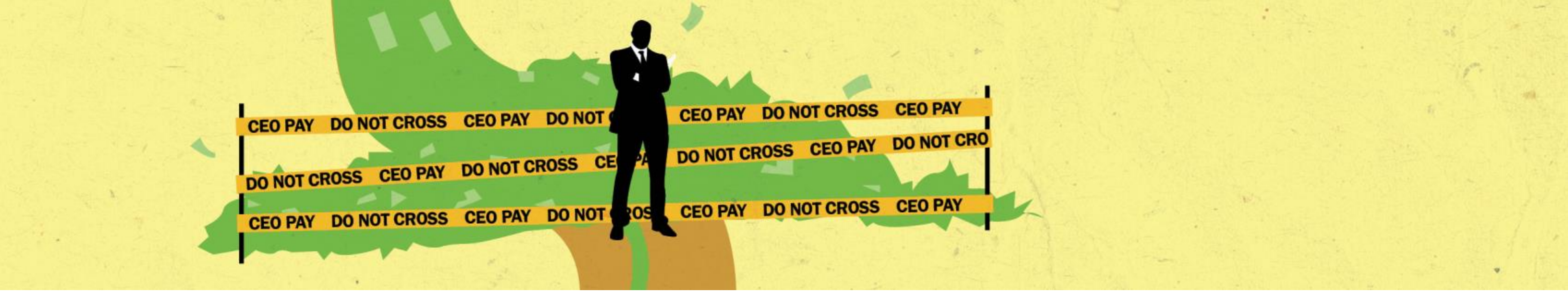
Excessive CEO pay taxes

Higher tax rates on companies with wide CEO-worker pay gaps create an incentive to both rein in executive pay and raise worker wages, all while generating significant new capital for vital public investments.

Laws to do just that are already generating revenue in two major cities, San Francisco and Portland, Oregon. The more recent of the two, San Francisco's "Overpaid Executive Tax," became effective on January 1, 2022 after receiving strong support in a 2020 ballot referendum. This new law imposes an additional gross receipts tax on businesses where the highest-paid employee earns over 100 times the median pay of the firm's San Francisco-based employees. In May 2023, San Francisco officials announced that the tax appears likely to bring in about $125 million per year. The tax has also proved more resilient than other local revenue sources.

At the federal level, Senate Finance Committee Chair Ron Wyden floated the idea of an excise tax on corporations with big gaps between CEO and worker pay in the Build Back Better negotiations. His proposal, loosely modeled on the Tax Excessive CEO Pay Act, a bill championed by Senators Bernie Sanders and Elizabeth Warren and Representatives Barbara Lee and Rashida Tlaib, has the support of the AFL-CIO, the Center for American Progress, and numerous other organizations and academics.

Under this Tax Excessive CEO Pay Act, the wider a company's gap between CEO and median worker pay, the higher the company's federal corporate tax rate. Tax penalties would begin at 0.5 percentage points for companies that pay their top executives between 50 and 100 times more than their median workers. The highest penalty would apply to companies that pay top executives over 500 times worker pay. Companies with pay gaps of less than 50 to 1 would not owe an extra dime. The Tax Excessive CEO Pay Act would raise an estimated $150 billion over 10 years. Rep. Mark DeSaulnier's CEO Accountability and Responsibility Act (H.R. 3301) would impose similar tax penalties for large pay ratios.



Methodology and Sources

S&P 500 corporations with the lowest median worker pay: Data reported by companies in annual corporate proxy statements, drawn from the AFL-CIO Paywatch database.

CEO compensation, median worker pay, and pay ratio calculations: The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act requires large U.S. publicly traded corporations to report the ratio between their CEO and median worker pay to the SEC on a yearly basis. Under the SEC rule, companies key their ratios to two numbers:

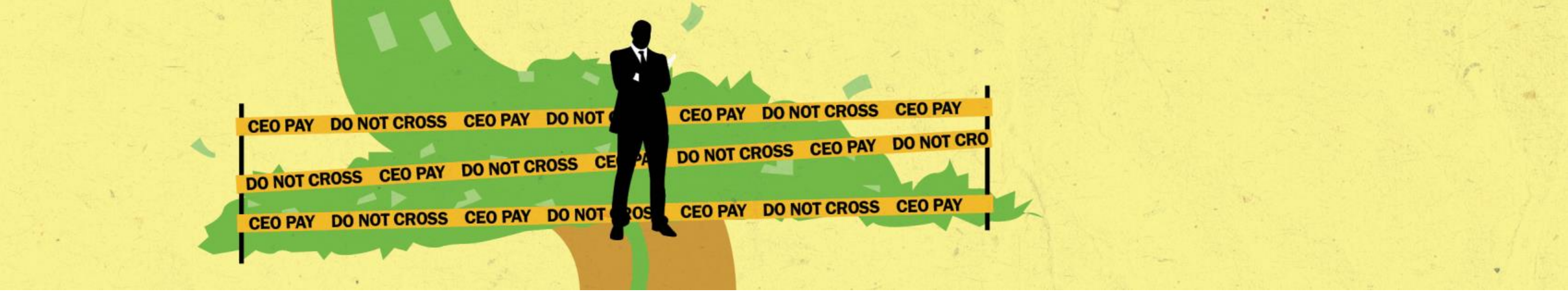
- **CEO compensation:** includes salary, bonuses, the grant date estimated value of stock and stock option awards, changes in pension value, and perks.

- **Median employee compensation:** based on a firm's global workforce, including part-time, temporary, and full-time employees, but not subcontracted workers. Companies can exempt non-U.S. employees from their ratio calculations only if these employees make up 5 percent or less of the total workforce. They cannot convert part-time and temporary employees into full-time equivalents.

CEO stock holdings: In their annual proxy statements, companies must disclose their top executives' "beneficial ownership" of company shares. Under SEC rules, this includes shares they already possess as well as the shares executives have the right to acquire within 60 days of the report date, including through the exercise of stock options. To estimate the value of unexercised stock options, IPS analyzed the strike prices and vesting schedules of all options in the "outstanding equity" table that were either already exercisable or set to become exercisable within 60 days. We excluded grants that at the time of our focus dates were "under water," meaning they have no value because their exercise price is higher than the current price. In analyzing the change in the value of total CEO stock holdings, we did not account for possible sales of stock during our focus period.

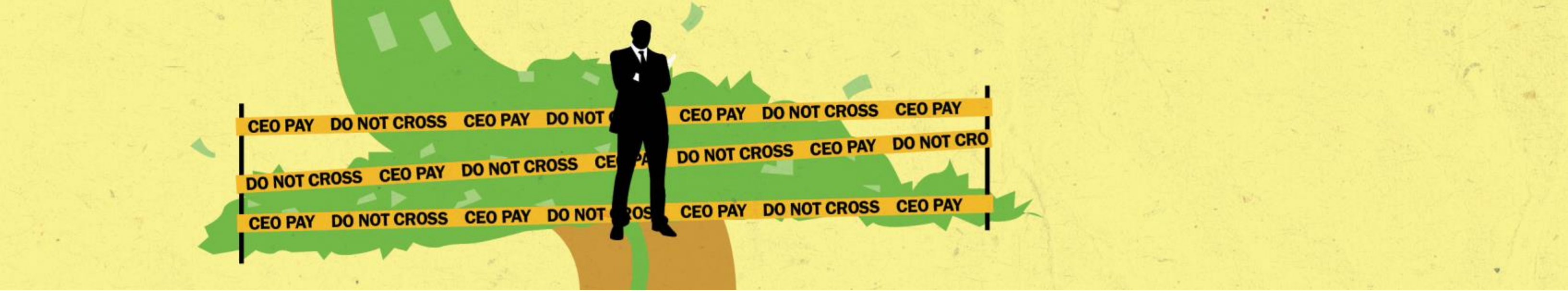
Stock buybacks: We based our figures on share repurchase data for 14 quarters, as reported in companies' 10-Q reports filed with the SEC between January 1, 2020 and May 31, 2023.

Federal contracts and grants: We used data from USASpending.gov, as of July 14, 2023. We used the advanced search, using the parent company UEI number as the keyword and covering fiscal years 2020-2023. The federal government's fiscal year begins October 1. Results include contracts begun before this period that had their latest related action during this period. The figures represent net amounts, adjusting for loan repayments or other funds paid to the government. Our figures do not include contracts classified for security purposes, with one exception. Thanks to media coverage, we were able to include a $10 billion contract from the National Security Agency to Amazon for web services. The NSA has confirmed the contract to media, thanks to a Microsoft challenge against the deal.

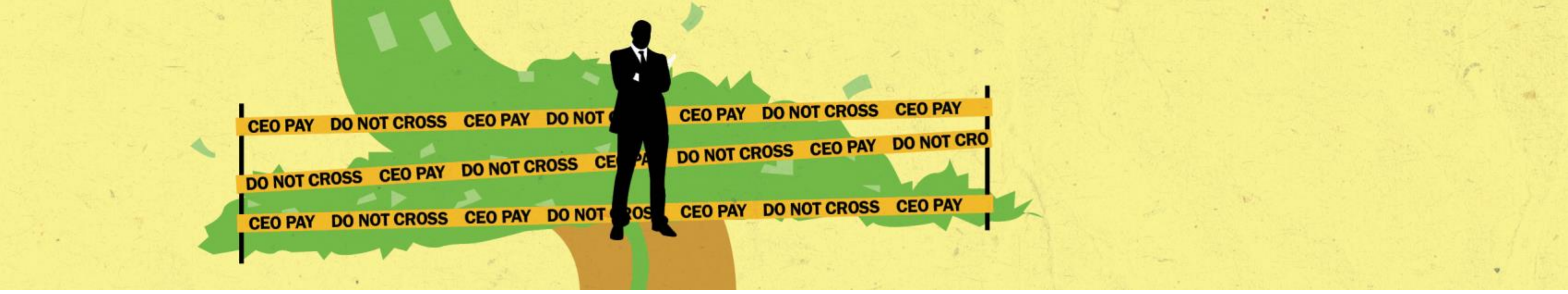


Appendix 1: The 100 S&P 500 companies with the lowest median worker wages in 2022

Company, ranked by stock buybacks	CEO in 2022	Stock buyback expenditures reported between January 1, 2020-May 31, 2023 ($million)	Value of CEO stock holdings as of July 7, 2023 ($million)	% change in stock holdings value, January 6, 2020-July 7, 2023	CEO total compensation, 2022 ($million)	Median worker pay, 2022	CEO-worker pay ratio, 2022	Federal contracts, FY20-FY23
Lowe's	Marvin R. Ellison	$34,949	$108.3	754%	$17.47	$29,584	591	$0
Home Depot	Edward P. Decker	$28,857	$50.3	(a)	$14.62	$30,100	491	$2,030,452
Walmart	C. Douglas McMillon	$23,861	$284.6	35%	$25.31	$27,136	933	$0
S&P Global	Douglas L. Peterson	$15,496	$83.5	31%	$28.64	$35,926	797	$104,164,630
Linde Plc	Sanjiv Lamba	$13,099	$46.4	(a)	$14.60	$45,654	326	$99,581,916
Autozone	William C. Rhodes III	$10,932	$302.7	130%	$14.33	$31,751	451	$10,500
O'Reilly Automotive	Gregory D. Johnson	$8,957	$27.1	3%	$5.48	$34,835	157	$33,954
Nike	John Donahoe II	$8,920	$18.6	769%	$28.84	$37,410	771	$0
Target	Brian C. Cornell	$8,868	$55.9	-20%	$17.66	$25,993	680	$0
Dollar General	Jeffery C. Owen	$8,179	$23.5	(a)	$12.03	$18,352	702	$0
Analog Devices	Vincent Roche	$7,599	$39.5	384%	$22.10	$40,596	544	$0
Sherwin-Williams	John G. Morikis	$6,494	$129.8	503%	$12.75	$44,211	288	$24,612,086
McDonald's	Christopher Kempczinski	$6,200	$84.1	335%	$17.77	$14,521	1,224	$0
Mondelez Intl	Dirk Van de Put	$6,042	$78.5	84%	$17.93	$35,707	502	$0
Amazon.com	Andrew R. Jassy	$5,911	$264.7	(a)	$1.30	$34,195	38	$10,403,985,746
TJX	Ernie Herrman	$5,487	$41.2	86%	$20.53	$34,084	2,249	$0
MGM Resorts Intl	William Hornbuckle	$5,365	$10.5	-23%	$16.24	$39,171	415	$0
Best Buy	Corie Barry	$5,206	$25.8	102%	$12.84	$32,197	399	$0
Starbucks	Howard Schultz	$5,075	$2,083.8	(a)	$0.37	$12,254	31	$66,871
Kroger	W. Rodney McMullen	$4,635	$241.7	144%	$19.21	$28,644	671	$0
Johnson Controls	George R. Oliver	$4,547	$131.7	139%	$14.93	$47,588	314	$1,960,631,899
Seagate Technology	William D. Mosley	$4,536	$53.9	59%	$13.21	$10,763	1,227	$0
Colgate-Palmolive	Noel R. Wallace	$4,314	$26.4	57%	$14.46	$39,370	367	$10,908,698
Philip Morris Intl	Jacek Olczak	$3,962	$27.0	(a)	$15.78	$19,411	158	$0
Marriott Intl	Anthony G. Capuano	$3,851	$34.9	(a)	$18.69	$39,203	477	$31,969,454
Cognizant Tech Solutions	Brian Humphries	$3,793	$21.1	3%	$17.94	$31,450	571	$679,929
Fleetcor Technologies	Ronald F. Clarke	$3,674	$734.9	-31%	$3.99	$42,985	93	$312,130,455
FedEx	Frederick W. Smith	$3,654	$5,012.3	65%	$10.60	$39,177	271	$6,162,738,757
Estee Lauder	Fabrizio Freda	$3,379	$75.7	-20%	$25.48	$29,236	872	$0



Company, ranked by stock buybacks	CEO in 2022	Stock buyback expenditures reported between January 1, 2020-May 31, 2023 ($million)	Value of CEO stock holdings as of July 7, 2023 ($million)	% change in stock holdings value, January 6, 2020-July 7, 2023	CEO total compensation, 2022 ($million)	Median worker pay, 2022	CEO-worker pay ratio, 2022	Federal contracts, FY20-FY23
TE Connectivity	Terrence R. Curtin	$3,190	$57.4	130%	$15.93	$28,757	554	$11,312,602
Domino's Pizza	Russell J. Weiner	$3,118	$18.1	(a)	$6.64	$31,638	210	$0
Constellation Brands	William A. Newlands	$3,091	$19.6	243%	$12.04	$34,821	461	$0
YUM Brands	David Gibbs	$3,080	$70.6	-50%	$16.67	$10,398	1,603	$0
Ulta Beauty	David C. Kimbell	$3,044	$20.1	(a)	$13.51	$14,998	901	$0
Coca-Cola	James Quincey	$2,716	$77.3	112%	$22.82	$12,122	1,883	$12,706,458
Stanley Black & Decker	Donald Allan Jr.	$2,506	$16.3	(a)	$8.09	$47,651	227	$143,836,872
Mosaic	James C. O'Rourke	$2,478	$28.9	647%	$12.06	$27,625	437	$0
Ross Stores	Barbara Rentler	$2,469	$40.6	-23%	$11.34	$9,968	1,137	$0
Hilton Worldwide	Christopher Nassetta	$2,333	$561.4	60%	$23.53	$43,702	539	$114,024
Bath & Body Works	Gina Boswell	$2,314	$0.0	(a)	$6.91	$10,669	934	$0
Corning	Wendell P. Weeks	$2,258	$51.4	77%	$16.17	$36,485	443	$267,639,441
Becton Dickinson & Co	Tom Polen	$2,253	$60.1	(a)	$16.71	$37,748	443	$718,473,001
Amphenol	R. Adam Norwitt	$2,200	$262.1	610%	$13.96	$16,726	834	$534,089,665
Dollar Tree	Michael A. Witynski	$2,149	$30.5	2,393%	$13.98	$14,702	951	$0
Tractor Supply	Harry A. Lawton III	$2,112	$24.5	(a)	$10.48	$13,884	352	$0
Tapestry	Joanne Crevoiserat	$2,100	$10.9	1,482%	$13.74	$29,147	471	$0
Whirlpool	Marc R. Bitzer	$2,064	$41.4	91%	$11.95	$28,540	419	$24,782
LKQ	Dominick Zarcone	$2,044	$23.9	198%	$10.74	$34,099	315	$327,283
Skyworks Solutions	Liam K. Griffin	$2,014	$11.4	7%	$16.67	$30,180	552	$0
Advance Auto Parts	Thomas R. Greco	$2,008	$12.3	-35%	$8.38	$24,415	343	$0
Carrier Global	David Gitlin	$1,971	$105.5	(b)	$13.22	$43,209	306	$160,899,628
Amcor Plc	Ron Delia	$1,841	$17.2	43%	$9.87	$41,332	239	$0
Assurant	Keith W. Demmings	$1,712	$4.8	(a)	$8.37	$43,451	193	$67,008,804
Darden Restaurants	Eugene L. Lee Jr.	$1,570	$48.6	-1%	$11.89	$21,931	542	$0
Walgreens Boots Alliance	Rosalind G. Brewer	$1,564	$1.4	(a)	$17.29	$24,530	705	$1,115,754,713
Costco Wholesale	W. Craig Jelinek	$1,552	$190.9	105%	$9.91	$45,450	218	$0
Chipotle Mexican Grill	Brian Niccol	$1,487	$160.0	140%	$17.19	$16,010	1,073	$0
Mohawk Industries	Jeffrey S. Lorberbaum	$1,397	$1,054.7	-22%	$4.26	$37,483	114	$0
Microchip Technology	Ganesh moorthy	$1,375	$67.4	277%	$12.76	$46,326	275	$143,836,872
DXC Technology	Michael J. Salvino	$1,313	$22.4	(a)	$28.72	$39,684	512	$277,412,790
ON Semiconductor	Hassance El-Khoury	$1,301	$31.6	(a)	$16.52	$16,050	1,029	$0



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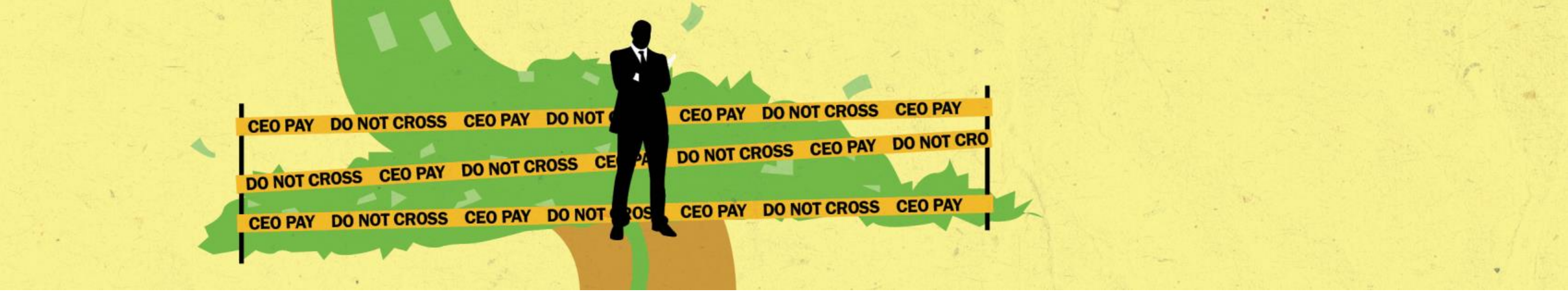
Hershey	Michele Buck	$1,283	$66.3	248%	$13.55	$39,579	342	$1,080,116
Kimberly-Clark	Michael D. Hsu	$1,234	$43.7	66%	$14.56	$42,734	341	$249,255
Ralph Lauren	Patrice Louvet	$1,171	$6.8	-61%	$18.55	$31,187	464	$0
Tyson Foods	Donnie King	$1,169	$9.9	(a)	$12.01	$41,967	286	$818,828,824
Wabtec	Rafael Santana	$1,157	$15.2	230%	$11.69	$45,760	255	$2,515,633
Baxter Intl	Jose E. Almeida	$1,133	$24.3	-40%	$13.59	$46,830	290	$108,201,268
Align Technology	Joseph M. Hogan	$1,100	$65.8	14%	$18.68	$18,215	1,026	$0
Smith (A.O.)	Kevin J. Wheeler	$880	$13.6	229%	$6.64	$45,640	145	$0
VF	Steven E. Rendle	$835	$9.1	-93%	$15.42	$28,679	136	$0
Robert Half Intl	Keith Waddell	$824	$103.6	30%	$9.39	$33,912	277	$605,506
Genuine Parts	Paul D. Donahue	$810	$24.6	52%	$10.38	$43,046	241	$24,171,159
Avery Dennison	Mitch Butier	$715	$71.9	95%	$9.11	$13,688	665	$283,453
Kraft Heinz	Miguel Patricio	$658	$42.6	72%	$7.10	$43,160	164	$1,123,640
Borgwarner	Frédéric B. Lissalde	$527	$12.6	32%	$17.86	$32,960	542	$10,908,698
Factset Research Systems	F. Phillip Snow	$424	$33.0	142%	$6.60	$18,958	348	$2,604,691
PPG Industries	T. M. Knavish	$400	$7.1	(a)	$2.86	$35,600	249	$143,836,872
Newell Brands	Ravichandra Saligram	$361	$0.8	(a)	$10.30	$37,644	274	$0
Fastenal	Daniel L. Florness	$290	$28.5	228%	$5.44	$44,729	122	$49,899,318
Carnival	Josh Weinstein	$258	$1.2	(a)	$8.01	$14,496	553	$5,541,622
Viatris	Michael Goettler	$250	$1.4	(b)	$14.77	$34,858	398	$70,590
Live Nation Entertainment	Michael Rapino	$226	$360.5	-30%	$139.01	$25,673	5,414	$0
Wynn Resorts	Craig S. Billings	$219	$26.8	(a)	$12.23	$46,164	265	$0
Garmin	Clifton A. Pemble	$207	$8.9	-43%	$3.68	$39,950	115	$4,253,406
Cooper Cos	Albert G. White III	$151	$45.3	51%	$11.74	$34,165	344	$422,949
Extra Space Storage	Joseph D. Margolis	$131	$29.5	85%	$11.63	$46,624	249	$0
Aptiv	Kevin P. Clark	$127	$65.1	-8%	$16.21	$8,139	1,991	$20,203,679
Mccormick & Co	Lawrence E. Kurzius	$100	$79.9	487%	$10.43	$38,724	269	$0
Epam Systems	Arkadiy Dobkin	$97	$428.3	-2%	$6.45	$33,273	194	$0
Royal Caribbean Group	Jason T. Liberty	$11	$6.5	(a)	$10.76	$15,264	705	$46,501
Norwegian Cruise Line	Frank J. Del Rio	$0	**(c)**		$21.21	$24,484	866	$2,774,879
Iron Mountain	William Meeny	$0	**(c)**		$15.10	$37,882	399	$280,758,478
AES	Andres Gluski	$0	**(c)**		$12.53	$45,196	277	$66,340,563
Teleflex	Liam Kelly	$0	**(c)**		$8.19	$32,939	249	$12,199,374



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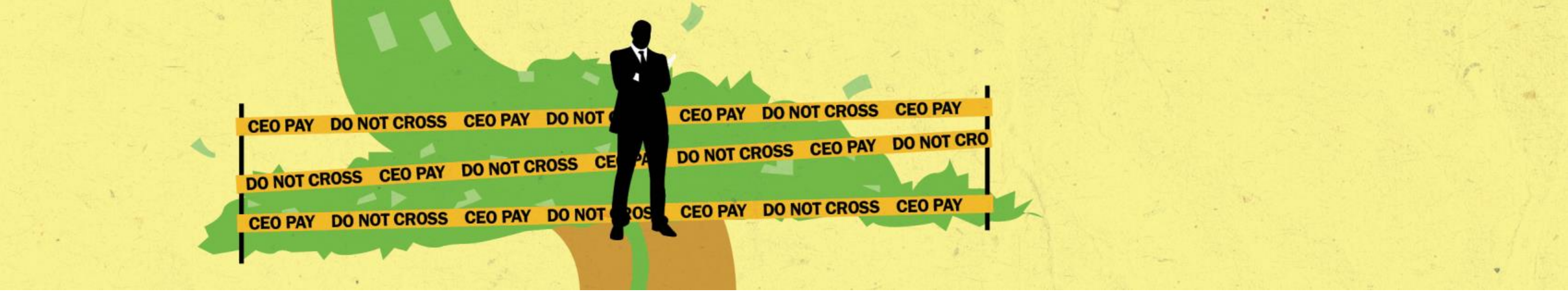
Western Digital	David V. Goeckeler	$0	**(c)**		$32.14	$9,644	3,332	$0
Caesars Entertainment	Tom Reeg	$0	**(c)**		$31.35	$36,252	865	$0
Copart	Jeffrey Liaw	$0	**(c)**		$31.00	$41,662	744	$0
Las Vegas Sands	Robert G. Goldstein	$0	**(c)**		$11.41	$34,712	329	$0
Monolithic Power Systems	Michael Hsing	$0	**(c)**		$20.66	$44,194	468	$0
Public Storage	Joseph Russell	$0	**(c)**		$9.20	$33,379	276	$0
TOTAL		**$341,214**	**$14,895.0**					**$24,123,902,755**
AVERAGE		**$3,412**	**$165.5**		**$15.29**	**$31,672**	**603**	**241,239,028**
AVERAGE – 65 firms with no CEO change			**$184.7**	**33%**				

(a) not applicable - CEO change (b) not applicable - new corporation (c) not applicable - no buyback expenditures



Appendix 2: Our annual menu of CEO pay reforms

Every year, this section of our annual *Executive Excess* report offers the most comprehensive available menu of policy options for reining in CEO pay. These options cover reforms in everything from corporate governance to government contracts and subsidies. Members of Congress have introduced legislation that speaks to some of these options. Other reforms are pending before legislative bodies in U.S. cities and states — and nations around the world.

How best to evaluate these CEO pay reforms? IPS has developed, as a guide, the following principles for effective and equitable corporate compensation.

Principles for a Better CEO Pay System

1. Encourage narrower CEO-worker pay gaps.

As CEOs focus on funneling corporate resources to shareholders and themselves, workers are not getting a fair deal for their labor. Extreme pay gaps also endanger enterprise effectiveness. Management guru Peter Drucker believed that pay ratios can run no higher than 25-to-1 without damaging company morale and productivity. Researchers have documented that enterprises operate more effectively over the long term when they tap into — and reward — the creative contributions of all employees.

2. Eliminate taxpayer subsidies for excessive pay

Ordinary taxpayers should not have to foot the bill for excessive executive compensation. And yet they do. Government contracts and subsidies routinely make mega millionaires out of corporate executives, and tax loopholes such as the preferential treatment of investment fund managers' carried interest income and unlimited tax-deferred retirement accounts perpetuate our out of control executive pay system.

3. Encourage reasonable compensation limits and counter short-termism

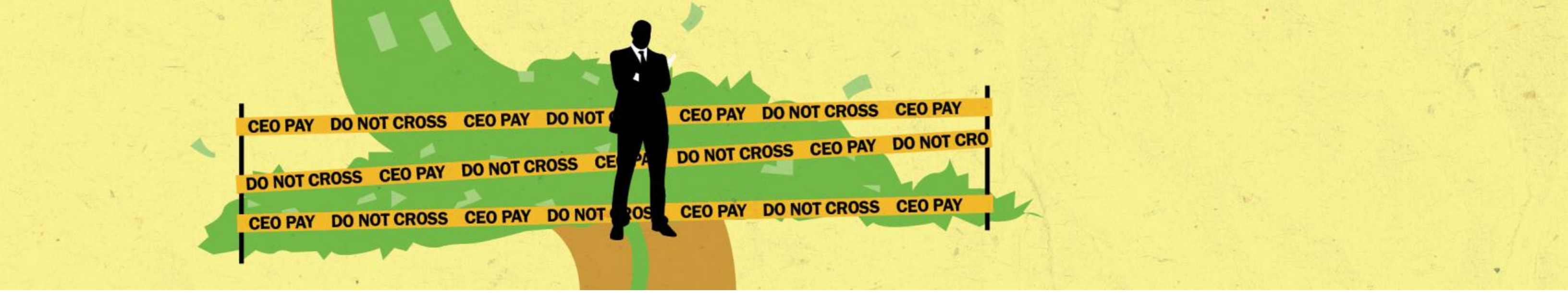
The greater the annual reward an executive can receive, the greater the temptation to make reckless decisions that generate short-term earnings at the expense of long-term health for the corporation and the broader economy and environment. Public policies can encourage more reasonable compensation levels without micromanaging pay levels at individual firms.

4. Bolster accountability to shareholders

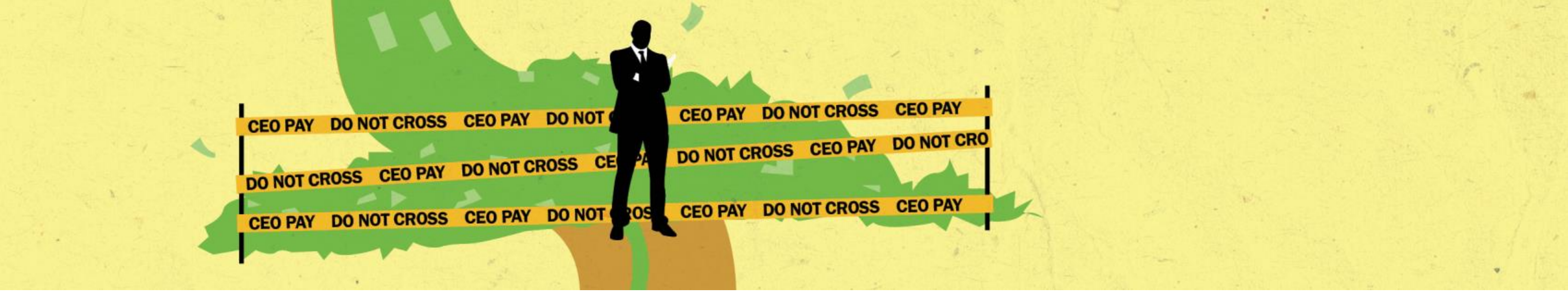
On paper, the corporate boards that determine executive pay must answer to shareholders. In actual practice, top executives typically dominate corporate boards. Despite some progress, boards should face stronger requirements to justify to shareholders the compensation they award to executives.

5. Extend accountability to broader stakeholder groups

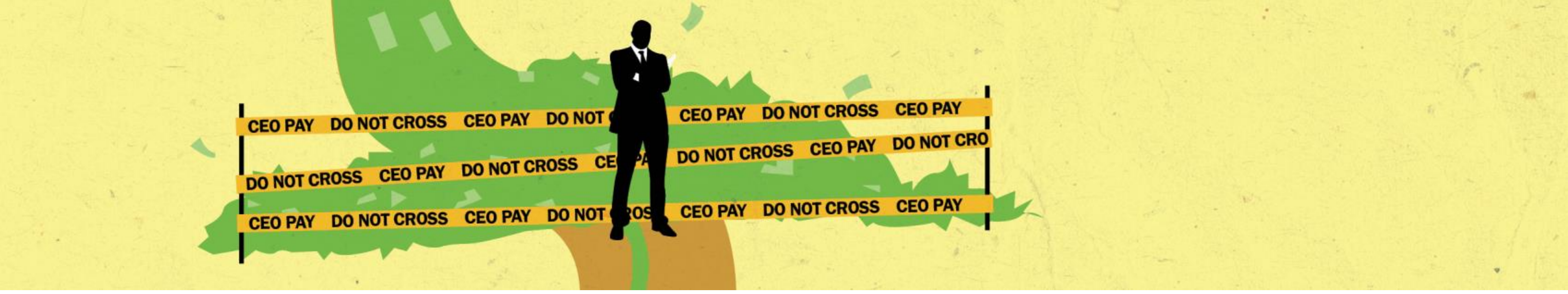
In 2019, the Business Roundtable declared that the corporations should aim to not just serve shareholders — the group's official position since 1997 — but "to create value for all our stakeholders." To go beyond rhetorical urgings like this, corporate pay practices need to encourage CEO decisions that take into account the long-term health of the planet and the interests of all corporate stakeholders, including consumers, employees, and their communities.



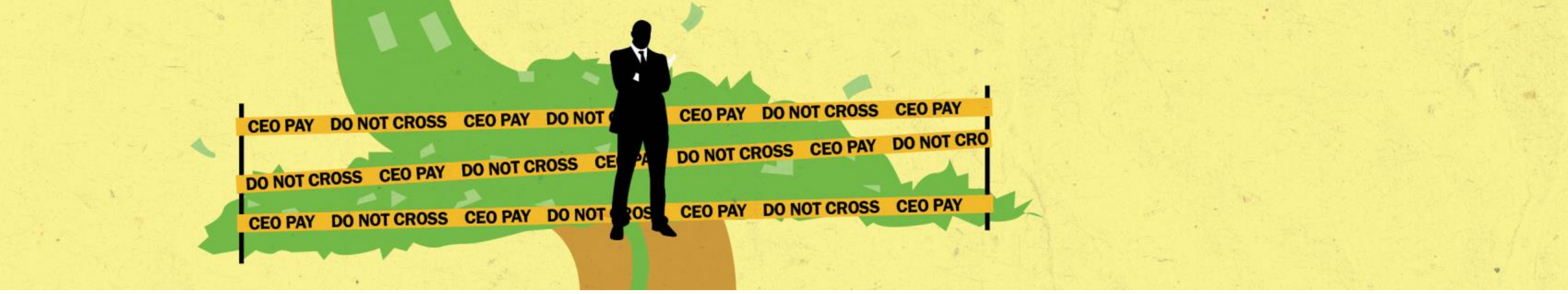
CEO PAY REFORMS RELATED TO TAX POLICY	
Raising the corporate tax rate on firms with wide gaps between CEO and worker pay	In addition to the two federal bill noted above (the Tax Excessive CEO Pay Act and the CEO Accountability and Responsibility Act), several cities and states have either adopted or are considering tax penalties on corporations with large CEO-worker pay gaps. The city of Portland, Oregon began collecting revenue from the world's first such tax in 2018. Firms with a business presence in Portland that pay their CEO more than 100 times their median worker pay owe an extra 10 percent of their business tax bill. Firms over 250 times face a 25 percent extra tax. San Francisco adopted a similar tax after a successful 2020 ballot initiative. A number of state lawmakers have also proposed tying tax rates to CEO-worker pay ratios.
Excise tax on stock buybacks	The Inflation Reduction Act of 2022 introduced a one percent excise tax on stock buybacks.
Limiting executive tax-deferred pay	A recent Institute for Policy Studies-Jobs With Justice report found that the top five executives at S&P 500 firms held a combined $8.9 billion in special tax-deferred accounts at the end of 2021. These accounts are unlimited while ordinary taxpayers face strict limits on how much income they can defer from taxes via 401(k) plans. • The CEO and Worker Pension Fairness Act (S.3341) would revise Section 409A of the tax code so that executives would owe taxes on their compensation when it vests. • In 2007, the Senate passed a minimum wage bill that would have limited annual executive pay deferrals to $1 million, but the provision was dropped in conference committee.
Ending the preferential capital gains treatment of carried interest	Under current rules, managers of private equity, real estate, and hedge funds pay the discounted capital-gains tax rate on so-called "carried interest" (earnings tied to a percentage of the fund's profits). This income actually amounts to compensation for managing other people's investments and should be taxed as ordinary income. • Sen. Tammy Baldwin and Rep. Bill Pascrell introduced the Carried Interest Fairness Act of 2021 (S.1598/HR 1068) to eliminate the "carried interest" loophole. This legislation would generate between $12 billion and $14 billion over 10 years. • The Stop Wall Street Looting Act, (S.3022/HR 5648) would also eliminate this loophole, as part of a broader plan to end private equity's predatory practices.
Limiting the deductibility of excessive pay	In 1993, Congress amended the tax code to prevent corporations from deducting off their taxable income the amounts they pay top executives in excess of $1 million per executive — unless the compensation came as stock options and other forms of "performance" pay. This huge loophole encouraged corporate boards to hand out massive bonuses that dramatically widened pay gaps between corporate executives and rank-and-file workers. The 2017 Republican tax law closed this "performance" pay loophole, but only for compensation going to a corporation's CEO, CFO, and three other highest-paid employees. As part of the American Rescue and Recovery Act, Congress took another step forward by closing the loophole for compensation going to an additional five executives (10 in total). Pay above $1 million going to other highly paid employees — such as traders at large Wall Street firms — remains fully deductible. • Sens. Jack Reed (D-RI) and Richard Blumenthal (D-CT) and Rep. Lloyd Doggett (D-TX) have sponsored legislation that would extend the $1 million deductibility cap to all forms of compensation for all employees. • Rep. Barbara Lee's Income Equity Act would deny employers a tax deduction for any excessive pay that runs greater than 25 times the median compensation paid to full-time employees or $500,000.



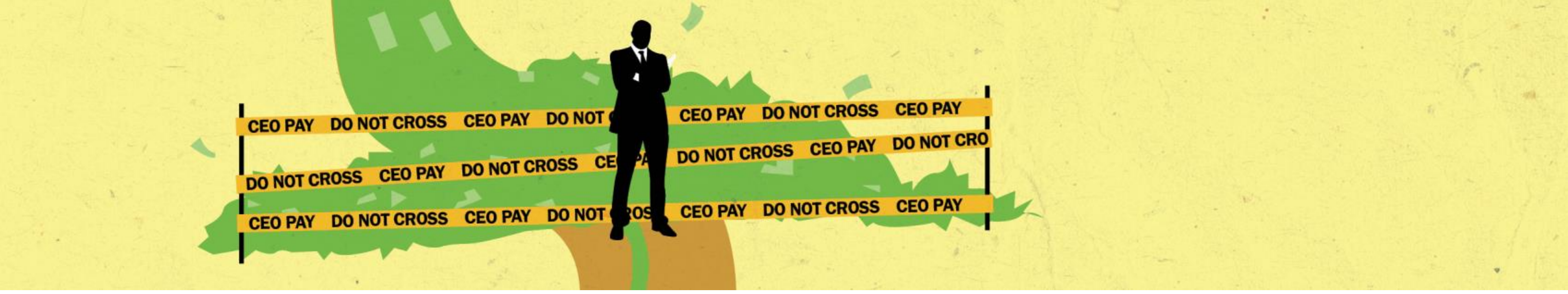
	• Richard Freeman and Douglas Kruse of Harvard University and Joseph Blasi of Rutgers University have proposed that Congress only allow tax deductions for executive bonuses when corporations award as much incentive pay "to the bottom 80 percent of their workforce as they do to the top 5 percent."
Financial transaction tax	Another way to generate much-needed revenue while curbing executive excess would be through a financial transaction tax on Wall Street trades. Various legislative proposals in the Senate and the House, including the Wall Street Tax Act and the Wall Street Speculation Tax, would curb the lucrative short-term speculation that has inflated Wall Street bonuses while adding no significant value to the real economy.
PAY REFORMS TIED TO CONTRACTS, SUBSIDIES, OTHER PUBLIC SUPPORT	
Leveraging government procurement dollars to encourage narrower CEO-worker pay gaps	By law, the U.S. government denies contracts to companies that discriminate, in their employment practices, on race or gender. Our public policy sends the clear message that our tax dollars should not be subsidizing racial or gender inequality. We could also leverage the public purse to discourage extreme economic inequality. • Rep. Jan Schakowsky introduced the Patriotic Corporations of America Act (H.R. 4186) in 2021 to extend tax breaks and federal contracting preferences to companies that meet good behavior benchmarks, including CEO-worker pay ratios of 100-1 or less. • Rep. Mark DeSaulnier's CEO Accountability and Responsibility Act (H.R. 3301) would provide similar preferences to encourage narrow pay ratios. • Sen. Bernie Sanders released a broad pro-union Workplace Democracy Plan in 2019 that includes a ban on federal contracts to firms with CEO-worker pay ratios of more than 150 to 1 or that outsource jobs, pay workers less than $15 an hour, or engage in union busting. • At the state level, a Rhode Island bill would give preferential treatment in state contracting to corporations that pay their CEOs no more than 25 times their median worker pay. A Connecticut bill would disqualify companies with CEO-worker pay ratios of more than 100 to 1 from gaining state subsidies and grants.
Stock buyback disincentives tied to government contracts and subsidies	In 2022, the Department of Commerce announced plans to give priority in the awarding of new CHIPS subsidies for domestic semiconductor manufacturing to firms that do not engage in any stock buybacks. This important precedent could be extended to all forms of taxpayer-funded contracts, grants, and subsidies.
Pay ratio-linked corporate subsidies and bailouts	All forms of federal, state, and local corporate welfare could be required to incorporate CEO-worker pay ratio guidelines in their qualification standards. • The Congressional Progressive Caucus has called on Biden to introduce such incentives. • In 2015, then-Republican congressman Mick Mulvaney authored an amendment designed to prevent the U.S. Export-Import Bank from subsidizing any U.S. company with annual CEO pay over 100 times median worker pay. Mulvaney later directed the Office of Management and Budget and served as President Trump's acting chief of staff. Mulvaney's proposal did not become law, but does suggest a potential for bipartisan action. • The European Union already applies similar pay ratio standards to state aid for failing banks. Bailed-out banks operating within the EU have to cap executive pay at no more than 15 times the national average salary or 10 times their average employee wage.



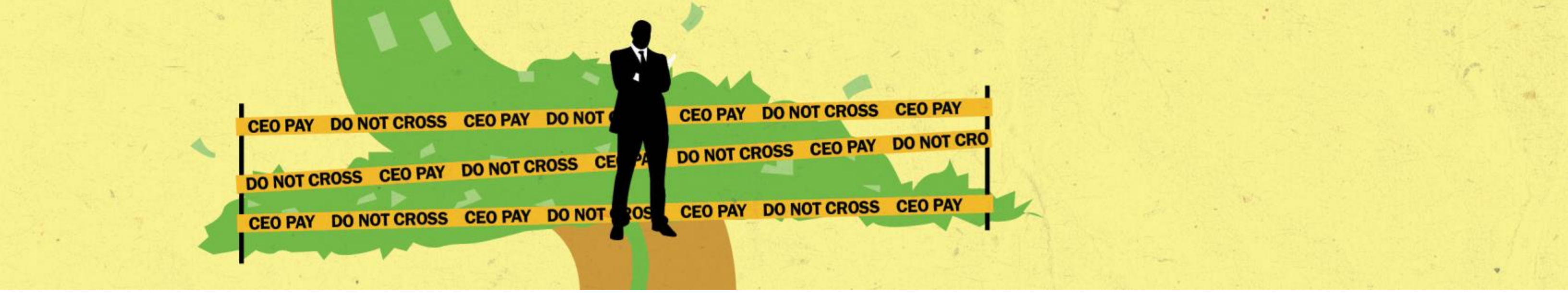
Leveraging public pension funds to encourage narrower CEO-worker pay ratios	Public employee pension fund investments offer a significant opportunity to influence corporate pay behavior. • In 2023, the Marin County Employees' Retirement Association adopted a position of voting against any CEO pay package where the CEO makes more than 100 times the corporation's median worker, arguing that such pay is excessive and detrimental to returns to shareholders. • The city of San Francisco has adopted an advisory resolution urging the San Francisco Employees Retirement System to consider executive compensation and pay ratios during decision making on investments and proxy voting. The system holds $21 billion in assets. The resolution asks the pension board to report CEO-worker pay ratios at firms where the pension system invests and to set guidelines for what constitutes "excessive" pay. • The New York State Pension Fund has a similar agreement that urges several large corporations to reexamine their CEO and executive pay and adopt policies that take into account the compensation of the rest of their workforces.
CEO pay limits at public (or publicly supported) institutions	In several states and countries, lawmakers and other groups have worked to crack down on executive excess at firms receiving taxpayer support. • A 2013 New York State executive order prohibited service providers that annually average over $500,000 in state support and receive at least 30 percent of their annual in-state revenue from state funds from using more than $199,000 in state funds to pay individual executive compensation. New York Governor Kathy Hochul rescinded the order in 2022. • Unions pushed ballot initiatives in both Massachusetts and California in 2014 aimed at limiting CEO pay at hospitals that receive taxpayer subsidies. In both cases, the unions withdrew the initiatives after popular support helped them win other concessions. Former French President François Hollande capped executive pay at firms where the government owns a majority stake at 450,000 euros, or essentially 20 times the minimum wage. This limit later evaporated after pushback from corporate leaders. Management consultant Douglas Smith has called for a similar pay ratio limit on U.S. firms receiving taxpayer funds.
Rein in CEO pay at nonprofit organizations	Under the 2017 tax law Republican lawmakers adopted, nonprofits may no longer deduct executive compensation above $1 million on their federal tax filings. This represents a positive step, but more could be done to ensure that taxpayers are not subsidizing excessive pay at nonprofits that already receive preferential tax status. Huge paychecks for nonprofit health care executive executives have motivated actions in several states. • In Washington, the state legislature is considering a new tax on nonprofit executive compensation in excess of 10 times the state's average annual salary. • In Los Angeles, the city council has approved a proposal to limit compensation for hospital CEOs to the salary of the president of the United States: $450,000. The measure will appear on the March 2024 ballot and has inspired similar efforts in additional California cities. • In Connecticut, a state lawmaker has introduced a bill that would require nonprofit hospitals that pay executives more than $500,000 to pay property taxes. • Economist Dean Baker has proposed that paying executives no more than $400,000 per year — the salary of the U.S. president — should become a condition of keeping nonprofit status for tax purposes. Another approach would be to set the cap at no more than 20 times the pay of a nonprofit's lowest-paid worker.
Fannie Mae and Freddie Mac executive pay caps	In 2015, Congress passed a bill to cap CEO paychecks at quasi-public Fannie Mae and Freddie at no more than $600,000. In subsequent years, Fannie and Freddie have exploited loopholes in the law to boost pay far above that limit for top executives. Each enterprise shifted duties from the pay-limited CEO position to the uncapped positions of president and other top executives. This loophole should be closed.



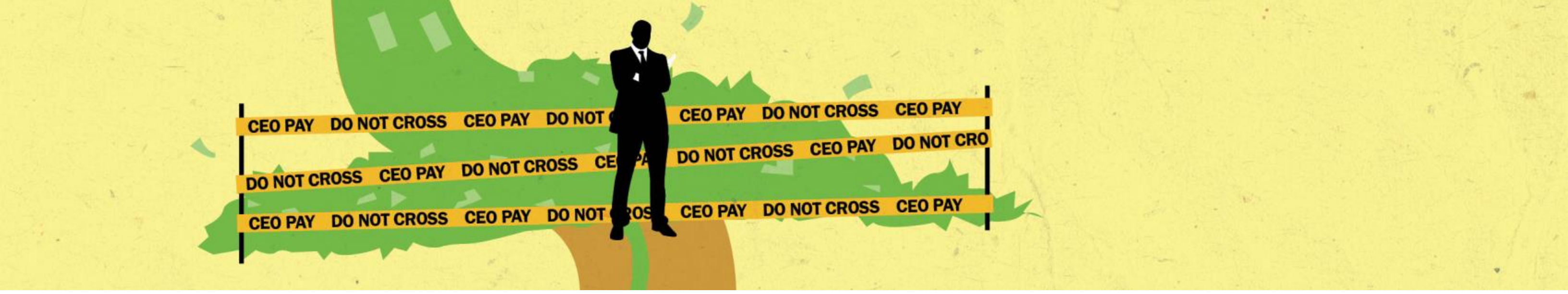
CEO PAY REFORMS LINKED TO CORPORATE GOVERNANCE	
Stock buybacks	Since 1982, SEC Rule 10b-18 has allowed corporations to repurchase their shares on the open market, with certain limitations. Buybacks have become a pervasive form of legal stock market manipulation. In 2022, S&P 500 firms spent a record $922.7 billion on stock buybacks. • President Biden's federal budget proposal and the ALIGN Act would ben executives from selling their personal stock for a certain period after a buyback. • The Reward Work Act (HR 3694) championed by Rep. Chuy Garcia (D-IL) would ban open market buybacks. • Sen. Bernie Sanders (I-VT) and Rep. Ro Khanna (D-CA) have authored a bill that would prohibit buybacks where CEO pay exceeds 150 times the compensation that goes to a company's median pay. • Sen. Sherrod Brown (D-OH) has introduced a bill requiring publicly traded companies to issue a worker dividend equal to $1 for every $1 million spent on stock buybacks. Senators Cory Booker (D-NJ) and Bob Casey (D-PA) have introduced a similar Worker Dividend Act.
Corporate board diversity	In at least a dozen European countries, workers have the right to representation in their company's top administrative and management bodies. This has had a moderating effect on CEO pay levels. In Germany, a nation with one of the world's most highly developed systems for including workers in corporate decision-making, average CEO pay levels run about half as much as the U.S. average. In a 2018 poll of likely U.S. voters, 52 percent support placing workers on major corporate boards and only 23 percent stood opposed. • Rep. Chuy Garcia (D-IL) has introduced the Reward Work Act (HR 3694) to require corporations to allow employees to elect at least one third of board members. • Sen Elizabeth Warren (D-MA) has introduced the Accountable Capitalism Act to require corporations with annual revenues over $1 billion to allow employees to pick at least 40 percent of board members.
Signing and merger bonus ban	"Golden hellos" and merger bonuses give executives a powerful incentive to wheel and deal instead of working to build enterprises fit for long-term success. In 2013, Swiss voters adopted a national ballot initiative that, among other provisions, prohibits executive sign-on and merger bonuses.
'Skin in the game' mandate	Small-scale entrepreneurs seldom behave recklessly because they have their own personal wealth tied up in their business. Executives of large corporations, on the other hand, face little downside risk for irresponsible behavior. • In 2019, Rep. Katie Porter (D-CA) introduced a bill requiring publicly held corporations to disclose whether they have established procedures to recoup compensation from top executives to cover the cost of fines or penalties against their company. • Investment adviser Vincent Panvini has proposed that executives be required to place a share of their own financial assets in escrow for five or ten years. If a CEO's company loses value over that time, the CEO would forfeit money from that escrow.
A CEO pay limit for firms in bankruptcy	Private equity funds have been connected to a rash of bankruptcies in recent years that often lead to massive loss of jobs and reductions in employee benefits. A significant portion of the companies that have filed for bankruptcy carried huge debt loads left over from leveraged buyouts by private equity firms. This trend has sparked increased interest in ensuring that CEOs and other executives at distressed firms do not enrich themselves while eliminating jobs and pensions. • The Stop Wall Street Looting Act builds on the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Sec. 331). This existing law prohibits companies in



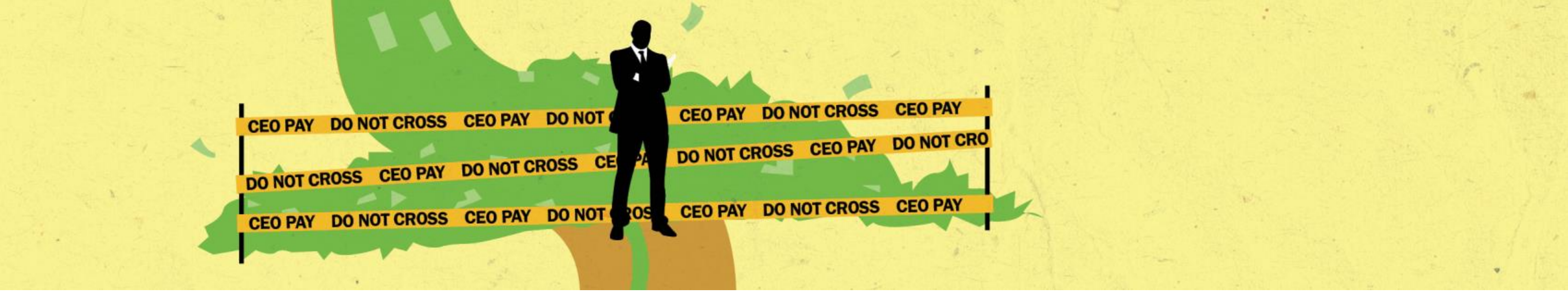
	bankruptcy from giving executives any "retention" bonus or severance pay that runs over ten times the average bonus or severance awarded to regular employees in the previous year. The new bill would strengthen this legislation by: 1) closing a loophole that exempts "performance-based pay" and expanding the ban beyond top executives to the next 20 most highly paid employees, consultants, and department heads (Sec.304). 2) banning special payments to high-level executives if the company has not paid promised severance pay to employees or has reduced employee benefits within the year before declaring bankruptcy (Sec. 305). 3) blocking courts from approving a bankruptcy exit plan if top executives will receive payments either excessive or not generally applicable to other employees (Sec. 306).
Abolish executive performance pay	At best, stock options and other performance-pay incentives have CEOs thinking more about their own personal rewards than long-term enterprise sustainability. At their worst, "pay for performance" deals encourage criminal behavior. • Michael Dorff of the Southwestern Law School has proposed a ban on "performance pay." • Bart Naylor of Public Citizen has proposed that stock options be banned as a form of compensation for financial firm employees. Short of that, Naylor argues they should at least be kept — and not cashed in — for at least two years after retirement.
'Say on Pay' with teeth	Under the 2010 Dodd-Frank law, U.S. shareholders gained the right to a non-binding vote on executive pay packages. Several options could further empower shareholders. • Make say-on-pay votes binding. In the S&P 500, shareholder votes against CEO pay hit a high of 12.6 percent opposition in 2022 and such votes have had some impact in discouraging particularly egregious packages. But corporations can also freely ignore those votes. • The UK already requires public companies to give shareholders a binding vote on compensation every three years. A former EU internal markets commissioner has proposed that shareholders should also have the power to vote on the ratio between the lowest- and highest-paid employees in a firm. • In Australia, shareholders have the power to remove directors if a company's executive pay report gets a "no" vote from at least 50 percent of shareholders. • Dean Baker of the Center for Economic and Policy Research has proposed that corporate directors have their compensation denied if a CEO pay package they have approved fails to gain a majority in a "say on pay" vote.
Claw back unearned pay	Executives should not get to keep compensation based on unachieved performance goals. • Section 954 of the 2010 Dodd-Frank law requires executives to repay compensation gained as a result of erroneous data in financial statements. The SEC finally issued a final rule on this section in 2022, requiring executives to repay "excess" incentive compensation received during the three-year period preceding an accounting restatement. Clawback provisions in the earlier Sarbanes-Oxley Act only applied to restatements resulting from misconduct. Under UK rules, the clawback period runs 10 years.



WALL STREET PAY REFORMS	
Pay restrictions on executives of large financial institutions	Executive compensation played a key role in the reckless behavior that led to the 2008 financial crash. In response, Section 956 of the 2010 Dodd-Frank financial reform law prohibits large financial institutions from granting incentive-based compensation that "encourages inappropriate risks." After dragging their feet for 13 years, federal regulators are currently working on producing a final rule on this provision. A coalition led by Americans for Financial Reform and Public Citizen are advocating for three changes to strengthen the regulators' 2016 proposal: • Require executives to defer a significant percentage of compensation for 10 years, and make them forfeit these sums if the financial institution fails or gets hit with misconduct fines. Rep. Rashida Tlaib has also introduced a bill, the Fostering Accountability in Remuneration Fund Act, or FAIR Fund Act, along these lines. • Ban stock options for financial executives, since they promise executives all the benefits of share price increases with none of the risk of share price declines. • Ban executives from hedging bonus pay: Any effort to reduce inappropriate risk-taking will be ineffective if executives can use hedging strategies to reduce their risk from poor company performance.
Claw back executive pay at failed banks	The failure of several regional banks in early 2023 provoked a wave of demands for accountability. Senator Sherrod Brown (D-OH) and Senator Tim Scott (R-SC), the leaders of the Senate Banking Committee, introduced a bipartisan bill, the Recovering Executive Compensation Obtained from Unaccountable Practices (RECOUP) Act, to claw back compensation of senior executives at failed banks and penalize them for their misconduct. The bill quickly passed out of committee but the full Senate has not yet voted on the bill.
Banker bonus limits	• EU rules introduced in 2014 limit banker bonuses to no more than annual salary, or up to 200 percent of annual salary with shareholder approval. The cap applies to bankers in non-EU banks located in the EU, as well as senior staff — including Americans — working for EU-based banks anywhere in the world. This reform aims to help counter the "bonus culture" that encourages high-risk investing.
Strict caps on executive compensation for bailout firms — before the next crisis	• In 2009, the Senate approved an amendment that would have capped pay at bailed-out companies at $400,000, the salary of the U.S. president, but this amendment stalled in the House. Covid-related bailouts adopted in March 2020 for the airlines and other firms included only very weak restrictions, allowing CEOs to continue to pocket mega-million-dollar paychecks. In the EU, by contrast, bailed-out banks have to cap their executive pay at no more than 15 times the national average salary or 10 times the wage of their average bank worker. UK rules ban bonuses for executives of banks receiving bailouts. Given a warning about the consequences for their own paychecks, executives might think twice about taking actions that endanger their own future — and ours.
Cracking down on investment fund manager 'monitoring' fees	Private equity fund managers make a killing off the so-called "monitoring" or "transaction" fees they charge corporations they have taken over through leveraged buyouts that typically drain value from the acquired enterprise. • The Stop Wall Street Looting Act applies a 100 percent tax on such fees paid by acquired firms to private fund managers.



PAY DISCLOSURE REFORMS	
Gender pay gap disclosure	The average U.S. woman earns 83 cents for every dollar a man earns. For women of color, that ratio runs far less. African-American women earn 63 cents to every dollar a white man earns, Native American women earn 57 cents and Latina women just 49 cents. Requiring corporations to disclose their own gender pay gaps would help reveal which firms are contributing the most to gender disparities. • Congress could require U.S. corporations with 100 or more employees to disclose their gender pay gaps to the public. This would impose very little cost on companies, since an EEOC rule already requires reporting of pay data by race and genderThe Trump administration discontinued this 2016 Obama reform, but a federal court defended it and the Biden administration plans to reinstate it. • In the UK, where the government is already requiring gender pay gap disclosure for private and publicly held companies with over 250 employees, the Equality Trust has proposed additional gender-related reforms. These include requiring all large corporations to prepare and report on action plans for reducing their gender pay gap and requiring corporations with large gender pay gaps to conduct audits to investigate the cause of the disparities. The Equality Trust proposal would also make corporate access to government grants and contracts dependent on having a robust strategy to address gender pay inequality.
Racial pay gap disclosure	As of the first quarter of 2022, median white workers make 27 percent more than the typical Black worker and around 33 percent more than the median Latino worker. Requiring disclosure of racial pay gaps would reveal which corporations have the greatest pay discrepancies. • Congress could require U.S. corporations with 100 or more employees to disclose their racial pay gaps. This would impose very little cost on companies, as noted above, since a new EEOC rule requires reporting of pay data by race and gender.
CEO-worker pay gap disclosure for privately held companies	Only publicly held firms must now report to the SEC the compensation of their top executives and their CEO-median worker pay gaps. But extreme pay divides at large privately held corporations pose equally significant threats to our economic health. These divides contribute to our country's extreme economic inequality and encourage high-risk executive behavior. • The Tax Excessive CEO Pay Act would require this disclosure, as part of a tax reform. • Congress could also expand on the 2008 Government Funding Transparency Act, legislation that requires certain federal contractors to disclose their five top-paid officers' pay. The rule applies to firms that earn at least 80 percent of their revenue from federal contracts, grants, and loans and that received $25 million in federal funding the previous year.
Disclosure of executive versus worker raises	Rep. Nydia Velázquez (D-NY) has introduced the Greater Accountability in Pay Act (H.R. 1188), a bill that would require publicly held corporations to annually disclose the ratio between pay raises for top executives and median employees.
Increased disclosure of government support	Corporations should be required to disclose more information about how they benefit from government contracts, subsidies, and specific tax breaks. How much of this federal investment, for instance, do individual corporations funnel into executive pockets versus worker pay and other long-term investments?



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