

Top 10 chief executives in US all paid at least \$100m

Dominic Rushe

Pay gaps within companies widen as top two earners, led by Facebook's Mark Zuckerberg, earn billion-dollar pay cheques

For the first time, the 10 highest-paid chief executives in the US all received more than \$100m in compensation and two took home billion-dollar pay cheques, according to a leading annual survey of executive pay.

Mark Zuckerberg, Facebook's co-founder, was the US's highest paid boss last year, according to GMI Ratings annual poll of executive compensation, released on Tuesday. Zuckerberg's total compensation topped \$2.27 billion – more than \$6 million a day. His base salary was \$503,205 but the vast majority of his enormous payday came from exercising 60 million Facebook share options when the company went public last year.

Richard Kinder, chief executive and chairman of energy firm Kinder Morgan, had a base salary of just \$1 in 2012 and received no other bonuses – but he made \$1.1 billion by selling restricted stock. The payout follows a nearly \$60 million profit from stock in 2011.

All told, the top 10 chief executives in this year's poll took home over \$4.7 billion between them and for the first time, none earned less than \$100 million. "I have never seen anything like that," said Greg Ruel, GMI's senior research consultant and author of the report. "Usually we have a few

\$2.27bn

Facebook chief executive's Mark Zuckerberg's total compensation in 2012

\$1.1bn

The amount earned by Richard Kinder, chief executive and chairman of energy firm Kinder Morgan, in 2012

\$13.7m

The average pay package of an S&P 500 chief executive – the US's top 500 companies – last year

CEOs at the \$100million-plus level but never the entire top 10."

Overall GMI's poll of pay and other forms of compensation for 2,259 US chief executives found an average rise of 8.47 per cent, less than the double-digit growth they have enjoyed for the past two years – but the average hides a more complex picture. This year's top earners far outstripped those below them by making huge fortunes cashing in share options as the stock markets bounced back.

The report further illustrates the widening gap between chief executive pay and that of the average worker. According to the US census bureau, median household income, adjusted for inflation, was \$51,017 in 2012, broadly unchanged from 2011.

Wages for the average household have fallen about 9 per cent from an inflation-adjusted peak of \$56,080 in 1999. The census figures show a sharp recovery for those at the top of the wage scale as those at the bottom continue to see falls. The average pay package of an S&P 500 chief executive – the US's top 500 companies – last year was \$13.7 million. For those in charge of S&P small-cap companies, it was \$3.5 million.

Chief executive pay is growing fastest for those at the top. The average rise in compensation for chief executives of the Russell 3,000 – which represents about 98 per cent of all public US companies – was 8.47 per cent. For the Russell 1,000 – measuring the top 1,000 companies – it was 15.47 per cent.

Base salaries, bonuses and other forms of compensation were largely unchanged in 2012. The survey found that the outsized pay increases experienced by some chief executives came from the exercise of large blocks of stock options and the vesting of outsized restricted stock grants.

"While stock options are intended to align the interests of senior executives with shareholders, the unintended consequence of these grants is often windfall profits that come from small share price increases," GMI said in its report.

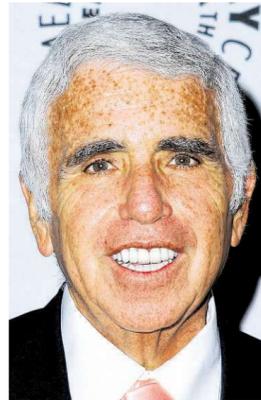
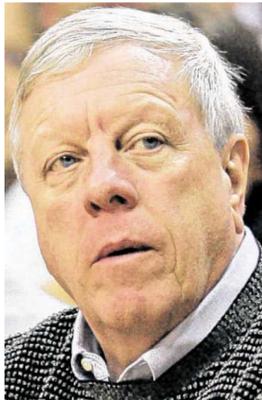
"With option grants numbering in the hundreds of thousands or even millions, CEOs at large companies in particular are able to profit by the millions for any positive gain over the strike price of their options. Furthermore, as Mark Zuckerberg showed when he sold \$1 billion worth of stock at Facebook's IPO, these paper profits can quickly be converted into cash through stock sales."

Of the top 10 earners in 2012, all received most of their compensation for the year from share schemes. One executive, George Maffei, appeared twice in the top 10. Maffei received total compensation worth \$254.8 million as chief executive of Liberty Media Corporation and another \$136.4 million as chief executive of sister company Liberty Interactive.

He profited more than \$250 million on the exercise of 3.1 million options at Liberty Media Corporation in 2012. As head of Liberty Interactive, he exercised an additional 12.3 million options for a profit of more than \$132 million. – (Guardian service)



■ Clockwise from above: Mark Zuckerberg, Facebook; Tim Cook, Apple; Mel Karmazin, Sirius XM Radio; and Richard Kinder, Kinder Morgan. PHOTOGRAPHS: DAVID PAUL MORRIS/BLOOMBERG, MARCIO JOSE SANCHEZ/AP AND DONNA WARD/GETTY IMAGES



Top 10 Best paid US CEOs

1 Mark Zuckerberg, Facebook – total compensation \$2.27bn

The social network king received a base salary of \$503,205 in 2012 and \$1.2 million in perks, including use of the company aircraft and security, but it was the sale of Facebook that made him his fortune. Zuckerberg profited nearly \$2.3 billion on his share options when the company went public.

2 Richard Kinder, Kinder Morgan – \$1.16bn

The billionaire energy executive received \$1 in wages in 2012 and more than \$1.1 billion in restricted stock profits. Kinder Morgan's share price has been falling this year on reports that the company has minimised pipeline repairs in order to maximise returns to shareholders – a characterisation the company disputes.

3 Mel Karmazin, Sirius XM Radio – \$255.3m

The veteran radio executive stepped down from running Sirius last December and received a \$9.5 million bonus. His was the largest bonus in the top 10, but, again, it was his share options that handed him most of his compensation – 120 million of them, worth more than \$244 million.

4 Gregory Maffei, Liberty Media – \$254.8m

Strike one for Maffei, who appears twice in this list. The Liberty Media boss received a salary of \$875,109, a \$2.23 million cash bonus and \$252,323 in perks. He made a profit of more than \$250 million on the exercise of 3.1 million options at Liberty Media Corporation in 2012, a little over half the grant of the nearly 6 million options he received in 2009.

5 Tim Cook, Apple – \$143.8m

Cook made nearly \$140 million in restricted stock profits in 2012 on grants that date back to 2008 and 2010, before he took over as chief executive. In August 2011, when he took over from Steve Jobs, Cook was granted 1 million restricted stock units that start paying out in 2016.

6 Edward Stack, Dick's Sporting Goods – \$142m

In his 29th year as chief executive, Stack exercised nearly 4 million share options for a profit of more than \$137 million.

7 Gregory Maffei, Liberty Interactive – \$136.4m

With his Interactive hat on, Maffei exercised an additional 12.3 million options for a profit of more than \$132 million. Together, his take from the two Liberty companies comes to more than \$391 million, third place overall.

8 Howard Schultz, Starbucks – \$117.5m

The coffee king made more than \$103 million on the exercise of 2.8 million options in 2012; the rest was salary, bonus and perks. Schultz has made \$191.5 million in combined stock option profits in the past four years.

9 Marc Benioff, salesforce.com – \$109.5m

The cloud computing company billionaire made \$106 million of his yearly compensation from share options. Benioff now owns more than 42 million company shares, or 7.2% of all shares outstanding, and was granted new options worth \$18.9 million in 2012.

10 Frank Coyne, Verisk Analytics – \$100.4m

Coyne, too, benefited from massive share options exercising 2.4 million options for \$95.7 million. He stepped down as chief executive of the risk assessment company this year and is now non-executive chairman. – (Guardian service)

Building a Silicon Valley in the Italian Alps



Paddy Agnew
in Rome

Working outside the paralysed national system, Trento university is pointing the way forward for Italian third level

If you know Italy at all, you will know that the Italian university system does not always enjoy a good press. At best, the average Italian student's third-level experience tends to make Ulysses' wanderings and occasional encounters with one-eyed monsters look like a relative dawdle.

Huge student numbers (there are approximately 130,000 students enrolled at Rome's La Sapienza, for example), chronic underfunding and an archaic exam system that is often more oral than written tend to make an odyssey of the process of graduation, more for logistical and infrastructural reasons than for the academic standards.

However, think again. Welcome to the Università Degli

Studi di Trento, a university that is not only lean, mean and relatively young (founded in 1962) but which has also become the hub of a Trento regional research renaissance that aims to make this region the "Silicon Valley Of The Alps".

The city of Trento has the good fortune to find itself in the semi-autonomous Italian region of Trentino-Alto Adige/Sud-Tirol, in the foothills of the Alps, where a level of fiscal autonomy applies to health, welfare, transport and, above all, education.

This means that the Provincia di Trentino effectively finances and runs the university of Trento, outside the constraints of a cash-strapped national system which has seen public spending in education drop from 5.4 per cent of GDP to 4.5 per cent in the last 20 years. One advantage, for example, is that Trento university makes its own teaching appointments, without being involved in the often non-meritocratic, crony-infested national system.

Trento university certainly feels different. For a start, the university buildings have a bright, modern functional feel, in contrast to the average Italian university non-campus, made up of converted old buildings stuck all around the city.

For a second, 7 per cent of the 16,000 undergraduate students are foreigners, while 70 per cent of the PhD students come from abroad – and not



“The university buildings have a bright, modern functional feel, in contrast to the average Italian university non-campus, made up of converted old buildings stuck all around the city

just because much of the teaching is in English.

The first person I encountered was 26-year-old Davide Castelletti, an undergraduate ICT student who is working on something called Remote Sensing Analysis. Essentially, he is a small part in the creation of instruments that will fly on the European Space Agency's Jupiter Icy Moons Explorer (Juice) mission.

Nasa and the Italian Space Agency (ASI) are just two important players that have invested in a seven-year, million dollar plus project led by Prof Lorenzo Buzzone. Castelletti's part of the programme con-

cerns working on Rime (Radar For Icy Moon Exploration), a tool that can investigate to a depth of 9kms in search of past and present "evidence of life forms".

Computer science

Further on down the corridor, we come across Prof Gian Pietro Picco, head of the department of information engineering and computer science. Like his colleague, Prof Buzzone, he looks disarmingly young but he says that, at 46, he is old around here, which seems true enough, even if Buzzone would pass for an undergraduate at many Italian universities.



■ Modern faculty building in Trento university, left; Prof Gian Pietro Picco, top; and Prof Lorenzo Buzzone, above

Were they stuck in the mainstream Italian academic system, both these guys would be grey-haired, half-crippled with arthritis and already on their pensions before they would be promoted to similar posts.

Among the many projects that Prof Picco and his team are working on is an intriguing, relatively cheap system for saving up to half the electricity

costs on tunnel lights. This involves light sensors which activate when a car is coming but which otherwise are off. Not so much rocket science as good environmental politics.

Obviously, a "Silicon Valley in The Alps" requires more than a good university: it needs to provide a cutting-edge platform where research meets the ICT industry. Trentino does this via Trento Rise, a sort of "Entreprise Trento" that has attracted IBM, Nasa, the European Institute of Technology as well as dozens of start-ups.

International researchers

Inevitably, Trento has begun to attract international researchers too, including some Irish. Kieran Tuohy (42) is originally from Claremorris, Co Mayo. A graduate in industrial microbiology from UCD, he has studied and taught at the universities of Surrey, Aberdeen and Reading. He is now the group leader of nutrition and nutrigenomics research at Trent's Fondazione Edmund Mach (FEM) agricultural research institute.

He works on "gut microbiology", trying to understand just why certain foodstuffs in the intestine, say fruit and cheese, can help protect against serious illness such as cancer and heart attacks. Recently, Dr Catherine Stanton of Teagasc, the Irish food authority, was in Trento comparing notes on dairy research and probiotics, an area where Ireland, and University College Cork in particu-

lar, has a strong record. The bottom line seems to be that "an apple a day" is good for you, after all.

Married to an Italian and father of two small children, Tuohy has been based in Trento for three years. He says it provides "state of the art" research facilities and personnel and, not surprisingly, he tends to see his future in the Alpine foothills.

Before we leave Trento, there is time to meet with yet another youthful professor. 39-year-old Greek, Themis Papanas, head of computer science, who has studied and taught at the universities of Athens and Toronto. He has also spent time at Microsoft and IBM research centres in the United States as well as at the University of California. His areas of research include data management, data mining, and streaming (ie continuous) data analytics.

It may sound boring but, in effect, it has to do with research into how huge entities – banks, airlines, news organisations etc – deal with the large bodies of data that they process by the second. On the day we spoke to him, he was preparing to host a weeklong conference on VLDBs (Very Large Data Bases), attended by more than 730 participants including representatives of organisations such as Google, Facebook, IBM, Oracle, Microsoft, Hewlett Packard and Twitter.

To some extent, at least, Silicon Valley has indeed already landed in the Alps.