

# Elon Musk sees another big advisory firm come out against his multibillion dollar pay package

May 31 2024, by Tom Krisher

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Elon Musk, center, arrives for the 10th World Water Forum in Nusa Dua, Bali, Indonesia on Monday, May 20, 2024. A group of Tesla shareholders are asking investors to vote against a compensation package worth more than \$40 billion for CEO Elon Musk, saying that it's not in the electric vehicle maker's best interest. Credit: AP Photo/Firdia Lisnawati, File

A second shareholder advisory firm has come out against reinstating a pay package for Tesla CEO Elon Musk that was voided earlier this year by a Delaware judge.

ISS late Thursday joined Glass Lewis in recommending against the package, recently valued by the company at \$44.9 billion but in January had a value of about \$56 billion.

Shareholders of the electric vehicle and solar panel company are voting on the package, with the results to be tabulated at Tesla's June 13 annual meeting.

ISS said in its recommendations on Tesla's proxy voting items that Musk's stock-based package was outsized when it was approved by shareholders in 2018, and it failed to accomplish board objectives voiced at that time.

The firm said that Tesla met the pay package's performance objectives, and it recognized the company's substantial growth in size and profitability. But concerns about Musk spending too much time on other ventures that were raised in 2018 and since then have not been sufficiently addressed, ISS said.

"The grant, in many ways, failed to achieve the board's other original objectives of focusing CEO Musk on the interests of Tesla shareholders, as opposed to other business endeavors, and aligning his financial interests more closely with those of Tesla stockholders," ISS wrote.

Also, future concerns remain unaddressed, including a lack of clarity on Musk's future compensation and the potential for his pay to significantly dilute shareholder value, ISS wrote.

Musk plays big roles in his other ventures including SpaceX, Neuralink

and the Boring Company. Last year he bought social media platform X and formed an artificial intelligence unit called xAI.

Last week the other prominent proxy advisory firm, Glass Lewis, also recommended against reinstating Musk's 2018 compensation package. The firm said the package would dilute shareholders' value by about 8.7%. The rationale for the package "does not in our view adequately consider dilution and its long-lasting effects on disinterested shareholders," Glass Lewis wrote.

But in a proxy filing, Tesla said that Glass Lewis failed to consider that the 2018 award incentivized Musk to create over \$735 billion in value for shareholders in the six years since it was approved.

"Tesla is one of the most successful enterprises of our time," the filing said. "We have revolutionized the automotive market and become the first vertically integrated sustainable energy company."



Demonstrators walk past the Tesla factory in Gruenheide, Germany, May 11, 2024, at the end of their protest. A local council in Germany on Friday May 17, 2024, approved a plan by electric carmaker Tesla to expand the grounds of its first plant in Europe, which has drawn persistent protests this year. Credit: Patrick Pleul/dpa via AP, File

Tesla is struggling with falling global sales, slowing electric vehicle demand, an aging model lineup and a stock price that has tumbled about 30% this year.

Tesla asked shareholders to restore Musk's pay package after it was rejected by a Delaware judge this year. At the time, it also asked to shift the company's legal corporate home to Texas.

Glass Lewis recommended against moving the legal corporate home to Texas, but ISS said it favored the move.

California's public employee retirement system, which holds a stake in Tesla, said it has not made a final decision on how it will vote on Musk's pay. But CEO Marcie Frost told CNBC that as of Wednesday, the system would not vote in favor. CalPERS, which opposed the package in 2018, said it will discuss the matter with Tesla "in the coming days."

In January, Delaware Chancellor Kathaleen St. Jude McCormick ruled that Musk is not entitled to the landmark stock compensation that was to be granted over 10 years.

Ruling on a lawsuit from a shareholder, she voided the pay package, saying that Musk essentially controlled the board, making the process of

enacting the compensation unfair to stakeholders. "Musk had extensive ties with the persons tasked with negotiating on Tesla's behalf," she wrote in her ruling.

In a letter to shareholders released in a regulatory filing last month, Tesla Chairwoman Robyn Denholm said that Musk has delivered on the growth it was looking for at the automaker, with Tesla meeting all of the stock value and operational targets in the 2018 package. Shares at the time were up 571% since the pay package began.

"Because the Delaware Court second-guessed your decision, Elon has not been paid for any of his work for Tesla for the past six years that has helped to generate significant growth and stockholder value," Denholm wrote. "That strikes us — and the many stockholders from whom we already have heard — as fundamentally unfair, and inconsistent with the will of the stockholders who voted for it."

Tesla posted record deliveries of more than 1.8 million electric vehicles worldwide in 2023, but the value of its shares has eroded quickly this year as EV sales soften.

The [company](#) said it delivered 386,810 vehicles from January through March, nearly 9% fewer than it sold in the same period last year. Future growth is in doubt and it may be a challenge to get shareholders to back a fat pay package in an environment where competition has increased worldwide.

Starting last year, Tesla has cut prices as much as \$20,000 on some models. The price cuts caused used electric vehicle values to drop and clipped Tesla's profit margins.

In April, Tesla said that it [was letting about 10% of its workers go](#), about 14,000 people.

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Citation: Elon Musk sees another big advisory firm come out against his multibillion dollar pay package (2024, May 31) retrieved 7 September 2024 from <https://techxplore.com/news/2024-05-elon-musk-big-advisory-firm.html>

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