

Tesla shareholders approve Elon Musk's trillion-dollar pay package

Warm-up question: Do you think one person can be essential to the success of a large company? Why or why not?

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A MARTÍNEZ, HOST:

Tesla investors have approved a record-setting pay package for Elon Musk worth up to a trillion dollars. A trillion. When **general counsel** Brandon Ehrhart announced the results yesterday, you can hear how happy shareholders at the meetings were.

BRANDON EHRHART: With over 75% voting in favor...Approved.

MARTÍNEZ: Like its previous pay packages, this one is a gamble because Musk might not get any money at all. But if Tesla shares skyrocket and the company hits certain targets, he will get a **mind-boggling** reward. NPR's Camila Domonoske has been following this story that didn't seem that big of a surprise at the end of the day.

CAMILA DOMONOSKE, BYLINE: No, A. Not at all because, look, Elon Musk and Tesla's board were **lobbying** really hard for this pay package. And we know that a lot of Tesla's shareholders simply believe very strongly in Elon Musk. They think that he personally is key to the company's future success. They've approved huge paydays for him before. They really think he needs to stay at the head of the company truly at any cost. So even though some big investors and some very influential investor adviser groups had come out against this pay package as excessive, it was really widely expected that it was going to pass.

MARTÍNEZ: All right. So what does Musk have to do to go get that big bag of cash?

DOMONOSKE: Yeah. It is - it's not a **lump sum**, right? We're talking about batches of Tesla stock that he can unlock one by one over the course of the next decade if he hits certain targets. So a lot of those targets - about half of them have to do with making Tesla's stock price soar - soar even more. Obviously, it's soared a lot over the years. It actually has to increase to more than five times its current value.

And then there's also a set of targets around operations, earnings, how many cars Tesla sells, which - that target actually should be controversially easy for Musk to hit. There's another target for selling a million robots. Tesla's working on this **humanoid** robot called Optimus that

anybody who's seen any Tesla events lately has probably seen in action. Tesla hasn't actually sold any of them yet. Anyway, even if he only unlocks one pair of these goals, one batch of this stock, that would still be enormous.

MARTÍNEZ: What happened to that last big payday that Tesla shareholders approved for Musk?

DOMONOSKE: Yeah. For a then-unimaginable 55 billion or so?

MARTÍNEZ: Yeah.

DOMONOSKE: That payday is currently **tied up in court**. A shareholder challenged it as being, you know, the product of a process where the board was too **cozy** with Musk and also just simply being excessive. The Tesla board and Musk's many defenders have said, look, this is an extraordinary amount of money because Musk does extraordinary things, both the last pay package and this new one. One major investor who backs Musk recently called him the most productive human being on Earth, right? And one thing that they emphasize is that because the reward is tied to these targets, in order for Musk to earn his trillion dollars, the market cap of the company would have to increase \$7 trillion. And a lot of shareholders clearly said, yes, we'll take that deal.

MARTÍNEZ: Musk is already dripping rich. So, I mean, why would he want another trillion dollars? And as I ask that question, I kind of know the answer.

DOMONOSKE: He says that it's not about the money.

MARTÍNEZ: Oh, OK.

DOMONOSKE: Yeah. He says it's about influence. And specifically, if the company hits all of its targets, he would own more than a quarter of Tesla's stock, which gets him more **sway** over the company and crucially over all those robots that I mentioned. Musk has talked about selling billions of these robots. And he says, if he builds this robot army, he wants to maintain influence over it, which this much stock would let him do.

MARTÍNEZ: I mean, if you're going to build it, why not influence it? It's NPR's Camila Domonoske. Thanks a lot.

Vocabulary and Phrases:

1. **General counsel:** The chief lawyer of a company, responsible for legal matters and advising the organization.
2. **Mind-boggling:** Extremely surprising, shocking, or difficult to imagine.
3. **Lobbying:** Trying to influence people in power—such as lawmakers or voters—to support a particular decision or policy.
4. **Lump sum:** A single large payment made all at once, instead of in smaller payments over time.
5. **Humanoid:** A robot or machine designed to look or move like a human being.
6. **Tied up in court:** Delayed because the issue is being handled in legal proceedings.
7. **Cozy:** (In a negative context) too friendly or too close in a way that may create bias or unfair advantage.
8. **Sway:** Power or influence over people or decisions.

Fill in the Blank Use the correct word or phrase from the vocabulary list to complete each sentence.

1. The company's previous bonus plan is still _____, meaning no one knows when a final ruling will come.
2. Some critics argue that the board was too _____ with the CEO, making their decisions biased.
3. Musk says he wants more _____ over Tesla, especially as the company expands into robotics.
4. The robot that Tesla is developing is designed as a _____ machine that looks and moves like a person.
5. The total value of the new compensation package is so large that many people find it _____.
6. Rather than paying the entire reward as a _____, Tesla structured it in stages tied to performance targets.
7. The chief lawyer, known as the _____, officially announced that the vote had passed.
8. Tesla urged shareholders to approve the plan by _____ heavily and contacting major investors.

Comprehension Questions:

1. What percentage of Tesla shareholders approved the new pay package for Elon Musk?
2. Why do many Tesla shareholders believe Musk deserves the pay package?
3. What kinds of targets must Musk meet in order to unlock parts of the pay package?
4. Why is the previous \$55 billion pay package currently tied up in court?
5. According to the report, why does Musk say he wants the new pay package if it's "not about the money"?
6. What influence would owning more than a quarter of Tesla's stock give him, especially regarding robots?

Discussion Questions:

1. Do you think enormous performance-based pay packages are fair, or do they create more problems than they solve?
2. Should one CEO have so much power to influence a company as large and important as Tesla? Why or why not?
3. How might selling "a million humanoid robots" change society? Do you see this as positive, negative, or uncertain?
4. What risks do companies face when their boards become "too cozy" with powerful executives?
5. Do you think investors should care more about financial success or ethical oversight? Why?
6. If you were a shareholder, would you support this pay package? Explain your reasoning.