

# CtW Investment Group

## Activist Investor Challenges Executive Pay Accounting at T-Mobile

WASHINGTON, D.C. July 27, 2017: Earlier today, the CtW Investment Group petitioned the SEC to require T-Mobile (NASDAQ:TMUS) to provide a clear and comprehensible description of the methods used to calculate the performance metrics for executive pay – including the non-GAAP metrics – and to explain how those metrics result in the bonus actually paid.

Dieter Waizenegger, Executive Director of the CtW Investment Group said, “Investors rely on T-Mobile to provide clear and intelligible disclosures. In this case, the company has done neither. That’s why we’re taking the extraordinary step of bringing this matter to the SEC.”

T-Mobile’s executives were paid \$4 million more in 2016 than they would have been if T-Mobile had followed the methods described in its own proxy statement for calculating executive pay, according to a complaint the CtW Investment Group filed today with the SEC. The complaint documents T-Mobile’s explanation of how it calculates executive pay – in particular its annual bonuses – and then shows that it is not possible to replicate the bonuses awarded to T-Mobile executives by following these methods:

T-Mobile awarded bonuses to executives as if they had exceeded targets on four performance measures by an average of 187%, when in fact they exceeded the board’s targets by only 128%. Moreover, the Investment Group’s complaint highlights T-Mobile’s inadequate disclosure surrounding the calculation of non-GAAP metrics T-Mobile relies on to measure performance in its executive pay plans.

For instance, T-Mobile claims to include gains or losses from the disposal of spectrum licenses in its Adjusted EBITDA measure, but fails to take into account an \$835 million loss on spectrum license disposals reported on its financial statements for FY 2016. Another non-GAAP measure T-Mobile relies on – Operating Free Cash Flow – is impossible to calculate based on the vague description T-Mobile provides.

The CtW Investment Group works with pension funds sponsored by affiliates of Change to Win, a federation of unions representing over five million members, to enhance long-term shareholder value through active ownership. These funds invest over \$250 billion in the global capital markets and are investors in TMUS.

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