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Facebook Spent \$12.5 Million to Protect Zuckerberg Since 2013

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Facebook Inc. revealed that it spent \$4.26 million on security for Mark Zuckerberg last year, its first disclosure of such costs, and the highest among companies in the Standard & Poor's 500 Index that have filed proxy statements for fiscal 2015.

The expense brings the total cost from 2013 to 2015 to \$12.5 million, according to a regulatory filing. The cost was "to address safety concerns due to specific threats to his safety arising directly as a result of his position as our founder, Chairman, and CEO," the company said in the filing. Zuckerberg is the world's eighth-richest person with \$47 billion, according to the Bloomberg Billionaires Index.

Facebook spent \$5.6 million for Zuckerberg's security in 2014 and \$2.65 million in 2013. Last year's expense exceeds the \$1.53 million Oracle Corp. spent to protect Executive Chairman Larry Ellison in fiscal 2015 and Amazon.com Inc.'s \$1.6 million for Jeff Bezos, according to data compiled by Bloomberg. The figure also outstrips other famous executives. Berkshire Hathaway Inc. paid \$370,244 for personal and home security for billionaire Warren Buffett in 2015. Apple Inc. spent \$209,151 on Tim Cook.

Facebook made the disclosure this week after the U.S. Securities and Exchange Commission in August questioned why the costs had never been listed in filings as a taxable perquisite. In response, Facebook argued that a “business-oriented security concern” identified for Zuckerberg exempted it from having to report those expenses. After discussions with SEC staff, the company reversed its position, according to a filing.

Home Security

Facebook spokesman Jonathan Thaw declined to comment. Chief executives of global businesses are often required by their boards to travel on company-provided planes or cars even for personal trips. More than half of firms in the S&P 100 Index had such policies last year.

Facebook provides Zuckerberg with a home security system and guards who also protect his house in San Francisco’s Mission District. The team is overseen by a former U.S. Secret Service agent who protected President Barack Obama.

Security “should be a board of directors’ first and foremost concern,” especially at companies built around a central figure, said Peter Martin, chief executive of security consultancy Afimac Global. “As a shareholder, you want to make sure that your CEO is protected.”

Closer Look

That doesn’t come cheap. Each around-the-clock assignment requires four full-time guards, which annually can cost more than \$80,000 each, said Christopher Falkenberg, chief executive of New York-based Insite Security Inc., which

provides protection to clients including hedge funds. A security director can earn about \$200,000 a year.

Recent terrorist attacks in two European capitals and an office shooting in San Bernardino, California, have prompted some boards to re-examine security. While the risk for a little known top executive may be low, a person's public prominence can quickly change, much thanks to social media, Falkenberg said.

Oracle's cost in fiscal 2015 was for security at Ellison's residence. Home protection systems can include camera surveillance, pressure pads located near doors or walkways to detect movement, and dense vegetation or crushed gravel that's noisy to walk on beneath windows to deter intruders, Afimac's Martin said.

"It is important to keep the boss safe, but there comes a point -- certainly south of the \$1 million mark -- where shareholders deserve a far clearer explanation of the risks and provisions and the justification," said Michael Pryce-Jones, director of corporate governance at CtW Investment Group, which advocates for pension funds that collectively manage \$250 billion.

Still, rigorous programs that come with steep costs can be warranted for some, said Paul Viollis, CEO of security provider Viollis Group International.

"It all comes down to having fiduciary responsibility," Viollis said. "Not providing protection would be like going to the Super Bowl with nobody to block for the quarterback."