Investors: Coca-Cola Exec Pay Is Excessive

NEW YORK (AP) — An investment fund is taking issue with Coca-Cola's pay proposal for management, saying it represents a "raw deal" for shareholders in light of the beverage maker's slowing growth.

In a letter to Coca-Cola [1] board members, Wintergreen Advisers CEO David Winters noted that Coca-Cola's equity plan would transfer roughly $13 billion to management over the next four years. His calculation was based on the current stock price and the company's proposal to issue a split-adjusted 340 million shares to its employees.

"No matter how well a management team performs, it is unfathomable that they would require such astronomical sums of money to provide motivation," Winters wrote.

He sent a similar letter to billionaire investor Warren Buffett, urging the longtime Coca-Cola shareholder to vote against the plan at the company's annual meeting April 23.

Coca-Cola Co., however, said the comments by Winters were "misinformed." The Atlanta-based company noted in the plan is consistent with its past practices and that management would have to meet certain performance targets to earn the full amount outlined.

It also noted that the plan covers about 6,400 employees. It's not clear how much would be allotted to top executives. But last year, CEO Muhtar Kent was given a pay package worth $18.2 million, according to an Associated Press calculation.

Kent's pay was down 16 percent [2] from the previous year because Coca-Cola failed to meet its own growth targets.

By comparison, PepsiCo CEO Indra Nooyi was given a pay package worth $13.2 million. The Associated Press formula for executive compensation does not count changes in the present value of pension benefits, which makes its total slightly different in most cases from the total companies report to the Securities and Exchange Commission.

As for Wintergreen's point that the plan would dilute existing shares by 14.2 percent, Coca-Cola said that ignored the fact that the company buys back "significantly more stock than what is related to grants under our equity plan."

"Mr. Winters has pulled a single number out of the proxy without the right context," said Gloria Bowden, Coca-Cola's associate general counsel and secretary.

In a phone interview, Winters said the buybacks were put in place to benefit shareholders, not to cover pay for management. When asked about what type of response he'd gotten from Coca-Cola about this letter, Winters said, "They want their money."

Wintergreen Advisers, based in Milwaukee, owned about 2.5 million shares of Coca-Cola, according to a February regulatory filing. That is a stake of less than 1 percent.

Coca-Cola's plan was filed March 7 with the Securities and Exchange Commission.

Links:
[1] https://twitter.com/CocaCola
[2] http://www.foodmanufacturing.com/news/2014/03/coca-cola-ceo-pay-drops