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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA

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INGRAM, *et al.*,  
*Plaintiffs,*

v.

THE COCA-COLA COMPANY,  
*Defendant.*

Case No. 1-98-CV-3679 (RWS)

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**FIRST ANNUAL REPORT OF THE TASK FORCE**

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## **INTRODUCTION**

On June 7, 2001, the United States District Court for the Northern District of Georgia approved a Settlement Agreement in Ingram, et al. v. The Coca-Cola Company (Case No. 1-98-CV-3679 (RWS)). The Agreement established for four years an outside, seven-member Task Force to provide independent oversight of The Coca-Cola Company's compliance with the terms of the Agreement. The Task Force is empowered to evaluate the Company's human resources policies and practices, recommend any necessary improvements to those policies and practices, monitor Coca-Cola's practices for the duration of the Agreement, investigate complaints, and provide periodic written reports on the Company's progress toward the terms of the Agreement. The Task Force submits this First Annual Report, covering the period through June 2002.

In the Agreement, The Coca-Cola Company committed to evaluate and, where appropriate, implement specific changes to human resource programs for its employees.<sup>1</sup> The Agreement defined the objective of these changes in the Statement of Principle:

The Coca-Cola Company commits to excel among Fortune 500 Companies in promoting and fostering equal opportunity in compensation, promotion, and career advancement for all employees in all levels and areas of the business, regardless of race, color, gender, religion, age, national origin, or disability, and to promote and foster an environment of inclusion, respect and freedom from retaliation. The Company recognizes that diversity is a fundamental and indispensable value and that the Company, its shareholders and all of its employees will benefit by striving to be a premier "gold standard" company on diversity. The Company will set measurable and lawful business goals to achieve these objectives during the next four years.

The Agreement applies to all non-hourly U.S.-based employees of The Coca-Cola Company. Three major business units of The Coca-Cola Company employ the nearly 7,000 employees covered by the Agreement: Corporate, Coca-Cola North America (CCNA) and The Minute Maid Company (TMMC). Individuals working for companies that bottle Coca-Cola's products are not covered by the Agreement because they are not employees of The Coca-Cola Company.

As the Court recognized in approving the Agreement, the Company's commitment to the Agreement and its Statement of Principle is "historic . . . [and] . . . the possibilities for change and for improving the lot of all employees at Coca-Cola are tremendous."<sup>2</sup> The Task Force's mission is to assist the Company to make this tremendous potential a reality for its employees.

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<sup>1</sup>These commitments are set forth in the "Mandate for Review" and "Specific Programmatic Relief" sections of the Agreement (Sections II.D.6 and II.D.7) and included here in Appendix A.

<sup>2</sup>Transcript of 5/29/01 Fairness Hearing at p. 214.

## **EXECUTIVE SUMMARY**

In the Settlement Agreement, The Coca-Cola Company committed to conduct a "top-to-bottom" review of its human resources systems, promote and foster a diverse environment within the Company, and take necessary action to ensure fairness and equal employment opportunity. Under the oversight of the Task Force since approval of the Agreement, Coca-Cola has focused its initial efforts on evaluating its past human resource practices and designing new and improved systems to meet its commitments. Proper design of such systems is critical to achieving the results contemplated by the Agreement and the Statement of Principle over the next four years. The Company also has made significant changes in the operational structure and authority of its human resource department, in order to improve consistency in human resource policies and procedures and ensure effective implementation and monitoring of systems.

During the first year of its four-year term, the Task Force has reviewed and evaluated the Company's design and initial implementation of revised human resource systems and conferred with class counsel, the Board of Directors and court-appointed experts as needed. With limited exceptions, Coca-Cola's various human resource initiatives meet, and in some cases exceed, the requirements of the Agreement concerning design and initial implementation. Some of these initiatives include:

- Conducting routine monitoring of various human resource systems, including performance management, staffing, compensation, and problem resolution, to ensure fairness and consistency. Importantly, this monitoring includes independent audits and adverse impact analyses, with periodic reports to senior management and the Board of Directors.
- Implementing a uniform performance management system for all U.S.-based employees to ensure fair, documented performance evaluation based on specific, job-related measurements. In addition to mandatory training for managers and employees, the revised system is designed to increase senior management accountability by tying their own performance reviews and compensation to their effectiveness in performance management. The system also provides for improved internal oversight and control by corporate human resources and the Company's EEO department through routine audits, adverse impact analyses and an employee appeals process.
- Implementing changes to its compensation system, including replacing a single salary structure with a series of market-based salary structures, moving to a common review date for merit increases, providing additional training and resources for managers to make appropriate compensation decisions, instituting routine pay equity analyses of compensation decisions, and reinforcing the connection between performance management and merit increases. Other changes remain to be done.

- Initiating executive briefings and strategic thinking sessions among senior management regarding the Company's diversity strategy. It is this strategy through which the Company will integrate diversity into its routine policies and practices, by ensuring that all managers understand the business imperative for its commitment to diversity. Importantly, the Company also has begun to implement mandatory diversity awareness training for managers and employees company-wide. The two-day program focuses on work-relevant situations and reinforces a connection with the Company's diversity strategy.
- Implementing a "Solutions" program to provide employees several avenues by which to resolve problems, including a new employee hotline and ombudsperson program. Designed to focus on resolving employee disputes on a more timely basis at the local manager level, the program also has components to ensure employee use without fear of retaliation and to promote better management accountability. The CEO also meets one-on-one on a monthly basis with the ombuds director.
- Piloting a large-scale one-on-one mentoring program. Based on the success of the pilot program, the Company is expanding its mentoring program to include a company-wide, formal one-on-one mentoring program, a group mentoring process and a self-study guide for those who choose not to participate in the formal program. The program incorporates many best practices, including substantial support for participating employees and managers.

The Company is still revising and expanding three systems to comply fully with the Agreement. The Task Force expects the Company to design a revised career development system by December 2002 and implement it by March 2003. The Task Force will review and monitor this process and report on it in its next annual report. Regarding succession planning, the Company reports that in July 2002 it began implementing a succession planning process for salary grade 14 and above to replace several organization-specific systems used previously. However, the Company had not presented the design and implementation plans for its proposed process to the Task Force prior to June 2002. Accordingly, the Task Force has not reviewed and approved the process the Company has begun implementing. The Task Force expects to review these processes this Fall and will monitor all changes and report on this revised process in its 2003 report. The Company also has decided to expense stock options and therefore is reviewing its approach to compensation systems. The Task Force expects to review any additional revisions to the compensation process and will monitor and report on this revised process in its next report.

Initial data suggests that some newly implemented programs are working as planned. The Task Force will continue to monitor carefully Coca-Cola's more complete implementation of the initiatives now underway and will ensure that the remaining systems are properly designed and implemented. In addition, the Task Force will continue to gather information from a variety of sources, including Coca-Cola employees, managers and executives, to monitor and evaluate whether different or additional initiatives may be warranted. In all cases, progress has been and will be measured against a quantitative

baseline established in June 2002, a date selected to provide initial data from which to evaluate systems year-to-year and to allow sufficient time for the Task Force to analyze data for each Report over its four-year term.

The Task Force also is overseeing the design of a new \$10 million program for employee promotion, consistent with the goals and requirements of the Agreement. The Task Force notes that as of July 31, 2002, Coca-Cola has paid approximately \$79 million in settlement funds, which reflects that 99% of eligible employees (2,187 of 2,201) have received payment under the Agreement.

Despite progress in these early stages of the Agreement, significant challenges remain. For example, a distinct gap exists between white and racial and ethnic minority employees' perception of the Company's efforts related to equal employment opportunity and diversity. Data from the Company's employee engagement survey revealed that, on average, African American employees were less positive concerning fairness within the Company than were white employees, particularly with regard to advancement and career development. In addition, racial and ethnic minority employees expressed more skepticism about the fairness of human resource processes within the Company and how successful its new initiatives will be.

The Company declared in the Agreement that diversity is a fundamental and indispensable value and that fostering a climate hospitable to employees of diverse backgrounds demands a sustained commitment of corporate resources and support emanating from the very top of the Company. The Task Force believes such sustained commitment also is required for developing and implementing procedures to ensure strict compliance with the Statement of Principle. The Company must not only say it is committed to diversity, but must demonstrate that commitment through its actions.

In the view of the Task Force, the Company missed an important opportunity to show its commitment to diversity when nominating two people to its Board of Directors at its annual shareholders meeting in the Spring of 2002. The Task Force believes the Company's failure to consult with the Task Force with respect to the nominations undermined its diversity efforts and suggested a lack of sensitivity to declared diversity goals. In response to the Task Force's concerns following the announcement, Chairman & CEO Douglas Daft met with the Task Force and committed the Company to a consultative process with the Task Force in the future selection of board members. The Task Force believes that that commitment affirms the Company's overall goal of a racially and ethnically diverse workplace.

With consistent, sustained effort at all levels of the Company, the significant time and resources Coca-Cola has spent designing improved systems, and its plans to implement and monitor these systems, should pay dividends for the Company and its employees. Future Task Force reports over the remainder of its four-year term will focus increasingly on the tangible results of Coca-Cola's efforts toward the settlement goals. The Task Force believes even the best designed systems will not work unless executives, managers and employees understand, accept and properly use them -- not only because they are legally required, but also because they reflect fundamental values and make good business sense.

## **METHODOLOGY AND ORGANIZATION OF REPORT**

To fulfill its duty of providing independent oversight, the Task Force met with the Court in July 2001 and has convened in person approximately once every month since then. Over the same period, subcommittees of the Task Force and two Court-appointed experts selected by The Coca-Cola Company and class counsel (the "joint experts") have held more than 20 additional conferences.

During the past year, the Task Force has examined extensively Coca-Cola's human resources policies and practices, reviewed significant information relating to such practices and the Coca-Cola workforce, and met with several Company executives, including Douglas Daft, Chairman and Chief Executive Officer, Donald McHenry, Chairman of the Public Issues and Diversity Review Committee of the Board of Directors, and Deval L. Patrick, General Counsel. The Task Force and its subcommittees also have attended numerous briefings by senior managers of The Coca-Cola Company to obtain additional information about, and insight into, the business and human resources challenges facing the Company. In addition, the Task Force has met with a number of the plaintiffs in the underlying litigation, and the Chair of the Task Force has conferred with class counsel and Coca-Cola's Board of Directors when needed.

The Task Force has relied extensively on the work of the joint experts, Dr. Kathleen K. Lundquist and Dr. Irwin L. Goldstein, who were appointed by the Court to review the Company's human resource practices. As required by the Agreement, and under Task Force oversight, the joint experts prepared a "Joint Expert Report and Recommendation" exclusively and confidentially for the Task Force. The extensive and thorough analysis from the joint experts has been included in this Report and helps form a primary basis for the Task Force's initial conclusions, assessments and recommendations. The Task Force sincerely appreciates the hard work and expert advice they have brought to this process.

The Task Force also has benefited substantially from numerous briefings and presentations by Company personnel. Discussions among the Task Force members, the joint experts and the Company's executives and staff have been candid and constructive. The Company has been responsive and forthcoming with information and logistical support, and has worked diligently with the joint experts in designing and implementing new and revised human resource systems to benefit Company employees and promote diversity throughout the organization. The Task Force appreciates and thanks Coca-Cola for facilitating its work.

Over the course of its work, the Task Force determined that the terms and goals of the Agreement could best be realized by organizing the general areas set forth in its Specific Programmatic Relief sections into nine human resource functional systems. The functional structure created not only will allow the Task Force to ensure that the Company achieves the requirements set forth in the Agreement's Mandate for Review and Specific Programmatic Relief, but it also will assist both the Company and the Task Force in monitoring well into the future.

## I. Organization of the Nine Human Resource Systems.

The Agreement covers a wide range of human resources practices and procedures in various areas. As noted, the Task Force organized these practices and procedures into nine categories, representing the human resource areas to which they relate (e.g., staffing, performance management, etc.). These nine human resource systems are shown in the diagram below.



- **Performance Management** covers the annual appraisal of employee job performance and the procedures used to communicate expectations and provide feedback on performance throughout the year, and at year-end.
- **Staffing** covers the identification of internal and external candidates for employment positions (through job posting and recruitment, respectively), the assessment of candidates' qualifications (primarily through structured interviews) and the process for selecting from among candidates.
- **Compensation** includes the process for classifying jobs into pay grades; making base pay, bonus and stock option decisions; and evaluating the fairness of resulting compensation decisions.
- **Diversity Education** includes diversity awareness education programs, related strategies to promote diversity and reinforcement of diversity concepts over time through human resources policies, programs and practices.

- **EEO** covers compliance with federal and state laws and regulations related to equal opportunity and affirmative action, as well as monitoring the fairness of ongoing human resources systems through adverse impact analyses, exit interviews and diversity goal-setting.
- **Problem Resolution** covers the methods for internally surfacing, investigating and resolving employee complaints, including the ombuds function.
- **Career Development** covers programs designed to assist employees at all levels in the organization to define their career objectives, assess existing skills and develop additional skills needed for a desired career path.
- **Succession Planning** relates to the identification, assessment and development of internal candidates for senior management positions (within Coca-Cola these are salary grades 14 and above), including the defining of candidate slates and planning for management continuity.
- **Mentoring** covers both one-on-one and group or self-study programs in which a coach other than an employee's supervisor assists the employee to identify and develop the experience and expertise necessary for their desired professional development.

In order to provide specific job-related content necessary for these systems, the Task Force has ensured, as required by the Agreement, that the Company will complete an extensive work analysis. "Work analysis" is a formal process for gathering job data to identify the key responsibility areas (KRAs) and required competencies (i.e., knowledge, skills and abilities) for each particular job. This data will support the ultimate job-relatedness and content of many human resources systems, as is discussed within each section below. The Task Force expects the work analysis to be completed by December 2002 and fully integrated into appropriate human resource systems in 2003.

In addition to work analysis data, the Task Force will collect and review qualitative and quantitative data for monitoring implementation of targeted changes in the human resource systems. This will include gathering employee perceptions of the fairness and adequacy of human resource systems through an employee engagement survey and tracking quantitative program metrics, such as the percentage of employees who complete required training. The Company's May 2002 employee engagement survey will serve as the baseline from which the Task Force will evaluate the Company's progress in achieving the overall workforce environment set forth in the Statement of Principle. The Task Force also will use demographic data as of June 2002 as a baseline for evaluating progress toward the equal employment opportunity and diversity commitments in the Statement of Principle and other provisions of the Agreement. The Task Force expects to present these data in each annual report over the remainder of its four-year term, using June 30 of each year as the designated date against which to evaluate progress.

## **II. Measuring Progress: Assessing the Nine Systems.**

For purposes of this first Report, the Task Force will present three primary types of information for each of the nine human resources practice systems:

### **A. Introduction**

This section defines each system and briefly summarizes its current status.

### **B. Program Design and Implementation**

This section describes the processes to be used by Coca-Cola and references best practices identified by the joint experts and used by the Task Force to evaluate each system. In some instances Coca-Cola has already implemented newly designed systems, while in other cases new programs have been designed but not fully implemented. In a few cases, the systems have not been fully developed and are still being discussed with and reviewed by the Task Force. For each system, the Task Force reviews the Company's progress as of June 2002, which even in this first of four annual reports provides some new employment data and some preliminary assessment of progress under Coca-Cola's revised human resources structure and data reporting systems. Progress against the "Specific Programmatic Relief" requirements of the Agreement is discussed more fully in Appendix A.

### **C. Task Force Assessment and Recommendations**

This section provides a specific assessment of the Company's progress (including employee survey results where applicable) and recommended courses of action for each human resource system.

During its first year of its four-year term, the Task Force focused principally on ensuring that the Company *designed* the best human resources systems possible for Coca-Cola employees. The Task Force was guided by best practices as identified by the joint experts based on their experience, a review of relevant literature and a comparison of Coca-Cola and its peer organizations. Relying on these best practices as a guide, the Task Force evaluated, recommended changes to, and ultimately approved various new or revised human resource systems proposed by the Company.

During the next year, the Task Force will focus increasingly on routine monitoring of implementation and effectiveness of these systems to ensure that they are working as designed and progress is being made. Feedback from such monitoring also will allow the Company to modify systems as needed to better serve employees and will provide data for further strategy development.

## **THE COMPANY'S ORGANIZATIONAL STRUCTURE**

The nearly 7000 non-hourly U.S.-based employees of the Coca-Cola Company who are covered by the Settlement Agreement work in three major organizational units: Corporate, Coca-Cola North America (CCNA) and The Minute Maid Company (TMMC). Since they are not employees of the Coca-Cola Company, individuals working for bottlers are not covered by this Agreement.

Prior to the Agreement, the three major U.S.-based organizations of the Company (Corporate, CCNA and TMMC) maintained separate human resource departments, with only general policy guidance provided by corporate human resources to the remainder of the organization. As a result, a culture developed so that each of the business units viewed itself as unique and separate, with widely varying human resource processes within and across the three major business organizations. There was little central monitoring and coordination of human resource programs, and any monitoring or coordination that occurred was made more difficult by the limited data on human resource systems within and across the various business units.

Since the Agreement, Coca-Cola has revised the structure and authority of its Human Resource Department within the Company as a whole. Under the revised structure, corporate human resources controls the overall design of policies and procedures, and the local human resource departments are responsible for proper implementation of the revised human resource systems, with routine monitoring and audits by corporate human resources to ensure consistency and effectiveness. The Company also has begun to assemble a uniform data system to track human resource programs and initiatives across business units.

## **BASELINE INFORMATION**

As described above, June 30 of this year was selected as the closing date for information and data collection for this first Report. In succeeding years, the same closing date will be used in future reports to the Court. Thus, the data described in this document sets forth baseline information against which the Task Force will measure changes over time and in future reports over the next three years.

At present, there are three types of available baseline information:

- 1) Information about the degree to which the Company has met each of the requirements set forth in the Agreement. As one would expect, a number of requirements have been met, others currently are in process and still others will be the focus of attention at a later date. In Appendix A, the Task Force provides a detailed listing of each of the Agreement requirements and the Task Force's judgment on the status of each requirement.
- 2) Information about the demographics of the workforce in the Company as of June 30, 2002, which will be used in each successive year to compare changes in the composition of the workforce at Coca-Cola.
- 3) Information from an employee engagement survey conducted in April 2002, with data regarding attitudes and perceptions of Company employees. Many of these items were written by the Task Force and the joint experts and were included in a broader employee survey developed and conducted by the Company in conjunction with an outside vendor. The Task Force will work with the Company to develop a process to collect information regarding diversity and human resource systems on an annual basis, so that the Task Force has data necessary for each of its succeeding reports to compare changes in perceptions and attitudes. The results from the April 2002 survey relating generally to employee perceptions and attitudes regarding the Company's diversity climate, fairness, and general workforce climate will be discussed below. Items related to specific human resource practices are discussed under the appropriate section of the Report.

## **WORKFORCE DEMOGRAPHICS**

As of June 30, 2002, The Coca-Cola Company's non-hourly U.S.-workforce (i.e., those employees covered by the Agreement) consisted of a total of 6,864 employees, a number which has remained relatively constant in recent years, increasing only 3.5% since year-end 2000. Table 1 below shows that the workforce is roughly 50% female and 30% minority, with approximately two-thirds of the minority workforce being African American. The relative percentage of minorities in the workforce has increased 4% from December 31, 2000 to June 30, 2002, with the largest gains occurring among African Americans and Asian Americans.

Table 2 shows the level of jobs by salary grade that minority and female employees occupy. The salary grades shown correspond roughly to support personnel jobs (salary grades 1-8), professional jobs (salary grades 9-12), management jobs (salary grades 13-15) and executive jobs (salary grades 16 and above). Although minorities account for 30% of all employees, they represent approximately 47% of support personnel, 24% of professionals, 16% of managers and 20% of executives. African Americans, who constitute 20% of the workforce, account for 37% of support personnel, 14% of professionals, approximately 9% of managers and 10% of executives. Women, who represent approximately 50% of the total workforce, account for two-thirds of support personnel, 45% of professional jobs, 29% of managerial jobs and 17% of executive jobs.

Table 3 shows the Company's hiring activity from January 1, 2002, to June 30, 2002. Out of 301 new hires, 55% were women, 29% were minorities and 17% were African Americans. Approximately, 26% of managers and 24% of professionals hired during the period were minority applicants.

Finally, Table 4 shows the relative rates of promotion and termination for various groups from January 1 to June 30 of this year. Both women (5.0%) and minorities (5.7%) were promoted at a higher rate than were white men (4.7%). This higher rate of promotion was consistent for African Americans (5.4%), Hispanics (6.4%), Asian Americans (6.6%) and Native Americans (5.0%). This pattern of promotional rates was similar by job group for support personnel, professionals and managers, however among executives women (21.7%) and minorities (31.6%) significantly exceeded the promotion rates of men (3.7%) and white men (1.5%). For voluntary and involuntary terminations, rates were similar across groups, except for a somewhat higher rate of terminations (both voluntary and involuntary) for Asian Americans.

Table 1

**TOTAL U.S. WORKFORCE – NON-HOURLY**

	12/31/00		12/31/01		06/30/02	
I. Total	6628		6728		6864	
<b>Males</b>	3350	(50.5%)	3397	(50.5%)	3483	(50.7%)
<b>Females</b>	3278	(49.5%)	3331	(49.5%)	3381	(49.3%)
➤ <b>White Females</b>	2136	(32.2%)	2152	(32.0%)	2187	(31.9%)
➤ <b>Minority Females</b>	1142	(17.2%)	1179	(17.5%)	1193	(17.4%)
<b>Total Minorities</b>	1900	(28.7%)	2008	(29.8%)	2046	(29.8%)
➤ <b>African Americans</b>	1308	(19.7%)	1400	(20.8%)	1408	(20.5%)
➤ <b>Hispanic</b>	367	( 5.5%)	362	( 5.4%)	375	( 5.5%)
➤ <b>Asian</b>	209	( 3.2%)	226	( 3.4%)	238	( 3.5%)
➤ <b>Native American</b>	16	( 0.2%)	20	( 0.3%)	25	( 0.4%)

Table 2

### TOTAL WORKFORCE – BY SALARY GRADE 6/30/02

	SG 16+ (Executive)	SG 13-15 (Management)	SG 9-12 Professional	SG 1-8 (Support)
<b>Total</b>	112	879	3788	2089
<b>Males</b>	93 (83.0%)	621 (70.6%)	2095 (55.3%)	680 (32.5%)
➤ <b>White Males</b>	77 (68.8%)	522 (59.4%)	1672 (44.1%)	367 (17.6%)
<b>Females</b>	19 (17.0%)	258 (29.4%)	1693 (44.7%)	1408 (67.5%)
➤ <b>White Females</b>	13 (11.6%)	218 (24.8%)	1219 (32.2%)	737 (35.3%)
➤ <b>Minority Females</b>	6 ( 5.4%)	40 ( 4.6%)	474 (12.5%)	672 (32.2%)
<b>Non-Minorities</b>	90 (80.4%)	740 (84.2%)	2887 (76.2%)	1104 (52.8%)
<b>Total Minorities</b>	22 (19.6%)	139 (15.8%)	901 (23.8%)	985 (47.2%)
➤ <b>African Americans</b>	11 (9.8%)	81 ( 9.2%)	537 (14.2%)	779 (37.3%)
➤ <b>Hispanic</b>	5 ( 4.5%)	39 ( 4.4%)	183 ( 4.8%)	148 ( 7.1%)
➤ <b>Asian Americans</b>	6 ( 5.4%)	19 ( 2.2%)	167 ( 4.4%)	47 ( 2.3%)
➤ <b>Native Americans</b>	0 ( 0.0%)	0 ( 0.0%)	14 ( 0.4%)	11 ( 0.5%)

Table 3

**HIRING ACTIVITY – NON-HOURLY WORKFORCE  
(1/1/02 to 6/30/02)**

	<b>Executives</b>	<b>Managers</b>	<b>Professionals</b>	<b>Sales Workers</b>	<b>Other Workers</b>
<b>II. Total</b>	1	43	159	19	79
<b>Males</b>	1 (100%)	24 (55.8%)	80 (50.3%)	11 (57.9%)	20 (25.3%)
➤ <b>White Males</b>	0 ( 0%)	17 (39.5%)	63 (39.6%)	9 (47.4%)	12 (15.2%)
<b>Females</b>	0 ( 0%)	19 (44.2%)	79 (49.7%)	8 (42.1%)	59 (74.7%)
➤ <b>White Females</b>	0 ( 0%)	15 (34.9%)	58 (36.5%)	7 (36.8%)	32 (40.5%)
➤ <b>Minority Females</b>	0 ( 0%)	4 ( 9.3%)	21 (13.2%)	1 ( 5.3%)	27 (34.2%)
<b>Non-Minorities</b>	0 ( 0%)	32 (74.4%)	121 (76.1%)	16 (84.2%)	44 (55.7%)
<b>Total Minorities</b>	1 (100%)	11 (25.6%)	38 (23.9%)	3 (15.8%)	35 (44.3%)
➤ <b>African Americans</b>	0 ( 0%)	7 (16.3%)	19 (12.0%)	1 ( 5.3%)	23 (29.1%)
➤ <b>Hispanic</b>	1 (100%)	3 ( 7.0%)	10 ( 6.3%)	0 ( 0.0%)	9 (11.4%)
➤ <b>Asian</b>	0 ( 0%)	1 ( 2.3%)	9 ( 5.7%)	1 ( 5.3%)	2 ( 2.5%)
➤ <b>Native American</b>	0 ( 0%)	0 ( 0.0%)	0 ( 0.0%)	1 ( 5.3%)	1 ( 1.3%)

Table 4

**PERSONNEL ACTIVITY – NON-HOURLY WORKFORCE,  
AS A PERCENTAGE OF SEGMENTED POPULATIONS  
(1/1/02 to 6/30/02)**

	<b>Segmented Populations</b>	<b>Promotions</b>	<b>Voluntary Terminations</b>	<b>Involuntary Terminations</b>
<b>Males</b>	3397	4.8%	1.6%	1.9%
➤ <b>White Males</b>	2568	4.7%	1.5%	1.6%
<b>Females</b>	3331	5.0%	2.4%	1.7%
➤ <b>White Females</b>	2152	4.5%	2.9%	1.6%
➤ <b>Minority Females</b>	1179	6.0%	1.4%	1.9%
<b>Non-Minorities</b>	4720	4.6%	2.1%	1.6%
<b>Total Minorities</b>	2008	5.7%	1.6%	2.3%
➤ <b>African Americans</b>	1400	5.4%	1.4%	2.3%
➤ <b>Hispanic</b>	362	6.4%	1.7%	1.9%
➤ <b>Asian</b>	226	6.6%	3.1%	3.5%
➤ <b>Native American</b>	20	5.0%	0.0%	0.0%

## **EMPLOYEE ENGAGEMENT SURVEY**

### **I. Diversity Climate**

To measure employee perceptions and attitudes regarding the diversity climate at the Company, the Task Force and the joint experts drafted specific items to include in the employee engagement survey conducted in April 2002:

- The Company consistently treats all employees fairly.
- Senior management visibly demonstrates that having a diverse workforce is important for the Company's business success.
- The Company is committed to creating a work environment that respects diversity and fosters equal opportunity.
- The Company does not go far enough in fostering an atmosphere that respects diversity and equal opportunity.
- The way employees are treated in the Company is not affected by prejudice based on bias and stereotypes.

The results of the survey show an overall pattern of statistically significant differences between perceptions of African American and white employees on these diversity climate items. The average ratings of the Company by African Americans and whites were almost a full point different (on a 6-point scale), with African American employees expressing substantially less positive opinions about the diversity climate at the Company than white employees. The general pattern of results shows that white employees are most positive about the Company's diversity climate, followed by Native American,<sup>3</sup> Hispanic, Asian American and African American employees. The pattern of results also indicates that men were more positive about these measures than women, and executives and managers were more positive than professional and support personnel. The gender and job level differences also were statistically significant.

### **II. Fairness**

As part of the same survey, the Task Force and joint experts also developed items to measure employee perceptions of fairness for each of the human resource systems specified in the Agreement (e.g., performance management and diversity training). The survey results for these fairness items were quite similar across the various human resource systems covered, such as "I believe the process of making pay decisions is fair here" or "I believe I would be treated fairly if I try to appeal my performance appraisal" or "Advancement in the company is based too much on whom you know." On average, responses from African American employees regarding fairness within the Company were less positive than white employees. Hispanic and Native American employees showed similar score patterns to white employees, while Asian American employee ratings regarding Company fairness fell between white and African American employees. In general, African American employee responses rated

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<sup>3</sup>The sample sizes for analyses were quite low for Native American employees.

the Company lowest on fairness items related to advancement and career development systems, including with regard to statements such as “I believe career opportunities here go to the most qualified person” or “The way people are identified for advancement in the Company is fair.” However, the overall pattern of scores relating to the Company's advancement and career development systems, as compared to other human resource systems, was uniformly low in responses for all employee groups irrespective of race.

### **III. Company Climate Measure**

The employee engagement survey also included responses to the following statements regarding the general work climate in the organization, which were previously used in surveys developed for the Company:<sup>4</sup>

- I would highly recommend the Company to a friend seeking employment.
- It would take a lot to get me to leave the company.
- Given the opportunity, I tell others great things about working here.
- The Company's policies and procedures create a positive work environment for me.
- For me the Company is a terrific place to work.
- I am proud to say I work for the Coca-Cola Company.

For all employee groups, the average ratings on these items were higher than for either diversity climate items or fairness items. For example, the average rating of the Company by African American employees on all company climate items combined was a full scale point higher than their average rating of the Company on diversity climate items. While the ratings on company climate were higher for all groups, the general pattern of results on these items indicated that African American employees were least positive about the Company; white, Asian American and Native American employees were next and had similar scores; and Hispanic employees were most positive. Men and women rated the Company very similarly. Executives and managers were most positive about the Company as compared to professionals and support personnel.

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<sup>4</sup> Hewitt Associates was the vendor that developed these questions for the Company.

## **ASSESSMENTS OF HUMAN RESOURCE SYSTEMS**

### **I. Performance Management**

#### **A. Introduction**

Performance Management<sup>5</sup> includes annual appraisal of employee job performance and procedures used to communicate job expectations and provide feedback on performance on an ongoing basis and through a year-end performance rating. The performance rating is used for compensation, promotion and other employment decisions.

The Company in this area has done a substantial amount of work. The Company has implemented a new performance management process for Corporate and Coca-Cola North America employees in the 2002 review cycle (covering job performance in calendar year 2002) and will complete implementation for all employees covered under the Agreement in the 2003 review cycle. Appendix A contains the specific provisions of the Agreement related to performance management and details the Company's progress in making such changes in its process.

#### **B. Program Design and Implementation**

The Company has selected a single performance management system for all U.S.-based employees, following a model that was used at the corporate level prior to the Agreement. The goal of the process is to ensure a fair, documented performance evaluation based on specific, job-related measurements. The process also provides for improved internal oversight and control over the performance management system as a whole by the corporate human resources department and the Company's EEO department.

As designed, each employee is supposed to meet with his or her manager at the beginning of the review cycle to define specific measurable performance objectives for the year, along with a series of competencies that will be required to execute those performance objectives. This mutually agreed upon performance plan forms the basis for ongoing performance feedback throughout the course of the year, as well as for year-end annual performance ratings. In addition, developmental opportunities are identified, and progress against a development plan is tracked throughout the year. At the end of the review cycle, employees provide self-assessment information to their managers, and managers evaluate and rate employee performance. The rated employee receives a copy of the performance appraisal form, which includes an opportunity for employee comment and notice of the employee's right to appeal.<sup>6</sup>

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<sup>5</sup>The Settlement Agreement refers to this system as "performance evaluation." The Task Force refers to the general system requirements mandated by this section as "performance management."

<sup>6</sup> The Company also has developed and implemented a multi-faceted, multi-step appeals process for any management decision, including those associated with performance appraisals, as discussed in the "Problem Resolution" section of this Report.

Consistent with best practices, the performance management system includes a midyear review; mandatory two-day training of both managers and employees in how the system works; active employee involvement in planning, tracking and reviewing their own performance; and an appeals process. Additional mandatory training in coaching and feedback has been provided for managers. At the end of each review cycle, managers are also trained in how to provide accurate ratings, followed by separate "rater calibration" sessions to support consistent use of the rating scales. The performance management system will provide performance management refresher training through annual working sessions. It is expected that all managers will complete mandatory training in the use of the new process by December 2002, and that all managers will attend coaching and feedback and rater accuracy training by the end of 2003.

The Company also is currently conducting a thorough work analysis of all jobs held by non-hourly U.S.-based employees in salary grades 15 and below, to be completed by December 2002. Consistent with best practices, the Company plans to incorporate work analysis data into the performance management process to ensure that employees are rated on job-related content. The work analysis data will be used as the basis for developing behaviorally-anchored rating scales for substantial population jobs in Grades 1-15. These scales are expected to be completed by the first quarter of 2003, with substantial population jobs reviewed using the behaviorally-anchored evaluation form beginning in the first quarter of 2004.

Going beyond the specific requirements of the Agreement, the Company has further committed to train all non-hourly U.S.-based employees on the new performance management system. Such training will include how to set goals and how to monitor one's own performance against those goals. It is expected that all employees will complete this training by December 2002.

The new system also is designed to increase accountability of senior management for ensuring the accuracy and fairness of performance evaluations. Not only will managers review ratings provided by their management teams, managers' own performance evaluations and their compensation will be based on a set of "people metrics" which measure effectiveness in diversity, performance management, employee development and organizational engagement.

Finally, the Company will conduct annual adverse impact analyses on all performance appraisal ratings for U.S.-based employees, also consistent with best practices. Adverse impact analyses have been designed into the Company's EEO monitoring requirements, following review and approval from the Task Force. The Company also has committed to audit randomly 10% of all U.S.-based performance appraisals annually. In addition, the Company's EEO department will independently audit 2% of these appraisals annually. The Task Force anticipates including the data from these analyses in its future reports.

### **C. Task Force Assessment and Recommendations**

The design, planning and initial implementation of the performance management system meet Task Force expectations stemming from the terms of the Agreement. Moreover, the Task Force recognizes that the Company's commitment to train both employees and managers in the use of the new process goes beyond the requirement in the Agreement to train only managers. While partial implementation of the new process has occurred already, the Task Force believes it still is premature to evaluate its effectiveness at this time.

Since the new process has been implemented for a large part of the Company, however, the results of the employee engagement survey provide some interesting data regarding employee perceptions of the new process. In general, managers and employees using the new performance management process hold a more positive view of its fairness and effectiveness than those using other systems. While African Americans were somewhat less positive than whites about the performance management process, both groups were more positive about the new process than previous processes. Moreover, African American managers using the new process were more likely to indicate that they and their employees were being evaluated based upon factors relevant to their jobs. One area for improvement is ongoing two-way communication between managers and employees about performance so that the final review rating does not come as a surprise.

The Task Force makes the following specific recommendations for the performance management process:

1. Continue to implement the performance management process as presented in the proposed system design.
2. Integrate the work analysis data (when available) into the performance management process to ensure the job relatedness of the criteria on which employees are evaluated.
3. Develop the behaviorally-anchored rating scales for all substantial population jobs, as required by the Agreement. This will ensure that each rating scale will describe concrete behaviors on which employees will be rated.
4. Monitor the individual performance objectives developed by managers and employees for quality and consistency across individuals in the same jobs.
5. Monitor employee-supervisor processes, such as the mid-year review and the pre-appraisal meetings to set objectives, to ensure they are implemented as designed.
6. Monitor the appeals process and continue to monitor the engagement survey data to ensure that the performance appraisal process is functioning as planned.

7. Continue training supervisors and employees so that all persons are adequately trained and ensure communication about performance is ongoing.
  8. Conduct adverse impact analyses of performance appraisal data and results to determine whether other systems, such as training, need to be modified or whether new systems need to be implemented.
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## **II. STAFFING**

### ***A. Introduction***

Staffing involves the identification of both internal and external candidates for positions (through job posting and recruitment respectively), the assessment of their qualifications (primarily through structured interviews) and the process for making a selection decision among candidates.

The Company has implemented a new job posting process, expanded its diversity recruitment efforts and increased monitoring of all phases of the staffing process. Additional work on the structured interview and applicant tracking systems is in process.

Appendix A contains the specific provisions of the Agreement related to staffing and details the Company's progress in making necessary changes in its process.

### ***B. Program Design and Implementation***

The Company has chosen to design and implement new staffing processes for both internal and external candidates, even though the requirements of the Agreement cover only internal candidates. Using an integrated talent acquisition approach to staffing, the Company plans to use recruitment of external candidates and a centralized job posting process for internal candidates to build a diverse talent pool for selection opportunities throughout the Company. In a change from past practice, the talent acquisition process will be centrally controlled, coordinated, and monitored by corporate human resources. Clearly stated corporate policies regarding staffing will be communicated company-wide.

Talent acquisition will begin with a forecast of the talent needed to meet the changing needs of the business. A talent forecasting tool is currently under development for this purpose. Once talent needs are identified, candidates may be sourced either externally or internally.

For external recruitment, the Company has identified a targeted set of search firms based on performance criteria such as the formal requirement that candidate pools be diverse in both race and gender, consistent with best practices. The Company also has increased its emphasis on alternatives to search firms, including

more targeted college recruiting (with greater emphasis on campuses with minority enrollment), strategic relationships with associations focused on diverse candidates, a greater web presence, and institution of an employee referral program. The Company will also institute a new applicant tracking system to upgrade data for monitoring purposes.

The Company utilizes an automated, internal job posting process, the People Opportunity Program ("POP process"). All vacant positions at salary grade 13 and below must be posted on the system. The POP process specifies that a candidate pool must consist of three or more candidates, at least one of whom must be a woman or a minority. Employees may self-nominate for posted positions and may appeal any decision not to refer them to a candidate slate.

Through May 31, 2002, the POP process allowed hiring managers to specify job requirements, which were reviewed by the talent acquisition organization. Beginning in July 2002 and continuing through the completion of the work analysis, job profiles for each vacant position using work analysis data will be included with the POP posting. By January 2003, all job postings include job profiles containing work analysis data, consistent with best practices. These objective criteria for promotion or selection will list the essential job functions, knowledge, skills, abilities and other requirements for each position.

The POP system is an improvement from the manual job posting system (the Job Opportunity System) that was previously in place for jobs at salary grade 12 and below. That system did not require diverse candidate slates; it did not require that all job vacancies be posted; it did not always require that all job requirements be job-related; it was not always easily accessible to interested employees; and it did not require routine monitoring and reporting.

For salary grade 13 positions and above, any non-diverse candidate slates may be considered only upon approval or modification by the Vice President of Human Resources. The Task Force will receive semi-annual reports from the Senior Vice President of Human Resources on candidate slates for positions at salary grade 13 and above to enable the Task Force to monitor that a diverse pool of candidates have been routinely considered for each such position.

Once candidates are referred for a job vacancy, the Company will use a structured interview process to assess candidate qualifications and make selection decisions, consistent with best practices. The Company plans to revise and re-implement an existing structured interview process company-wide. Although the Company has provided some training in structured interviewing to managers and human resources professionals, it is reviewing the design of the process and developing a strategy to enhance consistency, design effectiveness and the overall quality of the structured interview process. The Task Force expects to begin reviewing this revised process between October and December 2002. The structured interview process will be implemented with two-day training for interviewing managers, standard

interview guides, and oversight by human resources personnel to monitor interview execution. Human resource professionals also will receive detailed training in the process and system of the structured interview.

Employees may also appeal promotion decisions, using the Problem Resolution process described later in this report.

Initial data suggests that the new/revised staffing programs appear to be working as planned. For example, in regard to the revised promotion process, which requires diverse candidate slates per the Agreement, rates of promotion from January through June 2002 for women (5.0%) and minorities (5.7%) was higher than for white men (4.7%). This higher rate of promotion was consistent for African Americans (5.4%), Hispanics (6.4%), Asian Americans (6.6%) and Native Americans (5.0%). This pattern of promotional rates was similar by job group for support personnel, professionals and managers; however, the promotion rates for women (21.7%) and minorities (31.6%) for executive positions was significantly higher than the promotion rates of men (3.7%) and of white men (1.5%).

The Company is currently providing quarterly adverse impact analyses on the selection process to the Task Force, along with semi-annual reviews of workforce demographics and personnel activity. Analysis of the first six months of 2002 promotion and termination activity has occurred. The Task Force notes that the Company has exceeded the requirements of the Agreement by implementing procedures to ensure that semi-annual adverse impact analyses are conducted on new hires, promotions, terminations, and transfers on a Company-wide and business unit basis. These semi-annual reports are distributed to senior function heads, department managers, officers and executives, and the Task Force.

### **C. Task Force Assessment and Recommendations**

The design, planning and initial implementation meet most Task Force expectations stemming from the terms of the Agreement. The Task Force notes that the thrust of the underlying litigation and the requirements of the Agreement were focused primarily on internal promotion and development processes. As explained, the Company has exceeded the requirements of the Agreement regarding staffing by designing an external recruitment program focused on building a diverse candidate pipeline in addition to the internal program. However, one area of concern relates to the structured interview process. The Task Force expects the Company to review thoroughly the structured interview process and make necessary changes by the Fall of 2002.

The results of the engagement survey reveal a mixture of positive and negative perceptions by employees regarding staffing. Both African American and white employees believe they are aware of job opportunities in the Company through the posting process. However, in response to statements such as “The company actively recruits women and minorities for management positions” or “The company actively

recruits women and minorities for associate positions," African American employees rated the Company's performance considerably lower than did whites. The results also showed that managers (both African American and white) found it difficult to interview using the structured interview guide.

The Task Force makes the following specific recommendations for the staffing process:

1. Utilize work analysis data for all aspects of the staffing system, including delineating job profiles for the recruiting and posting systems and providing input for the development of valid and effective interviewing and assessment systems.
2. Continue to implement the recruitment and posting processes to build a diverse talent pool and monitor outcomes to determine whether systems are working effectively.
3. Refine the structured interview process to include a training program for managers and ongoing support so that managers can utilize the system more effectively.
4. Continue to monitor all staffing processes, including the interviewing system, to ensure that they are being used fairly and effectively.
5. Institute the applicant tracking system to develop data for monitoring processes.
6. Analyze all candidate assessment procedures to ensure that assessments are both valid and likely to produce less adverse impacts than other comparably valid procedures.

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### **III. Compensation**

#### ***A. Introduction***

Compensation includes the process for classifying jobs into pay grades, making base pay, bonus and stock option decisions, and evaluating the fairness of the resulting pay decisions.

The Company has implemented a number of significant changes to its compensation system, including replacing a single salary structure with a series of market-based salary structures, moving all business units to a common review date for merit increases, providing additional training and resources for managers to make appropriate compensation decisions and instituting a pay equity analysis of compensation decisions. Appendix A contains the specific provisions of the Agreement related to compensation and details the Company's progress in making these changes in its process.

## ***B. Program Design and Implementation***

The Company has initially designed and implemented a compensation system that is market-based, performance-based, fair and consistent. It has changed a number of its compensation practices and processes. In addition, a comprehensive communication effort has been launched to increase employees' and managers' understanding of the Company's compensation decision-making process, as well as to enhance the compensation expertise of human resource professionals.

The Company has moved all business units to an April 1 common review date for merit increases, with a common rating scale, performance distribution guidelines and allocation of merit dollars. The common review process for base salary decisions provides better control and accountability for managers in making pay decisions.<sup>7</sup> A single salary structure has been replaced with a series of structures based on the market value of work performed in different functions of the Company. These new salary structures were used to make market-based pay adjustments to the base salaries of employees. The connection between performance management and merit increase decisions has been reinforced.

Additional tools and resources have been provided to managers to assist them in making salary administration decisions, such as starting salary offers and promotional increases. The Company is designing a comprehensive "compensation fundamentals" training program for all human resource professionals and is developing on-line reference materials (desk manuals) for all human resource professionals and managers. In 2003, the Company plans to implement compensation training for managers.

The Company plans to incorporate a common set of "people metrics" across business units that will impact compensation decisions for managers. The "people metrics" are criteria and ratings used in the performance management process to measure effectiveness in diversity, performance management, employee development and organizational engagement.

When available, work analysis information will be used to guide the development of a new job classification system. The job classification system will be used to ensure that jobs are evaluated consistently and fairly throughout the company. It is anticipated that the number of job titles will be significantly reduced by this new system.

Executive compensation will continue to be based on corporate performance, individual business unit performance, and personal performance. The Compensation Committee of the Board and corporate compensation department will continue to review executive compensation decisions for equity.

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<sup>7</sup>In the past, base pay increases were awarded throughout the year, while bonus and stock option decisions were made on a common review cycle tied to business performance.

As in the past, managers will be given some flexibility and discretion in making compensation decisions. However, unlike the past, these decisions will be consistently and centrally monitored and controlled to ensure fairness, and managers will be held accountable for their decisions. Through training and centralized monitoring, the Company will ensure that any differences in promotional increase standards and different cycles for merit increases in different business units are eliminated. The Company also will rely on its "Solutions" problem resolution process, which includes appeal procedures, to act as an internal oversight mechanism in these areas.

A detailed process for analyzing the fairness of pay decisions has been implemented with review by the corporate legal department prior to awarding pay increases, and stock or bonus awards. Converting to a Company-wide compensation adjustment/review date should greatly assist in implementing the revised compensation system and aid ongoing monitoring and reporting requirements. The Company has established procedures to ensure meaningful pay equity studies are conducted at least annually.

### **C. *Task Force Assessment and Recommendations***

The design, planning and initial implementation meet Task Force expectations stemming from the Agreement in the area of compensation. Many of the design elements in the compensation structure adhere to best practices, including routine equity reviews, more centralized control and the proposed "people metrics." Because work analysis data is not yet available, the Task Force cannot comment at this time regarding the Company's efforts to use that data to ensure, among other things, that employees are classified properly.

Employee engagement survey results indicate that employees believe they have a good understanding of how their pay is determined. However, employees generally had a less positive view about whether the process of making pay decisions is fair. Differences between ethnic groups in their perceptions of compensation were minimal.

The Task Force makes the following specific recommendations for the compensation process:

1. Utilize work analysis to help establish an effective job classification system and to reclassify positions into fewer meaningful job titles.
2. Make ongoing modifications to compensation programs consistent with the compensation philosophy of market-based, performance-based, fair and consistent pay. In its plans regarding stock options, the Company must consider the impact on employee morale, recruiting and retention, and perceptions of fairness, as well as other human resources programs, such as performance management, and clearly communicate planned changes to affected employees.

3. Continue to communicate changes in compensation philosophy and methodology to all employees, using the employee engagement survey results to gauge the effectiveness of the communication.
  4. Conduct both internal equity and external benchmarking analyses to ensure that jobs are compensated consistent with the Company's overall compensation philosophy.
  5. Continue to monitor all compensation data to ensure decisions are performance-based and fair.
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#### **IV. Diversity Education**

##### ***A. Introduction***

Diversity education includes: diversity awareness training; related diversity strategy; and reinforcement of diversity concepts over time through related human resources policies, programs and practices. As discussed below, since 1999 the Company has been working on a pilot diversity awareness program and is making substantial progress in providing training. The specific programmatic requirements from the Agreement and the status of each requirement is discussed in Appendix A.

##### ***B. System Design and Implementation***

The Company has chosen to use the pilot diversity awareness program originally developed at CCNA in 1999 as the mandatory company-wide diversity training program in compliance with the Agreement. The program is a two-day, classroom-based diversity awareness program with case studies and skills practice to reinforce the transfer of training to the workplace. This type of training reflects best practices. The program will be presented to both managers and employees, again reflecting best practices, and going beyond the requirements of the Agreement. Since its initial use in 1999 (and its expanded use for 900 CCNA managers in 2000), the Company has critically examined and revised the content of the program to focus more on work-relevant situations and to reinforce the connection with the Company's diversity strategy.

The Company has made substantial progress in implementing the training. As of year end 2001, 100% of managers and 50% of employees of CCNA had completed the training, while 25% of managers and 10% of employees in Corporate had been trained. By year end 2002, all managers and 40% of employees in Corporate and all non-manufacturing employees of CCNA are scheduled to complete training. Managers and employees of TMMC are scheduled to complete by year-end 2003 (due to a potential merger of TMMC in 2001, the training was delayed), as will all manufacturing employees of CCNA.

All senior management of the Company have already or will shortly participate in executive briefings and strategic thinking sessions. The results of these sessions are being integrated into the Company's diversity strategy. Through this diversity strategy, the Company will integrate diversity into its routine policies and practices, by ensuring that all managers understand the business case, indeed the business imperative, for the Company's commitment to diversity. By linking diversity to its business goals, the Company reinforces that diversity is not just a slogan or used solely for EEO purposes, but is a critical element of its overall business strategy.

The Company is working to integrate diversity concepts and skill practice into management development programs for new and existing managers. In addition, mandatory training programs for other human resource initiatives such as performance management, targeted selection interviewing and coaching and feedback training will include diversity concepts to reinforce the initial diversity training curriculum. The Company also plans to use other regular communication tools and briefing books as ongoing means of providing refresher training for all employees. The ongoing nature of the training programs, as well as the use of multiple tools and procedures, again reflects best practices.

### ***C. Task Force Assessment and Recommendations***

The design, planning and initial implementation meet Task Force expectations stemming from the terms of the Agreement. The Company's plans and present efforts to present training to both managers and employees exceed expectations. The employee engagement survey data indicate that diversity learning systems are viewed positively by all employees.

The Task Force makes the following recommendations:

1. Continue to educate and train all supervisors and employees in diversity education and continue to provide strategic training sessions for senior management.
2. Continue to integrate diversity concepts and skill practice into all other human resource practices, including performance management, coaching, and selection interviewing. For example, performance appraisals should include ratings that focus on the implementation of diversity principles, and the Task Force will closely monitor the Company's design and implementation of its "people metrics" in that regard.
3. Continue to link diversity to business goals and ensure that managers and employees understand that diversity efforts are not limited to human resource issues, but are consistent with its overall business strategy as presented to the Task Force. The Task Force will continue to monitor closely Company's overall diversity initiative and its linkage to this business strategy.

4. Communicate top management support for diversity supportive programs and policies on a regular basis and hold employees accountable.
  5. Evaluate the effectiveness of training and related systems through the employee engagement survey, "people metrics" and other systems to ensure that the educational and training programs are increasing diversity awareness, reducing biases and stereotypes and are changing behaviors on how to manage a diverse workforce effectively. The Task Force expects engagement survey data to be used for further strategic planning for diversity education purposes, among other things.
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## **V. Equal Employment Opportunity**

### ***A. Introduction***

Equal Employment Opportunity includes compliance with federal and state laws and regulations related to equal opportunity and affirmative action, as well as monitoring the fairness of ongoing human resource systems through adverse impact analyses, exit interviews and diversity goal setting. The specific programmatic requirements and their status are described in Appendix A.

As described below, the Company has taken many steps to provide and develop organizational capability in regard to EEO tracking and monitoring.

### ***B. System Design and Implementation***

In designing its ongoing approach to EEO, the Company has shifted from a reactive to a proactive mode reflecting best practices by building organizational capability for tracking, monitoring and execution and by increasing managerial accountability for outcomes. The EEO function will continue to be responsible for centralized strategy and monitoring of EEO issues and affirmative action plans, however, program development and execution will be decentralized to local human resources personnel. As recommended by best practices, to facilitate this transition, significant training in fair employment and affirmative action compliance has been provided to field and corporate human resource professionals. Additional training programs have been implemented for managers (for example, a course called Civil Treatment for Managers), with a comparable program under development for employees. These training programs constitute a significant improvement from the past.

The Company has reported to the Task Force that it has reviewed its affirmative action plans to ensure they are properly constructed and legally compliant. The Task Force has been informed of the compliance performance of each establishment

covered by the affirmative action plans. The Company has designed a process to ensure that these results are shared with the CEO and the Board of Directors. The Task Force will recommend changes as appropriate and necessary.

Standardized monthly data reports have been developed to track workforce demographics and personnel activity in hiring, promotion and turnover, which is a significant change from past practice. In addition, a framework and systems have been developed for conducting routine adverse impact analyses of compensation, selection and group termination actions. Routines have been developed for reporting results of these analyses to senior human resource and line management, as well as to senior corporate management and the Board of Directors. The Company also has implemented a new exit interview process using third party vendors, which should help track and monitor EEO issues.

Strong connections have also been made between the EEO function, process owners for high stakes human resource processes (such as selection, compensation and diversity) and the employee resolution department. EEO will continue to investigate external charges of discrimination, while the employee resolution department will handle internal charge investigations.

The EEO staff is currently playing a significant role in defining the diversity goals to be incorporated into the "people metrics" measures affecting compensation decisions.

### ***C. Task Force Assessment and Recommendations***

The design, planning and initial implementation exceed Task Force expectations stemming from the terms of the Agreement. The Company has taken many steps to ensure that the EEO functions are strong. It is also noteworthy in the employee engagement survey that EEO training was believed to be very helpful in preparing managers to deal with EEO issues, with African Americans and whites both having a positive view. The only exception was survey items reflecting whether the Company is fair. In those instances, African Americans were less positive than either whites or Hispanics. The Company has taken additional initiative by committing to prepare disparate impact analyses on a more regular basis than required in the Agreement as well as by agreeing to run those reports on systems/decisions not mandated by the Agreement.

The Task Force recommends:

1. Continue implementing the EEO systems and necessary training that have been designed.
2. Monitor and evaluate the data from the various reports and surveys it is conducting to determine if modifications of any of the human resources systems are needed.

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## **VI. Problem Resolution**

### ***A. Introduction***

Problem resolution includes methods for internally surfacing, investigating and resolving employee complaints, including the ombuds program. Specific requirements relating to the Agreement are listed in Appendix A.

### ***B. System Design and Implementation***

The Company has designed and implemented the "Solutions" program to provide employees with a variety of approaches or vehicles by which to resolve problems. The program consists of five components: the Open Door Process, the Employee Resolution Department, an Ombuds Director, the Employee Reporting Service and the Employee Assistance Program.

The "Open Door Process" is the primary vehicle for attempting to resolve employee issues at the local employee/manager level. The "Open Door Process" allows for escalating the issue to two additional levels of management above the immediate manager. In the event that issues are still unresolved after the "Open Door Process" is exhausted, the Employee Resolution Department in the Corporate Human Resources Department is charged with investigating and attempting to resolve the outstanding issue. Additional support for employees is available through the Ombuds Office, which has been conceptualized and implemented as a confidential neutral resource for employees to resolve workplace issues. Similarly, the Employee Reporting Service (ERS) is an independent and anonymous toll free phone service by which employees can report problems and concerns. The issues identified to the ERS are surfaced to the Ombuds Office for appropriate handling. Finally, the Company expects that the Employee Assistance Program (EAP) will provide an effective avenue for resolving employee issues that are more appropriately resolved through professional counseling. Data from each of these components of the Solutions program will be tracked and monitored centrally, with trends reported on a regular basis to senior management.

The "Solutions" program is designed to focus on resolving employee disputes on a more timely basis at the local manager level. However, the program also provides employees with more options to resolve problems, ensures avenues for problem resolution without fear of retaliation and promotes better management accountability for problem resolution. The Company's "Solutions" program incorporates many best practices in this area. Such best practices include various avenues for resolution of employees concerns (employee hotline, ombudsperson program, human resource intervention) and continuous communication plans that focus on multiple communication sources to ensure employees know of and use these various avenues for resolving their workplace issues. The Company also has designed into the

“Solutions” program confidential, voluntary systems that rely on neutral third party facilitators and attempt to ensure that employees remain free from retaliation.

### **C. Task Force Assessment and Recommendations**

The design, planning and initial implementation meet Task Force expectations stemming from the Agreement. The Task Force, in particular, commends the CEO for meeting one-on-one on a monthly basis with the ombuds director. Data from the employee engagement survey indicate that employees generally view these systems positively. It is noteworthy that African Americans and Hispanics view these systems as even more valuable than whites. However, data indicated that many employees might not be aware of the availability of these systems. That is somewhat understandable as many of these systems are new, but large numbers of employees were not aware even of the "Open Door Process." This indicates the continuing need for sustained and regular ongoing communications. The Company is aware of this need.

Other than periodic reporting requirements (which are not yet due), the Company has met all of the specific requirements of the Agreement in this area. The Task Force expects the Company to communicate and continue to implement the “Solutions” program at all levels and in all areas of the business.

Continued active monitoring of the problem resolution system will be critical to ensure its effectiveness. The Task Force and the Company will evaluate the system, primarily using the engagement survey and outcome data, to determine whether the individual components are achieving their goals and whether the system as a whole is working as designed. The Task Force and the Company also will determine if employees feel comfortable using the systems in place and whether other potential avenues for problem resolution, such as mediation programs and arbitration programs, should be implemented.

The Task Force recommends:

1. Continue to implement and communicate the “Solutions” program.
2. Evaluate the system, using the engagement survey and outcome data from all the alternative dispute resolution systems on a quarterly basis, to determine whether the individual components are achieving their goals and whether the system as a whole is achieving its goal.
3. Determine if employees feel comfortable using the systems in place and whether other best practices, such as mediation programs and arbitration programs, need to be implemented at a later date.

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## **VII. Career Development**

### ***A. Introduction***

Career development includes programs designed to assist employees at all levels of the organization to define their career objectives, assess their skills and develop the skills needed for their desired career path.

The specific programmatic sections of the Agreement related to career development and their status are presented in Appendix A. As discussed below, the Company is in the initial stages of designing a comprehensive career development strategy.

### ***B. Program Design***

The Company is in the initial stages of designing a career development strategy for employees in pay grades 13 and below, which will interface with succession planning for employees at higher grade levels. This strategy will continue the philosophy of employee ownership of career development, but will provide additional resources to assist employees to design and execute an effective career development plan. In addition, as specified by best practices, the roles of managers, employees and the Company will be clarified and communicated, with monitoring reinforced within the performance management process.

The Company plans to provide career information, assessment tools and educational resources to help employees compare their skills and competencies with those needed by the Company. When completed, the Company is planning to follow the best practices of utilizing work analysis data to provide the competency and skill information both for the career development process and for job profiles and job posting. Employees will also be able to register their interest in a particular job opportunity and receive notification when the job is posted.

Once the career development system is implemented, the Company plans to monitor the usage of its online career center by race, gender and pay grade, in addition to tracking ongoing training enrollment, promotions and exit interview data.

### ***C. Task Force Assessment and Recommendations***

The Task Force recognizes that the Company needed to focus on other systems before addressing its career development program. Nonetheless, the Task Force expects a career development process to be designed by December 2002 and implemented by March 2003. The employee engagement survey indicates that employees generally believe there are opportunities to improve and obtain skills in the Company. However, employees are generally less positive about career opportunities going to the most qualified persons, with African Americans being least positive as

compared to white and Hispanics. In general, the overall pattern of scores on the employee engagement survey concerning career development was low indicating a need for Company attention on this matter.

The Task Force recommends:

1. Continue developing a career development system that systematically specifies the responsibilities of the employee and their manager.
  2. Use work analysis data to develop systems that permit all employees to compare their skills and competencies with those needed for future positions.
  3. Develop toolkits that permit employees to effectively participate in the development of their own careers.
  4. Develop organizational policies that include career development opportunities as part of the on going operation of the organization.
  5. Develop monitoring systems to ensure that women and minorities have career development opportunities.
  6. Develop systems to monitor and evaluate the roll of managers in this process.
- 

## **VIII. Succession Planning**

### ***A. Introduction***

Succession planning relates to the identification, assessment and development of internal candidates for senior management positions. Succession planning includes defining candidate slates and planning for management continuity in the event of turnover and/or retirements. The Company is in the early stages of re-designing and implementing its succession planning process. The specific programmatic sections of the Agreement related to succession planning and its status are presented in Appendix A.

### ***B. System Design and Implications***

One component of succession planning is the “talent review” process, by which an employee’s potential for movement within the organization is assessed. Through the talent review process, regular discussions occur among the highest-level managers regarding talent and talent gaps. Other key components of the proposed succession planning process include using information from the performance management system and coordinating with the Company’s career development programs to identify career objectives and required competencies for the desired career path identified by the

individual employee. The expected outcome will be "succession management," which the Company anticipates will include a mixture of succession planning activity, the development of existing internal talent and, when appropriate, the recruitment of necessary external talent.

The Company reports that in July 2002 it began implementing a succession planning process for salary grades 14 and above to replace the several organization-specific systems that had been in place previously. As reported by the Company, its initial work has focused on a review of talent, comparing the talent needs identified in the business planning process with the capabilities of current employees at or near salary grade 14. The Company proposes that its talent review process in the future will be based on a standard competency dictionary for management positions company-wide and on data derived from the performance management process, supplemented with input from the individual candidate and management consensus rating. However, the Company had not fully presented the design and implementation plans for its proposed "succession management" process to the Task Force prior to June 2002.

The Company intends to monitor the process and outcomes for diversity with respect to both internal and external talent.

### ***C. Task Force Assessment and Recommendations***

The design, planning and initial implementation of the succession planning process is not entirely consistent with the Task Force's expectations stemming from the Agreement. The Company believes its "succession management" program described above is the contemporary equivalent of an effective succession planning program and further believes that the proposed processes, if fully and aggressively implemented and coordinated, can satisfy the Agreement's requirements. The Company reports it has recently begun to implement its revised process. However, the Task Force has not had the opportunity to review and evaluate fully the Company's efforts and its plans for coordination of the various components. The Task Force expects to review the Company's recent implementation of its "succession management" process in the next several months. The Task Force will closely monitor all changes and report on this process in its next annual report.

In this regard, the Task Force recommendations are as follows:

1. Commit to use this process, as further refined in consultation with the Task Force, on an annual basis to evaluate the performance of its leadership team and identify those individuals with potential to develop into company leaders.
2. Develop and use work analysis data and a leadership competency analysis to further clarify the competencies required for the jobs in salary grades 14 and above.

3. Develop valid assessment approaches, to include identifying high potential individuals.
  4. Train managers on the consistent use of assessment tools, to include identifying high potential individuals.
  5. Continue to build manager skills in assessing the capability of employees, to include the importance of giving regular, candid feedback.
  6. Develop a systematic plan for career enhancing experiences for all high potential employees.
  7. Develop monitoring systems to ensure that high potential employees are being systematically developed and that any artificial barriers are eliminated.
  8. Analyze the high potential pool to ensure appropriate representation of women and minorities.
  9. Develop routine, periodic reporting and tracking requirements into the system.
- 

## **IX. Mentoring**

### ***A. Introduction***

Mentoring includes both one-on-one and group or self-study programs in which a coach other than the employee's supervisor assists the employee to identify and develop the experiences and expertise necessary for their desired professional development. As discussed below, the Company has developed and implemented a mentoring program and is continuing to offer it to additional groups of employees. Appendix A contains the specific provisions of the Agreement related to mentoring and details the Company's progress in meeting the specific requirements.

### ***B. System Design and Implementation***

The Company has designed a mentoring program to provide "all employees a way to share experiences and expertise that will result in professional development and personal growth." The newly created mentoring program includes a formal company-wide one-on-one mentoring program, a group mentoring process and a self-study guide for those who choose not to participate in the formal programs. An online system and a mentoring toolkit will be developed to support the ongoing mentoring programs. It is the Company's intent to integrate the mentoring program within a broader career development model.

The one-on-one mentoring program is based on the large-scale pilot (100 pairs of mentors and mentees) implemented in CCNA in 2001. The program incorporates

best practices and is characterized by significant senior management sponsorship and communication, active recruitment of both mentors and mentees, a formal application and matching process and training for both mentors and mentees in their mutual roles and responsibilities. Also as suggested in best practices, substantial support is provided to mentors and mentees in the form of ongoing training, access to a mentoring coordinator who follows up with the pairs and serves as an ongoing resource, and ongoing evaluation of the program's effectiveness. Both cross-business and cross-functional mentoring programs are planned for 2002 and 2003.

The effectiveness of the program has been and will continue to be monitored through participant feedback questionnaires and focus groups, demographic analysis of participation rates in the mentoring program and engagement survey responses.

### ***C. Task Force Assessment and Recommendations***

The design, planning and initial implementation exceed Task Force expectations stemming from the Agreement. The employee engagement survey data indicate that persons who had experienced formal mentoring programs were most positive about its value, followed by those persons who had established mentoring programs on their own. Those who had not experienced mentoring were least positive about its value. The differences in views about the value of mentoring among whites, African Americans and Hispanics were quite small.

Specific recommendations of the Task Force are as follows:

1. The success of the program led the Company to commit to integrate the mentoring program within a broader career development model. The Task Force also recommends to the Company that it coordinate the mentoring program with the succession planning system that is under development.
2. Over the next year, the Task Force and the Company should monitor the implementation and effectiveness of the mentoring program in other areas of the Company. The Task Force also will ensure that the Company continues to emphasize the opportunities for groups such as women and minorities who may not be as well represented at higher levels of the organization.
3. The Task Force and the Company will continue to utilize participant feedback to evaluate the effectiveness of the mentoring program.

## **SUMMARY OF MONETARY RELIEF DISTRIBUTED**

The Task Force attempted to ensure that all class members knew their rights to receive relief under the terms of the Settlement Agreement, and the Company provided regular reports on the distribution of settlement proceeds to class members. As of July 31, 2002, almost all eligible employees (2,187 of 2,201) applied for and obtained relief under the Settlement Agreement. Thus, only 14 employees (less than 1%) did not seek relief, even though entitled. The Company has distributed approximately \$79 million to class members.

As required by the Agreement, the Task Force also is overseeing the design of a new \$10 million program for employee promotion. The Task Force will work with the Company, and with appropriate input from class counsel, to ensure that the design of the system is consistent with the goals and requirements of the Agreement. As currently envisioned, the program will focus on the career development and promotion of employees at and above Grade 9. The Task Force expects that the program will be fully designed by December 2002, with initial implementation in 2003. The program will include appropriate reporting and monitoring requirements.

## **CONCLUSION**

The Task Force is convinced that Coca-Cola realizes the tremendous potential and opportunity the Agreement provides to improve overall employment opportunities for all of its employees. The systemic reforms contemplated should improve the fairness and integrity of human resources practices for every Coca-Cola employee if properly implemented. During the first year of the four-year Agreement, the Company is off to an acceptable start through the design and initial implementation of changes in human resource systems. Future Task Force reports will focus on the progress the Company makes in achieving results.

The Coca-Cola Company has made real progress in complying with requirements of the Settlement Agreement. The design of new or revised human resource systems is nearly complete and a baseline has been established against which progress can be measured. During the next year, the Task Force will ensure the Company sets appropriate diversity goals and holds its managers accountable for their efforts to achieve them.

Coca-Cola has started to implement many required programs, to varying degrees. The Task Force will monitor these developments. The Task Force expects to see positive changes in employee attitudes (as measured, in part, through the annual employee engagement survey) and improved diversity as a result of these systems. Necessary changes to the systems will be made based on the Task Force's and Coca-Cola's monitoring efforts.

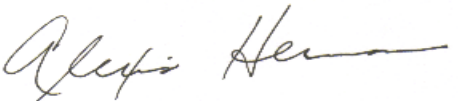
Although this report has principally focused on design of specified human resource systems, the Company has taken additional steps to improve the control and

consistency of implementation of its human resource policies and procedures through enhancing the structure and authority of its human resource department within the Company.

Coca-Cola's success in achieving this vision remains to be seen. Continued review and monitoring by the Task Force and the Company should help ensure progress is made. The results of that progress will be measured and addressed in future reports.

Respectfully submitted,

Alexis M. Herman, Chair  
M. Anthony Burns  
Gilbert Casellas  
Edmund D. Cooke, Jr.  
Marjorie Fine Knowles  
Bill Lann Lee  
René A. Redwood

By:   
\_\_\_\_\_

Dated: August 27, 2002

**I. PERFORMANCE MANAGEMENT**

The Agreement requires the Company to "review and revise to the extent necessary its performance [management] practices to ensure that this process appropriately measures employee performance and, among other things, that the standards for performance objectives are reasonably specific, measurable, achievable, relevant, time-bound, and documented." Settlement Agreement, section II.D.6.a. The Agreement also requires the Company to "evaluate mechanisms for improved internal oversight of managerial decisions regarding . . . performance evaluations." Settlement Agreement, section II.D.6.f. The Company has reviewed its performance management system and is implementing revisions to meet these requirements, as discussed in the Report.

The specific programmatic relief section of the Agreement (Section II.D.7.a and Section II.D.7.f) requires: (i) the Task Force to ensure that the Company evaluates and revises or replaces its performance management process so that any performance evaluation system used reasonably and fairly measures performance and (ii) the Company to establish procedures for internal oversight of managerial decisions regarding performance. In the Settlement Agreement, Coca-Cola committed that any such performance management and internal oversight system would meet the following specific programmatic relief requirements set forth below:

	<b><u>Status</u></b>		
<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
1. All performance appraisals of all substantial population jobs will be grounded in thorough job analyses.	Appropriate grounding of performance appraisals will be addressed after work analysis is completed.	To be implemented in 2003, with the first review using appropriately grounded appraisals to occur in the first quarter 2004.	Task Force to ensure appropriate grounding. See also, # 6 below.

**I. PERFORMANCE MANAGEMENT**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Design</u></b>	<b><u>Status Implementation</u></b>	<b><u>Monitoring</u></b>
2. Performance appraisals for substantial population jobs will be behaviorally-anchored based on the results of those job analyses and designed by first-tier industrial psychologists.	To be completed after work analysis is completed.	To be implemented in 2003, with first reviews using appropriately anchored appraisals to occur in the first quarter 2004.	Task Force to ensure proper behavioral anchoring. See also, # 6 below.
3. Performance appraisals will be done by raters who have received rater training and regular refresher training, with particular coverage of EEO/AAP and diversity issues. See a/so, Settlement Agreement, section II.D.6.g (requiring managerial training on how to conduct performance evaluations).	Designed into system.	Initial training substantially completed. Additional required training to be completed in 2003.	See # 6 below.
4. Performance appraisals will be provided to the rated individual to review, keep a copy and sign to indicate review and receipt but not necessarily agreement.	Designed into system.	Compliant appraisal forms will be used in 2003.	See # 6 below.
5. Performance appraisals will include a comment opportunity and a specifically stated right of appeal if the review is believed to be unfair and/or inaccurate.	Designed into system.	Compliant appraisal forms will be used in 2003.	See # 6 below.

**I. PERFORMANCE MANAGEMENT**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
<p>6. Performance appraisals will be reviewed for adverse impact, job-relatedness, and compliance with performance appraisal training and guidelines, with corrections and rater retraining or other action as appropriate. See also, Settlement Agreement section II.D.7.f (requiring effective internal oversight of individual managerial decisions regarding performance evaluations to help identify and eliminate any unlawful bias and excessive subjectivity); Settlement Agreement section II.D.7.d (requiring Company to provide annual reports on performance evaluations to senior function heads, department managers, officers and executives and the Board of Directors. These reports must be on a Company-wide and business unit basis, be easily understood, and specifically provide data on African-American employees).</p>	<p>Designed into system.</p>	<p>Internal review and reports to be fully completed in 2003.</p>	<p>Monitoring will be ongoing.</p>
<p>7. Performance appraisals will be performed at least annually.</p>	<p>Designed into system.</p>	<p>Annual performance review in place.</p>	<p>See #6 above.</p>
<p>8. Establish appeal procedures for managerial determinations of performance (including performance improvement plans). Settlement Section II.D.7.f.</p>	<p>Designed into performance management system and in "solutions" program discussed in "Problem Resolution" section of Report.</p>	<p>Implemented through "solutions" program.</p>	<p>See # 6 above, and "Problem Resolution" and "EEO" sections of Report.</p>

**I. PERFORMANCE MANAGEMENT**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>	
	<b><u>Design</u></b>	<b><u>Implementation</u></b>
		<b><u>Monitoring</u></b>
9. The Task Force shall ensure that: (1) EEO performance is an aspect of performance evaluations of employees with supervisory responsibilities, (2) this objective is measured fairly, and (3) as appropriate, managers are rewarded or penalized based on their performance of this objective.	Currently being designed.	Pilot program to be launched in 2003.
		See "Compensation" and "EEO" systems discussed in Report.

## II. STAFFING

The Agreement requires the Company to "review and revise to the extent necessary its staffing practices, including revising and expanding the existing job posting and notification system through at least pay grade 13." Settlement Agreement, section II.D.6.b.<sup>8</sup>

The specific programmatic relief section of the Agreement (Section II.D.7.b) requires the Task Force to ensure that the Company evaluates and revises several human resource systems relating to staffing, including promotion, career development (referred to in the Settlement Agreement as "employee development"), job posting, selection procedures, job competency evaluations, and succession planning. Section II.D.7.f also requires the Company to establish procedures for internal oversight of managerial decisions regarding promotions, while Section II.D.7.g requires managerial training on how to make promotion decisions. Progress against each of these specific programmatic relief requirements is set forth below.

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
1. Evaluate and revise, to the extent necessary, the promotion and employee development process, including making available to all employees objective promotability criteria.	Objective promotability criteria will be provided to all employees when the work analysis is completed.	Implementation is ongoing; to be completed by January 2003.	See # 6 below.
2. Evaluate and revise job-posting procedures to ensure posting of positions at least through pay grade 13.	Designed into "POP process."	"POP Process" implemented August 2000.	See # 6 below.

<sup>8</sup>Many requirements listed regarding staffing overlap other human resource functional systems, so they are covered in separate sections of the Report and in this Appendix A. For example, requirements regarding an employee development process and a career advancement program are more appropriately grouped in the "Career Development" section below.

**II. STAFFING**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
<p>3. Establish practices and procedures to (1) require managers to make promotion and transfer decisions based on fair process with diverse candidate slates to the fullest extent practicable, and (2) ensure that all interested and qualified candidates have a fair opportunity to be considered for advancement to higher-level positions in the Company.</p> <p>--</p> <p>For this requirement, the Agreement requires that any candidate slate for a job above Grade 13 that does not include both genders, African-Americans, Hispanics, Asian-Americans and any other relevant protected groups shall first be reviewed and approved or modified by the Vice President of Human Relations. If the slate remains non-diverse, it shall be reported by the Company to the Task Force with the Company's explanation therefore.</p>	<p>Fair process and fair opportunity designed into system.</p> <p>Grade 13 slate requirement/review designed into system.</p>	<p>Revised promotion and transfer system has been implemented, in part, through "POP process." Further implementation of revised processes and training to be completed in 2003.</p> <p>Candidate slate requirement for Grade 13 and above implemented.</p>	<p>See # 6 below.</p>

## II. STAFFING

<u>Specific Programmatic Relief Requirement</u>	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
<p>4. Evaluate and revise, to the extent necessary, its methods for determining the appropriate job competencies, including job-related knowledge, skills and abilities ("KSAs") needed to perform its respective job positions.</p> <p>5. Ensure that all talent development, "high potential" and similar special career advancement programs pertaining to employees above pay grade 12 present fair career development opportunities for all employees, by the Vice President of Human Relations (or her designee) reviewing candidate slates to ensure that diverse pools of employees are represented to the extent available, interested and qualified.<sup>9</sup></p>	<p>To be completed when work analysis is completed.</p> <p>Career development and succession planning systems are being designed.</p>	<p>To be implemented in first quarter 2003.</p> <p>Procedures for review of candidate slates for diversity has been implemented.</p>	<p>See # 6 below.</p> <p>See #6 below, and "EEO" section of Report.</p>

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<sup>9</sup>Though listed under "staffing" due to the diverse candidate slate requirement, this item is discussed in more detail in the "career development" and "succession planning" sections of the Report.

**II. STAFFING**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
<p>6. Establish mechanisms for effective internal oversight of individual managerial decisions regarding promotion to help identify and eliminate any unlawful bias and excessive subjectivity. See <i>a/so</i>, Agreement section II.D.7.d (requiring Company to provide semi-annual reports on promotions and terminations to senior function heads, department managers, officers and executives and the Board of Directors. These reports must be on a Company-wide and business unit basis, be easily understood, and specifically provide data on African-American employees); Agreement section II.D.7.d (requiring Company to develop and implement centralized monitoring of employee promotion practices to ensure no unlawful (1) disparate treatment or (2) disparate impact, and other requirements relating to such reports); Agreement section II.D.7.e (requiring Company to set goals to address promotional adverse impact).</p>	<p>Appropriate internal monitoring and controls have been designed into the Company's EEO monitoring system.</p>	<p>Initial monitoring of promotions and transfers has occurred. The first disparate impact report on promotions and terminations is due Fall 2002.</p>	<p>Ongoing.</p>
<p>7. Establish appeal procedures for managerial determinations of promotion.</p>	<p>Appeal procedures have been designed into the "solutions" program, as discussed in "Problem Resolution" section of Report.</p>	<p>"Solutions" program implemented in 2002.</p>	<p>See # 6 above.</p>

**II. STAFFING**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
8. Provide managerial training on how to make decisions regarding promotions (Agreement II.D.7.g).	Initial program designed; additional training on structured interview process to be designed.	Initial and revised training to be completed by March 2003.	See # 6 above.

### III. COMPENSATION

The Agreement requires the Company to "review and revise to the extent necessary its compensation practices to eliminate any non-job-related pay disparities having a disparate impact on Settlement Class members" and to "evaluate mechanisms for improved internal oversight of managerial decisions regarding compensation . . ." Settlement Agreement, sections II.D.6.c, II.D.6.f. The Settlement also requires the Company to include EEO and diversity performance in determining management compensation, which is discussed in the "Performance Management" section of the Report. Settlement Agreement, section II.D.6.e.

The specific programmatic relief section of the Agreement (section II.D.7.c) requires the Company to perform five tasks relating to its compensation system, while section II.D.7.f requires the Company to establish procedures for internal oversight of managerial decisions regarding compensation. Each requirement is listed below.

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
1. Conduct job analyses and pay equity studies and a comprehensive review of current compensation practices and pay grade structure, including procedures for assigning pay grades, to ensure that all employees receive fair compensation and are in appropriate pay grades; evaluate and revise to the extent necessary the current pay grade system.	Work analysis ongoing.  Routine pay equity studies designed into system.  Designed comprehensive review of compensation practices and pay grade structure.	Work analysis to be completed in 2002.  Initial pay equity study due by Fall 2002.  Pay grade review will be influenced by work analysis; revised pay grade structure to be completed by Spring 2003.	See # 4 below.

**III. COMPENSATION**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
<p>2. Evaluate and revise to the extent necessary the procedure for setting initial salaries, and of determining merit increases, bonuses and other incentive compensation and stock option awards. See also, Agreement section II.D.7.e (requiring Company to base some appropriate proportion of incentive compensation on the Company's progress against Diversity Goals); Settlement Agreement section II.D.7.c (requiring revisions, to the extent necessary, to the current managerial guidelines for determining merit increases, bonuses and stock option allocations and any associated managerial training programs to ensure that all employees receive equitable compensation).</p>	<p>Evaluation and revisions are ongoing.</p>	<p>Revised guidelines for initial salary setting communicated.  Revised merit increase and bonus guidelines (and training on them) to be implemented in 2003.  "Diversity goal" compensation decisions to be made in 2004, based on 2003 goals.</p>	<p>See # 4 below.</p>
<p>3. Provide managers with relevant instruction on the proper utilization of compensation tools and guidelines. See also, Agreement II.D.7.g (requiring managerial training on how to make decisions regarding compensation).</p>	<p>Training is being designed.</p>	<p>Training and roll out of revised compensation tools and procedures is in process. To be completed by 2003.</p>	<p>See # 4 below.</p>

**III. COMPENSATION**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Design</u></b>	<b><u>Status Implementation</u></b>	<b><u>Monitoring</u></b>
<p>4. Establish mechanisms for effective internal oversight of individual managerial decisions regarding compensation to help identify and eliminate any unlawful bias and excessive subjectivity. See also, Agreement section II.D.7.d (requiring Company to provide annual reports on compensation to senior function heads, department managers, officers and executives and the Board of Directors. These reports must be on a Company-wide and business unit basis, be easily understood, and specifically provide data on African-American employees); Agreement section II.D.7.d (requiring Company to develop and implement centralized monitoring of employee compensation practices to ensure no unlawful (1) disparate treatment or (2) disparate impact); Agreement section II.D.7.e (requiring Company to set goals to address compensation adverse impact).</p>	<p>Designed into EEO monitoring and reporting requirements.</p>	<p>First report under revised system is due by Fall 2002.</p>	<p>Ongoing.</p>
<p>5. Establish appeal procedures for managerial determinations of compensation.</p>	<p>Designed into "solutions" process, as discussed under "Problem Resolution" section of Report.</p>	<p>"Solutions" program implemented.</p>	<p>See # 4 above.</p>



**IV. DIVERSITY EDUCATION**

The Agreement requires the Company to "adopt and implement a diversity and sensitivity training program and expand its management training programs." Settlement Agreement, section II.D.6.g.<sup>10</sup>

The specific programmatic relief section of the Agreement (section II.D.7.g) requires the Task Force to ensure that the Company conducts Company-wide mandatory diversity training at least annually for managers and at least bi-annually for all other employees.

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
1. Company-wide mandatory diversity training at least annually for managers and at least bi-annually for all other employees.	Training is ongoing.	Ongoing, but substantially complete for all but TMMC. TMMC will be completed by 2003.	By Task Force.

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<sup>10</sup>These general requirements are listing in the Agreement under "Training." Some of the specific training requirements of the Agreement are addressed under other, more appropriate sections of the Report. For example, the requirement for managerial training on the performance management process is discussed under the "Performance Management" section.

**V. EEO**

The Agreement requires the Company to "review and revise where appropriate its EEO compliance and reporting practices." Settlement Agreement, section II.D.6.j. The Agreement also requires the Company to "establish monitoring of all human resource practices," and to "review and revise where appropriate its EEO . . . reporting practices." Settlement Agreement, sections II.D.6.d and j. These general requirements are discussed in more detail in the Report.

Section II.D.7.j of the Agreement empowers the Task Force to ensure the Company's affirmative action plans are legally compliant and to recommend appropriate action where necessary, while section II.D.7.e requires the Company to establish appropriate, measurable company-wide goals focused on enhancing the representation of African-Americans and other protected groups at all levels where under-representation exists.

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
1. Ensure the Company's affirmative action plans are legally compliant and to recommend appropriate action where necessary.	Completed for 2002.	Completed.	By Task Force.
2. Establish appropriate, measurable company-wide goals focused on enhancing the representation of African-Americans and other protected groups at all levels where under-representation exists	Completed for 2002 through Affirmative Action Plans.	Completed.	By Task Force.

**VI. PROBLEM RESOLUTION**

The Agreement requires the Company to "develop and implement an ombudsperson program." Settlement Agreement, section II.D.6.i.

The specific programmatic relief section of the Agreement requires that the ombuds program have certain requisite characteristics described below. See Settlement Agreement, section II.D.7.i. Section II.D.7.j of the Agreement allows the Task Force, in conjunction with the ombuds director, to monitor and ensure an effective, well-communicated complaint resolution process.

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
1. Company shall establish a toll free telephone number and retain an independent entity or individual to receive complaints of discrimination, harassment, and/or retaliation.	Design completed.	Completed.	Ongoing.
2. Ombudsperson shall (a) ensure that each report and complaint is appropriately investigated; (b) monitor the investigations, and (c) report the results of each investigation to appropriate management officials.	Design completed.	Completed.	Investigation, monitoring, and reporting are ongoing.
3. The Ombudsperson shall: (a) be a Coca-Cola employee/Grade 12 or higher; (b) report directly to the CEO; (c) provide periodic status reports to the Vice President of Human resources and the Task Force; and (d) provide annual status report to the CEO and the Public Issues and Diversity Review and Compensation Committees of the Board of Directors.	Completed.	Completed.	N/A

**VI. PROBLEM RESOLUTION**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
<p>4. Task Force and ombudsperson shall ensure that:</p> <ul style="list-style-type: none"> <li>(a) all complaints of discrimination and retaliation are fully and fairly investigated, according to appropriate written guidelines, by adequately trained personnel, utilizing record keeping, and with written dispositions reflecting appropriate remedies.</li> <li>(b) Coca-Cola institutionalizes effective responses to discrimination complaints, through its procedures, reporting and monitoring, and any necessary training programs.</li> <li>(c) all employees have access to the complaint procedure and that adequate avenues for reporting exist.</li> </ul>	<p>Ombudsperson system designed and implemented. "Solutions" program ensures access to complaint procedure and adequate avenues for reporting exist.</p>	<p>Ongoing.</p>	<p>Monitoring, reporting and training are ongoing.</p>
<p>5. Task Force and Ombudsperson may evaluate whether implementing an ADR procedure would improve reporting and response.</p>	<p>To be evaluated in 2003.</p>		

**VII. CAREER DEVELOPMENT**

Career development is not specifically mentioned in the Agreement, but the specific programmatic relief section of the Agreement (sections I.D.7.b and I.D.7.h) mandates that the Task Force ensure that employees have access to meaningful professional development opportunities, including individual development planning, career counseling and mentoring.

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
1. Ensure that all talent development “high potential” and similar special career advancement programs pertaining to employees above pay grade 12 present fair career development opportunities for all employees.	A proposed career development program is being designed.	To be designed and implemented by Spring 2003.	

**VIII. SUCCESSION PLANNING**

Though succession planning is not specifically mentioned in the Settlement Agreement, the specific programmatic relief section of the Agreement (sections II.D.7.b and II.D.7.h) mandates that the Task Force shall ensure that employees have access to meaningful professional development opportunities, including individual development planning and career counseling.

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
1. Ensure that all talent development "high potential" and similar special career advancement programs pertaining to employees above pay grade 12 present fair career development opportunities for all employees.	Task Force to review Company-proposed "Succession Management" in Fall 2002.	Further implementation of system, if approved, in Spring 2003.	Reports to be designed into system.

**IX. MENTORING**

The Agreement requires the Company to "adopt and implement a mentoring program." Settlement Agreement, section II.D.6.h.

The specific programmatic relief section of the Agreement (Section II.D.7.h) mandates "meaningful mentoring."

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
1. Adopt and implement a mentoring program.	Pilot mentoring program designed. Broader mentoring system being designed.	Pilot mentoring program implemented. Mentoring program to be expanded in 2002 and 2003.	By Task Force.