

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA**

INGRAM, *et al.*,
Plaintiffs,

v.

THE COCA-COLA COMPANY,
Defendant

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

THIRD ANNUAL REPORT OF THE TASK FORCE

December 1, 2004

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INTRODUCTION

This is the Third Annual Report of the Coca-Cola Task Force, covering the period from October 1, 2003 through September 30, 2004. This report has been prepared for the United States District Court for the Northern District of Georgia pursuant to a Settlement Agreement in *Ingram, et al. v. The Coca-Cola Company* (Case No. 1-98-CV-3679 (RWS))¹.

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 fulfilling the terms of the Agreement.

In the Agreement, The Coca-Cola Company committed to evaluate and, where appropriate, implement specific changes to human resource programs for its non-hourly U.S.-based employees.^{2,3} 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.

In the 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 experts⁴ 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.

¹ The Settlement Agreement was approved by the Court on June 7, 2001.

² 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.

³ Individuals working for companies that bottle and distribute Coca-Cola's products are not covered by the Agreement because they are not employees of The Coca-Cola Company.

⁴ As part of the Settlement Agreement, two experts in the development and execution of human resources practices (Dr. Irwin Goldstein and Dr. Kathleen Lundquist) were appointed to assist the Task Force in its work.

During the second review period, the Task Force focused on monitoring the implementation and effectiveness of these systems to ensure that they were working as designed and that progress was being made. Although considerable progress was made in the implementation of some human resources systems, the Company was not able to implement several key programs because personnel and resources were focused on a massive restructuring effort and other matters. When the Task Force expressed its concerns about areas in which the Company's efforts had fallen short, executive leadership responded by developing a detailed plan to provide the necessary resources, monitoring and management accountability to achieve the results required by the Settlement Agreement.

In this report, the Task Force reviews the outcomes of this renewed commitment by measuring the Company's progress on delayed initiatives, as well as the extent to which all of the newly-designed Human Resources programs have been implemented effectively. The Task Force continued to monitor the progress made by the Company in achieving its commitment to a "Gold Standard" for its human resource systems. Going into the last year of the Task Force's oversight under the Settlement Agreement, the report will also examine the sustainability of these programs going forward.

Both the Company and the Task Force realize that change of this magnitude is a journey. 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."⁵ The mission of the Task Force is to assist the Company in making this tremendous potential a reality for all of its employees.

⁵ Transcript of 5/29/01 Fairness Hearing at p. 214.

EXECUTIVE SUMMARY

In 2000, previous human resources practices at The Coca-Cola Company resulted in one of the largest employment discrimination settlements in history. The Task Force was created to oversee a complete reform of those systems. The core mission of the Task Force is to ensure that effective, sustainable human resource programs are in place and institutionalized at the Company to achieve the results required by the Settlement Agreement.

In this, the third year of its mandate, the primary focus of the Task Force was on whether the newly-designed human resources systems implemented in prior years have taken hold within the Company and are operating as planned. Unfortunately, due to delayed design and implementation of some programs, the Task Force also found it necessary to continue to address those requirements of the Settlement Agreement that had not been met. By the end of the reporting period, all human resources systems had been implemented, however, in some instances the implementation had just begun. The Task Force will continue to monitor all human resource systems throughout the remainder of its term under the Settlement Agreement.

Last year, the Task Force was concerned that the Company had failed to retain adequate focus on its commitment to the principles and requirements of the Settlement Agreement. Senior executives responded by developing a detailed plan to refocus efforts and resources to ensure the Company got back on track. Although many of the senior executives who participated in developing that plan have left the Company, the incoming Chairman and Chief Executive Officer, E. Neville Isdell, and the new Senior Vice President of Human Resources, Cynthia McCague, have committed to continue the Company's renewed efforts to achieve results as required by the Settlement Agreement.

The original term of the Task Force expires on December 2005. The Coca-Cola Company found the Task Force's advice and counsel to be consistently valuable in the effort to reinvent its people practices and procedures. The CEO, Neville Isdell, felt that continued access to the guidance and expertise of the Task Force would be helpful. Judge Richard Story and the Task Force, under the leadership of Alexis Herman, agreed with the request to extend the Task Force for one additional year beyond the terms established by the Settlement Agreement, through 2006. Judge Story issued an order formalizing the extension on November 24, 2004.

At the July meeting with the Court, the Task Force generally reported that the Company appeared to be back on track pursuant to the terms of the Settlement Agreement and that the renewed efforts appeared adequate to achieve the required results. In evaluating the Company's efforts and results, the Task Force continues to organize its work into nine human resource functional systems:

- Performance Management;
- Staffing;
- Compensation;
- Diversity Education;
- Equal Employment Opportunity (EEO);

- Problem Resolution;
- Career Development;
- Succession Planning, and
- Mentoring.

Regarding results for the full year review period, the Company has met or exceeded the expectations of the Task Force as to some human resource systems, but is not meeting Task Force expectations in other key areas, as discussed in detail in the body of this report.

A particularly positive development is that the Company's ability to track and monitor the results of its human resources systems was significantly strengthened this review period. The data collection and review procedures that have been implemented constitute best practices in many areas and mark significant progress to becoming a gold standard company in this regard. These improvements will greatly assist the Company in reviewing its human resources systems and their effectiveness. Monitoring of systems is occurring more closely to the time decisions are made (in some cases in real-time), giving the Company an ability to intervene more quickly when necessary and appropriate. For example, the Company is better able to track staffing decisions as they occur, which has allowed the Company to investigate and take possible corrective action when such decisions are resulting in an unexplained downward diversity trend. The Company is better able to monitor its performance management process, even conducting adverse impact analyses on mid-year review ratings, rather than waiting until the end of the year when it may be too late to correct any problems within the system for that review cycle. The Company also is able to conduct analyses on its compensation system in real time, providing an opportunity to make adjustments to proposed compensation decisions before they actually are implemented and affect employees. Overall, the ability to promptly identify issues and self-correct if required is precisely the type of best practice within human resources systems that the Company has been striving for and which other companies should emulate.

Other noteworthy positive changes or improvements include:

- While the overall workforce has decreased by 15% since the beginning of the Settlement, representation of minorities and African Americans has risen from 28.7% to 31.2% and from 19.7% to 21.0% respectively.
- Of 54 positions filled at salary grades 14 and above, nearly 43% were filled by minorities and 31% by women. No adverse impact was found in filling jobs at this level for the period October 2003 through August 2004. This marks substantial progress from the results reported in the 2003 report, when the Task Force was troubled by a trend of promotions into job grades 16 and above which reflected an absence of diversity. Since last year's report, Company senior leadership has made a significant commitment to increase diversity in senior hires and to build a pipeline of diverse talent.
- Promotion rates for minorities and African Americans were better than for non-minorities in executive and managerial jobs, and a parity for other categories of employees.

- The Company's job posting for grades 13 and below and the candidate slating process for grades 14 and above continue to operate as designed. In 2004, the Company instituted an internal review of candidate slates for grades 10 through 13, which exceeds the terms of the Settlement Agreement. If diverse candidates were not identified or did not receive appropriate consideration for the job, human resources was given authority to "pause" the process and request senior executive review. This provides the Company with the real-time ability to influence results and is a significant improvement in the system. After this new process was instituted, the percentage of minority selections increased for positions in grade 10 through 13, reversing a downward diversity trend from the third and fourth quarters of 2003 and the first quarter of 2004. The pause process has now been extended to all salary grade levels, and the Company has indicated that it will continue. The Company should be recognized for implementing this very effective procedure for monitoring diversity within the staffing process at all job levels. Yet, appropriate linkages still need to be implemented between this system and the Career Development and Succession Planning systems, particularly the Strategic Resource Review process, as noted below.
- The Company's one-on-one mentoring program and an innovative self-mentoring/self-study program successfully continued this year. The Company also recently introduced a pioneering group mentoring program in which a single mentor facilitates sessions with a group of mentees. In addition, the Company implemented an executive one-on-one mentoring program for employees in grades 12 to 15. This is a particularly important program because it responds to Task Force concerns relating to developing a diverse pipeline of talent. The ongoing mentoring program, including the self-mentoring program, constitute best practices and should be emulated by other companies. The Task Force looks forward to an analysis of data collected regarding the group mentoring program. The Task Force also expects the Company to coordinate the mentoring program with the Succession Planning system.
- The Company has exceeded the terms of the Settlement Agreement by committing to train both managers and employees in the new performance management process. Training for managers in how the performance management process works and in coaching and feedback increased dramatically this year. Significantly more managers have received additional training on how to provide ratings, and there have been separate "rater calibration" sessions at the end of the review cycle to ensure consistent use of the rating scale. The increased training constitutes needed progress on this aspect of the system. However, even with this increased training, the Task Force has serious concerns regarding how the performance management process is actually working, as noted below.
- The Company continued its analyses of base pay, stock option grants and bonuses to ensure fairness in compensation decisions. The pay equity analysis conducted in 2004 resulted in many fewer employees requiring an adjustment to base pay than the number of adjustments needed after the most recent previous pay equity study conducted in 2002. In addition, the Company voluntarily elected to conduct adverse impact analyses on merit increases for the first time and performed these analyses prior to implementation of the increase. No adjustments needed to be made to merit

increases based on these adverse impact analyses. No unjustified adverse impact was found in regard to the stock option grants and bonuses.

- The Company in this review period implemented linkages between diversity goals and compensation for executives, though results of this program have not yet been evaluated. The Task Force expects to comment more fully on this key component of the Settlement Agreement in its next report.
- The Company implemented a comprehensive online career development program in the spring of 2004. By October 2004, approximately 26% of the workforce had used the system. Minorities' use of the system slightly exceeded their representation in the workforce, reflecting progress in establishing the kind of career development system that is necessary to ensure a diverse internal pipeline of minority employees for senior and executive positions.
- In the spring of 2004, the Company implemented enhancements to its problem resolution program (the "Solutions" program). These changes included the addition of external mediation and arbitration. The program incorporates many best practices in this area. Additionally, the Company has made improvements in ensuring that the workforce knows of the available problem resolution services. Work is still needed in assuring the workforce, particularly African Americans, that they will be treated fairly in the problem resolution process. Moreover, the Company must eliminate the apparent confusion regarding the roles and resources of the Ombuds Office (which serves as a confidential counseling role) and the newly implemented Ethics and Compliance Office (which is responsible for dispute resolution). It is imperative that the Company promote and communicate clearly all of these problem resolution services, including the confidential nature of the Ombuds process, so that more employees trust and use the systems to attempt to resolve work-related concerns.
- The implementation of the Promotional Achievement Award Fund appears to be a success. As specified in the Settlement Agreement, the Company agreed to create a \$10 million fund to encourage and compensate African American employees promoted to positions in which settlement class members were underutilized. This year the Company implemented a program in which an unrestricted payment is provided to class members promoted into an underutilized job group. In addition, the Company will reimburse all class members, including those promoted into an underutilized job group, for "learning credits." These learning credits generally may be used for any class, course, training, conference or workshop as decided by the class member. Approximately 29 employees have received the cash payment for being promoted into an underutilized job group from 2000 to October 2004. Approximately 40 class members have requested reimbursement for learning credits. The initial reaction of class members to the Promotional Achievement Award Fund has been quite positive.

At the same time, there are significant human resources systems that are not meeting Task Force expectations. The Task Force notes several areas of concern that must be addressed immediately:

- Issues continued in this review period in the Company's promotion and development of its employees. Last year, the Task Force noted its particular concern that the Company had not paid sufficient attention to the development of a diverse pipeline of internal candidates. The Task Force stated that the Company must recruit where necessary to ensure a diverse pipeline of talent. In the fourth quarter of 2003 and the first quarter of 2004, staffing data show a significant reduction in the percentage of African-American employees placed in grades 10-13. However, by the end of the twelve-month reporting period, 31% of openings in grades 10 through 13 were filled by minorities, including 19% to African Americans. The Task Force notes that the staffing system produced some adverse impact against African-American in some areas during the review period, but these numbers improved in the later part of the review period after the Company put in place better processes to monitor and intervene in the selection process as part of its ongoing efforts to comply with the Settlement Agreement, as discussed above. However, the Task Force is concerned that strict oversight and monitoring continues to be needed to prevent backsliding and adverse impact against African Americans in such a critical area. The Company should strive to ensure that the improved processes implemented this year become institutionalized.
- The performance management process continues to produce adverse impact for African American employees in a number of job grades. The Task Force has expressed its concern about the use of forced distribution scales, particularly after the Company has completed a significant restructuring and downsizing. The Company took a series of steps to address the adverse impact trends found in the performance appraisal rating for calendar year 2003. Adverse impact against African Americans in performance management ratings is of particularly serious concern. The Company has taken significant measures to monitor 2004 ratings throughout the review cycle to ensure fairness in the ratings process. It should be noted that there is no indication that adverse impact in the performance ratings has impacted employment decisions in other human resources processes. As part of the ongoing efforts to comply with the Settlement Agreement, the Company should take further steps immediately to address any unexplained adverse impact in this system.
- The Task Force has been disappointed with the lack of a cogent and sustained diversity strategy that makes the business case for diversity. The most recent discussions of this topic with Company executives led the Task Force to believe that top-level commitment, plans and resources are now properly aligned to implement a comprehensive strategy that moves beyond education and will link diversity to business goals – ensuring the overall diversity strategy encompasses and fully integrates philanthropy, marketing, supplier diversity and human resources. The Task Force eagerly awaits the Company's midyear report of progress on this initiative.
- The Succession Planning system does not appear well integrated into the other human resource systems and communication from human resources regarding this system to employees must improve. The Company's process for talent review and succession management is known as the Strategic Resource Review (SRR) process. Senior leadership of the Company has actively and frequently communicated leadership's responsibility for creating and developing a diverse pipeline of talent for

senior level positions, and those efforts appear to have produced tangible results particularly during the last half of the review period. However, due to ineffective communication regarding this critical human resource system, employees do not fully understand the relationship between SRR evaluations and promotions or career opportunities. Clear linkages between the SRR process and other human resource processes, including Career Development and Staffing, must be created and clearly communicated.

- Implementation of a clear strategy for identifying and developing diverse talent needs to penetrate deeper into the organization. The Company has shown it can make progress in this regard for its senior level positions. Developing a diverse pipeline of talent for persons to fill middle management positions now will be essential to ensuring a consistent process that is sustainable over time.

The Task Force has serious concerns regarding these issues, particularly those relating to the results within the staffing and performance management systems. The new leadership at the Company also has expressed its concerns and has indicated it will intensify efforts in this regard. The Task Force will ask the Company for a report in six months on its analyses of these systems and what changes can be made to ensure the systems are operating in a fair, non-discriminatory manner. The Company is more able to develop effective systems to address problems than in the past, and the Task Force expects the Company to continue its efforts at identifying issues and promptly self-correcting when needed.

The Task Force also continued to monitor employee perceptions in this review period. As described in last year's report, in 2003 there was an across-the-board decline in the employee's perceptions of the Company and its diversity climate. In 2003 a distinct gap remained between white employees' and African American employees' perceptions of the diversity climate at the Company, with African American employees more negative on this issue than white employees. In 2003 for the first time Hispanics and Asian Americans likewise showed a noticeable difference in their perception of the Company's diversity climate when compared to white employees.

In 2004 all groups improved in their ratings of the Company's diversity climate over 2003 though none showed a full rebound to the baseline levels first measured in 2002. Notably, the diversity climate ratings by Hispanic and Asian American employees increased significantly this year, and they now rate the diversity climate similarly to white employees. However, African American employees continue to remain significantly more negative about the Company's diversity climate than white employees. This is a pattern that has existed since the 2002 baseline period. The Company must change this perception if its human resources programs are to succeed in the long term.

Thus, even with this improvement in employee perceptions last year, much work remains to be done. The Company must create better linkages between the career development, staffing and succession planning systems. Given the interrelatedness of the systems, the Company also must continue its efforts to ensure effective execution of the performance management system and the compensation system. The slating and "pause" process for grades 10-13 should continue. Determining the root causes of the problems of adverse impact identified within the staffing and performance management systems and implementing necessary changes must occur within the next six months. The Company must continue to meet its training requirements and goals to ensure the optimum operation of

the human resources process as a whole. All of these coordinated efforts are necessary for the integrity of the Settlement Agreement.

The Task Force believes that the Company, particularly its new CEO, has appropriately renewed its commitment to the "people" side of the business. Adding this "people" element to its business strategy is a critical step, and the new leadership has started appropriately down this path through the development and communication of its people strategy, known as the "Seventh Pillar." More work remains. To that end, the Company must more closely tie its diversity efforts to its business goals, providing a business case for diversity so that it becomes ingrained at all levels of the Company.

The revised human resource systems must become institutionalized and remain sustainable in the long run. The Task Force will focus its efforts primarily on these questions in the next reporting period.

ORGANIZATION OF THE REPORT

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 allows 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 progress.

Definition of the Nine Human Resource Systems

The Agreement covers a wide range of human resources practices and procedures in various areas, which have been organized by the Task Force into the nine categories shown in the diagram below.

Figure 1

THE NINE HUMAN RESOURCE SYSTEMS



Performance Management covers the annual appraisal of employee job performance, as well as 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 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, and related strategies to promote diversity and reinforcement of diversity concepts over time through company 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 Employee Reporting Service (*i.e.*, hotline), Ombuds Office and Office of Ethics and Compliance.

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 primarily salary grades 14 and above), including the defining of candidate slates and planning for organizational 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.

To provide the specific job-related content necessary for these systems, the Task Force has ensured, as required by the Agreement, that the Company completed 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. The work analysis was completed in December 2002 and fully integrated into appropriate human resource systems in January 2003. Further discussion about the application of work analysis data within each HR system will be discussed in the section on that process.

Organization of the Section Assessing Each System

For purposes of this third Report, the Task Force will discuss information for each of the nine human resources systems organized according to design, implementation and measurements of effectiveness. The examination of each of the nine systems will contain the following sections:

Introduction

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

Program Design

This section summarizes the key features of the processes used by Coca-Cola for 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. Where features of the program were developed or revised during the review period, these new design features are described.

Implementation

This section describes the Company's progress in implementing the process. Program participation rates and completion rates of required training, when applicable, are presented.

Qualitative and Quantitative Results

This section tracks both quantitative and qualitative measures of the systems, including employee survey results where applicable and the results of audits conducted by the joint experts.

Task Force Assessment and Recommendations

This section provides a specific assessment of the Company's progress and recommended courses of action for each human resource system.

Progress against the "Specific Programmatic Relief" requirements of the Agreement is fully described in Appendix A.

METHODOLOGY & DATA COLLECTION

The Task Force gathered and reviewed both qualitative and quantitative data for this report from a wide variety of sources, including data provided by the company (e.g., training completion rates and adverse impact analyses); information provided by the Company which was independently audited and verified by the joint experts (e.g., audits of performance management, staffing and slating data), and information independently developed by the Task Force (e.g., employee survey data). It is the hope of the Task Force that the Company will benefit from these data collection efforts in developing ongoing monitoring and quality control procedures for its use in overseeing human resources processes beyond the term of the Settlement Agreement.

Task Force Meetings

During the past year, the Task Force has continued to examine Coca-Cola's human resources policies and practices in detail. In the period covered by this annual report, the Task Force has convened formally seven times for one- to two-day sessions. Over the same period, subcommittees of the Task Force and the two Court-appointed joint experts have held regular additional conferences with the Company between task force meetings.

The Task Force has met with several Company executives, including Douglas Daft, former Chairman and Chief Executive Officer; E. Neville Isdell, Chairman and Chief Executive Officer), Donald McHenry, Chairman of the Public Issues and Diversity Review Committee of the Board of Directors; Steven Heyer, former President and Chief Operating Officer; and Deval Patrick, General Counsel. The Task Force and its subcommittees 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. The Task Force has received regular confidential briefings and reports from the Ombuds Office, as well as from the Chief Ethics and Compliance Officer who heads the newly-created Compliance Office. The Chair of the Task Force has separately conferred with class counsel, as well as Coca-Cola's CEO, COO, General Counsel, the Public Issues Committee of the Board of directors and the full 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 initially appointed by the Court to review the Company's human resource practices. Subsequently, the Task Force requested the Joint Experts to assist it with research and comparative assessments conducted at its direction. The Task Force has directed the joint experts to collect independent data, to perform audits and to verify the accuracy of data provided by the Company. The Task Force appreciates and thanks the joint experts for their hard work and expert advice.

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 a substantial amount of information about the newly implemented processes, as well as about other changes within the organization. The Company continues to work diligently with the joint experts to address and resolve any issues raised about the implementation of the new and revised human resource systems. The Task Force appreciates and thanks Coca-Cola for facilitating the work of the Task Force.

Time Period Covered

The data described in this document compare the Company's progress against the baseline information described in the first annual report and the measurements collected for the second annual report. The first annual report covered the period from July 2001 through June 2002, presenting both the design of the new human resources processes and baseline data against which progress could be measured over the remainder of the Agreement. The second annual report of the Task Force, which covers the period from July 2002 through September 2003, describes the first year of implementation for many of the new processes.

This report covers the period from October 1, 2003 through September 30, 2004. It presents information about the implementation of new programs, as well as outcome data about programs implemented in previous years.

Information Reviewed to Track Progress

This report will specifically address the following sources of information which will be compared with the information described in our previous reports:

- 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, and others are currently in process. A few programs will be the focus of attention in the coming year. Appendix A provides a detailed listing of each of the Agreement requirements and the Task Force's informed judgment on the status of each requirement.
- 2) Data about the demographics of the workforce in the Company as of September 30, 2004, which will be compared with the composition of the workforce at Coca-Cola as of December 31, 2000, December 31, 2001 and at the end of the second review period, *i.e.*, September 30, 2003.
- 3) Information from an employee survey conducted in the spring of 2004, with data regarding the attitudes and perceptions of Company employees in the United States. Responses to the survey items will be compared to the responses to the same questions in the 2002 and 2003 surveys. In some instances where a program has recently been implemented, the survey question has been asked in 2004 for the first time.
- 4) Results of audits conducted by the joint experts at the Task Force's direction in the areas of performance management, staffing and posting for jobs below Salary Grade 14 and slating for jobs at or above Salary Grade 14.
- 5) Data provided by the Company about the status of implementation of the new programs, including rates of completion of required training and adverse impact analyses.

These data will be used to assess the initial implementation and guide refinement of the new processes.

WORKFORCE DEMOGRAPHICS

The Coca-Cola Company's non-hourly U.S. workforce (*i.e.*, those employees covered by the Agreement) as of September 30, 2004 consisted of a total of 5,878 employees, down 15% from the 6,864 employees described in our first annual report. Table 1 below shows that, since our last report, the workforce has remained roughly 50% female and 30% minority, with approximately two-thirds of the minority workforce being African American. However, the relative percentage of minorities in the workforce has increased by a rate of almost 9% from December 31, 2000 to September 30, 2004. Net percentage increase or decrease in representation from December 31, 2000 to the present is shown in the last column of the table.

Table 1
Coca-Cola Total U.S. Non-Hourly Workforce

	12/31/2000		12/31/2001		12/31/2002		9/30/2003		9/30/2004		
Total	6,628		6,728		6,876		6,151		5,878		
	N	%	N	%	N	%	N	%	N	%	% +/- since 2000
Male	3,350	50.5%	3,397	50.5%	3,478	50.6%	3,161	51.4%	3,021	51.4%	+ 0.9
White Male	2,592	39.1%	2,568	38.2%	2,619	38.1%	2,370	38.5%	2,231	38.0%	- 1.1
Minority Male	758	11.4%	829	12.3%	859	12.5%	791	12.9%	775	13.2%	+ 1.8
Female	3,278	49.5%	3,331	49.5%	3,398	49.4%	2,990	48.6%	2,857	48.6%	- 0.9
White Female	2,136	32.2%	2,152	32.0%	2,184	31.8%	1,905	31.0%	1,789	30.4%	- 1.8
Minority Female	1,142	17.2%	1,179	17.5%	1,214	17.7%	1,085	17.6%	1,060	18.0%	+ 0.8
Minorities	1,900	28.7%	2,008	29.8%	2,073	30.2%	1,864	30.3%	1,835	31.2%	+ 2.5
African American	1,308	19.7%	1,400	20.8%	1,408	20.5%	1,262	20.5%	1,232	21.0%	+ 1.3
Hispanic	367	5.5%	362	5.4%	392	5.7%	349	5.7%	344	5.9%	+ 0.4
Asian/Pacific Islander	209	3.2%	226	3.4%	249	3.6%	228	3.7%	235	4.0%	+ 0.8
Native American	16	0.2%	20	0.3%	20	0.4%	25	0.4%	24	0.4%	+ 0.2

Table 2 shows the level of jobs (by salary grade) occupied by minority and female employees. Although minorities account for 31% of all employees, they represent

approximately 50% of all support personnel in salary grades 1 through 8, one-quarter of professionals, and 20% of those at salary grade 13 and above . African Americans, who constitute 21% of the workforce, account for nearly 40% of support personnel, 14% of professionals, and 10% of managers and executives. Women, who represent approximately 50% of the total workforce, account for two-thirds of support personnel, 45% of professional jobs, 30% of managerial jobs and 20% of executive jobs. This representation of minorities and women across job levels is an improvement in balance over previous reporting periods.

Table 2
Coca-Cola U.S. Non-Hourly Workforce by Job Level
(9/30/2004)

	Salary Grade 15+		Salary Grade 13-14		Salary Grade 9-12		Salary Grade 1-8	
	N	%	N	%	N	%	N	%
Total	256		721		3,087		1,813	
Male	205	80.1%	499	69.2%	1,682	54.5%	635	35.0%
White Male	156	60.9%	397	55.1%	1,333	43.1%	348	19.2%
Minority Male	43	16.8%	95	13.2%	349	11.3%	286	15.8%
Female	51	19.9%	222	30.8%	1,405	45.5%	1,178	65.0%
White Female	39	15.2%	185	25.7%	985	31.9%	580	32.0%
Minority Female	12	4.7%	37	5.1%	417	13.5%	595	32.8%
Non-Minorities	195	76.2%	582	80.7%	2,312	74.9%	928	51.2%
Minorities	55	21.5%	132	18.3%	765	24.8%	881	48.6%
African American	26	10.2%	68	9.4%	435	14.1%	703	38.8%
Hispanic	16	6.3%	35	4.9%	170	5.5%	123	6.8%
Asian/Pacific Islander	13	5.1%	28	3.9%	145	4.7%	47	2.6%
Native American	0	0.0%	1	0.1%	15	0.5%	7	0.4%

Note: Executive jobs roughly correspond to jobs at Salary Grade 15 and above; Manager jobs roughly correspond to jobs at Salary Grades 13 through 14; Professional jobs are those typically at Salary Grades 9 through 12 and Support Personnel jobs are those in Salary Grades 1 through 8.

Table 3 shows the Company's hiring activity from October 1, 2003, through September 30, 2004. Out of the 442 new hires during the current reporting period, half were women, over 40% were minorities, and 28% were African Americans. This represents an increase for women (up from 43% in the previous reporting period) and for African Americans (up from 21% in the previous reporting period). One-third of new hires at Salary Grade 13 and above

(typically managers and executives) were minorities. In contrast, females tended to be hired more frequently in Professional and Support roles, continuing a trend noted in the previous reporting period.

Table 3
Hiring Activity by Salary Grade
Coca-Cola U.S. Non-Hourly Workforce
(10/01/03 to 9/30/04)

	Salary Grades 15+		Salary Grades 13-14		Salary Grades 9-12		Salary Grades 1-8	
	13		20		176		233	
	N	%	N	%	N	%	N	%
Total								
Male	10	76.9%	16	80.0%	81	46.0%	110	47.2%
White Male	6	46.2%	10	50.0%	53	30.1%	64	27.5%
Minority Male	4	30.8%	6	30.0%	27	15.3%	46	19.7%
Female	3	23.1%	4	20.0%	95	54.0%	123	52.8%
White Female	3	23.1%	3	15.0%	65	36.9%	55	23.6%
Minority Female	0	0.0%	1	5.0%	29	16.5%	68	29.2%
Non-Minorities	9	69.2%	13	65.0%	118	67.0%	119	51.1%
Minorities	4	30.8%	7	35.0%	56	31.8%	114	48.9%
African American	2	15.4%	3	15.0%	34	19.3%	86	36.9%
Hispanic	1	7.7%	3	15.0%	9	5.1%	14	6.0%
Asian/Pacific Islander	1	7.7%	1	5.0%	13	7.4%	14	6.0%
Native American	0	0.0%	0	0.0%	0	0.0%	0	0.0%

Note: Executive jobs roughly correspond to jobs at Salary Grade 15 and above; Manager jobs roughly correspond to jobs at Salary Grades 13 through 14; Professional jobs are those typically at Salary Grades 9 through 12 and Support Personnel jobs are those in Salary Grades 1 through 8.

The Company has made substantial progress in diversifying senior leadership since January 2000. This pattern has remained relatively constant since 2002. Table 4 shows the participation of women and minorities at the senior levels of the organization. Minorities who constitute 30% of the employee workforce and 19% of the senior levels of the workforce (salary grade 13 and above) now constitute nearly 25% of the Executive Committee, and

nearly one-third of the Executive and Senior Vice President level of the Company. Minorities constitute nearly 25% of elected and appointed officers. Women, who represent 50% of the workforce and 28% of the workforce at salary grade 13 and above, are 8% of the Executive Committee but roughly 30% of the remaining levels of senior leadership at the company.

Table 4
Diversification of Senior Leadership at Coca-Cola

	1/1/2000		6/30/2002		9/30/2003		9/30/2004	
	N	%	N	%	N	%	N	%
Executive Committee								
Total	6		10		11		13	
Female	0		1	10.0%	1	9.0%	1	7.7%
Minorities	1	17.0%	3	30.0%	3	27.3%	3	23.1%
Executive & Sr. Vice Presidents								
Total	10		11		14		17	
Female	0		4	36.0%	4	28.6%	5	29.4%
Minorities	1	10.0%	4	36.0%	5	35.7%	5	29.4%
Elected Officers								
Total	39		37		40		45	
Female	7	18.0%	11	30.0%	10	25.0%	14	31.1%
Minorities	4	10.0%	9	24.0%	8	20.0%	11	24.4%
Elected & Appointed Officers								
Total	107		152		173		190	
Female	17	16.0%	37	24.0%	42	24.3%	47	24.7%
Minorities	9	8.0%	33	22.0%	36	20.8%	42	22.1%

Tables 5 through 7 show the relative rates of promotion and termination for various groups from October 1, 2003 through September 30, 2004. As can be seen in Table 5, promotion rates for minorities were higher than the rates for non-minorities in managerial and executive jobs, and the same or lower than for non-minorities among lower level jobs. The most dramatic difference was noted among executive promotions, where African Americans had noticeably higher promotion rates – nearly double the promotion rate for white males (approximately 28% for African Americans compared to 14% for white males), balancing a trend noted last year and reflecting the emphasis placed on diversity at senior levels of the organization. The promotion rates of men and women were similar across job levels.

Table 5
Promotion Rates
Coca-Cola U. S. Non-Hourly Workforce
(10/01/03 to 9/30/04)

	Executives	Managers	Professionals	Sales	Support
Total	173	1,505	2,613	435	1,412
Male	15.3%	7.7%	11.5%	14.9%	6.3%
White Male	13.8%	6.5%	11.4%	16.7%	7.3%
Minority Male	22.7%	12.5%	11.7%	7.8%	5.2%
Female	16.7%	9.9%	14.3%	13.9%	5.8%
White Female	10.7%	9.4%	15.3%	12.3%	4.8%
Minority Female	28.6%	11.4%	12.2%	19.0%	6.9%
Non-Minorities	13.1%	7.5%	13.2%	14.9%	5.6%
Minorities	25.0%	12.2%	12.1%	12.9%	6.4%
African American	27.3%	10.2%	11.7%	17.2%	6.0%
Hispanic	20.0%	15.7%	17.1%	3.7%	10.8%
Asian/Pacific Islander	25.0%	17.5%	9.2%	0.0%	0.0%
Native American	0.0%	0.0%	0.0%	16.7%	0.0%

Note: Executive jobs roughly correspond to jobs at Salary Grade 16 and above; Manager jobs roughly correspond to jobs at Salary Grades 13 through 15; Professional jobs are those typically at Salary Grades 9 through 12 and Support Personnel jobs are those in Salary Grades 1 through 8.

In our first annual report we found that women and minorities were promoted at a higher rate than were white men across all job groups. That pattern changed in last year's review period, particularly for the period associated with S2, the Company's restructuring effort in 2003. We are pleased to note the Company's commitment to diversity, particularly at senior levels, has reversed the negative trend noted last year.

The rates of voluntary terminations from the Company were generally in the 3-6% range (see Table 6), similar rates to those reported in our last report. No substantial differences were noted by gender or ethnicity in voluntary terminations.

Table 6
Voluntary Losses
Coca-Cola U.S. Non-Hourly Workforce
(10/01/03 to 9/30/04)

	Executives	Managers	Professionals	Sales	Support
Total	173	1,505	2,613	435	1,412
Male	1.5%	3.0%	5.9%	10.2%	4.8%
White Male	0.9%	2.9%	5.6%	9.8%	5.3%
Minority Male	4.5%	3.3%	6.8%	11.8%	4.4%
Female	0.0%	3.5%	6.0%	11.7%	4.4%
White Female	0.0%	3.4%	8.0%	12.3%	3.9%
Minority Female	0.0%	4.1%	1.9%	9.5%	4.8%
Non-Minorities	0.7%	3.1%	6.7%	10.8%	4.4%
Minorities	2.8%	3.6%	4.0%	10.8%	4.7%
African American	4.5%	3.2%	2.1%	12.1%	4.9%
Hispanic	0.0%	5.7%	6.4%	3.7%	3.9%
Asian/Pacific Islanders	0.0%	0.0%	5.9%	50.0%	3.8%
Native American	0.0%	16.7%	22.2%	16.7%	0.0%

Note: Executive jobs roughly correspond to jobs at Salary Grade 16 and above; Manager jobs roughly correspond to jobs at Salary Grades 13 through 15; Professional jobs are those typically at Salary Grades 9 through 12 and Support Personnel jobs are those in Salary Grades 1 through 8.

As can be seen in Table 7, involuntary termination rates were generally similar for whites and minorities across all job levels except Sales Workers, where the minority termination rate

Table 7
Involuntary Losses
Coca-Cola U.S. Non-Hourly Workforce
(10/01/03 - 9/30/04)

	Executives	Managers	Professionals	Sales	Support
Total	173	1,505	2,613	435	1,412
Males	2.3%	0.9%	2.5%	5.1%	3.6%
White Males	1.8%	0.9%	2.0%	3.4%	3.6%
Minority Males	4.5%	1.1%	2.9%	11.8%	3.5%
Females	2.4%	1.3%	2.4%	2.8%	1.6%
White Females	3.6%	1.4%	2.2%	2.2%	0.6%
Minority Females	0.0%	0.8%	2.8%	4.8%	2.5%
Non-Minorities	2.2%	1.1%	2.1%	2.9%	1.7%
Total Minorities	2.8%	1.0%	2.9%	8.6%	2.8%
African Americans	4.5%	1.6%	3.0%	13.8%	3.2%
Hispanic	0.0%	0.0%	1.4%	0.0%	2.0%
Asian/Pacific Islanders	0.0%	0.0%	3.9%	0.0%	0.0%
Native American	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Executive jobs roughly correspond to jobs at Salary Grade 16 and above; Manager jobs roughly correspond to jobs at Salary Grades 13 through 15; Professional jobs are those typically at Salary Grades 9 through 12 and Support Personnel jobs are those in Salary Grades 1 through 8.

substantially higher than the rate for non-minority employees (14% for African American Sales Workers compared to the non-minority termination rate of 3%). While the differences in termination rates for sales workers appears problematic, the terminations were due to a shifting of sales personnel from The Coca-Cola Company to the bottler, Coca-Cola Enterprises, a separate employer. These sales employees were transferred from one employer to another, without any true job loss. Eight African American sales workers were involuntarily terminated during the review period (out of a total of 18 involuntary terminations

of sales workers), 6 of whom were transferred to the bottler without job loss and 2 of whom were terminated for violation of the Code of Business Conduct. Of the 10 involuntary terminations of white employees, six were due to transfer to the bottler, two were due to violations of the Code of Business Conduct and two were due to unsatisfactory performance.

TASK FORCE SURVEY RESULTS

During the spring of 2004, the Coca-Cola Company commissioned an outside firm to conduct an electronic survey of all employees although the Task Force reviewed only the data for the Corporate and North America groups. As part of this survey, items developed by the Task Force were included. The survey repeated items from the 2002 and 2003⁶ surveys on diversity climate, company climate and fairness of the HR processes. These results are discussed below. In addition, items specific to HR processes were included; these are discussed in the section of the report which describes that process. Survey responses were anonymous.

Survey Sample

A total of 3,824 of 4,376 employees responded to the survey. This represents a very high 87% response rate. Clearly, the survey sample was of sufficient size and representation to be statistically valid. Group differences by ethnicity and gender in the results were based on adequate sample sizes for interpretation.

Of the survey respondents, 73% were Caucasian, 14% African American, 5% Hispanic and 4% Asian/Pacific Islander. This mirrors the proportions of employees by ethnicity in the Company. A larger percentage of the respondents were female (54%) than male (45%), while there are 44% females and 56% males in the Company. By job level, 4% of the sample were executives, 30% were managers and 65% were individual contributors or operators.

Diversity Climate

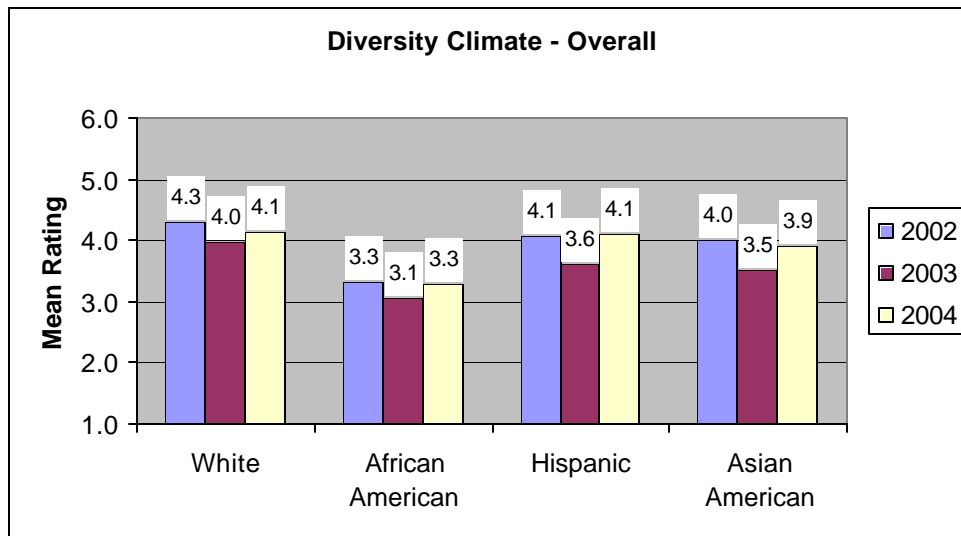
To measure employee perceptions and attitudes regarding the diversity climate at the Company, the Task Force and the joint experts had drafted specific survey questions to include in the surveys which were conducted in 2002 and 2003. These questions were re-administered in 2004 to track changes in the Company's diversity climate over time. The diversity climate questions covered employees' perceptions of whether the Company is committed to diversity and equal opportunity, the visibility of senior management in demonstrating that commitment and in making the business case for diversity, and perceptions of whether employees are treated fairly and consistently.

As noted in the 2003 Annual Report, the average diversity climate ratings for all ethnic groups were lower in 2003 than in 2002 (see Figure 2). In 2004, however, the survey results for all ethnic groups essentially returned to the higher baseline level first measured in 2002. While all groups improved in 2004 in their ratings of the Company's diversity climate, the results of the survey continue to show that African American employees were significantly more negative about the Company's diversity climate than were white employees. In 2004, Hispanics and Asian Americans rated the Company's diversity climate similarly to white employees. The pattern of results also indicates that men are slightly more positive about the Company's diversity climate than were women.

⁶ While the 2002 and 2004 surveys were administered to the entire U.S. workforce, the 2003 survey was administered to approximately 680 employees who participated in Task Force focus groups. The focus group participants were selected through a stratified random sampling process.

Figure 2

Comparison of Diversity Climate Ratings over Time



When the data are examined by job level, the strongest ethnic differences were noted between African American and white managers. Statistically significant, but smaller differences were noted between African Americans and whites at the professional (*i.e.*, individual contributor) and administrative/technical job levels. This pattern of results is similar to the pattern found in 2003.

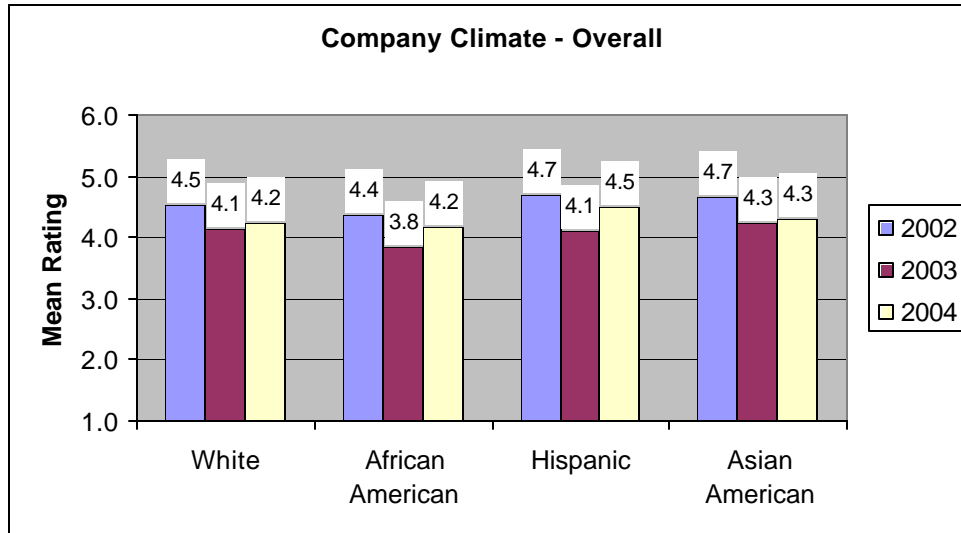
Company Climate

The employee survey included questions regarding the general work climate in the Company, which were also repeated from the 2002 and 2003 employee surveys. These questions covered employees' perceptions about their pride in the Company, their willingness to say good things about the Company to others, and their commitment to staying employed by the Company.

Company climate ratings increased in 2004 for all employees (see Figure 3), but in general did not reach the baseline levels achieved in 2002. All ethnic groups (except whites) rated company climate higher than diversity climate in both 2002 and 2003, indicating that minority employees still view the brand and the Company more favorably than they do the Company's commitment to fair and equitable treatment. In general, all employees rated company climate somewhat higher than diversity climate in 2004. This effect was particularly significant for African Americans. For whites, the average rating was roughly the same for Diversity Climate and Company Climate.

Figure 3

Comparison of Company Climate Ratings over Time



Company climate ratings were quite similar across ethnic groups, with Hispanics providing slightly higher ratings than other ethnic groups. When ethnic comparisons are made within job categories of managers and individual contributors, the data again tended to be very similar.

ASSESSMENTS OF HUMAN RESOURCE PROCESSES

I. Performance Management

A. Introduction

Performance Management⁷ includes the annual appraisal of employee job performance, as well as the procedures used to communicate job expectations and provide feedback on performance throughout the year and at the year-end performance rating. The performance rating is used for compensation, promotion, and other employment decisions.

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

The Company has developed 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. As noted in the first annual Task Force report, 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.

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, and to identify 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 signature.

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; second level review, and an appeals process.⁸

⁷ 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."

⁸ Data collected from the 2003 cycle was analyzed and is reported in the section below on "Qualitative and Quantitative Results".

In addition, in 2004, the Company designed several changes to its system. They included the following modifications:

- Transitioning to emphasize business unit goals and strategies
- Requiring a forced distribution of performance ratings
- Requiring Rating Calibration meetings

A sample of appraisals from the 2003 review cycle (*i.e.*, performance appraisals given to employees in early 2004 covering performance in the 2003 calendar year) was audited by the Joint Experts. The purpose of the audit was to determine the extent to which the process components described above were implemented as designed. In addition, data concerning the mid-year review for the 2004 performance ratings were analyzed. These data are reported in the section below on “Qualitative and Quantitative Results”.

C. Implementation

The Company has done a substantial amount of work on the performance management process and this Human Resources system is among the most advanced of the nine systems in terms of implementation and training. The outcomes of 2002 implementation served as baseline data since this was the first extensive use of the entire system. Beginning with the 2003 review cycle, the new performance management process was used for all U.S.-based employees.

Consistent with best practices, there is a mandatory two-day training, “Maximizing Performance” training, for both managers and employees in how the system works. Table 8 indicates how many total persons and what percentage of the workforce have completed training as of September 1, 2004. These data were provided by the Company. As indicated in Table 8, a very large percentage of the workforce has completed the training program. Since these numbers also include new employees who require performance management training, the data clearly indicate that the entire work force is receiving training. These data represent a clear increase over last year’s data and meets the Task Force expectation that all performance appraisals will be done by raters who have received rater training.

Table 8

Maximizing Performance Training

Target	Total Population	Number Completing Training	Percentage Completion
Managers	1,271	1,229	96%
Professionals	4,460	4,534	98%

Additional mandatory training in coaching and feedback has been provided for managers. These data, provided by the Company, are presented in Table 9. As of September 2004, 82% of the managers have been provided with this training. This is a significant increase from last year when the percentages were closer to 40%.

Table 9

Coaching And Feedback Training

Target	Total Population	Number Completing Training	Percentage Completion
Managers	1,271	1,044	82%

In addition, managers receive additional training on how to provide ratings, followed by separate "rater calibration" sessions at the end of each review cycle to ensure consistent use of the rating scales. As shown in Table 10, 86% of managers have received this training. Again, this is a significant increase from last year when approximately 65% of the managers had received this training.

Table 10

Rater Accuracy Training

Target	Total Population	Number Completing Training	Percentage Completion
Managers	1,271	1,054	86%

The new system is intended to increase accountability of senior management for ensuring the accuracy and fairness of performance evaluations. Second-level managers are instructed to review ratings provided by their management teams. In addition, the Company prepared a set of "people metrics" ratings for all managers which measure effectiveness in diversity, performance management, employee development and organizational engagement. These ratings directly impact a portion of managers' compensation.

As recommended in the first annual Task Force report, the Company has conducted annual adverse impact analyses on all performance appraisal ratings for U.S.-based employees. Adverse impact analyses have been designed into the Company's EEO monitoring requirements. The results of the adverse impact analyses of performance management ratings are reported in the next section.

D. Qualitative and Quantitative Results

Survey data concerning the performance appraisal system produced mixed results. In general, employees do not seem confident that the performance management process is fair and accurate. For all ethnic groups, the responses concerning this issue did not improve upon the baseline responses first reported in 2002, though in some cases it did improve slightly from 2003. There were very few ethnic differences among groups on this issue in the 2004 data. The responses concerning whether the performance evaluation system fairly reflects an employee's contributions were slightly stronger than for the fairness of the system. This appears to indicate that employees do think their ratings reflect their personal performance, but they are not satisfied that the performance management process is fair and accurate. These results were similar to the pattern found in the survey data from 2003.

Employees across all ethnic groups were more positive about having clear expectations for their job performance as a result of discussions with their manager. It is a good sign that managers and employees are discussing job performance, an important first step in achieving an effective system.

An audit of the performance management system was conducted by the Joint Experts at the direction of the Task Force to determine whether the performance management process was being executed as designed. The audit analysis was conducted on a stratified random sample of 335 forms from the 2003 review cycle. The following information was obtained from the audit:

- For the 2003 review cycle, 75% of the appraisals reviewed used the Maximizing Performance process and form, with another 21% using the Maximizing Performance process and a variation of the form. Only 4% of the appraisals reviewed appeared to be using a different system. This reflects the migration of all business units to the Maximizing Performance process for the 2003 review cycle. Although variations on the form were in use, our audit revealed that the different forms incorporated the basic features of the new performance appraisal process.
- The audit indicated that the performance management system was working reasonably well, in that both reviewers and employees were successfully completing most of the mandatory activities in the performance management process. Key Results Areas (KRAs) and objectives were generally found to be specific, measurable and had results documented. Competencies were found to be behaviorally assessed, and greater compliance was noted this year in the completion of the developmental plan. The end-of-cycle review was completed for 99% of the sample, with overall ratings consistent with individual ratings on objectives and competencies, manager and employee signatures and second level reviewer signatures were present in approximately 95% of the forms.
- Unfortunately, the mid-year review again was not completed for approximately half of the 2003 reviews audited. In addition, for those employees where an interim review was completed, 21% were documented as occurring in the last quarter of the year, when an employee would have little time to act on the interim

feedback. It should be noted that the Task Force's second annual report did not reveal the problems with the midyear review until last fall after it was feasible to improve compliance. However to monitor improvement in the completion of midyear reviews, the Company gathered midyear review ratings for the 2004 review cycle in July and August of 2004. The results showed that 96% of the 2004 midyear reviews had been completed by the end of the summer, up dramatically from the 2002 (53%) and 2003 (51%) data. Obviously, this is a significant improvement from the previous two years' audits.

The Task Force also reviewed the adverse impact analysis of the performance appraisal ratings for calendar year 2003, provided to employees in April 2004. These analyses indicated a trend toward more adverse impact against African Americans in more job grades than was found in the Second Annual Task Force report. These results were of great concern, both to the Task Force and the Company. The Company has taken a series of steps including meeting with leaders of individual business units and providing data specific to their business unit. The Task Force has expressed concern about the use of forced distribution scales. Since there have been several recent downsizings, it is the Task Force's belief that individuals who lost their jobs would have been among the poorer performers. If that is the case, then forcing managers to place a certain percentage of present employees in poor performance categories may not accurately reflect their performance.

Recognizing the seriousness of the issue, the Company further monitored midyear adverse impact trends in the Company's performance management process. Midyear review ratings were gathered and analyzed in the summer of 2004, which allowed the Company to monitor possible adverse impact issues. As part of the ongoing efforts to comply with the Settlement Agreement, the new leadership of the Company has indicated that it will perform analyses to determine the root cause of these issues and it is committed to putting procedures into place within 6 months to address the concerns. The Task Force has suggested to the Company that it needs to determine whether the forced distribution system results in some of these difficulties.

The Company should be given credit for the adoption of many best practices in performance management, such as data monitoring systems, which permitted it to be aware of these findings. It has also examined its compensation program, and has determined that during the past year, adverse impact results did not extend to that HR system.

E. Task Force Assessment and Recommendations

The design, plan, and initial implementation of the performance management system generally 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. The Task Force is pleased that training has been implemented across the organization. However, the trends concerning adverse impact against African Americans are of serious concern. The Task Force makes the following specific recommendations for the performance management process:

1. Continue to provide Maximizing Performance training for all new supervisors and employees.
 2. Complete Coaching and Feedback training and Rater Accuracy training for all managers and provide training for new managers.
 3. Address issues of adverse impact through training, communication and coaching.
 4. Continue to monitor the individual performance objectives developed by managers and employees for quality and consistency across individuals in the same jobs.
 5. Establish a review process that ensures that career objectives are properly developed.
 6. Continue to monitor completion of the objective setting meetings and the mid-year review to ensure they are accomplished in a timely manner as designed.
 7. Maintain an auditing process to ensure that the performance management process is functioning as designed.
 8. Communicate more effectively the procedures for employees to use the problem resolution process for appeals of performance reviews
 9. Continue to train managers on rater accuracy and continue to conduct calibrations across peer groups.
-

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. A new applicant tracking system has also been implemented.

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

In designing its approach to selection, 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. The Company has developed a model for selection processes which differentiates the type and detail of selection processes by job level. For lower level jobs, efficient, web-delivered screening and testing processes and brief interviews will be used to make hiring decisions for high volume jobs. For mid-level jobs, structured simulations and more detailed interviews will be added to the

screening process, while at higher level jobs, the selection process will involve more in-depth assessment of leadership skills and an integration of interviews and assessment data. The Company plans to validate any selection processes prior to implementation. It is unclear when these changes will be ready for implementation.

The Company utilizes an automated, internal job posting process. All vacant positions at salary grade 13 and below must be posted on the system for a minimum of 15 calendar days prior to an offer being made. Two exceptions to this policy have been approved this year: positions sourced through campus recruitment and internships may or may not be posted, and positions created as part of a restructuring effort may first be offered to employees within the department being restructured without first being posted. These changes were made to enhance the recruitment of women and minority candidates and to improve the opportunities for placement of employees caught up in restructuring efforts. The job posting 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.

For salary grade 13 positions and above, any non-diverse candidate slates may be considered only upon approval or modification by the Senior Vice President of Human Resources. The Task Force is to 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 has been routinely considered for each such position.

Once candidates are referred for a job vacancy, the Company uses a structured interview process to assess candidate qualifications and make selection decisions, consistent with best practices. Although the Company plans to revise and re-implement an existing structured interview process company-wide, it is our understanding that such changes have not yet been designed or implemented.

C. Implementation

Following last year's Task Force report, senior leadership of the Company made a significant commitment to increase diversity in senior hires and to build a pipeline of diverse talent. The Company has implemented a program of executive mentors and has required senior leaders to identify high potential diverse talent to be developed through focused development plans.

However, strong recognition was given to the fact that this development effort must be supplemented with a focus on recruiting and selecting diverse talent, both internally and externally. Routine bimonthly reviews of candidate slates were instituted with senior line leaders for jobs in grades 10 through 13. For senior level jobs (at or above salary grade 14), slates were regularly reviewed by President Steve Heyer and General Counsel Deval Patrick. When qualified diverse candidates were not identified or did not receive appropriate consideration for the job, the Talent Acquisition organization was given the authority to "pause" the process and request a senior executive review. We have been informed that this step was taken on multiple occasions in 2004 so as to broaden the slate of candidates for a job. Additional incentives for hiring managers came from the Diversity Goals program, tying executive compensation to the increase in representation of women and minorities at grades

10 and above (*i.e.*, the diversity goals program described later in this report in the section on EEO).

For external recruitment, the Company has contracted with four search firms directed to find diverse talent for jobs in salary grades 10 to 13, the pipeline for senior level jobs. The Company also maintains key strategic relationships with associations focused on diverse candidates (such as the National Black MBA Society and the Hispanic Scholarship Fund). This outreach effort exceeds the requirements of the Settlement Agreement.

In 2003, the Company implemented a more sophisticated, comprehensive applicant tracking system. This has substantially improved the Company's ability to monitor and track progress in hiring and promotion.

D. Qualitative and Quantitative Results

Data from the current employee survey indicated that many employees had concerns about fairness in the hiring process as well as concerns about whether the Company hires the most qualified persons, with African Americans holding the most negative perceptions. Interestingly, though, the data show smaller differences among ethnic groups than noted in the previous reporting period. The strongest positive responses for all groups were in response to the items concerning job postings and employees' awareness of job opportunities in the Company.

The data from the staffing audit adds further perspective to the views expressed by employees. The audit was independently conducted by the Joint Experts at the direction of the Task Force. The audit examined 868 filled positions at Salary Grade 13 and below, involving approximately 15,000 candidates (a separate audit examined the slates developed for positions at salary Grade 14 and above; those data are presented later in this report in the section on Succession Planning). The general findings were as follows:

- The Settlement requires that there be a minimum of three candidates for each vacancy, at least one of whom is either ethnically diverse or female. Out of the 868 postings examined, only 4 postings (0.4%) did not meet these requirements⁹. It should be noted that 93% of the postings had **both** gender and ethnic diversity in the candidate pool.
- For the jobs filled during the review period in salary grades 1 through 13, 35% of the candidate pool was African American and 33% of the interviewees were African American, but only 26% of those selected for jobs were African American. When examined by job level, African American candidates at salary grades 10 through 13 were 23% of the candidate pool, 19% of those interviewed and 16% of those selected for positions. Hispanics and females represented 7% and 55% of those selected for jobs respectively, consistent with or slightly higher than their representation in the candidate pool.

⁹ Three of the vacancies had fewer than 3 candidates and one had no diverse candidate. The Company's reasons for these exceptions were documented and, upon review, appear to be based on appropriate considerations. In three of the four exceptions the selected candidate was a diverse candidate.

- For the first time this year, adverse impact analyses were conducted on staffing data and provide baseline information for evaluating the results of the staffing process. Adverse impact analyses were conducted for salary grades 1 through 13 for three comparisons: candidate pool to interview pool, interview pool to final selection decision, and candidate pool to final selection decision. Statistically significant adverse impact was found for African American candidates in a number of comparisons. During the review period, African Americans selected to be interviewed were significantly less likely to be selected for the job than were white candidates. There has been significant improvement during the most recent quarter, however, in both the percentage of African American candidates referred for interview (no adverse impact for July through September 2004) and their success rate in the interview (however adverse impact was still statistically significant for the last quarter). For Individual Contributor and Management jobs below salary grade 14, a significantly smaller percentage of African American than white candidates were referred for interviews. No similar patterns were found for other minorities or for women at these job levels. These patterns were equally prevalent for both internal and external candidates, with slightly more adverse impact noted for current African American employees competing for management jobs. However, in the pipeline jobs at salary grades 10 to 13, no adverse impact against African Americans was found for selection into the job from among those interviewed. Adverse impact was also found for external Hispanic candidates who were less likely to be referred for interview for Administrative/Technical jobs.
- It should be noted that for this twelve-month reporting period, 40% of openings in grades 1 through 13 were filled by minorities, with 26% going to African Americans. For the feeder jobs in grades 10 through 13, 31% of openings were filled by minorities, including 16% filled by African Americans.

The recent trend of improvement in the adverse impact numbers is encouraging, but the Task Force expects that the Company will continue to monitor these data and take appropriate remedial actions to ensure fairness. The Task Force will examine in greater detail the impact of recruitment and referral for interview on the observed adverse impact for African Americans in the upcoming year.

E. Task Force Assessment and Recommendations

Except for the work on the structured interview and newly-proposed assessment processes, the design, planning and initial implementation of the Staffing process meet most Task Force expectations stemming from the terms of the Agreement. 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 pool in addition to the internal program of building a diverse pipeline for promotion. The Task Force is disturbed by the adverse impact against African Americans found in these baseline data on the hiring process and expects the Company to use its existing monitoring systems to examine the causes and institute controls to ensure fairness in the selection process. Another continuing area of concern relates to the structured interview process. The Task Force originally expected the Company to thoroughly review the structured interview process and make necessary changes by the fall of 2002. As noted above, this process has been put on hold. The Task Force looks forward to the completion of the work in this area in 2005.

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

1. Develop a plan to address the adverse impact found in the hiring process against African Americans and continue to monitor the process on a regular basis.
2. Continue to 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 processes.
3. Continue to implement the recruitment and posting processes to build a diverse talent pool and monitor outcomes to determine whether systems are working effectively
4. Continue to give particular attention to the development of opportunities for women and minorities who are internal candidates in the Company.
5. Revise the structured interview process to include a mandatory training program for managers using the structured interview process and provide ongoing support so that managers can utilize the system more effectively.
6. Monitor on an ongoing basis all staffing processes to ensure that they are being used fairly and effectively. Audit a representative sample of staffing actions.
7. Where assessments are used, analyze all candidate assessment procedures to ensure that assessments are both valid and likely to produce less adverse impacts than other comparable procedures.
8. Track information on paused slates and outcomes.

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.

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

During this review period, the Company (with Board approval) implemented a number of significant changes to its compensation system intended to more closely tie rewards to achieving business results. Changes to the compensation system include: planned migration to broad salary bands to replace the current salary grades; changing the bonus measures to put greater emphasis on achievement of Company profit goals (as opposed to only business unit performance) and increasing emphasis on a "one team" concept for bonus decisions; elimination of stock option eligibility from salary grade 10 jobs and reduction of stock option

pools for salary grades 11 and 12 to more closely match compensation in the external market, and modification of the metrics for calculating executive long-term compensation. It is our understanding that the Chairman and senior leadership will now participate in the same compensation plans as other employees.

As in the past, managers are given some flexibility and discretion in making compensation decisions. However, unlike the past, the Company actively monitors these decisions to ensure fairness, and managers will be held accountable for their decisions. The Company also relies on its Solutions problem resolution process, which includes appeal procedures, to act as an oversight mechanism.

During this review period, the Company instituted a Diversity Goals program which links executive pay to increasing diversity in senior level jobs within the Company. This program is more fully described in the EEO section of the report.

C. Implementation

In January 2004, a detailed communications toolkit was used to roll out the 2004 compensation plans, including a prepared presentation for managers to communicate with employees, plan summaries and Q & As. At A Glance cards were included in this communication to explain to employees each element of pay. This communications toolkit supplemented information in the Manager's Toolbox, an online resource on Company policies, procedures and tools, made available to all managers who supervise others (*i.e.*, people managers) in August 2003. The Manager's Toolbox provides compensation policy, salary planning information and tools and information for service recognition to assist managers in making salary administration decisions, such as starting salary offers and promotional increases.

As requested by the Task Force, the Company conducted pay equity analyses prior to awarding annual merit increases in April 2004. In addition, the Company voluntarily elected to conduct merit increase adverse impact analyses this year for the first time. As it had in previous years, the Company conducted adverse impact analyses on stock option grants and bonus decisions.

D. Qualitative and Quantitative Results

In the first annual report, employees indicated through survey responses that they had a good understanding of how their pay was determined. However, in employee surveys conducted in 2002, 2003 and 2004, employees were less positive about the fairness of the process for making pay decisions. While African Americans and Hispanics rated the fairness of making pay decisions significantly lower than did whites in the 2003 survey, the data in 2004 indicated comparable perceptions across ethnic groups about the fairness of pay decisions. Women rated the fairness of compensation decisions slightly lower than did men.

The largest differences in perception were found concerning whether the Company rewards individuals who have demonstrated successful efforts to improve and manage diversity. African Americans and women rated the Company's efforts in this area significantly lower than did whites and males respectively.

The Company's analysis of actual compensation data found no adverse impact by gender or ethnicity in stock option grants. This is consistent with results from previous years. Adverse impact analyses on bonuses found adverse impact against African Americans for a single business unit. Examination of the data indicated that it was explained by the bonus decisions for two African American employees whose lower bonuses were the result of legitimate reasons (e.g., Code of Business Ethics violations). As noted earlier, adverse impact analyses were conducted for the first time on merit increase decisions. As a result of the analyses, no changes were made to merit increases, since all potentially adversely affected employees identified by the analyses were found to have met Merit Increase Guidelines and/or had a documented reason for receiving the particular award (e.g., part-time, salary beyond 100% of salary grade range, new hires or recent promotions). Pay equity analyses were also conducted on April 2004 salary increase decisions. As a result of these analyses, 40 employees (only 9 of whom were African American) received salary adjustments to remedy inequities identified prior to finalizing 2004 pay increases. These salary adjustments were substantially fewer than the 194 employees who received salary adjustments during the Company's last pay equity analysis conducted in 2002.

E. Task Force Assessment and Recommendations

The Company has made significant changes to compensation processes that go beyond the requirements of the Settlement Agreement. Given that, for the most part, these design changes will not impact compensation decisions until after the end of the review period, the Task Force will await data on the impact of the new changes over time. Ongoing analyses of the fairness of compensation decisions meet (and voluntarily exceed) the requirements of the Settlement Agreement.

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

1. Continue to ensure that managers have adequate training and information to explain compensation programs to employees, such as the process for making merit increase decisions.
 2. Continue to communicate changes in compensation philosophy and methodology to all employees and use employee survey results to gauge the effectiveness of the communication in addressing employee perceptions of unfairness in the compensation decision-making process.
 3. Continue to monitor all compensation data to ensure decisions are performance-based and fair.
 4. Continue to conduct annual pay equity analyses immediately prior to finalizing base salary decisions.
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IV. Diversity Education

A. Introduction

Diversity education includes: diversity awareness training; related diversity strategy for the corporate business strategy; and reinforcement of diversity concepts over time through related Company policies, programs and practices. As discussed below, the Company has been working on a diversity awareness program since 1999 and has made significant progress in providing training.

The specific programmatic requirements from the Agreement and the status of each requirement are discussed in Appendix A.

B. System Design

As indicated in the first annual Task Force report, the Company has chosen to use the pilot diversity awareness program originally developed at Coca-Cola North America (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 has been presented to both managers and employees, again reflecting best practices. The Company's diversity training exceeds 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.

C. Implementation

As indicated in Table 11, the Company has made significant progress in implementing the required diversity awareness training. Last year, the Company indicated that training had not yet been completed for employees from the Minute Maid unit who had been recently integrated into the CCNA organization and for newly hired employees. Last year, the percentage completion of the training ranged from approximately 70 % to 80%. In contrast, the percentage of employees trained as of September 2004 was approximately 95%. Thus, the Company is close to its goal of training all employees and continues its commitment to provide this training for new employees within twelve months of their joining the Company.

Table 11

Diversity Training

Target	Total Population	Number Completing Training	Percentage Completion
Managers	1,271	1,197	94%
Associates	4,534	4,349	96%

In addition to these training efforts, the Company has announced goals to hold managers accountable for diversity efforts by including it as a part of the manager's performance ratings. The Company has also committed to an increased focus on diversity in staffing. Finally, as part of its 2004 affirmative action programs, the Company continued its outreach to national organizations including National Black MBA and National Hispanic MBA programs; 100 Black Men, Inc., American Indian College Fund, Society of Black and Hispanic Engineers, Goodwill Industries, Asian Diversity, Women in Technology, Latin Association, Urban League and NAACP.

The Company has offered a number of diversity strategies. At the request of the Task Force, the Company with the support of the Diversity Advisory Council has now presented a new vision and strategic framework related to its business direction. As of the writing of this report, the vision for diversity and inclusion within Coca Cola is: "Every company operation is an inclusive environment where our workforce embodies the diversity of our consumers and local market for talent. We respect individuals, value uniqueness of perspective, and recognize and understand cultural differences. We leverage the diversity of our people to build sustainable and unparalleled competitive advantage that fuels innovation and grows business performance."

The strategic framework is:

- Create: Build and retain representation
- Manage: Develop managerial and organization diversity capability
- Value: Ensure our processes, policies and practices contribute to an organizational culture of fairness and inclusion
- Leveraging Diversity: Uses diversity capability to realize business performance

The strategic framework will be applied in the following business areas: workplace, marketplace, community, suppliers and bottlers (as appropriate).

The Task Force expects that the Company's efforts to apply this framework will be clearly articulated with well-defined measures to determine the success of these efforts.

D. Qualitative and Quantitative Results

In general, the data from the employee survey indicated that the diversity education effort is viewed positively by all employees, regardless of race or gender. The specific survey item stated, "The diversity education program has helped me understand and respect the differences of others". The results for this item parallel the data from the first and second annual survey. However, on a survey item that stated, "The Company rewards individuals who have demonstrated successful efforts to improve and manage diversity and education", all groups give less positive responses, with African Americans providing particularly lower scores. These data are consistent with the information from the last year's focus groups and surveys concerning whether the Company has been effective in communicating its

commitment to diversity as part of its business case. At that time, employees indicated that the Company was making the business case externally, but were more negative about the Company's success in making its case internally. Employees questioned whether the Company's leadership had successfully translated its business case in terms of the way it treats its employees. The Task Force understands that efforts are being made to develop the business case. However, the Task Force feels that the Company must rapidly move into the implementation phase in order for perceptions to change.

E. Task Force Assessment and Recommendations

The Company's voluntary commitment to provide diversity training to all employees exceeds the mandate of the Settlement Agreement. The Task Force commends the Company for designing this best practice process and expects the Company to continue to provide training for new employees during the coming years. The Company has now articulated an overall diversity strategy and the Task Force looks forward to its quick implementation.

The Task Force makes the following recommendations:

1. Implement, with accountability measures, a comprehensive business diversity strategy with linkages to the business case, including the workplace, marketplace, community and supplier diversity. The Task Force expects an interim report on the implementation steps by April 1, 2005.
 2. Continue diversity training of all supervisors and complete the training of all other employees on a bi-annual basis as specified in the Settlement Agreement. Also, continue to provide strategic training sessions for senior management on a regular basis.
 3. Continue to integrate diversity concepts and skills practice into all human resource practices, including performance management, coaching, and selection interviewing. Continue to implement performance appraisals for managers that include ratings that focus on the implementation of diversity principles. It is critical that employees perceive the integration of these efforts. The Task Force will continue to closely monitor the Company's design, implementation and communication of these concepts and protocols.
 4. Continue to communicate top management commitment for diversity-supportive programs by further diversifying the work force at the senior level and by establishing policies that hold all employees accountable for a bias-free environment.
 5. Define metrics for assessing short- and long-range goals and develop implementation strategies and more specific timelines for communicating and accomplishing goals.
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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 of the Settlement Agreement and their current status are described in Appendix A.

B. System Design

As noted in previous Task Force reports, the Company has continued its efforts to build organizational capability for tracking, monitoring and execution of EEO-related activities and has taken steps to increase managerial accountability for outcomes.

The Workplace Fairness Department continues to be responsible for centralized strategy and monitoring of EEO issues and affirmative action plans (AAPs). Workplace Fairness is also responsible for the implementation of the Promotional Achievement Award Fund, EO investigations, outreach programs, and oversight of process fairness in restructuring and separation decisions. The department continues to work to build organizational capability by training HR generalists and promoting management accountability for EEO and AAP results.

During the current review period, the Company designed and implemented a Diversity Goals program, a requirement of the Settlement Agreement. The program ties executive and senior manager compensation to a 2% net increase¹⁰ in representation of women and minorities at salary grades 10 and above, very ambitious goals for the first year of this program. All senior managers based in North America will have a portion of their incentive tied to the achievement of the Company's diversity goals. This program tracks progress on an annual basis and was implemented in January 2004. The Task Force has expressed concerns that these initial goals may be too aggressive, but will continue to monitor the program in the coming review period when the first full implementation of the goals program will occur.

Standardized data reports are generated to track workforce demographics and personnel activity in hiring, promotion and turnover on a quarterly basis (see "Workforce Demographics" section of this report). In addition, adverse impact analyses are conducted on hiring, promotions and involuntary separations for each AAP quarterly and on restructuring decisions as those activities occur. The results of these analyses are reported to senior human resource and line management, as well as to senior corporate management and the Board of Directors. Adverse impact analyses are also conducted annually on merit increases, stock option grants and bonus awards, with pay equity analyses conducted annually on base pay. These annual fairness analyses of compensation decisions are shared within Human Resources and Legal functions within the Company and with the Task

¹⁰ Net increase compares the percentage representation of women or minorities at the beginning and end of the review period, regardless of whether representation decreased due to turnover, restructuring or other legitimate factors out of the control of the employer.

Force. The Company also has implemented an exit interview process to provide additional information on potential EEO issues.

C. Implementation

To facilitate the building of organizational capability in the EEO area, the Company has committed to provide training to its human resource professionals, to all managers (as required by the Settlement Agreement) and to all associates (a voluntary extension beyond the Settlement Agreement requirements). The Company provided training for its Human Resources department, including all Human Resource Generalists and Talent Acquisition staff. Enhanced AAP training has also been provided to all HR staff with relevant responsibilities to support the more decentralized approach to managing AAPs. The Company also in the process of developing an annual compliance self-audit program for local Human Resource Directors to monitor their compliance. The results of these self-audits are also shared with Corporate Workplace Fairness for monitoring purposes.

In response to its commitment to provide EEO training for managers, the Company developed an innovative, CD-based course called “Civil Treatment for Managers”. The percentage completion of this required training is shown in Table 12. As indicated in the table, 85% of managers have completed the required training. While this is somewhat below the Company’s goal of training 90% of managers by the end of the current review period, it should be noted that the 85% figure includes all current managers, both those in

Table 12

Civil Treatment Training

Target Audience	Total Population	Number Completing Training	Percentage Completion
Civil Treatment for Managers	1,271	1,084	85%
Civil Treatment for Employees	4,534	4,206	93%

management positions at the time of the Settlement Agreement and newly hired managers. Surveys previously administered to managers completing training indicated that 90% of managers felt the program “gave me a better understanding of my responsibilities in managing a civil workplace”, and 82% indicated “I know more about my company’s EEO-related policies and procedures because of the program.”

Training is also provided to associates in a special program called “Civil Treatment for Employees”. This training is a voluntary initiative by the company beyond the requirements of the Settlement Agreement. Table 12 also contains the completion rates of training for this program, with 93% of all associates having completed this voluntary training program.

The Company has also committed to regular distribution to managers of adverse impact and Affirmative Action Plan (AAP) data to track progress and reinforce accountability in EEO-related matters. The Company has increased local accountability for AAP results and has increased the frequency of communication tracking the results against the plans. Quarterly tracking reports are provided to plant Human Resources Managers and plant General Managers and Leadership Teams within each function. In addition, adverse impact ratios for hiring, promotions and involuntary separations are shared quarterly for each AAP with these managers, as well as an assessment of the effectiveness of outreach efforts. As part of restructuring undertaken in an area, adverse impact data on the restructuring are shared with the senior function head of the restructuring organization. Adverse impact analyses on the components of compensation are reviewed within the Human Resources and Corporate Legal organizations annually.

The Company also disseminated a report to employees in June 2004, entitled *Our Workplace in the United States*. This report was designed to better communicate with employees about the Company's commitment to people, the changing workforce demographics and the tools and programs available to employees to ensure workplace fairness.

D. Qualitative and Quantitative Results

The Task Force has reviewed the demographic trends discussed earlier in this report and the adverse impact analyses of hires and promotions for each of the Company's 29 AAPs, including 7 newly-implemented functional AAPs. Evidence of underutilization was noted in the AAPs, with 5% of the job skill groups underutilized for minorities and 10% underutilized for women. Independent audits by the Office of Federal Contract Compliance Programs (OFCCP) of five different sites¹¹ since the Task Force's first annual report found, in each case, no basis to proceed further with a compliance evaluation following the desk audit¹². This is further independent evidence of the Company's ongoing positive performance in EEO compliance.

In its last report, the Task Force noted that numerical compliance and perceptions of fairness are not the same and encouraged the Company to do a better job of communications to bridge any differences that may occur between perceptions and fact. Employee survey data collected this Spring indicated that the Company has sent a strong message that discrimination in the workplace is unacceptable. In comparison with survey data collected in 2002, employees were more likely to indicate that they know what to do if they have an issue with being treated fairly in the workplace. However, in comparison with survey results collected in 2002, employees are less positive about whether the Company effectively responds to employees' complaints about being treated fairly.

For the time period from October 2003 through September 2004, 19 discrimination charges were filed against the company, predominantly with the EEOC, down sharply from the 47 charges reported in our previous report. About 35% (N =7) of the total charges alleged race or national origin discrimination.

¹¹ The five sites were Ontario, CA Syrup Branch; Atlanta, GA Syrup Branch; Dunedin, FL Manufacturing Plant; Lehigh Valley Syrup Branch; PA, and the former Minute Maid Houston, TX Headquarters.

¹² One open desk audit continues at the Company's Paw Paw, MI plant.

In addition, adverse impact in promotions was examined by salary grades for CCNA and Corporate. No evidence of adverse impact was found in promotion rates. In fact, in several cases, the rates of female or minority promotions were above the rates for whites or males.

The Company has also implemented an exit interview process to identify potential EEO issues among employees who leave the company. Employees who voluntarily terminate their employment with Coca-Cola are contacted by an outside vendor and asked to participate in a phone interview. For the period from October 2003 through March 2004, 29 of the 108 voluntarily-terminating employees contacted agreed to participate in the interview (response rate of 27%). Due to the low response rate, the exit interview program has been temporarily paused.

E. Task Force Assessment and Recommendations

The design and ongoing implementation of EEO-related activities generally exceed the terms of the Agreement. The Company has taken many steps to ensure that the EEO functions are strong, including building organizational capability, increasing staff dedicated to the area and taking a significant role in monitoring adverse impact and holding managers accountable for results. 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 Company also implemented its ambitious Diversity Goals program this year. Given the results of this program to date, the Task Force anticipates that its full impact will not be seen until the second full year of its operation, calendar year 2005.

The Task Force recommends that the Company:

1. Continue required training for managers and continue training for associates in Civil Treatment.
 2. Continue to monitor and evaluate adverse impact data and report results to senior leadership and managers throughout the Company on a regular basis.
 3. Continue to work within the organization to develop plans to address the issues raised by monitoring and adverse impact analyses.
 4. Continue to assist senior management in understanding and achieving the diversity goals identified.
 5. Continue to assist HR process owners in the redesign of various HR processes to improve employee perceptions of fairness in the systems.
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VI. Problem Resolution

A. Introduction

Problem resolution includes methods for internally surfacing, investigating and resolving employee complaints through a variety of mechanisms, including the Employee Reporting Service, the Ombuds program and the Office of Ethics and Compliance.

Specific requirements relating to the Agreement are listed in Appendix A.

B. System Design and Implementation

As described in the first annual report, the Company originally designed a Solutions program to provide employees with a variety of approaches or vehicles by which to report, discuss and resolve workplace problems. The program consisted of five components: the Open Door Process, the Employee Resolution Department, the Ombuds Office, the Employee Reporting Service and the Employee Assistance Program.

One of the recommendations in the first annual Task Force report was that the Company consider mediation and arbitration as additional avenues for employees to address their concerns. The Company announced on July 29, 2003 that it had hired a Chief Ethics and Compliance Officer to head the Office of Compliance. This office began planning for mediation and arbitration as part of a new Solutions program.

In the spring of 2004, the Company announced a new Solutions program which involves the following components:

- 1) Open Door Process - This allows for conversations with the employees manager, including permitting assistance from Human Resources.
- 2) Facilitation Process - If the employee is not satisfied with the results of the Open Door process, the next step is facilitation which involves working with a Program Manager from the Ethics and Compliance Office to attempt a resolution to the issue.
- 3) Written Appeal - If the issue is not resolved through the facilitation process, the employee can appeal to the Senior Management Panel for a final internal decision. The panel consists of the Company's General Counsel, the Senior Vice President of Human Resources, and the head of the Corporate or North American function where the employee works. The panel considers input from both parties and issues a written decision.
- 4) Mediation - this involves a neutral third party outside the Company and is available only for resolution of legal disputes, such as discrimination or harassment.
- 5) Arbitration - If mediation fails to resolve the legal dispute to the employee's satisfaction, arbitration is available. This requires both parties to explain their sides to a trained arbitrator, usually an attorney or judge.

Additional support for employees is available through the Ombuds Office which has been conceptualized and implemented as a confidential, informal and neutral resource for employees seeking assistance in the problem resolution process. In addition, a subcommittee of the Task Force confers regularly with the Ombuds Office and the full Task Force meets quarterly with the Ombuds Office to remain informed about issues that require attention. 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 Ethics and Compliance Office for appropriate handling. Finally, the Company expects that the Employee Assistance Program (EAP) will provide an effective avenue for resolving employee issues which are more appropriately resolved through professional counseling. Overall data (not individual information) from the employee hotline (ERS) and trends identified by the Ombuds Office are reported on a regular basis to the CEO and the Task Force. In addition, a subcommittee of the Task Force confers regularly with the Ombuds Office and the full Task Force meets quarterly with the Ombuds Office to remain informed about issues that require attention.

The Company's problem resolution program incorporates many best practices in this area. Such best practices include various avenues for resolution of employees' concerns (employee hotline, Ombuds 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.

C. Implementation

All of the components of the original "Solutions" program were implemented during the first review period. The new "Solutions" program as described above was implemented in the spring of 2004. Brochures and announcements were sent to all Corporate and North America employees. The Task Force is concerned that the communications effort about the Solutions program suggested a lesser role for the Ombuds Office and believes that it is critical for the Company to make clear to the workforce the important role of the Ombuds Office in resolving employee issues, as specified in the original Settlement Agreement.

D. Qualitative and Quantitative Results

Data collected from October 1, 2003 to August 1, 2004 indicate that a total of 39 cases were brought to the attention of the Ethics and Compliance Office. This is less than one-third the number of cases reported in last year's annual report. The Task Force is uncertain as to why there are many fewer cases, but perhaps it is because the new solutions program has very recently been announced. While the actual number of cases in any one category is small, the highest volume of cases fell into five categories:

- Harassment/Discrimination: 28%
- Performance Appraisal Rating Disagreement: 15%
- Management Practices: 15%
- Compensation Practices: 15%

Of the case activity handled by the Ethics and Compliance Office, 51% came from females. From an ethnicity perspective, 46% came from white employees. Of the remaining 54% of cases raised by minority employees, the vast majority (62%) came from African Americans.

This latter pattern is similar to the data reported in last year's report. However, it must again be noted that the total number of cases is very small and thus these data do not represent a large number of employees.

Additional support for employees is available through the Ombuds Office, which operates as an autonomous and independent authority. Since these data are confidential, the only information available is the type of concern raised. The largest percentage of cases was related to job conditions, such as: performance appraisals, termination, compensation, benefits and discipline. Of the remaining contacts with the Ombuds Office, the next largest percentage were requests for information and assistance, such as those concerned with company policy, coaching and consultation. A smaller percentage of the contacts were concerns about treatment, including management unfairness and discrimination.

As indicated above, during the spring of 2004, the Company communicated to its workforce a reframed Solutions program. In the survey, employees were asked whether they were aware of the new Ethics and Compliance Office and also asked whether they had completed the training on the Code of Business Conduct. In both instances, there was an extremely strong positive response, with almost all employees indicating that they were aware of these programs (88% and 98% respectively). Similarly, nearly all employees regarded the ethics training program as effective (89%). Also, there was strong agreement on these survey items across ethnic and gender groups.

The survey also asked employees whether they would know what to do if they had an issue with being treated fairly in the workplace. This question had previously been asked in the 2002 survey. For all groups, there was a stronger positive response in 2004. This is one of the instances where the data indicate an improvement over the baseline 2002 data. The response to whether the company makes it clear that discrimination is unacceptable in the workplace was extremely positive for whites, Hispanics, and Asian Americans, with African Americans being significantly less certain but still positive about this issue. Interestingly, when asked about whether the Company is effective in responding to employee complaints about being treated unfairly, the responses for all groups were not nearly as positive, with African Americans responding more negatively than others. These results are consistent with the responses to whether employees feel they would be treated fairly if they tried to resolve a dispute at work. The responses for this survey item were higher than the responses in 2003, but they did not quite reach the baseline responses found in 2002. Again, African Americans were more negative about this item than others.

In summary, it appears that the Company has made significant progress in ensuring that the workforce knows of the services that are available but that work is still needed in assuring the workforce, especially African Americans, that they will be treated fairly. As noted in last year's annual report, it is important for the Company to continue to promote and communicate these services, especially the confidential nature of the Ombuds process so that more employees trust and use the systems. Also, as noted in last year's report, the Task Force believes that the addition of the mediation and arbitration program will have positive benefits.

E. Task Force Assessment and Recommendations

Until the recent establishment of the new Ethics and Compliance Office, the Company had met all of the specific requirements of the Agreement in this area. The development of this Office has led to some confusion concerning the role of the Ombuds Officer which the Company now needs to correct. The Task Force expects the Company to continue to communicate and implement the Solutions program at all levels and in all areas of the business. The Task Force feels that the addition of a mediation/arbitration component to the Problem Resolution processes available to employees is an important step forward. However, the communications brochure needs to be redone to ensure that an accurate message is being sent to employees concerning the Ombuds Officer consistent with the terms of the Agreement.

Continued active monitoring of the Problem Resolution Process will be critical to ensure its effectiveness. The Task Force will continue to evaluate the system, primarily using the employee 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 recommends that the Company:

1. Develop and implement a new communications plan that presents the Solutions program as providing the following multiple options for employees: Ombuds Office, Employee Reporting Service, and mediation/arbitration.
 2. Continue to communicate with employees about the goals of each program and the ground rules in the implementation of the program.
 3. Continue to evaluate the system, using the employee survey and outcome data from all the alternative Problem Resolution components 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.
 4. Monitor the implementation of the mediation programs and arbitration programs.
 5. Be proactive about addressing trends revealed by monitoring the problem resolution processes.
-

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.

B. Program Design

The Company has designed a career development model for employees in pay grades 13 and below, which incorporates career information, assessment tools and educational resources to help employees compare their skills and competencies with those needed by the Company. The Career Development Process will interface with Succession Planning for employees at higher grade levels. This approach 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 designing and implementing the Career Development program, the Company will follow best practices and utilize work analysis data to provide the competency and skill information both for the Career Development process and for job profiles and job posting. In the spring of 2004, the Company implemented an on-line career development program for employees including a manager's career coaching guide.

In addition, as specified by best practices, the roles of managers, employees and the Company has been clarified and communicated, with monitoring of career development reinforced within the performance management process.

The Task Force recognizes that the design of the Career Development program reflects best practices and goes beyond Settlement Agreement. However, it is clear that this program is one of the most important processes that the Company can implement.

C. Implementation

The Company originally planned to begin implementation of the new Career Development program in 2003 but was delayed because of the S2 Restructuring. The Task Force noted in last year's annual report that in the summer of 2003, the Company did implement an important tool for employee development called the Learning Source. In the spring of 2004, the Company instituted a comprehensive online career development system, including the manager's career coaching guide. The implementation of this system is an important step forward and it will be equally important to monitor the early effects for employees in the next annual report. The Task Force believes that manager training and oversight of this process is critical.

D. Qualitative and Quantitative Results

Initial data from the use of the online tool activity is promising. As of October 1, 2004, which is approximately three months after its introduction, data indicated that the number of users was 1,609 or 26% of the workforce. These data also indicate that minorities' use of the system tended to exceed their representation in the workforce. For example, African Americans represent 22% of the users of the system while representing 21% of the total workforce.

Data from the employee survey continue to point to the need for Career Development programs, especially for minorities and women. The responses to the survey item indicating whether career opportunities go to the most qualified person were among the most negative responses on the survey for African Americans, but were also among the most negative

responses on career development for all groups. The responses for all groups did improve from the 2003 ratings but basically returned to baseline ratings found in 2002 which were quite low. On the other hand, responses concerning the opportunities for developing a career and gaining skills in the Company were more positive for all employees, with African Americans still tending to be somewhat lower than other groups. Again, however, the responses for 2004 returned to the baseline levels found in 2002. Thus, it appears that employees are only beginning to understand what career development opportunities exist since the career development system was only recently implemented. The Company intends to link Career Development with other HR systems, such as Staffing and Succession Planning. Also, it is clear that there is still concern about fairness in opportunities going to the most qualified person. Because the system is so new, it will be at least a year before data concerning its effectiveness will be available.

E. Task Force Assessment and Recommendations

The Task Force notes that the Career Development process is one of the last of the Human Resource processes to be put in place. Its impact cannot yet be assessed this year, and we anticipate that its impact will just begin to be evident by the time of our fourth annual report in 2005.

The Task Force recommends that the Company:

1. Continue to implement the new Career Development process to ensure that the responsibilities of the employee and manager are clearly and systematically specified and communicated.
 2. Implement organizational policies that include career development opportunities as integrated into the ongoing operation of the organization.
 3. Utilize monitoring systems to ensure that women and minorities are accessing career development tools.
 4. Develop and use systems to monitor and evaluate the role of managers in the Career Development process.
 5. Develop and conduct an internal audit in order to monitor the performance management system to ensure that the career development aspects are being executed and hold managers accountable for the career development aspects of the system.
 6. During the coming year, link Career Development with other HR systems, including Staffing and Succession Planning.
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VIII. Succession Planning

A. Introduction

Succession Planning relates to the identification, assessment and development of internal candidates for senior management positions. Succession Planning also includes defining candidate slates for senior level jobs and planning for organizational continuity in the event of turnover and/or retirements.

The specific programmatic sections of the Agreement related to Succession Planning and its status are presented in Appendix A.

B. Program Design

The Strategic Resource Review (SRR) is the Company's process for talent review and succession management. In the "talent review" process an employee's potential for movement within the organization is assessed. Managers compare the talent needs identified in the business planning process with the capabilities of current senior level employees. Through the talent review process, regular discussions occur among the highest-level managers regarding talent and talent gaps. The Company anticipates this process will result in the development of existing internal talent and, when appropriate, the recruitment of external talent as necessary.

The SRR process begins when employees are asked to complete a profile summarizing their performance, strengths, developmental areas, career aspirations, educational background and career history. This information is then discussed with their manager who completes a talent assessment. The managers' assessments are then reviewed by successive levels of management and combined at the business unit level where they are summarized and eventually presented to the Executive Committee. These presentations include the strategy and vision of the business unit, its organization structure, a summary of potential ratings for the business unit, a diversity review, a succession plan and an action plan for the upcoming year to develop talent.

The company has continued to build managers' skills in assessing the capability of employees and providing regular, candid feedback. Calibration discussions among senior managers and individual coaching have increased the consistency and impact of the SRR process. SRR assessment information is used by Human Resources to identify potential candidates for openings at Salary Grade 14 and above in a process known as slating. Jobs at this level of the organization are not subject to posting. By drawing on the comprehensive SRR information, the Company believes that a broader range of candidates can be identified for open positions.

C. Implementation

In September 2004, the Company completed its third iteration of the SRR process. In July 2002, the Company began the SRR process globally for all employees in salary grades 14 and above. Over 1,200 leaders and managers participated in the process in 2002, with over 600 employees evaluated. The Executive Committee committed 9 days of time to its review of talent, with additional time for review of mid-year results against action plans developed in the SRR assessments. Individual feedback letters were prepared for each Business Unit

Leader and overall SRR outcomes were shared and discussed at the Division Presidents Meeting in October 2002. Using the information from the SRR, the slating process was implemented for all positions at salary grade 14 and above in late 2002.

In July 2003, the SRR process was refined and extended to grade 13 globally, and to grades 10 through 12 in certain business units, covering approximately 4,000 employees in the review. In addition to business unit reviews, certain functions (*i.e.*, Human Resource, Marketing and Finance) conducted global talent reviews across the function. Again, the Executive Committee committed 8 days to the review process. The 2003 reviews included more behavioral definitions of the potential ratings made on individuals, tracking of 2002 action plan and outcomes, a diversity review and implementation of an automated individual profile.

In July 2004, the SRR process was executed for employees at grade 13 globally, covering approximately 4,000 employees in the review. As had occurred in 2003, some business units elected to assess employees at lower levels of the organization as well.

A number of significant steps were taken in response to Task Force recommendations in the Second Annual report and as a result of senior management commitment to improve the identification and development of a diverse talent pool for senior level jobs. The Company has recognized the need to actively recruit highly qualified, diverse talent for its senior-level positions. Senior leadership of the Company, led by the Company's former President, Steve Heyer, actively and frequently communicated leadership's responsibility both for developing the diverse talent currently in pipeline jobs in the Company and to enhancing that pool with externally-sourced diverse talent. This effort goes beyond ensuring the diversity of slates, to ensuring that hiring and placement decisions result in a noticeable increase in diversity, implementing an executive mentoring program, and instituting a formal training curriculum for executives and those considered to be in the immediate pipeline. Strong reporting tools and routines were instituted to make data and actions visible to leaders and the Human Resources team supporting senior level selections.

The Company identified a senior executive, General Counsel Deval Patrick, to have clear accountability for monitoring the diversity of pools of candidates for senior level, slated jobs. On a weekly basis, Mr. Patrick reviews candidate slates, interview progress and selection activity. Where slates were not deemed to be sufficiently diverse, the Company has "paused" the selection process to increase the diversity of the applicant pool. While the Task Force has not reviewed results specifically for the paused slates, diversity of selections at this level of the organization has improved substantially over the last reporting period.

During this review period, the Company designed and implemented a training program for the top 250 global leaders, entitled *The Leadership Experience*. This training experience includes a curriculum focused both on enhancing culture and improving leadership skills. Participants are also assessed using measures of management style and 360 feedback on Coca-Cola's Leadership Competencies. The Company's commitment to this training is evident in the fact that both the global Advisory Council responsible for the development of the training program and the participants in the program were selected based on their identified potential to develop into Company leaders.

As requested by the Task Force, the Company has begun to develop work analysis data and leadership competency requirements for positions at Salary Grade 15 and above, as vacancies become available. Approximately 10 to 15 profiles have been developed to date.

In addition, this year the Company provided the Task Force with information on its assessment of the process and proposed actions to enhance the effectiveness of SRR. Proposed changes include incorporating ongoing talent discussions throughout the year into management routines, examining the competencies most predictive of success in leadership positions at the Company, providing opportunities for senior management to get to know and develop top talent, leveraging development opportunities such as international assignments more effectively, and increasing executive involvement and accountability for slate diversity.

The Task Force believes that an additional area for improvement in the SRR process is in the area of communication, both to employees and to the Task Force. Because the Company has not communicated effectively, the employees, and indeed the Task Force, do not understand the relationship between SRR evaluations of employees and promotions or career opportunities. The lack of integration of SRR with other HR processes and the lack of clear communication perpetuate the negative perceptions of employees about how career advancement occurs at the company.

D. Qualitative and Quantitative Results

Succession planning information is used to identify internal candidates for positions in salary grades 14 and above, since these positions are not posted on the Company's job posting system. As with jobs at lower levels, internal candidates for these positions typically compete with external candidates.

The Settlement Agreement requires that the Senior Vice President of Human Resources shall first review and approve or modify any candidate slate for a job at Salary Grade 14 and above that does not include both genders, representation of African Americans, Hispanics, or Asian Americans; and any other relevant protected groups. If the slate remains non-diverse, the Company shall report that fact to the Task Force with the Company's explanation. This year the Company automated the documentation of slate exceptions in the PeopleClick applicant track system. Out of the 40 slates reviewed at salary grade 14 and above, only 1 (2.5%) failed to have either ethnic or gender diversity. In fact, half of the slates had both ethnic and gender diversity in candidates considered. In 3 additional slates (7.5%), the Company reported that fewer than 3 candidates were considered due to specialized skill requirements. However, the candidates finally selected from these slates included both minority and white candidates.

The Task Force audited candidate slates for jobs in salary grades 14 and above for the period from October 2003 through August 2004. As can be seen in Table 13, out of the 54 positions filled during this time period, nearly 43% were filled by minorities and 31% by women. Adverse impact analyses conducted by the Joint Experts indicated that no adverse impact was found in filling jobs at this level, either in referring candidates for interview or in making final selection decisions.

Table 13

**Jobs Filled at Salary Grades 14 and Above
October 2003 through August 2004**

Job Grade	Number of Hires	Gender		Ethnicity* of Male Hires				Ethnicity of Female Hires			
		Male	Female	White	African Amer.	Hisp.	Asian	White	African Amer.	Hisp.	Asian
14	33	22	11	11	4	4	3	9	1	1	
15	10	6	4	1	2	1	2	3			1
16	9	7	2	5	1	1		2			
17+	2	2	0		1		1				
Total	54	37 69%	17 31%	17 31%	8 15%	6 11%	6 11%	14 26%	1 2%	1 2%	1 2%

These findings indicate substantial progress has been made from the results reported in our previous report, when nearly 75% of the jobs at this level were filled by white candidates. These findings reflect the substantial commitment of senior management to communicate and support the diversity of selection into jobs at this level.

Data were also provided by the Company about the ethnic and gender makeup of the individuals assessed as “high potential”, “promotable”, and “well placed”, as well as those deemed to be too new in role or evidencing difficulty in their positions due to learning or performance issues. Among those assessed, similar percentages of whites, African Americans and Hispanics were rated in the various categories, indicating the absence of adverse impact in the assessment of potential. Women showed a slightly higher tendency to be rated as “high potential” than did men. Assessments of succession depth indicated that a higher percentage of women and African Americans were viewed as ready now for promotion than was true in 2003. Similar patterns were seen in those identified as ready in one to two years and those ready in three plus years, indicating an increase in the diversity of the pipeline for senior level jobs.

The responses of management employees who participated in the employee survey indicate that perception may not yet reflect the effects of this diversity effort. African American and Asian employees had noticeably more negative views about the fairness of the way people are identified for advancement in the Company, than did whites, Hispanics or women.

E. Task Force Assessment and Recommendations

The Task Force notes the significant investment of time and senior leadership commitment to the SRR and slating processes, and believes this increased accountability among senior leadership and closer monitoring produced real opportunities for women and minorities at the

senior levels of the organization. Succession planning is an important component in building the pipeline of qualified diverse candidates in the organization and senior leadership is in a unique position to address this issue. We are hopeful that this emphasis continues to bear fruit in enriching the opportunities of all employees to move into positions in senior management as their talents allow.

The Task Force believes that the SRR process has not been clearly and effectively communicated to employees or well-integrated with other HR process. The Task Force will continue to monitor the implementation of SRR and work with the Company to ensure that SRR is an effective and fair process.

The Task Force recommendations are as follows:

1. Continue monitoring by a senior executive with clear accountability for ensuring the successful use of this process to build diverse pools of qualified candidates for senior level positions. Routinely involve senior executives with responsibility for business units and functional organizations in slate reviews for their organizations.
 2. Continue to use this process to evaluate the performance of the leadership team and identify those individuals with potential to develop into company leaders.
 3. Continue to gather work analysis data and leadership competency analysis for job vacancies at salary grade 14 and above. This information should be used to further clarify the competencies required for the jobs in salary grades subject to SRR and to provide input for the development of valid and effective interviewing and assessment processes.
 4. Continue to build manager skills in assessing the capability of employees, to include the importance of giving regular, candid feedback.
 5. Use newly implemented monitoring systems to ensure that talented diverse pipeline employees are being systematically identified and developed.
 6. Annually audit a representative sample of SRR reviews to ensure fairness and consistency in the process.
 7. Facilitate SRR discussions to promote consistency between employee profiles and consensus discussion.
 8. Maintain documentation on paused slates and report to the Task Force the impact of pausing those slates on actual selections made.
 9. Improve clarity of communication to the Task Force and to employees about the SRR process.
 10. Enhance the links between SRR, Career Development and Staffing.
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IX. Mentoring

A. Introduction

Mentoring includes both one-on-one as well as group and 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 his or her desired professional development.

Appendix A contains the specific provisions of the Agreement related to mentoring and details the Company's progress in meeting these specific requirements.

B. System Design

The Company has designed a mentoring program which includes a formal company-wide one-on-one mentoring process, a group mentoring process and a self-study guide for those who are not able to participate in the formal programs.

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 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.

As a result of the restructuring process, the third wave of one-on-one mentoring was delayed until the spring of 2004. At that time, in addition to a second wave of one-on-one mentoring, the Company also designed and instituted a one-on-one mentoring program of executive mentors from jobs at grade 15 and above working with mentees at jobs grade 12 and above. This program is especially important because it targets individuals in the pipeline grades for eventual senior leadership. As such, it is an important aspect of the career development program being developed by the Company.

Also, due to the limited number of mentors available for large number of potential mentees in the one-on-one program, the Company has designed an innovative group mentoring program in which a single mentor facilitates sessions with a group of mentees. Another solution to the problem of limited mentors was the development of a self-study mentoring program in which workbooks are provided to participants to facilitate their mentoring experience.

C. Implementation

In the spring of 2004, the Company re-implemented and added a number of mentoring programs. A third cohort of one on one mentoring consisted of 148 mentees and 152 mentors. For the mentee group, 59% were female, 45% were minorities and 28% were African Americans. For the mentor group, 39% were female, 17% were minorities and 11% were African Americans. In addition, the Company implemented an executive

(from grades 15 and above) one-on-one mentoring program for mentees in grades 12 to 15. A total of 62 mentees volunteered for the program, with 51% female and 34% minority participants, of which 13% were African American participants. A total of 53 mentors volunteered, with 20% female and 19% minority mentors, of which 6% were African Americans. As noted above, this is a particularly important program because it responds to issues concerning pipeline development of the next leadership group.

In addition, the Company will implement a group mentoring program in the fall of 2004 to provide enough mentors to meet the needs of the number of mentees who wish to participate in the program. Also, since October 1, 2003, well over 100 employees have requested the self-study guide. Finally, the Company has implemented a course titled "Networking for Success" which is designed to help employees understand what networking is and also to provide tools and techniques to help network more efficiently and effectively. From October 1, 2003, four Networking courses were conducted with 54 participants. The Company expects to offer the course to another 36 participants by year-end 2004.

D. Qualitative and Quantitative Results

The mentoring program has incorporated routine interim evaluations of effectiveness through a 90-day survey of participants and focus groups conducted after six months. As indicated in the second annual report, the vast majority of mentees viewed the program as useful in assisting their development. Key benefits included sharing of knowledge and experiences, giving and receiving coaching, and learning something new about the company. Since the 2004 programs began in late spring/early summer, data concerning the assessment of these efforts will not be available in time for this report. Given the past history of these programs, the Task Force has every expectation that these programs will continue to be successful. The Task Force does expect to include items related to the assessment of these programs in its perception questionnaires for inclusion in the fourth annual report.

E. Task Force Assessment and Recommendations

In the first annual report of the Task Force, we said that the design, planning and initial implementation of this program exceeded Task Force expectations stemming from the Agreement. The Task Force continues to believe that the design of the mentoring programs at Coca-Cola represents best practices. The Task Force is pleased that the Company has instituted the full mentoring programs whose full implementation was delayed by the S2 process.

Specific recommendations of the Task Force are as follows:

1. Over the next year, the Task Force recommends that the Company should continue the one-on-one mentoring systems and monitor the implementation and effectiveness of the mentoring program across the Company.
2. The Company should implement and collect data concerning the outcomes of the group mentoring process. This is particularly critical as it is a way to involve larger number of employees in the process. However, since this is an innovative program which has not been developed elsewhere, information concerning its success is particularly necessary.

3. The initial success of the program led the Company to commit to integrate the mentoring program within a broader career development model. The development of the executive one on one program is particularly promising. The Task Force recommends that this effort continue.
4. The Task Force also recommends that the Company coordinate the mentoring program with the succession planning system.
5. The Company should continue to emphasize the opportunities for members of groups, such as women and minorities, who may not be as well represented at higher levels of the organization.
6. The Company should 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. The time for claiming monetary relief has expired. In total, the Company has distributed approximately \$79 million to almost all eligible employees (2,191 of 2,201) class members. Only 10 employees entitled to relief (less than 1%) did not seek it.

Promotional Achievement Award

As specified in the Settlement Agreement, Coca-Cola agreed to create a \$10 million Promotional Achievement Award Fund to encourage and compensate African American employees promoted to positions in which Settlement Class members are underutilized as compared to their availability in the relevant qualified pool. Such positions and the related awards schedule was to be established at least annually by the Vice President of Human Resources, subject to the review and recommendations of the Task Force. This fund was to be used over a ten-year period. Any money remaining in the fund after the ten-year period was to be distributed by the Company to Section 501(c)(3) institutions in the Atlanta University Complex.

The Company, with Task Force and Plaintiffs' counsel review and approval, established the following promotional achievement award program for Settlement Class Members. First, the Company will pay \$4,000 to Class Members, whether currently employed or not, who were or are promoted into an underutilized job skill group¹³. Though the use of these \$4,000 cash payments are unrestricted, the Task Force notes that the payment equates to one (1) additional year of education at Georgia State University which is near the Company's headquarters campus. Second, the Company will reimburse **all** Class Members, whether currently employed or not, including those who were promoted into an underutilized job group, up to \$3,800 for "learning credits." Learning credits may be used for face-to-face classes, web-based training, college courses, continuing education training, as well as for professional conferences or workshops. There is no restriction on what courses these funds may be used for or at which institutions. The employee merely needs to present the Company with a receipt showing that course costs have been paid, and the Company will reimburse the employee for those costs, up to the \$3,800 maximum. The \$3,800 represents approximately two years' of tuition and fees at a local community college in the Atlanta area. The program was implemented and communicated to eligible employees on June 30, 2004.

Communications about the program began in late June and have included written materials sent to class members, people managers and all employees. In addition, discussions have occurred between the African-American Employee Forum and the Board of Directors. Class member reactions to the Promotional Achievement Award have been quite positive.

From December 2000 through the conclusion of the current reporting period, a total of 29 employees received the unrestricted \$4,000 cash payments. Based on promotion into

¹³ Underutilization was calculated as defined specifically in each of the Company's Affirmative Action Plans.

underutilized job groups, additional employees are expected to become eligible for cash payments in the next Task Force reporting period. Given its recent implementation, no payouts have been made to date under the “learning credits” provision of the Promotional Achievement Award Fund; however 40 class members have requested reimbursement for a broad range of learning activities, including business law, college prep exams, and computer classes. The Task Force looks forward to continued reports on the successful implementation of the fund.

CONCLUSION

In the past three years, the Company has implemented several significant, positive changes to its human resources systems. The Company is doing well in some areas, but some areas need additional work and revision. In the coming year, the Company must meet expectations as to all human resources systems. By ensuring that all systems are working effectively and as designed, the Company will be able to become the gold standard company for diversity that it has set as its objective.

The Task Force continues to believe that Coca-Cola recognizes the tremendous potential and opportunity the Settlement Agreement provides to improve overall employment opportunities for all of its employees. The Company has made progress in many areas since the Company agreed to settle the underlying case in 2000. Progress in other areas has not been as consistent as the Task Force had hoped, in part due to the restructuring and other challenges facing the Company.

The Company's former leadership confronted these challenges by developing a business strategy to address them. The new leadership team has committed to ensure that requirements mandated by the Settlement Agreement are achieved. Acting on this commitment, the new leadership team proposed to extend oversight of its human resource systems for an additional year, even though not required to do so.

Coca-Cola's accomplishment of the goals of the Settlement Agreement remains a work in progress. Continued review and monitoring by the Task Force will assist the Company in making further progress. To that end, the Task Force will follow the Company's lead and affirm that it will continue in existence until December 2006.

The Task Force will report next to the Court in December 2005 for the review period ending in September 2005.

Respectfully submitted,

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

Dated: December 1, 2004

APPENDIX A

STATUS OF SPECIFIC PROGRAMMATIC RELIEF

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, has implemented revisions to meet these requirements, and is monitoring the revised system, 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:

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
1. All performance appraisals of all substantial population jobs will be grounded in thorough job analyses.	Appropriate grounding of performance appraisals using work analysis completed.	Implemented, with the first review using appropriately grounded appraisals to occur in the first quarter 2005.	Monitoring has occurred and will be ongoing. See also, # 6 below.

I. PERFORMANCE MANAGEMENT

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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.	Behaviorally anchored rating systems would not be as effective as work analysis information that is incorporated into system (see #1 above)	Task Force, based on advice of Joint Experts, concurred that this requirement should not be implemented.	Monitoring of system will be ongoing to reevaluate this requirement over time. 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 <i>a/so</i> , Settlement Agreement, section II.D.6.g (requiring managerial training on how to conduct performance evaluations).	Designed into system.	Training substantially completed. Ongoing refresher training designed and implemented.	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 were used in 2003 and 2004.	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 were used in 2003 and 2004.	See # 6 below.

I. PERFORMANCE MANAGEMENT

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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. <i>See also</i> , 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).	Designed into system.	Internal audit and reports of 2002 performance appraisals was completed in 2003; internal and external audit of 2003 appraisals and 2004 interim appraisals was completed in 2004.	Monitoring will be ongoing.
7. Performance appraisals will be performed at least annually.	Designed into system.	Annual performance review in place.	See #6 above.
8. Establish appeal procedures for managerial determinations of performance (including performance improvement plans). Settlement Section II.D.7.f.	Designed into performance management system and in "solutions" program discussed in "Problem Resolution" section of Report.	Implemented through original and revised "solutions" program.	See # 6 above, and "Problem Resolution" and "EEO" sections of Report.

I. PERFORMANCE MANAGEMENT

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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.	"People Metrics" system has been designed.	Program to be launched in 2004 cycle, with first ratings in 2005.	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.¹⁴

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 derived from work analysis provided to all employees.	Implementation completed.	See # 6 below.

¹⁴ 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

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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; updated applicant tracking system implemented in 2003 and in use in 2004.	See # 6 below.

II. STAFFING

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
<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 slating requirement designed into system.</p>	<p>Revised promotion and transfer system was implemented, in part, through "POP process." Further implementation of revised processes and training were completed in 2003. Additional revisions to hiring process were implemented in 2004.</p> <p>Candidate slate requirement for Grade 13 and above implemented.</p>	<p>Audit of process completed in 2003 and 2004; See # 6 below.</p>

II. STAFFING

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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.	Completed through work analysis.	Implemented.	See # 6 below.
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. ¹⁵	Career development and succession planning systems designed.	Procedures for review of candidate slates for diversity have been implemented.	Audit of system completed in 2003 and 2004; See #6 below, and "EEO" section of Report.

¹⁵ Though listed under "staffing" due to the diverse candidate slate requirement, this item is discussed in more detail in the Succession Planning section of the Report.

II. STAFFING

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
<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 also, 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>Monitoring and analyses of promotions and transfers has occurred and is ongoing. Goals to address any promotional adverse impact will need to be established for 2005 per Section II.D.7.e of Agreement. Additional audits and monitoring must occur in 2005.</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; revised program implemented in 2004.</p>	<p>See # 6 above.</p>

II. STAFFING

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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 were not completed in 2004 (CONFIRM). Revisions to structured interview process expected in 2005.	See # 6 above.

IV. DIVERSITY EDUCATION

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.	Routine pay equity studies designed into system. Designed comprehensive review of compensation practices and pay grade structure.	Work analysis completed. Pay equity study completed in 2003 and 2004. Revised pay structure proposed and adopted in 2004; migration to salary bands to occur in 2005.	See # 4 below.

IV. DIVERSITY EDUCATION

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
<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>Guidelines for initial salary setting communicated.</p> <p>Revised merit increase and bonus guidelines (with training) implemented in 2003 and supplemented in 2004.</p> <p>"Diversity goal" compensation decisions to be made in 2005, based on 2004 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 and manager “toolkit” designed.</p>	<p>Training and roll out of revised compensation tools and procedures occurred in 2004.</p>	<p>See # 4 below.</p>

IV. DIVERSITY EDUCATION

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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 <i>also</i> , 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).	Designed into EEO monitoring and reporting requirements.	First report completed in 2003, including adverse impact analyses on stock option grants and bonuses; adverse impact analysis conducted on merit increase, stock option and bonuses in 2004.	Ongoing.
5. Establish appeal procedures for managerial determinations of compensation.	Designed into "solutions" process, as discussed under "Problem Resolution" section of Report.	"Solutions" program implemented; revised program implemented in 2004.	See # 4 above.

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.¹⁶

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.

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
1. Company-wide mandatory diversity training at least annually for managers and at least bi-annually for all other employees.	Training is ongoing.	Ongoing, 95% of managerial population and 96% of associates have been trained.	By Task Force.

¹⁶These 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.

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
1. Ensure the Company's affirmative action plans are legally compliant and to recommend appropriate action where necessary.	Completed for 2003 and 2004.	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 2003 through Affirmative Action Plans; diversity goals also incorporated into pay for senior managers.	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.

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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 (CONFIRM STILL REPORT DIRECTLY TO CEO)	N/A

VI. PROBLEM RESOLUTION

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
4. Task Force and ombudsperson shall ensure that: (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, (b) Coca-Cola institutionalizes effective responses to discrimination complaints, through its procedures, reporting and monitoring, and any necessary training programs, (c) all employees have access to the complaint procedure and that adequate avenues for reporting exist.	Ombudsperson system designed and implemented. "Solutions" program ensures access to complaint procedure and adequate avenues for reporting exist.	Ongoing. Revised "solutions" program implemented in 2004	Monitoring, reporting and training are ongoing.
5. Task Force and Ombudsperson may evaluate whether implementing an ADR procedure would improve reporting and response.	Initial evaluation in 2003.	ADR program implemented in 2004 through revised "solutions" program through Office of Ethics and Compliance.	

VII. CAREER DEVELOPMENT

Career development is not specifically mentioned in the Agreement, but the specific programmatic relief section of the Agreement (sections II.D.7.b and II.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.

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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 was designed in 2003.	An on-line career development program, including a manager’s career coaching guide, was implemented in the Spring of 2004.	

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.

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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.	SRR process designed.	SRR process implemented and used in 2002, 2003, and 2004.	Reports 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."

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
1. Adopt and implement a mentoring program.	Mentoring program designed. Broader mentoring system being designed, to include group mentoring.	Pilot individual mentoring implemented and then expanded in 2002 and 2003. Mentoring programs continued in 2004, including one-on-one mentoring by executives and group mentoring program. Self-study guides implemented in 2003 and in use in 2004. "Networking for Success" also implemented in 2004.	By Task Force.