

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

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INGRAM, *et al.*,  
Plaintiffs,

v.

THE COCA-COLA COMPANY,  
Defendant

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

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**FOURTH ANNUAL REPORT OF THE TASK FORCE**

**December 1, 2005**

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## INTRODUCTION

This is the Fourth Annual Report of the Coca-Cola Task Force, covering the period from October 1, 2004 through September 30, 2005. 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))<sup>1</sup>.

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.<sup>2,3</sup> The Agreement defined the objective of these changes in the Statement of Principle:

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

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 Experts<sup>4</sup> based on their experience, a review of relevant literature and a comparison of Coca-Cola and its peer organizations. Relying on these best practices as a guide, the Task Force evaluated, recommended changes to, and ultimately approved various new or revised human resource systems proposed by the Company.

During the 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

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<sup>1</sup> The Settlement Agreement was approved by the Court on June 7, 2001.

<sup>2</sup> These commitments are set forth in the "Mandate for Review" and "Specific Programmatic Relief" sections of the Agreement (Sections II.D.6 and II.D.7) and included here in Appendix A.

<sup>3</sup> 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.

<sup>4</sup> 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.

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 its third report, the Task Force reviewed 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 were 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. In December 2004, the Company requested, and Judge Story granted, an extension of the Task Force's work for an additional year beyond the terms established by the Settlement Agreement.

In this fourth report, the Task Force continues its emphasis on effective implementation of programs and evaluates the Company's efforts toward sustainability of these programs.

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."<sup>5</sup> The mission of the Task Force is to assist the Company in making this tremendous potential a reality for all of its employees.

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

## EXECUTIVE SUMMARY

The upcoming year is the last year of the Settlement Agreement. In this second to last report, the Task Force commends the many achievements and works-in-progress of the Company. This report additionally identifies three tasks that remain for the Company to achieve in the next year in order to realize the “gold standard” that Coca-Cola has set as its standard in implementing the Settlement Agreement. We highlight several innovations within human resource processes that we believe must become rooted in the culture and are worthy of emulation. The Task Force will detail these and other best practices in its report next year.

In 2000, The Coca-Cola Company’s personnel practices resulted in one of the largest employment discrimination settlements in U.S. history. As part of that Settlement Agreement, the Task Force was created in 2001 to oversee a complete reform of those practices.

The core mission of the Task Force is to ensure that The Coca-Cola Company implements and sustains fair and effective human resource programs that create equal opportunity for all employees. The original tenure of the Task Force under the Settlement Agreement was four years. Last year, the Company voluntarily requested that the term of the Task Force be extended for an additional year, through 2006. The Court and the Task Force agreed.

In this reporting period, the Task Force continued to monitor human resource systems to determine whether they are operating as planned. Additionally, the Task Force has focused on whether these revised systems can be sustained in the long run. The Task Force believes that sustainability is directly linked to these processes being fully rooted in the Company’s culture. Thus a clear focus in the final year will involve ongoing internal communications to employees, demonstrated leadership efforts to signal the importance of sustainability, and definitive linkage of these processes to the business strategy.

The Task Force again provided a mid-year report to the Court. 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/Strategy;
- Equal Employment Opportunity (EEO);
- Problem Resolution;
- Career Development;
- Succession Planning, and
- Mentoring.

Although the Task Force expressed concerns regarding some human resource systems (particularly in regard to performance management and the relaunch of the Problem Resolution process), the Task Force generally concluded that most revised human resource systems were working as planned.

## Achievements and Works-In-Progress

Generally the Company has designed and incorporated several “gold standard” innovations into its human resource processes. For example, the Company has implemented best practices in creating an ability to track and measure human resource data on a real-time or near real-time basis. Such data collection and analysis has provided increased transparency of and insight into human resource practices. The Company now can conduct mid-year review of performance management ratings and track these over time. These best practices regarding data collection and analysis have allowed for a more robust evaluation of staffing decisions as well. Mandating diverse slates of candidates, with high-level review of those slates and a “pausing” protocol, has been vital to achieving the success to date in diversifying senior management and the pipeline for those positions.

The Company has rebounded from the across-the-board decline in the employees' perceptions of the Company and its diversity climate that occurred in 2003, when the Company was reducing employee headcount. Whites, Hispanics and Asian Americans now rate the diversity climate at the Company at the baseline levels first measured in 2002. Improving in each of the past three years, perceptions of the diversity climate by African American employees are now rated above the original baseline level in 2002. Although African American employees' perception as a whole remains more critical of diversity climate than other groups, the perception of recent African American hires (new employees with less than three years' tenure) was more positive and was comparable to all other groups. The Task Force will continue to monitor this positive trend for new employees, while putting additional focus on the perceptions of fairness for the longer-tenured employees. Ratings of company climate in 2005 were quite similar across ethnic groups (with Hispanics rating the company climate higher than other groups, as in previous years), but did not reach the baseline levels established in 2002. As in past years, minority employees continue to view the brand and the Company more favorably than they do the Company's commitment to fair and equitable treatment. Perceptions of fairness are lagging actual Company accomplishments. Engaging with employees to address these perceptions, particularly with minority and women employees, should be an essential element of the Company's efforts. The Task Force notes that it is not uncommon for different employee groups to have diverse perceptions, and the Task Force encourages the Company to continue to have a robust dialogue around concepts of diversity and inclusion and how they relate to the overall culture change and business strategy.

The Company continued its mentoring program, which has incorporated or established many best practices. This year, one-on-one mentoring had 76 mentee participants, 43% of whom are African American, 11% Hispanic and 6% Asian American. The Company provided special mentoring for employees identified through its succession planning process, which is especially important because these individuals have been identified for eventual senior leadership positions. Of the mentees in this program, 67% are female, 20% are African American, 20% are Hispanic and 7% Asian American. As detailed in the report, persons who have participated in the mentoring program appear to have experienced positive outcomes in terms of position changes over time.

The career development program appears to be working as planned, with 2,603 persons or 36% of the U.S. employee population participating. Minority participation continued to exceed their representation in the workforce. In addition, 65% of the participants were in job grades 10-13, the feeder pipeline for higher-level executive jobs. Another positive indicator is that 73% of the mentees who participated in the mentoring program in the past year participated in the career development program, as did 48% of mentors. However, despite these high participation rates, perceptions of women and minorities regarding career development opportunities remain low.

The Company's recent efforts to more closely link career development with other human resource systems should change these perceptions, but significant continuing communications is needed.

The compensation system, too, appears to be working as designed. The Company once again did not find any unexplained adverse impact in merit increases, stock option grants or bonuses. Pay equity analyses were conducted again this year, with necessary adjustments made. Overall, the Company maintains a continuing, relatively stable and fair compensation process, though there remains a difference in perception between African Americans and whites regarding pay decisions. Institutionalizing the monitoring and analyses of the compensation systems will be vital in the next year, as will developing a better communications.

The Company has continued to build organizational capability to track, monitor and execute EEO-related activities and increased managerial accountability for outcomes. The number of employees and managers receiving EEO training and diversity training remains high. While there was prior confusion regarding roles of the Ombuds Office and the Ethics and Compliance Office, the Company implemented a communications plan to address this issue as part of a rollout in October 2005 of a revised Employee Resolution program. Employee awareness and perception of the various means to report and resolve workplace concerns remains high, although additional work is needed to assure the workforce, especially African Americans, that they will be treated fairly.

As part of senior management's commitment to change, the Company took significant steps to improve the identification and development of a diverse talent pool for senior level jobs. Senior leadership of the Company, led by the North American Group President, actively and frequently communicated leadership's responsibility both for developing the diverse talent currently in pipeline jobs in the Company and enhancing that pool with externally-sourced diverse talent. Reporting tools were instituted to make data available to leaders on a timely basis, including incorporating a review of the diversity of slates as part of regular business practice. This effort ensured the diversity of candidates for consideration. An executive mentoring program and a formal training curriculum for executives and those in the immediate pipeline were instituted as well. Additionally, senior leaders were required to identify high potential diverse talent to be developed through focused development plans.

Significantly, there has been substantial improvement in diversity in new hires at higher-level manager and executive jobs (salary grades 14 and above). More than 51% of new hires at grade 14 and above were minorities, with African Americans accounting for 35.9% of the new hires. Women accounted for one-third (33.3%) of new hires at salary grades 14 and above.

The Company has made additional progress in diversifying its senior leadership. For example, diversity among the Company's elected and appointed officers has increased. In 2000, 16% of these officers were female, and 8% were minority; in 2005, those numbers had grown to 27% and 21%, respectively. That is a 68% increase in women and a 161% increase minority membership within the officer ranks in a five-year time span.

The Company also has made progress in diversifying its pipeline of talent to fill middle management and senior management positions. From 2004 to 2005, minorities increased from approximately 23% to nearly 26% of employees at salary grades 10-13, with all minority groups increasing in their percentage representation within these salary grades (except Native Americans, who remained at 0.4%). Representation of minorities in salary grades 10-13 has increased approximately 21% since 2002. Representation of women in salary grades 10-13 has increased each year in this time period as well. Diversifying the pipeline at the important middle

management salary grades 10-13 level should continue to help provide a diverse pool of qualified candidates for senior management and executive positions in the Company, which in turn should drive diversity at the senior levels within the Company into the future.

Despite such notable improvements, employee survey results indicate that perceptions may not yet reflect the effects of these diversity efforts. African American and Asian American 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.

In order to address these perceptions and to create more awareness of the positive changes, in 2005 the Company designed a comprehensive communications strategy to engage employees directly. The Company is appropriately attempting to move from a culture of compliance with the Settlement Agreement, through a process of commitment to the principles and spirit of the Settlement Agreement and ultimately to an inclusive, collaborative workplace culture in which diversity efforts and processes are institutionalized.

Effectively and consistently executing that strategy in the next few months is imperative in order to promote the values of diversity and inclusion so that they become embedded in all human resource systems and across the Company, particularly in its middle management ranks. The degree to which these changes to human resource systems and values of diversity become embedded within the Company's culture will be a primary focus for the Task Force in the coming year.

### Three Remaining Tasks

There are three areas of concern that must be addressed.

First, the Company must continue to closely monitor and provide training, particularly to its middle level management, on the performance management process. The Company must continue to examine data on performance ratings in order to discover possible causes of adverse impact in this system. Although the Company took steps to address adverse trends found in the performance appraisal ratings for calendar years 2004 and 2005, the Company must institute real-time monitoring of proposed ratings to prevent any adverse impact from occurring in the first instance. Such an approach was successful in assuring equity in compensation. Although the Company indicated that it communicated to managers and employees that forced distribution scales should not be used, there is a clear belief that forced ratings still are being used. The Company should more effectively communicate that the forced rating process has been discontinued. Further training and coaching is needed so that managers and employees fully understand all components and requirements of this system, including rater accuracy and calibration. As part of ongoing efforts to institutionalize the Settlement Agreement, the Company should audit the performance management process next year and in the future to ensure it is functioning as designed.

Second, of particular concern to the Task Force is ensuring that the staffing and selection process is fair and determining whether there have been missed opportunities for women and minorities, particularly African American candidates. As detailed in the report, the Company has successfully diversified its candidate and interview pools for open positions. For most ethnic groups and women the selection rates are similar to representation in the candidate pool and the interview pool. However, the selection rate patterns for African Americans were lower than expected when compared to the candidate and interview pools.

The Company should promptly determine possible causes of the observed differences in these selection rates. In addition, survey data continue to indicate that many employees still have concerns about fairness in the hiring process, including whether the Company hires the most qualified person. Addressing these concerns must be an integral part of the Company's strategy during this final year. In the past, the Task Force has expressed concerns regarding the structured interview process that is used in the staffing system. The Company must re-evaluate the efficacy of the structured interview process and implement revisions to it.

The Task Force believes that strict oversight and monitoring continue to be needed to prevent backsliding, particularly to the detriment of African Americans, in the crucial areas of performance management and staffing. The Task Force therefore asks the Company for a report by March 2006 of its analyses of these systems and what changes can be made to ensure fair, non-discriminatory operation. Today, the Company is much better 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 Company should strive to institutionalize the improved processes implemented this year in these areas.

Third, as discussed in prior reports, the Task Force has been concerned with the lack of a cogent and sustained diversity strategy. This year, the Company began to implement a comprehensive strategy that moves beyond education and training to link diversity to business goals – ensuring the overall diversity strategy encompasses and integrates human resources, marketing, philanthropy, and supplier diversity (which the Company refers to in its strategy as “workplace, marketplace, community and suppliers”). The Task Force believes that the Company has appropriately renewed its commitment to diversity as a business imperative, and is beginning to integrate diversity into the Company's overall strategy for growth (the “Manifesto for Growth”), with special emphasis on making diversity a part of the Company's business plans. This is a promising start, but more work remains. The Company must demonstrate an ability to execute that strategy consistently and effectively. To that end, the Company should continue to identify and promote comprehensive linkages between its diversity efforts and business goals.

This past year, senior management showed that its commitment to the principles embodied in the Settlement Agreement and its execution of best practices that have been implemented in human resource systems can produce tangible results. In this next year, the Company must work to instill this same spirit throughout the Company, particularly within middle management and across all human resource areas. The culture and process change must fully take root. The revised human resource systems must be sustainable over time for the Settlement Agreement to be truly successful. The Task Force will focus its efforts in the next reporting period on that question.

## 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/Strategy** 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 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 fourth 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. 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), information independently developed by the Task Force (e.g., employee survey data) and information obtained from focus groups conducted by the Task Force. 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 regularly scheduled conferences with each other and with the Company between Task Force meetings.

The Task Force has met with several Company executives, including E. Neville Isdell, (Chairman and Chief Executive Officer), Donald R. Knauss (President and Chief Operating Officer of North America Group) and Cynthia P. McCague (Senior Vice President, Human Resources). 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. The Chair of the Task Force has separately conferred with class counsel, as well as with Coca-Cola's CEO, President, General Counsel, the Public Issues Committee of the Board of Directors and their Chair, as well as the full Board of Directors, when needed.

The Task Force 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 and the Task Force subcommittees 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.

Finally, 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 Court approved the request of the Task Force that the joint experts 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. In addition, the Task Force requested that the Joint Experts organize and schedule briefings involving the Task Force sub-teams, the Joint Experts and the Company. The Task Force appreciates and thanks the Joint Experts for their hard work and expert advice.

## **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 subsequent measurements collected for the second and third reports. The first report, covering the period from July 2001 through June 2002, presented 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 report of the Task Force, which covered the period from July 2002 through September 2003, describes the first year of implementation for many of the new processes. The third report covered the period from October 1, 2003 through September 30, 2004. This fourth annual report covers the period from October 1, 2004 to September 30, 2005 and continues to measure the Company's progress on its Settlement Agreement commitments. It presents information about the implementation of several 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, many 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, 2005, which will be compared with the composition of the workforce at Coca-Cola as of December 31, 2000, December 31, 2001, December 31, 2002, September 30, 2003, September 30, 2004 and at the end of the fourth review period, *i.e.*, September 30, 2005.
3. Information from an employee survey conducted in spring 2005, 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, 2003 and 2004 surveys. In a few instances where a program has recently been implemented, no comparative analysis is possible. In addition, the Task Force conducted focus groups with employees to obtain additional data concerning attitudes and perceptions of Company employees.
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

### Overall Workforce

The Coca-Cola Company's non-hourly U.S. workforce (*i.e.*, those employees covered by the Agreement) as of September 30, 2005 consisted of a total of 6,155 employees, a 5% increase since our last report but down almost 10% 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 increased to 33% minority, with approximately two-thirds of the minority workforce being African American. The relative percentage of minorities in the workforce has increased by a rate of 15% from December 31, 2000 to September 30, 2004. Net percentage increases or decreases in representation of various groups from December 31, 2000 to the present are 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	9/30/05	
<b>Total</b>	<b>6,628</b>	<b>6,728</b>	<b>6,876</b>	<b>6,151</b>	<b>5,878</b>	<b>6,155</b>	
	%	%	%	%	%	%	% +/- since 2000
<b>Male</b>	50.5%	50.5%	50.6%	51.4%	51.4%	50.9%	+0.4
<b>White Male</b>	39.1%	38.2%	38.1%	38.5%	38.0%	36.7%	- 2.4
<b>Minority Male</b>	11.4%	12.3%	12.5%	12.9%	13.2%	14.1%	+ 2.7
<b>Female</b>	49.5%	49.5%	49.4%	48.6%	48.6%	49.1%	- 0.4
<b>White Female</b>	32.2%	32.0%	31.8%	31.0%	30.4%	29.9%	- 2.3
<b>Minority Female</b>	17.2%	17.5%	17.7%	17.6%	18.0%	19.1%	+ 1.9
<b>Minorities</b>	28.7%	29.8%	30.2%	30.3%	31.2%	33.2%	+ 4.5
<b>African American</b>	19.7%	20.8%	20.5%	20.5%	21.0%	21.8%	+ 2.1
<b>Hispanic</b>	5.5%	5.4%	5.7%	5.7%	5.9%	6.2%	+ 0.7
<b>Asian/Pacific Islander</b>	3.2%	3.4%	3.6%	3.7%	4.0%	4.7%	+ 1.5
<b>Native American</b>	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	+ 0.2

### Job Level Statistics

Table 2 shows the level of jobs (by salary grade) occupied by minority and female employees. Although minorities account for nearly 33% 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 22% of the workforce, account for nearly 40% of support personnel, 15% of professionals, and 10% of managers and executives. Women, who represent approximately 50% of the total workforce, account for two-thirds of support personnel, 46% of professional jobs, 31% of managerial jobs and 22% of executive jobs. This representation of minorities and women in various job level ranges is an improvement in balance over previous reporting periods.

**Table 2**  
**Coca-Cola U.S. Non-Hourly Workforce by Job Level**  
**(9/30/2005)**

	Salary Grade 15+		Salary Grade 13-14		Salary Grade 9-12		Salary Grade 1-8	
	268		819		3,266		1,801	
	N	%	N	%	N	%	N	%
<b>Total</b>								
<b>Male</b>	208	77.6%	563	68.7%	1,751	53.6%	612	34.0%
<b>White Male</b>	160	59.7%	435	53.1%	1,329	40.7%	333	18.5%
<b>Minority Male</b>	47	17.5%	127	15.5%	418	12.8%	277	15.4%
<b>Female</b>	60	22.4%	256	31.3%	1,515	46.4%	1,189	66.0%
<b>White Female</b>	47	17.5%	212	25.9%	1,025	31.0%	567	31.5%
<b>Minority Female</b>	13	4.9%	44	5.4%	500	15.3%	620	34.4%
<b>Non-Minorities</b>	207	77.2%	647	79.0%	2,342	71.7%	900	50.0%
<b>Minorities</b>	60	22.4%	171	20.9%	918	28.1%	897	49.8%
<b>African American</b>	28	10.4%	87	10.6%	513	15.7%	713	39.6%
<b>Hispanic</b>	17	6.3%	41	5.0%	202	6.2%	124	6.9%
<b>Asian/Pacific Islander</b>	15	5.6%	41	5.0%	189	5.8%	49	2.7%
<b>Native American</b>	0	0.0%	2	0.2%	16	0.5%	9	0.5%

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.

## Hiring Activity

Table 3 shows the Company's hiring activity from October 1, 2004, through September 30, 2005. Out of the 721 new hires during the current reporting period, nearly 60% were women, 46% were minorities, and 30% were African Americans. This represents an increase for women (up from 51% in the previous reporting period) and for African Americans (up from 28% in the previous reporting period). Over 51% of new hires at Salary Grade 14 and above (typically managers and executives) were minorities. Although females continue to be hired more frequently in Professional and Support roles, their rate of hire for managerial jobs has increased noticeably.

**Table 3**  
**Hiring Activity by Salary Grade**  
**Coca-Cola U.S. Non-Hourly Workforce**  
**(10/01/2004 to 9/30/2005)**

	Salary Grades 14+		Salary Grades 10-13		Salary Grades 1-9	
	N	%	N	%	N	%
<b>Total</b>	<b>39</b>		<b>352</b>		<b>330</b>	
<b>Male</b>	26	66.7%	162	46.0%	112	33.9%
<b>White Male</b>	11	28.2%	95	27.0%	62	18.8%
<b>Minority Male</b>	15	38.5%	65	18.5%	49	14.8%
<b>Female</b>	13	33.3%	190	54.0%	218	66.1%
<b>White Female</b>	8	20.5%	104	29.5%	97	29.4%
<b>Minority Female</b>	5	12.8%	86	24.4%	117	35.5%
<b>Non-Minorities</b>	19	48.7%	198	56.5%	159	48.2%
<b>Minorities</b>	20	51.3%	151	42.9%	165	50.3%
<b>African American</b>	14	35.9%	81	23.0%	123	37.3%
<b>Hispanic</b>	1	2.6%	20	5.7%	22	6.7%
<b>Asian/Pacific Islander</b>	5	12.8%	49	13.9%	21	6.4%
<b>Native American</b>	0	0.0%	1	0.3%	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.

## Senior Leadership

The Company has made substantial progress in diversifying senior leadership since January 2000. 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 20% of the senior levels of the workforce (salary grade 13 and above) now constitute approximately 23% of elected and appointed officers. Women, who represent 50% of the workforce and 29% of the workforce at salary grade 13 and above, are roughly 27% of elected and appointed officers at the company. The trend since 2000 shows a net increase and a generally consistent upward trend in minority and female representation among elected and appointed officers.

**Table 4**  
**Coca-Cola Senior Leadership**

	1/1/2000		6/30/2002		9/30/2003		9/30/2004		9/30/2005		% +/- since 2000
	N	%	N	%	N	%	N	%	N	%	
<b>Executive Committee</b>											
<b>Total</b>	6		10		11		13		16		
<b>Female</b>	0		1	10.0%	1	9.0%	1	7.7%	3	18.7%	+18.7
<b>Minorities</b>	1	17.0%	3	30.0%	3	27.3%	3	23.1%	2	12.5%	- 4.5
<b>Elected &amp; Appointed Officers</b>											
<b>Total</b>	107		152		173		190		187		
<b>Female</b>	17	16.0%	37	24.0%	42	24.3%	47	24.7%	50	26.7%	+10.7
<b>Minorities</b>	9	8.0%	33	22.0%	36	20.8%	42	22.1%	42	22.5%	+14.5

### Senior Leadership Pipeline

Table 5 shows a promising trend in minority and female representation in the pipeline jobs to senior leadership, those at salary grades 10 through 13 and those at salary grade 14 and above. Since the end of 2002, representation for minorities in salary grades 10 through 13 and salary grades 14 and above have increased roughly 20% (a net gain of 4.5% and 3.6% respectively). Gains in net representation were made by African Americans, Asians and women in salary grades 14 and above, and for African Americans, Hispanics, Asians and women in salary grades 10 through 13 during this period.

**Table 5**  
**Senior Leadership Pipeline Jobs**

	12/31/2002		9/30/2003		9/30/2004		9/30/2005			
	SG 14+	SG 10-13	SG 14+	SG 10-13	SG 14+	SG 10-13	SG 14+	% +/- since 2002	SG 10-13	% +/- since 2002
<b>Male</b>	75.5%	58.5%	76.3%	58.5%	73.5%	57.7%	74.0%	-1.5	56.8%	-1.7
<b>White Male</b>	62.0%	47.3%	63.5%	47.4%	59.3%	45.7%	56.8%	-5.2	43.8%	-3.5
<b>Minority Male</b>	13.5%	11.2%	12.8%	11.1%	14.2%	12.0%	17.2%	+3.7	13.0%	+1.8
<b>Female</b>	24.3%	41.4%	23.7%	41.5%	25.7%	42.0%	26.0%	+1.7	43.2%	+1.8
<b>White Female</b>	19.4%	31.3%	18.3%	31.1%	20.1%	30.7%	20.9%	+1.5	30.2%	-1.1
<b>Minority Female</b>	4.9%	10.1%	5.4%	10.4%	5.3%	11.3%	5.1%	+0.2	13.0%	+2.9
<b>Minorities</b>	18.4%	21.3%	18.2%	21.5%	19.6%	23.2%	22.0%	+3.6	25.8%	+4.5
<b>African American</b>	9.9%	12.0%	9.5%	11.6%	9.6%	12.6%	10.8%	+0.9	13.8%	+1.8
<b>Hispanic</b>	5.5%	4.9%	5.2%	5.2%	5.5%	5.4%	5.3%	-0.2	5.9%	+1.0
<b>Asian/Pacific Islander</b>	3.0%	4.1%	3.5%	4.4%	4.3%	4.8%	5.9%	+2.9	5.7%	+1.6
<b>Native American</b>	0.0%	0.3%	0.0%	0.3%	0.2%	0.4%	0.0%	--	0.4%	+0.1

**Promotion and Termination Rates**

Tables 6 through 8 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 6, promotion rates for minorities were roughly the same as promotion rates for non-minorities in managerial and executive jobs, higher for professional jobs and lower than for non-minorities among lower level jobs. The most dramatic difference from last year was among executive promotions, where white females, Hispanics and Asian/Pacific Islanders had noticeably higher promotion rates than last year. We are pleased to note the Company's commitment to diversity, particularly at senior levels, has continued during this review period.

**Table 6**  
**Promotion Rates**  
**Coca-Cola U. S. Non-Hourly Workforce**  
**(10/01/2004 to 9/30/2005)**

	<b>Executives</b>	<b>Managers</b>	<b>Professionals</b>	<b>Sales</b>	<b>Support</b>
<b>Total</b>	<b>190</b>	<b>1,101</b>	<b>2,819</b>	<b>463</b>	<b>1,291</b>
<b>Male</b>	14.7%	14.3%	11.9%	8.1%	28.5%
<b>White Male</b>	12.3%	14.2%	10.5%	7.7%	38.8%
<b>Minority Male</b>	24.1%	15.6%	16.7%	9.8%	18.7%
<b>Female</b>	21.3%	22.4%	14.6%	12.1%	8.2%
<b>White Female</b>	29.4%	23.0%	13.1%	14.0%	6.5%
<b>Minority Female</b>	0.0%	20.5%	17.8%	7.5%	9.7%
<b>Non-Minorities</b>	16.2%	17.0%	11.7%	10.1%	17.3%
<b>Minorities</b>	16.7%	17.4%	17.4%	8.7%	12.7%
<b>African American</b>	4.5%	13.4%	18.5%	12.3%	7.9%
<b>Hispanic</b>	14.3%	28.3%	18.2%	6.5%	27.7%
<b>Asian/Pacific Islander</b>	66.7%	19.4%	13.5%	0.0%	48.0%
<b>Native American</b>	0.0%	25.0%	11.1%	0.0%	50.0%

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 typically those at Salary Grades 9 through 12 and Support Personnel jobs are those in Salary Grades 1 through 8.

The rates of voluntary terminations from the Company were generally in the 5-7% range (see Table 7), higher rates than those reported in our last report, with the highest rates of voluntary terminations for Hispanic male executives and sales employees. No substantial differences were noted by gender or ethnicity in voluntary terminations.

**Table 7**  
**Voluntary Losses**  
**Coca-Cola U.S. Non-Hourly Workforce**  
**(10/01/2004 to 9/30/2005)**

	<b>Executives</b>	<b>Managers</b>	<b>Professionals</b>	<b>Sales</b>	<b>Support</b>
<b>Total</b>	<b>190</b>	<b>1,101</b>	<b>2,819</b>	<b>463</b>	<b>1,291</b>
<b>Male</b>	3.5%	4.9%	4.4%	7.3%	5.9%
<b>White Male</b>	1.8%	4.8%	4.7%	6.3%	6.8%
<b>Minority Male</b>	10.3%	5.4%	3.6%	11.8%	5.0%
<b>Female</b>	0.0%	6.6%	6.0%	10.0%	5.7%
<b>White Female</b>	0.0%	6.6%	6.0%	12.5%	6.1%
<b>Minority Female</b>	0.0%	6.8%	5.9%	1.9%	5.3%
<b>Non-Minorities</b>	1.4%	5.4%	5.3%	8.7%	6.3%
<b>Minorities</b>	7.1%	6.0%	5.0%	6.7%	5.2%
<b>African American</b>	4.5%	4.7%	4.6%	7.0%	5.3%
<b>Hispanic</b>	14.3%	10.9%	2.5%	3.2%	3.2%
<b>Asian/Pacific Islanders</b>	0.0%	5.6%	9.0%	15.4%	12.0%
<b>Native American</b>	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 typically those at Salary Grades 9 through 12 and Support Personnel jobs are those in Salary Grades 1 through 8.

As can be seen in Table 8, involuntary termination rates were generally higher for minorities than for whites across all job levels. Further investigation of these differences should be explored by the Company.

**Table 8**  
**Involuntary Losses**  
**Coca-Cola U.S. Non-Hourly Workforce**  
**(10/01/2004 – 9/30/2005)**

	<b>Executives</b>	<b>Managers</b>	<b>Professionals</b>	<b>Sales</b>	<b>Support</b>
<b>Total</b>	<b>190</b>	<b>1,101</b>	<b>2,819</b>	<b>463</b>	<b>1,291</b>
<b>Males</b>	2.8%	1.1%	0.8%	1.1%	4.5%
<b>White Males</b>	2.6%	0.9%	1.1%	0.9%	2.4%
<b>Minority Males</b>	3.4%	2.0%	0.0%	2.0%	6.4%
<b>Females</b>	0.0%	0.8%	1.6%	0.5%	3.2%
<b>White Females</b>	0.0%	0.7%	1.0%	0.0%	3.4%
<b>Minority Females</b>	0.0%	1.1%	2.9%	1.9%	3.1%
<b>Non-Minorities</b>	2.0%	0.8%	1.0%	0.6%	3.1%
<b>Total Minorities</b>	2.4%	1.7%	1.7%	1.9%	4.2%
<b>African Americans</b>	4.5%	2.0%	2.2%	1.8%	4.4%
<b>Hispanic</b>	0.0%	2.2%	0.6%	3.2%	4.3%
<b>Asian/Pacific Islanders</b>	0.0%	0.0%	1.3%	0.0%	0.0%
<b>Native American</b>	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 typically those at Salary Grades 9 through 12 and Support Personnel jobs are those in Salary Grades 1 through 8.

## TASK FORCE SURVEY RESULTS

During the spring of 2005, the Coca-Cola Company commissioned an outside firm to conduct an electronic survey of a large sample of employees for the Corporate and North America groups. As part of this survey, items developed by the Task Force were included. The survey included identical questions to those from the 2002, 2003 and 2004<sup>6</sup> surveys on diversity climate, company climate and fairness of the HR processes. These results are discussed below. In addition, questions 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 2,638 employees sampled responded to the survey. This represents a very high 69% 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<sup>7</sup>.

### ***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 questions to include in the surveys conducted in 2002, 2003 and 2004. These questions were re-administered in 2005 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 in the 2004 Annual Report, the survey results on diversity climate for all ethnic groups essentially returned to the higher baseline level first measured in 2002 before the North America restructuring. In 2005, however, both whites and African Americans had even more positive results, while Hispanics and Asian Americans remained the same. While African Americans were still not as positive as whites, their perceptions have improved for three straight years and are now more positive than in the baseline results in 2002.

African Americans who have been hired in the last three years have a much more favorable view of the diversity climate than African Americans hired into the Company more than three years ago. Indeed, the more recent hires begin to approximate the perceptions of whites and are equivalent to Hispanics and Asian Americans. As noted in other sections of the report, this

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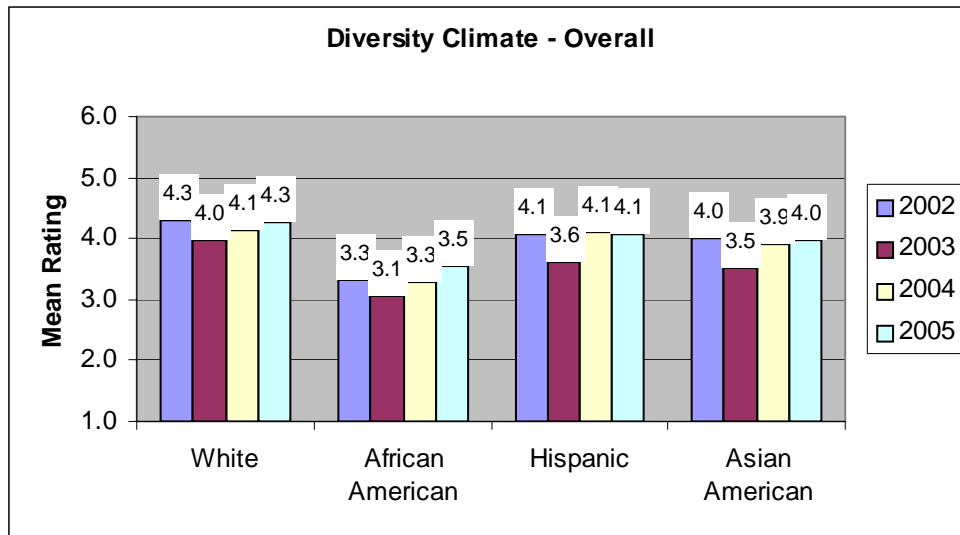
<sup>6</sup> While the 2002 and 2004 surveys were administered to the entire U.S. workforce, the 2003 survey was administered to approximately 680 employees who participated in Task Force focus groups selected through a stratified random sampling process. The 2005 survey was administered to participants who were selected through a stratified random process.

<sup>7</sup> Of the survey respondents, 54% were Caucasian, 28% African American, 9% Hispanic and 5% Asian/Pacific Islander. Minorities were over-sampled to develop a large enough sample size for statistical analyses. In the non-hourly workforce, Caucasians represent 67% of the population, African Americans represent 22%, Hispanics represent 6% and Asian/Pacific Islanders represent 4%. The percentages of male and female respondents were about 50%, which approximately reflects their percentages in the work population. By job level, 8% of the sample were grade 14 and above, 54% were grades 10 through 13 and 37% were grades 9 and below. This approximately reflects the percentages of various groups in the work population.

pattern is consistent for many other topics. The overall pattern supports the importance of establishing diversity as part of the business case to gain the confidence of employees with longer tenure and change their expectations. The results also indicate that men are slightly more positive about the Company's diversity climate than were women, but both sets of results were positive.

**Figure 2**

**Comparison of Diversity Climate Ratings over Time**

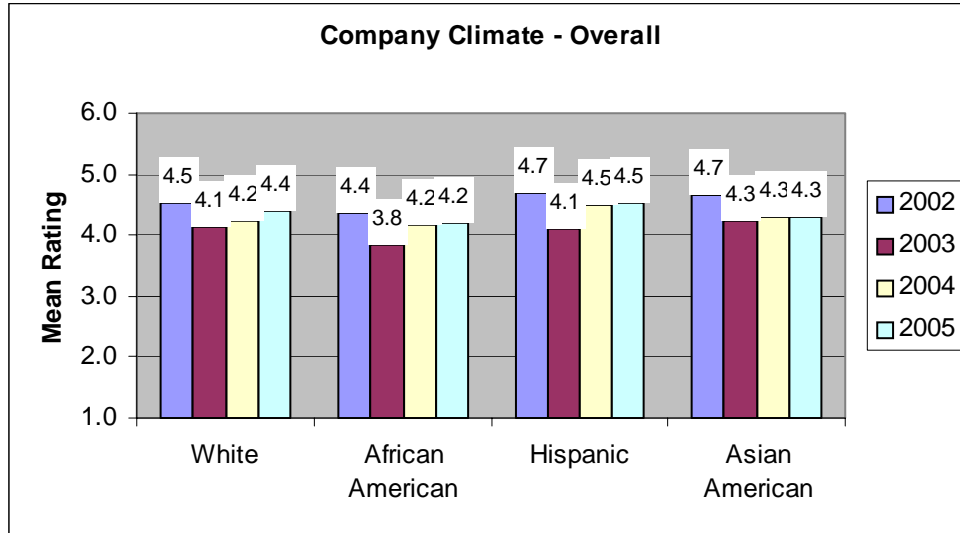


**Company Climate**

The employee survey included questions regarding the general work climate that were also asked in the 2002, 2003 and 2004 employee surveys. These questions concerned 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.

Figure 3

Comparison of Company Climate Ratings over Time



As in the 2004 annual report, Company climate ratings increased for all employees (see Figure 3), but in general did not reach the baseline levels achieved in 2002. In 2005, however, Company climate increased for whites and remained the same for all other minority groups. Though again, the responses for African Americans hired in the last three years were equivalent to whites. African Americans with longer tenure had less positive responses than all ethnic groups. All ethnic groups (except whites) rated Company climate higher than diversity climate in 2005 continuing a trend from past years and 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. This effect was particularly significant for African Americans. For whites, the average rating was roughly the same for diversity climate and company climate. Company climate ratings were quite similar across ethnic groups.

## ASSESSMENTS OF HUMAN RESOURCE PROCESSES

### I. Performance Management

#### A. Introduction

Performance Management<sup>8</sup> 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 designed 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 Human Resources staff.

As designed, each employee meets 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. 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; rater calibration, and an appeals process. In addition, the Company continued to emphasize the linkage between performance objectives and business unit goals, and to require rating calibration meetings.

The Company made several changes to its performance management system in 2004, most notably eliminating the forced rating distribution introduced in 2003. The Company also upgraded the discussion of career development that had been part of the performance rating process to a separate Career Development process, discussed in the Career Development section below. The Development Plan that remains in the performance management process is focused more specifically on development in one's current role and job.

The Company also made several technical changes: the Company sought to improve the objective-setting process by calibrating the initial identification of business plan objectives and

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<sup>8</sup> The Settlement Agreement refers to this system as "performance evaluation." The Task Force refers to the general system requirements mandated by this section as "performance management."

by limiting the number of objectives on which an employee is evaluated. The Company mandated weighting of objectives at 65% and competencies at 35% in determining an employee's overall rating. It further specified that "People and Culture" objectives be weighted at 20% for managers and 10% for individual contributors to emphasize the importance of these factors in the Company's assessment of an employee's performance.

Data collected from the 2004 cycle was analyzed and is reported in the section below on "Qualitative and Quantitative Results".

**C. Implementation**

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

Consistent with best practices, a two-day training for both managers and employees in how the system works, "Maximizing Performance", is mandatory. Table 9 showing the number and percentage of the workforce who have completed training as of September 30, 2005, indicates that the vast majority of the workforce has completed the training program. Since these numbers also include over 700 new hires during the review period that required initial performance management training, the data clearly indicate that the entire work force is receiving training. These data meet the Task Force's expectation that all performance will be appraised by raters who have received rater training. Not only are these completion rates high, but additional reinforcement of training have been built into the Onboarding orientation program and Manager Excellence training.

**Table 9**

**Maximizing Performance Training**

<b>Target</b>	<b>Total Population</b>	<b>Number Completing Training</b>	<b>Percentage Completion</b>
Managers	1,531	1,406	92%
Professionals	4,593	4,113	90%

Training in coaching and feedback is also mandatory for managers. The data in Table 10 show that as of September 2005 76% of the managers have been provided with this training.

**Table 10**

**Coaching And Feedback Training**

<b>Target</b>	<b>Total Population</b>	<b>Number Completing Training</b>	<b>Percentage Completion</b>
Managers	1,531	1,170	76%

In addition, managers receive training on how to rate employees accurately (*i.e.*, Rater Accuracy training), 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 11, 78% of managers have received this training. Both Coaching and Feedback training and Rater Accuracy training rates are high and, given the turnover of over 10% in the manager ranks and the need to train new hires discussed earlier, these rates reflect that the vast majority of managers are receiving this training. Training is ongoing and additional training is planned for later this year.

**Table 11**

**Rater Accuracy Training**

<b>Target</b>	<b>Total Population</b>	<b>Number Completing Training</b>	<b>Percentage Completion</b>
Managers	1,531	1,193	78%

Second-level managers are instructed to review the employee performance ratings provided by their management teams in order to increase accountability of senior management for ensuring the accuracy and fairness of performance evaluations. The Company also holds all people managers accountable for diversity, performance management, and employee development in their annual objectives on People and Culture.

Monitoring systems are in place to ensure that various aspects of the performance management system, such as mid-year reviews, are being conducted in a timely fashion.

The Company has continued to conduct annual adverse impact analyses on all performance appraisal ratings for U.S.-based employees. These 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***

The Task Force reviewed the adverse impact analysis of the calendar year 2004 performance appraisal ratings provided to employees in April 2005. No adverse impact was found against women, Hispanics or Asian Americans in the performance ratings. However, for African Americans, adverse impact persisted, though at a lower level than in the preceding review cycle for most rating groups. The Company has continued to examine the data to try to determine the

root causes for the observed adverse impact, though initial indications do not point to a particular source for the problem. However, the adverse impact in ratings did not affect compensation of African American employees. The Company's elimination of the forced rating distribution may have contributed to the decrease in the observed adverse impact. In addition, the Human Resources Department continues to meet with leaders of individual business units to review adverse impact data specific to their business unit, has identified some business units where additional rating calibration is required and has facilitated review and revision of ratings where documentation does not justify the rating given to employees. The Task Force encourages the Company to continue this oversight role and suggests that the Company conduct adverse impact analyses prior to finalizing performance ratings, as is done with compensation decisions.

As they did previously, the Joint Experts conducted an audit of the performance management system 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 approximately 250 appraisals from the 2004 review cycle for employees at salary grades 10 and above. The following information was obtained from the audit:

- Fully 94% of the appraisals reviewed used the Maximizing Performance process and form<sup>9</sup>, with the remaining 6% using the Maximizing Performance process and a variation of the form incorporating the basic features of the Maximizing Performance process. This result indicates all business units are now using the Maximizing Performance process.
- This year's audit results were comparable to last year's, with reviewers and employees complying with most required parts of the process. Business Unit Goals/Strategies (formerly KRAs) were articulated with at least one objective defined and these objectives were generally specific, measurable, and had results documented. Competencies were articulated with key actions, tracking sources and behaviors documented. More developmental plans identified specific competencies for development than was true in last year's audit.
- Documentation is an area of concern. On the forms sampled this year, slightly more than one-third had no documentation of a mid-year review. Even where midyear reviews were conducted, the date of the review and the employee's signature were missing from the paper forms, preventing us from verifying when the reviews actually occurred. However, the Company maintains a separate electronic database of midyear review completion for monitoring purposes. Our review of this database found that the completion rate for midyear reviews for our audit sample was 87%, a bit less than the 96% completion rate reported by the Company for the total workforce, but considerably higher than was found by review of the paper forms.

In addition, while the percentage of end-of-year reviews completed remained constant from last year, the percentage of managers providing an overall performance rating significantly declined, from 96% to 73%. Moreover, nearly one-third of the overall ratings provided were inconsistent with ratings given for individual objectives and competencies, a finding quite different from last year's 95% agreement between overall and specific ratings. Finally, the rate (73%) of second-level signatures (*i.e.*, an indication of review by

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<sup>9</sup> The optional Job Grade 14+ form developed by the Company this year was used for 28% of the appraisals audited in pay grades 14 and above. Approximately 2% of the appraisals reviewed for individuals with pay grades from 10 through 13 also used this form.

a higher level manager) also decreased compared to the previous year (93%). While it is likely that the second-level review occurred as part of the calibration process, it is nonetheless important to document that such a review did occur.

The Company reported to the Task Force that its mid-year review completion for the 2005 review cycle was approximately 91% by September. While quite high, that number is down slightly from the 96% completion rate reported last year. The Task Force cautions the Company to continue to monitor and reinforce completion of midyear reviews to ensure that employees receive timely feedback on performance, a critical feature of the system.

There were very few ethnic differences in views about the performance appraisal process in the 2005 employee survey data. However, the survey data for all employees indicated an anomalous result: in general, employees are not confident that the performance management process is fair and accurate, but do think their personal ratings reflect their performance. Perceptions about the fairness of this process have remained relatively constant for the past three years. However, employees' responses concerning whether the performance evaluation system fairly reflects their own contributions were somewhat stronger than for the fairness of the system, and have shown an improvement in ratings among African Americans over the past three years. These results were similar to the pattern found in the survey data from 2003 and 2004.

Employees across all ethnic groups were more positive than last year about having clear expectations for their job performance as a result of discussions with their manager and believe they are evaluated on job-related factors. It is a good sign that managers and employees are discussing job performance, a necessary requirement for an effective performance management system.

One possible explanation for employees' concerns about fairness may be a perception shared in focus groups that, although the Company discontinued this process in the 2004 review cycle, their ratings are affected by a forced distribution. The Task Force encourages the Company to actively re-communicate its discontinuation of forced distribution to both managers and employees.

The Company deserves considerable credit for adopting many best practices in performance management, particularly instituting the monitoring that uncovered the adverse impact discussed above.

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

The design, plan, and 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 the Company has provided additional training and skill-building in the "Coaching and Feedback" and "Rater Accuracy" training programs. The Task Force further recognizes the Company's incorporation of best practices into its performance management process, including calibration of ratings and close monitoring of process completion and results. However, the findings concerning adverse impact against African Americans continue to be of concern, although adverse impact appears to be diminishing. The Task Force makes the following specific recommendations for the performance management process:

1. Continue to provide ongoing training in Maximizing Performance for all new supervisors and employees, and for all new managers in Coaching and Feedback and Rater Accuracy.
  2. Continue to examine performance rating data in order to discover possible causes for adverse impact. Address issues of any observed adverse impact through communication, additional training, coaching and performance objectives for managers.
  3. Continue to monitor completion of mid-year and end of year reviews to ensure they are accomplished in a timely manner and that all ratings are fully documented.
  4. Institute a Company audit of the performance management process to ensure it is functioning as designed, including evaluating the consistency and completeness of documentation.
  5. Communicate more effectively to managers and employees that the forced rating process has been discontinued.
  6. Conduct adverse impact analyses prior to finalization of the performance ratings to permit ongoing oversight and intervention as necessary.
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## **II. Staffing**

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

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

The Company has implemented a new job posting process, expanded its diversity recruitment efforts, implemented a new applicant tracking system and increased monitoring of all phases of the staffing process.

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

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

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 principal selection device used is a structured interview.

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. As of January 1, 2005, salary grade 14 positions were added to the posting process<sup>10</sup>. The job posting process specifies that a candidate pool must consist of three

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<sup>10</sup> Two exceptions to this policy were made by the Company: (1) positions sourced through campus recruitment and internships may or may not be posted, and (2) positions created as part of a restructuring effort may first be offered to employees within the department being restructured without first being

or more candidates, at least one of whom must be a woman or a minority. Employees may nominate themselves for posted positions and may appeal any decision not to refer them to a candidate slate.

The Settlement Agreement provides that, 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 whether a diverse pool of candidates has been routinely considered for each such position. In addition, the Company has incorporated a review of all slates for open positions to ensure diversity as part of regular senior management review conducted by Don Knauss and his leadership team for the North America organization and by individual department heads for job openings in Corporate. Data on the diversity of candidate slates is presented in the section on quantitative and qualitative results.

Once candidates are referred for a job vacancy, the Company uses a structured interview process to assess candidate qualifications and make selection decisions. During the last review cycle, the Company indicated it planned to revise the process to include not just structured interviews but also valid and effective assessments, simulations and tests to fill jobs at various levels. However, it appears that no such changes have been implemented in the current review cycle.

Although the Company plans to revise the existing structured interview process and implement the new process company-wide, it is our understanding that such changes have not yet been designed or implemented.

### **C. Implementation**

In 2004, the Company's senior leadership made a significant commitment to increase diversity in senior hires and to build a pipeline of diverse talent. To meet that commitment, the Company implemented a program of executive mentors and required senior leaders to identify high potential diverse talent to be developed through focused development plans.

However, the Company also recognized that this development effort must be supplemented with a focus on recruiting and selecting diverse talent, both internally and externally. Routine reviews of candidate slates were instituted by senior line leaders in both the Corporate and the North America group to identify the need to source additional diverse candidates at the initial stages of the process. This review process has been so successful that it has no longer been necessary for the Human Resource Department's Talent Acquisition group to "pause" slates and request a senior executive review after the fact. 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 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 professional 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.

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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.

#### ***D. Qualitative and Quantitative Results***

Although some differences were found in minority selection rates, it should be noted that minority and female hiring for this reporting period was higher than those groups' relative representation in the feeder jobs and the labor market (as compared with those who applied for the jobs). Minorities filled 40% of the openings at salary grades 1 through 13, with 24% of the jobs going to African American candidates. For the pipeline jobs in salary grades 10 through 13, 35% of openings were filled by minorities, with 18% going to African Americans, an improvement over last year, when 31% of openings were filled by minorities and 16% were filled by African Americans. Females constituted 67% of those hired at salary grades 1-9 and 54% of those hired at grades 10-13.

For each job vacancy, the Company requires that there be a minimum of three candidates, at least one of whom is either ethnically diverse or female. Out of the 1,113 postings examined by the Joint Experts across salary grades 1 through 13, only 39 (4%) did not meet these requirements, most typically for having fewer than three candidates. Approximately 94% of the postings had BOTH gender and ethnic diversity in the candidate pool. In 14 cases (approximately 1%), the slates had no diverse candidates.

A review of the candidate and interview pools for this year provides further indication of the Company's success in diversifying the pools of candidates considered for jobs. For most ethnic groups and women, selection rates are similar to representation in the candidate pool and the interview pool. Additional work is required to understand why this pattern is less true for African American candidates. For the jobs filled through August 31, 2005, 34% of the candidate pool was African American and 39% of the interviewees were African American, with 24% of those selected for jobs being African American. When examined by job level, African American candidates at salary grades 10 through 13 were 24% of the candidate pool, 24% of those interviewed, and 17% of those selected for jobs. Hispanics, Asian/Pacific Islanders and females represented 8%, 9% and 47% of those selected for jobs at this level respectively, consistent with or slightly higher than their representation in the candidate pool and interview pool. For lower level jobs (salary grades 1 through 9), African American candidates were 49% of the candidate pool, 52% of those interviewed and 34% of those selected for positions. Hispanics, Asian/Pacific Islanders and females represented 8%, 6% and 66% of those selected for jobs at this level respectively, consistent with or slightly higher than their representation in the candidate pool and interview pool.

Selection rate patterns from the candidate pools were similar for internal and external candidates at all job levels. Caucasians and women were generally selected at higher rates than their percentage representation in the candidate pool or the interview pool across all job levels.

Exploratory adverse impact analyses were conducted again this year to identify potential trends in the results of the staffing process requiring further analysis. Analyses were conducted for two comparisons: candidate pool to interview pool and interview pool to final selection decision. The data were examined separately for the groups of candidates in salary grades 1 through 9 and 10 through 13. Candidates selected for interview did not differ significantly by ethnicity or gender for either of the grade ranges examined. However, African Americans selected to be interviewed were significantly less likely to be selected for the job than were white candidates for jobs in salary grades 10 through 13. Comparisons by business unit found significantly lower rate of selection from among interviewees for African Americans in grades 1 through 9 in the North America group and in grades 10 through 13 for both Corporate and North America

groups. The Company's efforts to "cast a broader net" and significantly enhance the diversity of slates appears to be contributing to the differences in selection rate found. The Task Force has consulted with the Company concerning these results and plans to work jointly with the Company to examine the possible causes for the observed differences in selection rates. The Task Force expects that the Company will continue to monitor staffing processes, improve feedback to employees and applicants and take appropriate actions to ensure fairness.

Data from the current employee survey continue to indicate 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 generally the most negative. Interestingly, though, differences among ethnic groups continue to be small in their responses to questions about the staffing process. The strongest positive responses for all groups were in response to the questions concerning job postings and employees' awareness of job opportunities in the Company.

Focus group feedback indicated that communication to employees is insufficient concerning the employee's status in the selection process or why the employee was unsuccessful. This has led to discontent among all groups of employees. Despite a policy indicating that managers have a responsibility to provide timely feedback to candidates, additional monitoring is needed to ensure managers are actually communicating with employees in this respect, and to devise additional means to provide feedback to employees.

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

Except for the work on the structured interview and previously-proposed assessment processes, the design, planning and implementation of the Staffing process meet most Task Force expectations stemming from the terms of the Agreement. As explained above, 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 originally expected the Company to review thoroughly and revise the present structured interview process 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 2006. The Task Force nevertheless finds troubling the persisting unexplained adverse impact in hiring of African Americans.

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

1. Develop a plan to address the potential adverse impact found in the hiring process against African Americans and continue to monitor the process on a regular basis.
2. Institute a process to assess and monitor promotional decisions for potential adverse impact.
3. Continue to utilize work analysis data for all aspects of the staffing process, including delineating job profiles for the recruiting and posting systems and providing input for the development of valid and effective interviewing and assessment processes.
4. Continue to implement the recruitment and posting processes to build a diverse talent pool and monitor outcomes to determine whether systems are working effectively. While pools appear to be diverse, the lower success rate for African Americans at the selection stage indicates a possible problem.

5. Continue to give particular attention to the development of opportunities for women and minorities who are internal candidates in the Company through linking with the Career Development and Mentoring processes.
  6. 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.
  7. Monitor on an ongoing basis all staffing processes to ensure that they are being used fairly and effectively. The Company should audit a representative sample of staffing actions.
  8. Where assessments are used, analyze all candidate assessment procedures to ensure that assessments are both valid and likely to produce less adverse impact than other comparable procedures.
  9. Track career growth of new hires to examine trends and possible interventions to retain top diverse talent.
  10. Improve managers' feedback to candidates who apply for jobs, indicating for instance they are one of XX candidates who applied for the job so they can realistically assess their prospects and referring unsuccessful candidates to the Career Development process for information on the skills needed to succeed in the jobs for which they post.
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### **III. Compensation**

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

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

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***

Following last year's changes to the compensation process (*i.e.*, changing the short-term incentive measures to put greater emphasis on achievement of Company goals and a "one team" concept, elimination of stock options from Grade 10 and reduction of stock options for Grades 11 and 12 to reflect the market), the Company has focused on providing tools for managers and employees to better understand and execute the compensation process.

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 continued the 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 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 employees (*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. The Company continued to update and enhance the information provided to managers in the online Manager's Toolbox, as needed. For example, the company refined online tools for managers to explain how stock options were determined.

As requested by the Task Force, the Company again conducted pay equity analyses prior to awarding annual merit increases in April 2005. In addition to examining equity in total salary, the Company also voluntarily conducted adverse impact analyses on the annual merit increases again this year. As it had in previous years, the Company conducted adverse impact analyses on stock option grants and bonus decisions.

### **D. Qualitative and Quantitative Results**

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 for Hispanic males only, explained by a decision on a single individual who had significant performance issues. No changes were made as a result of this analysis.

Adverse impact analyses were again conducted this year on merit increase decisions before decisions were finalized. As a result of the analyses, no changes were made to merit increases despite adverse impact against African Americans, Hispanics and other females because compensation decisions for all potential adversely-impacted employees identified by the regressions were explained by legitimate factors (*i.e.*, all these employees were new hires or recent promotions). Pay equity analyses were also conducted on April 2005 salary increase decisions. Pay equity analyses resulted in awards to 44 employees for a total of \$241k (as compared to adjustments for 40 employees totaling \$215k in 2004). The data indicate that the Company maintains a continuing, relatively stable and fair compensation process.

Although employees have consistently indicated through survey responses that they had a good understanding of how their pay was determined, they have also consistently indicated that they were less positive about the fairness of the process for making pay decisions. African Americans rated the fairness of making pay decisions significantly lower than did all other groups in the current survey. 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. While

African Americans rated the Company's efforts in this area significantly lower than did whites, all groups improved in their ratings of the Company's efforts in this area, perhaps because of the recently-instituted Diversity Goals program.

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

The Company has made no significant changes to compensation process during this review period, but rather has focused on effective communication and tools for managers and employees. Ongoing analyses of the fairness of compensation decisions meet (and voluntarily exceed) the requirements of the Settlement Agreement. Adverse impact, where it does appear, is adequately explained.

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 monitor all compensation data to ensure decisions are performance-based and fair.
  3. Continue to conduct annual pay equity analyses immediately prior to finalizing base salary decisions.
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## **IV. Diversity Education/Strategy**

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

Diversity education includes: diversity awareness training; 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 had 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 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. 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.

In the spring, the Company launched an initiative titled the “Manifesto for Growth” that focused the global company’s vision and plan. A stated goal of this effort is for the Coca-Cola Company to “be a great place to work where people are inspired to be the best they can.” This new course was devised to “provide clarity of direction, increase engagement and personal ownership, align efforts and system energy, and create momentum.” Practically, the strategy focused on the development of the workforce including extensive career development strategies and training as a critical element to capture and expand markets. However, the Task Force was not satisfied that diversity was emphasized enough as part of the “Manifesto for Growth” given its prominence in the Company’s future direction.

In July 2005, the Company worked with the Task Force to create a synergistic strategy that embraced the “Manifesto for Growth” while deploying a diversity strategy with quantifiable outcomes, timelines, and plans. The objective was to integrate diversity into the overall corporate strategies with emphasis on establishing diversity as part of the Company’s business plan. In developing the diversity strategy, the Company presented the following as its diversity definition:

Diversity in the Company means we respect individuals, value differences, and our workforce reflects our consumers and markets where we do business. This is achieved through inclusive and fair behavior that enables our people and their ideas to win in the marketplace.

In October 2005, the Company presented to the Task Force a comprehensive plan for developing diversity as part of the business plan. The plan consisted of the following components:

- Affirm a diversity strategy for workplace, marketplace, community and suppliers using a balanced approach with specific actions;
- Establish corporate ownership and accountability for the process
  - Utilize the President and Chief Operating Officer of the North American Group as a key driver in the “Diversity as Business” as a core component of the 2006 business planning process
  - Develop a plan to translate the Chief Executive Officer’s commitment to diversity into an actionable strategy;
- Develop the “Diversity as Business” learning module to be included as part of the Mid-Level Leadership program;
- Describe and outline the institutionalized slating process for filling positions for North America and for Corporate
- Develop and activate a communication plan with detailed actions to be incorporated in the Task Force report to the Court;
- Develop a communications strategy to acknowledge compliance efforts and show progress building on foundational work;
- Activate the Diversity Advisory Councils and employee forums as part of employee engagement, and
- Develop a recognition and rewards program.

### ***C. Implementation***

As indicated in Table 12, the Company continues to make significant progress in implementing the required diversity awareness training. During the reporting period, there have been approximately 700 new hires representing a 10% impact on managers and an 8% impact on

professionals. The data below indicate the Company has provided diversity training for many new employees and continues its commitment to provide this training for new employees within twelve months of their joining the Company.

**Table 12**

**Diversity Training**

<b>Target</b>	<b>Total Population</b>	<b>Number Completing Training</b>	<b>Percentage Completion</b>
Managers	1,531	1,323	86%
Professional	4,593	4,014	87%

In addition to these training efforts, the Company has announced goals to hold managers accountable for diversity efforts by including diversity as a part of the manager’s performance ratings. These efforts are described in the section on Performance Management in this report.

In October 2005, the Company submitted to the Task Force plans to implement leveraging diversity as part of the business case for all North American and Corporate business units. 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 affirm and apply this diversity strategy framework will be clearly articulated with well-defined measures to assess the success of these efforts over time.

Before the development of the above-described plan, the Company had a supplier diversity plan with a commitment of spending \$800 million over a five-year period beginning in 2001. As of the end of the 2004, the Company has exceeded that commitment in each of the years. In 2004, the total spending was \$233 million. The percentage spending with affinity groups was: \$117 million or 50% for non-minority females. Of the \$116 million spent with minority groups, the breakdown in spending was \$43 million or 37% for African Americans; \$40 million or 34% for Hispanic Americans; \$21 million or 18% for Asian Americans and \$12 million or 11% for Native Americans.

***D. Qualitative and Quantitative Results***

In general, the 2004 and 2005 data from the employee survey indicated that the diversity education effort is viewed positively by all employees regardless of race or gender. A 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 previous surveys, although in 2005 there was an additional small increase in positive responses for all groups. 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 gave less positive responses, with African Americans providing particularly lower scores. But it is important to note that for all groups including African Americans, the responses while on the low side have improved in 2005. There was also an increase in 2005 for all groups on the item that an employee is held accountable for applying what the employee learned in the diversity education program. The Task Force understands that efforts are being made to develop the

business case and believes that such efforts, if successful, will improve the employee perception data even further.

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

The Company's voluntary commitment to provide diversity training to all employees, including managers 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 as part of its business plan and the Task Force looks forward to its speedy implementation.

The Task Force makes the following recommendations:

1. Implement, with accountability measures, a comprehensive diversity strategy with linkages to the business plan, including the workplace, marketplace, community and supplier diversity.
  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 diversity training sessions for senior management on a regular basis but no less than bi-annually.
  3. Continue to integrate diversity concepts and skills practice into all human resource practices, including performance management, coaching, recruitment of candidate pools, and selection interviewing.
  4. 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.
  5. 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.
  6. 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 to build organizational capability to track, monitor and execute EEO-related activities and increased 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, EEO investigations, outreach programs, and oversight of process fairness in restructuring and separation decisions. The Department continues to work to build organizational capability by providing EEO training to Human Resource generalists and promoting management accountability for EEO and AAP results.

During the previous review period, the Company designed and implemented a Diversity Goals program, a requirement of the Settlement Agreement. Under the Diversity Goals program, all senior managers based in North America will have a portion of their pay 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. For calendar year 2004, the program tied executive and senior manager compensation to a 2% net increase<sup>11</sup> in representation of women and minorities at salary grades 10 and above, very ambitious goals for the first year of this program. The Task Force expressed concerns that these initial goals were possibly too aggressive. The results of this first year of implementation are presented below. The Company has continued the diversity goals program for 2005, but has adjusted the goals to better target the areas in which women and minorities are underrepresented, *i.e.*, goals differ by salary grade level and organization (Corporate vs. North America Group). Corporate has set goals of 1% net increase in females and minorities at salary grades 10 through 13 and 14 and above. North America Group has set a 1% goal for salary grades 10 through 13 and for salary grades 16 and above, but has set a more ambitious 2% goal for representation at salary grades 14 and 15.

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

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<sup>11</sup> 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.

and line management, as well as to senior corporate management and the Board of Directors. The Company also conducts adverse impact analyses 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 Force. The Company implemented an exit interview process to provide additional information on potential EEO issues, however this program was discontinued in 2004 due to low response rate.

**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 designed and implemented a best practices quality compliance self-audit program developed in 2004 for local Human Resource Directors to monitor their compliance. The results are also shared with Corporate for monitoring purposes. Plants are to conduct audits annually beginning in 6/05 and reporting to Corporate Workplace Fairness for monitoring.

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 13. As indicated in the table, 88% of managers have completed the required training. This is just below the Company’s goal of training 90% of managers and again reflects the commitment to continuously train new hires and new managers on these topics.

**Table 13**

**Civil Treatment Training  
(As of 9/30/05)**

<b>Target Audience</b>	<b>Total Population</b>	<b>Number Completing Training</b>	<b>Percentage Completion</b>
Civil Treatment for Managers	1,531	1,354	88%
Civil Treatment for Employees	4,593	3,894	85%

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 13 also contains the completion rates of training for this program, with 85% of all associates having completed this voluntary training program.

During this review period, the Company has instituted regular reports to the Task Force and management on Staffing and Slating results. The Company has also committed to regularly distribute to managers 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 analyses 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.

The Company has entered into an innovative agreement with the Atlanta office of the EEOC to refer back charges to the Company for resolution prior to EEOC action. This agreement is an indication of regard by the agency for the Company's internal handling of EEO charges and resolving employee complaints.

#### ***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 8 newly-implemented functional AAPs. The 2005 AAP data indicated an increase in the number of job skill groups which were underutilized for minorities or women, likely the result of converting to the newly-available 2000 census data. Evidence of underutilization was noted in the AAPs, with 19% of the job skill groups underutilized for minorities (vs. 5% in 2004) and 25% underutilized for women (vs. 10% in 2004). As a result, 61 job groups were underutilized in 2005 versus 37 underutilized job groups for 2004. Although this increase is significant and may be explained by the change in census data, the Company should closely monitor its progress toward goal attainment in the coming year. It is noteworthy that 2004 progress toward goals showed the following very positive results toward goal attainment:

**Table 14**

**2004 AAP Goal Attainment for Non-Hourly Jobs**

<b>Division</b>	<b>Total Goals</b>	<b>Opportunities</b>	<b>Placements</b>	<b>Goals Attained</b>	<b>Progress to Goals</b>
<b>Corporate</b>	8	114	27	3	3
<b>North America</b>	29	159	66	11	3

Independent audits by the Office of Federal Contract Compliance Programs (OFCCP) of five different sites<sup>12</sup> since the Task Force's first annual report found, in each case, no basis to proceed further with a compliance evaluation following the desk audit<sup>13</sup>. 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 summer indicated that the Company has sent a very 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 believe they are not treated fairly in the workplace. However, in comparison with other groups, African Americans are still less positive about whether the Company effectively responds to employees' complaints about being treated fairly.

For the time period from October 2004 through September 2005, 14 new charges were filed against the Company, down from the 19 charges filed during last year's reporting period. Race was the basis for approximately 20% of the charges. All but four of the charges in the current year have been dismissed or settled; virtually all of the charges received in last year's reporting period have since been dismissed or withdrawn.

At the conclusion of the first year of the diversity goals program, two out of the four goals were met and two were partially met, resulting in a bonus payout of 2.5% less to senior managers. Progress to date (as of September 30, 2005) on the 2005 diversity goals program indicates that goals for minorities are likely to be met in Corporate but not North America, while goals for women at Corporate appear difficult to achieve. Goals for women in the North American group may be partially met. Since hiring patterns vary across the year and more hires appear to occur in the second half of the year, these patterns should be viewed very cautiously and are likely to change dramatically over the remaining months of the year.

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<sup>12</sup> 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.

<sup>13</sup> One open desk audit continues at the Company's Paw Paw, MI plant.

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

The design and ongoing implementation of EEO-related activities generally exceed the terms of the Agreement and represents a “Gold Standard” process. The Company has taken many steps to ensure that the EEO functions are strong, including building organizational capability, increasing staff dedicated to the task, monitoring adverse impact and holding managers accountable for results. The Company has also committed to prepare disparate impact analyses on a more regular basis than required in the Agreement, as well as agreeing to run those reports on systems/decisions not mandated by the Agreement. The Company continued its ambitious Diversity Goals program this year.

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. Since that time, the programs have continued to evolve and in 2004, mediation and arbitration were added.

As of October 2005, the Company reorganized its Employee Resolution Program to consist of three major components including a Solutions program, an Ombuds Office and an Employee Reporting Service.

The Solutions Program is designed to resolve workplace issues such as a conflict with a co-worker, work assignments, or a disciplinary action that the employee believes is unfair. The Solutions Program is managed directly by the Diversity and Workplace Fairness Office within the Human Resources Department. It consists of a series of steps to help employees resolve these types of issues.

1. Open Door Process – The Open Door is the place to start in dealing with workplace issues. This allows for conversations with the employees manager and 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 – If the Senior Management Panel is unacceptable to the employee, Mediation is the next option available to the employee. This involves a neutral third party outside the Company and is available only for resolution of legal disputes, such as discrimination or harassment. In Mediation a trained external mediator will meet with the employee and a representative of the Company management to help find a solution to the legal dispute.
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. The arbitrator will then make a decision. Arbitration is binding on the Company but not on the employee.

A second major component of the Employee Resolution Resources (ERR) available as support for employees is 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. The Ombuds Office serves as an independent, neutral listener to help the employee explore options for addressing an issue or concern. It is a confidential 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.

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 Company for appropriate handling within 24 hours.

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.

The Company's problem resolution program incorporates many best practices in this area. Such best practices include various avenues for resolution of employees' concerns 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. Working with the Task Force, the Company has designed a major communication effort to be launched in October 2005 to ensure that employees are aware of the various opportunities available to them.

### ***C. Implementation***

All of the components of the original "Solutions" program were implemented during the first review period. The new Employee Resolutions program described above was implemented in October 2005 with a major communications effort. The Task Force is pleased that the new program makes clear the multiple opportunities available to employees and clarifies 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, 2004 to August 1, 2005 indicate that a total of 76 cases were brought to the attention of the Ethics and Compliance Office. This is almost twice the 39 cases reported in last year's report and may have occurred because the first announcement of the Solutions program occurred just before last year's report was issued. While the actual number of cases in any one category is small, the highest volume of cases fell into five categories:

- Management Practice: 25%
- Harassment: Hostile Environment: 20%
- Performance Appraisal: 12%
- Termination: 12%
- Discrimination: 11%

Of the case activity handled by the Ethics and Compliance Office, 41% came from females. From an ethnicity perspective, 72% came from minority employees and 28% came from white employees. Of the cases involving minority employees, the vast majority (75%) came from African Americans. This latter pattern is similar to the data reported in last year's report but again the total number of cases (N=21) was small.

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 related to job conditions, such as performance appraisal, 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. Approximately the same percentage of contacts were concerns about treatment, including management unfairness and discrimination. For the Employee Reporting Service, the largest percentage of cases were about the same concerns reported by the Ombuds Office.

As indicated in last year's annual report, employees indicated that they were aware of Ethics and Compliance Office and indicated that they believed the ethics training program was effective (89%). Data from this year also indicated that employees generally felt the Company has implemented an effective problem resolution program and were aware of the Office of Ethics and Compliance. African Americans were slightly less positive than other groups but their responses were also in the positive direction. It is important to note that these questions were asked well before the October 2005 launch of the communication plan presenting the updated Employee Resolution process so it can be expected that next year's responses will be even more positive.

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 been asked in previous surveys. For all groups, there was a stronger positive response in 2004, indicating an improvement over the baseline 2002 data. The data remained at the same positive levels for 2005. The response in 2004 and 2005 as 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, in 2004 and in 2005, 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. However, in 2005, the responses for all groups improved. 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 in 2005 did not change from 2004. They 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, although African Americans with 3 years or less with the Company had responses equivalent to other ethnic groups.

In sum, 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 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 was noted in last year's report, the Task Force believes that the addition of the mediation and arbitration program will have positive benefits. As it turns out, only one person used the process and the case was settled to both parties' satisfaction in the mediation phase. It may be that the new communications effort will make more employees aware of the Employee Resolution program. The Company notes that the Solutions program is designed to have problems resolved at the lowest level, beginning with the Open Door process, followed by facilitation, then by written appeal, and, finally, by mediation and arbitration.

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

The Task Force is pleased that the Company has clarified the role of the Ombuds Officer and has now sent to all employees a communication packet which describes the complete Employee Resolution program to the workforce. The Task Force expects the Company to continue to consistently communicate and implement the program at all levels and in all areas of the business. 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. Continue communications that present the entire Employee Resolutions Program and the goals and ground rules for each program to the workforce.
  2. Continue to evaluate the system, using the employee survey and outcome data from all the 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.
  3. Continue to monitor the implementation of the mediation programs and arbitration programs.
  4. Proactively address trends revealed by monitoring the problem resolution processes.
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## **VII. Career Development**

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

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

The specific programmatic sections of the Agreement related to Career Development and their status are presented in Appendix A.

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

The Company has designed a career development model for employees in pay grades 13 and below, incorporating career information, assessment tools and educational resources to help employees compare their skills and competencies with those needed by the Company. During this past year, the Company developed mentoring programs as a part of the career development process for employees at higher grade levels who were identified as having potential through the succession planning process. 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 is following best practices and utilizing work analysis data to provide the competency and skill information both for the career development process and for job profiles and job posting. Also, during this past year, the Company piloted workshops on career planning and development for HR, managers and employees.

In addition, consistent with 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. It is important to note that the new strategy discussed earlier in this report titled "Manifesto for Growth" is a people-oriented strategy with a major commitment for employee development and growth. As such, the Company has already developed a Leadership Experience training program for senior leaders and is planning a similar program for mid level leaders. It has also developed a career forum covering topics on career planning tools and support sessions in topics such as resume writing and interview techniques. These are very important efforts.

### ***C. Implementation***

The Company continued to implement an important tool for employee development called the Learning Source. It also continued to implement a comprehensive online career development system, including the manager's career coaching guide. The implementation of this system is an important step. In addition, as noted above, the Company implemented a mentoring program focused on career development for persons identified through the succession planning process and has piloted workshops on career planning for both managers and employees. It has also provided important training opportunities for class members through the implementation of the promotional achievement fund.

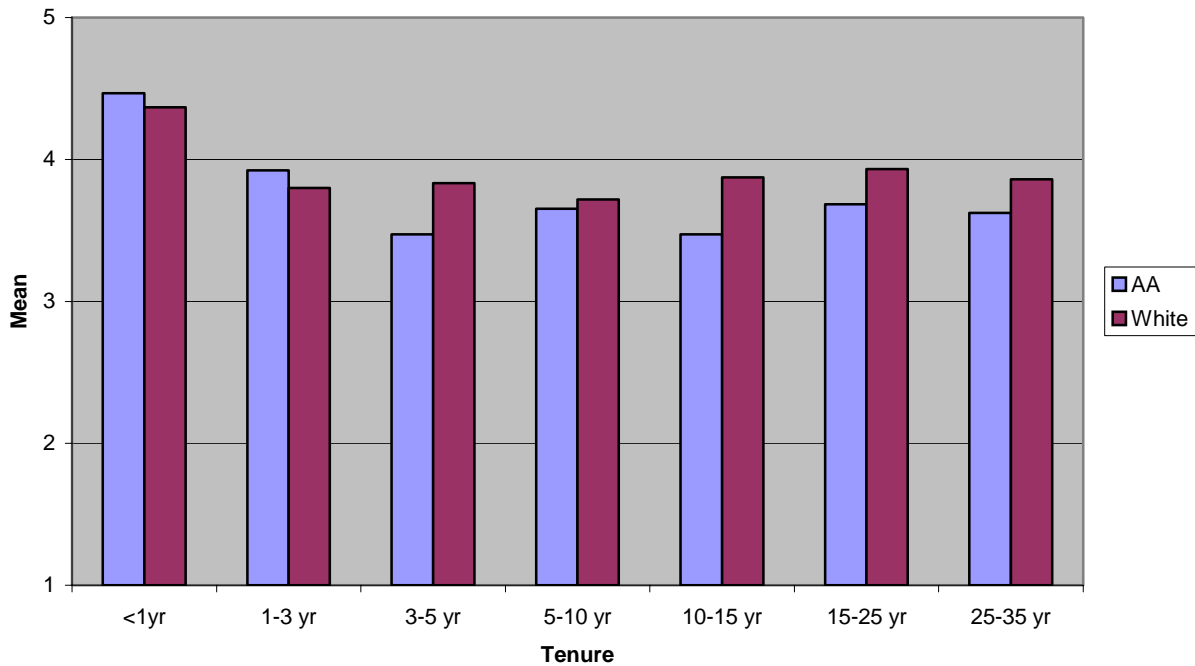
### ***D. Qualitative and Quantitative Results***

Initial data from the use of the online tool activity is promising. As of October 1, 2004, approximately three months after its introduction, data indicated that the number of users was 1,609. From October 1, 2004 to October 1, 2005, 2,603 persons utilized the tool which represents 36% of the U. S. employee population. These data also indicate that minorities' use tended to exceed their representation in the workforce. For example, African Americans represent 24% of the users of the system. In addition, 73% of the mentees who participated in the mentoring program this past year utilized the on line tool and 48% of the mentors used the tool. In addition, 65% of the users were in job grades 10 to 13 which is the feeder population for higher level jobs. The Task Force considers the high usage patterns a very good sign.

Responses from the 2005 survey concerning the opportunities for developing a career, gaining skills and using the online career development tools developed by the Company were more positive for all employees and improved from last year's survey for all groups, including African Americans. Thus, it appears that employees are beginning to understand what career development opportunities exist since the Career Development system was developed only a little over as year ago. On the other hand, data from the 2005 employee survey continue to point to the need for Career Development programs, especially for minorities and women. From a staffing perspective, 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, and were among the most negative responses for all groups. While the survey item refers to staffing decisions, the HR interactions between staffing and career development are critical. It is only through the active implementation and acceptance of a career development system that these perceptions about staffing are likely to change. The responses for African Americans who have less than three years tenure were more positive on this item than all groups, but, on an absolute basis, they were still low. The responses for all groups were about the same as those found in the 2004 survey. The issues facing the Company are made more obvious when the analysis is analyzed by the length of time an employee is with the Company. Figure 4 shows these results.

Figure 4

**Comparison of Career Opportunity Ratings  
for Whites and African Americans at Different Levels of Tenure**



For employees hired in the last year, African Americans are more favorable than whites concerning career opportunities and the responses for both groups are among the most positive across all items. For employees hired one to three years ago, again African Americans are more favorable than whites. However, for all groups hired longer ago than three years, African Americans are less favorable than whites. It appears longer-tenured African Americans do not believe they have the same career opportunities as shorter-tenured African Americans.

This makes the Company's recent efforts to link Career Development with other HR systems, such as Staffing and Succession Planning, even more important. Also, hopefully, recent efforts to link diversity to the business case for the Company will be helpful in this process.

***E. Task Force Assessment and Recommendations***

The Task Force notes that Career Development was one of the last of the Human Resource processes to be put in place just over a year ago. The perception data indicates that employees are beginning to understand the opportunities they have to use career development tools. However, it also indicates that increased efforts focused on longer-term employees, especially African Americans, are required.

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 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. Expand the linking of Career Development with other HR systems, particularly Staffing and Succession Planning.
  7. Continue to develop and implement the leadership experience program for senior and mid level leaders.
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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 managers who complete 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 15<sup>14</sup> 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 October 2005, the Company completed its fourth 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 nine days 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 eight 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.

The SRR process was once again conducted in July 2005 for approximately 4,000 employees at grade 13 and above globally, covering over 1,000 U. S. based employees in the review.

A number of significant steps were taken in response to Task Force recommendations and following 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

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<sup>14</sup> As noted earlier, jobs at Salary Grade 14 became subject to the posting process on January 1, 2005.

Company, led by the North American Group President Don Knauss, actively and frequently communicates 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, including incorporating a review of the diversity of slates as part of regular business routines. This review is conducted by the Executive Leadership Team of the North America group on a weekly basis for all openings at Salary Grade 14+. The Company has committed to a similar level of leadership on diversity from senior management in Corporate led by Jean-Michel Ares as chair of the Corporate Diversity Advisory Council, ensuring the diversity of slates for senior level jobs in Corporate (salary grades 15+) will be conducted by each function head in conjunction with the Human Resources Department

During this review period, the Company continued and expanded its 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. Fourteen additional job profiles have been developed through job analyses completed during the review period.

#### ***D. Qualitative and Quantitative Results***

Succession planning information is used to identify internal candidates for positions in salary grades 15 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. Out of the 90 slates reviewed at salary grade 14 and above, 6 (7%) failed to have ethnic or gender diversity. In fact, almost two-thirds of the slates (58) had BOTH ethnic and gender diversity in the candidates considered. In 17 cases, the slates had less than three candidates, however nearly two-thirds of these openings were filled by minority or female candidates.

The Task Force audited candidate slates for jobs in salary grades 14 and above for the period from October 2004 through September 2005. As can be seen in Table 15, out of the 89 positions filled during this time period, nearly 36% were filled by minorities and 37% 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 15**

**Jobs Filled at Salary Grades 14 and Above  
October 2004 through September 2005**

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	53	33	20	17	9	1	6	14	4	0	2
15	20	14	6	9	2	1	2	4	2	0	0
16	8	3	5	2	0	0	1	5	0	0	0
17+	8	6	2	4	1	0	1	2	0	0	0
<b>Total</b>	<b>89</b>	<b>56</b> <b>63%</b>	<b>33</b> <b>37%</b>	<b>32</b> <b>36%</b>	<b>12</b> <b>13%</b>	<b>2</b> <b>2%</b>	<b>10</b> <b>11%</b>	<b>25</b> <b>28%</b>	<b>6</b> <b>7%</b>	<b>0</b> <b>0%</b>	<b>2</b> <b>2%</b>

These findings continue the progress toward greater diversity in filling positions at this level and 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 as “high potential”, minorities were above their representation in salary grades 13 through 15 in Corporate functions, but below their representation at salary grades 14 through 15 in North America. “High Potential” women were above their representation in both Corporate functions and in North America. Promotable minorities were above their representation in Corporate, but below their representation in North America. Promotable women were below their representation in both Corporate and North America. The North America business unit is actively assessing individuals at lower salary grades with plans for possible accelerated development to increase the diversity of pipeline talent.

The responses of management employees who participated in the employee survey indicate that perceptions 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 continues to believe that the SRR process has not been clearly and effectively communicated to employees or well-integrated with other HR processes. 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 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 recommendations are as follows:

1. Improve communication about the SRR process and its relationship to other HR processes such as Career Development and Staffing.
2. Continue monitoring by a senior executive with clear accountability for ensuring the successful use of the SRR 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.
3. Identify a senior executive in Corporate responsible for monitoring SRR results across functions. This review should include approving plans for increasing diversity and developing diverse talent through the SRR process.
4. Continue to gather work analysis data and leadership competency analysis for job vacancies at salary grade 15 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.
5. Continue to build manager skills in assessing the capability of employees, to include the importance of giving regular, candid feedback.
6. Continue using newly implemented monitoring systems to ensure that talented diverse pipeline employees are being systematically identified and developed.
7. Audit on an annual basis a representative sample of SRR reviews to ensure fairness and consistency in the process.
8. Reinforce with managers that SRR consensus discussions should fully consider information provided by employees in their profiles, as well as managers' observations of their performance.

9. Articulate the questions to be asked of all senior leadership in SRR discussions to assess their commitment to selecting and developing a diverse group of senior managers.
  10. Establish a clear link between SRR and the Business Plan which incorporates diversity as a business imperative and sees diversity of staffing as an aid in realizing that goal.
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## **IX. Mentoring**

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

Mentoring includes both one-on-one as well as 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. In addition, the Company has developed some informal mentoring experiences such as networking classes.

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 that 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. Based on feedback from participants, the Company in 2004 replaced the group mentoring program with informal mentoring experiences such as a networking class.

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 noted below, the program has been expanded to include a one-on-one mentoring program of executive mentors from jobs at grade 15 and above working with mentees at job grade 12 and above. In addition, the program included a one-on-one mentoring program for persons identified through the succession planning process. These programs are very significant because they focus on the pipeline for leadership in the Company.

### ***C. Implementation***

The Company continued its one-on-one mentoring program with a fourth wave of one-on-one mentoring which involved an additional 76 mentee participants. Of this group, 43% are African Americans, 42% are Caucasians, 11% are Hispanic and 6% are Asian Americans. In addition to this group the Company also continued its 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 involved an additional 63 mentees and 50 mentors. For the mentees, 63% are Caucasian, 14% are African American, 13% are Hispanic and 7% are Asian Americans. In addition, the company implemented a mini-wave (Wave 5) executive program involving 15 mentees and 15 mentors targeted at persons identified by the succession planning process. In this program,

87% of the mentees were at grades 10 to 13; 67% of the mentees are females; 20% are African Americans; 20% are Hispanic, and 7% are Asian Americans. 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 had originally designed an innovative group mentoring program in which a single mentor facilitates sessions with a group of mentees. However, feedback indicated that the Company employees were more interested in more informal mentoring experiences. Thus, the Company developed a number of other experiences, including a *Networking for Success* course. Approximately 150 employees have attended this class and at least another 150 employees will have the opportunity by the end of 2005 year. Approximately 54% of the attendees are Caucasian, 27% are African American, 5% are Asian American, 2% are Hispanic, and for the remaining 12% ethnicity was not reported. 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. In 2004 77 such guides were ordered and another 100 are expected to be ordered in 2005.

#### ***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 previous annual reports, 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. Another positive sign is that even though there is a two-week registration period for one-on-one mentoring programs, mentees filled the program within 11 hours of the announcement. In addition, with encouragement from senior management, more mentors are becoming available. Another positive sign is that mentoring pairs are focusing on career development. Over 73% of the mentees in the most recent one-on-one mentoring programs utilized the on line career development tool.

At the request of the Task Force, the Company has also provided data tracking work outcomes for employees who participated in the mentoring process as mentees. Approximately 80% of the mentees remain with the Company<sup>15</sup>, with 31% of those remaining mentees being African Americans, 9% Hispanics and 4% Asian Americans. Of the persons remaining with the company, approximately 50% are in the same position and 50% have experienced position changes. These data appear to indicate that mentees who participated in the program are experiencing positive outcomes in terms of position changes. Of the position changes, approximately 25% are promotions and another 25% are lateral moves. Of the mentee promotions, 23% have gone to African Americans, 3% to Hispanics and 2% to Asian Americans. For lateral moves, 24% have gone to African Americans, 3% to Hispanics and 4% to Asian Americans.

We will continue to monitor these outcomes and report on them in next year's report, including also reporting on the outcomes for mentors.

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<sup>15</sup> Approximately 19% of the mentees have left the Company, with 8% exiting voluntarily (including retirees) and 11% exiting involuntarily. Of the involuntary exits, 33% were African Americans, 2% Hispanics and 2% Asian Americans.

### ***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 mentoring programs focusing on participants who are part of the future leadership pipeline.

Specific recommendations of the Task Force are as follows:

1. Continue the one-on-one mentoring systems and continue to monitor the implementation and effectiveness of the mentoring program across the Company.
2. Continue to implement informal mentoring processes such as the networking program and should collect data concerning the outcomes of this process.
3. Continue integrating the mentoring program within a broader career development model, particularly focusing on the executive one-on-one program.
4. Continue to coordinate the mentoring program with the succession planning system.
5. Continue to emphasize the opportunities for women and minorities at higher levels of the organization.
6. Continue to collect evaluation data concerning the outcomes of the various mentoring programs on promotion rates, lateral job changes and retention rates for both mentees and mentors.

## 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

Coca-Cola agreed in the Settlement Agreement 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 group<sup>16</sup>. Though the use of these \$4,000 cash payments is 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 June 2004 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 September 2004 (the conclusion of the third annual report period), a total of 29 employees received the unrestricted \$4,000 cash payments. Based on promotion into underutilized job groups, 6 additional employees became eligible for cash payments in the current Task Force reporting period.

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<sup>16</sup> Underutilization was calculated as defined specifically in each of the Company's Affirmative Action Plans.

Payouts have been made under the “learning credits” provision of the Promotional Achievement Award Fund to 422 class members totaling nearly \$425,000 for a broad range of learning activities, including real estate, law school, entrepreneurial planning, professional acting, language courses and computer classes.

The Task Force looks forward to continued successful implementation of the fund. To that end, the Task Force recommends that the Company prepares a regular annual report on the Promotional Achievement Award Fund for review by the CEO both during the Task Force’s tenure and for the remainder of the Company’s ten-year commitment to this program.

## CONCLUSION

There is one year remaining under the Settlement Agreement. This past year, senior management showed that its visible leadership and commitment to the principles embodied in the Settlement Agreement can produce positive change.

In order for the Task Force to fulfill its mission by the end of next year, it is imperative that the Company instill this same spirit throughout the Company. The Company must not only exhibit a commitment to ensuring compliance with the Settlement Agreement, but also demonstrate that the significant initiatives undertaken to reform human resource processes and change the Company culture become engrained within the workforce, particularly within its middle management ranks. This is necessary to maintain an environment of fairness and equal opportunity into the future, as contemplated by the Settlement Agreement.

The Company has developed a strategy and communications plan to assist in embedding culture change within the Company and across all human resource systems. This should help the Company progress from a culture of compliance to a culture of inclusion, with commitment to diversity as a necessary and indispensable component of the business. Timely and effective execution against that plan over this next year is critical.

Culture and process changes must fully take root so that all revised human resource systems are institutionalized and sustainable. The Task Force will examine these issues in its final report in December 2006

Respectfully submitted,

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M. Anthony Burns  
Gilbert F. Casellas  
Edmund D. Cooke, Jr.  
Marjorie Fine Knowles  
Bill Lann Lee  
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Dated: December 1, 2005

## **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.	Monitoring has occurred and will be ongoing. See also, # 6 below.
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.

## I. PERFORMANCE MANAGEMENT

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
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. <i>See also</i> , Settlement Agreement, section II.D.6.g (requiring managerial training on how to conduct performance evaluations).	Designed into system.	Training conducted. 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 - 2005.	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 - 2005.	See # 6 below.
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; external audit of 2004 appraisals completed in 2005	Monitoring will be ongoing.
7. Performance appraisals will be performed at least annually.	Designed into system.	Annual performance review in place.	See #6 above.

**I. PERFORMANCE MANAGEMENT**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
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.
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 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.<sup>17</sup>

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

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
1. Evaluate and revise, to the extent necessary, the promotion and employee development process, including making available to all employees objective promotability criteria.	Objective promotability criteria derived from work analysis provided to all employees.	Implementation completed.	See # 6 below.
2. Evaluate and revise job-posting procedures to ensure posting of positions at least through pay grade 13.	Designed into "POP process."	"POP Process" implemented August 2000; updated applicant tracking system implemented in 2003 and in use in 2004 and 2005.	See # 6 below.

<sup>17</sup> Many requirements listed regarding staffing overlap other human resource functional systems, so they are covered in separate sections of the Report and in this Appendix A. For example, requirements regarding an employee development process and a career advancement program are more appropriately grouped in the "Career Development" section below.

## II. STAFFING

<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."</p> <p>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, 2004 and 2005; See # 6 below.</p>
<p>4. Evaluate and revise, to the extent necessary, methods for determining the appropriate job competencies, including job-related knowledge, skills and abilities ("KSAs") needed to perform respective job positions.</p>	<p>Completed through work analysis.</p>	<p>Implemented.</p>	<p>See # 6 below.</p>
<p>5. Ensure that all talent development, "high potential" and similar special career advancement programs pertaining to employees above pay grade 12 present fair career development opportunities for all employees, by the Vice President of Human Relations (or her designee) reviewing candidate slates to ensure that diverse pools of employees are represented to the extent available, interested and qualified.<sup>18</sup></p>	<p>Career development and succession planning systems designed.</p>	<p>Procedures for review of candidate slates for diversity have been implemented.</p>	<p>Audit of system completed in 2003, 2004 and 2005; See #6 below, and "EEO" section of Report.</p>

<sup>18</sup> 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>
6. Establish mechanisms for effective internal oversight of individual managerial decisions regarding promotion to help identify and eliminate any unlawful bias and excessive subjectivity. <i>See also</i> , Agreement section II.D.7.d (requiring Company to provide semi-annual reports on promotions and terminations to senior function heads, department managers, officers and executives and the Board of Directors. These reports must be on a Company-wide and business unit basis, be easily understood, and specifically provide data on African-American employees); Agreement section II.D.7.d (requiring Company to develop and implement centralized monitoring of employee promotion practices to ensure no unlawful (1) disparate treatment or (2) disparate impact, and other requirements relating to such reports); Agreement section II.D.7.e (requiring Company to set goals to address promotional adverse impact).	Appropriate internal monitoring and controls have been designed into the Company's EEO monitoring system.	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 2006 per Section II.D.7.e of Agreement. Additional audits and monitoring must occur in 2006.	Ongoing.
7. Establish appeal procedures for managerial determinations of promotion.	Appeal procedures have been designed into the "solutions" program, as discussed in "Problem Resolution" section of Report.	"Solutions" program implemented in 2002; revised program implemented in 2004; additional revisions and communications occurred in 2005.	See # 6 above.
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.	Training continued in 2005; Revisions to structured interview process must occur in 2006.	See # 6 above.

### III. COMPENSATION

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

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

<u>Specific Programmatic Relief Requirement</u>	<u>Status</u>		
	<u>Design</u>	<u>Implementation</u>	<u>Monitoring</u>
1. Conduct job analyses and pay equity studies and a comprehensive review of current compensation practices and pay grade structure, including procedures for assigning pay grades, to ensure that all employees receive fair compensation and are in appropriate pay grades; evaluate and revise to the extent necessary the current pay grade system.	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 - 2005.  Revised pay structure proposed and adopted in 2004.	See # 4 below.

### III. COMPENSATION

<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. <i>See also</i>, 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" incentive compensation implemented in 2004 and 2005.</p>	<p>See # 4 below.</p>
<p>3. Provide managers with relevant instruction on the proper utilization of compensation tools and guidelines. <i>See also</i>, 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 and again used in 2005</p>	<p>See # 4 below.</p>

### III. COMPENSATION

<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 and 2005.	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; additional revisions and communications in 2005.	See # 4 above.

#### **IV. DIVERSITY EDUCATION/STRATEGY**

The Agreement requires the Company to "adopt and implement a diversity and sensitivity training program and expand its management training programs." Settlement Agreement, section II.D.6.g.<sup>19</sup>

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

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
1. Company-wide mandatory diversity training at least annually for managers and at least bi-annually for all other employees.	Training is ongoing.	Ongoing.	By Task Force.

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<sup>19</sup>These general requirements are listing in the Agreement under "Training." Some of the specific training requirements of the Agreement are addressed under other, more appropriate sections of the Report. For example, the requirement for managerial training on the performance management process is discussed under the "Performance Management" section.

## V. EEO

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

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

<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 – 2005.	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	N/A
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 and additional revisions and communications occurred in 2005.	Monitoring, reporting and training are ongoing.

**VI. PROBLEM RESOLUTION**

<b><u>Specific Programmatic Relief Requirement</u></b>	<b><u>Status</u></b>		
	<b><u>Design</u></b>	<b><u>Implementation</u></b>	<b><u>Monitoring</u></b>
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 Settlement 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 2004 and continued in 2005.	Task Force

## 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 – 2005.	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 and 2005, 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.