

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA

---

INGRAM, *et al.*,  
Plaintiffs,

v.

THE COCA-COLA COMPANY,  
*Defendant*

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

---

**FIFTH ANNUAL REPORT OF THE TASK FORCE**

**December 1, 2006**

---

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

## TABLE OF CONTENTS

<b>Introduction</b>	<b>2</b>
<b>Executive Summary</b>	<b>4</b>
<b>Organization of the Report</b>	<b>8</b>
<b>Methodology &amp; Data Collection</b>	<b>11</b>
<b>Workforce Demographics</b>	<b>13</b>
<b>Task Force Survey Results</b>	<b>21</b>
<b>Assessments of Human Resource Processes</b>	<b>25</b>
• <b>Performance Management</b>	<b>25</b>
• <b>Staffing</b>	<b>30</b>
• <b>Compensation</b>	<b>33</b>
• <b>Diversity Education/Strategy</b>	<b>36</b>
• <b>Equal Employment Opportunity</b>	<b>40</b>
• <b>Problem Resolution</b>	<b>44</b>
• <b>Career Development</b>	<b>48</b>
• <b>Succession Planning</b>	<b>52</b>
• <b>Mentoring</b>	<b>56</b>
<b>Summary of Monetary Relief Distributed</b>	<b>59</b>
• <b>Promotional Achievement Award</b>	<b>59</b>
<b>Conclusion</b>	<b>61</b>
<b>Appendix A</b>	<b>62</b>

## INTRODUCTION

This is the fifth and final Annual Report of the Coca-Cola Task Force, covering the period from October 1, 2005 through September 30, 2006. 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 2004, 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 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, 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.

---

<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.

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

In 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 its fourth report, the Task Force continued to monitor whether programs were being effectively implemented and evaluated whether the Company's efforts were sustainable. The Task Force generally concluded that most of the revised human resource systems were working as planned, but advised that the Company should continue its efforts at identifying issues through ongoing monitoring and promptly undertaking corrective actions when needed. The Task Force also recognized the progress made by the Company in developing a comprehensive diversity strategy linking diversity to business goals. The Task Force recommended that the Company should strive to institutionalize the improved processes.

In this final report, the Task Force will focus on the degree to which the Company has instilled the commitment shown by senior management to the principles embodied in the Settlement Agreement more generally throughout the Company, particularly within middle management and across all human resource areas. This year in particular the many changes to systems took hold within the Company and produced measurable results. Leadership's focus on and consistent communications regarding diversity, as well as tying diversity to the business strategy, has led to this success. These cultural and process changes must continue to fully take root for the revised human resource systems to be sustainable and for the Settlement Agreement continue to be truly successful over time.

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 Task Force believes that the Company is committed to continuing this journey beyond the Task Force's tenure and has the tools and ability to continue to effect positive change for its employees into the future.

---

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

## EXECUTIVE SUMMARY

In this fifth and final report, the Task Force recognizes the significant progress The Coca-Cola Company has made in restructuring its personnel practices in the past five years. To be sustainable in the long run, the many improvements in personnel practices that have begun to take root must become embedded in the Company's culture. This includes ensuring that all employees, particularly its middle managers, become full stakeholders in the Company's ongoing efforts in executing its business plan of integrating diversity into the Company's overall strategy for business growth.

Because of the significant progress made, the remaining issue is to ensure continued execution and implementation for lasting effect. Thus, the Task Force commends the Chairman and Chief Executive Officer of The Coca-Cola Company, Neville Isdell, for sending a letter to the Task Force (attached as Appendix B) committing that the Company will sustain its policies and programs for fairness and diversity after the Task Force ceases. The Company committed that it would not "stop any of the programs we've put in place," or "change our practices, policies and business routines." The Company will continue "investing in a critical opportunity to create sustainable growth, as well as a great place to work where all of our employees are inspired to be the best they can be." Indeed, the Company will "keep enhancing [its] programs," "keep using [the annual] Insights Survey to ask employees how [the Company's] doing with regards to diversity, fairness and our people programs," and "keep holding ourselves accountable." The Company believes "these are the things [it] must do if [it is] really serious about sustainability." The Company further committed that it "will build upon the strong foundation that currently exists and continue to make Diversity as Business a critical component of [Coke North America's] overall business plan." The Task Force is gratified that the Company will voluntarily continue the reforms and programs to further diversity.

In last year's report, the Task Force challenged the Company to address three remaining issues necessary to assure that change becomes fully rooted in the Company's culture. These tasks were: 1) to monitor and discover possible causes of adverse impact in performance rating system and provide additional training where necessary; 2) to ensure that the staffing and selection process is fair by analyzing possible causes of observed differences in selection rates and by re-evaluating the efficacy of the structured interview process; and 3) to implement its comprehensive "diversity as business strategy."

First, the Company took important steps to address the performance management process. At the Task Force's urging, the Company closely monitored and provided needed training to its middle level management on the performance management process. The Company extensively analyzed its performance ratings in order to discern and address possible causes of adverse impact. The Company began to institute a more robust monitoring of proposed ratings to prevent any adverse impact from occurring in the first instance. This real-time monitoring and opportunity for necessary corrective action is an indispensable component of ensuring fairness in performance ratings and should continue into the future. The Company also engaged in more determined and direct communications regarding the performance management process and provided additional calibration training for managers where needed. As a result, there was a substantial increase in employees' perceptions of the fairness of the process.

Second, the Company performed an on-going, detailed “real-time” analysis of its staffing process to determine root causes of observed differences in selection rates and to see whether there have been missed opportunities for women and minorities, particularly African American candidates. This “real-time” analysis also contains a mechanism for corrective action when necessary. As detailed in the report, the Company has successfully diversified its candidate and interview pools for open positions. This year, the selection rate patterns generally track those expected based on populations in the relevant candidate and interview pools, an improvement from last year’s report. The Company also revised the structured interview process by reducing the number of competencies evaluated, adding additional function skills questions based on job profile requirements and implementing a new interview training program. As a result of all of these efforts, there was a notable positive increase in employees’ perceptions of the fairness of the staffing system. The Task Force expects the Company to continue its efforts to identify issues and promptly self-correct when necessary.

Third, the Company has made major strides in changing its culture by designing and implementing a comprehensive strategy that links diversity to business goals and makes diversity a business imperative. Initially led by its former President of North America, Don Knauss, and now his successor, Sandy Douglas, this “diversity as business” approach integrates diversity into the Company’s overall plan for growth (the “Manifesto for Growth”), emphasizing comprehensive linkages between business success and diversity. This strategy uses a balanced approach with specific actions and encompasses human resources, marketing, philanthropy, and supplier diversity. A specific focus for implementing “diversity as business” was to embark on a “sustainability road map,” highlighting what the Company has called the “Four C’s” -- Commitment, Communications, Culture, and Consumption. Repeated, consistent internal communications to employees, coupled with training of senior and mid-level managers, formed a cornerstone to ensure culture change and sustainability. The Company also activated its Diversity Advisory Councils and employee forums to engage employees on this mission. The Diversity Advisory Councils are comprised of senior leaders within the Company to engage other senior leaders in driving diversity initiatives and achieving results. As stewards of the diversity plan, the Diversity Advisory Councils are specifically empowered to develop annual diversity strategy and initiatives, to monitor progress on those initiatives, and to evaluate the Company’s progress against diversity metrics and take action to ensure goals are met. Significant time and resources were committed to executing “diversity as business,” and middle managers have begun to cascade this plan throughout all levels of the Company. 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. The Task Force also expects that the Diversity Advisory Councils in the future will provide oversight, advice and input, much as the Task Force has provided during the past five years.

These efforts, and the continued integration of improvements in other personnel practices, have produced dramatic results. For example, employees now rate the diversity climate at the Company more favorably than at any time during the Task Force’s tenure and at levels considerably higher than the baseline levels first measured in 2002. Importantly, the gap that existed between African American employees’ and all other employees’ perception of the diversity climate narrowed significantly from prior years, with African Americans rating the Company nearly as favorably as whites, Hispanics and Asian Americans. The overall pattern showing positive increases across all employee groups supports the impact of the Company’s efforts in establishing diversity as a critical component of its business. Indeed, scores were particularly positive on questions relating to senior management’s commitment to diversity as part of the Company’s business success and the commitment to a work environment that respects diversity and fosters workplace fairness.

Ratings of the company climate in 2006 also surpassed baseline levels established in 2002 and were quite similar across all ethnic groups. 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, but this perception gap decreased considerably this past year. Perceptions of fairness are improving as the Company continues to make enhancements in its personnel practices and to execute its "diversity as business" strategy. Senior leadership's efforts to instill in middle managers that diversity is critical to the success of the business appear to be producing tangible results. But opportunities for improvement remain, and the Task Force strongly encourages the Company to continue its ongoing dialogue around concepts of diversity and inclusion and how they relate to the overall culture change and business strategy.

The Task Force highlights some of the substantial improvements the Company has made in the past five years. For example, the Company made progress in diversifying its senior leadership - diversity among the Company's elected and appointed officers increased from 16% female and 8% minority in 2000 to 27% and 21%, respectively, in 2006. That is a 68% increase in women and a 161% increase in 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 2002 to 2005, minorities increased from approximately 21% to more than 27% of employees at salary grades 10-13, with all minority groups increasing in their percentage representation within these salary grades. Representation of women in salary grades 10-13 has increased 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.

But the improvements have not just been in terms of numbers. As noted in detail in the report, the Company has moved from a system where each job was purportedly special, unique and different, and human resource practices were not sufficiently consistent or interrelated. Now, the Company has a model where performance management, staffing and compensation decision are grounded in appropriate job analyses. Clear linkages exist between human resource systems. Human resources has become an indispensable part of the Executive Leadership Team. Additionally, the Company is now able to monitor its human resource systems more closely to the time decisions are made, and in some cases in real time, allowing for prompt self-correction when necessary. The opportunity for corrective action in human resource systems around the time decisions are finalized has been a substantial innovation at the Company.

In the spirit of Chairman Isdell's letter, the Task Force makes specific recommendations for future action as to each human resource system to help ensure they work as planned and are sustainable. Those recommendations should be read carefully and in the context of each human resource system. However, we highlight some of them here, as they are a critical component to the continued success of the programs called for by Chairman Isdell. For example, the Company should continue its real-time monitoring of its performance management, staffing and compensation systems. Conducting adverse impact analyses on these systems (in some cases before decisions are final) is an indispensable element of ensuring fairness at the Company. The slate review and pausing process should continue, as it provides a means to ensure diverse candidates are being considered for positions. The Company should institute regular auditing of nearly all its human resources systems to ensure they are functioning as designed. The Company should continue the training outlined in the

report and to integrate diversity concepts and skills practice into all human resource practices, which will further support the “diversity as business” plan. The Company should continue to conduct annual surveys concerning diversity climate and company climate in order to evaluate itself and keep holding itself accountable.

In sum, the Company has made substantial progress since the Settlement Agreement. The Company has shown that senior management’s visible leadership and commitment to principles of diversity and fairness can produce positive change. As we note in the report, opportunities for growth and improved fairness remain. The Company’s goal must be to build on the successes and constantly strive to be the “gold standard” company for inclusion and fairness.

Chairman Isdell’s letter made the point that the Company was committed to a journey that did not depend on whether a particular person was in the leadership or whether the Task Force continued to exist or whether the Court maintained jurisdiction. The Task Force applauds the Company for that stand.

## 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 his or her 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 fifth and final 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, information from employee focus groups, 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 in design and implementation of its programs over the five year Settlement Agreement review period and also provides recommended future courses of action to sustain these accomplishments.

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 and the Joint Experts. The Task Force benefited from these data collection efforts in assessing the progress accomplished over the five years of the Settlement Agreement and in considering future actions to sustain these accomplishments.

### Task Force Meetings

During the past year, the Task Force continued to examine Coca-Cola's human resources policies and practices in detail. In the period covered by this annual report, the Task Force 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 met with several Company executives, including E. Neville Isdell, (Chairman and Chief Executive Officer), Donald R. Knauss (former President and Chief Operating Officer of North America Group), Geoffrey Kelly (Senior Vice President and General Counsel), and Cynthia P. McCague (Senior Vice President, Human Resources). The Task Force also met with J. Alexander M. Douglas who succeeded Mr. Knauss as President of Coca Cola North American on August 30, 2006. The Task Force and its subcommittees 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 received regular confidential briefings and reports from the Ombuds Office. Moreover, the Chair of the Task Force 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 its Chair, and the full Board of Directors.

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 were candid and constructive. The Company was 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 worked 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 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 Joint Experts organized and scheduled briefings involving the Task Force sub-teams, the Joint Experts and the Company. The Task Force appreciates and thanks the Joint Experts for their expert advice and hard work.

## 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, third and fourth annual 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, described 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. The fourth annual report covered the period from October 1, 2004 to September 30, 2005 and this final report covers the period from October 1, 2005 to September 30, 2006.

## 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 will be presented about the degree to which the Company met each of the requirements set forth in the Agreement. The Settlement Agreement requirements have been met, and the focus of attention has shifted to the sustainability of these efforts. **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, 2006, will be compared with the previous composition of the workforce at Coca-Cola from all previous years of the Settlement Agreement. Specifically these data will be compared to the data at completion of the fourth review period, *i.e.*, September 30, 2005.
3. Information from an employee survey conducted in spring 2006, with data regarding the attitudes and perceptions of Company employees in the United States will be compared to the responses to the same questions in the 2002, 2003, 2004 and 2005 surveys. In a few instances where a program has more recently been implemented, comparative analyses cover only the most recent years. However, there is considerable data which permitted the Task Force to compare results over the entire five year period. In addition, the Task Force conducted employee focus groups to obtain additional data concerning attitudes and perceptions of Company employees and the Joint Experts conducted a focus group with HR professionals concerning their perceptions.
4. Results of audits conducted by the joint experts will be presented in the areas of performance management, staffing and posting.
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 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, 2006 consisted of a total of 6,557 employees, a 6% increase since our last report but down almost 5% from the 6,864 employees described in our first annual report. Table 1 below shows that, since our 2005 report, the workforce has remained roughly half female and a third minority, with approximately two-thirds of the minority workforce being African American. However, over the entire course of the Settlement Agreement, the relative percentage of minorities in the workforce has increased by a fifth, from approximately 29% in December 2000 to 35% as of September 2006. Over half of the gain in minority representation was made by African Americans. Net percentage increases or decreases in representation of various groups from December 31, 2000 to the present are shown in the last column of Table 1.

**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	9/30/2006	
<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>	<b>6,557</b>	
	%	%	%	%	%	%	%	% +/- since 2000
<b>Male</b>	50.5%	50.5%	50.6%	51.4%	51.4%	50.9%	50.8%	+0.3
<b>White Male</b>	39.1%	38.2%	38.1%	38.5%	38.0%	36.7%	35.9%	- 3.2
<b>Minority Male</b>	11.4%	12.3%	12.5%	12.9%	13.2%	14.1%	14.6%	+ 3.2
<b>Female</b>	49.5%	49.5%	49.4%	48.6%	48.6%	49.1%	49.2%	- 0.3
<b>White Female</b>	32.2%	32.0%	31.8%	31.0%	30.4%	29.9%	28.7%	- 3.5
<b>Minority Female</b>	17.2%	17.5%	17.7%	17.6%	18.0%	19.1%	20.3%	+ 3.1
<b>Minorities</b>	28.7%	29.8%	30.2%	30.3%	31.2%	33.2%	34.9%	+ 6.2
<b>African American</b>	19.7%	20.8%	20.5%	20.5%	21.0%	21.8%	23.0%	+ 3.3
<b>Hispanic</b>	5.5%	5.4%	5.7%	5.7%	5.9%	6.2%	6.4%	+ 0.9
<b>Asian/ Pacific Islander</b>	3.2%	3.4%	3.6%	3.7%	4.0%	4.7%	5.0%	+ 1.8
<b>Native American</b>	0.2%	0.3%	0.4%	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. While minorities account for nearly 35% of all employees, they represent approximately 52% of all support personnel in salary grades 1 through 8, 30% of professionals, and 22% of those at salary grade 13 and above. African Americans, who constitute 23% of the workforce, account for 42% of support personnel, 18% of professionals, and 11% of managers and executives. Women, who represent approximately 50% of the total workforce, account for two-thirds of support personnel, 47% of professional jobs, 32% of managerial jobs and 23% of executive jobs. Since the Settlement Agreement was signed, a larger percentage of minorities and women are now represented in higher-level jobs.

**Table 2**  
**Coca-Cola U.S. Non-Hourly Workforce by Job Level**  
**(9/30/2006)**

	Salary Grade 15+		Salary Grade 13-14		Salary Grade 9-12		Salary Grade 1-8	
	299		935		3,491		1,832	
Total	N	%	N	%	N	%	N	%
<b>Male</b>	229	76.6%	639	68.3%	1,857	53.2%	604	33.0%
<b>White Male</b>	180	60.2%	486	52.1%	1,368	39.2%	313	17.1%
<b>Minority Male</b>	48	16.1%	143	15.4%	478	13.7%	289	15.8%
<b>Female</b>	70	23.4%	296	31.7%	1,634	46.8%	1,228	67.0%
<b>White Female</b>	55	18.4%	239	25.5%	1,040	29.8%	551	30.1%
<b>Minority Female</b>	15	5.0%	57	6.1%	86	16.8%	671	36.6%
<b>Non-Minorities</b>	235	78.6%	724	77.5%	2,412	69.1%	865	47.2%
<b>Minorities</b>	63	21.1%	201	21.5%	1,065	30.5%	958	52.3%
<b>African American</b>	30	10.0%	102	10.9%	618	17.7%	760	41.5%
<b>Hispanic</b>	18	6.0%	48	5.1%	216	6.2%	136	7.4%
<b>Asian/Pacific Islander</b>	15	5.0%	47	5.0%	213	6.1%	53	2.9%
<b>Native American</b>	--	0.0%	4	0.4%	17	0.0%	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, 2005, through September 30, 2006. Out of the 824 new hires during the current reporting period, nearly 54% were women, 47% were minorities, and 31% were African Americans. These are similar percentages to the hiring rates for women and minorities in the last Task Force report. Roughly one-third 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 over time.

**Table 3**  
**Hiring Activity by Salary Grade**  
**Coca-Cola U.S. Non-Hourly Workforce**  
**(10/01/2005 to 9/30/2006)**

	Salary Grades 14+		Salary Grades 10-13		Salary Grades 1-9	
	N	%	N	%	N	%
<b>Total</b>	<b>56</b>		<b>411</b>		<b>357</b>	
<b>Male</b>	34	60.7%	219	53.3%	128	35.9%
<b>White Male</b>	24	42.9%	136	33.1%	69	19.3%
<b>Minority Male</b>	10	17.9%	79	19.7%	58	16.2%
<b>Female</b>	22	39.3%	192	46.7%	229	64.1%
<b>White Female</b>	13	23.2%	104	25.3%	85	23.8%
<b>Minority Female</b>	8	14.3%	87	21.2%	143	40.1%
<b>Non-Minorities</b>	37	66.1%	240	58.4%	154	43.1%
<b>Minorities</b>	18	32.1%	166	40.4%	201	56.3%
<b>African American</b>	7	12.5%	107	26.0%	144	40.3%
<b>Hispanic</b>	6	10.7%	26	6.3%	30	8.4%
<b>Asian/Pacific Islander</b>	5	8.9%	33	8.0%	26	7.3%
<b>Native American</b>	0	0.0%	0	0.0%	1	0.3%

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 35% of the employee workforce and slightly over 20% of the senior levels of the workforce (salary grade 13 and above) now constitute nearly 22% of elected and appointed officers. Women, who represent 50% of the workforce and 30% 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 substantial net increase and a consistent improvement 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		9/30/2006			
	N	%	N	%	N	%	N	%	N	%	N	%	% +/- since 2000	
<b>Executive Committee</b>														
<b>Total</b>	6		10		11		13		16		14			
<b>Female</b>	0		1	10.0%	1	9.0%	1	7.7%	3	18.7%	3	21.4%	+21.4%	
<b>Minorities</b>	1	17.0%	3	30.0%	3	27.3%	3	23.1%	2	12.5%	3	21.4%	+4.4%	
<b>Elected &amp; Appointed Officers</b>														
<b>Total</b>	107		152		173		190		182		201			
<b>Female</b>	17	16.0%	37	24.0%	42	24.3%	47	24.7%	49	26.9%	55	27.4%	+11.4%	
<b>Minorities</b>	9	8.0%	33	22.0%	36	20.8%	42	22.1%	38	20.9%	44	21.9%	+13.9%	

## 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 has increased roughly 20 to 25% (a net gain of 7% and 4% respectively). Gains in net representation were made by all ethnic groups and by women in both salary grades 10 through 13 and 14 and above during this period.

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

	12/31/2002		9/30/2006			
	SG 14+	SG 10-13	SG 14+	% +/- since 2002	SG 10-13	% +/- since 2002
<b>Male</b>	75.5%	58.5%	72.4%	-3.1	56.2%	-2.3
<b>White Male</b>	62.0%	47.3%	55.6%	-6.4	42.1%	-5.2
<b>Minority Male</b>	13.5%	11.2%	16.8%	+3.3	14.1%	+2.9
<b>Female</b>	24.3%	41.4%	27.6%	+3.3	43.8%	+2.4
<b>White Female</b>	19.4%	31.3%	21.8%	+2.4	29.4%	-1.9
<b>Minority Female</b>	4.9%	10.1%	5.8%	+0.9	14.4%	+4.3
<b>Minorities</b>	18.4%	21.3%	22.1%	+3.7	27.9%	+6.6
<b>African American</b>	9.9%	12.0%	10.5%	+0.6	15.5%	+3.5
<b>Hispanic</b>	5.5%	4.9%	6.0%	+0.5	5.9%	+1.0
<b>Asian/Pacific Islander</b>	3.0%	4.1%	5.5%	+2.5	6.0%	+1.9
<b>Native American</b>	0.0%	0.3%	0.2%	+0.2	0.5%	+0.2

### **Promotion and Termination Rates**

Tables 6 through 8 show the relative rates of promotion and termination for various groups from October 1, 2005 through September 30, 2006.

As can be seen in Table 6, promotion rates for minorities show continuing commitment to diversity during the latest review period. Females and Hispanics continued to make noticeable gains in the executive ranks. African American executives were promoted at a somewhat lower rate than others in the executive ranks, although in previous years their promotion rates have been higher than other groups. Given that over half of the African Americans in the executive ranks have moved into their positions within the last two years, the somewhat lower promotion rate is likely a reflection of their recent promotion into their current jobs.

Among managers and professionals, women and minorities were promoted at somewhat higher rates than white males, adding to diversity in the pipeline jobs. African American and Hispanic females gained substantially in sales jobs, while Asian/Pacific Islanders make greatest gains in managerial and support jobs. We are pleased to note, however, the Company's generally broad-based progress in awarding promotions during this review period.

**Table 6**  
**Promotion Rates**  
**Coca-Cola U. S. Non-Hourly Workforce**  
**(10/01/2005 to 9/30/2006)**

	<b>Executives</b>	<b>Managers</b>	<b>Professionals</b>	<b>Sales</b>	<b>Support</b>
<b>Total</b>	<b>187</b>	<b>1,360</b>	<b>2,766</b>	<b>439</b>	<b>1,403</b>
<b>Male</b>	10.2%	12.4%	11.1%	6.4%	6.4%
<b>White Male</b>	10.5%	11.3%	11.7%	5.9%	6.8%
<b>Minority Male</b>	9.1%	16.2%	9.6%	8.7%	5.4%
<b>Female</b>	18.0%	17.2%	15.7%	10.5%	7.1%
<b>White Female</b>	20.0%	17.2%	13.8%	5.1%	7.2%
<b>Minority Female</b>	10.0%	17.0%	18.8%	23.1%	7.0%
<b>Non-Minorities</b>	13.1%	13.3%	12.7%	5.6%	7.1%
<b>Minorities</b>	9.5%	16.5%	15.0%	16.3%	6.5%
<b>African American</b>	5.0%	16.8%	15.8%	21.7%	6.5%
<b>Hispanic</b>	16.7%	13.3%	13.3%	19.4%	4.0%
<b>Asian/Pacific Islander</b>	10.0%	19.6%	14.4%	0.0%	16.7%
<b>Native American</b>	0.0%	20.0%	10.0%	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. Due to small sample sizes of Asian/ Pacific Islanders and Native Americans, fluctuations in percentages for these groups should be interpreted with caution.

The rates of voluntary terminations from the Company were generally in the 3-5% range (see Table 7), lower rates than those reported in our last report. No substantial differences were noted by gender or ethnicity in voluntary terminations; although some variation was noted, these differences were attributable to small number of minorities in certain job groups (e.g., Asian/Pacific Islanders among executives and Hispanics and Asian/Pacific Islanders among Sales employees).

**Table 7**  
**Voluntary Losses**  
**Coca-Cola U.S. Non-Hourly Workforce**  
**(10/01/2005 to 9/30/2006)**

	<b>Executives</b>	<b>Managers</b>	<b>Professionals</b>	<b>Sales</b>	<b>Support</b>
<b>Total</b>	<b>187</b>	<b>1,360</b>	<b>2,766</b>	<b>439</b>	<b>1,403</b>
<b>Male</b>	5.1%	3.4%	3.5%	8.8%	6.0%
<b>White Male</b>	2.9%	3.4%	3.1%	7.9%	5.7%
<b>Minority Male</b>	12.1%	2.9%	4.4%	13.0%	5.9%
<b>Female</b>	0.0%	3.5%	5.3%	8.9%	4.7%
<b>White Female</b>	0.0%	3.5%	5.2%	9.6%	5.4%
<b>Minority Female</b>	0.0%	3.6%	5.4%	7.7%	4.1%
<b>Non-Minorities</b>	2.1%	3.5%	4.1%	8.6%	5.5%
<b>Minorities</b>	9.5%	3.2%	5.0%	10.2%	4.7%
<b>African American</b>	10.0%	4.2%	3.9%	4.3%	4.4%
<b>Hispanic</b>	0.0%	1.3%	6.7%	16.1%	5.0%
<b>Asian/Pacific Islanders</b>	20.0%	2.2%	5.9%	16.7%	10.0%
<b>Native American</b>	0.0%	0.0%	20.0%	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. Due to small sample sizes of Asian/ Pacific Islanders and Native Americans, fluctuations in percentages for these groups should be interpreted with caution.

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

**Table 8**  
**Involuntary Losses**  
**Coca-Cola U.S. Non-Hourly Workforce**  
**(10/01/2005 – 9/30/2006)**

	<b>Executives</b>	<b>Managers</b>	<b>Professionals</b>	<b>Sales</b>	<b>Support</b>
<b>Total</b>	<b>187</b>	<b>1,360</b>	<b>2,766</b>	<b>439</b>	<b>1,403</b>
<b>Males</b>	2.2%	1.0%	0.5%	2.0%	1.9%
<b>White Males</b>	1.0%	1.0%	0.3%	1.0%	1.9%
<b>Minority Males</b>	6.1%	1.0%	1.1%	6.5%	1.8%
<b>Females</b>	0.0%	2.2%	0.9%	0.5%	2.5%
<b>White Females</b>	0.0%	1.7%	0.9%	0.0%	1.4%
<b>Minority Females</b>	0.0%	3.6%	1.0%	1.9%	3.5%
<b>Non-Minorities</b>	0.7%	1.2%	0.6%	0.6%	1.6%
<b>Total Minorities</b>	4.8%	1.9%	1.0%	4.1%	3.0%
<b>African Americans</b>	5.0%	2.1%	1.0%	4.3%	3.3%
<b>Hispanic</b>	0.0%	1.3%	1.8%	6.5%	2.0%
<b>Asian/Pacific Islanders</b>	10.0%	2.2%	0.5%	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 2006, the Coca-Cola Company commissioned an outside firm to conduct an anonymous electronic survey of all employees for the Corporate and North America groups. The survey included questions developed by the Task Force and Joint Experts that were also used in 2002, 2003, 2004 and 2005<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 Sample***

In 2006, the entire work population for Coca Cola Corporate and North America were sampled. Approximately 4700 employees responded to the survey. This represented a very high 74% response rate resulting in a sample of sufficient size and representation to be statistically valid. The sample size was also of sufficient size to assess group difference by ethnicity and gender<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 drafted specific questions to include in the surveys conducted in 2002, 2003, 2004 and 2005. These questions were re-administered in 2006 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.

In 2005, both whites and African Americans had more positive results for diversity climate than in previous years, while Hispanics and Asian Americans remained the same. These improved responses in 2005 essentially paralleled the data collected in the early phases of the project. In 2006, there was an even more dramatic improvement in diversity climate scores such that all groups achieved higher mean scores than at any time since the Task Force surveying began in 2002. African-Americans, Hispanics and Asian Americans all improved from 2005 by approximate one half of a scale point on a six point scale. Whites improved and there were essentially no differences between Hispanics, Asian Americans and whites. While African-American scores were still somewhat below those of whites and the other groups, those

---

<sup>6</sup> The 2002, 2004 and 2006 surveys were administered to Coca Cola's 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. In 2006, the survey which was administered to the entire U.S. workforce included 2917 persons from Corporate and 3468 persons from Coca Cola North American. The percentage of persons completing the survey was 74%, which provided a robust sample for analysis.

<sup>7</sup> Of the survey respondents, 65% were Caucasian, 23% African American, 5% Hispanic and 5% Asian/Pacific Islander which is representative of their population characteristics although African Americans were somewhat over represented and Caucasians were somewhat under represented. 72% of all males and 72% of all females responded to the survey and that result was also consistent with their relative representation among respondents.

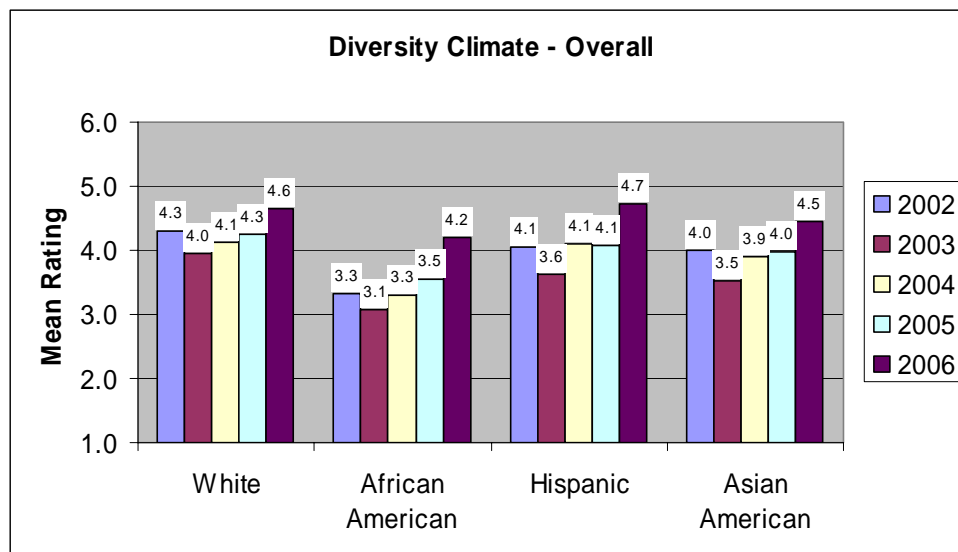
differences narrowed significantly from past years. Clearly the improvement in diversity climate perceptions was significant.

The scores were especially positive on questions related to senior management’s commitment to diversity as part of the Company’s business success and the commitment to a work environment that respects diversity and fosters workplace equity. In general, employee perceptions of fairness in terms of its human resources programs and the treatment of individuals were at least a half scale point more positive than last year. Gender differences were minimal with males having a slightly more positive perception of diversity climate. African Americans were slightly less positive but the differences were not nearly as large as in past years. Items related to advancement being based on who you know and career opportunities not going to the most qualified persons improved somewhat from last year but the absolute scale values were among the very lowest of all items, the degree of improvement from the very first year is not very large. This perception of favoritism remains as an issue for the Company across all employee groups.

In 2005, African Americans who have been hired in the last three years had a much more favorable view of the diversity climate than African Americans hired into the Company more than three years ago. The survey data in 2006 continued that trend with more recent hires having a more positive perception (by one-half scale point) as compared to longer tenure employees. However, it is important to note that both recent hires and long term hires each had much more positive views in 2006 as compared to 2005, again by about a half a scale point. Indeed, the perception of longer term hires in 2006 improved enough that they were equivalent to the positive perceptions of the shorter term hires in 2005. Again, the more recent African American hires approximate the perceptions of whites. As noted in other sections of the report, this pattern is consistent for many other topics. The overall pattern showing positive increases for both short and long term tenure supports the impact of the Company’s efforts in establishing diversity as part of the business case. We would expect that in future years the differences between short and long term employees will decrease and eventually disappear.

**Figure 2**

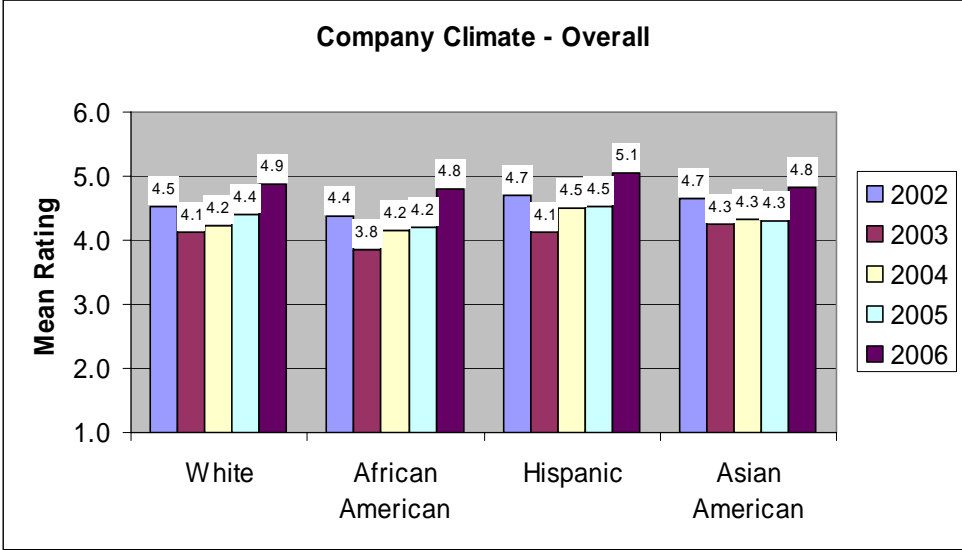
**Comparison of Diversity Climate Ratings over Time**



**Company Climate**

The 2006 employee survey included questions regarding the general work climate that were also asked in four employee surveys since 2002. 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**



In the most recent previous survey in 2005, company climate perceptions increased for whites but remained the same for all other minority groups. Perceptions in 2006 paralleled the diversity climate perceptions. There were significant increases in company climate for all groups indicating an increasingly positive climate perception of the Company. Also, the company climate perceptions in 2006 for whites, African-Americans and Asian Americans were essentially identical, with Hispanics being slightly higher. There were no gender differences on company climate. Again, all ethnic groups (except whites) rated company climate higher than diversity climate in 2005 continuing a trend from past years and indicating that employees view the brand and the Company somewhat more favorably than the diversity climate. However, it is important to view that result in the context of significant improvements in perceptions for both diversity climate and company climate for all groups.

Also, consistent with prior survey results, company climate ratings were quite similar across ethnic groups. It is also important to note that the patterns of higher scores and minimal differences between ethnic groups also occurred for the item that indicated “the Company’s policies and procedures create a positive work environment for me”. Thus, perceptions of improvements in company climate extend to the effect of policies on employees themselves.

The patterns on company climate for African Americans hired in the last three years as compared to employees here more than three years is the same as the results found for diversity climate. That is, shorter tenure employees had a more positive perception of the organization than longer tenure employees. Again, in 2006, both the shorter and longer term employees had significant more positive perceptions than those found with the same groups in 2005. Again, the more recent African American hires approximate the perceptions of whites. As noted in other sections of the report, this pattern is consistent for many other topics. The overall pattern showing positive increases for both short and long term tenure supports the view that the Company has had a positive impact on the climate of the organization for African American employees. As described above, this is consistent with the data for all employees.

### ***Need for Continued Surveying***

In light of the valuable role that the annual surveys have had as a monitoring tool, the Task Force recommends that the Company continue to conduct annual surveys concerning Diversity Climate and Company Climate.

# 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 in order to ensure a fair, documented performance evaluation based on specific, job-related measurements. The process also provides for improved internal oversight of the performance management system 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 employee receives a copy of the performance appraisal form, which includes an opportunity for employee comment and signature.

Consistent with best practice, 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 emphasizes the linkage between performance objectives and business unit goals, and requires rating calibration meetings.

The Company made several changes to its performance management system for the 2006 review cycle, including simplifying the competencies, aligning objectives more closely to the business goals and the Manifesto for Growth, and revising the rating scale to clarify performance expectations. Career development planning was also integrated into the performance management process in order to highlight its importance and to provide greater consistency for employees. These changes were rolled out in live training for all managers and

---

<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."

employees in the beginning of 2006. Performance ratings incorporating these changes will be made in early 2007.

**C. Implementation**

The Company has done substantial work on all phases of 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 practice, a two-day training for both managers and employees in how the system works, “Maximizing Performance”, is mandatory. Table 9 shows the number and percentage of the workforce who have completed training as of September 2006, indicating that virtually 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 remarkably high, but additional reinforcement of training has 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	1,733	1,726	100%
Professionals	4,804	4,595	96%

Training in coaching and feedback is also mandatory for managers. The data in Table 10 show that as of September 2006 70% 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	1,733	1,218	70%

In addition, managers receive training in 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, 73% of managers have received this training. Both Coaching and Feedback training and Rater Accuracy training rates are high and, given turnover 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	1,733	1,261	73%

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 each people manager accountable for diversity, performance management, and employee development in their annual objectives on the "People and Culture" portion of the manager's evaluation.

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 conducts annual adverse impact analyses on all performance appraisal ratings for U.S.-based employees. Consistent with a recommendation made last year by the Task Force, the Company conducted adverse impact analyses on the ratings data from the 2005 cycle prior to finalizing those ratings to permit real-time monitoring and intervention as required. The results of the final performance ratings for the 2005 review cycle are reported in the section below on "Qualitative and Quantitative Results".

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

The Task Force reviewed the adverse impact analysis of the calendar year 2005 performance appraisal ratings provided to employees in April 2006. 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 2004-2005 review cycle. The Company has conducted detailed analyses to determine the root causes for the observed adverse impact, and has found some isolated pockets of the organization which contributed substantially to the observed adverse impact. A detailed review of the ratings in these areas found them to be job-related and based on objectively measured, consistently applied performance standards. It should be noted that the adverse impact in ratings did not result in adverse impact in the compensation of African American employees, nor in the diversity of promotional decisions or succession planning evaluations.

The Human Resources Department continues to meet with leaders of each individual business unit to review their business unit's adverse impact data. Human Resources staff have identified some business units where additional rating calibration is required and have facilitated review and revision of ratings where documentation does not justify the rating given to employees. The Task Force commends the Company for conducting 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 225 appraisals from the 2005 review cycle for employees at salary grades 10 and above. The following information was obtained from the audit:

- A variety of different forms were used this year, though virtually all of them included the same key elements (e.g., KRAs, competencies, tracking sources) as the form used in 2004.
- 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 (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.
- In 2005, many of the forms provided the opportunity for employees to make ratings of their own performance on both objectives and competencies, consistent with best practices. Employee and manager ratings were generally consistent, typically within less than one rating point difference, reflecting a similarity of expectations about performance standards.
- The mid-year reviews sampled generally had an indication of progress against objectives, but did not include written discussion of strengths and opportunities for improvement. The Company should encourage managers to provide such information in their oral discussions with employees to maximize the value of the feedback session.
- All forms sampled included a completed end-of-year review, with 86% providing an overall performance rating. The overall ratings provided were consistent with ratings given for individual objectives and competencies, an improvement over last year's audit results. Managers generally provided written comments on strengths and developmental opportunities at year end. Although second-level review likely occurs as part of the consensus rating process, the Company should ensure that such reviews are documented on the appraisal form.

For the 2006 review cycle, the Company reported to the Task Force that approximately 93% of managers in both CCNA and Corporate had provided employees with mid-year reviews, indicating that employees are receiving timely corrective feedback about their job performance. The Task Force encourages 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.

Ratings for the performance management process were virtually identical across ethnic and gender groups in the 2006 employee survey data. Moreover, last year employees indicated that they were not confident that the performance management process was fair and accurate, although they did think their personal ratings reflected their performance. In this year's survey, however, respondents showed a substantial increase in their perceptions of the fairness of this process and there is no longer a disconnect between general perceptions of fairness and the employee's personal experience that the system fairly reflects their own contributions.

Employees across all ethnic groups were noticeably 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 evident that managers and employees are discussing job performance, a necessary requirement for an effective performance management system.

The Company deserves considerable credit for adopting many best practices in performance management.

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

The Task Force believes that the Company's incorporation of best practices in its performance management process, including calibration of ratings and close monitoring of process completion and results, has led to a successful program. The design, plan, and implementation of the performance management system meet Task Force expectations stemming from the terms of the Agreement.

Moreover, the Task Force recognizes that the Company's commitment to train both employees and managers in the use of the new process goes beyond the requirement in the Agreement to train only managers. 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. Most significantly, when faced with adverse impact in its rating process, the Company worked diligently to identify root causes and took prompt remedial action. Consequently there has been a decrease over time in adverse impact. The continued success of this program will depend on using ongoing monitoring data to identify and remediate any sources of unfairness in the evaluation of performance.

To sustain the success of this program, the Task Force makes the following recommendations for the performance management process:

1. Continue to provide 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 conduct adverse impact analyses prior to finalization of the performance ratings in order to permit "real time" oversight and intervention as necessary.
3. 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.
4. Continue to monitor completion of mid-year and end of year reviews to ensure they are accomplished in a timely manner and documented as required.

5. Institute regular auditing of the performance management process to ensure it is functioning as designed, including evaluating the consistency and completeness of documentation.
- 

## **II. Staffing**

### **A. Introduction**

Staffing involves the identification of both internal and external candidates for positions, the assessment of their qualifications 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 chose 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>9</sup>. The job posting process specifies that a candidate pool must consist of three or more candidates, at least one of whom must be a woman or a minority. Employees may 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 received quarterly 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 had been routinely considered for each such position. In addition, the Company incorporated a review of all slates for open positions to ensure diversity as part of regular senior management review

---

<sup>9</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 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.

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. The Company plans to evaluate the use of written tests and assessments for certain senior level jobs, although plans to pilot test these instruments will not occur until 2007 and any design and implementation will go forward in the years ahead.

The Company also revised the existing structured interview process to reduce the number of competencies evaluated to six core competencies, added functional skills questions based on job profile requirements and implemented a new interview training program, refresher training, and is creating video job aids to assist managers to use the new process accurately and effectively.

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

The Company's senior leadership has made a significant commitment of time and resources to increase diversity in senior hires and to build a pipeline of diverse talent and 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 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 is no longer 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 are provided by 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 developed and staffed an external sourcing function with additional focus placed on building the diversity of external candidate pools. It has contracted with minority search firms, niche job boards such as Black Planet, LatPro and Asian Avenue, and an extensive internal and external networking initiative to attract key talent. Initial results of this effort are encouraging, with minorities comprising well over half of new hires recruited through job boards and direct sourcing. The external outreach effort exceeds the requirements of the Settlement Agreement.

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

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 1,199 postings examined by the Joint Experts across salary grades 1 through 13, only 49 (4%) did not meet these requirements, most typically for having fewer than three candidates. Approximately 90% 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 or slightly higher than representation in the candidate pool and the interview pool. Somewhat less positive results were found for African Americans, particularly for jobs in salary grades 1 to 9. For the jobs at all job levels filled through August 31, 2006, 34% of the candidate pool was African American and 35% of the interviewees were African American, and 28% of those selected for jobs being African American. For lower level jobs (salary grades 1 through 9), African American candidates were 50% of the candidate pool, 51% of those interviewed and 40% of those selected for positions. Hispanics, Asian/Pacific Islanders and females represented 6%, 4% and 62% of those selected for jobs at this level respectively, consistent with or higher than their representation in the candidate pool and interview pool. African American candidates at salary grades 10 through 13 were 23% of the candidate pool, 21% of those interviewed, and 21% of those selected for jobs. Hispanics, Asian/Pacific Islanders and females represented 7%, 7% and 44% of those selected for jobs at this level respectively, consistent with or 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 somewhat higher rates than their percentage representation in the candidate pool or the interview pool across all job levels.

Adverse impact analyses were conducted again this year to evaluate the results of the staffing process. 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 hire did not differ significantly by ethnicity or gender for either of the grade ranges examined in either CCNA or Corporate, a noticeable improvement from results in previous task force reports. The Company's efforts to cast a broader net and significantly "enhance the diversity of slates" appear to be contributing to some adverse impact in the candidate pool to interview stage, though this result does not carry over into the critical selection decision. The Task Force expects that in the future the Company will continue to monitor staffing processes, improve feedback to employees and applicants and take appropriate actions to ensure fairness.

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 55% of the openings at salary grades 1 through 13, with 34% of the jobs going to African American candidates. For the pipeline jobs in salary grades 10 through 13, 40% of openings were filled by minorities, with 21% going to African Americans. Females constituted 62% of those hired at salary grades 1-9 and 44% of those hired at grades 10-13.

Data from the current employee survey show an increased positive perception about the fairness of the staffing process, with similar responses across ethnic groups, although the perception of favoritism in advancement also persists for all ethnic groups, suggesting the need to keep HR systems reforms in place. 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.

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

The design, planning and implementation of the Staffing process met 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 makes the following specific recommendations for the staffing process:

1. Continue to monitor the fairness of the hiring process on a regular basis and address adverse impact if it reappears.
2. 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.
3. Continue to implement the recruitment and posting processes to build a diverse talent pool and monitor outcomes to determine whether systems are working effectively.
4. Continue to track the diversity of slates and the number of candidates considered to ensure an inclusive approach to candidate sourcing.
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. 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 on an annual basis, as well as monitoring employee survey results about the staffing process.
7. 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.
8. Track career growth of new hires to examine trends and possible interventions to retain top diverse talent.

---

## **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**

Over the past five years, the Company has implemented a number of significant changes to its compensation system, including replacing a single salary structure with a series of market-based salary structures, moving all business units to a common review date for merit increases, providing additional training and resources for managers to make appropriate compensation decisions and instituting regular pay equity and adverse impact analyses of compensation decisions. Additional tools and resources have been provided to managers to assist them in making salary administration decisions. The Company provided a comprehensive "compensation fundamentals" training program for all human resource professionals and developed detailed online reference materials for managers and employees. No new programmatic changes were implemented in 2006 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 and elimination of stock options from Grade 10 and reduction of stock options for Grades 11 and 12).

Key to the successful continuation of its ongoing compensation programs are the communication tools provided by the Company for managers and employees to better understand and execute the compensation process and the ongoing data monitoring systems by which the Company tracks the fairness of compensation decisions. As in the past, managers are given some flexibility and discretion in making compensation decisions, but the Company actively monitors these decisions to ensure fairness and managers are held accountable for their decisions. The Company also relies on its Solutions problem resolution process, including appeal procedures, to act as an oversight mechanism.

For the third year, 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 each element of pay. This communications toolkit supplemented information in the Manager's Toolbox. 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 compensation information provided to managers in the online Manager's Toolbox (an online resource on Company policies, procedures and tools), as needed.

The Company again conducted pay equity analyses prior to awarding annual merit increases in April 2006. In addition to examining equity in total salary, the Company 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. Analyses of bonus decisions also found no adverse impact.

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. Although there were some indications of minor adverse impact against African Americans, females, and others, the 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, recent promotions, paid above the pay range or had poor performance). Pay equity analyses were also conducted on April 2006 salary increase decisions. Pay equity analyses resulted in awards to 42 employees for a total of \$216k (as compared to adjustments for 44 employees totaling \$241k in 2005, and to 40 employees totaling \$215k in 2004). The data indicate that the Company maintains a continuing, relatively stable and fair compensation process.

Although employees consistently indicated through survey responses in prior years that they had a good understanding of how their pay was determined, they also consistently indicated that they were less positive about the fairness of the process for making pay decisions, with African Americans significantly less satisfied with the fairness of compensation. However, all groups showed a gain in perceptions of fairness in the 2006 survey, with African Americans and women only slightly lower than all other groups in the current survey.

The largest differences in perception were found concerning whether the Company rewards individuals who have demonstrated successful efforts to improve and manage diversity. These differences particularly need to be monitored in the future. While African Americans rated the Company's efforts in this area significantly lower than did whites, all groups have steadily improved in their ratings of the Company's efforts in the compensation area, an improvement likely due to communication about the 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 sustainability of the compensation process:

1. Continue to ensure that managers have adequate training, communications toolkit materials and information to explain compensation programs to employees, such as the process for making merit increase decisions.
2. Continue to monitor all compensation data and employee survey results to ensure decisions are performance-based and fair.

3. Continue to conduct annual pay equity analyses immediately prior to finalizing base salary decisions.
- 

## **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.

### **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. This type of training reflects best practices. The program has been presented to both managers and employees, again reflecting best practices. Since its initial use in 1999 (and its expanded use for 900 CCNA managers in 2000), the Company has critically examined and revised the content of the program to focus more on work-relevant situations and to reinforce the connection with the Company's diversity strategy. The Company's diversity training exceeds the requirements of the Agreement.

In spring 2005, 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." The Manifesto was designed 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, at that time, 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. While 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:

- The development and communication of the “Four C’s” strategy with Company efforts focused on Commitment, Communications, Culture, and Consumption;
- Affirm a diversity strategy that additionally focuses on 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 and implement “Diversity as Business” Training for managers, including development of a “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***

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 would be applied in the following business areas: workplace, marketplace, community, suppliers and bottlers (as appropriate). The Task Force expected that the Company’s efforts to affirm and apply this diversity strategy framework would be clearly articulated with well-defined measures to assess the success of these efforts over time.

During 2006, the Company implemented the plans described above and introduced in 2005. The 2006-2007 Corporate Diversity Plan focused on the following four key goals:

- Sustain a positive diversity and fairness culture;
- Build and retain a strong, globally diverse team;
- Achieve superior results through our diversity initiatives, and
- Build a superior cultural awareness.

The plans to achieve these goals included: cascading diversity plans across the organization, rewarding and recognizing success, expanding progress with supplier diversity, supporting the development of initiatives with global key customers, global employee branding campaigns and supporting linkages to all HR strategies. Especially notable is the Company’s multicultural marketing plan which provides critical marketplace position on the importance of “Diversity as Business.”

In addition, 2006 initiatives also included the following:

- The development and leveraging of diversity advisory councils
- Engage employees through forums in the workplace

- Hold periodic employee roundtables
- Develop and implement diversity as business education components
- Assign senior management to leadership roles with employee forums
- Increase supplier diversity program spending
- Create supplier diversity field champions for 8 regions

As a result of the above initiatives, the Company has developed a new training curriculum. “Diversity as Business” was implemented in the fourth quarter of 2005. “Managing Diversity”, which was piloted in May, 2006 was implemented in July, 2006. While the three year curriculum focuses on these two programs, additional programs will also be added to the curriculum as the Company seeks to build capability over time. For example, the Company recently developed and piloted a new course, “Cross Cultural Sales and Marketing”, which will be rolled out completely in early 2007. Also, the Company implemented its Diversity Speaker Series during the third quarter of 2005. Three programs were held for employees during 2006: 1) Generations in the Workplace; 2) Gender Communications; 3) Engaging White Males in Diversity; and 4) Anatomy of Prejudice. The programs are run as live speaker presentations at the Company’s headquarters in Atlanta, and are made available on the Company’s Web TV site for field-based employees and those who can not attend in person.

As indicated in previous reports, the Company had a strong record of ensuring that its employees participated in the training efforts.

In Table 12, the Company continued to make significant progress in implementing the required diversity awareness training. Despite the new hires in both the professional and managerial ranks, the data below indicate the Company has provided diversity training for many new employees and thus continued its commitment to provide this training for new employees within twelve months of their joining the Company. In addition, the Company began implementing training for its new three year curriculum referred to above. 682 Managers have attended the first phase of that training program titled “Diversity as Business”.

**Table 12**  
**Diversity Training**

<b>Target</b>	<b>Total Population</b>	<b>Number Completing Training</b>	<b>Percentage Completion</b>
Managers	1730	1,453	84%
Professional	4,833	3,914	81%

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.

Before the development of the above-described plans, the Company had a supplier diversity plan with a commitment of spending \$800 million over the five-year period from 2001 to 2005.

By year 5, total spending reached \$1 billion with yearly spending increasing from \$66 million in 2000 to \$256 million in 2005. In 2005, first year tier contracts included \$68 million for non-minority females, \$42 million for African Americans, \$20 Million for Hispanics, \$17 million for Native Americans and \$6 million for Asian Americans. Spending for 2006 is on an even stronger path with a spending goal of \$300 million. As a result of these many efforts, the Company has been recognized nationally by a large number of advocacy organizations.

#### ***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." Again, in 2006, the survey data indicated another positive increase for all groups with virtually no differences between ethnic sub-groups. In addition, there were similar positive responses indicating that the Company rewards individuals who have demonstrated successful efforts to improve and manage diversity and inclusion, although the absolute value of the responses were not quite as strong. Also, there were strong positive responses concerning the Company's efforts in establishing diversity as an important component of the business strategy. Since this is a major goal of the Company, these positive results along with the positive diversity climate results clearly reflect that these efforts have been communicated and supported by the work force. As was noted in a number of focus groups, the employees are appreciating the importance of diversity as part of the company's strategic plan rather than it only being a compliance effort.

#### ***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 hopes it will continue to evolve in future years.

The Task Force makes the following recommendations:

1. Continue to support the 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 all other employees. 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.
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.

## **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 Diversity & Workplace Fairness Department in Human Resources continues to be responsible for centralized strategy and monitoring of EEO issues and affirmative action plans (AAPs). Diversity & 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.

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 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>10</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. 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. The Company continued the diversity goals program for 2005, but adjusted the goals to set more realistic goals. The Company set goals of 1% net increase in females and minorities at salary grades 10 through 13, and for salary grades 14 and above. The results of this effort for 2005 are reported in the Quantitative and Qualitative Results section below. In 2006, the diversity goals program was modified to focus on the development and retention of women and minorities. The filling of all positions counted toward the attainment of goals, including hires, promotions and lateral moves. The results of this program year to date are also described below.

Standardized data reports are generated to track workforce demographics and personnel activity in hiring, promotion and turnover on a quarterly basis (see "Workforce Demographics")

---

<sup>10</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.

section of this report). In addition, adverse impact analyses are conducted on hiring, promotions and involuntary separations for each AAP quarterly and on restructuring decisions as those activities occur. The results of these analyses are reported to senior Human Resource and line management, as well as to senior corporate management and the Board of Directors. 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 provided 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 in 2004 for local Human Resource Directors to monitor their compliance. The results are also shared with Corporate for monitoring purposes. Plants began to conduct audits annually in June 2005 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, 83% of managers have completed the required training, approaching 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**

<b>Target Audience</b>	<b>Total Population</b>	<b>Number Completing Training</b>	<b>Percentage Completion</b>
Civil Treatment for Managers	<b>1,733</b>	<b>1,443</b>	<b>83%</b>
Civil Treatment for Employees	<b>4,804</b>	<b>3,808</b>	<b>79%</b>

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 79% 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, such as the Employee Resolution process.

The Company has entered into an innovative agreement with the Atlanta office of the EEOC to refer charges back 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 31 AAPs, including results for the 10 functional AAPs. In our previous report we noted that 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. In 2006, the number of underutilized job groups decreased from 66 in 2005 to 62, with approximately 40% of the goals set for 2006 covering minority underutilization and 60% covering female underutilization. From 2005 to 2006, the number of underutilized job skill groups for women remained roughly the same, while the number of underutilized job skill groups for minorities decreased substantially (down 15%). These data indicate that the Company is continuing to make good progress in the area of addressing underutilization.

Independent audits by the Office of Federal Contract Compliance Programs (OFCCP) of seven different sites<sup>11</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. This is further independent evidence of the Company's ongoing positive performance in EEO compliance.

In its previous reports, 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 for 2006 indicated that the Company has sent a very strong message that discrimination in the workplace is unacceptable. Most dramatic was the increase for African Americans in their perceptions of this message. Moreover, employees regardless of ethnicity were more likely (and equally likely) to indicate that they know what to do if they believe they are not treated fairly in the workplace. Finally, all ethnic groups had more favorable views about the Company's effectiveness in responding to employees' complaints about being treated fairly.

For the time period from October 2005 through September 2006, 11 new charges were filed against the Company. Race and disability were the bases for the pending charges filed in 2006, with 4 of the 11 charges already dismissed or withdrawn by the charging party. An additional five charges for the 2005 reporting period and one charge from the 2004 reporting period were closed this year. It should be noted that the rate of 11 new charges is down from the 14 charges filed during last year's reporting period, approximately half the number of charges filed during the 2004 reporting period and dramatically down from the 47 charges filed in 2003. This decrease is likely due to the successful implementation of the Solutions program described in the Problem Resolution section of this report.

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. At the conclusion of the second year of the diversity goals program, CCNA met or exceeded three of its four goals (the representation goal for women in salary grades 14 and above was not met) for a bonus payout to senior managers which was 3.25% less than the 20% at risk. In Corporate, senior managers received a bonus payout of 3.5% less than the 20% at risk,

---

<sup>11</sup> The seven sites were Ontario, CA Syrup Branch; Atlanta, GA Syrup Branch; two separate audits at the Dunedin, FL Manufacturing Plant; Lehigh Valley Syrup Branch, PA; the former Minute Maid Houston, TX Headquarters; and the CCNA Retail function. Four additional OFCCP audits are ongoing for Affirmative Action Plans covering Paw Paw, MI, Waco, TX, the CCNA Finance function and Corporate.

meeting both goals for minority representation but failing to meet goals for women at salary grades 10-13 and 14 and above. As mentioned previously, the diversity goals for 2006 are calculated based on the filling of all positions at salary grades 10 and above, including hires, promotions and lateral moves. Through July 2006, CCNA is exceeding all four of its goals often by substantial margins, while Corporate is exceeding the target for 3 of 4 goals, often substantially. Year to date, the diversity goals performance of both CCNA and Corporate would exceed the 20% payout target. Moreover it should be noted that when data on lateral moves are excluded and only promotions and hires are considered, the Company is exceeding 7 of its 8 goals by even larger margins.

### ***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, taking corrective action in “real time” 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 by agreeing to run those reports on systems/decisions not mandated by the Agreement. The Company continued its ambitious Diversity Goals program this year.

To sustain the success of this effort, the Task Force recommends that the Company:

1. Continue required training for managers and continue training for associates in Civil Treatment. Consider making associate training required.
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.

---

## **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 employee's 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 Diversity and Workplace Fairness 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 a retired 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 regularly 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 originally 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 originally implemented in October 2005 with a major communications effort. This program continued during the 2006 year. The Task Force is pleased that this 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, 2005 to August 1, 2006 indicate that a total of 47 cases were brought to the attention of the Diversity and Workplace Fairness Office. This is considerably fewer than the 76 cases reported in the previous period and is more consistent with the number of cases in preceding years. This number also supports the belief that the larger number of cases last year may have occurred because of the re-launch of communications announcing the revised program which occurred just before last year's report was issued. Also, as in previous years with the small number of total cases, the actual number of cases in any one category is very small, the highest volume of cases fell into five categories:

- Discrimination/Harassment: 26%
- Performance Appraisal: 25%
- Management Practice: 21%
- Compensation: 9%
- Disciplinary Action: 9%

Demographic information was provided by employees for 40 cases or approximately 85% of the cases. For those activities where demographic information was provided, 43% came from females. From an ethnicity perspective, 54% came from minority employees. Of the cases

involving minority employees, the vast majority came from African Americans. This latter pattern is similar to the data for the last two years though again the number of cases is 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 contacts related to job conditions, such as performance appraisals, termination, compensation, benefits and discipline. This consisted of 122 of the 347 contacts. Of the remaining contacts with the Ombuds Office, the next largest number (67 contacts) was for information and assistance, such as those concerned with company policy, coaching and consultation. Further, 56 contacts were concerns about treatment, including harassment, manager unfairness and incivility. For the Employee Reporting Service, approximately 69 contacts occurred. The largest number of cases (36 cases) was about job conditions and the next largest (17 cases) about treatment by managers and co-workers.

In last year's annual report, almost every employee indicated that they were aware of Ethics and Compliance Office and this year's sample was even more positive with everyone indicating awareness. Overall data concerning the problem resolution process indicated that employees generally felt more positively about the Company's implementation of an effective problem resolution program. The responses were more positive for all groups with minimal differences based on ethnicity.

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 also had been asked in previous surveys. For all groups, starting in 2004, there had been an improvement over the baseline 2002 data. However, the data remained at the same level for 2005. In 2006, all groups improved by approximately half a scale point and there was only slightly less positive response from African Americans as compared to all other groups. Responses 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. In 2006, the responses for all groups improved significantly with responses being extremely high for all groups.

In 2004, when asked about whether the Company is effective in responding to employee complaints about being treated unfairly, the responses for all groups were not very positive, with African Americans responding more negatively than others. However, in 2005, the responses for all groups improved and in 2006 there was further significant improvement. 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 2006 improved significantly for all groups and there was only a third of a scale point differences for African Americans as compared to Whites.

In sum, it appears that the Company is having significant progress in ensuring that the workforce knows of the services that are available and in assuring the workforce that they will be treated fairly.

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

The Task Force is pleased that employees view the problem resolution process in a positive manner and that the Company is committed to the process. It is also heartening that employees are more positive that they would be treated fairly if they tried to resolve a dispute at work. The Task Force believes that the Company's efforts to clarify the process and communicate with employees about the complete program contributed to these more positive perceptions. The Task Force hopes the Company will continue to consistently communicate and implement the program. Also, continued active monitoring of the Problem Resolution process will be critical to ensure its effectiveness.

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 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.
  5. Continue the Ombuds Office as an independent and anonymous authority to provide neutral confidential assistance to associates.
- 

## **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 2005, 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 continued the philosophy of employee ownership of career development, but also provided additional resources to assist employees to

design and execute an effective career development plan. This approach was expanded in 2006. Specifically, the Company treated career development as an integrated component that drives business value. As such, they promoted the use of career development planning as a part of the mentoring program, people development forums, and the performance management process. They also developed a communication plan to promote ongoing career development.

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 the 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 has a similar program for mid level leaders implemented in late 2005. 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 developed 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. Also, as noted above, the Company developed and implemented a communication plan to inform the work force about the relationship between career development and business value. The communication programs targeted career development opportunities and options. The Company also integrated career development with other HR systems including performance management, mentoring and the people development forums.

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

Initial data from the use of the online tool activity is promising. From October 1, 2004 to October 1, 2005, 2,603 persons utilized the tool which represents 36% of the U. S. employee population. From October 1, 2005 to October 1, 2006, 2244 persons utilized the system representing 34% of the U.S. workforce. These data continue to indicate that minorities' tended to utilize the system. For example, African Americans represent 26% of the users of the system and 6% each of Asian Americans and Hispanics were participants. In addition, 49% of the users were

in job grades 10 to 12 which is the feeder population for higher level jobs. The Task Force considers the high usage patterns a very good sign.

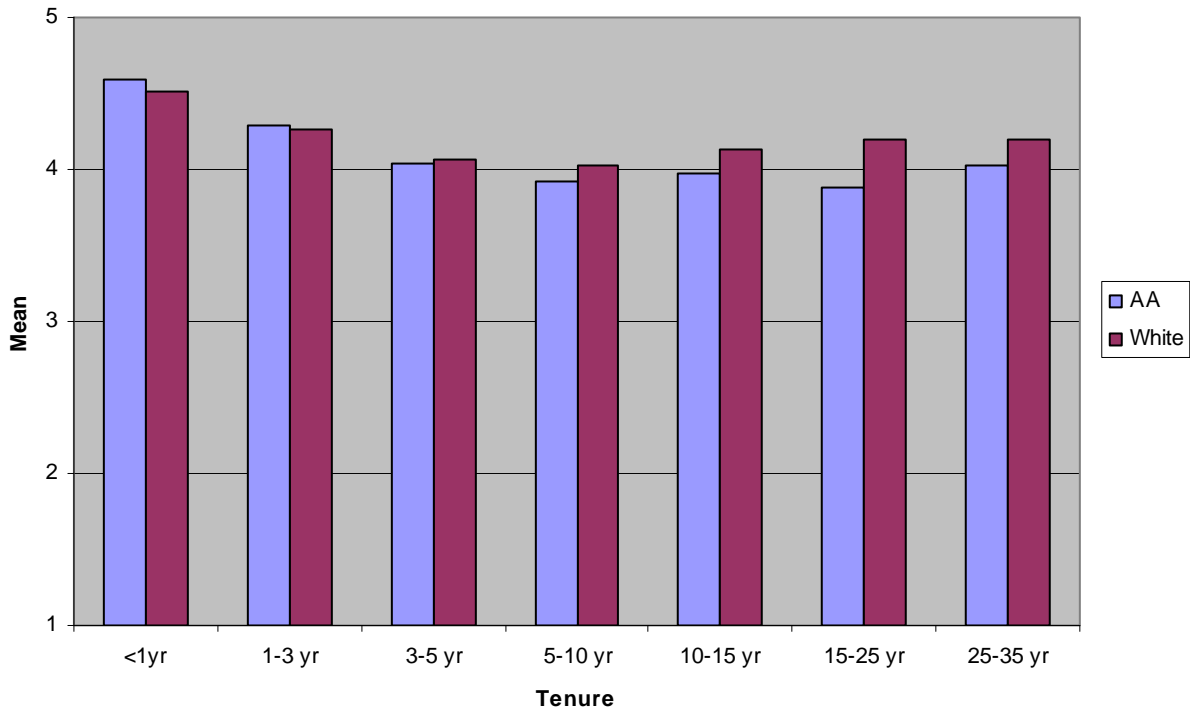
Responses from the 2006 survey concerning the opportunities for developing a career, gaining skills and using the online career development tools developed by the Company were more positive for all employees and continued a steady pattern of improvement which occurred during 2004, 2005 and now 2006. This pattern was consistent for all groups, including African Americans. The perception score for 2006 were approximately the same for all groups with Hispanics have a slightly more positive outcome. Thus, it appears that employees are responding to the communications concerning career development opportunities.

From a staffing perspective, the responses to the survey item indicating whether career opportunities go to the most qualified person also improved significantly for all groups and the scores were again similar for all groups with Hispanics having somewhat higher positive responses. However, while the pattern of improvement is positive for all groups, the absolute scores on this item still rank among the lowest for all groups independent of ethnicity. Again, African American employees employed in the last three years have a more positive perception than those hired over three years ago on this issue. But, the absolute scores levels even for less tenured African Americans are still somewhat low on an absolute basis. While the survey item refers to staffing decisions, the HR interactions between staffing and career development are critical and it appears that the Company still has work to do to in convincing its employees that career opportunities go to the most qualified person.

The issues regarding career development opportunities are made more obvious when the analysis is examined 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 slightly 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. These patterns are the same as those found in last year's survey. However, there is one change. That is, the absolute value of the scores is much higher for both African Americans and Whites so that the differences between employees with less and more tenure seem to be diminishing. Hopefully, this indicates that as the Company's efforts continue, differences based on tenure will disappear.

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 perception data indicates that employees understand and support the Company initiatives in the career development area.

The Task Force recommends that the Company:

1. Continue to implement the Career Development initiatives especially emphasizing the communication process for all employees.
  2. Continue to implement organizational policies that include career development opportunities integrated into the ongoing operation of the organization.
  3. Continue to utilize monitoring systems to ensure that women and minorities are accessing career development tools.
  4. Continue to develop and use systems to monitor and evaluate the role of managers in the Career Development process.
  5. Continue to focus attention on career opportunities in order to enhance employee perceptions concerning the fairness of these systems.
- 

## **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.

The SRR process begins when an employee is asked to complete a profile summarizing his or her performance, strengths, developmental areas, career aspirations, educational background and career history. This information is then discussed with the employee's manager who completes a talent assessment. The managers' assessments are then reviewed by successive levels of management and combined at the business unit level where they are summarized and eventually presented to the Executive Committee. These presentations include the strategy and vision of the business unit, its organizational 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 to identify potential candidates for openings at Salary Grade 14 and above in a process known as slating. Jobs at this level of the organization are not subject to posting. By drawing on the comprehensive SRR information, the Company believes that a broader range of candidates can be identified for open positions.

### **C. Implementation**

In September 2006, the Company completed its fifth 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 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 ratings made concerning an individual's potential, tracking of the 2002 action plan and outcomes, a diversity review and implementation of an automated individual profile.

The SRR process has been repeated in 2004, 2005 and 2006 for approximately 4,000 employees at grade 13 and above globally, covering over 1,000 U. S. based employees. In response to Task Force recommendations, the Company has also substantially improved its communications to managers and employees about the SRR process. The diversity of women and minorities in pipeline jobs (salary grades 12 and 13) was also examined as part of SRR and is encouraging for the future diversification of senior management.

In 2006 the Company also instituted People Development Forums (PDFs) as a vehicle to provide an ongoing dialogue about talent, moving beyond the annual event of SRR as a talent assessment. A primary function of the PDFs is to provide a framework for identifying development needs to close talent and diversity gaps. Development discussions and plans are integrated with the Performance Management process. The Company has also identified talent pools for business critical roles, providing candidates for both global and organization-wide interview slates. As a result, talent is shared more broadly throughout the organization both within functions globally and across functions within a business unit. The Company has also developed a training program for the top 250 global leaders, entitled *The Leadership Experience*. This training experience includes a curriculum focused both on enhancing culture and improving leadership skills.

A number of significant steps have been taken over the past few years to implement senior management's commitment to improve the identification and development of a diverse talent pool for senior level jobs. The Company has recognized the need to actively recruit highly qualified, diverse talent for its senior-level positions. Senior leadership of the Company, led by the former North American Group President Don Knauss, and now his successor, Sandy Douglas, 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+. In Corporate, Jean-Michel Ares, the Company's Senior Vice President & Chief Information Officer has been identified as the senior leader guiding diversity initiatives and chairs of the Corporate Diversity Advisory Council. A review of the diversity of slates for senior level jobs in Corporate (salary grades 15+) is conducted by each function head in conjunction with the Human Resources Department.

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

Succession planning information is used to identify internal candidates for positions in salary grades 14 and above. 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. The Joint Experts audited all slates or jobs at salary grade 14 and above for the time period from October 2005 through September 2006. Out of the 112 slates reviewed, 7 (6%) failed to have ethnic or gender diversity. In fact, almost two-thirds of the slates (71) had BOTH ethnic and gender diversity in the candidates considered. In 14 cases, the slates had fewer than three candidates.

The Task Force audited candidate slates for jobs in salary grades 14 and above for the period from October 2005 through September 2006. Out of the 112 positions filled during this time period, 32% were filled by minorities and 32% 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. 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.

This report has found that the Company made overall progress in increasing minority and female representation in the pipeline jobs to senior leadership in salary grades 10 to 13 and a salary grade 14 and above between 2002 and 2006 (see Table 5). However, the promotion rate for African American executives in salary grade 16 and above was low in the most recent period

(see Table 6). The Task Force therefore recommends that the Company conduct adverse impact analyses for internal promotions into salary grades 14 and above, in addition to analyzing overall selection decisions (i.e., both external hires and internal promotions combined).

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 and women were at or above their representation in salary grades 14 and above, in both Corporate and North America. In North America, 22% of all women and 15% of all minorities at salary grades 14 and above were considered to be “high potential”(vs. 19% and 13% respectively in 2005). “Promotable” minorities and women were at or above their representation in both Corporate and North America. Over 40% of women and minorities were considered to be “promotable”, a dramatic jump when compared to 24% and 13% respectively in 2005. In the past year, the North America business unit has also assessed individuals at lower salary grades in order to provide accelerated development to increase the diversity of pipeline talent.

The responses of management employees who participated in the employee survey indicate that perceptions are beginning to change about the succession planning process. Regardless of ethnicity, managers believed that the way people are identified for advancement in the Company is fair, a noticeable improvement from previous years both in level and consistency across the various ethnic groups.

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

The Task Force appreciates the improved internal communications developed by the Company about the SRR process for employees and its integration with other HR processes. The Task Force also notes the continuing significant investment of time and senior leadership commitment to the SRR and slating processes. We believe 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 provide leadership on 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 recommends the following actions to sustain the successes made by the Company in the area of Succession Planning:

1. Continue to reinforce and expand internal 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. Continue to build manager skills in assessing and developing employees’ skill sets.

4. Continue using newly implemented monitoring systems to ensure that talented diverse pipeline employees are being systematically identified and developed.
  5. Conduct adverse impact analyses and other monitoring for internal promotions into salary grades 14 and above, in addition to analyzing overall selections decisions (*i.e.*, both external hires and internal promotions combined).
- 

## **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.

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 fifth wave of one-on-one mentoring which involved an additional 167 mentee participants. Of this group, minorities tended to be over-represented as compared to the population with 36% being African Americans, 6% being Hispanic and 12% being 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. A new pilot program for group mentoring was also begun with 19 participants. More employees are still expected to enroll in this year's group mentoring initiative. The Company continued its programs for

individuals who are in important feeder jobs for leadership in the company with a mentoring program involving 49 participants. For the mentees, 67% are Caucasian, 20% are African American, 4% are Hispanic and 9% 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. The Company continued its innovative approach to mentoring by developing a new “working moms mentoring program” which has 50 participants; 16% are African American, 8% Hispanic and 6% Asian American.

#### ***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 an astonishing 55 minutes of the announcement. In addition, with encouragement from senior management, more mentors are becoming available.

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 78% or 348 of 448 mentees remain with the Company<sup>12</sup>, with 32% of those remaining mentees being African Americans, 9% Hispanics and 4% Asian Americans. Of the 348 persons still remaining with the company, only 20% are in the same position while 80% have experienced position changes. These data clearly indicate that mentees who participated in the program are experiencing positive outcomes in terms of position changes. This means that for the 348 mentees who remained with the organization, 42% of them were promoted and 38% experienced lateral moves. Of the mentee promotions, 33% have gone to African Americans, 11% to Hispanics and 3% to Asian Americans. These data indicate that nearly half of the mentee promotions were minorities. In addition, 65% of the promotions were for females. For lateral moves, 36% have gone to African Americans, 13% to Hispanics, 4% to Asian Americans and 61% of the lateral moves were for females. These data present a robust picture for the efficacy of the mentoring programs.

#### ***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 and the promotion data certainly supports that viewpoint.

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.

---

<sup>12</sup> Approximately 22% of the mentees have left the Company, with 10% exiting voluntarily (including 1% retirees) and 12% exiting involuntarily.

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.

## 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>13</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. The final payouts for the underutilized job groups will be made for underutilized jobs in December 2008. 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 and final payouts for the learning credits will be made in 2009 for submissions by December 31, 2008.

Communications about the program began in June 2004 and have included written materials sent to class members, people managers and all employees. In addition, both the African-American Employee Forum and the Board of Directors have been briefed on the program. Class member reactions to the Promotional Achievement Award have been quite positive.

From December 2000 through September 2005 (the conclusion of the fourth annual report period), a total of 31 employees received the unrestricted \$4,000 cash payments. Based on

---

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

promotion into underutilized job groups, 8 additional employees became eligible for cash payments in the current Task Force reporting period

Payouts have been made under the “learning credits” provision of the Promotional Achievement Award Fund to 685 class members totaling nearly \$665,000 for a broad range of learning activities, including real estate, law school, entrepreneurial planning, professional acting, language courses and computer classes.

The Task Force wishes the Company continued success with the fund. To that end, the Task Force recommends that the Company prepare a regular annual report on the Promotional Achievement Award Fund for review by the CEO for the remainder of the Company’s commitment to this program.

## CONCLUSION

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 has been to ensure that The Coca-Cola Company implements and sustains fair and effective human resource programs that create equal opportunity for all employees.

The Task Force's mission has been a success. The Company has made significant progress since the Settlement Agreement. It has designed and implemented many best practices across its human resource systems. Indeed, the Company has created many innovations in these systems, such as real time monitoring and correction. The officer ranks are now much more diverse, and the Company has made substantial improvements building a diverse pipeline of talent to fill middle and senior management positions in the future. The Company has incorporated diversity and fairness as a fundamental component of its business strategy. The Company has shown that senior management's visible leadership and commitment to principles of diversity and fairness can produce positive culture change that helps its business.

Instilling this commitment throughout all levels within the Company and sustaining all these improvements are critical to the Company's ongoing success. Culture and process changes must continue to fully take root so that all revised human resource systems are institutionalized and sustainable. The Company has recognized this. It has committed to continue the human resource reforms, improve programs and maintain an environment of fairness and equal opportunity into the future, as contemplated by the Settlement Agreement. Based on the Chairman's representations, the demonstrably improved personnel practices, and the heightened expectations for sustained progress, we believe the Company will continue this important work long after the Task Force ceases to exist.

Respectfully submitted,

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

Dated: December 1, 2006

## **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 - 2006.	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 - 2006.	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; internal and external audit of 2005 appraisals completed in 2006	Monitoring will be ongoing.

**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>
7. Performance appraisals will be performed at least annually.	Designed into system.	Annual performance review in place.	See #6 above.
8. Establish appeal procedures for managerial determinations of performance (including performance improvement plans). Settlement Section II.D.7.f.	Designed into performance management system and in "solutions" program discussed in "Problem Resolution" section of Report.	Implemented through original and revised "solutions" program.	See # 6 above, and "Problem Resolution" and "EEO" sections of Report.
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>14</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 - 2006.	See # 6 below.

---

<sup>14</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 14+ 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 and 2006.</p> <p>Candidate slate requirement implemented.</p>	<p>Audit of process completed in 2003, 2004, 2005 and 2006; 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>15</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, 2005 and 2006; See #6 below, and "EEO" section of Report.</p>

<sup>15</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.	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 2006; Revisions to structured interview process designed 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 - 2006.  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 2006.</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 used in 2005 and 2006</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>
<p>4. Establish mechanisms for effective internal oversight of individual managerial decisions regarding compensation to help identify and eliminate any unlawful bias and excessive subjectivity. See <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).</p>	<p>Designed into EEO monitoring and reporting requirements.</p>	<p>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 – 2006.</p>	<p>Ongoing.</p>
<p>5. Establish appeal procedures for managerial determinations of compensation.</p>	<p>Designed into "solutions" process, as discussed under "Problem Resolution" section of Report.</p>	<p>"Solutions" program implemented; revised program implemented in 2004; additional revisions and communications in 2005.</p>	<p>See # 4 above.</p>

#### **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>16</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.

---

<sup>16</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 – 2006.	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. Communications on program continued in 2006.	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 and 2006.	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 – 2006.	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 - 2006, including one-on-one mentoring by executives and group mentoring. Self-study guides implemented in 2003 and in use in 2004. "Networking for Success" also implemented in 2004.	By Task Force.