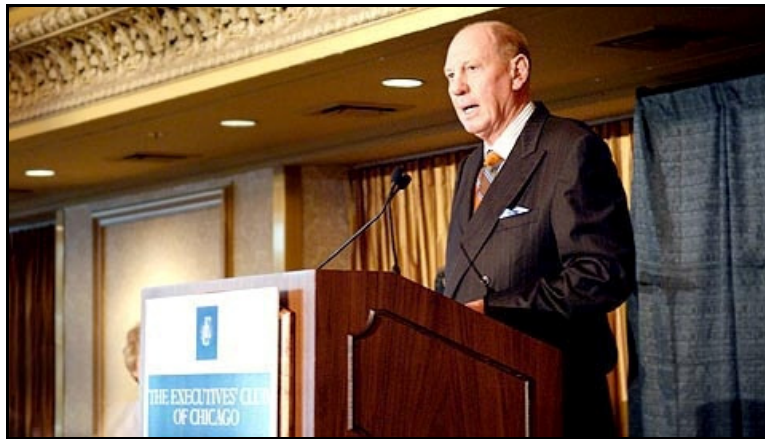


The Coca-Cola Company

"Building a Business for the 21st Century"

Six Principles for a Successful, Profitable Company in an Era of Global Challenges and Changing Consumer Expectations

Remarks by **Neville Isdell**
Chairman and CEO | The Coca-Cola Company



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Thank you, Dick Vie, for that introduction and also for raising a question of my sanity in moving out of the Caribbean. I'm thrilled to be here today. Kaarina, members of the Board, distinguished members and guests, I'd like to say that I'm really privileged to be in this very historic room addressing you and your newly elected Board today.

A HISTORIC ANNIVERSARY

It's also a very special day in the history of The Coca-Cola Company. Today is May the 8th, and it was on May the 8th in 1886 in Atlanta that a pharmacist named John Pemberton poured the world's first glass of Coca-Cola. So, today we're 122 years old, and today we will sell, of all our products, some 1.5 billion glasses in about 200 countries around the world.

This is also a very appropriate place to mark that anniversary. Throughout our history, Chicago is where we've shared new ideas, where we've very often transformed our business, and I hope, in a little way, to continue that tradition today.

It was here in Chicago in 1893 at the World's Columbian Exposition that many people from around the world first got their taste of Coca-Cola. Back then, a server — what they called a "soda jerk" -- poured water in a glass and some syrup and hand-mixed it to the right recipe.

Eventually, we invented the world's first automatic fountain dispenser. And guess where we unveiled it? Here in Chicago at the "Century of Progress Exhibition" in 1933, and that was a transformational event for our Company.

HERE TO SHARE A NEW IDEA FOR BUSINESS

Today, I want to share something that is an idea, but not a product. But it's an idea that I think has relevance for businesses of all sizes. It's something I think we need to carry into this century as we think about how we act differently. So, it's not an innovation in the classical sense of the word, but it is an innovation in terms of how we deal in the world.

WE DON'T HAVE ALL THE ANSWERS

We're about innovation. You've got on your table the aluminum contour bottles which we are starting to develop and which are now in Chicago. And, of course, we've been through various innovations. Do you remember Classic Coca-Cola? [*Laughter.*] Actually, do you remember New Coke? Well, I raise that because I don't want to sound as if I've got all the answers, or we have all the answers, because, like all of us, we make mistakes, and we can build off those mistakes.

Today's idea is a new way of thinking about business. A new understanding of how we must connect with society, if we are going to grow, and grow profitably, in the 21st century. It's a list of 6 requirements for business success in the coming decades.

Before I get to them, though, I need to offer some perspective. This is a journey of discovery, and it takes a journey to deliver sustainable growth in this new era. I think one of the great things for me, coming back over the last 4 years, is that I am once again on a continuing journey of learning. And therefore, what I talk about today is for all of us, for our Company and for me, a work in progress, and it always will be.

DESPITE THE SLOW ECONOMY, WE MUST FOCUS ON THE BIG PICTURE

I also recognize that I'm coming here today at a time when many businesses are struggling to survive and make their payroll, and so talking about the big picture may not seem appropriate. But you cannot ignore the big picture because if you don't attend to it today, you won't be ready when the economy rebounds.

And by the way, you don't have to look far to see how "getting the big picture right," as I call it, pays dividends even in a slow economy. Just look at a company called McDonald's, which has just delivered 60 consecutive months of global comparable store sales increases.

I'm honored that my customer Jim Skinner, is here and that Andy McKenna is a member of your club. I'd like to honor Andy, who unfortunately had to withdraw at the last minute today, and I'd also like to pay tribute to Ralph Alvarez, who's been part of the team that has been engineering a remarkable turnaround at McDonald's. But even more impressive — and I don't know anything near as much about their business as the three people I've just mentioned, but I know a little bit — is that they're growing in a way that is sustainable, and that genuinely strengthens the communities in which they serve around the world.

A NEW AND DIFFERENT ERA

As I look at the big picture, I see challenges that go far beyond one quarter and far beyond a good year. We know the story of our planet — that it is facing new pressures which, in many respects, may threaten our very survival. Our natural resources from water to oil to food are under serious strain. The world's population continues to grow, often in places where it can not be sustained.

NEW EXPECTATIONS OF BUSINESS

Now, in the past, there was an expectation that it was governments that were going to answer to these problems and these crises, and that it was governments who were wholly responsible for these solutions.

Today, however, the paradigm is different. Consumers have much higher expectations of us, of business. They expect us to be part of the solution on everything from climate change to health and wellness. Increasingly, consumers are basing their purchasing decisions on how they feel about a company, so the reputation of the company is part of the reputation of the brand.

WE NEED A NEW BUSINESS MODEL FOR THE 21ST CENTURY

The old way that business was defined is no longer sufficient and is part of the last century. It is also part of Chicago history because it was Milton Friedman who argued that the only social responsibility of business was to increase its profits.

Today, business leaders who continue to define social responsibility so narrowly — in my judgment, in our judgment — take their businesses and the planet down, what I think, is an increasingly unsustainable path.

So, the 21st century brings for all of us a whole new set of expectations. It is no longer sufficient to be profitable, though it is essential. It is also no longer sufficient to just provide a high-quality product or service. We need a revised business model that puts business in that broader context.

Now, the model still includes the basics — serving a market need, obviously being entirely legally compliant and rewarding shareowners. But the new realities of the 21st century say that clearly, we must go well beyond those basics. In fact, to service our shareholders well, this is what we must do.

THE 6 REQUIREMENTS

So that brings me to the six requirements that I mentioned earlier, the six requirements for a more successful and a more profitable company in the 21st century.

- A 21st century business supports the **sustainability** of the communities it serves.
- A 21st century business **partners** in new ways with governments and with civil society.
- A 21st century business is truly local and **a functioning part of every community**

in which it operates.

- Fourth, it must be in every aspect **a responsible employer**.
- A 21st century business must draw on the **diversity** of the people in its own marketplace to win in that marketplace.
- And finally, a 21st century business must have **continuity**. It must manage change without disruption.

1. SUPPORT SUSTAINABLE COMMUNITIES

So, let me start with the first requirement, which really is based on a very simple truth.

- If the communities that we serve are not sustainable, then we do not have a sustainable business, period.

I define sustainability in a way that a United Nations commission defined it more than 25 years ago:

"Meeting the needs of the present without compromising the ability of future generations to meet theirs."

Sustainability starts within the four walls of each of our companies by examining the impact that we make in areas like energy, carbon, packaging, and water, and then innovating and making the corresponding improvements.

Then, we need to step out of our own walls to understand, work with, and help our suppliers, and to learn from our suppliers and the communities that we serve. We always need to ask: What are the factors that impact those communities' health and well-being?

Perhaps the most visible example of transforming your business around sustainability is Wal-Mart. Lee Scott and his team have set some remarkable goals. Here are a few of them:

- to be powered 100 percent by renewable energy,
- to create zero waste,
- and to sell products that are good for the environment and that sustain resources.

And I can tell you, these are not slogans. In our business, each and every day we work with Wal-Mart in our area to help put these goals into action up and down the whole supply chain. And what we've been learning from each other — because this is interactive — is something that helps The Coca-Cola Company become more sustainable.

Sustainability Efforts Must Be Relevant to the Core Business

It's very important that whilst we're supporting sustainability, a company's efforts need to be connected to the core of its own business for it to be relevant. It's what I call "line of sight." If you don't have "line of sight" with your core business, it's going to lose support with your shareowners. It's going to lose support with your board

members. If you look at the past at some of the philanthropic efforts, I would say that it should not be a pet project of the CEO — or dare I say it — his or her spouse. I'll let that sink in a minute. [Laughter]

2. PARTNER WITH GOVERNMENTS AND CIVIL SOCIETY

The second requirement is partnering with governments and civil society. In the 21st century, businesses must collaborate in new ways with governments and with civil society on issues where it is appropriate and relevant — again I repeat *relevant* — to play a role.

You know, the challenges that we're facing are just too urgent, and they're too complex for governments alone, for businesses alone, for NGOs alone to solve. It's only working together where we can really make a difference, where we can really create a multiplier effect that helps build sustainable communities and addresses the issues of our planet.

On Monday, I was in London with the British Prime Minister, who was reaffirming his support and his government's support of the Millennium Development Goals, and he actually said exactly these words — that he didn't feel that governments today could be successful without what we call a triangle — the triangle of sustainability, which is anchored in business, government, and civil society. It is the key to accelerating sustainable development.

At The Coca-Cola Company, we've partnered with governments and NGOs on addressing the water challenges facing communities around the world. We're partnering with USAID — the U.S. Agency for International Development — on community projects in 17 countries. It's helping a quarter of a million people in those 17 countries.

We also have a very significant partnership with the World Wildlife Fund. One arm of that partnership is designed to conserve seven of the world's most critical freshwater river basins, which span some 20 countries.

Last year, I signed the CEO Water Mandate, which is an initiative under the UN Global Compact, which we also endorsed with the Secretary General. These partnerships help us leverage our efforts, as we do good for our communities, whilst also being good for our business and being clearly relevant to our business.

3. BE A FUNCTIONING PART OF LOCAL COMMUNITIES

The third requirement is that a business must be — both in perception and reality — a functioning part of every community in which it operates. And it's the perception part that's hardest. You have to be and be seen as part of the local fabric of the community and as something that adds real value to the neighborhood. Otherwise, you're not going to have the social license to be able to grow. Unless you're seen as a net positive for the community, you — over time — are not going to get the approvals you need to expand your businesses and to be free of government intervention.

4. BE A RESPONSIBLE EMPLOYER

Fourth, a 21st century company is a responsible employer in every sense of the word from respecting human rights and workplace rights, to creating a safe, healthy and open environment, and a diverse environment, for all employees.

For 10 years, *Fortune* magazine has ranked the Top 100 places to work. Wegmans, a family-run grocery store chain, has always made that list and has been in the Top 10 for the last 6 years, most recently as Number 3. I've known Danny Wegman for over 20 years, and it really comes from the basic philosophy of Wegmans, "Employees first. Customers second." It sounds unconventional, but he believes that if his employees are happy and motivated, they're going to make his customers happy. And also by their own engagement in the community, they attract and retain higher-caliber employees.

5. REFLECT DIVERSE COMMUNITIES

Fifth, a 21st century company reflects the diversity of its communities. Again, I'll cite McDonald's. Jim Skinner, my customer, is here, but it's not because of that. It's because I think they're just an amazing example of a truly diverse company.

McDonald's is diverse at just about every level of its business — be it in age, be it in gender, be it in race. The crews that run the stores are people who move on to be operators. They move into the corporate workforce. They are part of the team that moves up that whole value chain. They truly use diversity to win, and it ties them to their markets. It lets them see change early and move very quickly with it. And they make us move quickly with them, as well, I can tell you. They have just so many wonderful stories to tell of successful people whose first job was flipping burgers at McDonald's.

6. MANAGE CHANGE WITHOUT DISRUPTION

Finally, the companies that succeed in the 21st century will be those that create systems to manage change without disruption. It means building a culture that is open and optimistic, but never satisfied. It means developing a deep bench, and it requires deliberate, thoughtful succession planning.

I actually began my succession planning before I came back to Coca-Cola in June 2004 as Chairman and CEO. I began it with the Board as I came back in. And when I announced in December that I was, together with the Board, appointing my successor, it was something that was on a continuum. It was something that we'd worked on for a long period of time.

It is proceeding smoothly because we have the right strategy, the right execution, and most importantly, we have the right leader. My successor as CEO is Muhtar Kent, who I've worked with for nearly 20 years and who I will transition with on July 1 of this year.

One of the reasons that I feel so comfortable about our future is because the ideas that I've shared with you today are not just mine, but they're actually built in to our

business. They're core to our mission, they're core to our values, and they're built into our strategy.

I also believe that the ultimate measure of a CEO's success is not only the longevity of his or her strategies, but it is putting in place a successful successor. I believe that our business is in the hands of someone who will take it to new heights.

CONCLUSION

So therefore, in conclusion, we believe that we must support the sustainability of the communities we serve. We believe in partnering in new ways with governments and civil societies; being a functioning part of the communities we serve; being a responsible employer; drawing on the diversity of our people, so that we win in the marketplace; and managing change without disruption. Those are the requirements for a 21st century company.

Consumers Choose Which Businesses to Invite Into Their Lives

At The Coca-Cola Company, our entire business depends on consumers choosing us — choosing individually, one action at a time, to invite us into their lives 1.5 billion times every day.

We understand consumer issues are part of what we need to take into account in terms of those invitations. We're inviting people into our business. And if they admire us, and they admire our business, and they admire what we do as we work on the fabric in their communities, they will make the choice to support us. It will mean that we are invited back into their lives the next day and the day after.

It's because of —

- the quality of our products,
- the true pleasure they bring,
- the great advertising we have,
- the nutrition our beverages provide,
- and our connectivity with society.

The businesses who understand this critical dynamic of making a profit in the 21st century will be the businesses that deliver long-term sustainable growth for years to come, no matter how the economy in the U.S. and around the world may shift and evolve. They will be the guideposts for successful companies.

Thank you very much, indeed.

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[Lightly edited for clarity]