

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)

SECOND ANNUAL REPORT OF THE TASK FORCE

December 1, 2003

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INTRODUCTION

This is the Second Annual Report of the Coca-Cola Task Force, covering the period from July 1, 2002 through September 30, 2003. This report has been prepared for the United States District Court for the Northern District of Georgia pursuant to a Settlement Agreement in *Ingram, et al. v. The Coca-Cola Company* (Case No. 1-98-CV-3679 (RWS))¹.

The Agreement established for four years an outside, seven-member Task Force to provide independent oversight of The Coca-Cola Company's compliance with the terms of the Agreement. The Task Force is empowered to evaluate the Company's human resources policies and practices, recommend any necessary improvements to those policies and practices, monitor Coca-Cola's practices for the duration of the Agreement, investigate complaints, and provide periodic written reports on the Company's progress toward fulfilling the terms of the Agreement.

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

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

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

During the current review period, the Task Force focused on monitoring the implementation and effectiveness of these systems to ensure that they are working as designed and

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

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

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

progress is being made. Feedback from such monitoring also will allow the Company to modify systems as needed to better serve employees and will provide data for further strategy development.

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."⁴ The mission of the Task Force is to assist the Company in making this tremendous potential a reality for its employees.

Both the Company and the Task Force realize that change of this magnitude is a journey. In the initial year of this Agreement, The Task Force reviewed Coca-Cola's efforts to evaluate its past human resource practices and design new and improved systems to meet its commitments. In this report, the Task Force reviews the Company's progress in the initial year of implementation of changes to its Human Resources programs.

⁴ Transcript of 5/29/01 Fairness Hearing at p. 214.

EXECUTIVE SUMMARY

The Task Force began this second review period with high hopes of a fast start by the Coca-Cola Company to implement and monitor the Human Resources systems designed and approved last year. We also looked forward to the initial implementation of several programs that were then still in the design phase. Considerable progress, in fact, was made in implementation in some areas. Yet, the Company was not able to implement several key programs because personnel and resources were focused on a massive restructuring effort and other matters. A renewed focus is required in some important areas. When the Task Force brought its concerns regarding delayed implementation of some systems to the Company's attention, the Board of Directors, the CEO, the President and senior management responded positively by committing additional resources, imposing closer monitoring and requiring greater management accountability to close gaps in implementation.

The Coca-Cola Company continues to operate in an uncertain global environment and in an extremely competitive global marketplace. Since the last Task Force report, the Company has faced a number of additional challenges, notably a major restructuring of its North American business operations that combined the three independent business units of Fountain, Bottle/Can and Minute Maid into a single organization. The intent of this reorganization was to simplify decision-making and streamline the organization to make the Company more responsive to both customers and consumers; it became known as "S2" based on its goals of "simplify" and "streamline." To accomplish this S2 restructuring, the Company performed a detailed analysis of the jobs needed in the restructured organization and then performed a detailed assessment of its current employees against the requirements of those jobs.⁵ This S2 restructuring resulted in the loss of approximately 800 jobs through March 2003, fully one-tenth of the U.S. workforce. It was only the second large-scale reduction in force in the history of the Coca Cola Company.

In addition to impacting implementation of human resource programs, the S2 restructuring affected employee attitudes and perceptions of the Company climate. The S2 process inevitably contributed to a more critical perception of the Company than last year among all employee groups regarding the Company and its senior leadership. Other events also adversely affected the Company climate. A highly publicized lawsuit by a former employee alleging accounting irregularities, a financial settlement with a major distributor/customer, and two major breaches of confidential employee information occurred. In addition to this across-the-board decline in the Company climate, employee survey data revealed that a distinct gap

⁵ Specifically, the Company conducted an organizational analysis to determine what the future organization should look like and what jobs needed to continue to exist, what jobs needed to be eliminated and what jobs needed to be created. The Company then performed employee assessments to determine which employees were best suited to meet the future needs of the organization. The assessment process involved a detailed evaluation of employees for up to two jobs in the new organization, utilizing the work analysis information that had previously been collected and a detailed assessment process. Employees were evaluated based on their 2002 performance appraisal ratings and ratings on five key competencies for the job identified by the work analysis. Approximately 4,400 assessments were conducted through March 2003. Following S2, smaller reorganizations were conducted in the Human Resources and Legal departments.

still exists between white employees' and African American employees' perceptions of the Company. The data continued to show that African American employees were significantly more negative about the Company's diversity climate than were white employees. For the first time, Hispanics and Asian Americans showed a noticeable difference in their perception of the Company's diversity climate from whites. Bridging these gaps will be a critical challenge for the Company going forward.

As noted in last year's report, the Task Force organized its work into the general areas set forth in the specific Programmatic Relief sections of the Settlement Agreement into nine human resource functional systems:

- Performance Management;
- Staffing;
- Compensation;
- Diversity Education;
- Equal Employment Opportunity (EEO);
- Problem Resolution;
- Career Development;
- Succession Planning, and
- Mentoring.

During this review period, the Company has met the expectations of the Task Force as to some of these human resource systems, as discussed in detail in the body of this report. In several areas, the Company has made significant changes in several areas that are particularly noteworthy, and some of these break new ground for best human resource practices:

- The job posting process, implemented in the previous reporting period, is working well. Employees expressed positive feedback regarding the ability to be aware of vacant positions and to apply for them.
- Feedback regarding diversity training for managers has been positive, especially after the diversity component was better aligned with the Company's business objectives.
- The Company successfully rolled out last year its innovative, CD-based Equal Employment Opportunity training course for managers called, "Civil Treatment for Managers"; feedback has been quite positive. Indeed, the overwhelming number of managers who completed the training indicated that they had a better understanding of their responsibilities in managing a civil workplace. In addition, the Company developed and implemented a similar course for employees called "Civil Treatment for Employees." This training for all employees is beyond the requirements of the Settlement Agreement and is noteworthy for its best practice in educating all employees on EEO concepts and the Company's EEO-related policies and procedures.
- The Company has taken significant steps to develop organizational capability in regard to EEO tracking and monitoring. Strong connections have also been made between the EEO function, process owners for high stakes human resource processes (such as selection, compensation, and diversity) and the employee

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

- The Company's one-on-one mentoring program continued its successful implementation this year, along with the implementation of an innovative self-mentoring/self-study program. Feedback has been positive, and participants have found the program helpful. This ongoing mentoring program, including the newly-added self-mentoring program, continues to constitute best practices and should be emulated by other companies. The Company has plans to expand mentoring further next year by adding a group mentoring program. Task Force looks forward to the implementation of this pioneering group mentoring program in the next review period.
- The Ombuds Office, designed and implemented just last year, is functioning well. Significant numbers of employees are using this confidential process to report workplace concerns, and the perceptions of employees who have used the Ombuds Program are positive.

The Task Force also is pleased that the Company consulted the Task Force in regard to Board vacancies, and that the Board has become more diverse through the appointment of a Hispanic female and male.

At the same time, there are some key human resources systems that have not been implemented and some are not meeting Task Force expectations. The Task Force notes several areas of concern:

- Implementation of the career development program has been delayed in part because of the S2 process, which the Task Force acknowledges, but going forward the Task Force expects the Company to focus on implementing an appropriate career development program. This is critical because a career development system is necessary to ensure a diverse internal pipeline of minority employees for senior and executive positions. A successful career development program is an indispensable component of an appropriate succession planning program. The Company must develop this key linkage between career development, overall development, and succession planning in the next review period.
- While the Task Force has previously recognized that the design and common framework of the performance management process incorporates best practices, implementation of the performance management system has not been fully completed. For example, an audit of the performance management system by the Task Force found that interim reviews were not completed and documented as required for nearly half of the appraisals audited. The audit also found that the performance management system was not linked to career development as strongly or as consistently as the Task Force expects. While the Task Force acknowledges the challenges associated with training newly hired or promoted managers, it notes that required training for existing managers has not been fully completed. The Task Force recognizes that S2 may have impacted implementation, but a continued focus on proper implementation of this critical system is necessary.

- Issues arose this past review period in the Company's promotion and development of its employees. The Company showed good progress in promotions for minorities and women in executive, managerial and professional jobs in the last six months of 2002. However, disparities developed between African American and white employees receiving promotions as part of the S2 process in the first six months of 2003, particularly in the promotion rates of African American and white males for executive and managerial jobs. Moreover, the Task Force is concerned that the Company has yet to review and make necessary changes to its structured interview process. The Company also did not develop diverse candidate slates for many openings in executive level positions, though the Task Force notes that for two senior executive positions minority candidates were offered the job but each declined. These shortcomings are important because the mobility of incumbent African American employees was a significant focus both of the lawsuit and the Settlement Agreement.
- While the design and initial implementation of compensation processes in the previous review period generally met Task Force expectations, the Company has indicated it will be making significant additional changes to compensation processes. The Task Force looks forward to reviewing these changes with the Company and monitoring implementation of changes to this important Human Resource system.
- The Company has also indicated it is reevaluating its diversity strategy. As part of this new diversity strategy, the Company should reinforce that diversity is a critical element of its overall business strategy by linking diversity to its business goals. The Task Force looks forward to the full development and implementation of such a diversity strategy. The Company also must implement appropriate linkages between diversity goals and compensation for executives, as required by the Agreement. This must be accomplished in time for the 2004 review cycle.

The Task Force is particularly concerned that the Company pay appropriate attention to the development of a diverse pipeline of internal candidates in job grades 12 through 15, and recruit where necessary. The Task Force also is troubled by the recent trend of promotions into job grades 16 and above, reflecting an absence of diversity. To this end, it is critical that the Company implement career development and staffing reforms, including the creation of appropriate linkages between the career development and succession planning systems. Given the interrelatedness among these systems, ensuring the effective execution of the performance management system and the compensation system, as well as completing all training, are necessary to ensure the optimum operation of the human resources process as a whole; all of these coordinated efforts are necessary for the integrity of the Settlement Agreement.

When the Task Force expressed its concerns about areas in which the Company's efforts have fallen short, executive leadership took the issues seriously and developed a more targeted business strategy to provide necessary resources, monitoring and management accountability to achieve the results required by the Settlement Agreement and the Company's commitment to a "Gold Standard" for its human resource systems. The President committed to a review of progress every two weeks, and the Task Force expects to review this progress regularly as well. The Task Force will pay particular attention in its regular review to the areas in which the Company has committed, including, but not limited to, the development of employees, succession planning and the process for promotion into

higher-level jobs, which shall include a review of the slating process. The Task Force believes that the delays in implementation of programs noted above should be fully addressed by strict adherence to the more targeted business strategy as outlined by executive leadership. The execution of this business strategy, particularly by management at all levels of the Company, will be crucial in the coming months.

Companies must show a steadfast commitment to the "people" side of the business, especially during periods of transition and significant organizational change. Business priorities and human resources systems work hand-in-hand, and there must be an appropriate balance between an emphasis on achieving business results and human resource goals. To this end, the Coca-Cola Company has made achieving the "Gold Standard" in human resources in word and in deed a priority of the Company. The Company must ensure that its human resources function is embedded in all business practices at all times.

The Task Force looks forward in the next review year to continued implementation of the human resource systems required by the Settlement Agreement. Because of the importance of ensuring that the Company revises and improves its human resources systems as necessary, the Task Force will review with the President the Company's progress at the six-month point in March 2004. The Task Force then intends in December 2004 to file with the Court its third report for the review year ending in September 2004.

ORGANIZATION OF THE REPORT

Over the course of its work, the Task Force determined that the terms and goals of the Agreement could best be realized by organizing the general areas set forth in its Specific Programmatic Relief sections into nine human resource functional systems. The functional structure allows the Task Force to ensure that the Company achieves the requirements set forth in the Agreement's Mandate for Review and Specific Programmatic Relief, but it also will assist both the Company and the Task Force in monitoring progress.

Definition of the Nine Human Resource Systems

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

Figure 1

THE NINE HUMAN RESOURCE SYSTEMS



Performance Management covers the annual appraisal of employee job performance, as well as the procedures used to communicate expectations and provide feedback on performance throughout the year, and at year-end.

Staffing covers the identification of internal and external candidates for employment positions (through job posting and recruitment, respectively), the assessment of candidates' qualifications (primarily through structured interviews) and the process for selecting candidates.

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

Diversity Education includes diversity awareness education programs, and related strategies to promote diversity and reinforcement of diversity concepts over time through company policies, programs and practices.

EEO covers compliance with federal and state laws and regulations related to equal opportunity and affirmative action, as well as monitoring the fairness of ongoing human resources systems through adverse impact analyses, exit interviews and diversity goal-setting.

Problem Resolution covers the methods for internally surfacing, investigating and resolving employee complaints, including the ombuds function and employee reporting services (*i.e.*, hotline).

Career Development covers programs designed to assist employees at all levels in the organization to define their career objectives, assess existing skills and develop additional skills needed for a desired career path.

Succession Planning relates to the identification, assessment and development of internal candidates for senior management positions (within Coca-Cola these are primarily salary grades 14 and above), including the defining of candidate slates and planning for organizational continuity.

Mentoring covers both one-on-one and group or self-study programs in which a coach other than an employee's supervisor assists the employee to identify and develop the experience and expertise necessary for their desired professional development.

To provide 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 second Report, the Task Force will discuss information for each of the nine human resources practice systems organized according to design, implementation and measurements of effectiveness. The examination of each of the nine systems will contain the following sections:

Introduction

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

Program Design

This section summarizes the key features of the processes used by Coca-Cola for each system. In some instances Coca-Cola has already implemented newly designed systems, while in other cases new programs have been designed but not fully implemented. Where features of the program were developed or revised during the review period, these new design features are described.

Implementation

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

Qualitative and Quantitative Results

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

Task Force Assessment and Recommendations

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

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

METHODOLOGY & DATA COLLECTION

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

Task Force Meetings

During the past year, the Task Force has continued to examine Coca-Cola's human resources policies and practices in detail. In the period covered by this annual report, the Task Force has convened formally 11 times for one- to two-day sessions. Over the same period, subcommittees of the Task Force and the two Court-appointed joint experts have held regular additional conferences with the Company between task force meetings.

The Task Force has met with several Company executives, including Douglas Daft, Chairman and Chief Executive Officer (CEO); Donald McHenry, Chairman of the Public Issues and Diversity Review Committee of the Board of Directors; Steven Heyer, President and Chief Operating Officer (COO); Jeffrey Dunn, President and COO North America, and Deval Patrick, General Counsel. The Task Force has also met with the Public Issues Committee of the Board of Directors. The Task Force and its subcommittees have attended numerous briefings by senior managers of The Coca-Cola Company to obtain additional information about, and insight into, the business and human resources challenges facing the Company. The Task Force has received regular confidential briefings and reports from the Ombuds Office. In addition, the Task Force has met with the Company's Diversity Council, convened focus groups of employees and managers throughout the U.S., participated in employee dialogues and conducted its meetings in company locations outside of the Atlanta Corporate headquarters to facilitate discussions with employees in different parts of the company. The Chair of the Task Force has separately conferred with class counsel, as well as Coca-Cola's CEO, COO, General Counsel and Board of Directors, when needed.

The Task Force has relied extensively on the work of the joint experts, Dr. Kathleen K. Lundquist and Dr. Irwin L. Goldstein, who were initially appointed by the Court to review the Company's human resource practices. Subsequently, the Task Force requested the Joint Experts to assist it with research and comparative assessments and to conduct this research at its direction. The Task Force has directed the joint experts to collect independent data, to perform audits and verify the accuracy of data provided by the Company. The Task Force appreciates and thanks the joint experts for their hard work and expert advice.

The Task Force also has benefited substantially from numerous briefings and presentations by Company personnel. Discussions among the Task Force members, the joint experts and the Company's executives and staff have been candid and constructive. The Company has been responsive and forthcoming with a substantial amount of information about the newly

implemented processes, as well as about the S2⁶ restructuring. The Company continues to work diligently with the joint experts to address and resolve any issues raised about the implementation of the new and revised human resource systems. The Task Force appreciates and thanks Coca-Cola for facilitating the work of the Task Force.

Time Period Covered

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

This report covers a longer period, from July 2002 through September 2003, because the S2 restructuring in the first quarter of 2003 required substantial involvement of the employees covered by the Settlement Agreement and delayed design and implementation of the new human resources processes.

Information Reviewed to Track Progress

This report will specifically address the following sources of information and will compare the information to the baseline information described in our previous report:

- 1) Information about the degree to which the Company has met each of the requirements set forth in the Agreement. As one would expect, a number of requirements have been met, others currently are in process and still others will be the focus of attention at a later date. 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, 2003, which will be compared with the composition of the workforce at Coca-Cola as of December 31, 2000, December 31, 2001 and at Coca-Cola at the end of the first review period, *i.e.*, June 30, 2002.
- 3) Information from an employee survey and focus groups initiated by the Task Force and conducted in the summer of 2003, with data regarding the attitudes and perceptions of Company employees. Responses to the survey items will be compared to the responses to the same questions asked on the 2002 Employee Engagement survey.
- 4) Results of audits conducted by the joint experts at the Task Force's direction in the areas of performance management, staffing and posting for jobs below Salary Grade 14 and slating for jobs at or above Salary Grade 14.

⁶ S2 refers to the Company's "simplify and streamline" restructuring of the North American business units.

- 5) Data provided by the Company about the status of implementation of the new programs, including rates of completion of required training and adverse impact analyses.

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

WORKFORCE DEMOGRAPHICS

As a result of the major restructuring (S2) of the Company's workforce in early 2003, The Coca-Cola Company's non-hourly U.S.-workforce (*i.e.*, those employees covered by the Agreement) as of September 30, 2003 consisted of a total of 6,151 employees, down 10% from the 6,864 employees described in our first annual report. Table 1 below shows that, despite the substantial reduction of jobs in early 2003, the workforce remains roughly 50% female and 30% minority, with approximately two-thirds of the minority workforce being African American. The relative percentage of minorities in the workforce has increased over 5% from December 31, 2000 to September 30, 2003, and remained stable both before and after the restructuring.

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

	12/31/2000		12/31/2001		12/31/2002		9/30/2003	
Total	6,628		6,728		6,876		6,151	
	N	%	N	%	N	%	N	%
Male	3,350	50.5%	3,397	50.5%	3,478	50.6%	3,161	51.4%
Female	3,278	49.5%	3,331	49.50%	3,398	49.40%	2,990	48.6%
White Female	2,136	32.2%	2,152	32.0%	2,184	31.8%	1,905	31.0%
Minority Female	1,142	17.2%	1,179	17.5%	1,214	17.7%	1,085	17.6%
Minorities	1,900	28.7%	2,008	29.8%	2,073	30.2%	1,864	30.3%
African American	1,308	19.7%	1,400	20.8%	1,408	20.5%	1,262	20.5%
Hispanic	367	5.5%	362	5.4%	392	5.7%	349	5.7%
Asian/Pacific Islander	209	3.2%	226	3.4%	249	3.6%	228	3.7%
Native American	16	0.2%	20	0.3%	20	0.4%	25	0.4%

Table 2 shows the salary grade or level of jobs occupied by minority and female employees. Although minorities account for 30% of all employees, they represent approximately half of all support personnel, one-quarter of professionals, and 15% to 20% of managers and executives. African Americans, who constitute 20% of the workforce, account for nearly 40% of support personnel, and 10% to 15% of professionals, managers and executives. Women, who represent approximately 50% of the total workforce, account for two-thirds of support personnel, slightly less than half of professional jobs, over one-quarter of managerial jobs and nearly 20% of executive jobs.

The decrease in the workforce as a result of the restructuring had a greater effect on lower job levels where minorities represent a larger percentage of the workforce. The data indicate that, while jobs at Salary Grade 16 and above (executive) decreased by 4% and the

Table 2
Coca-Cola U.S. Non-Hourly Workforce by Salary Grade
(9/30/2003)

	SG 16+ (Executives)		SG 13-15 (Managers)		SG 9-12 (Professionals)		SG 1-8 (Support Workers)	
Total	106		863		3,243		1,920	
	N	%	N	%	N	%	N	%
Male	85	80.2%	619	71.7%	1,797	55.4%	645	33.6%
White Male	72	67.9%	515	59.6%	1,420	43.8%	351	18.3%
Female	21	19.8%	244	28.3%	1,446	44.6%	1,275	66.4%
White Female	14	13.2%	204	23.6%	1,028	31.7%	655	34.1%
Minority Female	7	6.6%	40	4.6%	418	12.9%	620	32.3%
Non-Minorities	86	81.1%	720	83.4%	2,455	75.7%	1,010	52.6%
Minorities	20	18.9%	143	16.6%	788	24.3%	910	47.4%
African American	12	11.3%	77	8.9%	450	13.9%	722	37.6%
Hispanic	4	3.8%	41	4.8%	165	5.1%	138	7.2%
Asian/Pacific Islander	4	3.8%	25	2.9%	157	4.9%	40	2.1%
Native American	0		0		15	0.5%	10	0.5%

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

number of management jobs in Salary Grades 13 through 15 remained roughly the same (a decrease of 0.2%), professional (Salary Grades 9-12) and support personnel jobs (Salary Grades 1-8) decreased by 15% and 10% respectively. However, minorities and women maintained the same relative representation at all salary grade levels before and after the restructuring.

Although the restructuring resulted in a decrease in jobs overall, the Company continued to hire for a limited number of positions, usually where the skill sets of newly defined jobs did not meet the skills of the current internal workforce. Between June 30, 2003 and September 30, 2003, one executive, 22 managers, 40 professionals and 52 sales and support workers

were hired. The data in Table 2, thus, reflect both the decrease as a result of S2 and the subsequent hiring of employees at these salary grades.

Table 3
Hiring Activity
Coca-Cola U.S. Non-Hourly Workforce
(1/01/03 to 9/30/03)

	Executives		Managers		Professionals		Sales Workers		Other Workers	
Total	3		110		101		26		79	
	N	%	N	%	N	%	N	%	N	%
Male	3	100.0%	89	80.9%	51	50.5%	11	42.3%	29	36.7%
White Male	3	100.0%	69	62.7%	34	31.7%	9	34.6%	13	16.5%
Female	0	0.0%	21	19.1%	50	49.5%	15	57.7%	50	63.3%
White Female	0	0.0%	17	15.5%	36	35.6%	10	38.5%	21	26.6%
Minority Female	0	0.0%	4	3.6%	14	13.9%	5	19.2%	29	36.7%
Non-Minorities	3	100.0%	86	78.2%	70	69.3%	19	73.1%	34	43.0%
Minorities	0	0.0%	24	21.8%	31	30.7%	7	26.9%	45	57.0%
African American	0	0.0%	11	10.0%	12	11.9%	4	15.4%	39	49.4%
Hispanic	0	0.0%	7	6.4%	10	9.9%	3	11.5%	4	5.1%
Asian/Pacific Islander	0	0.0%	5	4.5%	9	8.9%	0	0.0%	1	1.3%
Native American	0	0.0%	1	0.9%	0	0.0%	0	0.0%	1	1.3%

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

Table 3 shows the Company's hiring activity from January 1, 2003, through September 30, 2003. The monthly hiring rate was down 30% from the monthly rate reported for 2002. However, out of the 319 new hires during 2003, 43% were women, 34% were minorities and 21% were African Americans. This represents a decrease for women (down from 55% in the first six months of 2002), but an increase for minorities as a group and for African Americans (up from 29% and 17% respectively). When new employees from acquisitions of new businesses are excluded from the hiring numbers, women were hired at a rate of 46% and

minorities at a rate of 47%. Nearly one-quarter of managers and one-third of professionals hired during the period were minority applicants (excluding acquisitions, minority hiring rates were nearly 40% of managerial and professional positions filled). In contrast, females constituted only 19% of the new managers hired in 2003 (13% excluding acquisitions), down sharply from the 44% female managers hired in the beginning of 2002. Females maintained their percentage representation among professionals hired at roughly 50%. Although all of the three executives hired were white males, a review of the Company's staffing data indicated extensive outreach and consideration of minority and female candidates.

Table 4
Diversification of Senior Leadership at Coca-Cola

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

The Company has made progress in diversifying senior leadership since January 2000. Table 4 shows the participation of women and minorities at the senior levels of the organization. Minorities who constitute 30% of the employee workforce and 16% of the senior levels of the workforce (salary grade 13 and above) now constitute well over 30% of the Executive Committee and Executive and Senior Vice President levels of the Company. Minorities constitute 20% of elected and appointed officers. Women, who represent 50% of the workforce and 28% of the workforce at salary grade 13 and above, are 9% of the Executive Committee but roughly 25% of the remaining levels of senior leadership at the company.

Tables 5 through 8 show the relative rates of promotion and termination for various groups from July 1, 2002 through September 30, 2003. As can be seen in Table 5, promotion rates for minorities were slightly higher than the rates for non-minorities in managerial and professional jobs, while among lower level jobs in sales and administration the trend was reversed with minorities promoted at a lower rate than non-minorities. A more dramatic difference was noted among executive promotions where white males had noticeably higher promotion rates – five times higher than for African American executives (22.1% for white males compared to 4.5% for African Americans).

Table 5
Promotion Rates
Coca-Cola U. S. Non-Hourly Workforce
(7/01/02 to 9/30/03)

	Executives	Managers	Professionals	Sales Workers	Other Workers
Total	175	1,509	2,671	419	1,413
Male	22.1%	15.1%	13.5%	9.2%	5.2%
White Male	22.1%	15.2%	13.5%	9.9%	6.0%
Female	17.5%	19.8%	17.0%	16.1%	6.5%
White Female	26.9%	18.8%	16.1%	16.0%	7.8%
Minority Female	0.0%	23.2%	18.9%	16.2%	5.3%
Non-Minorities	23.7%	16.5%	14.7%	12.3%	7.3%
Minorities	11.1%	18.0%	16.6%	10.5%	4.8%
African American	4.5%	16.4%	14.9%	9.4%	5.3%
Hispanic	20.0%	22.5%	18.4%	12.0%	2.9%
Asian/Pacific Islander	25.0%	20.0%	18.6%	16.7%	4.0%
Native American	0.0%	0.0%	33.3%	0.0%	0.0%

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

This is a difference from the trend noted in our First Annual Report, where women and minorities were promoted at a higher rate than were white men across all job groups. It should be noted that the data in Table 5 are aggregated for the entire review period, but quite different trends appear when the data are analyzed for the period covering the last six months of 2002, the first six months of 2003 (when S2 occurred) and the three months following S2. The Company showed good progress in promotions for minorities and women in executive, managerial and professional ranks in the last six months of 2002. However, during the first six months of 2003, promotion rates were noticeably higher for non-minorities, particularly in executive and managerial jobs. Data for the most recent quarter appear to be trending in a similar direction as the results of last year. The Task Force will be monitoring the trends in promotion rates in upcoming months.

When promotions which resulted from the S2 assessment process are considered, more dramatic differences are noted (see Table 6). Promotions during S2 occurred both by jobs being reclassified to a higher salary grade in the new organization (*i.e.*, mapped promotions where all incumbents in the job were automatically moved to the higher salary grade) and by individuals competing for higher-level jobs through an assessment process (*i.e.*, assessed promotions). Rates of job reclassification to a higher salary grade without assessment as a result of S2 were low for all groups (generally 0.2%), with the exception of males whose

Table 6
S2 Promotional Activity Analysis
Coca-Cola U. S. Non-Hourly Workforce

	Total	Mapped Promotions	Assessed Promotions	Total Promotions
Male	3,183	0.6%	3.3%	3.9%
White Male	2,419	0.7%	3.6%	4.3%
Female	3,004	0.3%	4.1%	4.4%
White Female	1,924	0.3%	4.9%	5.2%
Minority Female	1,080	0.3%	2.6%	2.9%
Non-Minorities	4,343	0.5%	4.2%	4.7%
Total Minorities	1,844	0.2%	2.4%	2.7%
African American	1,239	0.2%	1.5%	1.8%
Hispanic	358	0.3%	4.7%	5.0%
Asian/Pacific Islander	220	0.0%	3.6%	3.6%
Native American	27	0.0%	3.7%	3.7%

mapped promotions were at a rate of 0.7%. Larger differences were found in assessed promotions. White females and Hispanics had the highest rates of assessed promotions as a result of S2 (4.9% and 4.7% respectively), while African Americans had the lowest rate of assessed promotions (1.5%). White males were promoted at the rate of 3.6% in S2.

The rates of voluntary terminations from the Company were generally in the 5-7% range (see Table 7). Exit interview data (discussed under the EEO section of this report) indicate that the S2 restructuring contributed to the rates of voluntary terminations. Women and Asian Americans were more likely to voluntarily terminate their employment across most job levels, as were minorities among Support Personnel (*i.e.*, Sales Workers and Other Workers).

Table 7
Voluntary Losses
Coca-Cola U.S. Non-Hourly Workforce
(7/01/02 to 9/30/03)

	Executives	Managers	Professionals	Sales Workers	Other Workers
Total	175	1,509	2,617	419	1,413
Male	5.1%	2.8%	4.5%	8.4%	4.5%
White Male	4.4%	3.2%	4.2%	8.4%	3.2%
Female	0%	6.1%	6.2%	10.7%	5.5%
White Female	0%	6.5%	6.7%	9.9%	4.6%
Minority Female	0%	4.8%	5.1%	13.5%	6.4%
Non-Minorities	3.6%	4.3%	5.4%	9.0%	4.1%
Minorities	5.6%	2.6%	5.2%	10.5%	6.3%
African American	0%	2.6%	3.7%	13.2%	5.3%
Hispanic	10.0%	1.4%	7.5%	8.0%	7.6%
Asian/Pacific Islanders	25.0%	0.5%	7.6%	0%	24.0%
Native American	0%	0%	0%	0%	0%

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

As can be seen in Table 8, involuntary termination rates were quite high as a result of S2, and dramatically higher than noted last year (involuntary terminations were typically under 1% for the first six months of 2002 for all groups except Other Workers where involuntary terminations were between 10 and 15%). Rates of involuntary terminations in 2003 have been quite different across job levels, with Executives showing the lowest rate of involuntary termination (approximately 3%), and Sales Workers showing the highest rate (approximately 30%). Involuntary termination rates were generally similar for whites and minorities across all job levels except Sales Workers, where the minority termination rate was substantially higher than the rate for non-minority employees (40% for minority Sales Workers compared to the non-minority termination rate of 23%).

Table 8
Involuntary Losses
Coca-Cola U.S. Non-Hourly Workforce
(7/01/02 - 9/30/03)

	Executives	Managers	Professionals	Sales Workers	Other Workers
Total	175	1,509	2,671	419	1,413
Males	2.9%	6.4%	12.7%	27.1%	22.5%
White Males	3.5%	6.1%	12.1%	23.3%	23.8%
Females	0.0%	9.4%	16.1%	24.4%	13.6%
White Females	0.0%	10.1%	16.7%	21.4%	12.6%
Minority Females	0.0%	7.2%	14.8%	35.1%	14.6%
Non-Minorities	2.9%	7.5%	14.1%	22.5%	16.5%
Total Minorities	0.0%	7.5%	15.0%	39.5%	16.8%
African Americans	0.0%	9.0%	15.6%	43.4%	15.4%
Hispanic	0.0%	4.2%	14.3%	36.0%	21.9%
Asian/Pacific Islanders	0.0%	7.5%	15.2%	33.0%	32.0%
Native American	0.0%	0.0%	0.0%	0.0%	0.0%

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

TASK FORCE SURVEY RESULTS

During the summer of 2003, the Task Force commissioned an outside firm to conduct focus groups with nearly 700 employees throughout the Company. The purpose of the focus groups was to gain a better understanding of employee perceptions regarding the diversity climate at the company and the perceived fairness of various HR processes. In addition to the qualitative data obtained from the focus groups, the Task Force collected quantitative survey data to track progress in changing employee perceptions and attitudes. To this end, a brief survey was administered to focus group participants covering the areas of diversity climate, company climate and fairness of the newly implemented HR processes. Survey responses were anonymous.

The results from the survey are discussed below. Focus group findings and survey results related to specific human resource practices are discussed under the appropriate section of the Report.

Survey Sample

A total of 680 employees responded to the survey, a 100% response rate among those who participated in the Task Force focus groups. The survey sample was of sufficient size and representation to be statistically valid. Group differences by ethnicity and gender in the results were based on adequate sample sizes for interpretation.

Of the survey respondents, 45% were Caucasian, 36% African American, 12% Hispanic and 7% Asian/Pacific Islander⁷. A larger percentage of the respondents were female (59%) than male (41%). Nearly half of the sample was professional employees, while one-quarter were managers and one-quarter were administrative or technical employees. Participants were from all parts of the Company, including Corporate (31%), Coca-Cola North America (CCNA) (47%) and Minute Maid (22%).

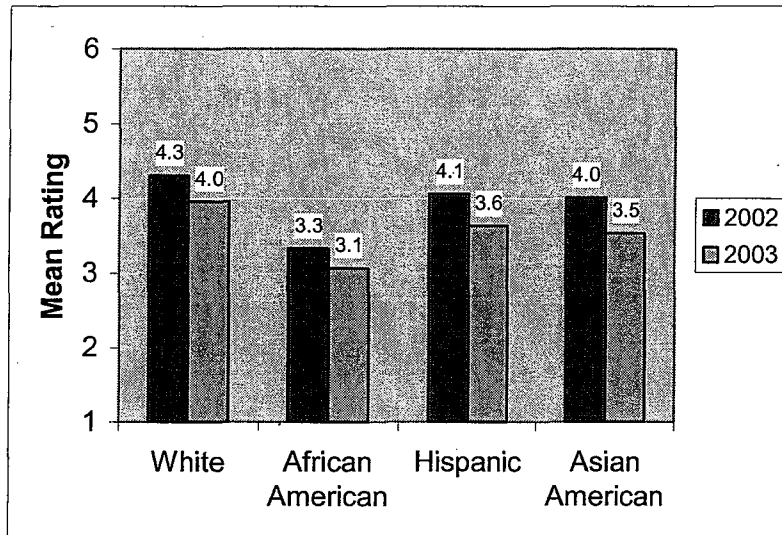
Diversity Climate

To measure employee perceptions and attitudes regarding the diversity climate at the Company, the Task Force and the joint experts drafted specific survey questions to include in the employee engagement survey conducted in April 2002. These questions were re-administered to focus group participants 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.

⁷ The larger percentage of ethnic minorities in the survey sample in 2003 was a result of the administration of the survey as part of the focus groups. Focus groups were for the most part conducted in affinity groups (*i.e.*, like ethnic or gender groups) to facilitate the most open environment for sharing perceptions. As a result, the number of ethnic minorities over-represents their percentage in the workforce. It should be noted, however, that the sample is statistically valid and the overrepresentation of minorities makes it possible to conduct statistical comparisons between groups.

For all ethnic groups, the average diversity climate ratings were lower in 2003 than in 2002 (see Figure 2). While all groups declined in their ratings of the Company's diversity climate, the results of the survey continue to show that African American employees were significantly more negative about the Company's diversity climate than were white

Figure 2
Comparison of Diversity Climate Ratings in 2002 and 2003



employees. While African Americans were quite low in their ratings in both 2002 and 2003, Hispanics and Asian Americans decreased noticeably from their 2002 ratings, approximating the low ratings given in both years by African Americans. The pattern of results also indicates small, but generally not statistically significant differences, between men and women in their ratings.

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

Company Climate

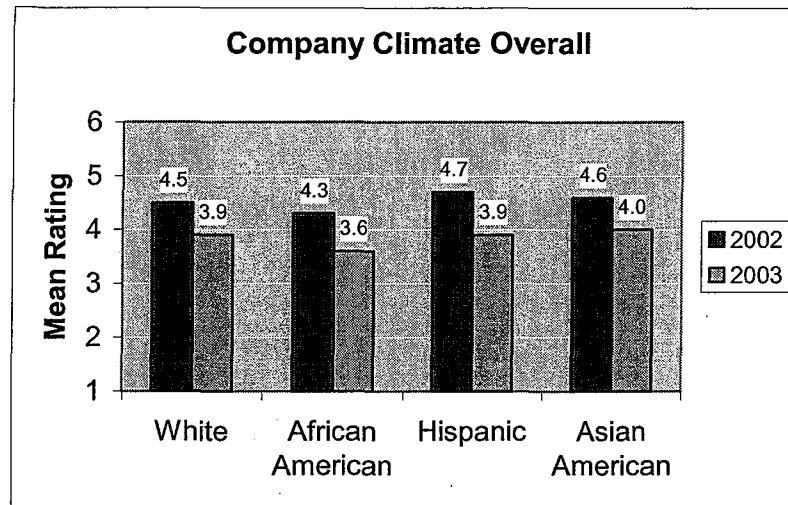
The employee survey included questions regarding the general work climate in the Company, which were also repeated from the 2002 employee engagement survey. These questions covered employees' perceptions about their pride in the Company, their willingness to say good things about the Company to others,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

Company climate ratings decreased in 2003 for all employees (see Figure 3). This may be a reflection of some of the events occurring within the Company during 2003, such as the

breach of security in employee data, the S2 restructuring and the allegations made in the employee lawsuit.

Figure 3

Comparison of Company Climate Ratings in 2002 and 2003



As was true in 2002, however, employees generally rated company climate higher than diversity climate. All ethnic groups (except whites) rated company climate higher than diversity climate in both 2002 and 2003, indicating that employees still view the brand and the Company more favorably than they do the Company's commitment to fair and equitable treatment. For whites, the average rating was roughly the same for Diversity Climate and Company Climate.

Even though their ratings on company climate were higher than for diversity climate, African American employees were significantly less positive about the Company than were whites, Hispanics and Asian Americans. Men and women rated the Company very similarly.

When the data are analyzed by job level, the strongest ethnic differences were noted between African American and white managers. Statistically significant, but smaller differences were noted between African Americans and whites at the professional (*i.e.*, individual contributor) and administrative/technical job levels.

ASSESSMENTS OF HUMAN RESOURCE PROCESSES

I. Performance Management

A. Introduction

Performance Management⁸ includes the annual appraisal of employee job performance, as well as the procedures used to communicate job expectations and provide feedback on performance throughout the year and at the year-end performance rating. The performance rating is used for compensation, promotion and other employment decisions.

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

B. Program Design

The Company has developed a single performance management system for all U.S.-based employees, following a model that was used at the corporate level prior to the Agreement. As noted in the first annual Task Force Report, the goal of the process is to ensure a fair, documented performance evaluation based on specific, job-related measurements. The process also provides for improved internal oversight and control over the performance management system as a whole by the corporate Human Resources department.

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

Consistent with best practices, the performance management system includes a midyear review; mandatory two-day training of both managers and employees in how the system works; active employee involvement in planning, tracking and reviewing their own performance; and an appeals process.⁹

Data collected from the 2002 review cycle (i.e., performance appraisals given to employees in early 2003 covering performance in the 2002 calendar year) was analyzed and is reported

⁸ 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."

⁹ Data collected from the 2002 cycle was analyzed and is reported in the section below on "Qualitative and Quantitative Results".

in the section below on "Qualitative and Quantitative Results". The purpose of the audit was to determine if the process components described above were implemented as designed.

C. Implementation

The Company has done a substantial amount of work on the performance appraisal process and this Human Resources System is the most advanced of the nine systems in terms of implementation and training. As of the 2002 review cycle, the new performance management process was expected to be used for all U.S. based employees. The outcomes of this implementation serve as baseline data since this is the first extensive use of the entire system.

Consistent with best practices, there is a mandatory two-day training, Maximizing Performance Training, for both managers and employees in how the system works. Table 9 indicates how many total persons and what percentage of the workforce have completed training. These data were provided by the Company. As indicated in Table 9, a large percentage of the workforce, but not everyone, have completed the training program. Employees from the Minute Maid division, which was recently integrated into Coca-Cola North America (CCNA) during S2, began training somewhat later than previous CCNA units. Also, these numbers reflect new employees who require performance management training. The Task Force notes that the Settlement Agreement requires that all performance appraisals will be done by raters who have received rater training and regular refresher training. The Task Force is disappointed that this has not occurred and expects that all persons involved in the performance management system will have received the required training during the first quarter of 2004.

Table 9

Maximizing Performance Training

Target	Total Population	Number Completing Training	Percentage Completion
CCNA Managers	883	759	86%
CCNA Associates	3,729	3356	90%
Corporate Managers	537	456	85%
Corporate Associates	2,497	2073	83%

Note: CCNA=Coca-Cola North America

Additional mandatory training in coaching and feedback has been provided for managers. These data, provided by the Company, are presented in Table 10. As of October 2003, 334 (39%) of CCNA managers and 236 (44%) of Corporate managers have been provided with this training.

Table 10

Coaching And Feedback Training

Target	Total Population	Number Completing Training	Percentage Completion
CCNA Managers	883	344	39%
Corporate Managers	537	236	44%

Note: CCNA=Coca-Cola North America

In addition, at the end of each review cycle, managers receive additional training on how to provide ratings, followed by separate "rater calibration" sessions to ensure consistent use of the rating scales. As shown in Table 11, 547 (62%) CCNA managers and 371 (69%) Corporate managers have received this training. These data were provided by the Company.

Table 11

Rater Accuracy Training

Target	Total Population	Number Completing Training	Percentage Completion
CCNA Managers	883	547	62%
Corporate Managers	537	371	69%

Note: CCNA=Coca-Cola North America

The Task Force understands that the demands of the S2 restructure caused a halt in some of this training. However, the Task Force notes that the Company has committed to developing best practices human resource systems as stipulated in the Settlement Agreement. Coaching and Feedback Training and Rater Accuracy Training are commitments made by the Company beyond the specific requirements of the Settlement Agreement. However, they are best practices and the Task Force is pleased that the Company has agreed to provide this training. The Task Force expects that the Company will ensure that all managers receive this training during this coming year.

Starting in January 2004, the Company plans to incorporate work analysis data into the performance management process to ensure that employees are rated on job related content. The Settlement Agreement stipulates that the work analysis data will also be used as the basis for developing behaviorally-anchored rating scales for high volume jobs. Given

the small number of jobs with sufficient numbers of employees to make such work feasible, the Company and the Task Force agreed that the use of work analysis information for performance management would provide better consistency and job relatedness on a broad basis than the development of behaviorally anchored rating scales for a small number of jobs. Thus, behaviorally anchored rating scales will not be required.

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

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

D. Qualitative and Quantitative Results

The information collected in the focus groups indicated that employees were aware of the new performance management system and that employees acknowledged the effort to develop a consistent and fair system. Employees expressed the concern that the process was inconsistently implemented, and that not enough was done to ensure that managers were using the process properly. Employees also said that managers were not held accountable for their use of the system as it was designed.

An audit of the performance management system was conducted to determine whether the processes were being executed as designed. The audit analysis was conducted on a random sample of 263 forms from employees in Corporate, Minute Maid, CCNA and Fountain.¹⁰ The audit information was analyzed independently by employees of the Joint Experts at the direction of the Task Force. The following information was obtained from the audit:

- For the 2002 review cycle, 93% of the Minute Maid employees sampled were apparently evaluated using a different form and process, although training in the new Performance Management process was provided to them. Given that the process used by the Minute Maid employees in the 2003 review cycle will utilize the new form and process, these data were eliminated from conclusions about the effective implementation of the new performance management system. Although variations on the form were in use at Corporate, our audit revealed that the different forms incorporated the basic features of the new performance appraisal process.
- The audit indicated that the performance management system was working reasonably well in terms of the proper identification of competencies and

¹⁰ A random sample of 300 performance appraisals was selected from the Company's employee database, since 37 of the employees were no longer with the Company.

objectives, and documentation of accomplishments. These results are encouraging since this is the first full-scale implementation of the program.

- In terms of the use of the performance management system as a tool for career development, the results were more mixed. For example, the appraisal forms reviewed frequently failed to identify developmental goals and activities and they did not have timeframes for developmental activities if goals were specified. Also, the development of a coaching log and coaching discussions frequently were not reported. These data concerning career development were consistent with focus group information where employees indicated concern about the lack of career development systems. This will be discussed further in the section on career development.
- Some important aspects of the performance management process were not implemented as required. Thus, for approximately half the employees using the new performance management process, an interim review was not completed. In addition, for those employees where an interim review was completed, several were documented as occurring in the last quarter of the year, when an employee would have little time to act on the interim feedback. The process also calls for a second-level manager's review, but in approximately 20% of the cases, these were not completed.

These are important components of the performance management system. The interim review ensures that employees are provided with timely information so that they are not surprised by the results of their final review. The second-level review is an important check on the accuracy, consistency and fairness of the performance ratings. The Company must put in place a monitoring system to ensure that the performance management process is properly used and that managers are held accountable for the implementation of the system. Also, the Company needs to communicate with all employees about these systems so that they understand what is being done to implement the system effectively.

The Task Force also reviewed the adverse impact analysis of the 2002 performance appraisal ratings. These analyses produced the following results:

- For females, there was no indication of adverse impact in the performance ratings. Indeed, females in both Corporate and CCNA received higher positive ratings than males. Specifically, women received a significantly larger number of ratings on the second highest rating category ("meets and exceeds performance objectives") than did males.
- For Asian/Pacific Islanders, both in Corporate and in CCNA, there was no evidence of adverse impact in the performance ratings.
- For African Americans in both Corporate and in CCNA, there was some evidence of adverse impact in performance ratings. African Americans received fewer ratings in the top two rating categories ("consistently exceeds performance objectives" and "meets and exceeds performance objectives"). This was a consistent trend across all job grades. Further analyses of these data indicated that for both Corporate and CCNA, there is a statistically significant impact against African Americans in

performance ratings in grades 6 and 10. Grade 6 is the entry-level administrative position and Grade 10 is the entry-level professional position.

- For Hispanics in Corporate, there was some evidence of adverse impact. Hispanics received fewer of the very highest rating ("consistently exceeds performance objectives").

Since this is the first time that the performance ratings are being collected company wide on the same rating scale and system, these data should be treated as baseline data. Also, with the use of the work analysis information in the performance management system, it should be noted that the system is job relevant. However, the Company should further investigate these data and take steps to improve the situation through communication, coaching and training.

Results of the employee survey data indicated that employees in general were less positive that the performance management system was fair and accurate than in their responses to last year's survey. In 2002, employees on average tended to agree with the statement that the system was fair and accurate, while this year they tended to slightly disagree. African Americans were significantly more negative than whites about their views. The pattern for gender was similar, with both males and females more negative than last year and females more negative than males.

Interestingly, when employees were asked if the performance management system fairly reflects their contributions to the Company over the last period, all employees were much more positive about their views though, again, African Americans were less positive than whites and females were somewhat less positive than males. This appears to indicate that employees do think their ratings reflect their personal performance, but they are not satisfied that the performance management process is fair and accurate.

E. Task Force Assessment and Recommendations

The design, planning, and initial implementation of the performance management system generally meet Task Force expectations stemming from the terms of the Agreement. Moreover, the Task Force recognizes that the Company's commitment to train both employees and managers in the use of the new process goes beyond the requirement in the Agreement to train only managers. The Task Force looks forward to having data indicating that the training has been fully implemented. The Task Force will continue to monitor whether implementation issues revealed in auditing persist.

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

1. In order to impact the next performance management review cycle, complete basic Maximizing Performance Training of all supervisors and employees in the first quarter of 2004.
2. Complete Coaching and Feedback Training and Rater Accuracy Training for all managers during this coming year.

3. Address issues of adverse impact through training, communication and coaching.
 4. Integrate the work analysis data into the performance management process to ensure the job relatedness of the criteria on which employees are evaluated.
 5. Monitor the individual performance objectives developed by managers and employees for quality and consistency across individuals in the same jobs. Establish an auditing process that ensures that the objectives are properly developed.
 6. Monitor completion of the objective setting meetings and the mid-year review to ensure they are accomplished in a timely manner as designed.
 7. Establish an auditing process to ensure that this is being accomplished at the specified time periods.
 8. Monitor the appeals process and continue to monitor the employee surveys to ensure that the performance appraisal process is functioning as planned.
-

II. Staffing

A. Introduction

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

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

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

B. Program Design

As noted in the first annual report of the Task Force, the Company has chosen to design and implement new staffing processes for both internal and external candidates, even though the requirements of the Agreement cover only internal candidates. The talent acquisition process is centrally controlled, coordinated, and monitored by Corporate Human Resources. Clearly stated corporate policies regarding staffing have been communicated company-wide.

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

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

Once candidates are referred for a job vacancy, the Company will use a structured interview process to assess candidate qualifications and make selection decisions, consistent with best practices. The Company plans to revise and re-implement an existing structured interview process company-wide. Although several years ago, the Company provided some training in structured interviewing to managers and human resources professionals, it is reviewing the design of the process and developing a strategy to enhance consistency, design effectiveness and the overall quality of the structured interview process.

C. Implementation

Prior to the current review period, the Company implemented the job posting system known as POP. In January 2003, the Company integrated the work analysis information into the job posting system, ensuring that job profiles and postings reflect job related requirements identified in the work analysis. In 2003, the Company also implemented a more sophisticated, comprehensive applicant tracking system than the one in use prior to 2003.

For external recruitment, the Company has identified a targeted set of search firms based on performance criteria such as the formal requirement that candidate pools be diverse in both race and gender, consistent with best practices. The Company also has increased its emphasis on alternatives to search firms, including 22 more targeted college recruiting locations (with greater emphasis on campuses with minority enrollment), focusing especially on strategic relationships with associations focused on diverse candidates, a greater web presence, and institution of an employee referral program. For example, from July 2002 to June 2003, the Company attended 17 events for recruitment purposes with groups such as the National Black MBA Association, Hispanic Scholarship Fund, Latin American Association, and the Women of Color in Technology. This effort exceeds the requirements of the settlement.

The Company expected to implement in 2003 a talent acquisition system to forecast the talent needed to meet the changing needs of the business. As a result of the S2 Restructuring, however, implementation has been delayed until late 2004. The Company has developed a kit to help managers with several processes including initiating people transactions online for both internal and external hires, position changes within and outside the organization, and termination processes. This tool was launched as part of the Managers Toolbox in August 2003.

The Company planned to revise and re-implement an existing structured interview process in 2003, however, as a result of S2 work on the structured interview has been put on hold.

D. Qualitative and Quantitative Results

The Company is currently providing annual adverse impact analyses on the selection process to the Task Force, along with quarterly reviews of workforce demographics and personnel activity. The Task Force notes that the Company has exceeded the requirements of the Agreement by implementing procedures to ensure that quarterly adverse impact analyses are conducted on new hires, promotions, terminations, and transfers on a Company-wide and business unit basis. These reports are distributed to senior function heads, plant general managers, and human resources managers quarterly and to the Task Force annually.

The data from the employee survey indicated that many employees had concerns about fairness in the hiring process and concerns about whether the Company hires the most qualified persons, with African Americans being most negative. Also, females were somewhat more negative than males. Whites also felt that concerns about discrimination get in the way of hiring the best persons for the job, while African Americans were much more positive about that issue. Interestingly, whites and Hispanics indicated that, in its hiring practices, the Company places appropriate emphasis on diversity, although African Americans were not as positive about that view. The strongest positive responses for all groups were in response to the item asking whether the employee was aware of job opportunities in the Company. Females responding to that item were even more positive than males, indicating the success of the posting system.

The data from the staffing audit adds further perspective to the views expressed by employees. The audit was independently conducted by staff of the Joint Experts at the direction of the Task Force. The audit examined 526 job postings at Salary Grade 13 and below, involving more than 6,200 candidates (another audit was conducted for the process of developing slates for positions at salary Grade 14 and above and that data is presented in the section on Succession Planning). For this sample of 526 job postings, 62% of the postings included both internal and external candidates, while 13% had only internal candidates and 25% had only external candidates. Over one-third of the postings had 5 or fewer candidates apply for the opening. The general findings were as follows:

- The Company requirement is that there be a minimum of three candidates, at least one of whom is either ethnically diverse or female. Out of the 526 postings examined, 94 postings (18%) did not meet these requirements. It should be noted that the vast majority (90 of 94) failed because there were fewer than three candidates in the pool. The Company provided understandable reasons for the large majority (88%) of these exceptions, including employees acquired along with acquired business, interns, job elimination and errors in the computerized applicant flow information. Only four postings failed as a result of not having an ethnically diverse or female candidate, and these openings were for highly specialized positions. Also, 80% of the postings had both gender and ethnic diversity in the candidate pool.
- Given the concern raised in the survey and focus groups that jobs were awarded more on the basis of "whom you know" rather than "what you know", the Task Force is concerned that these views are deterring individuals from applying for jobs. In any case, this points to the strong need for a career development program (including

mentoring programs) to both develop the capabilities of the work force and to ensure that persons are encouraged to apply for jobs for which they are qualified.

- It was not possible to conduct adverse impact analyses concerning hiring for many of job postings because external candidates were not required to self-identify race and gender and therefore these data were not available. However, it was possible to conduct these analyses on 68 job postings where only internal candidates applied. While these are a small number of cases, these data indicated that there was adverse impact in hiring for both African Americans and Hispanics. Almost three times as many whites as compared to African Americans were hired for these jobs. The data for Hispanics showed similar trends. These data lead to concerns about the commitment of the Company to developing its own people. Employee views in the focus group questioning the internal commitment of Coca-Cola to diversity are also consistent.

E. Task Force Assessment and Recommendations

Except for the work on the structured interview process, the design, planning and initial implementation of the Staffing process meet most Task Force expectations stemming from the terms of the Agreement. The Task Force notes that the thrust of the underlying litigation and the requirements of the Agreement were focused primarily on internal promotion, retention and development processes. As explained, the Company has exceeded the requirements of the Agreement regarding staffing by designing an external recruitment program focused on building a diverse candidate pipeline in addition to the internal program. However, as noted above, the Task Force has concerns about the Company's efforts to develop its own employees. Another continuing area of concern relates to the structured interview process. The Task Force originally expected the Company to thoroughly review the structured interview process and make necessary changes by the fall of 2002. As noted above, this process has been put on hold because of the restructuring process. The staffing data for internal hires noted above points to the need for the revision of the structured interview process along with training in its use. The Task Force looks forward to the completion of this work in this area in 2004.

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

1. Continue to utilize work analysis data for all aspects of the staffing system, including delineating job profiles for the recruiting and posting systems and providing input for the development of valid and effective interviewing and assessment processes.
2. Continue to implement the recruitment and posting processes to build a diverse talent pool and monitor outcomes to determine whether systems are working effectively
3. Give particular attention to the development of opportunities for women and minorities who are internal candidates in the Company.
4. Refine the structured interview process to include a training program for managers and ongoing support so that managers can utilize the system more effectively.

5. Monitor on an ongoing basis all staffing processes, including the interviewing system, to ensure that they are being used fairly and effectively. Audit a representative sample of staffing actions.

6. Monitor on an ongoing basis data from the applicant tracking system.

7. Where assessments are used, analyze all candidate assessment procedures to ensure that assessments are both valid and likely to produce less adverse impacts than other comparable procedures.

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

The Company's compensation strategy and program seeks to attract, reward and retain top talent. The intent is for compensation to be based on the individual's contribution to the business and his or her development potential. Hence, the three primary components of compensation have been closely connected to HR processes which measure contribution and potential. Base pay decisions are to be based on job performance (as measured by the performance management process), bonus decisions based on results (as measured by individual, group and company objectives), and stock option decisions based on assessments of potential (as measured by the succession planning process).

As noted in the First Annual Report of the Task Force, the Company has implemented a number of significant changes to its compensation system, including replacing a single salary structure with a series of market-based salary structures, moving all business units to a common review date for merit increases, providing additional training and resources for managers to make appropriate compensation decisions and instituting a regular pay equity analysis of compensation decisions. In addition, a set of "People Leadership Metrics" has been developed to assess managers' performance in key areas, including diversity, and to connect the ratings on those metrics to base pay.

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

As in the past, managers are given some flexibility and discretion in making compensation decisions. However, unlike the past, the Task Force has been informed that the Company

will monitor and control these decisions to ensure fairness, and managers will be held accountable for their decisions. The Company also relies on its "Solutions" problem resolution process, which includes appeal procedures, to act as an oversight mechanism.

C. Implementation

The company's basic compensation strategy and program remained largely unchanged from the previous reporting period. However, additional tools and resources have been provided to managers to assist them in making salary administration decisions, such as starting salary offers and promotional increases. In August 2003, the Manager's Toolbox, an online resource on Company policies, procedures and tools, was made available to all managers who supervise others (*i.e.*, people managers). The Manager's Toolbox provides compensation policy, salary planning information and tools and information for service recognition.

The company has integrated work analysis into its job evaluation process to ensure that jobs are evaluated consistently and fairly throughout the company. Job evaluation is the process by which a job is established and a salary grade is assigned to that job. As of January 2003, all jobs must be defined using work analysis data or by collecting new work analysis data for jobs which are new or significantly changed since the collection of the work analysis data.

The Company designed a comprehensive "compensation fundamentals" training program for all human resource professionals and has developed on-line compensation reference materials (desk manuals) for all human resource professionals and managers.

The Company has developed a common set of "People Leadership Metrics" (*i.e.*, performance management measures) that will affect the compensation of all people managers. The "People Leadership Metrics" are criteria and ratings used in the performance management process to measure effectiveness in inclusion (diversity), performance management, employee development and organizational engagement. In addition, managers will also be rated on a common competency, *i.e.*, Leveraging and Respecting Others. The results of a manager's "People Leadership Metrics" ratings will determine 25% of his or her performance rating for the year and ultimately influence decisions about his or her base pay. "People metrics" was piloted for a small group of managers in Corporate in the 2002 performance review cycle. It is anticipated that the process will be fully implemented for all managers at the beginning of the 2004 performance review cycle.

A detailed process has been implemented for analyzing the fairness of pay decisions with review by the corporate legal department, typically prior to awarding pay increases, bonuses or stock option awards. The Company has indicated it will conduct annual pay equity studies on base pay.

D. Qualitative and Quantitative Results

In the First Annual report, employees indicated through survey responses that they had a good understanding of how their pay was determined. However, in both last year's survey and in the 2003 Task Force survey, employees questioned the fairness of the process for making pay decisions. In the 2002 survey, differences between ethnic groups in their perceptions of compensation were minimal, with few statistically significant differences. In the 2003 survey, however, African Americans and Hispanics rated the fairness of making pay

decisions significantly lower than did whites, and significantly lower than they did in the 2002 survey. The perceptions of Asian/Pacific Islanders and whites on compensation were similar.

Gender differences in perceptions of compensation were minimal in both years.

Large ethnic differences in perception were also found concerning whether the Company rewards individuals who have demonstrated successful efforts to improve and manage diversity. African Americans and Hispanics both rated the Company's efforts in this area significantly lower than did whites.

The Company's analysis of actual compensation data found no adverse impact by gender or ethnicity in bonuses or stock option grants. In July 2002, a pay equity analysis was conducted on the salary increase decisions effective in April 2002. As a result of these analyses, 194 employees received salary increases in the fall of 2002 to remedy inequities identified. The Task Force has been informed that no pay equity analyses of base pay have been conducted on the salary increases which became effective April 2003 due to conversion to a new computer system. The Task Force believes the Company should conduct a pay equity analysis on April 2003 salary increase decisions as soon as feasible and before the next salary increase are awarded in April 2004.

Employees may appeal decisions made about their compensation. The appeals data indicate that compensation is rarely appealed (less than 4% of all appeals) and those few appeals did not result in overturning the compensation decision.

E. Task Force Assessment and Recommendations

The design and initial implementation of compensation processes in 2002 generally met Task Force expectations stemming from the Agreement. However, the Company has indicated it will be making significant changes to compensation processes that have not yet been implemented pending approval by the Board of Directors. Now that action has been taken by the Compensation Committee of the Board, the Task Force will reengage with the Company on the changes to compensation. The Task Force looks forward to a closer working relationship with the Company to review the proposed changes and to monitor this implementation.

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

1. Continue to utilize work analysis to classify new positions and to reclassify existing positions into fewer meaningful job titles.
2. Develop an action plan to address current employee perceptions of unfairness in the compensation decision-making process.
3. Communicate the mechanisms by which successful efforts to improve and manage diversity will be rewarded, including "People Leadership Metrics" and other measures.

4. Continue to communicate changes in compensation philosophy and methodology to all employees, using the employee survey results to gauge the effectiveness of the communication.
 5. Continue to monitor all compensation data to ensure decisions are performance-based and fair.
 6. Conduct annual pay equity analyses immediately prior to finalizing base salary decisions.
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IV. Diversity Education

A. Introduction

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

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

B. System Design

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

C. Implementation

As indicated in Table 12, the Company has made progress in implementing the required diversity awareness training. The Company indicated that training has not yet been completed for employees from the Minute Maid unit who were recently integrated into the CCNA organization. As a result of S2, the Company estimates that it will not complete the training of Minute Maid employees until the second quarter of 2004. Also, some of the employees are new to the organization and, for these employees training will also be completed by the second quarter of 2004. There is a commitment to provide this training for new employees within twelve months of their joining the Company.

Table 12

Diversity Training

Target	Total Population	Number Completing Training	Percentage Completion
CCNA Managers	883	618	70%
CCNA Associates	3,729	2,871	77%
Corporate Managers	537	435	81%
Corporate Associates	2,497	2,072	83%

Note: CCNA=Coca-Cola North America

In addition to these training efforts, the Company has sponsored a number of diversity employee forums: Coca-Cola Administrative Professionals (CCAP); African American Employee Forum (AAEF); Asian Pacific American Employee Forum (APAEF); Gay & Lesbian Employee Forum (GLEF); Latin Employee Forum (LEF), and Woman's Forum (WF). The forums did remain active this year although at a reduced level as a result of the North America and Corporate restructuring activities. Partnering with The Diversity Advisory Council, a number of notable activities were sponsored by each forum in 2003 for all employees, to celebrate cultural diversity.

The Company has also reevaluated its current diversity approach. A more robust strategy is being developed with the goal of integrating diversity into its routine operating policies and practices. In the light of new organizational changes in the diversity area, the Task Force expects to be involved in the review of these policies and processes and also will be involved in considering candidates who will be hired to implement these programs. The Company intends to ensure that all managers understand the business case for the Company's commitment to diversity. By linking diversity to its business goals, the Company intends to reinforce the view that diversity is not just a slogan or used solely for EEO purposes, but is a critical element of its overall business strategy. In addition, the Company is working to integrate diversity concepts and skill practice into management development programs. Specific goals that have been announced for the new diversity strategy include:

- Hold managers accountable for inclusion/diversity efforts by having it as one of the three people metrics that collectively will comprise 25% of managers' performance ratings.
- Embed inclusion/diversity efforts into global business plans.
- Enhance diversity learning education and workplace fairness activities.
- Restructure the Office of Diversity to have a global reach.
- Continue to build a culture that values and leverages inclusion as critical to increased business performance.

- Build organizational capability by providing tools, metrics and other resources to recruit, motivate and retain a diverse workforce to ensure success in markets around the world.

D. Qualitative and Quantitative Results

The data from the employee survey indicated that the diversity education effort is viewed quite positively by all employees, regardless of race or gender. These trends paralleled the data from the first annual survey.

Information from the focus groups is mixed concerning whether the Company has been effective in its commitment to diversity as part of its business case. Employees do believe that the Company is making that business case externally, but they are more negative about the Company's success in making its case internally. For example, employees question whether the Company's leadership has successfully translated its business case in terms of the way it treats its employees. They also question whether the efforts of the Company are sincere or whether they are merely dictated by the lawsuit. Employees also have the perception that the leadership of the Company is not living by the same rules and they believe there is less diversity at the senior level since the S2 restructuring.

E. Task Force Assessment and Recommendations

The design, planning, and initial implementation meet the Task Force's expectations stemming from the terms of the Agreement. The Company's voluntary commitment to present diversity training to employees exceeds the mandate of the Settlement Agreement. The Task Force commends the Company for designing this best practice process and expects the Company to completely implement these training programs for their employees during the coming year.

The Task Force makes the following recommendations:

1. Complete initial diversity training of all supervisors during mid 2004 and complete the training of all other employees on a bi-annual basis as specified in the Settlement Agreement. Also, continue to provide strategic training sessions for senior management.
2. Continue to integrate diversity concepts and skill practice into all other human resource practices, including performance management, coaching, and selection interviewing. Implement performance appraisals for managers that include ratings that focus on the implementation of diversity principles. The Task Force will closely monitor the Company's design and implementation of these efforts.
3. Continue to link diversity to business goals and ensure that managers and employees understand that diversity efforts are not limited to human resource issues, but are consistent with its overall business strategy as revised by the Company. During this coming year, the Task Force expects to receive briefings on these efforts, including but not limited to the program on supplier diversity.
4. The Task Force will continue to monitor closely the Company's overall diversity initiative and its linkage to this business strategy. The Company will develop metrics to monitor the

implementation of the diversity strategy. The Task Force will also monitor these results and review the restructuring of the Office of Diversity.

5. 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.

6. Evaluate the effectiveness of training and related systems through the employee survey, "people metrics" and other systems. This evaluation should be designed to ensure that the educational and training programs are increasing diversity awareness, reducing biases and stereotypes and are changing behaviors on how to manage a diverse workforce effectively.

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 the First Annual Report of the Task Force, the Company has shifted from a reactive to a proactive approach to addressing EEO issues. Specifically, the Company has continued its efforts to build organizational capability for tracking, monitoring and execution of EEO-related activities and has taken steps to increase managerial accountability for outcomes.

This is further reflected in its recent restructuring of the EEO/AA department into the new Workplace Fairness Department, increasing the staff from four to six employees. The Workplace Fairness function will continue to be responsible for centralized strategy and monitoring of EEO issues and affirmative action plans (AAPs), however, program development and execution has been decentralized to local human resources personnel.

Strong connections have also been made between the Workplace Fairness Department and process owners for high stakes human resource processes (such as staffing, compensation and diversity). In the S2 restructuring, for example, the Department played a central role, along with the Legal Department, in monitoring the fairness and consistency of each step of the design and assessment processes.

Standardized data reports are generated to track workforce demographics and personnel activity in hiring, promotion and turnover on a quarterly basis (see "Workforce Demographics" section of this report). In addition, adverse impact analyses are conducted on hiring,

promotions and involuntary separations for each AAP quarterly and on restructuring decisions as those activities occur. The results of these analyses are to be reported to senior human resource and line management, as well as to senior corporate management and the Board of Directors. Adverse impact analyses are also conducted annually on stock option grants and bonus awards, with pay equity analyses to be conducted annually on base pay. These annual fairness analyses of compensation decisions are shared within Human Resources and Legal functions and with the Task Force. The Company also has implemented a new exit interview process to provide additional information on potential EEO issues.

C. Implementation

To facilitate the building of organizational capability in the EEO area, the Company has committed to provide training to its human resource professionals, to all managers (as required by the Settlement Agreement) and to all associates (a voluntary extension beyond the Settlement Agreement requirements). The Company provided training to 92% (N=145) of 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.

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, 78% of managers have completed the required training. Surveys 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."

Table 13

Civil Treatment For Managers Training

Target	Total Population	Number Completing Training	Percentage Completion
CCNA Managers	883	706	80%
Corporate Managers	537	397	74%
Total	1,420	1,103	78%

Note: CCNA=Coca-Cola North America

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 14 contains the completion rates of training for this program, with two-thirds of all associates having completed this training program. While the

company planned to train a larger number of employees in 2003, this training was delayed as a result of the S2 reorganization.

Table 14

Civil Treatment For Employees Training

Target	Total Population	Number Completing Training	Percentage Completion
CCNA Associates	3,729	2,610	70%
Corporate Associates	2,497	1,498	60%
Total	6,226	4,108	66%

Note: CCNA=Coca-Cola North America

The Company has also committed to regular distribution to managers of adverse impact and Affirmative Action Plan (AAP) data to track progress and reinforce accountability in EEO-related matters. Annually, in the December/January timeframe, AAP progress against goals, outreach effectiveness and goals for the coming year are shared with Plant General Managers and Leadership Teams within each function, along with relevant Human Resources managers. In addition, adverse impact ratios for hiring, promotions and involuntary separations are shared quarterly for each AAP with these managers. 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 designed an approach to establishing Diversity Goals covering a significant journey over a three-year period. The proposed approach was intended to move the organization from the first year where Promoting Diversity is the focus of Diversity Goals, to Year 2 where Fostering Diversity is added, to Year 3 where Valuing Diversity is added, and, finally, to the destination where Leveraging Diversity is the desired competency. However, as a result of the S2 restructuring, this approach was not implemented. Instead, for 2003, the Company instituted a requirement that the competency "Leveraging Diversity" was to be included on each manager's performance appraisal. As a result, managers will be held accountable for exhibiting behaviors consistent with supporting the diversity competency while achieving agreed upon results.

The specific connection between diversity goals and executive compensation is less clear and requires additional explanation from the Company.

The Task Force has been informed that diversity goals will be implemented in 2004 for all people managers as part of the recently approved changes to the Compensation strategy.

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 22 AAPs. Very little evidence of underutilization was noted in the AAPs. Independent audits by the Office of Federal Contract Compliance Programs (OFCCP) of five different sites¹¹ over the past two years 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, but numerical compliance and perceptions of fairness are not the same; the Company needs to do a better job of communications to bridge any differences that may occur between perceptions and fact.

For the time period from July 2002 through September 2003, 47 discrimination charges were filed against the company, predominantly with the EEOC. About 40% (N =20) of the total charges alleged race or national origin discrimination.

In addition, adverse impact in hiring, promotion and termination were examined by job groups for CCNA, Minute Maid and Corporate. When examined by job group, there is little or no evidence of adverse impact in hiring¹², promotion or termination. In fact, in several cases the rates of female or minority hiring and promotions were significantly above the rates for whites or males. In the vast majority of cases no significant differences were found. It should be noted, however, that the S2 restructuring resulted in some adverse impact against women as a result of job elimination in clerical jobs. Minority employees generally were promoted at lower rates than white males in the S2 restructuring process and executive level minority employees were promoted at lower rates than white employees. In addition, some business units and departments declined in their representation of women and minorities. It is the Task Force's understanding that specific plans have been put in place in these areas to address these issues.

The Company has also implemented an exit interview process to identify potential EEO issues among employees who leave the company. Employees who voluntarily terminate their employment with Coca-Cola are contacted by an outside vendor and asked to participate in a phone interview. For the period from July 2002 through September 2003, 87 of the 248 voluntarily-terminating employees contacted agreed to participate in the interview (response rate of 35%). One quarter of the participants were minority, 75% were female and most had between one and four years of service prior to termination. One interesting finding was that, particularly prior to S2, over 40% of respondents indicated that the turmoil of reorganizations, job reductions and management changes played a significant role in the initial thoughts that caused these employees to consider leaving. Secondly, particularly for those employees who decided to leave during or following S2, family or personal reasons (such as the relocation of a spouse and work/life balance concerns) led to their decision to terminate employment. While some employees mentioned dissatisfaction with their manager or lack of advancement opportunity, there was no indication of racial or gender-based unfairness in the quantitative findings.

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

¹² It should be noted that a high percentage of the Company's outside applicants fail to voluntarily disclose their ethnicity or gender, hence the calculation of adverse impact for hiring is a limited picture for only those cases where ethnicity and gender are identified.

E. Task Force Assessment and Recommendations

The design and ongoing implementation of EEO-related activities generally exceed the terms of the Agreement. The Company has taken many steps to ensure that the EEO functions are strong, including building organizational capability, increasing staff dedicated to the area and taking a significant role in monitoring adverse impact and holding managers accountable for results. The Company has taken additional initiative by committing to prepare disparate impact analyses on a more regular basis than required in the Agreement, as well as by agreeing to run those reports on systems/decisions not mandated by the Agreement. However, the Task Force is concerned that Diversity Goals were not implemented as planned in the current review period. The Task Force has been informed that the Company is completing a redesign of Diversity Goals as part of changes to People Leadership Metrics and looks forward to a closer working relationship with the Company to review the proposed changes and to monitor this implementation.

The Task Force recommends that the Company:

1. Complete required training for managers and continue training for associates in Civil Treatment.
 2. Continue to monitor and evaluate adverse impact data and report results to senior leadership and managers throughout the Company on a regular basis.
 3. Continue to work within the organization to develop plans to address the issues raised by monitoring and adverse impact analyses.
 4. Develop the Diversity Goals program to which the Company committed in the Settlement Agreement and implement that program for use in the 2004 performance review cycle. Clarify the connection between diversity goals and executive compensation.
 5. Continue in an advisory capacity in the redesign of various HR processes to improve employee perceptions of fairness in the systems.
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VI. Problem Resolution

A. Introduction

Problem resolution includes methods for internally surfacing, investigating and resolving employee complaints through a variety of mechanisms, including the Ombuds program and an employee reporting service.

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

The "Open Door Process" is the primary vehicle for attempting to resolve employee issues at the local employee/manager level. The "Open Door Process" allows for escalating any issue to two additional levels of management above the immediate manager. In the event that issues are still unresolved after the "Open Door Process" is exhausted, the Employee Resolution Department in Corporate Human Resources is charged with investigating and attempting to resolve the outstanding issue. Additional support for employees is available through the Ombuds Office which has been conceptualized and implemented as a confidential, informal and neutral resource for employees seeking assistance in the problem resolution process. Similarly, the Employee Reporting Service (ERS) is an independent and anonymous toll free phone service by which employees can report problems and concerns. The issues identified to the ERS are surfaced to the Ombuds Office for appropriate handling. Finally, the Company expects that the Employee Assistance Program (EAP) will provide an effective avenue for resolving employee issues 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 senior management. In addition, a subcommittee of the Task Force confers regularly with the Ombuds Office and the full Task Force meets quarterly with the Ombuds Office to remain informed about issues that require attention.

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

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

C. Implementation

All of the components of the original "Solutions" program were implemented during the first review period.

D. Qualitative and Quantitative Results

Data collected from July 1, 2002 to September 30, 2003 indicate that a total of 138 cases were brought to the attention of the Employee Resolution Department. While the actual number of cases in any one category is small, the highest volume of cases fell into five categories:

- Job elimination at 12%
- Termination appeals at 12%
- Management practices at 11%.
- Staffing Practices at 9%
- Hostile Work Environment at 9%

Of the case activity handled by the Employee Resolution Department, 56% came from males and 59% came from white employees. Of the remaining 41% of cases raised by minority employees, the vast majority (79%) came from African Americans. The rate of case activity for minority employees was somewhat higher than expected by their representation in the Coca-Cola workforce (30%).

Additional support for employees is available through the Ombuds Office, which maintains autonomy and independent authority of function by not reporting to the Human Resources organization. Since these data are confidential, the only information available is the type of cases. The largest percentage of cases was related to job conditions such as hiring and selection; the restructuring process; performance appraisals; compensation; benefits and discipline. As noted elsewhere in the report, concern about these topics was expressed by employees in the focus groups and reflected in responses to the employee survey. Of the remaining contacts with the Ombuds Office, the next largest percentage were requests for information and assistance such as those concerned with company policy, management decisions, coaching and consultation. A similar percentage of the contacts were concerns about treatment including management unfairness, harassment, and discrimination.

The survey data and focus group data provide more information about the problem resolution process. The employee survey data indicated that employees are becoming more aware of the employee resolution process, with the Open Door and the Employee Assistance Programs being the most well known. These data are presented in Table 15. Since some employees are still not aware of all of these avenues, it is recommended that the Company continue its communication efforts. It is interesting to note that African Americans tended to be more aware than whites about problem resolution. Although the sample sizes for Hispanics and Asian Americans were not sufficient for statistical analysis, Hispanics tended to parallel the data for whites, while Asian Americans were, as a group, the least aware of the processes .

Table 15

**Percentage of Whites and African Americans
Aware of the "Solutions" Programs**

	% of Whites Aware	% of African Americans Aware
Open Door Process Reporting Service	80%	78%
Anonymous Phone Reports	61%	71%
Employee Resolution Department	40%	49%
Ombuds Office	78%	81%
Employee Assistance Program	90%	95%

The survey asked employees who were aware of the program if they were comfortable, somewhat comfortable or not comfortable in using each of the programs. Employees who were aware of the program components indicated that they were somewhat comfortable in using these programs, with the Employee Assistance Program being viewed most positively. The only statistically significant difference among ethnic groups was that both African Americans and Hispanics were less comfortable than whites in using the Open Door Process. However, other differences were more apparent on the fairness items in the survey. These survey items asked: whether employees felt they would be treated fairly if they tried to resolve a dispute at work; whether this might result in a negative impact on their career; and, whether they thought the Company is committed to having their workplace issues addressed. For nearly all of these items, African Americans, Hispanics and women were significantly more negative in their assessments. As compared to last year, all of the assessments for all groups, including those for whites, were more negative about Problem Resolution fairness issues.

The Task Force was also informed that the number of calls to the Employee Reporting Service was low.

Focus group information provided some additional insights into these processes. In particular, a number of persons who have used the Ombuds process indicated that it was helpful. Other persons who have not made use of the program indicated that they did not trust these systems and were concerned that their confidentiality would be compromised. This information is consistent with the survey data. However, it is apparent from reports from the Ombuds Office to the Task Force that this service is being utilized. It is important for the Company to continue to promote and communicate these services, especially the confidential nature of the Ombuds process so that more employees trust and use the systems.

One issue underlying the question of trust in these systems seems to be contacts with human resources persons. In the focus groups, some individuals reported they believed that their conversations with local human resources persons were confidential and were upset to find out their manager had been informed of their conversation with Human Resources. Clearly, there is some confusion about what is and is not confidential and it is important for the Company to clarify this issue.

While it may be necessary for Human Resources to consult with managers to investigate and potentially resolve an issue, it is critical that the ground rules governing the confidentiality of these contacts be clarified and understood by all parties.

In summary, the data indicate that Company has made progress in communicating the availability of these systems, although more communication is still desirable. Also, as employees become more aware of these systems, it will be necessary to communicate clearly about the role of each system and how each system operates, including which are confidential. Now that the Problem Resolution Process is in place, it will also be necessary to continue to win the confidence of the workforce so that these systems are used by the employees to address their issues. In this regard, the Task Force believes that the addition of the mediation and arbitration program will have positive benefits.

E. Task Force Assessment and Recommendations

The Company has met all of the specific requirements of the Agreement in this area. The Task Force expects the Company to continue to communicate and implement the Solutions program at all levels and in all areas of the business. The Task Force feels that the inclusion of a mediation/arbitration component to the Problem Resolution processes available to employees will be an important step forward.

Continued active monitoring of the Problem Resolution Process will be critical to ensure its effectiveness. The Task Force will continue to evaluate the system, primarily using the employee survey and outcome data, to determine whether the individual components are achieving their goals and whether the system as a whole is working as designed. The Task Force recommends that the Company:

1. Continue to implement and communicate the availability of the various components of the Solutions program.
2. Communicate with employees about the goals of each program and the ground rules in the implementation of the program.
3. Address employee concerns about the confidentiality of the various programs. The Task Force believes the Ombuds Program has had an effective first year and Company clarification concerning the confidential nature of this program as well as other Problem Resolution Processes would enhance the effectiveness of this program. Also, while it may be necessary for Human Resources to consult with managers to investigate and potentially resolve an issue which is brought to their attention, it is critical that the ground rules governing the confidentiality of these contacts be clarified and understood by all parties at the onset of employee contact.

4. Evaluate the system, using the employee survey and outcome data from all the alternative Problem Resolution components on a quarterly basis, to determine whether the individual components are achieving their goals and whether the system as a whole is achieving its goal.

5. Monitor the design and implementation of the mediation programs and arbitration programs.

6. The Company should be proactive about addressing trends revealed by monitoring the problem resolution processes.

VII. Career Development

A. Introduction

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

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

B. Program Design

The Company has designed a career development model for employees in pay grades 13 and below, which incorporates career information, assessment tools and educational resources to help employees compare their skills and competencies with those needed by the Company. The Career Development Process will interface with Succession Planning for employees at higher grade levels. This approach will continue the philosophy of employee ownership of career development, but will provide additional resources to assist employees to design and execute an effective career development plan.

In designing and implementing the Career Development program, the Company will follow best practices and utilize work analysis data to provide the competency and skill information both for the Career Development process and for job profiles and job posting. This system will include an on-line career developing and planning form to facilitate discussions between employees and managers. It will also incorporate learning profiles and an opportunity for employees to indicate when particular positions are of interest to them and then receive e-mails when the job opportunity is available.

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

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

described in this report point to concerns that employees have about career development opportunities and whether these opportunities are truly open to individuals presently employed by the Company.

C. Implementation

The Company originally planned to begin implementation of the new Career Development program in 2003. As a result of the efforts involved in the S2 Restructuring, the implementation of this program has been put on hold until next year. This delay is understandable since many of the jobs for which employees would be developed have been redefined by the Restructuring. However, at this point in time, it is critical for the Company to put particular efforts into the implementation of a full Career Development program

The Task Force does note that in the summer of 2003, the Company did implement an important tool for employee development called the Learning Source. This online resource makes it easier for employees to access information about a wide array of learning options in one place. It is part of a toolkit known as "My Career" which includes competency guides and lists of internal and external training seminars.

D. Qualitative and Quantitative Results

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

Data from the employee survey point to the need for Career Development programs, especially for minorities and women. The responses to the survey item indicating whether advancement in the Company is based too much on whom you know were among the most negative responses on the survey for African Americans, Hispanics, Asian/Pacific Islanders and females. There was a similar negative trend for the survey item inquiring whether career opportunities go to the most qualified person. For these questions, minority responses were significantly more negative than those for whites, and the same was found for females as compared to males.

Focus group comments about the Career Development System indicated that employees believed that the Company does not have a career development program and that this results in persons obtaining jobs more on the basis of whom they know rather than on their capabilities. These comments were consistent with the findings of the performance management audit, indicating that, contrary to expectations, career development and coaching were not being documented through the performance management process. These issues are discussed further in the next section of the report on assessment and recommendations.

E. Task Force Assessment and Recommendations

In last year's report, the Task Force recognized that the Company needed to focus on other systems before addressing its Career Development program. The Task Force had hoped that this system would have been implemented in 2003, but understands that it has been delayed as a result of the S2 restructuring. The Company has made some progress in the development of the tool known as the "Learning Source". However the Task Force believes

that progress in the implementation of a full career development system during this coming year is critical. The data supporting the need for this implementation is particularly obvious. It ranges all the way from the small number of internal persons applying for positions; the adverse impact found in the analysis of internal hires; the lack of specification of career development information on the performance management forms; and the data from both the survey and focus groups where employees clearly indicate that they believe jobs go to persons based on "who you know" rather than "what you know".

The Task Force makes similar recommendations to those presented in the first annual report relative to Career Development and believes it is critical for these recommendations to be implemented this year.

The Task Force recommends that the Company:

1. Develop and implement a Career Development process that systematically specifies the responsibilities of the employee and their manager.
 2. Use work analysis data to develop systems that permit all employees to compare their skills and competencies with those needed in the desired positions.
 3. Continue to develop toolkits, such as the Learning Source, that permit employees to effectively participate in the development of their own careers.
 4. Develop organizational policies that include career development opportunities as part of the ongoing operation of the organization.
 5. Develop monitoring systems to ensure that women and minorities have appropriate access to career development opportunities.
 6. Develop and use systems to monitor and evaluate the role of managers in the Career Development process.
 7. Develop and conduct an internal audit in order to monitor the performance management system to ensure that the career development aspects are being executed and hold managers accountable for the career development aspects of the system.
-

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 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 necessary external talent.

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

SRR assessment information is used by Human Resources to identify potential candidates for openings at Salary Grade 14 and above in a process known as slating. Jobs at this level of the organization are not subject to posting. By drawing on the comprehensive SRR information, the Company believes that a broader range of candidates can be identified for open positions.

The Company proposes that its talent review process in the future will be based on a standard competency dictionary for management positions company-wide and on data derived from the performance management process, supplemented with input from the individual candidate and management consensus rating. The Company intends to monitor the process and outcomes for diversity with respect to both internal and external talent.

C. Implementation

In July 2002, the Company began the SRR process globally for all employees in salary grades 14 and above. Over 1,200 leaders and managers participated in the process in 2002, with over 600 employees evaluated. The Executive Committee committed 9 days of time to its review of talent, with additional time for review of mid-year results against action plans developed in the SRR assessments. Individual feedback letters were prepared for each Business Unit Leader and overall SRR outcomes were shared and discussed at the Division Presidents Meeting in October 2002. Using the information from the SRR, the slating process was implemented for all positions at salary grade 14 and above in late 2002.

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

action plan and outcomes, a diversity review and implementation of an automated individual profile.

The results of the two cycles of SRR indicate that the senior leadership of the Company has recognized gaps between current talent and future business needs; need for greater ethnic and gender diversity in leadership and operations roles; the need for more rigor and calibration in assessments of individuals, but also the value of the process and the time commitment necessary to make it successful. Strong feedback was provided to managers individually about the pattern of results for their organizations, the need for attention to the assessment and development of senior leadership candidates and the expectations for their units in terms of both succession and diversity.

D. Qualitative and Quantitative Results

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

The Settlement Agreement requires that any candidate slate for a job above Salary 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 Resources. If the slate remains non-diverse, the Company shall report that fact to the Task Force with the Company's explanation.

The Task Force audited candidate slates for jobs in salary grades 14 and above for the period from January 2003 through September 2003. As can be seen in Table 16, out of the

Table 16

Slates for Salary Grades 14 and Above January through August 2003

Job Grade	Number of Hires	Gender		Ethnicity* of Male Hires				Ethnicity of Female Hires			
		Male	Female	C	AA	H	A/PI	C	AA	H	A/PI
14	17	14	3	9	1	2	2	3			
15	8	8		4	1	2	1				
16	3	1	2	1				2			
17+	6	5	1	5				1			
Total	34	28 82%	6 18%	19 56%	2 6%	4 12%	3 9%	6 18%			

* Note: C=Caucasian; AA=African American; H=Hispanic; A/PI=Asian/Pacific Islander

34 positions filled in Corporate and CCNA during this time period; 19 (56%) were filled by white males; 6 (18%) by females (all of whom were white); 2 (6%) by African Americans; 4 (12%) by Hispanics, and 3 (9%) by Asian Americans. In 6 (18%) of the slates, no ethnic or gender diversity was present among interviewees. In nearly one-quarter of the slates, fewer than 3 candidates were interviewed (*i.e.*, in 5 (15%) of the slates only 2 candidates were interviewed and in another 3 (9%) of the slates only a single candidate was interviewed). No minorities were hired for any of the 9 positions filled at salary grades 16 and above. The Company did not provide any explanations for the exceptions to diverse slates, nor did it explain why so few candidates were interviewed for these positions. The Company indicated that, while each of the exceptions was reviewed by the Senior Vice President of Human Resources, no documentation was regularly maintained on the reviews.

These findings are particularly troubling in the light of the substantially higher rate of promotion in the executive ranks for white males than for African Americans shown in Table 5 (22.1% for white males compared to 4.5% for African Americans).

E. Task Force Assessment and Recommendations

The Task Force reserved judgment on the Succession Planning process in the First Annual report pending a fuller understanding of the process design and implementation plans. The Task Force notes the significant investment of time and senior leadership commitment to the process in both the July 2002 and July 2003 Strategic Resource Reviews, but believes more accountability among senior leadership and closer monitoring will be needed to produce real opportunities for women and minorities at the senior levels of the organization. Succession planning is an important component in building the pipeline of qualified diverse candidates in the organization and senior leadership is in a unique position to address this issue. We are heartened that the President will be monitoring data in this area every two weeks.

The Task Force will continue to monitor the implementation of SRR and work with the Company to ensure that SRR is an effective, valid process. The Task Force looks forward to getting interim reports on the changes made by the Company to this process.

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

1. Identify a senior executive with clear accountability for ensuring the successful use of this process to build diverse pools of qualified candidates for senior level positions.
2. Continue to use this process to evaluate the performance of the leadership team and identify those individuals with potential to develop into company leaders.
3. Address the issues of adverse impact in the slating process by communications, training and coaching.
4. Integrate work analysis data and a leadership competency analysis to further clarify the competencies required for the jobs in salary grades subject to SRR and to provide input for the development of valid and effective interviewing and assessment processes.
5. Continue to build manager skills in assessing the capability of employees, to include the importance of giving regular, candid feedback.

6. Develop monitoring systems to ensure that high potential employees are being systematically identified and developed.
 7. Audit a representative sample of SRR reviews to ensure fairness and consistency in the process.
 8. Develop a plan to increase representation of women and minorities on slates especially for leadership and operations positions where they are currently underrepresented.
 9. Maintain documentation (including the rationale for the exception) for any exceptions approved by the Senior Vice President of Human Resources to the diverse candidate slates committed to in the Settlement Agreement. This documentation should be provided to the Task Force for review.
-

IX. Mentoring

A. Introduction

Mentoring includes both one-on-one as well as group and self-study programs in which a coach other than the employee's supervisor assists the employee to identify and develop the experiences and expertise necessary for his or her desired professional development.

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

B. System Design

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

The one-on-one mentoring program is based on the large-scale pilot (100 pairs of mentors and mentees) implemented in CCNA in 2001. The program is characterized by significant senior management sponsorship and communication; active recruitment of both mentors and mentees; a formal application and matching process, and training for both mentors and mentees in their mutual roles and responsibilities. Also, as suggested in best practices, substantial support is provided to mentors and mentees in the form of ongoing training, access to a mentoring coordinator who follows up with the pairs and serves as an ongoing resource, and ongoing evaluation of the program's effectiveness.

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

It is the Company's intent to integrate the mentoring program within a broader career development model which is scheduled for development and implementation in 2004.

C. Implementation

In late 2002, the company selected a set of mentoring pairs for the 2003 calendar year. Approximately 96 pairs were identified to begin the one-on-one mentoring process. Because of the S2 restructuring process which occurred in the first quarter of 2003, twenty pairs were unable to continue. Three other pairs elected not continue with the program for other reasons, resulting in a total of 73 pairs of mentors and mentees actively participating in the one-on-one mentoring program in 2003. Most mentees are based in Atlanta, and work in professional and middle management jobs, typically with less than 5 years of service. Nearly half of the mentees are ethnic minorities (the vast majority of whom are African American) and two-thirds are female. Mentors were more likely to be in management jobs, more than 50% were male and 76% were Caucasian. It should be noted that over 20% of the mentors identified for 2003 were African Americans.

Unfortunately, the restructuring process also resulted in the Company delaying the implementation of the group mentoring program. The Company has indicated it intends to implement this program in the coming year.

Since September 2002, 64 employees have requested the self-study guide.

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. These results indicated that, although only 73 pairs (146 persons) continued to participate in the program following S2, the vast majority viewed the program as useful in assisting their development. About 110 persons responded to a 90-day survey conducted by the Company, with over 90% indicating they were meeting at least once a month and that they believed the program was valuable. Key benefits included sharing of knowledge and experiences, giving and receiving coaching, and learning something new about the company. The results also indicated that most participants continue to see the program as valuable despite the challenges posed by the S2 reorganization, many indicated that mentoring had given them a new appreciation for a different point of view, and most expressed a desire for management and senior leaders to be knowledgeable and outwardly support the program.

E. Task Force Assessment and Recommendations

In the first annual report of the Task Force, it was indicated 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. However, the delays in implementation because of S2 have limited the impact of this program in the current year. The Task Force looks forward to the company's renewed efforts in this area in the coming year.

Specific recommendations of the Task Force are as follows:

1. Over the next year, the Task Force recommends that the Company should continue the one-on-one mentoring systems and monitor the implementation and effectiveness of the mentoring program across the Company.
2. The Company should implement a pilot project of the group mentoring process. This is particularly critical as it is a way to involve larger number of employees in the process.
3. The initial success of the program led the Company to commit to integrate the mentoring program within a broader career development model. The Task Force recommends that this effort continue as the mentoring program is continued.
4. The Task Force also recommends that the Company coordinate the mentoring program with the succession planning system that is under development.
5. The Company should continue to emphasize the opportunities for members of groups, such as women and minorities, who may not be as well represented at higher levels of the organization.
6. The Company should continue to utilize participant feedback to evaluate the effectiveness of the mentoring program.

SUMMARY OF MONETARY RELIEF DISTRIBUTED

The Task Force attempted to ensure that all class members knew their rights to receive relief under the terms of the Settlement Agreement, and the Company provided regular reports on the distribution of settlement proceeds to class members. In the first annual report, the Task Force reported that, as of July 31, 2002, almost all eligible employees (2,187 of 2,201) applied for and obtained relief under the Settlement Agreement. As of that time, only 14 employees (less than 1%) had not sought relief, even though entitled.

Since that time, payments have been made to four additional class members. The time for claiming monetary relief has now expired. In total, the Company has distributed approximately \$79 million to class members.

Promotional Achievement Award

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

The Company, with Task Force and Plaintiffs' counsel review and approval, has 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 group¹³. Since December 2000, there have been twenty-nine (29) such Class Members promoted into eight job groups that were underutilized. Though these \$4,000 cash payments are unrestricted, the Task Force notes that the payment equates to one (1) additional year of education at Georgia State University. 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 \$3,500 for "learning credits." 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 a receipt showing that course costs have been paid, and the Company will reimburse the employee for those costs, up to the \$3,500 maximum. The \$3,500 represents approximately two years' of tuition and fees at a local community college in the Atlanta area.

The Company and the Task Force will review this program in 2004 and make any necessary changes to ensure compliance with the terms and spirit of the Agreement. Consistent with the process used heretofore by the Task Force, the Plaintiff's Counsel will be consulted prior to implementation of any changes to the Promotional Achievement Award program.

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

CONCLUSION

The Task Force continues to believe that Coca-Cola realizes the tremendous potential and opportunity the Agreement provides to improve overall employment opportunities for all of its employees. Though the Company was off to a promising start in 2002 through the design and initial implementation of changes in some Human Resource systems, the implementation of several other Human Resource systems was delayed in 2003. What was achieved by the Company during this review period did not fully comport with the Task Force's expectations in all areas.

The Board and senior management have confronted these challenges by developing a business strategy to address them. They have committed to renew their efforts at ensuring that requirements mandated by the Agreement are achieved in an appropriate timeframe. In some instances the Company has committed to go beyond the specific terms of the Agreement, which is laudable. Execution of its business strategy and management accountability for results is necessary to achieve the requirements of the Agreement and the "Gold Standard" to which the Company appropriately strives.

Coca-Cola's success in achieving the goals of the Agreement is still a work a progress. Continued review and monitoring by the Task Force and the Company will help ensure further progress is made. To that end, the Task Force will review with the President in six months the Company's progress through March 2004. The Task Force then will review progress and report results to the Court in December 2004 for the review period ending in September 2004.

Respectfully submitted,

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Gilbert F. Casellas
Edmund D. Cooke, Jr.
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By: _____

Dated: December 1, 2003