

Citizen Coke

By Dyan Machan

COMPANY BRIEF *Based in Atlanta, The Coca-Cola Company is the largest manufacturer, marketer, and distributor of nonalcoholic beverage concentrates and syrups in the world. The company also markets juices and juice drinks, water products, teas, coffees, and sports drinks. It employs nearly 50,000 people worldwide and has nearly 400 brands, which are sold in more than 200 countries. Listed on the NYSE as KO, the company reported net revenues of \$22 billion and net income of \$4.8 billion in 2004.*

Many companies pay a certain lip service to corporate responsibility. Such programs dress up the annual report. Little League teams get uniforms, city kids go to camp. Important work to be sure.

But when the world's largest nonalcoholic-beverage seller addresses the subject of global citizenship, move aside. The Coca-Cola Company Chairman and Chief Executive Officer E. Neville Isdell has orchestrated an ambitious blueprint that addresses community responsibility in an expanded way. By launching an assault on some of the world's most intractable problems, Isdell is clearly making an indelible mark on the Coca-Cola system.

Simply put, Isdell has reaffirmed and then built on the company's long-standing recognition that it cannot grow and thrive unless the communities it serves do so as well. The company's work in this area is documented in a freshly minted citizenship report that Coca-Cola has dubbed "Towards Sustainability." The report distills the progress Coca-Cola has made to date to make the world a better place, as well as the areas in which it has room to continue improving. But more importantly, it also details how the company will continue to protect the planet's natural resources, and keep its inhabitants healthy and keep local economies robust.

As a corporate citizen, Coca-Cola has always been at the front of the class. Yet, Isdell insists much more is required. "The issues facing the world are more urgent than ever – and they affect us all," says Isdell. "If local communities suffer from water scarcity, so do we. If HIV/AIDS rav-

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**The Coca-Cola Company
Chairman and Chief Executive
Officer E. Neville Isdell**

ages the communities in which we operate, the people impacted are our employees, our customers, and our consumers."

Isdell explains that responding to these common challenges requires collaboration among the public, private, and civic sectors. Where there are issues that are critical for both Coca-Cola's business and communities, he sees the company having an opportunity and a responsibility to make a difference. The company can offer

unique resources and capabilities – the technical and marketing expertise of its employees, the global reputation of its brands, and an unrivaled production and distribution system that reaches into communities in more than 200 countries. "We are therefore taking steps to deepen our engagement with external stakeholders," says Isdell. "Only through dialogue and trust is genuine progress made."

Protecting water is a clear priority. One-third of the world's population already lives under water-stressed conditions, a figure predicted by the United Nations Environment Programme to rise to two-thirds by 2025. To establish a road map for water-resource management in its businesses, the Coca-Cola system launched the Coca-Cola Global Water Initiative in 2004. The company's objectives are to be the most efficient industrial water user among peer companies, to help to enable access to clean drinking water in under-served communities where Coca-Cola operates, to support the protection of watersheds in water-scarce communities where Coca-Cola operates, and to help mobilize the international community around global water challenges. In 2004, the Coca-Cola system improved water efficiency by 6 percent.

In India, for example, Coca-Cola initiated a partnership to establish local rainwater harvesting in the plants and the communities it serves. Coca-Cola now has rainwater harvesting in more than 80 percent of company-owned bottling facilities in India, returning a significant amount of water to local groundwater systems.

Although water is abundant in many parts of Vietnam, more than 40 percent of the rural population does not have access to a safe drinking-water supply. Moreover, water is often polluted by poor environmental conditions. In 2004, The Coca-Cola Company partnered with the United Nations Development Programme to launch the Clean Water for Communities initiative. In its first year, the project provided water tanks to 180 needy households and additional water facilities to local schools and clinics in rural communities in six southern and northern

provinces, benefiting thousands of local people. The program also aims to help build the long-term capability of communities to address their water needs, through ongoing education and the formation of local groups.

Coca-Cola also has initiatives to address health and wellness in the developed and developing world. The World Health Organization estimates that globally more than one billion adults are overweight, and 300 million of those adults are obese. The condition affects almost all ages and socioeconomic groups, even coexisting with malnutrition in developing countries. Coca-Cola has increasingly offered more choice to consumers – with 400 brands and more than 2,100 products. In addition to regular soft drinks, Coca-Cola increasingly provides low- and no-calorie alternatives, juices and juice drinks, water, sports and energy drinks, teas, coffees, soy-based drinks, and fortified beverages with nutritional benefits. At the end of 2004, in ready-to-drink beverages, Coca-Cola ranked number one globally in sales of juices and juice drinks, number two in sports drinks, and number three in water.

Coca-Cola partnered with the Thai government to address obesity with its Thai Kids on the Move program. The program, in partnership with the Ministries of Public Health and Education, features aerobics and classroom instruction. It has involved 189,500 students and aims to reach one million students by 2007. Independent research found more than 70 percent of participants increased their daily physical activity by 20 to 40 minutes, and 94 percent learned the importance of exercise and nutrition.

Coca-Cola is also addressing malnutrition. In the Philippines, for example, Coca-Cola has piloted a program called NutriBreak, providing fortified juice drinks and protein-rich food supplements to schoolchildren to help treat and prevent malnutrition and undernourishment.

The business rationale for tackling HIV/AIDS is straightforward – it is devastating communities, including Coca-Cola employees and Coca-Cola's business partners. Globally, nearly 40 million people are estimated to have HIV/AIDS. While the virus has no borders, more than 70 percent of people infected live in Africa. The epidemic increases costs, reduces productivity, and threatens the continent's burgeoning economic prosperity.

Since its establishment in 2001, the Coca-Cola Africa Foundation, based in Swaziland, has led the system's efforts to prevent and treat HIV/AIDS in Africa. Through education and awareness campaigns, as well as by making prevention programs and treatment available to approximately 60,000 system employees and their spouses and children, some 300,000 people are touched by the system's initiatives.

Because education is crucial to combating HIV/AIDS, the company has launched a range of communication initiatives to help empower Coca-Cola employees and their families in the fight against HIV/AIDS. These include a prevention and awareness course for employees in Africa, a locally published and widely distributed HIV and AIDS fact book, and regular education and information sessions. Each year, the company marks World AIDS Day by communicating with employees in Africa, encouraging them to take a leadership role, and providing them with pack-

to stop the spread of the disease in five West African countries. A highly visible caravan of specially equipped vehicles staffed by health experts, volunteers, and artists ran the length of the most heavily trafficked corridor on the continent. The corridor extends from Nigeria through Benin, Togo, and Ghana to Côte d'Ivoire. The caravan staged music and drama productions, while providing education, counseling, and treatment to millions of people living and traveling along the 1,000-mile route. By the time the caravan – the first program of its kind – ended in



Coca-Cola Brazil employees gather trash and debris at the 2004 International Coastal Cleanup. Last year, Coca-Cola employees were among the more than 300,000 volunteers who cleared nearly 8 million pounds of trash from the beaches and shorelines of 88 countries. The Coca-Cola Company is a long-time supporter of the International Coastal Cleanup and is this year's 20th Anniversary Sponsor.

ages containing condoms, HIV/AIDS ribbons, and educational materials.

The Coca-Cola Africa Foundation encourages voluntary testing, and confidentiality is scrupulously respected. Employees are not expected to disclose their HIV/AIDS status or conditions. The company also provides counseling services. Across Africa, there is work yet to be done in breaking down the stigma associated with the disease, and Coca-Cola is working closely with nongovernmental organizations and other partners on this issue.

Full antiretroviral treatment is available to all system employees in Africa, their spouses, and their children. Thus far, a limited number of employees and dependents are taking advantage of treatment. Coca-Cola expects these numbers to increase as voluntary testing becomes more widespread and the social stigma continues to decrease.

In 2004, the Coca-Cola system supported an innovative regional World Bank HIV/AIDS awareness campaign, designed

Abidjan, Côte d'Ivoire, it had reached an estimated 50 million people.

In 2004, a pioneering HIV/AIDS awareness campaign by Coca-Cola Egypt was chosen from more than 40 entrants to win the Award for Business Excellence in the Community by the Global Business Coalition on HIV/AIDS. The campaign aimed at breaking long-standing taboos around the disease, particularly among young people, the most vulnerable sector.

Coca-Cola reaches out to local communities by stimulating economic opportunities. In Latin America, the Coca-Cola system supports small retail customers by offering business-development training to help increase their profitability. These courses offer marketing, merchandising, sales, research, and administration skill-building. In Chile, more than 3,000 customers participated in training at a dedicated customer-development center in Santiago throughout 2004. More than 1,700 customers in Peru have

participated in a business training course established in late 2004. Coca-Cola estimates that approximately 58 percent of its products are sold through micro retailers in Chile, and 67 percent are sold through tiny retailers in Peru.

More than 166,000 jobs are supported directly and indirectly by the Coca-Cola system in South Africa, representing 1.4 percent of employment in the country, according to a new economic-impact study. This figure includes 70,000 people in the informal sector who depend on Coca-Cola products for employment. The study, conducted by the Moore School of Business at the University of South Carolina and the University of South Africa in 2004, found that Coca-Cola's beverages are one of the biggest generators of income for informal retailers, attracting customers and stimulating other sales. The South African study found that one job creates 16 additional jobs in the country's informal retail sector.

The company actively supports small retailers and micro entrepreneurs. For example, Coca-Cola has a program in Vietnam that provides pushcarts and ongoing training and support to previously unemployed women who now sell Coca-Cola products. This program has effectively created 2,000 thriving small businesses. Coca-Cola plans to double the reach of this program in 2005.

In Kenya, the company stimulates entrepreneurship and employment opportunities by providing people with the opportunity to run kiosks selling Coca-Cola products. The program was established in 1990 in Nairobi and now extends nationwide. Starting in 2005, a public-private task force will evaluate and evolve the program, enhancing its sustainability.

Servicing Coca-Cola's retail customers in remote African communities has also led to innovative approaches and new employment opportunities. The system has helped local people establish small-scale distribution centers to meet these customers' needs in Ethiopia, Kenya, Tanzania, and Uganda. The company's partnership with the International Finance Corporation, part of the World Bank Group, has helped provide these entrepreneurs with access to funding. A similar program in Nigeria has created a network of more than 550 small businesses, 70 percent of which are run by women.

Child labor is an increasingly sensitive issue. When Human Rights Watch con-

tacted Coca-Cola about suspected child labor in Salvadoran sugar mills, the company moved quickly to review its direct suppliers' policies and practices. Although a 2003 audit of the major refinery found no child labor, Coca-Cola again verified that supplying mills had sound policies against employing underage youth.

Nevertheless, child labor is a problem on family-owned farms and farm cooperatives in El Salvador. In support of



Future leaders learn new skills at Camp Coca-Cola, but the one-month residential summer program is just the beginning. Camp Coca-Cola is a year-round leadership training and community service initiative offered at four sites in the United States. Students join the program during the summer before they enter eighth grade, and campers who do well in school and fulfill their community service commitments are invited to return each year until high school graduation.

a multi-stakeholder effort to help address this problem in the sugar industry, the local sugar association increased monitoring and enforcement, and education of parents and communities, and provided expanded educational opportunities for rural children for the 2004/05 harvest.

One hopes that Coca-Cola's commitment to global conservation will set a standard for others across the globe. Coca-Cola's environmental performance improved in all key impact areas – water, energy and emissions, and solid waste – for the third consecutive year since 2002. The system's water use continued to decline, as did energy use and emissions of greenhouse gases. Average solid-waste generation also declined further, while recycling rates improved.

Approximately 95 percent of the energy consumed by the Coca-Cola system is used to provide the power for Coca-Cola's bottling partners' operations. That includes power consumed by equipment such as boilers, chillers, and air compressors. In many locations, these operations also manufacture packaging, such as polyethylene terephthalate plastic (PET) blow molding. Coca-Cola estimates that this energy consumption led to direct and indirect emissions of 5.5 million metric tons of carbon dioxide (CO₂) in 2004, a decrease of approximately 200,000 metric tons compared with 2003.

Company efforts to develop climate-friendly refrigeration technology took a

major step forward with the selection of an alternative hydrofluorocarbon-free technology, based on CO₂. Coca-Cola is now working with suppliers, partners, and other beverage-sector companies to commercialize the technology. This development was unveiled at the Refrigerants, Naturally conference in Brussels, Belgium, in June 2004, with the support of governmental and nongovernmental organizations. Coca-Cola successfully tested the technology at the 2004 Olympic Games in Athens.

In 2004, the production of 70.1 billion liters of products in the plants covered by its reporting yielded 818,215 metric tons of solid waste from manufacturing operations. On average, 11.7 grams of solid waste was generated for each liter of product, representing a 4.5 percent improvement versus 2003.

Extrapolation of this waste ratio suggests an estimated total generation of industrial solid waste by the Coca-Cola system of 1,220 kilotons in 2004. This is a reduction of approximately 34 kilotons from 2003. The Coca-Cola system reused or recycled 76 percent of all solid waste produced in these plants, up from 74 percent in 2003. The combination of the improved solid-waste ratio and improved industrial recycling suggests that Coca-Cola system-wide contributed 39,700 fewer tons of waste for disposal from manufacturing operations in 2004 than in 2003.

Naturally, Coca-Cola is committed to recycling whenever possible. For example, in 2002, the company partnered with Coca-Cola FEMSA, PET supplier ALPLA, and the Mexican government to build Latin America's first PET recycling plant, only the second in the Western Hemisphere and the largest in the world. The plant, which began operations this July, will be able to recycle 25,000 tons of PET annually – double the amount currently recycled in Mexico.

Coca-Cola has established targets for company improvements in water efficiency, energy efficiency, solid-waste ratio, industrial recycling, wastewater discharge, refrigeration, and consumer packaging. For example, Coca-Cola aims to have 10 percent of its packaging derived from recycled material in the United States by year-end 2005.

The Coca-Cola Company also announced a three-year, \$2.1-million grant to support a program by the World Wildlife Fund to restore five critical freshwater systems in the United States, including a major network of rivers and streams

in the Southeast. The grant will also be used to fund a global freshwater mapping project, incorporating data from scientists around the world. When complete, the project will be the most comprehensive synthesis of freshwater biodiversity data available.

The Galapagos Islands are where Charles Darwin based his research on evolution. This archipelago of several volcanic islands is the home of many distinct and rare species of birds, mammals, and reptiles. In order to help preserve the delicate balance of nature on the islands, Coca-Cola partnered with the Galapagos Foundation in 2004 to establish a recycling-education center in an effort to educate the community and visitors about different types of waste and the damage waste can cause to the fragile ecosystem. As part of this project, approximately 8,700 kilograms of recycled goods are collected each month.

In Australia, Coca-Cola established community environmental and "active lifestyle" awards and rewarded two people for making a difference. Robert Swan, explorer and environmentalist, served as awards ambassador. The environmental winner joined him in Antarctica for a research mission, and the active-lifestyle winner joined the crew of the Active Factor yacht (the first racing yacht to use sails containing 25 to 30 percent recycled PET) as it competed in the 2004 Rolex Sydney Hobart Yacht Race.

Having operated internationally for nearly a century, the Coca-Cola business has deep roots in local communities around the world. It is committed to maintaining an open and constructive dialogue with people in its communities, understanding their needs and aspirations, and investing company time, expertise, and resources in collaborative initiatives that respond in a meaningful way to community needs and priorities.

Funding for community investments by the Coca-Cola system comes from a variety of sources. It includes contributions by parent The Coca-Cola Company; grants from The Coca-Cola Foundation, the company's global foundation; grants from one of the 18 other Coca-Cola foundations around the world; contributions by Coca-Cola's bottling partners around the world; and company matching gifts from employee contributions.

In 2004, The Coca-Cola Company contributed more than \$46.7 million in cash to community programs and initiatives worldwide. The Coca-Cola Foundation also made contributions worth approximately \$20.5 million in 2004. In addition, the company made a donation to The Coca-Cola Foundation of approximately \$75 million, to be used over multiple years for projects and initiatives around the world.

The Coca-Cola system's contributions take the form of cash, product

donations, the use of resources such as trucks and advertising space, employee volunteer activities, and the time and expertise of system staff at all levels. Some charitable donations are in response to specific requests to sponsor local community causes and events. Others represent strategic community investments targeted at helping to address critical issues facing a community. Coca-Cola also undertakes commercial initiatives designed to benefit both company brands and a community cause or partner organization. Coca-Cola's bottling partners around the world have their own community programs and partner with the company on joint projects.

The Coca-Cola Foundation is the company's primary international philanthropic arm. Based in Atlanta, the foundation was established in the United States as a registered 501(c)(3) charitable organization in 1984. The mission of The Coca-Cola Foundation is to improve the quality of life in communities and to enhance individual opportunity through education. To accomplish this, the foundation supports programs that provide youth with the educational opportunities and support systems they need to become knowledgeable and productive citizens.

The foundation's programs fall within two primary areas: higher education, and classroom teaching and learning. Over the past 10 years, the foundation has contributed more than \$134 million in grants and scholarships to support education. In addition to The Coca-Cola Foundation, a number of regional or national foundations have been established, sometimes with local bottling partners. These foundations are funded through varying combinations of endowments by local company offices and local Coca-Cola bottlers and, in some cases, grants from The Coca-Cola Foundation. There are currently 18 such local and regional foundations around the world. Some of these foundations have broad missions, while others target specific areas of need, such as at-risk youth in Great Britain or environmental education in Japan.

The Coca-Cola system is heavily involved in the global classroom. Programs are tailored to meet specific educational needs. For example, Coca-Cola provides scholarships for students from rural areas in China, has upgraded village classroom facilities in Tunisia, and is building schools in Ghana and Kenya. Coca-Cola is also bringing information-technology-based learning to students and communities in Australia, China, Indonesia, Jordan, Malaysia, the Philippines, Thailand, and

Vietnam. The company provides high-school courses in career skills and business ethics in Romania, and is encouraging girls' education in Turkey.

Coca-Cola works in close partnership with local communities, national and local governments, multilateral institutions, and local and international nongovernmental organizations and expert groups to correctly identify community needs and to formulate appropriate, locally relevant responses. These partnerships are an invaluable and essential part of finding solutions to sustainability issues.

One example: Within hours of the devastating Indian Ocean tsunami on December 26, 2004, Coca-Cola's assistance manifested itself in many forms across affected areas in Indonesia, Sri Lanka, Thailand, the Maldives, and India. Aid included \$10 million in cash from the parent company; more than 1.2 million bottles of clean drinking water, along with food, medicine, clothing, and tents; trucks mobilized for distribution of needed supplies; hundreds of hours of volunteer time; and support for long-term water and socioeconomic rehabilitation programs. Company and employee donations were matched by international-aid agency partners. Total contributions by the system reached nearly \$20 million.

Coca-Cola acknowledges that it is still at the beginning of its journey to enrich the workplace, preserve and protect the environment, and strengthen the communities in which it operates. As the issues evolve and Coca-Cola's stakeholder engagement deepens, Coca-Cola plans to move forward. Its destination remains the same: to be a responsible global citizen that makes a meaningful difference in the world. "We still have a long way to go," says Isdell. "My colleagues and I are deeply committed to our journey and to making an even greater difference everywhere we engage." ●



Dyan Machan

THE AUTHOR After graduating cum laude from Kent State University with a degree in journalism, Dyan Machan joined Institutional Investor, where she edited the biweekly *Money Management Letter*. From there, she moved to *Financial World* magazine and later to *Forbes*, where she spent 10 years as a senior editor. The recipient of the 1999 *Business Journalist of the Year Award*, Machan specializes in interviewing prominent personalities for leading magazines. Her portfolio of distinguished interviewees includes Paul Volcker, Barry Diller, John Cleese, Prime Minister Bertie Abern of Ireland, President John Kufuor of Ghana, Gerry Adams, Evander Holyfield, Sir Arthur C. Clarke, and Henry Kissinger.