

Business for Social Responsibility
Remarks by Neville Isdell
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As prepared for delivery

Mats [Lederhausen], thank you for that introduction, and good afternoon.

When the invitation to appear at this conference arrived earlier this year, I thought about some people who were very important to me in the formative stages of my life, before I joined Coca-Cola. My family moved from Northern Ireland to Zambia, in a still-segregated Africa, when I was 10. I became a child of Africa, and fell in love with the continent and its beautiful people, wildlife, and ecosystems. From my parents, I developed an appreciation for fairness and justice, which I saw in their support for majority rule. I was at the University of Cape Town in the early 1960s when Nelson Mandela was banished to Robben Island across Table Bay. The things I saw growing up forged in me a determination to try to make things a little better wherever I was.

I studied social science at university, and became a licensed social worker. I even practiced for a few months. When I became interested in business and decided to take a job with Coca-Cola back in Kitwe, I had a lot of explaining to do — to my friends and parents, and to a couple of sociology professors in particular. They challenged me to remain faithful to my ideals, wherever business took me. Four decades later, in the twilight of my career with Coca-Cola, the invitation from BSR felt like a call across time, from the people who mean the most to me, and to whom I owe the most.

So I was happy to accept the invitation to be here.

I have enjoyed spending this post-election day here in the capital of the American media market. I realized yesterday that in my 40 years with the Coca-Cola system, I have never lived in a country where I was eligible to vote. So I always try to learn from other peoples' elections.

One thing I have learned to appreciate is the fundamental value of elections as instruments of government accountability. And it has been fascinating to read the various (and conflicting) accounts of what the American people intended to say yesterday.

There are instruments of accountability for business, too: stock price... consumer demand... shareholder resolutions... legal and regulatory action... Every day is Election Day in business — and the message is rarely ambiguous. I think of Business for Social Responsibility as a kind of accountability instrument, too.

Working through organizations like BSR, we maintain the dialogue — with academia, the public sector, NGOs and other companies — required for a sustainable society. Tomorrow you'll hear from Amory Lovins, who is a leading authority on energy (among many other things). I know about Amory's passion and expertise for sustainability because he is also a member of our Environmental Advisory Board — and I'm certain he'll challenge you as much as he challenges me.

What I want to do today is address the question raised by this conference: How do you know CSR is working for your company? Then I'll discuss the issue we've adopted as the primary area of focus for our CSR efforts. Finally, I'd like to take your questions.

Since accountability begins with transparency, I want to begin by telling you who we are and what we stand for.

Two months ago, the Coca-Cola system opened its newest production facility, in Kabul, Afghanistan. We entered Afghanistan — the first time — more than 50 years ago, but after the last plant closed in 1991, the country became one of the few serviced with imported product. The new plant — a \$25 million bottling facility — is owned and operated by a Kabul-based company and will employ around 325 Afghans. At the dedication of the plant, President Karzai commented, "This is another step forward for economic growth, self-sufficiency and better living standards for Afghanistan."

While Coca-Cola is, for now, an exception in Afghanistan, Afghanistan is not particularly unusual for Coca-Cola. In 2000, we invested \$44 million in two plants in Born Jesus and Lubango, Angola. Two years ago we opened an \$8 million facility in Mogadishu, Somalia.

The Coca-Cola system operates more than 800 plants, and we're present in more than 200 countries around the world. Nearly all of our products are made in the communities where they're consumed, by *local* people, using *local* resources. This makes the Coca-Cola system very unusual — and possibly unique — among consumer goods manufacturers. It means our business can only be as healthy as the *local* communities where we operate. [pause]

That's The Coca-Cola Company — a local business on a global scale. What we stand for is vibrant... sustainable... local communities.

I know that if we did nothing else but provide millions of little souks and dukas and spaza shops with Coca-Cola products, we would still have created an enormous amount of economic and social value — for all the reasons economists since Adam Smith have argued, and that I'm sure you've heard before.

I know that's not sufficient. For reasons I know you've *also* heard before, we have an obligation to use our unique assets — our human, financial and technological capital — and our core business activities to serve society.

So: how do you know CSR is working?

I have to confess that I was seriously tempted to answer that question by reeling off a few triple-bottom-line-related projects from around the world and calling it a day. We have several hours' worth of material. I could do it (— and I am going to mention three in just a moment). Or you could check them out for yourself in our corporate responsibility review, which is available at www.cr.coca-cola.com.

I'd like to talk instead about what we're doing to ensure that CSR is working in every aspect of our business — that it doesn't become some corporate ghetto or parallel universe.

Last year, as part of the turnaround I've been leading at The Coca-Cola Company, my colleagues and I agreed on a vision of a common future for our organization, with 10-year goals for profit, people, partners, portfolio and planet. Planet is about the world and our role in it, and our objective is as simple as it is daunting: We will be a recognized global leader in corporate social responsibility. (And by the way, I do realize that CSR, properly understood, is far more expansive than just planet. We've adopted this approach for organizational and communications efficiency.)

I have been assured that our progress toward the planet objective can in fact be measured. (I received an update just last week.) But I don't need metrics to know that we have an enormous amount of work to do if we're even going to get close to achieving this objective by 2015.

For one thing, we know our reporting needs to improve. We are a GRI “incremental reporter,” while two of our independent bottling partners — Athens-based Coca-Cola Hellenic and London-based SABMiller — are “in accordance” reporters. Before we can be a global leader, we need to lead the Coca-Cola system.

I believe we’ll get there because CSR — which is to say our planet objective — has been included where it matters most: at the business planning level. We’ve just finished business planning season, and I can tell you that this year — for the first time in our company’s history — every function and every operating unit of our business has specific, quantifiable planet objectives, right alongside profit and other business goals. Planet was part of the template and part of the discussion.

This matters, of course, because business planning is where you commit to invest the resources required to meet objectives — and where you agree to be held accountable for results. And at our company, meeting business plan goals is a significant factor in compensation. So I think our people will be sufficiently motivated to ensure that CSR is working for our Company. Also this year — and also for the first time — planet has been included as part of the calculus used to award the Woodruff Cup, which is our Company’s top award for operating unit performance.

In just a moment I’m going to talk about the principal initiative we’ve adopted for our planet objective, and the impact it is having on our business and in the communities where we operate. Before I do that, I want to observe that eight other goals have been established for 2015: The Millennium Development Goals (MDGs). By my reckoning, six of the MDGs have a very close association with the primary issue we have identified as the principal focus of our CSR initiatives: *water*.

We're focusing on water because we're a hydration company... We're focusing on water because we know it's critical for so much more than hydration... because it's essential to agriculture and basic hygiene and sanitation, and therefore to human health.

We're focusing on water because it's the main ingredient in nearly every product we make... because all of our products are made by *local* people in *local* communities, which means the success of our business depends on the availability of *local* water resources.

We're focusing on water because we have expertise with it in hundreds of communities around the world... because we believe we can make a difference.

And we're focusing on water because there is a water crisis... it is global... and it will continue to get worse if governments, businesses, environmental organizations and other NGOs don't begin to address it more effectively.

Here is a very brief summary of the facts:

- Water is not distributed uniformly around the world, and it is not necessarily concentrated where the largest numbers of people reside. For example, nearly 20 percent of the world's population lives in India — which has about 4 percent of the world's water.
- As population and urbanization increase, demand for water is outstripping supply in a growing number of countries. And the quality of the water available is rapidly declining.
- According to the United Nations, over one billion people lack access to safe drinking water.

- And by the year 2025, an estimated two-thirds of the world's population will face severe and chronic water shortages. [pause]

It doesn't have to be this way; it doesn't have to get worse. Indeed, most water experts believe that there can be enough water for everyone — now and in the future — if we get our policies and incentives right, and learn to do more with less.

In general, there are three primary users of water around the world: domestic and household users... industrial users... and farmers and agricultural users. In developing countries, water consumption for domestic purposes ranges from 20 to 50 liters a day. In the U.S. it's more than ten times as high. Globally, only around 10 percent of water diverted for human purposes is used for domestic purposes. Around 20 percent is used by industry. The rest — about 70 percent — is used in agriculture.

While many of our inputs are produced by agricultural users, The Coca-Cola Company is an industrial user of water. The annual worldwide production of our beverages requires more than 73 billion gallons of water. That sounds like a lot of water, and it is — a little less than half the amount used each year in metropolitan Atlanta. Even so, compared to the amount that's wasted or lost around the world — through loose pipes and leaky policies — the amount used by the Coca-Cola system is a drop in the ocean.

Of course, this does not relieve us from our responsibility to do more with less. To the contrary, because our business depends on water, we have a responsibility to lead in this area.

That responsibility begins with the more than 800 manufacturing plants that make up the Coca-Cola system around the world. To optimize water management within our manufacturing operations, we've developed a

number of ambitious, verifiable conservation programs. We've set high standards for wastewater treatment across our system. And we've implemented innovative recycled water processes in our plants for cleaning bottles and nurturing croplands.

It's early, but we're making progress:

- In 2005, our system-wide water use efficiency improved 4 percent from 2004.
- Between 2002 and 2005, our volume grew more than 10 percent, while total water consumption — everything from toilets to bottle cleaning to finished goods production — declined by 9 percent.

Outside of our plants, we recognize the need to engage with communities on local water challenges, and to address the health of the watersheds that sustain our business and the communities where we operate. That's part of what it takes for us to retain a social — and an emotional — license to operate.

I'm sure some of you are familiar with allegations that my company is responsible for depleting groundwater in Kerala in southern India. Kerala is complicated, but the reality is that we are not even close to being the largest user of water there, and we are not — as a court-appointed independent commission confirmed — the cause of groundwater depletion in the local community.

This is not say that India does not face serious water problems. It absolutely does. And in a country so dependent on seasonal rains, storage is a major challenge. That's why we've helped install rainwater harvesting systems in 28 plants and 10 communities. The collected water is used for plant functions as well as for recharging aquifers. Today, a significant percentage of the total water we use in our operations in India is renewed and returned to groundwater systems.

Our experience in Kerala taught us to engage with local communities early and often — to listen, to learn and to partner with communities to find effective solutions for water management.

That approach is at the heart of our water initiatives.

- In Mali (in West Africa), we're partnering with the U.S. Agency for International Development to install well hand pumps and Pedaflow pumps at locations throughout the country. In Bamako, Mali's capital, we're helping extend municipal water taps into outlying communities, and we've partnered with women's groups to set up a water fee program to extend and maintain the system and to fund a micro-enterprise job creation program.
- In Kenya, working with CARE and UNICEF, we've launched "Safe Water for Schools," a water access, safety and storage program in 100 schools in western Nyanza province and Nairobi.
- In Malawi, a project we're supporting with USAID to rehabilitate gravity-fed water systems and build new spring box systems will improve access of potable water for around 265,000 people.

I could go on around the world, but I wanted to mention these three projects because they're in Africa, where the water crisis is particularly acute. They also demonstrate the relationship between clean water and the Millennium Development Goals. Better access to clean water means fewer waterborne illnesses, lower child mortality, and improved maternal health, among many other things. It also improves the educational prospects for girls in societies where water is regarded as a woman's responsibility.

As useful as these efforts are, we know we need to do more. All sectors — including business, government, NGOs and philanthropic organizations — need to take coordinated, concerted action to protect and preserve global water resources.

We're working on that, too. To galvanize the international community to address water issues, we've helped establish the Global Water Challenge, a partnership of companies, foundations and aid organizations working together to provide safe drinking water, sanitation and hygiene education in the developing world. Founding members include the United Nations Foundation, CARE, UNICEF, the U.S. Centers for Disease Control, the Wallace Genetic Foundation, Emory Global Center for Safe Water and Prevention, and many others. The Global Water Challenge is vital, and if your company or institution has water expertise, I hope you'll consider joining us. [pause]

Water availability and hydrological cycles also will be profoundly affected by climate change. Because of this link, we view our climate protection investments as investments in water sustainability.

Coolers and vending machines are the largest source of climate emissions in The Coca-Cola system. More than 95 percent of the emissions from our cold drink equipment are indirect emissions resulting from production of energy required to operate the machines. The remaining 5 percent of direct emissions are from insulation materials and refrigerant gases.

To address the indirect emissions, we have made a commitment to purchase equipment that is 40 percent more energy efficient by 2010. We have collaborated with an electronics firm in the U.K. to develop a proprietary Energy Management System specifically designed for our system's cold drink machines. These units have been tested to deliver up

to 35 percent reduction in energy consumption, putting us well on our way to achieving the 40 percent reduction.

We are also focusing on innovation to eliminate hydrofluorocarbons (HFCs), which are exceptionally potent greenhouse gases and a growing part of the global climate change equation. If not addressed, HFCs are expected to double as a percentage of man-made greenhouse gases by 2050.

That is why we are working with Unilever, McDonalds and others in the food and beverage industry, along with UNEP [UN Environment Program] and Greenpeace, in an initiative called Refrigerants Naturally. I'm pleased to report that Pepsico last week joined Refrigerants Naturally to help change the "business as usual" trajectory through innovation and the marketplace.

Earlier this year we announced that we have transitioned nearly all equipment purchases to models that do not include HFCs or HCFCs in the insulation material. In addition, we're working in good faith to implement CO2 (an HFC-free refrigerant) for new equipment on a cost-effective basis, and have already placed more than 4,000 CO2-refrigerated coolers and vending machines in the market.

We hope that our leadership in this area will be a catalyst for other like-minded global companies to drive global adoption of climate-friendly technologies. [pause]

For government, business and civil society, accountability begins with transparency: with a declaration of what you stand for and what you intend to do, and with a willingness to take responsibility for your actions. It's one of the reasons companies engage in social responsibility. It's one reason

BSR is asking, at this conference, how you know CSR is working for your company.

Ultimately, transparency and accountability are pre-requisites for creating trust among all sectors of society — and trust is crucial for establishing a social license to operate, and for acting and speaking on behalf of our constituencies. On that basis, accountability is truly a collective challenge and responsibility for all of us.

At The Coca-Cola Company, we are committed to accountability and transparency. In India, The Energy and Resources Institute (TERI) is conducting — with our full cooperation — an independent assessment of water resource management practices in our operations, including comprehensive audits at bottling facilities, to evaluate water use within our value chain. That work has just started.

In Colombia, along with the IUF, a trade union federation representing labor unions in the food and beverage sector, we and our bottlers have asked the International Labor Organization to carry out an independent assessment of current workplace practices at all 12 bottling plants. The ILO has agreed and is working on its plans and timelines for carrying out the assessment.

I know that one of this afternoon's sessions was on the question of accountability. The creation of the International NGO "Accountability Charter" in May 2006 by the heads of 11 of the world's leading international human rights, environmental and social development is a significant achievement. If we're going to make meaningful progress on the world's great challenges — such as water — we need to be clear about who we represent, what we stand for and what we're going to do... and how we're going to work together.

In March of this year, The Coca-Cola Company became a member of the UN Global Compact. We certainly weren't the first — the Compact was launched six years ago — but we signed on because we support the ten universal principles in the areas of human rights, labor, the environment and anti-corruption. The Global Compact is, for us, a universal commitment across our business to these key principles. It offers a strategic and operational framework for organizing CSR, and, as a global initiative with local networks around the world, it allows us to act consistently, wherever we operate.

The Global Compact is also another instrument of accountability. Indeed, for the first time, 335 members were de-listed very recently for failing to remain accountable through a "Communication on Progress". I'd certainly like to encourage companies here today to consider becoming signatories and thereby declare their support for the ten principles. And most importantly, to communicate their progress. In this context, we welcome the alliance between the UN Global Compact and the Global Reporting Initiative, as it gives more focus and coherence to the corporate citizenship agenda. [pause]

David Packard once observed, "Profit is not the proper end and aim of management — it is what makes all of the proper ends and aims possible." I couldn't agree more. Achieving those "proper ends and aims" will take the cooperation and collaboration of everyone in this room.

We look forward to working with you.