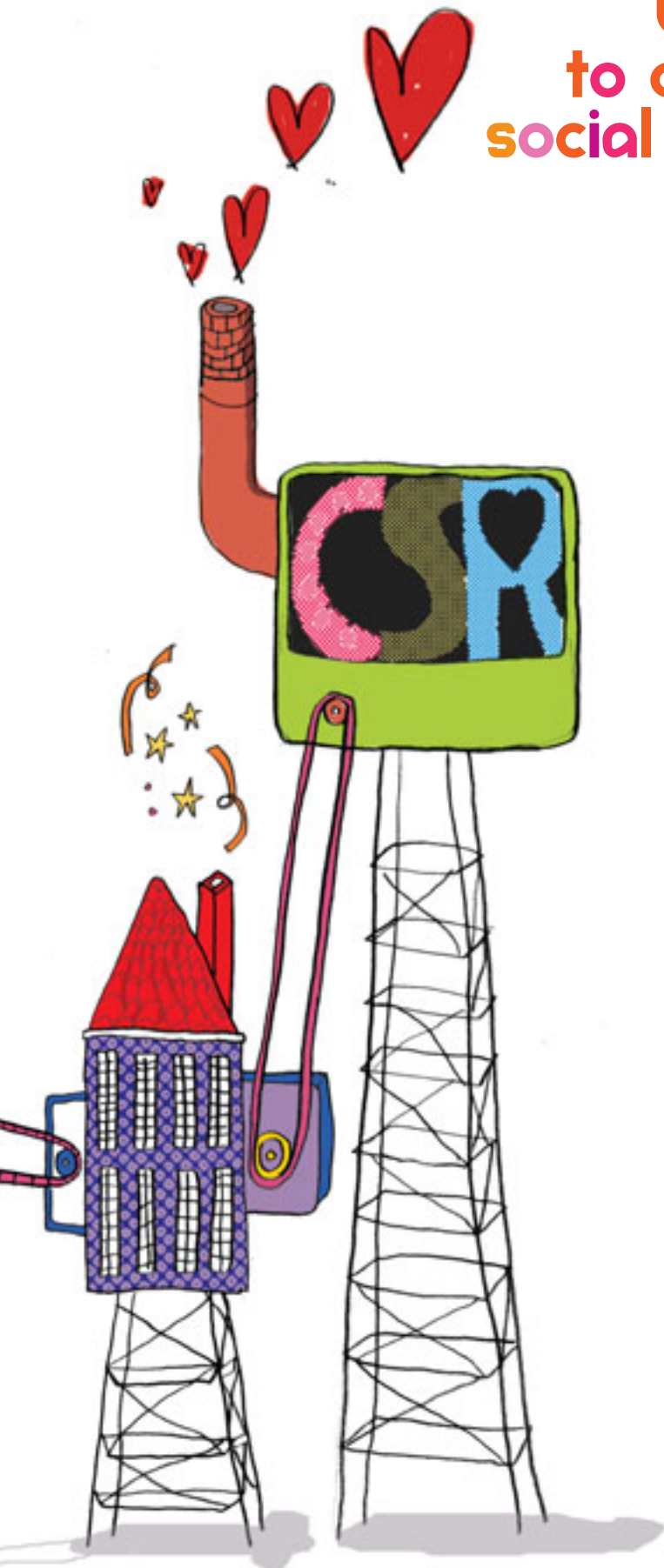






# welcome to our corporate and social responsibility report 2006



- 2 **Todd Stitzer**  
Chief Executive, Cadbury Schweppes plc
- 4 **Baroness Wilcox**  
Chair, Board CSR Committee
- 6 **Our business**
- 10 **Our CSR vision and strategy**  
♥ Goals and Commitments on Sustainability
- 14 **Our economic contribution**
- 16 **Our impacts**
- 18 **Our stakeholders**

See  
pg 13

## Our five pillars of csr

- BIG ISSUE** 20 **Marketing, food and consumer issues**  
♥ Responding to consumer concerns  
♥ 12 Point Action Plan
- BIG ISSUE** 28 **Ethical sourcing and procurement**  
♥ A complex and diverse supply chain  
♥ Working with suppliers  
♥ Sustainable cocoa
- BIG ISSUE** 36 **Environment, health and safety (EHS)**  
♥ Environmental sustainability  
♥ EHS management systems  
♥ Health and safety in the workplace
- 44 **Human rights and employment standards**  
♥ 'The Place to Be'  
♥ Diversity and inclusiveness
- 50 **Community investment**  
♥ Areas of focus  
♥ Some of our initiatives
- 56 **Where next?**  
♥ Goals and Commitments on Sustainability
- 58 **Current KPI progress and future commitments**
- 59 **Global reporting indicators**
- 60 **UN Global Compact – communication on progress**
- 61 **Assurance statement**

See  
pg 57

This report covers the Cadbury Schweppes group of companies and focuses primarily on 2005. It has been developed with input from our functions and regions and its content has been reviewed and signed off by senior leaders in our business.

We welcome your feedback.  
Please see the back of this report for contact details.

Todd Stitzer, CEO

# performance driven; values led



Responsible business is underpinned by strong values and has a clear and compelling vision of where it is going. Over many years Cadbury Schweppes has earned success on the strength of its distinctive values and clear vision. This report sets out the steps we are taking to ensure that in our present and future business, as in the past, we continue to live our values.

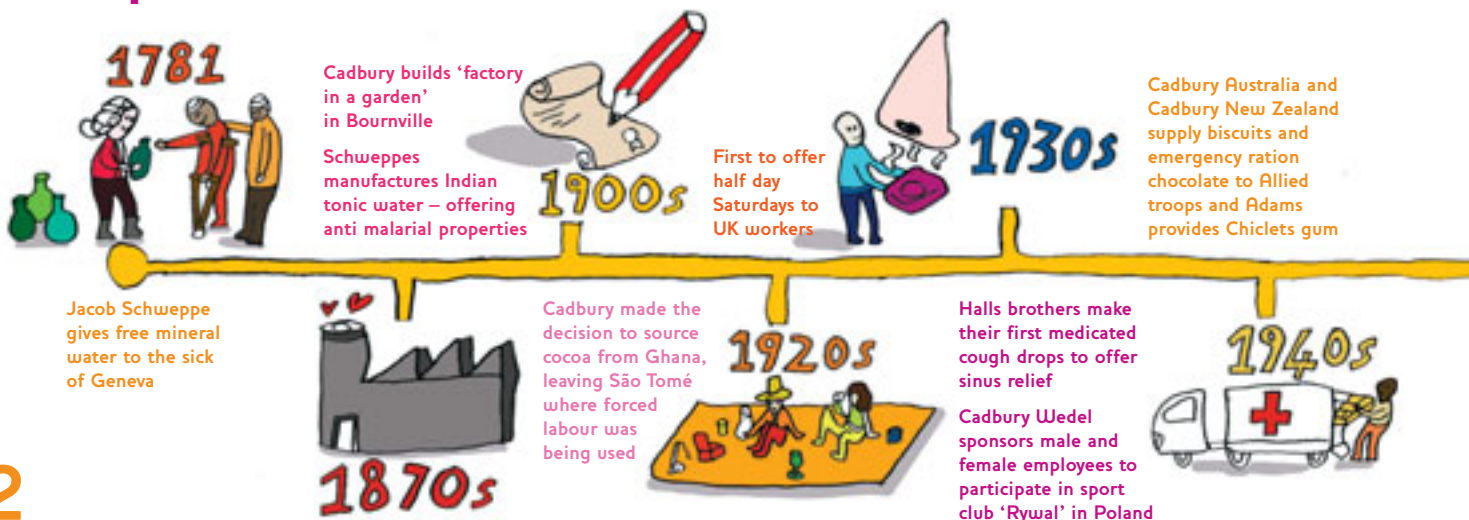
The world is changing around us. The past decade has seen an ever more lively debate about the role and responsibility of companies. Times change, our values are constant. Our primary contribution at Cadbury Schweppes is, quite simply, to be in business. Responsible wealth creation is the most fundamental social contribution that any business can make. At Cadbury Schweppes we believe that business should and can be a force for good in the world. It is a prerequisite for business to prosper in the long term and create wealth on which future generations will depend.

Our heritage and values provide the structure as we seek to grow our business responsibly. From our early

beginnings in 19th century England, we have lived out our values through our actions. Tea and cocoa were a social response to alcohol for our Quaker forefathers; creation of the Ghana cocoa industry a response to forced labour practices elsewhere. We established schools, colleges, and early works councils, and supplied emergency chocolate rations during World War II. These were not isolated acts of philanthropy. They improved the performance of the Company. They established a firm link between responsible business and long-term value creation.

The early Cadburys strove to be 'an asset to the neighbourhood'. I too believe that it is possible to pursue commercial goals, and care about our communities at the

## living our values



same time. Around the time I joined Cadbury Schweppes in 1983 our then Chairman, Sir Adrian Cadbury, published his statement of purpose and values, *The Character of the Company*. In it he wrote, 'Cadbury Schweppes earns its living in the competitive world. It needs to do so successfully to meet its obligations to all those with a stake in the enterprise and to make the Company one to which people are proud to belong. I find no conflict between the values and characteristics we have inherited from the past and the actions we have to take to ensure a successful and independent future for Cadbury Schweppes.'

Now, 20 years later, that twin perspective of performance and stewardship is one which our new generation of business leaders is embracing, and building into our business strategy across all our regions. The ideas, ingenuity and creativity of our people will be the basis of our commercial success. Their values and their commitment inform both our strategic decision making and our day-to-day activities; providing imaginative, but practical solutions for sustainable business growth.

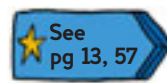
Our products have brought pleasure and refreshment to millions over many generations. People's needs and tastes will change, and we will be there as a welcome and trusted part of their lives for generations to come. A relationship based on informed choice and trust... sustainably.

We make quality products – chocolate, candy, chewing gum and soft drinks. They must always be enjoyed safely by consumers. In the summer of 2006, certain aspects of the quality assurance process we followed in the UK created concern in the eyes of the public and consumers, for which we apologise. The valuable lessons learned

from this experience will help drive process improvement right across our business to help ensure this does not happen again.

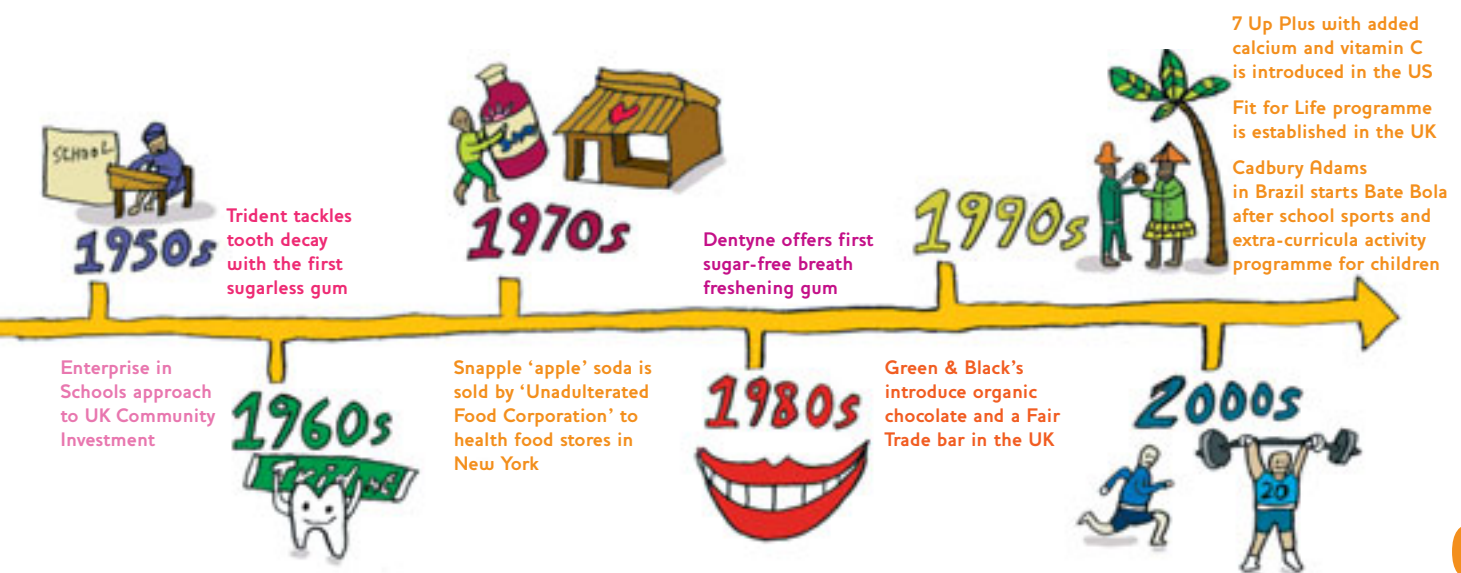
Ultimately our goals and those of our shareowners are similar; a responsible and well-run company that delivers consistently superior profits over the long-term. Performance driven, values led. Good business and strong values go hand in hand. For our long term future, and that of all our stakeholders, it is in our mutual interests that we create a world in which our business will grow and thrive.

This report explains the progress we have made on our continuing journey, including progress on what we regard as our 'Big Issues'. It lays out our road map for the future and a new set of **Goals and Commitments on Sustainability** between now and 2010 (see pages 13 and 57).



Change often brings with it a degree of uncertainty, but one thing we can be sure. At Cadbury Schweppes we will live out our values in the way we do business. That was true yesterday. It is true today. It will be true tomorrow.

*Carol Stetson*



Baroness Wilcox, Chair, CSR Board Committee

# continuing the journey



For Cadbury Schweppes the last few years have been a time of careful reassessment and purposeful renewal. We have re-articulated our CSR policies and strengthened our practices to enable us to live our values in an ever-changing business world.

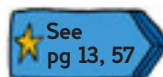


In 2001 Cadbury Schweppes set up a formal Board Corporate and Social Responsibility Committee. We saw that how a company lived out its values and met its responsibilities was becoming an increasingly important focus of attention for our consumers, shareowners and society at large. And while these things had always been important to us at Cadbury Schweppes, our values and responsibilities needed to be re-articulated and managed in ways that made sense for our times. I was delighted to be asked to chair the committee.

Our approach in 2001 was to start by working out what living our values meant in the contemporary world and to make an up-to-date re-statement of our values. One of our first actions was to develop our *Human Rights and Ethical Trading policy*. Based on international standards and best practice this policy applies both to our own employees and to our suppliers. We then revised *Our Business Principles*, our code of conduct and guide to ethical business practices, to match current best practice and deal comprehensively with new and emerging issues of corporate responsibility.

We developed and built on what we have called our Five Pillars of CSR as a way of managing the many different aspects of CSR and of allowing us to focus on the key issues which impact, or have the potential to impact, on our business. They are:

- ♥ marketing, food and consumer issues
- ♥ ethical sourcing and procurement
- ♥ environment, health and safety
- ♥ human rights and employment standards
- ♥ community investment



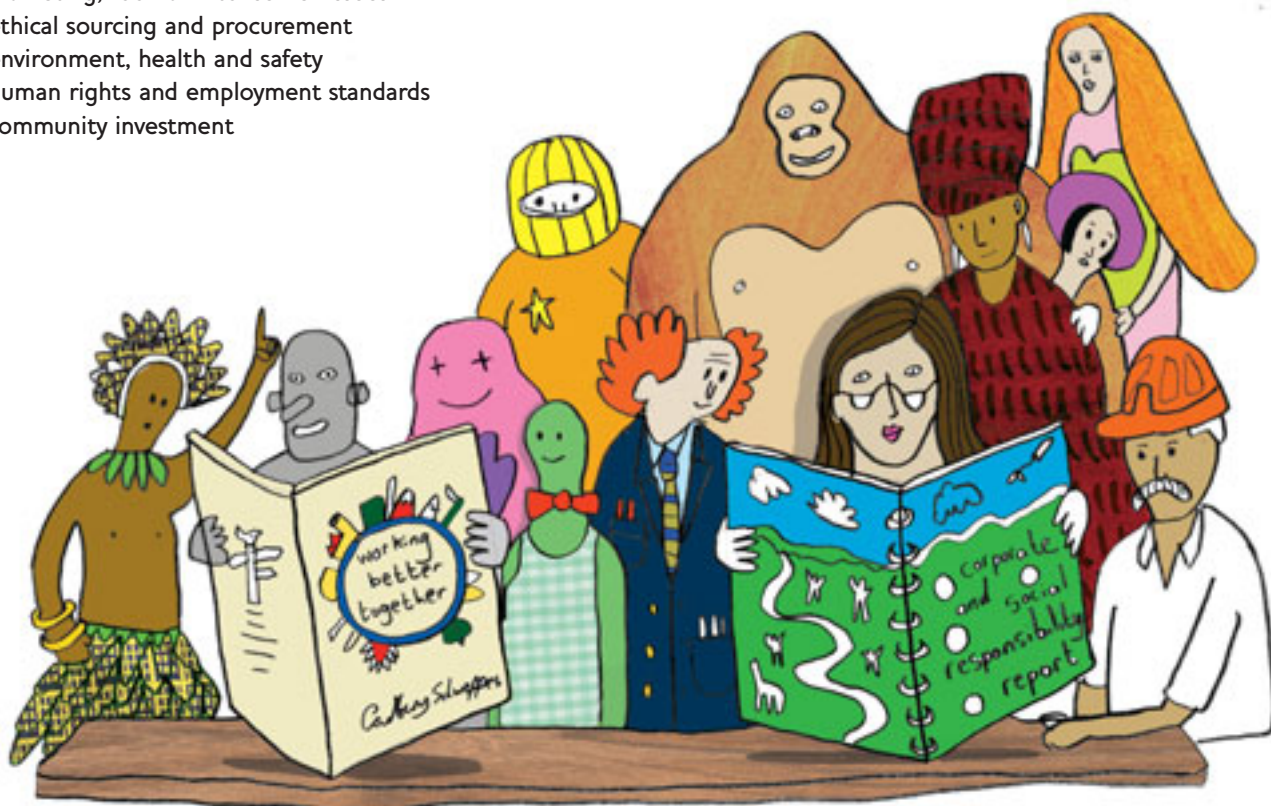
We recently embraced a new set of **Goals and Commitments on Sustainability** for our activities in each of our pillar areas.

These will guide and focus our CSR approach for the next five years.

As part of our strategic review we also examined whether or not our policies were robust enough for the 21st century, and upgraded those that no longer achieved the standards we wanted. We improved our management processes, and focused on embedding good CSR practice into our business, including celebrating success. And finally for this period, we began to measure, verify and assure what we do. This will feature strongly in our future work in this area.

On the basis of all these actions, achieved with the support and active engagement of our many stakeholders, and built on our robust governance structures, we have again improved our performance over the period under review.

I am proud of the progress we have made together on our journey. The last five years have seen our commitment to living our values ever more thoroughly embraced in the spirit of our company. Such spirit conditions how we work and think. I know it will pay a rich dividend for many, many years to come.



# our business

At Cadbury Schweppes we manufacture, market and sell confectionery and beverage products. We are the world's largest confectionery company, and have strong regional beverage businesses in North America and Australia. With origins stretching back over 200 years, today our products are enjoyed in almost every country around the world.

Our strategic goals are to: deliver superior shareowner performance; profitably and significantly increase global confectionery share; profitably secure and grow regional beverages share; ensure our capabilities are the best in class; and nurture the trust of colleagues and communities.

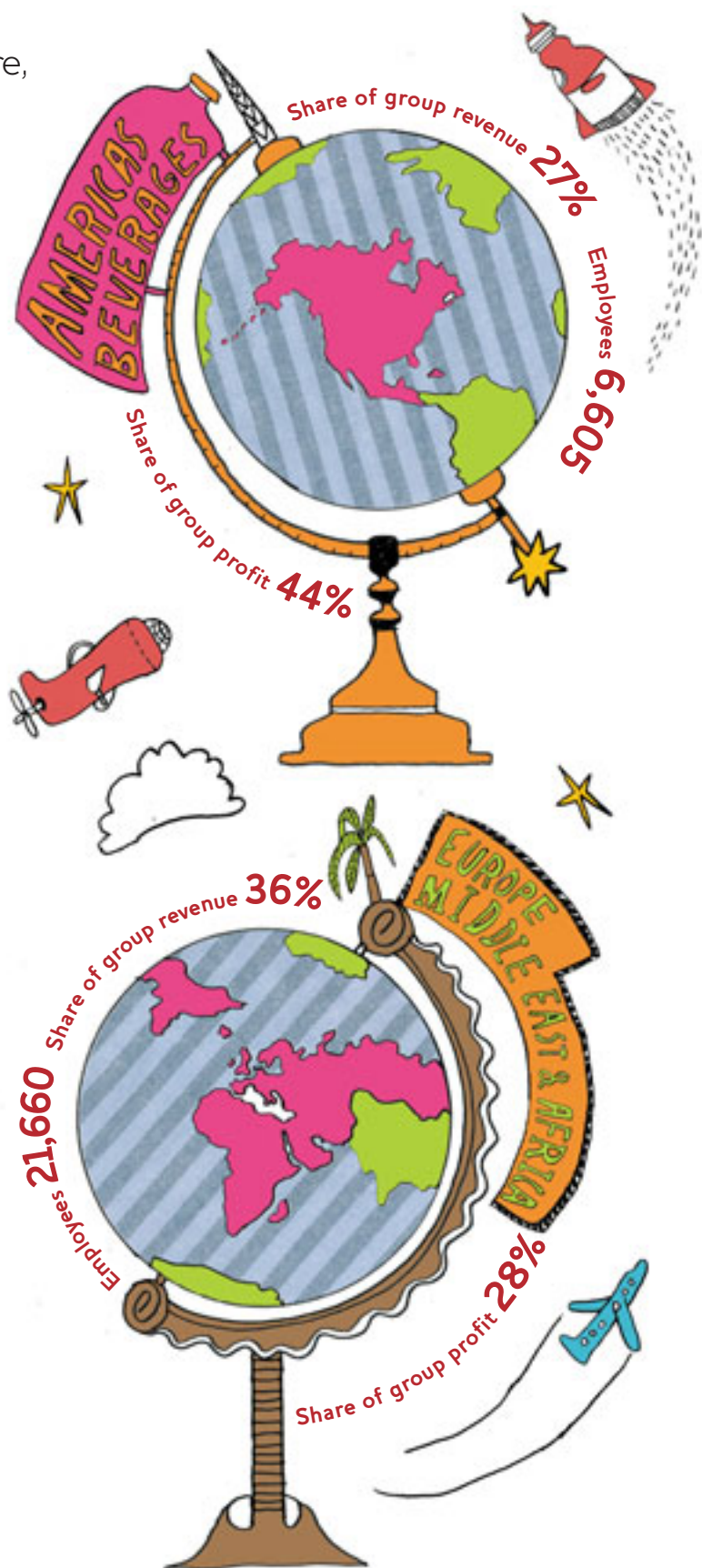
In 2005, we set financial goals to measure our annual business performance based on three key performance indicators – sales, margins and cash flow. For the 2004-2007 period we aim to grow revenues by 3-5% every year (excluding acquisitions and disposals), to improve margins by 50 to 75 basis points each year and to generate free cash flow of £1.5 billion.

We have made changes to our business portfolio to ensure that capital is applied where we can generate the highest growth and returns. We have further focused our beverages business on more advantaged markets though exiting our beverage business in Europe, Syria and South Africa, and concentrating our beverage activities on the key markets of North America, Mexico and Australia, where we have strong brands and effective routes to market.

In beverages, we have strengthened our route to market in the US through a number of acquisitions. The most significant of these was the purchase, in the spring of 2006, of the 55% stake we did not already own in the largest independent bottler in the US, the Dr Pepper/Seven Up Bottling Group (which we renamed Cadbury Schweppes Bottling Group).

In confectionery, we intend to sell a number of non-core brands and businesses in the UK and Canada to allow us to focus on our more profitable and advantaged brand portfolio. We have invested over £100 million in emerging markets to increase our existing holdings in businesses in Nigeria and Turkey, and to acquiring the leading chewing gum business in South Africa.

Following the changes to our business described above, we will update our stakeholders on our strategy and plans for 2007 and beyond at the end of October 2006.



Note: Revenues, profits and employee numbers are as reported in Cadbury Schweppes Report & Accounts 2005, pages 11-13. Dr Pepper/Seven Up Bottling Group is not included in these figures.





## Our regions and functions

We are organised around four regional operating units: Americas Beverages, Americas Confectionery, Europe Middle East & Africa, and Asia Pacific. Our four regions are supported by six global functions. Every function has a team in each region and a small central team, enabling them to develop world-wide approaches yet still stay closely in touch with our regions' commercial interests.

OUR FUNCTIONS	WHAT EACH FUNCTION DOES
<b>Commercial Strategy</b>	<ul style="list-style-type: none"> <li>♥ Develops global strategies and solutions for product categories, customers and markets</li> <li>♥ Enables our regions to generate higher sales growth than they could on their own</li> </ul>
<b>Science and Technology</b>	<ul style="list-style-type: none"> <li>♥ Leads technical innovation programmes</li> <li>♥ Co-ordinates nutrition initiatives and manages intellectual property assets in this area</li> </ul>
<b>Supply Chain</b>	<ul style="list-style-type: none"> <li>♥ Ensures the supply of products to the Group's customers</li> <li>♥ Enables raw material supply, manufacturing, logistics, working capital management</li> </ul>
<b>Finance and Information Technology</b>	<ul style="list-style-type: none"> <li>♥ Acts as a business partner and financial adviser to the regions and other functions driving the Group's goals and priorities</li> <li>♥ Maintains a robust financial control environment</li> <li>♥ Manages IT-enabled common processes and standards and ensures high quality external reporting</li> </ul>
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>♥ Improves performance by enhancing effectiveness of our day-to-day working practices, the capability of our people and the quality of their output</li> <li>♥ Ensures our working environment reflects our core purpose and values, and enhances our culture. Leads on communications and external affairs</li> </ul>
<b>Legal and Secretariat</b>	<ul style="list-style-type: none"> <li>♥ Leads on corporate governance and compliance with local, national and international regulation and legislation</li> <li>♥ Protects intellectual property, facilitates mergers and acquisitions, performs general legal and contract work, and represents our rights</li> </ul>

## The Board and Chief Executive's Committee

The Board is responsible for our overall management and performance, and the approval of our long-term objectives and commercial strategy. The Chief Executive's Committee (CEC), which includes the leader of each region and function, reports to the Board and is responsible for the day-to-day management of our operations and the implementation of strategy.

## Our major manufacturing operations

We have 87 major manufacturing plants worldwide, as shown by region below:

**Americas Beverages** 11 factories, including plants in: Mexico, US (excluding sites acquired with The Dr Pepper/Seven Up Bottling Group).

**Americas Confectionery** 11 factories, including plants in: Canada, Argentina, Brazil, Mexico, US.

**Europe, Middle East, Africa** 41 factories including plants in: UK, Ireland, Poland, Egypt, France, Spain, South Africa, Nigeria, Kenya.

**Asia Pacific** 24 factories including plants in: Australia, New Zealand, Japan, India, Indonesia, China.

# our business... continued

## Our brands in our regions

Cadbury Schweppes makes and sells many brands around the world to meet the desires of our different consumers. Here are some examples of our major brands by region.

Many brands are also available sugar free or with reduced calories. Some are medicated (e.g. Halls), functional (e.g. gum), or fortified (e.g. some beverages).

<b>Americas Beverages</b>	Brands include: Dr Pepper, Mott's, Snapple, 7UP, Hawaiian Punch, Sunkist, A&W, Clamato, Nantucket Nectars, Diet Rite, Canada Dry, Schweppes, Peñafiel, A&W, Yoo-Hoo  Products include a broad range of beverages including carbonated drinks, fruit juices and iced teas  Main markets are: US, Canada, Mexico
<b>Americas Confectionery</b>	Brands include: Trident, Dentyne, Halls, Bubblicious/Bubbaloo, Clorets, Chiclets, Sour Patch Kids, Swedish Fish, Beldent, Mantecol, Bazooka  Products include gum, and candy  Main markets are: US, Canada, Brazil, Argentina, Mexico, Columbia
<b>Europe, Middle East, Africa</b>	Brands include: Cadbury, Wedel, Poulain, Green & Black's (chocolate); Hollywood, Trident, Stimorol, Dirol (gum); Bassett's, Halls, Kent, Maynards, Trebor (candy)  Products include chocolate, gum and candy  Main markets are: the UK, France, South Africa, Scandinavia, Russia, Nigeria, Ireland, Poland, Turkey, Spain, Egypt, Greece
<b>Asia Pacific</b>	Brands include: Cadbury, The Natural Confectionery Company, Trebor, Halls, Sportlife, Trident, Clorets, Bournvita (confectionery); Schweppes, Cottee's (beverages)  Products include chocolate, gum, candy, and beverages in Australia  Main markets are: Australia, New Zealand, India, Japan, Thailand, China

## Growth

We are growing both our confectionery and our beverages businesses.

**Confectionery** In the confectionery market, our global market share has grown through acquisition and organic growth. In 2004, we became market leaders with a 10% market share. In 2005, revenues of our confectionery businesses grew by 6.3%. Sales in emerging markets represented 30% of our confectionery sales, and accounted for 55% of our confectionery growth.

**Beverages** In our beverages business revenues grew by 6.2% in 2005. The growth was led by innovation, investment and execution around our core brands in the Americas and Australia. Our carbonated soft drink business in the US is a good illustration of this growth. The business gained 40 basis points of market share in 2005. Dr Pepper, our biggest carbonated soft drinks brand, was the only major carbonated soft drink brand in the US to grow. This growth was driven by the success of Cherry Vanilla Dr Pepper. In our non-carbonated soft drinks, we concentrated on revitalising our core brands.

## Investing to meet consumer needs

Our economic success and our ability to benefit our shareowners and stakeholders depend upon our meeting consumer needs.

We are investing in growth and capability related initiatives, including innovation, information technology, science and technology, commercial and sales force capabilities and the understanding of our customers. These enable us to meet consumer needs better. In 2005, we invested an additional £75 million in growth and in initiatives related to capabilities.

The savings we are making as part of our Fuel for Growth cost saving programme allow us to increase our investments in the business. We delivered savings of £90 million in 2005. Savings have come from a large number of efficiency initiatives.



Our focus on generating free cash flow and making efficient use of capital is also allowing us to make investments in new businesses and assets. Acquisitions include Dan Products, a South African gum business, and further stakes in our businesses in Turkey and Nigeria.

Investments in our existing businesses include the construction of a £70 million green field gum factory in Poland, to be complete by 2008, a US\$40 million gum Science and Technology Centre at Hanover Park, New Jersey, US, and £40 million in chocolate making in Bournville, UK.

The sale of Europe Beverages in early 2006 for £1.26 billion allows us to reduce our debt and invest in those businesses with higher potential for growth and returns. We expect to realise up to a further £400 million by the end of 2007 from the sale of businesses which we regard as non-core, and from surplus properties.

## Innovation

We believe that identifying consumer needs and innovating our products to address these needs is an important driver of our growth. In 2004 we undertook a new Global Consumer Segmentation study and in 2005 we launched Building Commercial Capabilities, our people development programme, at a combined cost of over £15 million. Together these give us a common method of analysing what our consumers want and common tools and processes for developing our brands and products.

We have set an internal stretch target for 2007 of 15% of our sales to come from innovation, an increase from our 2005 innovation to sales ratio of 10%, and up from 6% in 2003.

An example of innovation in 2005 was the launch of centre-filled-gum. This is the first pellet gum with a liquid centre aimed at adults. When chewed, the new gum gives three different textures and some great flavour combinations: an outer candy crunch, the chewing gum and the liquid centre. All of our confectionery regions collaborated on the development of the new gum. It was launched across multiple markets in 2005 in Europe and North America, with different flavours tailored to local market needs, and under different local brands such as Trident, Stimorol and Hollywood.

Other innovations also helped drive the growth of our gum brands in 2005. These have included innovation in packaging, such as the re-sealable packs for Trident and Dentyne; new formats such as a soft-slab variant to the Dentyne range, and novel flavours, for example, Trident Tropical Twist. Worldwide, our Trident brand grew 21% in 2005.

In beverages, Cherry Vanilla Dr Pepper, launched in 2004, has been a notable innovation. It has been successful in bringing new customers to the franchise, particularly outside Dr Pepper's traditional heartland markets in the south of the US. Four out of five of the top-selling areas for diet Cherry Vanilla in 2005 were outside these markets.



## CASE STUDY

### Case study: Creating a Masterbrand – Cadbury Dairy Milk

We believe that listening and responding to the views of our consumers is important if we are to continue long-term sustainability of our business and our responsibility for wealth creation. Cadbury Dairy Milk illustrates how we respond to our consumers through innovation and transferring learning between our world markets.

2005 marked the 100th anniversary of Cadbury Dairy Milk. We have now created a Masterbrand that makes the most of Cadbury's unique heritage in moulded chocolate in UK and Commonwealth markets.

The Masterbrand concept was developed in Cadbury Schweppes Australia building on research that showed that for the Australian consumer Cadbury Dairy Milk is synonymous with chocolate. This gave us confidence that the brand could have wider appeal. As a result, a whole new range of products with new fillings was created to satisfy the demands of consumer tastes and desires.

Following its success in Australia, the Masterbrand concept has been rolled out in key Cadbury Dairy Milk markets, and has led to strong growth in the brand in 2004 and 2005. It was launched in Australia in 2002, in the UK and Ireland in 2003 and 2004, and in Canada and South Africa in 2005. Sales of Cadbury Dairy Milk grew by 8% in 2004 and 7% in 2005.

For more company information, see our Annual Review and Summary Financial Statement 2005, our Report & Accounts 2005, and our Interim Report 2006 which can be accessed through our website [www.cadburyschweppes.com](http://www.cadburyschweppes.com)



# our csr vision and strategy

Cadbury Schweppes is committed to growing responsibly. We believe responsible business comes from listening and learning, and having in place a clear CSR vision and strategy. It also comes from having the processes and systems to follow through and an embedded commitment to living our values.

## Our business vision: working together to create brands people love

'Working together to create brands people love' is at the heart of our Purpose and Values statement. For us, it captures the positive, collaborative aspects of doing business and recognises the emotion, attachment and values associated with our brands.

In the past few years, like many other companies, we have been thinking again about what it means to act responsibly in a changing world. We have introduced new policies and new systems to meet the changing expectations that society has of business. New thinking and innovation have strengthened our approach and this has proved an enduring point of difference for Cadbury Schweppes.

We see CSR as a positive contributor to our competitive strategy. Increasingly we think of it as more about doing responsible things profitably than just doing the profitable things responsibly.

## Our CSR strategy

It is acting responsibly that has allowed us to grow and create enduring value for shareowners. It is the desire to continue acting responsibly that has led us to drive new energy and thinking into our CSR strategy and what we call our Five Pillars of CSR: marketing, food and consumer issues; ethical sourcing and procurement; environment, health and safety, human rights and employment standards; and community investment.

We have renewed our goals and commitments for responsible business growth. They set the scene for the next stage of our CSR journey, and we call them our

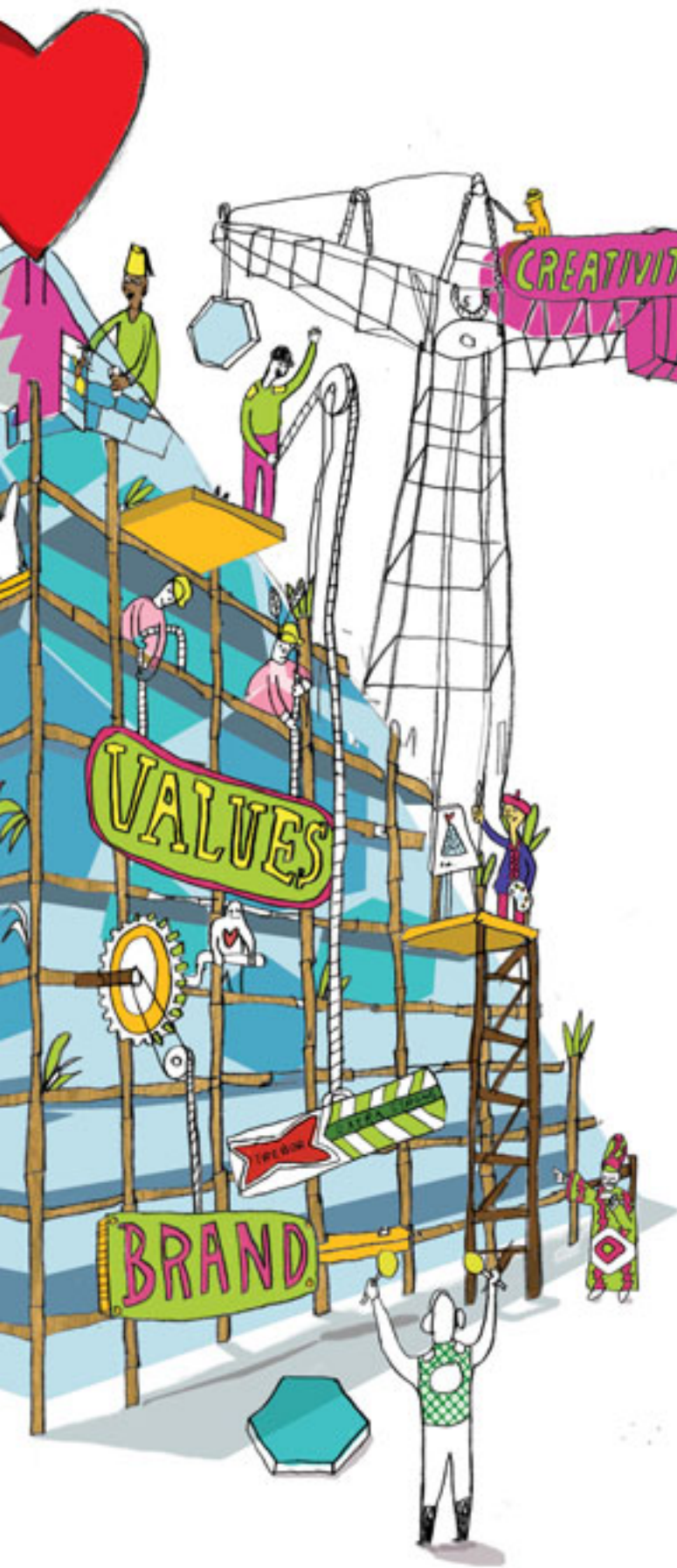
★ See pg 13, 57

**'Goals and Commitments on Sustainability.'**

There are specific goals and commitments for each Pillar and you can find them described on page 13 and also in our chapter on 'Where Next?' on pages 56-57.

All the pillars are firmly underpinned by our commitment to good governance and *Our Business Principles*.





## Our Business Principles

We take our ethical business practices very seriously and have defined our commitment to these in *Our Business Principles*. They describe the high standards of conduct we set for ourselves and act as a guide for turning our values into action. The principles take into account global standards, such as the Universal Declaration of Human Rights and the International Labour Organisation conventions. Please visit our corporate website to read a full copy of *Our Business Principles* at [www.cadburyschweppes.com](http://www.cadburyschweppes.com)

We expect each employee to uphold our ethical business practices. Every manager receives an annual communication on the principles and each is expected to be responsible for ensuring the same behaviour of those they manage. We ask our managers to sign up to *Our Business Principles*, which includes affirming that they have communicated the principles to their staff. In 2006, we used an electronic IT communication and sign-up process for our senior executives. Our Human Resources department confirms sign-up by our senior executives to our Group Company Secretary and the Chief Executive's Committee.

We asked the Sustainability Team at Deloitte & Touche LLP (Deloitte) to provide assurance on our 2005 and 2006 communication and sign-up process and for sign-up of our 160 most senior executives in 2005.

Our commitment to ethical business practices is underpinned by our global confidential *Speaking Up* process and helpline run by a third party organisation. Through *Speaking Up* colleagues from around the world can raise any concerns they have related to ethical business practices.

## Shared responsibility for CSR

At Cadbury Schweppes we all take responsibility for realising the Company's vision and strategy, but it begins at the top. Championing CSR requires leadership both internally within our own organisation and externally where our history and heritage, combined with our strong market position, means that we are well placed to offer that leadership.

Our Board Corporate and Social Responsibility Committee addresses all key aspects of CSR. It has been chaired since its inception by Baroness Wilcox, one of our non-executive directors.

CSR issues also regularly feature on the agenda of the Chief Executive's Committee (CEC) and the Board. Senior steering and working groups oversee and review progress. At a Group level, these groups are:

- ♥ Food Issues Strategy Group and Food Issues Strategy into Action Group
- ♥ Environment Health & Safety Steering Group
- ♥ Human Rights & Ethical Trading Working Group
- ♥ Diversity & Inclusiveness Leadership Team
- ♥ The Cadbury Schweppes Foundation (which reviews corporate giving)
- ♥ Compliance Steering Group

# our csr vision and strategy... continued

CSR risks and opportunities are also taken into account through our *Business Risk Review Process* and through our annual *Business Contract Process*.

At Cadbury Schweppes it is the job of our management teams throughout our business to bring these commitments to CSR to life at local level and to embed them within the fabric and day-to-day operation of the business.

## Our approach to CSR

Values, principles, systems and processes alone are not enough to ensure continued commitment and progress. We constantly look to learn from and better understand the world around us. We share what we learn across our businesses and use it to inform our collective thinking and decision making. We continue to embed this learning in our plans and activities, our business systems and processes.

We recognise that the world is constantly changing and that there will be new CSR challenges and opportunities. We also know we will have to tackle long-standing issues in new ways.

To help us do this, we draw on the collective experience of our colleagues throughout the business. The input of the non-executive directors of Cadbury Schweppes has been particularly helpful. We benchmark ourselves against peers and competitors. We learn from leading companies in other business sectors. We listen to the concerns of NGOs and local communities. And we contribute to and learn from outside organisations such as Forum for the Future, The Corporate Citizenship Company, Business for Social Responsibility, Business in the Community, the Institute of Business Ethics and the International Business Leaders' Forum.

We take an active leadership role in cross-country industry key initiatives such as the International Cocoa Initiative, the Roundtable on Sustainable Palm Oil and the International Business Leaders' Forum, Healthy Eating and Active Lifestyle (HEAL) programme.

The success of each business unit depends upon understanding its consumers and the communities it serves. Our regions and local companies must look to live our CSR values in ways that make sense for their business and brands, and to the needs of their local community.

## Embedding CSR

Between 2001 and 2003 we established clear CSR policies and commitments. We built processes to support *Our Business Principles* and we strengthened those of our programmes which focus on sourcing and community, and on ethical marketing and consumer impact. We established measures for our CSR performance. Over this time we have evolved a number of tools and building blocks, the first of which was our Five Pillars of CSR. We report our progress against each of these pillars in the pages that follow.

## The responsibility pyramid

As we continue to embed CSR practice within the organisation, we have recognised some important strategic levels, as illustrated in the 'Responsibility Pyramid' below. Straightforward risk avoidance is the first step of most companies' journey in CSR, and we are progressing beyond simple reputation enhancement and issue management. We believe that acting responsibly will fuel sustainable growth and advantage for our brands and see CSR as a positive contributor to our competitive strategy.



## Living our Values – Leadership Imperatives

In our Leadership Imperatives programme for managers we include an important section on *Living our Values*. This highlights the values and behaviours we expect of our people in our businesses around the world and ensures our CSR agenda is embedded into local plans.

We ask our people to put Cadbury Schweppes' values into action in the things they do and say every day. We expect all of our people to recognise and value the full range of individual contributions, ideas and cultures and work with them to create maximum value for the organisation and its stakeholders.

We expect all of our managers to live up to our values and assessment of performance in this area is included in our individual performance reviews each year. Increasingly we have come to view CSR as providing a set of essential guiding principles and valuable ways of working.



## Our goals and commitments on sustainability 2006-2010

<b>Marketing, Food, Consumer</b>	<b>GOAL</b> ♥ Contribute to consumer diet, health and lifestyle solutions.	<b>COMMITMENTS (BY 2010 – GLOBALLY – WE WILL...)</b> ♥ Improve nutritional labelling information for consumers including responsible consumption messaging, and support initiatives that promote physical activity.	♥ Increase product choices for consumers including reduced fat, sugar and salt alternatives, for core brands.
<b>Ethical Sourcing</b>	<b>GOAL</b> ♥ Maintain ethical sourcing standards, and develop sustainable agriculture programmes.	<b>COMMITMENTS (BY 2010 – GLOBALLY – WE WILL...)</b> ♥ Ensure our suppliers meet our ethical sourcing standards (see page 33).	♥ Sustainably source at least half of our key agricultural raw materials, such as cocoa, sugar, palm oil, and gum arabic, for core brands.
<b>Environment, Health and Safety</b>	<b>GOAL</b> ♥ Minimise the environmental impacts of our business, and embed a zero accident culture.	<b>COMMITMENTS (BY 2010 – GLOBALLY – WE WILL...)</b> ♥ Develop reliance on renewable energy, reduce use of carbon-based fuels, and use 100% recoverable or biodegradable packaging.	♥ Achieve top quartile performance for workplace health and safety.
<b>Human Rights &amp; Employment Standards</b>	<b>GOAL</b> ♥ Nurture our Company as 'The Place to Be', where diverse colleagues are proud to work, and are committed and engaged.	<b>COMMITMENTS (BY 2010 – GLOBALLY – WE WILL...)</b> ♥ Consistently achieve top quartile Employee Climate survey results.	♥ Attain 25% female representation in our executive management.
<b>Community</b>	<b>GOAL</b> ♥ Help create prosperous, educated, inclusive and healthy communities.	<b>COMMITMENTS (BY 2010 – GLOBALLY – WE WILL...)</b> ♥ Contribute at least 1% pre-tax profit for Community Investment as a group and per region, year on year.	♥ Build on and develop partnerships across the business to help address global social, economic, and environmental concerns linked to the Millennium Development Goals.

### Assurance

Assurance is an important milestone on our journey. It helps affirm that our policies are durable and that we have the systems and processes in place to deliver our business responsibly. It also helps us manage our performance and inform our decision-making.

We have started our assurance journey by asking the Sustainability Team at Deloitte to provide assurance on key areas of our CSR programme:

- ♥ Our Business Principles
- ♥ Ethical Sourcing
- ♥ Environment, Health and Safety
- ♥ Employee Climate Survey
- ♥ Community Investment
- ♥ CSR report compilation process

An assurance statement from Deloitte can be found on page 61 of this report and more information on the activities we have asked Deloitte to assure is provided throughout the body of the report itself. For the future we plan to develop a broader and deeper assurance programme of continuous improvement and performance measurement.

### What others say about our CSR performance

Our CSR performance is rated by various external indices and this helps us assess how we are progressing. Indices include:

**Dow Jones Sustainability World Index.** In 2005 we scored 73%, up from 71% in 2004. Our scores have gradually increased since our initial participation in 2001, reflecting our progress.

**FTSE4Good.** We are included in this index which measures the performance of companies that meet globally recognised CSR standards.

**Business in the Community Corporate Responsibility Index.** In 2005, our overall score was 92.5%, up from 89% in 2004, 87% in 2003, and 73% in 2002.

**Carbon Disclosure Project (CDP).** In 2005 CDP's annual Climate Leadership Index of Fortune 500 companies included Cadbury Schweppes in the top 60 companies highlighted as global leaders in carbon management.

### CASE STUDY

#### Making it real: Integrating CSR strategy in Cadbury Schweppes Americas Beverages

In May 2004, Cadbury Schweppes Americas Beverages formed a CSR Council of senior leaders representing each of our five pillars of CSR and the different geographies and functions of the business. The aim of the Council is to align the regional approach with that of the overall Group and to embed CSR into the business, taking account of local market conditions.

Following a strategic review of existing CSR activities and consulting widely with colleagues, the Council set out a new approach for working with customers, suppliers, communities, colleagues, and the environment. The Council reports progress to its Regional Leadership Team on a quarterly basis.

# our economic contribution

Creating brands people love satisfies our consumers' desire for confectionery and beverage treats and refreshments. It also creates wealth for our shareowners, employees, suppliers, government, customers and society. We believe that creating wealth is the first social responsibility of every company.

## Economic contribution and "cash value added"

The illustration on these pages show the value that Cadbury Schweppes shares out around the world and how it is shared among the Company's different stakeholder groups. The numbers include amounts for Europe Beverages, which we sold in early 2006.

In 2005, we paid £4,800 million to our suppliers world-wide for goods, services and new fixed assets. We generated a total of £7,200 million from sales during the same period, creating almost £2,400 million of "cash value added".

The biggest beneficiaries of our "cash value added" were our employees who received £1,186 million (49%) in wages, salaries, contributions towards retirement and other benefits. Included in the £1,186 million, we paid £31 million into pension funds to assist in reducing existing deficits. We are committed to injecting a further £94 million in 2006 in order to make sure we meet our responsibility to provide sustainable retirement benefits.

We paid £341 million (14%) to governments around the world in taxes and social security contributions.

The providers of capital received £456 million (19%), of which £257 million (11%) was paid in dividends to our shareowners. We were able to increase the dividend to shareowners by 4% in 2005. We paid £199 million to banks and other lenders in interest payments on our borrowings.

We returned a little over £9.8 million, just over 1% of pre-tax profit, to communities around the world in the form of Community Investment. This is described fully in the section on Community Investment, see pages 50 to 55.

## Employees (wages, salaries and retirement costs)

**£1,186m**





Government  
(taxes and social security costs)

**£341m**

Providers of capital  
(dividends to shareholders)

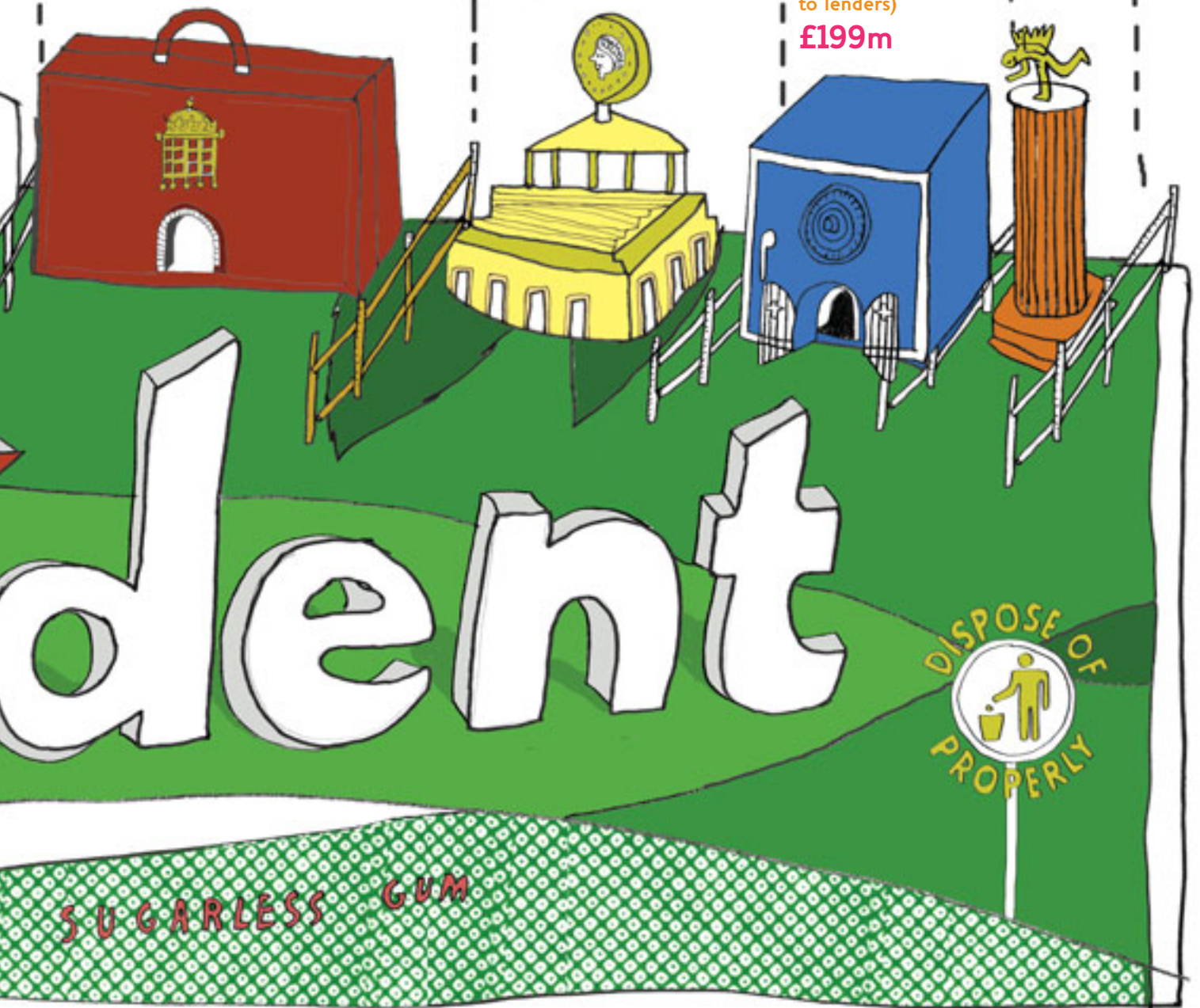
**£257m**

Providers of capital  
(interest on borrowings  
to lenders)

**£199m**

Community  
investment

**£9.8m**



# our impacts

Wherever we operate we seek to play a responsible role in society by maximising the benefits of our activities and mitigating the adverse impacts. We act continuously to improve our social, environmental and economic performance.

One of the biggest impacts of our activity has been to create a set of brands that consumers know, love and trust. Whether it is Dr. Pepper, Cadbury, Trident, Dentyne or Halls, our brands are ones that people trust for their high quality, great taste, the pleasure they offer, and their value for money. Many of our key brands are long established, having been launched in the late 19th and early 20th centuries.

## Our operations

We exert the greatest level of direct control in our manufacturing processes. We are therefore committed to minimising the environmental impact of these processes by developing our reliance on renewable energy sources and by reducing the amount of carbon-based fuels and water we use. We aim to do this through innovation and the efficient management of our energy supplies and water use.

## Our products

We offer top quality, safe products. We use innovation, responsible marketing and ethical sourcing to deliver choices to our consumers.

## Our employees

The continuing success of our brands rests upon Cadbury Schweppes remaining 'The Place to Be,' encouraging a diverse workforce and inclusive workplace. We benefit from the performance, energy, values and commitment employees bring. We provide employees with rewards and opportunities for personal development, security and advancement.

## Our marketing

We have direct control over the advertising and marketing of our brands and on the messages carried on their packaging. We take this responsibility seriously. Our *Global Marketing Code of Practice* helps us manage our activities in this area across the world.

## Our consumers

We operate in different markets and cultures around the world and have very many different consumers. Our consumers look to us to make and sell safe, great tasting, good value products of the highest quality. Nowadays they are also more concerned about issues of health, diet and lifestyle. We are working with others, including government, research groups, NGOs and with multi-stakeholders on solutions to help address issues in these areas.

## Our customers and business partners

We have a diverse portfolio of customers ranging from the world's largest retailers through to individual small stores. Our business partners, particularly bottling companies, are also key to us being able to deliver quality products. We work with customers and business partners to make sure our brands are widely available. Together we ensure that quality of product is maintained at point of sale.

## Our communities

We have an impact around the world in communities in which we operate, particularly where we have manufacturing and other facilities. We aim always to be a good neighbour and active community supporter.

## Our supply chain

We buy ingredients, goods and services directly from about 40,000 suppliers world-wide. The level of our impact and influence varies. For some suppliers we are a key customer, vital to the continuing prosperity of their business and community. With others, we are simply one of many buyers. Wherever we have influence we use it to reinforce quality, and to build sustainability and ethical trading.

## Our shareowners

Our business is built on the money invested by our shareowners. Our overarching goal is to deliver superior shareowner returns, driven by superior business performance. We measure our performance against the total return on our shares (share price growth, plus the value of re-invested dividends). We benchmark this against the returns of other international fast moving consumer goods companies, including our major confectionery and beverage competitors.





# our stakeholders

Listening to and learning from others helps us build a successful business. We regularly seek dialogues with organisations, groups and individuals to increase our understanding and help inform our decisions and actions. Wherever we sensibly can, we help establish positive partnerships for change.





## Investors and shareowners

### Engaging investors and shareowners.

We engage with investors and shareowners in regular meetings. This includes meetings specifically on CSR and socially responsible investment issues. Our shareowners are not only interested in what we are doing to develop the business, but also increasingly in how we are conducting business.

## Consumers

### Understanding the needs of consumers and how products can fit into a balanced lifestyle. Working with organisations to serve consumers better.

Understanding and anticipating consumer needs and preferences underpins our new product development and the growth of our brands, and is fundamental to our success. We engage with individuals and consumer organisations on a range of issues, including nutrition and lifestyle, advertising and product sourcing in order to continue improving what we do and serve consumers better.

#### Some of the organisations we work with are:

- ★ American Diabetes Association
- ★ British Nutrition Foundation
- ★ International Life Sciences Institute, including in US and Brazil
- ★ Nutrition and Health Foundation, Ireland
- ★ Sports Science Institute of South Africa

## Government

### Talking to government on health, food and agriculture policies. Helping to deliver healthy and educated communities.

We work with government at local and national levels. In Europe, we engage with the European Commission and European Parliament on matters including the direction of health, food and agriculture policy. We maintain a small government affairs team in Washington. Locally, we are in frequent contact with the politicians who represent our communities. We also engage with international agencies like the World Health Organisation.

## Employees

### Making sure that Cadbury Schweppes is 'The Place to Be', and has a diverse and inclusive workplace.

We listen carefully to our employees' views through our regular, structured meeting and employee consultation processes, through our annual Employee Climate Survey, and through our recognition of trades unions. We use our employees' broad and diverse insights to develop and improve what we do.

## Suppliers

### Improving standards, and the economic, social and environmental sustainability of our supplier base.

We work with our supply chain partners on a regular, individual or group basis to achieve this. This includes partnering with non-governmental organisations (NGOs), industry, government, and trade associations.

## Customers and other business partners

### Finding ways to work together more effectively in delivering brands people love and having a positive impact on society.

We work with our many thousands of large and small, direct and indirect customers and business partners around the world to bring our products to market. Our relationship with them is based on mutual respect and support.

## Non-government organisations (NGOs) and charities

### Sharing understanding and building on our dialogue with voluntary and civil society groups on all aspects of our business.

We work with NGOs and charities at local, national and international level. One of our partners is the International Business Leaders' Forum where we are members of the Healthy Eating and Active Living Global Partnership (HEAL) – a multi-sector initiative aimed at increasing nutrition literacy and physical activity.

## Communities

### Working with the communities in which we operate to help build a prosperous, educated, inclusive and healthy society.

We recruit many of our colleagues from our local communities. We also buy our ingredients from and sell our finished products in a great many places world-wide. It is in our own interest to help build prosperous, healthy societies, as well as in the local and national interests of the communities where we operate.

## Multi-stakeholder initiatives

### Working better together with government, civil society organisations and industry to solve major issues and challenges related to our business.

We are members of a number of multi-stakeholder groups involving government, industry and NGOs. The International Cocoa Initiative, the Roundtable on Sustainable Palm Oil and Better Management in Agricultural Commodities are examples of this positive form of working.

# marketing, food and consumer issues

「BIG ISSUE」

## Responding to consumer concerns

We are always looking ahead to identify issues that may have an impact on us and in the communities where we live and do business. We engage with a broad range of stakeholders and work hard to understand their views and expectations of us so that our decisions are based firmly on knowledge and sound science. At Cadbury Schweppes we are committed to acting responsibly, living our values and caring for our consumers.

### Food and drink

We operate in an ever changing and increasingly complex food environment.

In its **Global Strategy on Diet, Physical Activity and Health, the World Health Organisation (WHO)** calls for governments, business and other stakeholders to work together to promote healthier diets, nutrition and exercise. This Global Strategy, released in 2004, has these recommendations for the food and drink industries:

- ♥ Promote healthy diets and physical activity
- ♥ Limit the levels of saturated fats, trans-fatty acids, free sugars and salt in existing products
- ♥ Continue to develop and provide affordable, healthy and nutritious choices
- ♥ Consider introducing new products with better nutritional value
- ♥ Provide consumers with adequate and understandable product and nutrition information
- ♥ Practise responsible marketing
- ♥ Issue simple, clear and consistent food labels, evidence-based health claims
- ♥ Provide information on food composition
- ♥ Support physical activity programmes
- ♥ Provide workplace intervention on health and wellbeing

We endorse this strategy and are working with the **WHO** and other stakeholders to develop solutions.

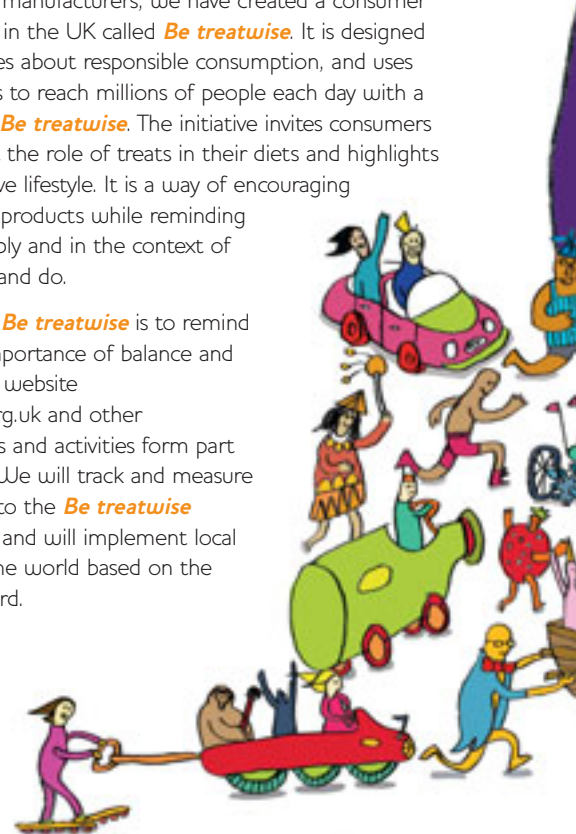
Over the past few years there has been intense effort and enquiry from scientists, psychologists, nutritionists and other experts around the issue of obesity. This has been from both within the food industry itself and from outside. What has become clear is that obesity is caused by a combination of factors that include inherited genetic profiles, emotional and psychological issues, lack of physical activity and changing lifestyles, as well as food choice. It is against this backdrop that we are concentrating our efforts.

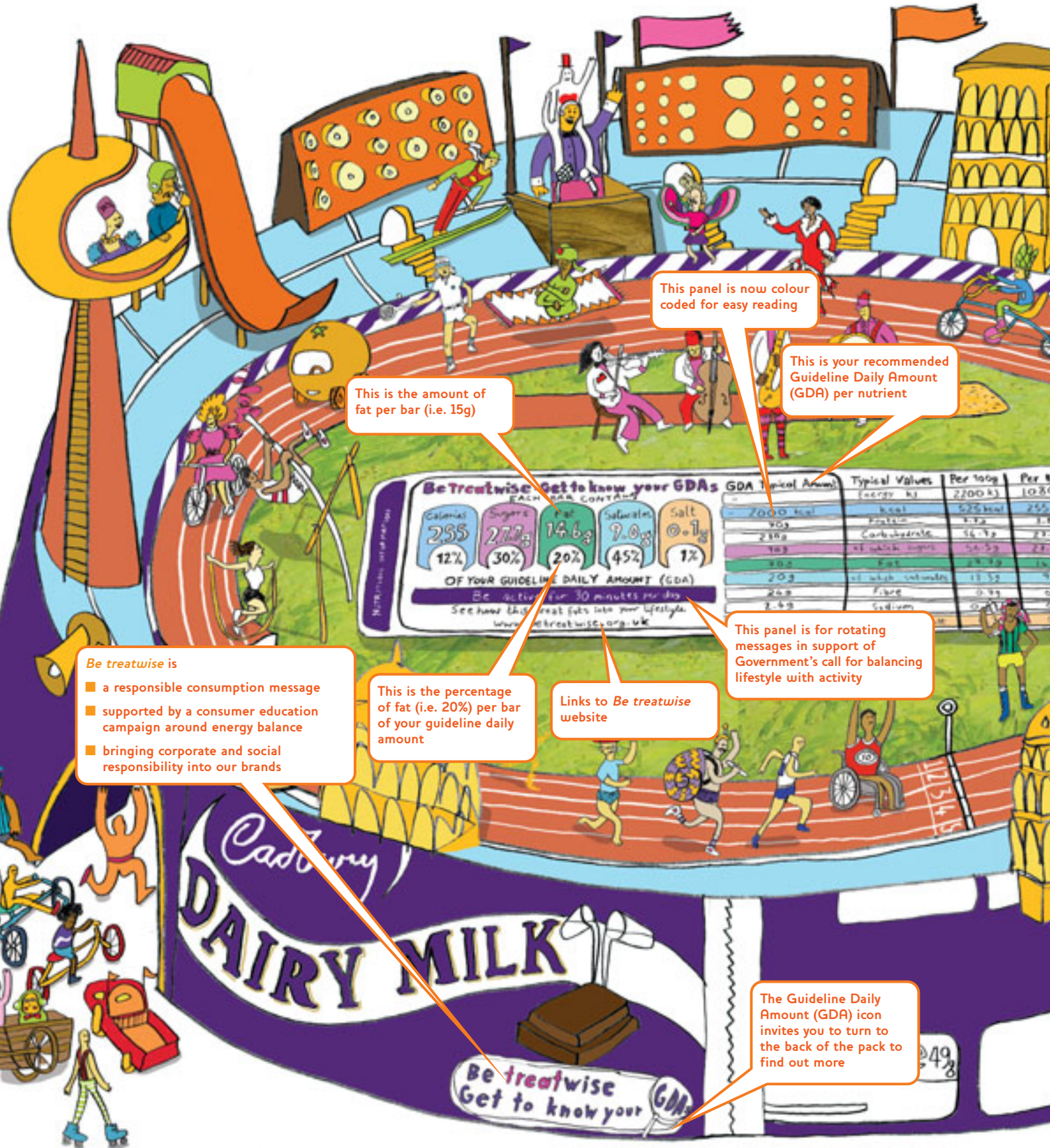
Within the overall context of our business as a global manufacturer of confectionery and beverages, our specific goal is to contribute to consumer diet, health and lifestyle solutions through product choice and supporting programmes. We have already begun to introduce alternative products with lower fat, sugar and salt options, and are committed to making sure we have such alternatives for every one of our core brands by 2010.

### *Be treatwise* – responsible consumption

Responsible consumption of our products is important to us and to the long-term success of our brands. In an industry first, with other confectionery manufacturers, we have created a consumer education campaign in the UK called **Be treatwise**. It is designed to reinforce messages about responsible consumption, and uses the power of brands to reach millions of people each day with a positive message to **Be treatwise**. The initiative invites consumers to learn more about the role of treats in their diets and highlights the need for an active lifestyle. It is a way of encouraging people to enjoy our products while reminding them to do so sensibly and in the context of everything they eat and do.

The ultimate aim of **Be treatwise** is to remind people about the importance of balance and moderation and the website [www.betreatwise.org.uk](http://www.betreatwise.org.uk) and other educational materials and activities form part of the programme. We will track and measure consumer response to the **Be treatwise** campaign over time and will implement local campaigns around the world based on the **Be treatwise** standard.





This panel is now colour coded for easy reading

This is your recommended Guideline Daily Amount (GDA) per nutrient

This is the amount of fat per bar (i.e. 15g)

**Be treatwise Get to know your GDAs**  
EACH GDA CONTAINS

Calories <b>255</b> 12%	Sugars <b>27.2g</b> 30%	Fat <b>14.6g</b> 20%	Saturates <b>7.0g</b> 45%	Salt <b>0.1g</b> 7%
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OF YOUR GUIDELINE DAILY AMOUNT (GDA)  
Be active for 30 minutes per day  
See how this treat fits into your lifestyle  
www.betreatwise.org.uk

GDA Typical Amount	Typical Values	Per 100g (2200kJ)	Per 100g (1000kJ)
2000 kcal	Energy kJ	522 kcal	255
70g	Protein	4.7g	18
28g	Carbohydrate	16.1g	28
10g	of which sugars	34.5g	23
40g	Fat	24.8g	15
20g	of which saturates	11.3g	9
20g	Fibre	0.3g	0
2.4g	Sodium	0.3g	0

- Be treatwise is**
- a responsible consumption message
  - supported by a consumer education campaign around energy balance
  - bringing corporate and social responsibility into our brands

This is the percentage of fat (i.e. 20%) per bar of your guideline daily amount

Links to *Be treatwise* website

This panel is for rotating messages in support of Government's call for balancing lifestyle with activity

The Guideline Daily Amount (GDA) icon invites you to turn to the back of the pack to find out more

marketing, food and consumer issues... continued





Together with the **Be treatwise** message, our labels and packs will invite consumers to 'Get to Know Your GDAs', or guideline daily amounts. Extensive consumer research shows that GDAs are the most effective way to help people make informed food choices. Having this information on packs puts the food in context by allowing consumers to see what part of their GDA is represented by an individual treat.

Masterfoods UK (Mars), and other confectionery manufacturers are supporting this initiative. It is the first time leading confectionery companies have worked together on a consumer information and education programme of this scale to provide more information about GDAs and present positive messages to consumers.

**Be treatwise** now has 70% of the UK confectionery industry signed up in support of the programme.

Our commitment is to improve consumer information on packaging and include responsible consumption messaging by rolling out the **Be treatwise** campaign globally.



### Gum disposal – brand led CSR on responsible disposal



Gum litter is an issue in many markets and is leading to growing concern among consumers and governments. Although we recognise that people are responsible for the disposal of their own litter, we emphasise the need to educate the consumer about responsible disposal. We have introduced a gum disposal message

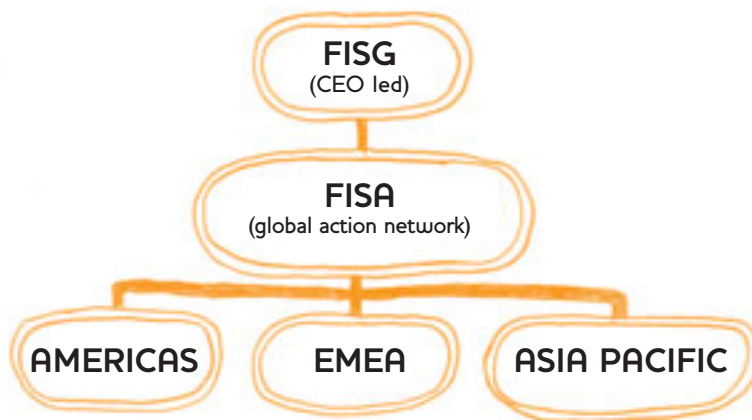
on all our packaging, including advertising and point of sale material as a means of supporting consumer education about responsible disposal.

### Food concerns – our governance and compliance is led from the top

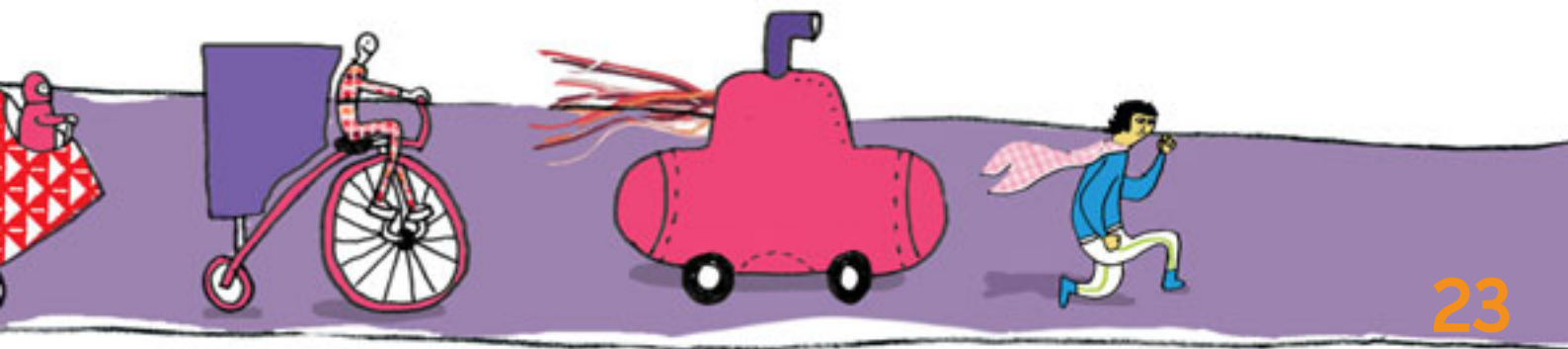
In 2003, we established our Food Issues Strategy Group (FISG) to ensure top-level review and engagement with food and nutrition issues. Initially led by our Chairman, the FISG is now chaired by our CEO. The Group is made up of senior members of the Company – members of the Chief Executive's Committee, the Consumer Impact Director and other key functional representatives. FISG sets global strategy for the Company and makes sure we understand and meet the needs of our consumers in the way we both develop and make our products and then market them.

The FISG is supported by a global action network, the Food Issues Strategy into Action Group whose role it is to translate policy into actionable programmes across the business. We have structured these groups to make sure we can deliver on what we say we will do and we measure ourselves against our commitments annually.

In 2005, as part of a wider assessment, we commissioned a third party review into how we manage our food issues. Our aim was to get a better understanding of the areas where we need to improve and those where we are performing well. The Food Issues Strategy Group (FISG) and the Food Issue Strategy into Action Group (FISA) together were identified as examples of good practice. They were shown to be a highly effective way of translating core values into policy and putting them into practice globally. In future, we will include Marketing, Food and Consumer Issues as part of our external CSR assurance programme.



FISA: Food Issues Strategy into Action Group  
 EMEA: Europe, Middle East and Africa  
 AMERICAS: Includes our confectionery and beverage regions





## 2. Marketing and children – we can help

People are concerned about marketing to children. Cadbury Schweppes supports self-regulation and our *Global Marketing Code of Practice* contains a section dedicated specifically to children. Our code can be found online at [www.cadburyschweppes.com/marketingcode](http://www.cadburyschweppes.com/marketingcode). Within the code, we say we will not advertise to children of eight years or less where they are the majority of the audience. In addition we have clear guidelines on:

- ♥ Promoting sensible consumption
- ♥ Advertisement placements
- ♥ Not misrepresenting benefits
- ♥ Clearly understood language and visuals
- ♥ 'Pester power'
- ♥ Fictitious and real character usage
- ♥ Supporting the role of parents and guardians

We also have a range of specific guidelines relating to vending and schools.

## 3. Portion sizing – variety and moderation

We help our consumers by providing a broader range of options across all our product ranges. Cadbury Schweppes was the first confectionery manufacturer to discontinue the single-serve, king-size lines in 2004. We made this move as part of our overall efforts to encourage moderation and responsible consumption. We also continue to offer a variety of smaller beverage sizes and options. Where we have larger portion sizes we make clear that they are for sharing or for multi-occasions. We have included new portion size and sharing information on our labelling. These steps will give consumers greater choice and flexibility in how they consume our products.

## 4. Labelling – an industry first

Consumers tell us they know and understand our products. We want to continue to be open and transparent about what is in our products and how these compare to other foods and fit within the context of overall intake. We are providing more information and responsible consumption messaging to help keep consumers informed. We have launched a new *global labelling standard* together with *Be Treatwise* – a UK confectionery industry consumer education campaign designed to educate consumers about the role of treats in the diet (see pages 20 to 23). We have introduced GDAs (guideline daily amounts) in the UK and dual labelling on our US beverages.

## 5. Vending in schools – by invitation only

We do not sell confectionery or carbonated beverages through vending machines in primary schools. We vend in secondary schools by invitation only and in line with nutritional guidelines set by the school. We do not carry visuals of children under eight years of age on our vending machines.

## 6. Consumer insight and research – sharing to help others

We continue to invest in, use and willingly share our consumer research and expertise to help improve understanding of concerns, both within and outside the business.

In 2005 we undertook global research studies into food, health, diet, nutrition, obesity, labelling and marketing covering both developed and developing countries and have shared these studies with governments and others. This builds on work undertaken in 2004 and 2003. We are supporting, with untied and unbranded funds, primary scientific research in this area.

We recognise that one of the most important things we can do is to contribute to a better understanding of the facts surrounding both current social trends and our own brands. For four consecutive years, Cadbury Trebor Bassett has supported a major study in the UK that tracks annual changes in obesity in adults and children and specifically assesses the role and position of confectionery in people's lives – in terms of both attitudes and behaviours. Called The LIBRA Study, this large-scale research initiative is part of an ongoing effort to help improve understanding in this area of public health. The study is conducted with leading research company Taylor Nelson Sofres and supplemented by UK government statistics. Previous findings about diet and exercise from The LIBRA Study have been presented as part of scientific sessions at the European Congress on Obesity.

## 7. Energy balance – we support building understanding

We continue to endorse initiatives that promote physical activity, responsible consumption of our products through campaigns like *Be Treatwise* and an understanding of the energy equation; particularly among children.



### Physical activity: supporting goals

Built on the belief that children should be allowed to play, an idea inspired by Nelson Mandela, the Chappies Under 12 Little League sets out to encourage greater participation of young South Africans in soccer. It is believed that through soccer, children can not only learn the importance of health and wellbeing, but also learn important life skills to help them achieve future success.

The Chappies Under 12 Little League was first established in 2003 as a partnership between Cadbury Schweppes, the United South African Schools' Football Association and the South African Football Association. The success of the competition has gained worldwide recognition, with the league winning a place in the Guinness Book of Records for the biggest soccer competition in the world.

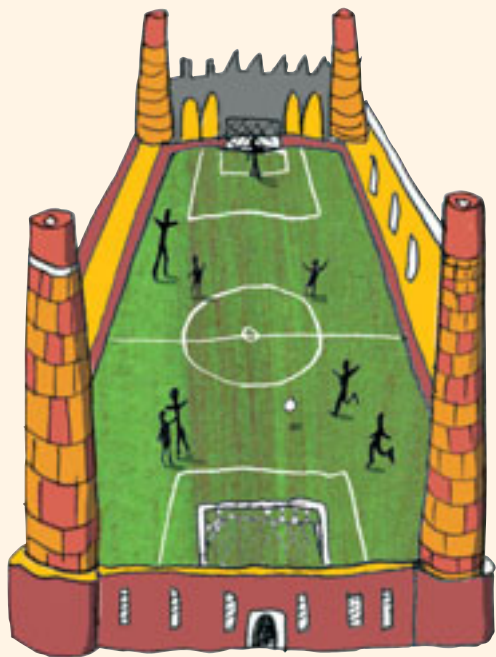
# marketing, food and consumer issues... continued

## 8. Community – our people are all part of their local community

We continue to support initiatives that promote physical activity and education that help improve consumer health and the understanding and prevention of obesity. These programmes are often local initiatives led by our people working as volunteers within their local community.

### Physical activity: room to move

Sometimes the simplest ideas have the biggest impact. In Brazil, we saw that there was a need to help keep children active and off the streets. So, in two locations, we have converted factory grounds into space and facilities that are used outside work hours by children for community sport and recreation when they are not in school.



## 9. Business Partners – our customers and suppliers

Our efforts do not occur in isolation and we are actively engaging with government, non-governmental organisations, business partners, customers and our competitors asking them to inform and support our responses. Alone we are limited in what we can do, but together the potential to be a force for good is great.

## 10. Employee health and wellbeing – because our employees are consumers too

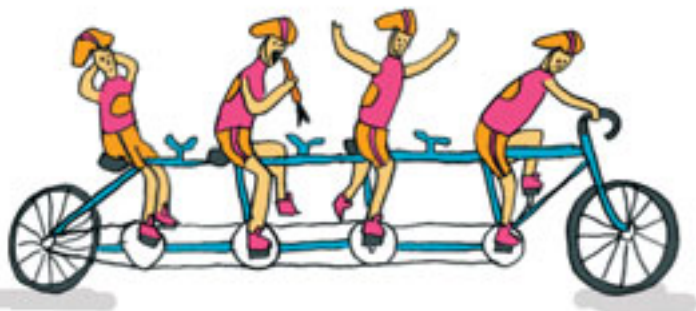
We are active in helping our people understand and improve their own health and wellbeing. Good stewardship begins at home. We have a long tradition of looking after our employees and part of that commitment today still involves helping them keep fit, healthy and feeling good about themselves.

We provide a number of local health and wellbeing programmes for employees ranging from employee nutrition and health education through to whole-family health management schemes. The programmes include the provision of nutrition-focused on-site cafeterias; hygiene and health management education; subsidised activity facilities on or off-site; organised sporting and social activities; and a range of courses and counselling on matters such as work-life management, relaxation and stress management, managing weight change and reducing smoking or drinking.

A large number of local business units have medical facilities for basic health and safety requirements. In addition, many offer employees medicals of one kind or another to give an indication of fitness to work. Guiding principles for such employee wellbeing schemes were introduced in 2005, to inform further development and the introduction of new facilities and programmes.

### Fit for Life in the UK

In the UK, to help increase employees' wellbeing both at home and in the workplace, the company has introduced the Fit for Life programme. Fit for Life focuses on four key areas of health and wellbeing: Activity, Balance and Relaxation, Nutrition and Personal Wellbeing. The programme includes lunch time walking groups, charity runs and cycling events, lifestyle medicals, nutritionally balanced menus, cafeterias, and courses in relaxation and stress relief.



## 11. Science, nutrition and innovation – we have increased support

Our decision-making around food and health issues is based on the sound application of science. As a company, we have a large science capacity and invest significantly in research that enables us to drive innovation and provide consumers with a wide variety of choice including alternative products (reduced fat, sugar and salt) within our core brands. We have significantly increased our scientific and nutritional resources within our business and now have:

- ♥ Around 700 Science and Technology colleagues employed globally
- ♥ A Global Science Centre at Reading University Campus, UK
- ♥ A new US\$ 40m Science, Technology and Innovation Centre in New Jersey, US
- ♥ A new £1.45m Science Centre opened in Singapore in 2006 to serve the Asia Pacific Region
- ♥ A newly appointed Director of Nutrition
- ♥ Global fortification guidelines and nutritional standards
- ♥ A global external Nutrition Advisory Board

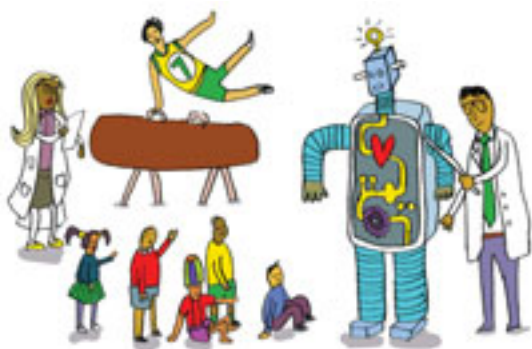
Beyond our in-house research, we support hundreds of scientific projects around the world. For example, through the support that we give to the International Life Sciences Institute, we are increasing the understanding of how specific components in food and beverages affect and improve health.

Through this investment, we are reducing our reliance on the ingredients consumers are concerned about and are reformulating products to make sure they continue to taste great and are enjoyed.

### CASE STUDY

#### Research into nutritional habits, São Paulo, Brazil

Our confectionery business in Brazil has co-sponsored a scientific study to understand the nutritional status of adolescents (10-15 year olds) in São Paulo schools. The study includes anthropometrically assessing more than 8,000 students on their nutritional habits, food consumption at home and school, nutritional disorders and physical activity habits. Our partners were the International Life Sciences Institute, Brazil and the Medical School of the São Paulo Federal University. The study was co-sponsored with four other food companies.



## 12. Stakeholders – we value what others think

Our business decisions are underpinned by sound science together with consumer research. We also listen to the opinions and expectations of others including government, shareholders, campaigners, customers and our families and friends and incorporate these into our business decision making processes. For example, in 2001, based on concerns around marketing to children and existing science on the age when children identify and understand advertising motives, we withdrew from advertising to children under eight years of age where they are the majority of the audience.

### Summary of our checklist on which we continue to build

- ★ Board level governance
- ★ Annual measurement against commitments
- ★ Independent assessment on progress
- ★ Focus on children
- ★ Improved labelling
- ★ Clear marketing guidelines including self-regulation on marketing to children
- ★ Emphasising role of physical activity
- ★ Increasing investment in Science & Nutrition
- ★ Promoting responsible consumption
- ★ Developing products people feel good about
- ★ Appropriate portion sizes and improved choice
- ★ Building CSR into our brands
- ★ Food and marketplace issues as a pillar of our CSR strategy
- ★ Linked to Company purpose and values

Although we are already responding to our consumers' needs for alternative choices, diets and lifestyles, we are aware there is still a great deal of work to do. At Cadbury Schweppes we have the structures and resources in place to make it happen.

Consumer concerns move fast. It is likely that while some people will want a wider range of healthier and more functional products, others will still want to indulge in the little treats of life and everybody will want products they feel good about. It is our job to meet all these needs. We will continue to listen to what our consumers and stakeholders tell us while remaining true to our sustaining vision: to create brands that people love and trust.

### Our commitments

We will increase alternative product choices for consumers including reduced fat, sugar and salt, for our core brands.

We remain committed to improving nutritional labelling information for consumers including responsible consumption messaging, and supporting initiatives that promote physical activity.

For more information on these and other initiatives, please visit [www.cadburyschweppes.com/societyandenvironment/consumer](http://www.cadburyschweppes.com/societyandenvironment/consumer)

# ethical sourcing and procurement

We make brands with high quality ingredients and use packaging and services to help deliver our products in first class condition. We work with thousands of suppliers to ensure the quality of our goods and that we buy from ethical and increasingly sustainable sources. It is what both we and our consumers expect.

## Sourcing products and services from around the world

Creating the brands people love requires a host of ingredients and different packaging. We need the right quality of ingredients to produce tasty, safe, high quality products, and fit for purpose packaging to ensure their freshness and quality. Consumers expect this from us every time they buy our products.

Besides the ingredients and packaging for our products, we need the equipment necessary for us to conduct our business: for example, plant and machinery, desks and phones. We need to buy in services too, whether it is advertising for our products or training for our colleagues.

We buy directly from about 40,000 suppliers from around the world. Approximately half of our spend is on ingredients and packaging.

We have two goals on sourcing: to maintain our ethical sourcing standards, and develop sustainable sourcing programmes for our agricultural raw materials.

## Our strategic sourcing process

We have developed a Strategic Sourcing Process to guide our procurement activities. This process takes into account cost, quality, safety, the nature and reliability of the source, environmental impacts and workplace practices. By having comprehensive, robust processes we can monitor our procurement activities closely and continuously improve them.

To help us manage our global purchasing operation we have a procurement function of around 270 employees.

We use Group Quality Management Systems. These systems help us buy our goods and services by monitoring both the quality of the ingredients in our products and the quality standards of our suppliers providing them. They also apply to our own company sites.

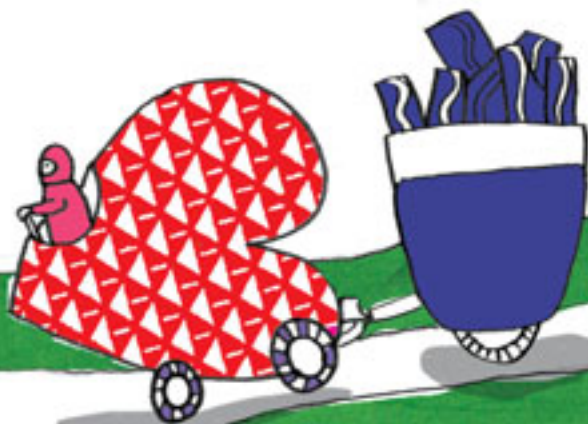
## Some ingredients and packaging we source

### INGREDIENTS

ITEM	HOW WE USE THESE
Cocoa	Key ingredient of our chocolate
Dairy products	Putting the milk into milk chocolate
Flavours	Using more natural flavours to meet the changing tastes of consumers
Fruit	Including apples for Mott's and fruit for Snapple and Cottee's, for example
Sugar	Natural sugar to make our products sweet
Sweeteners	Reducing natural sugar to meet growing demand for alternative sweeteners

### PACKAGING

ITEM	HOW WE USE THESE
Film	For wrapping and protecting our products
Glass	Bottles for our drinks
Paper and corrugated board	For protecting and carrying products, and for cases to get products to shops
Rigid plastic (PET)	Bottles and cartons for our drinks



## Sustainability

Our aim is to make sure our products are carefully sourced and produced in a sustainable manner. Our ingredients, goods and services also need to be sourced in ways that both support security of supply for the long-term and address questions of sustainability. For us this includes economic, environmental, social and labour conditions.

As part of our approach to sustainable sourcing, we consider all those involved in producing our products and ingredients. Our *Human Rights & Ethical Trading (HRET)* policy sets out the guidelines that apply both within Cadbury Schweppes and to our suppliers. It is based on the highest international standards, the Universal Declaration of Human Rights, and International Labour Organisation conventions. We have a set of *Ethical Sourcing Standards* for our suppliers which sets out what this means for them.

We regularly review and update our ethical sourcing and sustainability activity to ensure it consistently meets the high standards we require. During the next few years, we are committed to further development in these areas with our supply chain partners and to building on our sustainable sourcing programmes for agricultural raw materials.

## A complex and diverse supply chain

For us the term 'supply chain' describes the process we use to obtain the ingredients, packaging goods and services that we need to do our business. At Cadbury Schweppes, we have several supply chains, depending on the item we are sourcing. Our supply chain for milk, for example, is different from the supply chain for advertising, and supply chains for the same item can also vary from country to country.

We believe the very diversity of our various supply chains and the global nature of our procurement underlines the imperative of having clear guiding principles, strong values and robust operating processes. Good CSR led practice in our supply chain underpins the integrity, sustainability, quality and safety of our products.



ethical sourcing and procurement... continued





The processes involved in making one of our chocolate bars, Cadbury Dairy Milk Fruit & Nut, at our factory in Bournville in the United Kingdom, give a good illustration of how supply chains, and our relationships within them, can differ.



## Making and advertising Cadbury Dairy Milk in the UK

**Advertising – one step away** Cadbury Schweppes has direct contracts with the advertising agency responsible for advertising and promoting Cadbury Dairy Milk Fruit & Nut. This means the advertising agency is one step away from our company.

**Milk – two steps away** The milk that goes into our chocolate bar comes from the United Kingdom. We buy it from farmer-run co-operatives. Here we have direct dealings with the co-operatives but not with the individual farmers, which means the farmers who produce the milk are two steps away from our company.

**Raisins – two steps away** The raisins in our chocolate bar come from Turkey. We buy the raisins from a family-owned Turkish processing plant near Izmir, which buys its raisins from around 1,000 small farmers. The raisins are traceable back to the original farms. The processing plant maintains close relations with the farmers to ensure quality. We are two steps away from these 1,000 small farmers.

**Almonds – two steps away** The almonds in our chocolate bar come from California. We buy the almonds from a processor who in turn buys them from the farmer. Here we are two steps away from the original producers, the Californian almond growers.

**Sugar – two steps away** The sugar we buy comes from the UK and mainland Europe. We buy it from sugar processors. The sugar processor buys sugar beet direct from the farmer. The farmers who grow the sugar beet we use are therefore two steps away from our company.

**Cocoa – three or more steps away** Cocoa for our chocolate bar is sourced from Ghana. We buy cocoa from the Ghanaian government Cocoa Board (COCOBOD), which controls the cocoa trade in Ghana. Between COCOBOD and the farmer there are licensed buying companies. They buy cocoa from the farmer and transport it to the seaport. Here we are three steps or more away from more than half a million farmers.

How much influence we can exert on particular supply chains varies. If we are a major buyer of a product, or where we buy directly from the producer, our influence can be great. When we are not a major buyer, or where we are several steps away from the producer, our influence tends to be more limited. Nevertheless we still recognise our responsibilities for each link in our supply chain.

Since our supply chain is so extensive and wide-ranging, the number of groups with which we can engage, and the degree of engagement, varies according to circumstances. It is also greater where we believe we can have most effect, for suppliers whose products and services are more central to our brands, and for those operating in countries or sectors typically known to face the most significant human and labour rights issues. We must prioritise and have initially focused our efforts on suppliers of ingredients, packaging and promotional items.

To help with this process we have a method of categorising and prioritising our suppliers into three levels, or tiers, according to risk as well as the importance of the product or service to our company and our brands.

# ethical sourcing and procurement... continued

## Working with suppliers

**Ethical trading and respect for human rights are core inherited values at Cadbury Schweppes where we have long sought to treat our suppliers justly. We not only believe that this is the right thing to do, we know it also makes sound business sense. Good practice in our supply chain underpins the integrity, sustainability, quality and safety of our products.**

The quality and consumer appeal of our products and their long-term sustainability depends among other important considerations, on the productive and mutually beneficial partnerships we forge with our supply chain partners around the world.

Our ethical sourcing strategy focuses on working with our suppliers to continue to improve workplace conditions and sustainable agriculture. Our supplier assessment and auditing is built on positive engagement and working collaboratively with our supply chain partners. Its aim is to ensure our suppliers meet our *Ethical Sourcing Standards*.

We are developing specialist auditing support as well as training our procurement teams on ethical sourcing and have begun to secure some audit activity through locally based NGOs. It is through such activity that we will help build auditing and assessment capacity in local markets where we benefit from local understanding.

We are working collaboratively with our suppliers to help make their own systems more effective and to bring about improvements. This includes holding meetings with individual suppliers, and with supplier groups, and working with them to develop our ethical sourcing standards and sustainability. Working with suppliers in this way also helps them create value for themselves and their organisations.

### What we and our consumers expect

People love the taste, the quality and the value of our products. They expect our brands to have been produced with integrity, where decent labour standards exist, with straight dealing in business transactions and a fair price for goods, services and labour has been paid. Increasingly, customers expect our products to come from sustainable sources and be produced without significant environmental impact. Increasingly, consumers expect companies to source ethically and in a sustainable manner, and these are firm Cadbury Schweppes commitments.

### Our supplier assessment processes

Our supplier assessment processes help us monitor and manage performance. These processes include desk-based risk review, site-based assessment, and verification. Our ethical sourcing team works closely with our procurement and quality teams, and has overall responsibility for these processes.

**Desk based review** – We conduct a review of site, industry and country risk information in our offices. These reviews help us to decide which sites would benefit from a visit and what aspects of ethical trading to concentrate on. We have recently joined

SEDEX (Supplier Ethical Data Exchange) to help us in these reviews and are also encouraging suppliers to join.

**Site-based assessment** – Following an initial desk review, site-based assessments are carried out by trained Cadbury Schweppes personnel or by external assessors. External assessors range from international audit specialists to local NGOs with in-country understanding, experience, and auditing experience in human rights and ethical trading. In places where this expertise does not yet exist, we are working with NGOs and other businesses to develop it. Where appropriate, when assessments suggest improvements and corrective actions are needed, we work closely with our suppliers to develop these.

**Verification** – We are continuing to develop our assurance programme and will start our verification process in 2006. This process will look at how effective our supplier assessment procedures are and will provide an external review of our management systems. An independent verifier will review a sample of our assessments to check for completeness, and to make sure that planned improvements have been implemented and are working effectively.

### Communicating our policy and standards: tier 1, 2, and 3 Suppliers

We categorise our suppliers into three levels or tiers according to country risk, as well as the importance of the product or service to our company and our brands. Higher risk suppliers are categorised as Tier 1 suppliers and are given more attention and priority than Tier 2 (who are considered next in terms of risk) and Tier 3. This approach was initiated in 2003, and it is an ongoing process.

#### CASE STUDY

### Case study: Sustainable Palm Oil

Palm oil is used in a wide range of food and other products and demand for it is growing fast. It is being used increasingly in the Far East, and in food production globally as food producers use palm oil as an alternative to other fats containing trans-fatty acids.

The RSPO, the Roundtable on Sustainable Palm Oil, is a multi-stakeholder group set up to look at ways of ensuring the sustainability of palm oil farming. Its aim is to help address concerns about the loss of rainforest, biodiversity, land rights disputes and labour rights.

Since its inception in 2004, the RSPO has created a set of 'Principles and Criteria', covering economic, environmental and social aspects of sustainability. Some producers of palm oil have started to adopt many practices outlined in these Principles and Criteria.

Cadbury Schweppes is represented on the board of RSPO alongside other companies and charities, including Oxfam and WWF.



We hold discussions with Tier 1 suppliers about our *Human Rights & Ethical Trading policy* and *Ethical Sourcing Standards* which underpin our policy. Together with our suppliers, we rank their performance and develop improvement plans if needed. These plans include on-going monitoring and support. From 2003 to the end of February 2006 we had identified around 90 Tier 1 suppliers through desk-based reviews.

We write to our Tier 2 suppliers about our *HRET policy* and *Ethical Sourcing Standards*. We ask them to confirm in writing or electronically that they will abide by our policy and standards. From 2003 to the end of February 2006, we had identified a little over 2,100 Tier 2 suppliers that included both active, and some now inactive, suppliers.

Our remaining 38,000 suppliers fall into our Tier 3 category. We advise these suppliers about our *HRET policy* and *Ethical Sourcing Standards* through our contractual terms and conditions.

### Monitoring performance in supplier Assessment

We monitor our supplier assessment processes and currently use three core Key Performance Indicators to help us do this:

- ♥ Percentage of identified Tier 1 suppliers with whom we have discussed our policy and standards, gained their confirmation that they will abide by them, risk assessed their performance and identified areas of improvement if any.
- ♥ Percentage of identified Tier 2 suppliers who have confirmed they have received our communications on our policy and standards and that they will abide by them.
- ♥ Number of our procurement people trained on our supplier assessment and communication processes.

During the period 2003 to the end of February 2006, we had discussed our policy and standards with 83% of identified Tier 1 suppliers and confirmed our policy with 67% of suppliers we categorised as Tier 2. At the same time, we also trained 148 out of around 270 of our procurement people in the Company. We monitor this data on a group-wide basis. It is reported regularly to our Global Supply Chain Leadership Team and the Human Rights & Ethical Trading Working Group.

We are always seeking to improve our performance. With this in mind we asked the Sustainability Team at Deloitte to assure how we monitor our performance on these core KPIs and to provide feedback to further improve our practices and performance.

### Our commitments for the future

We are committed to ensuring our direct suppliers meet our ethical sourcing standards by 2010. We will do this with our higher risk suppliers through active supplier self-assessments via SEDEX plus sample independent audits. This will likely involve about 3,000 suppliers. For the remaining approximate 37,000 suppliers, we will make them aware of our standards and encourage them to work towards them through self-development and SEDEX self-assessment.

We are further committed to sustainably sourcing at least half of our key agricultural raw materials such as cocoa, sugar, palm oil and gum arabic, for our core brands by the end of the decade. We will do this by working with supply chain partners including NGOs, farmers, scientists, government, trade associations and multi-stakeholder groups.



# ethical sourcing and procurement... continued

## Sustainable cocoa

### About cocoa

Most of the world's cocoa is grown in a narrow belt 10 degrees either side of the equator. Here the trees grow well in humid tropical climates with regular rains and a short dry season. West Africa produces 75% of the world's cocoa in Ghana, Côte D'Ivoire, Nigeria and Cameroon. South America and Asia produce the remaining 25% in Brazil, Ecuador, Malaysia, India and Indonesia. Cocoa is grown almost entirely on smallholding farms where the whole family may work together at certain times of the year such as harvest. Cocoa farming is generally a small, un-mechanised business. The fruiting patterns of cocoa trees and their location in the forest make mechanisation impracticable.

### Where our cocoa comes from

In the early 1900s, William Cadbury made the decision to source cocoa, a vital ingredient for our chocolate brands, from Ghana, then known as the Gold Coast. He left São Tomé where forced labour was being used to harvest cocoa.

We still source most of our cocoa from Ghana today, with some being sourced from Cote d'Ivoire, India, Indonesia and Nigeria. In the United Kingdom, all of our cocoa beans come from Ghana, although our cocoa butter and cocoa liquor may come from commodity suppliers spread more widely. Ghana has over half a million cocoa farmers working on smallholdings within communities that grow a mix of food for themselves and cash crops for onward sale.

### Cadbury Schweppes in Ghana

Our Company has played an important role in developing the cocoa industry in Ghana, working with Ghanaians to establish high standards of cocoa farming and to play a positive role in cocoa growing communities. In fact, Ghana's cocoa is recognised as being of the highest quality and we are still working today to ensure this continues.

There are many environmental and social challenges faced by the cocoa industry. We have a responsibility to ensure that farmers and their families have a decent livelihood and that the cocoa and other crops the farmers grow yield a sufficient income to support families and villages. We are keen to make sure there is enough investment for future supply and that the highest international labour standards are observed. Our ethical sourcing strategy helps ensure this happens.

### Tackling labour issues in cocoa growing – the International Cocoa Initiative (ICI)

Concerns about the role of children in cocoa production in West Africa led to the US-led Harkin-Engel protocol in 2001, signed in Geneva by politicians, government officials, NGOs and representatives from the cocoa industry. Signatories recognised “the urgent need to identify and eliminate child labour in violation of International Labour Organization (ILO) Convention 182 with respect to the growing and processing of cocoa beans and their derivative products”. The protocol included a commitment to establish the International Cocoa Initiative (ICI) in 2002.

The initiative is made up of many stakeholders with members including chocolate companies, confectionery trade associations, NGOs, and trade unions.

The ICI works with the governments of cocoa producing countries to bring about positive change and improvement. The aim is to eliminate abusive labour practices and support community-based initiatives. This is a long-term process that contributes to the sustainability of the industry and to cocoa growing communities.

In July 2005 a public certification process for cocoa labour standards was introduced. This was a first for the industry and the largest agriculture programme of its kind. The next milestone is to introduce the certification process in at least 50% of cocoa farms in West Africa by July 2008.

Cadbury Schweppes is represented on the International Cocoa Initiative board. Our first priority is to help raise standards but there are also other benefits of our participation, including the opportunity to share what we have learned with our cocoa sources more broadly in West Africa, in Indonesia, Nigeria and India. In India, for example, we are introducing processes to improve the sustainability of the crop. We are also active in developing on-the-ground programmes that aim to bring positive impacts to local farmers.

### Examples of ICI community-based initiatives

Hope for Humanity is working with the people of Adansi, South Ghana to improve farming methods, helping the community build upgraded facilities such as schools, and to engage with local government. Support for the Community Mobilization Programme carries out similar work in the major cocoa growing area of Daboase.

Participatory Development Associates, based in Kumasi, provide technical guidance and support to four local NGOs. It also helps government understand what improved farming activities can do to help avoid poor labour standards.



Cadbury Schweppes is a member of the Sustainable Tree Crops programme (STCP). This is an international initiative that aims “to improve the economic and social well being of smallholders and the environmental sustainability of tree crop farms”. It is hosted by the International Institute of Tropical Agriculture that operates throughout West Africa’s cocoa growing countries, including Ghana. Farmer Field Schools are run by the STCP. It supports cocoa farmers and helps them gain the knowledge and skills to maintain high quality cocoa, and builds their understanding of working within the cocoa trading systems. It also helps address poor labour practices.



By the end of January 2006 there were 375 water wells in place, with each providing enough water for 150 people, and around 50,000 people now have access to clean water. We continue to build more wells.

### Ghana Cocoa Board

**Cocoa makes up almost 50% of Ghana’s export trade and is controlled and regulated by the Ghanaian government Cocoa Board (COCOBOD), which:**

- ★ purchases, markets and exports cocoa products and cocoa produced in Ghana and sets its pricing
- ★ encourages the production of cocoa and the economic benefits that it brings to Ghana for the short and long term
- ★ undertakes, promotes and encourages technical work aimed at improving the quality of cocoa and carries out quality control activities

**Ghana has around 19 licensed buying companies that are authorised by COCOBOD to buy from the farmer and transport cocoa to the seaport. A thriving cocoa industry with strong exports is vital for Ghana’s current and future economic prosperity and development.**

### Water wells in Ghana

Clean water, so essential to life, is not always easily accessible to communities in Ghana. In some communities women and children have to spend up to 8 hours a day collecting water from far-away, and possibly contaminated sources. A community with a water well not only benefits from easy access to clean potable water and a reduction in water borne disease, it also frees up time for people, usually women, to have the opportunity to generate income and for children’s education.

Our fresh-water well building programme, which has now been established for five years, provides cocoa growing communities with clean potable water. Supported by company financial support and employee fundraising, our partners in the programme are the Kuapa Kokoo Social Development Fund (a farmers’ co-operative) and the international charity, WaterAid.

### Fair Trade

Cadbury Schweppes shares with the fair trade movement a commitment to improve the livelihoods of cocoa farmers and their families. Fair trade works best with farmers working in co-operatives where they have shared resources such as communications and warehouses, for example. However, only relatively few farms globally are able to do this. Most cocoa farmers are small, family-owned operations in remote areas that do not have access to this level of infrastructure. Our focus has been to help improve standards of living by developing sustainable high quality crops that generate a long term and higher return for all farmers.

### Organic cocoa

Our Green & Black’s business depends upon organic cocoa for its product range. Our colleagues from Green & Black’s are therefore working closely with our experienced cocoa teams in other parts of the Cadbury Schweppes business to see, for example, how more organic farms can be developed.

We believe it is right to examine how to grow cocoa in a way that reduces reliance on conventional methods of controlling pest and crop disease. The lessons learned from organic production can also help inform our wider approach of integrated crop management and sustainable agriculture. However, we need to be wary of the risk of the rapid spread of pest and plant disease in tropical climates. This can decimate crops and therefore the livelihoods of farmers who depend on them.

### Future considerations for cocoa

In order to continue securing top-quality cocoa, we need to become even more closely engaged with others. To this end we are working with a number of different stakeholder organisations towards long term solutions. In our work with Earthwatch, an international scientific environmental NGO, and the Cocoa Research Institute of Ghana, we are trying to get a better understanding of the biodiversity and environmental impacts within cocoa farming areas. This will help identify more sustainable and ecologically sound farming practices, and at the same time maintain and enhance the high quality of Ghana’s cocoa.

# environment, health and safety

## Environmental sustainability

Helping preserve the future of our planet is an essential part of living our values. We are determined to play our role in the battle against climate change by working to minimise our environmental impacts in energy use and carbon dioxide emissions. We are also focused on the need to treat water as a precious resource and are working to reduce our water usage.

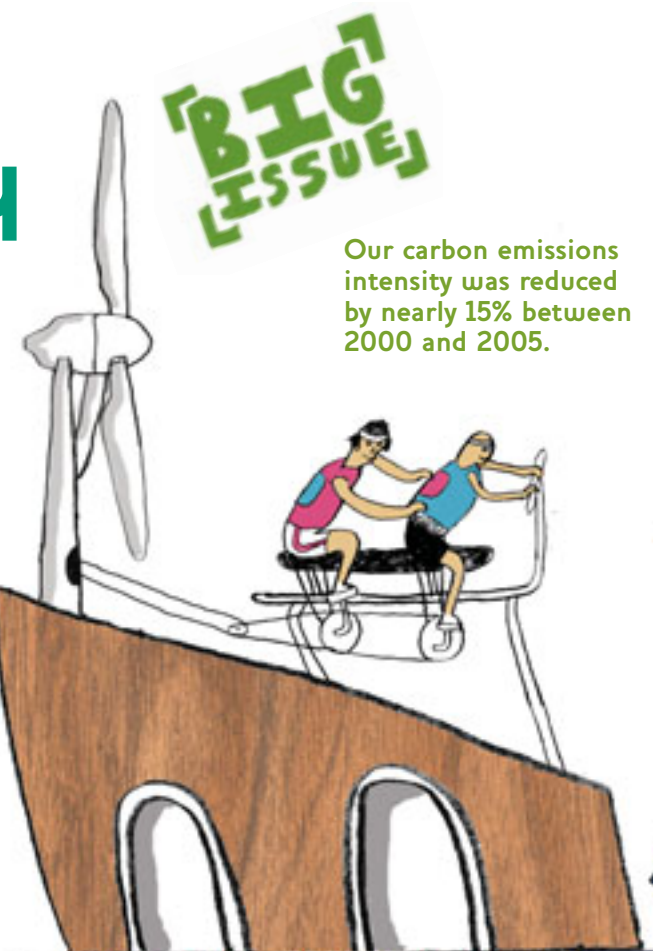
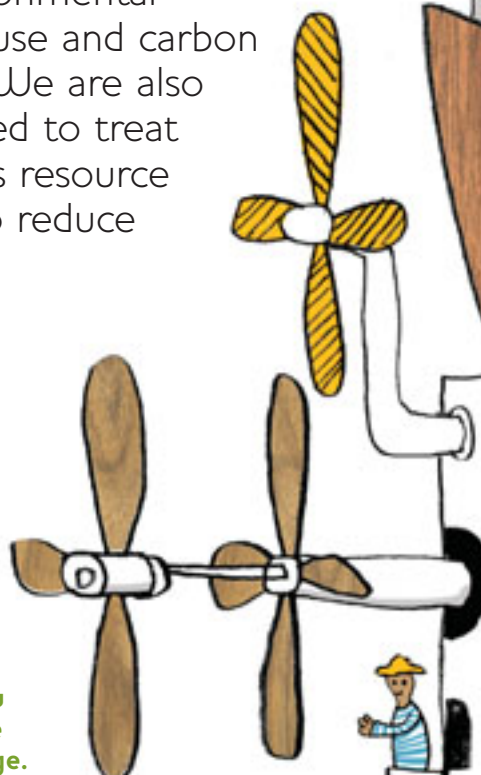
Our Company is listed in the Climate Leadership Index by the Carbon Disclosure Project. The Carbon Disclosure Project, an annual survey of the world's 500 largest corporations, assesses how they are responding to the challenge of climate change. The survey, undertaken on behalf of 155 institutional investors, creates a best in class Climate Leadership Index.

Our factory in Lagos, Nigeria, supplies water to the local community.

«BIG ISSUE»

Our carbon emissions intensity was reduced by nearly 15% between 2000 and 2005.

Our Cadbury India crumb operational site burns carbon neutral bio fuels such as bagasse (sugar cane).



Our Americas Confectionery headquarters in Canada buys its energy from an electricity supplier in Canada that sources its power from wind and low-impact hydro-generators.

Over 39% of our product is manufactured at sites with environmental management systems externally certified to ISO 14001.

Cadbury Food Company China helped to reduce the problem of poor air quality in Beijing by switching its boilers from diesel-fuel to natural gas, which saves 7,860kg of sulphur dioxide emissions each year and reduces costs.



# environment, health and safety... continued

## Environmental sustainability

### Climate Change – CO<sub>2</sub> and energy

We recognise that climate change is one of the greatest environmental challenges facing mankind and we fully endorse the agreements made by governments and international bodies to tackle this problem, most notably the Kyoto Protocol.

We are determined to reduce the carbon intensity of our global operations. Our response to climate change is a key part of our commitment to sustainable growth. One way we do this is by better control of our use of energy which is good for the environment and also makes good business sense.

We are also reducing the climate change impact of our manufacturing sites by switching from carbon intensive fuels, such as coal, to 'cleaner' fuels like natural gas and 'bio-fuels'.

Using a range of technologies has also helped us reduce our carbon intensity. This includes energy efficient steam boilers, energy efficient lighting, variable frequency inverter speed controllers, better thermal insulation, building management systems and Combined Heat and Power (CHP) or co-generation plant.

We are trying to make our production processes more effective as a whole which should result in further energy efficiency and an improvement in our environmental performance.

For example, faced with a need to increase production, our Meito Adams factory in Japan reduced its electricity and gas consumption by investing in co-generation facilities that capture and use exhaust heat. And at our Thane site, Cadbury India switched to generating steam and chilled water through burning 'carbon neutral' bagasse briquettes, made from the waste products of the sugar industry. Burning bagasse briquettes has reduced the site's net CO<sub>2</sub> emissions by 99% taking into account the atmospheric CO<sub>2</sub> absorbed by the sugar cane as it grows.

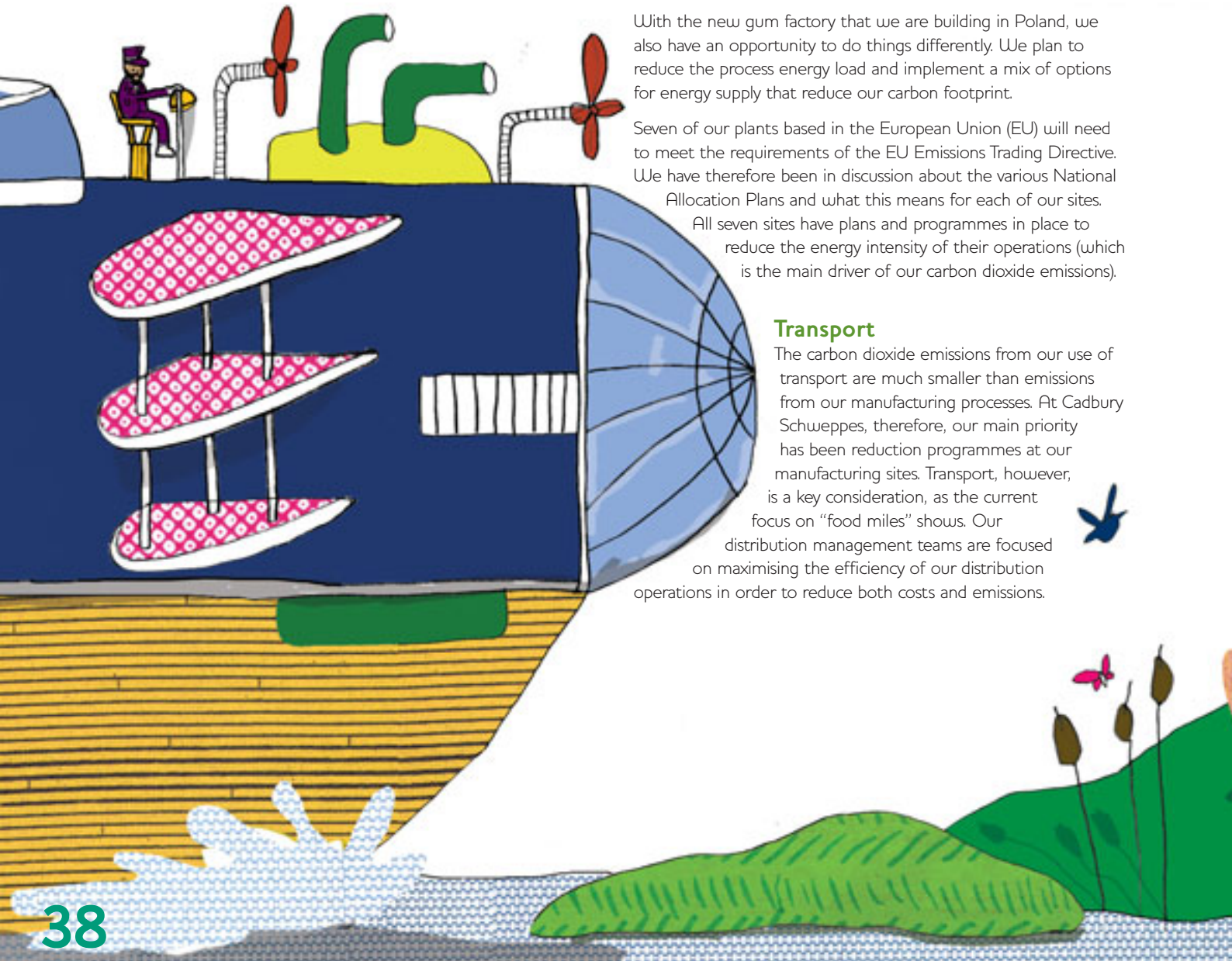
With the new gum factory that we are building in Poland, we also have an opportunity to do things differently. We plan to reduce the process energy load and implement a mix of options for energy supply that reduce our carbon footprint.

Seven of our plants based in the European Union (EU) will need to meet the requirements of the EU Emissions Trading Directive. We have therefore been in discussion about the various National Allocation Plans and what this means for each of our sites.

All seven sites have plans and programmes in place to reduce the energy intensity of their operations (which is the main driver of our carbon dioxide emissions).

### Transport

The carbon dioxide emissions from our use of transport are much smaller than emissions from our manufacturing processes. At Cadbury Schweppes, therefore, our main priority has been reduction programmes at our manufacturing sites. Transport, however, is a key consideration, as the current focus on "food miles" shows. Our distribution management teams are focused on maximising the efficiency of our distribution operations in order to reduce both costs and emissions.





## Water

Water is a precious resource. Supplies are under pressure from growing populations, over-consumption and from industrial and agricultural use and pollution; competition for clean water is intense. Growing scientific evidence shows that climate change is likely to impact significantly on the future availability of water. Some areas of the world will be subject to more droughts while others will be flooded by rising sea levels. Our goal in this area is to minimise the impact of our water use.

At Cadbury Schweppes, we depend upon the supply and quality of water, since both confectionery and beverages use water in the production processes. Water is the main ingredient of our beverages and its use is directly related to our production volumes. However, the manufacture of confectionery requires more water than beverages, with water used for cooling and heating and for washing and rinsing equipment and surfaces. Producing safe food and beverages demands top hygiene standards and water plays an important role here.

### Our commitments

Our goal is to minimise the environmental impacts of our business. We are committed to developing our reliance on renewable energy and to reducing our use of carbon-based fuels.

We have aspirational group-wide targets for our manufacturing sites to reduce by 10% from 2006 to 2010 the amount of energy and water they use, and the amount of CO<sub>2</sub> equivalent emissions and wastewater discharge they produce (per tonne finished product).

We have an *Environment Health and Safety Standard* specifically focused on “Water Management”. It sets out actions that our sites need to take to minimise their usage of water. The varied measures taken include education campaigns, flow pressure reducing devices, elimination of leaks and highly advanced water recycling systems. Inevitably our production processes create wastewater which may contain materials such as sugar, flavourings, acids, soaps and fats. We ensure that this is suitably treated before being returned to the natural environment. In some cases we treat wastewater ourselves on site before directing it to rivers or lakes, and in other cases there is some onsite pre-treatment before the water is fully treated by the local wastewater treatment plant operator. We also work to reduce our year-on-year wastewater. We aim to minimise the environmental impact of our water usage.

### CASE STUDY

#### Saving Water at Tullamarine

The water saving programme at our beverages manufacturing plant at Tullamarine in Australia has contributed to the State of Victoria's water reduction target of 15% by 2010. We replaced eight conveyor lines, exchanging water-based lines with new water free conveyor belt technology. This will save up to 21,620 kilolitres of water a year.



# environment, health and safety... continued

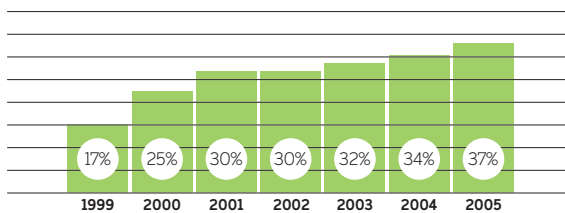
We are committed to achieving the highest standards in Environment, Health and Safety (EHS). Our EHS policy and Standards help us manage issues such as energy and water use and waste, as well as the safety of those involved in making and selling our brands. Effective management of these is part of our long-term commitment to sustainability.

## Environment, health and safety management systems

In 2004 we updated our EHS Standards, building upon previous achievements and raising the bar at all of our sites. These new standards are based on international ISO 14001 and OHSAS 18001 standards and in many parts of the world they are much more demanding than the local legislation requires. Nonetheless, we are determined to keep on improving our EHS performance. Our aim is for our manufacturing sites to have fully implemented and embedded these EHS standards by 2008.

All of our company-owned manufacturing sites are audited by our EHS assurance team to our own benchmark. Some sites are also externally audited and certified to one, or both, of the above international standards.

### Percentage of manufacturing by tonnage covered by an externally certified Environmental Management System



The data on this chart does not take into account the sale of Europe Beverages, nor the acquisition of the Dr Pepper/Seven Up Bottling Group in early 2006. In the future, we will exclude Europe Beverages and include Dr Pepper/Seven Up Bottling Group.

We are continuing to invest in our systems, processes and facilities to improve the Company's environment, health and safety performance. Each month our businesses send their EHS data electronically to our central EHS team. This data is consolidated and checked before being reported to our Global Supply Chain Leadership Team for review quarterly and annually. It is also reviewed at least twice a year by our Board and Chief Executive's Committee.

We collect EHS data from company-owned manufacturing sites and from associated businesses where we have an equity stake and exercise management control. We do not yet include franchise bottlers in this process. Data for the Dr Pepper Seven Up Bottling Group, which we bought in April 2006, is not included in this report.

## Independent assessment

In 2005 we made the decision to have our Environment, Health and Safety data collection processes independently assessed. This helps us test the robustness of our data reporting processes so that we can understand any areas that may require improvement. We appointed consultants, ERM, to verify our 2005 EHS data at site and regional level along with our data management and monitoring systems. We have also asked the Sustainability Team at Deloitte to provide assurance on the Group EHS performance data.



## Solid waste

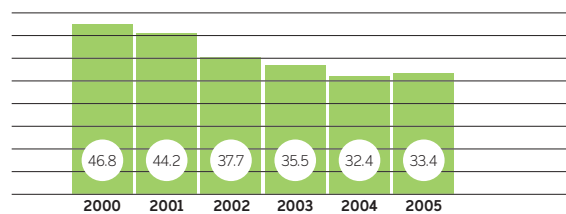
At Cadbury Schweppes our waste management programme aims to minimise the amount of waste we produce through our operations, which in turn maximises our production yield and improves the Company's profitability.

The programme also ensures we dispose of the highest possible proportion of our waste usefully, either through re-use or recycling, and that we keep the proportion we send to landfill to a minimum. We produce very little hazardous waste – less than 0.5% of our total solid waste.

Key Performance Indicators set up as part of our waste management programme show a trend in reduction of the level of solid waste produced by our businesses.

We have an aspirational group-wide target of reducing our solid waste (per tonne finished product) by 10% from 2006 to 2010.

### Solid waste (kg/tonne finished Product)



The data on this chart does not take into account the sale of Europe Beverages, nor the acquisition of the Dr Pepper/Seven Up Bottling Group in early 2006. In the future, we will exclude Europe Beverages and include Dr Pepper/Seven Up Bottling Group.

We have also restated our solid waste data for 2004 as our internal and external verification identified a few small errors.

## Packaging

The types of packaging we use to protect and secure our confectionery and beverages in storage, during transportation, and on display in our customers' stores, are very important. Packaging and reducing packaging waste are environmental concerns for us and many of our consumers.

### Our commitment

We are committed to using 100% recoverable or biodegradable packaging by 2010. We will use innovation and work with others to achieve this.

## CASE STUDY

### Packaging management in the US

Our Americas Beverages business has been able to remove 3.7 million pounds of weight in plastic each year from its supply chain in the USA, saving both resources, consumer waste and over US\$ 5 million a year simply through re-designing some of our Hawaiian Punch packaging.

Without compromising high standards of quality or safety, the team developed a lighter bottle for the brand's family gallon size and re-engineered the handles of all the different sizes of Hawaiian Punch bottles. As an added bonus, our consumers tell us they like the new bottle because it is lighter and easier to carry.

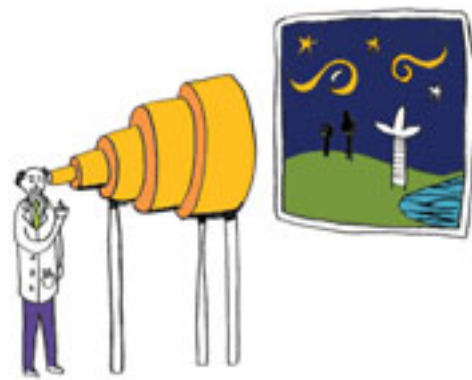
## CASE STUDY

### Reducing incineration in India – better waste management

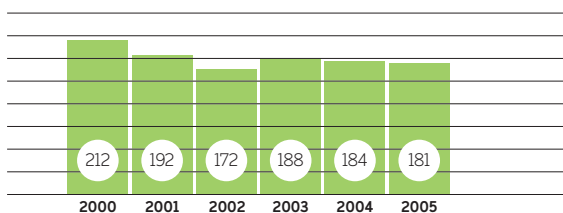
At Cadbury Thane near Mumbai, India, a dedicated team working on a waste management project has succeeded in eliminating the need to send the factory's waste for incineration and has improved the plant's recycling rate.

At the beginning of 2005, the factory's solid waste recycling rate was around 68% with the remaining 32% being incinerated. Project Incinerator Phase Out looked at detailed analyses of the waste being generated, how it was being identified and segregated, as well as evaluation and disposal methods. Once the team's investigations were complete, a contractor licensed by the Indian government and that met our global EHS Standards, was appointed to recommend alternative solutions to incineration.

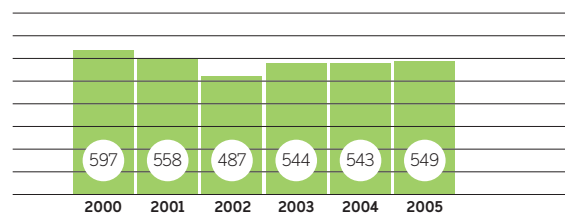
As a result, the factory no longer needed to burn any of its waste in 2005. Through its involvement with the project the team has increased its knowledge on waste generation and is now working on a further programme looking at how the actual generation of waste can be reduced.



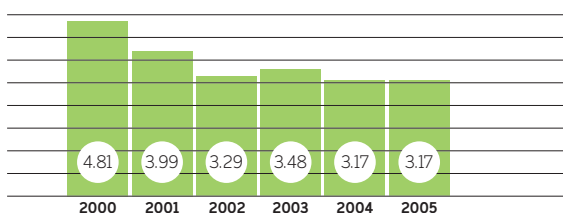
CO<sub>2</sub> equivalent emissions  
kg/tonne finished product



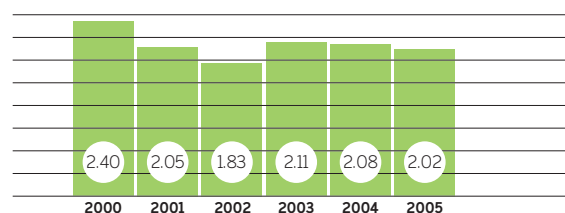
Energy Consumption  
kWh/tonne finished product



Water Consumption  
m<sup>3</sup>/tonne finished product



Wastewater Discharge  
m<sup>3</sup>/tonne finished product



The data on these charts does not take into account the sale of Europe Beverages, nor the acquisition of the Dr Pepper/Seven Up Bottling Group in early 2006. In the future, we will exclude Europe Beverages and include Dr Pepper/Seven Up Bottling Group.

Our internal and external verification identified a few small errors in some 2004 data and as a result we have restated our CO<sub>2</sub> and wastewater discharge data.

# environment, health and safety... continued

## Food Safety and Quality

In the 1800s Cadbury's cocoa was "absolutely pure – therefore best". In 1924 Edward Cadbury outlined his first rule of success, "the best quality – nothing is too good for the public".

We have always prided ourselves on making and selling products that are safe to eat. To make sure they are, we follow HACCP (Hazard Analysis and Critical Control Points). Our HACCP requirements are based on the Codex Alimentarius HACCP principles which are approved by the Food and Agriculture Organisation of the UN's World Health Organisation.

HACCP is one of the many requirements of our Quality Management System. It helps identify hazards associated with ingredients and manufacturing processes. We also incorporate elements of the International Standards Organisation's Quality Management System. All of these are designed to ensure that our products may always be enjoyed safely by consumers and are of the highest quality. We also have consumer helplines for consumers to ask questions about products, and to raise any concerns they may have.

As this report was going to press, in the summer of 2006, we recalled certain of our products in the UK. Aspects of the quality assurance process we followed in the UK have created concern in the eyes of the public and our consumers. Although we acted in good faith throughout, but we acknowledge and sincerely regret the concern we have caused. The valuable lessons learned from this experience will help drive process improvement right across our business. In the meantime, our UK production and quality assurance processes are being modified, in order to reassure our consumers and to prevent a recurrence of similar circumstances in the future.

We will continue, as we always have, to recall products if necessary. Consumers are at the heart of our decision-making and we will always consider their concerns.



## CASE STUDY

### Cadbury Pakistan – Natural Resource Conservation

In Pakistan, our factory in Hub City in the province of Balochistan has recently undertaken a significant programme to conserve natural resources, reduce waste, and improve recycling and waste water treatment.

Balochistan has one of the lowest rainfall rates in Pakistan, so conserving water is especially important locally. We were able to reduce water usage by investing in water supply systems, including water meters, and in training for our employees. Factory teams monitor water usage daily and set targets for improvement.

Solar heating is used to reduce the amount of electricity and gas we use. Waste is identified and eliminated at source as part of waste minimisation programmes. The site has also started building a more effective wastewater treatment plant. The first stage – a Dissolved Air Flotation plant to remove fats from the wastewater – is already in operation.

This natural resource conservation programme, which started in 2000, had achieved a 45% reduction of natural gas use, a 33% reduction in electric power use, and a 58% reduction in water use per tonne of product by mid 2005.



## Health and safety in the workplace

Improving our safety performance is one of our top management priorities across the business. We have developed additional programmes to improve our safety performance and are reviewing and monitoring our performance more closely than ever before.

Our goal is to embed a zero accident culture. In 2004, we updated our *Environment Health and Safety Standards* and our *EHS Policy* and their accompanying management processes and systems. Technical training is provided to embed these standards.

In 2005, we developed a Driver Safety programme to reduce the number of road transport accidents. We also created an EHS leadership training course to ensure that our senior managers understand their accountabilities and responsibilities in this area. This latter course was delivered to over 200 employees across all areas of manufacturing and supply chain. Our EHS leadership training is based on an international version of the highly acclaimed EHS course ("Directing Safely") for senior managers accredited by the Institute of Occupational Safety and Health (IOSH).

Research has shown that cultural and behavioural change programmes supported by training are a key element in making significant and long lasting change in attitudes to safety at work. We also plan to pilot a Behavioural Based Safety programme at a number of our sites.

We deeply regret that in 2005, seven people were fatally injured while working for us in our various businesses across the world. Of these, six were sales related – involving traffic accidents while travelling for work – and one was at a manufacturing site. This is entirely unacceptable and must change. It is therefore the highest priority for both management and colleague action.

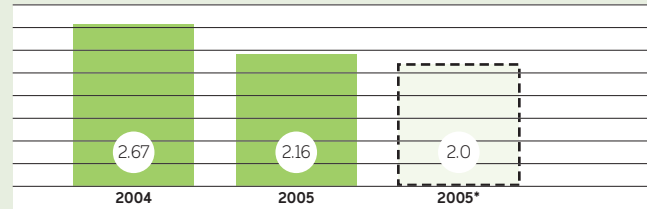
### Fatal Accidents

	2002	2003	2004	2005
Employee ON site	1	2	1	1
Employee OFF site	4	1	4	6
Contractors	0	2	0	0
<b>Total Fatalities</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>7</b>

Note: 'ON' site refers to our manufacturing site. 'OFF' site refers to work outside our manufacturing site, such as work travel.



## LTIFR (Lost Time Injury Frequency Rate per 200,000 hours)



\*To make future comparisons more meaningful, we have recalculated 2005 data to exclude Europe Beverages, which we sold in early 2006.

## Measuring and monitoring our performance

We use the accepted international standard, LTIFR (Lost Time Injury Frequency Rate) to monitor and track our workplace health and safety. This is a standard industry method of measuring injuries, sometimes referred to as Lost Workday Case Rate. Our present performance against this method of monitoring is disappointing. Although we showed modest improvement in 2005, we recognise that we still have a long way to go and are working hard to improve this. LTIFR is one of our Key Performance Indicators and we aim to reduce our LTIFR to 0.5 by 2010.

### Our commitments

We are committed to attaining top quartile performance for workplace health and safety and we aim to reduce our LTIFR to 0.5 by 2010.

### CASE STUDY

## Behavioural based safety at Bertrand Manufacturing, Toronto, Canada

Despite significant focus on safety in previous years, our confectionery manufacturing plant at Bertrand wished to move safety performance to a higher level.

After comparing a variety of options, the plant decided to adopt the Behavioural Based Safety (BBS) programme and to integrate it into its existing safety programmes. The programme, with its emphasis on individual safety performance, involved:

- ♥ Everyone taking real responsibility for their own safety and that of those around them
- ♥ Each colleague observing, measuring and improving their own safety behaviour
- ♥ Changing colleagues thinking to create a culture where 'I' try to prevent accidents

The success of the programme depended on the wholehearted ownership and commitment of everyone on site. It involved a fundamental shift in how the plant operated and how people behaved – with colleagues observing each other's behaviour, and then using these observations to drive change and prevent injury across the site.

In 2005, the plant achieved zero lost time accidents and has now operated for over two years without a time losing injury.

# human rights and employment standards



At Cadbury Schweppes our colleagues are central to our success and have always been at the heart of the way we operate. We aim to create a positive workplace environment and are committed to upholding high standards of human rights. We set ourselves demanding performance standards. We do this because we need to continue to attract, motivate, develop and nurture exceptional people.

## “The Place to Be”

Our founders defined our values as being open and honest and acting with integrity. We still adhere to these values today and have captured them in a booklet called “The Place to Be.” It describes the positive workplace we seek to create.

Our goal is to continue to nurture Cadbury Schweppes as ‘The Place to Be’. We want to build a business where our colleagues are proud to work and where they are committed and engaged. We also want to reflect the diversity of the communities in which we operate in our workforce and our leadership team.

## Our Human Rights and Ethical Trading policy

Cadbury Schweppes is a diverse business operating in many different countries, each presenting different challenges. We set a common global framework, and encourage flexibility, sensitivity and inventiveness at a local level.

Our *Human Rights and Ethical Trading (HRET) policy* and our *Human Resources Standards* are closely aligned. Both draw from the high standards set out in the International Labour Organisation (ILO) conventions and the United Nations Declaration of Human Rights.

We introduced our *HRET policy* in 2000 to re-affirm the approach we take towards the treatment of people.

Our policy applies to both employees and suppliers, and covers:

- ♥ Core labour rights and dignity at work
- ♥ Health and safety in the workplace
- ♥ Fair remuneration
- ♥ Diversity and respect for difference
- ♥ Opportunity for development

As a means of ensuring our *HRET policy* is being adopted consistently globally, we are including internal HRET audits in our review activity.





# human rights and employment standards... continued

## Human Resources Standards

Our *Human Resources Standards* cover topics such as employment relations (including diversity), resourcing, talent management and rewards, and set out the basic standards required in all parts of the business, together with best practices in the spirit of on-going improvement.

Linked to our Standards are a number of more specific documents, policies, practices, frameworks and guidelines. One such example is our global *HIV/AIDS guidelines*. These include guidance for our business on employment practices, awareness education and activities to help with prevention of HIV/AIDS, medical treatment for employees and families and community involvement.

## Our People Strategy

As a fast moving consumer goods business, we trade in a competitive and dynamic environment. The expectations of our consumers, shareowners, customers, external bodies and society are growing and evolving all the time, as are the needs and expectations of our employees. *Our People Strategy* helps us ensure we can meet these current and future business needs. Our goal on sustainability is to nurture our Company as 'The Place to Be', where diverse colleagues are proud to work and are committed and engaged.

## Human resources governance

Our global Human Resources Leadership team comprises HR leaders from our four regions and the centre. It shapes our overall people agenda and priorities. The team makes sure that we embed our human resources strategy in all that we do.

In 2001, we created a Human Rights and Ethical Trading Working Group. Its initial focus was to establish standards, and it now meets regularly to review company-wide progress on human rights matters.

## Open communication

We are committed to open and honest dialogue with colleagues and respect their recognised representative bodies. We were among the first companies to grant recognition to trade unions in the early 20th century and were again one of the first to set up European Works Councils in our confectionery and beverages businesses in the 1990s.

When we were planning the sale of our Europe Beverages business, we communicated closely with our people and with various works councils. This not only kept our people informed, it helped us manage and mitigate any adverse impacts on those colleagues who were most closely involved.



## Developing and rewarding our people

**Capabilities** For us, capabilities are the skills, knowledge, behaviours and experience a person needs to do his or her job.

At Cadbury Schweppes, we have developed a comprehensive approach to developing our people and ensuring we have the right people and skills to meet our current and future business needs. We identify and describe in detail the capabilities we need in our jobs, and we assess our people's current skills and provide opportunities for development. We offer on-the-job assignments, executive education and coaching.

We actively nurture existing talent and increase our pool of managers with global capabilities by providing opportunities to gain international experience and development.

Our aim is to improve individual skills and transfer learning and knowledge as well as enhance teamwork and build networks across the Company.

**Learning and development** At Cadbury Schweppes, learning and development is about providing opportunities for our people to enhance their capabilities and to realise their full potential.

We view learning and development as a shared responsibility between the Company and our individual employees, with the Company providing the resources and individuals providing the essential motivation and commitment. We design learning and development activities to help in this. These focus on increasing the knowledge, experience, skills and behaviours of individuals and teams.

Part of our line managers' responsibility is to identify the training needs of his or her direct reports, match those needs to training and development opportunities and ensure that learning is transferred back into the workplace.

## Rewards – fair remuneration

Our reward policies are in line with our HRET commitments and are shaped by business objectives. They are aimed at both motivating our people and providing fair remuneration, with rewards linked to individual and business performance.

Our reward policies are designed to meet the needs of the particular labour markets in which we operate and are competitive locally. At the same time, they comply with or exceed our global *Human Resources Standards*. For example, our businesses adhere to global guidelines on retirement and related benefits plans. At a global level, we aim to facilitate international movement and management development. Naturally, in all our markets we comply with statutory minimum pay provisions.

Our share plans are promoted to eligible employees every year (around 49%). Of these, 40% choose to participate yearly.



## Diversity and inclusiveness

Our diversity practice helps us to attract the best people to Cadbury Schweppes and allows us to reflect the diversity of the world around us better – our consumer base and the communities in which we operate. We aim to reflect diversity in both our workforce and in our leadership teams. Through a culture of inclusiveness, we also aim to inspire the best in our people, earn their trust, increase their engagement and promote pride in our company.

For us, diversity means difference and variety. It describes the distinct and original qualities that each individual brings.

Inclusiveness describes a workplace climate where all colleagues feel empowered to bring a rich variety of approaches to achieve business results.

## Governance in diversity and inclusiveness

We implement our global *Equal Employment Opportunities & Diversity policy* locally in ways that reflect local laws and culture. We monitor policy and practice through our annual survey, and present the outcomes and our recommendations to our Board and Board CSR Committee. In 2005, we implemented the following recommendations:

- ♥ Set up a global Diversity & Inclusiveness Leadership Team, chaired by our Chief Science & Technology Officer and made up of team members from across the business, including two of our Regional Presidents.
- ♥ Establish a global work-life management framework. The new framework has been approved and we are working with our businesses to implement it locally. These expectations will be implemented in ways appropriate for each part of our business.
- ♥ Engage leadership teams in discussion to deepen their personal and team understanding of diversity and inclusiveness. We also aim to identify and address areas of opportunity for the business.
- ♥ Gain a deeper understanding of what our current and potential employees expect. Our aim is to stay on top of emerging trends and ensure that our policies and practices continue to support our commitment to remain "The Place to Be".



## Monitoring diversity and inclusiveness

We monitor our diversity and inclusiveness performance through an annual global Equal Employment Opportunities and Diversity survey and through our global Employee Climate survey. Data from the surveys helps us know what is working and where we can do better. We aim to reflect diversity and create an inclusive workplace for people of all backgrounds.

Globally, we monitor the ratio of women across our workforce, our global age distribution, and our leadership pipeline (such as the nationality profiles of our executives and colleagues on international assignments).

We track ethnicity on a local basis in line with the different categories of ethnicity and backgrounds where relevant, and applicable in each local environment.

As an example, our metrics show that the number of women at management levels in our workforce has been growing over the long-term. In 2005, for the first time, the ratio of women in management matched our ratio of women in our workforce at 32%.

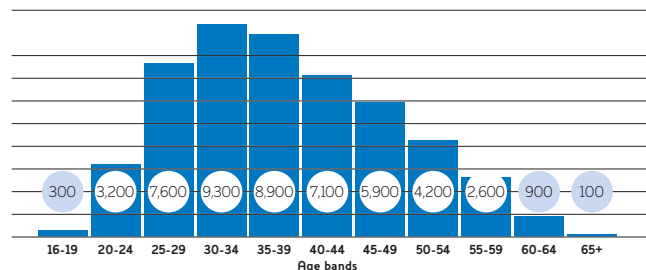
## Women in our workforce

	2000	2001	2002	2003	2004	2005
Total women	34%	34%	31%	31%	29%	32%
Women in management	25%	24%	27%	28%	32%	32%

In addition, 14% of our executive population, and 17% of our people at main board level are women.

## Our age profile 2005

We track our age profile on a global basis. Our metrics show that at the end of 2005 our youngest employee was 15 years old and based in New Zealand. This is in line with local employment terms and conditions.



Note: The above figures represent numbers of employees and have been rounded.

## Nationality profile 2005

	Managers on International assignments	
	Executive level	
North American	51	17
Asia Pacific	28	28
British	60	54
European	11	23
Latin American & African	11	15

Note: North American comprises American and Canadian. Asia Pacific comprises Indian, New Zealander, Australian, other Asian. Latin American and African comprises Egyptian, Nigerian, South African, Latin American. For 'executive level' European comprises Armenian, Belgian, Danish, French, German, Irish, Spanish. For 'managers' European comprises Danish, French, Greek, German, Irish, Polish, Russian, Spanish.

# human rights and employment standards... continued

## Equal employment opportunities at Cadbury Schweppes

We select the best people available for positions based on performance and ability. We do not discriminate on any other basis. We provide equal opportunities regardless of: gender, race, ethnic or national origin, colour, religion, marital status, age, sexual orientation, disability, social class, and political association.

Internal management systems are in place that encourage and help people advance and achieve their full potential.

For our *Equal Employment Opportunities & Diversity policy*, see our corporate website:

[www.cadburyschweppes.com/societyandenvironment](http://www.cadburyschweppes.com/societyandenvironment)

## Work-life management

Work-life management is a key part of our inclusiveness agenda. We recognise that, increasingly, our people view work as an important part, but not the only part, of their lives. Enabling people to manage their aspirations, interest and commitments inside and outside the workplace means we can make the most of their interests, commitments and talents for the success of the individual employee, the team, and the Company.

Our global work-life management framework includes flexibility around work location and times. We offer part-time work, alternative shift patterns, job sharing, and working from home. We also encourage our businesses to take full advantage of IT to enable our people to be flexible and we provide guidelines and checks for local work-life management policies.

### CASE STUDY

#### Passion for People

In 2004 and 2005, our global Employee Climate Survey showed we needed to help our people managers improve their skills, and to encourage greater employee engagement across the business. As a result, in 2006 we launched a new programme developed by an international team of colleagues who brought together existing best practices from across our businesses.

The programme, "Passion for People", emphasises to our managers that our people are fundamental to our business and highlights exactly what makes the Cadbury Schweppes culture special – "The Place to Be". It reminds them of their role in fostering this culture in their teams. The programme also sets out our ethical standards for managers and the business. It covers Living our Values and Our Business Principles. It is a flexible, modular programme adaptable to the diverse needs of each business and aims to help managers lead their teams to even greater performance.

## What our people are saying

Since 2004, we have conducted a regular global Cadbury Schweppes Employee Climate Survey to find out what colleagues think and feel about the Company and the management team and how they feel they are treated and motivated. In 2004 we surveyed 10,000 managers. We extended this to include our greater employee population in 2005 (with the exception of our Europe Beverages business which we were in the process of selling). We achieved a global response rate of 80% in 2005.\*

We believe employees work best when they are proud of the company they work for, and are committed to what the Company is trying to do. Understanding what our colleagues think helps us address any concerns or issues which may be affecting their performance.

Human resources managed and co-ordinated the process internally for both the 2004 and 2005 surveys and reported the results in to the Board, Board CSR Committee and our employees around the world.

Where possible, surveys were conducted electronically, hosted by an independent third party which enhanced confidentiality and anonymity of individual employees. Hand-held devices and paper surveys were also used. Both surveys were translated into several languages and the 2005 survey was translated into 35.

The results are based on overall responses and have also been broken down by business unit, geography, and function in order to help us monitor and identify areas for follow-up action. We included the opportunity for employees, on a voluntary basis, to indicate their gender and whether they belong to a minority group.

The survey questions have been correlated to two main scores that are shown below:

- ♥ Commitment – colleagues' level of attachment to the company, driven by activities that build business success
- ♥ Engagement – amount of discretionary effort colleagues are willing to devote to their work, driven by activities that build individual success.

We use these two scores as the Key Performance Indicators for our survey because research shows that highly committed and engaged employees are more motivated and happier at work and perform at higher levels.

\* The response rate in our Annual Review and Summary Financial Statement 2005 indicates 81% which includes almost all of our businesses. Following full business completion, the global response rate moved from 81% to 80%.



## Our global employee climate survey

Scores	2004	2005
Commitment	3.4 out of 4	3.3 out of 4
Engagement	3.1 out of 4	3.0 out of 4

Note: In 2004, we surveyed 10,000 managers and in 2005 we extended this to include our greater employee population.

### Our 2005 Employee Climate Survey results

#### Key strengths – our employees say they:

- ♥ are proud to work for Cadbury Schweppes
- ♥ know what is expected of them in their job
- ♥ constantly try to find better ways of doing things

#### Areas of concern – our employees say they want:

- ♥ freedom and support to achieve their full potential
- ♥ more frequent conversations about performance
- ♥ to be given the opportunity to support local community activities as part of their development

We have shared the results of the survey with our people throughout the business and are now addressing the areas of concern that were raised. Our Passion for People programme is one way we are doing this.

As part of our CSR assurance programme, we asked Deloitte's Sustainability Team to assure our 2005 global employee climate survey process and our global scores on commitment and engagement.

## Recognition

We were proud to receive the following awards in 2005:

- ♥ **One of UK's Top 10 Best Large Companies to Work For** (The Sunday Times)
- ♥ **Overall HR Excellence Award** (Human Resources Magazine)
- ♥ **Best HR Contribution to Business Strategy** (Human Resources Magazine)
- ♥ **Best HR Contribution to Merger and Acquisition Integration** (Human Resources Magazine)
- ♥ **Great Place to Work in India** (Great Place to Work Institute)
- ♥ **Great Place to Work Awards in Latin American – Colombia, Ecuador and Venezuela – ranked in the top 5** (Great Place to Work Institute)
- ♥ **Third in Britain's Most Admired Companies Award and First in Quality of Management** (Management Today)

### Our commitments

We are determined to consistently achieve top quartile results in our annual Employee Climate surveys.

We aim to attain 25% female representation at executive level by 2010. Gender is one of the measures of diversity that we track globally and to which all of our businesses can contribute.



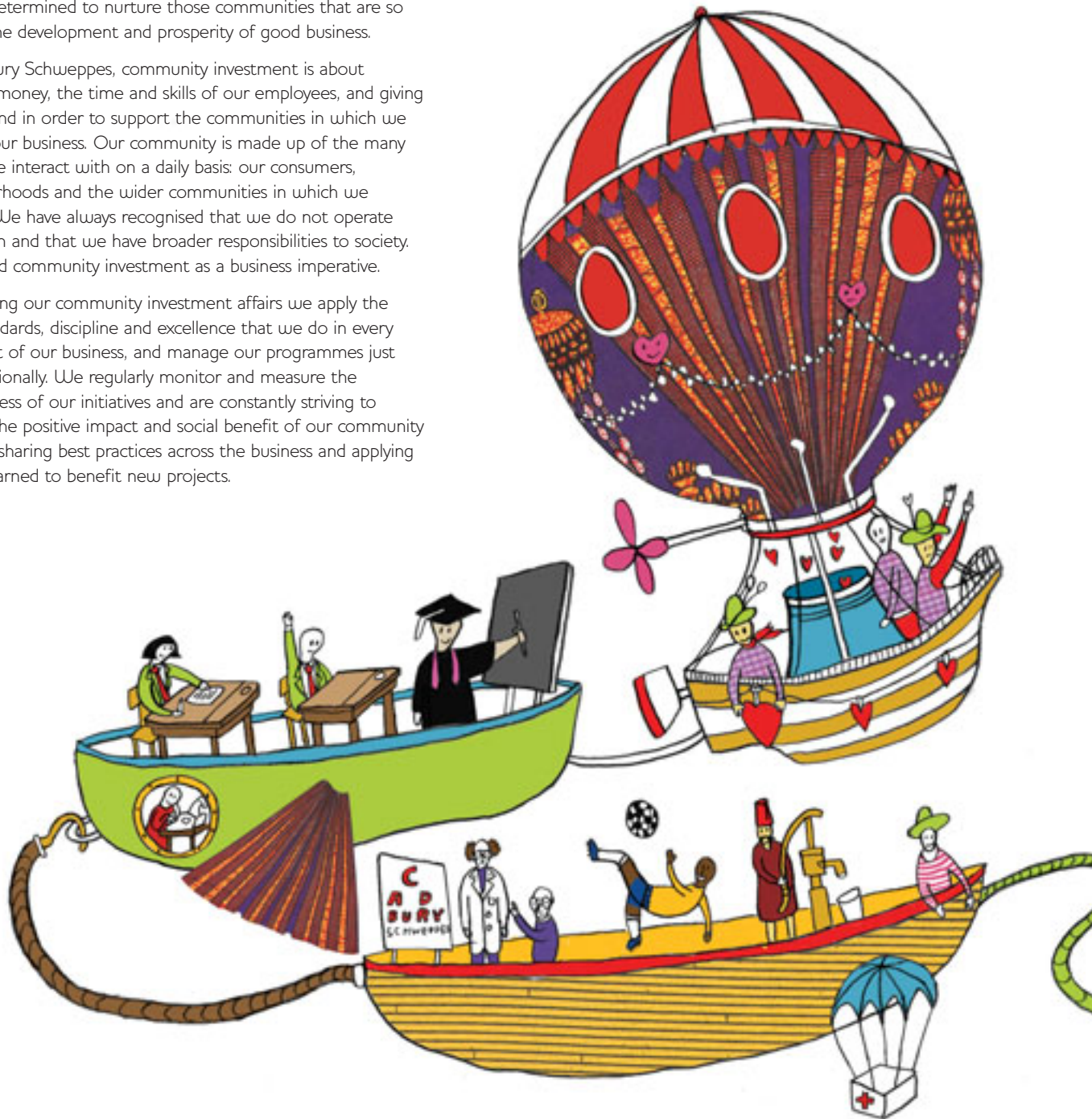
# community investment

Our tradition of community investment is grounded in the conviction that healthy, prosperous, educated and socially inclusive communities are good for business. This belief has guided our company from the start.

We are determined to nurture those communities that are so vital for the development and prosperity of good business.

For Cadbury Schweppes, community investment is about investing money, the time and skills of our employees, and giving gifts-in-kind in order to support the communities in which we conduct our business. Our community is made up of the many people we interact with on a daily basis: our consumers, neighbourhoods and the wider communities in which we operate. We have always recognised that we do not operate in isolation and that we have broader responsibilities to society. We regard community investment as a business imperative.

In managing our community investment affairs we apply the same standards, discipline and excellence that we do in every other part of our business, and manage our programmes just as professionally. We regularly monitor and measure the effectiveness of our initiatives and are constantly striving to improve the positive impact and social benefit of our community activities, sharing best practices across the business and applying lessons learned to benefit new projects.



## Growing Community Value Around the World

Our global strategy Growing Community Value Around the World, introduced in 2002, contains guidelines, ideas and suggestions to help our businesses measure and manage their community investment. It asks our businesses to:

- ♥ Build community investment into mainstream business practice
- ♥ Contribute 1% of pre-tax profits
- ♥ Include community objectives in the development of brands, people and the sustainability of our business
- ♥ Report details of community investment annually through our financial reporting system

### Areas of focus

We are committed to building on and developing more partnerships to help address global social, economic and environmental concerns.

We have chosen to focus on three key themes that are important to people around the world: education and enterprise, health and welfare, and environmental sustainability. We are well aware that the actual needs of individual communities may vary significantly. Those in Colombia are different to those in Canada, China or Chile. That is why, under these global themes, our business units structure their community programme according to the needs of the communities in which they operate.

In this report, we do not have space to include details of all our programmes. However, we have highlighted some examples of our community projects around the world and further information is available on the Company's website [www.cadburyschweppes.com/societyandenvironment](http://www.cadburyschweppes.com/societyandenvironment)

## 1. Education and enterprise

Education and enterprise are fundamentally important to the success of our business wherever we operate. Education creates resourceful and prosperous communities that are good for business. We believe that business and education share a role as wealth creators. Business generates money and employment while education is the generator of skills, ideas and knowledge. Today's children are tomorrow's employees, business partners and consumers.

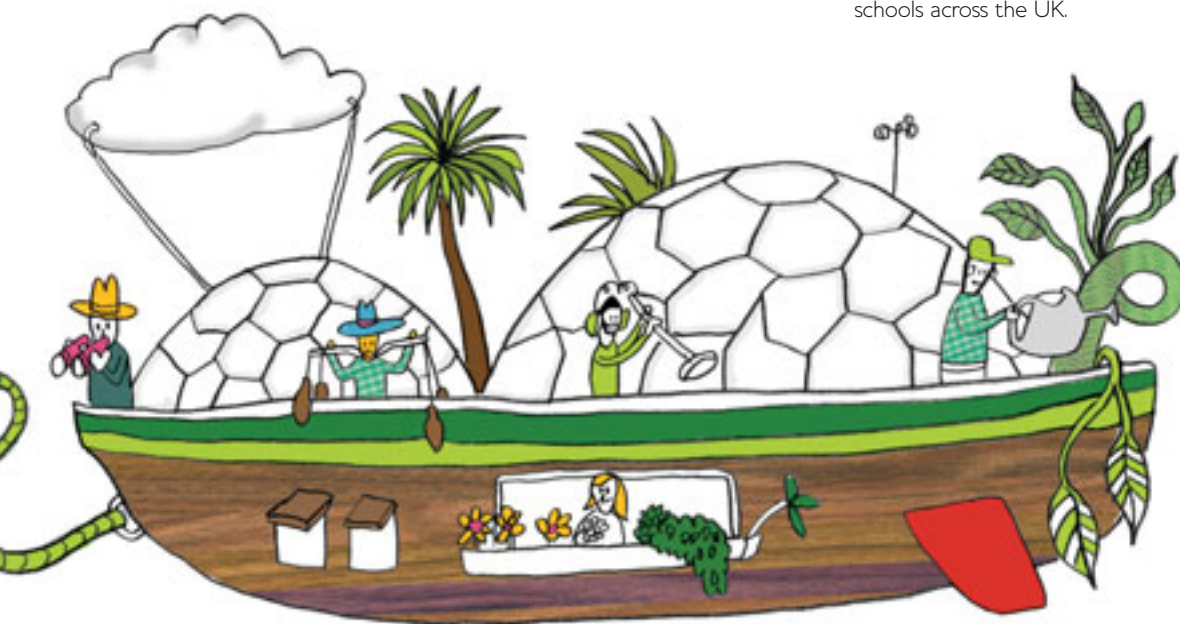
### Supporting children's education in Nigeria

Cadbury Nigeria's Bournvita Teachers' Awards promotes and celebrates excellence in teaching. Winning teachers receive a laptop, a cash prize, certificates, books and training. Awards are made by a panel of experts comprised of local educational board representatives, government representatives and international organisations such as UNICEF. A total of 141 teachers have benefited since 2001.

The Awards are recognised by Nigeria's teachers, media and government and won an award for social marketing in 2004. The programme has contributed to raising teaching standards and the education of Nigerian children.

### Enterprise education in the United Kingdom

Through our support, Young Enterprise, the UK's largest business and enterprise education charity, was able to break new ground in introducing a programme for pupils aged 4 to 11, the Young Enterprise Primary Programme, which reaches out to children right across the UK. In many inner city communities it provides young people with their first taste of citizenship and an introduction to the world of work. The programme has a high take up. Over the past five years it has reached 200,000 pupils, and over 120 volunteers from Cadbury Schweppes have delivered the programme in schools across the UK.



# community investment... continued

## 2. Health and welfare

Health and welfare issues directly affect and concern our employees, consumers, business partners and the communities we operate in.

**Promoting active lifestyles worldwide:** We support a growing number of programmes in this area. In our last report we wrote about our sponsorship of two initiatives. The first was a national schools based soccer development programme called South Africa “Chappies Little League”. The second was a sports and literacy programme for Brazilian teenagers called “Bate Bola”. We are continuing our support to both these projects as well as creating new ones.

**Health and welfare in Morocco:** In Morocco, addressing poverty and health issues is central to our community work. Working with the local NGO, the Tayourt Association, we have assisted 60 families by helping to provide equipment to bring drinking water to Tizarkine, a remote village in Southern Morocco. The village suffers from a lack of access to water, education and welfare.

Support is also given to an ongoing initiative with the Florida Association which supplies spectacles to children and adults with eyesight problems. By the end of 2005, 100 people had benefited from this project.

**Community partnerships in the US:** Following Hurricane Katrina in 2005, our American businesses donated US\$2.5 million worth of product to the relief effort through the NGO, Feed the Children. Our businesses there also formed a relief fund to help colleagues in the US who are affected by natural disasters.

## 3. Supporting environmental sustainability

A healthy environment is essential for sustainable communities and businesses. This is especially important in countries where the immediate environment: soil, air and water – is critical to people’s livelihoods. Ghana, where we source our cocoa beans, is one such example.

**Earthshare in Ghana:** We have joined forces with Earthwatch and the Ghana Nature Conservation Research Centre (NCRC) on a pioneering three-year project called Earthshare. This project, based in the cocoa growing Eastern region of Ghana, is designed to research, conserve and increase biodiversity on selected farms through the management of a sustainable cocoa ecosystem. It is also expected to improve farmers’ incomes through increased productivity and farm tourism.

Our employees have shown great enthusiasm for this project and are actively involved. Between 2005 and 2007, the programme gives 20 colleagues each year the opportunity to work alongside the research team in Ghana and learn more about our cocoa supply chain. In 2005, 20 colleagues from 14 different Cadbury Schweppes business units provided more than 2,000 hours of research time. Funding from Cadbury Schweppes also provided ten young Ghanaian scientists with fieldwork experience for their undergraduate university studies.

For more examples and information on our community projects, please see our corporate website under Community: [www.cadburyschweppes.com/societyandenvironment](http://www.cadburyschweppes.com/societyandenvironment)

### Celebrating success

Marta Pokutycka, CSR and Communications Leader, Cadbury Wedel, Poland.

“It’s my job to plan, lead, and advance Cadbury Wedel’s Community Affairs agenda. Our award winning ‘Cadbury Wedel from the Heart’ programme encourages employees to contribute to the community. It gives them the chance to apply for funds for their own community projects. The rewarding part is seeing colleagues get involved – our people are really behind this. I also manage relationships with external community organisations. I’m currently working on the second year of a Poland – UK programme to help local children develop English language skills. I also evaluate and measure the impacts of our community activity and report them back to Cadbury Schweppes in London”.

We are a global company and aware of our broader social responsibilities and the wider common concerns that face the world. We work with other agencies to seek sustainable solutions to issues of global concern – issues such as extreme poverty and hunger, HIV/AIDS and preventable diseases, and environmental sustainability.

We strive to make a difference in these areas. In this way, we aim to stimulate economic and social development in areas beyond our immediate operations.



## Our investment in communities world-wide

Our regions submit details of their financial contributions to our central finance and community team annually. This includes details of our employee time and resources, gifts-in-kind, and the cash donations they make. The results are reported to the Cadbury Schweppes Foundation and Board CSR Committee. In 2005, we invested £9.8 million to community projects – just over 1% of our global pre-tax profit.

We have asked Deloitte's Sustainability Team to provide assurance on these global figures, and our group-wide process for collecting this data. This helps us to understand how well we are managing our global reporting processes.

## Community Investment by theme

	2005 £000	2004 £000	2003 £000	2002 £000
Education and Enterprise	2,738	3,353	3,328	3,595
Health and Welfare	5,359	3,653	1,849	971
Environment	723	772	349	282
Other (outside the three themes)	982	803	505	657
<b>Total</b>	<b>9,802</b>	<b>8,581</b>	<b>6,031</b>	<b>5,505</b>

We encourage our people to participate in business-led community initiatives, in addition to personal initiatives they may undertake outside the business. This has produced a significant rise in employee time donated between 2002 and 2005.

## Community Investment by type

	2005 £000	2004 £000	2003 £000	2002 £000
Donations in cash*	5,657	5,046	4,443	3,996
Donations in kind (equivalent £)	3,113	2,706	866	1,188
Donations in staff time (equivalent £)	1,032	829	722	321
<b>Total</b>	<b>9,802</b>	<b>8,581</b>	<b>6,031</b>	<b>5,505</b>

\*This includes a relatively small amount of management costs.

## Community Investment by region\*

	2005 £000	2004 £000	2003 £000	2002 £000
Group Functions	1,404	1,190	1,191	1,650
Americas Beverages	2,367	2,998	1,551	1,789
Europe, Middle East and Africa	2,554	2,786	2,158	1,527
Americas Confectionery	2,661	464	274	123
Asia Pacific	734	895	626	145
Europe Beverages	82	248	231	271
<b>Total</b>	<b>9,802</b>	<b>8,581</b>	<b>6,031</b>	<b>5,505</b>

\*The regions are not economically or geographically equal in size and so this is not a relative comparison.

## Chairman's Award

The Chairman's Award is a biennial award programme, established in 1999 to reflect our commitment to encourage and support the work of Cadbury Schweppes colleagues in communities worldwide. It rewards individuals or teams from any part of the business for outstanding examples of employee community involvement. In 2006, Ursula Wojtas from Cadbury Australia was chosen as the winner for her outstanding contributions to Focolore, an international Christian organisation.



# community investment... continued

## CASE STUDY

### Africa Initiatives

Our connection with Africa is a long one, spanning many generations. The Cadbury Schweppes Foundation Africa Aid programme builds on work done by our local business operations and our supply chain to support a range of educational, social and environmental projects in the communities in which we operate.

For example, in Ghana we support enterprise loans programmes for rural youth and we work with Action Aid on educational initiatives for migrant agricultural workers. In Senegal we support the Diambars Institute, a sports and education academy. However, much of our activity is focused on helping to combat HIV/AIDS.

#### HIV/AIDS

We support HIV/AIDS initiatives in several African countries and have developed global *HIV/AIDS guidelines* that our businesses use to create local programmes to address the challenges of HIV/AIDS in the workplace. Projects include:

- ♥ Zimbabwe: counselling, diet supplements and anti-retroviral medical provision for employees and spouses
- ♥ South Africa: support for HIV/AIDS care centres and hospices in the community:
  - Ethembeni Orphan Care project (Eastern Cape), through the charity Starfish Greathearts Foundation
  - Hope Worldwide Foundation (Port Elizabeth)
  - Themba Care Centre (Cape Town)
  - Dream Centre (Kwa-Zulu Natal)
  - St Francis Care Centre (Gauteng)

### More of our community projects around the world...

Not all of our projects are listed here. More information is available on our website.

<b>Australia</b>	Clown Doctors for sick children in hospitals
<b>Brazil</b>	Running sports and literacy programmes for teenagers and providing facilities
<b>Canada</b>	United Way Campaign to improve the long-term health of communities
<b>China</b>	Tree planting projects
<b>Colombia</b>	Supporting local fire department
<b>Denmark</b>	Cancer counselling care centre
<b>Ecuador</b>	Funding renovation of children's centre
<b>Egypt</b>	National campaign to eradicate illiteracy
<b>France</b>	Employee telethon fundraising for a range of charities
<b>Ghana</b>	Fresh water wells
<b>Greece</b>	AGIA TRIAS foundation for orphans
<b>India</b>	Educational needs of street children
<b>Indonesia</b>	Assisting impoverished community in Serpong
<b>Ireland</b>	Mentoring and preparing students for the world of work
<b>Japan</b>	Environment clean up days
<b>Kenya</b>	Helping with economic and life skills education via Junior Achievement
<b>Lebanon</b>	Volunteering with disabled people's charities
<b>Malaysia</b>	Orphanages in Klang Valley
<b>Mexico</b>	Funding orphanages and special schools
<b>New Zealand</b>	Cure Kids research into life-threatening illnesses
<b>Nigeria</b>	Running children's soccer camp
<b>Peru</b>	Helping to educate disabled children
<b>Philippines</b>	Community outreach to street children
<b>Poland</b>	Teaching English language skills to children
<b>Russia</b>	Orphanages, hospitals and kindergartens
<b>South Africa</b>	Chappies Little League, a national schools-based soccer development programme
<b>Spain</b>	Alejandro Da Silva Leukaemia Foundation
<b>Thailand</b>	Creating gardens for local schools
<b>UK</b>	Providing work placements and job coaching to homeless
<b>US</b>	Sponsorship and fundraising for Juvenile Diabetes Research Foundation
<b>Venezuela</b>	Supporting Junior Achievement





## Our commitments

We will continue to build on the foundations of our work around the world. Specifically, we commit to contributing at least 1% pre-tax profit overall and in each of our regions, year on year.

We are also committed to developing more partnerships across the business to help address global social, economic and environmental concerns linked to the Millennium Development Goals.

## Millennium Development Goals

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

We will assess the impacts to the community and to our business, year on year, using the internationally recognised London Benchmark Group Model that we currently use.

## CASE STUDY

### Tsunami Regeneration Programme

With operations around the Pacific Ocean, we responded immediately to the Asian Tsunami in late 2004. After initial emergency relief donations we established a Tsunami regeneration programme for essential long-term community rebuilding. Working in partnership with a local charity, the Sri Aurobindo Society, on a five-year project, we are contributing to the redevelopment of two villages in the coastal region of Tamil Nadu, one of the worst affected areas in India. The project addresses education, health, economic development, vocational training, organic farming, water harvesting and attitude changes including the empowerment of women. Learnings from the project will also help to create significant rural regeneration throughout the rest of the tsunami-hit regions and beyond.

Priorities for the first year include: providing simple housing and toilets and repairing and developing eight pre-school centres and three schools. We will also recruit teaching staff, health workers, counsellors as well as an administrator and set up a training and basic IT centre. Providing a sports field and equipment is another priority for year one.

Our trustees will monitor and measure the impact of the project over time. They will be looking for positive developments such as growing numbers of students attending college or achieving vocational training, an increase in the number of children being vaccinated, improvements in adult literacy rates, growth in family incomes, and increased life expectancy.



# where next?

Cadbury Schweppes has a heritage of trust and responsibility based on living our values. This heritage is the foundation for our future success.

The year 2005 marked the end of a five-year milestone of 'Growing Responsibly in CSR' that was founded firmly on our Five Pillars of CSR. As a result of Growing Responsibly in CSR, our approach, policies and practices in these areas are more clearly defined, more effectively communicated and better understood.

Over these five years our Company changed. The world around us changed too. Interest in where and how companies source their supplies grew significantly. Food and consumer issues rose on the public agenda as did how companies respond to environmental concerns. The shape and nature of the global market changed. We also saw growth for our products in emerging markets such as China, India, Latin America and Russia. We expect the growth to continue.

Now we are looking forward to the next five years, to 2010 and beyond. In planning ahead, we do not just look at business trends. We consider the broader environmental, social and economic changes that academics, specialists and researchers among others are anticipating. We are assessing what they will mean for our business and how they will condition the environment for sustainable growth.

Cadbury Schweppes will, of course, continue to focus on producing superior returns for shareowners. We will achieve this through responsible and sustainable business growth. By living our values we will reach our stretching commercial goals. Performance driven and values led growth is the key to sustainable shareowner value. For us, sustainability is also about taking care of the environment and the communities where we live, work and do business. We know we must be sensitive to

their changing needs in the same way that our product mix must reflect the changing needs and tastes of our consumers.

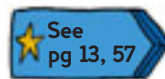
Across the world, people are expecting more from business. It is more important than ever that we live by our values. This means dealing fairly with consumers and suppliers, with customers and employees. As well as creating brands people love, it is our job to engage with the issues that people really care about.

We know that Cadbury Schweppes' reputation as a responsible company is not to be taken for granted. We have to work hard to renew it day by day. It is in our brands, in our processes, in our people, and in our plans for the future. Everyone whose lives we touch, however briefly, in markets old and new, must see that we live by our values.

We have adopted a new set of specific commitments and goals for CSR, our **Goals and Commitments on Sustainability** for the years to 2010. Meeting them will require continued dedication from our leadership team and our colleagues and the support of our many stakeholders.

In the mid 19th century, our Company was founded with a strong sense of obligation to society. We look to the 21st century equally determined to be the stewards, not only of our great business and brands, but of our role in society and our impact upon the world around us. It will be the ideas, the energy and the commitment of our colleagues and business partners that provide a platform for solid and lasting growth, for the benefit of future generations.

In the future, as in the past, we will live out our values in the way we conduct our business.



# our goals and commitments on sustainability 2006-2010

<p><b>Marketing, Food, Consumer</b></p>	<p><b>GOAL</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Contribute to consumer diet, health and lifestyle solutions.</li> </ul>	<p><b>COMMITMENTS (BY 2010 - GLOBALLY - WE WILL...)</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Improve nutritional labelling information for consumers including responsible consumption messaging, and support initiatives that promote physical activity.</li> <li>♥ Increase product choices for consumers including reduced fat, sugar and salt alternatives, for core brands.</li> </ul>
<p><b>Ethical Sourcing</b></p>	<p><b>GOAL</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Maintain ethical sourcing standards, and develop sustainable agriculture programmes.</li> </ul>	<p><b>COMMITMENTS (BY 2010 - GLOBALLY - WE WILL...)</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Ensure our suppliers meet our ethical sourcing standards (see page 33).</li> <li>♥ Sustainably source at least half of our key agricultural raw materials, such as cocoa, sugar, palm oil, and gum arabic, for core brands.</li> </ul>
<p><b>Environment, Health and Safety</b></p>	<p><b>GOAL</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Minimise the environmental impacts of our business, and embed a zero accident culture.</li> </ul>	<p><b>COMMITMENTS (BY 2010 - GLOBALLY - WE WILL...)</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Develop reliance on renewable energy, reduce use of carbon-based fuels, and use 100% recoverable or biodegradable packaging.</li> <li>♥ Achieve top quartile performance for workplace health and safety.</li> </ul>
<p><b>Human Rights &amp; Employment Standards</b></p>	<p><b>GOAL</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Nurture our Company as 'The Place to Be', where diverse colleagues are proud to work, and are committed and engaged.</li> </ul>	<p><b>COMMITMENTS (BY 2010 - GLOBALLY - WE WILL...)</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Consistently achieve top quartile Employee Climate survey results.</li> <li>♥ Attain 25% female representation in our executive management.</li> </ul>
<p><b>Community</b></p>	<p><b>GOAL</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Help create prosperous, educated, inclusive and healthy communities.</li> </ul>	<p><b>COMMITMENTS (BY 2010 - GLOBALLY - WE WILL...)</b></p> <hr/> <ul style="list-style-type: none"> <li>♥ Contribute at least 1% pre-tax profit for Community Investment as a group and per region, year on year.</li> <li>♥ Build on and develop partnerships across the business to help address global social, economic, and environmental concerns linked to the Millennium Development Goals.**</li> </ul>

\*\* Millennium Development Goals (2000 - 2015) are to:

- |  |  |   |
|--|--|---|
| 1. Eradicate extreme poverty and hunger      | 4. Reduce child mortality                      | 7. Ensure environmental sustainability          |
| 2. Achieve universal primary education       | 5. Improve maternal health                     | 8. Develop a global partnership for development |
| 3. Promote gender equality and empower women | 6. Combat HIV/AIDS, malaria and other diseases |   |

# current kpi progress and our future commitments

The table below shows the current KPIs for our Five Pillars and our view of the progress we have made. We have also included our commitments from 2006 to 2010 so that you can see where we are heading next.

Five CSR Pillars and current KPIs	Our progress* red amber green	Our Commitments from 2006 to 2010 (see pages 13, and 56-57)
<b>Marketing food and consumer (pages 20-27)</b> <ul style="list-style-type: none"> <li>Promoting responsible consumption</li> <li>Increased alternative choices</li> <li>Improved nutritional labelling</li> <li>Self regulation on marketing and advertising</li> <li>Support for physical activity initiatives</li> </ul>		<p>Improve nutritional labelling information for consumers including responsible consumption messaging, and support initiatives that promote physical activity.</p> <p>Increase product choices for consumers including reduced fat, sugar and salt alternatives, for core brands.</p>
<b>Ethical Sourcing and procurement (page 33)</b> <ul style="list-style-type: none"> <li>Identified Tier 1 suppliers (%) with whom we have discussed our <i>HRET policy</i> and <i>Ethical Sourcing Standards</i>, gained their confirmation that they will abide by them, risk assessed their performance, and identified areas of improvement if any.</li> <li>Identified Tier 2 suppliers (%) who have confirmed they have received our communications on our policy and standards and will abide by them.</li> <li>Number of procurement people trained on our supplier assessment and communication processes.</li> </ul>		<p>Ensure our suppliers meet our ethical sourcing standards (see page 33).</p> <p>Sustainably source at least half of our key agricultural raw materials such as cocoa, sugar, palm oil, and gum arabic, for core brands.</p>
<b>Environment, health and safety (pages 40-43)</b> <ul style="list-style-type: none"> <li>CO<sub>2</sub> equivalent emissions kg/tonne of finished product</li> <li>Energy Use kWh/tonne of finished product</li> <li>Water Use m<sup>3</sup>/tonne of finished product</li> <li>Wastewater Discharge m<sup>3</sup>/tonne of finished product</li> <li>Solid Waste kg/tonne of finished product</li> <li>Fatal accidents (number)</li> <li>Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours</li> </ul>		<p>Develop reliance on renewable energy, reduce use of carbon-based fuels, and use 100% recoverable or biodegradable packaging.</p> <p>Achieve top quartile performance for workplace health and safety.</p>
<b>Human Rights and Employment Standards (pages 47, 49)</b> <ul style="list-style-type: none"> <li>Employee Climate survey scores on Commitment and Engagement</li> <li>Women across our workforce <ul style="list-style-type: none"> <li>Total women in workforce (%)</li> <li>Women in management (%)</li> <li>Women at executive level (%)</li> </ul> </li> <li>Nationality profile of our leadership pipeline <ul style="list-style-type: none"> <li>Executives</li> <li>International assignees</li> </ul> </li> <li>Age of youngest employee is of legal minimum working age</li> </ul>		<p>Consistently achieve top quartile Employee Climate survey results.</p> <p>Attain 25% female representation in our executive management.</p>
<b>Community Investment (CI) (pages 14, 15, 53)</b> <ul style="list-style-type: none"> <li>Global Community Investment (£)</li> <li>Percentage of global pre-tax profit</li> <li>Community Investment (£) by theme</li> <li>Community Investment (£) by spend</li> <li>Community Investment (£) by region</li> </ul>		<p>Contribute at least 1% pre-tax profit for Community Investment overall and per Region, year-on-year.</p> <p>Build on and develop partnerships to help address global social, economic and environmental concerns linked to the Millennium Development Goals.</p>

\*Green signifies that we believe we are making good progress. Amber signifies that although we have made progress, there is room for improvement. Red signifies that performance is not to standard.

# global reporting indicators

The Global Reporting Initiative, a multi-stakeholder group, has developed 'Sustainability Reporting Guidelines' which include a set of indicators for reporting on economic, environmental, and social performance. The guidelines are voluntary and are intended for use by organisations across many different sectors; they are not specific to the food and beverages consumer goods industry. We show our coverage against GRI core performance indicators and the reporting elements that GRI considers to be mandatory. For our report, we have taken the most up-to-date available version of GRI into account (GRI2).

Our GRI performance as reported in our CSR Report 2006, plus Cadbury Schweppes Annual Review and Summary Financial Statement 2005, and Report and Accounts 2005, is as follows.

GRI category	Fully reported	Partially reported
<b>Vision and strategy</b>	1.1	1.2 (as reported in CEO 'Introduction' as per GRI guidelines)
<b>Company profile</b>	2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, 2.11, 2.12, 2.13, 2.14, 2.16, 2.21, 2.22	2.20
<b>Structure and governance</b>	3.1, 3.2, 3.4, 3.5, 3.7	3.3, 3.6
<b>Stakeholder engagement</b>		3.9, 3.10, 3.11, 3.12
<b>Policies and systems</b>	3.16, 3.17, 3.18, 3.19, 3.20	3.14
<b>Economic</b>	EC1, EC3, EC5, EC6, EC7, EC10	EC2, EC4, EC8
<b>Environment</b>	EN5	EN3, EN8, EN11, EN12, EN14
<b>Labour practices</b>	LA1, LA7, LA10, LA11	LA4, LA5
<b>Human rights</b>	HR1, HR3, HR4, HR6, HR7	
<b>Society</b>	SO1, SO3	SO2
<b>Product responsibility</b>	PR1, PR2	

We are also fully compliant with GRI non-core indicators: LA12, LA17, HR10, SO5, and partially compliant with GRI non-core indicators: EN17, EN34.

## Perspective from Forum for the Future

This report is an important milestone for Cadbury Schweppes as it looks back on progress made in the last five years towards CSR, as well as maps out the challenges ahead. Since its last CSR report in 2004, Cadbury Schweppes has fine-tuned its approach to CSR and made headway in measuring the effectiveness of its activities in the 'Five Pillars'. In many areas policy has now moved to practice, and we are particularly pleased to see independent assurance of key performance measures. Furthermore, Cadbury Schweppes' role in cross-sectoral partnerships to find industry wide solutions for major consumer issues is a hallmark of a globally responsible business. However, whilst Cadbury Schweppes recognised and responded to a wide range of critical environmental issues, its performance in some areas needed to go further, particularly around climate change and energy.

Going forward, we are also pleased to see the new 'Goals and Commitments on Sustainability'. A future challenge would be to see the commitments in the area of marketing, food and consumer go even further, for example, by doing more to integrate sustainability into brand positioning and by creating brands with sustainability running all the way through them. Through this, Cadbury Schweppes could help consumers and others make more sustainable choices. At the same time, Cadbury Schweppes needs to remain focused on the delivery of high standards of CSR performance across all aspects of its business operations, and to continue developing its leadership position on sustainability.

**Dr. Sally Uren**  
Forum for the Future



# un global compact – communication on progress



Cadbury Schweppes has been a signatory to the UN Global Compact since 2003, and endorses its 10 Principles. Each year, we communicate our progress against the 10 Principles.

## Human Rights

**Principle 1: Business should support and respect the protection of internationally proclaimed human rights**

♥ Our *Human Rights & Ethical Trading (HRET)* policy applies to our business and to our suppliers, and is based on the UN Declaration of Human Rights and International Labour Organisation Conventions. In 2005, we appointed an Ethical Sourcing Director to further develop and focus our ethical sourcing strategy and programme – that underpin the support and protection of human rights.

♥ We established a global Diversity & Inclusiveness Leadership Team chaired by a member of our Chief Executive's Committee and with representation from all regions and levels of the business.

**Principle 2: Business should ensure that they are not complicit in human rights abuses**

♥ Our Human Rights & Ethical Trading Working Group continues to oversee progress in the area of human rights and ethical sourcing, and reports to our CSR Board Committee, which also regularly reviews progress on CSR.

♥ We have in place HRET training awareness programmes with our procurement professionals. We have updated our ethical sourcing strategy to include supplier and company site audits. We have joined SEDEX (Supplier Ethical Data Exchange) and are asking our suppliers to do the same.

## Labour Rights

**Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining**

♥ We support partnerships with trade unions, European forums, staff councils, and employee representation. Our *Human Resources Standards* cover all aspects of employment relations including these areas.

♥ We have a long tradition of open and honest communication with employees both formally and informally – we include employee communications as one of *Our Business Principles*.

**Principle 4: Business should support the elimination of all forms of forced and compulsory labour**

♥ We have plans for more reviews and independent audits of labour conditions in our supply chain.

♥ Cadbury Schweppes is an active leader in the International Cocoa Initiative (ICI), a multi-stakeholder group whose role is to oversee and develop efforts to eliminate harmful labour practices in the growing and processing of cocoa.

**Principle 5: Business should support the effective abolition of child labour**

♥ We monitor the age of the youngest working employee across our business and ensure legal compliance.

♥ Our leadership and involvement in the ICI illustrates our commitment to the UN Global Compact's 5th Principle.

**Principle 6: Business should support the elimination of discrimination in respect of employment and occupation**

♥ Cadbury Schweppes has had a global *Equal Employment Opportunities (EEO) & Diversity policy* in place since 1995 and we update it regularly. We conduct a group-wide EEO & Diversity survey every year to assess our progress and our CSR Board Committee and Board review the results. Our global Diversity & Inclusiveness Leadership Team supports this agenda.

♥ Individual businesses continue to use workshops, training, inductions, and in some cases Diversity Committees to foster an inclusive work environment.

## Environment

**Principle 7: Business should support a precautionary approach to environmental challenges**

♥ Our environmental management programme and environment policy, which were first established in the early 1990s, and have been updated since, include independent environmental assessments and audits.

♥ We report formally on Environment Health and Safety performance to the Board, and Chief Executive's Committee twice per year. More regular reviews take place at regional and local business unit level.

♥ We are included in the Carbon Disclosure Project 3 Climate Leadership Index – CDP3 supports a precautionary approach to environmental challenges.

**Principle 8: Business should undertake initiatives to promote greater environmental responsibility**

♥ We have set public targets of reducing: CO<sub>2</sub> emissions, energy use, water use, wastewater, and solid waste (per tonne finished product) for all our manufacturing sites by 10% from 2006 to 2010.

♥ Environment is one of the three focus areas of our Community Investment programme. Together with the international environmental organisation, Earthwatch, we have developed a project that focuses on scientific research of sustainable cocoa farming and biodiversity in Ghana and involves our people.

**Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies**

♥ We have adopted environmentally friendly technologies (though not yet at all of our facilities) that reduce the energy and carbon intensity of our manufacturing plants – including energy efficient steam boilers, energy efficient lighting, variable frequency inverter speed controllers, better thermal insulation, building management systems, and cogeneration plants.

♥ With our new gum plant we are building in Poland, we plan to reduce the process energy load and implement a mix of options for energy supply that reduce our carbon footprint.

## Corruption

**Principle 10: Business should work against corruption in all its forms, including extortion and bribery**

♥ *Our Business Principles* apply to everyone in our business, and includes such matters as compliance with the law, gifts and improper payments, fraud, political contributions and conflicts of interest. We have implemented a global Whistleblowing Process and Helpline (called *Speaking Up*) for our people.

♥ We set up a central Compliance Steering Group in 2006 to review our compliance programme. We also have business risk and audit teams in place who work within our regions and businesses.

♥ Our Board and Chief Executive's Committee continue to review and identify significant business risk, including risk related to Principle 10. Our Business Risk Review Process is used by all of our businesses globally.

## Independent assurance statement by Deloitte & Touche LLP to Cadbury Schweppes plc on the Corporate and Social Responsibility Report 2006

### We have been engaged by the Board of Directors to perform limited assurance\* procedures at Group Head Office level on Cadbury Schweppes plc (“Cadbury Schweppes”) Corporate and Social Responsibility Report 2006 (“the CSR report”).

#### What we looked at: scope of assurance work

The subject matters selected for this assurance engagement are defined below. For each of these, our objective has been to review whether Cadbury Schweppes’ descriptions within the CSR report are not materially misstated.

#### Our Business Principles

We have reviewed the approach undertaken by management in relation to the communication and sign-up process of Cadbury Schweppes’ Business Principles as described in the “Our Business Principles” section on page 11 of the CSR report.

#### Ethical sourcing

We have reviewed the approach undertaken by management in monitoring the performance of its supplier assessment programme as described in the “Ethical sourcing and procurement” section on page 32 and 33 of the CSR report with regards to:

- The percentage of identified Tier 1 and Tier 2 suppliers with whom Cadbury Schweppes has engaged and risk assessed; and
- The number of procurement people trained on Cadbury Schweppes supplier assessment and communication processes.

#### Environment health and safety

We have reviewed the processes and systems used by management to collect, aggregate, validate and report the following environment, health and safety performance data as described in the “Environment, health and safety” section on pages 40 to 43 of the CSR report:

- CO<sub>2</sub> equivalent emissions (kg/tonne finished product);
- Energy consumption (kWh/tonne finished product);
- Water consumption (m<sup>3</sup>/tonne finished product);
- Wastewater discharge (m<sup>3</sup>/tonne finished product);
- Solid waste (kg/tonne finished product);
- Percentage of manufacturing by tonnage covered by an externally certified Environmental Management System (EMS);
- Fatal accidents (number of); and
- Lost time injury frequency rate (per 200,000 hours).

#### Community investment

We have reviewed the processes and systems used by management to collect, aggregate, validate and report the following community investment data as described in the “Community investment” section on page 53 of the CSR report:

- Total community investment spend (in £ and as % of pre-tax profit);
- Spend by theme e.g. education and enterprise, health and welfare, environment, other (£);
- Spend by type e.g. donations in cash and management cost, donations in kind, and donations in employee time (£); and
- Spend by region (£).

#### Employee climate survey

We have reviewed the approach taken by management to design, undertake, analyse and report its annual employee climate survey including the scores on commitment and engagement as reported in the “Human rights and employment standards” section on page 48 and 49 of the CSR report.

#### CSR report compilation

We have reviewed the processes and systems used by management to collate, validate and report Cadbury Schweppes’ CSR practices and performance as described on page 1 of the CSR report.

#### What we found: our conclusions

Based on the assurance work we performed, we are not aware of anything that causes us to believe that the management assertions on the subject matters defined above are materially misstated.

#### What we did: assurance standard and procedures

- We conducted our limited assurance\* work in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Board (for further information see [www.ifac.org/IAASB](http://www.ifac.org/IAASB)). This standard requires that we review the systems, processes and controls that deliver the information in the areas of the CSR report specified above.
- Our approach has been to understand and test on a sample basis the processes undertaken by Cadbury Schweppes plc at Group Head Office level to deliver such activities and performance and report it in the CSR report. Our assurance work consisted primarily of making inquiries of company personnel and carrying out analytical procedures and sample tests at Group Head Office level and covered the practices and performance of 2005 only (except for the “Our Business Principles” subject matter which we reviewed for 2005 and 2006).
- A limited assurance\* engagement is substantially less in scope than a reasonable assurance\* engagement. Accordingly we do not provide reasonable assurance on those matters specified in this statement.

#### Responsibilities of Directors and independent assurance provider

- The Directors are responsible for the preparation of the CSR report and for the information and assertions contained within it. They are responsible for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. Our responsibility is to independently express a conclusion on the reliability of management’s assertions in the areas identified above.
- A multi-disciplinary team of CSR assurance specialists performed the engagement in accordance with Deloitte’s independence policies, which address and in certain places exceed the requirements of the International Federation of Accountants (IFAC). We confirm annually to Cadbury Schweppes whether there have been any events, including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services during the last year.
- This statement is made solely to Cadbury Schweppes in accordance with our engagement letter for the purpose of the directors’ governance and stewardship. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a limited assurance statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Cadbury Schweppes for our work, for this statement, or for the conclusions we have formed.

Deloitte & Touche LLP  
London, United Kingdom  
22 August 2006

\*The different levels of assurance engagement are defined in the International Standard on Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Board. Reasonable assurance is similar to the audit of financial statements; limited assurance is similar to the review of a six-monthly interim financial report.

# Cadbury Schweppes

This is our third bi-annual Corporate and Social Responsibility Report. It follows on from: Working Better Together, our Corporate and Social Responsibility Report 2004, and our Corporate and Social Responsibility Report 2002. For more information on Cadbury Schweppes, and CSR, see our Annual Review and Summary Financial Statement 2005, Report & Accounts 2005, and Interim Report 2006 at [www.cadburyschweppes.com](http://www.cadburyschweppes.com)

We welcome your feedback and questions, and invite you to contact our CSR manager at:

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