The Coca-Cola System in Russia, consisting of Coca-Cola Soft Drink Consulting LLC, Coca-Cola HBC Eurasia LLC, and Multon JSC, is one of the leading soft drinks producers in Russia. It is also one of the major investors in the country’s economy.

### Split of production volumes

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sparkling beverages</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td>Water</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Tea</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Juice</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Sport and energy drinks</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

### About the report

The report is prepared in accordance with the G4 Sustainability Reporting Guidelines.

We analyzed material issues in the field of sustainable development, and determined 23 economic, ecological and social aspects material for both internal and external stakeholders. Water stewardship, waste management, compliance, energy efficiency, and customer health & satisfaction are among the key issues.

This Report is structured based on the product lifecycle concept, meaning that each section of the Report reflects the Company’s activities at each stage of the product lifecycle, including ingredients and materials procurement, production and distribution, consumption, waste management, and community development.

It is the first consolidated report presenting meaningful and comprehensive information on priority sustainable development areas of these three companies to a wide range of stakeholders.

Product lifecycle of the Coca-Cola System in Russia
INGREDIENTS AND MATERIALS PROCUREMENT

Ingredients and materials procurement is the first stage of our products’ lifecycle, laying the groundwork for responsible production processes.

Vendor selection is based primarily on an authorization process, which is compulsory when purchasing ingredients and immediate packaging. The Coca-Cola System in Russia applies a responsible approach to supplier assessment and selection, setting strict sustainability development requirements, particularly in relation to occupational health and safety. Since 2013, we have audited suppliers from the perspective of corporate social responsibility in accordance with The Coca-Cola Company’s Supplier Guiding Principles, reflecting adherence to common values and ethical norms.

Coca-Cola Soft Drink Consulting LLC consults suppliers on a regular basis on the issues of resource management, HR and logistics. It assists in running projects to reduce environmental harm and implement sustainable development principles. In 2015-2016, Coca-Cola Soft Drink Consulting LLC ran three workshops for its suppliers devoted to international standards on food safety. Coca-Cola HBC Eurasia LLC annually honors its suppliers for achieving high business standards in the Supplier of the Year and Best Supplier in Category contests.

Results of supplier audits and assessments undertaken by The Coca-Cola System in Russia

![Table](https://via.placeholder.com/150)

<table>
<thead>
<tr>
<th>Supplier</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coca-Cola Soft Drink Consulting LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of supplier audits/assessments</td>
<td>23</td>
<td>34</td>
</tr>
<tr>
<td>Percentage of suppliers who passed the audits/assessments</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Multon JSC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers assessed, percentage of total procurement expenditure</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Average score of suppliers assessed (5-point scale)</td>
<td>3.68</td>
<td>3.79</td>
</tr>
<tr>
<td>Coca-Cola HBC Eurasia LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers assessed, percentage of total procurement expenditure</td>
<td></td>
<td>85.5%</td>
</tr>
<tr>
<td>Average score of suppliers assessed (5-point scale)</td>
<td>3.68</td>
<td>3.79</td>
</tr>
</tbody>
</table>

Coca-Cola HBC Eurasia LLC annually honors its suppliers for achieving high business standards in the Supplier of the Year and Best Supplier in Category contests. Because of optimization measures, we reduced the number of suppliers from 6,810 in 2014 to 4,923 in 2016. In addition, in order to optimize business processes, we have centralized all direct purchases from local suppliers. In 2016, local suppliers accounted for 90% of total suppliers.

Since 2013, we have audited suppliers from the perspective of corporate social responsibility in accordance with The Coca-Cola Company’s Supplier Guiding Principles.
PRODUCTION AND DISTRIBUTION

The second lifecycle stage is production, an integrated process, due to which raw supplies are transformed into finished products.

QUALITY AND FOOD SAFETY

The Coca-Cola System in Russia fully complies with KORE – Operating Requirements of The Coca-Cola Company – which is an integrated quality management program. It includes requirements for quality management, risk assessment, and achieving key quality and customer satisfaction indicators. Since December 2015, the E2E TAM project has been implemented at all Coca-Cola HBC Eurasia LLC plants: it involves managing the product’s age throughout the supply chain. Following the first year, the average product age at the warehouses was reduced from 27 to 23 days; the share of sparkling drinks past their sell-by-date has been reduced from 2.3% to 0.3%, and that of juices declined from 0.9% to 0%. In 2016, Coca-Cola HBC Eurasia LLC introduced a lighter version of the cap was proposed and implemented at production sites in 2016.

Permanent quality monitoring at the level of a particular product is undertaken based on the internal quality indicator of the given product, the BPQI (Beverage Product Quality Index), and of the packaging PCQI (Primary Container Quality Index), whose target values are set annually. During the reporting period, BPQI improved significantly and exceeded the 2016 planned value, reaching 99.2%. Following the higher output in 2014, the target value for PCQI increased to 100%. Its actual value is gradually approaching the target value, and by the end of 2016 it had reached 99.7%.

The quality of service of Coca-Cola HBC Eurasia LLC when delivering products to clients is assessed via the integrated indicator DIFOTAI (Delivered in Full on Time Accurately Invoiced); this characterizes the share of products delivered in full, on time, and followed by accurate invoicing. In 2015, the average value in Russia was 98.13%, which was higher than the planned value of 98.0%, and in 2016 it reached 98.16%.

23 days
the average product age at the warehouses

0%
the share of juices past their sell-by-date

100%
the target value for PCQI

99.7%
actual value for PCQI by the end of 2016

ENVIRONMENTAL IMPACT

All plants of The Coca-Cola System in Russia are certified and annually reconfirm their compliance with ISO 14 000. To improve the effectiveness of its environmental protection activities, it complies with the KORE corporate standard of The Coca-Cola Company. In 2015-2016, eight plants passed audits of compliance with KORE requirements, and four plants passed Cross-board unannounced sampling audits.

Environmental protection policy also requires Coca-Cola HBC Eurasia LLC to cooperate closely with stakeholders when dealing with ecological issues: 270 initiatives to reduce the use of resources were proposed and implemented at production sites in 2016.

Packaging management
All plants are currently in the process of reducing PET content in preforms, in order to decrease their weight, due to which 1,042 tons of PET were saved in 2015 and another 1,426 tons were saved in 2016. In 2015, the process of transition to a lighter version of the cap was launched at plants in Moscow, St Petersburg, Samara, Ekaterinburg, and Rostov. The Multon JSC plants in St Petersburg and Schelkovo began to implement a project aimed at reducing packaging costs and corrugated cardboard consumption in 2016; for these purposes, we are transitioning to smaller packs, due to which packaging costs have been reduced by 8%, while corrugated cardboard consumption has decreased by 10%, or 49 thousand tons.

Water consumption
Water intensity-of-use reached 17.1/1 by the end of the 2015-2016 reporting period, which is a 29% decrease in comparison with 2014. The aggregate reduction in water consumption was 1,847,687 cubic meters, 51% of which occurred in water well intake. At the same time, the share of reused water increased in the reporting period by more than 3.2 times.

Waste reduction
Waste reduction in 2016 equaled 1,425,632 cubic meters in comparison with 2014, 10% of which involved water discharge. By the end of 2016, 7 of The Coca-Cola System’s 11 plants in Russia were equipped with sewage treatment facilities; terms of reference are being set and the construction budget is being assessed for three more plants.
Energy saving
Significant progress in energy saving was achieved due to energy efficiency measures: 246,355,493 mJ was saved in 2016, which was 30 times higher than in 2014. Moreover, these measures made possible the 21% reduction in CO₂ emissions by the end of 2016 compared with 2014.

Fuel saving
The companies renewed 21% of the car fleet in 2015-2016 in order to switch to vehicles featuring lower fuel consumption and meeting higher ecological standards. In that period, the consumption of motor fuel at Coca-Cola HBC Eurasia LLC and Multon JSC decreased by 24%, with the most substantial fall (29%) coming in diesel fuel consumption.

Eco-friendly refrigeration equipment
Since 2013, all Coca-Cola HBC Eurasia LLC plants have been gradually transitioning to purchasing and using refrigeration equipment that have HFC-free cooling technologies: in 2015-2016, the company replaced 29 thousand units of refrigeration equipment.

In 2017, 22 projects are at the planning stage; of these, three projects are aimed at saving water, and 19 projects are focused on energy efficiency.

As of year-end 2016, waste generated per 1 l of finished product exceeded the planned value by 5% and amounted to 5.92 g/l.

7 of The Coca-Cola System’s 11 plants in Russia were equipped with sewage treatment facilities

by 24%

decreased the consumption of motor fuel at Coca-Cola HBC Eurasia LLC and Multon JSC

HUMAN RESOURCES
During the reporting period Coca-Cola HBC Eurasia LLC undertook a large-scale transformation of the HR function. The aim was to be closer to business and to build a business-partnership model; at the same time ensuring a high level of expertise not only at head office but also in the regions and raising the HR function’s professional skills. This transformation helped to optimize certain business processes and to centralize the reporting, budget planning and payroll functions.

Staff of The Coca-Cola System in Russia was reduced by 15% in 2016, reaching 8,627 people. 8,447 were employees of Coca-Cola HBC Eurasia LLC (15% less than in 2015). Staff at Coca-Cola Soft Drink Consulting LLC in 2016 totalled 174 people, exceeding the 2015 level by 4%.

In 2015, training hours totaled 146,178, or 14.6 hours per person; while in 2016 they totaled 104,341, or 12.8 hours per person.

Corporate educational programs were again offered at Coca-Cola HBC Eurasia LLC in 2015-2016. The company launched a major restructuring of its educational programs in the period; in particular, a process was launched to assign compulsory leadership training for each management level (for instance, the Full Ahead program). Of the 350 program participants in 2015, 61% got promotions. As of now, 56% of the 342 employees who completed development programs in 2016 have already gained promotion.

To accurately assess its employees, Coca-Cola HBC Eurasia LLC has developed a unique Efficiency and Potential Matrix. The main feature of this Matrix is its flexibility, as it is used for assessing every employee of Coca-Cola HBC Eurasia LLC, providing for uniformity and transparency of decision-making in promotions.

The Coca-Cola System in Russia strives to provide its staff with a wide range of benefits, including voluntary health insurance, accident insurance, and partial reimbursement of meals and children’s holidays.

Employee development at Coca-Cola HBC Eurasia LLC is carried out by practical work, interaction with colleagues and formal training. Staff at The Coca-Cola System in Russia undertakes numerous internal and external training courses.

61% of participants of the program Full Ahead got promotions
### OCCUPATIONAL HEALTH AND SAFETY

As part of its annual business plan, Coca-Cola HBC Global outlines occupational health and safety objectives and measures for Coca-Cola HBC Eurasia LLC, which then applies them to all plants in the country. This helps Coca-Cola HBC Eurasia LLC reach high performance figures.

35 Coca-Cola HBC Eurasia LLC employees and 2 Multon JSC employees are engaged in the occupational health and safety system.

Nine Coca-Cola HBC Eurasia LLC plants and four non-production sites operate 39 hazardous industrial facilities (HIFs), of which 28 facilities fall within hazard category III (medium), and the other 11 fall within category IV (low). All company HIFs undergo continuous in-process monitoring of occupational health and safety standards. Internal audits in the form of remote tests are held annually at each of the 13 sites with HIFs.

<table>
<thead>
<tr>
<th>Year</th>
<th>HIFs with employees</th>
<th>HIFs with Multon JSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

127 internal audits were run at the company’s sites in the period to verify compliance with legislation, The Coca-Cola Company KORE, and OHSAS 18001 standard. Over 4,300 behavioral audits (“walk the talk”) were held in 2016, which was 2.3 times higher than the figure for 2014.

As part of an initiative to develop safety culture, over 25 thousand talks on safety issues (“toolbox talks”) were organized in 2015, while the number of toolbox talks in 2016 was more than twice that in 2014, reaching over 31 thousand.

Joint efforts by Coca-Cola HBC Eurasia LLC employees and management made it possible to reduce the number of accidents by nearly half compared with 2014. The improved safety culture in the company intensified employees’ involvement in expanding the reporting of near miss cases; 5 thousand near misses were reported in 2016, i.e. 76% more than in 2014.

Due to a set of measures taken to improve transport safety, the number of RTAs involving Coca-Cola HBC Eurasia LLC staff declined by more than half in comparison with 2014. Additionally, the number of RTAs where the company’s employees were determined to be at fault declined by more than 60%.

### Accidents and near miss cases detected at Coca-Cola HBC Eurasia LLC

<table>
<thead>
<tr>
<th>Year</th>
<th>Near miss</th>
<th>Accidents with employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2,899</td>
<td>31</td>
</tr>
<tr>
<td>2015</td>
<td>3,619</td>
<td>18</td>
</tr>
<tr>
<td>2016</td>
<td>5,333</td>
<td>17</td>
</tr>
</tbody>
</table>

All Coca-Cola HBC Eurasia LLC plants successfully passed annual compliance and re-attestation audits in accordance with the OHSAS 18001 management system in 2015 and 2016. A special assessment of conditions at 1,605 workplaces was carried out in the period.

31,000 talks on safety issues (“toolbox talks”) were organized in 2016.
2,600 employees underwent specialized training in 2015-2016 in order to improve their occupational health and safety knowledge. To educate staff on key fire safety requirements, over 7,400 fire safety briefings were held. To prepare employees for emergency cases, over 250 training drills were held in 2015-2016.

Coca-Cola HBC Eurasia LLC undertook 59 audits of subcontractors in 2015, and this number increased by 1.5 times in 2016, reaching 92. In 2016, the company finalized a comprehensive system for full-scale accounting for all accidents among subcontractor employees. That year, seven accidents were reported in which investigations were held.

One area of The Coca-Cola Company’s portfolio diversification at a global level is to create low-calorie equivalents of its sugary sparkling drinks, with the aims of preserving the products’ unique taste while satisfying consumers’ needs for reduced calories.

In accordance with this policy, sales of Coca-Cola Zero with zero caloric content were launched in Russia in 2015. As a result, 31.2% of sugary beverages in the portfolio now have a low caloric alternative. The share of low-calorie beverages in the portfolio amounted to almost 13% in 2016. The largest contribution to this indicator came from sales of water, accounting for about 10% of The Coca-Cola System’s sales in Russia in 2016. The company adopted the Our Way Forward strategy in 2016. It places the consumer at the center of the company’s focus – always moving forward. Our Way Forward is a new way of thinking for the whole company, designed to shift the benchmarks from the current assortment to innovative projects developing new and original products with reduced or zero calories and sugar content, as well as to focus on production in new packages designed to enable consumers to consume smaller amounts. The new strategy defines initiatives to achieving the goal as either “inside the bottle” or “outside the bottle”. “Inside the bottle” refers to everything that concerns the beverage itself, its composition, sugar content, and innovations. “Outside the bottle” covers all the characteristics of its promotion and implementation (compliance with the Responsible Marketing Policy, label content, and use of recyclable packaging materials).
The Coca-Cola System in Russia aims to improve its handling of consumer feedback, assessing progress by calculating the number of Complaints per Million (CPM) and setting target values for the year. Despite the increase in the indicator in 2015, CPM was on a downward trend in 2016 and was also lower than the planned level.

Coca-Cola HBC Eurasia LLC managed to reduce the number of complaints from consumers significantly in the reporting period: 139 complaints were registered in 2015, while the number was 154 in 2016, of which only two complaints (1.67%) were found to be justified.

Compliance with The Coca-Cola Company’s Responsible Marketing Policy is strictly monitored and periodically inspected. Internal auditors carry out unscheduled inspections. The approach to implementing the Policy in Russia includes respecting the rights of parents and guardians. Therefore, the System does not conduct marketing activities aimed at children under 12, while it provides correct and clear information on the nutritional value of our drinks on the packaging.

154 complaints were registered in 2016.

2 of registered complaints were found to be justified.

In 2016, The Coca-Cola System in Russia launched a project called Separate with Us!, whose goals are to draw public attention to the problem of waste disposal, to promote a culture of separate waste collection, and to demonstrate ways to carry out separate waste collection and processing. The project was implemented in two focus areas: infrastructural and educational.

Infrastructural activities in 2016 under Separate with Us!, including installing separate waste collection containers, were launched in eight cities of Russia. Educational activities under Separate with Us! were held at schools and universities. Over 4,000 educational institutions and more than 250,000 schoolchildren took part in the project in 2016.

In 2016, 90% of The Coca-Cola System products in Russia had FOP labeling in 2016 (88% in 2014, 89% in 2015).

Front-of-package(FOP) labeling

Producers and importers of certain types of goods and packaging are required to ensure that the disposal of waste from their use meets the recycling standards established by the Government of the Russian Federation.

Innovations in the Russian law related to utilization of waste are consistent with The Coca-Cola HBC Group’s global sustainable development commitments to 2020. In accordance with these commitments, we plan to collect at least 40% of consumer packaging waste for recycling. In order to achieve such ambitious results, The Coca-Cola System in Russia is constantly expanding our competence in the field of waste management.
The Coca-Cola System in Russia strongly supports community development. The traditional areas of support that we fund the most are children’s education and development, as well as new opportunities for socially vulnerable groups.

The involvement of The Coca-Cola System in Russia employees in volunteer programs is increasing: each employee spent an average of 2.4 hours on corporate volunteering for community development in 2015, increasing to 3.3 hours in 2016.

Since 2016, the Coca-Cola System in Russia has paid special attention to separate collection and processing of packaging waste to support sustainable development in its regions of presence. The Coca-Cola System in Russia became the first and as yet the only business player in the country to arrange the separate collection and utilization of consumer packaging in accordance with the principle of extended producer responsibility (EPR).

Christmas Caravan is one of the Coca-Cola System in Russia’s largest volunteer projects. The project is held annually on the eve of the New Year holidays. For 15 years now, its employees have dressed up in costumes of festive characters on New Year’s Eve and visited children undergoing long-term hospital treatment, or living in care, travelling on branded trucks.

Coca-Cola HBC Eurasia LLC provided 10,800 liters of Bonaqua water to five villages in the Republic of Khakassia affected by the floods in May-June 2015. It provided 53 thousand liters of drinking water to flood victims in Primorye and the Vologda region in 2016. Thus, over 20 thousand people gained access to water. The company signed a cooperation agreement with the International Federation of Red Cross Societies (IFRC) and the Russian Red Cross in 2016. Cooperation under this agreement is planned to develop in three fields:

— response to emergencies: delivering clean drinking water to affected people, activating humanitarian aid collection points among The Coca-Cola System in Russia employees, as well as fundraising;
— educational activities, including first aid training and encouragement of voluntary donations;
— participation of The Coca-Cola System in Russia employees in IFRC and Russian Red Cross volunteering initiatives.

The Coca-Cola System in Russia has won a number of awards for community development. The system was included in the list of Leaders of Corporate Charity in 2015-16 as a major company engaged in corporate charity in Russia.

| Community Development |

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>72.17% Water and environment</td>
<td>10.69% Water and environment development</td>
</tr>
<tr>
<td>5.93% Youth development</td>
<td>8.72% Youth education and culture</td>
</tr>
<tr>
<td>2.34% Education and culture</td>
<td>4.50% Education and culture</td>
</tr>
<tr>
<td>18.61% Sports and specifically inclusive sports</td>
<td>70.16% Sports and specifically inclusive sports</td>
</tr>
<tr>
<td>0.94% Disaster relief</td>
<td>2.96% Disaster relief</td>
</tr>
<tr>
<td>0.01% Other</td>
<td>2.96% Other</td>
</tr>
</tbody>
</table>