





SOCIO-ECONOMIC IMPACT OF THE COCA-COLA SYSTEM IN RUSSIA IN 2013—2016



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Coca-Cola **Россия**

FOREWORD



This report presents the major findings of an in-depth assessment of the Coca-Cola System in Russia's socio-economic impact on the Russian Federation in the years 2013—2016, performed by the Laboratory for Studies in Economic Sociology of the National Research University Higher School of Economics, commissioned by the Coca-Cola System in Russia.

Unlike the conventional reports on sustainable development or the corporate social responsibility usually generated by major companies, this study represents the broader perspective of the Coca-Cola System in Russia's impact on the development of the Russian economy, its contribution to the protection of the environment, and the social development of the country. Based on information from multiple data sources, the report presents direct and indirect effects of the Coca-Cola System in Russia's activities, including its influence on the development of Russian businesses and an increase in the performance standards of the beverages industry and the Russian economy as a whole.

The analysis shows that even during the difficult business years of economic crisis The Coca-Cola System in Russia increased the production volumes, expanded its product portfolio, stepped up its investments into the fixed assets, continued to maintain high-paying jobs, and contributed to large environmental protection and social programs.

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CONTENTS

MAIN FACTS AND FIGURES	4
HISTORY OF THE COCA-COLA SYSTEM IN RUSSIA	6
PRODUCT PORTFOLIO	8
RESEARCH OUTLINE AND METHODOLOGY	10
 PART I. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO ECONOMIC DEVELOPMENT	12
INVESTMENTS	14
CONTRIBUTION TO RUSSIA'S GDP	16
TAX REVENUES	18
EMPLOYMENT	20
RELATED AND SUPPORTING INDUSTRIES	22
 PART II. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO ENVIRONMENTAL PROTECTION	26
 PART III. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO SOCIAL DEVELOPMENT	32
CONCLUSION	40

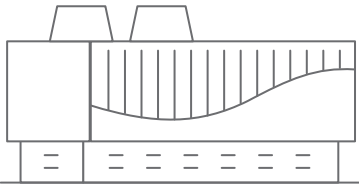


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Coca-Cola **РОССИЯ**

THE COCA-COLA SYSTEM IN RUSSIA IS...

ONE OF THE BEVERAGE INDUSTRY LEADERS



10 PLANTS FROM
SAINT PETERSBURG
TO VLADIVOSTOK

A LARGE INVESTOR INTO THE RUSSIAN ECONOMY

\$5.7 BILLION
investments
into the economy
during its presence
in Russia



25%
share of the total
beverages industry
investments since 2013

ONE OF RUSSIA'S MAJOR TAXPAYERS

41.6 BLN
RUB

total amount of taxes
paid (2013–2016)

42.4 BLN
RUB

aggregated taxes
paid by the Coca-Cola
System in Russia,
its customers and
suppliers in 2016



0.4%

of all tax revenues paid
to the budget of the
Russian Federation
in 2016*

* including indirect effects

ONE OF THE LARGEST EMPLOYERS



>9,600 employees
in Russia
>65,000 additional
jobs created

**1 JOB AT THE COCA-COLA
SYSTEM IN RUSSIA CREATES
UP TO 7 JOBS IN RELATED
INDUSTRIES**

SUBSTANTIAL BUYER OF RUSSIAN GOODS AND SERVICES

>90% **11.8%** **3%**

of all purchases of the Coca-Cola System in Russia in 2016 were made in Russia from Russian suppliers*

* without concentrate

of all ingredients for juice production are purchased in Russia**

** of fruits and vegetables, suitable for cultivation in Russia

of all sugar produced in Russia is purchased by the Coca-Cola System in Russia

CRITICAL PARTNER FOR RUSSIAN BUSINESSES



≈200,000

active customers across the country



>600

long-standing suppliers



≈40%

individual entrepreneurs

SOCIALLY RESPONSIBLE PRODUCER



1.9

BLN RUB

investments into social development of Russia (2013–2016)

0.3%

OF RUSSIA'S GDP IN 2016*

* including indirect effects

CONTRIBUTION TO THE RUSSIAN ECONOMY THROUGH THE CREATION OF ADDED VALUE

HISTORY OF THE COCA-COLA SYSTEM IN RUSSIA

Coca-Cola imported its products into the USSR for the first time in the late 1970s, shortly before the 1980 Moscow Olympic Games. Starting with 1992, the Coca-Cola System in Russia is making substantial investments into the development of the local beverages market, including building production facilities from St. Petersburg to Vladivostok and establishing a wide distribution network with over 100 offices throughout Russia.

1979

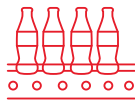
1980



FIRST COCA-COLA AND FANTA PRODUCTS WERE IMPORTED INTO THE SOVIET UNION BEFORE THE 1980 OLYMPIC GAMES IN MOSCOW

THE BEGINNING OF

1992



LOCAL PRODUCTION WAS LAUNCHED AT THE FIRST PLANTS IN RUSSIA

1994



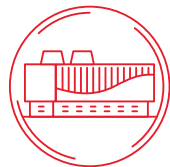
THE LARGEST PLANT OF THE COCA-COLA SYSTEM IN RUSSIA WAS OPENED



IN MOSCOW

10

PLANTS



The Coca-Cola System in Russia has a considerable infrastructure of 10 plants all over the country, from St. Petersburg to Vladivostok



● **ST. PETERSBURG**



● **MOSCOW**



● **SHCHELKOVO
MOSCOW
REGION**



● **ISTRA
MOSCOW
REGION**



● **ROSTOV
REGION**

Today the Coca-Cola System in Russia is a major investor into the consumer goods sector on the Russian market, offering a variety of high-quality non-alcoholic beverages from soft drinks to juices and nectars.

1995
—
1998



PLANTS OPENED ALL OVER THE COUNTRY FROM ST. PETERSBURG TO VLADIVOSTOK

2005



ACQUISITION OF ONE OF RUSSIA'S LARGEST JUICE AND NECTAR MANUFACTURERS, CJSC MULTON

2011



THE COCA-COLA SYSTEM IN RUSSIA CONTINUES ITS DEVELOPMENT IN THE COUNTRY



IN ROSTOV REGION

The Coca-Cola System in Russia opens a new and the most advanced plant

100
LOCATIONS
IN RUSSIA



The Coca-Cola System in Russia's production and distribution facilities operate in 100 cities throughout the country, with a total population of over 61 million people



● **SAMARA**



● **EKATERINBURG**



● **NOVOSIBIRSK**



● **KRASNOYARSK**



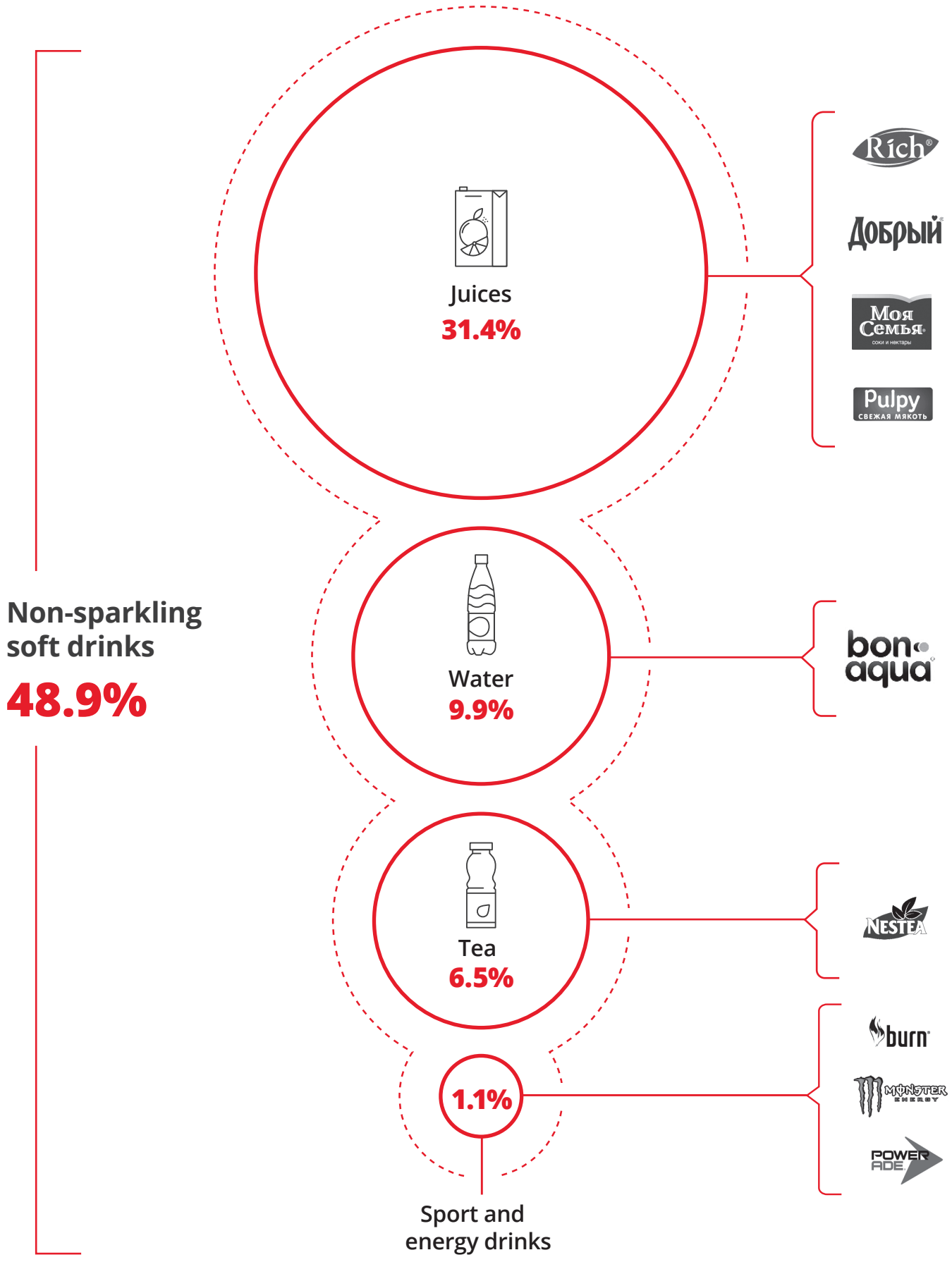
● **VLADIVOSTOK**

PRODUCT PORTFOLIO

The Coca-Cola System in Russia produces and offers a wide range of quality soft drinks under world-famous trademarks: Coca-Cola, Coca-Cola Zero, Sprite, Fanta, BonAqua bottled water, Nestea iced tea, Powerade sports drink, Burn and Monster energy drinks, Schweppes tonic water, Fruktaim lemonade, and juice products under the brands of Dobry, Rich, Moya Semya and Pulpy.



51.1%
Sparkling
soft drinks



RESEARCH OUTLINE AND METHODOLOGY

The current report provides a broader perspective on the Coca-Cola System in Russia's economic, social, and environmental impact on the country during the difficult years of the most recent economic crisis. It evaluates the Coca-Cola System in Russia's increasing direct investments in regions of operations and Russia as a whole; establishment and maintenance of high-paying jobs; satisfaction of the increasing customer demands; and contributions to a variety of social programs and sustainable development.



THIS REPORT WAS PREPARED AND VERIFIED BY THE LABORATORY FOR STUDIES IN ECONOMIC SOCIOLOGY OF THE NATIONAL RESEARCH UNIVERSITY HIGHER SCHOOL OF ECONOMICS.

This Report outlines the Coca-Cola System in Russia's activities in the years 2013–2016.

AT PRESENT TIME, THE COCA-COLA SYSTEM IN RUSSIA CONSISTS OF THREE SEPARATE ENTITIES:

Coca-Cola Soft Drink Consulting, LLC
Coca-Cola HBC Eurasia, LLC
Multon, CJSC

DATA SOURCES:

The report was based on a large variety of internal and external data for the years 2013–2016, and in some instances, earlier periods, from the Coca-Cola System in Russia entrance to the Russian market.



Data received from the Coca-Cola System in Russia:

own data including official financial statements and other documents submitted to the governmental agencies



Previous reports

on the Coca-Cola System activities in Russia, EIS and other post-communist countries, BRICS countries and the European Union



External statistical databases:

Rosstat, SPARK, Canadean, Euromonitor



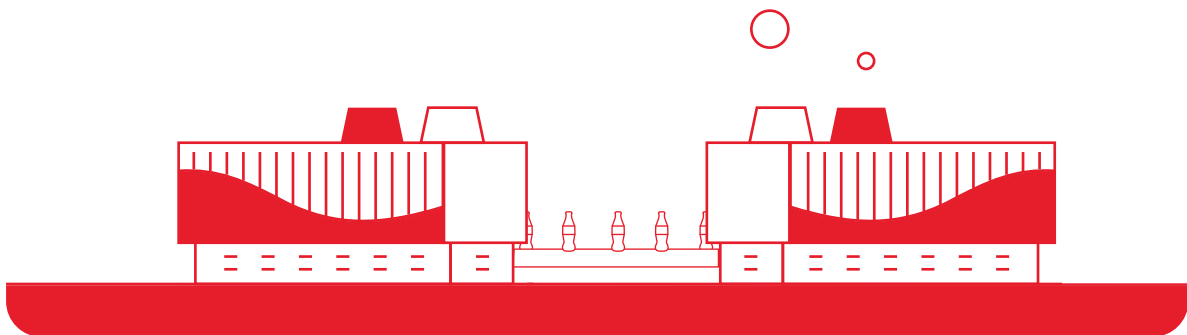
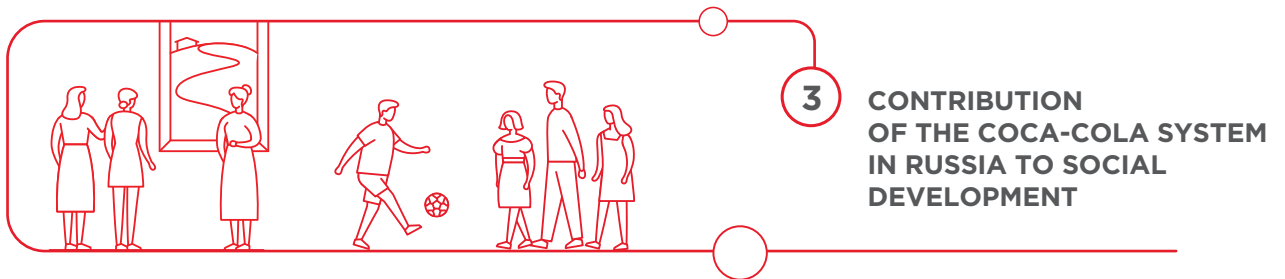
Primary data, collected solely for the purpose of this study:

standardized survey of 311 suppliers of the Coca-Cola System in Russia and a series of 17 in-depth interviews with management

Note:

- The aggregate investments of the Coca-Cola System in Russia into the Russian economy are calculated for the period of 1979–2016, using the USD equivalent based on the official annual average exchange rate of the Bank of Russia for the period of 1979–2002 and the World Bank for the later period.
- To level the fluctuations of the ruble exchange and the inflation rates, all investments were converted to constant 2015 US dollars using the Producers' Price Index (PPI), provided by the US Bureau of Labor Statistics.
- The impact results are presented through a system of the four standard impact types, usually used for the purpose of evaluating the contribution of a company to the broader economic system. **Direct effects** are calculated based on the actual economic (mostly financial) indicators of the Coca-Cola System in Russia's activities. **Indirect effects** are derived from activities of the Coca-Cola System in Russia's buyers and suppliers in different industries as a result of direct activities. **Induced effects** are the result of employee income spent in the broader economy. These effects are calculated on the employees of the Coca-Cola System in Russia itself, and the variety of businesses in the different industries of buyers and suppliers. **Total effects** are the total economic effects, including direct, indirect and induced effects. Indirect effects are calculated based on the input-output analysis through Leontiev's multipliers, using the data from the Organization for Economic Cooperation and Development.

CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO THE SOCIO-ECONOMIC DEVELOPMENT OF THE RUSSIAN FEDERATION



#1


**CONTRIBUTION
OF THE COCA-COLA
SYSTEM IN RUSSIA
TO ECONOMIC
DEVELOPMENT**

PART I. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO ECONOMIC DEVELOPMENT

1.1. THE COCA-COLA SYSTEM IN RUSSIA'S INVESTMENTS INTO THE RUSSIAN ECONOMY

The Coca-Cola System in Russia is a large investor into the Russian economy.

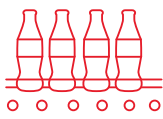
DURING THE ENTIRE PERIOD OF ITS PRESENCE ON THE RUSSIAN MARKET, THE COCA-COLA SYSTEM IN RUSSIA HAS INVESTED

5.7 BLN USD  **25%**

in 1979-2016 (in constant 2015 USD)

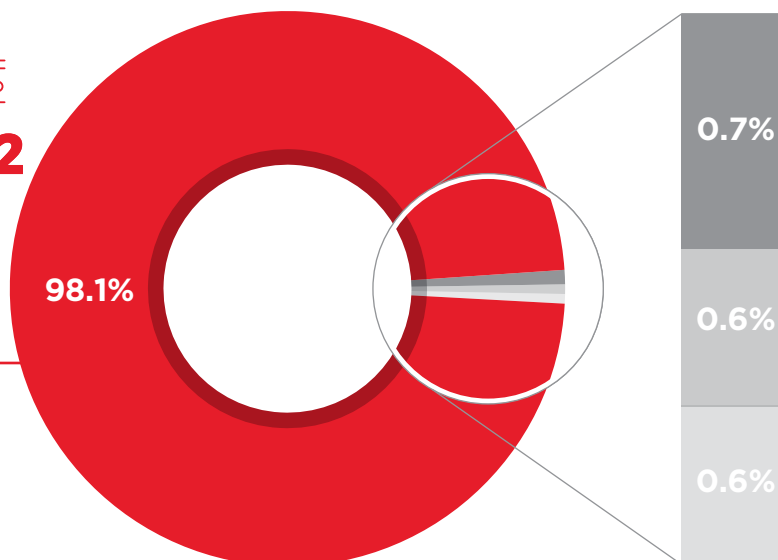
the Coca-Cola System in Russia is one of the largest industry investors: starting from the year 2013, its share in beverage industry investments is 25%

INVESTMENTS BY TYPE, MLN USD



\$5,572 mln

investments into fixed assets



\$43 mln
social investments



\$36 mln
sport investments



\$31 mln
early period investments (1977–1980)

**INVESTMENT DYNAMICS BASED ON THE MAIN STAGES
OF THE COCA-COLA SYSTEM IN RUSSIA'S DEVELOPMENT
OF ITS OPERATIONS IN 1970–2016, MLN USD**

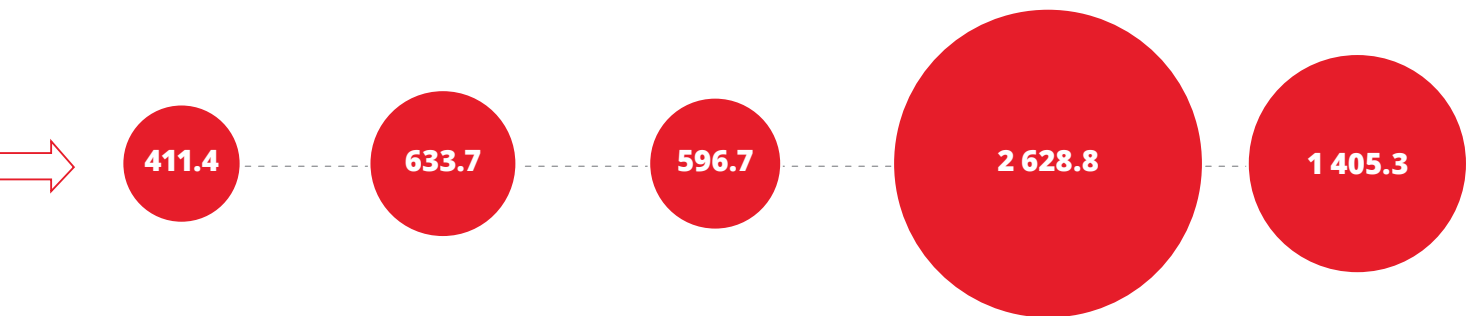
1977 — 1993

1994 — 2000

2001 — 2005

2006 — 2009

2010 — 2016



**THE COCA-COLA SYSTEM IN RUSSIA'S INVESTMENTS
BY FEDERAL DISTRICT IN THE YEARS 2012–2015,
IN CONSTANT 2015 PRICES (TOP-5)**



**INVESTMENT ACTIVITIES
OF THE COCA-COLA SYSTEM
IN RUSSIA COVER THE ENTIRE
TERRITORY OF THE RUSSIAN
FEDERATION, INCLUDING
REMOTE REGIONS**

1.2. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO RUSSIAN GDP

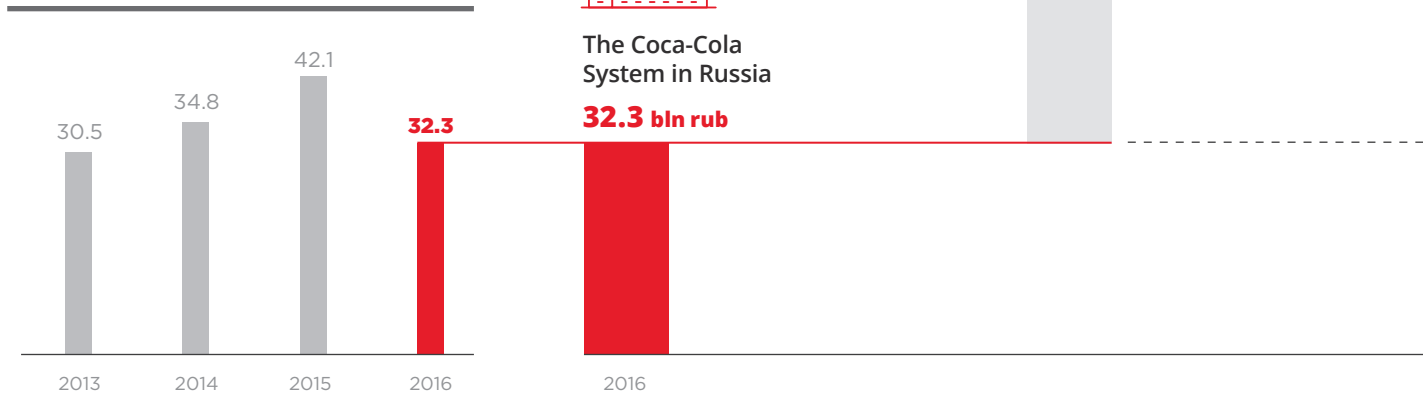
The Coca-Cola System in Russia is a large player on the Russian market. Its activities make significant contribution to creating added value for the Russian economy both directly (through its own production) and indirectly (through supporting a wide network of suppliers and customers across the country).

139.7 BLN RUB
added value created
by the Coca-Cola System
in Russia in 2013–2016



Every ruble of value created by the Coca-Cola System in Russia generates up to 6 rubles of added value along its value chain across the country

CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO ADDED VALUE IN 2013–2016, BLN RUB





THE COCA-COLA SYSTEM IN RUSSIA PROVIDES FOR A STEADY GROWTH OF ADDED VALUE TO THE RUSSIAN ECONOMY



Customers
94.1 bln rub

216.4

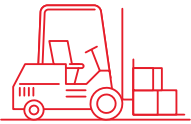
BLN RUB

total value-added produced by the Coca-Cola System in Russia's value chain, including indirect effects from buyers and suppliers.

This sum amounts to

0.3%

OF THE GDP OF THE RUSSIAN FEDERATION



Suppliers in other industries
55.9 bln rub



which is approximately equal to the entire Russian Federation budget for healthcare in 2015

1.3. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO TAX REVENUES OF THE RUSSIAN FEDERATION

The Coca-Cola System in Russia makes significant contribution to the consolidated budget of the Russian Federation through its tax payments. Since the year 2002, Coca-Cola HBC Eurasia, LLC, has an official status of the “largest taxpayer” in the Russian Federation tax system (Multon, CJSC, has the same status since 2012). As a result, tax reporting of the Coca-Cola System in Russia enjoys the highest level of trust.

41.6 BLN RUB

The Coca-Cola System in Russia paid to the consolidated budget of the Russian Federation in 2013–2016

ACTUAL TAXES PAID BY THE COCA-COLA SYSTEM IN RUSSIA IN 2013–2016



IN 2016



42.4 BLN RUB \Rightarrow **0.4%**

aggregated taxes paid by the Coca-Cola System in Russia, its customers and suppliers in 2016

of all tax revenues to the budget of Russian Federation in 2016

* The status of the “largest taxpayer” is defined by the Federal Tax Service of the Russian Federation in the official order №MMB-3-06/308, issued on May 16, 2007, “On amending the order of FTS RF №САЭ-3-30/290, issued on April 16, 2004.” It imposes additional requirements on the Coca-Cola System in Russia in terms of reporting on-site tax audits and in-depth desk audits.

Gross revenues

121.8 BLN RUB

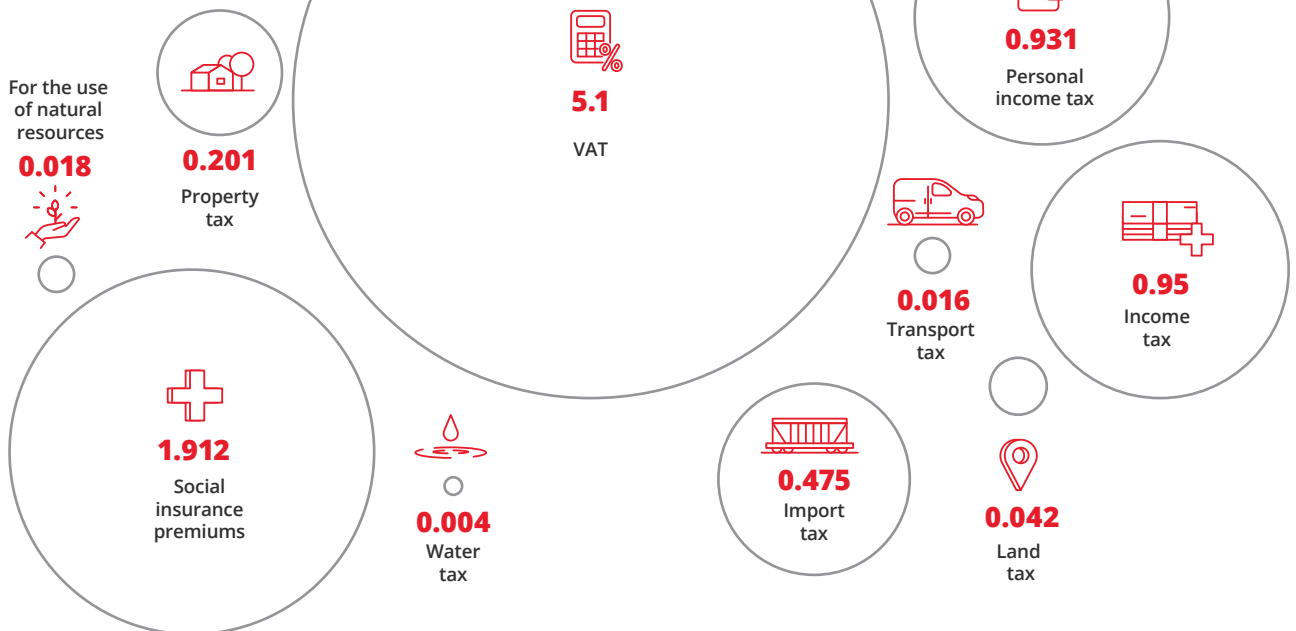
9.7
BLN RUB



THE COCA-COLA SYSTEM IN RUSSIA IS ONE OF RUSSIA'S MAJOR TAXPAYERS

2016

TYPES OF TAXES PAID IN 2016, BLN RUB



1.4. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO EMPLOYMENT

The Coca-Cola System in Russia is one of the largest employers in the country, actively creating and supporting well-paying jobs in all regions of its operations.

THE COCA-COLA SYSTEM IN RUSSIA EMPLOYS

9,620 RUSSIAN EMPLOYEES*

* current as of 31.12.2016



45%

of employees are 20–29 years of age, compared to **22%** industry average in Russia



56.4%

of managerial and high-level administrative jobs are filled by women, compared to **37%** industry average in Russia

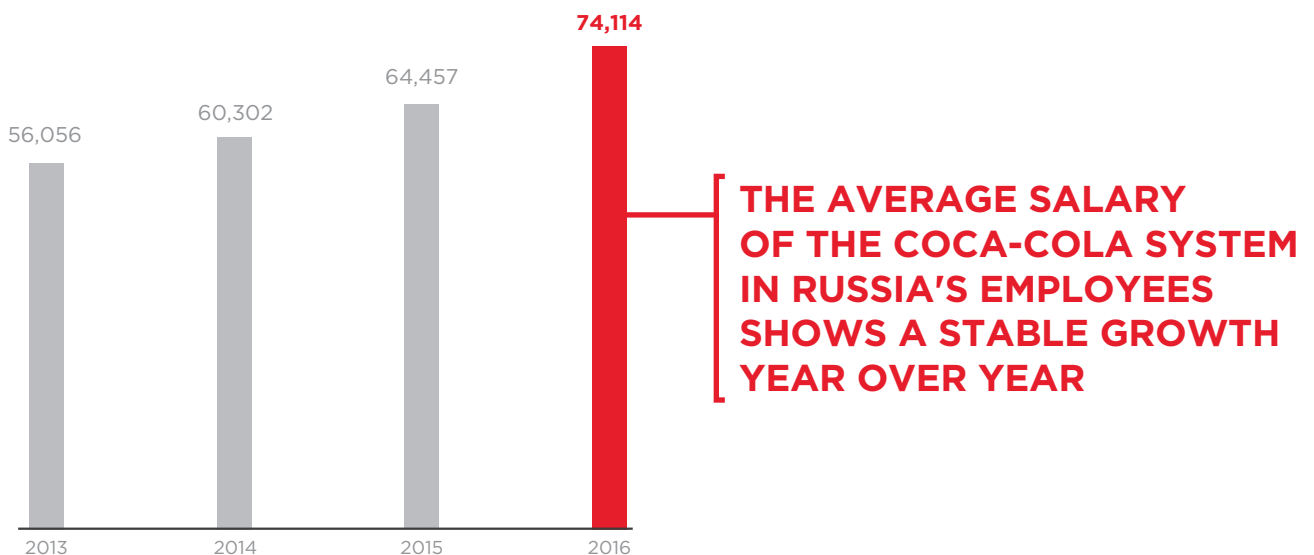
The Coca-Cola System in Russia
9,620

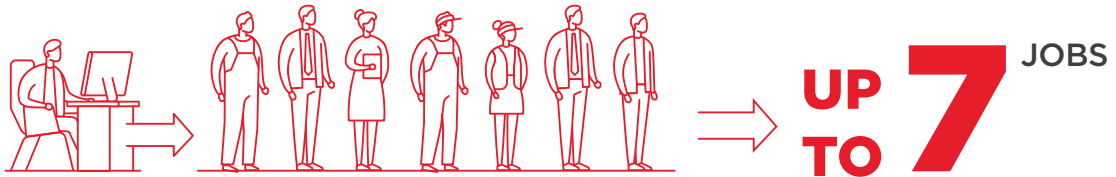
The Coca-Cola System in Russia makes its contribution to the training of the Russian personnel reserve and the development of a successful professional young population of the country.



THE COCA-COLA SYSTEM IN RUSSIA OFFERS HIGH WAGES

AVERAGE EMPLOYEE SALARY GROWTH RATES, 2013–2016, RUB.





Each job created by the Coca-Cola System in Russia supports up to 7 jobs elsewhere along the value chain of buyers and suppliers

65,885 INDIRECT JOBS

created and supported by the Coca-Cola System in Russia in 2016



Customers
18 918



Suppliers
46 967



COCA-COLA HBC EURASIA, LLC, WAS REPEATEDLY RANKED AS ONE OF THE MOST ATTRACTIVE AND SOCIALLY RESPONSIBLE EMPLOYERS BY HEADHUNTER AND SUPERJOB.RU

RABOTA.RU

IN 2016, COCA-COLA HBC EURASIA, LLS WAS RATED AS THE MOST ATTRACTIVE EMPLOYER IN RUSSIA BY RABOTA.RU.

1.5. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO RELATED AND SUPPORTING INDUSTRIES

1.5.1. THE COCA-COLA SYSTEM IN RUSSIA SUPPORTS LOCALLY-MADE RAW MATERIALS AND INGREDIENTS

The procurement policy of the Coca-Cola System in Russia is aimed at supporting local production in the Russian Federation.

>90%   **BY 9 TIMES**

of all purchases* of the Coca-Cola System in Russia in 2016 were made locally from Russian suppliers

the growth rate of the share of local ingredients since 1998

* without concentrate

23.2 BLN RUB

total wages



46,967 JOBS

created by the year 2016 in suppliers' companies as a direct result of the Coca-Cola System in Russia's activities

100%

The Coca-Cola System in Russia purchases 100% of local raw materials and ingredients in several key categories:



Preforms for PET bottles



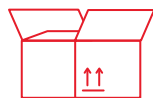
Sugar



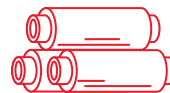
CO₂



Aluminum cans



Cardboard and cardboard packaging product**



Shrink film and straws



Glass

** except aseptic carton

1.5.2. THE COCA-COLA SYSTEM IN RUSSIA SUPPORTS RUSSIAN AGRICULTURAL SECTOR

The Coca-Cola System in Russia makes a substantial contribution into the development of Russian agriculture through purchases of local raw materials for its production needs. Especially noticeable is the contribution to the production of sugar and juice/nectar ingredients.



Fruits and purees for juice production

542.6 MLN RUB

worth of juice concentrates purchased from the local growers for the production of juices, nectars, fruit and juice drinks in 2016.

Today, juice raw materials are purchased in:



Krasnodar region



Tambov region



Astrakhan region



Vologda region

11.8%

of all aggregate purchases of juice concentrate and puree by volume are local ingredients.

Including the following concentrated juices and purees from:



Apples



Cranberry



Blueberry



Cloudberry

14.2%

of all raw materials for the production of juices and nectars under the brands Rich, Dobry and Moya Semya are produced locally



Sugar and sugar beets

3% OF ALL SUGAR PRODUCED IN RUSSIA

is purchased by the Coca-Cola System in Russia



4% of the gross harvest of sugar beets is supported by the Coca-Cola System in Russia through the purchase of sugar



The Coca-Cola System in Russia makes a significant contribution to the local production of sugar, which from the year 2012 is included in the Doctrine of Food Security of Russian Federation as a strategically important sector

100%

In the long term, the Coca-Cola System in Russia plans to increase the purchase of Russian raw materials for the production of juices, nectars, fruit drinks and juice drinks to 100%*

* of fruits and vegetables suitable for growing in Russia

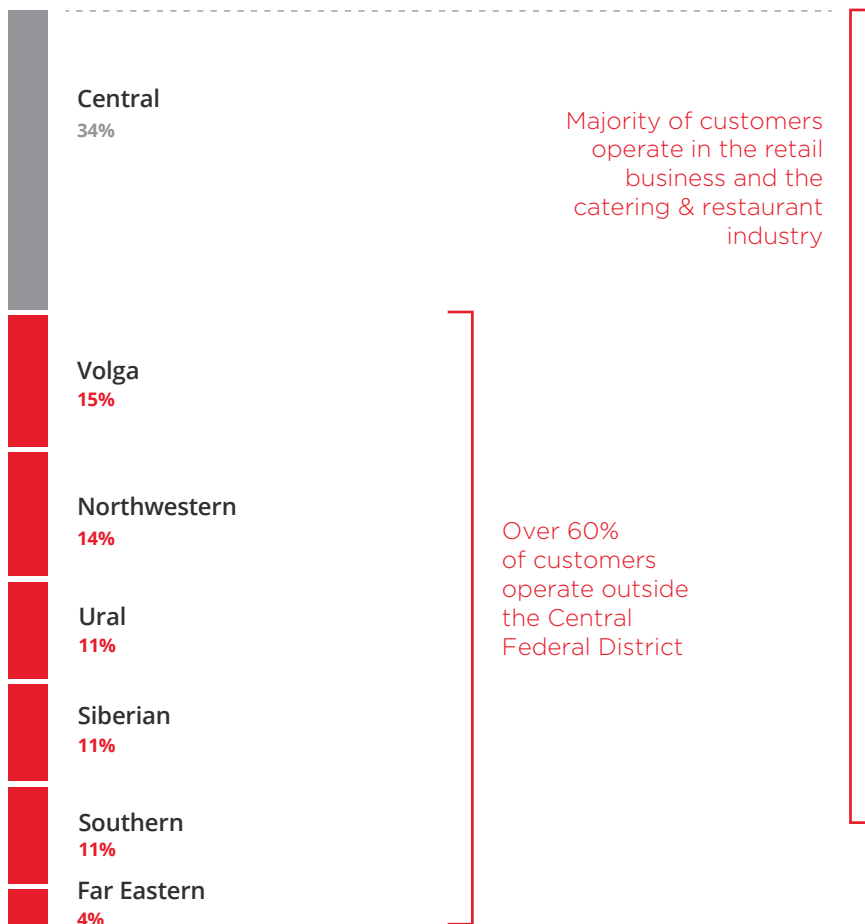
1.5.3. THE COCA-COLA SYSTEM IN RUSSIA SUPPORTS RUSSIAN RETAIL BUSINESSES

The Coca-Cola System in Russia is an active player in the Russian retail industry, working with a wide network of customers throughout the country.

≈ 200,000 ACTIVE CUSTOMERS

work with the Coca-Cola System in Russia throughout the entire territory of the country

DISTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA'S CUSTOMER REVENUES BY FEDERAL DISTRICT, 2016*



THE COCA-COLA SYSTEM IN RUSSIA'S CUSTOMERS BY INDUSTRY TYPE %**



* Source: The Coca-Cola System in Russia's data and authors' calculations

** Source: The Coca-Cola System in Russia's data, all database customers in 2016.

18,918 JOBS

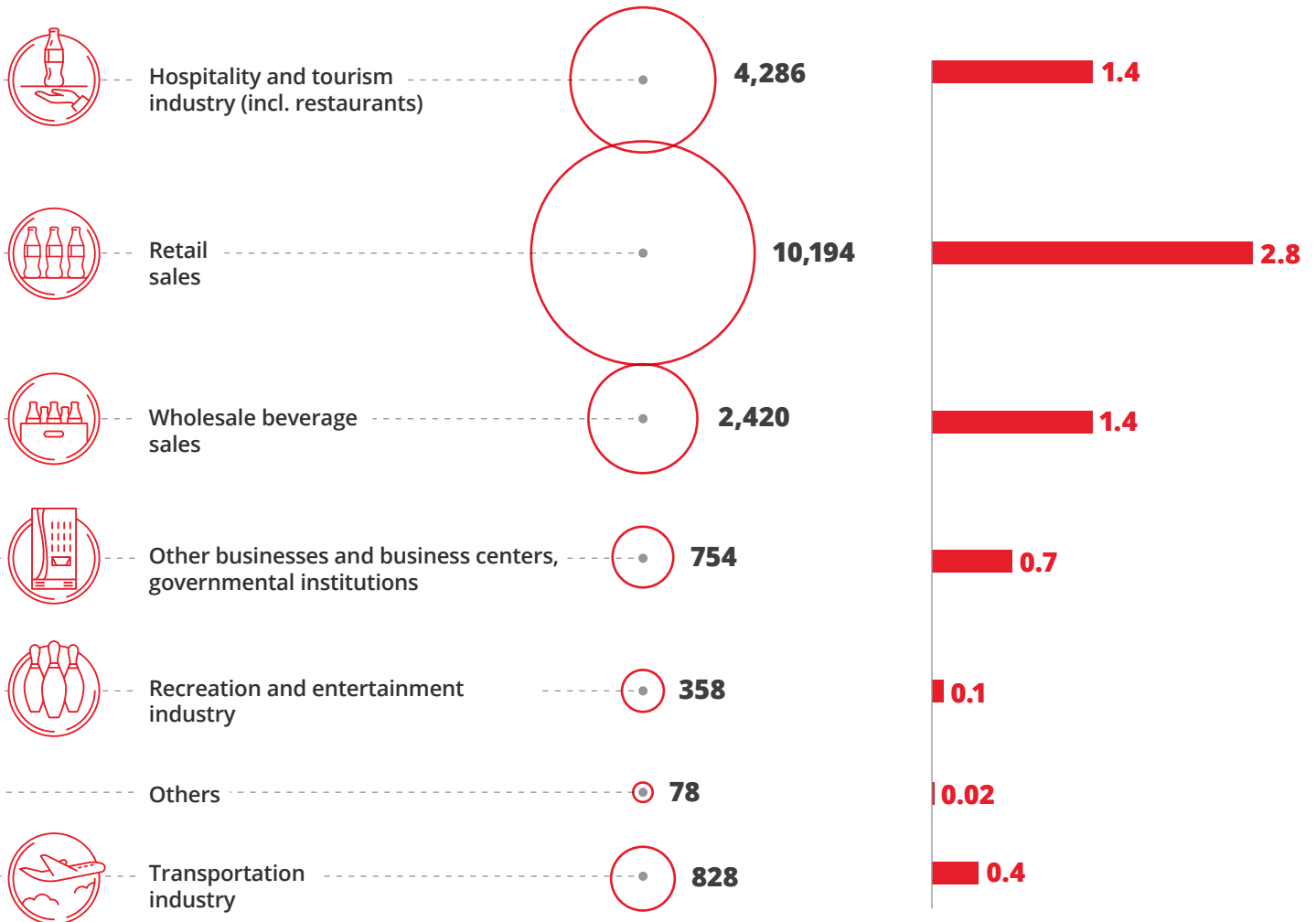
are supported through the Coca-Cola System in Russia's activities in the businesses of its customers.

6.8 BLN RUB

the induced effect on the Russian economy from wages received by employees in jobs created as a result of the Coca-Cola System in Russia's activities

JOBS CREATED AT CUSTOMERS' COMPANIES AS A RESULT OF THE COCA-COLA SYSTEM IN RUSSIA'S ACTIVITIES, NUMBER OF PEOPLE

SALARIES OF EMPLOYEES OF THE COCA-COLA SYSTEM IN RUSSIA'S CUSTOMERS, RECEIVED AS A RESULT OF ITS ACTIVITIES, 2016, BLN RUB



~40% OF THE COCA-COLA SYSTEM IN RUSSIA'S CUSTOMERS ARE INDIVIDUAL ENTREPRENEURS. 90% OF THEM ARE LOCATED OUTSIDE OF MOSCOW

#2

**CONTRIBUTION
OF THE COCA-COLA
SYSTEM IN RUSSIA
TO ENVIRONMENTAL
PROTECTION**

PART II. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO ENVIRONMENTAL PROTECTION

The Coca-Cola System in Russia makes substantial investments into environmental protection.

4 MAIN DIRECTIONS



Water conservation and protection of water resources



Energy saving

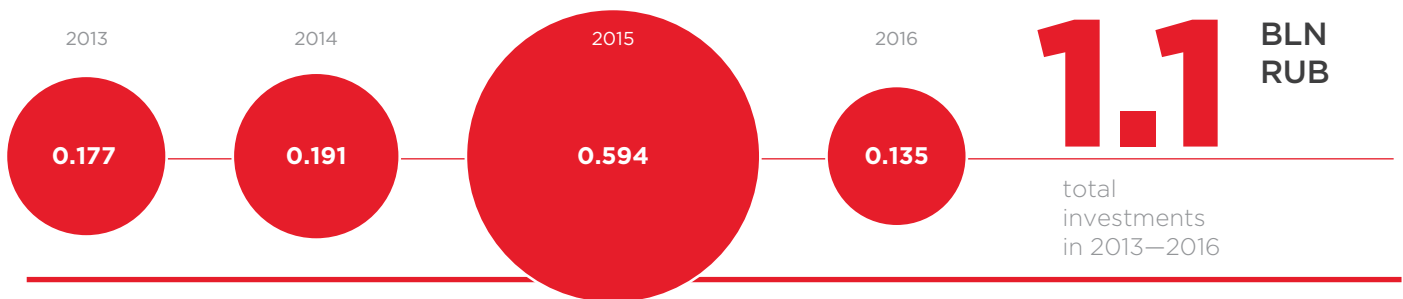


Waste recycling and packaging waste management



Climate change protection

THE COCA-COLA SYSTEM IN RUSSIA'S TOTAL INVESTMENTS INTO ENVIRONMENTAL PROTECTION IN 2013-2016, BLN RUB

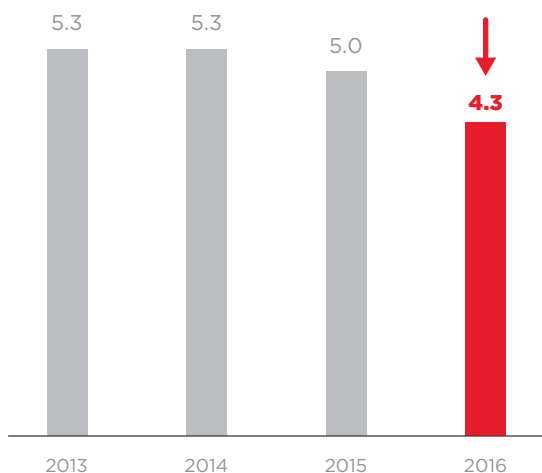


2.1. WATER CONSERVATION AND PROTECTION OF WATER RESOURCES

The issue of the effective use of water resources is one of the key focus areas for the Coca-Cola System in Russia. Water is the main ingredient for the production of beverages and a non-renewable natural resource, the preservation of which is important for future generations.

2.04 LITER OF WATER = **1** LITER OF PRODUCT

WATER CONSUMPTION BY THE COCA-COLA SYSTEM IN RUSSIA'S PLANTS IN 2013-2016, MLN CUB. M



4.3 MLN CUB. M

Water consumption of the Coca-Cola System in Russia

-19%

reduction in the water consumption achieved over a three-year period

2.2. ENERGY SAVING

Sustainable use of energy resources is a priority for the Coca-Cola System in Russia. It has been successfully implementing the TOP-10 Energy Savers Program developed jointly with the World Wildlife Fund (WWF).

0.58 MJ = **1** LITER OF PRODUCT

The Coca-Cola System in Russia has pursued a policy of constant reduction of energy consumption, including energy consumption for production purposes, by utilizing the following approaches:



Introduction of energy efficient production equipment

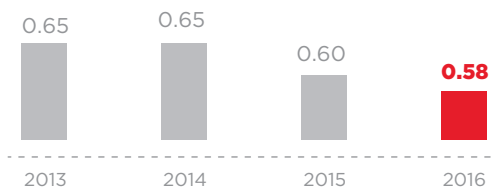


Saving energy resources by developing alternative technologies, equipment operation schedules, and process parameters



Replacement of electric lightning at production and office facilities with energy efficient LED-lamps

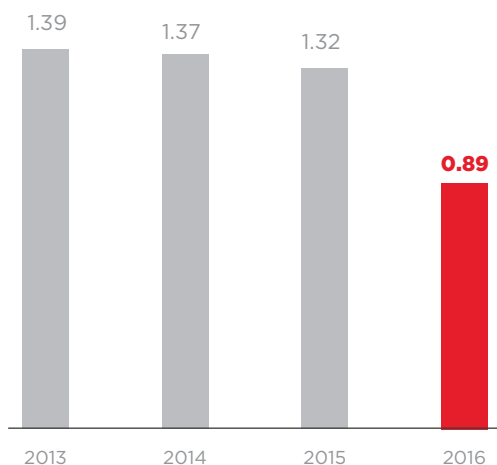
SPECIFIC ENERGY CONSUMPTION PER 1 LITER OF PRODUCT, MJ



-15%

specific energy consumption reduction rate

THE COCA-COLA SYSTEM IN RUSSIA'S ENERGY CONSUMPTION FOR 2013–2016, MLN GJ



0.89 MLN GJ

The Coca-Cola System in Russia's energy consumption in 2016

-35%

the total energy consumption reduction rate

2.3. WASTE RECYCLING AND PACKAGING WASTE MANAGEMENT

The management of packaging materials is another important area within the environmental activities of the Coca-Cola System in Russia. It consistently reduces the use of packaging materials, responsibly manages packaging, and recycles packaging waste.

In 2013—2016, the Coca-Cola System in Russia implemented the following relevant projects in the sphere of packaging materials:



Reduction in the weight of the preform.

Reduction by 3 grams each helped save 4,624 tons of PET during 2013—2016.



Reduction in glass containers weight.

Reduction in the weight of a bottle from 195 grams to 165 grams reduced glass consumption by 2,658 tons.



Reducing the cap weight. A switch to a lighter cap is being planned by reducing the wall thickness. It will help save polyethylene while making bottle caps.



Reducing stretch film weight.

Reducing the thickness of the stretch film used for secondary packaging from 70-80 μ to 50 μ will lower the cost of packaging by 10% and the consumption of materials by 25%.



Reducing cardboard weight.

Reduction of the cardboard weight used in packaging allowed to reduce packaging costs by 8% and consumption of corrugated cardboard by 10%, resulting in the overall savings of 49 thousand tons of cardboard.

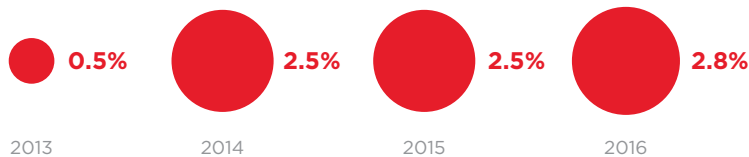
15%

reduction of generated waste (from 14.9 to 12.6 thousands of tons)

85%

of total waste produced by the Coca-Cola System in Russia is recycled

SHARE OF SECONDARY RAW MATERIALS AT THE COCA-COLA SYSTEM IN RUSSIA'S PLANTS, 2013—2016



6 TIMES

the increase of recycled materials used for packaging by the Coca-Cola System in Russia

The Coca-Cola System in Russia organizes separate collection of consumer packaging waste:

2011

Start of an ecological project for the collection and reuse of municipal waste "Keep it going recycled!" (Solnechnogorsk)

2016



Increasing the scale: "Razdelyay s Nami" program is launched

8 cities:

Moscow and the Moscow region, St. Petersburg, Saransk, Nizhny Novgorod, Rostov-on-Don, Kazan, Tver and Voronezh

2020

min 40%

of all consumer packaging released to the market will be collected and recycled by the Coca-Cola System in Russia

4,800 TONS

of plastic collected and recycled

4,000 SCHOOLS

>140 UNIVERSITIES

2.4. CLIMATE CHANGE PROTECTION

The Coca-Cola System in Russia has adopted a responsible approach to the climate protection problem. It has been gradually reducing its absolute emission volumes and specific greenhouse gas emissions by introducing new technical solutions (e.g., by using biogas), optimizing technological processes, replacing refrigeration equipment with ozone-friendly products.



Reduction in
CO² emissions

by 3,714 tons ⇒ **by 4,487 tons**

in 2016

in 2017 (plan)



Technical
measures



Equipment
modernization



Improvement of the energy
consumption management system



Responsible
parking lot
management

4,508 vehicles are in the Coca-Cola System in Russia's parking lot: cars — **3,829 pcs.**, trucks — **679 pcs.**

24%

reduction rate of fuel
consumption at the
Coca-Cola System
in Russia as a whole
in 2014–2016

15%

mileage reduction rate
due to route
optimization
in 2014–2016



Transition
to ozone-friendly
equipment

In order to fulfill the corporate requirements,
the Coca-Cola System in Russia assumed
the following obligations

Since 2013

2013–2016

By the end of 2017

By the end of 2020

Start of a phased transition to new refrigeration equipment utilizing R290 and R600 refrigerants

Purchase of 114,760 environmentally friendly refrigerators of the HC series that utilize the R134a ozone-friendly refrigerant, and 7,137 units of refrigeration plants utilizing the natural refrigerant CO₂ that does not destroy the ozone layer

By the end of 2017, all new refrigerators with the capacity of more than 150 liters will not contain any chlorofluorocarbons and will be safe for the ozone layer

100% of the newly purchased refrigeration equipment must be safe for the ozone layer

114,760

ecologically safe refrigerators

>6 BLN
RUB

investments in safe
refrigeration equipment

#3

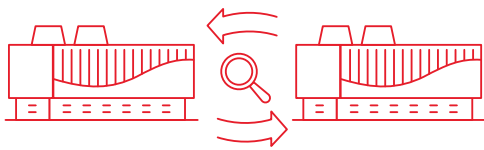
**CONTRIBUTION
OF THE COCA-COLA
SYSTEM IN RUSSIA
TO SOCIAL
DEVELOPMENT**

PART III. CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO SOCIAL DEVELOPMENT

The Coca-Cola System in Russia is constantly increasing the quality of its products, investing in consumer well-being, improving labor safety and sustainable production, and financing the development of local communities.

3.1. PRODUCT QUALITY AND CONSUMER CARE

Product quality and consumer care are the absolute priorities of the Coca-Cola System in Russia. Its production facilities adhere to the international production standard ISO 9001:2008 and are certified according to the FSSC 22000 (Food Safety System Certification).



The Coca-Cola System in Russia has introduced a program of internal cross-audits between its plants

99.2%

Beverage Product Quality Index in 2016

99.7%

Primary Container Quality Index

CARING FOR THE WELL-BEING OF CONSUMERS



Detailed nutrition information for all products. 90% of all the Coca-Cola System in Russia's products are labeled with information on the number of calories, carbohydrates and sugar per serving, with the percentage of the recommended daily calorie and nutritional requirements.



Advertisement restriction. The Coca-Cola System in Russia does not advertise its products through TV channels, internet resources and print media, where children 12 years and younger may comprise 35% and more of the audience



Preservative-free. At present, the biggest part of sparkling soft drinks are produced without chemical preservatives.



Reducing the amount of sugar in beverages. In 2015, the Coca-Cola System in Russia introduced a new product to the market - the calorie-free carbonated Coca-Cola Zero beverage. During the year 2017, the Coca-Cola System in Russia plans to decrease calories in its other popular drinks, Fanta, Schweppes, and Sprite, by reducing sugar by 30-80%.



Nutritious ingredients. 17% of the Coca-Cola System in Russia's product portfolio in 2015-2016 consisted of products with nutritious ingredients, such as added minerals, vitamins, and plant extracts



Calorie-free drinks. Since the launch of Coca-Cola Zero in 2015, the share of calorie-free drinks produced in Russia under the Coca-Cola trademark grew 3 times (from 2.2% to 6.6%).



24/7

In 1997 the Coca-Cola System in Russia was the first in the country to introduce a 24-hour consumer call center

0.1

**PRODUCTS
PER 1,000,000
ITEMS**

The Coca-Cola System in Russia processes 100% of all complaints. Their validity is confirmed in isolated cases, but all cases are thoroughly investigated

3.2. PRODUCTION SAFETY



100%

**OF THE PRODUCTION SITES
AND DISTRIBUTOR CENTERS
OF THE COCA-COLA SYSTEM IN RUSSIA**

are certified in accordance with the requirements of the international quality system of labor protection and production safety (OHSAS 18001).

The necessity to introduce the international OHSAS 18001 system is one of the requirements of the corporate quality system (Coca Cola KORE).

The corporate requirements apply to all persons interacting with the Coca-Cola System in Russia:



Employees



Suppliers



Contractors



Other third parties



**THE COCA-COLA SYSTEM IN RUSSIA
MAKES A LARGE IMPACT ON THE INCREASE
OF INDUSTRIAL SAFETY STANDARDS IN THE COUNTRY**

3.3. THE CONTRIBUTION OF THE COCA-COLA SYSTEM IN RUSSIA TO THE DEVELOPMENT OF LOCAL COMMUNITIES

The Coca-Cola System in Russia invests heavily in the social development and support of local communities in the country.



IN 2013—2016,
THE COCA-COLA SYSTEM
IN RUSSIA INVESTED

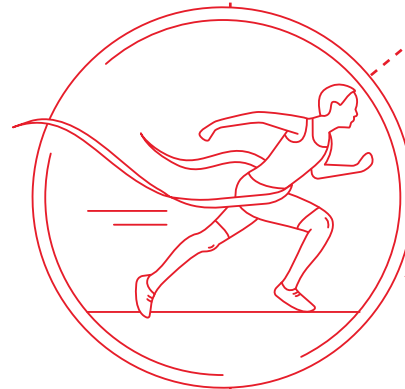
1.930 BLN
RUB



Investments into Russian
sport infrastructure

23 SPORTS GROUNDS
ACROSS THE REGIONS

1 INCLUSIVE PARK
FOR FAMILY
RECREATION
TOGETHER WITH
NATALIA VODIANOVA'S
NAKED HEARTS
FOUNDATION



SPORT
DEVELOPMENT
AND
POPULARIZATION



Partnership with Russian
sports associations

SINCE **1996**
support of the National
Football Team

SINCE **2016**
support of the Continental
Hockey League



Support of important Russian sport events

- Universiade in Kazan 2013
- XXII Winter Olympic Games in Sochi 2014
- World Water Sports Championship FINA 2015
- World Ice Hockey Championship 2016
- 2018 FIFA World Cup Russia™



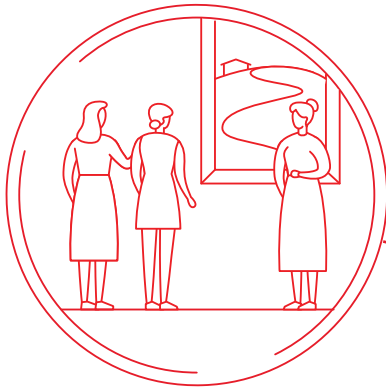
Aid to the regions of Russia affected by emergency situations

in 2010–2016:

- Krymsk
- Siberia
- The Far East
- Adygeya Republic
- Vologda region



COOPERATION OF THE INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, RUSSIAN RED CROSS SOCIETIES



CULTURAL DEVELOPMENT

>200 TONS CLEAN DRINKING WATER DELIVERED AS PART OF AID



Support of the State Hermitage's projects in the arts and culture sector

- Restoration of the Great Courtyard of the Winter Palace
- Reconstruction of the General Staff Building
- Help in creating the laboratory for the scientific restoration of tempera painting and the laboratory for the restoration of ceramics and porcelain



Support of the Leather Ball children's football tournament

The tournament was founded in 1964 by Lev Yashin since 2009

2016:

47,700 PUPILS
50 CITIES

>50 MLN RUB

INVESTMENTS INTO DOZENS OF CULTURAL, EDUCATIONAL AND SOCIAL PROJECTS

>20

YEARS OF COOPERATION

The Living Volga

Cleaning the banks of the Volga River from litter and holding of environmental educational events on the responsible treatment of water resources at schools



>18,000

PARTICIPANTS
PER YEAR

7

PARTICIPATING
CITIES

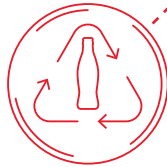
SINCE **2006**

YOUTH EDUCATION AND DEVELOPMENT



Green Teams

All-Russian ecological litter pick up to clean the territories from litter



>57,000

VOLUNTEERS

>1.7

TONS OF LITTER
COLLECTED

SINCE **2004**

"Razdeliy s Nami"

The program is aimed at the collection and recycling of plastic packaging and teaching people a responsible attitude towards waste recycling

>4,800

TONS OF COLLECTED AND
PROCESSED PLASTIC
WASTE

4,000

SCHOOLS

180

UNIVERSITIES

SINCE **2016**

Excursions to the plants of the Coca-Cola System in Russia

The Coca-Cola World museum in Moscow

>680,000

VISITORS

10

FACTORIES

SINCE **1996**



Black Sea Day

Ecological events on the clean up and protection of the Black Sea

>4,000

PARTICIPANTS

4

CITIES

>30,000

PUPILS TOOK PART IN ECOLOGY LESSONS



"Christmas Caravan"

Support of orphanages and boarding schools, low-income families and families with adopted children, as well as children with serious illnesses undergoing long-term treatment in hospitals and rehabilitation centers

>100,000

PARTICIPANTS PER YEAR

89

PARTNERS IN 2016

35%

OF THE COCA-COLA SYSTEM IN RUSSIA'S EMPLOYEES

take part annually in social and ecological volunteer projects

85

PARTICIPATING CITIES

>100

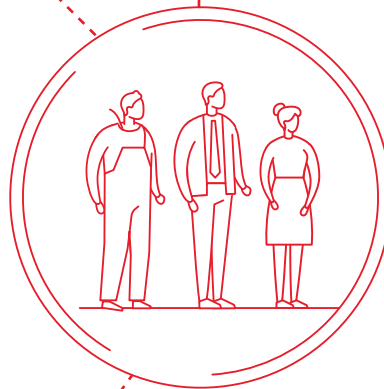
SOCIAL INSTITUTIONS PER YEAR



Russian National Junior Water Contest

Public creative contest where pupils present their projects on the efficient use of water resources

SOCIAL AND VOLUNTEER INITIATIVES



3

EVERY THIRD EMPLOYEE OF THE COCA-COLA SYSTEM IN RUSSIA IS A VOLUNTEER

26,000

PARTICIPANTS PER YEAR

84

REGIONS

SINCE **2005**



Growing kindness

Help to children in orphanages to determine their future profession and prepare them for adult life outside of the orphanage

>350

CHILDREN PER YEAR

37

ORPHANAGES

9

REGIONS

11

PARTNERS

CONCLUSION

The analysis shows that the activities of the Coca-Cola System in Russia completely correspond to the strategic guidelines provided by the Russian Government that determine the economic and social policy of Russia in the medium term.

STRATEGIC GUIDELINES



Promoting growth in entrepreneurship and substantial increase in private investment



Developing the internal market competitiveness



Improving the investment and business attractiveness of the Russian economy



Stated in the following document

“The main activities of the Government of Russian Federation for the period until the 2018 (revised edition)” (approved by the Government of Russian Federation on May 14, 2015)

These priorities also include the enriched working conditions and updated labor safety standards; implementation of measures aimed at improving the ecological conditions and protecting the environment. The latter include reducing the negative effects of production activities, such as production and consumption waste, and investing in recycling and reuse programs.



THE ACTIVITIES OF THE COCA-COLA SYSTEM IN RUSSIA MAKE A SIGNIFICANT CONTRIBUTION TO THE IMPLEMENTATION OF ALL OF THESE PRIORITY INITIATIVES

