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

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

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

* without concentrate

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

CRITICAL PARTNER FOR RUSSIAN BUSINESSES

≈200,000

active customers across the country

≈ 40%

individual entrepreneurs

>600

long-standing suppliers

SOCIALLY RESPONSIBLE PRODUCER

1.9

BLN RUB

investments into social development of Russia (2013—2016)

OF RUSSIA’S GDP IN 2016*

0.3%

* 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

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

1980

LOCAL PRODUCTION WAS LAUNCHED AT THE FIRST PLANTS IN RUSSIA

1992

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

1994

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

10 PLANTS

ST. PETERSBURG

MOSCOW

SHCHELKOV 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.

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.
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.
Non-sparkling soft drinks
48.9%

Juices
31.4%

Water
9.9%

Tea
6.5%

Sport and energy drinks
1.1%
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 outlines the Coca-Cola System in Russia's activities in the years 2013—2016.

This Report was prepared and verified by the Laboratory for Studies in Economic Sociology of the National Research University Higher School of Economics.

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.

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 received from the Coca-Cola System in Russia:
- own data including official financial statements and other documents submitted to the governmental agencies

External statistical databases:
- Rosstat, SPARK, Canadean, Euromonitor

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

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

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

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

in 1979-2016 (in constant 2015 USD)

25% of 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

98.1%

$43 mln
social investments

0.7%

$36 mln
sport investments

0.6%

$31 mln
early period investments (1977—1980)

0.6%

All investments were converted to constant 2015 US dollars using the Producers’ Price Index (PPI), provided by the US Bureau of Labor Statistics.
INVESTMENT DYNAMICS BASED ON THE MAIN STAGES OF THE COCA-COLA SYSTEM IN RUSSIA’S DEVELOPMENT OF ITS OPERATIONS IN 1970—2016, MLN USD

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

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

- Central: $445,459,864
- Southern: $222,099,124
- Volga: $108,076,129
- Siberia: $107,977,403
- Ural: $78,997,714
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (BLN RUB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>30.5</td>
</tr>
<tr>
<td>2014</td>
<td>34.8</td>
</tr>
<tr>
<td>2015</td>
<td>42.1</td>
</tr>
<tr>
<td>2016</td>
<td>32.3</td>
</tr>
</tbody>
</table>

Key suppliers of goods and services

34.0 bln rub
THE COCA-COLA SYSTEM IN RUSSIA PROVIDES FOR A STEADY GROWTH OF ADDRESSED VALUE TO THE RUSSIAN ECONOMY

Customers

94.1 bln rub

Suppliers in other industries

55.9 bln rub

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

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.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>BLN RUB</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>9.9</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>10.7</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>11.3</td>
<td></td>
</tr>
</tbody>
</table>

IN 2016

Every rubble paid by the Coca-Cola System in Russia to the budget of Russian Federation generates up to 3 rubles of additional indirect tax flows

<table>
<thead>
<tr>
<th>BLN RUB</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>42.4</td>
<td>of all tax revenues to the budget of Russian Federation in 2016</td>
</tr>
</tbody>
</table>

* The status of the “largest taxpayer” is defined by the Federal Tax Service of the Russian Federation in the official order NMMB-3-06/308, issued on May 16, 2007, “On amending the order of FTS RF №CA/3-3-30/290, 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.
Socio-Economic Impact of the Coca-Cola System in Russia in 2013—2016

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

121.8 BLN RUB

9.7 BLN RUB

Gross revenues

2016

TYPES OF TAXES PAID IN 2016, BLN RUB

- For the use of natural resources: 0.018
- Property tax: 0.201
- VAT: 5.1
- Social insurance premiums: 1.912
- Water tax: 0.004
- Import tax: 0.475
- Land tax: 0.042
- Personal income tax: 0.931
- Income tax: 0.95
- Transport tax: 0.016

Gross revenues: 121.8 BLN RUB

Socio-Economic Impact of the Coca-Cola System in Russia in 2013—2016
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*


- 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 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.

2013 2014 2015 2016

56,056 60,302 64,457 74,114

THE AVERAGE SALARY OF THE COCA-COLA SYSTEM IN RUSSIA’S EMPLOYEES SHOWS A STABLE GROWTH YEAR OVER YEAR
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, LLC 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

\[
\begin{align*}
23.2 & \quad \text{BLN RUB} \\
46,967 & \quad \text{JOBS}
\end{align*}
\]

total wages

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:

- Sugar
- CO₂
- Aluminum cans
- Preforms for PET bottles
- 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 Cola-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

Including the following concentrated juices and purees from:
- Apples
- Cranberry
- Blueberry
- Cloudberry

**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.

11.8% of all aggregate purchases of juice concentrate and puree by volume are local ingredients. Of these, 14.2% are raw materials for the production of juices and nectars under the brands Rich, Dobry and Moya Semya.

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](image)

*Over 60% of customers operate outside the Central Federal District*

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

- **Central**: 34%
- **Volga**: 15%
- **Northwestern**: 14%
- **Ural**: 11%
- **Siberian**: 11%
- **Southern**: 11%
- **Far Eastern**: 4%

**Majority of customers operate in the retail business and the catering & restaurant industry**

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

- **Retail sales**: 67.9%
- **Hospitality and tourism industry (incl. restaurants)**: 20.2%
- **Wholesale trade**: 8.4%
- **Transportation industry**: 3.5%

---

* 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 is 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.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs Created</th>
<th>Salaries of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitality and tourism industry (incl. restaurants)</td>
<td>4,286</td>
<td>1.4</td>
</tr>
<tr>
<td>Retail sales</td>
<td>10,194</td>
<td>2.8</td>
</tr>
<tr>
<td>Wholesale beverage sales</td>
<td>2,420</td>
<td>1.4</td>
</tr>
<tr>
<td>Other businesses and business centers, governmental institutions</td>
<td>754</td>
<td>0.7</td>
</tr>
<tr>
<td>Recreation and entertainment industry</td>
<td>358</td>
<td>0.1</td>
</tr>
<tr>
<td>Others</td>
<td>78</td>
<td>0.02</td>
</tr>
<tr>
<td>Transportation industry</td>
<td>828</td>
<td>0.4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.177</td>
</tr>
<tr>
<td>2014</td>
<td>0.191</td>
</tr>
<tr>
<td>2015</td>
<td>0.594</td>
</tr>
<tr>
<td>2016</td>
<td>0.135</td>
</tr>
<tr>
<td>Total</td>
<td>1.1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5.3</td>
</tr>
<tr>
<td>2014</td>
<td>5.3</td>
</tr>
<tr>
<td>2015</td>
<td>5.0</td>
</tr>
<tr>
<td>2016</td>
<td>4.3</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Specific Energy Consumption, MJ</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.65</td>
</tr>
<tr>
<td>2014</td>
<td>0.65</td>
</tr>
<tr>
<td>2015</td>
<td>0.60</td>
</tr>
<tr>
<td>2016</td>
<td>0.58</td>
</tr>
</tbody>
</table>

-15% specific energy consumption reduction rate

### THE COCA-COLA SYSTEM IN RUSSIA’S ENERGY CONSUMPTION FOR 2013—2016, MLN GJ

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy Consumption, MLN GJ</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.39</td>
</tr>
<tr>
<td>2014</td>
<td>1.37</td>
</tr>
<tr>
<td>2015</td>
<td>1.32</td>
</tr>
<tr>
<td>2016</td>
<td>0.89</td>
</tr>
</tbody>
</table>

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.

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

- **Start of an ecological project for the collection and reuse of municipal waste “Keep it going recycled!” (Solnechnogorsk)**
- **Increasing the scale: “Razdelyay s Nami” program is launched**
- **8 cities:** Moscow and the Moscow region, St. Petersburg, Saransk, Nizhniy Novgorod, Rostov-on-Don, Kazan, Tver and Voronezh

<table>
<thead>
<tr>
<th>2011</th>
<th>2016</th>
<th>2020</th>
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<tbody>
<tr>
<td>Start of an ecological project for the collection and reuse of municipal waste “Keep it going recycled!” (Solnechnogorsk)</td>
<td>Increasing the scale: “Razdelyay s Nami” program is launched</td>
<td>min 40% of all consumer packaging released to the market will be collected and recycled by the Coca-Cola System in Russia</td>
</tr>
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<tr>
<th>4,800 TONS</th>
<th>4,000 SCHOOLS</th>
<th>&gt;140 UNIVERSITIES</th>
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<tbody>
<tr>
<td>of plastic collected and recycled</td>
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</table>
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** in 2016
- **by 4,487 tons** in 2017 (plan)

**Technical measures**

**Equipment modernization**

**Improvement of the energy consumption management system**

**Responsibility 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.

### 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%).

### Beverage Product Quality Index in 2016
99.2%

### Primary Container Quality Index
99.7%
3.2. PRODUCTION SAFETY

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

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

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.

- 1.065 bln Environmental protection
- 600.9 mln Sports development (including inclusive sports)
- 139.2 mln Youth development
- 59.8 mln Education and culture
- 30.3 mln Emergency relief
- 35.2 mln Other

- 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

- Partnership with Russian sports associations
  - SINCE 1996 support of the National Football Team
  - SINCE 2016 support of the Continental Hockey League

Part III | Contribution of the Coca-Cola System in Russia to social development
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™

Cultural Development

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

Aid to the regions of Russia affected by emergency situations
in 2010–2016:

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

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

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

>200 TONS CLEAN DRINKING WATER DELIVERED AS PART OF AID

>20 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

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

"Razdeliay s Nami"
The program is aimed at the collection and recycling of plastic packaging and teaching people a responsible attitude towards to 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
**PARTICIPANTS**

- >4,000 PARTICIPANTS
- 4 CITIES
- >30,000 PUPILS TOOK PART IN ECOLOGY LESSONS

**Black Sea Day**

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

**Russian National Junior Water Contest**

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

**Socio-Economic Impact of the Coca-Cola System in Russia in 2013—2016**

**35%**

OF THE COCA-COLA SYSTEM IN RUSSIA’S EMPLOYEES

take part annually in social and ecological volunteer projects

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

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

“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
- 85 PARTICIPATING CITIES
- >100 SOCIAL INSTITUTIONS PER YEAR

**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

**Since 2005**
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

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”