

# A Transformative Partnership to Conserve Water

Annual Report 2015

### OUR Partnership In Numbers

One million tons of more sustainable sugar is contracted for 2016 by Coca-Cola, including from the Bonsucro-certified Azunosa mill in Honduras Our global partnership is focused on helping to ensure healthy, resilient freshwater basins in the Mesoamerican Reef catchments in Mexico, Belize, Guatemala, and Honduras, and the Yangtze River in China.



## Introduction

Because water is essential to nature, communities, and business, The Coca-Cola Company and World Wildlife Fund (WWF) have been working together since 2007 to help conserve the world's freshwater resources. Our global partnership is focused on helping to ensure healthy, resilient freshwater basins in the Mesoamerican Reef catchments in Mexico, Belize, Guatemala, and Honduras, and the Yangtze River in China. Together, we are also addressing the natural resource challenges that impact fresh water by measurably improving environmental performance across Coca-Cola's supply chain, integrating the value of nature into decision-making processes, and convening influential partners to solve global environmental challenges.

Within our focal areas of the Mesoamerican Reef catchments and Yangtze River basin, elements of our four priorities—fresh water, supply chain, valuing nature and the convening of partners—intersect to deliver maximum results for the ecosystems and local communities.

# **Ridge-to-Reef in the Mesoamerican Reef**

The Mesoamerican Reef in Central America is the secondlargest barrier reef in the world. The reef and the freshwater catchments that drain into it sustain more than 2 million people and are home to more than 500 species of fish, including the whale shark—the largest fish in the world. Unfortunately, the reef and its freshwater tributaries are at risk as deforestation, forest fires, land conversion, and unsustainable agriculture threaten forest, river, and reef ecosystems.

Here, through our global partnership, World Wildlife Fund and The Coca-Cola Company take a ridge-to-reef approach showing how water stewardship, sustainable agriculture, and data-driven conservation can combine to foster a thriving environment with plentiful water for people and nature.

### **Sweet Taste of Success**

As one of the most important crops in its supply chain, Coca-Cola seeks to help make the production of the sugarcane it purchases more sustainable. That led our partnership to the Azucarera del Norte (Azunosa) sugar mill nestled in the hills of Mico Quemado, Honduras. Though more than 100 kilometers from the shore, water from these hills flows into the Mesoamerican Reef. Runoff from the mill, along with other agricultural, industrial, and community uses, can pollute the water, if sustainable practices are not implemented.

With help from our partnership and Azunosa owner SABMiller, the mill is now a champion of the water it

### **Ensuring Water Access for All**

In September of 2015, the world came together to set new goals to end poverty, protect the planet, and ensure prosperity for all. The 2030 Sustainable Development Goals (SDGs), which define the global development priorities for the next 15 years, outline a compelling framework for collective action by government, the private sector and civil society to address social and environmental issues that inhibit economic development and shared prosperity. Of the 17 new goals, SDG 6 is dedicated exclusively to ensuring availability and sustainable management of water and sanitation for all.

In the basins where we work, we understand that protecting water resources makes an impact on local communities and livelihoods. In 2015, WWF and The Coca-Cola Foundation began working with three communities in Honduras and Guatemala to improve their water access, strengthen adoption of efficient water use and proper sanitation practices, and protect and better manage water resources. Through this project, we constructed or rehabilitated three rainwater collection systems, trained 345 people in water management activities, and engaged more than 200 people in reforesting critical source water areas surrounding the communities. We hope to replicate this engagement model in other communities where waters drain to the Mesoamerican Reef, and help demonstrate how local efforts toward integrated water management can contribute toward the 2030 SDG 6 water goal.

### OUR PARTNERSHIP In Numbers

345 people trained in water management activities in communities where water drains to the Mesoamerican Reef

#### OUR Partnership In Numbers

1.98 liters of water are used for each liter of Coca-Cola product produced, a 12 percent improvement since 2010 touches. Azunosa was the first Bonsucro-certified producer in Central America. This means the agricultural practices and production of sugarcane that take place there meet specific sustainability requirements, thus reducing its footprint on the land and water it uses.

Bonsucro is a global nonprofit focused on making sugarcane around the world sustainable through metric-based certification and the support and collaboration of its members, such as nonprofits and companies like WWF and Coca-Cola. Bonsucro certification is Coca-Cola's preferred method for sugarcane mills and growers to demonstrate compliance with the Company's Sustainable Agriculture Guiding Principles (SAGP), which, among other objectives, set standards to be met by farm suppliers for human and workplace rights, environmental protection, and responsible farming management.

The changes Azunosa implemented pertaining to its water footprint came from Bonsucro's focus on managing input, production and processing efficiencies to enhance sustainability. Within this framework, efforts were made to reduce ethanol production and optimize mill timing to mitigate the output of potentially harmful chemicals and byproducts. Further, the mill lessened freshwater risks by keeping cane fields 50 meters away from water sources. The true champions of this sustainable sugar success were the local farmers and mill workers who made the changes, with input and guidance from WWF and Bonsucro.

In following its SAGP, Coca-Cola contracted for 1 million tons of more sustainable sugar for delivery in 2016, approximately two-thirds of which is Bonsucro-certified sugar from Brazil and Honduras. This led to Coca-Cola earning Bonsucro's "Buyers Supporting Transformational Change" award in late 2015.

By implementing Bonsucro's standards, the Azunosa mill not only secured future business, but also helped preserve and protect water that communities and ecosystems rely on for survival.

#### OUR Partnership In Numbers

350 hectares of forest will be protected in the Pasabién River basin in Guatemala through prevention and control of forest fires

### **Investing in Nature's Value**

On the eastern edge of Guatemala, in the dense cloud forests of the Sierra de las Minas, 63 rivers originate. They meander down the mountains and all the way to the Caribbean's Mesoamerican Reef, providing fresh water to people for drinking, hygiene and sanitation, agriculture, business operations and so much more. Protecting these vast forests and the water that flows from them is critical to ensuring the future of the freshwater system so many depend upon.

With a shared vision to preserve and restore the health of watersheds linked to the Sierra de las Minas, WWF and Coca-Cola in Guatemala recently signed a five-year agreement to protect 350 hectares of forests connected to the Pasabién River basin in Zacapa, Guatemala, through prevention and control of forest fires. The agreement will be carried out with local implementing partner Fundación Defensores de la Naturalez (FDN), manager of Sierra de las Minas Biosphere. Coca-Cola ABASA bottling plant, the local arm of The Coca-Cola Company in the Pasabién, has long focused on minimizing impacts on fresh water within its operations and worked with WWF to explore opportunities to improve water management throughout the basin. This agreement marks an important milestone for our partnership, as it has the potential to dramatically increase corporate water stewardship in the area.

Water is a shared resource; therefore the risks are shared as are the opportunities for businesses, governments, NGOs, and communities to work together for its protection. In the Pasabién, the Water Fund of Sierra de las Minas, which was launched in 2006, has been crucial to bringing diverse water users together for better protection of their common source. FDN, which manages the Water Fund, will be key in implementing pieces of Coca-Cola and WWF's latest agreement, as will the local communities that are now the guardians of the mountains' natural resources.



# **Yangtze River Basin**

As the third largest river in the world, the Yangtze connects cultures, landscapes, ecosystems, and economies. The nearly 4,000-mile river has witnessed beauty and wreckage in many forms, from breathtaking landscapes to devastating pollution. Today, protecting the Yangtze River is vital to preserving the populations that rely upon it for survival. That's why WWF and Coca-Cola have partnered with local conservationists to preserve and protect sub-basins in the Yangtze, and are working with the Chinese government to implement policies that will safeguard this marvel for years to come.

This strategy aligns with WWF's effort to effectively protect high conservation wetlands in critical sub-basins of the Yangtze with multi-stakeholder participation. The partnership between WWF and Coca-Cola is focused on guarding and replenishing fresh water, from the upper Yangtze to its vast basin, stretching for 2,000 miles west to east and for more than 600 miles north to south.

### Where One River Ends, Another Begins: The Liuyang River

Though the largest, the Yangtze isn't the only iconic river carving its way through China's diverse landscapes and provinces. The Liuyang River, a tributary of the Xiang River that flows to the Yangtze through Dongting Lake in Hunan Province, is both life-giving and inspirational—a folk song proclaims its impressive picture of beauty—and serves the needs of agriculture, tourism, industry, and communities.

Two years ago, WWF, Coca-Cola, and the Hunan Province in China announced a landmark partnership focused on the Liuyang tributary to contribute to a healthier, more resilient Yangtze River. To make this a reality, our partnership established pilot projects, with support from the Hunan provincial government, to demonstrate on-the-ground, As the third largest river in the world, the Yangtze connects cultures, landscapes, ecosystems and economies.

> Together, WWF, Coca-Cola and the Hunan provincial government are promoting sustainable development in three key areas of the Yangtze River basin:

sustainable river solutions that can serve as models for other projects in the region. They include a water conservation pilot at the source, sustainable tea production and community engagement pilots midstream, multi-stakeholder water stewardship actions in the nearby industrial parks, and wetland conservation.

The sustainable tea production pilot took place at the Jinjing Tea Company estate, where work focused on increasing water efficiency and reducing water pollution. As a result of our partnership work, the five ponds atop this tea mountain are home once again to fish, birds, and insects. The technology and techniques applied here have been shared and will improve the upper and middle Yangtze, giving more water for people and communities. In 2015, a memorandum of agreement between WWF and Hunan Tea Group (HTG), one of Coca-Cola's tea suppliers, was signed to promote sustainable tea. Based on the pilot project in Jinjing, WWF supported drafting the standard of sustainable tea technically and financially, and will further promote sustainable agriculture in Hunan Province.

By end of 2016, the Liuyang River demonstration projects will result in shareable best practices; soon after, WWF,

THE LIUYANG RIVER, a tributary to the Xiang River, one of China's most polluted rivers. DONGTING LAKE,

China's second largest freshwater lake and the outlet for most of the rivers in Hunan.

THE CHANG-ZHU-TAN CITY CLUSTER, three cities growing at the intersection of two major economic belts and the Xiang River.

Coca-Cola, and local authorities hope to spread the work to additional rivers in and beyond the Yangtze River basin. The goal is to protect more than 500,000 acres of wetland habitats by 2018.

In Hunan's provincial capital, our partnership also helped to support the city of Changsha, China in rewriting the Liuyang River basin master plan to include environmental performance as an official government key performance indicator an important step toward establishing a long-term local commitment to conservation in the Yangtze River basin.

The Junshan Rear Lake restoration project will replenish over 2 billion liters of water per year.

OUR PARTNERSHIP IN NUMBERS 21 protected areas in northern China

were established

OUR PARTNERSHIP IN NUMBERS 1st sustainable

tea pilot project established in China

### Year-Round Conservation Brings the Next Generation to Dongting Lake

To demonstrate wetland restoration and multi-stakeholder management, our partnership established a project site at the Junshan Rear Lake area, located within the East Dongting Lake basin. Dongting Lake is connected to the Yangtze by four channels. It is an ecologically important lake with rich biodiversity, but the wetland has been degraded by various anthropogenic influences. For instance, the draining of wetlands for fishing, especially during the dry winter season, has been detrimental for winter birds and lower water levels have resulted in the loss of submerged vegetation.

In 2014, our partnership launched the Junshan Rear Lake restoration project to help the local community transition from its traditional fishing activities to land-based activities in the pilot project area of approximately 1,333 hectares. The effort sought to maintain a reasonably high water level across 667 hectares of wetland area during the dry season by rebuilding sluice gates and overflow dams, fixing sections of dikes, and regulating water levels through operations and

### You're Invited to Explore: the Spread of National Parks

Protecting species and geology from possible extinction is often achieved through laws, partnerships, and awareness. Some of these efforts necessarily make interaction with nature like a museum—look but don't touch.

National parks are different. Across the globe, nations preserve their natural masterpieces, while extending an invitation to citizens and visitors alike to explore them.

Building on one of the United States' best ideas, 2015 was the kick-off year for national parks in China. Our partnership has been honored to help initiate this work as one way to showcase the value of nature. We are leveraging support from the Luc Hoffman Institute, Development Research Center of the State Council, and Beijing Normal University to conduct research, study policies, enhance an engagement platform, develop demonstration sites, and advise the Chinese government on the development of a national parks policy.



maintenance. We anticipate that this project will replenish over 2 billion liters of water per year. At the same time, our partnership is promoting multi-stakeholder management, in which government, institutions, corporations, communities, volunteers, and NGOs collectively contribute to managing eco-tourism.

This collaboration produced results when 16 Père David's deer, a once extinct species, were released from the Jiangsu Dafeng Nature Reserve into the Junshan Rear Lake area. After just two months in their new home, the deer adapted to their newly restored wetland surroundings, and two new deer were welcomed into the world. The new residents have already attracted tourists seeking to 'deer watch'—hopefully further motivating communities to safeguard these wetlands for generations to come.

Meanwhile, local Coca-Cola teams in China are supporting WWF's work to save the Yangtze finless porpoise in Tian-ezhou oxbow, Hubei Province, which is the first translocation site for this endangered species. Water now flows between this previously-connected oxbow lake and the Yangtze River. Once home to only a few porpoises, over 60 porpoises are now thriving in Hubei Province.

Further downstream in the Yangtze River, Coca-Cola and WWF are working together within the Dongtan Nature Reserve and have initiated environmental courses for volunteers, or ambassadors, to be stewards of this ecologically important area. By the end of 2015, 32 Coca-Cola employees had been trained as ambassadors and began attending a 12-course class. After completion, the volunteers can be certified as on-site guides in the nature reserve. WWF and Coca-Cola hope to expand this model to other nature reserves and to engage business to join our efforts.

# Progress on Our Targets

As part of the 2013 renewal of the Coca-Cola and WWF Partnership, we jointly developed new 2020 environmental sustainability goals for the Coca-Cola system, which includes the Company and its more than 250 bottling partners in more than 200 countries. These targets and progress toward achieving them are:



### Help ensure healthy, resilient freshwater systems.

Coca-Cola and WWF will focus joint conservation efforts on the Mesoamerican Reef catchments in Mexico, Belize, Guatemala, and Honduras, and the Yangtze River in China.

**PROGRESS:** In the Mesoamerican Reef catchments, two critical sub-watersheds are under climate-smart, integrated management, one sugar mill has been Bonsucro-certified, and the network of water reserves in Guatemala have been identified for validation as a policy instrument.

In the Yangtze River basin, pilots of wetland restoration were achieved along the Liuyang River-Xiang River-Dongting Lake sub-basin, the city of Changsha rewrote its Liuyang River basin master plan to include environmental performance as an official government key performance indicator, a corporate partner collective action plan and budget to benefit the basin was formalized, and the finless porpoise is now a Class 1 protected species of the Ministry of Agriculture.



### Improve water efficiency by 25 percent.

Coca-Cola will improve its wateruse efficiency per liter of product produced through operational advancements throughout the Coca-Cola system.

**PROGRESS:** In 2015, Coca-Cola improved its water efficiency 2.5 percent, marking the first time the Coca-Cola system has achieved a water-use ratio less than 2.0, moving toward its goal of 1.7 by 2020. This is a total improvement of 12 percent since the 2010 baseline, contributing to an overall efficiency improvement of 27 percent since 2004 through 13 consecutive years of water efficiency improvement for the Coca-Cola system.



Reduce CO<sub>2</sub> emissions embedded in the "drink in your hand" by 25 percent and "grow the business, not the carbon."

For "drink in your hand," a 2020 goal, Coca-Cola will work to reduce the greenhouse gas emissions throughout its entire value chain, making comprehensive carbon footprint reductions across its manufacturing processes, packaging formats, delivery fleet, refrigeration equipment, and ingredient sourcing.

PROGRESS: In 2015, the Coca-Cola system is estimated to have reduced the CO₂ embedded in the "drink in your hand" by 13 percent.\* Contributing to this 2015 progress was a 2 percent improvement in manufacturing operations' energy efficiency, the distribution of 8.7 billion PlantBottle<sup>™</sup> packages, and the placement of 493,902 units of HFC-free refrigeration equipment. By the end of 2015, Coca-Cola had introduced a total of more than 1.8 million HFC-free coolers and vending machines into the marketplace since the program began—lessening the impact of its single biggest estimated climate footprint contributor.

When we first announced our partnership in 2008, Coca-Cola committed to two emissions reduction targets: 1) grow the business, not the carbon systemwide and 2) a 5 percent absolute reduction in developed countries. The emissions targets apply to manufacturing operations and had an initial target date of 2015 compared to a baseline year of 2004. Progress on these goals is now being tracked and transparently reported for contribution toward Coca-Cola's "drink in your hand" goal. However, since we set these goals together and are reporting on 2015 progress, this year the status of these goals will be shared here as well.

**PROGRESS:** For grow the business, not the carbon, Coca-Cola is off track on meeting this global manufacturing emissions reduction goal. Total emissions increased 1 percent compared to 2014 and stand 16 percent higher than 2004. Contributing factors include volume growth outpacing emission ratio improvements, insourcing of external manufacturing processes, and slower than anticipated scaling of the Company's renewable energy program. However, with global manufacturing emissions in 2015 estimated at 5.58 million metric tons, they were 20 percent lower than the business-as-usual forecast, which refers to what they would have been if Coca-Cola had not taken on greenhouse gas reduction initiatives.

Coca-Cola achieved its 5 percent reduction in developed countries goal by 2015, with emissions 14 percent below the 2004 baseline.

<sup>\*</sup>The 13 percent calculation of progress toward the "drink in your hand" goal has been internally vetted by Coca-Cola using accepted and relevant scientific and technical methodologies, but those methodologies are evolving. Coca-Cola is working to simplify its data collection and measuring systems, and plans to have data verified by an independent third-party for 2016. At that time, Coca-Cola will also revisit its 2015 estimate to ensure accuracy and make any updates or necessary corrections, if any, to its public reporting.



### Responsibly source material for PlantBottle™ packaging.

Coca-Cola will work with WWF to assess the environmental and social performance of plant-based materials for potential use in its PlantBottle™ packaging. This will help the Company as it works to use up to 30 percent plant-based material for all its PET plastic bottles.

PROGRESS: In 2015, Coca-Cola distributed 8.7 billion PlantBottle<sup>™</sup> packages, bringing the total distributed to more than 40 billion PlantBottle<sup>™</sup> packages in over 40 countries since 2009. The use of this innovative, more sustainable packaging has saved the equivalent annual emissions of more than 365,000 metric tons of carbon dioxide from Coca-Cola's PET plastic bottles. This is the equivalent to the amount of carbon dioxide emitted from burning more than 845,000 barrels of oil.



### Sustainably source key agricultural ingredients.

Coca-Cola will work to sustainably source its key ingredients: cane and beet sugar, high fructose corn syrup, stevia, tea, coffee, oranges, lemons, grapes, apples, mangos, pulp and paper fiber for packaging, palm oil, and soy. Coca-Cola also established Sustainable Agriculture Guiding Principles and works with WWF to develop sustainable sourcing strategies through the Coca-Cola system for cane sugar, corn, and pulp and paper fiber.

**PROGRESS:** Coca-Cola implemented its Sustainable Agriculture Guiding Principles (SAGP) in 2013 and is working with suppliers to meet requirements with a specific focus on the priority ingredients making up 95 percent of its ingredient supply. To date, more than 95 percent of Coca-Cola's globally sourced coffee and tea supply is more sustainably sourced, as is an estimated 54 percent of its lemon. Coca-Cola is contracted to source over 1 million tons of more sustainable sugar in 2016, with approximately two-thirds coming from Bonsucro-certified mills.

#### OUR Partnership In Numbers

18 miles of invasive giant cane were removed along the Rio Grande/ Rio Bravo

### Around the World

Beyond our global partnership, WWF and Coca-Cola collaborate locally in more than 40 countries to create a more water-secure future, protecting local watersheds and addressing local water needs. Below are examples of local alliances and associated progress realized.

INVASIVE GIANT Cane Removed Along18.4 Miles of the Rio grande Banks

### 1 Rio Grande/Rio Bravo

WWF and Coca-Cola are working with partners to bring back the Rio Grande/Rio Bravo along the U.S.-Mexico border after decades of decline. In 2015, as part of a binational collaboration, teams removed dense stands of invasive giant cane along 18.4 miles of the river banks. The eradication of the cane widens the river channel, enhancing water replenishment and allows the water to flow for the benefit of people and wildlife. Partnering with The Coca-Cola Foundation, we are also working to improve the livelihoods of indigenous communities in the Sierra Tarahumara by installing rainwater harvesting systems and protecting forests and natural springs.

### 2 Amur-Heilong

In 2015, our partnership helped Chinese government authorities establish the Flyway Protected Area Network in the northern provinces. This network covers 21 protected areas in Jilin Province, Heilongjiang Province, and the Inner Mongolia Province.

### 3) Koshi

Despite significant natural disasters in Nepal's Koshi River basin, WWF and Coca-Cola continued to promote water management in the watersheds of the Indrawati sub-basin. Throughout 2015, the team maintained irrigation canals, constructed water tanks, and trained local women on micro-finance and integrated water resource management. They also developed 64 biogas plants to help promote water management.



### 4 Great Britain

In Great Britain, Coca-Cola and WWF came together in 2012 to bring life back to two chalk stream catchments—the Nar in Norfolk, where some of the sugar beet used in Coca-Cola's beverages is grown and the Cray in South London, near Coca-Cola's Sidcup manufacturing site. Lessons from our partnership were used to promote good water management nationally and support the implementation of the EU Water Framework Directive, which requires that all rivers meet 'good ecological status.' In three years we have:

- Demonstrated good action for rivers, producing community-led catchment plans, which are being scaled up nationally;
- · Improved 7 kilometers of river and replenished 286 million liters of water;
- Worked with farmers across 2,000 acres of land to reduce the impact of agriculture on the Nar;
- Supported the improvement of the Water Act 2014 through WWF's advocacy work; and
- · Promoted water stewardship through stakeholder engagement events and activities.



TRAM CHIM NATIONAL PARK CERTIFIED AS A NATIONAL LANDSCAPE SITE

ADDRESSING THE THREAT OF UNFETTERED AGRICULTURAL EXPANSION

### **)** Amazon

In Brazil, Coca Cola and WWF worked to ensure the sustainability of raw materials along the Company's value chain and empower the next generation to value and protect their forests and fresh water through sustainable business models. The partnership initiative, known as the "Exchanging Project," provided a leadership platform that engaged 60 youth from the Carauari communities who live in the forests of the two environmental reserves in the Amazon River basin, totaling close to 1 million acres. The platform provided young people with new and different experiences to enrich their understanding of environmental stewardship, and gave them lessons to take back to their communities to help strengthen local economies, as well as the value of standing forests and healthy rivers.

"With the Exchanging Project, we want to offer young people a unique experience that clearly demonstrates the value of standing forests. These young people are critical for the conservation and environmental development of the communities within the Amazon," said Coca-Cola Brazil's Shared Value Director, Pedro Massa.

### 6) Mekong

WWF and Coca-Cola have been working with Tram Chim National Park since 2008. Among our past successes have been the naming of this park as the 2000th Ramsar Site. With support from The Coca-Cola Foundation, in October 2015, Tram Chim National Park was certified by Vietnam's Ministry of Culture, Sport and Tourism as a National Landscape Site—a result of our continued efforts to conserve and restore one of the last remnants of the Plain of Reeds, a wetlands ecosystem.

### 🕖 Zambezi

Water plays a huge role in the Zambian economy. Over the last year, our partnership has supported WWF efforts to understand and actively address the threat that unfettered agricultural expansion poses within the Kafue River basin, a tributary of the Zambezi River.

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Creating a more water-secure future will require collaboration with government, international financial institutions, academia, industry, and civil society. WWF and Coca-Cola are committed to helping address natural resource challenges that impact fresh water and elevating awareness of the power of collaboration to address global challenges. Through partnership, greater scale and impact can be achieved. To follow our progress and learn how to join us, visit wwfcocacolapartnership.com.



The Coca Cola Company