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## MAIN RESULTS

The main objective of this research is to assess the contribution the Coca-Cola System has made to the sustainable development of Kazakhstan between 2013 and 2017. In Kazakhstan, Coca-Cola System consists of The Coca-Cola Company (represented by “Coca-Cola Services CIS Ltd.”) and Coca-Cola Icecek (JV “Coca-Cola Almaty Bottlers” LLP), which produces and sells sparkling and still Coca-Cola drinks in Kazakhstan. The report provides an analysis of all three aspects of sustainable development: economy, environment and social.



## THE ECONOMIC ASPECT

The total contribution of the Company to the economy of Kazakhstan was analyzed in five areas: production output, GDP, employment, labor income, and taxes. Contribution (direct) was considered, along with the multiplier effect of the Company's network of contractors and suppliers, its distribution network and sales outlets, as well as the contribution from the extra demand generated by the consumer spending of employees.

**₸ 300 bln**

The Company's total contribution to Kazakhstan's GDP for the period 2013-2017 amounted to about 300 billion tenge or 1.3 billion US dollars.

**5.5 %**

The Company's total contribution to GDP is about 5.5% of the value added created by the entire Food & Beverage industry, which is the second manufacturing sector in terms of its contribution to GDP.

**₸ 69.7 bln**

In 2017, the total contribution of Coca-Cola to Kazakhstan's GDP amounted to 69.7 billion tenge or 213.7 million US dollars. This is three times more than the added value generated by the Company. In other words, additional 2.34 tenge are generated in the RK economy per each tenge of the added value of the Company.

<sup>1</sup> Here and later in the current section, for recalculation into the US dollars, the average annual rate for the period was used according to the data of the National Bank of Kazakhstan.

**9,226** jobs in different industries of the RK's economy

**747** the Company itself employed

In 2017, Coca-Cola helped to maintain 9,226 jobs in different industries of the RK's economy, while the Company itself employed 747. The trade industry alone has some six thousand jobs due to the Company. There is also an additional significant impact on the transportation industry, processing industry, and information and communication services.

**₸ 14 bln**

taxes and other payments

In 2017, Coca-Cola was a top-10 taxpayer in the field of wholesale, having paid more than 14 billion tenge (45.4 million US dollars) in taxes and other payments in the country's budget. In addition, thanks to the multiplier effect from the Company's activities, the country generated 22.4 billion tenge (69 million US dollars) in 2017.

**₸ 22.4 bln**

the multiplier effect from the Company's activities

**₸ 74 bln**

Over five years, the cumulative contribution to the labor income amounted to 74 billion tenge or 320 million US dollars, showing a sustainable average annual growth rate of 12% over the period 2013-2017.

**₸ 12 bln**

value and provides more than three thousand jobs

In 2017, Coca-Cola helped our distributors generate more than 9 billion tenge (28 million US dollars) of added value in the economy of Kazakhstan while supporting more than two thousand jobs. Moreover, further sale of drinks by the Company in sales outlets generates around 12 billion tenge (37 million US dollars) of added value and provides more than three thousand jobs.

**>\$250 mln**

Over the last ten years, the Company has invested more than 250 million USD to the economy of Kazakhstan

More detailed information about the economic contribution of the Company to the development of Kazakhstan is provided in the section 2 of this report “Contribution to the economic development of the country and its regions”.





## THE ENVIRONMENTAL ASPECT

The indicators of Coca-Cola's impact on the environment of Kazakhstan have been analyzed. The focus has been centered on the following three environmental areas the Company considers as key areas:

1. Energy efficiency and climate change prevention
2. Effective water resources management
3. Packaging and effective waste management

 **\$740,000**

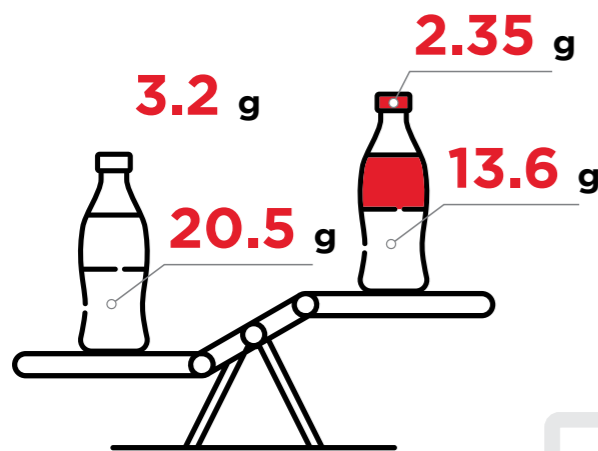
From 2013 to 2017, the Company invested more than 740,000 USD in environmental protection projects.

 **-5 %**

Despite the growth of finished goods production by 16% in 2017 compared to 2016, the Company's specific water use indicator decreased by 5% over the same period, which indicates the effectiveness of our measures aimed for the careful use of water resources.

 **1.6 bln** liters of water restore

Water restoration projects helped to restore 1.6 billion liters of water annually. This exceeds the amount of water necessary for the Company to produce drinks in 2017 by three times.



Due to cost optimization projects regarding materials used for the production of packaging for finished products, the weight of one plastic cap of a Coca-Cola drink bottle was reduced from 3.2 g to 2.35 g, while the weight of one 500 ml plastic bottle was reduced from 20.5 g to 13.6 g.

**-14 %** energy consumption

Due to the initiatives on the reduced consumption of energy resources (ER) implemented by the Company, the specific consumption of ER decreased by 14% in 2017 compared to 2016.



## THE SOCIAL ASPECT

The Company pays special attention to the social component of its operations, taking care of everyone and everything it interacts with. The report contains information on the Company's key projects influencing the social development of the regions or country as a whole, project expenditures, and major results. In addition, one of the projects was analyzed based on Social Return on Investment (SROI).

**>\$4.5 mln**

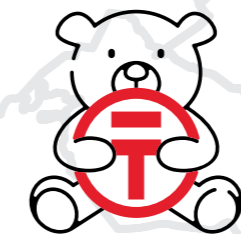
Coca-Cola invested more than 4.5 million USD in social projects in 2013-2017.

 **9,000 women**

Due to the Coca-Cola Belesteri project, more than 9,000 women were trained on the fundamentals of business operations.

 **6,200 schools**

6,200 schools and more than 1.2 million students from all over Kazakhstan participated in soccer competitions for children and young people organized as part of the Coca-Cola Bylgary Dop project.

 **\$1 = \$1.36**

Based on SROI analysis, the social return on investment of the 3.2.1.Start! project totalled 1.36 USD. This means that for every USD invested by the Company in the project, an additional social effect is generated in the amount of 1.36 USD.

 **1 %** invested in environmental or social initiatives

Based on the Company's financial indicators for 2017, one percent of the price for one Coca-Cola bottle purchased by our customers is invested in environmental or social initiatives.



## >\$250 mln

Over the last ten years, the Company has invested more than 250 million USD to the economy of Kazakhstan.



**35 liters**  
per person  
in 2017

The volume of the Company's production per capita in Kazakhstan in 2017 is about 35 liters<sup>2</sup>.



**1 %**  
invested to the Company's environmental  
or social projects

When our consumer in Kazakhstan buys a bottle of any drink by Coca-Cola, approximately 1% of the purchase is invested to the Company's environmental or social projects in the country.

## 1.1 INTRODUCTION TO COCA-COLA IN KAZAKHSTAN

JV Coca-Cola Almaty Bottlers LLP produces and sells sparkling and still soft drinks in Kazakhstan. The Company started operating in the country back in 1994. In 2008, the Company was run by Coca-Cola Icecek, a part of Anadolu Efes, a major Turkish group of companies<sup>3</sup> and one of the largest bottlers of Coca-Cola products in the world<sup>3</sup>.

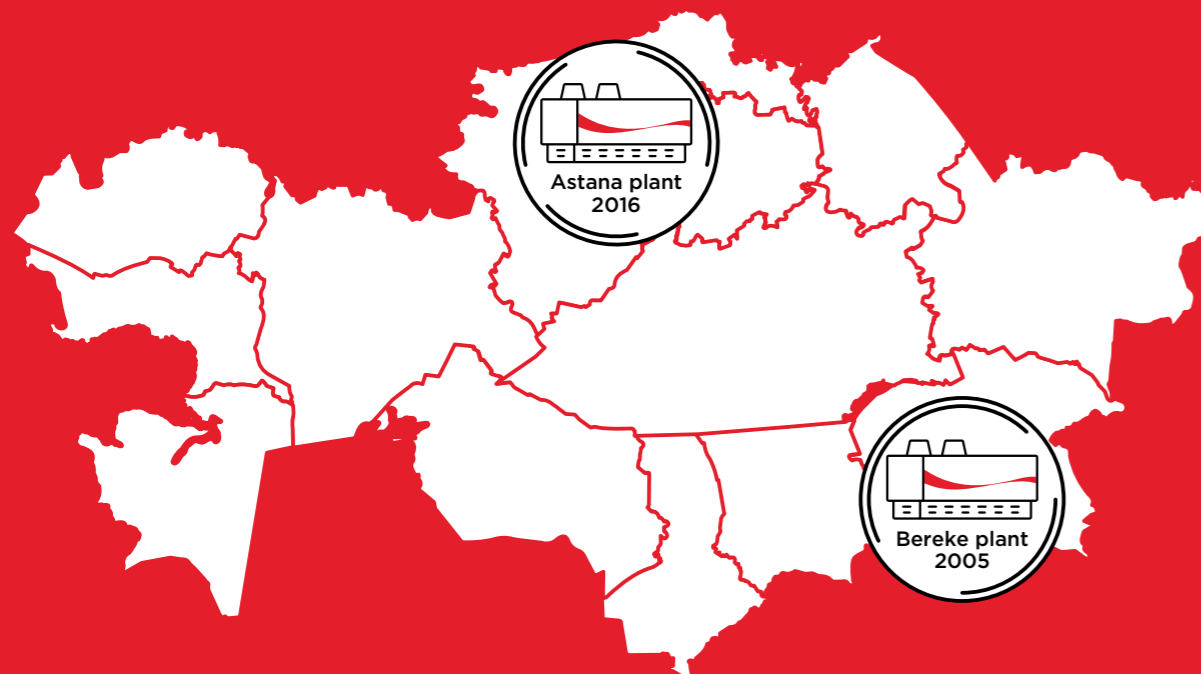


Figure 1. Coca-Cola production facilities in Kazakhstan

<sup>2</sup> More detailed information about Coca-Cola Icecek is provided in the CCI sustainability report for 2017 ([http://cci.com.tr/Portals/3/images/CCI\\_2017.pdf](http://cci.com.tr/Portals/3/images/CCI_2017.pdf)).  
<sup>3</sup> A bottler company is a franchise company that produces soft drinks from concentrates purchased from The Coca-Cola Company and sells the drinks produced.

Today, the Company is the leader on the soft sparkling and still drink market of Kazakhstan, and operates two factories: one in Bereke village, Almaty Region, and another in Astana, with a staff of more than 700 and annual production output of more than 600 million liters. At the end of 2017, the Company operates ten production lines at its factory in Bereke, and two lines in Astana.

A soft drink factory with an annual production output of approximately 500 million liters was commissioned in 2005 in the Almaty Region, Karasay District. In 2013, due to the growing demand and in order to optimize logistics, the Company decided to build another soft drink factory in Astana. Construction was completed in 2016. In 2017, the production output volume of the factory in Astana totalled more than 134 million liters, thus providing an uninterrupted supply of products to consumers in the East Kazakhstan, Pavlodar, Karaganda, Akmolinsk, North Kazakhstan, Kostanay, and Aktyubinsk Regions.

Our Company doesn't chase maximum profit in the here and now by any means necessary, disregarding the potential consequences of its decisions. Coca-Cola's mission is based on the principles of sustainable development. The Company's priorities are:

- High-quality and safe products for consumers;
- Caring about the Company's employees and safe production;
- Environmental friendliness;
- Economic development in regions of the Company's presence;
- Corporate social responsibility;
- Ethical business practices.

As a socially responsible company, we focus on all three aspects of sustainable development: economic, environmental, and social.

### Creating economic value

The Company generates economic value, i.e. it makes economic contributions to the development of the country and community by several means:

- It produces and sells soft drinks to consumers via its distribution network.
- It procures goods and services for the production of finished products.
- It pays wages and salaries to Company employees.
- It makes tax and other payments for the benefit of the country's and regions' budget.
- It invests in further development.

More detailed information about the economic contribution of the Company in 2013–2017 is provided in section 2 of this report "Contribution to the economic development of the country and its regions". For a better understanding of the Company's contribution results, a simplified layout of

finished product production and delivery to customers is provided below.

**1** The primary and most likely main components of the production of high-quality drinks by the Company are modern and high-tech industrial and support facilities. From 2013 to 2017, the Company invested more than 130 million USD in construction of buildings, procurement of new equipment and maintenance of existing facilities.

The project of a new factory in Astana required investments in the amount of over \$ 80 million invested in construction of plant buildings, purchase and launch of refrigeration and production equipment, loaders, other machines, etc. The commissioning of this plant into operation allowed to increase the volume of production by 16%.

**2** The second most important part of the production is the procurement of high-quality ingredients for finished drinks, i.e. concentrate, sugar, and packaging material. We procure both from domestic and foreign suppliers. More detailed information about the procurement activity of the Company is provided in section 1.3 of this report "The Company's supply chain".

**3** However, not all ingredients for drinks are procured from third-party suppliers.

- The Company also draws and processes fresh water itself from four wells in the Almaty Region. The Astana factory uses purchased water.

Both drawn and purchased water undergoes several stages of filtration and purification until the high quality of water required by the Company's own standards is reached.

- Another important component of sparkling soft drinks production is carbon dioxide, which we also produce ourselves. It is produced at the Company's factories by burning natural gas. This method of producing carbon dioxide is one of the most effective and safe for the environment. Further, on the production line, the gas is purified to a purity level of 99.99%, and only such gas is used to carbonate beverages.

- Finally, all plastic bottles used to fill with finished drinks are blown out from molds at Coca-Cola factories in Kazakhstan. The plastic molds, just as all other packaging products, undergo inspection and testing for compliance with the public health regulations and standards of the Company. In the event of non-compliance, the purchased products are returned to the supplier.

**4** As mentioned earlier, care for consumers is one of our primary priorities. That is why all drinks are first sent for chemical analysis, and only then shipped to distributors. Analysis is carried out based on more than ten criteria, and in the event of non-compliance, the batch is sent back.

Having undergone chemical analyses, the products are further submitted for sampling by professional tasters, who have been specifically trained and are constantly upgrading their qualification at Coca-Cola Company. If the products fail to pass flavor testing, they are also sent back.

**5** Finally, finished products are shipped to distributors and then to all sales outlets in the country. More detailed information about the Company's collaboration with distributors is provided in section 1.3 of this report "The Company's supply chain".

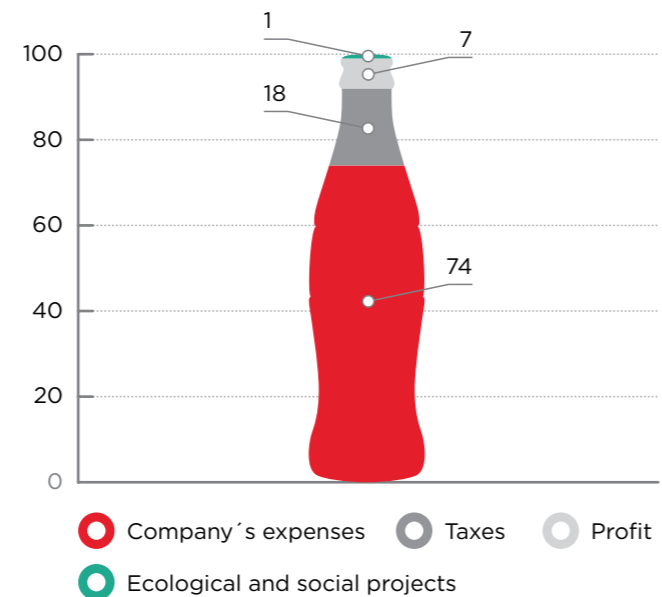
on the following aspects in this area: internally we care for our employees, and externally we organize and carry out various social activities.

**Due to our environmental projects, the weight of one plastic cap was reduced from 3.2 g to 2.35 g, and the weight of one 500 ml plastic bottle was reduced from 20.5 g to 13.6g.**

Coca-Cola employees are our most valuable asset. More than 700 people are employed at the Company, and only 10 of them are invited as foreign contractors. 55% of top management are women, and 3% of all employees are physically challenged.

Figure 2. The «contents» of one Company's drink bottle in the Republic of Kazakhstan, in %

The Company has a major focus on the development and training of its personnel. For example, in 2017, more than 35,000 hours were devoted to training. Training subjects



### Creating environmental value

Every company makes an impact on the environment in the course of its operations. The main environmental policy goal of Coca-Cola is to mitigate its negative impact and maximize its positive impact. We consider the following environmental aspects the most significant: water, waste, and plastic. Most of our environmental activities are therefore implemented in these areas. From 2013 to 2017, almost 750,000 USD was invested by the Company in environmental activities. More detailed information about the environmental policy of the Company, water saving projects, and other major environmental aspects is provided in section 3 of this report "Contribution to environment protection".

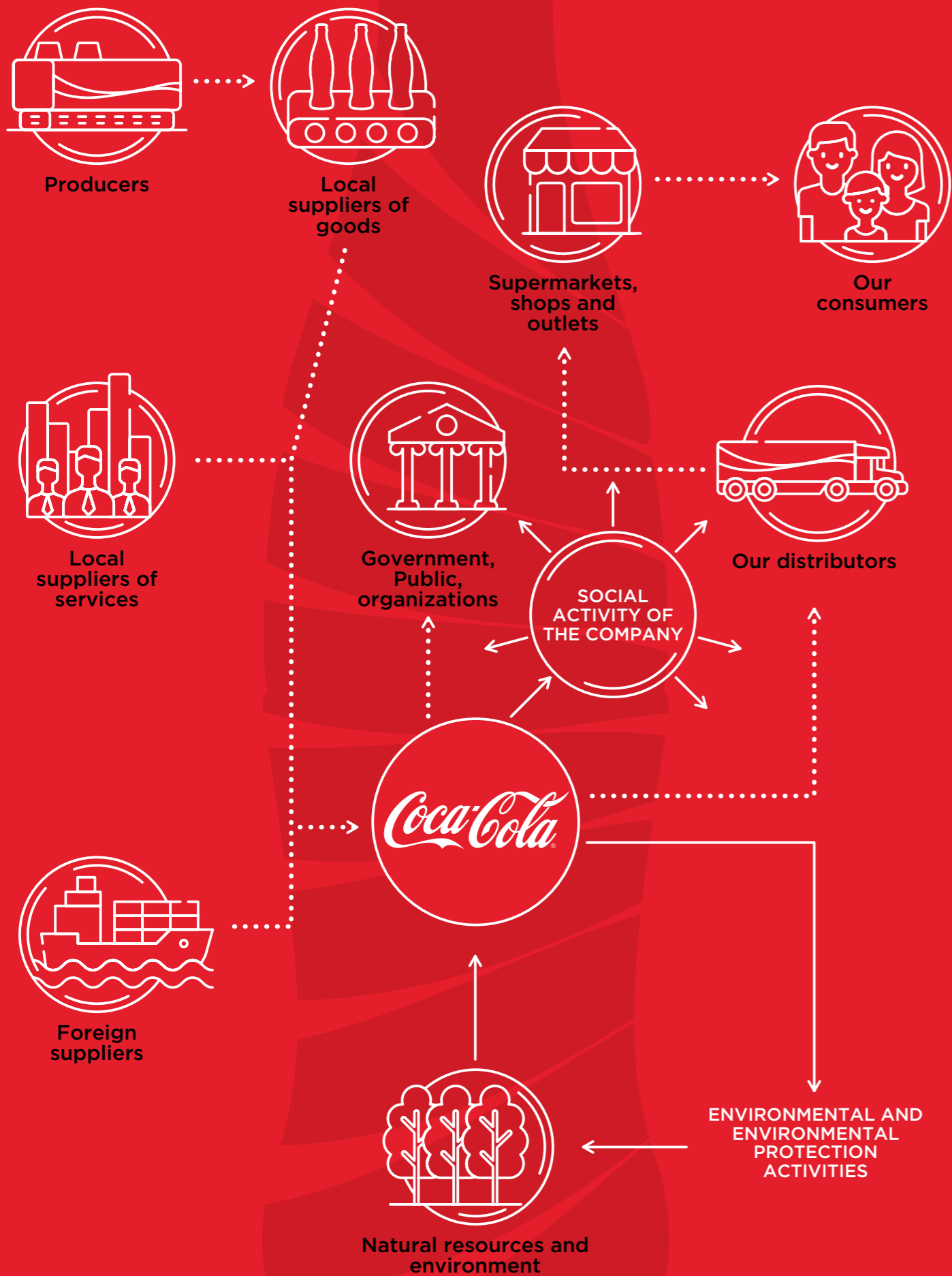
### Creating social value

Finally, the third component of the Company's sustainable development policy is the creation of social value. We focus

vary from highly specialized technical training for production workers to language courses. Occupational safety training is of the utmost importance. In 2017, 110 trainings were provided on this subject, and 711 employees were trained. The attention we pay to this aspect, as well as certain other technical and organizational activities, are already paying off: since 2012, not a single occupational health and safety accident has been registered at our factories.

One of the active areas of the company is social activities in various areas: education, sports, healthcare. From 2013 to 2017, our total investments in social initiatives totalled more than 4.5 million USD. Thus, 1% of the cost of each drink produced by the Company and purchased by our customers is invested in environmental or social activities (Figure 2).





# 1.2 THE SOFT DRINKS MARKET IN THE REPUBLIC OF KAZAKHSTAN AND COCA-COLA PRODUCTS

The soft drinks market in Kazakhstan is represented by four nominal segments:

- Sweet sparkling soft drinks
- Juice and juice drinks (fruit and vegetable juices)
- Mineral water (sparkling and still)
- Other soft drinks, including tea drinks, energy drinks, and other drinks.

Coca-Cola produces and sells soft drinks in all four segments and is represented by more than 25 brands of sparkling and still soft drinks (Table 1).

Table 1. Main brands produced by the Company in Kazakhstan

Category	Brands
Sweet sparkling soft drinks	
Juices and juice drinks	
Sparkling and still mineral water	
Other soft drinks	

The soft drink market is traditionally very competitive no matter where in the world, and Kazakhstan is no exception. Our main competitors in Kazakhstan include Pepsi, Buratino, Fruit Grove (Fruktovy Sad), Tassay, Nestea, and others. Coca-Cola supports fair market competition because it gives Kazakhstan customers access to a wide range of quality drinks to suit any taste.

The sparkling and still soft drinks market is rapidly growing in Kazakhstan. Currently, 93% of demand in the country is covered by domestic producers, and only 7% of products are imported.<sup>4</sup>

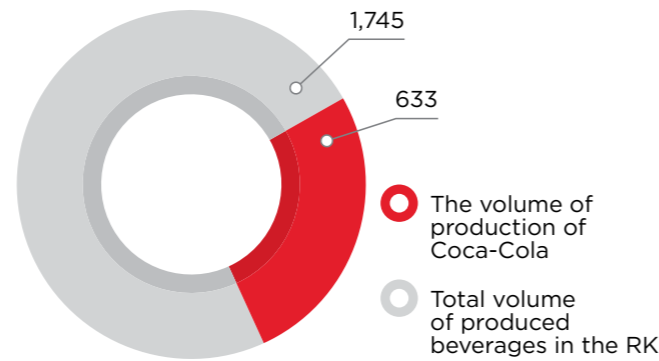


Figure 4. Volume of Coca-Cola produced soft drinks compared to total industry production output in 2017, million liters.

## 1.3 THE COMPANY'S SUPPLY CHAIN

The supply chain of any company is critical for ensuring operations. Our Company is obviously no exception. The main links in our supply chain are:

- Kazakhstan goods suppliers;
- Kazakhstan services suppliers;
- Importing suppliers;
- The Company's distributors
- Retail facilities supplying finished products to our customers: supermarkets, stores, stands at markets, etc.

Now we'll take a closer look at each of these elements.

### The Company's suppliers

The Coca-Cola Company strives to retain leading positions on the market of sparkling and still soft drinks by constantly improving and maintaining the quality of its products. Therefore, we pay the utmost attention to the quality of raw materials, goods, and components we procure, and the reliability and responsibility of each Company supplier.

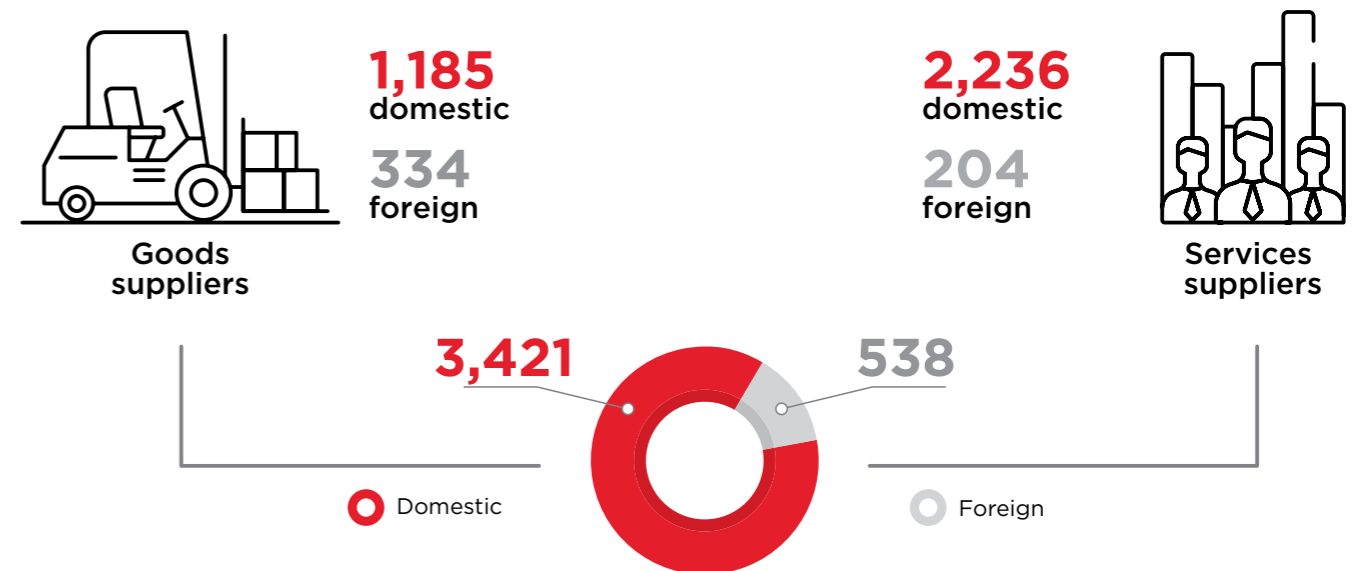
The Company's supply chain in Kazakhstan has an important feature: in order to provide the best possible quality of finished products, the key component ("concentrate" or "syrup") is purchased exclusively from specially selected and approved foreign suppliers who pass a rigorous selection process. Other components necessary for production, such as sugar, plastic molds, paper, etc. may be supplied by other domestic or foreign suppliers who also have to pass rigorous selection and quality control processes.

All Coca-Cola suppliers must be approved at the headquarters level of Coca-Cola and Coca-Cola Icecek. The Company maintains a list of all goods and services suppliers, who must comply with strict criteria. We work exclusively with the companies included on this list. During the selection process for a new supplier, the Company considers not only its financial condition but several other important aspects as well, such as compliance with the legislation of Kazakhstan, timely payment of taxes, business ethics, workplace rights enforcement policy, occupational health and safety policy, environmental policy, and natural resource management.

During the reporting period (from 2013 to 2017), the Company collaborated with more than 4,000 domestic and foreign suppliers.

**More than 4,000 companies form the Coca-Cola supply chain in Kazakhstan**

Table 2. Number of domestic and foreign goods and services suppliers with whom the Company collaborated in 2013-2017



As the table shows, the Company gives preference to domestic suppliers, thus helping to develop the economy of Kazakhstan. Approximately 86% of the total number of all suppliers of goods and services are domestic suppliers. Only if there are no goods or services that we require available on the domestic market, or if what is available does not comply with our high-quality standards, the Company will work with foreign suppliers.

The main domestic suppliers of goods for the Company are producers of packaging materials, including plastic molds and caps, labels, paper, etc. The services procured most often include advertising, marketing, transportation, and logistics. The main import items are, of course, drink concentrates, and high-quality sugar. The general procurement structure

of the Company is made up of goods amounting to 81%, 85% of which are imported, and services totalling 19%, 6% of which are imported (Figure 5). It is worth noting that syrup for the production of our beverages must be imported by definition because it is an integral part of the Company's business. Therefore, for a more objective picture, we show the purchase of syrup for the production of beverages as a separate category.

It is interesting to compare the share of imported goods and services by the Company with similar data in the food and beverage production industry. The figure below (Figure 6) shows changes in the share of imported goods and services from 2013 to 2017.

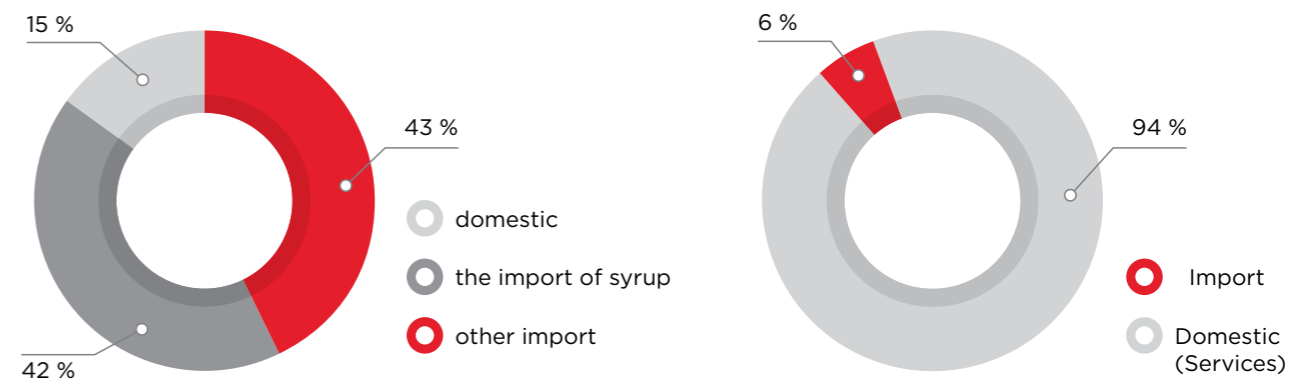


Figure 5. Share of domestic and importing suppliers in the total volume of the procurement of goods and services for 2013-2017

<sup>4</sup> <https://kapital.kz/economic/66315/proizvodstvo-bezalkogolnyh-napitkov-vyroslo-na-17.html>

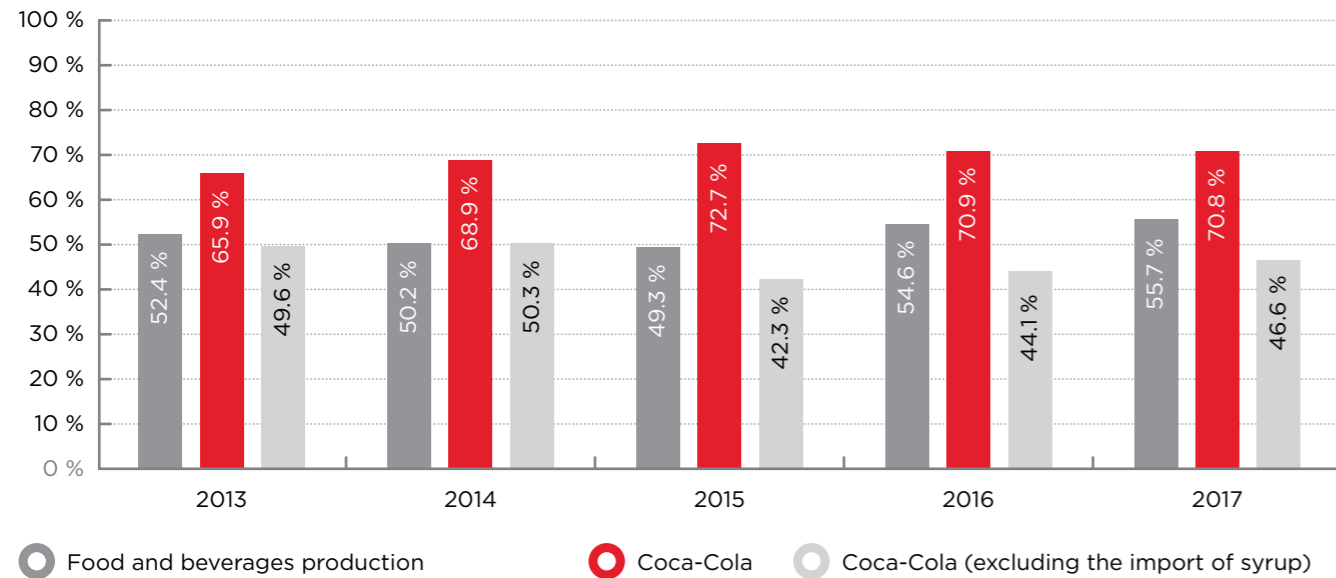


Figure 6. Share of goods and services imported by Coca-Cola and the food and beverage production industry in 2013-2017.<sup>5</sup>

The average share of goods and services imported by the Company is 15-20% higher than the same figure industry-wide. This can be explained by the following:

- As mentioned earlier, the key ingredients of the finished products (concentrates and highly refined sugar) are imported by Coca-Cola, and these items are the most expensive in the total volume of procurement expenses. But, excluding syrups, the share of imports in the Company's total purchases is less than industry-specific ones by an average of 10% -15%.
- The opening of a new factory in Astana had a significant impact on import shares from 2013 to 2015, as most of its equipment was imported at the time of construction.
- In addition to soft drinks production, the industry also includes the production of alcoholic drinks and food products. Unfortunately, due to the overall specifics of official Kazakhstan statistics, it's quite problematic to separately itemize procurement in the soft drinks segment without a significant loss of calculation accuracy.

However, specific indicators (per one liter of a finished product) paint a different picture. Thus, in 2015 and 2016, growth in the specific share of goods and services imported by the Company was observed and amounted to 6% and 4%, respectively, compared to previous years. However, in 2017, the share of imported goods and services reduced by 14% compared to 2016. We have no plans to stop here and will continue to support domestic procurement, thus developing the domestic economy and the local labor market.

### The Company's distributors

Finished products are shipped to the Company's distributors. The selection process for distributors is just as rigorous as the selection process for suppliers. Distributors are responsible for the distribution and storage of finished products of the Company, and are, so to speak, our «second face» on the market.

Just as with suppliers, we hold our distributors to specific requirements they must comply with. The infrastructure capabilities of a distributor are key in the selection process. We check the storage area and general condition of warehouses where the Company's drinks are stored, the quantity and condition of transport means used to transport products to points of sales, etc.

The majority of the Company's finished products are sold via the distribution network, and only a small portion is sold directly to points of sale (this share is less than 1%). Our distributors are represented in all regions of Kazakhstan. In 2017, we collaborated with 65 official distributors, who shipped our products to 45,495 points of sale. From 2013 to 2017, the Company shipped products for a total of 300 billion tenge. Every year, we strive to increase production output and shipments to satisfy growing demand. On average, the annual increase of sales to our distributors amounts to ~16%.

**The Company's products are supplied to more than 45,000 points of sale around the country**

<sup>5</sup> Due to the fact that by the time of issue of this Report, the Input-Output data sheets for 2017 haven't been published yet, so the share of imported goods and services in the food and beverage production industry was calculated based on trends from the previous four periods.

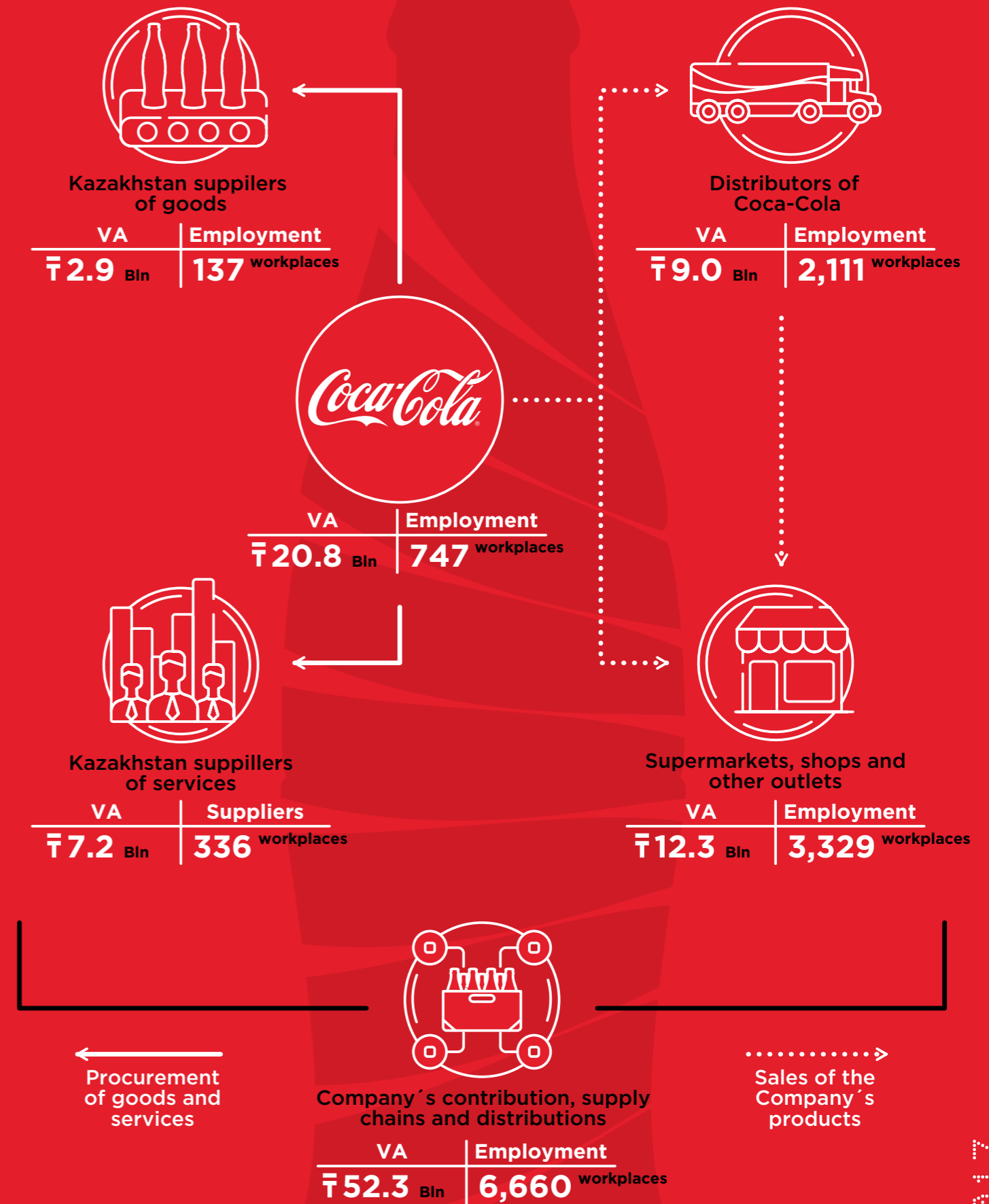


Figure 7. Contribution to value added (VA) and employment due to the Company's business development and its supply and distributor chains in 2017

It is important to note that the figure above does not account for our contribution to the economy from Company employee consumer spending, as well as consumer spending of the employees of our suppliers and distributors. More detailed information about this indicator is provided in the next section of this document.



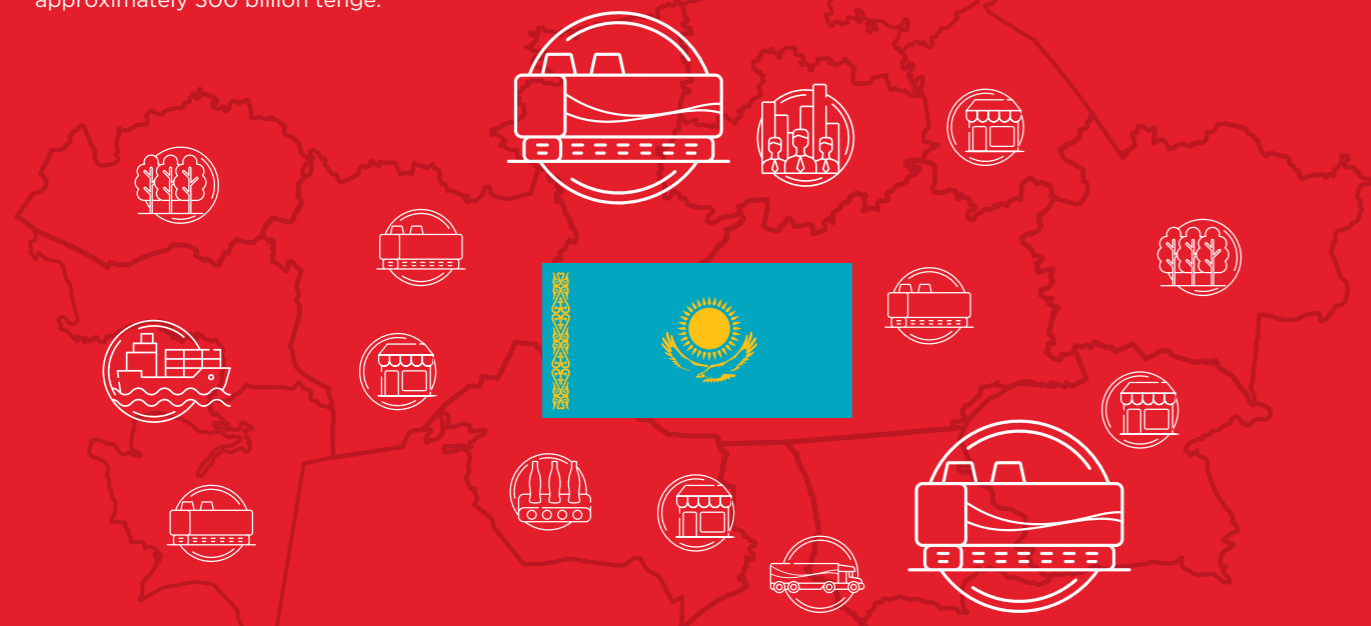
# 2 CONTRIBUTION TO THE ECONOMIC DEVELOPMENT OF THE COUNTRY AND ITS REGIONS

**₸ 69.7 bln**      **₸ 300 bln**

The country's GDP totalled in 2017

The cumulative contribution for 2013-2017

In 2017, the total contribution of the Company in the country's GDP totalled 69.7 billion tenge. This is equivalent to the added value generated by six of Kazakhstan's processing sectors. The cumulative contribution for 2013-2017 amounted to approximately 300 billion tenge.



**9,226**

Jobs in the country's economy

**747**

The Company's own staff in 2017

Due to our business activities and close collaboration with suppliers and distributors, we helped support more than 9,000 jobs in the country's economy, while the Company's own staff totalled 747 in 2017. This means that one employee of the Company helps to support 11.35 jobs in other sectors of Kazakhstan's economy. These sectors primarily include the retail sector, processing, transportation, and telecommunications.

**₸ 14 bln**

Taxes and payments

**₸ 22.4 bln**

The total tax contribution of the Company in 2017

The amount of taxes and payments paid by the Company exceeded 14 billion tenge in 2017, and the total amount of taxes and payments for the period of 2013-2017 makes up to almost 50 billion tenge. The total tax contribution of the Company in 2017 amounted to more than 22 billion tenge. Coca-Cola is in the top 10 taxpayers in the field of trade.

## 2.1 WHAT WAS STUDIED AND ASSESSED?

The assessment of the complete economic contribution of the Company was carried out for five indicators:

- Contribution to production output
- Contribution to the GDP of the country
- Contribution to employment
- Contribution to the labor income
- Tax contributions.

Each of these indicators was assessed based on three types of contributions:



**1 Direct contribution** means contributions generated by the Company in the economy of the Republic of Kazakhstan. For example, the number of employees in the Company for the period is considered a direct contribution in employment, while the added value generated by the Company during the same period is a direct contribution to the GDP.

**2 Indirect contribution** is a contribution to the economy of the Republic of Kazakhstan generated by the procurement of goods and services by the Company from domestic suppliers. This means that a part of the output (added value, employment, etc.) is generated by our domestic suppliers due to Coca-Cola procurement.

However, our business has one important feature, that we also make valuable contributions to the country's economy due to our collaboration with distributors who distribute the Company's products to points of sale, as well as through the sale of our products in retail facilities, including supermarkets, stores, and other points of sale ("retailers"). Therefore, for the purposes of this report, the indirect contribution is divided into two components:

- Indirect contribution 1 (IDC1), or the contribution to the economy generated by our procurement.

- Indirect contribution 2 (IDC2), or the contribution to the economy generated by the activities of our distributors and due to the sale of our products in points of sale.

**3 Induced contribution** is the contribution to the economy generated due to consumer spending on domestic products. For the purposes of this report, this type of contribution is also divided into two parts:

- Induced contribution 1 (IC1), or a contribution to the economy generated due to the consumer spending of Coca-Cola employees and our domestic suppliers' employees.
- Induced contribution 2 (IC2), or a contribution to the economy generated due to the consumer spending of employees of our distributors and the employees of supermarkets and stores where the Company's products are sold.

The indirect and induced contributions are distributed among the economic sector to make it possible to analyze which share of contribution (and what type) falls within which economic sector of Kazakhstan.

The analysis of the total contribution of the Company is provided in the figure below in simplified form (Figure 8). More detailed information about the analysis model and assumptions is provided in Appendix 1.

## 2.2 CONTRIBUTION TO THE PRODUCTION OUTPUT OF THE ECONOMY

The first indicator of economic contributions considered in this report is a contribution to production output. Gross output is the total value of sales of the company (turnover) for the reporting period (quarter or year) before the deduction of intermediate consumption costs for production. In other words, it is the gross revenue of the company for the period.

**One tenge of the Company's output creates additional 0.6 tenges of the output of goods and services in other industries**

It is important to note that the contribution from the distribution network was not accounted for in calculations of the Company's total contribution in output. That is, the total contribution of the Company in output accounts for only its direct contribution, IDC1 and IC1.

The below figure (Figure 9) shows the structure of the total contribution to output for 2017. The results show that each tenge of the Company's output creates additional 0.6 tenge of output in other industries. More detailed results of the calculation of the total contribution of Coca-Cola are provided in the Appendix 1.

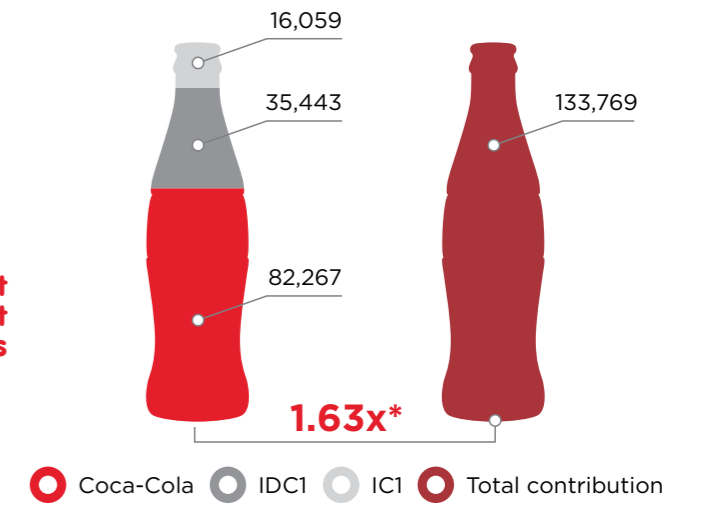


Figure 9. Company's contribution to output for 2017, in million tenge.

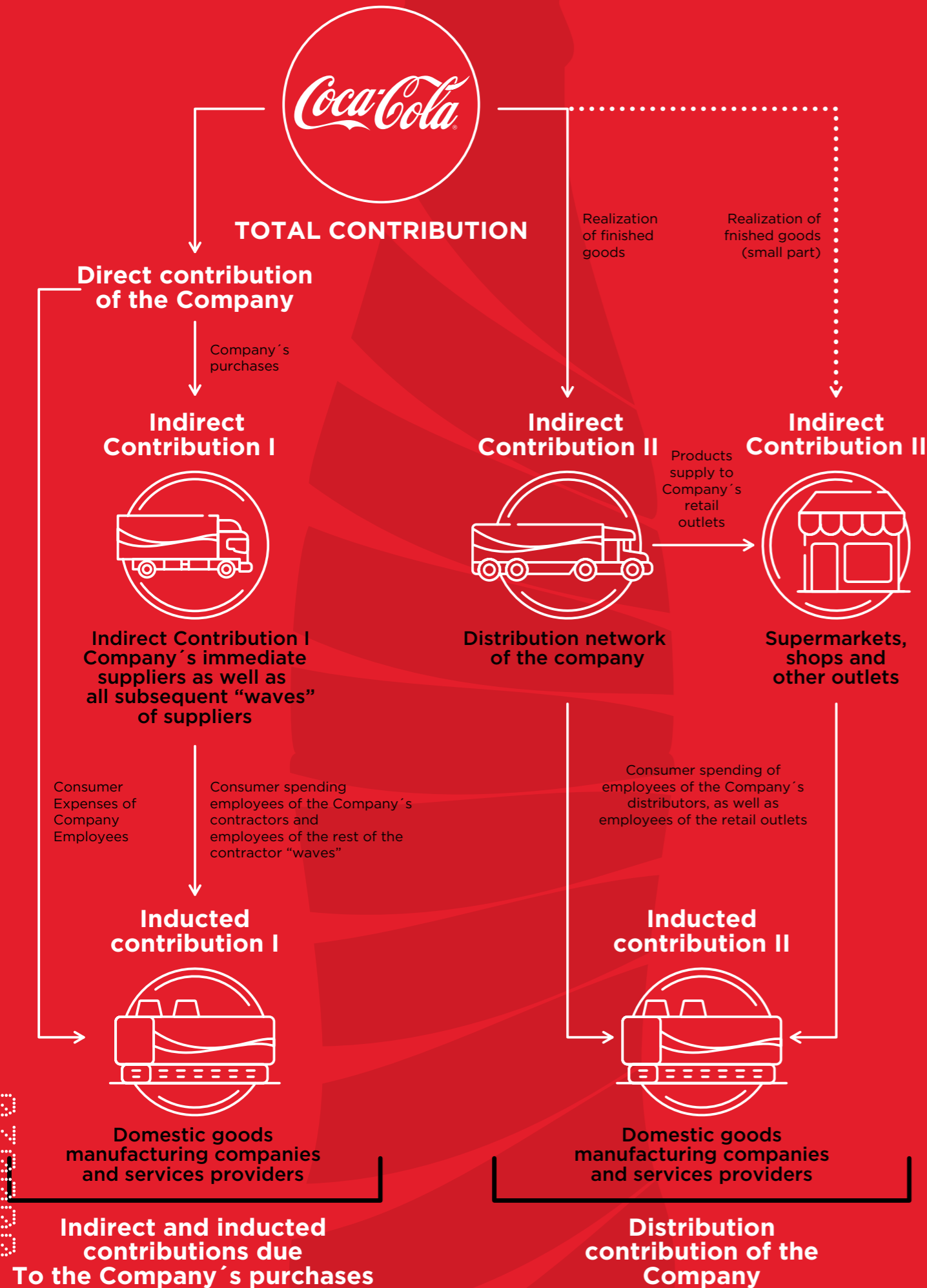


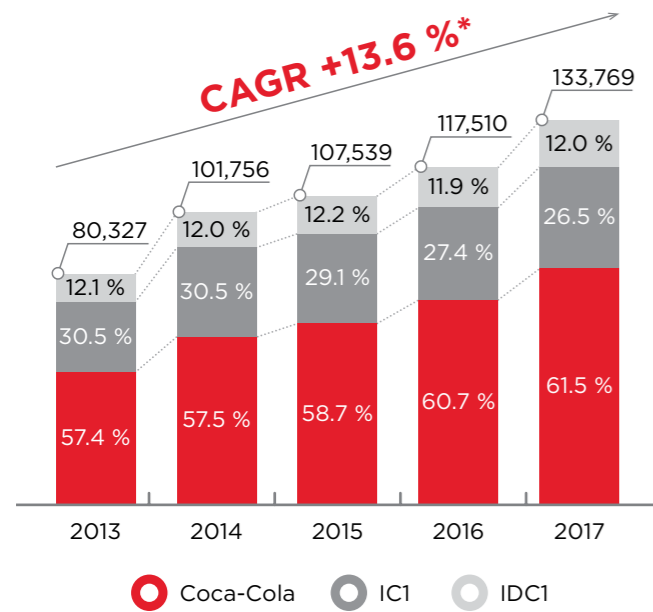
Figure 8. Total contribution of the Company to the economy of Kazakhstan



\* Total contribution to the output is 1.63 times higher than the direct contribution.

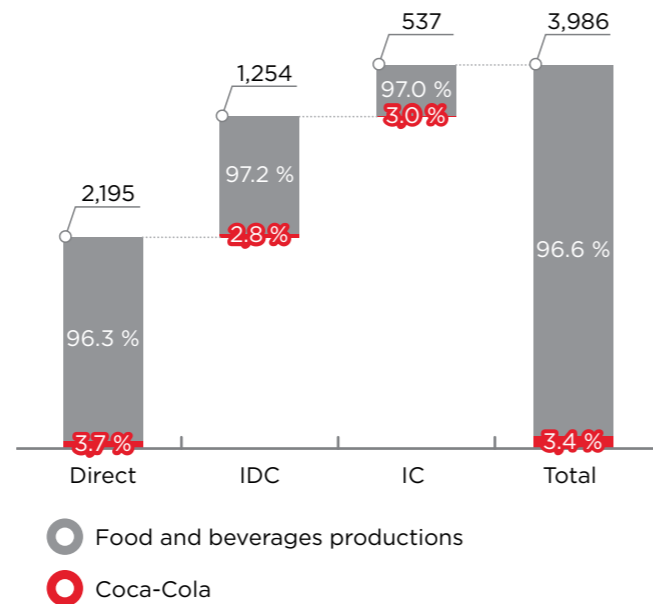


The cumulative total contribution to output for five years (2013-2017) totalled 541 billion tenge, of which 321 billion tenge were generated by Coca-Cola itself and 154 billion tenge were generated due to the procurement of domestic goods and services, while the remaining 65 billion tenge were generated due to consumer spending by both the Company's employees and the employees of our suppliers and contractors. The average annual growth rate of the total contribution to output totalled -14% (Figure 10). In general, the structure of the total contribution to output has been stable in recent years, which signifies the stable structure of the Company's procurement and a relatively constant volume of consumer spending by our employees and our



contractors' employees.

Figure 10. Total contribution of Coca-Cola to output for 2013-2017  
For comparison, we also calculated the approximate total contribution to output for the food and beverage production industry as a whole (Figure 11). The share of the direct contribution of Coca-Cola to the industry totalled 3.7%, while overall contribution totalled 3.4%. The ratio of contribution types of the Company is generally correlated with the industry contribution as a whole, which indicates that Coca-Cola's procurement and consumer spending structure is similar to other companies in the industry. The share of direct



contributions in the total contribution totals 61.5% for Coca-Cola and 55.1% for the industry as a whole.

Figure 11. Contribution to output of Coca-Cola and the food and beverage production industry in 2017, in billion tenge

## 2.3 CONTRIBUTION TO THE COUNTRY'S GDP

The next indicator of the Company's economic efficiency is its contribution to added value and GDP. The figure below shows the structure of the total contribution of the Company in the country's GDP (Figure 12).

The analysis of the structure of the total contribution leads to the following conclusions:

- 1 The total contribution to the country's GDP exceeds the Company's added value by almost three times.
- 2 Additional 2.34 tenge of GVA are generated in the RK economy per each tenge of the Company's value added.
- 3 The contribution to the value added generated by our distribution network is almost equal to the Company's own GVA (20.8 billion tenge). The cumulative contribution generated by our suppliers and distributors totals almost 50 billion tenge.

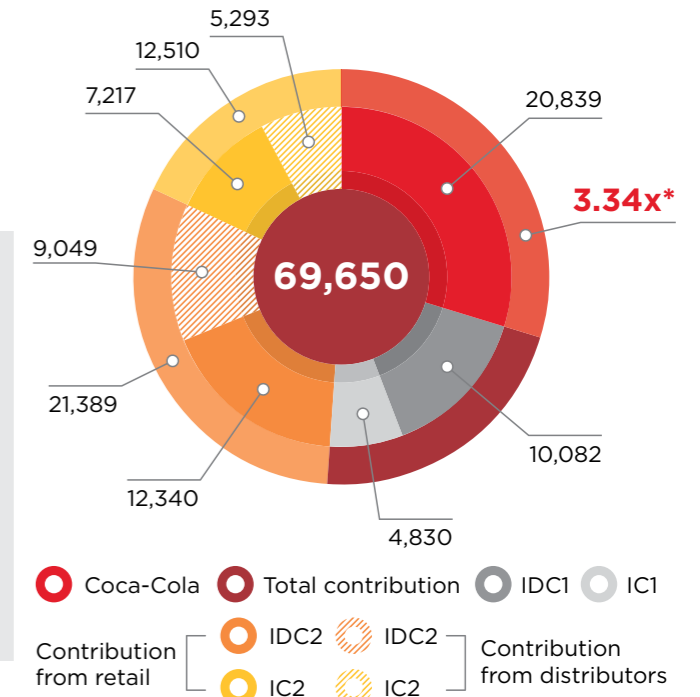


Figure 12. Structure of the total contribution of the Company in GDP in 2017, in million tenge.

From 2013 to 2017, the total contribution of the Company to Kazakhstan's GDP totalled almost 300 billion tenge, while the contribution of the Company totalled more than 94 billion tenge. The analysis of changes in the total contribution during the reporting period shows annual growth up through 2016 and a small decrease in 2017. This is primarily due to currency devaluation, i.e. a significant increase of the components costs in tenge imported for the production of drinks. The average annual growth rate of the total contribution is equal to -11%. The components of the total contribution have also remained relatively similar with few changes from year to year (Figure 13).

For comparison, the total contribution of Coca-Cola to the country's GDP is nearly equal to the cumulative contribution of six processing industries, including manufacturing of wood and cork products, furniture, computers and electronics, leather production, metal casting, and others (Figure 14). It also corresponds to the contribution of certain other industries in Kazakhstan, for example, the fish and fishing industry, aquaculture, ancillary services in the fishing industry (its contribution to the GDP totals almost 80 billion tenge) and the tobacco products industry (its contribution to the GDP totals almost 60 billion tenge).

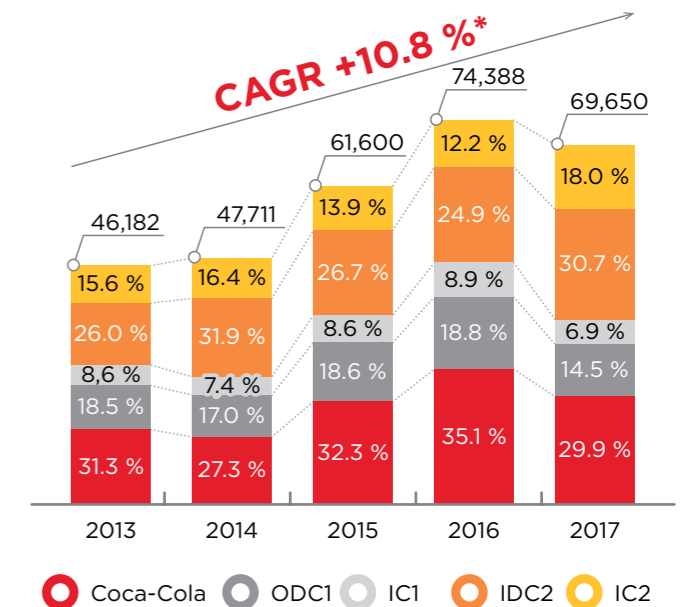


Figure 13. Total contribution of Coca-Cola to GDP for 2013-2017.



\* The definitions of GDP, GVA, and added value are provided in Appendix 1.  
\* CAGR, Compound Annual Growth Rate.  
\* Total contribution to the country's GDP is 3.34 times higher than the direct contribution.



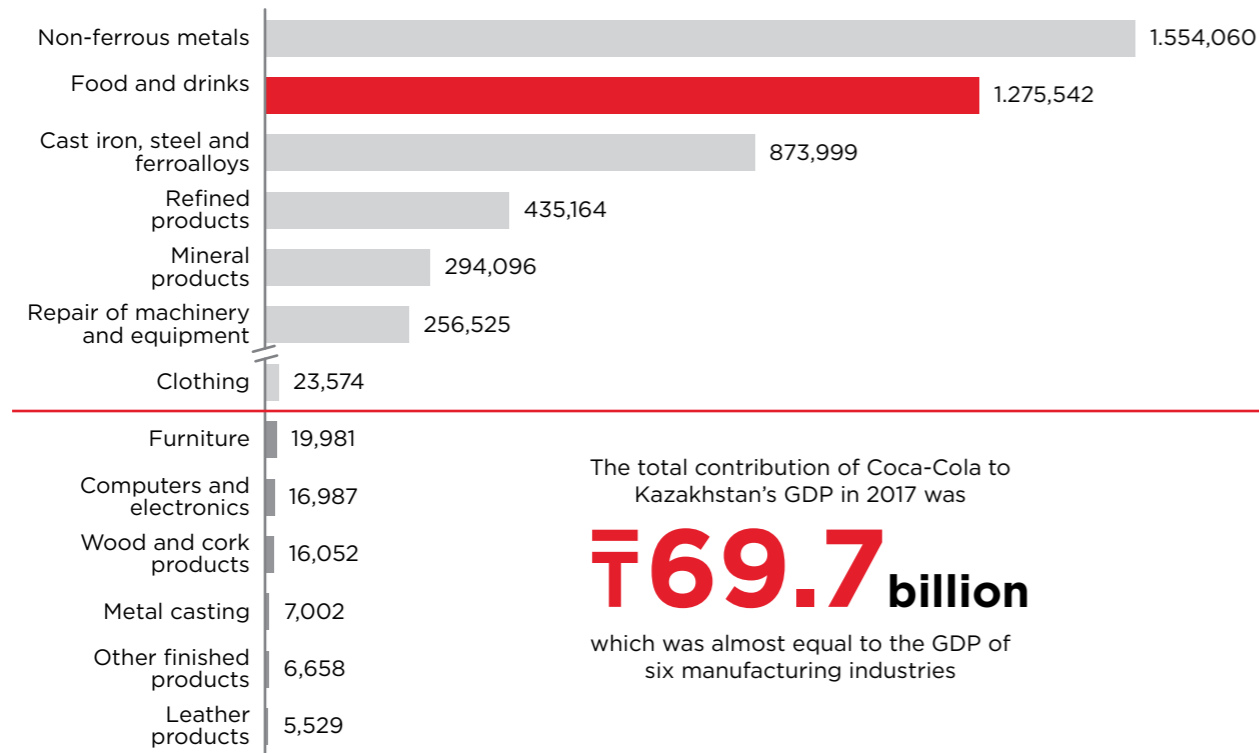


Figure 14. GDP of processing sectors in 2017 compared to the total contribution of the Company to GDP.

The total contribution of the Company to GDP totals almost 5.5% of the added value generated by the food and beverage production industry, which is the second largest processing industry in terms of contribution to GDP behind the production of precious and nonferrous metals (Figure 14).

The industry breakdown for all types of the Company's contribution in GDP (Figure 15) shows that:

- Indirect contribution is mainly attributable to retail, processing industries, transportation, and communication. This is quite predictable, as support of the distribution network of the Company affects trading (IDC2), while the main procurement items of Coca-Cola in the country are processing sector products (packaging, paper, labels, etc.), transportation, advertising and marketing services (IDC1).
- Induced contribution of both types is mainly attributable to the real estate industry, retail, processing, agriculture, and transportation. This is quite reasonable as well because if we take imported consumer goods out of the equation, we see that the population mainly spends money on food (as part of processing), the purchase and rental of real estate, and other services (transport, communications, etc.).

The structure of the total contribution to GDP (Picture 12) shows that the indirect and induced contributions of the second type (from distribution) are twice as large as the ones of the first type (from procurement). This is mainly due to the fact that the Company imports most of its goods used for the

manufacturing of finished products. While the import of the drink concentrate (syrup) is essential to preserve the quality of products, the purchase of sugar—another key ingredient—is possible from domestic producers, as long as it complies with all the strict quality requirements.

As mentioned earlier (see Section 1.3), today the Company imports sugar entirely, as domestic producers, unfortunately, do not comply with our global quality standards and manufacturers do not wish to invest in raising standards, despite the fact that Coca-Cola is ready to provide them with all the necessary know-how, training and guarantee the volume of purchases. Hence, it is interesting to consider the scenario if the Company purchases sugar entirely from domestic producers, how would the total contribution of the Company to GDP change. This is the next focus of the section of this report. However, it should be noted that this scenario would in no way affect contributions from the Company's distribution network, i.e. IDC2 and IC2 contribution types. Therefore, the scenario only considers changes in the types of contribution formed from procurement (IDC1 and IC1), as well as the change of the total contribution of the Company.

This analysis shows that if the sugar of necessary for Coca-Cola quality would produced in Kazakhstan, the procurement of such sugar by the Company would bring an additional 1.9 billion tenge of added value in the economy of Kazakhstan. If we consider the increase by types of

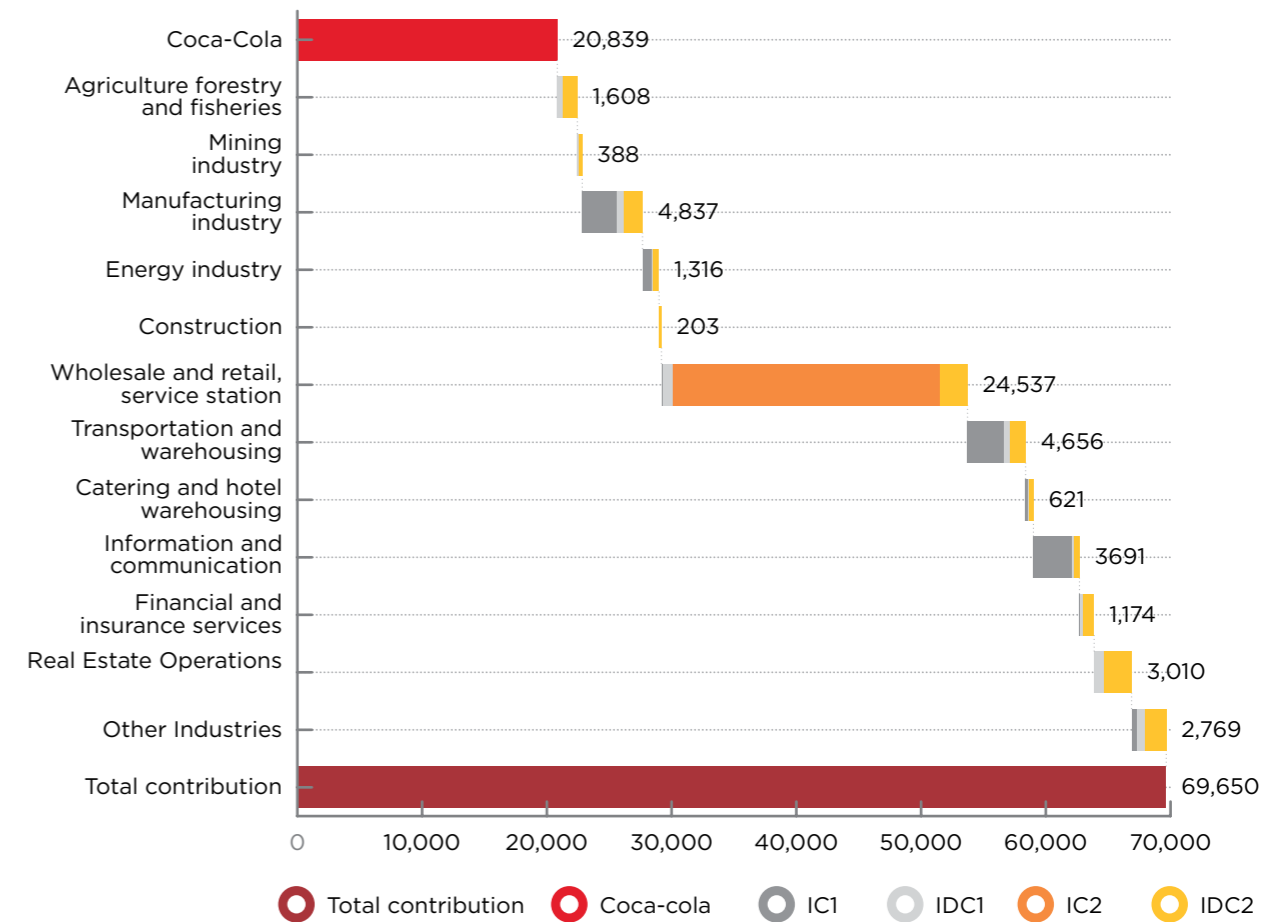


Figure 15. Industry breakdown of the Company's total contribution to GDP in 2017, in million tenge

contribution, we see that the indirect contribution of the Company to GDP would increase by 13%, while induced contribution would increase by 11%. We are confident that due to the implementation in Kazakhstan of various approved development programs, in the near future new companies will emerge capable of producing sugar products of the highest quality, and the Company will be able to purchase sugar from domestic suppliers, and in doing so support the country's economy even more.

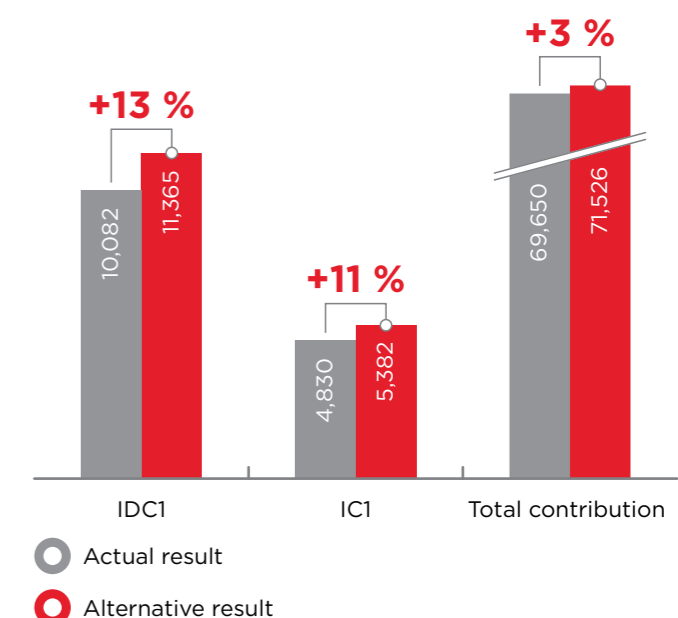


Figure 16. Change of contribution to GDP if sugar is purchased entirely from domestic suppliers, in million tenge





# 2.4 CONTRIBUTION TO EMPLOYMENT AND LABOR INCOME

From 2013 to 2017, Coca-Cola helped to support on average 8,000 jobs per year (Appendix 2), while the Company itself employed almost 800 annually. This demonstrates the significant contribution of the Company to employment in other industries of Kazakhstan.

**There are 11.35 jobs supported in other industries per each employee of the Company.**

In 2017, each job in the Company accounted for an additional 11.35 jobs in other industries of the RK (Figure 17).

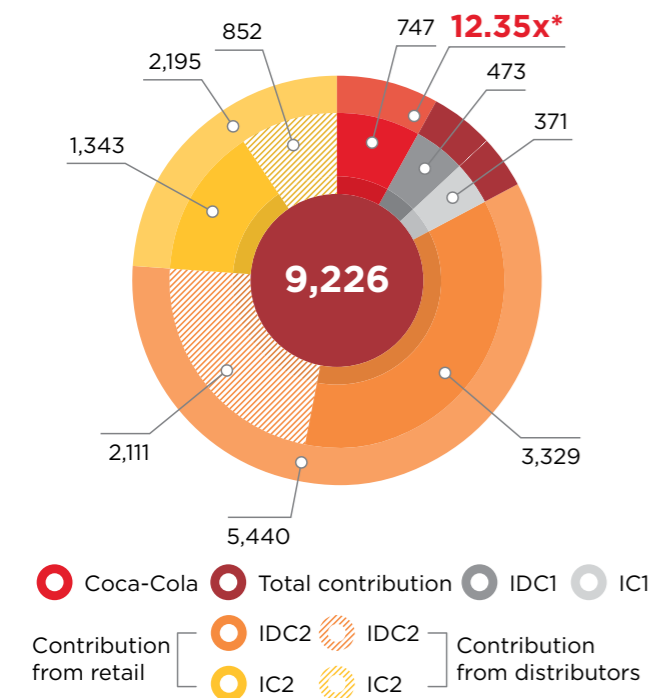


Figure 17. Total contribution of Coca-Cola to employment in the RK in 2017.

The largest share of the total contribution is from the indirect contribution of the second type, totalling 5,440 jobs. In other words, due to our distribution network and the further sale of finished products in points of sale, we help to support almost 5,500 jobs in the economy.

Additionally, general consumer spending by our employees and employees of our distributors and sales outlets helps to support an additional 2,600 jobs.

Since 2013, steady growth in the total contribution to employment has been observed: the average annual rate of growth totalled 6.1% (Figure 18). The main driver of this growth is the increase of indirect and induced contributions of the second type.

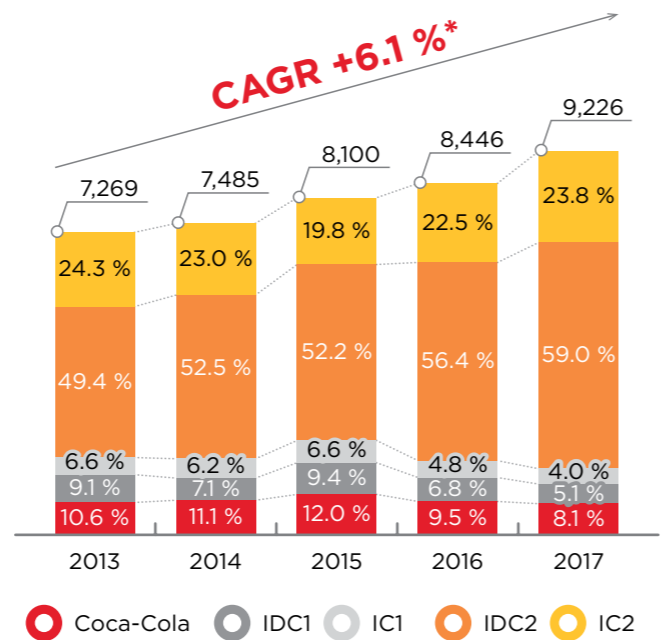


Figure 18. Total contribution of the Company to employment for 2013-2017, in jobs.

The industry breakdown of the Coca-Cola's contribution to employment is similar in its structure to its contribution to GDP. The indirect contribution is divided between retail, processing, transportation, information, and communication. The general induced contribution is split mainly between the real estate, trade, and processing industries.

**Approximately 6,000 jobs are maintained in the trade industry due to the Company's activities**

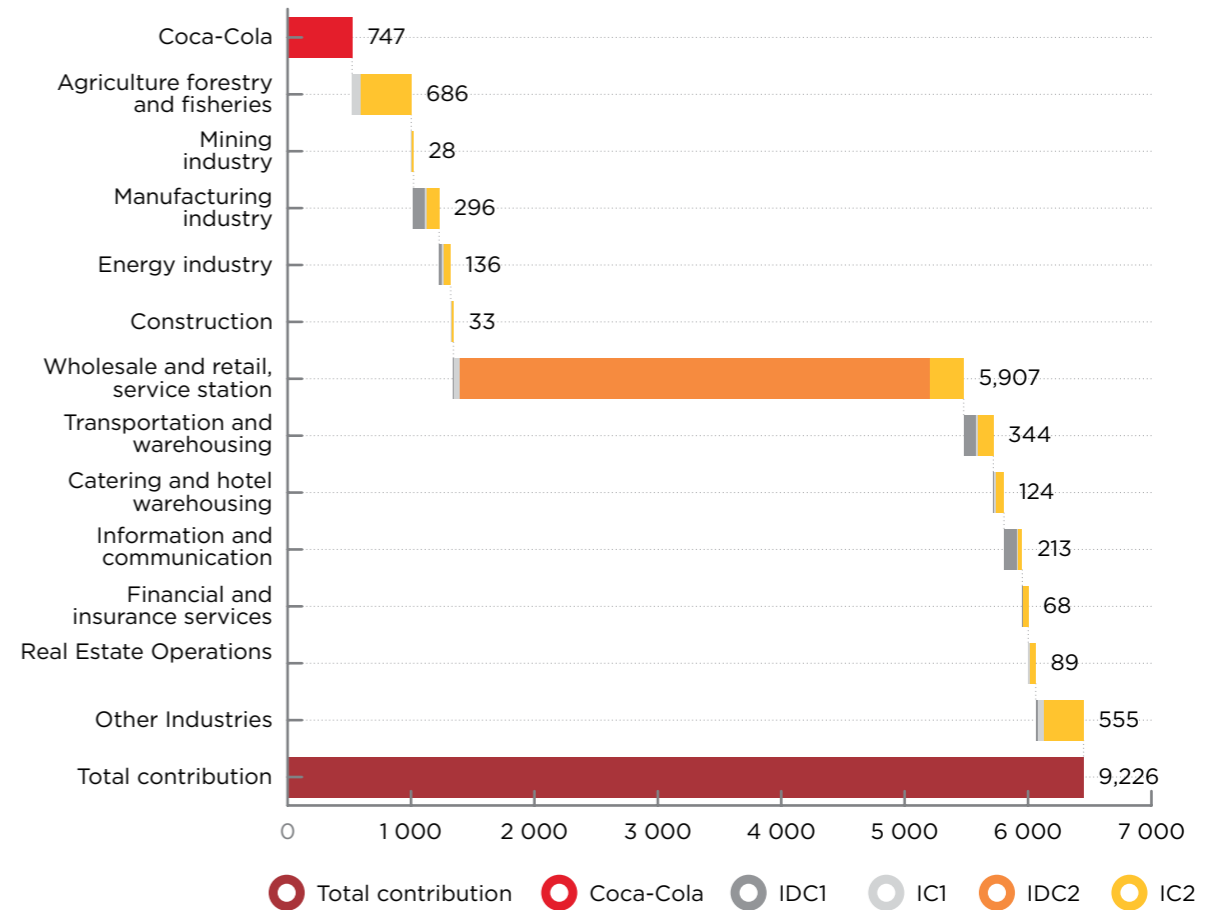


Figure 19. Industry breakdown of the total contribution of the Company to employment in 2017, jobs.

One of the key indicators of performance is the average labor productivity: the ratio of the amount of generated value added (GVA) to the number of employees in the company and industry.

The labor productivity in the Company amounts to almost 28 million tenge per each employee per year, which exceeds the average labor productivity in the food and beverage production industry by 40% (Figure 20).

From 2013 to 2017, the total cumulative contribution of the Company to labor income (or payroll) totalled 74 billion tenge. This is 0.12% of the national labor income for the same period. The structure of the total contribution is generally similar to that of previous indicators (Figure 21). The Company's total contribution to labor income in the RK exceeds the payroll of the Company by a factor of 5.5. This means that every 1 tenge paid to the Company's employees as part of their salary creates additional 4.5 tenge generated and paid to the employees of all companies and enterprises in our supply, distribution, and sales chain.

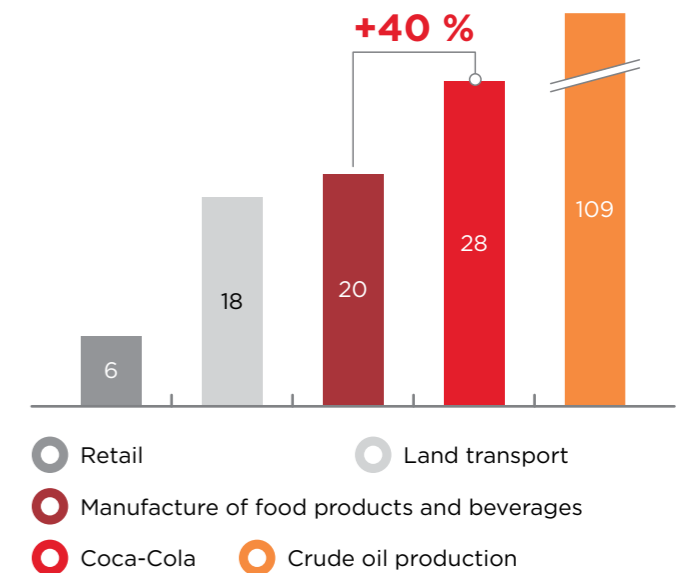


Figure 20. Average labor productivity in the Company and some other industries of the RK economy in 2017, in million tenge / people.

\* Total contribution to employment is 12.35 times higher than the direct contribution.  
\* CAGR, Compound Annual Growth Rate.

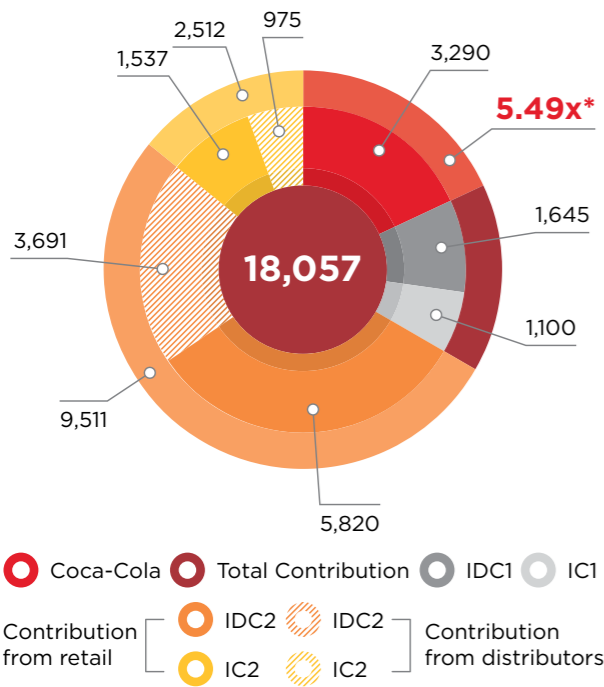


Figure 21. Total contribution of Coca-Cola to labor income in 2017, in million tenge

The dynamics of the total contribution over five years is identical to the previously described indicators (Figure 22). The industry breakdown of the indirect and induced contributions to labor income in 2017 is also identical to the other indicators described earlier.

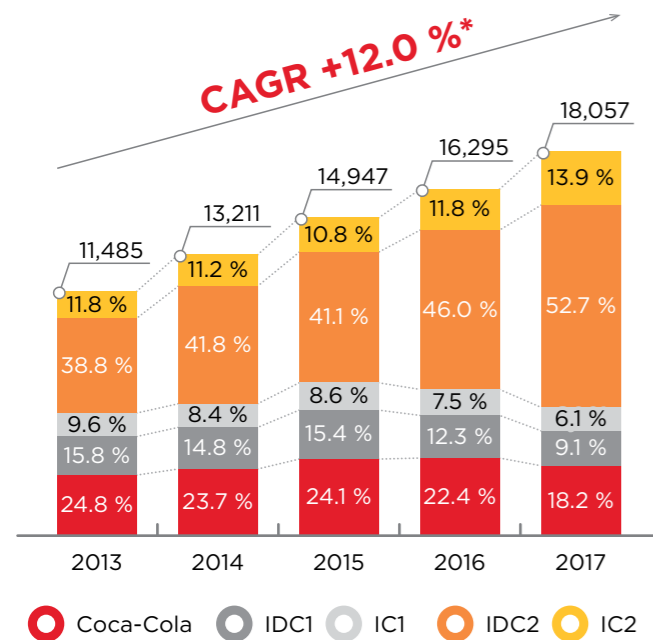


Figure 22. Change in the total contribution of the Company to labor income for 2013-2017, in million tenge

\* Total contribution to labor income is 12.35 times higher than the direct contribution.  
\* CAGR, Compound Annual Growth Rate.

In 2017, the average salary in the Company exceeded, on average, 1.92, 1.62 and 2.43 times the average salary in Almaty, Astana and Kazakhstan, respectively. Similar ratios with slight variations were found in the remaining years of the study period from 2013 to 2017. Such indicators once again confirm that our employees are the main value of the Company, and we strive to provide the best working conditions for them.

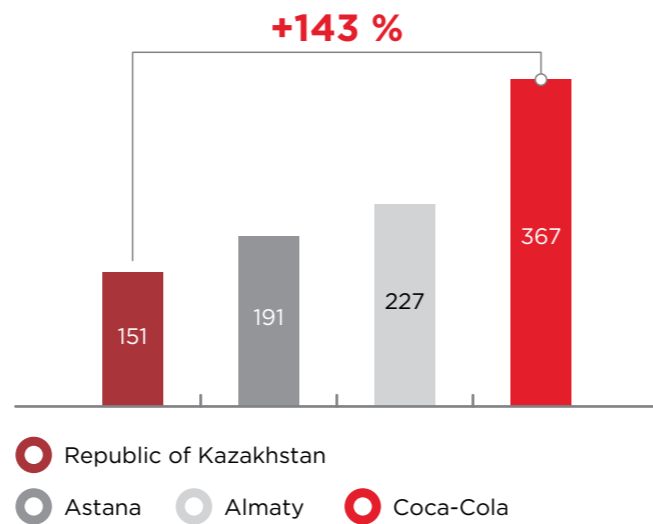


Figure 23. Average salary in the Company as compared to RK, Almaty, and Astana in 2017, in thousand tenge.

Let's consider a scenario already once shown in the previous section (Section 2.3). Let's check out the impact on the total contribution of the Company to employment and labor income if all sugar for the production of drinks was procured from domestic producers (Figure 24).

Just as with contribution to GDP (see Figure 16), the procurement of sugar of the required quality from domestic producers would have a significant positive impact on the Company's contribution to employment and labor income in Kazakhstan. The implementation of this scenario would help to maintain an additional 611 jobs in the economy and provide the population of the RK with additional earnings of about 690 million tenge.

This scenario proves its significant influence on the growth of support for indirect jobs (i.e. indirect contribution to employment, or IDC1) as compared to similar indicators for GDP and labor earnings, 111%, as compared to 13% and 33%, respectively. This is primarily due to the relatively low level of average pay in the food and beverage production industry.

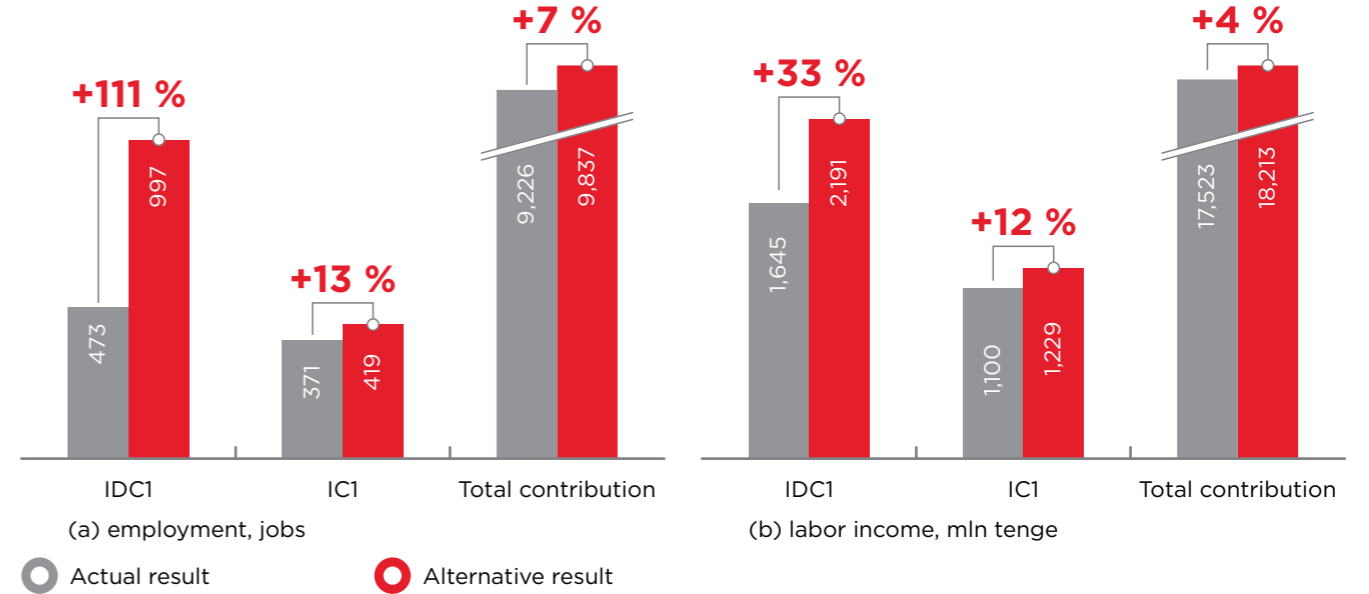


Figure 24. Changes in the contribution to employment (a) and labor income (b) if all sugar for the production of drinks is purchased from domestic suppliers

## 2.5 TAX CONTRIBUTION

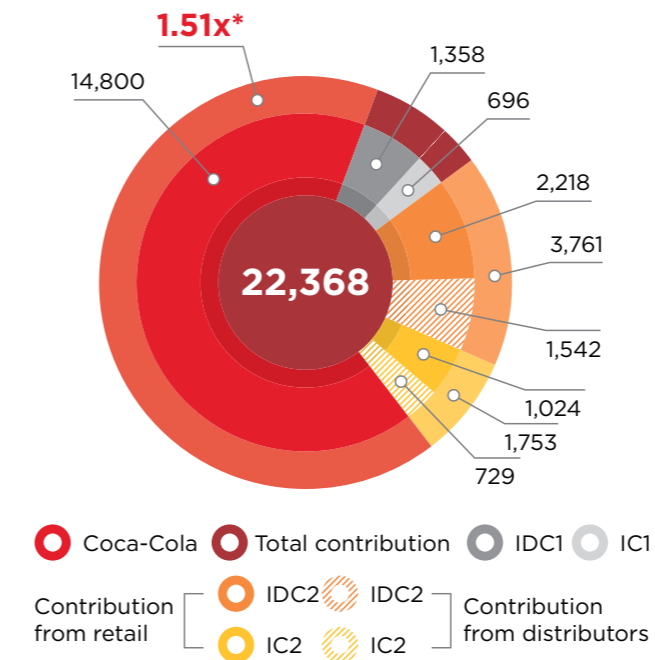


Figure 25. Total tax contribution of Coca-Cola for 2017

\* Total tax contribution is 1.51 times higher than the direct tax contribution.

Finally, the last factor of economic performance of the Company considered is its tax contribution.

From 2013 to 2017, the average annual rate of growth of the total tax contribution of the Company totalled 17%. The direct contribution is the main component of the total tax contribution, or the taxes paid and payments the Company made.





From 2013 to 2017, the share of the direct tax contribution of the Company varied from 59 to 66% (Figure 26).

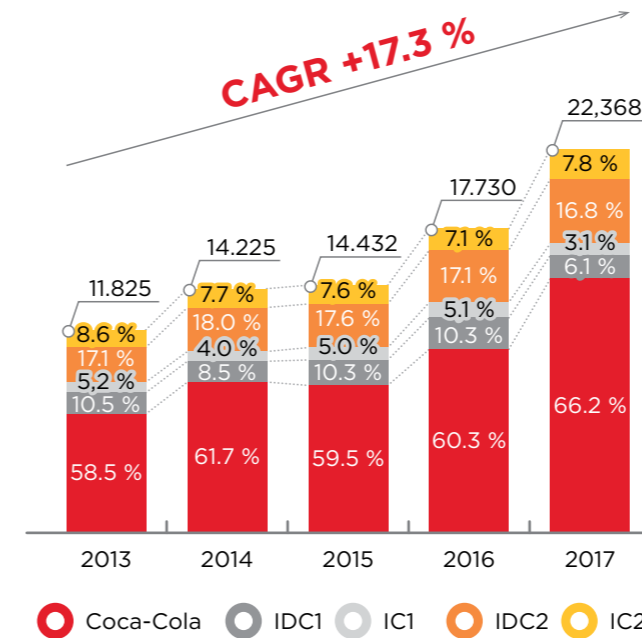


Figure 26. Total tax contribution of the Company for 2013-2017

The majority of the direct tax contribution of the Company (85%) is transferred to the central government budget (Figure 28). And the largest tax payments are value-added tax (including VAT for a non-resident and VAT for goods import) and corporate income tax. Another considerable item is customs duty and fees, which constitute almost 5% of the overall direct tax contribution of the Company.

Starting from 2018, import customs duties on sugar purchased abroad (with the exception of the countries of the Customs Union) in the amount of 340 USD per tonne were introduced in the Republic of Kazakhstan. This initiative will increase the share of customs duties in direct tax contribution, because, as mentioned earlier in the report, the Company imports sugar for the production of finished goods. However, the scenario analysis shows that the State could get much greater benefit if it stimulated domestic sugar producers to invest in upgrading

technologies and improving the quality of sugar produced. The size of customs duties on sugar imports at a rate of 340 USD per tonne will be about 4.4 million US dollars. At the same time, the additional contribution to the value added from local purchases of sugar will be 1.9 billion tenge or 5.8 million dollars (Figure 16). And this does not take into account social and other benefits: the creation and support of jobs, the development of regions of presence, the possibility of entering other markets with high-quality products for domestic sugar producers, etc. As mentioned earlier, Coca-Cola is ready to fully support state initiatives aimed for supporting domestic producers of sugar: a guarantee of a constant volume of purchases, support in the technological sphere, training, and more.

In 2017, the taxes and fees paid to local budgets totalled 1,424 million tenge or almost 10% of all direct contributions of the Company for the year.

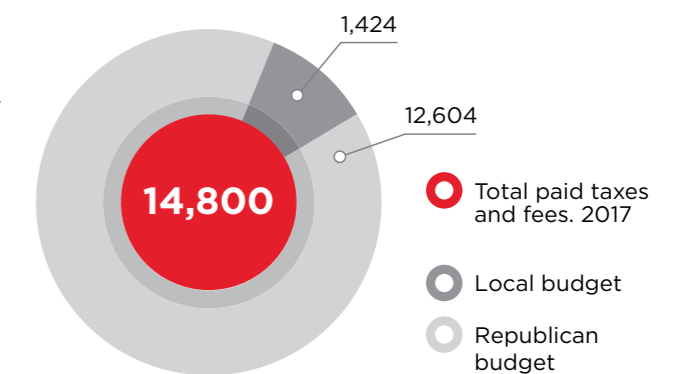


Figure 27. Direct tax contribution of the Company, in million tenge

One of the economic indicators that represents the country's tax system is the tax burden. This indicator is calculated as the ratio of taxes paid for the period to the gross revenue for the period.

In 2017, the tax burden of the Company totalled almost 18%, which is higher by a factor of 1.82 than the average tax burden in the RK (~10%).

The Company is a responsible and respectable taxpayer. The fact that Coca-Cola is in the top-10 taxpayers in wholesale trade for 2017 is a case in point.<sup>9</sup>

<sup>7</sup> With the volume of sugar imports at the level of 2017  
<sup>8</sup> The Company's tax burden was calculated on the basis of tax payments and other payments in Kazakhstan according to data from the State Revenue Committee.  
<sup>9</sup> [https://forbes.kz/process/expertise/kto\\_platit\\_nalogi\\_v\\_kazahstane/?utm\\_medium=SubID-1029&utm\\_campaign=block-1&utm\\_source=email&utm\\_content=article\\_link](https://forbes.kz/process/expertise/kto_platit_nalogi_v_kazahstane/?utm_medium=SubID-1029&utm_campaign=block-1&utm_source=email&utm_content=article_link)





# 3.2 WATER RESOURCES MANAGEMENT

Water is integral to the environment and necessary for the proper functioning of processes in the ecosystems. Access to qualitative fresh water has been an increasingly important topic on the agenda over the last decades. The Sustainable Development Goals adopted by the UN in 2015 includes the following item: Ensure Access to Water and Sanitation for All. Water is a valuable resource for the entirety of the Central Asia region, and Kazakhstan is no exception. Moreover, water is a key component of Coca-Cola production activities. We acknowledge the impact of our activities on the environment and have defined water resources management as a significant environmental aspect.

One of the Company's priorities is replenishing water used for drink production in the environment. Our main principles and areas of work are reflected in the Coca-Cola global water resources management strategy, including:

1. Increased water use efficiency in production processes.
2. Introduction of assessments and research to protect water collection areas.
3. Quantitative and qualitative management of waste water.
4. Risk mitigation for communities and businesses related to water resources access.
5. Replenishing of water in natural reservoirs via implementation of the relevant local programs.
6. Investment in new technologies to help reduce water consumption.

In Kazakhstan, Coca-Cola implements regional water conservation projects. Over the last 15 years, Coca-Cola has been collaborating with the United Nations Development Programme (UNDP) and financing water conservation and water replenishment projects in Kazakhstan.

**460,500 USD was invested by the Company and the Coca-Cola Foundation in 2013–2017 to implement water conservation projects**

From 2013 to 2017, the UNDP completed four projects with the support of the Company and the Coca-Cola Charitable Foundation, and one project is currently being implemented. During this period, the total amount of investments from the Company and the Coca-Cola Foundation totalled 460,524 USD. The contribution of the UNDP and other partners totalled 165,000 USD. More detailed information on the projects is provided below.



## Improvement of water resources management in the Zhambyl Region, Kazakhstan, via the implementation of efficient water management system (irrigation channel reconstruction) in 2014–2015.



### Investments

Total project cost: 79.7 thousand USD. Coca-Cola share: 79.4 thousand USD.



### Results

- The quantitative effect of the project implementation was evaluated at 1,484.7 million liters of replenished water per year for agricultural irrigation. The contribution of Coca-Cola in proportion to its investment volume totalled 1,478.8 million liters per year.
- Economic and social advantages for farmers in the region and a reduction of vulnerability to droughts and climate change.



### Project description

The Merken district of the Zhambyl Region, Kazakhstan, features two irrigation channels: Mailybai and Aspara. These channels are crucial to agribusiness, as they provide more than 6,158 ha of farm lands with water. However, there is a possible loss of water in the channels anywhere from 50–80%, as the local water resources management government entity indicates.

Based on the current situation, an urgent need to improve the Mailybai irrigation channel has arisen, and as a result, the need for an effective water management system. This project was designed to achieve this goal. The project started in April 2014 and completed in June 2015.

The project resulted in the following for the Mailybai irrigation channel:

- Reconstruction of 15 hydrological posts / water gates and the removal of vegetation and other particles preventing water flow.
- Installation of 15 automated water-metering systems at hydrological posts to register data on irrigation and harvesting and to calculate specific irrigation needs for each farmer.
- Training of personnel of the Aspara state enterprise in the automated metering system and training of farmers in water-saving irrigation methods.

The implemented project helps carry out continuous monitoring of consumption and spreading of water through the Mailybai irrigation channel. Automated water measurement systems ensure proper distribution and delivery of water, thereby preventing salinization caused by over-irrigation.



## The pilot project for enhanced water resource use practices in the forest-based sector of the Aral district of the Kyzylorda Region (reconstruction of irrigation channel) for 2014–2015.



### Investments

Coca-Cola investments in the project totalled 84,690 USD or 45% of the total project cost.



### Results

The implemented project helped to annually restore 3.5 million liters of water.



### Project description

Irrigation systems are also very important for the Aral district of Kyzylorda Region, where agriculture is one of the main sources of income for the population. The main threat for farmers was in the lowering of the water level in the Syrdarya river, which is the main source of water for nearby regions. Moreover, the irrigation channel system was already deteriorating, which led to significant water losses and irrational use of water resources.

This project was developed and implemented to solve the issue of water access. It was designed to reconstruct a part of the irrigation channel network—primarily the Sholakaryk channel—and took a year to complete: from December 2014 to December 2015.

Due to the project, 3.07 km of the channel were cleared and 10-meter asbestos-cement pipes were laid to provide access to safe channel water for people and livestock. Project implementation helped to irrigate an additional 6 ha of nursery forest, and as a result, the total area of irrigated lands totalled 10 ha. Due to the regular water supply, residents in

Akbai village started cultivating melons and pumpkins on an additional 5 ha of newly irrigated lands. Overall, after the reconstruction, water from the channel is now used to irrigate 21 ha of land.



## Demonstration of water-saving irrigation technologies in agriculture using laser levelling and drip irrigation in the Kyzylorda Region in 2015–2016.



### Investments

Coca-Cola investments in the project amounted to 54% of the total cost of the project or 75,740 USD.



### Results

The overall profit from laser levelling and drip/underground irrigation totalled 173 million liters of saved water per year. The Coca-Cola contribution in the project in physical units, including financing, was evaluated at 93.3 million liters of water per year.



### Project description

As described above, the reduction of the water level in the Syrdarya river (the main source of water) limited access to water for residents in the Kyzylorda Region. A pilot project with the use of laser levelling and drip irrigation technologies for the cultivation of crops was implemented to improve access to water.

The project was implemented during March 2015 to September 2016 in collaboration with the Conservation of Biological Diversity Foundation. Water-saving irrigation technologies were implemented for crops planted on 282.2 ha of farm lands, which used to be watered via surface irrigation.

The use of such methods helps to save a significant volume of water. The use of the laser levelling method helps provide for an even flow of water on fields during watering, while the drip and underground irrigation (micro-irrigation) minimize water and fertilizer use by allowing water to slowly drip directly to the plant roots via a network of valves and pipes.



### Water conservation program in Kazakhstan: 2014-2016.

This project was implemented in partnership with the Ministry of Environment and Water Resources of the Republic of Kazakhstan (prior to its dissolution). Coca-Cola investments totalled 155,400 USD.

The main goal of this project was to spread knowledge and experience in sustainable water supply and water use, and raise awareness in local communities, non-governmental organizations, and decision makers via implementation of the Water Saving Program (grant program). The project was implemented from 2013 to 2015.

The joint program on water resources management was implemented to support national priorities as part of current government programs related to issues in the water sector, in particular, the Ak-Bulak program to provide access to safe drinking water (in effect from 2011 to 2020), the Strategic Plan for Development of the Republic of Kazakhstan until 2020, Kazakhstan Development Strategy until 2050, the Kazakhstan Green Economy Transition Plan, etc.

Main project results:

1. Capacity building activities of public non-commercial organizations and local communities to solve issues related to sustainable water consumption and efficient water use; strengthening and development of their opportunities.
2. Raising awareness among the local community of the importance of access to safe drinking water via associations, strategies and a policy of effective land and water resources management, sustainable and efficient water use.
3. Facilitation of a dialogue on further partnership at a local and national levels (between non-commercial organizations, the local community, local government bodies, etc.) to solve issues of water consumption.

### Pilot project for the implementation of water conservation technologies in the Maktaaral and Shardarin districts in southern Kazakhstan.

This project started in 2017 and continued in 2018. The results of the project will be covered in later releases of the Company.

The Company has been continuously tracking indicators of the water consumption and the quality of its waste water, and also implementing initiatives on water conservation and waste-water treatment at its facilities in Kazakhstan. Water intake dynamics shows that in 2017, water intake increased by 10% (Figure 28). This is primarily due to output growth.

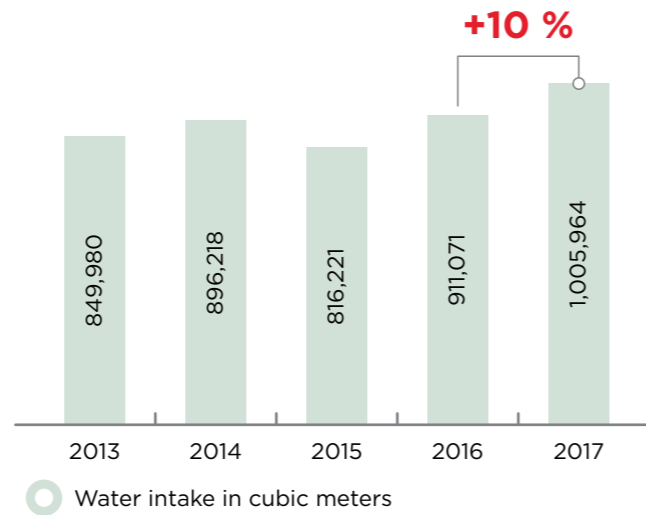


Figure 28. Water intake, in cubic meters

But specific indicators of water use have decreased compared to 2016 (Figure 29). This is due to systematic operations of the Company in the use of water management technologies during production. For example, the water remaining after rinsing bottles is then recycled. Moreover, water conservation is achieved due to the use of reverse cleaning technology with sand and coal filters.

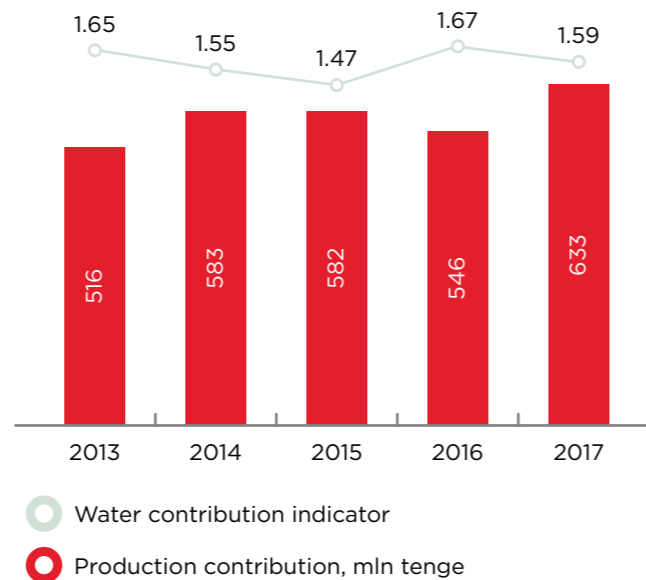


Figure 29. Specific water consumption (liters of water per liter of product).



The Company emphasizes the quantity and quality of its wastewater. The dynamics of wastewater disposal by Coca-Cola shows that certain indicators of wastewater disposal have decreased, even though total volume has increased by 15% (Figure 30). The Company operates wastewater facilities to improve the quality of its wastewater. The water is treated to reach standard indicators as provided for by disposal permits. Afterwards, the treated water is disposed of in municipal sewage systems. The Company also implements a monitoring system for the daily qualitative and quantitative analysis of wastewater composition. Moreover, wastewater is analyzed on a quarterly basis by an independent certified laboratory.

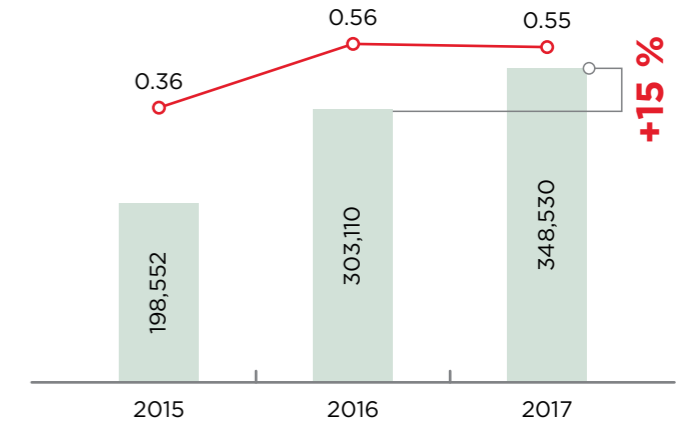


Figure 30. Water disposal, in cubic meters, and specific water disposal (liters of disposal per liter of output).

## 3.3 ENERGY EFFICIENCY AND CLIMATE CHANGE PREVENTION

Energy efficiency and climate change prevention is one of the three priorities defined by the Coca-Cola Sustainable Development Strategy on the global level. The Company acknowledges the significance of issues related to the prevention of climate change and strives to follow the best practices in the industry.

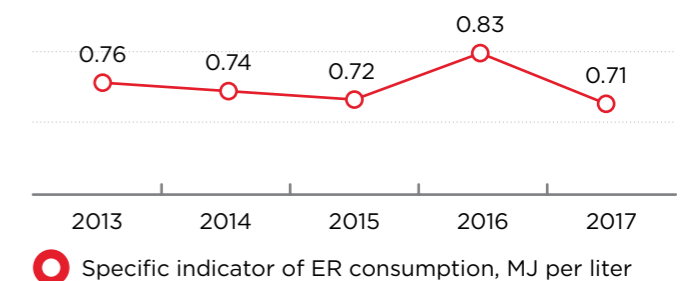
Coca-Cola collects and analyzes data on energy resource (ER) consumption, develops activities to reduce ER consumption and the respective greenhouse gases (GHG) emissions, and implements programs on reducing GHG emissions. There are several initiatives on reducing ER consumption the Company has already implemented, such as:

1. The transition to lighter PET preforms. This helps save natural gas and electric energy.
2. The use of Fast Heat Resin for the production of PET preforms. This contributes to conserving electric energy to heat up preforms in the blowing process.
3. The implementation of carbon dioxide evaporation by heat from the drink cooling system and syrup pasteurization. This helps save steam for CO2 evaporation in the winter and reduce the consumption of electric energy by refrigeration compressors.
4. The transfer of a portion of exhaust gases from gas generators to CO2 units to be used for the production of carbonic acid.

5. The use of solar panels to heat water for washrooms, the gradual transition to LED lamps, and the installation of motion sensors in applicable areas.

In 2017, the overall consumption of energy resources (ER) at Coca-Cola factories in Kazakhstan, including all production processes, totalled 414.93 million MJ, which is practically the same as in 2016 (Figure 31). In 2017, certain indicators of overall consumption of ER per liter of production output decreased by 14% compared to 2016.

Specific indicators of ER consumption



<sup>10</sup> The environmental protection indicators were adopted from the CCI Sustainable Development Report for 2017 ([http://cci.com.tr/Portals/3/images/CCI\\_2017.pdf](http://cci.com.tr/Portals/3/images/CCI_2017.pdf)) unless mentioned otherwise.

<sup>11</sup> Data does not include information on fuel consumption by motor vehicles



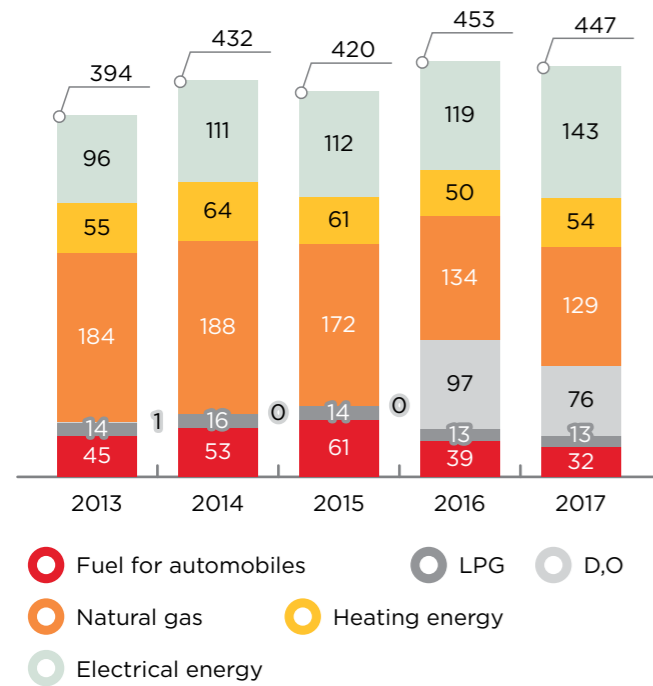


Figure 31. Energy resources consumption, in million MJ.

In 2017, the overall greenhouse gas emissions from the Company's activities totalled 36,770 tons of CO<sub>2</sub> equivalent, including direct emissions of 14,053 tons of CO<sub>2</sub> equivalent and indirect (from heat and electric energy procurement) emissions of 22,717 tons of CO<sub>2</sub> equivalent (Figure 32). The other contributory indirect emissions of greenhouse gases were evaluated at 43,800 tons of CO<sub>2</sub> equivalent (emissions by contractors and suppliers worked at the Company's facilities). In 2017, the specific emissions of GHG decreased by 2% compared to 2016.

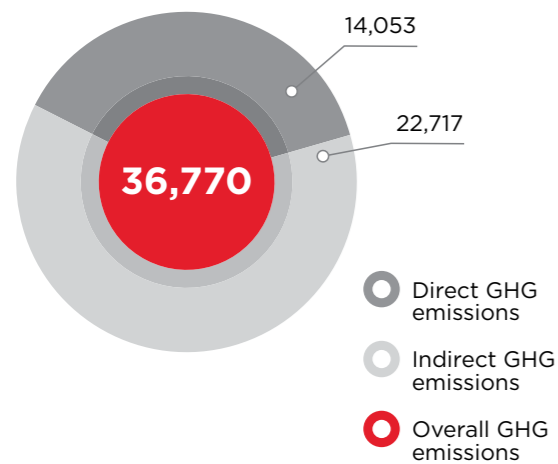
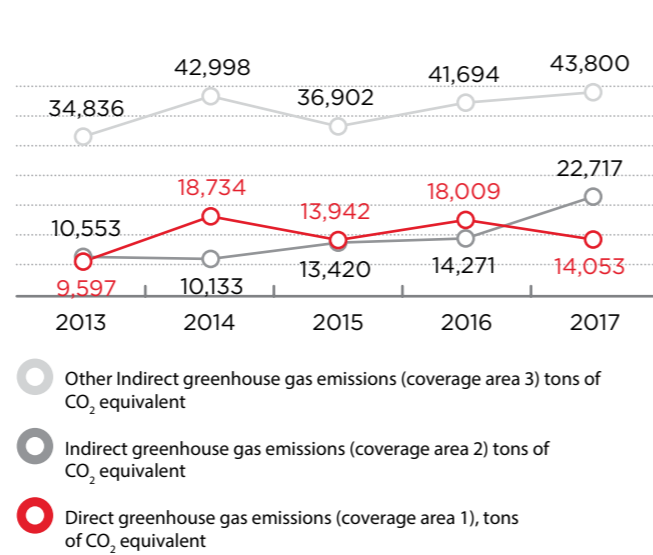


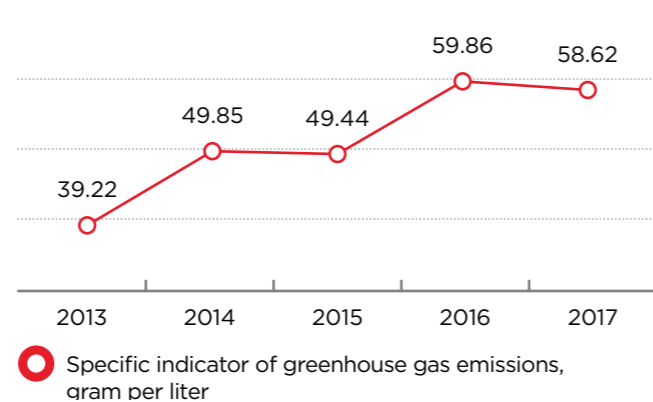
Figure 32. Greenhouse gas emissions in 2017, in tons of CO<sub>2</sub> equivalent.

<sup>12</sup> The calculation method includes CO<sub>2</sub> emissions.

Greenhouse gas emissions during 2013-2017



Specific greenhouse gas emissions for 2013-2017.



Fuel consumption is one of the most significant sources of greenhouse gas emissions in the Company. In this context, Coca-Cola makes efforts to use motor vehicles which consume less fuel and emit fewer pollutants into the atmosphere. The figure below (Figure 33) shows the dynamics of fuel consumption by the Company's means of transport. As can be seen in the chart, a reduction in fuel consumption by motor vehicles has been observed over the last two years. A significant decrease in fuel consumption in 2016 and beyond, compared to 2015, is due to the launching of initiatives to reduce emissions of pollutants and a reduction in the Company's vehicle fleet.

The motor vehicle greenhouse gas emission calculation shows that in 2017, emissions totalled 2,175.11 tons of CO<sub>2</sub> equivalent<sup>12</sup>. This is 20% lower compared to 2016, which is equal to the reduction in fuel consumption.

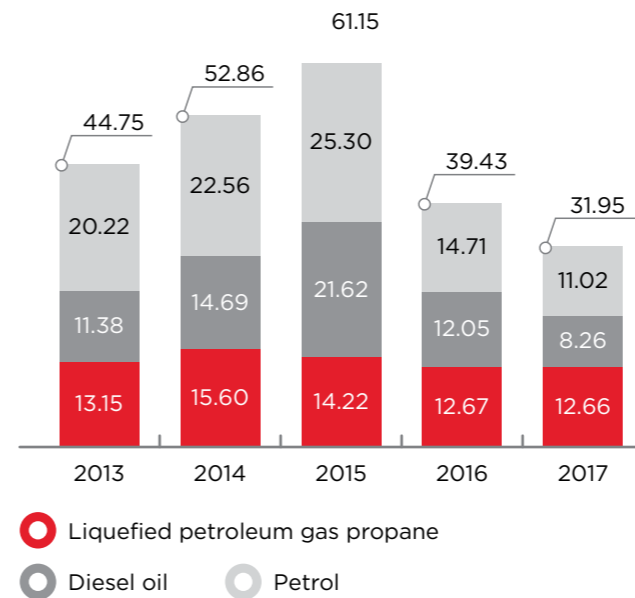


Figure 33. Fuel consumption by motor vehicles, in million MJ.

Specific fuel consumption

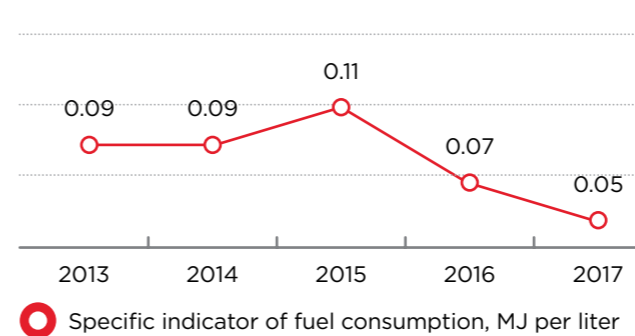


Figure 34. Motor vehicle greenhouse gas emissions, in tons of CO<sub>2</sub> equivalent.

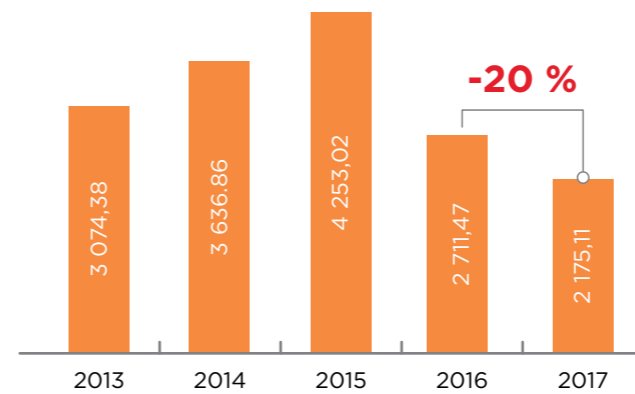


Figure 35. Reduction of fuel consumption due to more efficient motor vehicles, in MJ.

The Company understands that a reduction in fuel consumption by motor vehicles directly affects the reduction of greenhouse gas emissions. Therefore, it implements initiatives to transition to a more fuel-efficient transport. In 2018, the Company purchased several dozen fuel-efficient motor vehicles. The effect has been that fuel consumption decreased by 25% per month, as well as lower fuel costs (15% savings in 2018 compared to 2017). The reduction of greenhouse gas emissions due to this initiative correlates with the reduction of fuel consumption and is also evaluated at 25%.

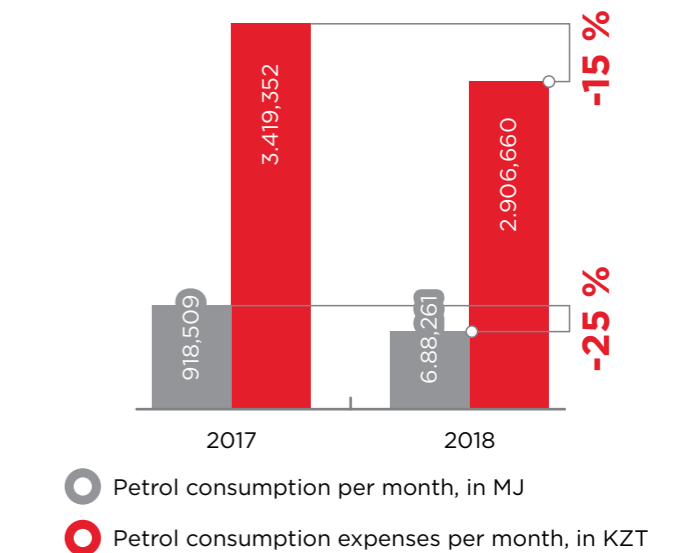
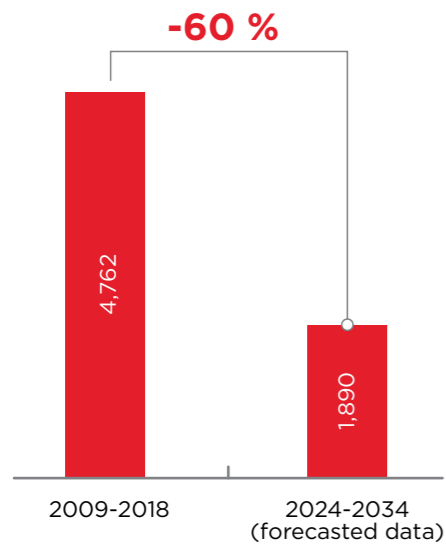


Figure 35. Reduction of fuel consumption due to more efficient motor vehicles, in MJ.

As part of its climate change prevention program, Coca-Cola strives to reduce its impact on the environment by investing in modern refrigerating equipment. The Company is gradually switching to refrigerating equipment using cooling agents R600a and R290, which are safer for the Earth's atmosphere and its ozone layer (and make less of an impact on climate change).

According to Coca-Cola estimates, more than 60,000 refrigerators with the Company's products are used in points of sale across Kazakhstan. In 2017, the Company purchased a total of 8,492 pieces of equipment running on R600a cooling agent. Over the next 6-7 years, the Company is planning to replace all of its equipment to run on R600a and R290 cooling agents. This will help significantly decrease Coca-Cola's impact on the environment.





According to the Company's stats, from 2009 to 2018, the contributory procurement of cooling agents totalled 4,762 kg (10,498 lb), including refrigerant leaks at a rate of 1% of annual filling. In the context of measures described earlier, the Company is planning to reduce its impact on the environment by 20% by replacing 60,000 units of refrigerating equipment with units using R600a cooling agent. According to estimates, over ten years of operation of the new refrigerating equipment, the planned contributory volume of cooling agent procurement will decrease by 60% compared to the old equipment (Figure 36).

Figure 36. Predicted reduction of cooling agent use in refrigerating equipment, in kg

## 3.4 PACKAGING AND WASTE MANAGEMENT

The third environmental aspect outlined in the Coca-Cola Sustainable Development Strategy at a global level is packaging. The key task for the Company is to reduce the

volume of materials used in packaging. This helps reduce material costs and the amount of waste generated from the use of products.

Volume of packaging materials, tons

	2013	2014	2015	2016	2017
PET preforms	16,305	17,418	17,464	14,098	18,234
Glass	6,124	3,974	3,674	4,537	4,638
Plastic for shrinkage and stretching	1,878	1,889	205	1,536	2,169
Cardboard	1,329	1,685	1,696	1,245	1,518
Caps	1,263	1,411	1,367	1,175	1,475
Aseptic cardboard package	694	663	581	650	571
Aluminum cans and lids	339	361	325	194	160
Metal caps	69	32	44	49	50

At a global level, Coca-Cola invests in the development of new types of packaging to help reduce its impact on the environment. For example, the Company's PlantBottle project is designed to replace traditional PET plastic bottles. PlantBottle production technology uses materials that are 30% plant-based. At a later stage, the Company will take steps to develop fully-recycled packaging and reduce the content of plastic in bottles.

Coca-Cola also pursues other efforts to reduce waste generation, such as reducing the volume of natural resources used in the production of packaging. A safe reduction of packaging weight not only saves resources but also reduces greenhouse gas emissions. Such projects have been

implemented in Kazakhstan and resulted in a reduction of the weight of a Coca-Cola plastic cap from 3.2 g to 2.35 g and of the weight of a 500 ml plastic bottle from 20.5 g to 13.6 g.

The Coca-Cola waste management system is designed to minimize waste generation and efficient waste usage. The Company's strategic goal is to achieve waste-free production. To achieve this goal, the Company strives to recycle as much as possible, including waste products, and to send the smallest portion of its waste to landfills.

According to the Company's data, in 2017, the specific indicator of waste generation totalled 1.60 g per one liter of finished products, which is down 23% compared to 2016.



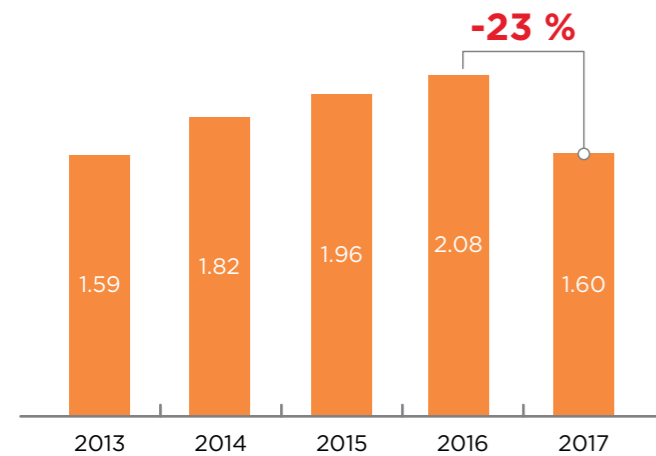
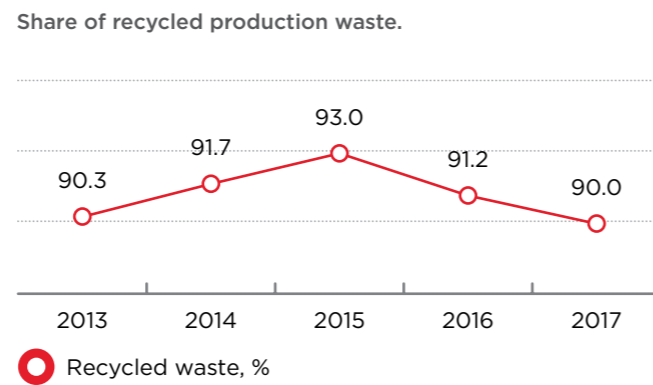


Figure 37. Specific indicator of waste generation, gram per liter.



Production waste is sorted by type for further disposal. Only 10% of waste is subject to land disposal, while the remaining 90% is recycled.

## 3.5 ENVIRONMENTAL EDUCATION PROJECTS

In addition to implementing environmental projects to help reduce its negative impact and remedy the consequences of its actions, Coca-Cola also contributes to education by developing and spreading knowledge and the best practices in environmental protection.

### Arnasay Green Village project

From 2015 to 2017, one of the important projects in our Company was implemented in Arnasay village to help develop the village using green technologies.

#### First stage

The first stage was to create a center of best practices and knowledge exchange in the field of green technologies in agriculture. In 2015, the Green Technologies Center was opened in the village with the help of the Coca-Cola Foundation and UNDP. The first stage of investments by the Company totalled 120,000 USD.

The Center holds workshops for participants to teach them how to cultivate plants in winter conditions using LED lighting. It also helps to train the installation and operation of drip irrigation systems and sprout cultivation without soil. All in all, the Center provides more than 20 technologies.

Ultimately, the project has helped to train 7,000 people. It has also helped to organize testing for energy efficient systems

and Kazakhstan green technology pilot projects. Moreover, the Center employs 6 people who won the Coca-Cola Belesteri 2015 competition. According to the Decree by the President of the Republic of Kazakhstan N. A. Nazarbayev, the Green Technologies Center was acclaimed a model center. Other local administrations were also given recommendations to learn and adopt the experience of the Arnasay village.

#### Second stage

The second stage of the Arnasay Green Village project was the construction of 10 eco-friendly houses in 2016. The construction was financed by our Company in the amount of 50,000 USD. Efficient water management technologies were integrated in the houses, and solar panels were also installed. The technologies demonstrated by the Green Technologies Center in Arnasay village are also used to cultivate crops on land plots near these eco-friendly houses as well.

#### Third stage

The third stage of the Arnasay Green Village project was to create a summer teen EXPO Camp. The camp was created as part of the EXPO Astana exhibition. In 2017, Coca-Cola's expenses for the project totalled 32,400 USD. This initiative helped students feel what it's like to be a scout, research the environment, study basic environmental protection aspects, and learn about green technologies. A total of 100 students visited the EXPO exhibition.



#### Fourth stage

The development of the Arnasai village as a national experimental center for green technologies continued in 2018. With the support of the Coca-Cola Foundation, a new project was started in the summer to launch a biogas plant for the production of biohumus and growing vegetables in an eco-greenhouse. The project will also help to preserve the ecology of the Yessil River flowing near the village.

### Environmental Box project

Coca-Cola understands how important it is to educate the next generation and develop a values system regarding environmental protection. Therefore, we are proud to have

implemented our Environmental Box project. The goal of the project was to create a textbook on environmental studies and climate change in the world and in Kazakhstan for middle and high school students. The project was implemented in 2016-2017. The amount of investments by Coca-Cola was estimated at 78,000 USD.

As a result of this project, a detailed textbook was made (the Russian version was adapted by the UNDP for Kazakhstan) complete with environmental lessons and games. Overall, the project covered more than 90 schools in Kazakhstan. More than 700 teachers were trained on how to integrate the Environmental Box into the school curriculum. Today, more than 13,500 students study climate change using the Environmental Box textbook. The project is also currently being integrated in other schools.



# 4

## CONTRIBUTION TO THE SOCIAL DEVELOPMENT OF THE REGIONS AND THE POPULATION

**>\$4.5 mln** **6,200 schools**

Coca-Cola invested more than 4.5 million USD in social projects in 2013-2017.

6,200 schools and more than 1.2 million students from all over Kazakhstan participated in soccer competitions for children and young people organized as part of the Coca-Cola Bylgary Dop project.



**\$1 = \$1.36**

For every USD invested by the Company in the 3.2.1.Start! project, an additional social effect is generated in the amount of 1.36 USD.



## 4.1 COMPANY'S SOCIAL PROJECTS IN THE REPUBLIC OF KAZAKHSTAN

Following the principles of sustainable development, in addition to the economic and environmental aspects, the Company also pays special attention to the social dimension. We strive to take care of everyone we interact with:

- Customers: by offering better products,
- Employees: by offering competitive pay and other forms of remuneration,
- And obviously community: by implementing social projects in different areas, such as sports, education, healthcare, helping socially vulnerable groups, promoting an active lifestyle, sponsorship, etc.

Investments in such projects totalled approximately 4.5 million USD in 2013-2017. The descriptions of key projects and their results are provided below.



### Coca-Cola Belesteri project

The goal of the project is the financial support and development of entrepreneurial competencies among low-income women, mainly living in rural areas. It has been implemented since 2013 together with the Social Dynamics Foundation non-governmental organization.

Investments: 840,000 USD from 2013 to 2017.

Despite certain difficulties encountered during the implementation, significant results have been achieved. The following are some of our key achievements:

1. More than 9,000 women received training in business fundamentals.
2. More than 40 small private businesses have been opened and are operating successfully, out of which 62% are related to agriculture, 24% to services, and 14% to goods production.
3. More than 100 new jobs created.
4. Another important achievement is that several women were granted additional financing by the Entrepreneurship Development Foundation of the Republic of Kazakhstan to implement their projects.





### Coca-Cola Bylgary Dop project

A popular annual soccer competition for children and young people is held for middle and high school students. The main goal is to engage the young people of Kazakhstan, especially in its regions, to live an active lifestyle and play sports, prevent the spread of bad habits and instill teamwork, mutual support, and a goal-oriented perspective.

Investments: more than 3 million USD from 2013 to 2017, and 6.7 million USD in the course of the project's lifespan.

The project has been implemented since 2006 together with the Soccer (Football) Federation of the Republic of Kazakhstan and the National Scientific and Practical Center for Physical Education under the Ministry of Education and Science of the Republic of Kazakhstan. Since 2018, women's soccer has also been included in the competition.

Project results:

1. Over the last 10 years, 6,200 schools and almost 1.2 million students across Kazakhstan have participated in the competition.
2. The competition was awarded UEFA certificates twice: Certificate for the Most Valuable Event of the Year in the Area of Soccer Development (2006) and The Best Sponsor Project of the Year (2012).
3. Four project graduates now play in professional soccer clubs. The project has become a sort of school for professional soccer in Kazakhstan.



### Olympic Moves project

School Olympics for middle school students in Astana and Almaty were carried out with the goal to develop and promote sports.

Investments: 115,000 USD in 2017.

The number of School Olympics participants totalled 9,938 students. Competitions in five different sports were carried out as part of the School Olympics: mini-soccer, volleyball, track and field athletics, basketball, and ping-pong. The winners and medalists were awarded cups, medals, honorary certificates, and valuable prizes.



### VitAlem project

The goal of the project is to support the Academy of Preventive Medicine in its implementation of the VitAlem project to join efforts in the community, non-governmental organizations, the business community, mass media, and governmental organizations and create favorable conditions to improve wellbeing and quality of life in Kazakhstan.

Investments: 117,000 USD from 2016 to 2017.

The project helped implement the following:

1. Development of indicators to assess physical activity and nutrition, research tools and methodologies, and recommendations for the collection and analysis of data for monitoring by the Densaulyk state-run program.
2. Creation and maintenance of the web resource for [www.vitale.kz](http://www.vitale.kz).
3. Creation and maintenance of the [www.balaman.kz](http://www.balaman.kz) web resource for students and the launch of the Balaman pilot project in schools in Almaty and Astana.
4. Expansion of participants of the VitAlem coalition, promotion of the project, and development of the resource center in Almaty.



### 3.2.1.Start! project

Investments: 153,000 USD from 2015 to 2017.

Initially, the project's goal was to promote an active lifestyle among children and young people in rural areas. An indoor gym was renovated and received new equipment in the Izhevsk village of the Arshalynsk district of Akmolinsk Region, flooring was replaced in the school in the Saryoba village, and a hockey court was built in the Nikolayevka village. 70 school teachers and directors have undergone special training as part of the program.

However, later the project focus was redirected and is now oriented at social entrepreneurship and the development of active citizenship among the young people of the Republic of Kazakhstan.

The main goals of the project:

1. To identify the most talented young people of Kazakhstan in the area of entrepreneurship.
2. To train selected candidates in the fundamentals of entrepreneurship and the implementation of social and cultural projects.
3. To select and finance the three best startups in the Republic.

In 2017, more than 70 applications were submitted, and 10 projects were selected to participate in the semifinal. All finalists were trained in business planning, online sales, fundamentals of marketing and PR strategies, financial awareness, and presentation skills. The authors of the three best projects were offered financing in the amount of 1 million tenge. More detailed information about the project and its results are provided in the next section.



### Mom, Dad and I are an Active Family project

The goal of the project is to promote a healthy lifestyle among all ages by engaging as many children, teenagers, adults, and families in general as possible in popular sports, and a public awareness campaign for an active, healthy lifestyle.

Investments: approximately 300,000 USD from 2013 to 2014.

The idea behind the project was to hold family sporting events in several stages. The competitions were baton-based, where one competition follows the previous one. The first stage included competitions at the school level, the second stage included competitions at the district level, while the third stage was at the regional level, where at least 10 families from each region of the country participated. Whoever scored the lowest time was the winner.

16 of the top families participated in the final games (quarterfinal, semifinal, final) and had a chance to visit the capital of the Republic and compete for the title of the most athletic family in the country. Each winner was awarded valuable prizes, such as household appliances.

The project was implemented in collaboration with the Agency of the Sports and Physical Training affairs of the Republic of Kazakhstan, local authorities, regional education authorities, regional sport authorities, the Ministry of Education and Science of the Republic of Kazakhstan represented by the National Scientific and Practical Center for Physical Education, and the KHABAR television and radio company.



# 4.2 SROI ANALYSIS OF ONE PROJECT

## About SROI

The business of any company, enterprise or individual creates value for one or several stakeholders. We often only value what can be evaluated financially. However, there can be more to a project than just financial value. To evaluate project impact, it's essential to consider all of its aspects and the comprehensive definition of its value.

Social return on investment (SROI), which is based on the concepts of business and economics, is a method that includes social, environmental, and economic expenses, as well as profit from a project. SROI is an innovative method of value measurement, allowing to quantitatively evaluate all business results and present them in monetary terms. This approach helps measure and consider "value" in a broader sense of the word.

SROI was initially developed in the late 1990s by The Roberts Enterprise Development Fund (REDF), a non-profit social enterprise engaged in providing employment to low-income and the previously homeless persons<sup>13</sup>. Over the last several years, the approach has been actively developed by the Social Value UK (previously the SROI Network). According to the SROI analysis manual by The Social Value International, this approach is based on the following principles:

- Stakeholder engagement,
- Understanding of changes,
- Evaluation of what's really important,
- Analysis of current significant changes only,
- No overestimates of own contribution,
- Transparency,
- Confirmation of obtained results.<sup>14</sup>

## Analysis of one of the social projects of Coca-Cola

For the analysis according to the SROI methodology, one of the Company's projects was selected, which was implemented in 2015-2017, namely the project "3.2.1. Start!". A detailed description of this project was given in the previous section. The SROI analysis was focused on the second phase of the "3.2.1. Start!" Project, namely the development of social entrepreneurship and the formation of an active civil position among the youth of the Republic. For calculations, data

The main advantages of the SROI method are:

### 1 Accounting and transparency

The SROI method provides both figures and supporting descriptions, which makes the creation of social value accountable and transparent.

### 2 Cost and time efficiency

SROI is a cost and time-effective method that helps research the specific changes created by the project or organization while focusing on critical interactions.

### 3 Covering all three dimensions

Economic, environmental, and social. It ensures a complex approach to value measurements, which includes economic, environmental, and social dimensions.

### 4 Stakeholder engagement

SROI joins stakeholders and helps them compare their expectations and project results.

### 5 Strategic management

Monetized indicators help management analyze the consequences of changes in strategies and plans.

for 2016-17 was used. Below are the highlights of the SROI calculation process.

When calculating the SROI for this project, we observed all the principles and steps recommended by the guidance:

1. Identification of key stakeholders.
2. Mapping the results.
3. Confirmation of results and monetization.
4. Impact assessment.
5. Calculation of SROI and presentation of results.

The impact map for this project is based on the analysis of the project itself and its stakeholders. According to the Guidelines for Assessing Social Return on Investments, the impact map presented in the table below demonstrates the relationship between contributions (resources invested by the Company),

products (holding a competition and determining the three winners) and final results (development of entrepreneurship and active citizenship), and also their impacts. For each identified result, it was then monetized using various financial proxies - approximate cash equivalents of the results.

Main stakeholders, results, impacts, and impact indicators.

Stakeholder	Result	Impacts	Impact indicators / Possible financial proxies
Community	Dancing studio project: Dancing skills development	Improvement of the economic situation	Increase of labor income due to new jobs
Young people	Dancing studio project: Entrepreneur profits	Improvement of the economic situation	Entrepreneur annual income
Community	Dancing studio project: improvement of the community's health	Improvement of health and wellbeing	Reduction of medical expenses
Community	Children's clothing production project: benefits to society in the form of new opportunities	Improvement of the economic situation	New jobs in the enterprise
Community	Children's clothing production project: benefits to society in the form of new opportunities	Improving professional skills	Entrepreneur annual income
Community	Children's clothing production project: benefits to society in the form of new opportunities	Improving professional skills	Sewing skills development
Community	Children's clothing production project: benefits to society in the form of new opportunities (qualitative)	Improvement of well-being	Improving self-esteem and respect for women
Community	Pipeline cleaning project: benefits to society in the form of new opportunities	Improving the economic situation	New jobs in the enterprise
Young people	Opportunity to start a business	Professional development	Cost of classes in other places for candidates

After determining the stakeholders, mapping the changes and monetizing the results, an impact assessment was made, the purpose of which was to determine whether the analyzed outcomes were related to the project implementation.

The table below presents the methods used in the impact assessment (Table 10). They help to establish what changes would occur in any case, and what caused by the activities of the project.

<sup>13</sup> <http://redf.org/app/uploads/2013/10/REDF-Box-Set-Vol-2-SROI-Paper-2000.pdf>  
<sup>14</sup> More detailed information about the SROI method is provided in Appendix 1.  
<sup>15</sup> <http://www.socialvalueuk.org/resources/sroi-guide/>





Methods for the evaluation of analyzed results and their relation to the project concept

<b>Deadweight</b>	This indicator shows which changes would have happened under any circumstances. For example, if there is a 40% possibility that someone can find a job without anyone's help, the value of this result is decreased by 40%.
<b>Attribution</b>	Evaluates how much of the impact is due to other organizations or people. For example, if family and friends support the person who is training for job placement, these people also contribute to the value, and it is not the merit of the training organization alone.
<b>Displacement</b>	Evaluates how the obtained results facilitate the displacement of other results. For example, if a neighbor surveillance program reduces crime rates in one neighborhood but at the same time crime rates increase in another, most likely this means that a displacement has occurred.
<b>Drop-off</b>	After a project is complete, results tend to drop, or the project is influenced by more external factors, i.e. the results expire. For example, during the first year after job placement training, the value of knowledge obtained is high, while after some time, the value decreases due to newly obtained knowledge and experience.

In our analysis of the 3.2.1.Start! social project, Deadweight and Attribution for all indicators equal 0 and 100%, respectively. A value of 0 was assigned to the deadweight based on the assumption that all the outcomes were possible solely due to this particular intervention, and no other activity could have contributed to these benefits. Also we have assumed that the benefits can be solely attributed to the entrepreneurial activity, hence the attribution value of 100 % was assigned.

Drop-off for the cost of healthcare services and a number of new jobs is equal to 90%, while it is 100% for the remaining indicators. A Drop-off value of 90 % was assigned to indicators such as medical costs, number of jobs created through the enterprise as we assume that the value created by these benefits will reduce by 10 % over the years and a value of 100 % was assigned to the other indicators, assuming that the value created by the benefits will remain constant and not be reduced.

**Results**

Based on the SROI, the social impact of the 3.2.1.Start! project totalled 33,877,158 tenge (approximately 103,917.66 USD at the time this report was compiled). By the end of the first year after the project's completion, SROI totalled 1.36 (Figure 38). This SROI means that every dollar invested by the Company in the "3.2.1. Start!" project contributes to the social effect in the amount of 1.36 USD. Similarly, the SROI was calculated for 5 years ahead, because impacts from this project accumulate during this time, the cumulative SROI effect in five years, in 2022 is estimated at 6.1.

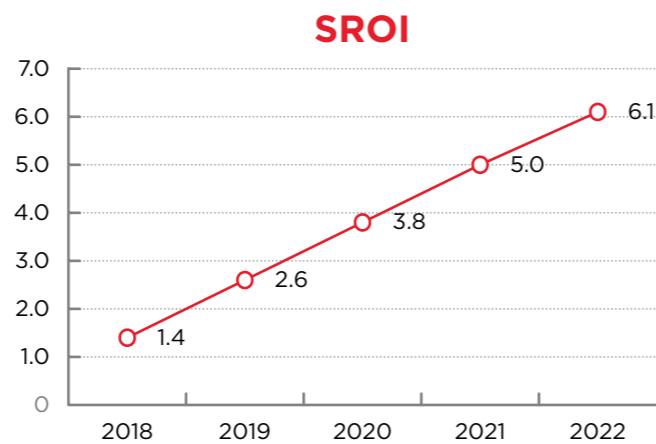


Figure 38. SROI retrospective and perspective analysis.

It should be said that the analysis performed is certainly quite subjective, as is any SROI assessment, the result of which largely depends on the accepted assumptions and judgments. In addition, since this was our first experience with the SROI analysis, some data could not be obtained due to the fact that they were not collected during the project implementation phase. However, even taking into account all these difficulties and shortcomings, the results obtained are very important for us, because they allowed to illustrate the results of the social project in quantitative terms.

In conclusion, it should be noted that despite the fact that the result of the analysis is expressed in money, we first of all wanted to show the value created as a result of the project. Money in this case is an understandable and convenient unit of measure, allowing to quantify the results (outcomes).

# LIST OF ABBREVIATIONS

CAGR	Compound annual growth rate
CCAB	Coca-Cola Almaty Bottlers
SROI	Social return on investment
GDP	Gross domestic product
GVA	Gross value added
DF	Diesel fuel
IDC1	Indirect contribution 1
IDC2	Indirect contribution 2
RK	Republic of Kazakhstan
IC1	Induced contribution 1
IC2	Induced contribution 2
PET	Polyethyleneterephthalate
ER	Energy resources
LPG	Liquefied petroleum gas
USA	United States of America
LLP	Limited liability partnership
JV	Joint venture
AV	Added value
PB	Payroll budget (or Payroll)
VAT	Value added tax
UNDP	United Nations Development Program
GHG	Greenhouse gases
NGO	Non-governmental organization
MES RK	Ministry of Education and Science of the Republic of Kazakhstan
UEFA	Union of European Football Associations



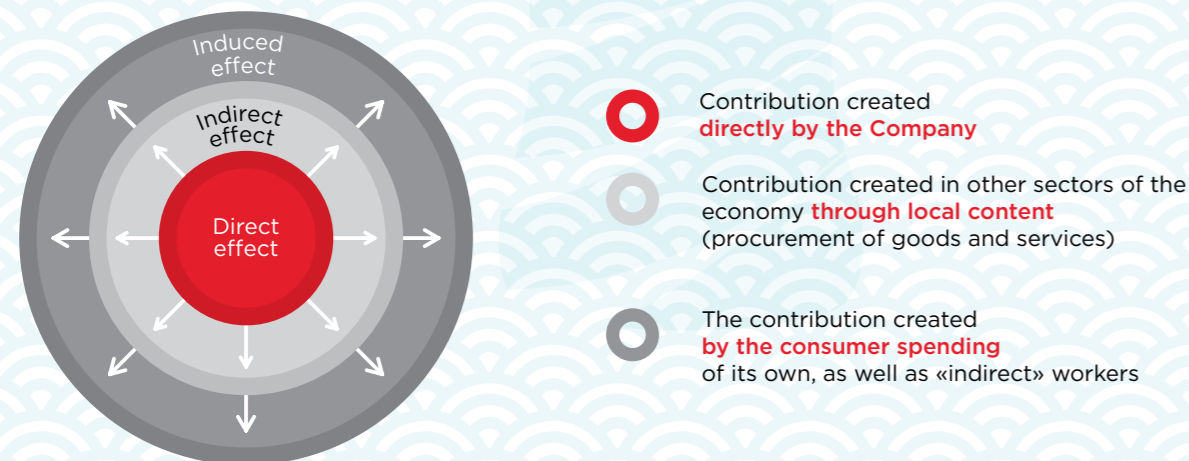
# APPENDIX 1. METHODOLOGY

The report analyzed all three components of the Company's sustainable development (SD): the economic, environmental and social aspects. Below is a brief description of the research methods and sources for each aspect, and the following section will provide more detailed explanations.

SD Aspect	Research methods and data sources
Economical	To analyze the economic contribution of the Company, Coca-Cola financial data for 2013-2017 was used. And a number of macroeconomic indicators for the Republic of Kazakhstan for the same period. The calculation of indirect and induced contributions was based on the use of the "Input-Output" model. More detailed information is provided in the section below.
Ecological	To present the results in the field of environmental protection, information was used on the Company's key environmental topics: water intake and water conservation, waste management, energy use and energy efficiency, etc. To calculate specific indicators, the Company's production results in liters of production for a certain period were taken into account. The calculation of the company's greenhouse gas emissions was carried out in accordance with the IPCC Guidelines for National Greenhouse Gas Inventories, 2006.
Social	In the section devoted to the social aspect of SD, description of the main projects of the Company aimed for the social development of the regions and population is presented. In addition, for one of the projects, a social return on investment was calculated according to the SROI Network organization's Guide to Social Return on Investment. More detailed information is provided in the section below.

## Economic Aspect

The Company's full socio-economic contribution to the economy includes three components (three effects): direct, indirect, and induced contributions that are created through the procurement of goods and services from domestic suppliers and contractors, the Company's distribution network, and consumer spending by the Company's employees and employees of our suppliers, contractors and distributors.



The assessment of the Company's contribution was carried out for five indicators:

1. Contribution to the production output of the economy
2. Contribution to the country's GDP
3. Contribution to employment
4. Contribution to labor income
5. Tax contributions.

The results of the assessment of the full socio-economic contribution of the Coca-Cola company presented in the report are based on the "Input-Output" model adopted by the governments and statistical bodies of many developed countries of the world, developed by Nobel Prize winner W. Leontief. It is also called the "inter-industry balance" table.

The table "inter-industry balance" characterizes the processes of reproduction in the economy according to material and material composition and cost composition by types of economic activity, which correspond to the Common classifier of economic activity (CCEA) of the Republic of Kazakhstan.

	Direct contribution Coca-Cola	Indirect contribution suppliers and distributors	Induced contribution consumers
Contribution to employment	Own workplaces	Workplaces of supplies, contractors, distributors and retail outlets	Workplaces in companies selling goods and services to Coca-Cola employees, as well as employees of suppliers, contractors, distributors and retail outlets
Contribution to labor income	Labor incomes of workers	Labor incomes of employees of suppliers, contractors, distributors and retail outlets	Labor Incomes of employees of companies selling goods and services to Coca-Cola employees, as well as employees of suppliers contractors, distributors and outlets
Contribution to GDP of the country	Value added generated by the Company's activities	Value added generated by suppliers, contractors, distributors, and retailers	Value added generated by companies selling goods and services to Coca-Cola employees, as well as suppliers, contractors, distributors and retailers
Contribution to state revenue	Taxes and fees paid by the Company	Taxes and fees payable by suppliers, contractors, distributors and retail outlets	Taxes and fees paid by companies selling goods and services to Coca-Cola employees, as well as employees of suppliers, contractors, distributors and retail outlets

The "Input-Output" table is integrated into the system of national accounts of the Republic of Kazakhstan and provides interconnection and specification of goods and services accounts, income generation accounts, separate elements of income distribution and income and capital accounts, presenting detailed balances of the resources and the use of goods and services, as well as the creation and use of income generated in the production process.

Calculations of the assessment of the contribution are based on the official tables "Input-Output" for 2013, 2014, 2015 and 2016, prepared by the Statistics Committee of the Republic of Kazakhstan. For the calculation of the contribution results for 2017, the table for 2016 was used, since "Input-Output" for 2017 will be prepared by the Statistics Committee of the Republic of Kazakhstan at the end of 2018. However, all the other information necessary for the model, such as GDP, number of employees, labor income, number of taxes and payments paid for the period, etc. were taken for 2017 from official sources.

It should be noted that during the assessment of the contribution, all data on purchases of goods and services of imported origin were excluded. This is done in view of the fact that only goods and services produced and / or purchased within the country create an effect on the economy of Kazakhstan. In addition, for a more accurate assessment of the contribution, an analysis of purchased products from local suppliers was carried out to identify the import component. All suppliers we

\* <http://www.socialvalueuk.org/>

\* the contribution to output is not shown in the diagram, because, firstly, it is not as generally accepted as the others, and secondly, the contribution to the output generated by the distribution network will double the figures of the Company's total contribution

work with were analyzed and the percentage of imports in the range of goods and services supplied to the Company were identified. This percentage was determined taking into account the specifics of each supplier's business, the characteristics of the products supplied, as well as our professional judgment.

Below are the explanations for each of the five indicators of the contribution.

### Contribution to production output

Output or gross output is a widely used criterion of assessment of economic activity including added value<sup>15</sup> and intermediate expenses<sup>16</sup>. In most industries, gross output is equal to sales or revenue. Intermediate expenses mean the purchase of resources during the production of other goods or services.

The financial data of Coca-Cola was used as a source of information to determine the direct contribution to output of the Company. The indirect and induced contribution of each analyzed indicator was determined by means of modeling as per the methodology described above.

### Contribution to the country's GDP

The performance or turnover of a company is one way to assess the scale of a company, industry or economy as a whole. Gross value added is the difference between the output of goods and services and intermediate consumption. Net value added is the difference between gross value added (GVA) and fixed capital consumption (depreciation). GVA from all industry activities in all sectors of the economy, plus net taxes on production adjusted for product subsidies constitute the country's GDP (gross domestic product).

The standard method of calculating the company's direct contribution to GDP is what is known as value added. It is calculated as the difference between the gross income of a company and its overall expenditures on the procurement of goods and services (i.e. all expenses, excluding wages of workers), including all changes in stock quantity. Increased GVA might be a result of increased income (due to an increase in output or price increase) or a reduction in production expenses. The components of GVA determine the fate of each production factor, labor cost, and capital in the cost.

Information from the Company's financial and accounting systems was used as a source to determine its direct contribution to the country's GDP. The indirect and induced contributions from procurement (IDC1, IC1) were determined based on the Input-Output data sheets. The indirect and induced contributions from work with distributors (IDC2, IC2) were determined based on data from the financial and accounting systems of the Company, our distributors' data, and the macroeconomic statistics of Kazakhstan.

### Contribution to employment, labor income, and tax contribution

The Company's accounting information was used to determine the direct contribution to employment and labor income, as well as its tax contribution. Only actually paid taxes and other payments (not charged) were considered. The methodology used to calculate other components of the total contribution—IDC1, IC1, IDC2, IC2—is similar to what is described above for the contribution to GDP.

To maintain the accuracy and impartiality of results, we used information from official and publicly available sources, such as:

- National Committee on Statistics of the RK,
- State Revenue Committee of the RK,
- National Bank of the RK,
- Publicly available materials from research, analytical, and business publications.

One of the most essential principles of conducting research and calculating results is to avoid overestimations. Wherever professional judgement was required, we used the most conservative yet economically justified approach.

As a result of rounding, there might be certain insignificant discrepancies in numbers throughout the report, in the text, tables, and charts with regard to the same indicator, as well as insignificant discrepancies in the sums of rows and columns in tables compared to the total value of a row or column.

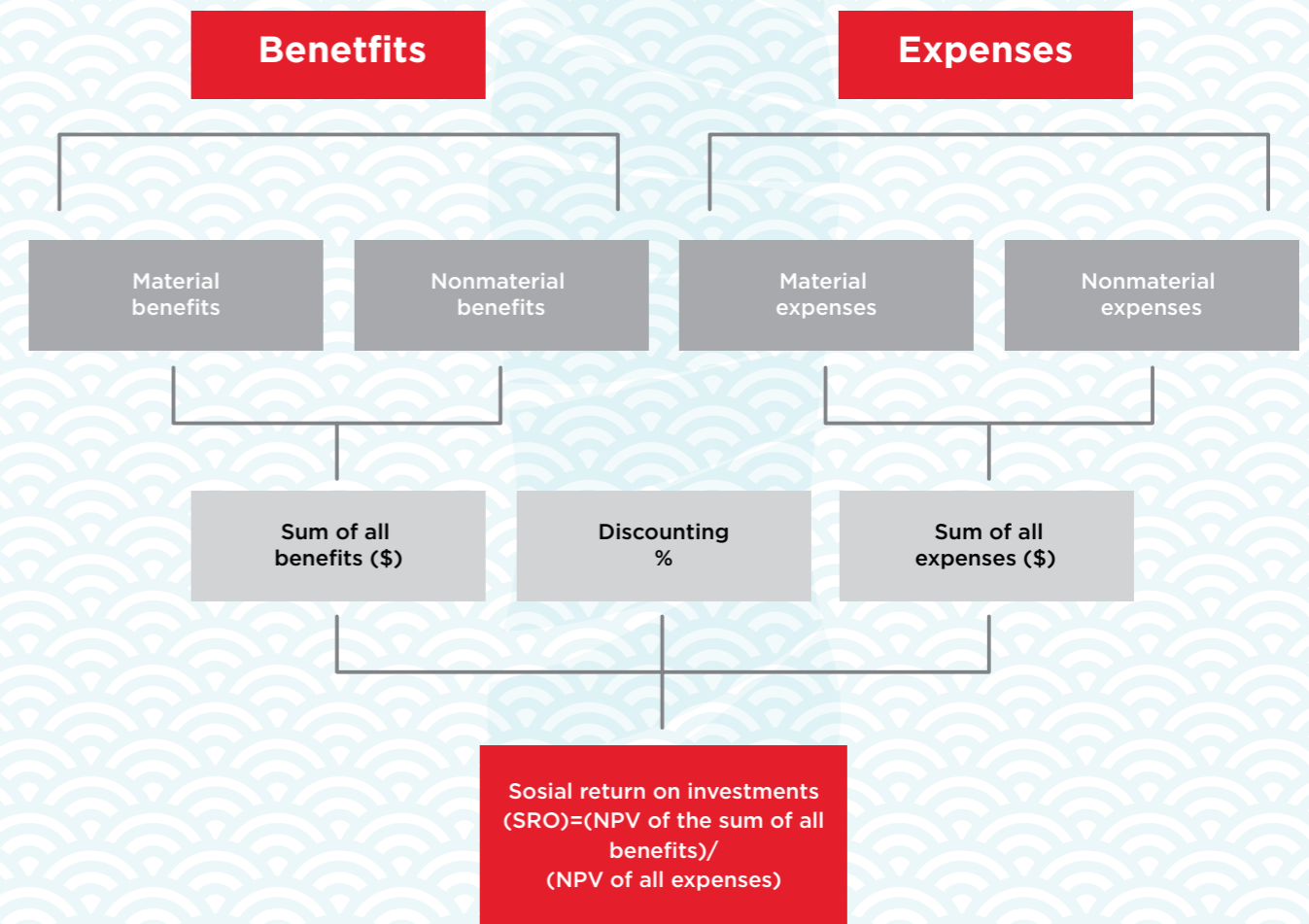
### Social aspect

Social Return on Investment (SROI) methodology

The SROI methodology<sup>17</sup> is based on cost-benefit analysis and helps managers and investors make justified decisions to optimize the social and environmental impact of projects.

SROI analysis includes the following six stages:

1. Selection of the object of analysis and determination of the key stakeholders. It is important to know what exactly SROI analysis covers, who will be involved in the process and how.
2. Impact map compilation. The impact map or theory of changes is developed (preferably together with the project stakeholders) to show the connection between project inputs, project outputs, and final outcomes.
3. Results confirmation and monetization. At this stage, the data is collected to confirm or disprove the achieved results. Then monetary equivalents are selected for results without a widely recognized market value (monetization).
4. Impact assessment. After the collection of data on results and monetization, the changes which would have happened under any circumstances (regardless of the project's implementation) or which were made possible as a result of other factors, are excluded from the analysis.
5. SROI calculation. At this stage, all positive project results are summed up in monetary terms, and the negative results identified in the analysis are deducted from the sum. Then the final amount is compared to the total project investment amount. The sensitivity analysis of the developed model of social return on investment to changes in its various components is carried out at this stage as well (Figure 40).
6. Report, discussion and use of results.



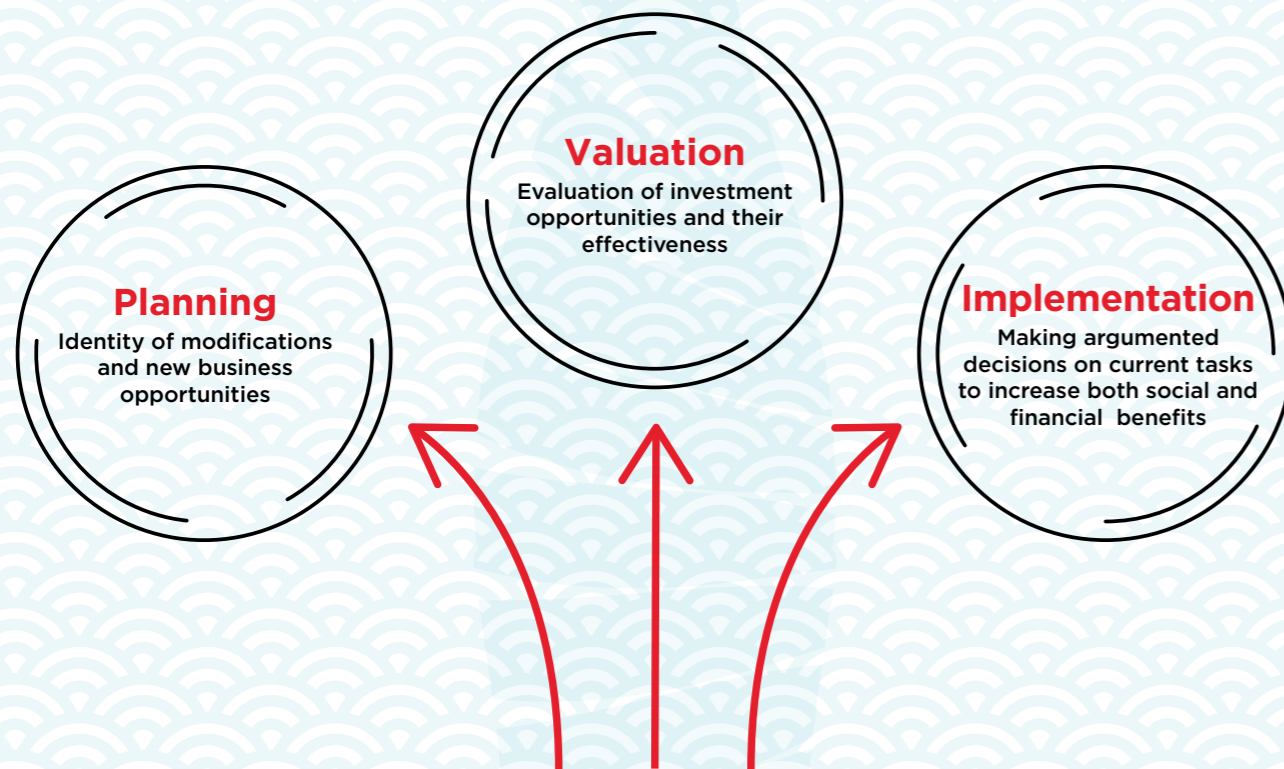
<sup>17</sup> Added value (AV) is the portion of the product cost created in this organization. It is calculated as the difference between the cost of goods and services produced by the company (i.e. sales revenue) and the cost of goods and services purchased by the company from third-party organizations (the cost of purchased goods and services is primarily composed of used material and other expenses paid to third-party organizations, for example, expenditures on lighting, heating, insurance, etc.).

<sup>18</sup> Intermediate consumption is the cost of consumed goods (excluding fixed capital consumption) and consumed market services in a single reporting period for the production of other goods and services.  
<sup>19</sup> <http://www.socialvalueuk.org>

SROI analysis of project performance and efficiency provides project managers and project investors with the following advantages:

1. SROI helps businesses plan better and identify business model modifications or alternatives, as well as market opportunities to potentially increase a project's social benefit.
2. SROI helps managers make decisions regarding the tasks at hand and capital allocation, and also better manage and maximize the social and financial benefit of projects.
3. SROI facilitates a complete assessment of investment opportunities and their effectiveness as regards the specific social and financial objectives investors set for projects.

**The analysis of the project according to the SROI methodology allows managers and investors to achieve 3 main goals:**



In the recent years, both state bodies and individual private companies began to apply the methodology to assess the impact of projects and investments on society, i.e. to assess the economic, environmental and social effects altogether.

## APPENDIX 2. TABLES AND FLOWCHARTS WITH DETAILED RESULTS OF ECONOMIC CONTRIBUTIONS

Contribution to production output

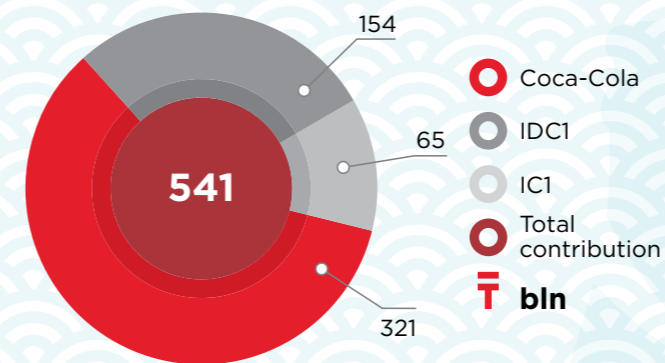


Figure 39. Cumulative contribution to output for 2013-2017, bln tenge

Contribution to the country's GDP

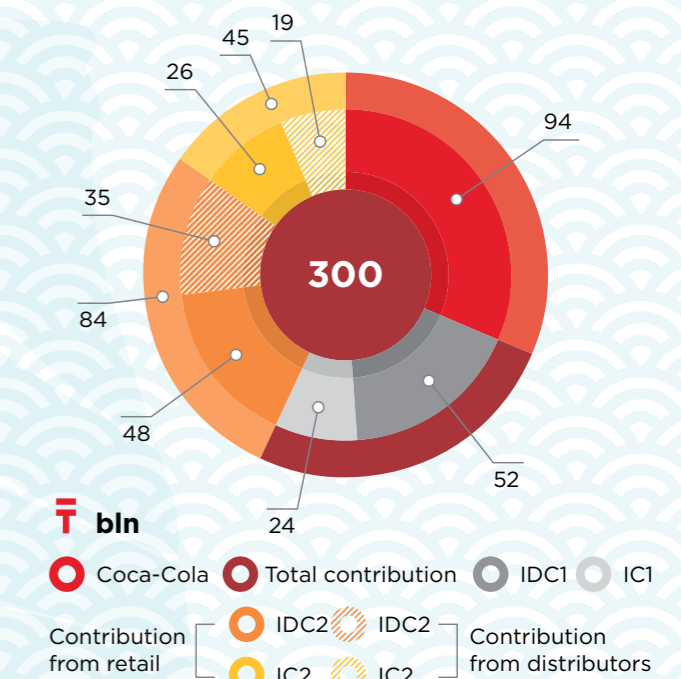


Figure 40. Cumulative contribution to GDP for 2013-2017, bln tenge

Indicators for each type of contribution to output for 2013-2017, million tenge

	2013	2014	2015	2016	2017
<b>Direct contribution</b>	46,143	58,524	63,145	71,355	82,267
<b>Indirect contribution 1</b>	24,463	31,010	31,277	32,215	35,443
<b>Induced contribution 1</b>	9,721	12,222	13,117	13,940	16,059
<b>Total contribution</b>	<b>80,327</b>	<b>101,756</b>	<b>107,539</b>	<b>117,510</b>	<b>133,769</b>

Indicators for each type of contribution to GDP for 2013-2017, million tenge

	2013	2014	2015	2016	2017
<b>Direct contribution</b>	14,460	13,006	19,870	26,086	20,839
<b>Indirect contribution 1</b>	8,533	8,132	11,440	14,013	10,082
<b>Induced contribution 1</b>	3,983	3,543	5,328	6,639	4,830
<b>Indirect contribution 2</b>	11,997	15,216	16,418	18,552	21,389
<b>Induced contribution 2</b>	7,209	7,814	8,543	9,097	12,510
<b>Total contribution</b>	<b>46,182</b>	<b>47,711</b>	<b>61,600</b>	<b>74,388</b>	<b>69,650</b>



Contribution to employment

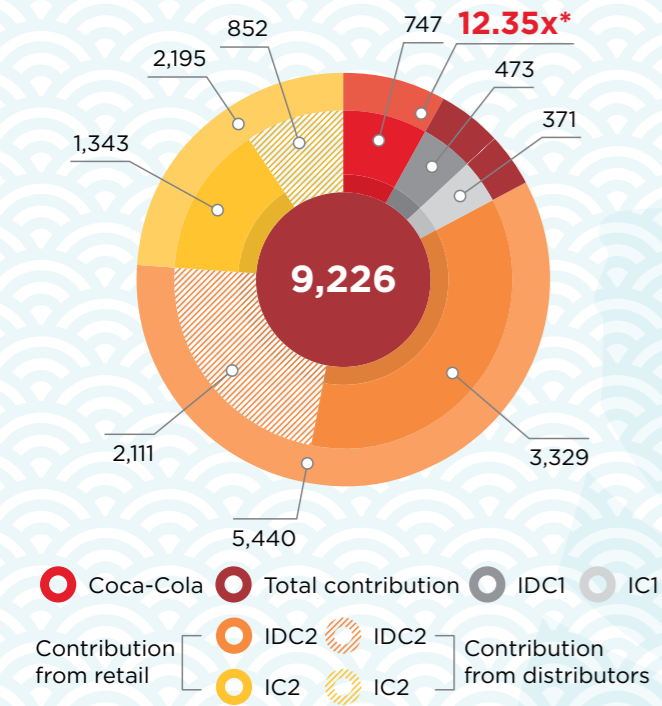


Figure 41. Contribution to employment in 2017, jobs

Contribution to labor income

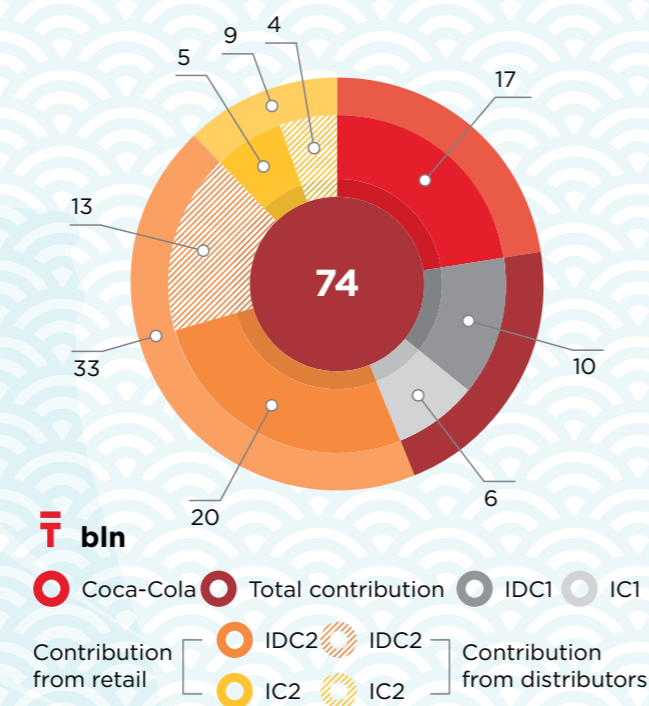


Figure 42. Cumulative contribution to labor income for 2013-2017, bln tenge

Tax contribution

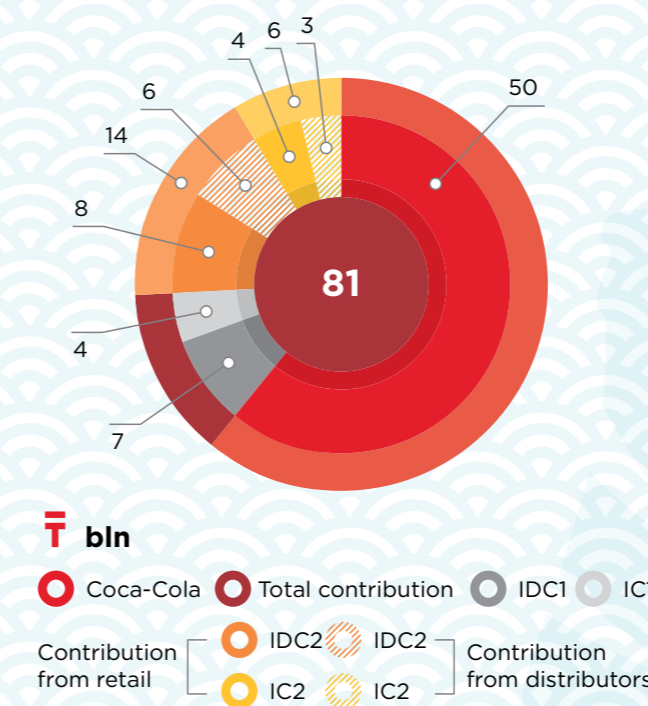


Figure 43. Cumulative tax contribution in 2013-2017, bln tenge

Indicators for each type of contribution to employment for 2013-2017, jobs

	2013	2014	2015	2016	2017
<b>Direct contribution</b>	773	831	973	805	747
<b>Indirect contribution 1</b>	660	535	761	576	473
<b>Induced contribution 1</b>	481	467	533	404	371
<b>Indirect contribution 2</b>	3,591	3,931	4,233	4,761	5,440
<b>Induced contribution 2</b>	1,764	1,722	1,601	1,900	2,195
<b>Total contribution</b>	<b>7,269</b>	<b>7,485</b>	<b>8,100</b>	<b>8,446</b>	<b>9,226</b>

Indicators for each type of tax contribution for 2013-2017, million tenge

	2013	2014	2015	2016	2017
<b>Direct contribution</b>	6,921	8,776	8,584	10,693	14,800
<b>Indirect contribution 1</b>	1,247	1,213	1,490	1,835	1,358
<b>Induced contribution 1</b>	619	570	724	903	696
<b>Indirect contribution 2</b>	2,023	2,565	2,537	3,031	3,761
<b>Induced contribution 2</b>	1,015	1,102	1,097	1,267	1,753
<b>Total contribution</b>	<b>11,825</b>	<b>14,225</b>	<b>14,432</b>	<b>17,730</b>	<b>22,368</b>

Indicators for each type of contribution to labor income for 2013-2017, million tenge

	2013	2014	2015	2016	2017
<b>Direct contribution</b>	2,853	3,136	3,600	3,655	3,290
<b>Indirect contribution 1</b>	1,813	1,956	2,304	2,012	1,645
<b>Induced contribution 1</b>	1,105	1,114	1,286	1,224	1,100
<b>Indirect contribution 2</b>	4,454	5,527	6,147	7,489	9,511
<b>Induced contribution 2</b>	1,260	1,479	1,610	1,916	2,512
<b>Total contribution</b>	<b>11,485</b>	<b>13,211</b>	<b>14,947</b>	<b>16,295</b>	<b>18,057</b>

\* Total contribution to employment is 12.35 times higher than the direct contribution.



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