



# CITIZENSHIP OF KYRGYZSTAN



*Coca-Cola*®

**REPORT ON THE SOCIO-ECONOMIC  
CONTRIBUTION OF THE COCA-COLA  
SYSTEM IN THE KYRGYZ REPUBLIC  
2015-2019**





**Dear readers!**

The Coca-Cola Company was founded in the Kyrgyz Republic back in 1995, almost a quarter century ago, and on May 8, 1996, production began. Since the beginning, the Company has been making major contributions to all the different aspects of sustainable development in the country: economic, environmental, and social.

However, you may have questions: how to evaluate this contribution of the Company? What is the total contribution of the Company in the country's economy considering its network of suppliers, contractors, distributors and sales outlets? What exactly has been done for the environment and what are the results? What social projects does the Company implement and how beneficial are they for the community? After all, when you buy one of the Coca-Cola beverages, you don't think about what impact your purchase had on the environment, what work was done to get the bottle you bought in the store, and how it affected the country's economy.

To get answers to these and many other questions, this study was conducted. We tried to comprehensively consider the impact of our Company on the development of the Kyrgyz Republic over the past five years, from 2015 to 2019. The contribution to the country's economy includes not only the results of our direct activity, but also the contribution that is formed through our procurement and distribution. In the report, we also tried to tell in detail about our contribution to the environment, implemented social and environmental projects, and their results.

We hope this document will answer all the questions you may have and offer you a better understanding of the work of Coca-Cola System in the Kyrgyz Republic.

**Enjoy your reading!**



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## MAIN RESULTS

The main goal of this report is to evaluate the contribution of the Coca-Cola System represented by Coca-Cola Bishkek Bottlers CJSC (hereinafter referred to as the “Company” or “Coca-Cola System”) in the sustainable development of Kyrgyzstan from 2015 to 2019. The report analyzes all three components of sustainable development: economic, environmental, and social.





# THE ECONOMIC ASPECT

The total contribution of the Company to the economy of Kyrgyzstan 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.

## € 12 bln

the total contribution of Coca-Cola System to Kyrgyzstan's GDP in 2019

## 11.9%

The average growth rate of Coca-Cola's contribution to the output in prices of 2019 (excluding inflation) for the period 2015-2019 **11.9%**.

## € 7.57

For one som of the Company's added value in the economy of the Kyrgyz Republic, an additional **7.57 soms of gross value added (GVA)** is created.

## 3,500

jobs in different industries of the KR's economy

## 325

the Company itself employed

During the period 2015-2019, Coca-Cola's activities contributed to support an average of **3,500 jobs annually**, and they received income of about 5 billion soms of total impact.

## € 4.3

For one som, which is received in the form of wages by Company employees, an additional **4.3 soms** of wages are generated and paid to employees of all enterprises and organizations in our supply, distribution and sales chain in the economy.

## "Best Taxpayer of Kyrgyzstan"

Based on the results of operations for 2016 and 5 months of 2017, the Company was honored the **"Best Taxpayer of Kyrgyzstan"** award.

## € 1.1 bln

the total tax contribution in 2019

## € 586 mln

Taxes and payments

## 4.9 bln

Over five years the cumulative contribution to the labor income amounted to 4,943 bln som

The amount of **taxes and payments** paid by the Company exceeded **586 million soms in 2019**. The total tax contribution (direct, indirect and induced) of the Company in 2019 amounted to more than 1.1 billion **soms**.

More detailed information about the economic contribution of the Company to the development of Kyrgyzstan is provided in the section 2 of this report "Contribution to the economic development of the Country".

(5 bln is cumulative impact for 2015-2019, (total impact) 3500 th. jobs is average for 2015-2019, (all indirect and induced impacts))





# THE ENVIRONMENTAL ASPECT

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

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



## "Green Leader" Award

According to the results of 2019, Coca-Cola System received an award for its contribution to environmental protection in the Kyrgyz Republic among AmCham companies<sup>1</sup>.



# 3,000

More than 3 000 residents of geographically remote villages of the Kyrgyz Republic were provided with access to drinking water.

# € 6.6 mln

the volume of investments for improving technologies and processes at the enterprise in the field of environmental protection, for 2015-2019



# \$150,000

150 000 US dollars were invested by the Company during the period 2015-2017 to implement projects to provide remote villages with access to clean drinking water.



# 9,407 m<sup>3</sup>

In 2019 the volume of water reused as a result of Operational Excellence Projects of the Company amounted to 9,407 cubic meters



# 96.97%

Share of recyclable waste in the production process of Coca-Cola in 2019 amounted to 96.97%.



# 24%

The implementation of the project aimed to reduce plastic consumption resulted in the package weight cuts by 24% in 2019.



More detailed information about the Company's contribution to environmental protection is provided in section 3 of this report "Contribution to environmental protection".

<sup>1</sup>American Chamber of Commerce in the Kyrgyz Republic



# THE SOCIAL ASPECT

The Company pays special attention to the social component of its operations. The report contains information on the Company's major social projects implemented last years, their expenditures, and information on their key impacts on the society. This report also presents the results of the Social Return on Investment analysis that we conducted to quantify the social contribution of the project to improve public access to drinking water, hygiene and sanitation in the rural areas of Kyrgyzstan (Momunov village).



## The best employer in the country

The Company has been repeatedly awarded the highest talent management awards and recognized as **the best employer in the country**.



## 7 years

The Company has successfully proved its compliance with the **provisions of the CCI Human Rights Policy** for the past 7 years.



## \$570,000

About **570 000 US dollars** were invested by Coca-Cola System in the **implementation of social projects** in 2015-2019.



## 21,000 schoolchildren



## 140 schools

As a result of "Wash" project implementation, 140 rural schools had their sanitary facilities reconstructed; **and 21,000 schoolchildren were trained in sanitary rules.**



## 12

Youth entrepreneurship projects allowed **12 business ideas** to **receive grants** for their further development and implementation.

## 1\$=2,2\$

Based on the SROI, the social impact of the project to improve access to drinking water, hygiene and sanitation in the rural areas of Kyrgyzstan, namely in the village of Momunov in the Batken province, implemented in 2016-2017 totaled 2.2 This SROI indicator means that every dollar invested by the Company in the project contributes to the social effect in the amount of 2.2 USD.



## 3,500

Every year, as part of the promotion of sports and a healthy lifestyle, two runs of the **Bonaqua marathon** are held, each of which attracts more than **3,500 runners.**



## 0.3 % invested in environmental or social initiatives

Based on the financial indicators of the Company for 2019, **0.3% of the cost of each bottle** of Company products purchased by our consumers is **invested in environmental or social initiatives.**



More detailed information about the Company's contribution in the development of the regions and population of the country is provided in section 4 "Contribution to the social development of the country".

# 1

## COMPANY PROFILE



**16 liters**

per person  
in 2019

The volume of the Company's production per capita in Kyrgyzstan in 2019 amounted to about 16 liters per person.



**0,3 %**

invested in  
social projects

From each sold bottle of any Coca-Cola drink in Kyrgyzstan, approximately 0.3% of its value is invested in the environmental or social projects of the Company in the country.



**23 distributors**

At the end of 2019, the Company collaborated with 23 official distributors in the country, and in general, products were delivered to 15,609 outlets.



**\$14 mln**

From 2015 to 2019, the Company invested more than 14 million USD in the construction of buildings, procurement of new equipment and maintenance of existing facilities.

## 1.1 INTRODUCTION TO COCA-COLA SYSTEM IN THE KYRGYZ REPUBLIC

Coca-Cola Bishkek Bottlers CJSC is a company that manufactures, sells and distributes sparkling and still soft drinks in the Kyrgyz Republic. The Company began operations in the country in 1996. In 2006, the Company came under the leadership of Coca-Cola Icecek (CCI), a member of the large Turkish group of companies Anadolu Efes<sup>2</sup>, and one of the largest bottlers<sup>3</sup> of Coca-Cola products in the world.



600009

Figure 1. Coca-Cola System production facility in Kyrgyzstan

<sup>2</sup>More detailed information about Coca-Cola Icecek is provided in the CCI sustainability report for 2018 (<https://cci.com.tr/sustainability-report/ru/cci-at-a-glance.html>)

<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 Kyrgyzstan, serving the country's population of 6 million. CCI Kyrgyzstan is represented by a factory in Bishkek with a staff of more than 300 people and a production capacity of more than 25 million units per year.

Coca-Cola's business operations in Kyrgyzstan and any decisions made are always based on the principles of sustainable development. The Company's priorities are:

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

We focus on all three aspects of sustainable development: economic, environmental, and social (Figure 2).

## Economic contribution of the Company

The Company contributes to the economic growth of the country and community through the following:

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

More detailed information about the economic contribution of the Company for 2015-2019 is provided in section 2 of this report "Contribution to the economic development of the country". For a better understanding of the Company's economic impacts, a simplified layout of production and distribution processes is provided below.



**1** The primary and most likely main component of the production of quality drinks by the Company is modern and high-tech industrial and support facilities. From 2015 to 2019, the Company invested more than 14 million USD in the construction of buildings, procurement of new equipment and maintenance of existing facilities.

For logistics and storage optimization, over

5 million US dollars were invested in the construction of a new large warehouse on the Company's plant in Bishkek in 2019.

**2** The second most important part of the production is the procurement of quality ingredients, 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.

- One of the important components of sparkling soft drinks production is carbon dioxide, which is produced on Company's facilities through natural gas burning and processing. This method of producing carbon dioxide is one of the safest and most effective in terms of the environmental protection. Further, on the production line, the gas undergoes a five-stage purification process allowing us to use this gas to carbonate our beverages.
- All plastic bottles used to fill with finished drinks are blown out from preforms at the Coca-Cola factory in Bishkek. The plastic preforms, 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** Care for consumers is one of our primary priorities. All drinks first go through multiple quality control processes, before being approved and distributed to consumers.

**5** Finally, our 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".

# INTERNAL AND EXTERNAL STAKEHOLDERS OF THE COMPANY IN KYRGYZSTAN

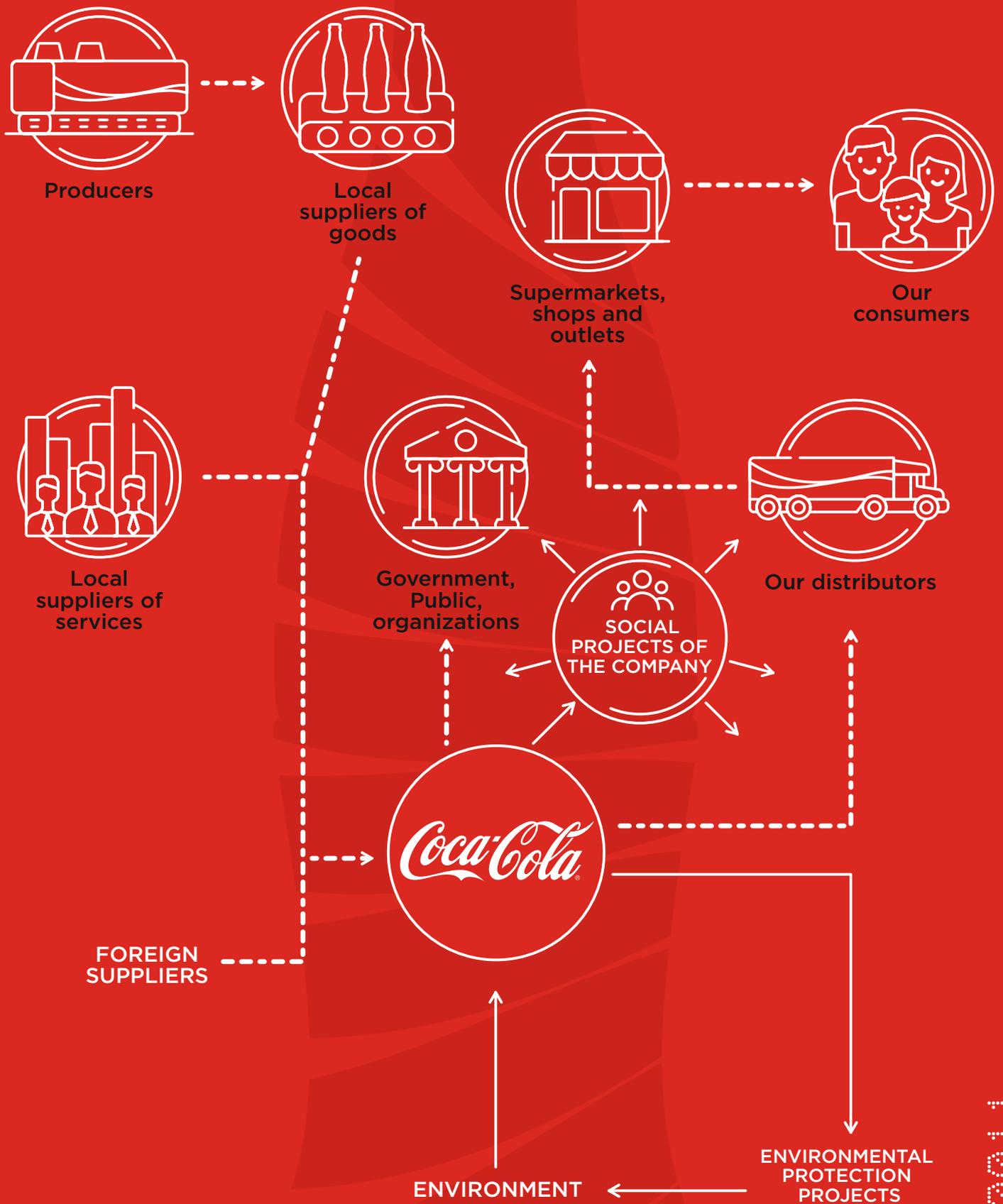


Figure 2. Our operation scheme



### Company's contribution to the Environmental Protection

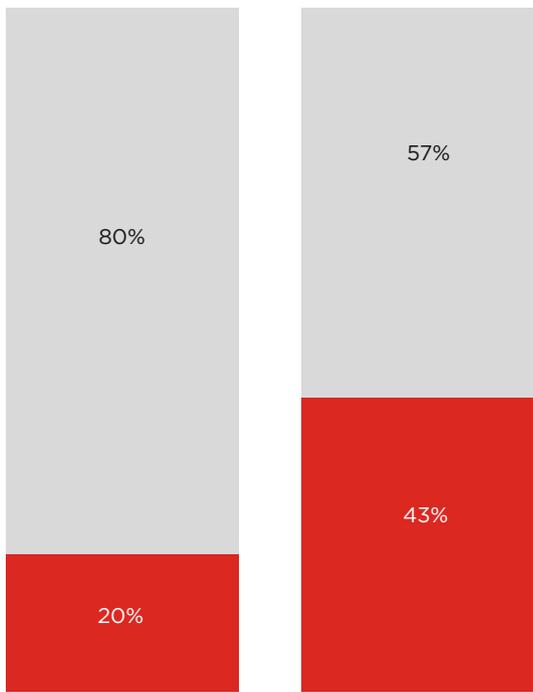
The main environmental objective of Coca-Cola System in Kyrgyzstan is to mitigate its negative impact and maximize its positive impact on the environment and society. We consider the following environmental aspects the most significant: energy management and climate change, water management and sustainable packaging. Most of our environmental activities are therefore implemented in these areas. From 2015 to 2019, almost 94,000 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 environmental protection".

### Social contribution of the Company

Finally, the third component of the Company's sustainable development policy is the creation of social value. In this area we focus on two aspects:

#### Care for our employees

Coca-Cola System in Kyrgyzstan employees are our most valuable asset. More than 300 people are employed at the Company, and 99% of them are local employees. Women represent 20% of all employees and 43% of top management (Figure 3).



Share in the Company  
Share in top management  
● women ● men

Figure 3. Gender structure of the Company's employees, 2019

The Company has a major focus on the development and training of its personnel. For example, in 2019, more than 9,000 hours were devoted to training, and average number of hours for one worker was 28.9. Training programs provided to our employees are aimed to strengthen a range of skills and competences: from technical and soft to leadership skills. Occupational safety training is the outmost importance. In 2019, 84 different trainings making 5,712 hours, were provided on this subject.

### Social activities

Being one of the high-tech and well-equipped enterprises, our Company contributes not only to the Kyrgyz economy, but actively supports social projects in the country. From 2015 to 2019, our total investments in social initiatives amounted to 570,000 USD. The Company performs social activities in various areas: healthcare, sports, education and youth development. More detailed information about the Company's initiatives is provided in section 4 "Contribution to the social development of the country".

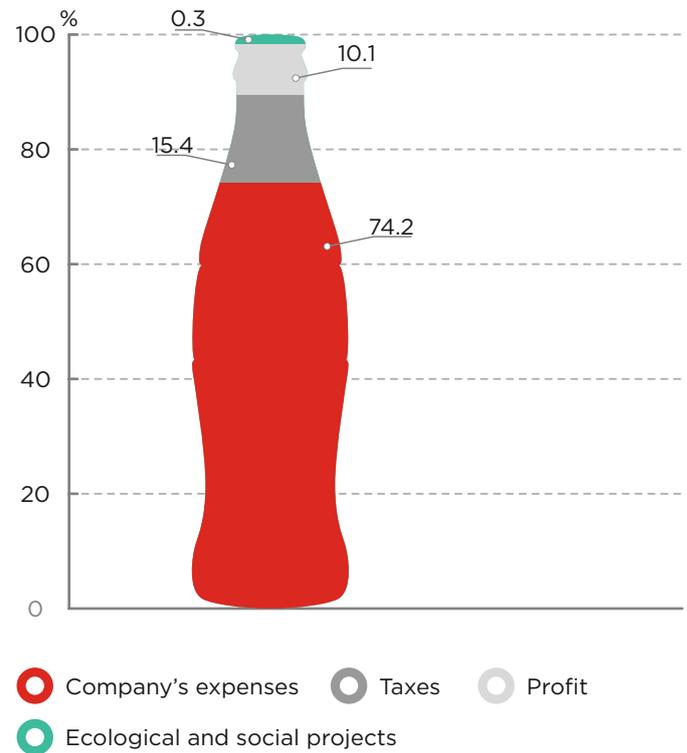


Figure 4. The "contents" of one Company's drink bottle in the Kyrgyz Republic, in 2019, %

Based on the financial performance of the Company for 2019, 0.3% of the cost of each drink produced by the Company and purchased by our customers is invested in environmental or social activities (Figure 4).







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

The soft drinks market in Kyrgyzstan is represented by four segments:

- Sparkling soft drinks;
- Juice and juice drinks (fruit and vegetable juices);
- Mineral water (sparkling and still);
- Other soft drinks, including ready to drink tea, energy drinks, and other ready to drink beverages.

Coca-Cola produces and sells soft drinks in all four segments and is represented by more than 8 brands of sparkling and still soft drinks (Table 1).

Table 1. Main brands produced by the Company in Kyrgyzstan

| Category                          | Brands   |
|-----------------------------------|--|
| Sparkling soft drinks             |  |
| Juices and juice drinks           |  |
| Sparkling and still mineral water |  |
| Other soft drinks                 |  |

Four brands from those mentioned above are produced in Kyrgyzstan, the rest are imported from neighboring Kazakhstan.

The volume of Coca-Cola System in Kyrgyzstan produced soft drinks compared to total industry production output in the country, excluding hot and dairy drinks, accounts for 25%<sup>4</sup> (Figure 5).

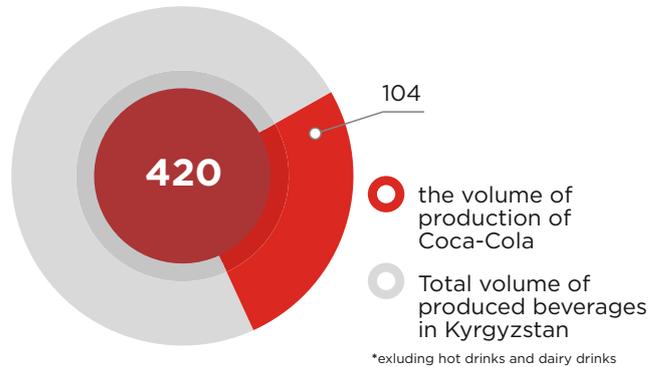


Figure 5. Volume of Coca-Cola System produced soft drinks compared to total industry production output in 2019, million liters

## 1.3 THE COMPANY'S SUPPLY CHAIN

The supply chain of any company is critical for ensuring operations of the Company. The key players in our supply chain are:

- Kyrgyzstan local goods and services suppliers;
- Import goods and services suppliers;
- The Company's distributors;
- Retail facilities supplying finished products to our final consumers: supermarkets, stores, market outlets, etc.;
- Hotel and restaurant business (HoReCa), into which products are delivered through the Company's distributors.

### The Company's suppliers

In order to maintain a leading position in the market of soft drinks, it is extremely important for the Company to maintain and improve the quality of purchased raw materials, goods, materials and services, as well as the reliability and responsibility of each of our suppliers.

The Company's supply chain has an important feature: in order to provide the best possible quality of final products, the key component ("concentrate" or "syrup") is purchased exclusively from specially selected and approved foreign suppliers who pass a rigorous selection process. Also, sugar defined by the Company standards is used for production, which is also mainly imported. Sugar is subject to control analyses, and in case of non-compliance with the quality criteria, sugar is returned to the supplier. Furthermore, relations with the supplier are reviewed.

Water for the production of drinks is purchased from the city water supply network. Before entering production, water passes through a cascade of filters and purifiers, after which it fully meets the Company's strict quality requirements. Other components necessary for production, such as plastic preforms, may be supplied by other domestic or foreign suppliers who also have to pass rigorous selection and quality control processes.

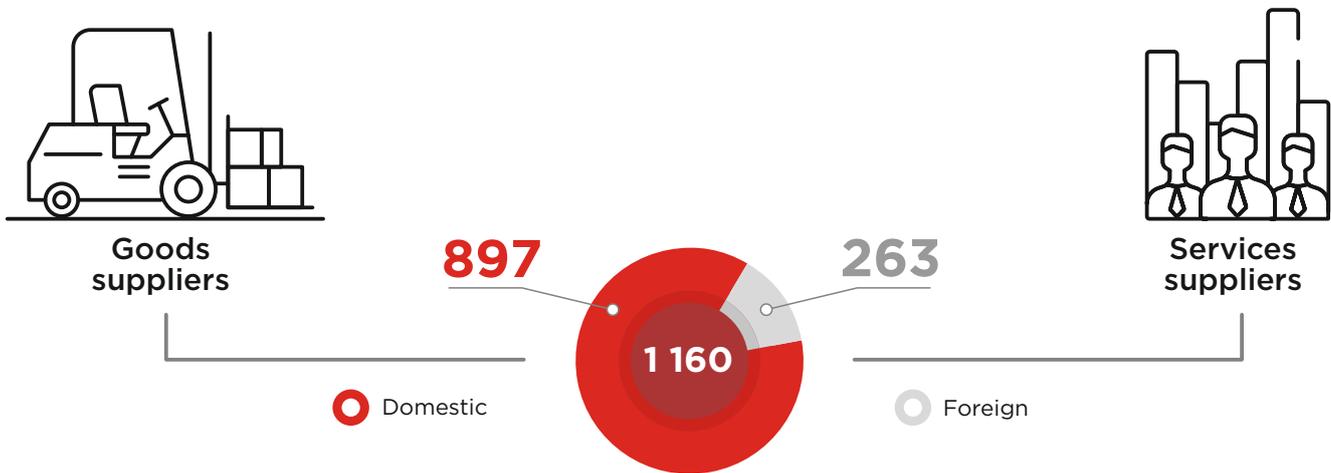
All Coca-Cola suppliers must be approved at the headquarters level of Coca-Cola System. The Company maintains a list of all goods and services suppliers, who must comply with strict criteria. We work exclusively with the companies included on this list. To select our partners in the supply chain, we establish a tender commission. During the selection process for a new supplier, the Company considers not only supplier's financial performance but several other important criteria, such as compliance with the legislation of Kyrgyzstan, timely payment of taxes, business ethics, workplace rights enforcement policy, occupational health and safety policy, environmental policy, and natural resource management. During cooperation with suppliers, we evaluate them by analyzing our business relationships with them, and in case of any violations, the supplier is suspended. Also, a procurement system is audited by the head office, which helps to identify any deficiencies, as well as improve the procurement system.

During the reporting period (from 2015 to 2019), the Company collaborated with more than 1,000 domestic and foreign suppliers.

<sup>4</sup>According to the Company's data



Table 2. Number of domestic and foreign goods and services suppliers with whom the Company collaborated in 2015-2019



The Company is trying to give preference to local suppliers, thereby developing the economy of Kyrgyzstan. As Table 2 shows, about 77% of the total number of all suppliers of goods and services of the Company (2015-2019) 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 preforms, labels and other materials. The services procured most often include construction, marketing, advertising, transportation, and logistics. The main import items are, of course, beverage concentrate, and high-quality sugar. In the structure of the Company's total purchases, the share of import purchases is 66%, and local purchases are 34% (Figure 6).

The beverage concentrate must be imported by definition, as it is an integral part of the Company's business. Therefore, for a clearer representation, the purchase of the concentrate for the production of drinks is allocated in a separate category.

Below we compare the share of import in total procurement of the Company (with and without purchases of concentrate) with similar data in the industry "Food, beverage, and tobacco products production". The figure below (Figure 7) shows changes in the share of imported goods and services from 2015 to 2019.

The average share of goods and services imported by the Company is 14-26 percentage points 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 System, and these items are the most expensive in the total volume of procurement expenses. But, excluding concentrates, the share of imports in the Company's total purchases is comparable to industry-specific ones.
- In addition to soft drinks production, the industry also includes the production of alcoholic drinks, food and tobacco products. Unfortunately, due to the overall specifics of official Kyrgyzstan statistics, it's quite problematic to separately itemize procurement in the soft drinks segment without a significant loss of calculation accuracy.

00016

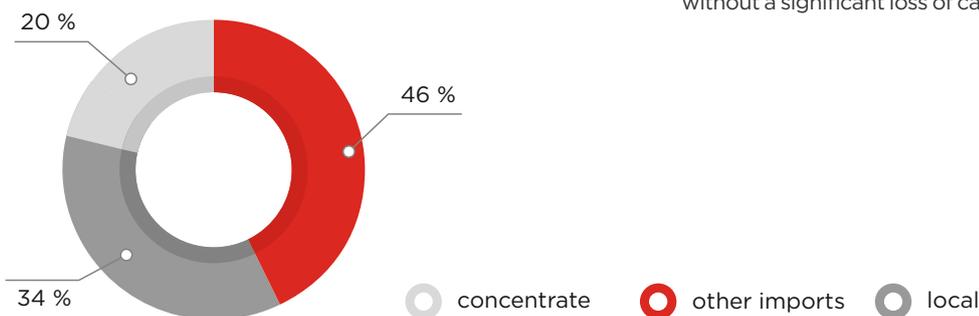


Figure 6. The share of local and import purchases in the total volume of purchases of goods and services for 2015-2019

SOCIO-ECONOMIC IMPACT 2015-2019

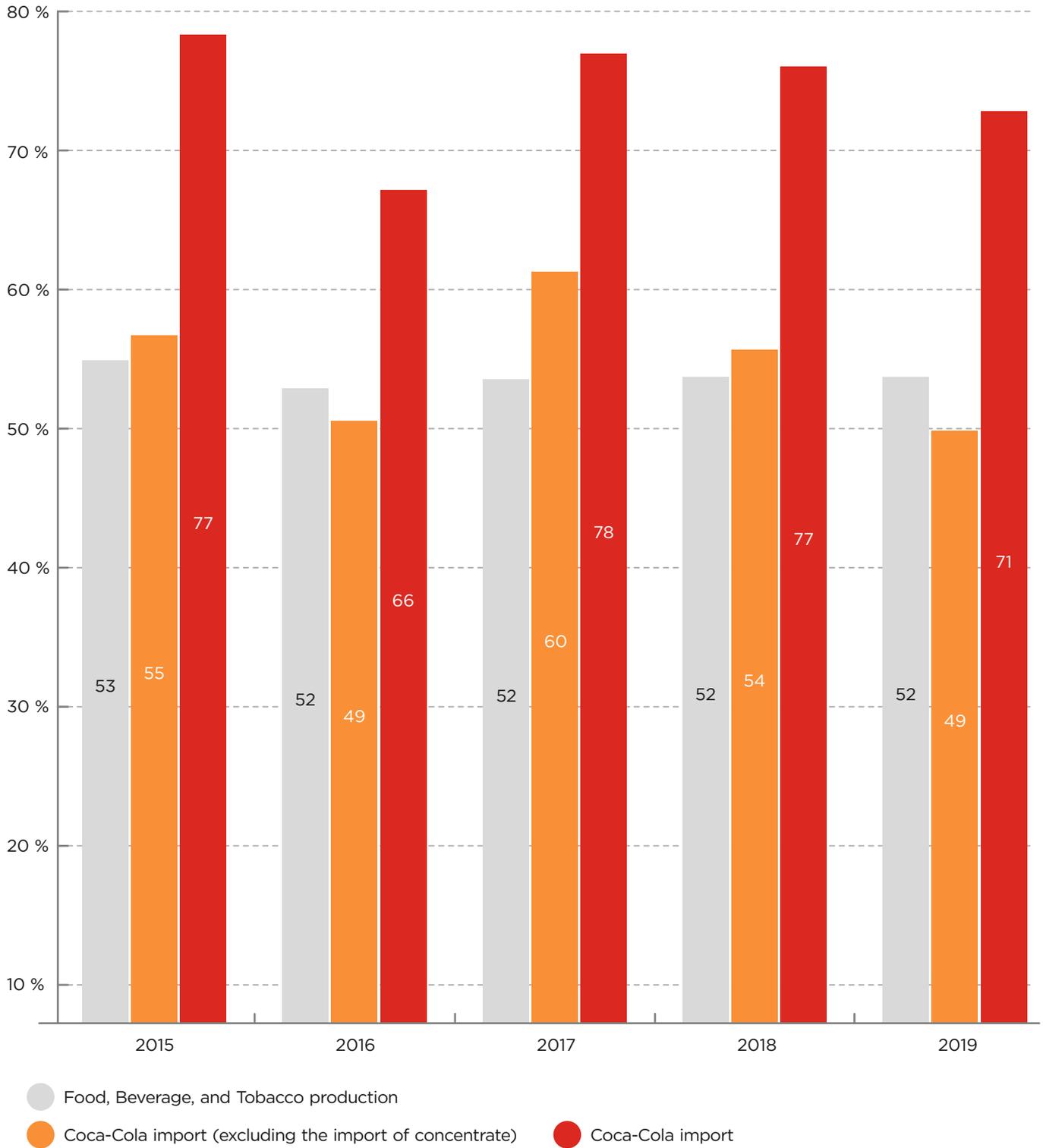


Figure 7. Share of import in procurement of Coca-Cola and the “Food, Beverage, and Tobacco Products Production” industry in 2015-2019



## Trading network of the Company

Our products are shipped to the Company's distributors, as well as directly to outlets. The right selection of distributors and outlets, as well as the selection of suppliers, is very important process for the Company.

**The Company's products are supplied to more than 15,000 outlets around the country**

Distributors bear the responsibility of linking the Company with the consumers, distribution and storage of products. Thus play a vital role in representing our Company in the market.

Just as with suppliers, we hold our distributors to specific requirements they must comply with. The selection of a new distributor is carried out on a tender basis, and the infrastructure capabilities of a distributor are key in the selection process. The selection criteria also include financial resources, credit history, tax history and work experience of the applicant company in the fast-moving consumer goods (FMCG) industry. We care about how responsibly our distributors conduct their business, so we conduct audits on stocks of products, trading programs, the presence of expired products.

In addition, one of the important requirements for suppliers and the entire distribution network is environmental requirements, which include compliance with the requirements of the local environmental legislation of the Kyrgyz Republic, as well as compliance with Coca-Cola's environmental protection requirements that are applicable to all our partners. Coca-Cola system requirements include:

- waste management;
- hazardous waste management (provision of a material safety data sheet, compliance with the compatibility of materials by class during transportation, labeling of containers containing hazardous materials, a ban on the use of asbestos-containing materials during construction or repair);

- application of energy efficient technologies;
- atmospheric air protection (equipment supplied must not use ozone-depleting substances, insulation materials must be CFC-free, HCFC-free and HFC-free<sup>5</sup>);
- water management;
- fleet management (timely technical inspection and preventive maintenance of cars, lack of oil leaks).

The majority of the Company's final products are sold via the distribution network (92%), and a small portion is sold directly to points of sale (8%). A small part of the products (5%) is delivered through the distribution network to the hotel and restaurant business (HoReCa). As of the end of 2019, we collaborated with 23 official distributors, who shipped our products to 15,609 points of sale. From 2015 to 2019, the Company shipped products for a total of 14 billion soms (around 209 million USD). 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 -14%.

Thus, by growing and developing the business and diversifying our network of suppliers and distributors, we contribute substantially to the economy of the country: in 2019, due to our business development and operations of our supply and distribution chains, more than 1.7 billion soms of added value was generated in the country's economy, and -2,700 jobs were supported (Figure 8).



<sup>5</sup>CFC - Chlorofluorocarbon, HCFC - Hydrochlorofluorocarbon, HFC - Hydrofluorocarbon

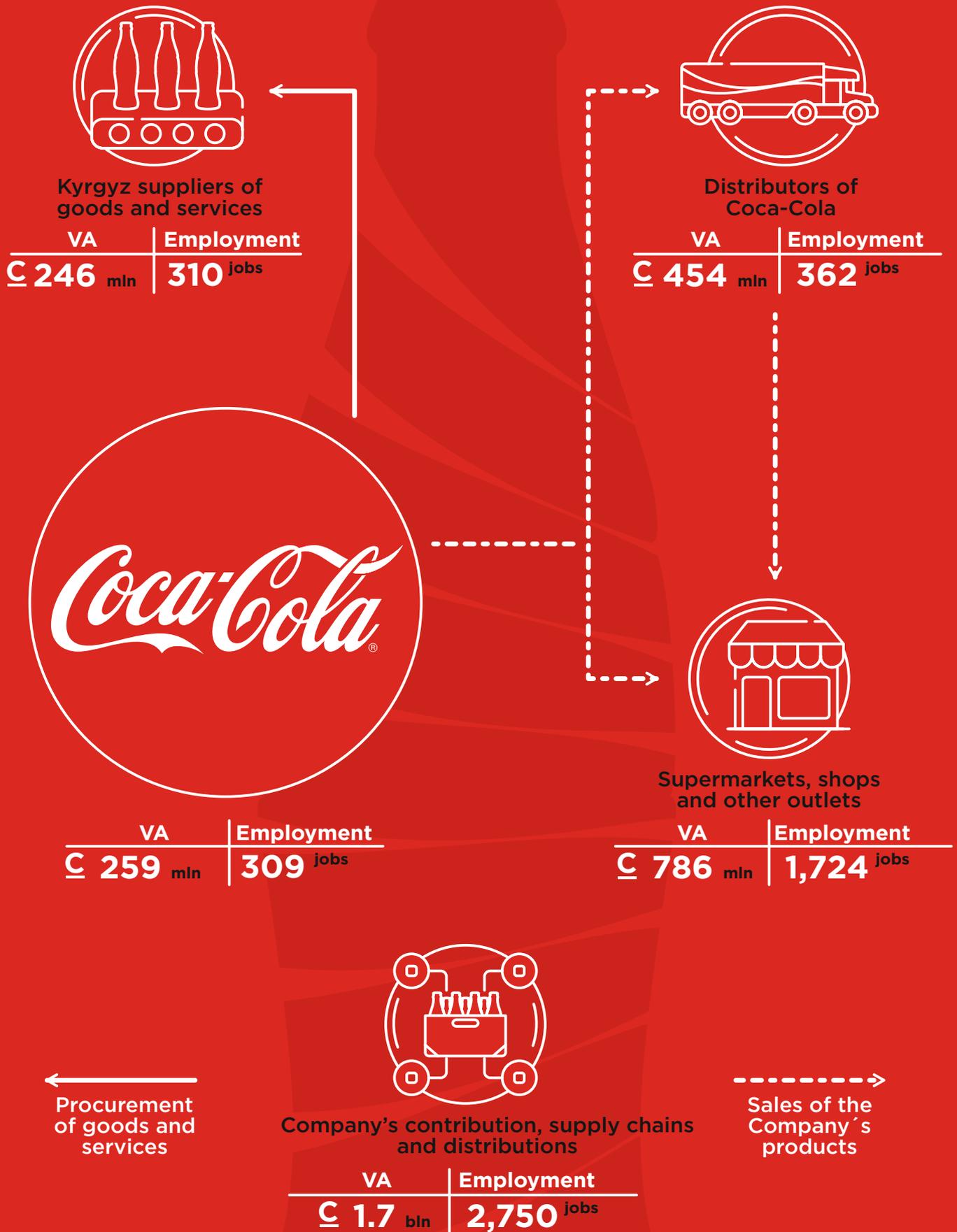


Figure 8. Contribution to value added (VA) and employment due to the Company's business development and its supply and distributor chains in 2019

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 report.

# 2

## CONTRIBUTION TO THE ECONOMIC DEVELOPMENT OF THE COUNTRY

The average value of the growth of the Company's contribution to the output (that is, excluding inflation) for the five years starting from 2015 to 2019 amounted to 11.9%.

### ≈ 12 bln

total contribution to the GDP of Kyrgyzstan for 2015-2019 amounted to about 12 billion soms, while the direct contribution of the Company was about 2.5 billion soms.

### ≈ 2.5 bln

direct contribution of the Company was about 2.5 billion soms.

### 3,500

Coca-Cola's activities contributed to supporting an average of 3,500 jobs annually

### ≈ 5 bln

received income of about 5 billion soms.

### 1,1 bln

the total tax contribution in 2019

### ≈ 586 mln

Taxes and payments

00020



# 2.1 WHAT WAS STUDIED AND ASSESSED?

The assessment of the total 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 contribution.

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 Kyrgyz Republic. For example, the number of employees in the Company for the period is considered a direct contribution in employment, while the value added 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 Kyrgyz Republic generated by the procurement of goods and services by the Company from domestic suppliers. This means that a part of the output (value added, employment, etc.) is generated by our domestic suppliers due to Coca-Cola system 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 System 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 economic sector of Kyrgyzstan.

The analysis of the total contribution of the Company is provided in the figure below in simplified form (Figure 9). More detailed information about the analysis model and assumptions is provided in Appendix 1.



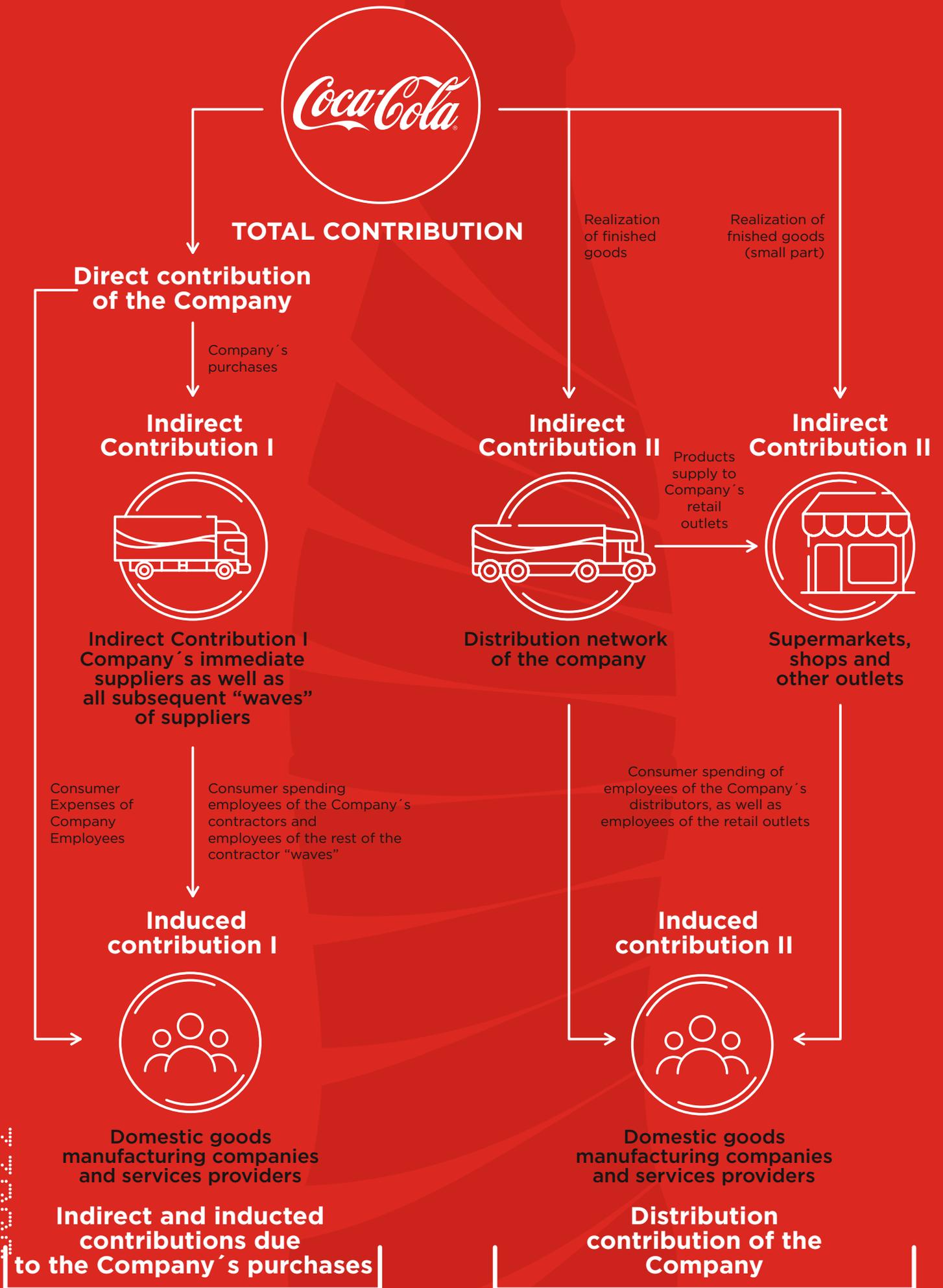


Figure 9. Total contribution of the Company to the economy of Kyrgyzstan

# 2.2 CONTRIBUTION TO THE PRODUCTION OUTPUT OF THE ECONOMY

Gross output or simply output is the total sales of the enterprise (its turnover) in the reporting period (for example, a quarter or a year) before deducting of production costs. In other words, this is the gross income of the enterprise for the period.

**1 som of the Company's output creates additional 1.3 som of the output of goods and services in other industries**

It should be noted that as part of calculating the total contribution of the Company to the national output, the contribution from the distribution network was not calculated. So, the total contribution of the Company to the output considers only its Direct contribution, Indirect I and Induced I. This is done to avoid double counting.

The figure below (Figure 10) shows the structure of the total contribution to the output for 2019. From the results obtained, it follows that each som of the Company's output creates additional 1.3 som of output in other industries. More detailed results of calculations of the total contribution of Coca-Cola System are presented in Appendix 2, including the dynamics over five years.

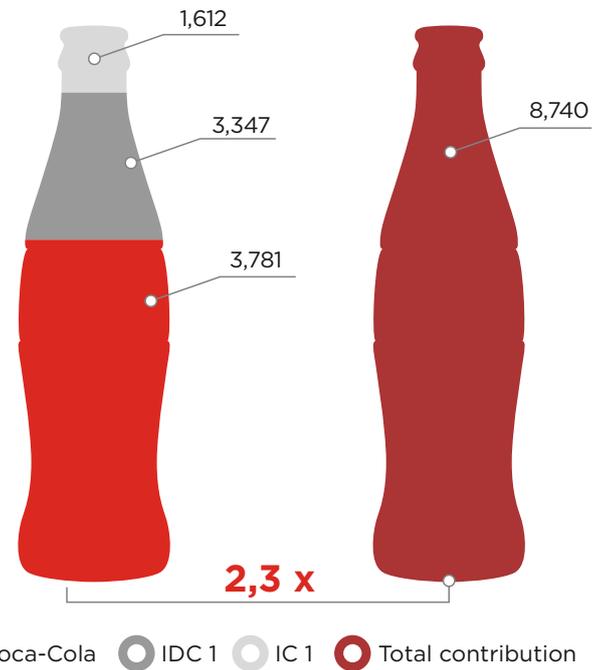


Figure 10. Company's contribution to output for 2019, million soms





The cumulative total contribution to the output for 5 years (2015 – 2019) amounted to 32.6 billion soms, of which 14.6 billion soms were made by Coca-Cola System itself, 10.8 billion soms were generated due to the procurement of domestic goods and services, and the remaining 7.2 billion soms were generated due to consumer spending by both employees of the Company and employees of our suppliers and contractors.

From 2013 to 2018, the Company's total contribution to the output increased by more than 1.7 times (Figure 11). At the same time, the average annual growth rate of the total contribution to the output for this period amounted to 15%. It is interesting to note that the average growth rate of Coca-Cola's contribution to the output in prices of 2019 (i.e., excluding inflation) for the five years from 2015 to 2019 amounted to 11.9%. Thus, even without taking into account the effect of inflation, there is an increase in the production and sale of finished goods.

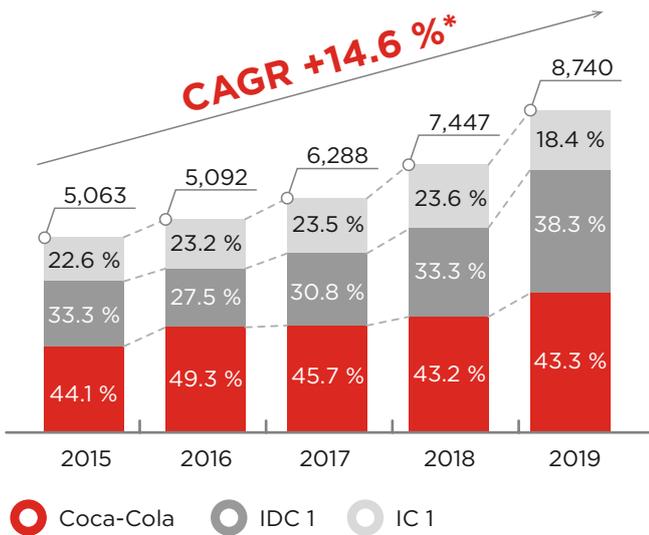


Figure 11. Total contribution of Coca-Cola to output for 2015–2019, million soms  
\*CAGR - Compound Annual Growth Rate

In general, the structure of the total contribution to the output has remained constant over the past time, which indicates a stable structure of the Company's procurement and a relatively constant volume of consumer spending by our employees and employees of our contractors.

We strive to purchase goods and services from local manufacturers, thereby supporting the development of domestic business. The average annual growth rate of the share of local procurement is 5.6% for 2015-2019. In total, over these five years, the number of purchases from local suppliers of goods and services amounted to about 4 billion soms, which made it possible to support 897 companies throughout Kyrgyzstan. The figure below (Figure 12) shows the import procurement (including concentrate) and local procurement of Coca-Cola System and local content.

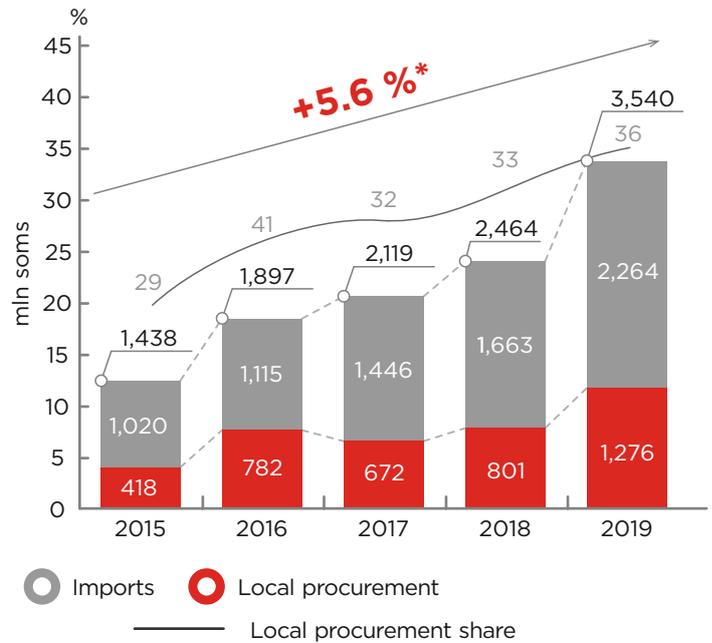


Figure 12. Coca-Cola procurement dynamics and local content in procurement for 2015-2019



For comparison, the share of the Company's total contribution to the production of goods and services is about 12% of the total contribution to the output of the entire industry of "Food, Beverage, and Tobacco Products" (Figure 13). The ratio of contribution types of the Company as a whole correlates with the contribution of the entire industry, which indicates an approximately identical structure of procurement and consumer spending of Coca-Cola System and other companies in the industry.

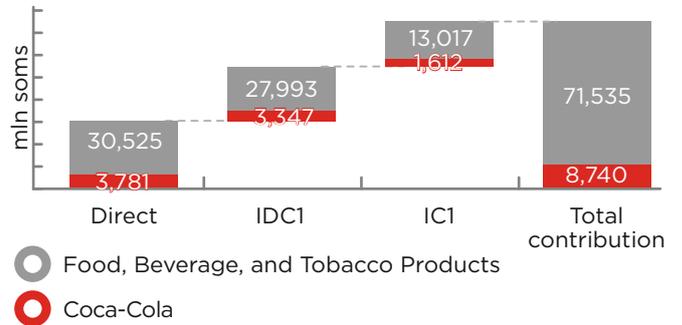


Figure 13. Contribution to the production of Coca-Cola System and the industry "Production of food, beverages, and tobacco products" in 2019

## 2.3 CONTRIBUTION TO THE COUNTRY'S GDP

An important indicator of the activity of any company is the value added created in the production process. The value added can be calculated in several ways; in this study, we calculated it as the difference between gross output (the Company's revenue) and intermediate consumption (total procurement). The figure below shows the structure of the total contribution of the Company to the country's GDP (Figure 14).

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

**1** The total contribution to the country's GDP is more than 8.5 times higher than the value of own value added that the Company generates. The value 8.5 is the so-called multiplier of the total contribution. However, this multiplier is so high in 2019, primarily due to the relatively small direct value added of the Company in 2019. This is explained by the construction of a new warehouse, as well as a significant increase in the output of our products, which led to an increase in purchases of goods and services, and accordingly, decrease in added value. The average company multiplier for added value is 4.8 in 2015-2019.

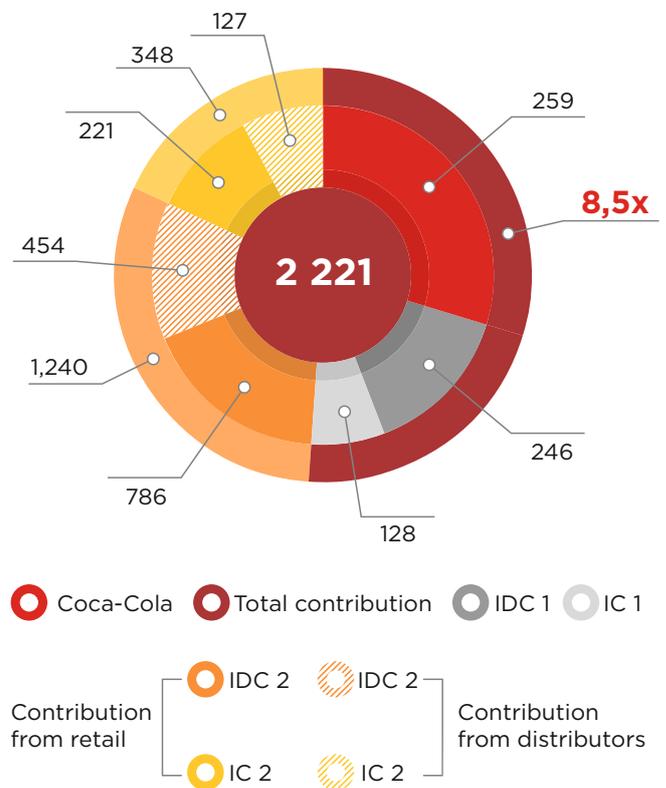


Figure 14. Structure of the total contribution of the Company in GDP in 2019, million soms





2 For one som of the Company's value added in the economy of the Kyrgyz Republic, an additional 7.57 som of gross value added (GVA) is created in 2019.

3 The contribution to value added created through our distribution network is more than twice as large as the Company's own GVA (581 million soms) and the total contribution formed through our suppliers and distributors is about 1,588 million soms.

Our total contribution to the GDP of Kyrgyzstan for 2015-2019 cumulatively amounted to about 12 billion soms, while the direct contribution of the Company itself is about 2.5 billion soms. Moreover, the structure of the total contribution remains relatively unchanged, with only slight variations from year to year (Figure 15). It should be noted that in 2016 there was a decline in the Company's direct contribution to the country's GDP due to the purchase of the land use right in the amount of 231.1 million soms.

The total contribution of the company to GDP is higher than five sectors of the manufacturing industry of Kyrgyzstan (Figure 16), such as the production of metal products, the production of computers and electronics, the repair and installation of equipment, the production of wood, paper and cardboard, as well as printing activities. At the same time, Coca-Cola's total contribution to GDP is only four times less than the entire food, beverage, and tobacco industry.

The industry breakdown for all types of the Company's contribution in GDP (Figure 17) shows that:

- Indirect types of contribution account mainly for such sectors as trade (the largest contribution), real estate operations, professional, construction, scientific and technical activities, manufacturing, transport, and also the financial sector. Support for the Company's distribution network affects trading (IDC II), while the main procurement items in Coca-Cola System in the country are manufacturing products (packaging, paper, labels) and transportation services, as well as advertising and marketing (all together IDC I);
- Induced contribution of both types is mainly made by trade, manufacturing, hotels and restaurants, agriculture, the financial industry and transport. This is also understandable, as if you do not consider the costs of imported consumer goods, it is reasonable that the population spends their money primarily on food (as part of the manufacturing industry), banking operations (financial industry), as well as various services (e.g. transport, communications).

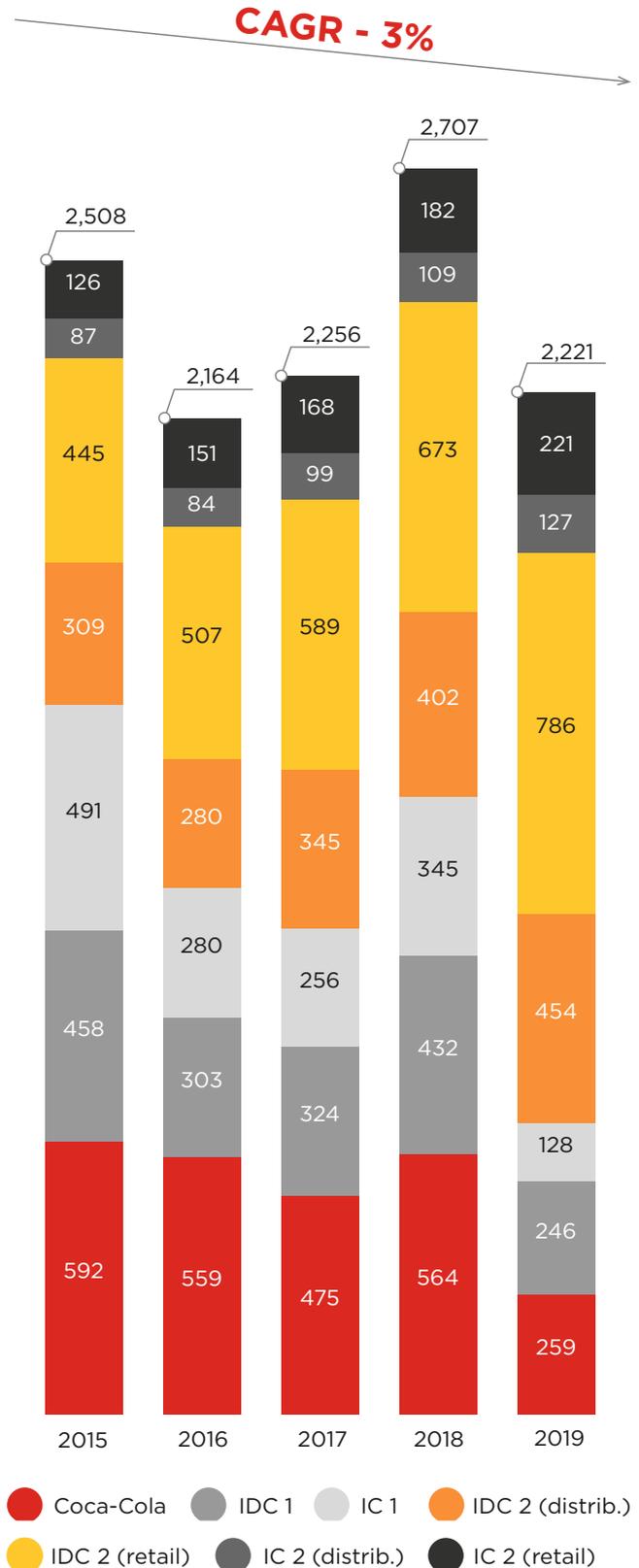


Figure 15. Total contribution of Coca-Cola to GDP for 2015-2019, million soms

SOCIO-ECONOMIC IMPACT 2015-2019

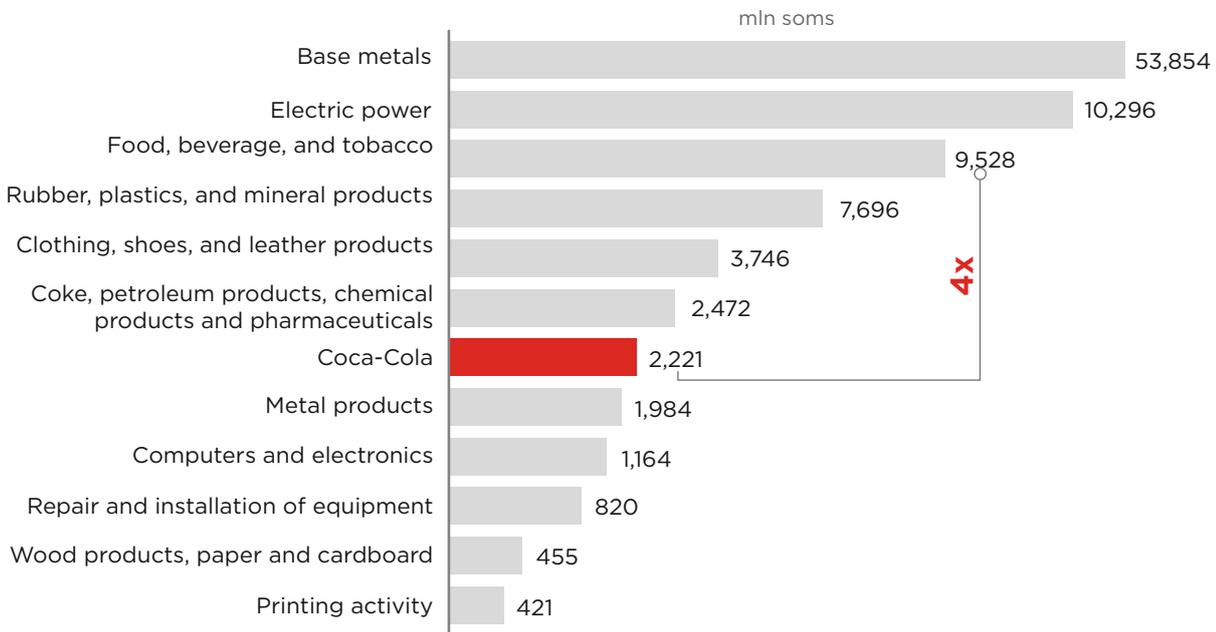


Figure 16. GDP of manufacturing industries compared to the total contribution of the Company to GDP, 2019

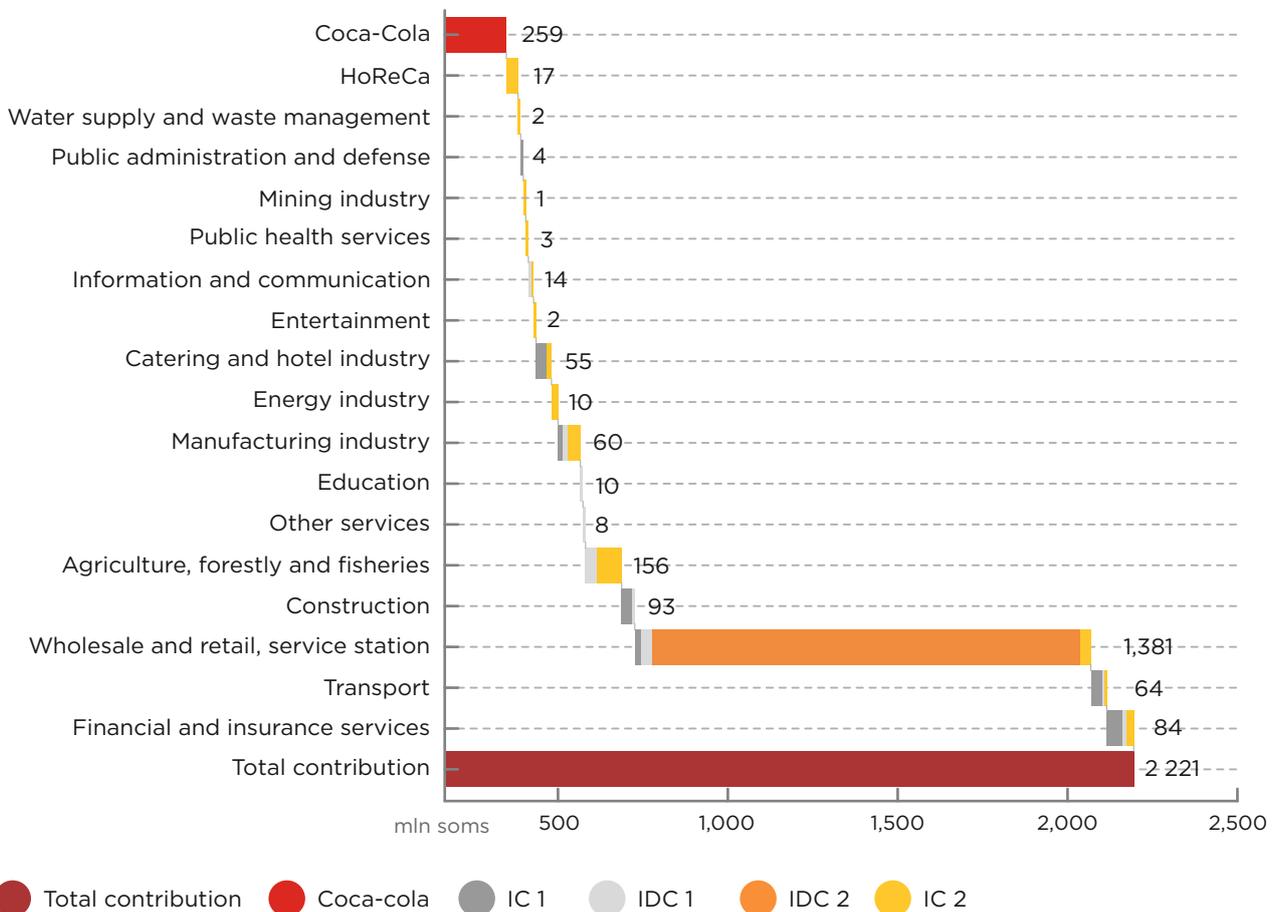


Figure 17. Industry breakdown of the Company's total contribution to GDP in 2019





The structure of the total contribution to GDP 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 a lot of its goods used for the manufacturing of finished products. While the import of the concentrate 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.

Today the sugar is fully imported, because local sugar suppliers do not meet our global quality standards. Therefore, 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. 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. We will consider changes into the contribution to GDP for 2018, as we mentioned earlier, that in 2019 there was an atypical decline in the Company's direct contribution to the value added due to construction of a new warehouse and such an analysis would not reveal the potential of the scenario.

Scenario analysis shows that if the sugar of necessary for Coca-Cola quality would be produced in Kyrgyzstan, the procurement of such sugar by the Company would bring an additional 76 million soms of added value into the economy of Kyrgyzstan. We are confident that 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.

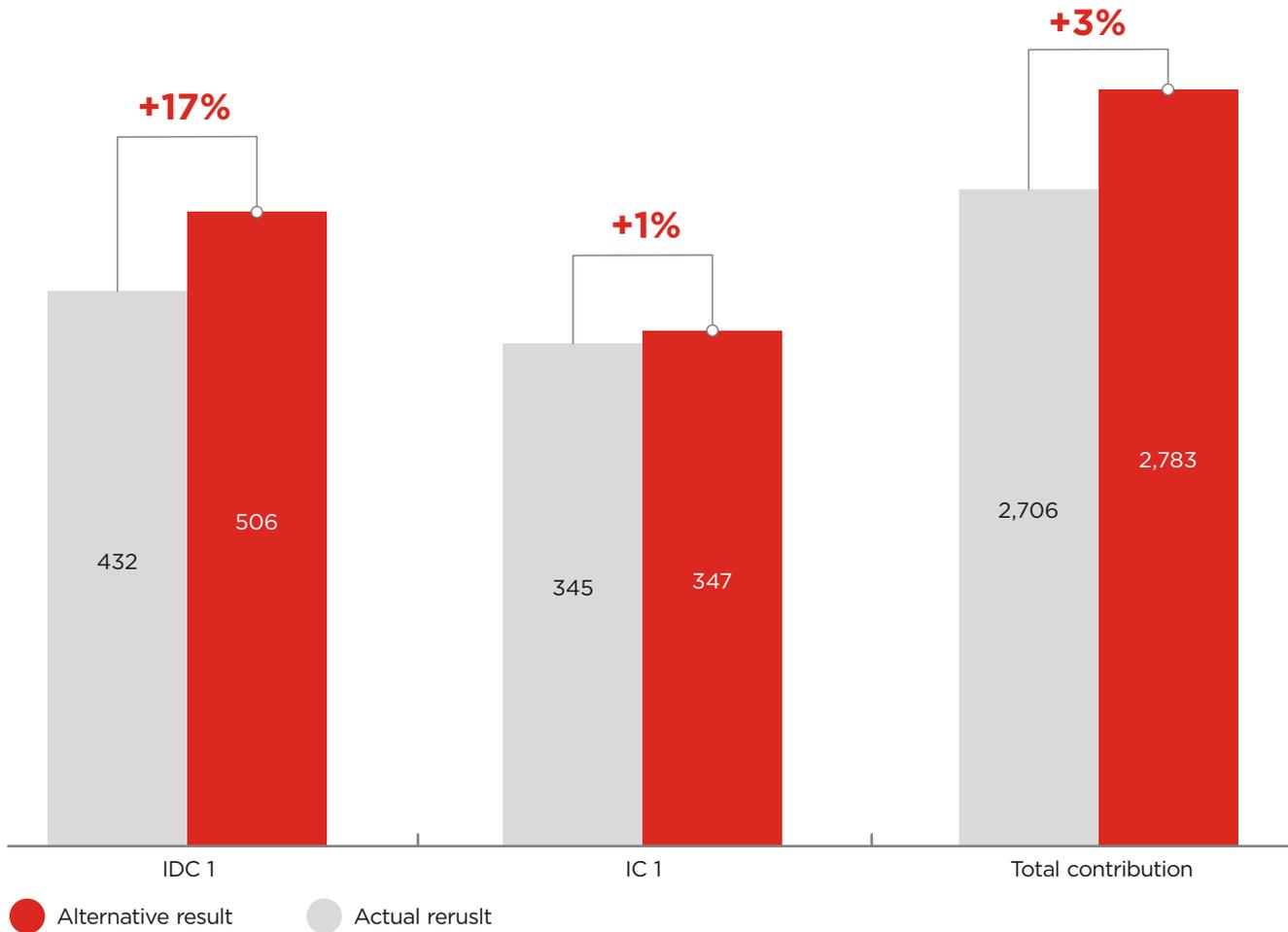


Figure 18. Change of contribution to GDP if sugar is purchased entirely from local suppliers for 2018, in million soms



# 2.4 CONTRIBUTION TO EMPLOYMENT AND LABOR INCOME

We create jobs and take care of increasing the incomes of the population. So, during the period 2015-2019, Coca-Cola's activities contributed to supporting an average of 3,500 jobs annually (Appendix 2), while the average annual number of the Company's employees for this period was about 325 people. This indicates a significant contribution of the Company to employment in other sectors of the Kyrgyz economy.

**Coca-Cola's activities have supported on average 3,500 jobs annually**

In 2019, each job in the Company accounted for an additional 11 jobs in other industries of the Kyrgyz economy (Figure 19).

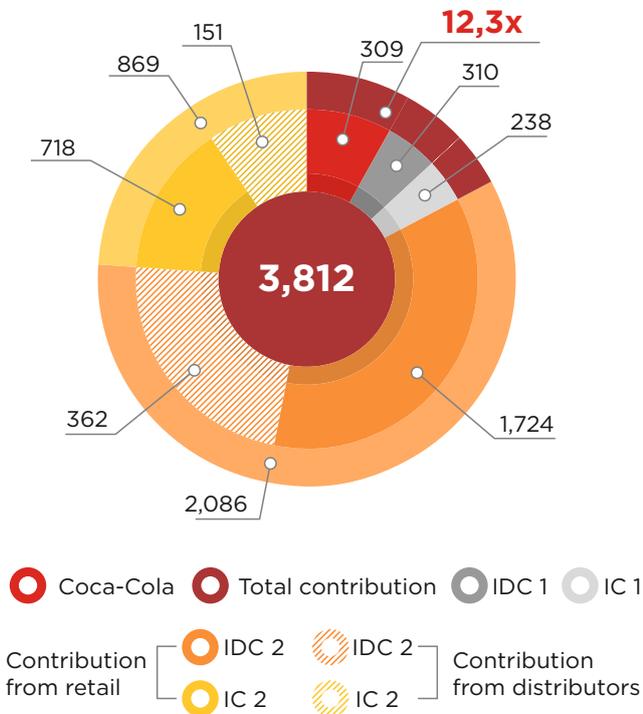


Figure 19. Total contribution of Coca-Cola System to employment in the KR in 2019, people

The largest share of the total contribution is the indirect contribution of the second type - 2,086 jobs. In other words, thanks to our distribution network, as well as the further sale

of finished products at retail outlets in the economy, more than two thousand jobs are supported. In addition to this, the general consumer expenditures of our employees, distributors and retail outlets allow us to support an additional 869 jobs in the economy.

Since 2015, there has been a slight decline in the total contribution to employment: the average annual rate was -1.1% (Figure 20). The main reason for this decline is a slight decrease in the number of employed workers in the Company itself and the subsequent multiplier effect.

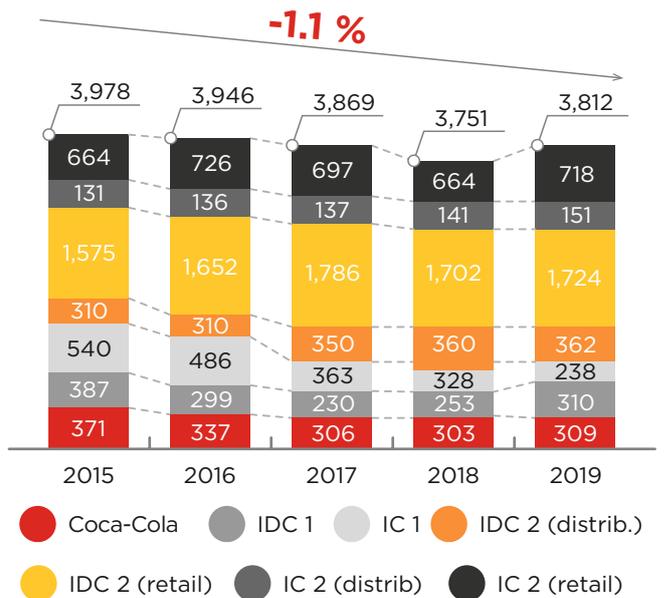


Figure 20. Total contribution of the Company to employment for 2015-2019, in jobs

The industry breakdown of Coca-Cola's contribution to employment is similar in structure to its contribution to GDP. So, the indirect contribution is mainly distributed to trade, construction, real estate operations, professional, scientific and technical activities, manufacturing, transport, as well as the financial industry, and the total induced contribution - to trade, manufacturing, hotels and restaurants, agriculture, financial industry and transport.

**Labor productivity in Coca-Cola 2.8 times higher than the average labor productivity of the food and beverage industry**





# CITIZENSHIP OF KYRGYZSTAN

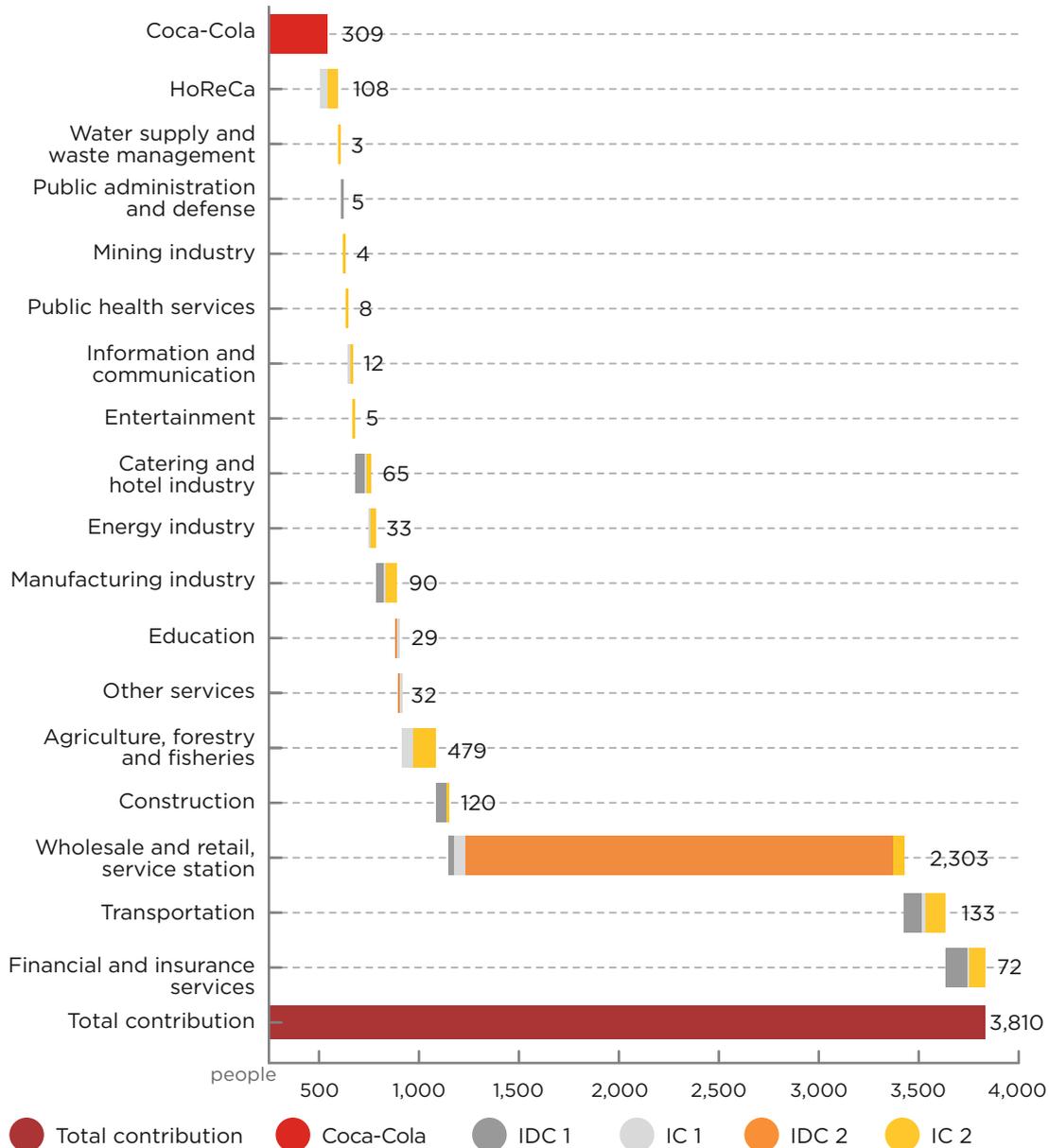


Figure 21. Industry breakdown of the total contribution of the Company to employment in 2019

One of the key indicators of the efficiency of companies is the determination of average labor productivity: the ratio of the amount of created value added (GVA) to the number of employees in the Company and industry.

Labor productivity in the Company is about 0.84 million soms per employee per year, which 2.8 times higher than the average labor productivity of the food and beverage industry (Figure 22).

The total cumulative contribution of the Company to labor income (or payroll) for 2015-2019 amounted to 4,943 million

soms. This is 0.3% of the nationwide payroll for the same period. The structure of the total contribution is generally similar to the structure of previous indicators (Figure 23). The total contribution of the Company to the labor income of the population of the Kyrgyz Republic exceeds the payroll fund of the Company itself by 5.3 times. This can be interpreted as follows: for one som, which the Company employees receive in the form of wages, an additional 4.3 soms are generated and paid to the employees of all enterprises and companies in our supply, distribution and sales chain in the economy.



# SOCIO-ECONOMIC IMPACT 2015-2019

The dynamics of the total contribution over five years (Figure 24) is similar to the previously considered indicators for the output and value added. The industrial breakdown of indirect and induced contributions to the labor incomes of the population for 2019 is also similar to that for other indicators considered earlier.

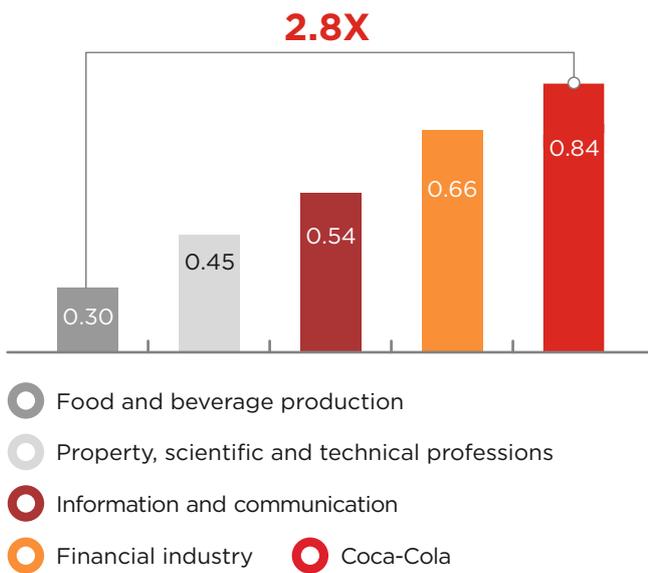


Figure 22. Average labor productivity in the Company and some other industries of the KR economy in 2019, in million som/person

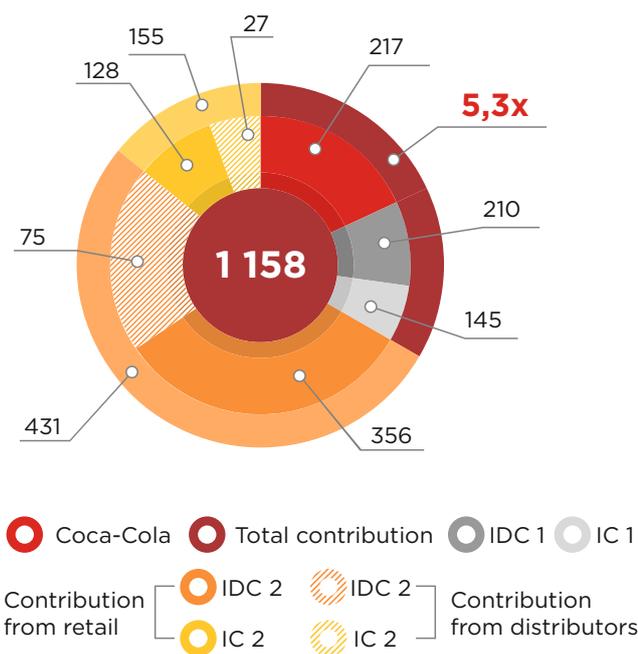


Figure 23. Total contribution of Coca-Cola System to labor income in 2019, million som

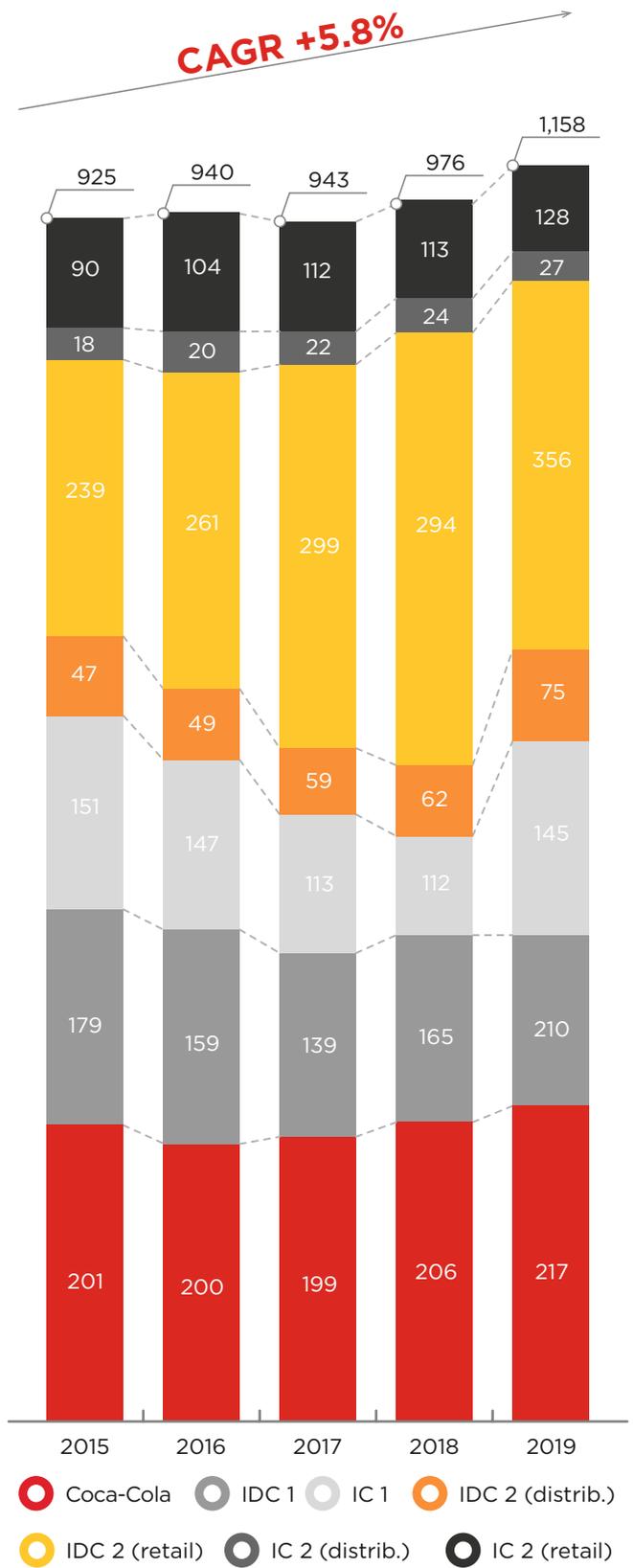


Figure 24. Change in the total contribution of the Company to labor income for 2015-2019, million som

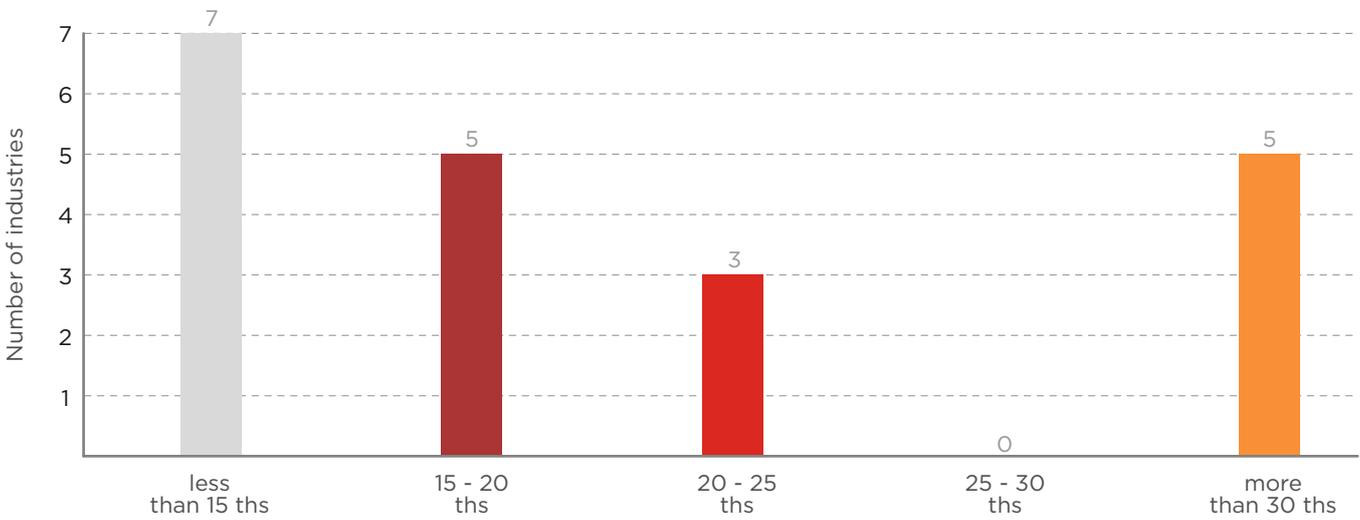




Employees are the main value of the Company, and we strive to provide the best working conditions for them. The average salary in Coca-Cola is higher than the average salary in such sectors as the financial sector, information and communications, electricity supply, and mining.

In conclusion let's consider a scenario shown in the previous section. Let's estimate the impact on the total contribution of the Company to employment if sugar is supplied by local vendors.

Similar to contribution to GDP, the procurement of sugar with the required quality from domestic producers would have a significant positive impact on the Company's contribution to employment in Kyrgyzstan. The implementation of this scenario would help to maintain an additional 140 jobs in the economy.



- Administrative activities, water supply and waste treatment, arts, entertainment and recreation, HoReCa, healthcare, education, agriculture
- Financial industry, information and communication, power supply, mining, **Coca-Cola**
- Manufacturing industry, trade, other service activities, construction, the property
- Transport, professional, scientific and technical activities, public administration

Figure 25. Monthly average wages in sectors of the economy and in Coca-Cola System for 2019, som

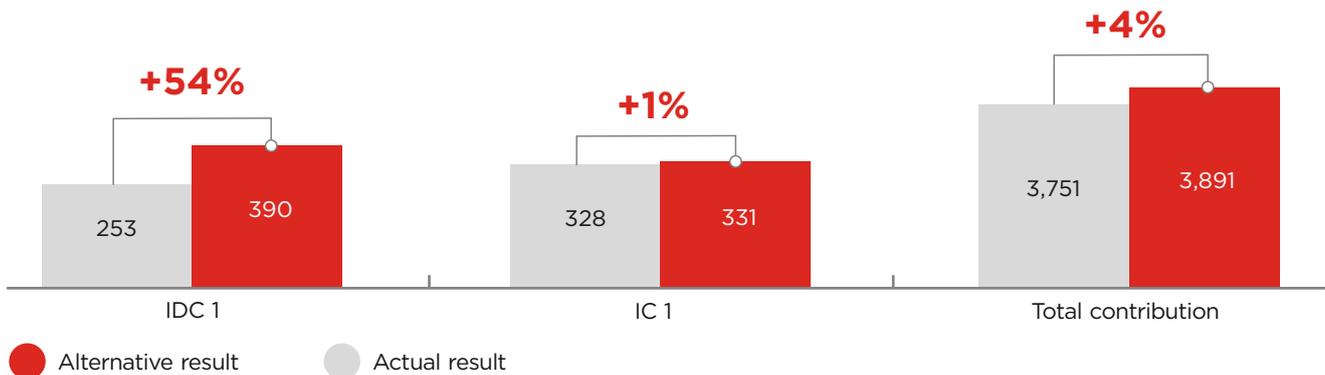


Figure 26. Changes in the contribution to employment if all sugar for the production of drinks is purchased from domestic suppliers for 2018, mln som



# 2.5 TAX CONTRIBUTION

Coca-Cola System in Kyrgyzstan makes a significant contribution to the replenishment of state budgets and faithfully enforces tax legislation. So, according to the results of activities for 2016 and five months of 2017, Company was awarded as the “Best Taxpayer of Kyrgyzstan”<sup>6</sup>. Also in 2017, Coca-Cola System in Kyrgyzstan took 23rd place in the ranking of TOP-200 leading companies in tax payments to the budget<sup>7</sup>.

### Coca-Cola System was awarded as the “Best Taxpayer of Kyrgyzstan”

The structure of the total contribution of the Company to the formation of the revenue side of the country’s budget for 2019 is presented below. The direct contribution of the company amounted to 586 million soms, while the total contribution amounted to 1,100 million soms, which is 1.9x of the direct contribution. In other words, for one som of taxes paid by the Company, the budget of the Kyrgyz Republic additionally receives 0.88 soms paid by related industries.

The average annual growth rate of the total tax contribution of the Company for 2015-2019 amounted to 8%. In the structure of the total tax contribution, a major part is occupied by the direct contribution: those taxes and payments that the Company paid. The share of the Company’s direct tax contribution in total varies from 43% to 53% during 2015-2019 (Figure 28).

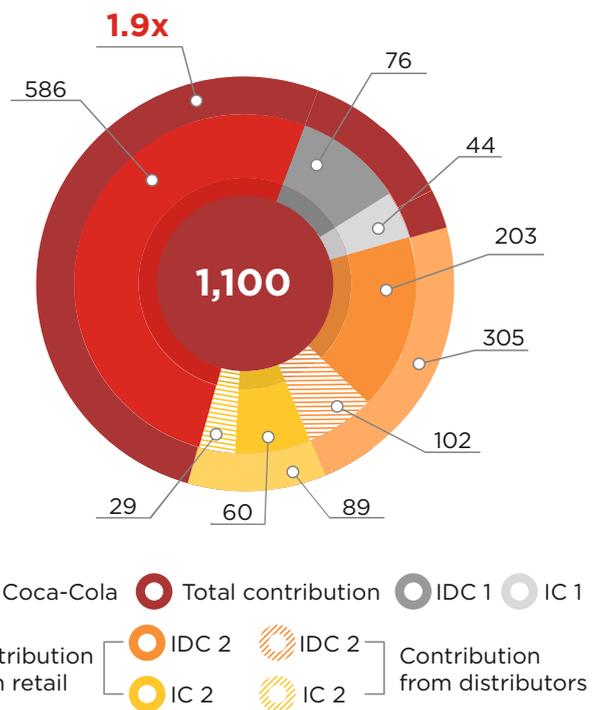


Figure 27. Total tax contribution of Coca-Cola for 2019, million soms

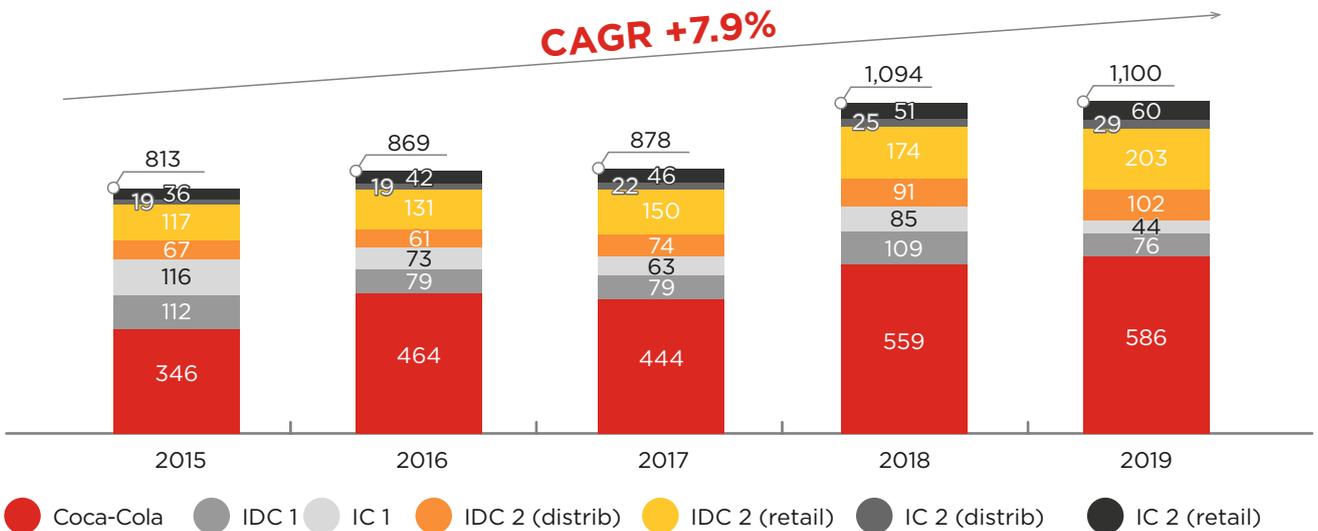


Figure 28. Total tax contribution of the Company for 2015-2019

<sup>6</sup>American Chamber of Commerce in the Kyrgyz Republic, Business Insight, Official Gazette # 38, June-July 2019  
<sup>7</sup>Tazabek 2018



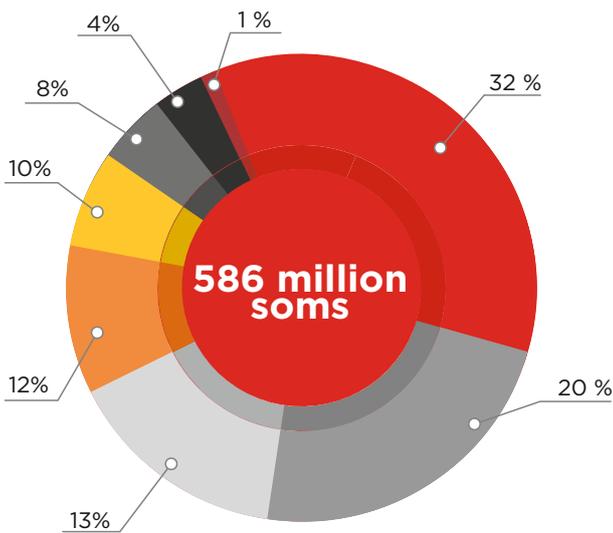


# CITIZENSHIP OF KYRGYZSTAN

The main types of taxes paid by Coca-Cola System in Kyrgyzstan are VAT on imports of goods from third countries, VAT on imports of goods from EEU countries, and VAT. In total, three types of tax make up 378 million soms or 64% of all paid taxes (Figure 29).

Another important indicator of the Company's tax activity is the tax burden ratio, calculated as the ratio of taxes and other obligatory payments paid for the period to the total annual income for the same period. In other words, this is the share that Coca-Cola System in Kyrgyzstan directs from its income to fulfill its tax obligations.

The tax burden in the Company in 2019 amounted to 15.5% (Figure 30), while in the country the same indicator is 13.2%, which is 14.8% lower.



- VAT on imports of goods from third countries
- VAT on the import of goods from EAEU countries
- VAT
- Income tax
- Social transfers
- Income tax received from a source in the KR
- Personal income tax
- Other categories of taxes

Figure 29. Types of taxes paid by Coca-Cola System in Kyrgyzstan for 2019

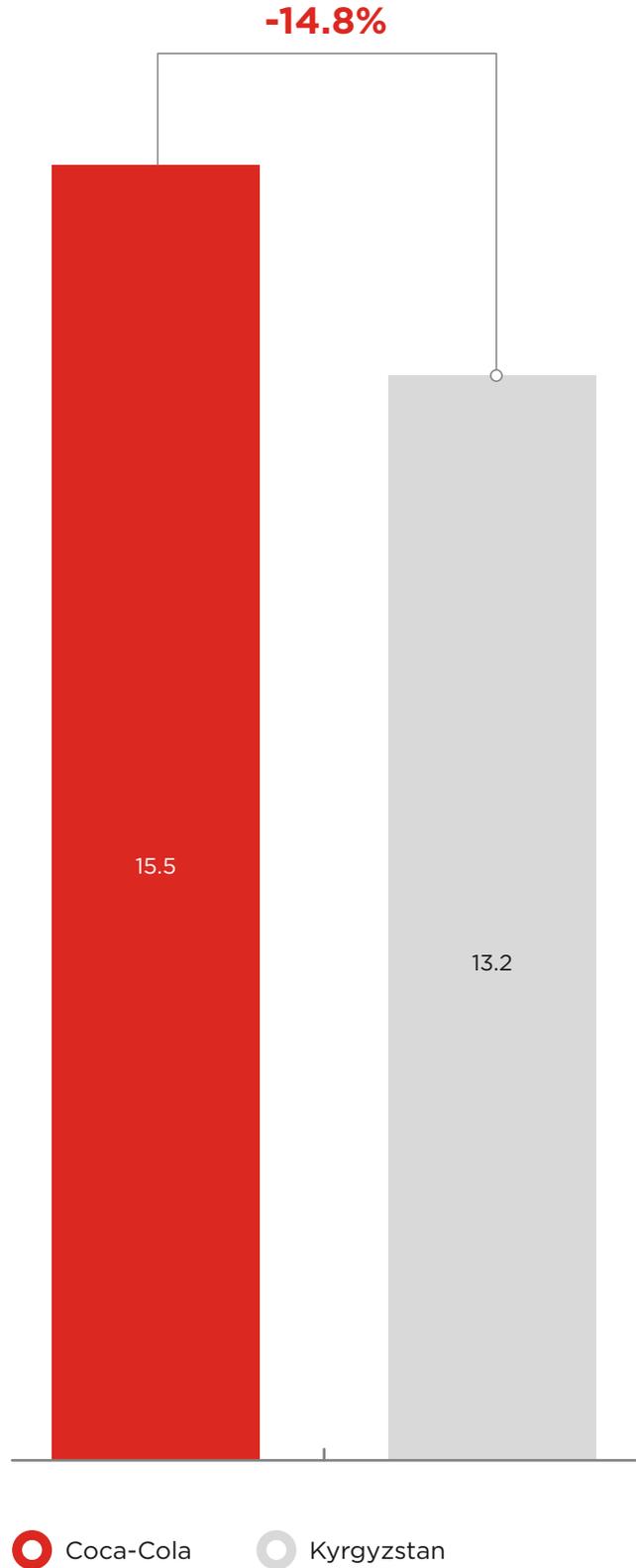


Figure 30. Tax burden in Coca-Cola System in Kyrgyzstan and the country as a whole for 2019, %





# 3

## CONTRIBUTION TO ENVIRONMENTAL PROTECTION

# 2019

**"Green Leader" Award**

# 3 000

According to the results of 2019, Coca-Cola System in Kyrgyzstan received an award for its contribution to environmental protection in the Kyrgyz Republic among AmCham companies.

More than 3,000 residents of geographically remote villages were provided with access to drinking water as a result of Coca-Cola projects in the field of water resources management.



97.97%



# 96,97 %

Share of recyclable waste from the production activities of Coca-Cola System in Kyrgyzstan in 2019 amounted to 96,97%.

# 9,4 mln

 liters of water restore

# \$150,000

**150,000 US dollars** were invested by the Company during the period 2015-2017 to implement projects **to provide remote villages with access to clean drinking water.**

# 3.1 ENVIRONMENTAL PROTECTION

In modern world, companies face many challenges. In order to create a sustainable business that will correspond to high standards, companies need to adapt to changing conditions, interact with stakeholders and continuously improve the management of key aspects of its activities.

Coca-Cola System in Kyrgyzstan is aware of its impact on the environment and tries to reduce its environmental footprint by minimizing the consumption of natural resources, increasing efficiency and reducing the waste generation. At the global level, Coca-Cola (CCI) has developed an environmental policy that defines 3 priority directions in the field of reducing environmental impact, namely:

1. Energy efficiency and climate change adaptation (climate protection);
2. Effective water resources management;
3. Sustainable packaging and waste management.

The Company has developed an Environmental Policy (latest available revision - February 2019). The policy defines the priorities and principles that we adhere to:

- 1 Compliance with all requirements and standards of the Company, internal regulatory documents, legislative requirements of the Republic of Kyrgyzstan and the Customs Union in the field of environmental protection (EP);
- 2 Integration of environmental protection strategy into the annual business planning process;
- 3 SMART goals in the field of environmental protection (water conservation, reduction of energy consumption, protection of the climate and the ozone layer, reduction of waste generation and their reuse);
- 4 Prioritization of measures that aimed at preventing environmental pollution;
- 5 Introduction of innovation, considering the use of resource-saving technologies, effective waste management;
- 6 Building a dialogue with residents of territories adjacent to the plant and considering

their interests in the decision-making process;

- 7 Management of suppliers, contractors, distributors in order to expand their responsibility in the field of environmental protection and following best practices;
- 8 Improvement of the environmental management system;
- 9 Informing stakeholders about their environmental requirements and performance.

The total investments of Coca-Cola System in Kyrgyzstan for improvement of technologies and processes at the enterprise in the field of environmental protection amounted to 6.6 million soms for 2015 - 2019.

Implementation of environmental protection projects allowed the Company to reduce the gross rate of water use, as well as to reduce the specific indicator of water use per liter of manufactured products, improve the quality of wastewater, systematize the management of industrial and household waste, and assess current environmental and energy management systems for compliance with international standards and local law. Coca-Cola Bishkek Bottlers factory is certified according to international standards ISO 14000 and ISO 50000. Every year, the Company confirms its commitment to compliance with the requirements of the standards and undergoes an independent external audit.

The Company's contribution to improving the environment was also praised by the business community. According to the results of 2019, the Company received the AmCham Award in the Green Leader nomination.

**6.6 million soms - the volume of investments for improving technologies and processes at the enterprise in the field of environmental protection, for 2015 - 2019**





Table 3. Environmental protection investments

|   | 2015    | 2016    | 2017      | 2018    | 2019    |
|---|---------|---------|-----------|---------|---------|
| Environmental protection investments, som | 818,714 | 872,720 | 3,265,102 | 813,162 | 837,754 |

## 3.2 ENERGY EFFICIENCY AND CLIMATE CHANGE ADAPTATION

Since the energy efficiency is one of the key environmental aspects of the Company, Coca-Cola System in Kyrgyzstan has developed an Energy Management Policy. The policy consists of following provisions:

- Compliance of the energy management system with the requirements of international, state, industry and corporate standards;
- Efficient use of energy resources by increasing the reliability of technological equipment, introducing new, energy-efficient technologies and automated systems, removal from operation of obsolete equipment;
- Supervision of the efficient use of energy resources, reduction of specific consumption of utilities;
- Training staff and raising their awareness on energy efficiency issues.

The Company operates an online system for collecting and analyzing data on the consumption of fuel and energy resources (FER). Based on the received data, Coca-Cola System in Kyrgyzstan develops and take measures to reduce the consumption of fuel and energy resources. During 2015-2019 the Company focused on the low-cost energy efficiency measures. So, for example, in 2018-2019, 48 filament lamps were replaced with LEDs. The energy saving effect of using those lamps was amounted to 2,680 kW.

The total consumption of fuel and energy resources at the Coca-Cola System in Kyrgyzstan, including all production processes, amounted to 70.88 million MJ in 2019, which is 2.3% higher than in 2018 (Figure 31)<sup>9</sup>. The reduction of 36% in total energy consumption in 2017 compared to 2016 was caused by decrease in natural gas consumption. Several factors influenced on the decrease in natural gas consumption in 2017, among which is a significantly lower gas consumption for heating purposes due to the warm winter in

Kyrgyzstan, fewer starts of production lines, and therefore less usage of natural gas for carbon dioxide production.

In 2019, specific fuel consumption practically remained at the level of 2018 and amounted to 0.68 MJ/l.

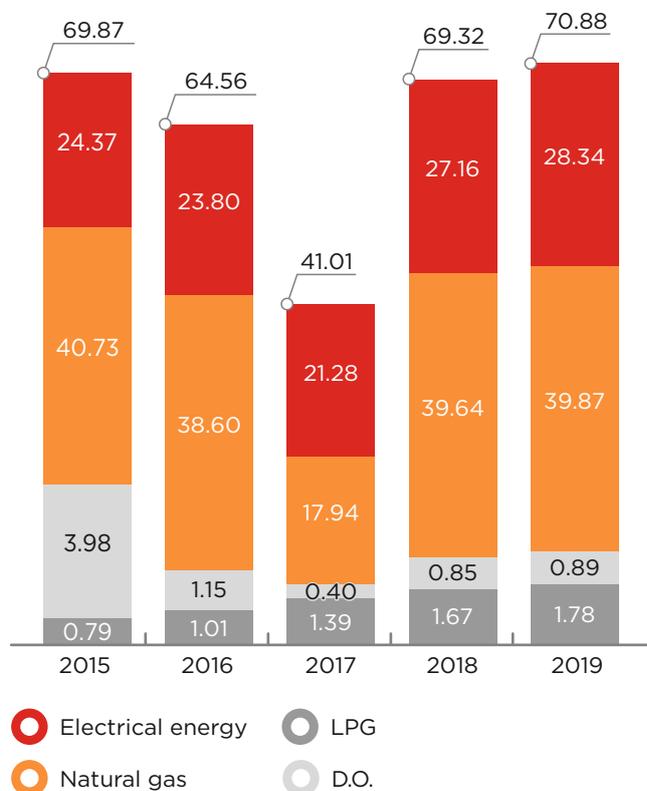


Figure 31. Fuel and energy resources consumption<sup>9</sup>, in million MJ



<sup>9</sup>CCI Sustainability Report 2018  
<sup>9</sup>LPG- liquified petroleum gas, D.O.-diesel oil

## SOCIO-ECONOMIC IMPACT 2015-2019

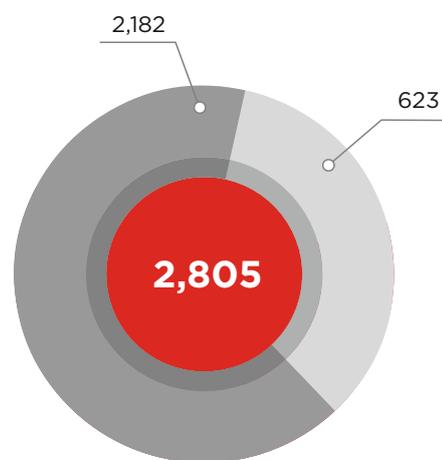
Table 4. Specific indicator of FER consumption

|   | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------|------|------|------|------|
| Specific indicator of FER consumption, MJ per liter | 0,86 | 0,76 | 0,69 | 0,69 | 0,68 |

Coca-Cola understands that climate change is a significant threat to the 21st century, both for the natural ecosystems and for the existence of humanity as a whole. To minimize these risks, the Company actively participates in global initiatives. The Coca-Cola Global Climate Change Strategy includes:

1. Reducing greenhouse gas (GHG) emissions in production processes;
2. Reducing direct emissions in logistics through the efficient use of the car fleet and fuel consumption;
3. Reducing indirect GHG emissions through the implementation of programs of cooling equipment that do not affect climate change;
4. Raising awareness around climate change agenda among all stakeholders of the Company;
5. Calculation, verification and reporting of GHG emissions.

According to the Company's estimations, the total greenhouse gas emissions (scope 1 and 2) amounted to 2,805 tons of CO<sub>2</sub> equivalent in 2019. Direct greenhouse gas (GHG) emissions amounted to 2,182 tons of CO<sub>2</sub> equivalent, while indirect emissions - 623 tons of CO<sub>2</sub> equivalent. In dynamics, there is a gradual decline in direct and indirect GHG emissions (scope 1 and 2). Other indirect greenhouse gas emissions (scope 3) in 2019 were at the level of 2,803 tons of CO<sub>2</sub> equivalent.



- Overall GHG emissions
- GHG emissions (scope 1)
- GHG emissions (scope 2)

Figure 32. Greenhouse gas emissions in 2019, in tons of CO<sub>2</sub> equivalent

Specific greenhouse gas emissions (scope 1 and 2) in 2019 slightly decreased by 1.3% in comparison with 2018 and amounted to 26.97 g/l.

Table 5. Greenhouse gas emissions

|  | 2015  | 2016  | 2017  | 2018   | 2019  |
|--|-------|-------|-------|--------|-------|
| Direct greenhouse gas emissions (scope 1), tons of CO <sub>2</sub> equivalent                        | 2,337 | 2,090 | 2,024 | 2,2158 | 2,182 |
| Indirect greenhouse gas emissions (scope 2 <sup>10</sup> ), tons of CO <sub>2</sub> equivalent       | 494   | 525   | 494   | 560    | 623   |
| Other indirect greenhouse gas emissions (scope 3 <sup>11</sup> ), tons of CO <sub>2</sub> equivalent | 2,740 | 2,249 | 2,643 | 2,444  | 2,803 |

<sup>10</sup>The data for 2016-2017 is recalculated and differs from CCI Sustainability Report 2018

<sup>11</sup>To calculate the emissions of Scope 3, we used the data on energy consumption by coolers of distributors





Table 6. Specific greenhouse gas emissions

|   | 2015  | 2016  | 2017 | 2018  | 2019  |
|---|-------|-------|------|-------|-------|
| Specific greenhouse gas emissions <sup>12</sup> (g/l) | 35,25 | 33,52 | 30   | 27,32 | 26,97 |

To reduce greenhouse gas emissions, Coca-Cola System aims to use vehicles that consume less fuel and emit less pollutants into the atmosphere. The figure below (Figure 33) shows the dynamics of fuel consumption by the Company's road transport. As can be seen from the graph, in 2019 the total fuel consumption by motor vehicles amounted to 2.09 million MJ, that shows a decrease by 19% compared to 2015.

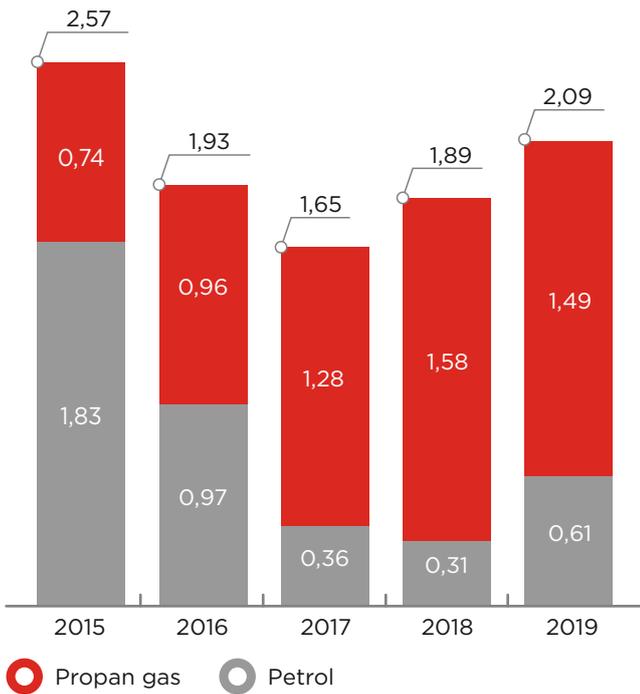


Figure 33. Fuel consumption by motor vehicles, million MJ

The calculation of greenhouse gas emissions from road transport<sup>13</sup> shows (Figure 34) that in 2019 emissions amounted to 135.9 tons of CO<sub>2</sub> equivalent, which is 22% lower than in 2015.

Coca-Cola is aware that the reduction in fuel consumption by road directly affects the reduction of greenhouse gas emissions, so the Company is implementing initiatives to switch to environmentally friendly transport. So, in 2015, the Company replaced auto-loading vehicles that worked on gasoline with electric cars (Toyota 1.5 t). Also, in 2019, two new electric cars (Toyota 3.5 tons) were additionally purchased with the write-off of forklifts running on gasoline.

Thus, in the Company, 39% of all forklift trucks are electric (7 out of 18 cars). The effect of the transition to an energy-saving mode of transport was estimated in a significant decrease in gasoline consumption from 2015 to 2019 by 67%.

Coca-Cola is also investing in environmental refrigeration equipment as part of climate change prevention program. Thus, the Company is gradually transitioning to refrigeration equipment using cooling agents R 600a and R 290, which are safer for the Earth's atmosphere and its ozone layer.

In 2018, 2,301 units of equipment were purchased, 9.13% of which operate on R 290 gas and 90.87% on R 134a and R 404a gases. And in 2019, 2,538 units of equipment were purchased, 75.57% of which use R 290 and R 600a gases, 24.43% use R 134a and R 404a. At this rate, over the next 6-7 years, the Company is planning to ensure the replacement of all equipment used with R 600a and R 290 cooling agents, which in turn will significantly reduce the environmental impact of Coca-Cola activities.

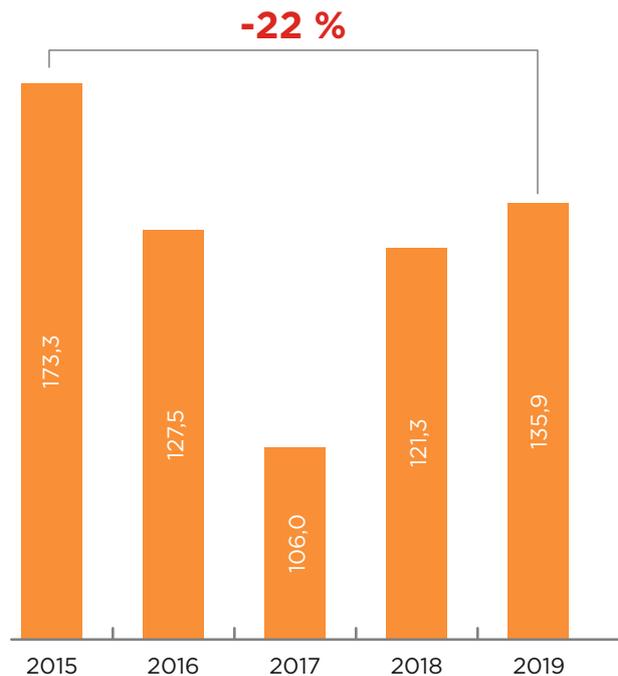


Figure 34. Greenhouse gas emissions from road transport, tons of CO<sub>2</sub>-equivalent

<sup>12</sup>For calculations, only emissions from production processes at the plant were used.  
<sup>13</sup>When calculating the greenhouse gas emissions from road transport, a technique was used that takes into account only CO<sub>2</sub> emissions. Emissions from other greenhouse gases are not significant.







# 3.3 WATER RESOURCES MANAGEMENT

Water is an important natural resource and a key component of Coca-Cola products. As a result, the Company includes water resources management in the list of significant environmental aspects of its activities.

Our main task at the global level is the replenishment of water volume in the natural environment, which is used for the production of drinks. Key principles are reflected in Coca-Cola's global water management strategy, including:

- Improving the efficiency of water use in production processes;
- Implementation of assessments and research to ensure the protection of catchment areas;
- Management of the quantity and quality of wastewater;
- Minimization of risks for communities and businesses to water resources access;
- Water replenishment in natural reservoirs through the implementation of appropriate local programs;
- Investing in new technologies that allow to reduce water consumption.

In 2015 - 2017, Coca-Cola System in Kyrgyzstan implemented several projects whose aim was providing villagers with access to clean drinking water. Total project investments amounted to 150,000 US dollars.

**150,000 USD were invested by the Company in the period 2015-2017 for the implementation of projects in the field of water supply**

## Providing access to clean drinking water to residents of the Karamyk village

 **Project period:**  
January - December 2015

 **Investments:**  
75,000 USD New World Fund (Coca-Cola and UNDP partnership), 15,000 USD UNDP, 33,600 USD Mountain Societies Development Support Program (MSDSP)



### Results:

All residents of Karamyk got access to clean drinking water - 2,800 people. The project provides residents with 20.44 million liters of water per year.



### Project description:

The project was aimed at improving the supply of drinking water to residents of the Karamyk village. Throughout this project a new water supply system from the source was developed and implemented. The system includes a chlorinator and water storage tanks. Now all 2,800 community members have access to quality drinking water. The project also aimed at increasing awareness about health affairs in the village.

## Providing residents of the Momunov village in Batken province with clean drinking water



**Project Period:**  
2016-2017



### Investments:

total cost of the project - 154,700 USD, contribution of Coca-Cola - 75 000 USD, Government of Great Britain - 15,100 USD, World Food Program - 6,300 USD, co-financing of local partners - 58,200 USD.



### Results:

250 residents of the village got access to clean and safe water. The project provides residents with 1.83 million liters of water per year.



### Project description:

To prevent a conflict between the border communities of Kyrgyzstan and Tajikistan, the local government in the Batken region decided to provide land for housing. It was planned to settle 600 young families in the new Momunov village. However, at the beginning of the project, were resettled only 50 families. Lack of access to drinking water and canalization made it difficult to develop living conditions in the village.

## SOCIO-ECONOMIC IMPACT 2015-2019

As a result, a project of drinking water access expansion for the first 50 families living in the new residential area of the Momunov village was developed. A new water supply network with a length of 5.9 km to supply the village with drinking water was built. A network provides access to drinking water to 60 households (about 250 people). Currently, families living in the village of Momunov are provided with 1,825 m<sup>3</sup> of water annually. In addition, during the project in three schools and a medical institution were modernized water supply and sanitation systems, and to solve sanitation problems were installed solar water heaters. The project also aimed at increasing health awareness in the village.

Coca-Cola company conducts continuous monitoring of indicators of water consumption and water discharge, as well as the quality of wastewater. The Company develops and implements initiatives to reduce water consumption and improve wastewater quality at the enterprise.

The main initiatives in the period 2015-2019, which led to a reduction in water use, were:

- Revision and restructuring of the technological process for conducting CIPs (clean in place) of production equipment with subsequent microbiological monitoring;
- Reuse of cooling water in a CO<sub>2</sub> production plant;
- Rinsing water recirculation system for PET bottles;
- Revision and restructuring of the process for the regeneration of ion-exchange filters with subsequent microbiological monitoring;
- Revision and restructuring of the technological process for washing sand filters, followed by microbiological and physico-chemical validation;
- Revision and restructuring of the process for washing carbon filters, followed by microbiological and physico-chemical validation.

Even though the dynamics of water withdrawal reflect a slight increase of 3% in 2019 compared to 2018 (Figure 35), water consumption intensity indicators declined as represented in Figure 30. Such indicators are the result of implemented initiatives in the field of water management in technological processes.

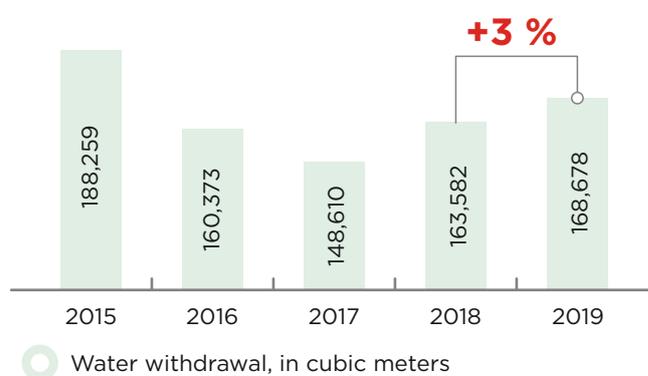


Figure 35. Water withdrawal, in cubic meters



Figure 36. Water consumption intensity indicators (liters of water per liter of product)

With the aim of water saving, the Company strives to increase the amount of reused water that is spent on technical needs (equipment flushing, rinsing systems). In general, in 2019 the volume of reused water amounted to 9,407 cubic meters, which is 10% higher than in 2018.

Table 7. Volume of reused water

|   | 2015  | 2016  | 2017  | 2018  | 2019  |
|---|-------|-------|-------|-------|-------|
| Volume of reused water, in cubic meters | 6 774 | 6 798 | 4 395 | 8 445 | 9 407 |



The Company gives considerable attention to the management of wastewater quantity and its quality. So, Coca-Cola System is gradually reducing the volume of water discharge. In 2019, wastewater volumes decreased by 38% compared to 2015 (Figure 37).

The plant has sewage treatment plants with the aim of improving the quality of wastewater, which is treated with water to the levels required by discharge permits. After that, treated water is discharged into urban sewer networks. In addition, two times a quarter, the Company completely cleans the sewer

system of the plant in order to comply with the "Rules for the Admission of Wastewater to the Bishkek Sewerage".

The Company has implemented and operates a monitoring system: a qualitative analysis of the composition of wastewater is performed daily, and quantitative analysis – on a weekly basis.

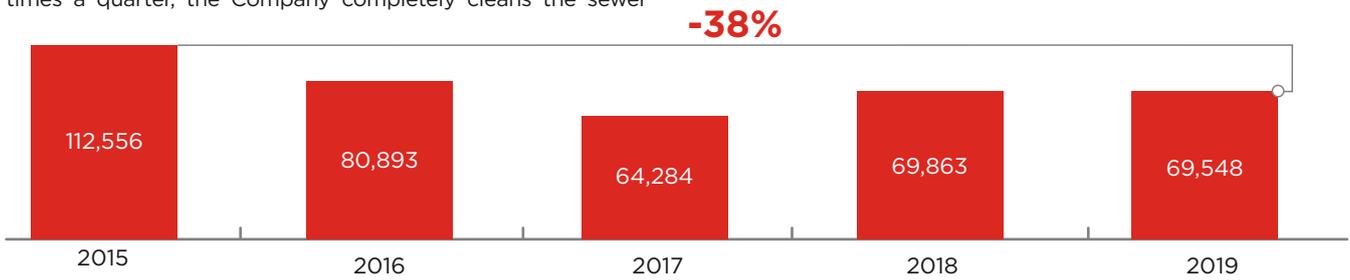


Figure 37. Waste water discharge, in cubic meters

## 3.4 WASTE MANAGEMENT

Throughout CCI’s geography, awareness and understanding of the need for waste management, including packaging waste, is growing. Coca-Cola is committed to increasing waste collection and recycling and moving towards circular economy principles.

The Company is in a continuous search for ways to optimize packaging in order to reduce the amount of materials spent on its production.

Table 8. Volume of packaging materials, tons

|                   | 2015     | 2016     | 2017     | 2018     | 2019     |
|-------------------|----------|----------|----------|----------|----------|
| Wooden pallets    | 12.936   | 15.212   | 35.249   | 35.400   | 33.489   |
| Preforms          | 2,263.67 | 2,932.29 | 3,067.52 | 3,155.20 | 3,055.93 |
| Shrink sheeting   | 206.08   | 223.16   | 225.77   | 245.38   | 266.05   |
| Caps              | 235.71   | 266.32   | 279.92   | 227.15   | 227.92   |
| Cardboard pallets | 156.57   | 192.41   | 243.57   | 220.04   | 222.95   |
| Stretch sheeting  | 39.66    | 42.35    | 44.16    | 47.82    | 48.46    |
| Premix balloons   | 30.86    | 26.59    | 9.14     | 6.10     | 4.28     |
| Label             | 0.11     | 0.12     | 0.13     | 0.14     | 0.15     |



## SOCIO-ECONOMIC IMPACT 2015-2019

At the global level, Coca-Cola is constantly developing new types of packaging for its products, that will have minimal impact on the environment. Recently the Company developed the PlantBottle project. The goal of project is to replace traditional PET plastic bottles by PlantBottles, which are 30% plant-based. The Company's next step in this direction will be the development of packaging that is fully recyclable. Another direction of reducing waste generation are practices to reduce the amount of natural resources used on packaging production. One of the projects from this initiative is to decrease plastic consumption by downsizing the bottleneck. So far, current projects to lighten the weight of packaging materials Coca-Cola System in Kyrgyzstan managed to reduce the weight of packaging by 24% in 2019.

The waste management system in Coca-Cola System in Kyrgyzstan is aimed at minimizing the generation of waste and its efficient use. As a result of the implementation of projects and Company's internal initiatives, the waste generation intensity in 2019 decreased by 35% compared to 2018 and amounted to 2.02 grams per liter of production.

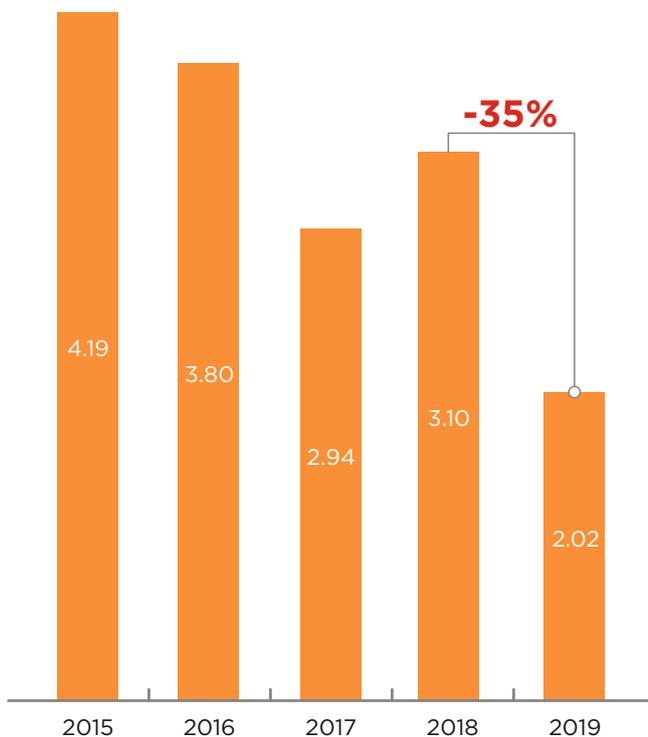


Figure 38. Waste generation intensity indicator, g/liters

In 2019 the total volume of recycled production waste amounted to 96.97%. The Company's hazardous wastes are disposed of by external contractors, that previously have received approval from the Department of Environmental Protection. Additionally, Coca-Cola System in Kyrgyzstan conducts an audit of these organizations once a year.

Table 9. The share of reused/recycled packaging materials (premix balloons and wooden pallets)

|                    | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------|------|------|------|------|------|
| Premix balloons, % | 100  | 100  | 100  | 100  | 100  |
| Wooden pallets, %  | 100  | 100  | 100  | 100  | 100  |

However, generally in the Kyrgyz Republic plastic processing is still at a low level and amounts to about 1-1.5%. Therefore, to improve understanding of the country's current situation of plastic processing, Coca-Cola System together with the CSR Fund - Central Asia, conducted a study on the culture of solid waste management in Kyrgyzstan. During the study, a series of discussions with stakeholders were held.

According to the results, it was revealed that about 16.5 million tons of waste are placed in 406 official landfills of Kyrgyzstan, 26% of which are plastic and polyethylene. Also, this study emphasized on the analysis of the "life path" of the waste (from its generation and collection to disposal). So, there are two MSW collection systems in cities (ME Tazalyk, LLC KomTranasCom):

1. About half of the waste (economic entities and residents of many-storeyed houses) is disposed of in containers of ME "Tazalyk" at garbage sites of cities;
2. About half of the waste (economic entities and residents of the private housing) are transferred in packages for disposal on certain days of the week.

In the regions, including Issyk-Kul, waste is collected in separate places in bags. Mixed garbage is also disposed of by the regional offices of ME Tazalyk. In Issyk-Kul, Coca-Cola System in Kyrgyzstan installed 28 boxes for collecting and transporting plastic, which is recycled by an external organization.

In addition, the study revealed gaps in the legislation such as the lack of regulatory mechanisms, the lack of an integrated approach and systems in the field of waste management at the state level, the absence of waste classifiers and incentive mechanisms. The study also showed a lack of processing capacities at the country level: 10-12 enterprises located in only two regions (Bishkek and Chui oblast). In addition to the above, the level of awareness and involvement in the collection and disposal of solid waste for all participants in the MSW chain is relatively low.



# 4

## CONTRIBUTION TO THE SOCIAL DEVELOPMENT OF THE COUNTRY

# The best employer

The Company was awarded with prizes in the field of human resources management in 2016, 2017, and 2019 as the country's best employer<sup>14</sup>.



# \$570,000

Coca-Cola System invested about 570,000 USD in social projects in 2015-2019.

# \$1 = \$2,2

For every USD invested by the Company in a project to improve access to water and sanitation in the village of Momunov, Batken Province, an additional social effect is generated in the amount of 2.2 USD.

970006



<sup>14</sup><https://www.job.kg/resume/951406>

# 4.1 SOCIAL ASPECTS OF THE COMPANY

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 providing them with favorable working conditions, offering competitive pay and other forms of remuneration;
- Community, by implementing social projects in different areas, such as healthcare, sports, youth support, promoting an active lifestyle.

It is extremely important for us to understand the factors of customer satisfaction. We conduct surveys to determine customer satisfaction throughout the territory of the Company's activity in the country, and based on the results, we take the necessary steps for a stronger and more stable relationship. In marketing events, we take an individual approach to different regions of the country, and the analysis of our approaches through feedback gives us the opportunity to always be at the level of preferences of our consumers.

Coca-Cola System also takes care of the environment in which our workers work. Team integrity and a conscientious attitude to work are the basis for the success of a sustainable business. The Code of Ethics of the Company helps us to develop and improve integrity and honesty standards, as well as act in accordance with the principles of social responsibility. In addition, Coca-Cola is based on the principle of civil liability to society. Directly or indirectly, we are associated with a large number of people - with our employees, suppliers and consumers. Awareness of responsibility to them requires us to conduct business at a high level. Thus, the main principles of the Code of Ethics are:

- honest and conscientious behavior;
- protection of business and financial information and its maintenance in an accurate, correct and complete measure;
- protection of the interests of the Company and avoiding the occurrence of a conflict of interest;
- interacting with all stakeholders in a transparent manner and in accordance with the law.

We have committed ourselves to provide favorable working conditions for each employee with consideration of universal human rights. In this regard, the Company has CCI Human Rights Policy, which is the basis for ensuring respect for human rights in the workplace in all our activities. We strive to respect and promote human rights in our relationships with our

employees, suppliers, business partners, and the communities in which we operate. This Policy addresses issues such as:

- respect for human rights;
- community and stakeholder engagement;
- diversity and inclusion;
- prohibition of discrimination;
- freedom of association and collective agreement;
- safe and healthy workplace;
- workplace security;
- prohibition of forced labor and child labor, prohibition of human trafficking;
- work hours, wages and benefits;
- rights to use land and water resources;
- guidance for employees and methods for reporting violations.

The Company also has a women's leadership club, which was created to promote the opening of new business opportunities for women, expanding their potential, leadership skills, as well as rights and opportunities in the workplace and society as a whole.

Every two years from the head offices, an independent auditor conducts a social audit on the safe work and health of employees, as well as on the working rights of personnel. Over the past seven years, the company has been successfully tested to determine the extent to which our activities comply with the provisions of the CCI Human Rights Policy.

Thus, paying significant attention to the social aspects of its activities, the Company was awarded the highest awards in the field of human resources management:

“**Opportunities**” - the best company for the provision of working conditions (2016);

“**HR Excellence**” - the best employer according to the jury (2017);

“**HR Excellence**” - the best employer according to applicants (2019).

The award for 2017 was awarded for a project to implement an action plan to increase employee engagement, as a result of which employee engagement increased from 70% (2014) to 86% (2016), turnover decreased, work processes were optimized, and labor productivity increased.





# 4.2 THE COMPANY'S SOCIAL PROJECTS IN THE KYRGYZ REPUBLIC



## The Project "Wash"

Implementation period: January 2018 - August 2019

Investment: 200.000 USD

The Wash project, implemented by the international non-profit organization Mercy Corps, helped to improve sanitation in rural schools in the Kyrgyz Republic. As part of the project, the reconstruction of the school's sanitary facilities was carried out, as well as the training of schoolchildren on the importance of proper hand washing in order to prevent diseases. As a result, 21,000 schoolchildren were trained in 140 schools, 800 girls were trained as leaders in sanitation in their own schools. Thus, the "Wash" project was implemented with concern for living conditions and public health.

The project on the development of youth entrepreneurship is the strengthening of the youth's potential to identify and constructively address the most important socio-economic needs in the community. The main objectives of this project included:

- identification of the most talented youth representatives in the field of entrepreneurship;
- training selected contestants in the basics of entrepreneurship and the implementation of social projects;
- selection and financing of the best business ideas.

Under the organizational management of the University of Central Asia, a competition for the best idea of a social entrepreneurship project was held in 11 higher education institutions in 7 regions of Kyrgyzstan. More than a thousand applications for participation in the competition were submitted, in addition, as part of the competition, 1,200 people took part in entrepreneurship trainings, of which 40 finalists of the competition were selected for further in-depth training on social entrepreneurship. As a result, 12 winners (7 - in 2015 and 5 - in 2018) received grants for the development of



## Youth Entrepreneurship Development

Implementation period: 2015, October 2017 - September 2018

Investment: 220.000 USD



## SOCIO-ECONOMIC IMPACT 2015-2019

their social business projects, such as the opening of a kindergarten in the city of Karakol to expand children's access to education; the organization of a center for autistic children with the goal of socializing and adapting them from an early age; creating a center for people with disabilities, providing

them with training and raw materials for the production and sale of products manual work; the opening of a sewing workshop and laundry, the profit of which will be directed to the benefit of the local boarding school and kindergarten; and other projects aimed at social development of the society.



### Bonaqua Marathon

Implementation period: 2017 - 2019

Investment: 77,949 USD

We actively participate in the promotion of sports and a healthy lifestyle, both among its employees and among residents of the country. Coca-Cola is the title sponsor of the Bonaqua International Marathon, which is held twice a year - a marathon in Issyk-Kul and a half marathon in Bishkek. Over 3,500 people take part in the marathon. Running enthusiasts

are offered a choice of several distances - 42 km 195 m, 21 km 97 m, 10 km, 3 km, as well as Nordic walking competitions. In addition, Coca-Cola takes a responsible approach to organizing the event, setting up plastic ballot boxes in the territory of the marathon and then transporting it for disposal.





# 4.3 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 approach to 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.

According to the SROI<sup>15</sup> 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.

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.

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

To analyze the social return on investment, a project to improve access to drinking water, hygiene and sanitation in the rural areas of Kyrgyzstan, namely in the village of Momunov in the Batken province, implemented in 2016-2017 (the project is described in Section 3.3 Water resources management) was selected. 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 (providing access to a safe water supply) and final results (improved sanitary conditions and public health), and also their impacts. For each identified result, it was then monetized using various financial proxies - approximate cash equivalents of the results.



<sup>15</sup><http://www.socialvalueuk.org/resources/sroi-guide/>

## SOCIO-ECONOMIC IMPACT 2015-2019

Table 10. Main stakeholders, results, impacts, and impact indicators

| Stakeholder          | Result   | Impacts   | Impact indicators <sup>16</sup>  |
|----------------------|--|---|--|
| Community            | Access to drinking water;<br>Raising public awareness<br>of sanitation and hygiene | Improving community health<br>and well-being  | Avoiding direct costs by reducing<br>morbidity   |
| Community            | Access to drinking water   | Improving community<br>well-being   | Saving the time required to deliver<br>water (taking into account the<br>opportunity cost of lost time)          |
| Community            | Access to drinking water   | Improving community<br>well-being   | Reduction of time losses associated<br>with morbidity (taking into account<br>the opportunity cost of lost time) |
| Medical institutions | Morbidity reduction  | Cost reduction  | Healthcare benefits: avoiding direct<br>costs by reducing morbidity  |
| Community            | Access to drinking water   | The possibility of developing<br>drip irrigation system, raising<br>agricultural products | Selling dried apricots in the local<br>market  |

Next, 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 11). They help to establish what changes would occur in any case, and what caused by the activities of the project.

Table 11. 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 (in addition to the activities in the project).   |
| <b>Displacement</b> | Evaluates how the obtained results facilitate the displacement of other results, i.e. one result affected those, which are not directly related to the project.  |
| <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, after some time, the value decreases due to newly obtained knowledge and experience. |

In our analysis, 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 activity of the project, hence the attribution value of 100% was assigned. Displacement was not considered in this analysis due to the fact that it was not possible to determine this factor.

Drop-off for the cost of healthcare services and sales opportunities for dried apricots is equal to 90%, as we assume that the value created by these benefits will reduce by 10% over the years. A value of 100% was assigned to the other indicators, assuming that the value created by the them will remain constant and not be reduced.

<sup>16</sup>Information for calculating impact indicators was provided by UNDP





## Results

Based on the SROI, the social impact of the project totaled 109,000 USD in 2017. By the end of the first year after the project's completion, SROI totaled 2.2 (Figure 39). This SROI indicator means that every dollar invested by the Company in the project contributes to the social effect in the amount of 2.2 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 2021 is estimated at 9.7.

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 judg-

ments. 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.



Figure 39. SROI retrospective and perspective analysis

## 5 OUR RESPONSE TO COVID-19

Despite the fact that the reporting period of this Study is 2015-2019, we could not mention the topic of the COVID-2019 pandemic, which was discovered at the end of 2019 and quickly spread throughout the world in the start of 2020, including in the Kyrgyz Republic. The pandemic itself and restrictive measures and prohibitions aimed at stabilizing the epidemiological situation in the country, had a significant impact on almost all areas of our lives. As a responsible company, Coca-Cola has taken a number of initiatives to support the country's population, as well as take measures against the virus.

As a responsible Company, the well-being and safety of our employees, customers, distributors and partners are our priorities. Thereby, the Company approved the Coronavirus Guideline and had taken COVID-19 activation plan.

From the beginning of the pandemic in Kyrgyz Republic, we took a number of preventive measures at all places, where our business activity occurs, and implemented various actions, such as: disinfection protocols, social distance, restricting the movement of workers, canceling workers' meetings and the possibility of remote work. Training on the implementation of the work during the pandemic and preventive measures was also provided for all employees of the Company and in our supply chain.

Thus, the Company made and continue to make our contribution to the fight against the COVID-19 in Kyrgyzstan and provided significant support to the country's population.



**\$100,000**

The amount of **100,000 dollars** was allocated from the Coca-Cola Foundation's Global Fund to the National Red Crescent Society of the Kyrgyz Republic to purchase and distribute food and personal care products for vulnerable population groups. This campaign was conducted in seven regions of the country and in Bishkek city. Each family received one food package and one hygiene kit. The food package included essential goods - pasta, cereals, sunflower oil, sugar, salt, tea, cereal, canned products. The hygiene kit included household goods for personal use - toilet and laundry soap, laundry detergent, sanitizer, toilet paper.



**5,700 h.**



**25,000 res.**

As part of this support, **5,700 households**, or about **25,000 residents** of Kyrgyzstan that lost their source of income due to the COVID-19 pandemic, have received basic food supplies, hygiene kits, and household items.



**2,400 lit.**

**₸ 444,153.60**

Additionally, we produced **2,400 liters** of sanitizers at our plant, which were donated to the government of the Kyrgyz Republic, wherein our production costs amounted to **444,153.60 soms**. These sanitizers were transferred to the Ministry of Emergency Situations of the Kyrgyz Republic for further redistribution.



**20,000 lit.**

**\$5,000**

It should also be noted that Coca-Cola Bishkek Bottlers CJSC, in cooperation with the Ministry of Health of the Kyrgyz Republic, local government and the Red Crescent, donated more than **20,000 liters** of Bonaqua and other water for a total amount of US **\$5,000** in the quarantine zone to medical workers, volunteers in Bishkek, Osh, Jalal-Abad and other cities.



## LIST OF ABBREVIATIONS

|          |                                 |
|----------|---------------------------------|
| CAGR     | Compound Annual Growth Rate     |
| CCI      | Coca-Cola İçecek                |
| CJSC     | Closed Joint Stock Company      |
| EP       | Environmental protection        |
| FER      | Fuel and energy resources       |
| FMCG     | Fast-moving consumer goods      |
| GDP      | Gross Domestic Product          |
| GHG      | Greenhouse gases                |
| GVA (VA) | Gross Value Added (Value Added) |
| HoReCa   | Hotel/Restaurant/Café           |
| HR       | Human resources                 |
| IDC      | Indirect                        |
| IC       | Induced                         |
| KR       | The Kyrgyz Republic             |
| ME       | Municipal enterprise            |
| MSW      | Municipal solid waste           |
| PET      | Polyethylene terephthalate      |
| SD       | Sustainable Development         |
| SROI     | Social return on investments    |
| VAT      | Value-added tax                 |





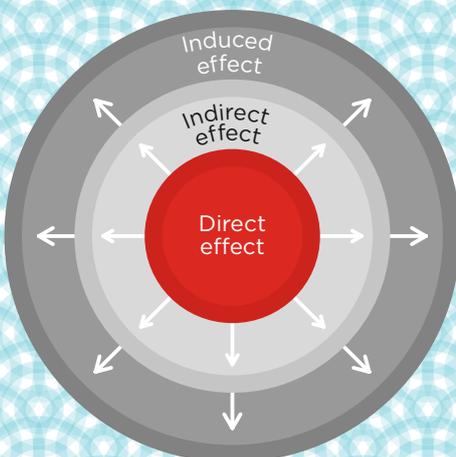
# APPENDIX 1: METHODOLOGY

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 the following data were used: Coca-Cola Bishkek Bottlers financial data for 2015-2019 and a number of macroeconomic indicators for the Kyrgyz Republic for the same period. The calculation of indirect and induced contributions was based on the use of the “Input-Output” model.<br><br>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.<br><br>To calculate specific indicators into account were taken the Company’s production results in liters of production for a certain period.  |
| Social     | Description of the main projects of the Company aimed for the social development of the regions and population is presented in the section on the social aspect of SD. In addition, according to the SROI Guidance (Network organization’s Guide to Social Return on Investment <sup>17</sup> ), for one of the projects was calculated a social return on investment<br><br>More detailed information is provided in the section below. |

## Economic Aspect

The Company’s total socioeconomic 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.



-  Contribution created **directly by the Company**
-  Contribution created in other sectors of the economy **through local content** (procurement of goods and services)
-  The contribution created **by the consumer spending** of its own, as well as “indirect” workers



<sup>17</sup><http://www.socialvalueuk.org/>

## SOCIO-ECONOMIC IMPACT 2015-2019

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

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

The results of the assessment of the total 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 composition and cost composition by types of economic activity, which correspond to the Common classifier of economic activity (CCEA) of the Kyrgyz Republic.

|                                    | Direct contribution<br>Coca-Cola                  | Indirect contribution<br>suppliers and distributors                                   | Induced contribution<br>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 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

The "Input-Output" table is integrated into the system of national accounts of the Kyrgyz Republic 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 2015 and 2016, prepared by the Statistics Committee of the Kyrgyz Republic. For the calculation of the contribution results for 2017, 2018 and 2019 was used the table for 2016, due to lack of "Input-Output" tables for 2017, 2018 and 2019. However, necessary input data for the model, such as GDP, number of employees, labor income, number of taxes and payments paid for the period, etc. were taken for the relevant period from official sources.

It should be noted that during the assessment of the contribution, all data on purchases of imported goods and services were excluded. This is done due to the fact, that the indirect effect on the Kyrgyz economy is created only by goods and services produced and / or acquired domestically. In addition, for a more accurate assessment of the contribution, an analysis of purchased products from local suppliers was carried out with a view to selecting the import component. All suppliers we work with





were analyzed and the percentage of imports in the range of goods and services supplied to the Company were identified. To determine this percentage the following aspects were considered: 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>18</sup> and intermediate input<sup>19</sup>. In most sectors of the economy, gross output is equal to sales or revenue. Intermediate expenses mean the purchase of resources during the production of other goods or services.

As a source of information to determining the direct contribution to output of the Company was used the financial data of Coca-Cola. 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

Gross value added (GVA) is the difference between the output of goods and services and intermediate consumption. Net value added = gross value added (GVA) minus consumption of fixed capital (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 to determine its so-called "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, taking into account any changes in the volume of stocks. Raise of GVA may be the result of yield enhancement (due to an increase in production or an increase in prices) or a decrease in production costs. The components of GVA determine the each production factor, labor cost, and capital in the cost.

The data source for determining the direct contribution of the Company to GDP was information from its financial and accounting systems. The indirect and induced contributions from procurement (IDC I, IC I) were determined by calculation based on the "Input-Output" tables. The indirect and induced contributions from work with distributors (IDC II, IC II) were determined based on data from the financial and accounting systems of the Company, our distributors' data, and the macroeconomic statistics of Kyrgyzstan.

## 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. For research were considered only actually paid taxes and other payments (not charged). The methodology, that was used to calculate other components of the total contribution—IDC I, IC I, IDC II, IC II—is similar to what is described above for the contribution to GDP.

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

- National Committee on Statistics of the KR,
- State Revenue Committee of the KR,
- 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 judgment was required, we used the most conservative, but economically sound approach.

Because of rounding, there are might to be certain insignificant distinctions in numbers throughout the report, in the text, tables, and charts for the same indicators, as well as insignificant distinctions in the sums of rows and columns of tables with the total value of a row or column.



<sup>18</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>19</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.

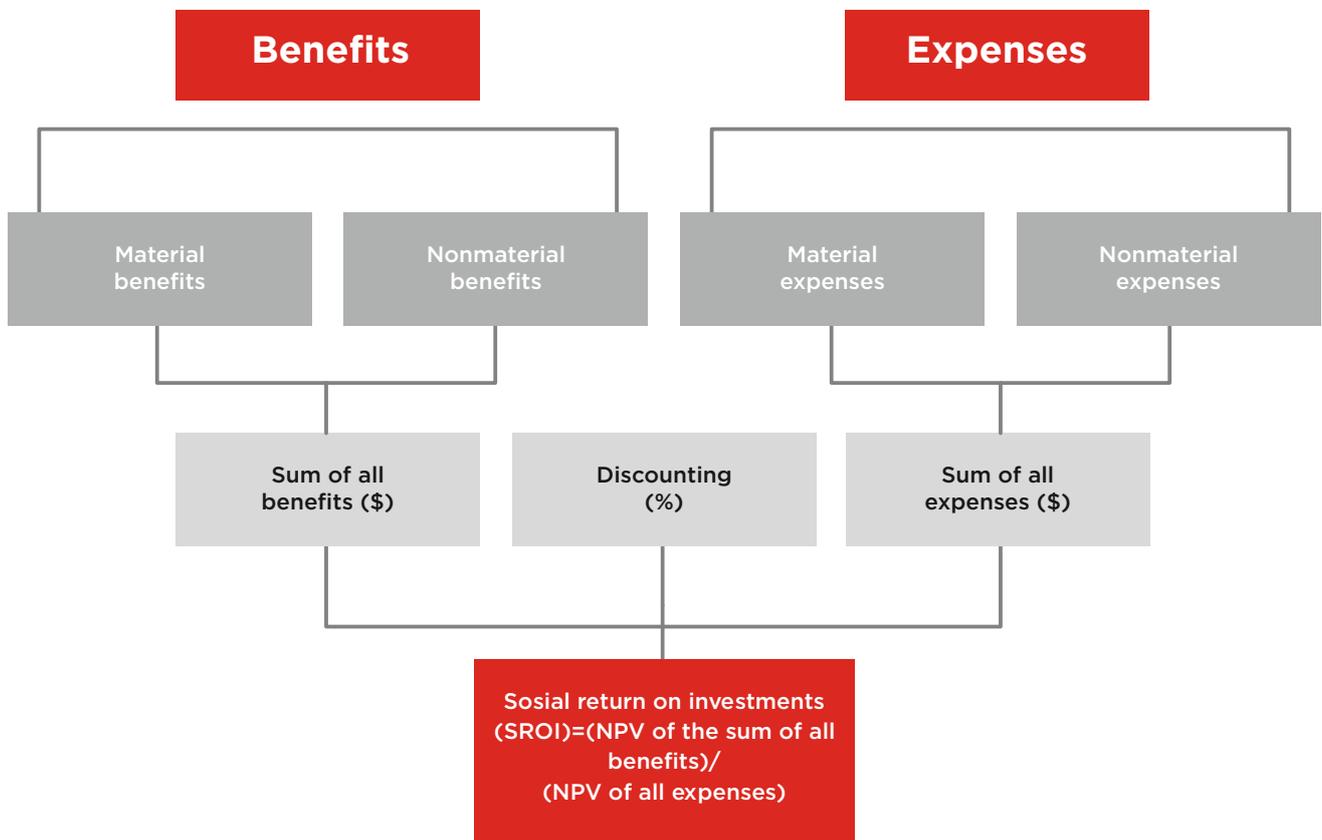
### Social aspect

Social Return on Investment (SROI) methodology

The SROI methodology 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. Mapping results. The development of impact map or theory of changes show the linkage between the inputs of the project (inputs), its products (outputs) and the final results (outcomes).
3. Confirmation of results and monetization. At this stage, the data is collected to confirm or disprove the achievement of results. Then the selection of cash equivalents - financial proxies - is carried out for those results that do not have generally recognized market value (monetization).
4. Impact assessment. After collecting data on the results and conducting monetization, from the analysis excluded those changes that would have occurred in any case (regardless of the implementation of the analyzed project) or which became possible as a result of the influence of other factors.
5. Calculation of SROI. 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, and the result is compared with the total amount of investment in the project. At this stage, can also be carried out an analysis of the sensitivity of the constructed model of social return on investment to changes in its various components. In our SROI assessment project, a sensitivity analysis was not performed.
6. Report, discussion and use of results.



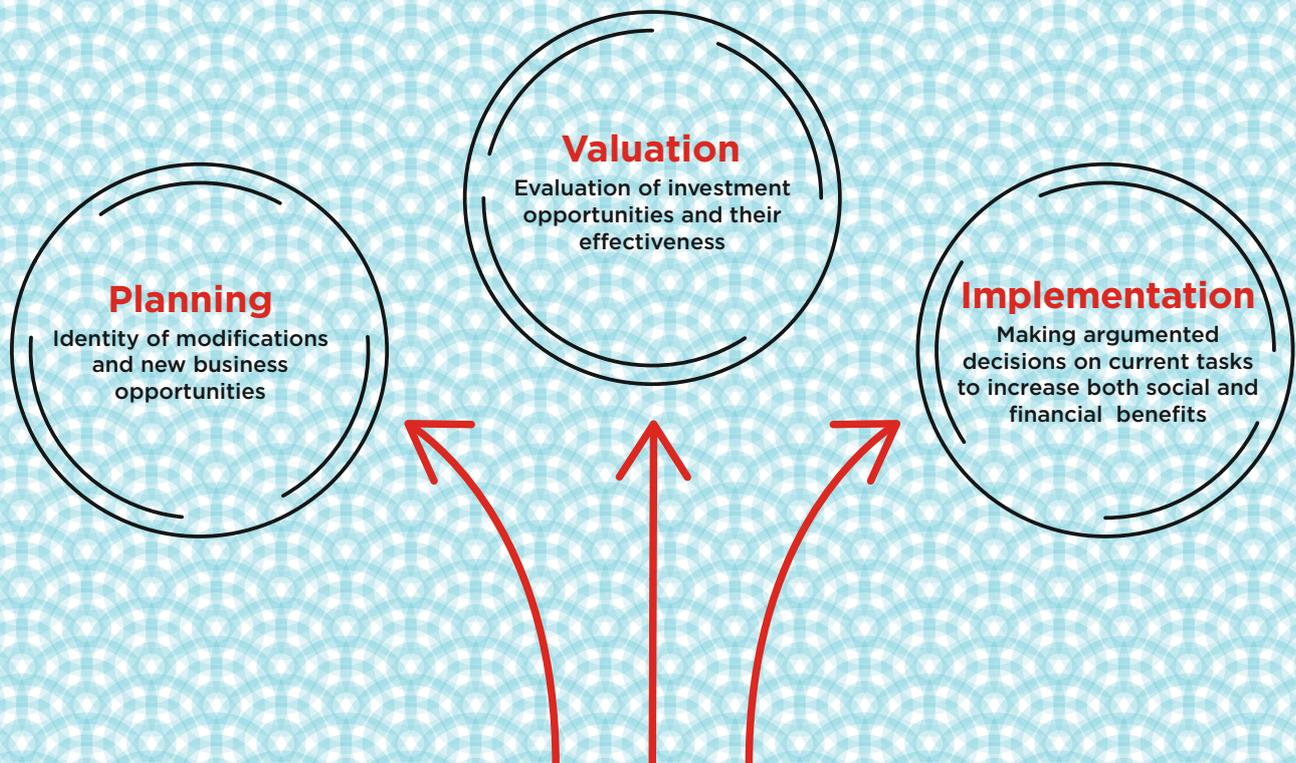
<sup>20</sup><http://www.socialvalueuk.org>



Analysis of the effectiveness and efficiency of the project according to the SROI method gives project managers, and investors, the following advantages:

1. SROI helps entrepreneurs in the planning of their business to identifying modifications or alternatives to the business model, as well as market opportunities that will increase the social benefits of the project.
2. SROI helps managers make decisions on current tasks and on the allocation of capital, manage and maximize both the social and financial benefits of the projects.
3. SROI make a more complete assessment of investment opportunities and their effectiveness in relation to the specific social and financial goals of investors in projects.

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



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

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

### Contribution to production output

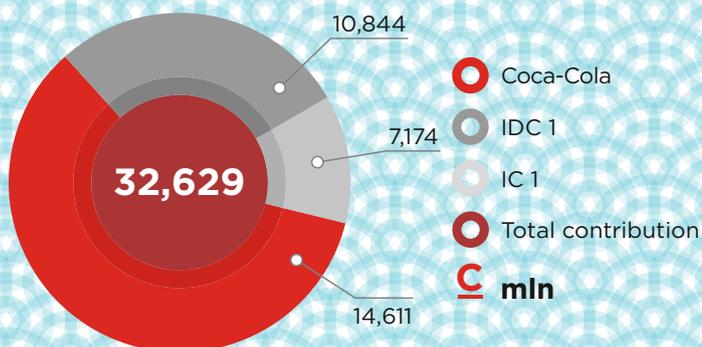


Figure 40. Cumulative contribution to output for 2015-2019

### Contribution to the country's GDP

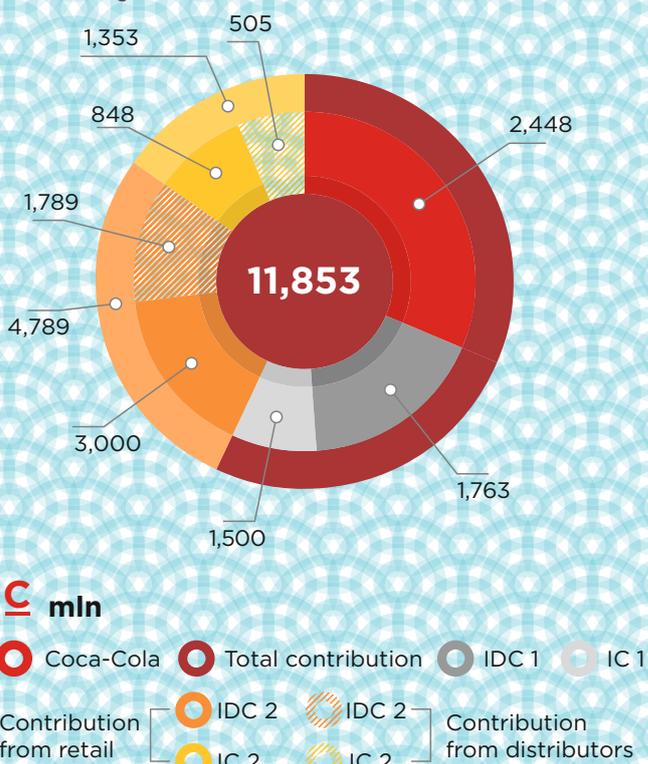


Figure 41. Cumulative contribution to GDP for 2015-2019

Table 12. Indicators for each type of contribution to output for 2015-2019, million som

|                                | 2015         | 2016         | 2017         | 2018         | 2019         |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Direct contribution</b>     | 2,233        | 2,510        | 2,871        | 3,216        | 3,781        |
| <b>Indirect contribution I</b> | 1,683        | 1,398        | 1,939        | 2,476        | 3,347        |
| <b>Induced contribution I</b>  | 1,146        | 1,184        | 1,478        | 1,754        | 1,612        |
| <b>Total contribution</b>      | <b>5,063</b> | <b>5,092</b> | <b>6,288</b> | <b>7,447</b> | <b>8,740</b> |



Table 13. Indicators for each type of contribution to GDP for 2015-2019, million soms

|   | 2015         | 2016         | 2017         | 2018         | 2019         |
|---|--------------|--------------|--------------|--------------|--------------|
| Direct contribution                     | 592          | 559          | 475          | 564          | 259          |
| Indirect contribution I                 | 458          | 303          | 324          | 432          | 246          |
| Induced contribution I                  | 491          | 280          | 256          | 345          | 128          |
| Indirect contribution II (distributors) | 309          | 280          | 345          | 402          | 454          |
| Indirect contribution II (retail)       | 445          | 507          | 589          | 673          | 786          |
| Induced contribution II (distributors)  | 87           | 84           | 99           | 109          | 127          |
| Induced contribution II (retail)        | 126          | 151          | 168          | 182          | 221          |
| <b>Total contribution</b>               | <b>2,508</b> | <b>2,164</b> | <b>2,255</b> | <b>2,706</b> | <b>2,221</b> |

Contribution to employment

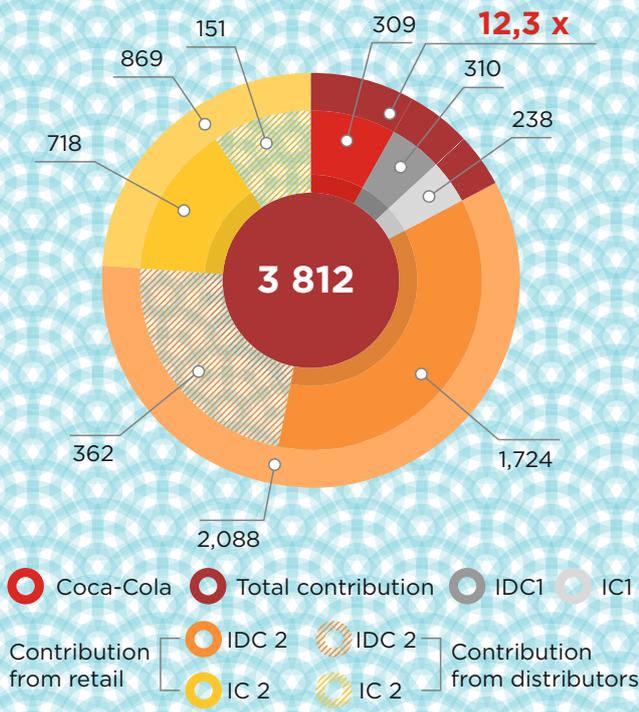


Figure 42. Contribution to employment in 2019

Contribution to labor income

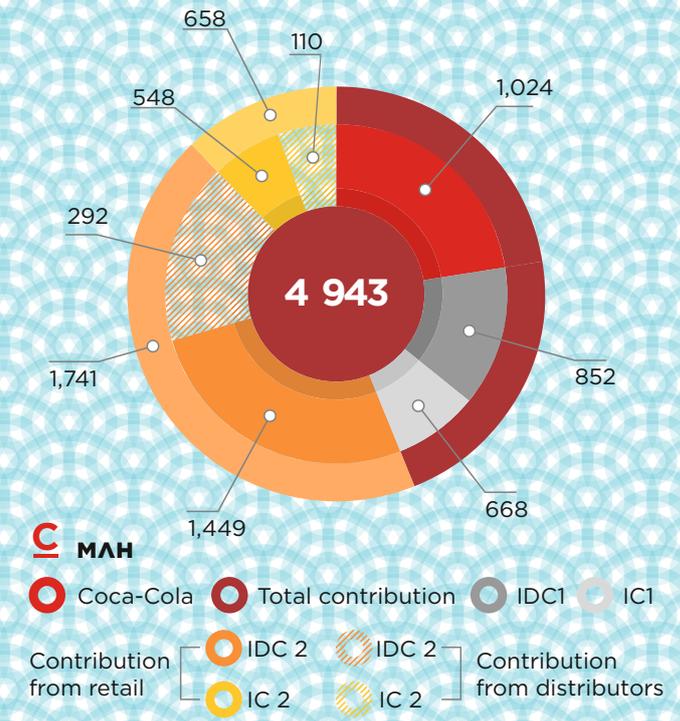


Figure 43. Cumulative contribution to labor income for 2015-2019

## SOCIO-ECONOMIC IMPACT 2015-2019

Table 14. Indicators for each type of contribution to employment for 2015-2019, jobs

|  | 2015         | 2016         | 2017         | 2018         | 2019         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Direct contribution</b>                     | 371          | 337          | 306          | 303          | 309          |
| <b>Indirect contribution I</b>                 | 387          | 299          | 230          | 253          | 310          |
| <b>Induced contribution I</b>                  | 540          | 486          | 363          | 328          | 238          |
| <b>Indirect contribution II (distributors)</b> | 310          | 310          | 350          | 360          | 362          |
| <b>Indirect contribution II (retail)</b>       | 1,575        | 1,652        | 1,786        | 1,702        | 1,724        |
| <b>Induced contribution II (distributors)</b>  | 131          | 136          | 137          | 141          | 151          |
| <b>Induced contribution II (retail)</b>        | 664          | 726          | 697          | 664          | 718          |
| <b>Total contribution</b>                      | <b>3,978</b> | <b>3,947</b> | <b>3,869</b> | <b>3,751</b> | <b>3,811</b> |

Table 15. Indicators for each type of contribution to labor income for 2015-2019, million soms

|  | 2015       | 2016       | 2017       | 2018       | 2019         |
|--|------------|------------|------------|------------|--------------|
| <b>Direct contribution</b>                     | 201        | 200        | 199        | 206        | 217          |
| <b>Indirect contribution I</b>                 | 179        | 159        | 139        | 165        | 210          |
| <b>Induced contribution I</b>                  | 151        | 147        | 113        | 112        | 145          |
| <b>Indirect contribution II (distributors)</b> | 47         | 49         | 59         | 62         | 75           |
| <b>Indirect contribution II (retail)</b>       | 239        | 261        | 299        | 294        | 356          |
| <b>Induced contribution II (distributors)</b>  | 18         | 20         | 22         | 24         | 27           |
| <b>Induced contribution II (retail)</b>        | 90         | 104        | 112        | 113        | 128          |
| <b>Total contribution</b>                      | <b>925</b> | <b>940</b> | <b>943</b> | <b>978</b> | <b>1,157</b> |

### Налоговый вклад

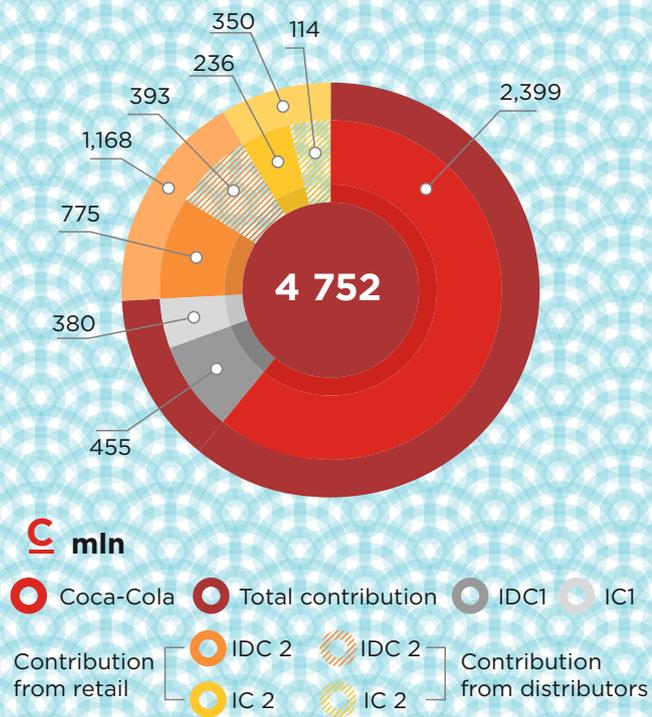


Figure 44. Cumulative tax contribution in 2015-2019

Table 16. Indicators for each type of tax contribution for 2015-2019, million soms

|  | 2015       | 2016       | 2017       | 2018         | 2019         |
|--|------------|------------|------------|--------------|--------------|
| <b>Direct contribution</b>                     | 346        | 464        | 444        | 559          | 586          |
| <b>Indirect contribution I</b>                 | 112        | 79         | 79         | 109          | 76           |
| <b>Induced contribution I</b>                  | 116        | 73         | 63         | 85           | 44           |
| <b>Indirect contribution II (distributors)</b> | 67         | 61         | 74         | 91           | 102          |
| <b>Indirect contribution II (retail)</b>       | 117        | 131        | 150        | 174          | 203          |
| <b>Induced contribution II (distributors)</b>  | 19         | 19         | 22         | 25           | 29           |
| <b>Induced contribution II (retail)</b>        | 36         | 42         | 46         | 51           | 60           |
| <b>Total contribution</b>                      | <b>813</b> | <b>869</b> | <b>878</b> | <b>1,093</b> | <b>1,100</b> |

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