

Second-Party Opinion Coca-Cola İçecek A.Ş. Sustainability-Linked Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Coca-Cola İçecek A.Ş. Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicators (KPIs)** Coca-Cola İçecek A.Ş. Sustainability-Linked Bond Framework includes two KPIs: Water usage ratio (WUR) as litres of water used per litre of product produced (L/L) and Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L) (see Table 1). Sustainalytics considers the KPIs strong.
- Calibration of Sustainability Performance Targets (SPTs)** Sustainalytics considers the SPTs to be aligned with the Coca-Cola İçecek A.Ş. sustainability strategy. Sustainalytics further considers the SPTs ambitious, based on their past performance, peer performance and alignment with science-based trajectories.
- Bond Characteristics** Coca-Cola İçecek A.Ş. will link the bond's financial/structural characteristics to the achievement of the SPT(s), namely a step-up margin or premium payment in case the SPT(s) are not achieved, verified or performance targets are not published.
- Reporting** Coca-Cola İçecek A.Ş. commits to report on an annual basis on its performance on the KPIs and expects to include the relevant figures in the Investor Relations or Sustainability section of the Company's website, aligned with the SLB Principles.
- Verification** Coca-Cola İçecek A.Ş. commits to having an external verifier provide limited assurance annually or for any date/period relevant for assessing the trigger of the SPT(s) performance.

Evaluation Date	January 7, 2022
Issuer Location	Istanbul, Turkey

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
Water usage ratio (WUR) as litres of water used per litre of product produced (L/L)	2020	(1a) Reduce WUR to 1.47 L/L by 2027, representing roughly 13% water efficiency increase, and (1b) reduce WUR to 1.4 L/L by 2029, representing roughly 17% water efficiency increase against 2020 baseline.	Strong	Ambitious
Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L)	2020	(2a) Reduce EUR to 0.341 MJ/L by 2027, representing roughly 16% energy efficiency increase, and (2b) reduce EUR to 0.328 MJ/L by 2029, representing roughly 19% energy efficiency increase against 2020 baseline.	Strong	Ambitious

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Scope of Work and Limitations

Coca-Cola İçecek A.Ş. has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the notes with the Sustainability-Linked Bond Principles (SLBP).¹

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the reviewed SLB Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA.

As part of this engagement, Sustainalytics exchanges information with various members of Coca-Cola İçecek A.Ş.'s management team to understand the sustainability impact of their business processes and SPTs, as well as reporting and verification processes of aspects of the SLB Framework. Coca-Cola İçecek A.Ş.'s representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Bond Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Coca-Cola İçecek A.Ş. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance.³ The measurement and reporting of the KPIs is the responsibility of the Bond issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Coca-Cola İçecek A.Ş. has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks⁴ against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI.

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¹ The Sustainability-Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-100620.pdf>

² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

³ Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

⁴ Benchmarks refers to science based benchmarks

Introduction

Coca-Cola İçecek A.Ş. (“CCI”, the “Group”, or the “Company”) bottles and distributes carbonated soft drinks and noncarbonated beverages and is one of the key bottlers of The Coca-Cola Company (TCCC). CCI employs 10,000 people and has operations in Azerbaijan, Iraq, Jordan, Kazakhstan, Kyrgyzstan, Pakistan, Syria, Tajikistan, Turkey, Turkmenistan and Uzbekistan.

CCI intends to issue Sustainability-Linked Bonds (SLBs) where the coupon rate or premium payment of the bond is tied to the achievement of the SPT(s) for one or the two KPIs under the SLB Framework.

CCI has engaged Sustainalytics to review the SLB Framework and provide an opinion on the alignment of the bond framework with the Sustainability-Linked Bond Principles (SLBP).

The KPIs and SPTs used by CCI are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
Water Usage Ratio (WUR) as litres of water used per litre of product produced (L/L)	This KPI measures the total volume of water withdrawn across bottling plants expressed per the total volume of beverages produced. For example, a WUR of 1.69 L/L (baseline year) for CCI indicates that, for every litre of beverage produced, an additional 0.69 litres of water is used to produce it.
Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L)	This KPI measures the energy consumed per litre of product produced, calculated as the sum of all individual energy sources from the production processes (in MJ) divided by production volume (in litres).

Table 2: SPTs and Past Performance

KPI	2015	2016	2017	2018	2019	2020 (baseline)	SPT 2027	SPT 2029
Water usage ratio (WUR) as litres of water used per litre of product produced (L/L)	1.67	1.68	1.71	1.74	1.71	1.69	1.47	1.40
Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L)	0.376	0.369	0.399	0.399	0.402	0.407	0.341	0.328

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of Coca-Cola İçecek A.Ş. Sustainability-Linked Bond Framework with the Sustainability-Linked Bond Principles.

Sustainalytics is of the opinion that the Sustainability-Linked Bond Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020 (SLBP).



Selection of Key Performance Indicators (KPIs)

Relevance and Materiality of KPIs

Sustainalytics in its assessment of materiality and relevance considers i) whether an indicator speaks to a material impact of the issuer business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

KPI 1: Sustainalytics considers KPI 1 to be material and relevant to CCI as the soft-drinks sub-industry is highly dependent on water resources for beverage production. Sustainalytics' ESG Risk Ratings methodology identifies "Resource Use" as a material ESG issue (MEI) for the soft-drinks sub-industry. Also, the Sustainability Accounting Standard Board (SASB) classifies 'Water & Wastewater Management' as a highly material issue for the non-alcoholic beverage industry.⁵ Furthermore, the Beverage Industry Environmental Roundtable (BIER),⁶ highlights the significance of water management in the beverages production sector and provides industry-wide historical performance benchmarks on water efficiency among all major global bottling companies. Also, CCI has classified water management as a very high priority issue in its 2020 Integrated Annual Report.⁷

In terms of applicability, KPI 1 covers 100% of the Group's production plants in the baseline year. CCI is in the process of consolidating the total water consumption data from all sources - other than beverages production, and the share of water used in production compared to the total water consumed by CCI's overall business is unknown at the time of publication. However, CCI has communicated to Sustainalytics that production plants consume the majority (over 50%) of water related to its total operations, including sales centres and offices. On this basis, Sustainalytics considers KPI 1 to be material with a high scope of applicability.

KPI 2: The beverage industry uses significant energy in its manufacturing and processing units, having a significant climate impact. Thus, the industry can reduce energy consumption and associated GHG emissions from its operations by implementing efficient technologies and processes. In line with this, Sustainalytics ESG Risk Ratings for companies in the soft-drinks sub-industry identifies "Carbon-Own Operations" as an MEI. Further, energy management has been identified as a material issue for the non-alcoholic beverage industry by the Sustainability Accounting Standard Board (SASB).⁵ Additionally, CCI's materiality assessment 2021 identified energy efficiency and climate protection as a highly material issue that forms a key focus area in the Company's environmental management approach.

In terms of applicability, KPI 2 includes all production operations, including preform production processes, excluding sales centres and offices. CCI communicated to Sustainalytics that the water and energy use associated with its other than production operations is insignificant. Overall, the KPI covers 100% of the Group's production plants in the baseline year. On this basis, Sustainalytics considers KPI 2 to be material with a high scope of applicability.

⁵ SASB, 'Non-alcoholic beverages', at: https://www.sasb.org/wp-content/uploads/2015/07/CN0201_Non-Alcoholic_Beverages_Standard.pdf

⁶ BIER is a technical coalition of leading global beverage companies working together to advance environmental sustainability within the beverage sector: <https://www.bierroundtable.com/>

⁷ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 47, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

KPI Characteristics

Sustainalytics in its assessment of the KPI characteristics considers i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.⁸

KPI 1: Sustainalytics considers CCI’s definition and methodology to calculate KPI 1 performance to be clear and consistently applied on the Company’s historical disclosure. Though CCI adopts a standardized approach to estimate water efficiency as litres of water used per litres of beverage produced, Sustainalytics notes that there is no external benchmark available to enable comparison against performance on this KPI.

KPI 2: Sustainalytics considers CCI’s definition and methodology to calculate the KPI 2 clear and consistent with the Company’s historical reporting. The EUR is computed as the energy consumed in megajoules per litre of beverage produced. The methodology is in line with TCCC’s global guidelines. However, Sustainalytics notes that due to the lack of a relevant benchmark in terms of EUR, the KPI performance cannot be compared against any external contextual benchmark.

Overall Assessment

Sustainalytics overall considers KPI 1 – Water Usage Ratio (WUR) – to be strong given that: (i) it speaks to a material environmental issue that directly measures CCI’s performance, (ii) it has a high scope of applicability, and (iii) it follows a clear and consistent methodology.

Sustainalytics considers KPI 2 - Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L) to be strong given that (i) it speaks to a material environmental issue that directly measures CCI’s performance, (ii) it has a high scope of applicability, and (iii) it follows a clear and consistent methodology.

Water usage ratio (WUR) as litres of water used per litre of product produced (L/L)	Not Aligned	Adequate	Strong	Very strong
Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L)	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets (SPTs)

Alignment with Issuer’s Sustainability Strategy

CCI has set the following SPTs for its KPIs:

- SPT 1: (1a) Reduce WUR to 1.47 L/L by 2027, representing roughly 13% water efficiency increase, and (1b) reduce WUR to 1.4 L/L by 2029, representing roughly 17% water efficiency increase against 2020 baseline.
- SPT 2: (2a) Reduce EUR to 0.341 MJ/L by 2027, representing roughly 16% energy efficiency increase, and (2b) reduce EUR to 0.328 MJ/L by 2029, representing roughly 19% energy efficiency increase against 2020 baseline.

⁸ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

Sustainalytics considers the SPTs to be aligned with CCI's sustainability strategy (please refer to Section 2 for analysis of the credibility of CCI's sustainability strategy).

Regarding SPT 1, CCI is committed to ensuring efficient water use across its operations to reduce its overall environmental footprint. CCI is committed to be aligned with TCCC's goal of 'replenishing every drop of water we use' by ensuring water-efficient operations. The Company also carries out several water conservation programs in various geographies it operates, such as Life Plus Environment Program and Paani - Safe Water Movement, highlighting CCI's strategic importance to ensure safe and accessible water supply not only for its operations but also for the surrounding communities in the regions it operates.⁹

Regarding SPT 2, CCI established a cross-country committee in 2018 to maximize its potential to reduce its EUR. The committee evaluates the EUR performance periodically and conducts gap analysis followed by an action plan to achieve its EUR reduction targets. Further, energy management forms a key focus area under the Company's sustainability approach. The majority of CCI's plants in Turkey and Pakistan have been certified by Energy Management System ISO 50001. CCI has also formulated an energy efficiency and climate protection strategy which encompasses major action areas to mitigate the impacts of its operation on the environment.

Strategy to Achieve the SPTs

CCI intends to achieve SPT 1 through the following strategies:

- CCI plans to prioritize plants with higher WUR and located in water-stressed locations.
- CCI intends to implement water use optimization strategies, including water recycling, wastewater treatment and effluent reuse, and soft water regeneration optimization.
- CCI has set up a dedicated Water Task Force overseeing water use efficiency improvements by periodically assessing the water use scenario, identifying gaps and performing reviews and evaluations

CCI intends to achieve SPT 2 through the following strategy:

- CCI plans to prioritize plants with higher EUR and implement energy-efficient technologies and digitalization initiatives, including LED lighting, shifting to electric forklifts, insulation to production cooling lines, decreasing of bottle blowing pressure at blowing machine, increasing boiler efficiency, and installing low energy consuming equipment. The action plan, however, will differ for each plant and will be designed depending on plant circumstances and taking into account country-specific growth rates.
- CCI has set up a dedicated Climate Task Force, which will be responsible for closely monitoring the progress of the SPT and taking action as necessary.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers whether the SPTs go beyond business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.¹⁰

SPT 1: Sustainalytics used the following benchmarks to assess the ambitiousness of SPT 1: past performance and peer performance.

CCI has set 2020 as the baseline for SPT 1 to reflect the latest data available, with an ambition to reduce WUR to 1.47 L/L or to increase water efficiency by 13% by 2027 and to reduce WUR to 1.4 L/L or to increase water efficiency by 17% by 2029.

Sustainalytics considers SPT 1 to be aligned with historical performance as the implied annual improvements in WUR (L/L) up to the final SPT 1 observation date 2029 represent a continued improvement in performance. CCI's WUR declined at an average annual rate of around 1.5% between 2018 and 2020. Achieving the SPT would imply an average annual reduction of approximately 1.9% per year between 2020 and 2029. Sustainalytics notes that SPT 1 is aligned with the downward trend observed in the Company's historical performance. In addition, Sustainalytics analyzed a group of six direct subindustry peers and noted that CCI's targets exceed the targets

⁹ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 118, at: https://www.cci.com.tr/Portals/3/CCI_Integrated_Report_2020.pdf

¹⁰ We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

set by its peers.¹¹ However, Sustainalytics also noted the absence of science-based benchmarks for benchmarking future performance.

SPT 2: Sustainalytics used the following benchmarks to assess ambitiousness: past performance and peer performance.

CCI has set 2020 as the baseline for SPT 2 to reflect the latest data available, with an ambition to reduce EUR to 0.341 MJ/litre, representing 17% increase in energy efficiency by 2027 and to reduce EUR to 0.328 MJ/litre, representing 19% in energy efficiency increase by 2029.

With regard to CCI’s past performance, between 2015 and 2020, the EUR increased at an annual average rate of 1.62%, whereas the SPT requires the EUR to decrease at an average rate of 2.1% annually between 2020 and 2029. As such, the SPTs aimed at reducing EURs are considered to be significantly above compared to its rising historical trend. In addition, six peer companies were assessed, and most of them have not set targets for reducing the energy use ratio or improving energy efficiency. Few companies that have set EUR-related targets are in line with the targets set by CCI. Sustainalytics, therefore, considers the CCI’s SPTs to be aligned with peer performance. Further, Sustainalytics notes that the SPT could not be assessed against any science-based trajectories due to the industry’s lack of any established contextual benchmark.

Overall Assessment

Sustainalytics considers SPT 1 to align with CCI’s sustainability strategy and considers SPT 1 to be ambitious given that it is aligned with past performance with targets exceeding those of the subindustry peers.

Sustainalytics considers CCI’s SPT 2 to be ambitious given that it presents a material improvement compared to past performance and is in alignment with its peer performance.

(1a) Reduce WUR to 1.47 L/L by 2027, representing roughly 13% water efficiency increase, and (1b) reduce WUR to 1.4 L/L by 2029, representing roughly 17% water efficiency increase against 2020 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
(2a) Reduce EUR to 0.341 MJ/L by 2027, representing roughly 16% energy efficiency increase, and (2b) reduce EUR to 0.328 MJ/L by 2029, representing roughly 19% energy efficiency increase against 2020 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond Characteristics

CCI has disclosed that it will link the financial characteristics of the bonds issued under the Framework to the achievement of the SPT(s). CCI may select any of the KPIs under the Framework for future issuances. Sustainalytics notes that each KPI is relevant and material to the CCI’s overall business, aligned with market expectations. The financial characteristics may include a step-up margin or a premium payment, as applicable, if (i) a KPI has not achieved the SPT on the target observation dates; (ii) the verification has not been provided and made public by the time of the notification date or (iii) the Company fails to publish relevant performance against the SPT(s) within the time limit as prescribed by the terms and conditions of the Sustainability-Linked Bond. Specific details on the financial characteristics selected for each financial instrument will be specified in their respective transaction documentation. Sustainalytics does not opine on the adequacy of the penalty imposed for not achieving the set SPT(s).

¹¹ Sustainalytics analyzed peers’ reported current and future targets on water efficiency in the soft-drinks subindustry and notes that CCI’s targets are above peer’s targets.



Reporting

CCI commits to report on an annual basis on its performance on the KPIs and expects to include the relevant figures in the Investor Relations or Sustainability section of the Company's website, aligned with the SLB Principles. CCI further commits to disclose relevant information enabling investors to monitor the level of ambition of the SPT(s), including a verification assurance certificate outlining the performance of the KPI(s) against the SPT(s) and any other relevant information which may enable investors to monitor the progress and ambition of the selected KPI(s) and SPT(s).



Verification

CCI commits to having an external verifier provide limited assurance annually or for any date relevant for assessing the trigger of the SPT(s) performance. The Company will seek independent and external verification of the performance level of the SPT(s) for the stated KPI(s) by a qualified external reviewer with relevant expertise, which is aligned with the SLBP on verification.

Section 2: Assessment of CCI's Sustainability Strategy

Credibility of CCI's Sustainability Strategy

CCI's Corporate Governance Committee is responsible for identifying and implementing business strategies related to sustainability. This responsibility is ultimately carried out by the CCI Executive Committee, composed of senior management representatives and chaired by the CEO. CCI's Environmental and Social Sustainability Committee conducts separate assessments, activities, and mitigation measures with the concerned task groups within the organization to attain the identified targets in the strategic area of sustainability. This is done under an integrated thought system where group-level resolutions are issued and finally reported to the Executive Committee.¹² CCI's sustainability governance has been structured to support and manage comprehensive concerns regarding the environment. The CCI Group Supply Chain Director has ultimate responsibility regarding environmental management, carefully supervising sustainability goals.¹³ Additionally, CCI maintains a rich product portfolio to offer affordable, accessible and innovative products to customers based on lean production and digital enterprise transformations. This is done through agile operations, including processes, tools and training that allows CCI to quickly respond to customer needs and market changes.¹⁴

In 2020, CCI identified six material sustainability topics comprising consumer well-being, customer value, human rights, human capital, community development, and environmental footprint.¹⁵ Other important indicators related to the Company's environmental footprint, energy efficiency, and water management are also considered under CCI's sustainability performance indicators. They have relevant economic impacts on businesses and operations within and outside the Group.¹⁶ Moreover, CCI has witnessed reductions in their WURs,¹⁷ and improvements in core EURs between 2006 and 2019 across various geographies.¹⁸ Therefore, Sustainalytics considers CCI to have a strong sustainability strategy and considers that the SLBs will further support the CCI sustainability strategy.

¹² CCI, "CCI 2020 Integrated Annual Report", (2020), P. 35, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

¹³ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 121, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

¹⁴ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 68, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

¹⁵ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 48, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

¹⁶ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 2, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

¹⁷ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 139, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

¹⁸ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 127, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf



CCI's Environmental and Social Risk Management

Sustainalytics notes that CCI's management of ESG issues and sustainability reporting are strong. Sustainalytics' analysis is based on CCI's overall performance in environmental, governance and social issues.¹⁹ Sustainalytics also recognizes that while the CCI's defined targets are impactful, it is acknowledged that achieving the SPTs bears environmental and social risks related to the overall environmental and social impact of products and services, occupational health and safety, labour rights, human rights within its supply chain, water stress risk, waste, and effluents.

In the following section, Sustainalytics comments on CCI's ability to mitigate such potential risks.

- Environmental and social impact of products and services:
 - The packaging strategy of CCI is aligned with TCCC's 'A World Without Waste' (WWW) initiative, revolving around three goals of making the packaging recyclable and using recycled material, collecting post-consumer waste, and partnering with others for a healthy, debris-free environment. To this extent, CCI saved over 400 tons of resin and over 500 tons of glass material in 2020 in nine countries via their Sustainable Packaging Program.²⁰
 - The Company maintains transparency in communication with consumers through responsible marketing practices and product labelling. This is accompanied by a responsible advertisement practice and marketing approach where CCI pledges not to carry out advertisement and marketing campaigns targeting children under 12. This is in line with TCCC's Global School Beverage Guidelines, where sparkling beverages are not sold at primary schools.²¹
- Labour rights and human rights within its supply chain:
 - CCI manages labour rights issues in parallel to the Coca-Cola Operating Requirements (KORE) within the context of collective bargaining agreements signed with labour unions. Location-based cross-functional Health and Safety (H&S) committees meet monthly and report to the Country Health and Safety committees quarterly. The Group H&S Manager coordinates H&S issues in collaboration with the Country Committees throughout all CCI countries and reports to the Health & Safety Steering Committee that meets once every six months. The CEO is the highest-ranking executive and assumes the ultimate responsibility while the HR Director heads up the chain of command for H&S.²²
 - Moreover, workplace rights and human rights at CCI are integrated across value chains, corporate values, and sustainability strategy to continue the CCI Workplace Rights Policy applicable throughout the Company's procurement chain.²³
- Water stress risk, waste, and effluents:
 - Identifying the environmental risks associated with its operations, CCI laid out an Environment Policy which aims at environmental impact management in three main priority areas of Energy Management and Climate Protection, Water Management, and Sustainable Packaging. Working towards these goals, CCI implements environmental management systems in line with ISO 14001 to monitor and continuously improve environmental performance. The company also focuses on energy efficiency in line with ISO 50001 and reports GHG emissions, goals, results, and activities within the scope of ISO 14064.²⁴
 - One of CCI's key focus areas of environmental and social risks are climate crisis and energy management which the Company continues to mitigate by investing in energy and water efficiency equipment within the scope of risk mitigation actions. Key stakeholder expectations and concerns regarding the effects of sustainability increase annually which CCI addresses carrying out work with stakeholders on long-term managerial, environmental, and social issues.²⁵
 - In 2018, CCI had established a committee to reduce WUR and EUR values. This committee conducted a current status assessment and gap analysis among the plants, followed by an action plan. CCI reviews and evaluates performance every three months using the same methodology.²⁶

¹⁹ This assessment has been derived from Sustainalytics' ESG Risk Ratings on April 14, 2021.

²⁰ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 135, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

²¹ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 76, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

²² CCI, "CCI 2020 Integrated Annual Report", (2020), P. 92, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

²³ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 88, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

²⁴ CCI, "Coca-Cola İçecek Environment Policy Statement", (2020), at: https://cci.com.tr/portals/3/CCI_Environment_Policy.pdf

²⁵ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 54, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

²⁶ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 122, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf



- As part of CCI's water stewardship program, the Company conducts local Source Vulnerability Assessments (SVA) and has developed Source Water Protection Plans (SWPP) to use water responsibly. This helps CCI mitigate water-related risks within systems and the communities served.²⁷

Sustainalytics notes that it has not found evidence of major environmental or social controversies related to CCI. CCI's overall ESG-related disclosure follows best practice, signalling strong accountability to investors and the public. CCI also disclosed a strong environmental policy that Sustainalytics considers to be positive for minimizing risks to the achievement of the SPTs.

Section 3: Impact of the SPTs Chosen

CCI operates in over 10 countries with more than two dozen plants. However, most of the Company's operations are concentrated in Turkey and Pakistan, which comprise nearly 50% of the Group's operations.

Importance of using water resources judiciously in Turkey and Pakistan

Water is intrinsic for doing business in the beverage industry, and clean, high-quality water is a key raw material input for the industry's production operations. According to the Beverage Industry Environmental Roundtable (BIER),²⁸ the bottling plants involve water-intensive operations that invariably lead to stress on the world's freshwater sources. Demand for beverages is expected to increase along with the projected world's population growth (over 8.5 billion by 2030 and over 9 billion by 2050),²⁹ and competition for freshwater resources is expected to intensify. In Turkey, where precipitation is generally limited to four or five months a year, water resources development projects have become indispensable for sustainable socio-economic development. In recent decades, Turkey has built dams and reservoirs to save water from its brief seasons of rainfall and for use throughout the year for various projects. Turkey has also been implementing an integrated water basin management programme on its natural water resources.³⁰

On a similar note, the beverage industry is one of the fastest-growing sectors in Pakistan. Carbonated beverages are a leading product of the beverage processing industry.³¹ However, The United Nations Development Programme (UNDP) and the Pakistan Council of Research in Water Resources (PCRWR) have predicted that Pakistan may reach absolute water scarcity by 2025. The country's economy is the most water-intensive globally, but Pakistan also ranks third globally in water shortage.³² According to the National Drinking Water Policy (NDWP) of 2009, Pakistan aims to provide universal access to drinking water in an equitable, efficient, and sustainable manner by 2025.³³ The country aspires to become one of the 10 largest economies in the world by 2047. Given the importance of water to Pakistan's economy, getting water resource management right will be essential to realizing this goal.³⁴

Based on this, Sustainalytics notes that CCI's efforts to improve water efficiency across all its bottling plants will enable the Company to reduce its water footprint, contributing to water conservation and supporting the UN SDGs.

Importance of improving energy efficiency in Turkey and Pakistan

In the food and beverage industry, approximately half of all energy consumption is used to change raw materials into products, while the remaining is used for the processes required for product preservation and safety, such as freezing, drying, refrigeration

²⁷ CCI, "CCI 2020 Integrated Annual Report", (2020), P. 140, at: https://www.cci.com.tr/Portals/3/cci_entegre_ingilizce_2020_03.09.21.pdf

²⁸ BIER, "2018 Benchmarking Study Trends & Observations", (2019), at: <http://www.bierroundtable.com/wp-content/uploads/2018-Water-and-Energy-Use-Benchmarking-Study.pdf>

²⁹ United Nations, Sustainable Development Goals, "UN projects world population to reach 8.5 billion by 2030, driven by growth in developing countries", (2021), at: <https://www.un.org/sustainabledevelopment/blog/2015/07/un-projects-world-population-to-reach-8-5-billion-by-2030-driven-by-growth-in-developing-countries/>

³⁰ Republic of Turkey, Ministry of Foreign Affairs, "Turkey's Policy on Water Issues", (2021), at: https://www.mfa.gov.tr/turkey_s-policy-on-water-issues.en.mfa

³¹ XpressLabs, "Beverage Industry", (2021), at: <https://xpresslabs.com/beverage-industry/>

³² Food Navigator Asia, "Pakistan Water Crisis: Nestle, PepsiCo and Coca-Cola amongst companies summoned for water usage", (2018), at: <https://www.foodnavigator-asia.com/Article/2018/09/20/Pakistan-water-crisis-Nestle-PepsiCo-and-Coca-Cola-amongst-companies-summoned-for-water-usage>

³³ Government of Pakistan, Ministry of Environment, "National Drinking Water Policy", (2009), at: <http://isc.org.pk/wp-content/uploads/2012/03/National-Drinking-Water-Policy-6092009.pdf>

³⁴ The Asia Foundation, "Pakistan's Water Crisis: Why a National Water Policy is Needed", (2017), at: <https://asiafoundation.org/2017/11/01/pakistans-water-crisis-national-water-policy-needed/>

and packaging.³⁵ It has been estimated that the food & beverage industry consumes 30% of global energy and the demand for food & beverage is likely to increase because the global population is projected to grow to over 9 billion people by 2050.³⁶ Turkey recognizes that a primary foundation to improve energy security is to slow the rate of consumption growth by improving energy efficiency. To this end, the National Energy Efficiency Action Plan (NEEAP), covering the period 2017-23, aims to reduce Turkey’s primary energy consumption by 14% from business-as-usual (BAU) levels across several sectors. Hence in recent years, Turkey has been focusing to continue promoting the expansion of renewable energy resources under the Eleventh Development Plan (2019-2023).³⁷

In Pakistan, around 75 million people in rural areas and suburbs are affected by regular power shut-downs. A further 50 million people do not have access to secure energy supplies. This may drive major challenges for the country’s economic and social development. At the same time, energy production relies heavily on hydro and thermal energy. Electricity from renewable sources (excluding large hydro) contributes only 5% to power generation. Energy supplies in Pakistan need to be improved by increasing the amount of renewable energy in the energy mix. The Federal Government of Pakistan has set the target to increase the share of renewable energies to at least 20% by 2025 and 30% by 2030. As a result, the Ministry of Climate Change in the country supports the National Energy Efficiency and Conservation Authority (NEECA) in devising policy recommendations and in setting out a framework for a technical mitigation working group that will revise Pakistan’s Nationally Determined Contributions (NDCs) to the Paris Agreement.³⁸

Based on this, Sustainalytics notes that CCI’s efforts to improve energy efficiency across all its bottling plants will enable the Company to reduce its energy footprint, contributing to energy conservation and supporting the UN SDGs.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability-linked bond advances the following SDG goals and targets:

KPI	SDG	SDG Target
Water usage ratio (WUR) as litres of water used per litre of product produced (L/L)	6. Clean water and sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L)	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and

³⁵ Rockwell Automation, “How a Well-Planned Strategy Can Help the Food & Beverage Industry More Effectively Manage Its Energy-Related Costs”, (2017), at: https://literature.rockwellautomation.com/idc/groups/literature/documents/wp/food-wp002_-en-p.pdf#:~:text=In%20the%20food%20%26%20beverage%20industry%2C%20approximately%20half,largest%20energy%20consumers%20in%20the%20process%20is%20critical.

³⁶ ABB, “Improving energy efficiency in the food and beverage industry”, (2021), at: https://www.energyefficiencymovement.com/wp-content/uploads/2021/10/ABB_EE_WhitePaper_Food_and_beverage-1.pdf

³⁷ IEA, “Turkey 2021 Energy Policy Review”, (2021), at: <https://www.iea.org/reports/turkey-2021>

³⁸ Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), “Promoting renewable energy and energy efficiency in Pakistan”, (2021), at: <https://www.giz.de/en/worldwide/97827.html>

		environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
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Conclusion

Coca-Cola İçecek A.Ş. intends to issue Sustainability-Linked Bonds which will tie the coupon rate or a premium payment to the achievement of one or two of the following SPTs:

- SPT 1: (1a) Reduce WUR to 1.47 L/L by 2027, representing roughly 13% water efficiency increase, and (1b) reduce WUR to 1.4 L/L by 2029, representing roughly 17% water efficiency increase against 2020 baseline.
- SPT 2: (2a) Reduce EUR to 0.341 MJ/L by 2027, representing roughly 16% energy efficiency increase, and (2b) reduce EUR to 0.328 MJ/L by 2029, representing roughly 19% energy efficiency increase against 2020 baseline.

Sustainalytics considers the KPIs chosen to be strong based on a clear and consistent methodology on a material environmental issue while having a high scope of applicability. The SPTs are also considered to be ambitious based on past performance, peer performance and alignment with science-based trajectories and offering a continued improvement on the Company’s water and energy efficiency strategy.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers Coca-Cola İçecek A.Ş.’s SLB Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective of achievement of the SPTs to be impactful.



Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Coca-Cola İçecek A.Ş.

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: January 7, 2022

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review) only some of them (partial review):
- | | |
|--|--|
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Verification | |
- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Coca-Cola İçecek A.Ş. intends to issue Sustainability-Linked Bonds which will tie the coupon rate or a premium payment to the achievement of one or two of the following SPTs:

SPT 1: (1a) Reduce WUR to 1.47 L/L by 2027, representing roughly 13% water efficiency increase, and (1b) reduce WUR to 1.4 L/L by 2029, representing roughly 17% water efficiency increase against 2020 baseline.

SPT 2: (2a) Reduce EUR to 0.341 MJ/L by 2027, representing roughly 16% energy efficiency increase, and (2b) reduce EUR to 0.328 MJ/L by 2029, representing roughly 19% energy efficiency increase against 2020 baseline. Sustainalytics considers the KPIs chosen to be strong based on a clear and consistent methodology on a material environmental issue while having a high scope of applicability. The SPTs are also considered to be ambitious based on past performance, peer performance and alignment with science-based trajectories and offering a continued improvement on the Company’s water and energy efficiency strategy. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations. Based on the above, Sustainalytics considers Coca-Cola İçecek A.Ş.’s SLB Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective of achievement of the SPTs to be impactful.

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable): Sustainalytics considers KPI 1 – Water Usage Ratio (WUR) – to be strong given that: (i) it speaks to a material environmental issue that directly measures CCI’s performance, (ii) it has a high scope of applicability, and (iii) it follows a clear and consistent methodology. Sustainalytics considers KPI 2 - Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L) to be strong given that (i) it speaks to a material environmental issue that directly measures CCI’s performance, (ii) it has a high scope of applicability, and (iii) it follows a clear and consistent methodology.

List of selected KPIs:

- Water usage ratio (WUR) as litres of water used per litre of product produced (L/L)
- Energy usage ratio (EUR) as megajoules of energy consumed per litre of product produced (MJ/L)

Definition, Scope, and parameters

- | | |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
| <input type="checkbox"/> Other (please specify): | |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable): Sustainalytics considers SPT 1 to align with CCI’s sustainability strategy and considers SPT 1 to be ambitious given that it is aligned with past performance with targets exceeding those of the subindustry peers. Sustainalytics considers CCI’s SPT 2 to be ambitious given that it presents a material improvement compared to past performance and is in alignment with its peer performance.

Rationale and level of ambition

- Evidence that the SPTs represent a material improvement
- Evidence that SPTs are consistent with the issuer’s sustainability and business strategy
- Credentials on the relevance and reliability of selected benchmarks and baselines
- Credentials that the SPTs are determined on a predefined timeline
- Other (please specify):

Benchmarking approach

- Issuer own performance
- reference to the science
- Issuer’s peers
- Other (please specify):

Additional disclosure

- potential recalculations or adjustments description
- identification of key factors that may affect the achievement of the SPTs
- issuer’s strategy to achieve description
- Other (please specify):

3-3 BOND CHARACTERISTICS

Overall comment on the section (if applicable): CCI will link the financial characteristics of the bonds issued under the Framework to the achievement of the SPT(s). The financial characteristics may include a step-up margin or a premium payment, as applicable, if (i) a KPI has not achieved the SPT on the target observation date; (ii) the verification has not been provided and made public by the time of the notification date or (iii) the Company fails to publish relevant performance against the SPT(s) within the time limit as prescribed by the terms and conditions of the Sustainability-Linked Bond.

Financial impact:

- variation of the coupon
- ...
- Other (please specify): pre-determined premium payment at redemption

Structural characteristic:

- ...
- ...
- Other (please specify):

3-4 REPORTING

Overall comment on the section (if applicable): CCI commits to report on an annual basis on its performance on the KPIs and expects to include the relevant figures in the Investor Relations or Sustainability section of the Company’s website, aligned with the SLB Principles.

Information reported:

- performance of the selected KPIs
- verification assurance report
- level of ambition of the SPTs
- Other (*please specify*):

Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (*please specify*):
- Reporting reviewed (*if yes, please specify which parts of the reporting are subject to external review*):

Where appropriate, please specify name and date of publication in the “useful links” section.

Level of Assurance on Reporting

- limited assurance
- reasonable assurance
- Other (*please specify*):

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer’s documentation, etc.*)

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

- limited assurance
- reasonable assurance
- Other (*please specify*):

Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

Material change:

- Perimeter
- KPI methodology
- SPTs calibration

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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For more information, visit www.sustainalytics.com

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