



The Coca-Cola Company

ANNUAL REPORT 2016

A Transformative Partnership to Conserve Water



Introduction

World Wildlife Fund (WWF) and The Coca-Cola Company have worked together for a decade to help conserve the world's freshwater resources and reduce Coca-Cola's environmental footprint. Our partnership proudly serves as a model for cross-sector collaborations to create a more water-secure future for our planet.

Our global partnership is focused on helping ensure healthy, resilient freshwater basins in the Mesoamerican Reef catchments in Mexico, Belize, Guatemala, and Honduras, and the Yangtze River basin in China.

WWF and Coca-Cola are also working to improve environmental performance across Coca-Cola's supply chains, integrate the value of nature into decision-making processes, and convene influential partners to help solve global environmental challenges. These priorities intersect in the Mesoamerican Reef catchments and the Yangtze River basin to strengthen the ecosystem health of the basins and improve results for the local communities.

Collaboration is at the heart of our partnership. Working with government, international financial institutions, academia, industry, and civil society is necessary to make a lasting impact. Our partnership is committed to tackling the natural resource challenges that impact freshwater and, along the way, elevating awareness of the power of partnership to address these challenges.

Protection of 350 hectares of forest in the Pasabién River basin in Guatemala continued, through control and prevention of forest fires.

Mesoamerican Reef Catchments

Protecting Fresh Water through Fire Prevention, Certifying Sustainable Sugar, and Employing Science

WWF and Coca-Cola are working together to address freshwater conservation challenges around the world, including those faced by the catchments that drain to the second-largest barrier reef in the world, the Mesoamerican Reef in Central America. There, deforestation, forest fires, land conversion, and unsustainable agriculture threaten forest, river, and reef ecosystems, which are depended upon by more than 2 million people and more than 500 fish species.

The threats trickle downstream. Deforestation in the headwaters and unsustainable commercial agriculture reduce the water quality that flows into the reef, which is already struggling with

impacts from climate change, such as rising sea levels and temperatures. The complexity of these challenges and the fact that the water is shared—by people, communities, businesses, and nature—from source to sea, mean the solution must be collaborative and comprehensive. All stakeholders—businesses, government, and local communities—need to come together to address the shared challenges and risks.

Through the implementation of a ridge-to-reef approach, our partnership is demonstrating how—together—water stewardship, sustainable agriculture, and data-driven conservation can foster a thriving environment with abundant, healthy water for people and nature.



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PREVENTING FIRE TO HELP PROTECT THE SOURCE

One of the major challenges in Central America is forest fires, which can negatively impact water source quality. Since the inception of our partnership, fire control and prevention projects have been a focus for us in this area—a region susceptible to wildfires during the dry season, and where fire is too often used as a tool for agricultural land management.

In 2016, we continued protection of 350 hectares of forest in the Pasabién River basin in Guatemala through prevention and control of forest fires. Our partnership also transferred lessons learned to Honduras, where our partners in Guatemala conducted fire training with División Municipal de Aguas (DIMA), the local water management agency for the San Pedro Sula region, leveraging support from SAB Miller. Further, we launched the Río Belize Task Force (RBTF) collective action platform and engaged the Belizean Minister of the Environment and local Coca-Cola bottler for support and participation. Bowen & Bowen, the local Belizean Coca-Cola bottling partner, is now participating in the RBTF and sharing water data and analysis capabilities.



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Our partnership also worked with stakeholders to identify water reserves in Guatemala to help advance the country's water security. Water reserves are critical areas for the capture, recharge, and regulation of water flows, and consequently, contribute to the sustainability and health of society, the economy, and the environment. Further, these areas are an essential strategic measure for building resilience to climate change. As part of stakeholder discussions, Guatemala's National Forestry Institute agreed to utilize the new water reserves map to inform upcoming projects.

MEETING SUSTAINABLE SUGAR CERTIFICATION GOALS IN CENTRAL AMERICA

Through global sourcing efforts, in collaboration with bottling partners, Coca-Cola sustainably sourced more than 1 million tons of sugar in 2016, with plans to double that amount in 2017. This work supports Coca-Cola's overarching sustainable agriculture goal to more sustainably source our priority ingredients, including sugar, by 2020. Agriculture accounts for approximately half of what Coca-Cola spends on inputs to its products and packaging, and Coca-Cola embraces the opportunity to promote improved sustainable agriculture practices worldwide, including in Central America.

In 2016, our partnership helped the Magdalena sugar mill, a Coca-Cola supplier in Guatemala, attain Bonsucro certification, making it the second sugar mill to receive this certification in Central America. Combined with the success of the Honduran Azucarera del Norte (Azunosa) sugar mill's certification in 2015, we have met our goal to support Bonsucro certification of two sugar mills within the catchments of the Mesoamerican Reef.

The Magdalena sugar mill, a Coca-Cola supplier in Guatemala that sources from 7,000 hectares of sugarcane land, attained Bonsucro certification. It is the second Central American mill to achieve certification.

Bonsucro certification is the preferred method for sugarcane mills and growers to demonstrate compliance with Coca-Cola's Sustainable Agriculture Guiding Principles (SAGP), which, among other requirements, sets standards to be met by farm suppliers for human and workplace rights, environmental protection, and responsible farming management.

Our partnership continues to work to promote Bonsucro certification in the region, and we are currently working with two sugar mills in Mexico and Honduras. In addition, WWF completed detailed supply risk analyses for five frontier geographies (including Honduras and Mexico) to inform Coca-Cola's sustainable sourcing strategies and actions toward its 2020 sourcing goals.

USING SCIENCE TO MAKE THE BUSINESS CASE FOR NATURAL CAPITAL INVESTMENT

By measuring stable isotopes, it can be determined which part of a watershed supplies water to a certain area. This innovative approach pinpoints the part of the watershed that provides water downstream to help direct conservation efforts and guarantee future water availability.

Isotope studies are a tool WWF employs to help businesses and municipalities identify their water sources so they can make appropriate investments in natural resource efforts to improve a source's ability to continue to provide supply. WWF has used this science-based approach to help

Coca-Cola bottlers in Central America recognize the business case for natural capital investment beyond the fence line. The first isotope study was conducted for Bottling Investments Group (BIG), the Coca-Cola bottler in Zacapa, Guatemala, and is now being utilized with other bottlers in the region.

Through these studies, bottlers have realized their exposure to potential water risks from uncontrolled fire in their source water areas and have helped build the awareness of local communities regarding the importance of fire prevention and control, while also investing in on-the-ground projects.



Above and right: © Audra Melton



Yangtze River Basin

The completion of wetland restoration near Junshan Rear Lake meant that protected wetlands in Dongting doubled to 20,000 hectares.

Working to Protect Water Resources in Central China

The Yangtze River, the third-longest river in the world, at 4,000 miles, plays a critical role in connecting cultures, landscapes, ecosystems, and economies. Unfortunately, the river faces great challenges from unprecedented pollution, resulting from rapid, large-scale development and agricultural runoff. In partnership with local conservationists, WWF and Coca-Cola are helping preserve and protect sub-basins in the Yangtze, and are working with the Chinese government to implement policies to protect this important resource into the future.

Partners, in concert with the Hunan provincial government, are promoting sustainable development in three key areas of the Yangtze River basin:

- **The Liuyang River**, a tributary to the Xiang River, and one of China's most polluted rivers
- **The Chang-Zhu-Tan city cluster**, three cities growing at the intersection of two major economic belts and the Xiang River
- **Dongting Lake**, China's second-largest freshwater lake and the outlet for most of the rivers in Hunan



REINTRODUCING PÈRE DAVID'S DEER

Since 2014, WWF and Coca-Cola have been working on a restoration project at Junshan Rear Lake to help the local community transition away from illegal fishing activities and towards land-based activities aimed at replenishing water and increasing eco-tourism.

Due to the completion of wetland restoration near Junshan Rear Lake, protected wetlands in Dongting doubled to 20,000 hectares and the State Forestry Administration reintroduced Père David's deer, called milu in China, into the area in 2015. Native to China, the deer eat grasses and aquatic plants. According to Chinese lore, the milu imbues the qualities of four animals—a deer's agility, a horse's speed, an ox's strength, and a donkey's sense of direction. Five Père David's deer were born in 2016 in the protected wetlands, another sign that the deer are thriving in their new home.

Above and right: © Audra Melton



The Hunan provincial government has included 8 wetland restoration sites in its recent 3-year action plan for Xiang River, an important step towards establishing local commitment to conservation of the Basin.

INCREASING AQUATIC BIODIVERSITY

Over-application of fertilizers and pesticides by farmers can result in polluted field runoff to nearby streams. WWF, Coca-Cola, and the Jinjing Tea Company sought to reverse this negative impact by constructing wetlands. Thanks to this collaboration, today the wetlands are ensuring that water flowing from tea plantations is cleaner. Pollutants, which may have flowed into nearby streams, are feeding aquatic plants. Frogs and other species that are indicators of a clean environment are returning to the locale for the first time in years.

The habitat reconstruction at Jinjing Tea Garden was named one of the 30 most beautiful tea gardens of 2016 by a Chinese Agriculture Association.

PROTECTING AN URBAN ENVIRONMENT

Changsha, the capital of Hunan province and located in south central China, is home to over 7 million people. It is also home to a Coca-Cola bottling partner and a recently formed wetland park, Yanghu Wetland Park. Based on past lessons, WWF realized the park staff might benefit from support and training.

WWF has been actively involved in the capacity building of management staff of Yang Lake to ensure effective management. Our partnership participated in the wetland design to help treat sewage and conducted a series of training on wetland restoration. In conjunction with the Forestry Department of Hunan Province (FDHP), partners supported the construction of a facility for environmental education (a nature school), the first of its kind in Hunan province. In the future, a series of events will be hosted with partners in order to promote the school.

CONSTRUCTING WETLANDS

As a result of our partnership's work, the Hunan provincial government included eight pilot wetland restoration sites, covering a total of 200 hectares, in its three-year action plan (2016–2018) for Xiang River. These pilots are an important step toward establishing a local commitment to conservation of the basin. The Hunan government invested nearly US\$5 million in green infrastructure, and the local government matched these funds for a total of nearly US\$10 million. To support implementation of the action plan, 60 people from forestry departments across a number of cities were trained on how to effectively restore wetlands. Furthermore, lessons learned from this work will be replicated in other areas of the Yangtze River basin.

ASSESSING THE NATURAL CAPITAL OF THE LIUYANG RIVER SUB-BASIN

WWF and partners, including academia and local government, released the *Natural Capital Assessment of the Liuyang River* report in October 2016, in response to the 13th Five-Year Plan for National Economy and Social Development of Hunan Province, and its findings will be incorporated into future project implementation. To accomplish this goal, the full assessment will be published later in 2017, and workshops will be held for government officials and researchers to share the research methods and results, and discuss how to replicate the work.



Around the World

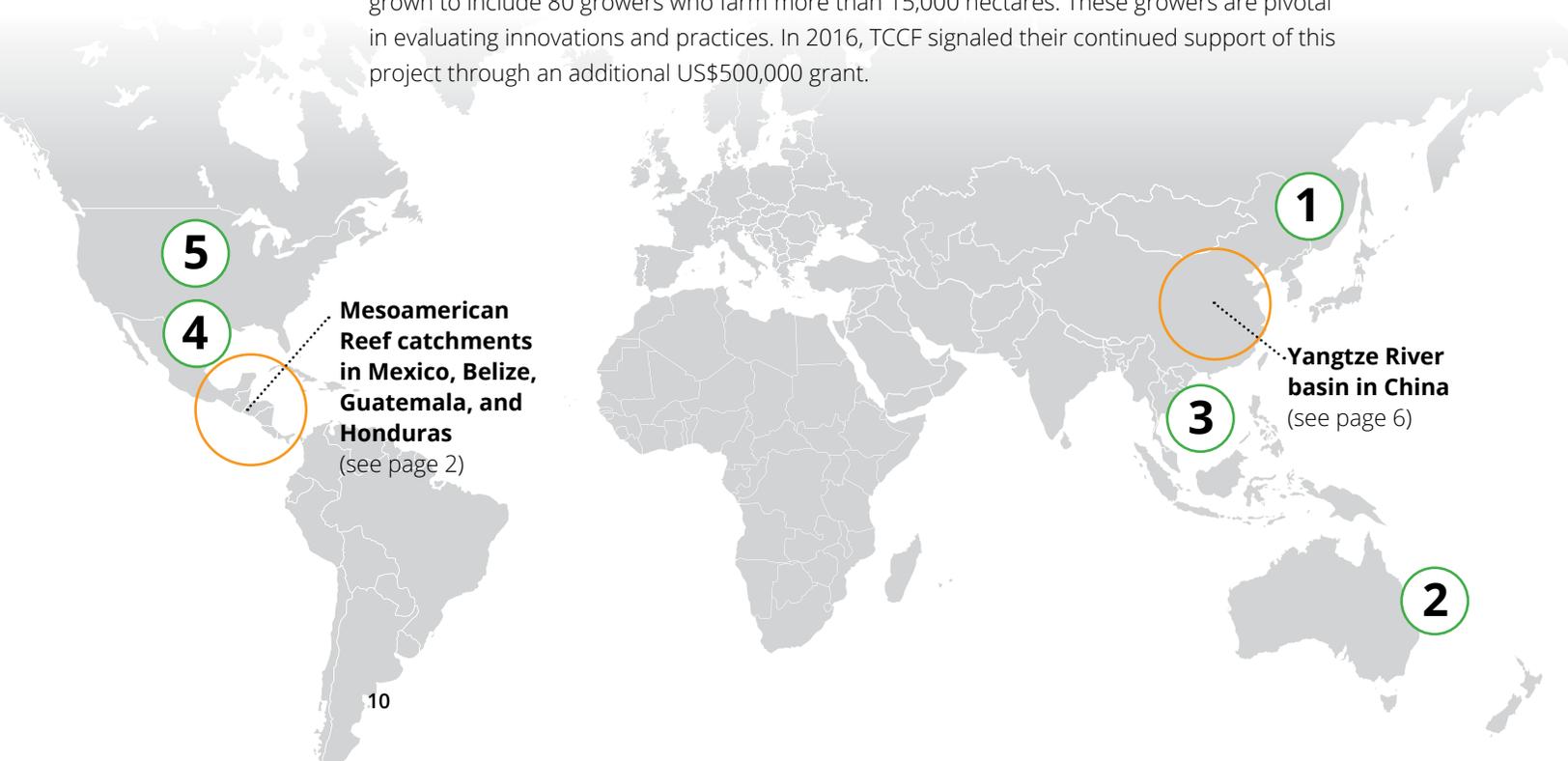
To create a more water-secure future, WWF and Coca-Cola work together locally to protect watersheds and address water needs in dozens of countries. Below are examples of the progress that has been achieved through these local alliances.

1. Amur-Heilong

The Amur-Heilong spans an area covering parts of northeastern China and the Russian Far East, and is host to a vast array of species. In past years, Coca-Cola and Cargill worked with WWF to establish demonstration farms in Songyuan in the Jilin province of China in order to highlight sustainable agricultural practices ranging from planting, tilling, and harvesting to storage and selling. In 2016, this pilot project developed into a longer-term partnership between WWF and a local company, Yili Dairy. This new partnership incorporates our conservation objectives around sustainable agriculture and creates a long-term model for sustainability for the dairy company and the farmers who supply its feed.

2. Great Barrier Reef

The Great Barrier Reef is the largest barrier reef system in the world and is an immensely ecologically diverse system. Project Catalyst, a partnership between The Coca-Cola Foundation (TCCF), WWF, farmers, and natural resource management groups, aims to promote innovative sugarcane growing practices that reduce water quality impacts in the Great Barrier Reef catchments in Australia. The project started out with 19 farmers in 2009, and has progressively grown to include 80 growers who farm more than 15,000 hectares. These growers are pivotal in evaluating innovations and practices. In 2016, TCCF signaled their continued support of this project through an additional US\$500,000 grant.



3. Mekong

The Mekong River is touted as being the 10th-largest river in the world, and one of the most diverse, stretching for 4,500 kilometers. WWF, with the support of Coca-Cola and The Coca-Cola Foundation, developed and successfully advocated for a new wetland management policy in Vietnam, helped implement an ecotourism plan that included construction of a new welcome center meant to improve guesthouse accommodations in Vietnam, and chose five households for a homestay development project to help increase household income and improve hygiene and sanitation.

In Myanmar, Coca-Cola and WWF collaborated to draft a water stewardship strategy, conduct trainings for the beverage industry, and develop a guide on wastewater management. WWF and Coca-Cola worked to engage businesses in this approach via a newly formed multi-stakeholder working group that included representatives from the beverage industry and government.

4. Rio Grande/Rio Bravo

The Rio Grande/Rio Bravo is the iconic binational river between the United States and Mexico, and it provides freshwater to more than 13 million people. However, it is located in a water-stressed region, and in 2001 the river failed to reach the Gulf of Mexico for the first time. WWF and Coca-Cola are partnering with organizations to restore and build the resiliency of the river system, especially along the border, where the river is recharged by water from Mexico as well as the Mexican catchments that provide the water.

Along the border, WWF and both US and Mexican partners eradicated giant cane, a highly invasive plant, to help foster a healthy river habitat and help with flood protection, conducted community meetings, and held environmental workshops to engage women in conservation and rainwater harvesting. Eight thousand native riparian trees were also planted along three miles of a key tributary.

In 2016, in the Mexican catchments of the Rio Grande/Rio Bravo, WWF and Coca-Cola increased the number of rainwater harvesting systems and trained individuals on how to maintain such systems, reduced freshwater impacts from agriculture production, conserved headwater forests, and began the construction of a wastewater treatment facility.

5. United States

Throughout 2016, WWF and Coca-Cola continued development of Field to Market: The Alliance for Sustainable Agriculture, a multi-stakeholder initiative that works to create opportunities across the agricultural supply chain for continuous improvements in productivity, environmental quality, and human well-being. Field to Market provides a common framework for sustainability measurement that farmers and the supply chain can use to better understand and assess performance at the field, local, state and national levels. WWF and Coca-Cola provide collaborative leadership in Field to Market, and participate in science-based, industry-wide dialogue. Field to Market is one of the pathways to sustainably sourced corn as part of Coca-Cola's sustainable agricultural sourcing commitment for 2020.

The Hunan provincial government has included 8 wetland restoration sites in its recent 3-year action plan for Xiang River, an important step towards establishing local commitment to conservation of the Basin.

Our Partnership in Numbers

- The Hunan provincial government has included **eight wetland restoration sites** in its recent three-year action plan for Xiang River, an important step toward establishing local commitment to conservation of the basin.
- The completion of wetland restoration near Junshan Rear Lake meant that protected wetlands in Dongting **doubled to 20,000 hectares**.
- Protection of **350 hectares of forest** in the Pasabién River basin in Guatemala continued through control and prevention of forest fires.
- The Magdalena sugar mill achieved Bonsucro certification in 2016, making it the second mill in Central America to achieve this standard. The mill is a Coca-Cola supplier in Guatemala that sources from **7,000 hectares of sugarcane land**.
- WWF staff worked with the Hunan Forestry Bureau to conduct trainings with **400 participants** on wetland park management and constructing wetlands for wastewater treatment.

Conclusion

World Wildlife Fund (WWF) and The Coca-Cola Company have worked together for nearly a decade to conserve freshwater resources around the world and reduce the environmental footprint of the company's operations.

Through it all, we have remained committed to the power of partnerships in creating lasting solutions to the world's pressing conservation challenges. After all, water is essential to nature, communities, and business. By engaging with local communities, businesses, and governments in the areas in which we work, we hope to spur lasting momentum toward protecting water ecosystems.

Over the years, we have learned many lessons when it comes to how to work better together on implementing sustainable approaches to freshwater conservation. From understanding organization structures and cultures to creating a coordinated vision with government partners, partnerships require a solid foundation in order to realize conservation gains. Learn more about building partnerships through our Engagement Checklist, which is designed to help guide NGOs and corporations through the process of partnering together by visiting <http://wwfcocolapartnership.com/building-partnerships/>.

To learn more about our progress throughout the year and how you can join us, visit wwfcocolapartnership.com.



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



The Coca-Cola Company