14-Sep-2023
The Coca-Cola Co. (KO)
Bernstein ESG Conference
Callum Elliott
Analyst, Bernstein Autonomous LLP

Thank you all for joining us. For any of you who don’t know me, as [ph] John (00:00:06) mentioned earlier. My name is Callum Elliott. I am the US beverages and HPC analyst. And I'm delighted to be welcoming Bea Perez, who is joining us from Coca-Cola. We're going to explore some of the topics you've been talking about already this morning and the sort of ESG sustainability story at Coca-Cola. So Bea, thank you for coming. Thank you for joining us.

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Thank you for having me.

Callum Elliott
Analyst, Bernstein Autonomous LLP

So for those in the room who may not be familiar with the Coca-Cola business and your background within the business, maybe you can give us a brief introduction to your role and your background.

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Sure. So I'm on the Coca-Cola Company side, and I'm nearing my 30 years coming up this next year at Coca-Cola. So while the journey has been – I'll try to do it in a snapshot. Started in brand management. Went out to field operations, rotated to two bottlers, came back, went international, did a few markets, became CMO, then the first Chief Sustainability Officer, then James Quincey said, I want you to keep that and take on communications, the foundation, retail, licensing and government affairs. So there's a whole story. Retail and licensing is my P&L part of my portfolio. That's if you buy any T shirts, hats or Coca-Cola cups, thank you very much for helping that P&L. We also have stores at Disney Springs, Las Vegas, London, I just saw one in Guangzhou, we just opened. So those are where we actually sell some of our merchandise to consumers who are interested. That's a little bit of my story.
Company versus bottler, I think you all know, just to give a high level, we, on the company side, is the brand. We essentially think of the brand and we sell the brand and the marketing and the concentrate to the bottling system. They package it up and they distribute. So I've been on both sides of the equation, which is kind of interesting in the role that I'm in today. Because this role definitely needs to understand how the whole enterprise works to be able to do this job and to actually make sure, I heard the word, credibility, in the earlier panel, to have some credibility with the operators, to have the conversation.

QUESTION AND ANSWER SECTION

Callum Elliott
Analyst, Bernstein Autonomous LLP

So you touched upon what is going to be my second question there in terms of the business model, and I think probably hopefully everybody in the room is familiar with the brands of the Coca-Cola Company. I think you guys are present in all but three countries around the world in some form. And the audience may be less familiar with the business model and how that's structured between Atlanta and the Coke Company itself versus the system and the bottling partners. So I guess my question is, from a sustainability lens, can you give us an introduction to how sustainability works and interacts between the Coke Company and the system and the bottling partners?

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Yes. So while the company is a company in itself and the bottling system has its own companies, there's 200 of them. And so some are publicly traded, as some of you would know, and some are privately held. And so it's important in sustainability, for example, to set, and is really across the whole business, to set align goals. And so when we set the sustainability goals, we're actually first sitting down with our bottling partners and having the conversation to make sure that these goals can be delivered together.

To give you one example, on packaging, if I say I want to collect every bottle and can that exist in the marketplace and then make these bottles 100% rPET over time, I have to actually have the bottler participate in that as well as the supplier partners. And so for Coca-Cola, it's to make sure that as we set these goals, we're taking into account the policies the company can set and then how the operators are going to deliver on them through the partnerships that also exist throughout the business and throughout the enterprise.

Callum Elliott
Analyst, Bernstein Autonomous LLP

Interesting. That the sort of overlapping with some of the themes earlier...

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Yeah.

Callum Elliott
Analyst, Bernstein Autonomous LLP

...of sort of realistic nature of the goals. So as you think about that sustainability kind of journey, if I can put it that way, can you give us a sense of, from your perspective, as you're setting those goals, what are the big focus
areas for the Coca-Cola Company and the system, and your team, specifically? And what progress have you made so far on those areas? What's left to do?

Beatriz R. Perez  
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Sure. So what I'll start with is actually, if I back up for a second, we start with enterprise risk in mind. And so we have a priority matrix that we refresh every two to three years. We just did in the last two years. And that starts with what's the axis of enterprise risk as well as what are the key stakeholder expectations, and stakeholders are consumers, customers, it includes regulatory, NGOs and even academics. And what we do is those are surveys that take place. We bring all of that together within falls in the top right quadrant are the areas that comes out to be as a priority for the business to either mitigate risk or drive growth and where we can be credible in the space of actually delivering on these actions.

And so I think, as you know, that we have to be very focused in order to drive the impact. And so what we found over time is that we – and I will step way back in time. In 2011 when I was appointed the Chief Sustainability Officer, what I discovered is, is that discipline wasn't necessarily in place. We've been doing a lot of really great work and a lot to be proud of. At the same time, there were a lot of goals and a lot of obligations because there was a lot of work to do in the space.

And so to really drive an impact, and I heard some in the last discussion say, to make a difference, to really make a difference in these areas that matter to our business and to the community and the stakeholder, we had to get very focused on, so where can we actually do more and where can those goals sit? So water is number one. You cannot have any beverage in the world without water. It's the number one most precious ingredient. It's also the number one most precious ingredient to communities. And so water emerge top right quadrant number one.

Number two, you can't deliver our beverage without putting it into something, and so packaging becomes number two. Because you have to deliver it, whether its bottle, can, cup, refills, all of that really matters. And so packaging is number two. Then you start to look at ingredients are connected into that, carbon is connected into that and how do those other areas intersect. And so it's really important also for us to as we look at the right quadrant where do things intersect.

So I can definitively say we're a leader in water. And that's not just by us saying that, it's by others holding us up and, giving us awards or communities continuing to, tell us that we're delivering on their expectations and consumers.

Packaging, we're getting better at. So I heard another theme in the last conversation that I want to draw on packaging. So packaging, World Without Waste, we launched it five years ago. It actually came from an investor conversation, from a roundtable. We wanted to listen, to hear what were we missing. We had had a recyclability goal and we had a few other small things. We weren't delivering on them, as you know, call it what it is. Go back to the old reports. You can see. I remember one report I picked up the actual results had TBD. And I thought actually someone accepted TBD as the result. How can they accept it?

And so when I heard the conversation from the investors, the investors said to us, and those conversations took place around 2015, 2016. We launched it in 2018. The investor said to us, this is coming your way, so you might be seeing it from a waste pollution side. We're going to see it from a tax and a regulatory side. And if you all don't start paying attention to this, this will impact the financials of your business. And so that's when we put together the dedicated workstream.
And one of my colleagues, Michael Goltzman is right here, who worked on that. We pooled everyone together from our supply chain organization. We pooled together our bottlers, and we had a very rich discussion in terms of how do we actually flush this out and where do we need to go. So packaging, got off to a great start in 2018. The pandemic actually slowed us down because everything locked up, and so collection became an issue which meant rPET became an issue. We’re back on track.

Climate, we have a lot more work to do. If you look at our Sustainability Report, we say we're going to reduce the carbon by 25% by 2030. We're only at 7% there if you look at the metric. We know we have a lot more work to do. We do have a science based target. We do aspire to be net zero. We have a lot of work in progress, but we're also still looking at where is the innovation and technology and how can we build the intersections in between the other commitments to deliver on it. And so there is some work that we currently have going on in that space. But I just wanted to kind of show that it’s the water is leading; packaging is getting there; climate, we have work to do.

Callum Elliott
Analyst, Bernstein Autonomous LLP

Okay. Let's dive into some of those areas in a little bit more detail. And I want to start with packaging.

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Yes.

Callum Elliott
Analyst, Bernstein Autonomous LLP

I think from my perspective, that’s where we get the most questions, sort of both in terms of the consumer impacts, also in terms of the potential margin impact. You touched upon it already. You touched upon the progress of the World Without Waste strategy. Over the past couple of years, you were maybe a little bit self-critical there. But the Coca-Cola Company has been recognized actually by external parties and you being the leading global CPG company in the As You Sow reports, head and shoulders above most of my other CPG coverage companies, and head and shoulders above European peers as well, which I think often comes as a bit of a surprise to investors because I think there is a narrative that the European companies lead the way on sustainability measures. So I wonder if we can just dive into those plastics packaging policies a little bit more, the progress you've made and what are the goals...

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Yes.

Callum Elliott
Analyst, Bernstein Autonomous LLP

...where would you like to get to and where are we versus those goals today.

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Thank you, and thank you. So yes, I am self-critical because we have a saying at Coke, remain constructively discontent. So we always want to improve. Even when people tell us we’re doing well, we want to improve even more.
And so we said – so World Without Waste, to give a quick snapshot, it's design, collect, partner, design: designing better packaging materials, design out waste. Collect is about collecting every bottle can, every vessel that exists out there and turning it into something more productive, whether it's bottle-to-bottle, can-to-can or something that actually makes a positive impact. And then partner is because we know that these goals are highly ambitious and it cannot be done alone, because if you look at the end of the day at whether it's infrastructure that's required, policy setting, it comes from governments, NGOs, our peer companies. We all have to do this together. And so that really matters.

So in terms of design, let me unpack the design targets. So within design, we set a goal to have 50% of our packaging made out of recycled content. And so we're halfway there. We're at 25% in the last report as of 2022. And that's really important just because that means that the other collection goal is reinforcing that. As we're getting the content back into the circular economy, we're able to use it back within our business which, and I'll go through this around partnership, there are ways there that actually can even potentially reduce down our input cost at some point. So that's an important part as the design is one of the recycled content goals.

Also 100% recyclability, so we're at 98% of the way there. My team knows I'm frustrated that we're not at 100%, but you still have a little bit of cleanup in some of the promotional things, some of the labels. And so we're working on that. But there are plenty of markets where we are at 100%, but I'm not happy toward 100% globally. So that's the design aspect. And we continue to look for innovations in terms of materials and advanced light-weighting, where we can reduce down the amount of material we're using within the design of that packaging.

Then there's collection. Collection, the overarching goal most people hear about is that 100% collection. There's also – if I can unpack that a little bit further. Within that, we also have a refillables goal. So we have within that we want to make sure that the refillables packaging, because there's also a benefit of low carbon, whether it's refillable glass, refillable PET, that actually has a lower carbon footprint within the business, but it also plays off of our revenue growth strategy, which I know you know RGM quite well, where it's an affordable package for the consumer.

And so if you think about pricing pressure on consumers, you want to give them all to something that's affordable. And so refillables does that. It has many benefits. And so we set a goal to have 25% of our portfolio in refillables. And we're also looking at some innovations in cups. So there's a program called r.Cup, which also has just been launched at different, for example, concert venues in Las Vegas, Washington D.C., where consumer now can, actually at the venue, get the cup. We've invested with the partner in the washing stations, bring the cup back, refill it. So that's another way. So I think sometimes people whom I think of glass in Latin America, but it's expanded so much more and it's outside of Latin America. It's North America. It's also in Europe. So it's a much bigger part of the portfolio mix, and that's part of all of that packaging area goals.

And in partnership, it's making sure that when we set these goals, it's also industry, as well as it's looking at other specific partners that can help us invest. So within partnership, an investment fund we launched called Greycroft or through Greycroft is a – it's a series of our bottling companies who put in and who said we want to innovate in packaging solutions around carbon solutions. It's about $130 million fund and it's geared to drive those partnerships, to create those innovations that can help scale the work and to get things off the ground much faster.

We know that these things can work because several years ago, and I don't know if I'm getting too technical, but I know some of your folks understand mechanical recycling versus chemical recycling. Chemical recycling was not a thing years ago. It took innovations and investment to get chemical recycling off the ground. So what's the so
what? Why does that even matter, right? That matters because there was government regulation that did not allow us to actually have recycled content in our packages because of food safety questions.

And so that innovation unlocked regulatory conversations to show you can bring it back to the original form. They, of course, did their own testing, found it to be safe, and unlocked regulation across multiple countries, if you will, countries like Turkey, India in this last year, and all of a sudden that actually allowed for this work to scale by having that innovation and showing that it actually was a viable solution. And so just hopefully that's unpacking a couple of these, but there's also business models around them.

So I know you told me I needed to practice being brief earlier, but I'm not. I'm going to say this one thing. I think it's important, but because these are complex areas that I could talk about for hours. But also, there's real business models around these two that help our own system in terms of PET Co, or sorry, PET store, which is the largest recycling facility. That's actually brought together by our bottlers in Latin America. They started this years ago. They wanted to formalize the informal collection processes and actually have control of the material of the input, so they could create a circular economy.

Then whatever we couldn't use in bottle-to-bottle, they were able to then sell the offtakes of that, sell it to other companies and make money. You see Infineum in France just opened up PETValue value in the Philippines. I recently was in Jakarta. Right outside of Jakarta, there's a business with Dynapack and a partnership there with CCP that is actually going to help us achieve some of those goals there and that just launched. So this has actually had a benefit by the goals being deeply connected to the business, has had this benefit of all of these investments that have helped us scale and drive the work that I would say, for some of these areas, are profitable for those businesses as well.

Callum Elliott
Analyst, Bernstein Autonomous LLP

I think it's fascinating. You touched upon within the design things like lightweighting, where I think there can be a view and maybe misconception, if I could put it that way, that sometimes there's a cost to one of these sustainability measures, where actually things like lightweighting are a benefit.

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Yes, you can take out the cost. That's exactly right.

Callum Elliott
Analyst, Bernstein Autonomous LLP

So one thing you didn't talk too much about that, there was a lot of plastics, there was a lot about returnables and collection, etcetera. You didn't talk that much about aluminum. And so I want to move to aluminum. We've obviously got Ball later today, and I can see some of them in the audience. And the question that I get from investors about aluminum would often be really sort of along the lines of the recycling rate of aluminum is so much higher than plastics. Why doesn't Coke just switch completely to aluminum? And I think the answer is quite nuanced, and I guess, you probably think the answer is quite nuanced as well. And we could probably spend the whole of the rest of the day discussing this topic and debating it. I wonder if you can simplify the debate for us. Why is it so complex? Why, in your view, is switching completely to aluminum more complicated than just about recycling rates?
Sure. And I guess the word, it depends. It wouldn't satisfy. I was kidding. But it does at some level. So outside of —

you know, I think you'll hear us say all the time, consumer centricity, outside of the consumer aspect. Let me bring in two environmental pieces. One is we have to factor in waste as well as carbon. So for each goal you set, you also have to really think through what are the unintended consequences of each goal or where's the mutually reinforcing benefit. And so for us, you heard me talk about refillables have the lowest carbon footprint for us. Non-refillables, it depends what market and geography you're in. And the same answer is in terms of material. It depends which geography you're in.

And so first of all, there are certain things today that I can tell you, PET is resealable. Consumers want convenience, so you want to carry to go. I don't know for the women in the room, if you don't finish your bottle of water, typically you reseal it, put it in your purse. That's at least what I do. I carry it around till it's done. That's much harder to do as a can. When you open it, you pretty much have to consume it. That's also why we have small can pack sizes. That's another reason.

But for us, it's really important to make sure that we're looking at what is the local context, what's the consumer context, but also what are the unintended consequences if we move to one package form versus another or one package material type. And so we're not there yet and we're not — you know, I don't see us going there. I've been at Coke for 30 years. And what I have found is that, while the percents might have changed over time, what I haven't seen change is us moving directly to just one material type, and that's for many reasons. And so that's why it is a very nuanced answer. But in the ESG space, just because we have to look at everything in terms of, not just the consumer, but also what's the impact to the environment and what's the unintended consequence if we just move to one particular type.

Okay. I'm sure we will further the debate with later on. And one of my key takeaways, I think, from conversations with James, the CEO, and Kirk heard about this, members of your team, we've got Michael sitting at the table here, over the years, has been you guys, probably more than most CPG companies anyway, are focused more on, what I would describe, as the big picture rather than kind of a box ticking exercise. And I think the plastics versus aluminum debate is probably an example of that. Can you tie this packaging kind of debate together for us? So we've discussed the returnables. We've discussed the plastics. We've discussed the aluminum. Some of the recycling initiatives, you touched upon. How does that fit within World Without Waste together? How is this all piece together and across the world?

Sure. So it's almost like back to where we started when we opened up. So these are global goals, and so it's really important that when we have the conversation around the packaging goals, we're also bringing in the goals around water, the goals around water use, the goals around carbon and have a holistic conversation, and also understand where do we need to invest in the short term versus where do we – where sort of things are operating in and actually we have to look for efficiency and productivity and what's the ultimate destination.

So today, the goals are set to 2030, and we look at what has to be done today in order to get to 2030. I don't like hockey sticks. I'm sure as an investors you don't like hockey sticks, right? I like a nice line that continues to grow in terms of my business, and I like to see in terms of waste, a line that goes the other way. And so I think that
that's an important part of the conversation is you're actually looking at a Rubik's cube when you're having this conversation. You're embedding this into planning. This conversation doesn't happen over here with the sustainability teams and over here with the business. It happens in one conversation around long range planning.

It happens, then take your long range plan and you say, if I know I need to be here in 2030, this is the rPET goal that has to happen by this date. This is the water goal that has to happen by this date. And you can essentially annualize them and issue them out to the operating units. I think you know we have nine operating units and they all share accountability. And then we also make sure that it's embedded into compensation and it's in long range comp. So if you go to our proxy, you're going to see that we put the water target and the rPET target into compensation to drive that short-term and long-term behavior change, but also systemic change.

And so these conversations happen in what is not such a glamorous process, but it's literally in debating. And I heard someone use capital allocation earlier. We're having that conversation saying, well, what's the goal, what's the objective, what's the trajectory of the business. We're going to grow the business. We're not going to not grow the business. So what role does this play in terms of how we grow it? By mitigating the risk to enable the growth, but also ensuring that we're telling the story.

Because we know that, there's a Kantar study that came out this past year, 80,000 consumers in 26 countries, and they rank Coca-Cola is really doing the right things for the environment and showing that, the rewarding is for. And so for us, we want to make sure that with this next generation of consumer that we also are ensuring that that story is told. However, what I will tell you, and back to that credibility score that I can't wait to see the last panelist spoke about is we have a philosophy at Coke, be, do, say. Be, do, say, and it's very simple and I'm going to give [ph] Neville Estelle credit, (00:23:22) if you remember that name. He actually started this because he actually was the one who really started the water work in the company at a level that we're at today.

And what he said is, well, we have to all believe this work is really critical to the business and we need to prove it through the data and through the, business discussions. We then have to go do the work, and we have to do the work and measure and track it and be transparent about it, which is why we have the Sustainability Reports. Then we can tell the story later on. But if we don't actually put it in our strategies, deliver on the impacts, be transparent about where we're falling short and where we need to improve, then we should never even tell the story because why would it even matter.

And so for us, it's – you know, it's hard for me to talk just about World Without Waste in this context because you really can't. You have to talk about every intersection of the business to World Without Waste and why it really matters. Because why would we do World Without Waste, right? Why does it actually matter to the business? Because we know we have to eliminate the plastic pollution or that can impact our business in terms of regulatory. We also know consumers want to see a responsible company and responsible brands, and they reward you. That's about growth. We also know that there are some really cool innovations that actually can help drive our business in terms of packaging and how that intersects.

Callum Elliott
Analyst, Bernstein Autonomous LLP

It sounds like, oh, this is very kind of integrated within the business more broadly, which I think is a good sign. And we need to move on packaging in large part because I'm terrified by how quickly the time seems to be moving on. One thing you didn't really mention upfront when you were talking through water and packaging and carbon targets, etcetera, you didn't really touch that much about nutrition. For me, this probably sits alongside packaging in terms of the questions that we get most frequently when it comes to sustainability and ESG with respect to Coca-Cola.
So two questions on sugars and nutrition, firstly, I guess big picture, what is your approach to nutrition and how do your strategies sort of address concerns around maybe obesity specifically and diabetes? And then, can you tie that strategy into practical initiatives that Coke has undertaken, it's planning to undertake to mitigate some of those nutritional risks?

**Beatriz R. Perez**  
*Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.*

Sure. So if you recall the priority matrix that I talked about earlier, so in the right quadrant at the top at one point was obesity, right? And so that links directly to the question you're asking me here. And so we reflected and looked at what are we really doing in terms of the problem that's been identified here, which is potential problem as well to the portfolio. Basically, health bodies say that only 10% of your daily caloric intake should be coming from added sugars.

There were three different industries that were asked to sign up to this. And actually, it was the beverage industry, not just Coke, but the beverage industry who signed up. And we took it seriously, and we said, well, this is really important. This is an area that we have to make sure we're mindful of, and so that led to several actions. And so several actions in terms of making sure that we had a zero version or a low no calorie version for the full calorie versions that we offer. Today, 19 out of our top 20 brands have a zero version. It's over 28% of our portfolio today, low, no sugar, and as I think you know, Coke Zero continues to grow double-digit growth.

We also then introduced the small can pack sizes. And we said, well, for people who do still want the full calorie version, let's make sure that we're offering in 100-calorie packs or less. Today, over 66% of our sparkling portfolio is in 100 packs or less or at 100-calorie packs or less.

And so for us, it was driving those actions, but also we looked at what other geographical targets needed to be set. So we signed up to over 50 of the calorie reduction targets in other countries that were critical to making sure we're identifying what that specific geographical need was and how we could deliver on it. And within Europe, actually, the beverage industry met a 28% reduction there and actually just signed on to another 10% reduction.

So if you look at our Sustainability Report, you'll see that we've removed in the last five years 900,000 tons of added sugars out of our portfolio. And you can also look to see our business has grown. And so we look at this and say, we clearly have done the right things we needed to do for the business. And at the same time, the consumer is rewarding us by purchasing our products and growing that side of our portfolio. So it's an important conversation to be mindful of.

I also want to reflect on when James Quincey came in five years ago as Chairman and CEO, he shifted the company to think about total beverage strategy, and so he launched total beverage strategy. And if you look today, a brand like fairlife, we're just having conversation in earlier conference meeting, is a $1 billion brand already. That's in the dairy portfolio. That wasn't like that five years ago. And so we got very committed to making sure that we rounded out our portfolio against all of the consumer occasions and started to respond to how we develop those businesses and we're seeing that in some of the results.

**Callum Elliott**  
*Analyst, Bernstein Autonomous LLP*

Okay. That makes sense. And I have just reminded myself that I was meant to tell you all at the beginning of the session that you do have the pigeonhole links, you can be submitting questions, and I will sort of pick up the second iPad in a second to try and add some of those in. Let's jump on to water. You sort of highlighted it as an
area where you think you've done a good job. Historically, it's clearly also an incredibly important area, since as you said, it sort of is a pretty fundamental part of all of your products. And water scarcity issues have been getting more and more attention over the course of the past couple of years and becoming significant problems globally over the course of the past several years. Can you give us an introduction to the 2030 water strategy and the progress that you've made so far?

Beatriz R. Perez  
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Yeah. So we just launched in this last year, and so what we did is we took, if you're all familiar with the water goals, we have replenished 100% of the water we use, including in the production of our beverages. We delivered on that goal five years ahead of schedule in 2015. And so today, we're at 159%. So that still stays. We always want to be at 100% or more. However, what we did is we got very focused on where were the issues in terms of water scarcity.

We looked at the Aquatech report from the World Resources Institute and a few other data sources. That showed us where were the high risk locations. So then we looked at the strategy and we said, we've got to focus on what we call leadership locations, and we separated by operations, by communities and by watersheds. And so in operations, we targeted 175 facilities that we said are in high risk water locations by 2030 that we know we have to ensure that we're focusing on our water use there and reducing the water use and be mindful of the systems that are in place.

Then we identified through this additional work 60 watersheds, 60 watersheds that were, not just near our facilities, but also important to our suppliers because they were connected to some of the ingredients. And so how do we focus on making sure those watersheds we identified have the – as you know, water is not a one size fits all, but what were the issues in those watersheds and how to be a part of solving them.

And then the other piece was in terms of continuing to replenish, and we set a goal to continue to replenish 2 trillion liters of water by 2030. So between 2021 and 2030, we want to replenish another 2 trillion liters of water. So that's where we got more laser focused. It was leadership, locations, facilities, it was community watersheds, and continue the work on replenish, but really ramping it up. And so for us, it's also really important to make sure that when we're in each location, we're clear on the work that we're doing.

So I'm going to just give an example out in the Philippines, in Manila. So there had been significant deforestation there and so that was as a result of whatever other industries, it's not necessarily Coca-Cola, but the deforestation went from 80% to like 45%, so they lost almost half of their forest. So they had some real serious issues in terms of water. And so we went in to work on, this is one of our water projects, to start figuring out what needed to happen there. But it wasn't just about, the deforestation creating some of the water runoff issues. It was about the water capture, but also about the carbon sequestration, and connecting that work in terms of resiliency for that community.

And so we could spend three hours just on water alone going through some of these projects, right? It's really important that when you hear us say, 175 locations, 60 watersheds, 2 trillion liters of water, there's so much more work that goes into that geographically in those specific regions. And it's because we have to make sure we really understand what is the fundamental issue happening in that local system. And that's, of course, on top of what you would expect, reducing our water, reusing the water we use, as well as making sure we return to nature, sustainable, viable water.
Okay. Two parts of that that I want to dive into a bit more detail. So 175 locations, and water is, I think, pretty clearly, one of the areas we touched upon the business structure with the bottling partners, the starts. It's clearly one of the areas where that interaction between the company and the bottlers is most important, I think. And I imagine a great number of those 175 locations are bottler locations, rather than necessarily your own location. So can you give us some insight into how you are working with the bottling partners to manage those water related risks for the manufacturing facilities?

Beatriz R. Perez  
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Yeah. It's a partnership and there are standards. And so the good news is, is that because there's so many years of history and this has become a discipline in their operations in terms of best practices. But where we have new facilities opening up or where there is a bottler who's coming in and taking over territory, it's the bottlers who have done this work if you go in and share the best practices. So I give a lot of credit to the teams to make sure that through our global system meetings or through bottler councils, that learning is being shared in terms of the best practices. It's also making sure that we're very clear on what are the standards and what has to happen.

But something that I think is not as appreciated in certain world is storytelling. You also have to tell the stories of when things didn't go well. And so we weren't always, the leader in the space and we weren't always doing everything we should. And there's a blog that you can search that Muhtar Kent wrote a long time ago when he was CEO that said our wake-up call and that was in 2000 in India in Kerala, where we thought we'd done everything right. We put in our facility. We weren't depleting the water source. We had all the scientific data to show that. However, the Big Red Coke drives by the next community who's in severe drought, and that community says, what about us? And it was the first time I think our business really realized how important the responsibility is of our business to make sure that we're looking at a holistic picture, back to your earlier question, and that we're not just focused on the specific location necessarily that we're in, but we're also thinking of the community, which is also why when we set this new strategy, we went back into making sure we're also replenishing the 2 trillion liters of water, that it can't just be about the individual facility.

But as it relates to the facilities, making sure the bottlers understood that this is about their operation, the license to operate, that if they only solve their one particular issue, if they only think about it is a moment in time that they could actually potentially miss the opportunity and that the next time they want to expand their business, whatever they do in that place could actually potentially impact their next expansion or it could actually impact their renewal of their license.

And so it's having those shared conversations and making sure that the history and the storytelling is there and making sure that we don't forget those moments where we weren't so good. And our bottlers, as you know, are generations. And so, in my 30 years of Coke, I can tell you most of the CEOs who are running the businesses, over half of them are still the same CEOs that were – or they were the managers in the business moving up through the ranks. And so it's really, really important that that alignment, those conversations.

But I can tell you that a lot of our bottling system has been leading the way in so many respects. I could go through a whole other story in terms of some work that's actually being done here by Liberty Bottler here locally or by our Reyes Bottler out on the West Coast. But then you were going to cut me off because you're going to say you've run out of time.
Callum Elliott  
*Analyst, Bernstein Autonomous LLP*

I think alignment with the bottlers is a theme that has come up again and again across so many different areas of the business. So it's interesting to hear you touch upon it again there. A final question on water before I'm forced to move myself on. You touched upon the sort of good work that's done. And I think our research has shown similar things, especially in terms of how comprehensive some of your water strategies and programs are, so you spoke about deforestation in the Philippines. And one of the things that has struck us, I think, when we researched this is how it's not just stopping at your own operations or even the systems operations in the bottlers' operations but as you touched upon Kerala and focusing on communities and ecosystems around your operations, and I got examples of oxbow lake restoration in Hungary, Tallgrass Prairie restoration here in the US, right? I guess, at a certain point, is there a risk you do too much? Like, what's the rationale behind going so far? So obviously, there's a significant cost attached to these things.

Beatriz R. Perez  
*Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.*

So there's two things that I would say in this answer. So one is it's also why we got very specific and focused in the 2030 water strategy to make sure that we were going back to the matrix of what really matter to the business, where were those specific locations that we knew were the highest risk, and deploying, I guess your investor words, our capital in the places that really mattered the most. And so that was one part of the strategy.

But then the other benefit to Coca-Cola is we also have a Coca-Cola Foundation. And so the Coca-Cola Foundation also has aligned strategies as Coca-Cola Company is the number one donor to the Coca-Cola Foundation. And so the Coca-Cola Company set a goal to 1% of our operating profits goes into the foundation, and that's been there for years. It's given out a $1 billion over the last, I think, 35 years. If you look at that, that's the place where when there's social issues in the local community that the community is asking us to solve, the foundation does support water. And so that's a place where the foundation can play a role.

But for the business and for the operations, it's very much focused on the leadership water strategy, ensuring we're delivering in the operations, ensuring that we're working with our suppliers. But the role of the foundation can help accommodate some of those locations that maybe are not as critical necessarily for the direct impact of the business, but are really important to the community and that the community would value that support.

Callum Elliott  
*Analyst, Bernstein Autonomous LLP*

Okay. That sort of segues into -- we got about 10 minutes left. I've got a final question from my side and then I'm going to sort of start taking some of these audience questions. And the segue is for me on, like marketing almost, if I can put it that way. We've spent a lot of time talking about the different sustainability issues, but one aspect of those ESG issues that I think is particularly pertinent for branded CPG companies like Coca-Cola is around brand marketing, and Coca-Cola is clearly a leader in this area globally. But how do you use those brand marketing capabilities to progress sustainability issues? Kind of do you have ability to influence consumer behavior to help sort of push the consumer towards your sustainability goals?

Beatriz R. Perez  
*Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.*

So I'm sure you know Manolo is our Chief Marketing Officer and a great partner. And so he and I have a joint workstream that we do called Experimentation at Scale and its how do we actually better tell the story. So it's not that we haven't -- never told the story, but how do we tell it an effective way that actually has a positive benefit to
help grow the brands. And so it was really interesting because we did a pilot in Mexico and one in Germany, and we put into market the sustainability story around packaging and a few other areas, and it scored very high and it gave us indicator that this could drive purchase intent and this could actually help us make sure that we’re telling the story in a way that the consumer would be responsive to.

And so we’re still on the learning journey of how best to tell the story to drive the business and to make sure that we’re really giving the consumer the information that they’re seeking and – but it’s also important, if I back up to be, do, say, we have to make sure before we tell the story, we’ve really done the work, right, that people can find the work, they know the data, they know the results. And that we’re also honest about the story, that we’re not perfect and that we have made mistakes. And so how the story is balanced in terms of the communication and what part of the journey we’re on is equally important, but more to come because we’re in the process of this right now. And let’s say the early findings are quite positive.

Callum Elliott
Analyst, Bernstein Autonomous LLP

The word sort of resonates with me that, as I’m listening to you, it’s kind of authenticity. The consumer has to believe it’s real.

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

And it has to be real. I can’t just believe it. It actually has to be real when they go and investigate.

Callum Elliott
Analyst, Bernstein Autonomous LLP

Okay. So we’ve got a lot of questions and some of them tie in with things that I sort of get myself from investors pretty frequently. So maybe I’ll start with management incentives. You touched upon it briefly towards the beginning of our conversation. Maybe you can give us some sort of color and details and flesh out the understanding for anybody in the room who is not familiar with the proxy statements, etcetera, that you touched upon earlier. How are management set incentives sort of structured to align with some of these sustainability goals?

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Sure. So I’ll also talk a little bit about the governance routine behind it. So, of course, while Michael and I would like to sit in a room and tell people what they can be compensated on, this goes to the Compensation Committee of the board. So this also came through. We have a Governance and Sustainability Committee of the board. And so it was identified in that committee of the board that we really felt that we were at a place we could go to the next level and put it into compensation and wanted to have that debate, and this is a couple of years ago.

And so the board, of course, was very responsive and receptive and said, yes, so it went into the Compensation Committee. The Compensation Committee looked at it and said, took the recommendations and we started with two. So if you look in, the proxy is still new, right, just in the last year, you’ll see this in there. We chose water and we chose rPET, and we chose those two because we looked at the length of time we had in terms of clear definitions for the system, the data that was supporting, the systems that supported the data collection, as well as the assurance around those key indicators, and that gave us a confidence that we could be clear and specific with the business on what the compensation metric was and what role they play in delivering it. And so it was very clear.
And so we're in our first cycle in there. I think it's been well received. As a matter of fact, what I kind of laughed, as in one of the annual planning meetings, one of the operators said, I thought we already had those in our incentives. And I'm like, I am so glad you think they're already in there, you know. And I think it's because it's in objectives and it's in all those other places. So they – you know, they just assumed, but it isn't there. And so it's early days, but so far the indicators are its being well received. It's clear. It's measurable. We have the assurance behind it and so – and it's driving the appropriate behaviors.

Callum Elliott  
**Analyst, Bernstein Autonomous LLP**

Okay. Second – my order has jumped there. Second big area that we get a lot of questions about especially recently because there's been a shift in business strategy or business model is the Coca-Cola Company has expanded into alcohol. It's a change that's really happened in the past couple of years. There are obviously different sustainability issues around the alcohol category than some of the things we've spoken about with respect to more of your soft drink portfolio. So big picture question, how are you addressing alcohol responsibility and the sustainability issues around alcohol?

Beatriz R. Perez  
**Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.**

Yeah. So one of the first things that we did when we learned that we were going into this because we were brought in the early days, was we actually revamped our marketing responsibly guidelines to make sure that we were following what the – we had to learn, of course, from the alcohol industry, what were – what was appropriate, what was required compliance, then what were some of the things that we know we still needed to do. So we revamped those and put some training in place, everything from Web Access to face-to-face meetings because it's not good enough to just issue them, right? We actually have to train people on them and make sure they're aware and clear.

However, I think, as you know, the model today is we don't actually control the marketing of those brands. It's actually done through those partner companies that we work with. But we wanted to make sure that our people also understood what was going to be required if they were to market or if they were bringing it to life or how to talk to customers. So that was really important. We also then hired in some experts and so we have someone who we put on Michael's team who is a policy expert in this space, and we also joined the industry association, so responsibility.org, or I know it has a longer title in advance of... we also understood what was going to be required if they were to market or if they were bringing it to life or how to talk to customers. So that was really important. We also then hired in some experts and so we have someone who we put on Michael's team who is a policy expert in this space, and we also joined the industry association, so responsibility.org, or I know it has a longer title in advance of that, but it's where we can actually learn to see what are the best practices.

So I think as you hear James Quincey say all the time, or John Murphy, we're still in sort of a measured approach. It's – I think it's moved from experiment and measured when we added Jack and Coke. But for us, I think that it's going well and we're learning a lot. But at the same time, we're learning from others how to make sure that we're doing everything we can to maintain the responsibility and the credibility that we've had on the other part of the business.

Callum Elliott  
**Analyst, Bernstein Autonomous LLP**

Maybe just a follow-up from my side, specifically, you touched upon the sort of added complication of the fact that, especially here in the US, and all that marketing is being – well, pretty much all of the marketing I think is being done by your alcohol partners, right, whether that's Constellation, Molson Coors, etcetera.
Beatriz R. Perez  
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Right.

Callum Elliott  
Analyst, Bernstein Autonomous LLP

And when you're thinking about the intersection between some of these branding issues versus sustainability issues and working with partners, how does that intersection work in practice? You know, is it your team and Michael's team that's making these decisions? Is it the brand teams that are making decisions?

Beatriz R. Perez  
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

So our team is responsible for the policy setting for the company and ESG. And so now, we work with the business. We work — you know, I'm on the executive leadership team, so we debate this in the executive leadership team. But for us, it's important that we understand what are those other partner goals and so we look at that. So what are their water goals? What are their packaging goals? How are they being mindful of their marketing? And so those conversations happen right up-front, and it's — you know, I'm relying especially on people like Michael or the people on his team, the experts, to go in and have a deeper conversation, not just at the executive level. And so it's a much deeper conversation to make sure that we know who we're getting into business with.

And what I'd say is that even ourselves can't claim to be perfect. So we're — either they haven't gotten to something or they haven't set what we believe would be an ambitious enough target, then we ask them to and we have the conversation and we try to listen and understand as to why they haven't. Is there a barrier that we're not aware of? What length of time would it take for them to get there if they're going to do it? And that's where the conversation is really crucial.

Callum Elliott  
Analyst, Bernstein Autonomous LLP

Okay. We are out of time, but I'm going to squeeze in one last final question. It's a question that's sort of largely taken, I think, from Francois, who was on the previous panel that he closed with. Do we make a difference as an investment community? I think I know the answer because you touched on it earlier. But so do we make a difference?

Beatriz R. Perez  
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

You do. And I'll tell you why. Not just World Without Waste a couple of years ago, when you all were really helping me understand and pinpoint some of the things that were coming that you all were seeing. And we get some of this from our field operations and our bottlers as well. However, you will have a different lens. You have a financial lens on this, an economic lens. And you were helping me understand that even just in my conversation earlier today, while we're doing well and thank you for how you started the conversation, we can always improve. But where we have to improve is show you all what is the return on the investment we're getting for the investments we're making in the space? How is it physically driving the business? What's the algorithm behind it?

And so, we're doing some work. We have some work with blue risk on water to understand the value of water and what that means to the business. This to me looks like this is my next chapter. So I think you all make a huge difference because it's the natural structural tension that exists, but also your expertise brings a completely
different lens. It helps us really think about what would help you all be more successful with your clients. Because guess what? I want your clients to invest in Coca-Cola. I want them to see this as a great opportunity as a growth company. And so we have to be more effective in answering your questions, but it helps us to understand what you’re seeing and what’s on the horizon.

So yes, you all are making a difference. I hope we continue to make a difference together, and I appreciate the natural tension that exists. And I appreciate, for lack of a better word, I’m going to say a partnership with uncommon bedfellows, is that the word? That’s a terrible last comment, but there you go.

Callum Elliott
Analyst, Bernstein Autonomous LLP

I think it’s a great line then. But Bea, thank you very much for joining us.

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Thank you, Callum.

Callum Elliott
Analyst, Bernstein Autonomous LLP

We’ve got lunch in a couple of minutes, I think, in the room just next door. And everybody, thank you for joining and listening.

Beatriz R. Perez
Senior Vice President, Chief Communications, Sustainability & Strategic Partnerships Officer, The Coca-Cola Co.

Thank you again. Thank you.

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