

# The Coca-Cola Company



CORPORATE PROFILE



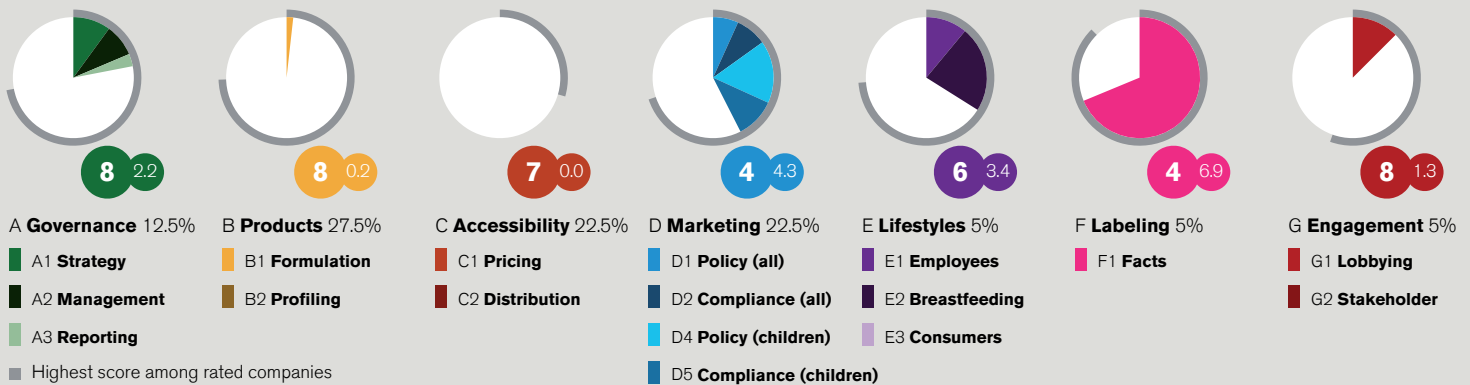
PRODUCT PROFILE

<b>Company type</b>	Publicly traded
<b>Headquarters</b>	U.S.
<b>No. of U.S. employees</b>	12,400
<b>U.S. revenue range*</b>	USD 20-25 billion

\* Source: Euromonitor International, 2017.

<b>Product Profile**</b>	<b>Revenue range</b>	<b>Mean HSR rating</b>
Bottled Water	10-20%	2.2
Carbonates	60-70%	1.4
Juice	10-20%	2.5
RTD Tea	0-10%	1.8
Sports and Energy Drinks	0-10%	1.6

## Corporate Profile



## Main areas of strength

- The company recognizes that it has a role to play in addressing obesity and has adopted a new global strategy in 2017, the 'Way Forward', which includes a focus on sugar reduction and applies to the United States.
- The company makes a broad set of responsible marketing commitments covering its marketing activities to children and other consumers. Similar to its global commitment, it demonstrates strong performance by not marketing any products to children under 12. It also pledges to follow the two main sets of industry self-regulation commitments by being a Children's Food and Beverage Advertising Initiative (CFBAI) member and supporting the Children's Advertising Review Unit (CARU) Guidelines, administered by the U.S. Council of Better Business Bureaus (CBBB).
- Coca-Cola has implemented an employee health and wellbeing program that integrates aspects of healthy diets and physical activity, available to all U.S. employees. In addition, it commits to assist breastfeeding mothers by providing parental leave arrangements and other facilities.
- Coca-Cola commits to providing nutrition information through the Grocery Manufacturers Association (GMA) Facts Up Front system on Front-Of-Pack (FOP) and SmartLabel online system in the United States, although the latter was not yet fully implemented in 2017.

## Priority areas for improvement

- Coca-Cola ranks joint seventh on the U.S. Index Corporate Profile with a score of 1.9 out of 10 and is tied for eighth on the Product Profile with a score of 3.4 out of 10.
- The company was estimated in its Product Profile to generate 6% of 2016 sales from healthy products (having a Health Star Rating (HSR) of 3.5 or more) and 19% from products that meet World Health Organization (WHO) Euro criteria for marketing to children. The company does not disclose the percentage of healthy products in the U.S. market. It should improve its transparency in this area and step up its product reformulation, new product development and/or make acquisitions to improve the healthiness of its U.S. product portfolio.
- The company's nutrition strategy in the United States is limited and could be strengthened by defining more nutrition objectives. For example, those related to the affordability and accessibility of healthy products, supporting public health and nutrition programs and stakeholder engagement. Further, it could be improved by referencing U.S. priority populations explicitly in its strategic focus on nutrition and health, disclosing how it intends to reach these populations with healthy products and/or how it intends to address issues of food insecurity. The company should start reporting formally and regularly on its approach and progress to tackling nutrition issues in the United States.
- Coca-Cola has not defined a comprehensive set of product reformulation targets. It should urgently do so, defining both 'positive' and 'negative nutrient' targets.
- Coca-Cola has not implemented a Nutrient Profiling System (NPS), nor has it defined nutritional criteria for healthy products. The company should do so to have a clear basis for its nutritional strategy to make its portfolio healthier.
- Coca-Cola could improve its policy on marketing to children by lowering its audience threshold to <25% and by extending its commitments to middle and high schools and to other places popular with children. Further, to address concerns about 'copy-cat' products, Coca-Cola should ensure that all products sold under the Smart Snacks in School regulation meet the same nutrition standards everywhere, including those products that are sold through other channels with a similar 'look and feel'.

\*\* The mean HSR is calculated per category and multiplied by the percentage of 2016 sales per category. These figures are totalled and doubled to give a maximum Product Profile score of 10.



# The Coca-Cola Company

## Category analysis - Nutrition

### A Governance

- In 2017, Coca-Cola adopted the 'Way Forward' plan as its long-term business strategy. The company links its growth ambition to encouraging and enabling consumers to control their intake of added sugar from beverages. The company should adopt a broader approach to improving nutrition and health. In addition, it does not make an explicit commitment to deliver more healthy products to the U.S. market but is encouraged to do so.
- The company does not make an explicit reference to reaching priority populations in the United States whose access to healthy food is constrained by low income or geographic factors. Coca-Cola should improve by including these U.S. populations explicitly in its strategic focus on nutrition and health.
- Coca-Cola recognizes it has a role to play in tackling the challenges of obesity and recognizes the key public health priorities as set out in the WHO Global Action Plan 2013-2020. Through its participation in the Balance Calories Initiative with the Alliance for a Healthier Generation and others in the industry, the company has committed to reduce beverage calories consumed per person nationally by 20% by 2025. No evidence was found that the company has set out how this joint initiative translates into objectives for its individual business but it should do so.
- The company discloses extensive nutrition-related business risk assessments in its Form 10-K Annual Report, showing that nutrition considerations are integrated into its business strategy. However, the company has room to improve its transparency, most importantly by publishing the level of sales derived from healthy products.
- Coca-Cola did not disclose specific information about its U.S. governance arrangements in relation to its nutrition strategy, which contains a limited set of objectives. The company should extend its set of nutrition-related objectives to cover aspects such as affordability/accessibility, consumer education and lobbying as well. Further, the company should ensure its nutrition strategy is subject to annual internal audit and management review, and it should specifically link U.S. CEO compensation to performance on nutrition-related objectives.
- The company provides limited information about its funding of public health and nutrition programs in the United States, which include supporting Feeding America and a collaboration with a non-food company to address child hunger in Atlanta. Its activities appear ad-hoc rather than guided by a strategy. Coca-Cola should adopt and publish a strategy or policy to guide these activities in the United States.
- Coca-Cola regularly publishes formal reports on its global implementation of its nutrition strategy in its annual report and other publications operations, but it does not provide U.S.-specific reporting. Coca-Cola should start reporting on its approach and progress regarding addressing the nutrition challenges in the United States, covering both its commercial programs as well as its support of non-commercial public health and nutrition programs.

### B Products

- The company reports to work on reducing sugar in its products and reports global statistics on the number of products in which sugar was reduced in 2016. Through its participation in the Alliance for a Healthier Generation the company has committed, with others in the industry, to reduce beverage calories consumed per person in the United States by 20% by 2025. However, the company has not set out how this translates into concrete objectives. Coca-Cola should make a clear and forward-looking commitment to increase its R&D efforts to increase the healthiness of its U.S. product portfolio. In addition, it should publicly disclose U.S.-specific information about its sugar reduction efforts and progress.
- Coca-Cola does not appear to have adopted a definition of healthy products based on nutritional criteria, or to align its reformulation efforts to the 2015-2020 Dietary Guidelines for Americans (DGA), although it does acknowledge the WHO recommendation to limit added sugars to 10% of daily energy intake. Further, in relation to the 'copy-cat' issue, Coca-Cola does not

commit to apply a consistent set of nutrition standards to products sold under the Smart Snacks in School regulation and to equivalent products with a similar look and feel, sold through other channels. The company should adopt and publicly disclose these commitments.

- Coca-Cola reports to offer low- or no-calorie options across the majority of its brands globally, but specific U.S. information is not provided. The company should offer healthy product choices across all brands in the United States and publicly disclose its performance in this area.
- Reformulation targets were assessed for Coca-Cola's 'Carbonates', 'Juice' and 'Sports and energy drinks' major product categories in the U.S. market. Despite the company's reporting on reducing sugar, no evidence of concrete reformulation targets was found that apply to the U.S. market. Notably, some sugar reduction targets were defined for selected foreign markets. The company should define a comprehensive set of product reformulation targets that cover all relevant nutrients for its U.S. products and report publicly on its progress.
- Coca-Cola does not publicly disclose the percentage of U.S. products it considers healthy. In the Product Profile, 6% of 2016 sales in the United States were estimated to be derived from healthy products (which comprise 59% of the product portfolio), based on an HSR of 3.5 or more. These results indicate that the company should considerably scale-up its efforts to improve the healthiness of its product portfolio, driven by a clear definition of healthy products and a strategy to increase the sales of these products.
- Coca-Cola has not yet adopted an NPS to guide its product reformulation and innovation activities. It is important that the company adopts an internationally recognized NPS, taking 'positive nutrients' and 'negative nutrients' into account and adapting it to the company context.

### C Accessibility

- No evidence was found that Coca-Cola has adopted a strategy to improve the accessibility and affordability of its healthy products in the United States, with specific consideration for priority populations whose access to healthy food is constrained by low income or geographic factors. The company should adopt and publicly disclose this commitment.
- The company's approach could include, for example, defining targets such as narrowing down the price differential on healthy versus less healthy products, achieving a particular price point for healthy products, defining the number of priority populations to reach with healthy products through improved distribution in urban low-income areas. These targets should be based on analysis on appropriate pricing and distribution methods of healthy products for priority populations in the United States.
- No evidence was found that Coca-Cola commits to donate a high percentage of healthy products to programs that address food insecurity. The company should make this commitment and provide a public commentary on its donations of healthy products.

### D Marketing

- Coca-Cola commits to follow the International Chamber of Commerce (ICC) Code of Advertising and Marketing commitments explicitly in its global marketing policy, which applies to the U.S. market. The ICC framework covers a wide range of commitments on responsible marketing to all consumers. The company should go beyond ICC commitments, e.g. by committing not to use models with a body mass index (BMI) of under 18.5. Furthermore, it could increase its transparency by describing in the policy what the commitment to follow the ICC framework means concretely within the company context.
- Coca-Cola did not provide evidence of an explicit commitment to developing and delivering marketing strategies for healthy products tailored to reaching priority populations in the United States. The company should make this commitment and take steps to understand and reach priority populations, e.g. by generating consumer and marketing insights related to priority populations in the United States.

- The company does not report to audit its compliance with the ICC framework regarding marketing to all consumers. However, the company audited the implementation of its marketing policy on the process level through a competent third-party. The company should also implement a formal external audit of its marketing compliance to all consumers.
- Coca-Cola has a globally applicable policy on marketing to children and pledges to follow the two main sets of industry self-regulation commitments by being a CFBAI member and supporting the CARU Guidelines.
- Coca-Cola is one of the few companies that commits to not marketing any products to children under 12 on the media covered by its commitment and when they make up 35% or more of the audience. It applies a strong set of commitments which it applies explicitly to all relevant media channels, beyond those covered by CFBAI. However, it could improve by applying the industry-leading audience threshold of <25%, by committing to not showing children engaging in other activities while eating and to not using its own fantasy and animated characters with a strong appeal to children. In addition, Coca-Cola should extend its responsible marketing commitments to children aged 13 and over.
- The company commits to not performing any marketing activities in elementary schools and, through its commitment expressed via the American Beverage Association (ABA), in middle schools. The company could improve its policy by extending its commitments on marketing to high schools and to places popular with children.
- Coca-Cola's compliance with its commitments on marketing to children are audited annually by the CBBB. The company does not report its compliance level for TV and digital marketing but should do so.
- The company should also disclose an explicit commitment to take corrective action in case of non-compliances regarding its marketing policy to children.

## E Lifestyles

- Coca-Cola has implemented an employee health and wellbeing program that integrates aspects of healthy diets, physical activity and mental wellbeing. It discloses on its corporate website that it has made nutrition a priority for all its employees, offers facilities and initiatives to increase physical activity as well as broader offerings related to physical and emotional wellbeing. It is available to all U.S. employees. The company has defined expected health outcomes, but could improve by defining expected business outcomes, tracking employee participation, implementing independent program evaluations and disclosing information about these aspects publicly.
- The company has expressed a commitment to providing breastfeeding mothers with appropriate working conditions and facilities at work, without evidence of a formal policy. Since January 1, 2017, Coca-Cola provides six weeks of paid parental leave to all parents, in addition to other paid leave for birth mothers. In addition, the company provides facilities to support breastfeeding mothers, including private rooms with refrigerators for storing milk, and it provides a commentary on its support of breastfeeding mothers in the workplace. Coca-Cola could improve by formalizing its commitments in a formal policy, by publicly disclosing it and by extending paid maternity leave arrangements to at least meeting the recommended minimum of 14-weeks of paid leave by the International Labour Organization (ILO).
- Coca-Cola publishes limited information on its funding of healthy eating and nutrition education, physical activity or food access and food insecurity programs in the U.S. market. The company should increase its transparency on its U.S. activities. Further, a policy guiding its funding non-commercial public health and nutrition programs is not evident, which it should adopt and disclose publicly.
- The company should commit to align its healthy eating programs to the DGA and exclude brand-level sponsorship for all its public health and nutrition programs. Further, these programs should be underpinned by a sound evidence base, be designed with expert advice and draw on stakeholder inputs. The company could also set out specific health outcomes participants in the program should benefit from for all its programs and commission independent evaluations in all cases. The company should publicly disclose information about the setup, design and evaluations of all programs it supports.

## F Labeling

- In the United States, Coca-Cola's Front-Of-Pack (FOP) labeling provides percentages of recommended daily intakes on all products, as it does globally. The company commits to the ABA's Clear on Calories Initiative and the GMA's Facts Up Front FOP labeling. The company could improve by communicating the nutritional value of its products by using interpretive FOP labels that are easy to understand for all consumers by using graphics, symbols or colors.
- The company provides online nutrition information through the GMA SmartLabel system. In April 2017, the company reported to provide this information for 40% of its products in North America. Its goal is to provide online nutrition information for all its products by the first quarter of 2018.
- Coca-Cola discloses on its website that it supports the U.S. Food and Drug Administration (FDA) update of the Nutrition Facts Panel, which includes a requirement for labeling of added sugars, and commits to implement the update before it will go into effect on January 1, 2020. Although this aspect of the assessment is not scored and provided for information purposes only, all companies are recommended to implement the update to the Nutrition Facts Panel as soon as possible for all relevant products.

## G Engagement

- Coca-Cola discloses limited information about its lobbying and influencing governments and policymakers on nutrition issues activities, beyond legal requirements. The company does not make an explicit commitment not to lobby against bills and other policy instruments designed to improve or protect public health. The company does disclose a relevant Code of Business Conduct and it provides a brief narrative on its lobbying activities, stating that that obesity prevention is one of its advocacy areas in the United States, however, it states that "We do not support policies that unfairly focus on any single food or beverage category." To improve, the company should commit to lobby, in relation to nutrition issues, only in support of public health initiatives.
- Beyond required disclosure of financial contributions to associations or other organizations that lobby on its behalf, Coca-Cola does not disclose potential governance conflicts of interest and board seats at influential organizations. The company should disclose this information and its positions used in lobbying, as these relate to nutrition, and preventing and addressing obesity and diet-related chronic diseases.
- The available evidence on Coca-Cola's commitment to engage with stakeholders to improve its nutrition related policies and practices in the United States, or about its performance and activities in this area, is limited. The company discloses that stakeholder engagement has led to prioritizing topics, including addressing obesity, but it does not state how this is relevant for or applied to the United States, specifically. The company could improve its performance by committing to undertake more structured and comprehensive engagement with key nutrition stakeholders. In addition, it should publish information about how that engagement shapes its commercial and non-commercial nutrition-related policies and practices in the United States.

# The Coca-Cola Company

## Product Profile\*

### Portfolio-level results

Average HSR score (sales-weighted; out of 5 maximum)	Healthy products (HSR)				Products suitable to market to children (WHO Euro)				% total U.S. F&B sales included
	No. assessed	% sales generated from healthy	No. healthy	% of healthy products	No. assessed	% sales generated from suitable	No. suitable	% of suitable products	
1.7	351	6%	59	17%	357	19%	57	16%	100%

▪ Coca-Cola's average sales-weighted HSR is 1.7, and 1.9 when not weighted by sales, generating a Product Profile score of 3.4 out of 10, and a rank of eighth (position shared with Dr Pepper Snapple). The results are based on an analysis of 100% of its 2016 sales from categories eligible for inclusion.

- 17% of the products assessed (59) were found to meet the healthy threshold. They were estimated to generate 6% of 2016 sales.
- 16% of products assessed (57) were found to be suitable for marketing to children. They were estimated to generate 19% of 2016 sales.

### Category results

Category	Bottled Water	Carbonates	Juice	RTD Tea	Sports and Energy Drinks
Mean HSR	2.2	1.4	2.5	1.8	1.6
% products healthy	9%	0%	36%	0%	0%
% products suitable to market to children	67%	10%	0%	12%	29%

The mean HSR for all of Coca-Cola's categories is relatively low; the category with the highest mean HSR is juice (2.5), followed by bottled water (2.2). Ready-to-drink (RTD) tea (1.8), sports and energy drinks (1.6) and carbonates (1.4) have the lowest mean HSRs. None of Coca-Cola's categories achieve a mean HSR of 3.5 or more, i.e. none can be considered to meet the healthy threshold. While only 9% of the company's bottled water was rated healthy by the HSR system, 67% of products in this

category were found by the WHO model to be suitable for marketing to children. (This is because of differences between the way the two systems rate bottled water). At the same time, 36% of the company's products in the juice category were rated healthy by the HSR system, but none of these products are considered suitable for marketing to children due to their free sugar content. None of the company's carbonates, RTD tea and sports or energy drinks were rated healthy by the HSR system.

\* The mean HSR is calculated per category and multiplied by the percentage of 2016 sales per category. These figures are totalled and doubled to give a maximum Product Profile score of 10.

# The Coca-Cola Company

## Relative nutritional quality of Coca-Cola’s products by category

Mean HSR	Bottled Water	Carbonates	Juice	RTD Tea	Sports and Energy Drinks
Coca-Cola	2.2	1.4	2.5	1.8	1.6
PepsiCo	2.1	2.2	3.8		1.5
Dr Pepper Snapple		1.4	2.8	1.6	
Nestlé	3.0				
Unilever				1.7	

Coca-Cola is the only company assessed solely on the basis of beverages. In two of the five categories it competes in it achieved the highest mean HSR, though in both cases it is low. Its sports and energy drinks (1.6) score a little higher than those of PepsiCo (1.5) but its RTD tea category has a mean HSR of 1.8, slightly higher than Unilever’s (1.7) and Dr Pepper Snapple’s (1.6). Coca-

Cola’s carbonates are rated the same as those of Dr Pepper Snapple (1.4), whereas those of PepsiCo score better (2.2). Similarly, the company’s bottled water products achieve a relatively low rating (2.2), slightly higher than that of PepsiCo (2.1) though Nestlé scores better on this category (3.0). Finally, in the juice category, Coca-Cola has the lowest mean HSR (2.5), after Dr Pepper Snapple (2.8). PepsiCo is the only company in this category to achieve a rating above the healthy threshold of 3.5, at 3.8.

### Conclusion

As Coca-Cola does not disclose the percentage of healthy products in its U.S. portfolio, nor the level of sales derived from them, it is not possible to compare its results with those of the Product Profile. The company is encouraged to improve its transparency by disclosing this information. This will help investors and other stakeholders to understand the nutritional profile of its portfolio and track the improvements it makes over time.

For the five product categories assessed in which Coca-Cola competes, it has category-leading mean HSRs for two of them, but in both cases with scores lower than 2 (considerably below the healthy threshold). The mean HSRs for other three categories are also low. Coca-Cola should accelerate its product reformulation and new product development, and/or make acquisitions to improve the healthiness of its U.S. product portfolio overall. Furthermore, Coca-Cola should adopt a robust NPS to guide its product innovation and reformulation activities.

# The Coca-Cola Company

## General disclaimer

The findings, interpretations, and conclusions expressed in the report are those of ATNF only, and should not be attributed to any other entity. This report is intended to be for informational purposes only and is not intended as promotional material in any respect. This report is not intended to provide accounting, legal or tax advice or investment recommendations. Whilst based on information believed to be reliable, no guarantee can be given that it is accurate or complete.

## Note

**The George Institute for Global Health (TGI)** is responsible for the data collection for the Product Profile assessment, using data from available databases that was supplemented with data provided by companies to ATNF. TGI is also responsible for the analysis of the data related to the Product Profile and the TGI Product Profile final report, the results of which have been incorporated by ATNF into the Global Access to Nutrition 2018 report and the U.S. Spotlight Index report.

**Euromonitor International Disclaimer** Although Euromonitor International makes every effort to ensure that it corrects faults in the Intelligence of which it is aware, it does not warrant that the Intelligence will be accurate, up-to-date or complete as the accuracy and completeness of the data and other content available in respect of different parts of the Intelligence will vary depending on the availability and quality of sources on which each part is based. Euromonitor International does not take any responsibility nor is liable for any damage caused through the use of our data and holds no accountability of how it is interpreted or used by any third-party.

The user of the report and the information in it assumes the entire risk of any use it may make or permit to be made of the information. NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS ARE MADE WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION ARE EXPRESSLY EXCLUDED AND DISCLAIMED.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall Access to Nutrition Foundation, nor any of its respective affiliates, The George Institute, Euromonitor International, or contributors to or collaborators on the Index, have any liability regarding any of the Information contained in this report for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.