

# *The Coca-Cola Company*

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January 11, 2008

Mr. Timothy P. Slottow  
Executive Vice President and CFO  
University of Michigan  
Ann Arbor, MI 48109

Dear Mr. Slottow:

In an effort to establish an accurate understanding of Coca-Cola India's water resource management practices, Coca-Cola agreed to an independent and comprehensive assessment by a well-respected third party. We are pleased that this assessment is now complete and we are able to share with you our plans for addressing the report's recommendations.

As you know, the assessment was conducted by The Energy and Resources Institute (TERI), a highly regarded international scientific research organization based in New Delhi, India, with more than 30 years of experience and leadership on sustainability, environment and development.

To the best of our knowledge, this was the most comprehensive independent scientific public assessment of a beverage company ever conducted. We intend to use what we have learned through this process to strengthen our long-term commitment to India and to continue to improve in our operations there and around the world. The Coca-Cola Company (TCCC) views this assessment as an important means to address our own and our stakeholders' high expectations for quality, transparency and community engagement.

The scope of work was "to undertake an independent assessment of Coca-Cola India's current water resource management practices. While doing so, the evaluation also will seek to ascertain the impact of pesticides on the quality of the intake water as well as the processes followed in ensuring quality by treating intake water during production of finished product."

In light of the University's role in the genesis of this work, we would like to provide the Company's comments on key findings of the report and, more importantly, the actions we are taking in response to the report's recommendations.

The report's core findings are clear:

- The Company and its bottlers are in compliance with the standards of relevant Indian government and regulatory agencies, and on an overall basis are meeting our own often more stringent internal standards, including the quality of the water used to make our products.
- The report recognizes areas where we are doing well, but also identifies areas where we can – and will – improve our environmental and social programs and policies.
- We believe this report affirms our previous public statements about our adherence to global standards and we hope it will assure you that the Company is in compliance with the University's Vendor Code of Conduct.

### ***Key Findings***

Key among TERI's findings:

- Our plants are in compliance with applicable Indian environmental regulatory requirements, and meet our own often more stringent water resource requirements on an overall basis. The report noted a need for expanded internal effluent treatment standards to better manage certain parameters, which we are actively addressing.
- No pesticides were found in any of the water involved in the production of our products. TERI tested water in all phases of our production cycle, including raw intake water, process water and effluent discharge. We believe this significant finding addresses the primary concern of the University's Dispute Review Board in calling for the assessment.
- The report recommended increased consideration of community water needs in plant siting and operations at the local level, including operations in areas of water scarcity. This perspective reinforces our ongoing work to expand and improve our standards and guidelines. It also helps us better understand the importance of community engagement on water issues.
- The evolution of our corporate social responsibility initiatives and our new Community Engagement Framework were recognized by TERI. The report recommends investments in water conservation, drinking water, health, education and infrastructure development – areas where the Company already is supporting communities. The report recommended more focused and systematic programs that go beyond environment to embrace sustainable development, and, with the help of our external advisory boards, we are working toward that end.

### ***Overview of Report and Our Response***

Throughout the 16-month assessment, from August 2006 to December 2007, the Company provided TERI access to our facilities, documents and reports on our operations, and other assistance. Procedures and protocols were established with the Meridian Institute, a neutral third party retained to protect the independence of the study.

The six plants studied by TERI were located in villages in different states in India: Kaladera, Mehndiganj, Nabipur, Nemam, Pirangut, and Sathupalle. These bottling operations were chosen by TERI as a diverse sample of the Coca-Cola system in India, based on their professional judgment and scientific evaluations. These sites were assessed on hundreds of criteria. Surrounding communities also were part of the study.

We are proud of the progress we are making in India on water resource management, and we are pleased that the report does acknowledge that work. Most importantly, the report is helpful in identifying areas where we can continue to improve. Based on the report's recommendations, the Company will continue to take decisive action to further improve our operations in India and around the world.

#### Groundwater Use

The assessment examines groundwater use in India at both the plant and system-wide level and recommends that the Company place greater emphasis on community water needs when siting and operating plants. We share TERI's perspective on the critical importance of industry working together with communities to manage water sustainably. We have undertaken two important steps that address these recommendations:

Our siting standards and guidelines always have required the Company to discuss water and effluent needs with local officials and obtain approvals from the local regulatory bodies. We have revised these standards to evaluate all infrastructure needs, require watershed specific hydrogeological studies in certain situations and to assess community-wide availability of water resources now and in the future. In keeping with TERI's recommendation, we will review our plant siting standards and guidelines with respect to the inclusion of formal and informal stakeholder interests and issues.

Second, we will issue global guidelines for operating plants in areas facing serious and chronic water shortages, which require our plant managers to work with communities to do our part to manage the resource responsibly for all who depend upon it. In addition to educating our bottling operations system-wide on causes of water scarcity and the resulting impacts to business, communities and the environment, the guidelines, to be implemented in early 2008, will include several key areas of guidance:

- Help existing plants and new plant site development teams evaluate water stress, scarcity and drought. From this evaluation process, an action level is identified with increasing requirements for planning, action, community engagement and communication.
- Areas facing serious and chronic water shortages will be carefully evaluated, via in-depth scientific studies, to establish long-term water sustainability of the watershed, taking into consideration prevailing and predicted global climatic changes and local demographic changes.
- Based on such studies, Source Water Protection Plans (SWPP) will be modified to suit circumstances, and local water management plans will be developed, working closely with the stakeholders in that particular location.

- Water levels and water quality assessment on a localized sub-watershed scale will be carried out at all locations at appropriate intervals, based on available government data.
- If our plants in locations facing water shortages are required to alter plant capacity or production, the Company will determine what appropriate actions should be taken. The document is clear that, in some situations, production may need to be held flat, scaled-back or ceased.

We also have taken additional steps to demonstrate our long-term commitment to responsible water management in India and our role as a force for positive change. Specifically, we are working in India to reach zero water balance by 2009 with respect to groundwater usage – that is, on a net basis we will cause as much water to be recharged into groundwater aquifers as we extract from them. Our 2009 goal will be accomplished through measures in four core areas: 1) reducing the water used to produce our beverages, 2) recycling water used for beverage manufacturing processes, 3) reusing of water for in-plant grounds maintenance, and 4) replenishing water in communities and nature.

In June 2007, our Chairman announced a public goal for the entire Coca-Cola system to “return the water we use,” working to achieve water neutrality in our operations worldwide. With its 2009 goal, India will be leading our global operations in meeting this leadership commitment.

#### Effluent Treatment

The report affirms that we are in compliance with applicable Indian regulations. The report identified a need to strengthen our internal standards for managing bacteriological presence in treated effluent water.

Coca-Cola has tested treated effluent at all plants in India for presence of bacteria and is also evaluating technologies for disinfection of treated effluent streams to better manage this issue. We also are developing a global standard with respect to this aspect of effluent water quality.

Coca-Cola India also is reviewing current effluent flow monitoring equipment in place at all facilities and, by 3Q 2008, we will install additional equipment where needed.

#### Regional Water Quality

The TERI report suggested the need for additional analysis with respect to groundwater quality near four of the six plants studied. While there is no causal relationship established between the plants and the groundwater, the health of the communities we serve and where we work is very important, and we will initiate studies on groundwater quality in two locations. Pending the outcomes of these assessments, additional studies may be conducted.

### Kaladera Plant

The report notes that the groundwater aquifer that is the source of water for our plant in Kaladera is overexploited, and recommends that the Kaladera plant transport water from non-stressed aquifers, store water during times of good rainfall, or relocate the facility.

Coca-Cola is a relatively small user of water in Kaladera; the plant taps far less than one percent of the area's available water. Nonetheless, we are a user of water in a highly water-stressed area, and the burden of proof is on us to demonstrate that we can reconcile our operations with local community and watershed needs. As a business that depends on water, and has expertise in water resource management, we believe we can continue to be a "net positive contributor," as the TERI report recommends for operations in water-stressed areas.

In Kaladera, the rainwater harvesting systems we have installed have the potential to recharge about 15 times the amount of water the plant uses currently, assuming normal rainfall (560 mm/year). Even in recent years when rainfall has been below average, actual recharge has been more than 5 times the amount of water used for production of our beverages. As part of our commitment going forward, we will install measuring devices that will verify the amount of water recharged. We also have reduced our water use ratio within the plant by more than 40 percent over the last 5 years and we will continue to advance our efforts to improve water use efficiency.

Agriculture remains the most significant user of water in the watershed. Accordingly, we are exploring ways we can contribute to more efficient use of water in irrigation. Specifically, we have supported a pilot project on drip irrigation to improve the efficiency and productivity of water used for irrigation and we will expand that work as part of our commitment to be a net positive contributor.

We, of course, are committed to working with a broad range of local, national and international stakeholders to determine the actions that will have the greatest benefit. Accordingly, we will continue to work with the local community to evaluate the long-term water sustainability options for Kaladera and for our other plants as well.

### Community Engagement

We are gratified that the report recognizes many of our corporate social responsibility programs, but we acknowledge the observation that our social responsibility initiatives could benefit from greater strategic focus. In recent years we have increased our engagement in community water projects working in partnership with organizations such as Rotary, International Crops Research Institute for Semi-arid Tropics (ICRISAT), UN Habitat and others. We look forward to building upon this important work as we move forward. Our newly created Community Engagement Framework is guiding our involvement in communities, to ensure that we make a measurable difference in addressing local needs. TERI's observations will further guide our efforts.

In line with the spirit of the TERI report recommendations, we intend to build on our work to date with the creation of The Coca-Cola India Foundation with initial funding of \$10 million. Managing water in a sustainable way will require the involvement of all water users in a given area, which is part of the reason that we have created this Foundation. Its goal is to sponsor activities that support sustainable development and focus on issues related to water, environment, healthy living and social advancement. Advisory board members include former Chief Justice of India J S Verma; lyricist and social activist Javed Akhtar; former United Nations official, Shashi Tharoor; and Bunker Roy, founder of the Barefoot College.

It is also important to note that community engagement, broadly defined, goes well beyond such activities as foundations, partnerships and open dialogues. Since 1993, the Company has invested more than US\$1 billion in India and provided employment to more than 150,000 people directly and indirectly. Recently our President and Chief Operating Officer Muhtar Kent stated that we intend to invest an additional \$250 million in our India operations in the near term. The Company's bottling plants are located in some of the most underdeveloped areas of the country, creating opportunities for local economic growth and employment.

Finally, the findings in the report, as well as those stemming from our own analysis, compel us to be more systematic in measuring and reporting on our environmental and corporate social responsibility performance in a transparent manner. Therefore, we will issue an annual corporate social responsibility report, including environment, on our operations in India, beginning in 2008.

#### Pesticides

The report findings are clear: No pesticide residues were found in the intake water nor were they found in the treated water used to make our beverages or in the effluent remaining at the end of the process.

The information the TERI report provides is an important element of a larger effort to address concerns about pesticide residues which involves the development of accurate test methods and support for government standards.

We support and are cooperating with the Indian government's broader initiative to establish pesticide standards for the food industry at large. We enabled the work of the AOAC (the Association of Official Analytical Chemists) to develop science-based, objective protocols for pesticide testing in finished soft drinks, necessary for the establishment of standards. Under the aegis of the AOAC, an internationally recognized panel of residue analysts has established what has now become Official Methods of AOAC in November 2007. These testing protocols provide the basis for the forthcoming Indian standard.

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***Conclusion***

For The Coca-Cola Company, our voluntary participation in the TERE assessment reflects our commitment to transparency and continuous improvement.

Water is the most essential ingredient in our products, and a shared resource under growing stress in many parts of the world. We strive to be a responsible leader on water resource management and the TERE report has served to reaffirm and accelerate our efforts. We welcome TERE's call to look "beyond compliance" and "beyond business continuity" to embrace a broader and more holistic approach to water resources in our operations and in the watersheds and communities where we operate.

As we move forward, the Company's operations and water stewardship efforts will be guided by many of the findings in the TERE report. This letter outlines some initial steps we've taken, those in progress and those yet to come. We would be happy to meet with you if you would like further clarification on the report and the actions we are taking.

Sincerely,

A handwritten signature in black ink that reads "Jeff Seabright". The signature is written in a cursive, flowing style.