Environmental, social and governance reporting and assurance

July 2021

EY
Building a better working world

Content

Market trends and regulatory landscape

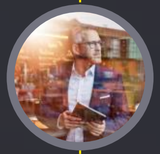
Stakeholder expectations have historically driven ESG reporting

Investors

- **98%** of investors surveyed by EY **evaluate ESG** performance based on corporate disclosures.
- BlackRock, the world's largest asset owner has positioned climate risk as a central tenet of their investment strategy with a transformational purpose stating "climate risk is investment risk". Blackrock also put **191 companies on a climate watch list**. These companies could face consequences if they fail to make progress on reducing carbon emissions.
- Investors filed at least **140 climate-related shareholder proposals** at US companies during the 2020 proxy season, and view the **climate crisis with growing urgency**.

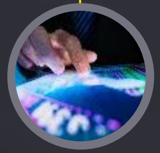
Employees

Millennials are **3 times more likely** to seek employment with a company because of its stance on social and/or environmental issues.



Customers

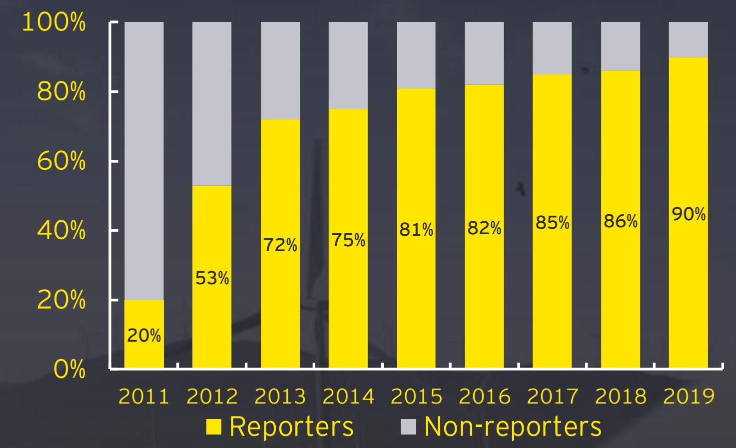
More than **150 members** with $4 trillion of purchasing power are using the **CDP** supply chain program to request ESG information from **15,000 suppliers** worldwide.

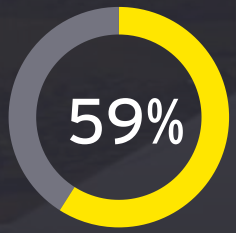


Consumers

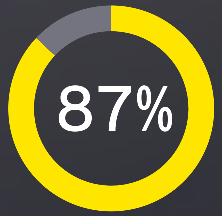
57% of consumers are willing to change their purchasing habits to help reduce negative environmental impact.

S&P500 companies publishing sustainability reports[1]





of investors are concerned with environmental issues/ climate change[2]



of respondents agree that stakeholders, not shareholders, are most important to long-term company success[3]

[1] Trends on the sustainability reporting practices of S&P 500 index companies, Governance and Accountability Institute, Inc. (2020)
[2] "2020 proxy season preview: What investors expect from the 2020 proxy season," EY website, https://www.ey.com/en_us/board-matters/what-investors-expect-from-the-2020-proxy-season, accessed 9 February 2021
[3] "Edelman Trust Barometer 2020," Edelman website, 2020 Edelman Trust Barometer Global Report_LIVE.pdf, accessed 9 February 2021

ESG regulatory environment is rapidly changing globally

US-focused
International

SEC Investor Advisory Committee
May 2020 – Recommended that the SEC begin an effort to update reporting requirements to include material, decision-useful ESG factors. noted that if the SEC does not take the lead in establishing an ESG disclosure framework, it risks that standards developed by other jurisdictions will become the default for global issuers

SEC – Human Capital
August 2020 – the SEC adopted amendments requiring human capital disclosures, where material

Biden administration – strong commitment to climate and environmental executive action
Jan 2021 – The new administration has already re-joined the Paris agreement and issued EO on tackling the climate crisis and protecting public health and the environment and is expected to introduce ESG related regulations

BlackRock
Jan 2021 – In his annual letter to CEOs, Larry Fink, CEO BlackRock: "We know that climate risk is investment risk. But we also believe the climate transition presents a historic investment opportunity." BlackRock requires companies to disclose on ESG and climate using SASB and TCFD

SEC – ESG and climate focus
Feb 2021 – SEC announced that it will review companies climate change disclosures
Mar 3 – SEC announced that it plans to examine ESG funds for underlying investment's ESG focus

SEC – SEC announces Enforcement Task Force on Climate and ESG issues
Mar 4 – Task force will develop initiatives to proactively identify ESG-related misconducts. The initial focus will be to identify any material gaps or misstatements in issuers' disclosure of climate risks

2020

2021+

IFAC
Sep 2020 – The International Federation of Accountants (IFAC) publicly called for the IFRS Foundation to set up a sustainability standards board alongside the IASB to set global sustainability/ESG "standards"

ESG framework convergence
Sep 2020 – Five of the most important sustainability framework organizations issued a joint statement of collaboration and potential path forward

IFRS Foundation Trustees
Feb 2021 – Given the growing and urgent demand, the intention would be for the Trustees to produce a definitive proposal (including a road map with timeline) by the end of September 2021, and possibly leading to an announcement on the establishment of a sustainability standards board at the meeting of the United Nations Climate Change Conference COP26 in November 2021

FRS Foundation Trustees
March 8 – IFRS Foundation Trustees announce strategic direction on investors, climate, existing framewrks, buildings block approach, and further steps based on feedback to sustainability reporting consultation

TCFD
By 2022 – UK Government expects all listed companies and large asset owners to disclose in line with TCFD

EY

Reporting processes and controls

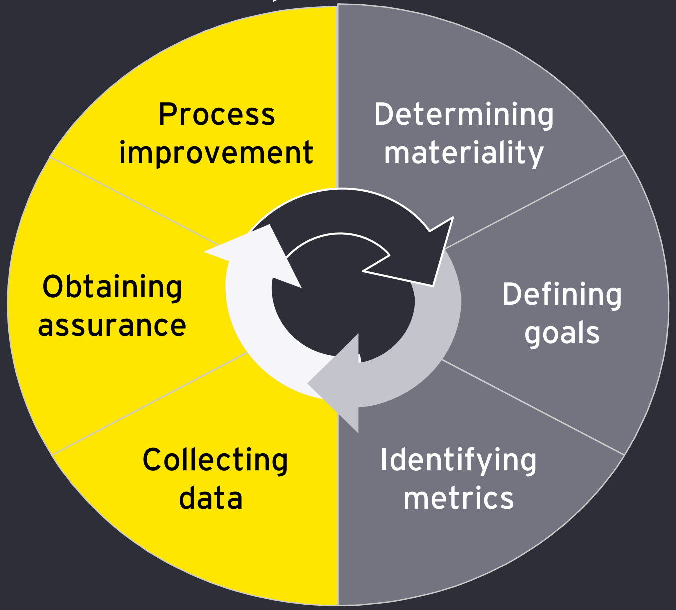
Effective reporting enables companies to communicate their ESG progress to stakeholders

ESG reporting produces credible data to drive business value. The data collected can also provide insights to process improvements, including potential efficiencies or cost savings.

Companies should follow best practices when developing and enhancing their ESG disclosures

1. Sustainability information, including goals and metrics, should be of high quality as it begins to enter the proxy and the annual report
2. Reporting should focus on material topics, such as those outlined in the firms strategy
3. Consider which audience (or audiences) is the intended recipient of its reports and tailor the tone and content of the reports accordingly
4. Material and strategic topics should be aligned to goals and disclosures
5. ESG reports should be thoughtfully aligned to ESG reporting standards and guidance

ESG strategy as a continuous improvement process



Alignment across nonfinancial disclosures

Align disclosures to organization's broader, long-term ESG narrative

ESG corporate communications

- Public commitments
- Sustainability/ corporate social responsibility reports
- Corporate websites

Nonfinancial, including ESG reporting frameworks

- Taskforce for Climate-related Financial Disclosures
- Inclusive capitalism; long-term value
- Sustainability Accounting Standards Board
- World Economic Forum common metrics
- Etc.

Financial disclosures

- 10-K risk factors
- Credit-loss disclosures
- SEC disclosures under S-K, including human capital
- Prospectuses and statements of additional information

Less rigorous reporting and controls ← → More rigorous reporting and controls

Key ESG considerations for nonfinancial reporting and disclosures

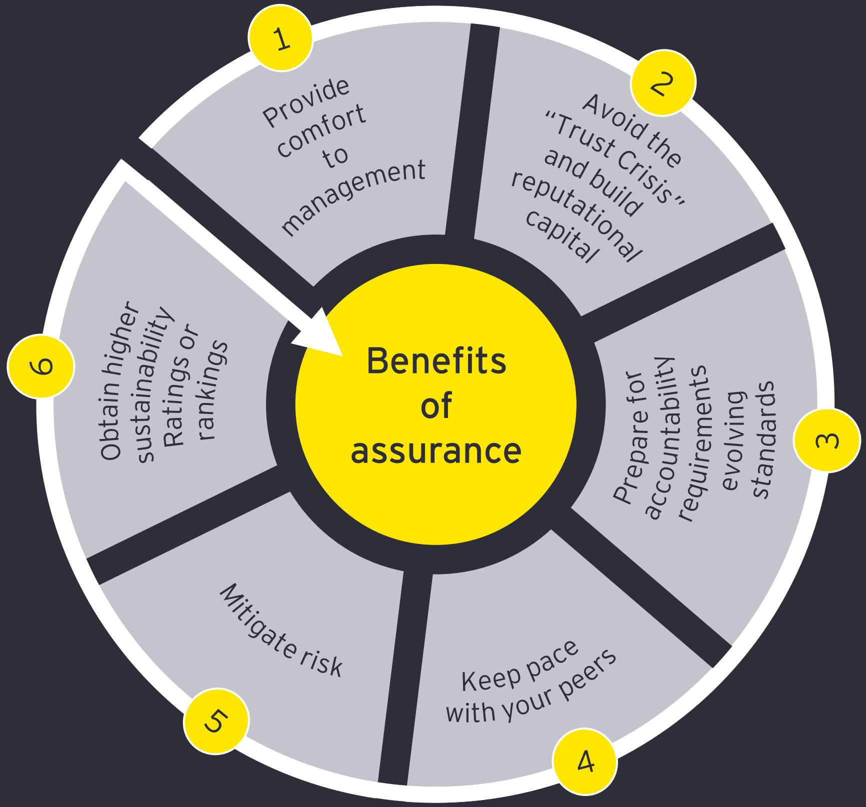
- ✓ Integration within existing financial reporting
- ✓ Reporting standards and regulatory expectations
- ✓ Data management, data quality, and process and controls

Growing importance of assurance over ESG information

Research shows that assurance is becoming an important part of reporting on nonfinancial information. The World Business Council for Sustainable Development reported in 2020 that of its 158 member companies:

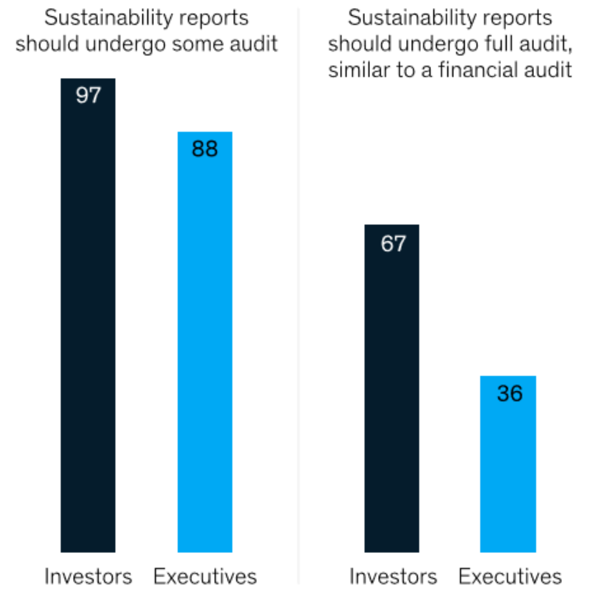
- 94% of reports reviewed have some form of assurance on their sustainability disclosures through external assurance or internal audit assurance (2014: 81%)
- 84% of reports reviewed use external assurance
- Limited assurance is the norm (80% of companies with external assurance)

As shown to the right, assurance supports internal and external decision-makers who rely on nonfinancial information. It is also the preference of investors to undergo a full audit, similar to a financial audit.



More investors believe that sustainability reports should be audited and that the audits should be full audits, similar to financial ones.

Respondents who agree with statement, %[1]

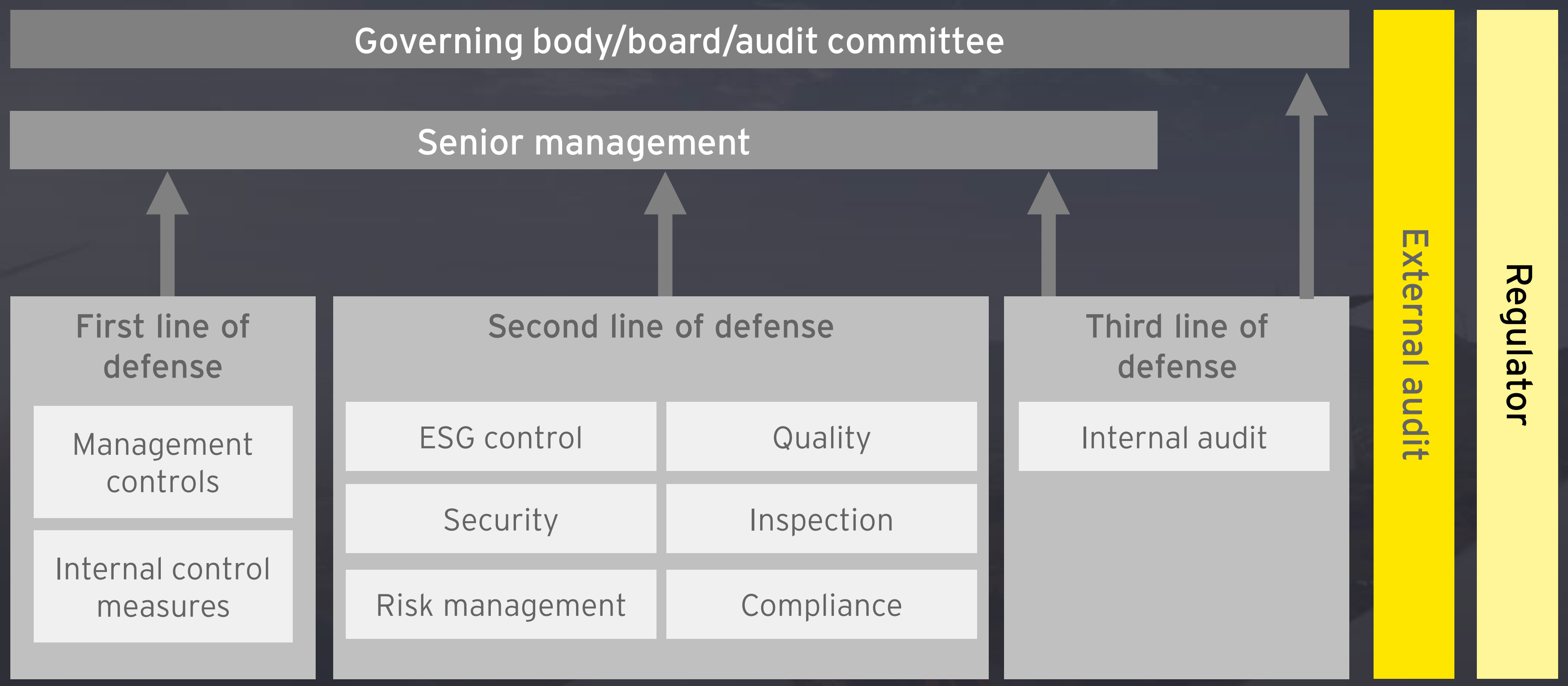


[1]Respondents who answered "agree" or "strongly agree." For investors, n = 57; for executives, n = 50.
Source: McKinsey Sustainability Reporting Survey

Source: https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/Reporting-matters/Resources/Reporting-matters-2018

Source: McKinsey Sustainability Reporting Survey

Leading companies are integrating ESG controls into the three lines of defense

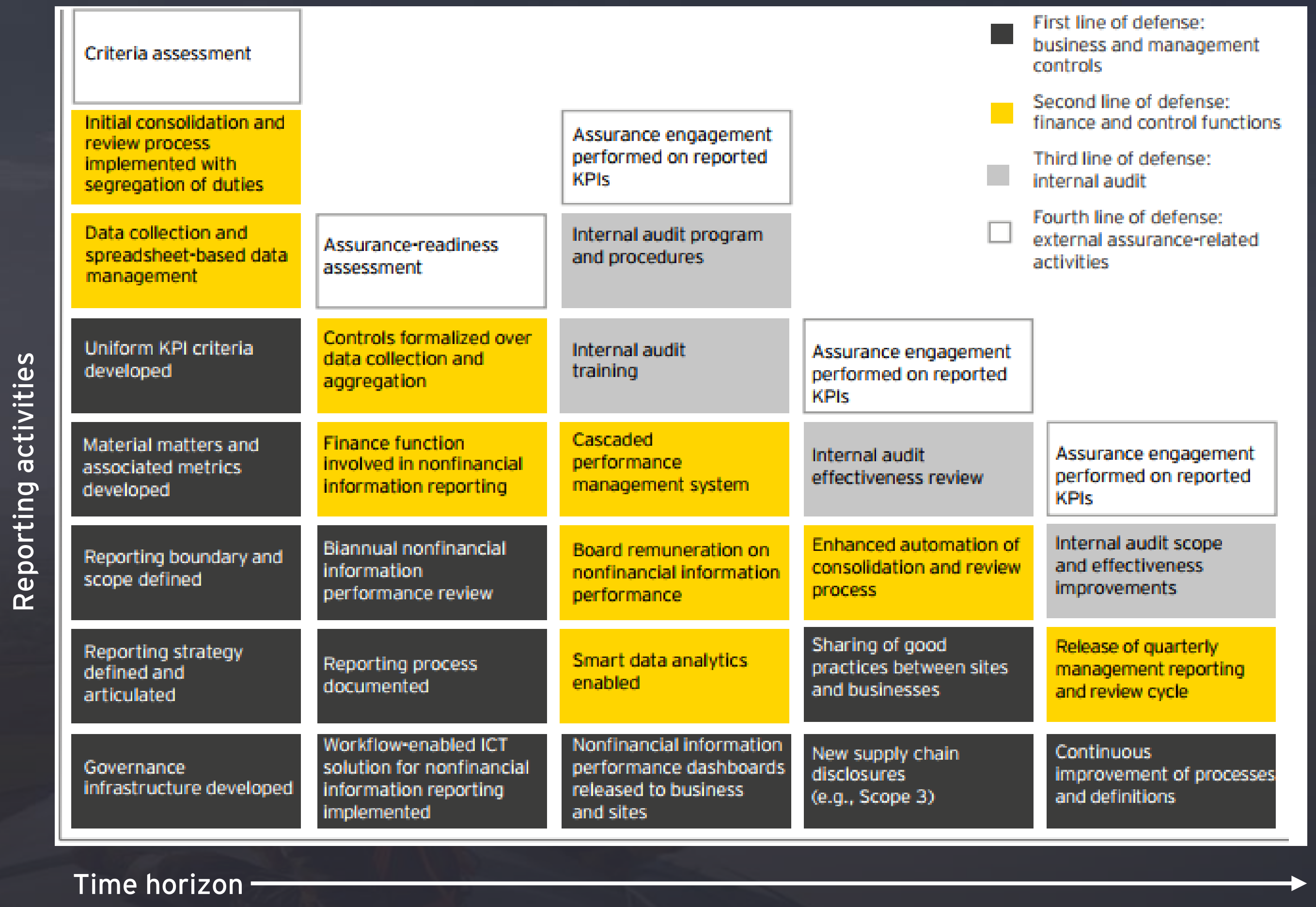


Source: IIA Position Paper: The three lines of defense in effective risk management and control, January 2013

What is next? The role of finance on the road to reliable ESG reporting

To better manage risk and improve upon data quality, the finance and internal audit function efforts around ESG data may include:

- Offering recommendations on improving how ESG information is **collected, aggregated and managed**, including data management processes and controls
- Providing recommendations on the type of **disclosures** being made
- Assisting with **timing alignment** of sustainability reporting to financial filings
- Evaluating ESG data to confirm it is **consistent with criteria** defined by companies and external reporting standards



Assurance standards

AICPA attestation standards

Overview

AT-C Section 105*

Concepts Common to All Attestation Engagements

Source: SSAE No. 18.

Effective for practitioners' reports dated on or after May 1, 2017.

Introduction

.01 This section applies to engagements in which a CPA in the practice of public accounting is engaged to issue, or does issue, a practitioner's examination, review, or agreed-upon procedures report on subject matter or an assertion about subject matter (hereinafter referred to as an *assertion*) that is the responsibility of another party. (Ref: par. .A1)

.02 An attestation engagement is predicated on the concept that a party other than the practitioner makes an assertion about whether the subject matter is measured or evaluated in accordance with suitable criteria. Section 205, *Examination Engagements*; section 210, *Review Engagements*; and section 215, *Agreed-Upon Procedures Engagements*, require the practitioner to request such an assertion in writing when performing an examination, review, or agreed-upon procedures engagement.[1] In examination and review engagements, when the engaging party is the responsible party, the responsible party's refusal to provide a written assertion requires the practitioner to withdraw from the engagement when withdrawal is possible under applicable laws and regulations.[2] In examination and review engagements, when the engaging party is not the responsible party and the responsible party refuses to provide a written assertion, the practitioner need not withdraw from the engagement but is required to disclose that refusal in the practitioner's report and restrict the use of the report to the engaging party.[3] In an agreed-upon procedures engagement, the responsible party's refusal to provide a written assertion requires the practitioner to disclose that refusal in the report.[4]

.03 This section is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with (Ref: par. .A2–.A3)

a. Statements on Auditing Standards,
b. Statements on Standards for Accounting and Review Services, or
c. Statements on Standards for Tax Services.

.04 An attestation engagement may be part of a larger engagement, for example, a feasibility study or business acquisition study that also includes an

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* This section contains an "AT-C" identifier, instead of an "AT" identifier, to avoid confusion with references to existing "AT" sections, which remain effective through April 2017.

[1] Paragraph .10 of section 205, *Examination Engagements*; paragraph .11 of section 210, *Review Engagements*; and paragraph .15 of section 215, *Agreed-Upon Procedures Engagements*.

[2] Paragraph .82 of section 205 and paragraph .59 of section 210.

[3] Paragraph .84 of section 205 and paragraph .60 of section 210.

[4] Paragraph .36 of section 215.

- US public accounting firms employ AICPA Attestation Standards when providing assurance over ESG metrics
- AT-C Section 105: Concepts Common to All Attestation Engagements outlines
  - Auditor responsibilities, including professional skepticism and professional judgment,
  - Appropriateness of the subject matter,
  - Suitability and availability of criteria,
  - Independence, and
  - Due professional care
- AT-C Section 205: Examination engagements
- AT-C Section 210: Review engagements

AICPA Attestation Standards - AT-C Section 105

Subject matter

- The **Subject Matter** is the phenomenon that is measured or evaluated by applying criteria. The Subject Matter of an attest engagement may take many forms, including the following:
  - Historical or prospective performance or condition (for example, historical or prospective financial information, performance measurements, and backlog data)
  - Physical characteristics (for example, narrative descriptions, square footage of facilities)
  - Historical events (for example, the price of a market basket of goods on a certain date)
  - Analyses (for example, break-even analyses)
  - Systems and processes (for example, internal control)
  - Behavior (for example, corporate governance, compliance with laws and regulations, and human resource practices)
- The subject matter may be as of a point in time or for a period of time.

Example of Subject Matter: Greenhouse gas emissions

AICPA Attestation Standards – AT-C Section 105
Criteria and definitions

Independent assurance providers apply the AICPA Attestation Standards in performing their review or exam-level procedures. These standards require criteria to be suitable and available, the definitions of which are included below.

Suitable	Available
Objective: Criteria should be free from bias	The criteria should be available to users in one or more of the following ways: ▸ Available publicly ▸ Available to all users through inclusion in a clear manner in the presentation of the subject matter or in the assertion ▸ Available to all users through inclusion in a clear manner in the practitioner's report ▸ Well-understood by most users, although not formally available (for example, "The distance between points A and B is 20 feet;" the criterion of distance measured in feet is considered to be well-understood) ▸ Available only to specified parties; for example, terms of a contract or criteria issued by an industry association that are available only to those in the industry
Measurable: Criteria should permit reasonably consistent measurements, qualitative or quantitative, of subject matter	
Complete: Criteria should be sufficiently complete so that those relevant factors that would alter a conclusion about subject matter are not omitted	
Relevant: Criteria should be relevant to the subject matter	

Example Criteria: The Greenhouse Gas Protocol

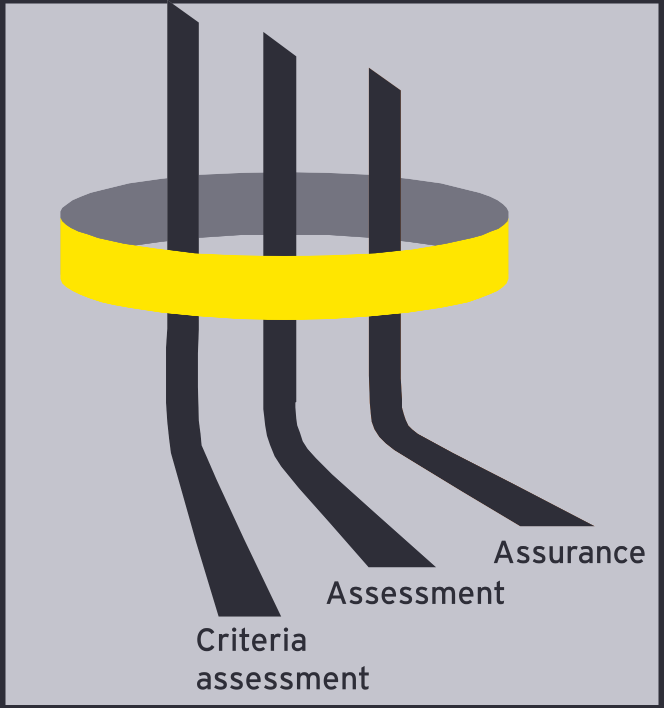
AICPA Attestation Standards - AT-C Section 105
Assertion

An Assertion is any declaration or set of declarations about whether the subject matter is in accordance with (or based on) the criteria.

- A practitioner may report on a written assertion or may report directly on the subject matter. In either case, the practitioner should ordinarily obtain a written assertion in an examination or a review engagement. A written assertion may be presented to a practitioner in a number of ways, such as in a narrative description, within a schedule, or as part of a representation letter appropriately identifying what is being presented and the point in time or period of time covered.

Example of an Assertion: In FY2020, we reduced scope 1 and 2 greenhouse gas emissions by 5%.

Assurance and pre-assessment services
Differences between pre-assessment and assurance projects

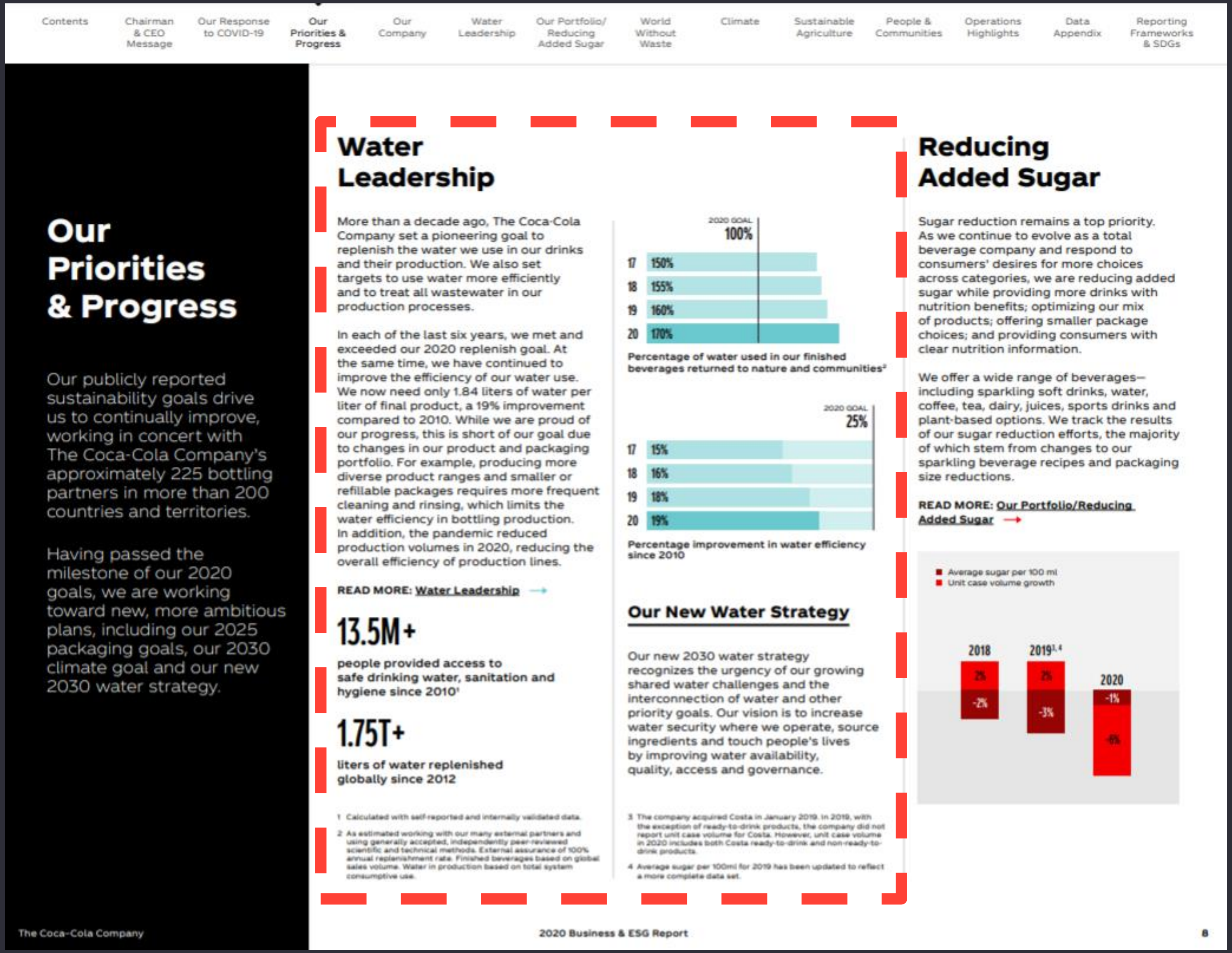


Three different types of projects. #1 and #2 can be completed concurrently.

1. **Criteria assessment — supporting consistent definitions:** an assessment of the criteria used to provide context and clarity for specific terms included in a company's publicly disclosed assertions when a publicly available standard criteria is not available
2. **Assessment — increasing confidence in processes, systems and data:** an assessment of the data, processes, systems, controls and evidence available to support assertions publicly disclosed by a company to report sustainability-related indicators and progress against commitments
3. **Assurance — publicly demonstrating data quality:** an independent attestation engagement (at the review or examination level of assurance) in accordance with the American Institute of Certified Public Accountants (AICPA) Attestation Standards

Professional standards	Consulting standards: AICPA Standards for Consulting — Services CS 100	AICPA Attestation Standards
Level of assurance	Criteria assessments and assessments	Review or examination
Work products	Findings and recommendations report (internal)	Assurance report (conclusion as a negative form or opinion as a positive form) + management letter

Case study: The Coca-Cola Company



Contents | Chairman & CEO Message | Our Response to COVID-19 | Our Priorities & Progress | Our Company | Water Leadership | Our Portfolio/ Reducing Added Sugar | World Without Waste | Climate | Sustainable Agriculture | People & Communities | Operations Highlights | Data Appendix | Reporting Frameworks & SDGs

Our Priorities & Progress

Our publicly reported sustainability goals drive us to continually improve, working in concert with The Coca-Cola Company's approximately 225 bottling partners in more than 200 countries and territories.

Having passed the milestone of our 2020 goals, we are working toward new, more ambitious plans, including our 2025 packaging goals, our 2030 climate goal and our new 2030 water strategy.

Water Leadership

More than a decade ago, The Coca-Cola Company set a pioneering goal to replenish the water we use in our drinks and their production. We also set targets to use water more efficiently and to treat all wastewater in our production processes.

In each of the last six years, we met and exceeded our 2020 replenish goal. At the same time, we have continued to improve the efficiency of our water use. We now need only 1.84 liters of water per liter of final product, a 19% improvement compared to 2010. While we are proud of our progress, this is short of our goal due to changes in our product and packaging portfolio. For example, producing more diverse product ranges and smaller or refillable packages requires more frequent cleaning and rinsing, which limits the water efficiency in bottling production. In addition, the pandemic reduced production volumes in 2020, reducing the overall efficiency of production lines.

READ MORE: Water Leadership →

13.5M+

people provided access to safe drinking water, sanitation and hygiene since 2010[1]

1.75T+

liters of water replenished globally since 2012

Percentage of water used in our finished beverages returned to nature and communities[2]

Percentage improvement in water efficiency since 2010

Our New Water Strategy

Our new 2030 water strategy recognizes the urgency of our growing shared water challenges and the interconnection of water and other priority goals. Our vision is to increase water security where we operate, source ingredients and touch people's lives by improving water availability, quality, access and governance.

1 Calculated with self-reported and internally validated data.

2 As estimated working with our many external partners and using generally accepted, independently peer-reviewed scientific and technical methods. External assurance of 100% annual replenishment rate. Finished beverages based on global sales volume. Water in production based on total system consumptive use.

3 The company acquired Costa in January 2019. In 2019, with the exception of ready-to-drink products, the company did not report unit case volume for Costa. However, unit case volume in 2020 includes both Costa ready-to-drink and non-ready-to-drink products.

4 Average sugar per 100ml for 2019 has been updated to reflect a more complete data set.

Reducing Added Sugar

Sugar reduction remains a top priority. As we continue to evolve as a total beverage company and respond to consumers' desires for more choices across categories, we are reducing added sugar while providing more drinks with nutrition benefits; optimizing our mix of products; offering smaller package choices; and providing consumers with clear nutrition information.

We offer a wide range of beverages—including sparkling soft drinks, water, coffee, tea, dairy, juices, sports drinks and plant-based options. We track the results of our sugar reduction efforts, the majority of which stem from changes to our sparkling beverage recipes and packaging size reductions.

READ MORE: Our Portfolio/Reducing Added Sugar →

The Coca-Cola Company

2020 Business & ESG Report

8

What is meant by Subject Matter and Criteria

Example The Coca-Cola Company's Criteria

Water replenish	Projects funded by The Coca-Cola Company, The Coca-Cola Foundation and/or The Coca-Cola System	Liters of water replenished per liters of finished beverages sold	More than 100%

Criteria

The intent of the replenish program is to develop a global portfolio of Community Water Partnership (CWP) projects that yield an annual volumetric water benefit equivalent to the company's annual global sales volume. Water replenish is defined as the ratio of water safely provided to communities and to nature by the community water partnership portfolio divided by sales volume of company beverage products as disclosed in the 2020 10-K.* Volumetric project benefits are quantified using TCCC's peer reviewed methodology as outlined in the Corporate Water Stewardship: Achieving a Sustainable Balance paper published in the Journal of Management and Sustainability in November 2013. There are three primary CWP project types:

1. Watershed Protection and Restoration
2. Water Access and Sanitation
3. Water for Productive Use

While public education, awareness programs and business engagement on water policy reform are critical responses to water risks and challenges, the water replenish contributions from such efforts cannot reliably be quantified and are not included in the water replenish indicator. As many replenish projects are co-financed with partners, TCCC claims the portion of the total water benefits equivalent to the company's cost share for the project. TCCC also claims the annual water benefits from each project following a benefit duration framework of 15 years as long as the projects remain in productive service.

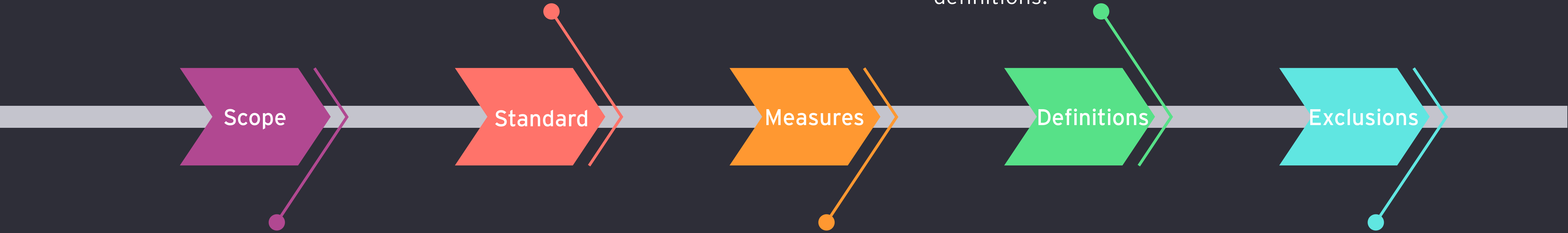
For individual projects with benefits greater than 5% of global sales volume, benefits are capped at 5% of global sales volume or 100% of the business unit sales volume, whichever is greater.

Source: Unilever basis for preparation 2019 – Sustainable living report

Identifying what is included in criteria

The company may use established **standards** or **frameworks** (or whitepapers) for measuring progress.

The company may need to **define terms** for measuring progress, which may be based on widely accepted or internal definitions.



The **scope** or **boundary** defines the company's reporting in terms of operations that it owns or controls as well as activities along the value chain.

Where standards and frameworks are not available, the company clearly states the **measurement methodology** used, including relevant estimation and assumptions.

The company may determine it is appropriate to exclude certain items from its boundary. These **exclusions** should generally be assessed at less than 5% of the total and/or may require explicit statement.

Case study: The Coca- Cola Company

Subject Matter

Appendix–Schedule of Selected Sustainability Indicators

For the year ended December 31, 2020

INDICATOR NAME	SCOPE	UNIT	REPORTED VALUE
Greenhouse gas emissions (manufacturing activities)	The Coca-Cola System	CO_2e emissions in millions of metric tonnes	5.24
Water replenish	Projects funded by The Coca-Cola Company, The Coca-Cola Foundation and/or The Coca-Cola System	Liters of water replenished per liters of finished beverages sold	More than 100%
Water use ratio	The Coca-Cola System	Liters of water used per liter of product produced	1.84
Lost Time Incident Rate	The Coca-Cola Company	Number of lost time incidents multiplied by 200,000 and divided by the number of hours worked	0.34

Criteria

INDICATOR NAME	CRITERIA
Greenhouse gas emissions (manufacturing activities)	The criteria can be found in the "Carbon Accounting Manual." This includes scope 1 and 2 carbon dioxide equivalent (CO_2e) emissions from manufacturing and scope 3 CO_2e emissions from franchises. Emissions from standalone (i.e., not co-located) warehouses, distribution centers and offices (based on emissions being lower than the threshold of five percent of total Scope 1, 2 and 3 emissions) are excluded, CO_2 loss during productionand AC/Chiller are excluded.
Water replenish	The intent of the replenish program is to develop a global portfolio of Community Water Partnership (CWP) projects that yield an annual volumetric water benefit equivalent to the company's annual global sales volume. Water replenish is defined as the ratio of water safely provided to communities and to nature by the community water partnership portfolio divided by sales volume of company beverage products as disclosed in the 2020 10-K.* Volumetric project benefits are quantified using TCCC's peer reviewed methodology as outlined in the Corporate Water Stewardship: Achieving a Sustainable Balance paper published in the Journal of Management and Sustainability in November 2013. There are three primary CWP project types: 1. Watershed Protection and Restoration 2. Water Access and Sanitation 3. Water for Productive Use While public education, awareness programs and business engagement on water policy reform are critical responses to water risks and challenges, the water replenish contributions from such efforts cannot reliably be quantified and are not included in the water replenish indicator. As many replenish projects are co-financed with partners, TCCC claims the portion of the total water benefits equivalent to the company's cost share for the project. TCCC also claims the annual water benefits from each project following a benefit duration framework of 15 years as long as the projects remain in productive service. For individual projects with benefits greater than 5% of global sales volume, benefits are capped at 5% of global sales volume or 100% of the business unit sales volume, whichever is greater.
Water use ratio	Water use ratio (efficiency) is defined as liters of water used per liter of product produced. Total water used is the total of all water used by the Coca-Cola system in all global production facilities and co-located distribution centers, from all sources, including municipal, well, surface water, and collected rain water. This includes water used for: production; water treatment; boiler makeup; cooling (contact and non-contact); cleaning and sanitation; backwashing filters; irrigation; washing trucks and other vehicles; kitchen or canteen; toilets and sinks; and fire control. This does not include return water or non-branded bulk water donated to the community. Liters of product produced include all production, not just saleable products.

Assurance report

Independent Accountants' Review Report

To the Management of The Coca-Cola Company

We have reviewed The Coca-Cola Company Schedule of Selected Sustainability Indicators (the "Subject Matter") included in the Appendix for the year ended December 31, 2020 in accordance with the Selected Sustainability Indicators Criteria set forth in Note 2 (the "Criteria") included in the Appendix. The Coca-Cola Company's management is responsible for the Subject Matter, in accordance with the Criteria. Our responsibility is to express a conclusion on the Subject Matter based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 210, *Review Engagements*. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to the Subject Matter in order for it to be in accordance with the Criteria. A review consists principally of applying analytical procedures, making inquiries of persons responsible for the subject matter, obtaining an understanding of the data management systems and processes used to generate, aggregate and report the Subject Matter and performing such other procedures as we considered necessary in the circumstances. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the Subject Matter is in accordance with the Criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. A review also does not provide assurance that we became aware of all significant matters that would be disclosed in an examination. We believe that our review provides a reasonable basis for our conclusion.

In performing our review, we have also complied with the independence and other ethical requirements set forth in the Code of Professional Conduct and applied the Statements on Quality Control Standards established by the AICPA.

As described in Note 3 of the Appendix, the Subject Matter is subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

The information included in The Coca-Cola Company's 2020 Business & Environmental, Social and Governance Report, other than the Subject Matter, has not been subjected to the procedures applied in our review and, accordingly, we express no conclusion on it.

Based on our review, we are not aware of any material modifications that should be made to the Schedule of Selected Sustainability Indicators for the year ended December 31, 2020, in order for it to be in accordance with the Criteria.

Ernst & Young LLP

April 19, 2021

EY
Building a better working world

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