May 9, 2023

B4Ukraine Coalition
Via email: contact@b4ukraine.org

Dear B4Ukraine Coalition:

Thank you for your April 26th letter to James Quincey, Chairman and Chief Executive Officer of The Coca-Cola Company. We appreciate your outreach and your desire to discuss the company’s March 2022 suspension of our business in Russia as well as our support for the people of Ukraine.

We would be pleased to meet with you in Atlanta or Washington, DC to discuss further in late May or early June.

With kind regards,

Michael Goltzman
April 26, 2023

RE: The Coca-Cola Company’s business operations in Russia

Dear Mr. Quincey,

We write to you as B4Ukraine, a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. In the spirit of respect for the fundamental rights of all people, the rules-based international order, and a prosperous global economy, we expect companies to demonstrate public support for the people, democracy, and territorial integrity of Ukraine, opposition to Russia’s war of aggression, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs).

We request an urgent dialogue regarding potential inconsistencies between The Coca-Cola Company’s obligations under international humanitarian and human rights law and the company’s ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

It has been over one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, forcible transfer of civilians). More than 22,700 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times. In recognition of the severity of abuses, in March 2023 the International Criminal Court issued an arrest warrant for Vladimir Putin to answer war crimes charges for an alleged scheme to deport Ukrainian children to Russia.¹

Moreover, as outlined below, recent developments in Russia point to an expanding universe of financial, legal, and reputational risks facing remaining companies.

On September 21, President Vladimir Putin escalated the war by announcing a “partial mobilisation”

of the Russian population. The accompanying legislation (Article 9 of Federal Law No. 31-FZ) mandates all organisations, including the more than 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service. They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

A new decree issued by President Putin on March 3, 2023, enables the Russian government to suspend shareholders’ rights and implement external management in companies that don't fulfil state defence contracts under conditions of martial law. By specifying the process of appointing Russian government representatives to manage businesses that fail to meet state orders, the latest Decree effectively creates a scenario of "partial nationalization."

With new legislation introducing partial mobilisation, nationalisation, and potentially martial law in Russia, it is highly likely that corporations will be unable to prevent or mitigate negative human rights impacts; an obligation imposed on companies by the United Nations Guiding Principles on Business and Human Rights. As such, continuing to conduct business in Russia entails significant legal risks for companies, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad. By remaining in Russia, companies face the rising risk of criminal liability for complicity in international crimes, which can be prosecuted by domestic courts outside

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Russia under the doctrine of "universal jurisdiction." Companies may also be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.

Firms which continue to trade with Russia also face high levels of risk attached to financial transactions. On 24 February 2023, the Financial Action Task Force (FATF) suspended Russia’s membership as a result of the war, calling on all actors in the international financial system to exercise extreme caution in all dealings with Russia. In practice, the decision means that all international banks will scrutinise all Russian payments, making financial transactions more expensive, lengthy, with no guarantee that the transaction will occur at all. Although FATF has not yet blacklisted Russia, it highlighted the consensus among its 36 member countries that “the Russian federation’s actions represent a gross violation of the commitment to international cooperation upon which FATF Members have agreed to implement and support the FATF Standards.” Previous practice shows that noncooperative behaviour is one of the reasons for FATF blacklisting. As a result, companies should examine and mitigate the high levels of risk attached to financial transactions with Russia and based on that risk, companies should reconsider all ongoing business operations related to Russia.

Additionally, the Ukrainian government’s National Agency on Corruption Prevention (NACP) has created a list of “foreign companies that, despite the international recognition of Russia as the aggressor state and the introduced sanctions restrictions, continue to cooperate with it.” These companies are recognised as “international sponsors of war” by the Ukrainian state. The listed entities will be included into the World-Check database to protect the global financial sector from Russian sponsors of war. Since banks and insurance companies use World-check to assess risks, companies on the list will be limited in freely accessing personal and corporate finances. So far there are 23 companies on the list, but the NACP notes that it will be expanded with “international companies that provide the public and private sector with goods and services of critical purpose, as well as [those that] contribute to the Russian budget.”


9 FATF (n 7).


In response to this unprovoked and unjustified war, many companies have already left Russia. According to the Kyiv School of Economics Institute’s #LeaveRussia company tracker, The Coca-Cola Company has scaled back some of its operations, while continuing others.

On March 8, 2022, The Coca-Cola Company announced the suspension of its Russian business. Prior to the war, the company’s operations in Russia accounted for roughly 2% of its operating revenue and income. The Coca-Cola Company also has a roughly 20% ownership stake in a bottling and distribution business in Russia.

In June 2022, it was reported that Coca-Cola is still available in Russia. The Coca-Cola Company said in a statement that Coca-Cola HBC (Coca-Cola bottler and distributor) and its existing customers in Russia are "in the process of depleting stock," and that once that process is complete, Coca-Cola HBC will "no longer produce or sell" Coke or its other brands in Russia.

In August, Coca-Cola HBC announced that it has stopped all production and sales of brands of The Coca-Cola Company in Russia, in alignment with the latter company, and confirmed that there are no plans to reintroduce The Coca-Cola Company brands or products in any format. In a statement, Coca-Cola HBC referred to the illegal invasion and war in Ukraine as a “geopolitical crisis.” The company stated that it intends to contract its operations in Russia which has been renamed to “Multon Partners,” and that it will focus on the production and sale of existing local brands - Dobry, Rich and Moya Semya. The raw materials are said to be sourced from within the market and the business managed and operated locally. Coca-Cola HBC’s Russian firm still operates 10 factories, and its Dobry Cola is the most popular drink on the market. We understand that Coca-Cola HBC and The Coca-Cola Company are separate legal entities, however the operations of the two are intricately linked and the latter owns an approximate 21% share of the bottling company, making it one of the principal shareholders.

In March 2023, over a year after the invasion, Coca-Cola remains one of the top sellers among cola-flavoured beverages in Russia, accounting for over 14% of sales per unit in January and February.}

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12 The UN General Assembly condemned Russia’s “aggression against Ukraine” and demanded that Moscow “unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders.”
According to the data operator Evator, imported Coca-Cola remained the top seller of all sweet carbonated beverages, accounting for 32% of sales.\textsuperscript{19} The original Coca-Cola is allegedly being brought to Russia by Russian retailers and fast-food chains via parallel imports and through countries like Turkey, Poland, Hungary, Iran, Kyrgyzstan, Uzbekistan, Afghanistan, and Kazakhstan.

We are writing now to confirm The Coca-Cola Company’s position regarding its continued presence in the Russian market; to enquire on the company’s mechanisms regarding the prevention of parallel imports of its products and enhanced due diligence policies in your supply chains, intermediaries, and customers; and The Coca-Cola Company’s position regarding Coca-Cola HBC, its partner that continues to operate in the Russian market.

These activities in Russia risk enabling and financing Russia’s violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine.

We seek to understand the status of The Coca-Cola Company’s exposure to Russia and how the company has conducted and continues to conduct heightened human rights due diligence, and how the findings of such a process have resulted in these continued business activities and relationships. As noted by the UNGPs:

> ...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine’s Declaration, we request an urgent dialogue with The Coca-Cola Company’s relevant senior management and staff to discuss the company’s ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent/mitigate these risks. Please contact the B4Ukraine Coalition at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, May 10\textsuperscript{th}, 2023.

Sincerely,

The B4Ukraine Coalition


\textsuperscript{20} Ibid.