

Coca-Cola India: Losing its Fizz

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Abstract

The Coca-Cola Company, acknowledged as one of the world's most valuable and recognized brands, was the largest nonalcoholic beverage company in the world. It offered a portfolio of sparkling and still beverages in almost 200 countries, starting with Coca-Cola and extending to over 400 soft drinks, juices, teas, coffees, waters, sports and energy drinks in the year 2007. The company had, till date, invested over US\$1 billion in India and employed over 5000 people, owning 60% of share of the beverage market. The company claimed to adhere to the 'highest ethical standards' and aspired to be an outstanding corporate citizen in every community it served (as stated in the 2006 Corporate Responsibility Review: The Coca-Cola Company). Yet Coca-Cola India was being charged with several indictments for degrading the environment. This case compares and contrasts the firm's stated corporate social responsibility (CSR) with the reality of the company's actual practices. The company was being accused of drying up farmers' wells and destroying agricultural land in its pursuit of water resources to feed its own plants. With the campaign against Coca-Cola in India intensifying and catching international attention, the company undertook image building through its multi-million dollar marketing campaigns. The case questions the authenticity of firm's CSR initiatives in the light of its inability to manage the delicate community-business relationship. The case also discusses Corporate Social Responsibility as the extent against which and the way in which an organization needs to be consciously responsible for and accountable for its actions and non-actions and the impact of these on its stakeholders and ultimately the firms' sustainability.

Keywords: Corporate Social Responsibility, Community-Business Relationship, Firms' Sustainability.

Coca-Cola India: Losing its Fizz

"Colas shown door in K'taka, Kerala" reported Economic Times on August 10, 1996¹.

1. Introduction

In a move that could impact FDI inflows, Kerala and Karnataka joined four other states in banning Coca-Cola and Pepsi, following the pesticides controversy. While Kerala announced a blanket ban on the production and distribution of the two soft drinks, Karnataka banned them from schools, colleges and hospitals. The latter

joined Gujarat, Madhya Pradesh, Rajasthan and Chhattisgarh in enforcing a partial ban. Karnataka also planned to file a suit against the soft drinks manufacturers under the Prevention of Food Adulteration Act. Kerala's decision meant that the Coker and Pepsi plants at Plachimada and Kanjikode would not be able to resume production. Amongst the scores of protests that followed, there was pandemonium in the parliament and sales of these colas were banned in the parliament as well.

Coca-Cola India, the Indian subsidiary of Coca-Cola (the carbonated soft drink CSD) company had been seen as

symbol of liberalization ever since the opening up of the economy in the early 1990s in India, although Coca-Cola was sourced to exist in 1977.

For refusal to comply with the stipulated norm that it dilutes its equity stake in its Indian subsidiary to 40% (Foreign Exchange Regulation Act of 1973) it was allowed re-entry in 1993. Coca-Cola Company was allowed to set up a 100% subsidiary as Hindustan Coca-Cola Holdings. The company committed that Hindustan Coca-Cola Holdings would divest 49% of its shareholdings in favor of resident shareholders by June 2002.

2. Coca-Cola Company

The Coca-Cola Company venture had started in 1886 when Coca-Cola syrup was mixed with carbonated water in pharmacy in the US city of Atlanta, Georgia, headquartered at Atlanta. By the advent of the 21st century Coca-Cola Company operated across the globe.

Coca-Cola was acknowledged as the world's most valuable brand and the world's larger nonalcoholic beverage company. It offered a portfolio of sparkling and still beverages, starting with Coca-Cola and extending through over 400 soft drinks, juices, teas, coffees, waters, sports and energy drinks. Within the 400 brands were nearly 2,400 beverage products. Four of the world's top-five soft-drinks brands were- Coca-Cola, Diet Coke, Sprite and Fanta. In 2005, Coca-Cola was ranked no.1 worldwide in sales of sparkling soft drinks and no. 1 in sales of juice and juice drinks. It was also ranked the world's no. 2 producer of sports drinks and the no. 3 producer of bottled water. It was estimated that one billion bottles of Coca-Cola were consumed everyday which came up to 12,500 bottles every second². The family of beverage accounted for approximately 1.3 billion servings worldwide of the 50 billion beverage servings consumed everyday, a figure that indicated its strength and also growth opportunity. With operations in more than 200 countries, the company had a diverse workforce of approximately 55,000 employees in the year 2007. Together with its subsidiaries and bottling partners, Coca-Cola strove to be an integral and contributing member of each of the communities where it operated. Its commitment towards corporate responsibility was clearly communicated by E.

Neville Isdell, Chairman and CEO, Coca-Cola Company as, "At The Coca-Cola Company, we are committed to making a positive mark on communities and minimizing our impact on the planet. Together with our bottling partners, suppliers and others, we are working to improve lives, fuel local economies and protect the environment. That is the mark we want to make".

Coca-Cola India was among the country's top international investors, having invested more than US \$ 1 billion in India by 2003, within a decade of its presence. Coca-Cola India's (CCI) carbonated soft drinks market at the end of May 2002. These figures were based on the national retail audit report by ORG-MARG (Source: Business Line; 27th July, 2002). By the year 2007, in span of less than 15 years, the company had established 25 company-owned bottling operations and another 24 franchise-owned bottling operations. That apart, a network of 21 contract-packers also manufactured a range of products for the company. Coca-Cola India directly employed approximately 6,000 people, and indirectly created employment for more than 125,000 people in related industries through its vast procurement, supply and distribution system.

3. Responsibilities beyond Business

"Merely conducting business in a responsible manner is not enough. Today, we must move beyond the expected to a higher level of excellence. We will achieve this by using our skills and experience to help address the global, social and environmental issues that are beyond our own Company and system operations", mentioned the Chairman and CEO in his letter to the stakeholders in 2006.

Coca-Cola Company claimed to adhere to the "highest ethical standards" and be an outstanding corporate citizen in every community it served. The company had been associated with FIFA since 1974. Sponsoring the world's biggest sporting events, helped company build a strong positive image. It spent over \$ 2 billion a year on advertising alone. The company's strong commitment towards community was reflected in its philosophy, "With growth come responsibility- and the opportunity to make a difference". In line with parent company practices, the

Indian subsidiary also demonstrated close involvement with corporate citizenship. It delved into the various arenas of corporate social responsibility. The activities included preservation of environment by spreading awareness on environment conservation; social empowerment programs through educational initiatives such as informal education, remedial learning, vocational training and IT instruction, especially in backward and rural areas; medical services on preventive healthcare to weaker sections through partnership with local government agencies and NGO's water conservation through rainwater harvesting ; rehabilitation programs and other social development initiatives. Despite all these initiatives the company was getting mired in a series of controversies in India. Across the country, in states such as Kerala, Tamil Nadu, Uttar Pradesh, West Bengal and Rajasthan, where the company's production operations were based, Coca-Cola India was increasingly confronting protests from local communities. A formidable movement emerged from local communities to challenge the Coca-Cola Company for its indiscriminate exploitation of water resources and population. The fight against Coca-Cola India intensifies with reports flashing endlessly in the media in 2003. Amidst all this another issue that was inviting flak from public interest groups was that of company dragging its feet on the decision to divest 49% of its shareholding in favor of resident shareholders by June 2002, Company's intention was interpreted as avoidance of any form of scrutiny, either by public, government, shareholders, financial institutions and banks, which a public offering would entail.

4. Chequered past of Coca-Cola India

A study by CSE (The Centre for Science and Environment) in August 2003, revealed presence of traces of pesticides in Coke, far in excess than what was claimed by the company. While there were no specific standards for soft drinks in India. Coca-Cola India maintained that their drinks were manufactures as per European Economic Commission (EEC) world-class standards. The CSE study also revealed that the level of pesticides in Coke was 30 times more than the levels stipulated by the EEC. Four of the pesticides found in India were extremely toxic. According to CSE Director, Sunita Narain, these

MNCs operated within the prevalent food laws in India but they exercised double standards, as their products in the US contained no pesticides. As a consequence of this controversy the cola sales figures were estimated to have dropped by around 30 to 35 per cent when the crisis broke. R Subramanian, director, Subhiksha, the south based discounts store chain expressed his views as, "Most people buy these products with a feeling of guilt –controversies like these push the resolve of consumers harder and make them think twice before consumption, restraining the impulse purchase". The problem diagnosed with the colas manufactured in India was the contaminated ground water used as raw material source. MNCs were seemingly not treating the groundwater adequately to bring down the pesticides levels. According to CSE they did not have the technology here to treat the water.

Coca-Cola India was also coming under pressure for creating acute water shortage and degrading the quality of the underground water. What became highly noticeable was the pattern of the problems in the bottling plant areas of Plachimada (Kerala), Mehdiganj (Uttar Pradesh), Kala Dera (Rajasthan) and Kundus (Maharashtra). The communities living around Coca-Cola's bottling plants faced severe water shortages. The farmers alleged that excess groundwater was being drawn leading to shortage of drinking water. It was reported that this was the result of the company's extensive extraction of groundwater. Reportedly, the wells and hand-water pumps had run dry. Even the Central Ground Water Board of India confirmed the depletion of water table. Reports revealed that the company used nearly four liters of freshwater to produce one liter of CSD. In other words, seventy five percent of the extracted freshwater got converted into waste water, which in turn contaminated the remaining scarce groundwater and land. After processing the water, the waste was being dumped in the ground, thereby contaminating the groundwater further. This was confirmed by the Kerala Pollution Control Board as well. An investigation group from BBC visited the Coca-Cola plant in Kerala in the year 2004 to collect samples of water for testing at Greenpeace research laboratories. The group confirmed that the ground water was unsuitable for drinking. Further to that they reported high level of cadmium and lead in the solid waste named 'fertilizer' by

the company. Tests conducted by the Central Pollution Control Board (CPCB), also found excessive levels of lead and cadmium in all of the Coca-Cola waste it surveyed in bottling plants across the country, leading the CPCB to order Coca-Cola India to treat its waste as hazardous waste. The company in response confidently pointed out that independent tests conducted on these wastes showed safe level of heavy metals, contradicting the test findings.

The public agitation turned uncontrollable when the company tried to dust off the allegations by stating them to be untrue. The bottling plant at Plachimada village that was prone to drought was forced to shut down in 2004 by the state government to pass off the drought seasons. Due to the unresolved conflict with the panchayat, the plant remained closed for non-issuance of the license to operate. Acting upon a Supreme Court order in 2004, the Kerala State Pollution Control Board directed the company to ensure that the affected communities get water supply through pipeline. Triggered by this, a community close to Chennai, in Gangaikondan, held large protests in 2005—protesting against an upcoming Coca-Cola plant. Over 50 villages around Coca-Cola's bottling plant in Kala Dera, in Rajasthan in north India, too had been experiencing severe water shortages as well as polluted groundwater and soil. Central Ground Water Board found that water tables had dropped 10 meters in just five years since Coca-Cola began its bottling operations in Kala Dera. Loss of water and polluted water and soil continued to destroy agricultural systems in the area, leading to loss of livelihoods for thousands of people. As a result in Rajasthan too there was a demonstration to shut down the plant. In December 2005, over 1500 villagers marched to the Coca-Cola bottling plant in Kala Dera, demanding that the plant shut down immediately. The protest included some veterans of Indian social movements, including Medha Patkar of the National Alliance of People's Movements and Rajendra Singh, a leading water conservation expert internationally. The protest in Rajasthan came less than two weeks after another major protest, involving close to a thousand people, demanding the closure of Coca-Cola bottling plant in Mehdiganj in Uttar Pradesh. Here too the protests had been gradually intensifying for more than a year. The

Coca-Cola Company's bottling operations were seemingly in crisis in India, with large and growing community campaigns targeting the company all across India for causing water depletion and pollution. The Plachimada bottling plant, one of the larger in India, was already shut down for 20 months because of community pressure since March 2004. The battle against Coca-Cola was joined by several organizations such as Action Aid, India Resource Centre making the matter even more difficult for the company.

To add to the above, it was reported that in May 2005, the US Food and Drug Administration rejected the entry of Coca-Cola products made in India into US market on the grounds that they did not conform to the US standards, hence declared unsafe for public. Following the protests, Rajasthan High Court ruled that the permissible label of pesticides must be stated in addition to the other ingredients in the product label in all soft drinks. At this time, the company appealed that such an order would affect their 'commercial confidentiality'. The appeal was rejected by the court. The company reported that its sales in India had dropped 14% in the April-June quarter of 2005, traditionally the biggest selling season for the company because of summer. The reversal of fortune came only three years after Coca-Cola India was voted the company's best performing subsidiary globally in 2002.

The company, which regularly extracted up to a million liters of water per day from the groundwater resources in some bottling plants, was being accused of locating many of its plants in "drought prone" areas. The result had been that ever since the Coca-Cola Company started its bottling operations in these areas, literally thousands of low-income agricultural workers, had been left thirsting for water. Coca-Cola got the water almost free except for a tiny cess it paid the government, little over Rs 5000 (USD 110) a year in the three years 2000-02, and Rs 24246 (USD 525) in 2003. Mr. Sharad Haksar, a leading international photographer and winner of the 2005 Cannes Silver Lion, placed a large billboard in one of Chennai's busiest areas, one of India's largest cities in India. The billboard featured the common red Coca-Cola wall painting, with a dry water hand pump and empty

vessels waiting to be filled up with water—a common scene in India, particularly in Chennai. On July 11, 2005 the law firm of Daniel and Gladys, representing Coca-Cola Indian subsidiary, sent a letter to Mr. Haksar threatening him with serious legal actions unless the billboard was replaced ‘unconditionally’ and ‘immediately’. Coca-Cola would seek Indian Rupees 2 million (US \$ 45000) for “incalculable damage to the goodwill and reputation” of Coca-Cola, and also sought an ‘unconditional apology in writing.

As the agitation in India intensified colleges and university campuses in the United States and United Kingdom played a key role in bringing the public rage against Coca-Cola to international attention. University of Michigan suspended its business with Coca-Cola Company because of the company’s unethical practices. Ever since CSE identified pesticide in the soft drinks for the first time in 2003, and the resurfacing of the controversy in August 2006, the campaign against Cola had cost the Coca-Cola Company millions of dollars in lost sales and legal fees in India, and growing damage to its reputation elsewhere. The students of Manchester University in the UK and the University of Guelph in Canada also voted to remove Coca-Cola products from campus.

5. Damage Control

Coca-Cola India dismissed the reports as baseless when the controversy began in 2003. Following the dip in the sale of Colas, the company initiated full-page advertisements regarding the safety and the quality of the product. “Sunil Gupta, vice president, Coca-Cola India, in defense of his company stated, “While a few agencies were probing into the NGO allegations against our product, we decided to refute these lies by laying all the facts about our products, based on independent scientific test reports from labs of national and international repute, before the government, parliament members and editorial management of leading national and regional media. We were overwhelmed by the positive response from a large section of scientists, leading media persons and thinkers. Many felt while pesticides residues in soft drinks were a non-issue, the substantial presence of some of the deadly chemicals in our fruits, vegetables,

milk, milk products, fruit juices and even alcoholic beverages was rather scary. We took every opportunity to communicate our core message that our products are absolutely safe”.

In 2003 itself, Coca-Cola India created an India Advisory Board to guide the company on various issues including future strategies, corporate citizenship, and corporate governance. The Board, comprising of some of the country’s top professionals and distinguished personalities from different walks of life, was expected to play an active role in ensuring that environment-related activity emerge as a key focus area for the company. Coca-Cola India communicated that nothing was more important to their success than integrity and a strong sense of accountability in everything they did. The Board was expected to meet three to four times a year to review the performance to Coca-Cola India and guide the management on various operational and environment related matters, thus help the company formulate short and long-term strategies.

In September 2004, the Company outlined how it had restored a traditional water harvesting structure used to collect and store water in Anoopura village temple, near Jaipur, how it provided free medical treatment and advice to more than 5,000 women and children in Rajasthan, near the Anoopura village; and how its employees from Guwahati helped distribute more than 8,000 bottles of drinking water and 2,300 packets of biscuits to flood victims in Assam, as well as helped elderly, women and children to safer ground. Additionally, in the eastern state of Bihar bordering Nepal, Coca-Cola India provided 3,000 cases of water and free medicine to flood victims. In 2004, HBCL was honored as ‘best private company’ in the state by the Government of Tamil Nadu for providing employment opportunities for physically challenged people. Same year in December, Financial Times/Price water house Coopers survey finding reported Coca-Cola Company as the fifth most respected company in the world. The company also topped in its category of food and beverage industries. Sanjiv Gupta, President of Coca-Cola India commented, “This is a great tribute to our workforce through out the world,

as well as in India. We recently appeared in the top ten most admired companies in India too, so really feel a part of this success”.

Looking at the seriousness of the situation the company even hired a public relations firm, Perfect Relations, to re-strengthen Coke's image in India in November 2004. The head of communications for Coca-Cola Asia was moved to India from Hong Kong to deal with the growing resistance. Coca-Cola also announced plans to significantly increase the marketing budget in India from the following year. Neville Isdell, the new CEO of Coca-Cola who assumed office in April 2004, chose India as the first country to visit after assuming office. However, because of the concerns regarding sizeable protests, the visit was not publicly announced. Unable to contend with the rising opposition to its operations in India, the Atlanta based company began restructuring its management in India in 2005. John Ustas was brought in to takeover the bottling operations in India from Sanjeev Gupta, an Indian who had been handling both bottling and marketing operations.

Coca-Cola India took out newspaper advertisements and released statements to the India claiming their products adhered to uniform, international standards. Campaigns endorsed by celebrities of Indian film industry were launched as part of undoing the damage created by the controversies and winning back the confidence of the consumers. In August 2006 three of Coca-Cola's bottling agents held press conferences for local reporters in the cities of Jaipur, Lucknow and Calcutta, and officials from a British laboratory that tested Coke samples, to emphasize the Coca-Cola contained no unsafe pesticides. Kenth Kaerhoeg, Coca Cola's Asia Pacific spokesman also reached out to other stake holders such as government departments, business groups and non-governmental groups, including the Center for Science and Environment.

While the company was seeking legal advice on the issue following ban on soft drinks by various state governments the legal fraternity was unified in its belief that the state government is within its right to ban sales of soft drinks. “If the state government has exercised a ban on colas under the PFA Act, it is within the powers prescribed to

the state government under the law,” said Sajan Poovayya, a corporate lawyer. “However, to exercise this power certain indicators have to be met, such as ‘presence of some evidence that points to adulteration in the food article’. If pesticide residues are beyond legally prescribed limits, then it can be termed as adulteration.” he said.

Complicating matters further was the lack of national standards for many consumer products in India, which was yet to institute a regulatory framework that would help address consumer, corporate and investor concerns. The lack of standards also raised suspicions, and the CSE alleged Coke had pressured the government to delay regulations so that the companies could avoid stricter filtering of pesticides and other chemicals in the polluted ground water used to make their drinks. The company countered that they were helping Indian government agencies come up with standards, but said the process takes time. Health minister Anbumani Ramadoss said the government was working on a comprehensive standard for testing cola drinks. The company insisted there was nothing harmful about their drinks. Coca-Cola's Atlanta-based director of quality policy and standards DV Darshane said, “The company has stringent criteria for all of the ingredients used in our beverages. In India, we measure our soft drinks against the stringent European union's criteria for pesticides residues in bottled water”. The Indian industry chambers called the decision to ban manufacture and sale of Coke products in several states arbitrary and a ‘dangerous precedent for policies’. FICCI Secretary General, Amit Mitra and President Saroj K Poddar said such a move could put India's credibility as a law-abiding country into question. CII president R Sheshasayee expressed strong concern on such actions, on reports based on ‘proposed’ standards that have not even been notified under the law of the land. CII urged for expeditious finalization of the recommendations of the National level committee by the health ministry, which would examine the matter in greater detail and advice on the technical aspects of fixing pesticide MRL's (Minimum Residue Levels) in soft drinks and the appropriate methods of analysis and testing protocols. FICCI also released a letter written by Vimta Specialties, a Hyderabad-based accredited lab that found a few critical steps ‘missing’ in CSE's tests, ‘without which it cannot be treated as a

comprehensive report’.

In August 2006 just before a large American trade mission’s arrival in India, the US government warned that the ban on soft drinks by state governments could affect investment. Undersecretary for International Trade, Franklin L Lavin, who was to lead one of the biggest ever US delegations, said the ban was a setback for the Indian economy. He further conveyed that while India was trying to attract and retain foreign investment, it would be unfortunate if the discussions were dominated by those who did not treat foreign companies fairly.

In 2006 Coca-Cola India hired The Energy and Resources Institute (TERI), to assess Coca-Cola’s operations in India. There too it faced serious allegations as Coca-Cola India actively funded TERI and was listed as its corporate sponsor. TERI had named Coca-Cola as amongst the most responsible companies in India in 2001. TERI had organized Earth Day 2003 with the “support of Coca-Cola India was the keynote speaker. Coca-Cola Company had partner TERI in the Delhi Sustainable Development Summit held annually in 2003, 2005 and 2006. Groups in India campaigning against Coca-Cola rejected the choice of TERI as the independent assessor of Coca-Cola’s operations in India.

The company’s corporate responsibility and sustainability report for 2006, published by Coca-Cola Enterprise (CCE), Coca-Cola Company’s biggest bottler for North America and parts of Europe, noted social and environmental concerns around its parent’s business in India as one of the major issues with the company stakeholders (See Annexure 1). As part of CSR, Coca-Cola India announced initiatives comprising launch of 18 new projects, of which 10 were dedicated to water conservation, water access, PET recycling, education and awareness programmes on environment in June 2007 (Annexure 2).

Having paid a heavy toll as a result of adverse publicity around pesticides, ground water depletion and health concerns around its core brands, Coca-Cola India worked around a massive corporate campaign in 2007- Drops of Joy- to project a more humane and community-

engaged face of the organization. The move was in line with the global campaign, led by chairman and CEO Neville Isdell, to project the corporate brand. Coca-Cola, as a total beverage solutions company and not merely a cola and carbonated soft-drinks maker. The company had bought vitamin-enriched water maker, Energy Brands, for \$ 4.1 billion. Coca-Cola India was also bolstering its growth strategy with a host of relatively healthier options.

According to industry estimates the total carbonated drink market in the country stood at Rs 6000 crore. In comparison, the fruit juice market was estimated at around Rs 5000 crore with Rs 1200 crore being in the organized sector. An additional Rs 1250 crore bottled water market, made the non carbonated beverage market bigger than the CSD market. Cola sales had been declining on concerns of health and obesity in India too. The years 2003, 2004 and 2005 had witnessed declining growth of CSDs. While the juice industry was showing growth at over 30-40% annually, the carbonated markets were growing at only around 8-9%. Coca-Cola enjoyed the dominant position in India with almost two fifth of the market drinking its mango based drink Maaza. In terms of volume, carbonated drinks contributed over two thirds of the total sales, but in terms of sales value the ratio was reversed with the non carbonated drinks delivering nearly 70% of total beverage revenues. The margins on still beverages were much higher than that on non stills. In a clear shift towards sports drinks, juices, energy drinks and water, the company launched Cadbury Schweppes water and Minute Maid, pulpy orange juice in February 2007, and prepared to launch Bonaqua, its second bottled water brand after Kinley in India. Minute maid crossed the two million unit sales mark in less than three months. According to Venkatesh Kini, Vice President, Marketing, Coca-Cola, the company imported the pulp and other ingredients from Florida and Brazil in the beginning but looked forward to manufacturing the same at Coke’s Chittoor plant in Andhra Pradesh.

6. Conclusion

Coca-Cola retained its top position despite a fall in its brand value to \$ 65.32 billion from \$ 67 billion, in the 2006 list of world’s top 100 brands by Interbrand, leading international brand consultancy and Business week

magazine. The study described brand value as “the dollar value of a brand, calculated as net present value or today’s value of the earnings the brand is expected to generate in the future. This was one sure indication of a company which had successfully created a niche for itself in the market with a highly respectable image. The published, 2006 corporate responsibility review by Coca-Cola Company once again declared, “Improving quality of life in the communities where we operate is an integral part of our business”.

Despite efforts to establish itself as a leader in global water stewardship, with water conservation projects in numerous countries, Coke had failed thus far to satisfy vociferous critics who accused the company of depleting groundwater needed by local communities in India. In coke’s annual meeting held in April 2007, Amit Srivastava, director of the India Resource Centre, a group pressing for safe water said, “The company has not taken care of its problems in India. People across India are really fed up with the Coca-Cola Company’s response to the grave crisis in India today”. Mr. Isdell defended by stating that Coke was nevertheless taking steps to ease groundwater depletion such as building 350 structures by the end of year 2007 to harvest rainwater. Coke had also commissions an assessment of its water use in India to be completed by the middle of 2007. The Coca-Cola Company announced, a three-year, US \$ 20 million partnership with the World Wildlife Fund on water conservation in June 2007. This was less than 1% of its advertising budget of \$ 2.4 billion. This amounted to spending more on advertising its water conservation efforts than on the water conservation projects itself. The company’s investment on water conservation came to 0.002% of its market capitalization of \$ 100 billion.

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Annexure-1

2006 Corporate responsibility Review Coca Cola Company India

We adhere to the same high standards for both product quality and environmental stewardship in India as we do in all other countries. India faces serious water problem. The country is extremely dependent on seasonal rains, and rainwater storage is a major challenges. Over the last few years, we have made signification improvements in water conservation. From 1999 to 2006, we have reduced water consumption in our operations in India by 35 percent. Coca-Cola India works with local government agencies, such as the Central Ground Water Board, and communities to combat water scarcity and restore groundwater tables. Local government officials and NGOs identify critical areas, and then the company establishes rainwater harvesting partnerships in those areas to collect and recharged the groundwater tables. More than 300 rainwater harvesting systems have been installed in India across 17 states. The collected water is used for recharging aquifers. Today, more than a third of the total water we use in our operations in India in renewed and returned to groundwater systems, and we are working toward returning all the water we use operations. We use state-of-the-art technologies to ensure that our beverages are of the highest quality. Our beverages in India have been analyzed by government and independent laboratories with results consistently showing that they are produced

to the same level of purity, regarding pesticides, as the European Union criteria for drinking water-globally accepted as one of the most stringent standards in the world. We support development of science-based standards for soft drinks regarding pesticide residue based on internationally accepted and validated testing protocols. And we are working with the relevant government bodies to establish these criteria and testing protocols. In support of this effort, we are participating in a project with AOAC International (Association of Official Analytical Chemists) to help the Indian government develop appropriate pesticide standards.

The Energy and Resources Institute (TERI), a well-respected NGO based in India, has agreed to conduct an independent assessment of our water resource management practices in India, including potential pesticide contamination of intake water. We have pledged full cooperation with TERI in completing this assessment and addressing its findings.

Annexure-2

Coca-Cola to use less water in drink production (source: [http:// www.coca-colaindia.com/corporate-citizenship/enviromental-concerns_practices.asp](http://www.coca-colaindia.com/corporate-citizenship/enviromental-concerns_practices.asp)).

As part of CSR, Coca-Cola India announced initiatives comprising launch of 18 new projects, of which 10 were dedicated to water conservation, water access, PET recycling, education and awareness programmes on environment in June 2007. The company also announced plans to use less water to produce the beverages at an 'Environment Awareness Campaign' organized by industry chamber Assocham on the occasion of World Environment Day.

The company announced the completion of two RWH projects in Sector 21 and sector15 in Gurgaon. These projects had a combined potential to harvest 2.5 million liters of rainwater per year and had been installed in partnership with the Government of Haryana and the NGOs' –Charities Aid Foundation and Surge. "Given that groundwater table is on a rapid decline in Gurgaon and these projects are being commissioned before monsoons, it will help conserve rainwater and help arrest decline in groundwater levels". Said Mr. Deepak Jolly,

Vice-President, Public Affairs and communication, Coca-Cola India. He highlighted the focus areas of their environmental initiatives which would be focused on:

- Further reduction in the water used to produce beverages.
- Recycling water used in the beverage manufacturing process.
- Replenishing water in communities and nature.

Other initiatives include:

- Launching film on environment protection and enhancing partnership with NGO-BAIF. The 45-minut film will be disseminated in more than 5,000 schools thereby reaching out to more than 1-lack children across the country.
- Dedicated RWH project to the community in Manas Vihar, near Mayur Vihar, Dehli. This project has the potential to harvest more than 40-lack liters of rainwater and has been accomplished in partnership with Central Ground water Board, the NGO, FORCE and Resident Welfare Association, Manas Vihar.
- Restore historic Lehartara pond in the holy city of Varanasi in partnership with the local community, district administration and satguru Kabir Mandir. The company is providing financial support and relevant technical and project management guidance. When restored the pond will facilitate water requirements of thousands of local residents of Varanasi.
- RWN projects across the country including those in Mumbai University, Mumbai, Maharashtra; Collector's office, Bhubaneshwar, Orissa; 10 schools in Jamshedpur, Jharkhand and others.
- Drinking water project in Wada, Maharashtra and in Gujarat under the Indira Awaas Yojna.
- Launch check dam project and desalting program at Bidadi, Bangalore.
- Organize environmental awareness programmes including 'green runs', seminars, workshops, street plays, quiz, and painting competitions for children.
- Have cleanliness programmes including 'clean village' programs, pollution control check up camps and tree plantation programmes.