

# Sustainability Report



# Foreword<sup>1</sup>

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We produced our first Sustainability Report in Croatia in 2003, establishing our position as a pioneer in non-financial reporting. This report continues the tradition of using the Global Reporting Initiative (GRI) standards, allowing us to benchmark our results against global best practice. We play a leading role in a community of stakeholders, advocating for and implementing sustainable business practices in Croatia, not least through our involvement in the work of the Croatian Business Council for Sustainable Development (HRPSOR) and the United Nations Global Compact initiative.

Sustainable business practices are at the heart of what we do, allowing us to connect our vision and mission with our strategic goals and commitments for the future. Our brand and market leadership are made possible by our continued commitment to be an employer of choice, seeking opportunities to reduce our ecological footprint wherever we can, promoting sustainable business practices, respecting human rights across the supply chain, and investing in local communities. Consultation with all our diverse stakeholders is a vital part of what we do, allowing us to continue to base our commitments, including reporting, on those material parts of our business that are deemed the most important by our stakeholders.

We are a proud part of Coca-Cola HBC, operating in 28 countries across three continents. Coca-Cola HBC is a member of the Dow Jones Sustainability Index and has been recognised in four successive years as a leader in our industry in both Europe and the world. Across all operations, we are guided by the company's three key strategic objectives: promoting health and wellness; minimising our environmental impact; and giving back to our communities. The extent of our commitment to transparent reporting on our sustainability performance is reflected in our Sustainability Goals to be achieved by 2020. I am proud to say that, like the company as a whole, Coca-Cola HBC Croatia is on track to meet the vast majority of these goals, and we are already working hard to set even more ambitious goals for the future.

A commitment to sustainable business includes a commitment to listening and responding to feedback from stakeholders. We offer this report as one part of our ongoing dialogue with the broader community, looking forward to the next fifty years of shared prosperity, environmental stewardship and significant social impact in Croatia.

Sincerely  
Ruža Tomić Fontana  
General Manager



# About the report<sup>2</sup>

This Sustainability Report covers the business year of 1 January to 31 December 2017. Wherever possible, the financial years of 2016 and 2015 are also used for comparative purposes to enable an assessment of our performance over time. As the baseline for some of our Sustainability targets, reference is also made in parts of the report to 2010.



- 01** As with our previous stand-alone Sustainability Reports for 2004, 2005-6, 2007-8, and 2011, this report is compiled in accordance with the latest reporting standards issued by the Global Reporting Initiative (GRI). The GRI is recognised as the world leader in ensuring quality and all-encompassing reporting on the economic, environmental and social impacts of businesses around the world.
- 02** This report is based on the Consolidated Set of GRI Sustainability Reporting Standards, commonly known as The GRI Standards, issued in 2016. This report has been prepared in accordance with the GRI Standards: Core option. This option allows us to report the information needed to enable the reader to understand the nature of our organisation, our material topics and related impacts, and how these are managed.
- 03** In conformity with the GRI standards, a table at the end of the report shows where the relevant disclosures can be found. The basis for the compilation of environmental disclosures are the standards of the Coca-Cola Group as a whole. In this sense, the Environmental Disclosures reference the GRI Standards but do not follow them exactly. In future reports, we aim to align our environmental reporting fully in accordance with the latest GRI disclosures.
- 04** The choice of what to report reflects the importance of different material issues to stakeholders and their social, environmental and economic impacts (See Figure 1 below). As the survey on which the Table is based was completed before coming into effect of the new GRI Standards, they use categories based on previous standards. However, disclosures chosen for reporting under each material topic are those of the latest GRI Standards.
- 05** There have been no significant changes in the boundaries of our operations in the period since our last Sustainability Report.
- 06** The report has been compiled with the assistance of Dr. Paul Stubbs and Dr. Vedran Recher of the Institute of Economics, Zagreb, working closely with representatives of all departments of the company.
- 07** The highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material topics are covered is General Manager, together with the Senior Leadership team of the Coca-Cola Adria.
- 08** The report has been peer reviewed by members of the Croatian Business Council for Sustainable Development (HRPSOR), and their expert opinion on the report can be found on page 60.
- 09** The contact person for any questions or comments on the report, or more general enquiries about our sustainability performance, is Boška Trbojević, Public Affairs and Communications Manager for Croatia, Bosnia and Herzegovina and Slovenia (BU Adria). Email: boska.trbojevic@cchellenic.com

<sup>2</sup>102-24; 102-50; 102-51; 102-52; 102-49; 102-53

# About the Company<sup>3</sup>

## Coca-Cola HBC A.G. group

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Coca-Cola HBC Croatia d.o.o. (CC HBC Croatia) is in the majority ownership of the mother company, Coca-Cola HBC A.G. (CCHBC, the Group) operating in 28 countries, one of the biggest bottlers of The Coca-Cola Company's products.

595  mil

2  bil

CCHBC services a market of around 595 million consumers and sells more than 2 billion unit cases a year, which makes it one of the leading producers of non-alcoholic beverages by The Coca-Cola Company.

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The Group is considered a leader of sustainability in beverage industry, ranked first in the World and European Dow-Jones Sustainability Indices (DJSI), while it is also included in the FTSE4Good index.

Shares of CCHBC are listed at the premium segment of the London Stock Exchange (LSE: CCH), with a secondary listing at the Athens Exchange (ATHEX: EEE).

More information on Coca-Cola HBC AG can be found at: <https://www.coca-colahellenic.com>

## Coca-Cola HBC Croatia

1968 

Coca-Cola HBC Croatia is the only licensed bottling company in Croatia, producing, bottling and distributing products of The Coca-Cola Company in Croatia for fifty years. The first bottle of Coca-Cola in Croatia was produced on 17 September 1968 at Milan Sachs Street in Zagreb, which is still the site of the company's headquarters and its main production and distribution centre today.

Coca-Cola HBC operates across the whole Croatia, with one bottling plant in Zagreb and six warehouses and distribution centres in Zagreb, Solin, Rijeka, Zadar, Požega and Baderna.



Currently, we distribute a range of carbonated and non-carbonated soft drinks, water, energy drinks, and alcohol.

In recent years, production facilities in Solin (2011) and Gotalovac (2013) have been phased out as a result of negative market trends and the importance of consolidating production in a central location.

Additional information on the company is available at: <https://hr.coca-colahellenic.com/hr/>

Of the total of 151.4 million litres of non-alcoholic beverages that Coca-Cola HBC imports or produces for the local market, 121.8 million litres (80.5 %) are produced in Croatia.



## MANAGEMENT STRUCTURE<sup>4</sup>



Three legal entities, Coca-Cola HBC Slovenia, Coca-Cola HBC Croatia, and Coca-Cola HBC B-H Sarajevo are organised into a single business unit, Coca-Cola Adria.



- Coca-Cola HBC Croatia has three key management bodies: Management Board (Sole Director); Supervisory Board (5 non-executive members) and Assembly (Sole Member).
- Four Members of the Supervisory Board are appointed by the Company (the Group CEO, The Group Chief Legal Officer, and 2 senior Group Legal Officers) and one by the employees. The Supervisory Board, at its annual meeting, appoints the General Manager or Sole Director, considering her or his sustainability performance.
- Although there is no process explicitly evaluating the General Manager's performance with respect to the governance of economic, social and environmental topics, it is one of the factors considered when appointing a General Manager and is assessed by the Supervisory Board. Also, when the General Manager is assessed on his/her performance, sustainability performance is part of the overall assessment.

The current General Manager covering Croatia, Bosnia-Herzegovina and Slovenia is Ruža Tomić Fontana, who was appointed on 3 July 2017, supported in her work by a Lead Team of Senior Managers from nine Departments: Legal Department, Integrated Competitive Supply Chain (ICSC), Sales, Marketing, Commercial Excellence, Finance, Business Systems Solutions (BSS), Human Resources and Public Affairs and Communication (PA&C).

- Responsibility for sustainability questions are distributed across all management structures and functions, but lead responsibility is shared between the Department of Public Affairs and Communications, reporting directly to the General Manager, and the Head of the Service for Sustainable Business responsible to the Director of Quality Assurance, Work Safety, and Environmental Protection.
- Lines of responsibility can be national, regional, global and, indeed, at an intermediate level, through sub-regional structures.

## STRATEGIC FRAMEWORK AND VALUES

### Our Vision

To become the undisputed leader in every market in which we compete.

### Our Mission

to refresh our consumers, partner with our customers and enrich the lives of local communities in which we operate by offering high quality products and building citizens' trust through our everyday work as our most important asset.

### Our Values

Everything starts with our values. They are what makes us different and motivate, inspire and energise us to help us reach our goals.

- Authenticity: we have deeply felt values, act with integrity and do what is right, not just easy.
- Excellence: we strive to amaze, with passion and speed.
- Learning: we listen and have a natural curiosity to learn.
- Caring for our people: we believe in our people, invest in them and empower them.
- Performing as one: we believe in the power of working together, contributing in every interaction.
- Winning with customers: our customers are at the heart of everything we do.

Our people play a fundamental role in the sustainable growth of our business. Therefore, we are committed to recruiting, developing and engaging talent and encouraging a high-performance mindset across the business. This all comes together in our strategic framework, driven by four strategic priorities: community trust, consumer relevance, customer preference and cost leadership. We are in good shape for growth, as we are an inherently competitive selling organization. Our strategic framework reminds us that success will come from collaboration across the business and with our partner in growth, The Coca-Cola Company.

### Our strategic priorities (the 4 Cs):

- Community trust
- Consumer relevance
- Customer preference
- Cost leadership

Note: work is ongoing to revise some of this framework. The strategic framework and values stated here are those that were in place during the reporting year, i.e. 2017.

# Our sustainability approach

We share with Coca-Cola HBC AG a fit-for-purpose, strategic approach to sustainability that we revise periodically to suit changing circumstances. We work to ensure that sustainability is integrated into every aspect of our business model. Our sustainability mission is to grow our business in a responsible, sustainable and profitable manner, assessing risks and opportunities, making decisions and investing in ways that create social value.

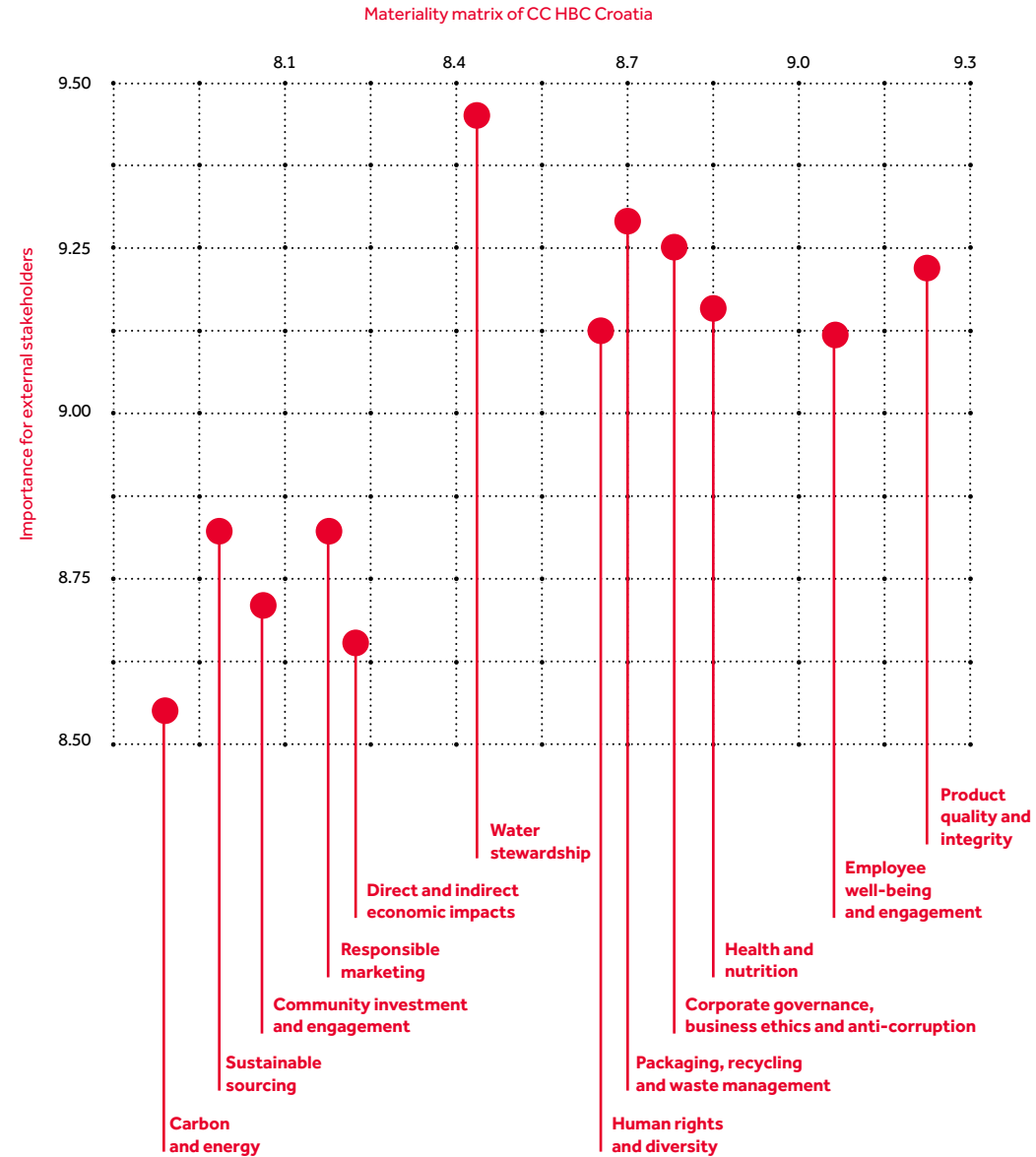
## MATERIAL TOPICS<sup>5</sup>

In order to analyse the level of sustainability in our business, it is vital to define the crucial topics and issues of concern for our company and its stakeholders. To identify material economic, social and environmental topics, we carried out in March 2018 a survey, which included 34 internal and 70 external stakeholders. External stakeholders included: customers, members of the academic community, officials of governmental agencies, NGOs, media and suppliers chosen based on their interest in our actual and potential social, environmental and/or economic impact. The selection of internal stakeholders included the collaboration of

all CC HBC Croatia's departments, considering appropriate representation across the organisation.

External stakeholders were asked to rank twelve different aspects of our business from 1 (not at all important) to 10 (very important). The same topics were ranked in the same way by internal stakeholders in relation to their potential impacts on our business. Combining the average scores of both groups of stakeholders, we were able to compile a Materiality Matrix (Figure 1).

Figure 1: Coca-Cola HBC Croatia Materiality Matrix →



All twelve topics were judged to be important and with significant impact, almost all ranked at an average above 8.0 on both dimensions. However, we can clearly distinguish between two clusters, which we shall term Issues of High Material Impact and Issues of Extremely High Material Impact.

<sup>5</sup>102-40; 102-42; 102-47

# ISSUES OF EXTREMELY HIGH MATERIAL IMPACT



## 01 Product quality and integrity

Our business depends on the quality of our products and keeping our leading position in the market. Our revenues but also our reputation and trust in our products depends on their quality. We must continue to satisfy the changing demands and expectations of our consumers in a highly competitive and dynamic market. The brand value of our products depends on their availability, design, presentation, quality, taste, and safety.



## 03 Employee well-being and engagement

The success of our business depends on our ability to recruit and keep a talented, healthy, happy and creative group of people who work for us. Investing in our employees, in their development, motivation and engagement, ensuring both the well-being and loyalty of our workforce as well as a safe working environment is a crucial element of our corporate culture. .



## 05 Human rights and diversity

Respect for human rights is the basis of our reputation as an ethical business. We believe in creating a working environment that fosters diversity and inclusion, ensuring that human rights are recognised fully and respected across the entire value chain of our business. In a global business environment, respect for human rights is an ultimate test of social impact of companies everywhere.



## 02 Health and nutrition

We understand the increasing importance of health and well-being for consumers across the world. Balanced nutrition is a crucial part of this and we are committed to helping consumers choose their drinks responsibly. We offer a wider range of beverages in different packages, increasing the availability of sugar-free or low-sugar drinks. We provide clear and transparent nutritional information on all our products, complying with, and sometimes going beyond, the relevant European Union regulations.



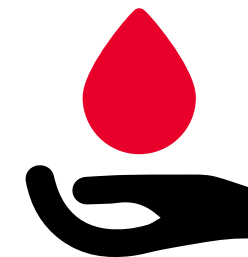
## 04 Corporate governance, business ethics and anti-corruption

Basing all our business activities on principles of credibility, transparency and ethical responsibility is a top priority. In all aspects of our corporate governance we adhere to our rigorous Code of Business Conduct and Anti-Corruption Policy, investigating thoroughly and impartially any reported breaches and, where violations are found, responding to them with zero tolerance.



## 06 Packaging, recycling and waste management

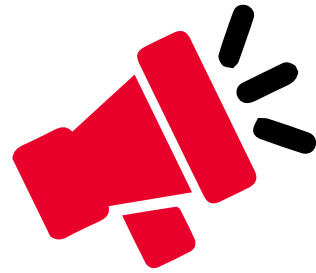
Coca-Cola HBC Croatia uses for its beverages a range of packaging materials, all meeting rigorous quality standards. As a crucial component of our products, packaging is a core element of our business processes, and we ensure that the amount of material used in packaging is reviewed constantly, and we become more and more skilful in recycling and re-using packaging.



## 07 Water stewardship

Water is a basic ingredient of all our products. It is essential for our entire production process and, indeed, for the growth of agricultural crops upon which many if not most of our products depend. Quality, safe and affordable water is vital to sustain the broader eco-system as well as maintaining healthy human beings, sustainable communities and economic development.

# ISSUES OF EXTREMELY HIGH MATERIAL IMPACT



## 08 Responsible marketing

The advertising of our brands is truly one of the most important business activities across the entire Coca-Cola system. Our responsible marketing policies regulate the ways in which we engage in commercial activities and, in particular, how and where we advertise. For example, we believe strongly that primary schools are no places for companies to be promoted. Equally important, each and every one of our cans and bottles contains information for consumers about what our product contains and its calorific value in relation to recommended daily calorie intake.



## 10 Community investment and engagement

Our business success depends, in large part, on the strength, resilience and well-being of the communities in which we operate. Our investments and community involvement focus on youth empowerment, environmental protection, water stewardship and investments of time, energy, commitment and money as a contribution to the well-being of the community.



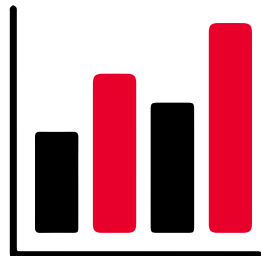
## 11. Sustainable sourcing

The sourcing and procurement of raw materials is a major contributor to our economic, operational and environmental impact. As an indispensable component of our business model, our interest in the operations of our suppliers is explicitly concerned with their impacts on our own sustainability goals and performance. Sourcing of raw materials from environmentally and socially responsible suppliers, who uphold the highest standards of human rights and act as model employers, is central to our sustainability commitments.



## 12 Carbon and energy

Climate change is a global risk carrying a significant danger to our operations through increased energy costs, the erosion of sustainable water supplies, shortages of raw materials, and interruption of business activities due to severe weather conditions. For our company, managing carbon use is a strategic priority. We recognise the business case for increased investments in energy efficiency and in technologies that reduce carbon dioxide emissions.

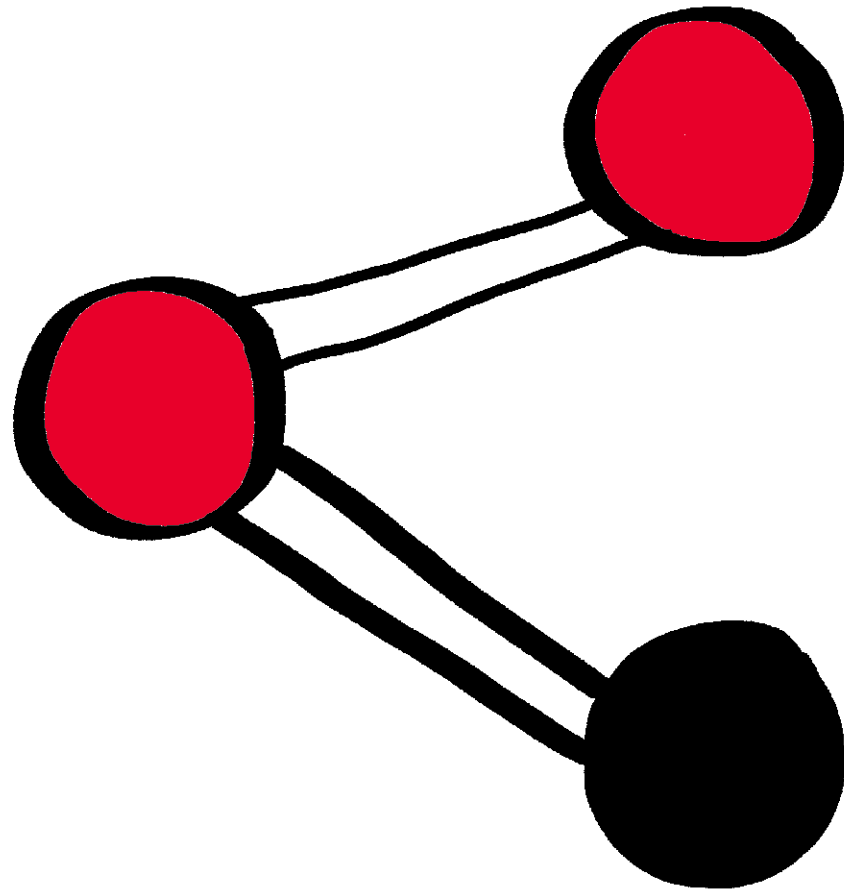


## 09 Direct and indirect economic impacts:

Working in Croatia for fifty years, we make a positive socio-economic contribution, improving the quality of life in our communities. We measure the impact in terms of the income we generate in the community – including: the wages and salaries of our workforce; taxes paid; payments to suppliers and contractors; and investments in community-based partnerships in support of social and environmental themes. We strive to adapt the most successful business practices and to apply them to the specific market context in which we work.



# WORKING WITH STAKEHOLDERS<sup>6</sup>



Engaging with our many, and diverse, stakeholders is a crucial part of our commitment to sustainable business. Stakeholders provide valuable insights into our business, therefore listening to their concerns provides vital feedback and allows us to improve and make better decisions. Through engaging in regular stakeholder mapping exercises, we ensure that we do not neglect any of our stakeholders. Working with our stakeholders strengthens our commitment for sustainable future. We regularly consult broader groups of stakeholders, as we did for the Materiality survey discussed above. We also convened a group of stakeholders to provide input and feedback on our Socio-economic Impact Study discussed below.

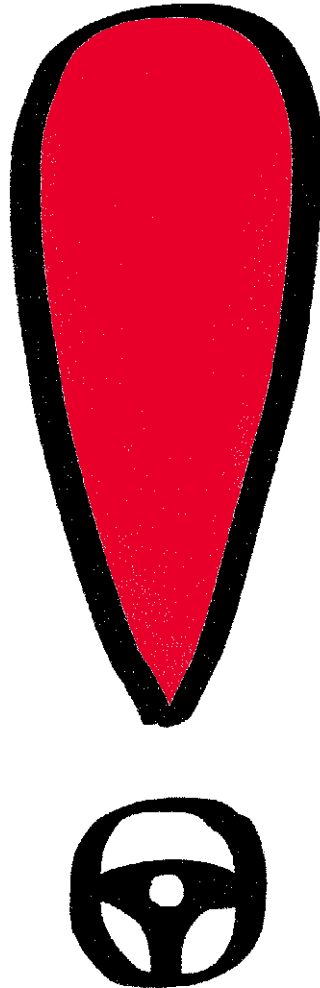
Here we list our key stakeholders, why they are important to us, and some of the ways in which we address their concerns and work with them.

Table 1: Key stakeholders of CC HBC Croatia →

STAKEHOLDER	THEIR IMPORTANCE	SOME METHODS OF ENGAGEMENT
BUSINESS PARTNERS (CUSTOMERS, SUPPLIERS, CONTRACTORS)	<ul style="list-style-type: none"> <li>Part of the value and supply chain</li> <li>Creation of shared value and social, economic and environmental impact</li> <li>Shared reputation and risks</li> </ul>	<ul style="list-style-type: none"> <li>Regular consultations and visits</li> <li>Policy documents</li> <li>Joint initiatives</li> <li>Regular surveys and focus groups</li> <li>Round tables and forums</li> <li>Infoline and email channels</li> </ul>
POLICYMAKERS IN GOVERNMENT AND REGULATORY AGENCIES	<ul style="list-style-type: none"> <li>Create the policy environment in which we operate</li> <li>Develop laws that regulate our business</li> </ul>	<ul style="list-style-type: none"> <li>Structured dialogue</li> <li>Advocacy (through business associations)</li> <li>Joint projects</li> <li>Providing best practice cases</li> <li>Recycling and waste management initiatives</li> </ul>
CIVIL SOCIETY AND NON-GOVERNMENTAL ORGANISATIONS	<ul style="list-style-type: none"> <li>Creators of social value</li> <li>May be public interest based and/or expertise-based</li> </ul>	<ul style="list-style-type: none"> <li>Regular dialogue</li> <li>Partnerships</li> <li>Consultation over matters of mutual concern</li> <li>Round tables and forums</li> <li>Membership and leadership (e.g. HRPSOR)</li> </ul>
COMMUNITIES (GENERAL)	<ul style="list-style-type: none"> <li>Shared concern with social, environmental and economic impacts</li> <li>Provide our license to operate</li> <li>Current or potential consumers</li> </ul>	<ul style="list-style-type: none"> <li>Plant visits</li> <li>Investments through donations, grants and sponsorships</li> <li>Partnerships</li> <li>Volunteering initiatives</li> </ul>
COMMUNITIES NEAR OUR LOCATIONS	<ul style="list-style-type: none"> <li>Face the direct impact of our business practices</li> <li>Shape our reputation</li> </ul>	<ul style="list-style-type: none"> <li>Plant visits</li> <li>Supporting neighbourhood events</li> <li>Open Gym in local school</li> <li>Investments in local infrastructure</li> <li>Community meetings</li> </ul>
CONSUMERS	<ul style="list-style-type: none"> <li>Their tastes, preferences and satisfaction with our products directly impact all aspects of our business</li> </ul>	<ul style="list-style-type: none"> <li>Freephone info and helpline</li> <li>Social media interactions</li> <li>Website</li> <li>Regular focus groups</li> </ul>
BUSINESS ASSOCIATIONS	<ul style="list-style-type: none"> <li>Legitimate representatives of companies like ours gathered together by sector and/or issue</li> </ul>	<ul style="list-style-type: none"> <li>Membership and leadership</li> <li>Advocacy on issues of concern</li> <li>Sharing of best practice</li> <li>National, regional and global networking</li> </ul>
ACADEMIC COMMUNITY	<ul style="list-style-type: none"> <li>Provide expertise and advice on issues of direct concern to us</li> <li>Education of current and potential future workforce</li> </ul>	<ul style="list-style-type: none"> <li>Expert guidance and advice</li> <li>Partnerships to improve theory-practice linkages</li> <li>Conferences and round tables</li> </ul>
WORKERS AND TRADE UNION REPRESENTATIVES	<ul style="list-style-type: none"> <li>Legitimate representatives of our workforce as a whole or sections thereof</li> </ul>	<ul style="list-style-type: none"> <li>Worker's Council</li> <li>Negotiations and dialogue</li> </ul>
OUR EMPLOYEES	<ul style="list-style-type: none"> <li>Our most important asset whose development, retention, well-being and satisfaction is a guarantee of our continued success</li> </ul>	<ul style="list-style-type: none"> <li>Regular dialogue and communication</li> <li>Worker's Council</li> <li>Employee satisfaction surveys</li> <li>Individual development plans</li> <li>Training and education initiatives</li> <li>Employee hotlines</li> </ul>
THE COCA-COLA COMPANY	<ul style="list-style-type: none"> <li>The source of the brand and the driver of innovation and change when needed</li> </ul>	<ul style="list-style-type: none"> <li>Daily communication and co-operation</li> <li>Shared policy and strategy documents</li> <li>Joint projects and joint planning</li> </ul>

<sup>6</sup>102-43.

# MANAGING RISKS<sup>7</sup>



In the modern, globalised world, sustainable business operations require a continuous commitment to assessing, analysing and mitigating risks, both real and potential. These risks can be at several different levels and may be global, regional, transnational, national or local in scale. The context in which we operate is constantly changing, not always in predictable or expected ways. Understanding the likelihood of occurrence of specific risks and the likely impact on our operations is crucial. Early identification, prevention and mitigation of risks are essential if we are to continue to operate based on sustainable business principles and practices.

Of course, not all risks are predictable and not all are preventable; some may appear to be outside of our control although, through stakeholder engagement of the type noted above, our approach to risk management becomes more sophisticated and all-encompassing over time. Inevitably, in the real world, events will occur that pose significant risks to our business. It is for this reason that we have a clear, robust and effective system of managing crisis situations in place.

At the other side of the equation, it is also important to be able to identify and leverage opportunities; in this sense every risk is also an opportunity; an opportunity to do better, work harder, and add value. Over time, we have become more and more competent and confident in managing risks and leveraging opportunities. Systems for doing this successfully are built into our operations at every level.

Table 2 below provides an overview, albeit far from comprehensive, of some of the most important risks to our business and to our commitments to sustainability. For each type of risk, we note some of the most important risk mitigation measures that are currently in place. Risk management is not an exact science; however, constant updating of potential risks is a crucial part of our strategic approach.

TYPE OF RISK / MATERIALITY	NATURE OF RISK	IMPACT OF RISK	RISK MITIGATION
Consumer health/ health and nutrition; responsible marketing	Failure to adapt our portfolio of drinks to contemporary health trends and address concerns and misconceptions about the health impacts of soft drinks we produce	<ul style="list-style-type: none"> <li>• Damage to brand and reputation</li> <li>• Reduced sales and revenues</li> <li>• Reduced funds to meet key economic, social and environmental targets</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing innovation to widen our portfolio offer</li> <li>• Expand range of low- and zero-calorie beverages</li> <li>• Increase sales of smaller packaged products</li> <li>• Reduce calorie content of products</li> <li>• Clearer labelling</li> <li>• Red Ken programme</li> <li>• Promotion of healthy lifestyles</li> </ul>
Climate change and environmental footprint/carbon & energy <sup>8</sup> ; packaging, recycling and waste management; sustainable sourcing; water stewardship	Failure to meet stakeholders' expectations that we reduce significantly our environmental footprint and make a meaningful contribution to the environmental sustainability agenda	<ul style="list-style-type: none"> <li>• Damage to the environment and unpredictability of climate change</li> <li>• Damage to the brand and reputation</li> <li>• Loss of influence in promoting sustainable business agenda</li> <li>• Reduced funds</li> </ul>	<ul style="list-style-type: none"> <li>• Water stewardship programmes</li> <li>• Carbon and energy management programmes</li> <li>• Innovative waste management solutions</li> <li>• Sustainable procurement policies</li> <li>• Partnerships on environmental issues</li> </ul>
Product quality and integrity	When the quality of our products falls below the standards our customers require or a contamination of our products occurs with negative effects on health and well-being	<ul style="list-style-type: none"> <li>• Direct negative impact on individuals or groups of consumers</li> <li>• Damage to the brand and reputation</li> <li>• Fines and/or other sanctions from regulatory authorities</li> <li>• Reduced funds</li> </ul>	<ul style="list-style-type: none"> <li>• Stringent quality control processes subject to regular review</li> <li>• Early warning systems</li> <li>• Robust crisis management systems reacting quickly to deal with underlying causes and reassure consumers</li> </ul>
Employee satisfaction, well-being and engagement	Failure to attract and retain talented and committed employees and/or failure to motivate and engage existing employees	<ul style="list-style-type: none"> <li>• Rapid decline in experience and competence of employees</li> <li>• Loss of position as most valued employer</li> <li>• Failure to meet key targets, including sustainability targets</li> <li>• Reduced funds</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in human resources, training and performance-based evaluation,</li> <li>• Investment in employer brand,</li> <li>• Maintaining employer brand</li> <li>• Programmes of talent recruitment and retention</li> </ul>
Regulatory environment/ corporate governance, business ethics & anti-corruption	Sudden, unexpected regulatory changes with negative consequences for our business activities and a heightened possibility of inadvertent non-compliance	<ul style="list-style-type: none"> <li>• Damage to reputation</li> <li>• Significant financial and non-financial penalties</li> <li>• Diversion of staff time to legal issues</li> <li>• Reduced funds</li> </ul>	<ul style="list-style-type: none"> <li>• Continued vigilance regarding possible changes</li> <li>• Revision of Code of Business Conduct</li> <li>• Robust internal and external control systems</li> <li>• Stakeholder dialogue and advocacy through business associations</li> </ul>

Table 2: Risk management and materiality →

<sup>7</sup>102-47 •

<sup>8</sup> It is agreed on the top management level that regarding climate change risk, there is nothing specific for Croatia, so it is not captured fully in our risk register but is on the agenda of our Parent company.

We have processes in place for managing risks related to sustainability. Our entire operation has been assessed for risk and all employees are required to pass mandatory training regarding compliance and anti-bribery topics. Measures are taken to increase collective knowledge on economic, environmental and social topics through e-mail updates to our management team, as well as monthly meetings on emerging issues related to these topics. Approximately 100 senior employees from the Lead Team, Marketing, Sales, Public Affairs and Communication and Legal departments, as well as all other employees that may come into contact with civil servants or other representatives of public bodies, are considered to be Risk Zone Employees and as such receive additional training related to anti-bribery topics. Marketing and Sales have the greatest number of such employees and were thus listed. Reference to anti-corruption policies is a part of each agreement with suppliers that may have contacts with public authorities and all suppliers are required to act in accordance with these policies. All policies are communicated to the general public via the company's website.

In 2017, we organized a Super Ambassador training for 40 key positions in terms of our external relations (lead team and middle management). In addition, a consultation process with stakeholders and senior management on economic, environmental and social topics is conducted transparently through a structured process coordinated by the Public Affairs and Communication department. All consultation processes are

conducted transparently through official correspondence, meetings and position papers placed through relevant industry associations.

Although our General Manager does not have an explicitly specified sole role in identifying economic, environmental and social topics and related risks, he/she has a role of managing these, meaning that all actions related to impacts and opportunities of these topics must be communicated, approved and monitored by the Lead team, and ultimately by the GM. We have a procedure in place for communicating critical concerns to the GM by e-mail, or verbally at weekly meetings, along with potential business impact and proposed actions. In 2017, the restructuring of Agrokor was an issue that continues to pose a risk for aspects of our business and this was discussed periodically within the company at various levels, and consolidated actions were taken to minimize the impact of the restructuring. We hold regular stakeholder mapping exercises, therefore continuously listening to the interests and concerns of stakeholders and taking them into account is a core part of our business philosophy. We consult our stakeholders to support the identification and management of economic, environmental and social impacts, risks or opportunities through these exercises and through regular consultations.



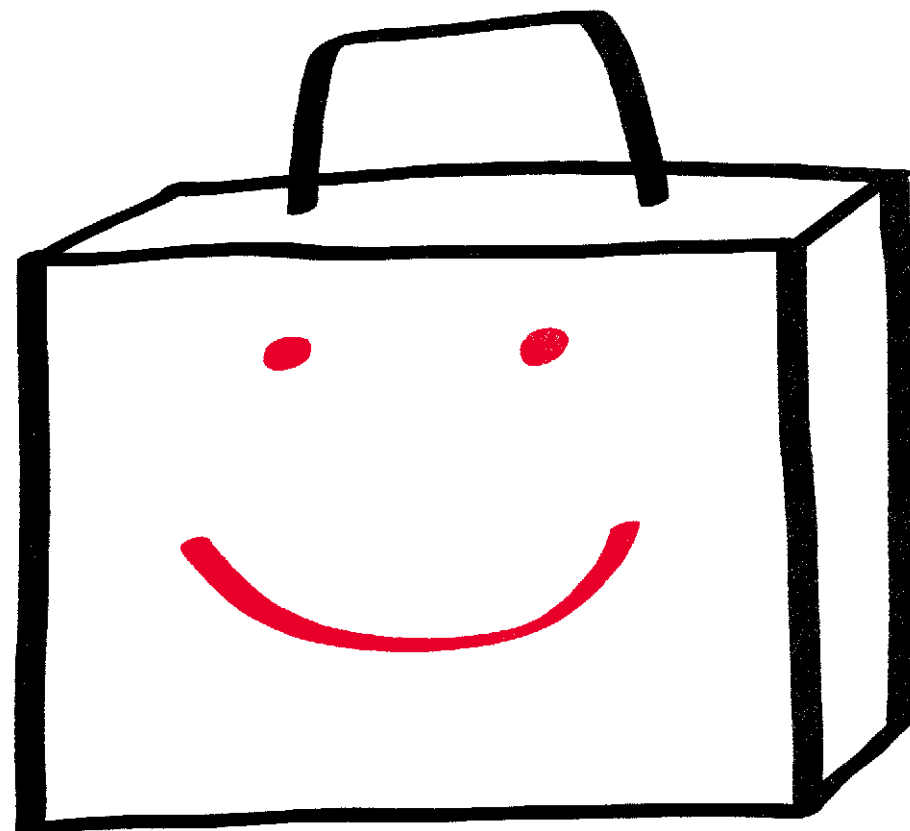
Obeying all applicable laws is not enough to ensure a commitment to ethics and integrity in all that we do. We want to raise the bar beyond the existing laws. We need to have clear policies and procedures in place to ensure that we embrace the highest ethical standards and standards of integrity in our business practices. The governance of these ethical standards needs to be fit-for-purpose, timely, transparent and fair. Within the company as a whole, there are clear expectations that our managers, employees, suppliers, customers and contractors will uphold these standards at all times.

Here we provide an overview of key policies in this area, with links for those who would like to understand our commitments in greater depth.

# CODE OF BUSINESS CONDUCT

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Our Code of Business Conduct prescribes norms of behaviour and ensures that decision-making throughout the company is socially responsible and acceptable, protecting the integrity of the company and all of its employees and stakeholders. The Code of Business Conduct of CC HBC is implemented in all countries in which the company operates. At CC HBC Croatia, we are firmly committed to conducting all our business activities with integrity and with respect for society and the environment. We are transparent about our policies and positions on important social and environmental issues and clearly communicate them to the public.



The Code is available here: <https://coca-colahellenic.com/media/1049/coca-cola-hbc-code-of-business-conduct-policy.pdf> and includes sections on:

## 01 Integrity

mutual co-operation, product quality, health & safety at work, financial documentation, company property, use of proprietary information, conflict of interest, etc.

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## 02 Company assets

resources, equipment, vehicles, computer hardware & software, etc.

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## 03 Fair competition

classification of information and protection of confidential information.

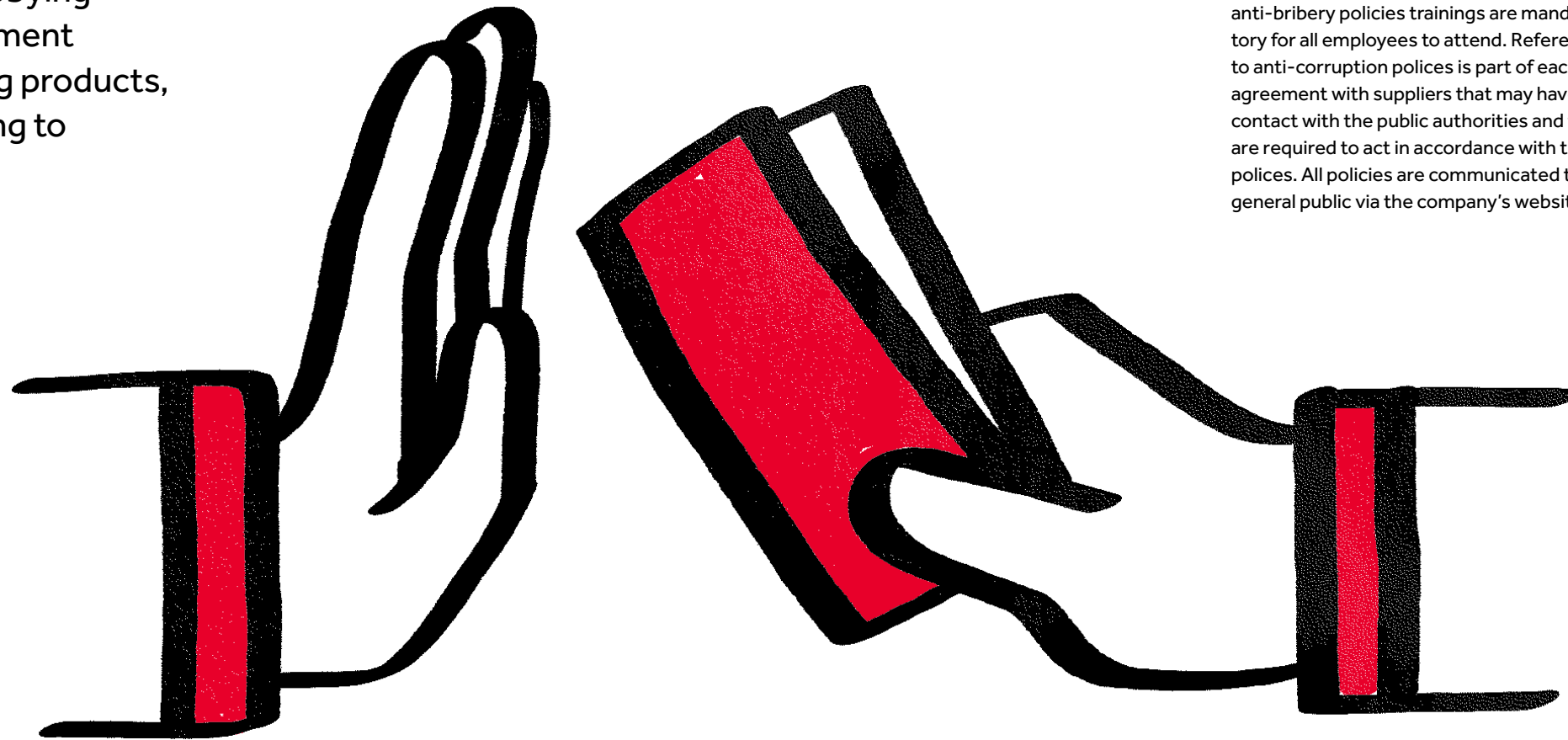
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## 04 Confidentiality

classification of information and protection of confidential information.

All employees must sign the Code and agree to comply with its provisions. We offer regular training on the Code. Code Compliance Officers, for most employees the Country Legal Director and, in some cases, General Manager, are crucial in offering guidance on the code and providing prior written approval in some instances. Higher level employees must direct their concerns regarding the Code to the company's Chief Compliance Officer, General Counsel or Chief Executive Officer, depending on their position in the organisation. Those who raise concerns regarding potential violations of the Code can choose to remain anonymous or, if they make their identity known to aid communication, the company will take every reasonable precaution to keep a person's identity confidential, consistent with conducting a thorough and fair investigation and compliance with Croatian law.

This policy covers our policy of zero-tolerance of bribes in general and bribery in relation to Government officials in particular. Prior written approval from an appropriate line manager must be obtained before entering into lobbying arrangements, or taking Government officials for meals, demonstrating products, providing factory tours, or offering to reimburse any travel expenses.



The latest edition of the Handbook is available here: <https://hr.coca-colahellenic.com/media/2400/coca-cola-hbc-anti-bribery-policy-and-compliance-handbook.pdf>

Our governance body members are fully committed to and trained in the organisation's anti-corruption policies and procedures. Code of Business Conduct and anti-bribery policies trainings are mandatory for all employees to attend. Reference to anti-corruption policies is part of each agreement with suppliers that may have contact with the public authorities and they are required to act in accordance with these policies. All policies are communicated to the general public via the company's website.

In 2017, there were no confirmed incidents of corruption, or incidents in which employees were dismissed or disciplined for corruption. There were also no confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. Furthermore, there were no public legal cases regarding corruption brought against the organization or its employees.

There were no legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which we have been identified as a participant.

# HUMAN RIGHTS POLICY

Respecting human rights is an essential part of our license to operate. Guided by international human rights principles, instruments and conventions, Coca-Cola HBC has a Human Rights Policy, consisting of ten components. These are:

- Respect for human rights
- Community and stakeholder engagement
- Valuing diversity
- Freedom of association and collective bargaining
- Safe and healthy workplace
- Workplace security
- Forced labour and human trafficking
- Child labour
- Work hours, wages and benefits
- Guidance and reporting for Employees



The principles of the Human Rights Policy also apply to our suppliers, and these are enshrined, along with other principles, in our Supplier Guiding Principles which can be found here: [https://hr.coca-colahellenic.com/media/2410/coca-cola-hbc-supplier-guiding-principles\\_2015.pdf](https://hr.coca-colahellenic.com/media/2410/coca-cola-hbc-supplier-guiding-principles_2015.pdf)

**Our work is guided by additional eleven Policy statements. Many elements of these policies directly pertain to our sustainability commitments and, where relevant, they will be referred to again in the appropriate section or sections of this report. For the sake of completeness, we list all of them here and provide references to web addresses where they can be found and downloaded from:**

## **Packaging waste and recycling policy**

<https://hr.coca-colahellenic.com/media/2404/coca-cola-hbc-post-consumer-packaging-waste-management-policy.pdf>

## **Climate change policy**

<https://hr.coca-colahellenic.com/media/2405/coca-cola-hbc-climate-change-policy-statement.pdf>

## **Environmental policy**

<https://hr.coca-colahellenic.com/media/2408/coca-cola-hbc-environmental-policy.pdf>

## **Fleet safety policy**

[https://hr.coca-colahellenic.com/media/2409/coca-cola-hbc-fleet-safety-policy\\_2010.pdf](https://hr.coca-colahellenic.com/media/2409/coca-cola-hbc-fleet-safety-policy_2010.pdf)

## **Genetically Modified Organisms**

### **– Position Statement**

<https://hr.coca-colahellenic.com/media/2401/coca-cola-hbc-genetically-modified-organism-position-statement.pdf>

## **Health and Wellness Policy**

<https://hr.coca-colahellenic.com/media/2402/coca-cola-hbc-health-wellness-policy.pdf>

## **HIV/AIDS policy statement**

<https://hr.coca-colahellenic.com/media/2403/coca-cola-hbc-hiv-aids-policy.pdf>

## **Occupational health and safety policy**

<https://hr.coca-colahellenic.com/media/2413/cchbc-coca-cola-hellenic-health-and-safety-policy.pdf>

## **Premium spirits responsible marketing policy**

<https://hr.coca-colahellenic.com/media/2411/coca-cola-hbc-responsible-marketing-policy-premium-spirits.pdf>

## **Quality and food safety policy**

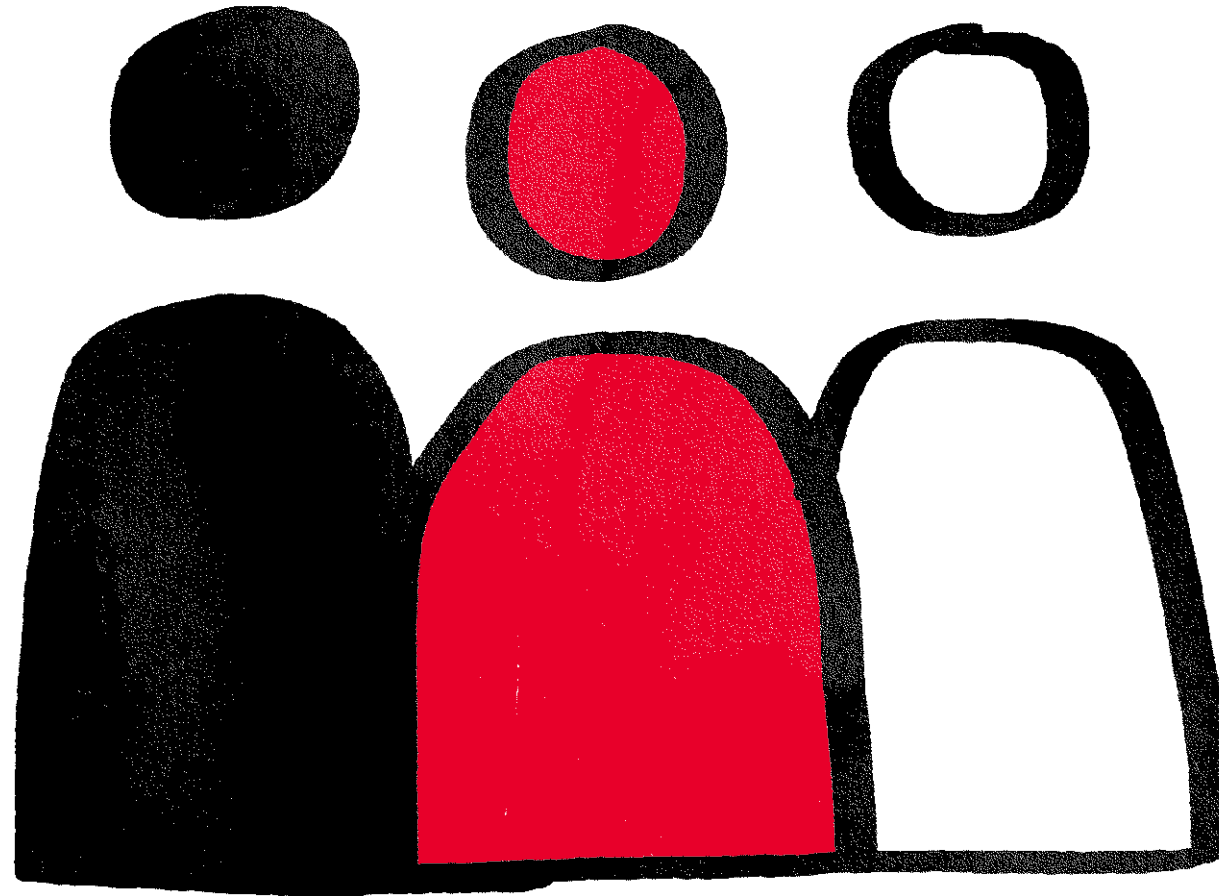
<https://hr.coca-colahellenic.com/media/2407/coca-cola-hbc-quality-and-food-safety-policy.pdf>

## **Water stewardship policy**

<https://hr.coca-colahellenic.com/media/2414/coca-cola-hbc-water-stewardship-policy.pdf>

# ETHICAL CORPORATE GOVERNANCE<sup>12</sup>

Commitments to ethics and integrity are of little tangible value if appropriate governance structures and lines of accountability are not in place. The highest executive governance body of the group, its Operating Committee, takes full responsibility for the sustainability practices throughout the entire company. It approves and reviews the values, mission and strategic purpose of the company. Whenever these are reviewed, a Working Group is formed composed of senior executives, who are responsible for gathering inputs from all the countries that the company operates in. This Group reports to the Operating Committee and any changes are ratified by the Board of Directors. In broad terms, a similar process is in place for reviewing the strategies, policies and goals related to sustainability. In this case, the Working Group is composed of managers from relevant Group functions, including Commercial, Finance, PA&C, ICSC, etc. They prepare strategies and plans, which again must be approved by the Operating Committee and vetted by the Board.



All employees are encouraged to seek advice on ethical and legal standards that the company upholds through a dedicated Speak Up line or through the portal for the Code of Business Conduct. Advice from the relevant legal officer may be requested anonymously. Any report will be processed by the relevant legal officer, anonymously if requested.

The responsibility for sustainability policies and the principles of social responsibility rest within the management team. The management structure includes department heads and chief executive officer, with the Worker's Council acting as an advisory body and as a communication channel between the management team, union representatives and all other employees.

During the reporting period covered by this report, the senior management team has changed. In the first half of 2017 it consisted of six women and two men, and after organisational changes in the second half of the year it consisted of five women and three men. Each member of the senior management team is graded based on their work related to their specific area of responsibility, including the components related to sustainability performance. The department directly responsible for managing aspects of socially responsible business practice is the Public Affairs and Communications department, which is responsible for all issues connected to socially responsible business, and for connecting with stakeholders. Although, in our work, we do not refer to the Precautionary principle as such, we have processes in place to ensure utmost safety for our consumers. Each incident that is brand-related immediately triggers a procedure that includes briefing The Coca-Cola company's headqu-

arters. There were no such incidents in the reporting period, nor any non-compliance with regulations.

Processes for the highest governance body to ensure that conflict of interest situations are avoided and managed are in place. Namely, the Code of Business Conduct defines situations where conflict of interest exists and establishes procedures for these to be resolved by the relevant legal officer. Furthermore, all potential conflicts of interest must be disclosed to all stakeholders, including cross-board membership, suppliers and other stakeholders.

CC HBC Croatia is a signatory of the diversity charter, an initiative financed by the European Union, and implemented in 16 Member States. By signing the charter, Coca-Cola HBC Croatia commits to promoting diversity and equal opportunities for our staff. It can be viewed here: [https://ec.europa.eu/info/policies/justice-and-fundamental-rights/combating-discrimination/tackling-discrimination/diversity-management/diversity-charters-eu-country/croatian-diversity-charter\\_en](https://ec.europa.eu/info/policies/justice-and-fundamental-rights/combating-discrimination/tackling-discrimination/diversity-management/diversity-charters-eu-country/croatian-diversity-charter_en)

In addition, CC HBC Croatia is a member of the following associations:

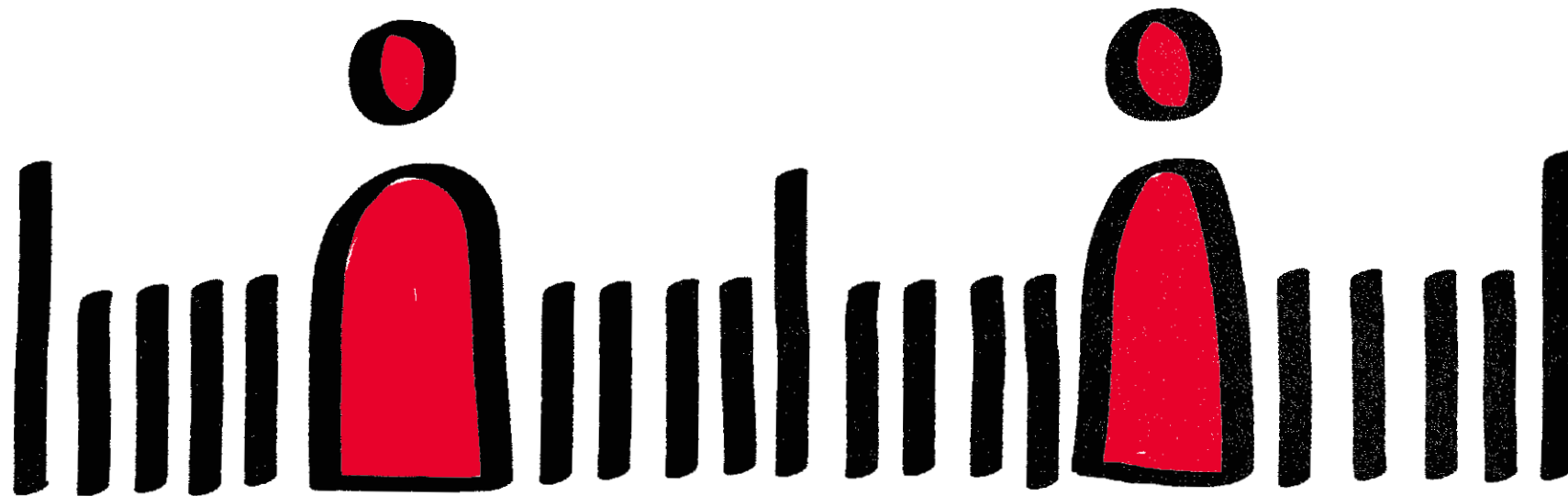
- American Chamber of Commerce Croatia (AmCham),
- Croatian Employers' Association (HUP),
- Croatian Business Council for Sustainable Development (HRPSOR),
- Croatian Chamber of Commerce (HGK),
- Economic Interest Group for Packaging and Environment (GIUPAK),
- UN Global Compact Croatia (UNGC).

<sup>12</sup>102-26; 102-17; 102-18; 102-11; 102-12; 102-13; 102-25; 416

# MEASURING OUR SOCIO-ECONOMIC IMPACTS

Between January and April 2017, Professor Ethan B. Kapstein in co-operation with Sabine Dankbaar and Bernard Leussink from the company Steward Redqueen carried out a study on the socio-economic impacts of the Coca-

Cola System on the Croatian economy in 2016, following a previous study that was carried out in 2013. Using input-output models, the study has produced a number of important findings concerning our socio-economic impacts.



Whilst directly employing only 463 people in 2016, Coca-Cola HBC Croatia, through its operations, created 8,257 other jobs across the entire value chain, a ratio of 18 indirect jobs for 1 direct job. A total of 1,007 jobs are at our suppliers, or the suppliers of our suppliers; and 7,250 jobs are across our distribution networks or channels. Therefore, the Coca-Cola system is, in one way or another, responsible for creating 8,700 full-time jobs, around 0.6 % of the entire workforce employed in Croatia. Additional 2,351 jobs are the result of the spending of these workers.



In terms of added value, Coca-Cola HBC Croatia generated 219m HRK in 2016 directly. Calculations suggest that, indirectly we generated a further 1,581m HRK, again through our suppliers (187m HRK) and distribution chain (1,394m HRK). The total added value generated is, therefore, around 1,800m HRK or 0.5 % of Croatian GDP. In terms of the multiplier effect, 1 HRK generated by Coca-Cola creates 7 HRK added value in the Croatian economy.



The total figure of 1,800m HRK is accounted for through salaries (460m HRK, of which 110m was the direct wage bill of Coca-Cola HBC Croatia); 166m profit (54m HRK directly made by Coca-Cola) and 1,173m HRK in taxes or 1 % of total tax revenues for 2016 (of which 109m HRK was paid directly by Coca-Cola).

The full study can be found here: [https://hr.coca-colahellenic.com/media/2585/socio-economic-impact-study-of-coca-cola-in-croatia\\_2016.pdf](https://hr.coca-colahellenic.com/media/2585/socio-economic-impact-study-of-coca-cola-in-croatia_2016.pdf)

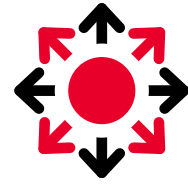


# Market

## OUR PRODUCTS<sup>13</sup>



We offer only the highest quality beverages tailored to the needs of our consumers.



We continue to seek opportunities to diversify our range of product in the face of changing consumer demand.

The remainder of our market share is derived from energy drinks (Burn, Monster-KO), juice still drinks (Cappy Pulpy), juices/nectars (Cappy), RTD tea (Nestea in 2017), sports drinks (Powerade), sparkling and still water (Roemerquelle) and a range of alcoholic drinks, which we have been distributing since July 2009.



Safety of our products is our main concern, therefore we operate according to the most rigorous food safety standards.

We provide sought after and accurate information of the composition and nutritional value of our products, with their calorific values prominently displayed on the packaging.

# 85 %

85 % of our market comes from the sales of carbonated beverages - Coca-Cola, Coca-Cola Zero, Fanta, Schweppes and Sprite, with Coca-Cola still, by far, our most important product (Figure 2).

Over time, the share of Coca-Cola Zero, the no-calorie beverage in total sales volume of sparkling beverages has increased from 5.0 % in 2015, to 5.3 % in 2016 and further to 7.2 % in 2017.

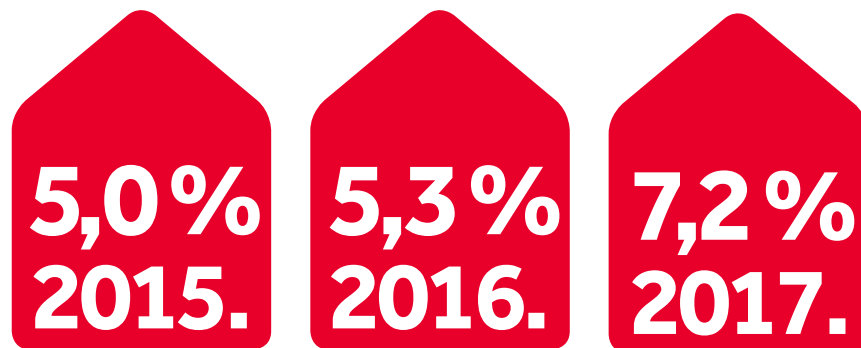
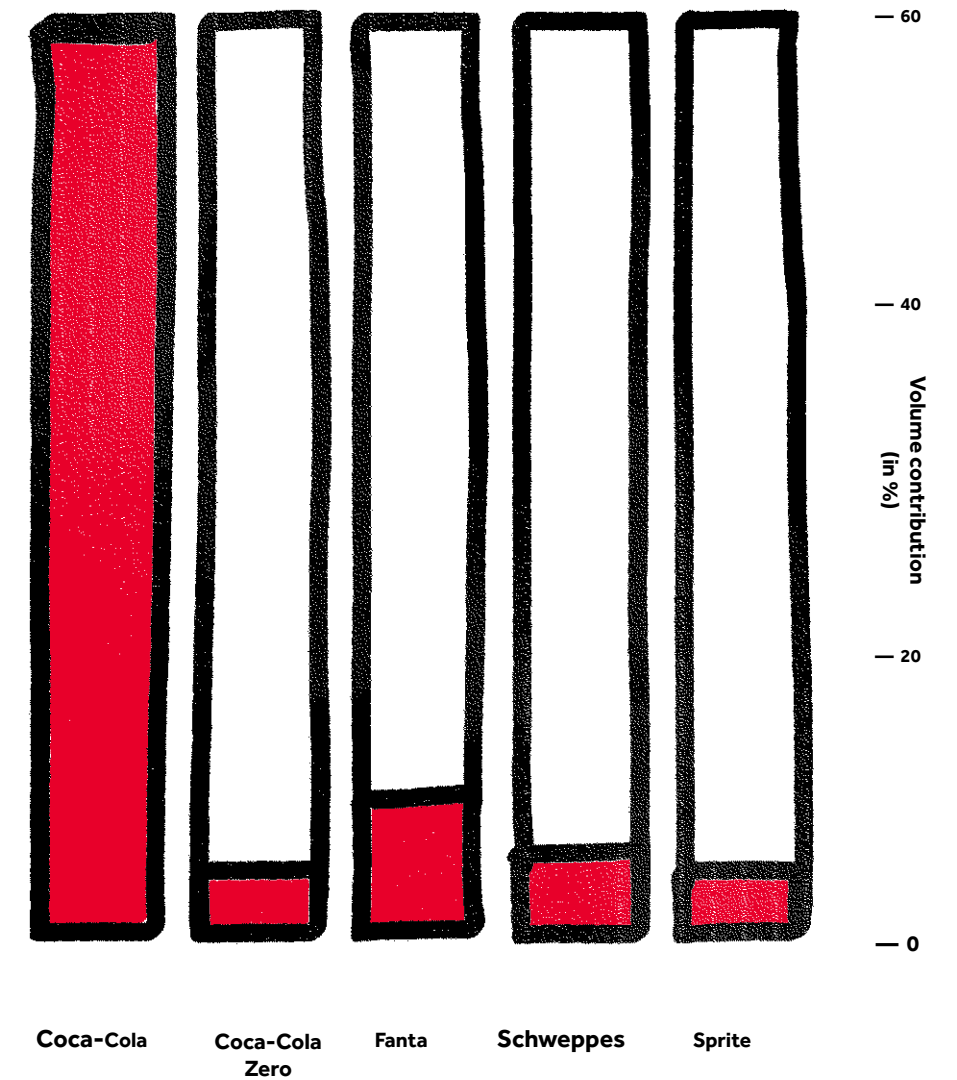


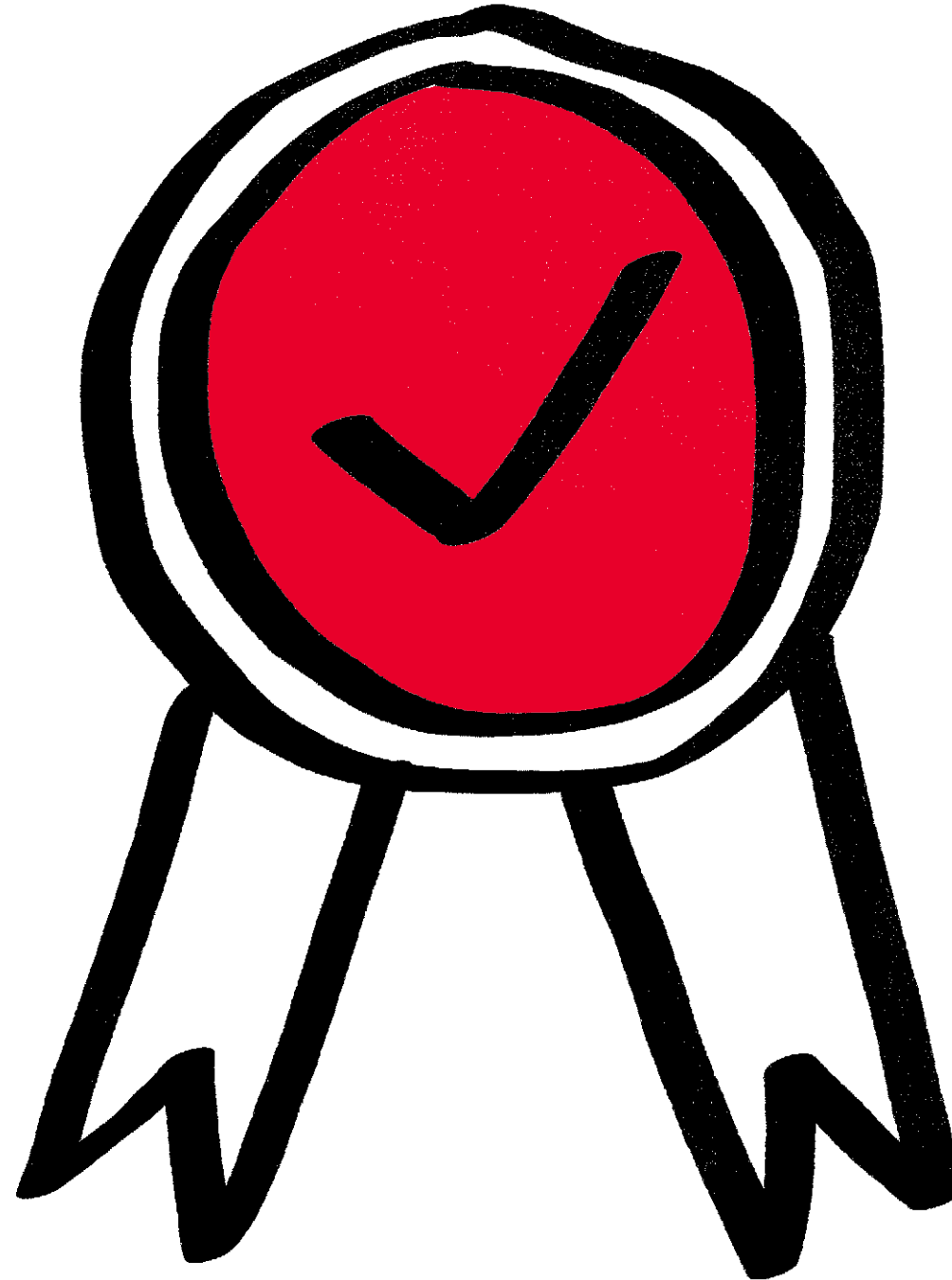
Figure 2: Volume shares of sparkling beverages by CC HBC Croatia



# PRODUCT QUALITY

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The integrity of our products means that at any moment we can offer the highest quality products and satisfy the needs of our customers and consumers.



The production process requires several steps, in order to ensure the health safety of products by applying strict quality control criteria.

The main stages of production include preparation of water and syrup and filling and packaging of products.

We hold six certificates and operate according to the stated international standards:

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### ISO 9001

an international standard that defines the quality management system requirements

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### ISO 22000

a voluntary standard for certification of safety management systems in the food production sector

### FSSC 22000

an internationally recognized scheme for certification of the food safety system in the supply chain, including: ISO / TS 22002-1: 2009 - Prerequisites for food safety Part 1: Food production, and ISO / TS 22002-4: 2013 - Preconditions Food safety programs Part 4: Manufacture of food packaging

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### ISO 14001

an international standard for identifying requirements for environmental management systems to enable the organization to develop and implement Environmental Policies

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### OHSAS 18001

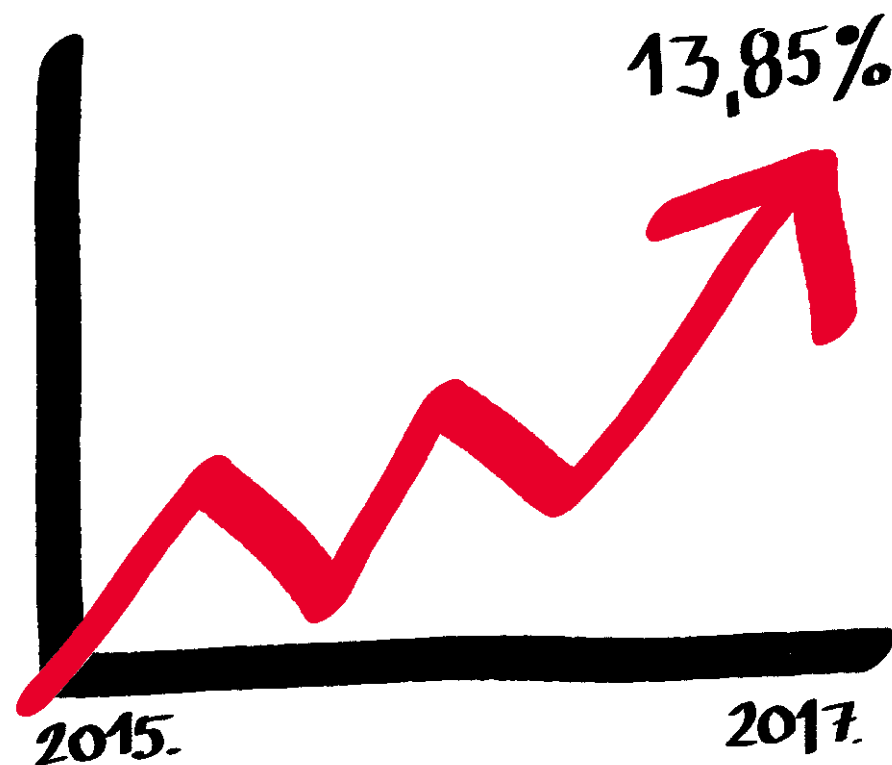
a system that ensures adequate control of occupational safety and health of workers

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### EWS

(the European Water Stewardship) which deals with the implementation of water management at the site level with an emphasis on understanding the impacts of users on the local river basin

## OUR ECONOMIC PERFORMANCE<sup>14</sup>



- Our net sales revenues grew steadily over the three years covered by this report showing a 13.85 % increase between 2015 and 2017.

- In terms of our economic bottom line, our revenues grew steadily over the reporting period (Table 5), while profit decreased in 2016, and then recovered again in 2017 (Table 6). It is the policy of the Coca-Cola Group not to disclose precise data on economic performance on a country-by-country basis. The overall economic performance of Coca-Cola HBC can be found at: <https://coca-colahellenic.com/en/investors/reports/2017-integrated-annual-report/>

- Since the last report in 2011, two bottling plants, in Solin and Gotalovec, have been closed as a result of negative market trends and the importance of consolidating production in a central location.

- As shown in Table 8 below, in each of the last three years, we have maintained share capital and share premium at a constant level, while our retained earnings decreased in 2016 due to increased costs and employee wages and compensations.

- Total monetary value of financial assistance we received from any government during the reporting period includes only tax credit, and Table 7 shows the values for the last three years.

- We are aware that our sustainability should not be taken for granted, and aim to constantly improve in all areas, including

investments, which have doubled in 2017 in comparison with the previous year (Table 3).

- Local suppliers are an integral part of our business<sup>15</sup>.

- Absolute spending on local suppliers has increased in 2017 in comparison with 2015. The ratio of domestic vs. foreign suppliers has been constant during the evaluation period: 83.51 % in 2015; 85.35 % in 2016 and 83.78 % in 2017.

- The balance between foreign and domestic suppliers has been affected by the revaluation of one previously domestic supplier to a foreign one, and the rapid expansion of the spirits business and the particular way in which all spirits partners are treated.

- Aside from the production and distribution of its beverages, the Coca-Cola System enables indirect economic activity in its local value chain, which includes its suppliers, trading partners and their suppliers. The accumulated value of all direct and indirect salaries, taxes, and profits impacted by the system in 2016 add up to €241 million, which is equal to 0.5 % of the total GDP.

- The Coca-Cola System directly generates €29 million of added value, while it indirectly creates €211 million of added value in the Croatian economy. This implies that for every euro of added value generated, the Coca-Cola System supports the creation of another €7 of added value in the Croatian economy.



- Each Coca-Cola employee supports a further 18 jobs within the value chain, which means that the Coca-Cola System in Croatia supports a total of 8,700 jobs. This equals to 0.6 % of total employment in the country. Most jobs are supported in the trade sector (5,900), of which 45 % in the HoReCa channel.

- Of the System's total GDP contribution, €157 million, or 65 %, are tax payments. Therefore, with its direct and indirect contribution, the Coca-Cola System secured 1 % of the total tax revenues in Croatia in 2016 (the data for 2017 is not yet available).

<sup>14</sup>102-7-iii, 102-10-i, 102-10-ii, 102-6, 201-4;203-1; 203-2; 204-1

<sup>15</sup>Local refers to the territory of Republic of Croatia and significant location of operation - refers to the production plant in Zagreb

Table 3: Extent of development of significant infrastructure investments and services supported

**CAPEX in Million HRK<sup>1</sup>**

	2015	2016	2017
CAPEX CF	17,133	15,728	33,721
Building & Land		0,756	0,594
Production Equipment	1,832	3,068	8,040
Coolers	7,788	9,447	11,150
Other Marketing Equipment	1,390	1,716	2,141
Fountains	0,260	0,144	0,308
Information Systems	2,184	2,025	2,675
Other	0,008	0,106	

Table 4: Amount spent on local<sup>17</sup> suppliers

Year	Total number of suppliers to whom we have sent PO in given year	Number of local suppliers to whom we have sent PO in given year	Total spent (HRK)	Spending on local suppliers (HRK)	Percentage of spending local / all suppliers
2015.	807	674	215 424 151	169 114 000	78 %
2016.	936	798	256 971 311	174 804 603	68 %
2017.	888	744	284 186 028	172 616 433	61 %

Table 5: Generated economic value – trends

**2015. = 100**

Directly generated economic value	2015	2016	2017
Revenues	100	104,5	113,6
Retained earnings	100	56,2	78,2
Distributed economic value	2015.	2016.	2017.
Business expenditures	100	108,1	118,1
Wages and benefits of employees	100	106,6	105,8
Payments to creditors	-	-	-
Taxes	100	82,2	76,2
Community investments	100	0	364,3
Retained economic value	100	56,2	78,2

<sup>16</sup> Average yearly exchange rate HRK/EUR by Croatian National Bank is used for the conversion from EUR<sup>17</sup> Local refers to territory of Republic of Croatia

Table 6: Our economic bottom line – trends

2015. = 100	2015	2016	2017
EBIT	100	49,5	78,5
Profit after tax	100	56,2	78,0

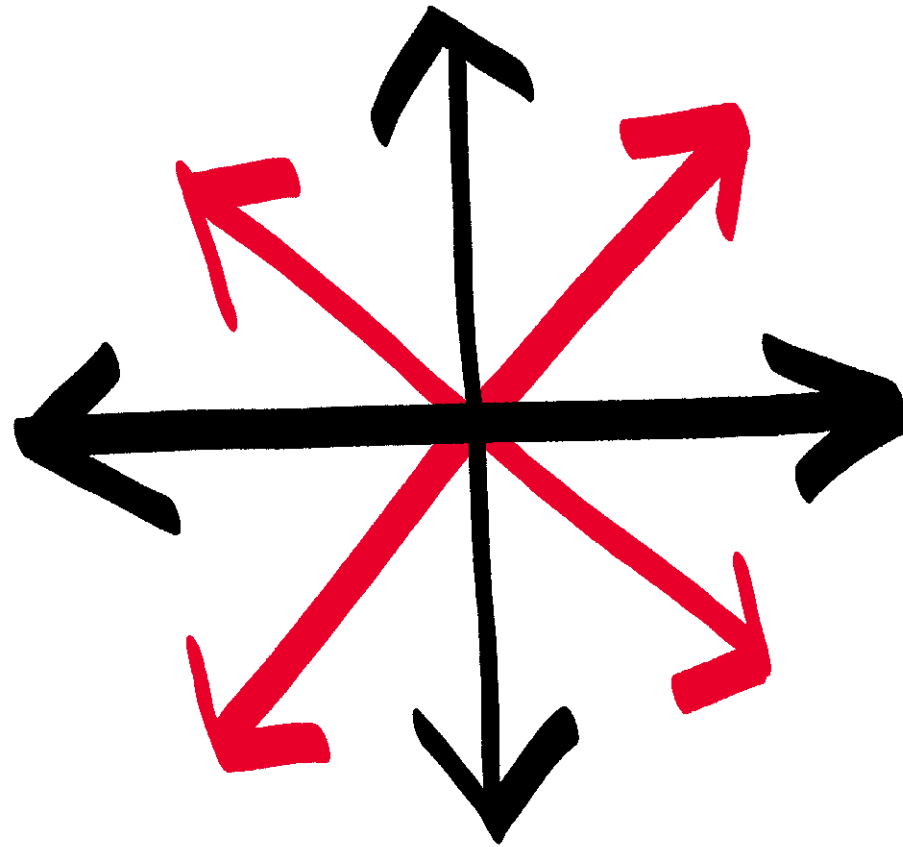
Table 7: Tax credits

Education and training incentive	Tax credit, in HRK
2015	369 182
2016	362 111
2017	285 062

Table 8 Share capital structure and other capital formation

Capital and reserves (2015 =100)	31. 12. 2015.	31. 12 2016.	31. 12. 2017.
Share capital	233 429	233 429	233 429
Share premium	3132	3132	3132
Other reserves	621	708	649
Retained earnings	52 294	29 390	40 874
Total	289 476	266 659	278 084

## OUR DISTRIBUTION CHANNELS<sup>18</sup>



- We offer our products to a wide range of sectors and customers throughout Croatia (Table 9).
- We constantly seek new opportunities to extend our supply and enable our customers to enjoy a diverse range of products.
- Our goal is to be the most desirable supplier of products.
- We actively support over 32,800 distributors throughout Croatia.
- Our prominent customers and beneficiaries include Billa, Blitz Cinestar, Burger King, Lidl, Konzum, Tisak, McDonalds, Spar, Kaufland.
- Our supply chain contains different groups of suppliers, divided into vendor account groups. Vendor account groups with whom the company has the majority of transactions are CC HBC Group Companies, CC HBC related companies, CC HBC Suppliers, for which the Procurement department is in charge.
- Other suppliers consist of CC HBC Other Creditors for which the Finance department is in charge and CC HBC Customers as Vendor, for which the Sales department is in charge.
- Our procurement is divided into Direct and Indirect spend. All CC HBC suppliers are split into Types of Industry, depending on the material or service they provide.

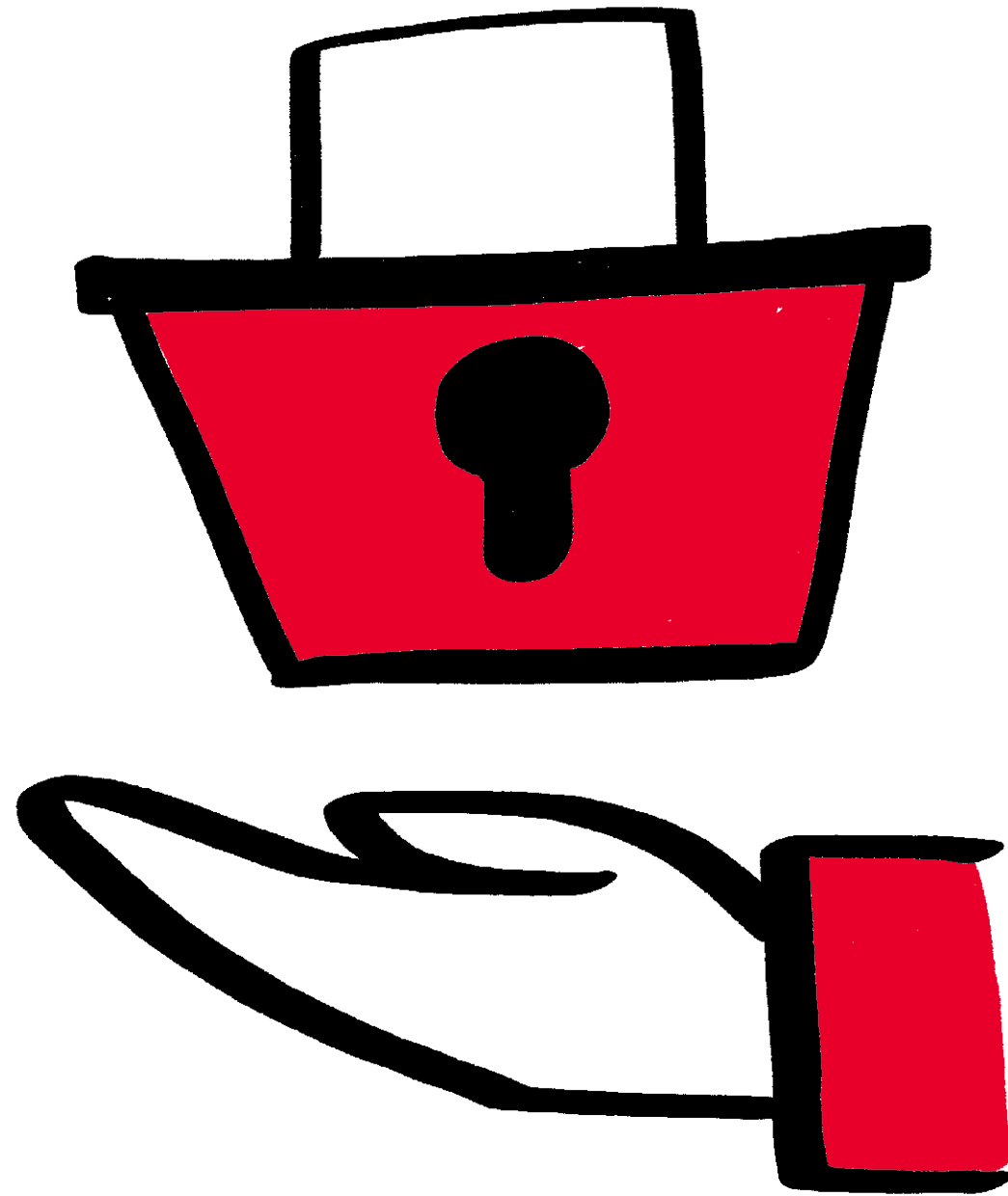
Table 9: Sectors served by CC HBC Croatia

SECTOR	EXPLANATION
At work	Eg. Canteen in a business building
Cash&carry	Wholesale without delivery
Education	Canteen in an educational building
HORECA	Hotels, restaurants and cafes
Kiosk	small "on-the-go" stores selling mostly newspapers and cigarettes
L&T	"Local and Traditional" are classical and specialised stores in neighbourhoods, selling general groceries, or are specialized like a butter shop, bakery or beverage shop, with maximum of 1000 square meters
Modern trade	Super and hypermarkets
Petrol	Petrol stations
WHS	Wholesalers, mostly suppliers of HORECA channel outlets, specialised for delivering goods.

- Our procurement department works closely with Group Procurement team, therefore there are many international and local suppliers within the company's supply chain.
- Our suppliers are from diverse geographical area, covering 31 countries.

- When it comes to changes within the supply chain or suppliers, no significant changes happened in the reporting period.
- In 2015 Slovenia joined our Business Unit. Working as one, our tendency is to gather volumes from all three countries to procure materials and services.

<sup>18</sup>102-6, 102-7, 102-9, 102-10-iii



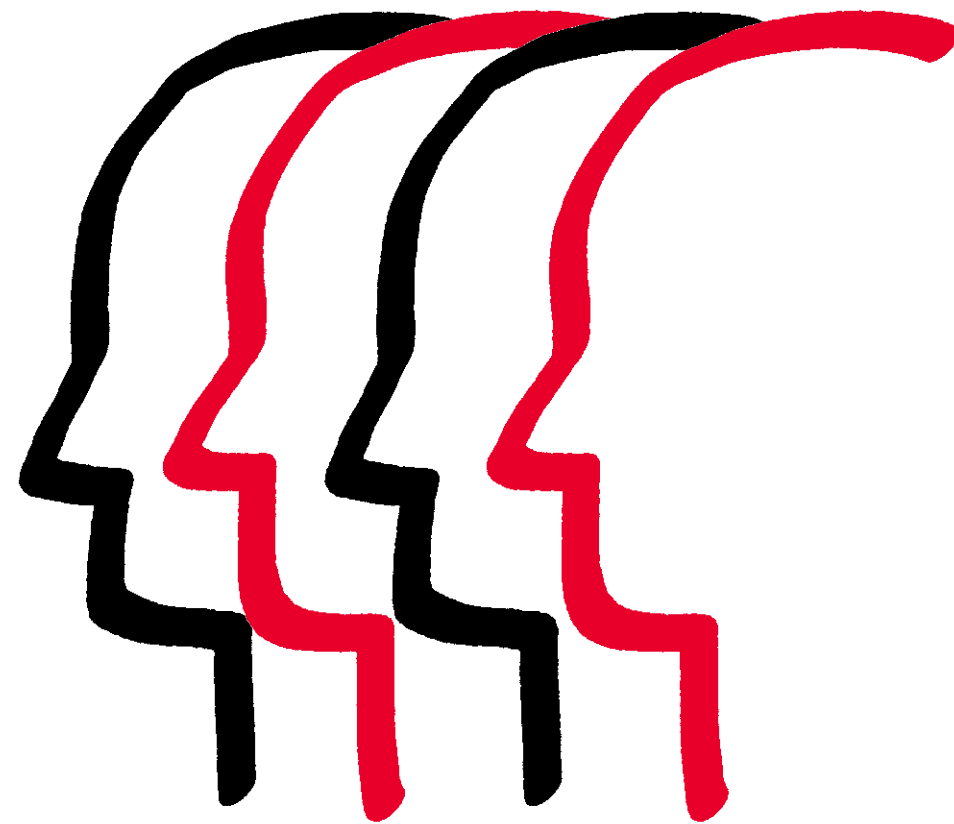
- We care for our customers, and their safety and satisfaction are one of our top priorities.
- Because of this we have strict procedural rules for following consumer's complaints and queries.
- Our operators in the call center receive complaints and start the process of resolving them.
- We take our consumers seriously and three complaints in one month on either: (i) the same product, (ii) a product with the same date of production or (iii) a product with the same packaging are cause for initiating the crisis situation resolution process.
- In order to respond to the growing expectations of our stakeholders, we strive to provide accurate, clear and easily accessible information about our products, their composition and nutritional value.

- In accordance with our Quality Policy and Food Safety, we provide specifications on:
  - the origin of the ingredients (raw materials),
  - the composition of products, including ingredients (raw materials) that may have an impact on the environment or people,
  - safe use of the product,
  - safe storage of the product,
  - the impact of waste disposal on the environment or people.
  - End-users can see the most important product information on the label of the product, along with information available on the company's website.
- Coca-Cola HBC Croatia adheres to all local legal requirements related to the declaration and labelling of products and the provision of product information to consumers, so all packaging of our products contains information on the average nutritional value (energy, fat and saturated fatty acids, carbohydrates and sugars, proteins and salt), which best represent the amount of nutrients contained in food, including all factors that cause deviations from the real value.
- During 2015, 2016 and 2017, Coca-

- Cola HBC Croatia has not recorded any consumer complaints regarding non-compliance with the regulations when it comes to correct and complete product information, which is the best indicator of the success and practice the company implements in this part of the business.
- There were also no substantiated complaints concerning breaches of customer privacy in the reporting period.


# Workplace

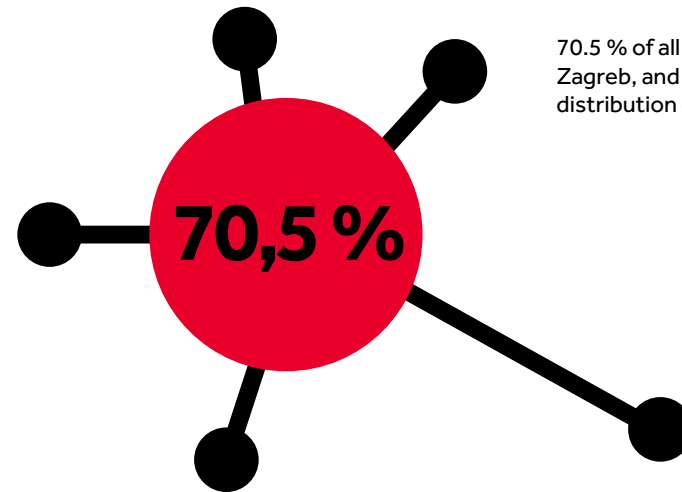
## OUR WORKFORCE<sup>20</sup>



Although the number of employees on temporary contracts has increased slightly, from 35 in 2015, 40 in 2016, to 45 in 2017, 90 % of the workforce is still employed on permanent contracts.

51 % of senior managers are locals (i.e. from Croatia or have Croatian citizenship) and all are settled in one location – Zagreb.<sup>21</sup>

**90%** 



70.5 % of all employees are based in Zagreb, and the remainder across five distribution centres.

- The majority of employees (some 73 %) are aged between 31–50, with 11 % aged under 30 and 16 % aged over 50. Again, the proportions have not changed significantly in recent years, apart from a small, natural, increase in those in the older age group.
- 16 % of the female workforce is aged under 30, compared to 9 % of the male workforce.
- Only 3 employees work part-time, one male and two females.

- Compared to 2010, when we employed a total of 672 people, we have contracted our workforce concentrating on our core business. Many of the lorry drivers delivering beverages or fridges, as well as former cleaning staff, still work with company although not as formal employees.
- Whenever we have closed operations, we have worked in close co-operation with workers' representatives and, in cases where redeployment was not possible, we have offered generous severance packages and support in finding new employment.

 **2017** **450,55**

Coca-Cola HBC Croatia employed 450.55 people (as Full-time equivalent) as of 31 December 2017, a slight increase on both 2015 (434.27 persons) and 2016 (445.37 persons).



In 2017, 76 % of all employees were male, with no significant change from 2015 or 2016.

<sup>20</sup>102-7; 102-8; 102-10; 202-2

<sup>21</sup> For the purpose of this report for calculation of senior management we use Lead team members, for significant locations of operations we use all locations that our employees are settled in.



- We want to attract, motivate and retain talented people, giving them fair recognition for the work they do.
- We remain one of the most desired employers in Croatia, offering remuneration packages that are fair, transparent and highly competitive in relation to our peers.
- We link remuneration to our strategic objectives and to our sustainability performance.
- We remunerate employees based on transparent pay scales, offering variable pay based on performance.
- A proportion of the salary of our managers is tied to the achievement of business objectives, including both short-term and long-term incentives to grow the company's value and to improve sustainability performance. Managers are assessed monthly in terms of the extent to which they have fulfilled Key Performance Indicators (KPIs).
- Sustainability is a key part of planning performance targets and the way they are achieved. Among other criteria, management team members are evaluated in accordance with progress achieved in the field of social responsibility.
- A Collective Agreement is in place covering wages and benefits, including additional holiday payments, vacation allowances, and so on. All employees are covered by the Collective Agreement.

Table 10: Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees

MEDIAN ANNUAL TOTAL COMPENSATION FOR ALL EMPLOYEES (HRK)	133 645	135 263	140 492
% of median compensation in relation with highest-paid individual's compensation	17,4 %	16,9 %	23,0 %

- Standard benefits for full-time employees include disability coverage, parental leave and retirement provision.
- All employees are covered by health care insurance due to local legislation.
- The minimum base salary according to the Collective Agreement is 3,588.89 HRK net and is used to calculate remuneration rates for specific jobs, based on an assessment of complexity and working conditions.
- The minimum number of weeks' notice typically provided to employees, and representatives of employees prior to the implementation of significant operational changes was two in the whole reporting period, which is more than required by legislation.
- Notice periods and provisions for consultation and negotiation are not specified in the Collective Agreement but are agreed internally.
- In 2017, the median annual gross salary across the company was 140,492 HRK, an increase of 3.86 % in comparison with 2016.
- Median gross monthly salary is therefore around 11,708 HRK, which is almost 23 % higher than average gross salary in drinks production in Croatia.
- In 2017 the ratio of median salary compared to the gross salary of the highest paid individual in the company was 0.23:1. The reduction of this ratio in 2017 was the result of the previously highly paid individual leaving the company. (see Table 10).
- We pay equal salaries to men and women for equal work. In the departments that have both male and female staff, women earned on average more than men in six departments in 2017 (Human resources – 108 % of men's wages; Other Admin – 109 %; Production, Sales and Warehouse – all 114 %; and Marketing – 125 %) and less than men in two departments (Distribution – 75 %; and Finance – 91 %). In all cases, the differences relate to differences in qualifications, responsibilities and years of service.
- For managerial positions, a base salary is defined in gross amount and is set at levels in correspondence with the market value and situation (i.e. level of skill and experience, demand for skill, as well as performance in role, market circumstances).
- Employees contribute 20 % of their salary to the pension fund. All employees are included in the first and second pillars of the pension system. The first pension pillar deducts 15 % of employee's gross salary and the second one 5 %. Pension system in our country is mandatory, but there is also a third pillar that is voluntary.

<sup>22</sup>102-35; 102-36; 102-37; 102-38; 102-39; 102-41; 202-1; 201-3; 405-2





One of our top priorities is the health and safety of our employees, underpinned by a commitment to 'Safety First' principles at all times. We constantly work on raising awareness across our entire workforce, and external affiliates where applicable, on all matters relating to health and safety. We have an annual, week-long campaign on health and safety at work. This is carried out across the entire Coca-Cola HBC Group and was held in 2015, 2016 and 2017 in Coca-Cola HBC Croatia. Overall, almost 50 % of those surveyed in 2017 stated that the training has had a positive effect.

Other programmes implemented in relation to health and safety include:

- **Top 10 Fatalities Programme** – a preventive programme focusing on the ten common factors that can lead to death or serious injury at work.
- **Fall Prevention Programme** – introducing specific preventive measures to reduce falls at work.
- **Occupational Safety Discussions** – a programme of internal workshops where managers and workers discuss health and safety topics. Thus far, some 28 managers from the Production and Sales Departments have been involved in these discussions.
- **Safe Step** – a programme of regular monitoring of specific locations to observe anything that poses a potential risk to workforce health and safety. Corrective actions are taken to mitigate these risks immediately and workers who take part in these inspection teams also have their awareness of health and safety issues raised.
- **Near miss** – a reporting programme for situations where an accident 'almost occurred'. There has been an annual growth of around 5 % per year of employees signing up for this programme. We offer a prize four times a year for the best reported near miss.

- **Safe Driving** – a programme that seeks to influence the behaviour of our employees and others in road traffic through the use of MobilEye and GPS technologies. Every month, we issue a safe driving report and those who have not fully met rules of safe driving are issued with a warning.
- **CAPEX programme** – this concerns capital investment in health and safety including the procurement of new equipment, the upgrading of existing systems, and building work to improve working conditions.
- **Best driver prize** – awarded four times a year.

More generally, there are robust internal and external controls, inspections, and constant monitoring of employees' behaviour to ensure that all respect prescribed safety procedures.

In accordance with internal procedures and statutory obligations, any incident that occurs must be reported to the immediate supervisor or the person in charge of occupational safety. After that, at a joint meeting, management prepares a Remedial Action Plan for each individual injury and periodically monitors progress in terms of the proposed actions. Information on injuries is sent to all relevant departments including Senior Management, relevant public authorities (the Labour Inspectorate), as well as the CC HBC AG work safety manager.

## OUR HEALTH AND SAFETY RECORD<sup>24</sup>

The rate of workplace injuries is low and falling. In 2015 there were a total of 6 workplace injuries (4 at work and 2 on the way to/from work). In 2016 this reduced to 5 injuries in total (all at work). In 2017, remarkably, there was only 1 injury reported (to/from work). The rate of work injuries, a formula recognized to allow for comparisons between companies and sectors, shows a rate of 1.44 in 2015; 1.2 in 2016 and 0.24 in 2017. In 2015 and 2016 the rate for males was higher than that for women; in 2017, the only reported accident happened to a female employee (a road traffic accident, still the most common cause of injury in each of the reporting and baseline years).

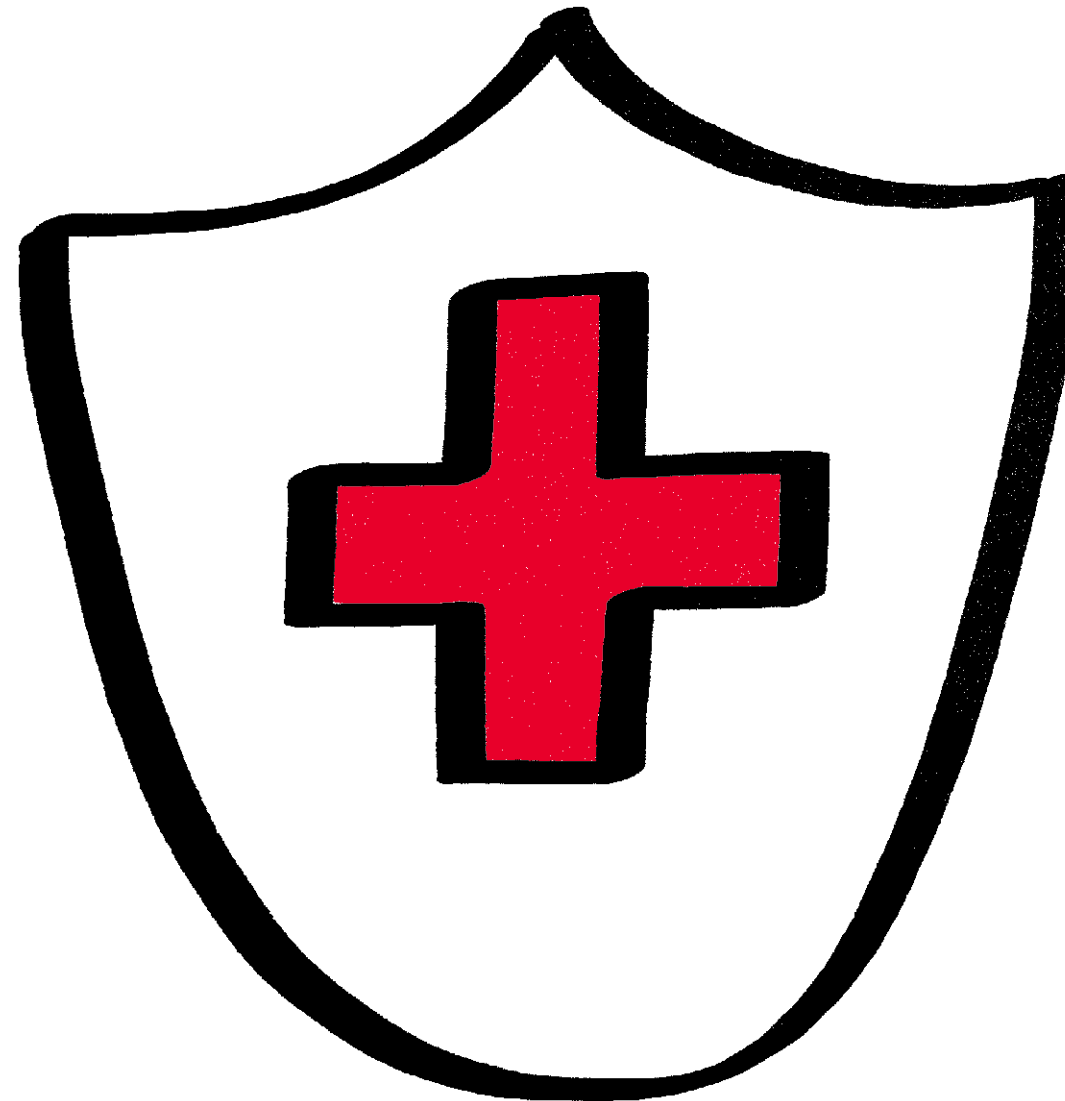
In terms of days lost through injuries at work per employee, this has also been drastically reduced from 0.572 in 2015 (when a total of 247 days was lost) through 0.239 in 2016 (107 days lost) to a remarkable 0.035 (16 days lost) in 2017. Although there is absolutely no room for complacency, there is a distinct possibility in the coming years that the rate of accidents at work would be reduced to zero.

We also monitor injuries at work of our suppliers and contractors, who are obliged to report any accidents at work to the relevant health and safety manager. We work with contractors on prevention programmes, risk assessments and remedial measures after an accident has occurred. Managers are required to report the total number of working hours of our external associates on a monthly basis, and the same reporting procedures for injuries at work are in place as for our direct employees.

Regular trainings, at least on an annual basis, on health and safety issues are offered for subcontracted workers in warehouses, distribution network drivers; cleaners; kitchen workers; security staff; and others. Any occasional contractor is also provided with advice and, sometimes, training, before undertaking a subcontracted task.

In terms of statistics, there was one work related accident in 2015; two in 2016; and one in 2017. Three of the four were transport related and one, in 2015, related to the handling of goods.

## GOVERNING HEALTH AND SAFETY<sup>25</sup>



Health and Safety Board composed of 5 people oversees our health and safety at work. It consists of one member nominated by the employer, one health and safety representative, one representative nominated by the Worker's Council, a specialist occupational medicine doctor and a health and safety specialist. The Board can steer new initiatives and has an important advisory and review function, oversees policies, programmes, trends, individual reports, and so on.

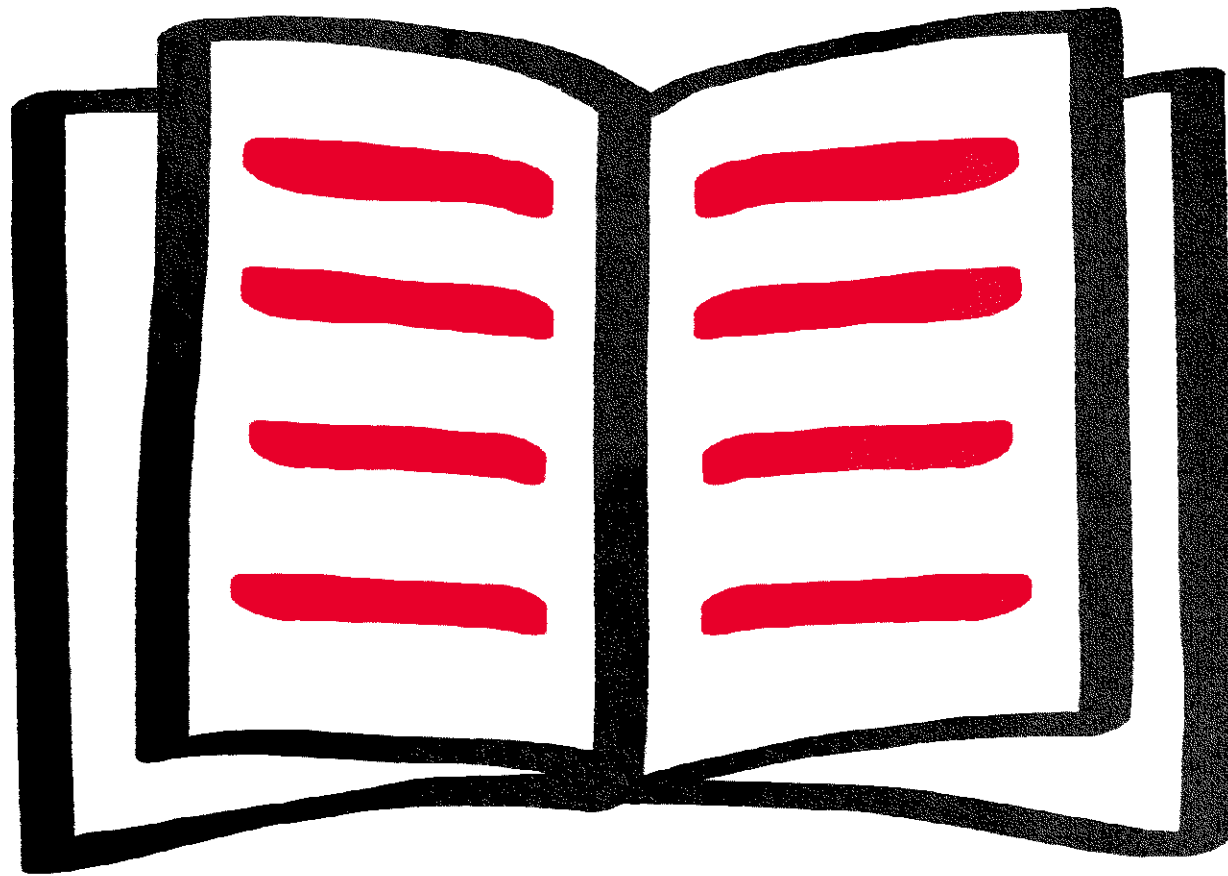
Based on the collective agreement, all employees receive an annual medical check-up<sup>26</sup>. Currently 68 workers (14 % of the workforce) receive additional check-ups based on an assessment that their work positions pose an additional risk. On receipt of the relevant reports from the check-ups, actions plans are drawn up where necessary and, in some cases, changes in work position are made to reduce health risks. Annual purchases of ergonomic desks, equipment that is easier to handle, and protective clothing and aides are agreed to improve our health and safety record further.

<sup>24</sup>403-2

<sup>25</sup>403-1

<sup>26</sup>403-3

All employees, depending on current needs, have a chance to be educated through different training programmes.



- All employees, depending on current needs, have a chance to be educated through different training programmes.
- Our approach to employee development is focused on on-the-job learning (the 70-20-10 approach), which means that all employees go through a certain level of education throughout the year.
- All employees that are included in the Performance Management and Development Cycle have custom-made individual development plans that define training and education that they will go through in the current year.
- Table 11 contains the total training hours of our employees and shows our dedication to developing our people to their full potential.
- To accelerate the development of our employees with leadership potential, we offer experiential learning to build new skills through our talent programmes. In 2017, we redesigned three Fast Forward programmes – programmes of accelerated development and preparation for future positions.
- We also upgraded our management trainee programme with an aim to make it more relevant for the new generation of graduates and a more effective entry point for our leadership pipeline.
- Our leadership plays an essential role in ensuring that we have the best people in every position, with every leader accountable for attracting, developing, retaining and engaging the right talent and then empowering them to execute our strategy.
- The number of participants in both programmes is given in Table 12.
- As our programmes and tools have been improved and streamlined, our leaders have become even more motivated and engaged.
- We have identified where learning has had the most impact and where development is needed, focusing on prioritised skills and performance differentiators that can accelerate the performance of all our employees.
- Our leadership programmes (Passion to Lead, LEAP, EXCEL) are increasingly blended, using technology to engage wider communities, with line manager resources to sustain development and maximise learning from critical work experiences.
- We also run outplacement programs that are offered as an aid to employees in case of contract termination (in specific cases for contract termination such as restructuring). The process is done with the assistance of an external (headhunting) agency.
- The performance standards for each leadership level within the organization create a line of sight between our values and our results.
- In 2017, the percentage of employees who had regular performance and career development reviews increased by 27 percentage points, as Business Developers got included in the process (Table 13).

Table 11: Total training hours for CC HBC Croatia employees

Training hours	2015	2016	2017
Total training hours:	5913	3587	5485
Training hours for MS & MSP leadership layer	3455	1724	1772
Training hours for MoO leadership layer	1631	1317	722
Training hours for MoM leadership layer	695	511	2867
Training hours for CFH leadership layer	124	25	121
Female training hours:	n/p	1330	1298
Male training hours:	n/p	2256	4186

Table 12: Number of participants in Fast Forward and Leadership & Management programmes

	2015	2016	2017
<b>Number of Fast Forward participants (total)</b>	<b>0</b>	<b>17</b>	<b>13</b>
Number of FFWD 1 participants	0	7	6
Number of FFWD 2 participants	0	10	3
Number of FFWD 3 participants	0	0	4
<b>Leadership &amp; Management programmes</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
LEAP	0	3	5
Excel	1	2	1
Passion 2 Lead	0	16	8

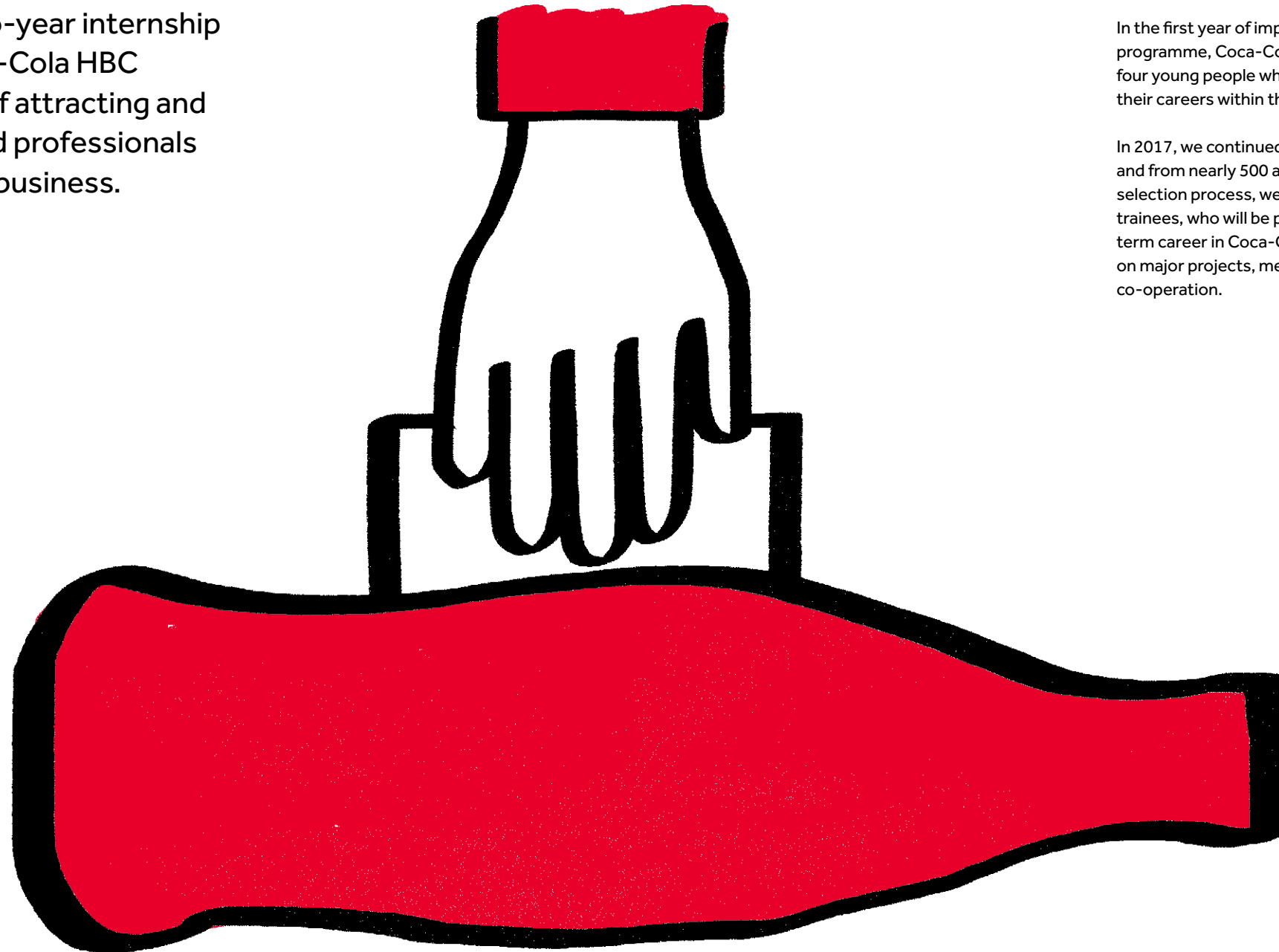
Table 13: Percentage of employees with regular performance and career development review

YEAR	2015	2016	2017
<b>% OF TOTAL EMPLOYEES</b>	<b>33 %</b>	<b>36 %</b>	<b>63 %</b>
Gender			
Male	64 %	59 %	77 %
Female	36 %	41 %	23 %
<b>EMPLOYEE CATEGORY</b>			
Manage Self/Manager Self Professional	43 %	41 %	65 %
Manage Others	42 %	43 %	23 %
Manager of Managers	11 %	12 %	9 %
Function Head	4 %	4 %	3 %

## CAREER FROM THE BOTTLE

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Career from the bottle is a two-year internship programme launched by Coca-Cola HBC Croatia in 2016 with the goal of attracting and developing young and talented professionals for key positions in our future business.

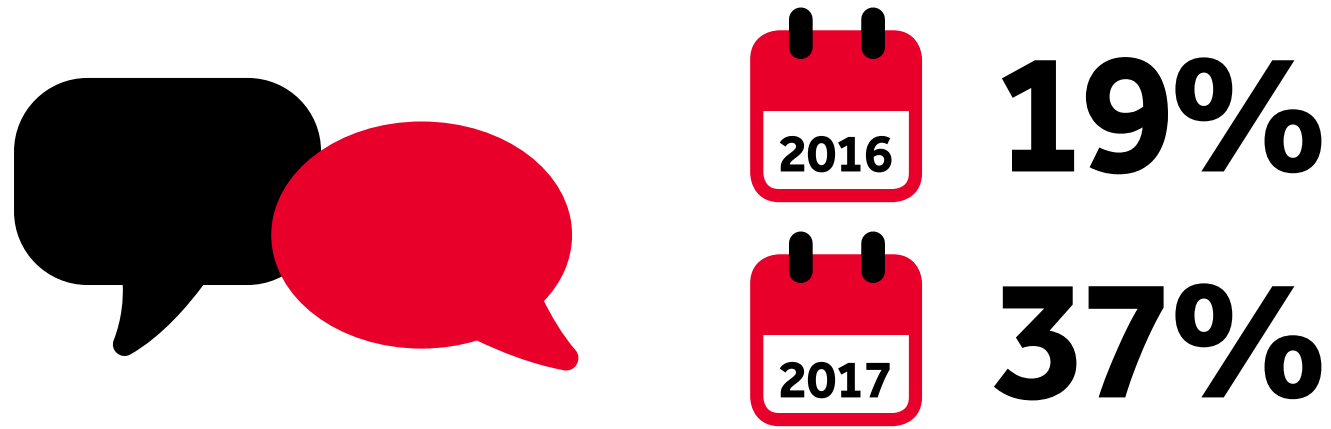


In the first year of implementation of the programme, Coca-Cola HBC Croatia hired four young people who continue to build their careers within the Coca-Cola system.

In 2017, we continued with the programme, and from nearly 500 applicants after the selection process, we employed five trainees, who will be prepared for a long-term career in Coca-Cola HBC through work on major projects, mentoring and leadership co-operation.

Our target population is young, highly educated, candidates with less than two years of work experience, who show the potential for accelerated development by taking over managerial positions in the enterprise. Programme mentors are provided to help them manage their careers and develop the skills they need, as well as project mentors who support them in the design of an assigned project in a specific area. Trainees go through the development cycle of employee tracking, identifying their key strengths and areas of development, and adapting their development plan to ensure maximum performance at the current workplace and faster readiness to take over the next job. This programme is unique at the level of all 28 Coca-Cola HBC countries and programme participants go through a standardized training programme, meetings with senior management, networking events and other similar activities.

## CARING FOR OUR EMPLOYEES<sup>28</sup>



- We typically give two weeks' notice to employees and to elected representatives of the employees prior to implementation of significant operational changes that could substantially affect them.

- Notice periods and provisions for consultation and negotiation are not specified in the collective agreement but are agreed internally.

- We typically provide longer notice than required by legislation.
- Parental leave is an important part of the care for our employees.

- In 2017, 6 employees took parental leave and 11 employees returned from parental leave. One employee was not retained 12 months after returning to work. In

comparison to the previous year the total retention rate increased from 80 % to 91 %. Non-retention was caused by organizational changes during the absence of the employees (Table 14). Aside from retaining our employees, we are also committed to attracting new prospective young talent.

- In 2016 we hired 19 % more new employees than in 2015, and in 2017 we hired 37 % more than in 2016.

- From 52 new employees in 2017, 56 % were aged 30 or younger, the rest were between 30 and 50 years old.

- These shares fluctuated between 50 and 60 percent in 2015 and 2016 as well, always in favour of younger employees.

- Number of new employees in 2015 amounted to 7 % of total number of employees, 9 % in 2016 and 12 % in 2017.

- In 2015, 75 % of employees were male, in 2016, 67 % were male and in 2017, 60 % were male.

- Distribution of new employees by location is given in Table 15.

- In 2017, 45 people left the company, the majority from our locations in Zagreb (67 %) and Rijeka (18 %). The majority of leavers were in the age group 30–50.

Table 14: Parental leave at CC HBC Croatia

YEAR	GENDER	Total number of employees that were entitled to parental leave	Total number of employees that took parental leave	Total number of employees who returned to work after parental leave ended	Total number of employees retained 12 months after returning to work following a period of parental leave	Total return rate (after parental leave)	Total retention rate (after parental leave)
2015	M	331	0	0	0	0 %	0 %
	F	104	16	14	14	88 %	100 %
	Total	434	16	14	14	88 %	100 %
2016	M	336	1	1	1	100 %	100 %
	F	109	13	12	11	92 %	92 %
	Total	445	14	13	12	93 %	92 %
2017	M	344	1	1	1	100 %	100 %
	F	106	12	10	9	83 %	90 %
	Total	451	13	11	10	85 %	91 %

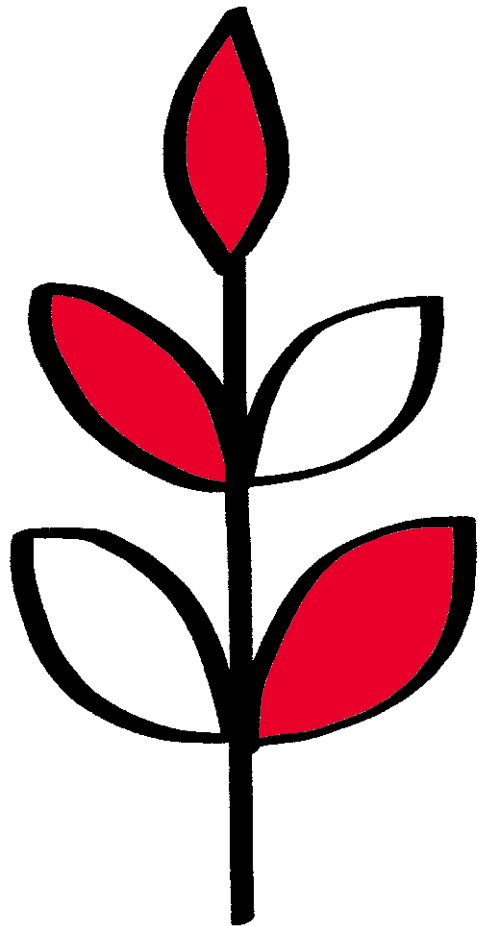
Table 15: Distribution of new employees by location

Ages	Zagreb - Žitnjak	Metković	Požega	Rijeka	Solin	Zadar	Zagreb	Grand Total
30–50	65 %	62 %	86 %	80 %	74 %	84 %	76 %	76 %
Over 50	31 %	38 %	9 %	12 %	19 %	9 %	14 %	15 %
Under 30	4 %	0 %	5 %	8 %	7 %	6 %	10 %	9 %
Grand total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

<sup>28</sup>402-1;401-1; 401-3

# Environment

## OUR ENVIRONMENTAL FOOTPRINT<sup>29</sup>



Protection of the environment and sustainable use of natural resources is one of the major challenges facing all companies who want to make their business sustainable. Managing our environmental footprint and preventing damage to the environment, through pollution or CO2 emissions, is one of our most important commitments. We seek to maximise synergies with a range of stakeholders to develop an approach to Environmental Sustainability that is consistent, coherent and that yields results.

As brought out by the survey on Material Issues, our priorities at the national level match those of the global Coca-Cola system, emphasizing four key environmental themes, all of which are central to our operations:

- Managing water resources
- Saving energy and protecting the climate
- Sustainable packaging and recycling
- Waste management

Our overarching goals in terms of the environment are:

- To reduce continuously the direct impact of our business on the environment and to reduce the indirect impacts of our suppliers and partners;
- To be a leader in the sustainable use of water, energy and packaging and to be a leader in the field of climate protection.

Table 16 below shows the headline trends in terms of our environmental performance. We compare 2010 to 2017 because 2010 is used as the base year for assessing our environmental performance in terms of company-wide targets for 2020. Importantly, we express all our figures per litre of beverage produced (Lbp) as this is the only way that makes it possible to truly compare individual years regardless of our total sales.

Table 16: Water and energy used and waste production

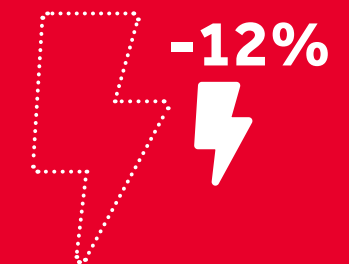
	Water use (L/Lbp)		Energy use (MJ/Lbp)		Waste produced (g/Lpb)		Recycled waste (%)	
	2010.	2017.	2010.	2017.	2010.	2017.	2010.	2017.
Zagreb bottling factory	1,78	1,58	0,40	0,42	8,82	4,37	93,87	98,44

Between 2010 and 2017 we have succeeded in achieving:

- A reduction of 11 % in water consumption
- A reduction of 50 % in generated waste
- An increase in recycling/waste recovery of 5 %

Unfortunately, over the same period we have witnessed:

A 5 % increase in energy use. However, if we compare energy use in 2015 with 2017, we have achieved approximately 12 % reduction in our energy use.



<sup>29</sup>302; 303



We work according to all applicable Croatian laws and regulations relating to environmental protection. In September 2016 we were awarded an Environmental License that covers all aspects of our environmental footprint. In April and May 2017, our facilities in Zagreb were the subject of a coordinated inspection. In total seven environmental inspections took place aimed at preventing or minimizing environmental risks as much as possible as well as preventing accidents that could endanger human health and/or damage the environment. We obtained a clean bill of health, with no negative findings whatsoever.

In environmental management, we operate according to the internationally recognized ISO 14001 system of environmental standards, together with a number of internal Coca-Cola HBC policies and rules:

**Environmental Policy**

<https://hr.coca-colahellenic.com/media/2408/coca-cola-hbc-environmental-policy.pdf>

**Policy on Climate Change**

<https://hr.coca-colahellenic.com/media/2405/coca-cola-hbc-climate-change-policy-statement.pdf>

**Packaging Waste and Recycling Policy**

<https://hr.coca-colahellenic.com/media/2404/coca-cola-hbc-post-consumer-packaging-waste-management-policy.pdf>

**Water Stewardship Policy**

<https://hr.coca-colahellenic.com/media/2414/coca-cola-hbc-water-stewardship-policy.pdf>

**Fleet Safety Policy**

[https://hr.coca-colahellenic.com/media/2409/coca-cola-hbc-fleet-safety-policy\\_2010.pdf](https://hr.coca-colahellenic.com/media/2409/coca-cola-hbc-fleet-safety-policy_2010.pdf)

All employees are part of our commitment to environmental protection. Every new employee, on arrival, receives an introductory training including a compulsory part on environmental protection.

During 2017, we also held a series of trainings designed to improve the competence of our employees in this field. These trainings included:

- Training on Environmental Protection and Reporting Potential and Real Losses of Ecological Resources,
- Training on Good Practice in Production and Warehousing, including aspects relating to the environment,
- Training on Managing Dangerous Chemicals and Other Hazardous Materials combined with Emergency Drills in the Case of Spillage.



## OUR ECOLOGICAL PARAMETERS

The following ecological parameters are followed in our bottling factory:



**Water usage**  
(in litres per litre of produced beverage)



**Recycled /recovered waste**  
(percentage of recycled/recovered waste in relation to total generated/produced waste)

Coca-Cola HBC and Coca-Cola HBC Croatia also introduced a new leading environmental parameter - Near Loss in 2014. This new parameter was introduced to raise workers awareness and improve the results of other parameters and consists of discovering possible losses of environmental resources and dealing with them in a timely manner. Using this parameter during the last three reporting years, we achieved excellent results in terms of the percentage of successfully completed actions - 76 % in 2015, 77.7 % in 2016 and 97.7 % in 2017.

Our efforts to achieve the goals of reducing energy consumption, water, quantities of generated waste and increasing the percentage of recycled/recovered waste contribute to the achievement of long-term targets set at the level of the entire CC HBC AG Group. These are discussed in more detail in the final section of the report. The achievement of targets is monitored on a weekly, monthly, quarterly and annual basis, and our management, as well as the Coca-Cola HBC group, reports on them. It is important to point out that all departments are involved in planning, monitoring and meeting our environmental targets: administration, production and warehousing.



**Energy consumption**  
(in MJ or kWh per litre of produced beverage)



**The amount of waste disposed of on the municipal waste landfill**  
(in grams per litre of produced beverage)



**Total generated/produced waste**  
(in grams per litre of produced beverage)

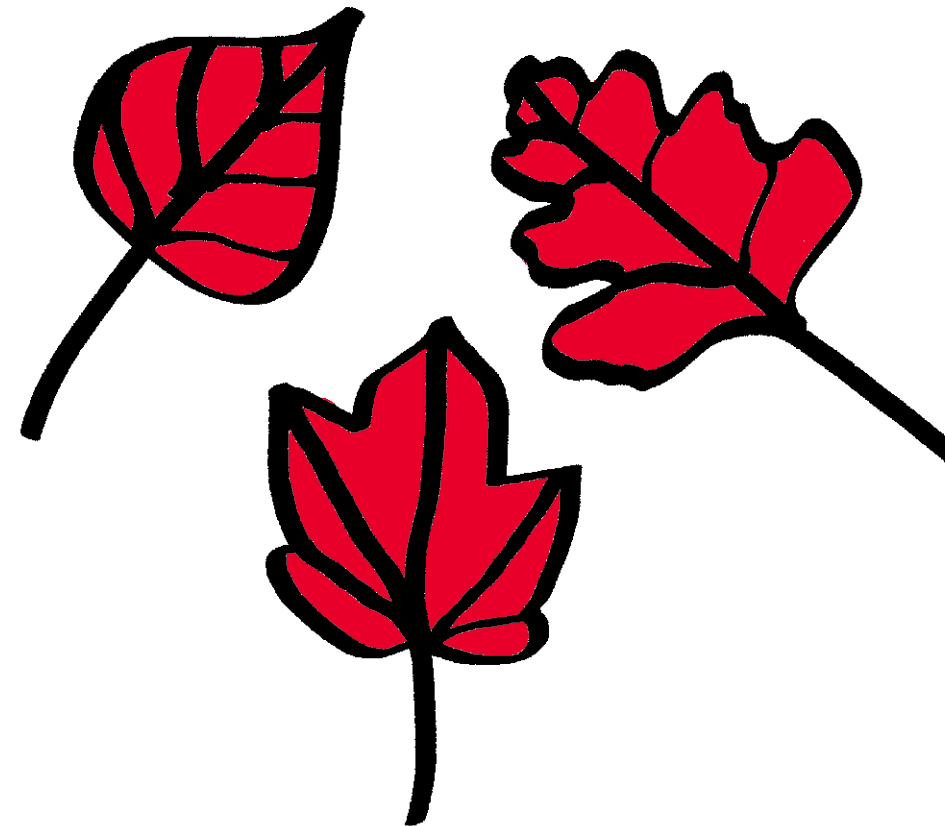
## BIODIVERSITY

We monitor the impact of our business on protected areas and areas of highly valued biodiversity with the utmost care.

Coca-Cola HBC Croatia occupies a total of 26,000 m<sup>2</sup> and within a radius of 25 km from our bottling plant, according to the Croatian Environmental and Nature Agency, there are places that are subject to the highest levels of environmental protection – Medvednica and Žumberak Nature Parks; as well as the Samobor hills, 7 natural monuments, 27 architectural park monuments, 13

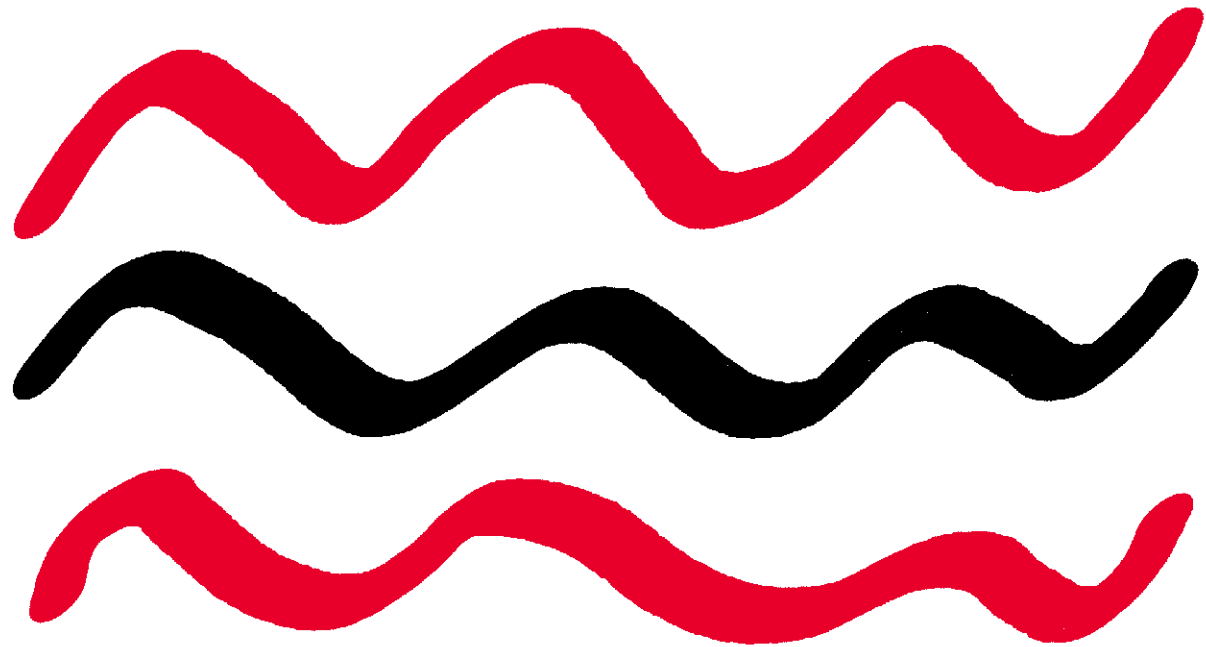
conservation areas important for particular plants and 3 Croatian Ecological Network areas deemed of particular importance for bird life and conservation.

All our operations in our bottling factory are carried out in accordance with recognised standards on protected habitats and natural areas. There has been no noted instance of our negative impact in these areas. There are no endangered species either on the national or the IUCN list near to our bottling plant.



## WATER STEWARDSHIP

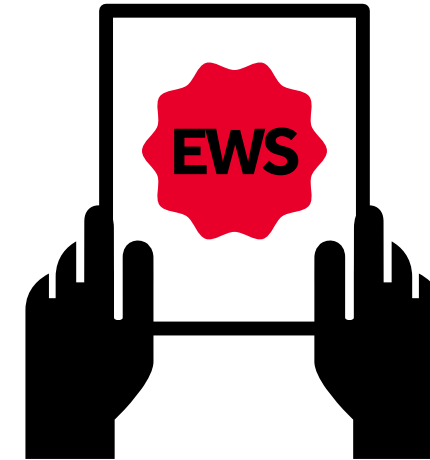
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Water resource management is one of the key factors in the process of maintaining and improving the sustainability of our business. Apart from being the basic ingredient of our products, water is also essential in our production process and is vital for the cultivation of agricultural products that become our ingredients. Water is also of vital importance to the community in which we are present, and because of all this, the responsible management of water resources through all of our processes and our supply chain is a matter of great importance to us.

For Coca-Cola HBC, a detailed Source Vulnerability Assessment (SVA) analysis was carried out, based on which a Source Water Protection Plan (SWPP) is developed to ensure sustainability. At the international level, Coca-Cola HBC AG is one of the signatories of the UN Global Compact and its CEO Water Mandate. The purpose of this initiative is to manage water resource sustainability issues in areas of operation, the supply chain, and in communities and to work closely with governmental and non-governmental organizations in shaping public policies in this area. Coca-Cola HBC also co-operates with the Water Footprint Network, a global platform that connects various interested parties in sustainable and efficient water resources use.

More on the CEO Water Mandate can be found here: <https://ceowatermandate.org> and on the Water Footprint Network here: <http://waterfootprint.org/en/>



The Gold European Water Stewardship (EWS) certificate awarded to the Coca-Cola HBC Croatia bottling plant is the first EWS certificate awarded in Croatia. Following inspections in 2016, from January 2017 our plant carries the Golden EWS certificate issued by the European Water Partnership (EWP).

The certification system developed within the EWP framework, designed to uphold the goals of the EU in the field of preserving our water heritage and aims to encourage companies to develop sustainable policies and practices in the field of water stewardship. EWS assesses companies based on the following criteria: optimising water use for drinks production; the production process; chemical quality and biological composition of water; responsible use of water sources; protection of water sources and water recycling. The Certificate can be awarded in one of three categories: Bronze, Silver and, the highest award, Gold.

The awarding of this certificate to us is an indicator of how successful we have been in managing the use of water in our production processes, as well as minimizing the impact of our wastewater on the eco-system, the impact of our activities on waterways, and creates a space for us to improve our practices and activities in this area even further in the future.

More on the EWS can be found here: <http://ews.info>

The existence of sufficient quantities of affordable, good quality water is essential for human health and ecosystems. The Coca-Cola HBC Group pledged to reduce water consumption per litre of manufactured beverage by 30 % between 2010 and 2020.

Considering the nature of our business, we focus on increasing the efficiency of water consumption in our processes by reducing its use, increasing recycling and reuse, and achieve this through constant investment in new innovative technologies. In doing so, our goals are:

- Sustainable and efficient use of water
- Decreasing water use
- Treatment of waste water
- Reduction of water use in the supply chain
- Protection of local sources of water and surface water
- Raising awareness of the meanings of responsible water resource management

Thanks to initiatives implemented, between 2010 to 2017, the consumption of water per litre of produced beverage at our bottling plant decreased by 11 %.

Some of our most important recent actions to reduce water consumption in the production process include:

- Reducing the amount of concentrated chlorine in treating water from 6-8 ppm to 1-3 ppm
- Collecting water from the PET bottle cleaning equipment and returning it to the municipal water supply
- Similarly collecting the remaining water after cleaning production equipment, and returning this to the municipal supply
- Returning water from Carbon Filters Backwash to the municipal supply
- Using water from washing returned glass bottles to also wash plastic crates
- Optimising the CIP (Cleaning in Place) process.

The water that we use in our bottling plant is delivered by pipe from the public water system of the Petruševac water supply plant located about 5km east of our plant. It has a total of six wells that supply the entire eastern part of the City of Zagreb as well as some bordering municipalities within Zagrebačka county.

As shown in Table 17 below, in 2017 we increased our water use and did not manage to maintain the percentage of water recycled.

Table 17: Water used by Zagreb Bottling Plant

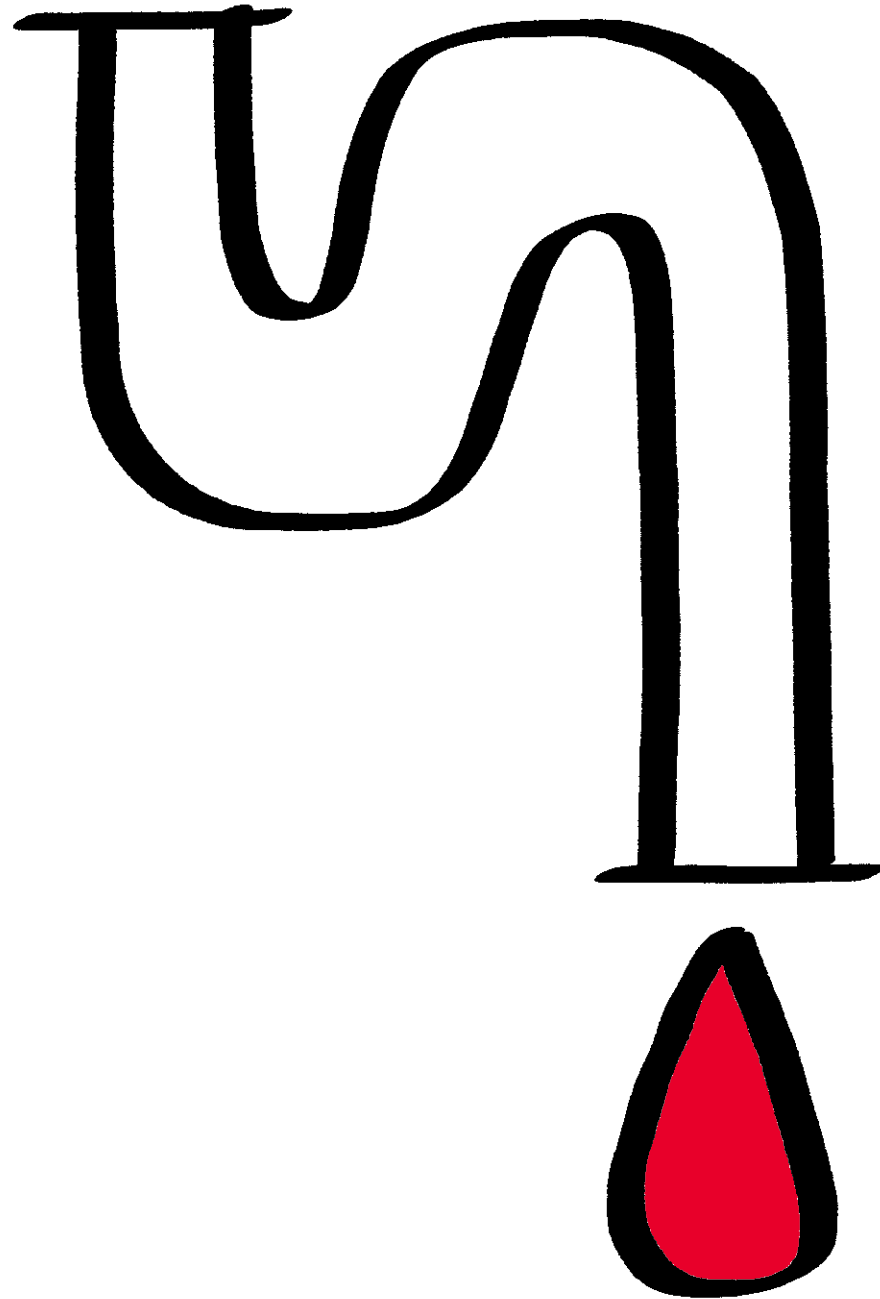
IN 1000 L	ZAGREB BOTTLING PLANT		
	2015	2016	2017
<b>WATER USED</b>			
Water used from the public water system	230 775	233 345	244 608
Estimated recycled and reused water	30	34	30
% recycled and re-used water in total water used from the public water system	13 %	15 %	12 %

As noted earlier in this report, Coca-Cola HBC Croatia also owns distribution centres in Zagreb – Žitnjak and Solin. Our distribution centres in Požega, Rijeka, Zadar and Badern are not owned by Coca-Cola HBC Croatia, so the process of storage and distribution of our products is carried out by subcontractors while Metković's distribution takes place through Cross-Dock.

Table 18 below shows water use at the two distribution centres that are owned by us. As can be seen, a dramatic reduction in water use was achieved between 2015 and 2016, with water consumption in 2017 on approximately 32 % of levels from 2015.

Table 18: Water use from public system

WATER USE – DISTRIBUTION CENTRES	UNIT	DC ZAGREB-ŽITNJAK AND SOLIN COMBINED		
		2015	2016	2017
Water used from the public water system	1000 L	2 869	882	927



Wastewater from Coca-Cola HBC Croatia passes through an internal wastewater treatment system before being discharged into Zagreb's central wastewater treatment plant. Our factory has its own sewage treatment plant. The quality of wastewater is checked regularly in our internal laboratory and, based on the requirements of our Environmental Certificate, frequently and on demand sent to an externally accredited facility. Once we meet the legal requirements and the Coca-Cola Company's own stringent KORE standards, we discharge water into the public drainage system and as surface water. We constantly monitor trends in terms of reducing the amount of wastewater and its chemical burden. Our processed wastewater is safe for flora and fauna and can be discharged into a natural water carrier, in our case into the River Sava.

In terms of water in the atmosphere and rainwater, we have installed oil separators in the Zagreb plant to prevent potential pollution from loading and unloading of trucks, car parking, and usage of forklift trucks. There is, therefore, no possibility that unprocessed water would reach the natural receiver. In all sites where there is a possible risk of oil spillage or chemical leakage, a spill kit is available and, of course, regularly checked.

Figures on Chemic Oxygen Demand (COD) show the quality of treated wastewater through measuring the amount of oxygen required for the oxidisation of decomposed organic substances in water. Table 19 shows COD figures for 2015, 2016 and 2017.

Table 19: Total water discharged

	ZAGREB PLANT		
	2015	2016	2017
Total water discharged (m <sup>3</sup> )	71 911	76 924	76 221
COD after cleaning (mg/L)	97	71	86

The permissible COD limit for wastewater discharge into the natural recipient is 125 mg/L and in the public wastewater drainage system it is 700 mg/L. It is evident from the above table that the purified waste water of the Zagreb Plant satisfies the COD requirements for direct discharge into the natural recipient.

Coca-Cola HBC Croatia, in co-operation with chemicals supplier Ecolab, is a leader in good manufacturing practice, which implies the use of a business model for reducing the consumption of chemicals as a result of economic interests of users and producers, while reducing adverse environmental impacts.

## RAW MATERIALS<sup>32</sup>

Coca-Cola HBC Croatia continually monitors its processes, and also monitors in precise detail the use of raw materials and other materials that aid the production process. Table 20 below lists all our raw materials, packaging materials and other materials used in our production process.



It shows that, between 2015 and 2017 we have significantly increased our post-consumer recycling of PET bottles; more than doubled the percentage of glass from recycled sources and maintained the percentage of steel we use from recycled sources.



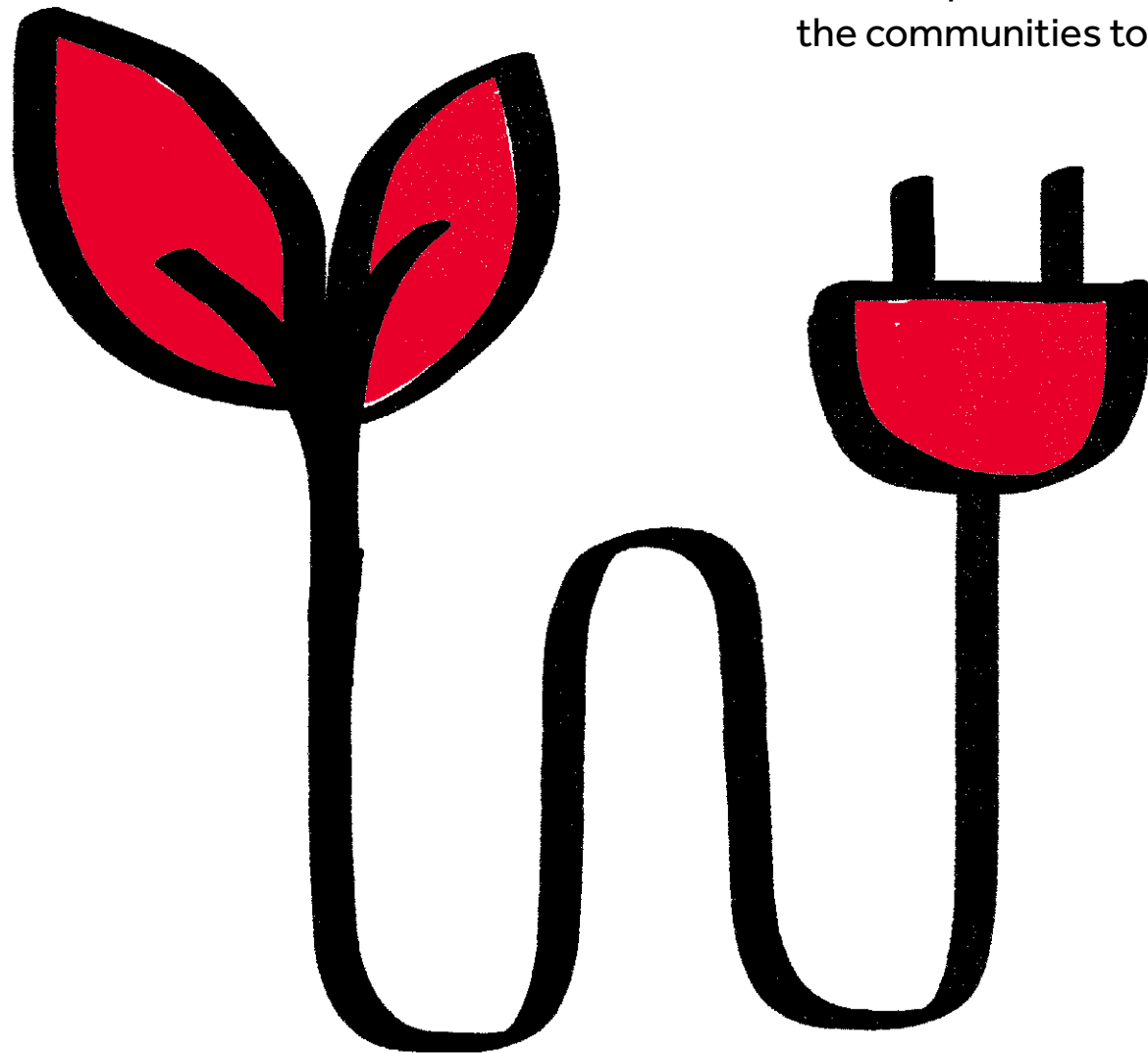
We have also reduced our use of wooden pallets to zero and significantly decreased our use of chemicals. We have also halved our use of PET flakes and resins.

Alpa Croatia preform plant produces for Zagreb Plant 33,7 g preforms and we have agreement to buy certain quantity of PET flakes for them for respective production. This quantity has decreased over 3 years and the biggest amount of PET flakes for 33,7 g preforms production now is bought by Alpa directly on the market.

Table 20: Materials

ZAGREB PLANT		UNIT	2015	2016	2017
INGREDIENTS	Sweeteners (HFS)	kg	19 813 070	19 560 140	20 121 828
	Concentrate	kg	672 785	665 880	800 309
	Carbon dioxide CO2	kg	1 951 417	2 001 060	2 144 349
	Nitrogen N2	kg	100	50	100
PRIMARY PACKAGING	PET flakes and resins for own use	kg	3 213 315	4 441 897	1 553 105
	PET flakes for other plants	kg	339 100	47 853	22 000
	PET preforms for own use	kg	585 964	391 325	556 599
	Total PET	kg	3 799 279	4 833 223	2 109 704
	Post-consumer PET Recycled Material	kg	104 000	330 585	311 105
		%	2,74 %	6,84 %	14,75 %
	Glass bottles	kg	368 594	996 145	1 536 464
	% of glass from recycled sources	%	20 %	20 %	43 %
	Steel (crowns or cans)	kg	136 868	168 393	154 327
	% of steel from recycled sources	%	24 %	24 %	24 %
	kg	316 501	272 790	291 287	
LABELS	Plastic labels	kg	46 625	51 352	57 680
	Paper labels	kg	27 656	26 590	29 811
SECONDARY AND OTHER PACKAGING	PE stretch and shrink film	kg	366 265	368 589	397 871
	Cardboard	kg	251 722	218 316	249 079
	Wood (pallets)	kg	326 692	0	0
CHEMICALS	Chemicals total	kg	230 385	174 739	175 291
<b>TOTAL:</b>		<b>kg</b>	<b>28 307 958</b>	<b>29 337 266</b>	<b>28 068 099</b>

Climate change brings potential risks to our operations in terms of reducing available resources (e.g. water, fruit and sugar) and rising energy prices, but also poses risks to our suppliers, customers and the communities to which we belong.



Addressing the challenges of climate change leads us into an open dialogue with suppliers, in order to reduce CO<sub>2</sub> emissions throughout the value chain, from raw material production through refrigeration equipment management to the market itself.

As a result, the Coca-Cola HBC Group has committed to reduce its carbon footprint from direct emissions (Scope 1 and 2) of CO<sub>2</sub> measured in g/Lpb by 50 %, and to reduce CO<sub>2</sub> emissions from all activities, direct and indirect (Scope 1,2 and 3) by 25 %.

Our approach to this complex topic implies:

**Increasing the energy efficiency of our business**

**Switching to clean energy sources**

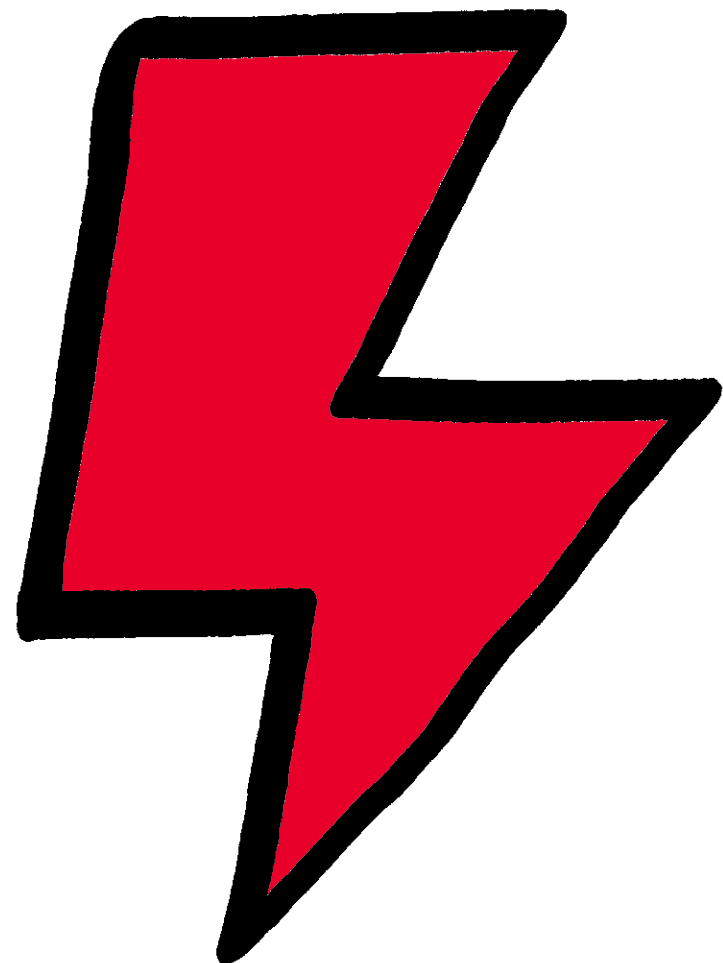
**Reducing emissions across the value chain**

**Introducing new technologies with low CO<sub>2</sub> emissions**

**Promoting good practices and raising awareness of the importance of climate change**

Coca-Cola HBC now uses electricity exclusively from renewable sources. Since taking the strategic decision in 2015, the Croatian operation has used only electrical energy from renewable sources, including hydro- and wind-power, which has resulted in significant reduction our CO<sub>2</sub> emissions.

Coca-Cola HBC Croatia has pledged to reduce its energy consumption and the overall impact of its emissions. The largest amount of energy in our business comes from the following sectors: the bottling plant, our transport fleet, and refrigeration equipment. Since 2015, all electricity for Coca-Cola HBC Croatia comes from renewable and clean sources.



We have implemented a number of projects aimed at reducing energy consumption in the production process:

- More efficient lighting through LED replacements
- New energy efficient high-pressure compressor
- Installing the 'Mraving' Energy Monitoring System
- Reducing low compressed air pressure
- Improvement of insulation of all hot- and cold-water pipes
- Reducing the pressure in high-pressure equipment for PET Bottle Production from 40 bar to 35 bar

- Air Hunter program for detecting and eliminating compressed air and carbon dioxide losses
- A new, more energy efficient gas boiler

By applying different measures to rationalise the use of energy, the total energy consumption per litre of produced beverage in our bottling plant has decreased by 15 % over a ten-year period.

The two Tables (21 and 22) below show our energy consumption in the Zagreb plant and our two distribution centres under our ownership.

Table 21: Direct energy consumption

ZAGREB BOTTLING PLANT			
DIRECT ENERGY CONSUMPTION	2015	2016	2017
Electricity (MJ)	41 669 208	39 549 600	40 852 800
Natural gas (MJ)	24 068 832	23 895 163	22 278 581
Propane (LPG) (MJ)	653 250	698 100	1 170 026
Total energy consumption (MJ)	66 391 290	64 142 863	64 301 407
FLEET	2015	2016	2017
Diesel (MJ)	19 036 017	18 880 992	19 711 185
Total (MJ)	85 427 307	83 023 855	84 012 592
% change in total energy consumption (MJ)	...	-3 %	1 %

Table 22: Energy consumption, distribution centres

Zagreb-Žitnjak and Solin combined				
Energy consumption – distribution centres	Unit	2015	2016	2017
Electricity	MJ	2 337 062	2 368 253	2 405 686
Total	MJ	2 337 062	2 368 253	2 405 686

# CO<sub>2</sub> EMISSIONS<sup>34</sup>

In its Sustainability targets for 2020, Coca-Cola HBC committed itself to:

**-50%**

The reduction of direct CO<sub>2</sub> emissions (Scope 1 and 2) by 50%

**-25%**

Indirect reduction by 25%

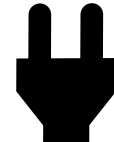
Based on our Programme for preventing atmospheric pollution and the emission of hazardous gases we define regular actions and prepare a plan to monitor emissions at regular intervals.



Our key goals related to the reduction of harmful emissions include:



reduction of emissions in distribution and fleet



reduction of emissions from purchased electricity



reduction of emission from primary packaging



reduction of emissions from the bottling plant

Table 23: CO<sub>2</sub> emissions

	UNIT	2015	2016	2017	SCOPE
Total production (by volume)	000 litres	141 949	141 820	154 172	
CO <sub>2</sub> from bottling plant (fossil fuels)	t	1253	1247	1192	Scope 1
CO <sub>2</sub> from the transport fleet of the company (fossil fuels)	t	1318	1307	1353	
Carbonated products (emission losses)	t	796	850	896	
CO <sub>2</sub> from refrigeration equipment	t	766	825	908	
CO <sub>2</sub> from distribution centres (Zagreb-Žitnjak and Solin) (spent fuel)	t	303	288	337	
CO <sub>2</sub> from bought or rented electricity from the bottling plant	t	1986	0	0	
CO <sub>2</sub> from bought or rented electricity from the distribution centres (Zagreb-Žitnjak and Solin)	t	111	0	0	Scope 2
CO <sub>2</sub> in production (non-recycled produce)	t	1155	1151	1249	
CO <sub>2</sub> emissions from electricity used in cooling processes	t	20 119	19 282	15 143	
Total emissions of CO <sub>2</sub> from third-party transportation (fuel)	t	2656	2507	2193	Scope 3
CO <sub>2</sub> from primary packaging	t	11 051	13 565	6967	
CO <sub>2</sub> from secondary packaging	t	1062	1041	1134	
CO <sub>2</sub> from sugar	t	141 949	141 820	154 172	

Compared to 2015, in 2017 we reduced the CO<sub>2</sub> emissions from the bottling plant by 5 %. We have also achieved a 100 % reduction in CO<sub>2</sub> emissions from purchased electricity (because the total quantity comes from renewable sources), as well as from our partners' transportation by 18 %. CO<sub>2</sub> emissions from primary packaging are down by significant 37 % in 2017 compared to 2015.



## EMISSIONS FROM THE BOTTLING PLANT<sup>36</sup>

An accredited third-party laboratory monitors the emissions of harmful gasses from our bottling plant, according to a legally determined frequency of once every two years to prove that our burner (immovable source) complies with requirements from Article 100 of Regulation on emission limit values for pollutants in air from immovable sources (NN 117/2012. and NN 97/2013.) – measuring results for 2015 and 2017 are shown in Table 24 below.

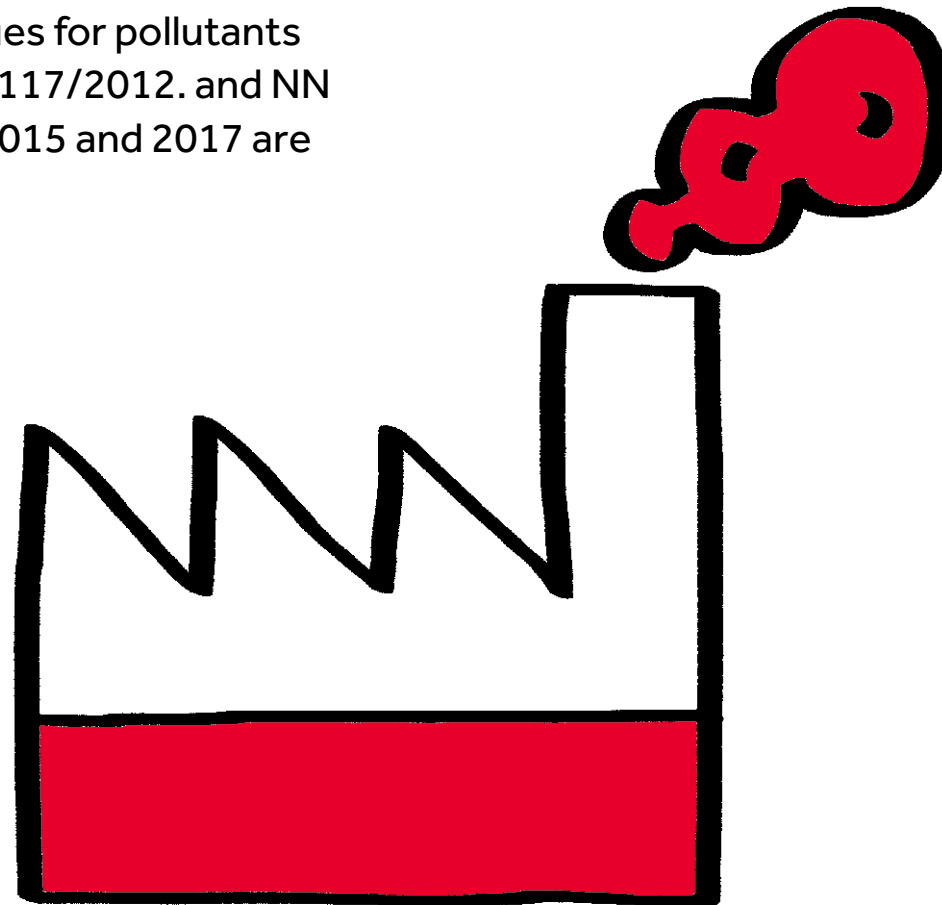


Table 24: Pollutants

Pollutant (mg/m <sup>3</sup> )	2015	2017	Threshold for emission of pollutants according to Article 100. of Regulation on emission limit values for pollutants in air from immovable sources (NN 117/12, NN 90/14)	Compliance
Nitrous oxides expressed as NO <sub>2</sub>	124	111,53	200	yes
CO	0	0,43	100	yes
Smoke	0	0	1	yes

According to the completed measurements, the annual quantity of natural gas used for heating and the production process, total working hours of the plant burner (immovable source), and total annual emissions are calculated and, as a legal requirement, the annual quantities of emissions from the bottling plant that are equal or exceed discharge threshold are reported by 31 March of the current year for the previous year through the online Registry of environment polluters in the Croatian Agency for Environmental and Nature Protection. According to discharged quantities and, if they exceed yearly limits indicated in the Register of polluters, Ministry of environmental protection determines environmental fee. Environmental fee is used for supporting different environmental initiatives in Croatia.

The table below contains annual emissions from the Zagreb plant from 2015 to 2017 that are regularly reported in the Register, verified by the Environmental Agency, and environmental fee paid.

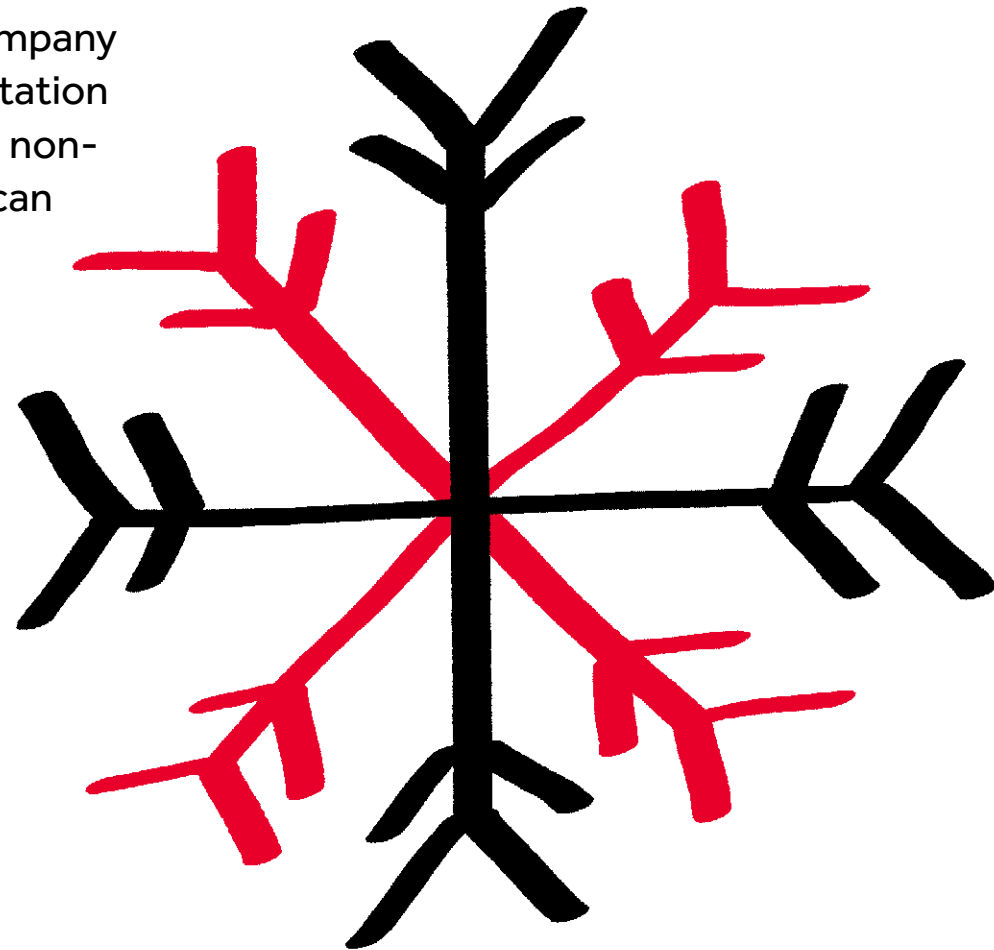
Table 25: NO<sub>2</sub> and CO<sub>2</sub>

Pollutant (kg/year.)	2015	2016	2017	Threshold for emission of pollutants according to Section 2 Rule book on Register of Environmental Protection NN 87/15 (kg/year)	Reported in Register of polluters and verified by Environmental Agency
Nitrous oxides expressed as NO <sub>2</sub>	659,69	*	1529,28	600	yes
CO <sub>2</sub>	1 180 410,88	1 192 139	1 159 358,26	450 000	yes
CO	211,47	668,2	599,31	200	yes

\* lower than threshold, no obligation to report in Register

## COOLING EQUIPMENT<sup>37</sup>

CC HBC Croatia follows the decision of The Coca-Cola Company on the use of new cooling equipment without hydrofluorocarbon (HFC-free). By switching from the old equipment using HFCs, the company demonstrates both rapid adaptation and shows other ways in which non-alcoholic beverage producers can positively impact on the protection of climate.



Transition to HFC free equipment will decrease direct emissions of greenhouse gas by 99 %. All new cooling devices which CC HBC Croatia puts on the market are without HFC. Currently, two alternatives are in use. First, cooling equipment with hydrocarbon is used for lower capacity cooling and carbon dioxide for higher capacity. CO<sub>2</sub> is a safe, reliable and energy-efficient alternative with positive characteristics as a cooling agent. It does not affect the ozone layer and is 1,430 times less harmful for the climate in comparison with HFC.

CC HBC Croatia decreased the share of cooling equipment with HFC by 17 % and increased the share of equipment with CO<sub>2</sub> by 44 % in 2017 (in comparison with 2015), with CO<sub>2</sub> devices doubling.

All devices using cooling gases (refrigeration equipment, post-mix devices, air conditioners, refrigerators) are serviced by authorized repairers from authorized companies (authorized by the Croatian Environmental and Nature Agency) which also regularly monitor the quantities of gases in installations, while the written-off equipment is destroyed by hazardous waste disposal authorities.

When purchasing new refrigeration equipment, its energy efficiency is considered. The new generation of refrigeration equipment is equipped with both an Electronic Management Device (EMD) and a Light Emitting Diode (LED), which reduce power consumption.

Table 26: Number of cooling devices on the Croatian market by different cooling gases

	2015	2016	2017
CFC / HCFC	113	3	3
HFC	23 548	20 100	19 425
HC	5 196	8 361	11 209
CO <sub>2</sub>	177	316	352
<b>Total</b>	<b>29 034</b>	<b>28 780</b>	<b>30 989</b>

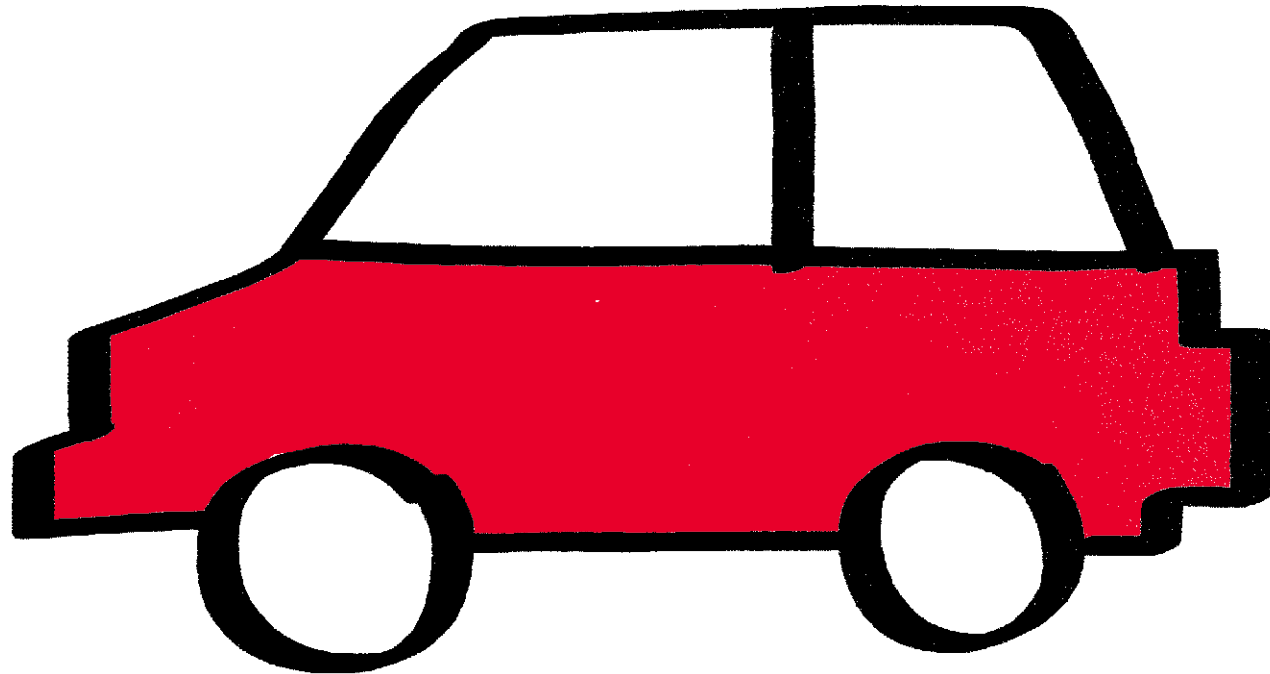
Table 27: Energy efficiency

Number of refrigeration devices with higher energy efficiency on the market		2015	2016	2017
EMD	With EMD	3 806	3 904	6 783
	Without EMD	25 228	24 876	22 491
LED	With LED	3 502	8 642	7 355
	Without LED-	25 532	20 138	21 919

## OUR FLEET<sup>38</sup>

The most significant identified environmental impacts that arise when distributing our products are fuel consumption and gas emissions.

In accordance with Coca-Cola HBC Croatia's fleet safety policy, our vehicles must not be more than four years old. All our vehicles must meet the minimum Euro 5 requirements.



For the fleet of Coca-Cola HBC Croatia, made up of light vehicles, we monitor fuel consumption and the number of kilometres travelled so that the emission of harmful gases can be minimized.

Table 28: Fleet

Our fleet	2015	2016	2017
Number of vehicles used by Coca-Cola HBC Croatia	265	279	280
Total fuel consumption* – diesel (L)	490 092	485 174	507 099

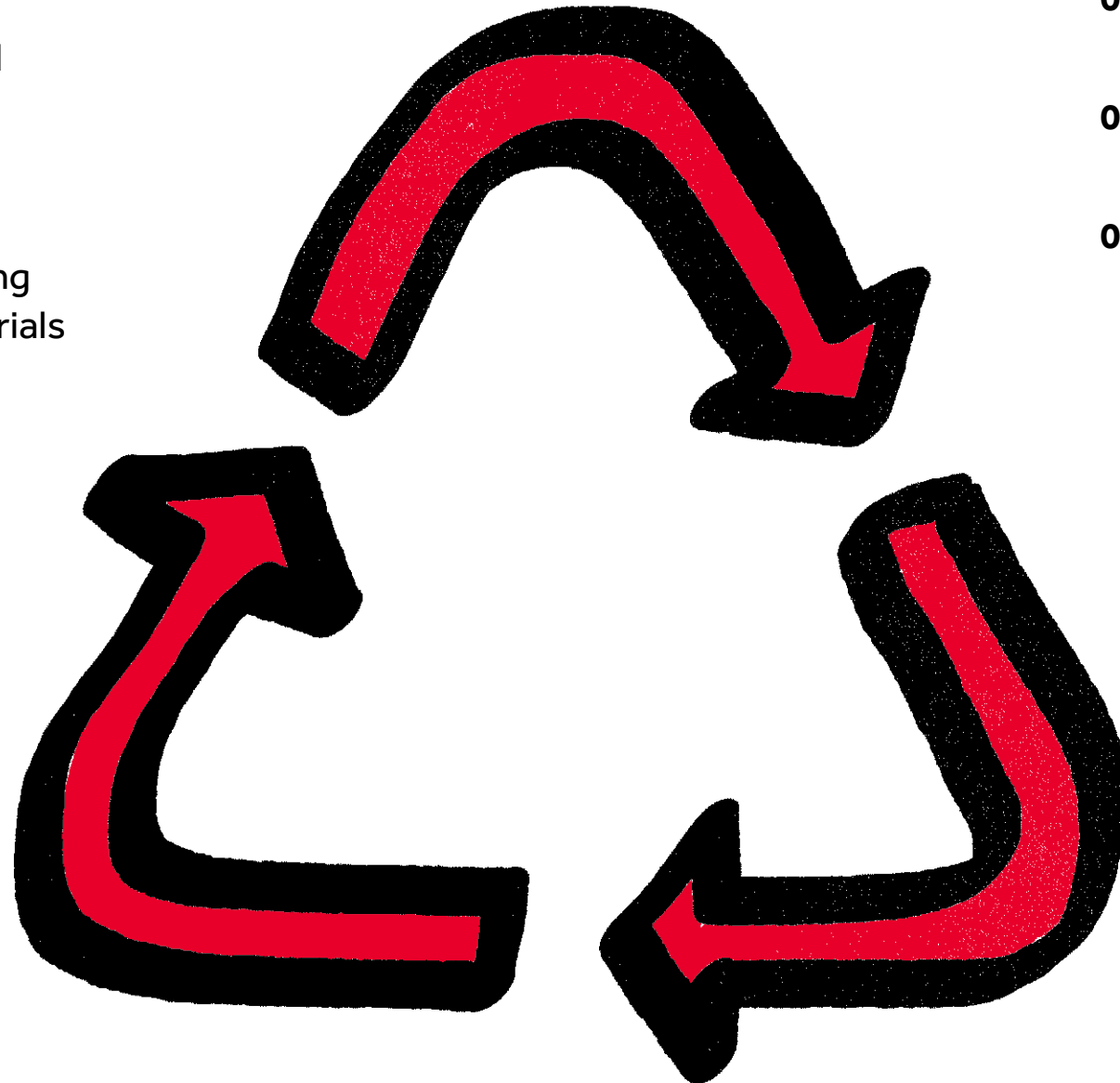
Table 29 – Fleet Emissions and Km Covered

Total average consumption L/100 km	6,38	6,18	6,28
Emission of CO2 by vehicles used by Coca-Cola HBC Croatia (in tons)	1318	1307	1353
Emission of CO2 – vehicles of subcontractors (in tons)	2656	2507	2193
Total emission of CO2 (in tons)	3974	3814	3546
Mileage - vehicles used by Coca-Cola HBC Croatia	7 677 363	7 862 997	8 070 548
Mileage - cargo vehicles of subcontractors (in tons)**	2 550 744	2 698 960	2 785 084

\* Coca-Cola HBC Croatia is using only diesel engines.  
\*\* cargo vehicles are owned by subcontractors.

Packaging plays a key role in maintaining the top quality and safety of our products in the supply chain and, ultimately, for end consumers.

Coca-Cola HBC Croatia is continuously working to introduce sustainable packaging and is looking for the right sizes and materials that can optimise and reduce the impact of its packaging products both during the production process and after consumption.



Our work is focused on three areas:

- 01** Continuously developing lighter packaging thus reducing the quantity of waste
- 02** Using recycled/recyclable packaging materials where technically possible
- 03** Encouraging consumers to properly dispose of packaging after consuming our products, raising awareness of the importance of separate collection of packaging materials, mainly through state funded actions but also through our own anti-littering awareness raising campaigns

These initiatives also influence the reduction of operating costs of our business.

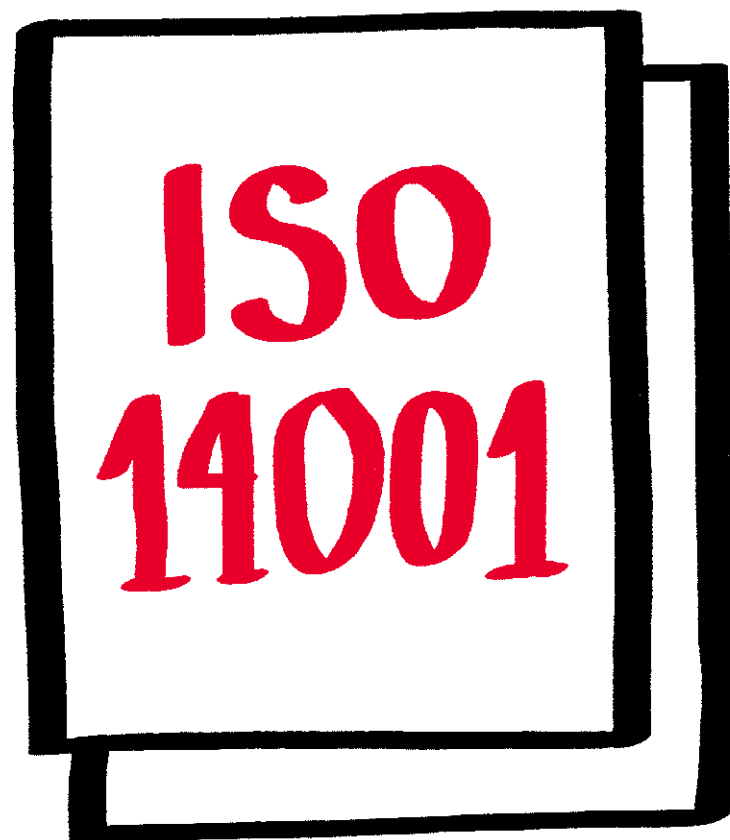
Through the Light-Weighting Program, Coca-Cola HBC Croatia has so far reduced the weight of a 2 L PET bottle by 22 % and the weight of a 0,5 L PET bottle by 19 %.

With the Light-Weighting program, we introduced a new, shorter type of threaded part of PET bottle "1881", which allowed us to reduce the weight of plastic caps used on these bottles by up to 15 %.

The weight of refillable bottles for key product categories decreased by 9 %.

## MANAGING PRODUCTION OF PACKAGING WASTE<sup>40</sup>

Waste management is a key part of the ISO 14001 Environmental Management System established at our bottling plant and is implemented in accordance with the Environmental Policy of Coca-Cola HBC Croatia, the requirements of local environmental law and the KORE-EOSH requirements of The Coca-Cola Company.



Our approach to waste management focuses on:

- prevention of waste generation,
- reducing waste,
- reuse,
- recycling

In line with our approach, we set goals and increase the efficiency of projects to reduce waste generation and increase recycling rate. Our ultimate goal is to achieve 'zero waste' deposited in urban landfills.

Our glass bottles are partially produced from recycled glass. PET packaging is also produced from 10 % of recycled resin.

We keep records of all types of waste that occur during our production and business processes. In order to keep records of waste removal and disposal to authorised waste management companies, we use Green Technology software that automatically generates accompanying sheets for all types of non-hazardous and hazardous waste, ONTO patterns, waste management plans and other legal documents for waste.

All waste that can be reused is handed over to authorised waste management companies. All companies involved in waste management from our locations are regularly evaluated on an annual basis, and always prior to the start of business cooperation.

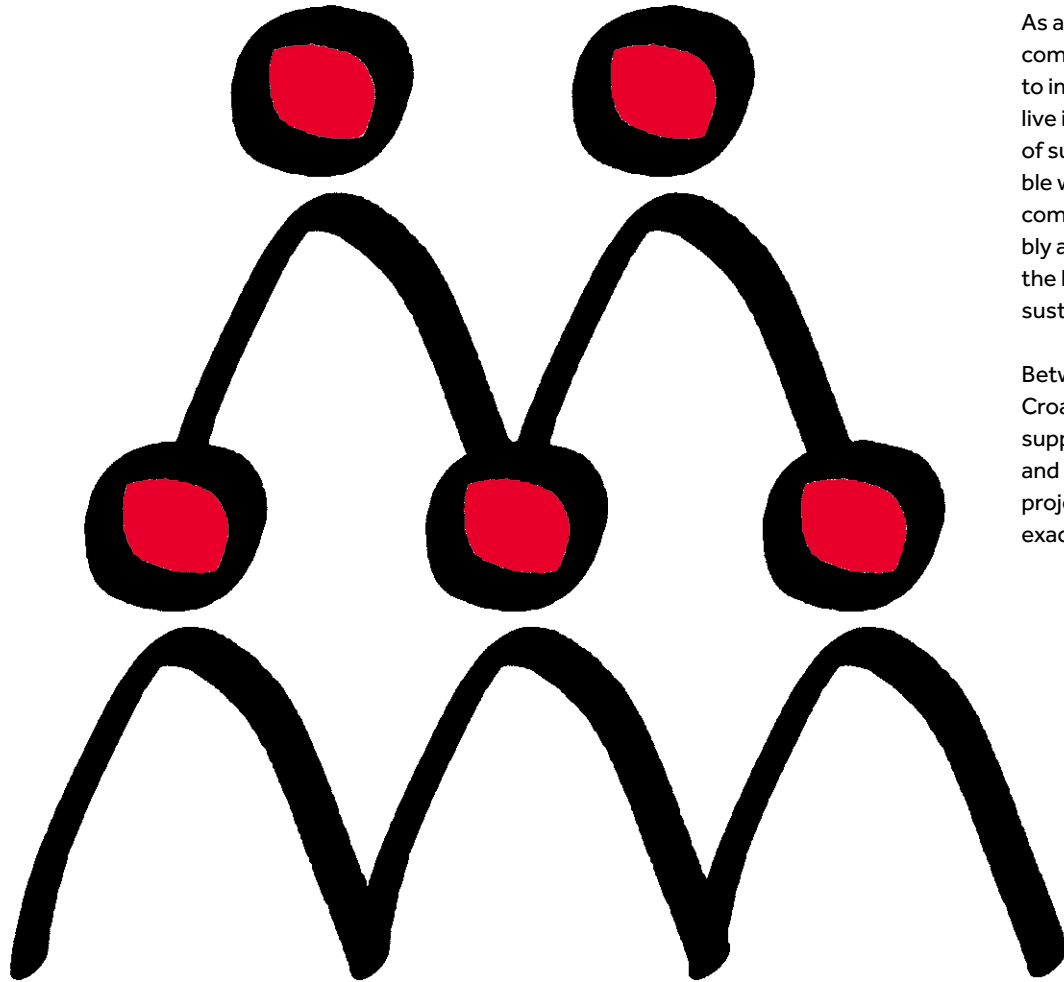
Table 30: Waste

ZAGREB BOTTLING PLANT	YEAR			
	2015	2016	2017	
<b>TOTAL WEIGHT OF WASTE/MEASURE UNIT</b>				
Non-hazardous waste	kg	1 129 822	730 982	657 926
Hazardous waste	kg	3971	2902	24 771
Total waste	kg	1 133 793	733 884	682 697
Deposited on urban landfills* (non-hazardous waste)	kg	15 290	9290	9960
Composted waste (non-hazardous)	kg	3700	11 810	4240
Quantity of recycled non-hazardous waste	kg	727 560	622 009	641 840
% Quantity of recycled non-hazardous waste	%	98,58 %	98,64 %	98,44 %
Quantity of recycled hazardous waste	kg	3096	2204	24 207
% Quantity of recycled hazardous waste	%	78,0	75,9	97,7

<sup>40</sup>306

# Community<sup>41</sup>

## OUR COMMITMENTS



As a key part of our strategic approach we commit to investing in local community and to improving the quality of life of those who live in it. Social responsibility and principles of sustainable business are not fully achievable without, as we put it, 'giving back to the community'. Our goal is to behave responsibly and to include all stakeholders including the local community in programmes for sustainable development.

Between 2012 and 2016 Coca-Cola HBC Croatia has invested over 9m HRK in projects supporting local community. Between 2015 and 2017, our investments in large-scale projects totalled some 4,781m HRK. The exact amount per year is shown below:

Table 31: Community investments

IN HRK	2015	2016	2017
Total investment	839 953	1 301 945	2 638 322
Index	100	155	314

As it can be seen, our investment in the community increased three-fold between 2015 and 2017. In all three years, two projects have been supported consistently: Our Beautiful Sava and Happiness is Movement. In addition, in 2017 we supported two new projects: Youth Empowered project and a project that supported lighting of pedestrian bridge in the city of Osijek.

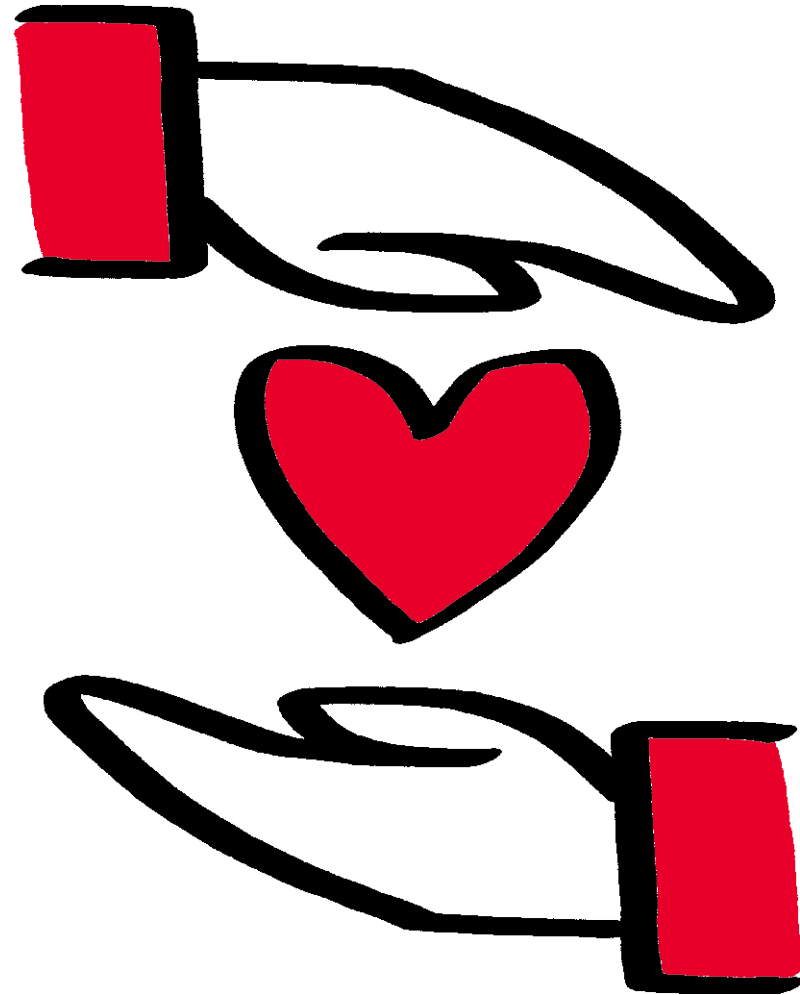
In 2017, 45 of our employees volunteered a total of 634 hours, all to the Youth Empowered project. This is almost exactly 10 % of our total workforce.

For almost a decade, our policy in line with the broad strategic direction of Coca-Cola HBC as a whole has been to move away from many small donations to good causes and, instead, to focus on areas of long-term investment and to invest in partnerships for social value. We have concentrated our support in four broad areas:

- Youth development,
- Environmental protection and water stewardship,
- Community development and support in crisis situations,
- Community well-being

## COMMUNITY DEVELOPMENT AND SUPPORT IN EMERGENCY SITUATIONS

In co-operation with the Croatian Red Cross we can quickly provide help to the community in the case of the need for drinking water. We also work with the Red Cross and Red Crescent on community development projects in more general terms; in the field of education of citizens on health-related issues; and in fundraising. When devastating floods hit Croatia and Bosnia-Herzegovina in 2014, we devoted 600 hours of voluntary work to helping residents in the affected areas, and the entire Coca-Cola system mobilized some 17m USD for relief assistance.



## YOUTH EMPOWERED

One of the key areas of our social responsibility is investment in youth development. Together with our partners, by investing in young people, we hope to contribute to social progress and to help young people find their ground more easily. Faced with the high unemployment rate of young people in many countries where Coca-Cola operates, including Croatia, a number of activities have been launched to support the community, empower young people and contribute to addressing the problem. According to the Croatian Employment Service, the unemployment rate of youth in 2017 was 26.7%. The lack of work experience, lack of skills, and lack of confidence are the biggest obstacles to youth employment.

Youth Empowered is an educational program designed for young unemployed people motivated to learn to better compete on the labour market. Through three-day workshops and an online education platform, young people are offered the opportunity to learn skills needed for employment and better positioning in the labour market. By providing basic life and business ski-

lls, such as developing self-confidence and creating long-term networks, the program aims to contribute to tackling the problems of youth unemployment in Croatia. Life skills include communication skills, networking, self-development and self-assessment, receiving and providing feedback, and business skills include financial literacy, business planning, project management and sales and negotiating skills. The program is intended for young people aged between 18 and 30, focusing on unemployed people outside the education and training system and vulnerable young people. Successful executives of Coca-Cola HBC Croatia share with the participants their professional experiences and provide them with practical tips to bring them closer to what is happening in the business world.

In 2017, through five three-day workshops, Coca-Cola HBC Croatia educated a total of 250 young people in four Croatian cities: Zagreb, Sisak, Osijek and Split, with the support of Selectio Group's media sponsor Hanza Media, under the

patronage of the Ministry of Economy, Entrepreneurship and Crafts, the Ministry of Social Affairs and Youth, the Ministry of Labour and Pension System, the Croatian Employers' Association and the Croatian Employment Service, as well as with the friendly support of the student association AIESEC, the Institute for Professional Development of Youth iSum, Proni center and the cities of Sisak and Osijek. In 2018, Coca-Cola HBC Croatia plans to educate a total of 1000 young people through 20 workshops in 11 Croatian cities, expanding their influence in the community, following the success and interest of youth in the program, with even more partners and institutional support.

## COMMUNITY WELL-BEING

Within our strategy of active lifestyles, promotion of health and physical education, we support projects and events aimed at encouraging people's physical activity. With the support of sporting events, we create opportunities for sporting activities and contribute to the development of the quality of life in the community. In 2017, we supported numerous sports events in the Republic of Croatia, involving more than 17,000 people.

## HAPPINESS IS MOVEMENT

As part of our socially responsible project, Happiness is Movement, in the year 2016, we started building open-air exercise areas – so called activity zones. During the year 2016 a total of 10 activity zones were opened, while a total of almost 400,000 citizens voted to decide which towns should they be built in. The project continued in 2017 when almost half a million citizens voted, and we opened 10 additional zones in the chosen cities. One of the activity zones of Coca-Cola HBC Croatia was in the immediate vicinity, of our bottling plant, i.e. Folnegovića settlement. With this action we closed this phase of the project with a total of 21 activity zones voted for by nearly 900,000 people in two years. As ambassadors of the project, Antonija Blaće and Mirza Džomba both provided their support.

## PROTECTION AND PRESERVATION OF WATER RESOURCES

Preserving the environment is an important commitment for any company that strives to operate sustainably. Our priority activity in the field of environmental protection is water management, i.e. the protection and preservation of water resources not only in the Republic of Croatia, but also globally. By doing so, we are trying to reduce water consumption per litre of produced beverage during production, appropriately treat waste water (see the section on environment above) and actively invest in local community development projects to protect water. Our activities are directed towards the Sava, the Danube and other rivers, their river basins and tributaries, and the protection and preservation, among other things, includes wetland habitats of plant and animal species and biodiversity. In 2014 we signed a seven-year agreement with the World Wildlife Fund (WWF) on cooperation in the reconstruction of wetland habitats and flooded areas along the Danube in six European countries (Austria, Bulgaria, Croatia, Hungary, Romania and Serbia).

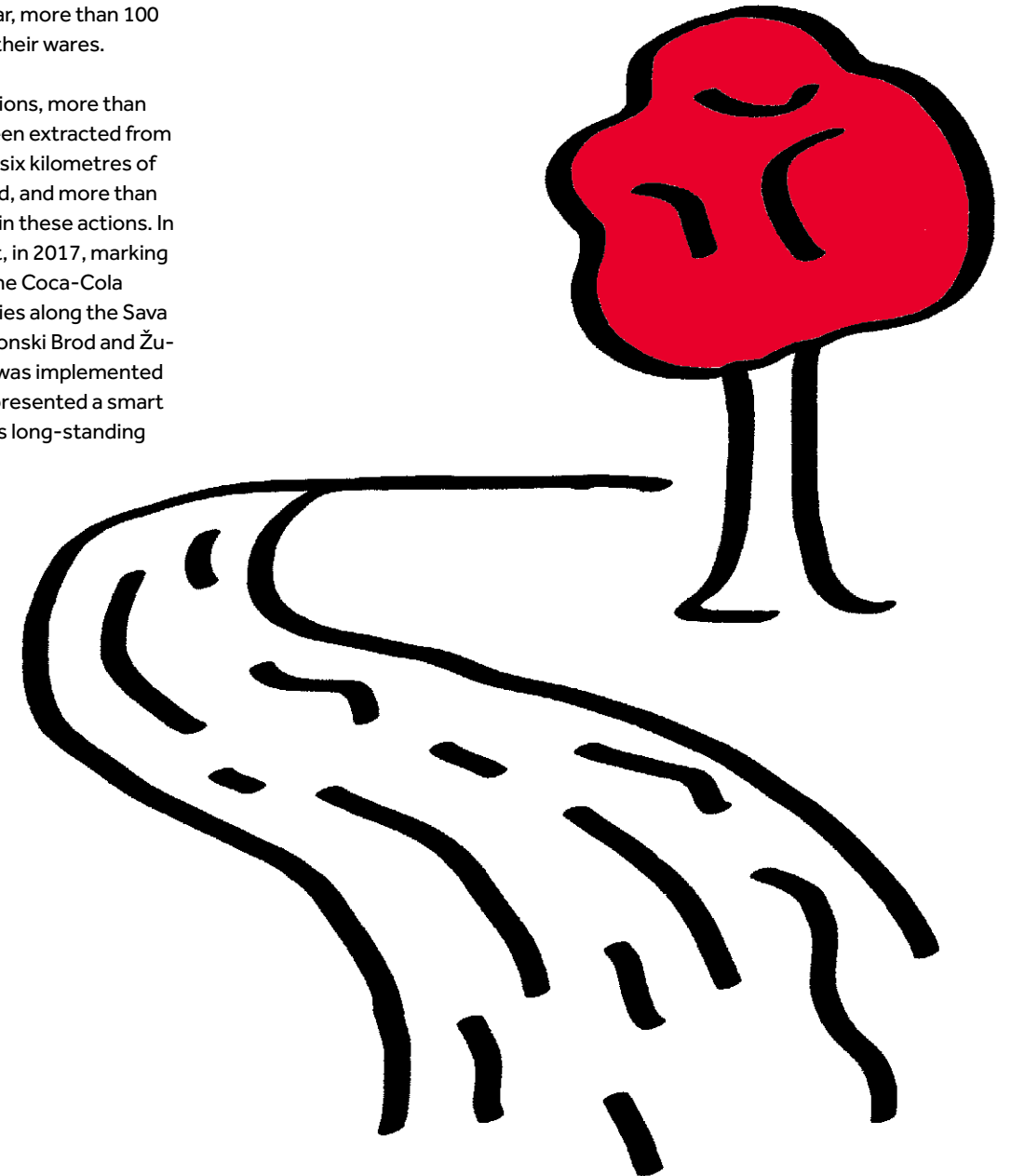
## OUR BEAUTIFUL SAVA

Our beautiful Sava project is a socially responsible partnership between Coca-Cola HBC Croatia, the International Sava River Basin Commission, the Ministry of Agriculture, the Ministry of Maritime Affairs, Transport and Infrastructure and Croatian Water which began in 2007. It aims to promote awareness of the importance of environmental protection and water resources in the Republic of Croatia and the promotion of sustainable continental tourism. In 2017, the project marked its tenth anniversary. Throughout the ten years of the project, it has gathered 56 partners - 11 national and 45 at the local level.

Throughout the project, 28 fairs were held in four cities on the Sava River: in Zagreb, Sisak, Slavonski Brod and Županja. Project activities attracted 20,000 domestic and foreign visitors every year since the beginning of the project. Over 10 years, fairs have gathered more than 150 exhibitors of traditional trades, crafts, handicrafts and souvenirs of

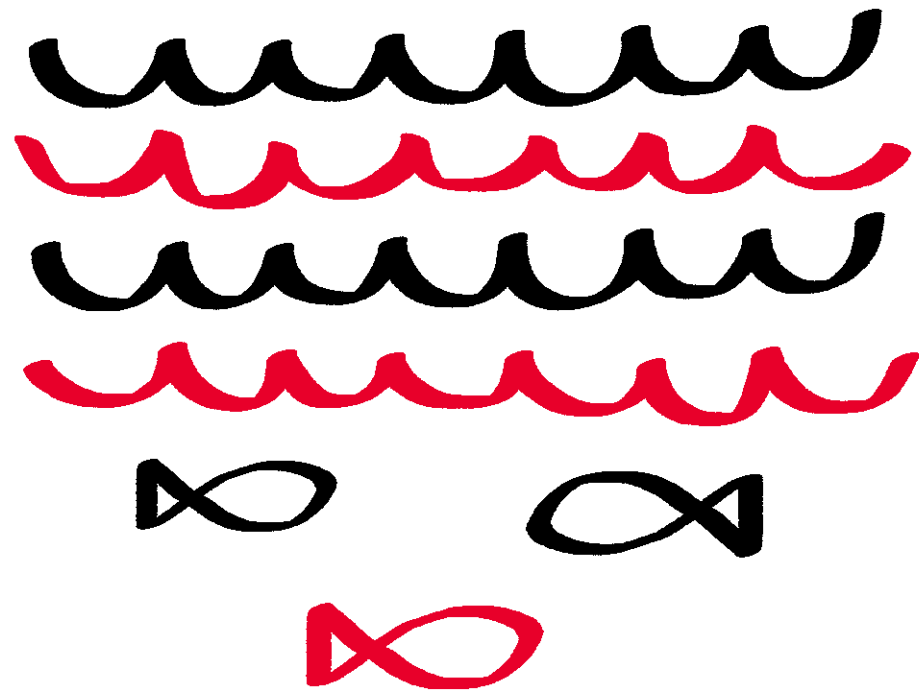
the Sava region, cultural-artistic societies and folk musicians of the region, children and young people, some 100 performers and 100,000 visitors. Every year, more than 100 exhibitors have exhibited their wares.

In several clean-up operations, more than two tons of rubbish has been extracted from the acidic bottom, almost six kilometres of the coast has been cleaned, and more than 400 people were involved in these actions. In the last year of the project, in 2017, marking the tenth anniversary of the Coca-Cola project, the network of cities along the Sava River - Zagreb, Sisak, Slavonski Brod and Županja - where the project was implemented from the very beginning, presented a smart bench as a reminder of this long-standing partnership.





## FROM SOURCE TO SEA



In the year marking 50 years of successful business in the Republic of Croatia, Coca-Cola HBC Croatia is launching a new project 'From source to sea' aimed at maintaining and cleaning areas along Croatian waters – including rivers, lakes and the Adriatic Sea coast. As part of this project, we aim to encourage and support the actions of cleaning the coast of waste packaging and with NGOs and public institutions we intend to raise the awareness of citizens concerning the importance of responsible disposal of packaging and environmental protection in general.

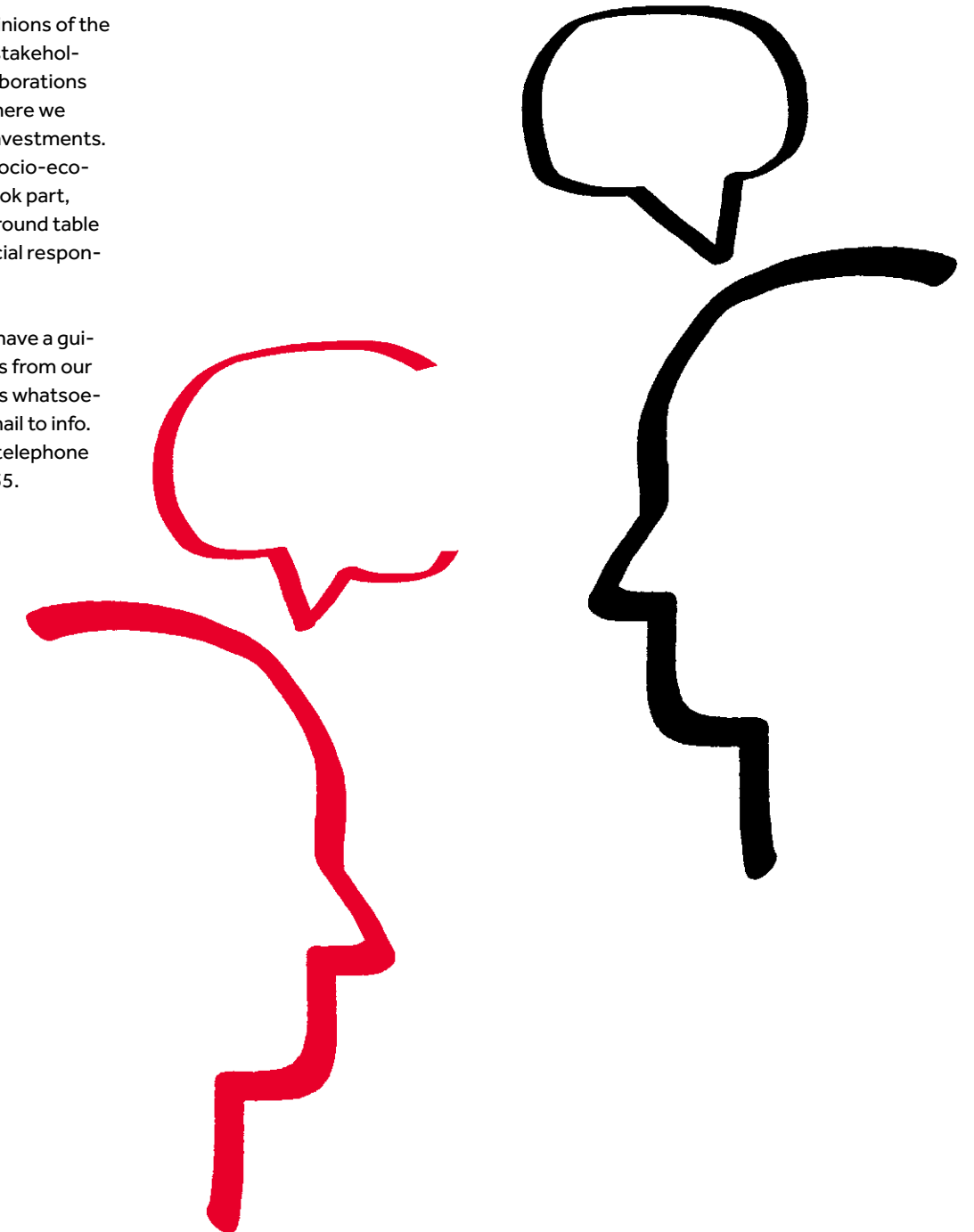
The project 'From source to sea' is supported by the Ministry of Environment and Energy, the Ministry of Agriculture, the Ministry of Tourism, the Environmental Protection and Energy Efficiency Fund, the Association of Croatian County Communities, the Association of Cities in the Republic of Croatia, Croatian Waters, the Sava Commission and the Rudjer Bošković Institute.

This project is part of Coca-Cola's efforts as a leader in corporate citizenship to contribute to the responsible use of packaging and its safe disposal. Water is an important asset and it is unacceptable for us that packaging ends where it does not belong. The Coca-Cola System has launched a World Without Waste campaign committing us to collect and recover 100 % of primary packaging we place in the market.

## COMMUNITY CONSULTATION PROCESSES

We regularly seek the views and opinions of the local community as one of our key stakeholders. We particularly value our collaborations with the elected Mayors of cities where we have been involved in community investments. Following the presentation of the Socio-economic study, the Mayor of Osijek took part, along with other stakeholders, in a round table on the importance of corporate social responsibility.

At the level of the Adria region, we have a guidebook on complaints and concerns from our consumers. In Croatia, any concerns whatsoever from citizens can be sent by email to [info.hr@cchellenic.com](mailto:info.hr@cchellenic.com) or citizens can telephone our freephone helpline on 0800 0455.



# Our sustainability commitments

Coca-Cola HBC has made a total of 12 Sustainability targets to be reached by 2020. As one part of the company, we play our part in helping to realise these targets. Currently, at the group level, it is estimated that ten of these targets are on track to be met or, indeed, have already been met. One target is partly on track to be met and one target will require additional effort if it is to be met. Here, we refer to each of these targets and indicate, whenever possible, the progress that has been made at the country level.

By 2020 the company commits to:

**TAKE 40 % OF THE TOTAL ENERGY USED FROM RENEWABLE AND CLEAN ENERGY SOURCES**

The Croatia operation has been taking 100 % of electrical energy from renewable sources, including hydro- and wind-power, since 2015. In 2017, 65.5 % of total energy used came from renewable sources.

**RECOVER FOR RECYCLING AN AVERAGE OF 40 % OF TOTAL PACKAGING PLACED ON OUR MARKETS**

There is no country-specific target here.

**SOURCE 20 % OF THE TOTAL PET USED FROM RECYCLED PET AND/OR PET FROM RENEWABLE MATERIAL**

Currently, in the Croatian operation, some 10 % of PET comes from recycled PET or from renewables. We aim to increase this to 18.2 % by 2020.

**REDUCE THE AMOUNT OF PRIMARY PACKAGING BY 25 % PER LITRE OF BEVERAGE PRODUCED**

In Croatia, we have achieved reductions of 17 % and intend to improve on this by 2020.

**CERTIFY OVER 95 % OF KEY AGRICULTURAL INGREDIENTS AGAINST THE COCACOLA SYSTEM'S SUSTAINABLE AGRICULTURAL GUIDING PRINCIPLES**

This target is calculated per commodity and per supplier at the Group level, so there is no country-specific data or targets.

**INVEST 2 % OF ITS ANNUAL PRE-TAX PROFIT IN COMMUNITIES**

In 2017, Croatian operation invested some 5.8 % of pre-tax profit in communities.

**DOUBLE THE NUMBER OF EMPLOYEES TAKING PART IN VOLUNTEERING INITIATIVES DURING WORK TIME TO 10 %**

In 2017, across the Croatian operations, 45 employees volunteered their time, exactly 10 %. We aim to increase this percentage in the future.

**REDUCE DIRECT CARBON EMISSIONS BY 50 % COMPARED TO 2010**

By 2017, the Croatian operation had reduced carbon emissions by 60 % compared to 2010. We intend to improve this percentage further by 2020.

**REDUCE CARBON EMISSIONS IN THE VALUE CHAIN BY 25 % COMPARED TO 2010**

The Croatian operation had reduced carbon emissions in the value chain by 48 % in 2017 compared to 2010. We intend to maintain or slightly improve this figure by 2020.

**REDUCE WATER USE IN OPERATIONS BY 30 % COMPARED TO 2010**

On a L/lpb basis, the Croatian operation has reduced water use by 11 % compared to 2017. We aim to improve on this figure by 2020.

**TO ACHIEVE WATER STEWARDSHIP CERTIFICATION FOR ALL PLANTS**

Croatian plants were certified in 2016 and obtained a EWS Golden certificate.

**A 10 % REDUCTION IN ADDED SUGAR PER 100 ML OF SPARKLING BEVERAGE IN THE EU AND SWITZERLAND**

Work on this Group objective began in 2017, and the reformulation of recipes for many products based on this commitment is ongoing.

# External audit confirmation

Opinion of the Commission of the Management Board of HR PSOR on the Coca-Cola HBC Croatia Sustainability Report for 2017

After a 7 year break we were very pleased to read the Coca-Cola HBC Croatia Sustainability Report, which is the first report prepared in accordance with the GRI Standards. Coca-Cola has prepared the report in accordance with the Core option while isolating from this option the part considering environmental impacts, which merely refers to the GRI Standards. The exception is explained by the lack of time that has been available for drawing up the report; there was not enough time to collect all the necessary information that would satisfy the core level of reporting. We welcome such a responsible approach to the understanding and usage of the GRI Standards, which contributes to serious and quality approach to reporting. We believe that the next year's report will satisfy all the requirements of the Core option.

This Report differs from earlier sustainability reports that Coca-Cola had published in previous periods in a sense that previous reports were separate and considered exclusively the impact of Coca-Cola in Croatia, while the current report builds on the Group Report, referring to the latter with a large quantity of information and data. This is understandable development of the

approach to reporting and shows that, upon the initiative from Zagreb, the whole Group had recognised the importance of reporting and has started implementing it, but on the other hand the aforementioned deprives this report of some important information by referencing to Group documents, which makes reading and understanding the impacts more difficult.

The report shows in detail the distribution of responsibilities for management of non-financial impacts as well as the control and management process, as well as which departments are most involved in these processes. The report shows further that Coca-Cola is very aware of the food trends and explains the significant efforts in the field of improving the existing as well as developing new products that will fulfil the increasing customer demands for healthy and less intensive drinks and beverages.

Despite the Report being clear and easily readable, it would have been easier to compare it with other non-financial GRI reports if it followed the key themes offered by the GRI Standards. The company explains this non-alignment with the fact that the material topics have been set at the Group level prior to the publication of the GRI Standards, however we do hope that in the next period the main topics will be redefined to conform to the GRI, which will make it easier

to check the alignment and, even more importantly, enable better comparability with similar reports by other companies in the region and globally.

The Report also describes the process of stakeholder consultation, which is structured in a solid manner and contains a detailed analysis of key stakeholders of the company. This is followed by the description of Group policies relating to the management of individual non-financial impacts.

Particularly interesting is a summary of the previously conducted socio-economic study that was presented earlier in the year and shows in great detail the socio-economic impacts of Coca-Cola in Croatia as well as the benefits in a form of many direct and indirect jobs created by its business. Apart from the impressive data and important presented benefits we think that the study is very important for other industries too, and the whole economy of Croatia, as its role in creating welfare in the society is often forgotten and neglected. The study is followed by a string of economic indicators that supplement the picture of positive economic impacts of Coca-Cola.

This is followed by the description of social and environmental impacts. In the field of workplace management there is a great share of information showing extra bene-

fits for the employees, important investments in education and a very high share of employees whose career is individually assessed and developed. On the other hand, the previously mentioned environmental impacts are not presented by utilising all the prescribed publications, however, it is evident from the presented information that there is a thorough approach to measuring and deliberation of resources as well as the resource effectiveness through the processes of energy consumption and CO2 emissions, as well as in the field of packaging, which is recognised as one of the greatest challenges for Coca-Cola HBC.

The report presented by Coca-Cola HBC contains a lot of information and testifies to the company's responsible approach to managing non-financial impacts, i.e. a number of mainly social and economic impacts of the company in Croatia. Considering the potential for improvement in terms of using the GRI Standards we recommend increased efforts in collecting and publication of additional information in the following years, particularly in the field of environment.

We thank Coca-Cola for the report, which testifies the responsible operation and advanced management practices. We congratulate for the first report after the break and we do believe that in the following years we will witness further development of the approach to reporting.

Commission of the Management Board of HR PSOR



Hrvatski poslovni savjet za održivi razvoj  
Croatian Business Council for Sustainable Development

# GRI content index

GRI disclosure	Page	Additional information	GRI disclosure	Page	Additional information	GRI disclosure	Page	Additional information	GRI disclosure	Page	Additional information
102-1	6		102-30	7		102-55		Last page	302	41, 50	
102-2	24		102-31	7		102-56		External assurance – insert when HRPSOR reviews	303	41, 44	
102-3	6		102-32	5		201-1	29	Due to the company policy, absolute sums are not disclosed, but indexes with regards to report base year 2015.	304	43	
102-4	6		102-33	17		201-2	16		305	46, 50, 51, 52, 53, 55	
102-5	6		102-34	17		201-3	33	Only the applicable parts of the disclosure reported	306	47, 56	
102-6	26, 29		102-35	34	These figures are given as ratios as it is not the Group's policy to provide these figures for each country operation	201-4	26		307	42	
102-7	26, 29, 32		102-36	33		202-1	33		401-1	39	
102-8	32		102-37	33		202-2	32		401-2	34	Not applicable, as everything is defined by law.
102-9	29		102-38	33		203-1	26		401-3	39	
102-10	26, 29, 32		102-39	33		203-2	26		402-1	34	
102-11	21		102-40	9		204-1	26		403-1	34, 35	
102-12	21		102-41	33, 34		205-1	17		403-2	34, 35	
102-13	21		102-42	9		205-2	19		403-3	36	
102-14	4		102-43	12		205-3	19		404-1	36	
102-15	17, 22, 23		102-44	9, 10, 11		206-1	19		404-2	36	
102-16	18		102-45		Not applicable, no consolidated financial statements	301	48, 55	Some information is not available as the Coca-Cola Group standards differ from those of the GRI disclosures (applies also to disclosures 302 – 307). As noted above, in this sense Disclosures 301 – 307 reference the GRI standards but do not follow them completely.	404-3	36	
102-17	18, 21		102-46	9, 10, 11					405-1	7	
102-18	7, 18, 21		102-47	9, 15, 16, 17					405-2	33	
102-19	7		102-48		Not applicable, no restatements				413	58	
102-20	7		102-49	5					416	21	
102-21	7, 17		102-50	5					417	30	
102-22	7		102-51	5					418	30	
102-23	7		102-52	5							
102-24	5, 7		102-53	5							
102-25	23		102-54	5							
102-26	18, 21										
102-27	17										
102-28	8										
102-29	17										

