Water Stewardship and Water Risk Management Programmes

At Coca-Cola HBC, we are implementing an internal water stewardship programme in all our production facilities. This programme is essential for mitigating business risks and fostering sustainable development as water is:

- one of the most important ingredients we use to produce beverages
- a resource used by our suppliers, and
- needed in all communities.

Our internal water stewardship programme is based on The Coca-Cola Company's (TCCC) water resource sustainability requirements and is shaped to implement our water stewardship policy and deliver our water commitments.

The external certification of our water stewardship programme is a critical requirement for public recognition and transparent communication.

The specific KBI of the water stewardship programme is the water usage ratio (WUR), expressed as the volume of water we use divided by the volume of produced beverage (l/lpb).

This KBI is the ultimate expression of the overall water efficiency, and is directly impacted by any water-related issue, for example:

- Source water quality fluctuations requiring more water consumption for treatment.
- Water discharge during non-production periods.
- Non-synchronised utilities with production such as cooling processes.

For our water priority locations, we have a clear commitment to reduce the WUR by 20% in 2025 compared to the 2017 baseline value. In our other plants, we have established a long-term reduction plan based on best-in-class or industry average references. This plan is set for each plant, depending on the manufacturing complexity.

The overall target for water reduction is a rolling target. This means that every year we set the new target as a percentage improvement compared with the achieved number in the previous year. It also takes into consideration any new acquisitions, new processes and portfolio mix. Our 2023 internal target for WUR in all plants was1.88 l/lpb. We reached 1.81 l/lpb, which is an improvement of 3.5% compared with the annual target.

The second level KBI for water is the wastewater compliance ratio (WWCR). WWCR is the direct measure of wastewater effluent quality, as documented through the internal and external monitoring programme. It is expressed as a ratio (%) by dividing the compliant results to the number of collected samples.

We adhere to the strictest wastewater requirements of either the local legislation or The Coca-Cola Company's internal guidelines. Our wastewater treatment facilities are prioritised in the investment calendar based on their compliance need.

From the design phase, our wastewater treatment plants are equipped with at least flow balancing and neutralisation facilities to reduce the impact of peak discharges.

When the wastewater treatment plants are operational, we implement a continuous water quality monitoring programme. Depending on the wastewater treatment plant's performance, we set corrective actions such as chemical dosing adjustment, flowrate optimisation, or improved aeration for the biological part of the process.

Our goal is for 100% of wastewater to be treated to the levels supporting aquatic life. This goal is a continuous one that applies to all our plants, including new acquisitions and mergers.

Both WUR and WWCR are defined in our environmental guidebook, a document all employees can access. We use integrated tools to drive the improvement of water efficiency:

A. True Cost of Water (TCoW)

- We use this Excel-based calculator tool to convert the operational aspects of water use such as water fees, utilities and discharge costs and inherited water risks of the local watershed, for example the local economic value of water, into the True Cost of Water. This is expressed as Cost in EUR/m3 water used.
- The TCoW is monitored on a yearly basis for each plant and is directly impacted by the WUR of each plant.
- The TCoW is used for payback calculation of the new projects that are impacting water use.

B. Water Targeting Tool

- We use this Excel-based calculator tool to forecast the expected WUR for each plant depending on the water-risk category of the location and the manufacturing complexity. This includes the number of lines, type of products and SKUs, treatment technologies, and the cleaning (CIP) frequency for each line.
- We use the WUR value calculated by the Water Targeting tool in our yearly business planning of WUR at plant level.
- The Water Targeting tool was developed by The Coca-Cola System, with reference from within the System and the beverage industry.
- The WUR target is set every year by each plant using this tool. This means:
  - the required WUR improvement is customised depending on the plant complexity and baseline value, and
  - plants with a higher WUR baseline and less complexity are required to further improve the WUR compared to the others.

C. Water Maturity Self-Assessment Tool

- We use this Excel-based tool to assess the water stewardship capabilities at plant level and the implementation status of water efficiency practices.
- This tool contains a library of 48 water efficiency best practices that are relevant for the beverage industry and can be assessed for implementation by each plant.
- The water efficiency best practices are grouped by the maturity level of the plant, from developing to leader level. They start with basic water use reduction and move to the most advanced water recycling processes such as filters backwash water recovery, wastewater tertiary treatment and reuse for cooling towers.
- Our main focus is on implementing:
    1. Chemical-free water treatment technologies.
    2. Circular water used for utilities.
    3. Zero-liquid discharge for priority locations.
- Water recycling is implemented based on risk assessment. Our main focus is on the following:
    - Collecting water from the manufacturing processes.
    - Producing feed water for technical (utilities) use through a separate water treatment unit in such a way to achieve circular use for secondary applications. By implementing this approach, the fresh water supply is dedicated to producing beverages, while collected and treated water is dedicated for utilities, such as cooling towers.
- The result of the Water Maturity Self-Assessment tool is used to forecast the additional resources, capability development needs and the most appropriate water efficiency technologies to be implemented to achieve the WUR forecasted through the Water Targeting Tool. This allows each plant to develop a customised action plan to reduce water consumption by selecting the proper water efficiency best practices.
- This is a requirement for each plant that needs to be updated each year.

The water stewardship programme is documented as a company guideline, which is included in the recurrent training agenda for our employees. We regularly run various water stewardship training programmes, such as:

- Group annual water stewardship training.
- Water wells and water sources training.
- True Cost of Water and water targeting tool training.
- Water maturity assessment training.
- Water risk facility water vulnerability training.

- Water source vulnerability assessment training.

We run specific water-related sessions, for example, on water disinfection, water monitoring, ozonation, hygienic design of water equipment, microbiological water risk, UV and reverse osmosis water treatment.

We also have tailor-made training programmes, such as:

- The annual environment training programme with a specific module on water efficiency and wastewater.
- Supply Chain Leaders' training where managers from manufacturing, engineering, distribution, procurement and planning departments are trained in different areas of environmental sustainability, including water, energy, GHG emissions, and waste management.

Water usage target setting is part of our annual Business Planning process, and our daily, weekly, and monthly business performance review. We use specialised software to track the water usage monthly. We then compare the actual status with the annual goal during the monthly performance meetings at plant level, country level and Group level.

All deviations from the targets are captured and corrective actions are assigned accordingly. The quarterly performance and investments in water efficiency and wastewater compliance are discussed at Executive Leadership Team level as well.

In 2023, we invested €3.2 million in water saving and water efficiency programmes.

Achieving water targets and improving water KPIs are integral parts of our operational excellence and continuous improvement processes. They are incentivised through different rewarding programmes at all levels within the organisation, from production floor employees to the management level.

Water management is part of our operations governance programme and is regularly subject to internal and/or external auditing and assessments. By the end of 2023, 58 of our manufacturing plants were ISO14001 Environmental Management System certified (99.8% of the total volume produced). All plants (100%) were also audited by internal experts who are part of the cross-border internal audit programme and The Coca-Cola Company Global Audit Programme over a cycle of three years.

Water Risk Management Programmes

Water risk management programmes are organised in all our bottling operations. They allow us to implement successive risk assessment steps, create appropriate mitigation measures and actively follow-up the results of the mitigation plan and effectiveness in reducing the water risk levels.

By implementing the water risk management programme, we aim to do the following:

- Assess water risks and vulnerabilities relevant to each plant.
- Identify the water priority locations for which external commitments are raised.

- Implement appropriate mitigation measures for the identified water risks and vulnerabilities.

We evaluate the water risks and vulnerabilities for each plant using three successive steps (from one year to three - and five - years renewal frequency) that are based on a common risk scoring methodology.

The three successive steps of the water risk assessment process are introduced to capture all water risks – such as strategic, operational and reputational ones – by efficiently allocating internal and external resources.

We implement a common risk scoring methodology for all steps of water risk assessments that consist of the following:

- Predefined breakdown of water risk aspects that are evaluated during the risk assessment process.
- Quantify the risk level for each aspect as (1) low, (2) medium or (3) high.
- The weight for each risk aspect has an overall equal distribution between the facility's risk aspects and the community or watershed risk aspects.
- The final risk score is calculated by multiplying the Risk Level (1, 2 or 3) with the risk weight of each aspect.

We extend the scope of water risk assessments from the plant level to the watershed and communities. Our evaluation comprises several water risk aspects, such as supply reliability, water efficiency, compliance, water economics, product quality and food safety, water sustainability, and local and social aspects.

For all these water risk aspects, we are considering: 1) the dependencies of our manufacturing sites to the overall organizational context, and 2) the impact of operations to the environment, watershed and local communities. Most relevant dependency-related water risks considered in our assessment are: watershed baseline water stress, ecological status and qualitative risks of water resources, communities access rights to clean water resources, hygiene and sanitation services, regulatory framework, biodiversity and important water related areas surrounding our manufacturing sites. While the most significant impact-related water risks considered in our assessment are: the impact of our water use on the naturally renewable water resources, the impact of our wastewater operations and discharge to the natural environment, and the impact of our community projects on the watersheds health status.

During the mid-term and long-term water risk assessment processes, we evaluate the future trends that might impact the current water risks.

The starting point for the climate change impact on water resources is related to water availability.

We use the publicly available information from recognised platforms such as Aqueduct (WRI) and Water Risk Filter (WWF) to evaluate the change in baseline water stress of the areas where our plants are located in. We also factor in the current source water utilisation

rate (calculated as water use volume divided by available water at source). This allows us to calculate the future source water utilisation rate. If this value exceeds 100%, it means we need to optimise and expand our water infrastructure to ensure future available water volumes for our production needs.

We also quantify the climate change impact on water resources availability as financial risk. We specifically quantify the additional operational and capital expenditure we need to increase water availability for the climate scenarios of 2030 and 2040.

We actively monitor the regulatory changes that may potentially impact water resources so we can proactively upgrade plants' water supply and water treatment infrastructures.

The reputational issues are considered in our stakeholders management process, and we agree common actions to address shared, current and future, water challenges.