

Coca-Cola HBC AG

Top two material issues for external stakeholders

2023

Material Issues for External Stakeholders

Impact 1	Packaging and waste management	
Cause of impact	The biggest packaging and waste amount comes from our products, in their end-of-life phase when the packaging materials are not properly collected for reuse/recovery. Some amount of waste is generated in our operations (manufacturing and distribution) and all those waste is collected separately (per type) and recycled or recovered or used in other applications. Small amount is also generated upstream, from our suppliers.	Supply Chain (upstream): low impact Operations: medium impact Products/Services: high impact
Topic relevance on external stakeholders	According to the UN, plastic production soared from 2 million tonnes in 1950 to 348 million tonnes in 2017, and it is expected to double in capacity by 2040. While the material has many benefits, there are negative consequences on nature and society if it becomes waste or pollution. Documentaries such as Blue Planet II, showing the impact of plastic pollution on wildlife around the world. In 2016, the Ellen MacArthur Foundation published a report which showed that most plastic packaging is used only once, and only 14% is collected for recycling. 95% of the value of plastic packaging material, worth USD 80-120 billion annually, is lost to the economy. In their second report on plastics, published in 2017 – they showed that without fundamental redesign and innovation, about 30% of plastic packaging will never be reused or recycled. Besides, packaging materials and packaging waste emit GHG emissions and with this contribute to the global climate change. We recognize our responsibility to help solve complex plastic waste challenges facing our planet and society. Improving the sustainability of our packaging is a critical priority for us. We believe every package has value and life beyond its initial use and that it should be collected and recycled into a new package or reused. We focus on making our packaging more sustainable by investing in recycled content, expanding reusable formats, using more alternative to plastic materials, lightweighting, in-house rPET production infrastructure – which helps us to have a high-quality, steady supply of more affordable rPET in selected markets – and driving the implementation of effective collection models in every country where we operate.	
Type of impact (positive and negative)	Negative impact: 76% of our sales volume comes from developing and emerging markets, where waste management infrastructure is often underdeveloped. When packaging waste is not effectively collected, especially in developing and emerging countries there is a high risk that it will be landfilled and subsequently enter the soil, rivers and oceans, which could have a negative impact on ecosystems, human health (toxicity), and society. Packaging waste and climate change are interconnected global challenges, in the focus for businesses and communities. 34% of our value chain emissions come from packaging materials. Positive impact: Together with our suppliers and partners, we take actions to ensure our packaging doesn't end up as waste. When we lightweight our packaging, incorporate more recycled material, invest in local recycling programs and increase our use of reusable packaging, we can reduce both waste and our greenhouse gas (GHG) emissions. Our packaging commitments and initiatives contribute to the circular economy principles and support a world without waste. We leverage the power of the brands that we sell to encourage consumers to dispose of their packaging in a responsible way.	
Output metrics	Increased % of recycled PET material that will eliminate the use of virgin plastic; increased % primary packaging collected for recovery/recycling that will close the loop in packaging circularity	
Impact valuation	Social cost caused/avoided or Environmental value lost/gained	
Impact metrics	The potential plastic packaging tax	
Information	We use the cost model provided by an external consultants to assess the potential plastic tax per country and we the average of those numbers. The potential average cost would be 0.45 EUR/kg plastic material. The amount of plastic material we avoid is multiplied by this cost.	

Material Issues for External Stakeholders

Impact 2	Climate change	
Cause of impact	Climate change is impacting our direct operations and our value chain through the increased cost of energy, water and raw materials; carbon taxation; water stress; disruption in raw materials and business operations due to severe weather conditions, etc. Across our value chain, we and our upstream suppliers and downstream partners and consumers use energy. In our manufacturing we use different fuel as energy source. According to the Science Based Targets initiative (SBTi), the forest, land and agriculture sector is one of the most affected by the impacts of climate change, but it is also a significant source of emissions. It represents nearly a quarter of global greenhouse gas (GHG) emissions. The cold drink equipment used by our customers to cold down the beverages uses electricity. All those activities emit GHG emissions.	Supply Chain (upstream): high impact Operations: low impact Products/Services: medium impact
Topic relevance on external stakeholders	As per the IPCC Sixth Assessment Report, the global surface temperature has increased faster since 1970 than in any other 50- year period over at least the last 2000 years, and every fraction of a degree of warming matters. With every additional increment of global warming, changes in extremes and risks become larger. For example, every 0.1°C increase in global warming causes clearly discernible increases in the intensity and frequency of temperature and precipitation extremes, as well as agricultural and ecological droughts in some regions. Greenhouse gas emission reached a new record high of 57.4 gigatonnes in 2023. They must drop by 43% by 2030 (compared to 2019 levels) to keep temperature increase from exceeding 1.5°C according to the UNEP. The Paris Agreement, the legally binding international treaty on climate change, was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, in 2015. It calls to hold “the increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.” We were among the first companies globally that set science-based carbon reduction targets (SBT) back in 2016. After reaching those targets in 2018, we set new SBTs and in 2021 we have committed to reach net zero absolute emissions across the entire value chain by 2040. We also engage with our suppliers and partners in the value chain in order to support their decarbonization effort.	
Type of impact (positive and negative)	Negative impact: Energy is needed across our entire value chain (for our direct operations, for our customers (for cooling down the beverages) and for our suppliers). Agricultural suppliers emits also FLAG emissions (forest, land change, land use and agriculture). Our biggest carbon footprint is linked to the packaging materials we use for our products. Positive impact: We have reduced our absolute emissions (Scope 1, 2, 3) by a third from 2010 to the end of 2023, despite a global* increase in emissions. Now we have approved SBT by 2030 and with these we are contributing to the 1.5-degree world. With our NetZero40 commitment we are committed to achieve net zero absolute emissions by 2040. Currently we apply for FLAG targets that will further mitigate the emissions coming from agricultural ingredients. We invest along the value chain in energy efficiency, climate change mitigation and adaptation, renewable and low carbon technologies, while working in collaboration with our suppliers and other partners. (*) Global Carbon Project; Expert(s) (Friedlingstein et al. (2023)).	
Output metrics	GHG emissions reduction (absolute scope 1, 2 and 3) as per the science-based targets, approved by the Science Based Targets initiative (SBTi).	
Impact valuation	Social carbon cost impact	
Impact metrics	The internal carbon price	
Information	Since 2015 we use the concept of internal carbon price considering the cost of our emissions reduction and the EU Emissions Trading System (EU ETS). In 2023 our internal carbon price was 89.24 EUR/tonne of CO ₂ e (taking the 6-month average of the EU ETS).	