



Coca-Cola HBC  
Hungary

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# SUSTAINABILITY REPORT 2018



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# ABOUT THIS REPORT

<b>REPORTING PERIOD</b>	2018 calendar year
<b>DATE OF MOST RECENT POST</b>	2017
<b>REPORTING CYCLE</b>	Since 2016, we have published our Sustainability Report on an annual basis.
<b>CONTACT INFORMATION</b>	<a href="mailto:pac.hungary@cchellenic.com">pac.hungary@cchellenic.com</a>
<b>REPORT CONTENT</b>	In this Report, we present key material topics regarding Coca-Cola HBC Hungary Ltd.'s operations, as well as the firm's related programs and initiatives. These topics cover 18 GRI disclosures altogether.
<b>SCOPE OF THE REPORT</b>	The reporting scope covers all functional areas of the company, including the sales offices and distribution centres in Hungary.
<b>RE-STATEMENTS IN THE REPORT</b>	This year we prepared our Report based on the materiality assessment conducted in 2018, and the GRI Standards guidelines. Details about any re-statements of information can be found in the GRI index table.
<b>REPORTING CLAIMS</b>	This report has been prepared in accordance with the GRI Standards: Core option.
<b>EXTERNAL ASSURANCE</b>	Concerning our Hungarian operations, we do not seek external assurance for our Sustainability Report annually. However, every 4 years the consulting company Denkstatt performs an audit on our key reports for the Group, which is part of the audit process of the Coca-Cola Hellenic Group's integrated annual report, prepared in accordance with the GRI Standards. Most recently, the consulting company audited data of our Hungarian operations in 2018.



## Sustainability Audit concerning the integrated annual report

Denkstatt Hungary Ltd. conducted a comprehensive audit regarding the sustainability activities of Coca-Cola HBC Hungary in 2018, as part of the annual integrated reporting of the Hellenic Group. In that study, the sustainability indicators and activities underlying our report were reviewed by the consulting firm.

Among other things, the evaluation acknowledged our company's commitment to the Group's sustainability goals (several of the 2020 targets were achieved already in 2017), the corporate volunteering program, or the good practices regarding our pledges towards UNESDA. Concerning our plant in Zalaszentgrót, the audit report emphasizes our efforts to preserve the biodiversity of the area and our cooperation with NGOs, our strategy for addressing labor market challenges and other measures for environmental sustainability. Only one of the topics suggested to be developed was deemed critical, and the recommendations from this will be used in the coming years to further improve our sustainability performance.

# LETTER FROM THE CEO



## Dear Reader,

Coca-Cola HBC Hungary is once again publishing its Sustainability Report which summarizes our activities and key results for 2018. As a member of the Coca-Cola HBC Group and as a devoted company in terms of our partners and the development of the Hungarian economy, I am pleased to present the steps we have taken this past year to deliver responsible and sustainable operations in practice.

This year our company was able to further increase business efficiency. Our sales revenue increased by 11% and our revenue from export activities was up 9%. Our successful financial performance enables us to further expand our domestic production activities. This year we invested a record amount of HUF 7.5 billion, and the most notable investment was in the extension of our Dunaharaszti site by 13 hectares. The plan in that location is the ongoing building of an automated warehouse with state-of-the-art technology.

In 2018, our key product, Coca-Cola, reached a special milestone in Hungary, since the domestic production and distribution of Coca-Cola soft drinks started here exactly 50 years ago. At the same time, we were able to strengthen the success and popularity of our product portfolio in several ways. We launched new products, and several of them were drinks with reduced sugar and calorie content. We have also started the production of our GLACEAU smartwater premium mineral water at Zalaszentgrót, and we have entered the market of plant-based beverages via our AdeZ product group. Due to the record-breaking expansion of our product portfolio, we are confidently moving along our long-term strategy path to serve our customers at any time of the day as a full-portfolio beverage production and distribution company.

However, our success also means more responsibility. Today's global challenges affect both individuals and companies and they encourage new action. The UN-defined Sustainable Development Goals (SDGs) identify the path that we need to take together to create a sustainable world. As a market-leading beverage company, we must play a decisive role in achieving these goals – hence our report highlights how we contribute to the objectives of individual SDGs.

In 2018, our ambition was to further strengthen our performance in economic, environmental and social sustainability.

In addition to the fact that our PET bottles are made of 100% recyclable plastic, we are constantly increasing their recycled material content. As a result, despite a 5.31% increase in our production volume, we produced 14% fewer PET bottles in 2018 than in 2017.

Preserving the health of our consumers is also a goal we keep in mind while we develop our portfolio. Across our product range, reduced calorie drinks are becoming more and more sought after, and we also constantly reduce the sugar content of our existing products.

One of the biggest challenges for Hungarian companies is to provide a suitably skilled workforce. However, it is clear to us that jobseekers are also finding it difficult to adapt to changing labor market conditions. That's why we launched our #YouthEmpowered program in 2017 to help young people acquire valuable skills and knowledge, helping them to be successful in the job market. In 2018, the program was further developed, and we launched the #futuremum event series to help mothers' return to work.

I am confident that our Sustainability Report will provide a comprehensive view of our activities and the results we have achieved so far, and which we fully aim to improve together in the coming years.

**LÁSZLÓ BÉKEFI**

**General Manager** (from 1 April 2019)  
**Coca-Cola HBC Hungary**

**Dear Reader,**

For Coca-Cola HBC Hungary, transparency is a prominent value. We consider it important to disclose our impact on the environment, the people living around us and our own employees, and we aim to shape these impacts with our conscious actions to be as positive as possible. Publishing our Sustainability Report this year again strengthens this transparency: we present our past actions and our vision for a more sustainable future.

I am proud that in the last five years, Coca-Cola HBC Hungary was among the best within the Hellenic Group not only based on our business results, but also with our responsible and sustainable operations. During these years we launched several initiatives that responded to important challenges – such as the design and material changes to our PET bottles, supporting our consumers to make healthier choices, or starting

our #YouthEmpowered program. Besides the organisational-level commitment, our colleagues actively contributed to the success of these initiatives, their recognition and retention is also fundamentally important for the company.

I would like to take this opportunity and thank our colleagues, business partners and all of our stakeholders, since due to our great cooperation, we have highly successful years behind us. I am very pleased that in the last five years we could work together to make Coca-Cola HBC Hungary a prominent and exemplary company in this country.



**MINAS AGELIDIS**

General Manager (2014-2019)  
Coca-Cola HBC Hungary



# ABOUT THE REPORT

**When preparing our sustainability report for 2018, we have reviewed our company's annual activities and its economic, social and environmental impacts. By publishing our sustainability report this year, we will once again showcase our local efforts towards sustainable development and their results. We continually strive to meet the global challenges of today, alongside the issues that our local stakeholders and communities find relevant.**

## Global Sustainability Challenges

In 2015, the UN identified various key challenges for sustainable development and they created Sustainable Development Goals (SDGs). The 17 Goals identify the global challenges that we need to resolve by 2030 to create a sustainable world. In order to achieve the Goals, cooperation between the government, market and civil spheres is indispensable; since none of the actors are able to solve the problems alone. In the chapters of our report, we point out how our activities contribute to specific SDGs.



## Material Topics

At Coca-Cola HBC Hungary we are continuously monitoring the changes affecting our external environment and we pay attention to our stakeholders' feedback and the communities affected by our operations. In accordance with GRI guidelines, we identify our material topics as those social, economic and environmental issues that affect our business operations, as well as topics that are most important for our external and internal stakeholders.

*We systematically re-evaluate our material topics with the active involvement of our stakeholders*

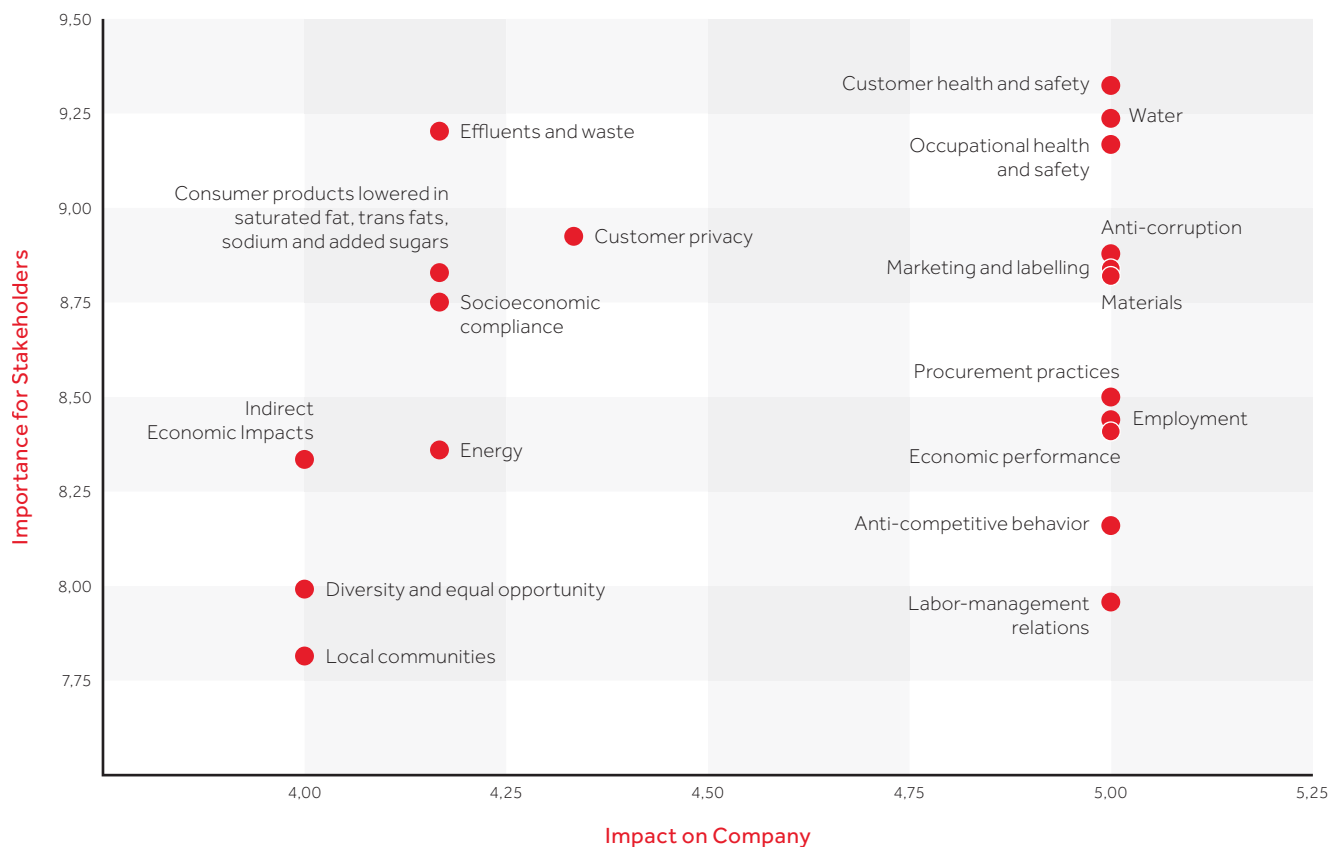
The topics were selected based on the Hellenic Group's 12 material issues. In 2018 their importance was rated by our internal and external stakeholders through an online survey (available both in English and Hungarian), broken down by GRI topics. The assessment was conducted anonymously with the involvement of KPMG Advisory Ltd. as independent third-party. (As there has been no significant changes in our external environment and business strategy since the previous business year, we use the results of this survey as a guide to detail our performance in 2018.)

Our material issues are also in line with the Sustainable Development Goals (SDGs). As part of the Coca-Cola Hellenic Group, we contribute to a number of global goals - as well as by our initiatives and the handling of important topics.

## Material topics matrix

CCHBC focus areas	Topic	GRI disclosure
<b>Direct and indirect economic impacts</b>	Economic performance	GRI 201
	Procurement practices	GRI 204
<b>Corporate governance, business ethics and anti-corruption</b>	Anti-corruption	GRI 205
	Anti-competitive behavior	GRI 206
	Customer privacy	GRI 418
	Socioeconomic compliance	GRI 419
<b>Sustainable sourcing</b>	Materials	GRI 301
<b>Energy and climate change</b>	Energy	GRI 302
<b>Water stewardship</b>	Water	GRI 303
<b>Packaging and recycling</b>	Effluents and waste	GRI 306
<b>Employee well-being and engagement</b>	Employment	GRI 401
	Labor-management relations	GRI 402
	Occupational health and safety	GRI 403
<b>Human rights and diversity</b>	Diversity and equal opportunity	GRI 405
<b>Community investments</b>	Local communities	GRI 413
<b>Health and nutrition</b>	Customer health and safety	GRI 416
<b>Responsible marketing</b>	Marketing and labelling	GRI 417
<b>Product quality and integrity</b>	Consumer products lowered in saturated fat, trans fats, sodium and added sugars	G4 FP6

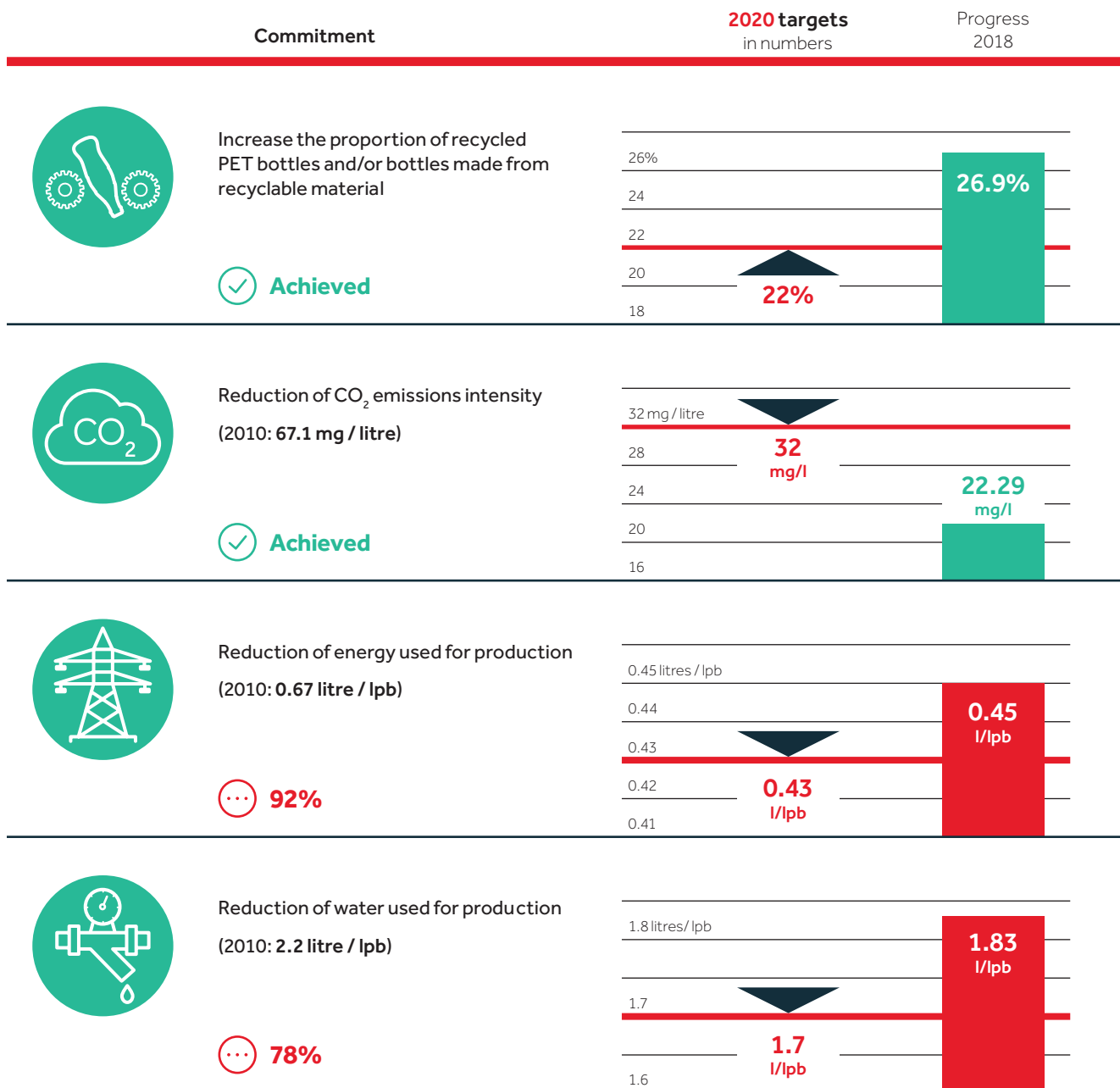
## Coca-Cola HBC Hungary - Materiality Assessment 2018



# OUR SUSTAINABILITY COMMITMENTS

Since the announcement of Coca-Cola HBC Group's 2020 sustainability program in 2016, we have been continuously working to meet our corporate values and goals to the highest possible level.

## 2020 targets

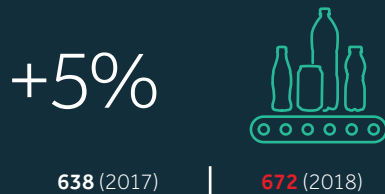






# KEY HIGHLIGHTS OF 2018

## PRODUCED BEVERAGES (million litres)



## CAPITAL (billion HUF)



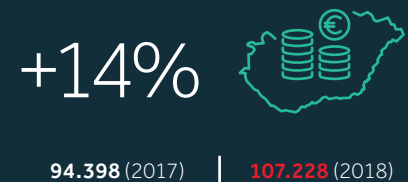
## NET REVENUES (billion HUF)



## NET REVENUES from exports (billion HUF)



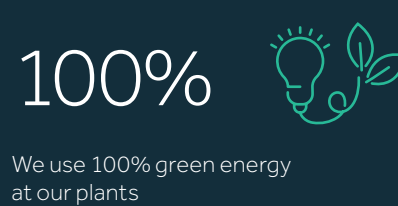
## NET REVENUES from local market (billion HUF)



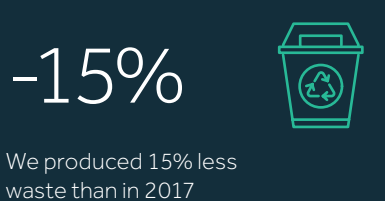
## PORTFOLIO



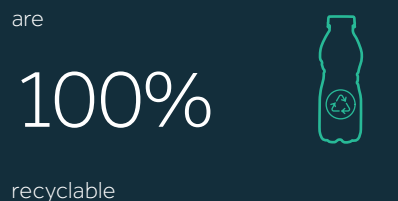
## GREEN ENERGY



## WASTE



## OUR BOTTLES



## #YouthEmpowered PROGRAM



# COCA-COLA HBC HUNGARY



Coca-Cola HBC Hungary is the leading soft drink producer, bottler and seller on the Hungarian market. We are a member of the Coca Cola HBC AG Group, which serves 600 million consumers and operates in 28 countries (100% owned by CC Beverages Holdings II. B.V). Headquartered in Dunaharaszti, our company operates as one of the regional production centres of the Hellenic Group. Besides our two bottling plants, with our distribution centres and offices we are present in 10 locations across Hungary.



- Bottling plant
- Distribution centre
- Office

*Our portfolio has more than 107 different products, 90% of which were produced in Hungary*

We bottle and distribute leading brand products such as Coca-Cola, Fanta, Sprite, Kinley, NaturAqua and GLACEAU smartwater mineral waters, Cappy juices and fruit drinks, FUZETEA ice teas, Powerade sport drinks, and energy drinks such as Burn and Monster. Since 2017 we have been the exclusive distributors of Italy's number one coffee, Lavazza, in Hungary. Regarding premium spirits, we distribute Jack Daniel's, Finlandia, Bacardi, Famous Grouse, Rézangyal and Campari branded products. In addition, we operate cold drink, warm drink and snack vending machines. Besides our local market presence, we export more than 40 different products to 26 countries.

In terms of product portfolio development and expansion, we were busy in 2018. During the year, we introduced 60 new items that included new products or existing products with new or improved packaging or flavorings. We are proud that many of our products had successful market entries, with which we can address new consumers, thereby supporting our company's long-term and sustainable growth path.

In 2018, with the AdeZ product line, we entered a new segment, the market of plant-based drinks. We started the sales

of FuzeTea this year, therefore we are now present on the domestic market with our own brand of ice teas. The consumers have welcomed the new teas, which made the brand market leader in only a few months. In addition, the sales of new flavored Coca-Cola products have also increased, while we have been able to increase our presence in the coffee and alcohol markets as well.

By way of a HUF 1.8 billion investment in 2018, we launched the production of a new premium mineral water product, GLACEAU smartwater, made at our plant at Zalaszentgrót. The basic ingredient of GLACEAU smartwater is the mineral water from our plant at Zalaszentgrót, from which we produce an exceptionally pure and fresh flavored drink containing added electrolytes, by a technology resembling cloud formation. The technology for producing smart water has only been used in Britain and the Netherlands within Europe so far. The product – which is the number one premium brand in the United States and Great Britain – is now exported to 8 countries from the Zalaszentgrót production line.



### How do we connect this to the SDGs?

**To produce our new products, we bring state-of-the-art technologies and procedures to our plants in Hungary. The technology used for our GLACEAU smartwater product is unique in the region.**



For the 14th time in 2018, our number-one product, Coca-Cola won the Superbrands award. In addition, Fanta was awarded the Superbrands Prize for the tenth time and NaturAqua for the third time. The award is given to the most distinguished consumer and business brands by an independent jury made of marketing and corporate executives.

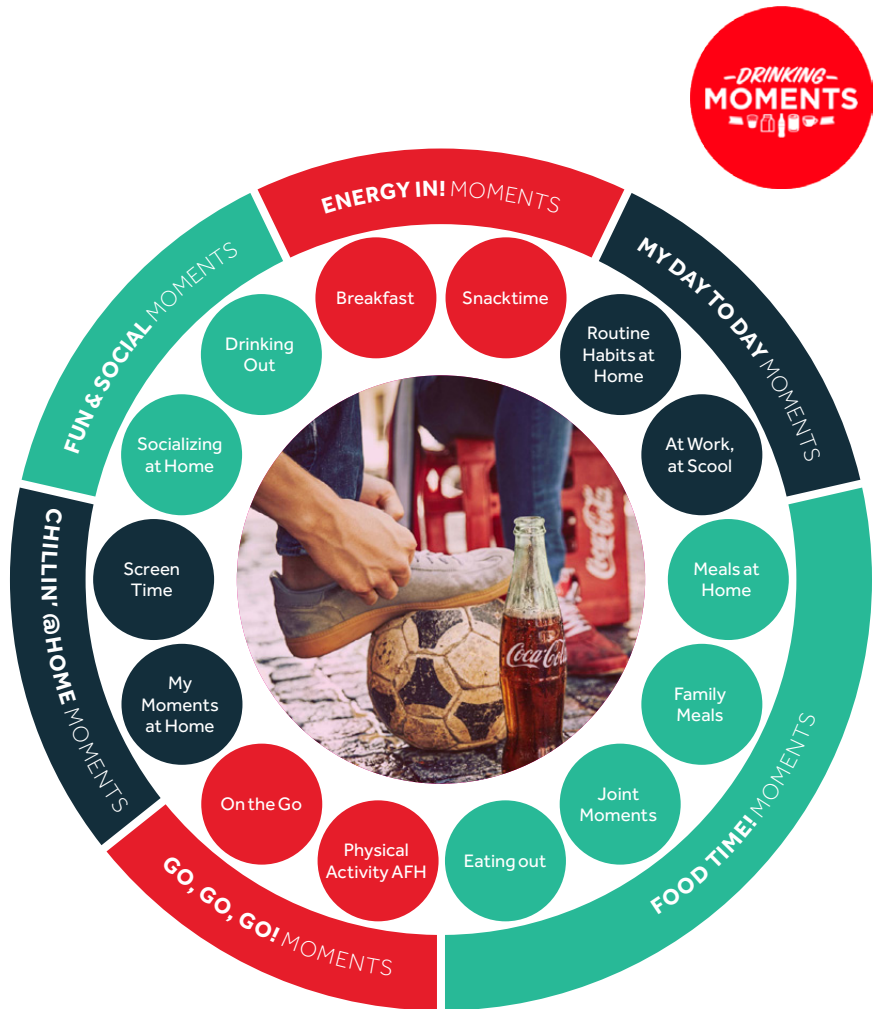


## Our Strategy

At Coca-Cola HBC Hungary, we work every day to build on our success story and remain the undisputed top beverage company on the market. We want to create value for our Group, The Coca-Cola Company, our customers and communities. Our goal is to be the front-runners in the growth journey within the Hellenic Group. We aim to achieve this by our responsible, sustainable and profitable growth strategy, the continuous development of our portfolio, and with the help of our committed and capable team.

We are proud to offer a wide range of products to our customers as a full-fledged beverage company. We develop a portfolio where our customers can find high quality products that meet their needs at any time of the day.

In line with our 24/7 strategy, we defined "Drinking Moments" for our portfolio drinks, including a focus on the "when" of consumption, the role of products for people during these occasions, and their benefits for well-being. For these moments, we have associated the most appropriate drinks we offer to enable our product portfolio to meet consumer demands at every hour of every day of the week.



### Four pillars of our strategy



#### COMMUNITY TRUST

We build trust with our communities



#### CONSUMER RELEVANCE

We offer our consumers the most suitable products for every occasion



#### CONSUMER PREFERENCE

Our products and services fully meet our partners' expectations



#### COST LEADERSHIP

We focus on cost efficiency at operative level

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## Our Values

Everything starts with our values: authenticity, excellence, learning, caring for our people, performing as one and winning with customers.



### AUTHENTICITY

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we have deeply felt values, we act with integrity and do what is right, not just what is 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

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our customers are at the heart of everything we do

## Our business model

Corporate responsibility and sustainability are indispensable parts of Coca-Cola HBC Hungary's culture. Our sustainability objectives are connected to our business goals, and form an integral part of our business strategy, while focusing on the people, and people the foundation of Coca-Cola HBC's sustainable growth.

### OUR CAPITALS

#### FINANCIAL:

We always seek to use all funds efficiently, whether generated from operations or investments.

#### ASSETS:

We carefully manage our assets, including our equipment and buildings, in order to ensure the production and storage of our products.

#### HUMAN:

We are continuously developing our employees' skills and competences, and pay special attention to finding, developing and retaining new talents.

#### NATURAL:

Water, energy and other natural materials are important resources for our value creation processes, therefore we seek to use them as effectively as possible.

#### INTELLECTUAL:

Our knowledge-based assets include our brands, patents, standards, licences and processes.

#### SOCIAL AND RELATIONSHIPS:

Our social and relationship capital includes our reputation and ability to earn and maintain the trust of our stakeholders.

### OUR ADDED VALUES



#### WORKING WITH PARTNERS AND SUPPLIERS

Our partnership with The Coca-Cola Company (TCCC) gives us exclusive rights to manufacture and sell their branded products. 97% of products we sell are developed and owned by TCCC. They also produce and supply us with the concentrate or syrup that is the main ingredient of our beverages. We rely on our supply chain for many types of inputs to our business, including equipment and machinery, consultancy services and software. Partnering with responsible, reliable, dependable and efficient suppliers allows us to focus on what we do best – producing and distributing beverages that bring smiles to our consumers.



#### SERVING OUR CONSUMERS AND COMMUNITIES

We offer a range of beverages to satisfy evolving consumer preferences. By providing products that meet consumer needs and operating a responsible, sustainable business, we create value for the communities where we operate.



#### PRODUCING COST-EFFICIENTLY

We produce, package and distribute products using the concentrate and other ingredients from the Coca-Cola Company. All of our production plants have warehouses and distribution centres. Utilising these facilities effectively helps us produce products responsibly and is key to our profitability.



#### SERVING OUR CUSTOMERS EFFECTIVELY

We put great emphasis on managing customer relationships as well as our promotions and physical displays and marketing materials at the points of sale. Our customers rely on us to have a full range of quality products on their shelves every day, so that they can satisfy their consumer refreshment needs. In order to give our customers the best possible service, we segment each market and serve each customer based on size and needs, taking into account prevalent market conditions.

### VALUE CREATION

We create value for our stakeholders and our business by managing our capital and expenses in a responsible way.

**HUF 131.505 bn**

Direct economic value generated

**HUF 26.267 bn**

Operating costs

**HUF 10.420 bn**

Employee wages and benefits

**HUF 7.452 bn**

Payments to providers of capital

**HUF 2.367 bn**

Payments to government

**HUF 46.507 bn**

Total economic value generated and distributed

See more on page 20 ►

### VALUE SHARE

By running a profitable, sustainable, responsible business, we create value which is subsequently both retained by our business, making it stronger, and shared with all of our stakeholders.

#### SHAREHOLDERS

By managing all inputs to our business well, we create profits which benefit shareholders through dividend payments and share value.

#### SUPPLIERS

As we create value, we support businesses along our value chain, and job creation beyond our business

#### EMPLOYEES

Developing, recognising and rewarding our people secures a skilled and motivated workforce.

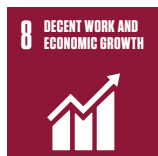
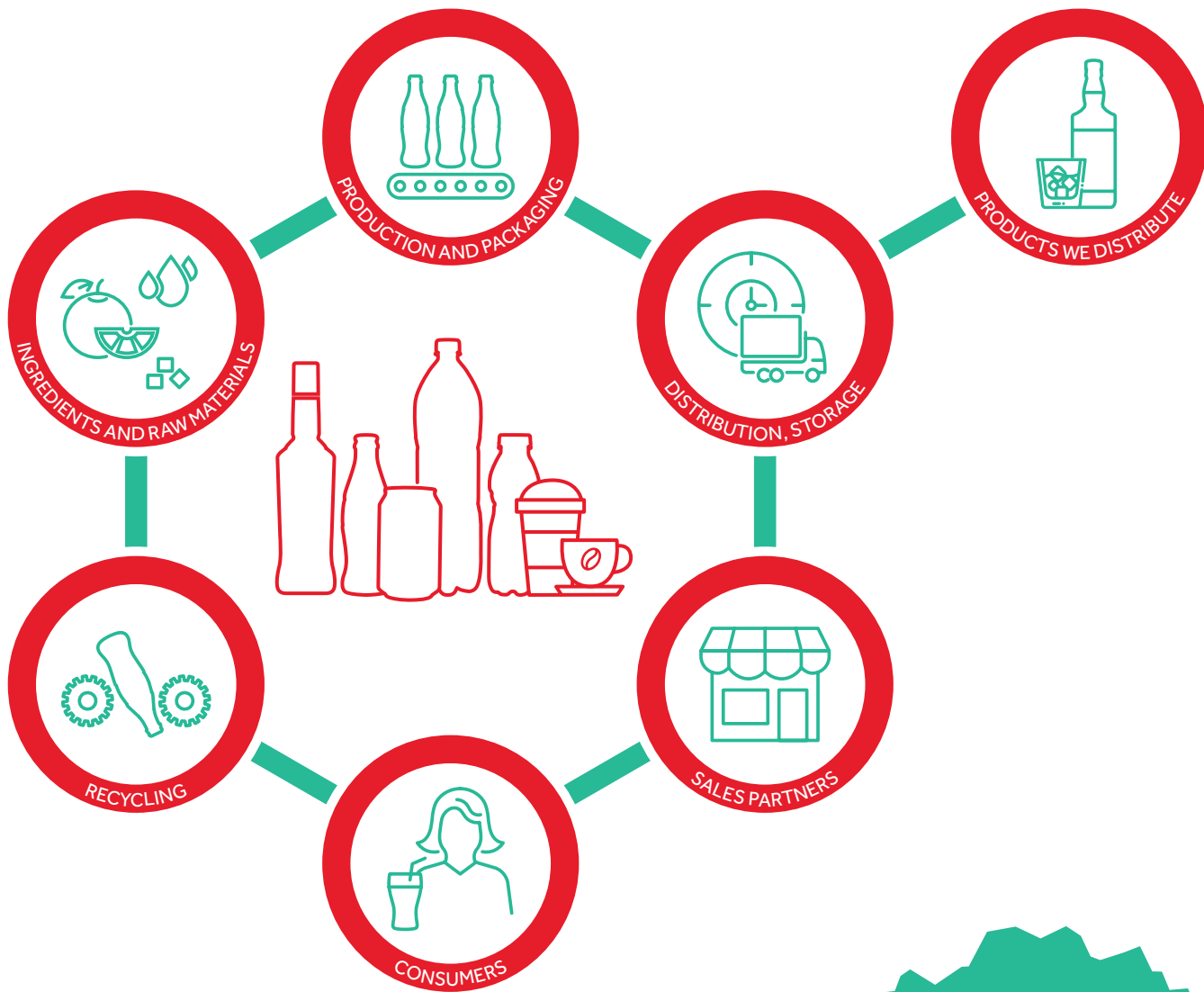
#### CUSTOMERS

Producing products efficiently and responsibly builds value for our customers' businesses.

#### COMMUNITIES

When our business is profitable, sustainable and responsible, the communities where we operate benefit through job creation, tax payments to governments, useful products and services, and the minimisation of environmental impact.

## The Journey of our Products: Our Supply Chain



### How do we connect this to the SDGs?












There are a large number of Hungarian owned companies among our suppliers, contributing to the growth of the domestic economy.

In 2018, we had business relationships with 1,297 suppliers, 1,112 of which were located in Hungary. 85% of total payments to suppliers went to local business partners.



## Our Stakeholders

As an integral part of our sustainability activities, we proactively seek to involve individuals and organisations in our operations that are directly or indirectly affected by our business activities. We define the scope of our stakeholders in line with our business and sustainability strategy.

Stakeholders	Methods of contact	Frequency	Key topics in 2018
 <b>Suppliers</b>	Daily business contact, supplier audits	Continuous	Provision of ingredients and services necessary for our operations
 <b>Coca-Cola HBC Group</b>	Financial statements and reporting, daily business contact, internal communication, company events	Continuous	All areas of our business operations
 <b>Consumers</b>	Website and social media, communication campaigns, plant visits, product testing, other events, mailing	Regular	Consumer questions, complaints, product testing (tasting)
 <b>Authorities and decision-makers</b>	Bilateral and multilateral meetings, inspections by authorities, memberships of Chambers of Commerce, mailing, events	Regular	Legal framework of our business operations, other official matters
 <b>Local communities, NGOs</b>	Sponsorship, community initiatives, volunteering, events, meetings, mailing	Regular	Local aspects of our business operations (infrastructure), supporting local communities, environmental protection, active staff+ lifestyle, NGO initiatives
 <b>Industry organisations</b>	Memberships of associations, professional forums, events, mailing	Regular	Legal framework of our business operations, initiatives
 <b>Media</b>	Ad-hoc engagements, communication campaigns, press events, mailing	Regular	Issues regarding our business operations and products
 <b>Employees</b>	Annual employee engagement survey, internal communication, Social Committee, company events, internal meetings	Continuous	Employee support, scholarships, bonus, financial support for commuting, changes in our stock program, parking lot expansion
 <b>Academic and educational institutions</b>	Cooperation (e.g. dual training program), traineeship programs, events	Regular	Training and labor market opportunities for young people
 <b>The Coca-Cola Company</b>	Daily business contact, company events, joint initiatives and commitments/policies	Continuous	All areas of our business operations
 <b>Customers and sales partners</b>	Daily business contact, meetings, annual customer survey	Continuous	Product pricing, sales and distribution

## Membership of Associations



AmCham -  
American Chamber  
of Commerce



BCSDH - Business  
Council for Sustainable  
Development in Hungary



Hungarian Association  
of Food Processors

**MEMBER OF THE BOARD**



Greek-Hungarian  
Chamber of Commerce



HBLF - Hungarian  
Business Leaders Forum



Hungarian Mineral Water,  
Fruit Juice and Soft Drink  
Association

**MEMBER OF THE BOARD**



Hungarian Vending  
Association

**VICE-PRESIDENT**



Hungarian Brand  
Association



Hungarian Spirits  
Association



Hungarian Chamber  
of Agriculture



Advertising Standards  
Board



Platform for Action  
on Diet, Physical Activity  
and Health

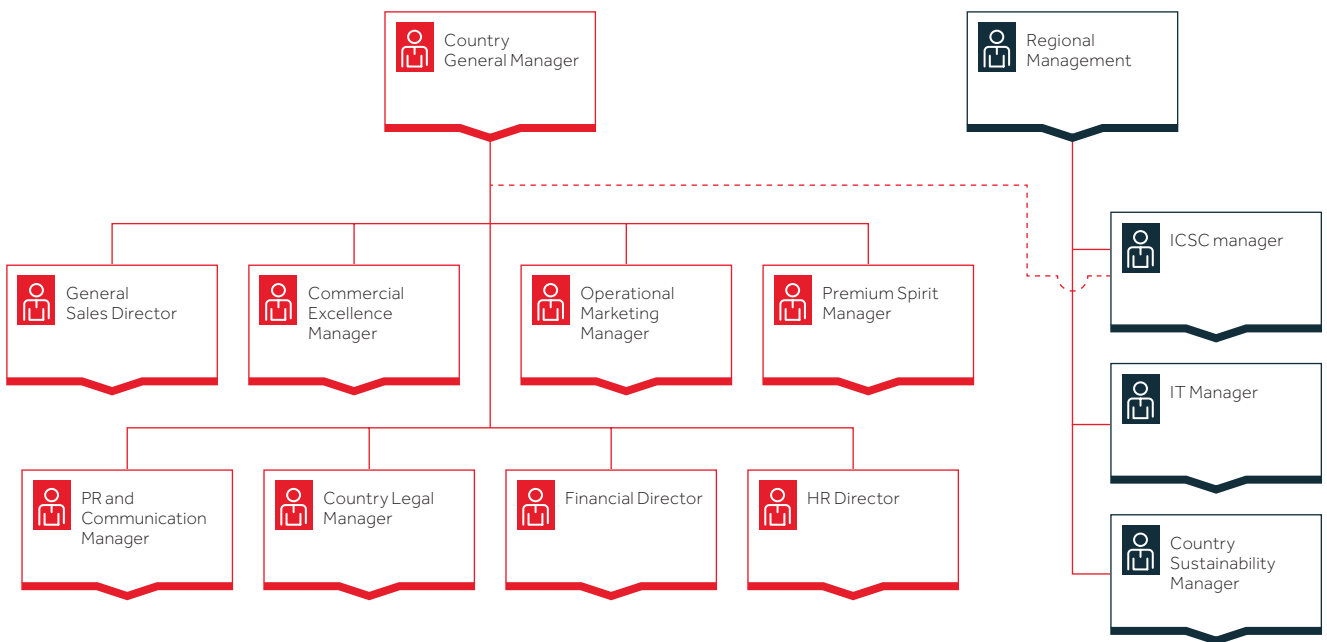
# ECONOMIC ISSUES

## Corporate Governance, Business Ethics and Anti-corruption

At Coca-Cola HBC Hungary, all of our business activities are driven by our commitment to integrity and ethical behaviour. Firm business ethics form an integral part of our corporate culture and values, and this is crucial to maintain our reputation and our partners' trust. We apply this approach holistically to all financial and non-financial aspects of our corporate governance, and we have a zero tolerance policy towards the breaching of any of our relevant internal policies.

We shape our business operations with the aim of minimizing risks and at the same time, of grasping opportunities. Our strategic goals and responsibilities for risk management are defined by our Group's Risk Management Policy and is monitored by the central Audit and Risk Management Committee of the Hellenic Group. In order to support the Policy, we are continuously reviewing our approach to corporate risk management processes so that they are integrated into our operative processes. At Coca-Cola HBC Hungary we apply a robust system to identify and monitor risks, and we send a quarterly report to the Group's Board of Directors.

## Organisational structure<sup>(1)</sup>



(1) The top executive of our company is the Country General Manager. Due to the legal formulation of the firm, there is no executive board. The IT services and sustainability functions are operated regionally and the local managers report to regional leaders.

## Integrity within the company

Our Code of Business Conduct sets out the requirements for our internal operations to ensure we always act in line with our core values and current regulations. The Code is adopted by the executive board of the Group and is binding to all countries of operation and employees without further changes. Within our company, our Legal director is responsible for all compliance matters.

Our Code Compliance Officers ensure that all co-workers and new joiners familiarise themselves with the Code biannually, and declare in writing their understanding of and compliance with its provisions. Our colleagues may turn to the Code Compliance Officers or our firm's management with all their ethics-related questions and issues. Our employees are required to report all ethical violations, while they may also choose to remain anonymous. Those who want to make an anonymous announcement, can do so at the *Emeld fel a Hangod! (Raise your voice!)* line. The line is managed by an independent company, thus ensuring the objectivity of the investigation. All ethical reports will be examined thoroughly and we guarantee that honest report submitters will never face any negative consequence.

We are committed to protecting personal data and data collected as part of our business activities, whether that relates to our employees, clients, customers or suppliers. Concerning data protection, in 2018 our most important task was to prepare ourselves for EU General Data Protection Regulations (GDPR) entering into force.

Our company placed great emphasis on a successful transition within the Week of Ethics and Compliance. During that week between 8.30am and 7.30pm at the Dunaharaszti plant, we introduced the relevant information about the regulations to our employees in a gamified way, and the participants could win various gifts. In addition, we created an online quiz game about the basic information, so our non-Dunaharaszti employees could also receive important knowledge and join the prize game. During the week, we communicated the essential importance and aspects of GDPR to our employees through a number of communication channels.

Our revised Policy on Data Protection integrates the already existing Acceptable Use Policy with a new and updated protection measure and regulatory mechanism. Our data privacy officer bears responsibility for related compliance issues. Similarly to previous years, there were no incidents or complaints with regards to customer data protection or data loss in 2018.

## Integrity in our business relations

It is in our strongest interest and remains an ethical principle to comply with all regulations and to adapt our operations to the expectations of society. Our Legal Department manages the framework for compliance. They ensure that legal adherence is part of our business processes by enacting it both formally (e.g. by the Contracting policy) and via the operating structure.

All of our contracts follow templates and guidelines prescribed by our Legal Department, which is also in charge of reviewing and approving individual agreements. Ensuring compliance and legal consultation is part of our business decision-making process. Beyond that, our Terms of Business, Anti-corruption policy and our Competition policy guidelines ensure our socially responsible operations. Our internal audit department continuously monitors legal and corporate compliance.

Our commitment towards responsible and ethical operations is especially important in relation to corruption. Our approach is clear: we show zero tolerance towards any case of corruption or bribery. Our Anti-corruption policy and compliance handbook sets out detailed standards. The policy is applicable to all employees, and violation may imply the termination of employment. New joiners and biannually selected members of the management are required to attend classroom-based anti-corruption training courses, which are monitored by our HR department. Employees that are in regular contact with government officials are classified as risk-employees and receive more in-depth and thorough training.

We believe in fair competition and we never pursue unlawful or unethical competitive advantages. Our Competition policy guidelines define the principles of fair operations, which is in compliance with the current competition law and is binding to all members of the Hellenic Group. The policy sets standards for organising our commercial practices, pricing and promotional activities as well as communication with our competitors and communication about business processes.

Similarly to previous years, our company did not have any incidents of corruption, nor did we have legal proceedings for anti-competitive behaviour, anti-trust conduct or monopoly-style practices.

Besides our internal operations, we expect integrity from our business partners too. Our Code of Business Conduct and Supplier guiding principles contain the rules and principles covering all our business relations

partnereinktől is elvárjuk a feddhetetlen működést. Esetükben az Általános Szerződési Feltételeink, valamint a Beszállítói irányelveink tartalmazzák, hogy a közös munka során milyen szabályokat és elveket kötelező betartaniuk.

	Participants in 2018	Ratio of the participants
<b>Anti-corruption education of the leadership</b>		
Executives attending the anti-corruption education	2	25%
<b>Anti-corruption education of employees and communication</b>		
<b>Training at employee levels</b>		
MS & MSP leadership layer	872	100%
MoO leadership layer	129	100%
MoM leadership layer	39	100%
CFH leadership layer	-	0%
CGM, GSFH, GFH, RD, CEO leadership layer	-	0%
Other	105	100%
<b>Communication of anti-corruption policy</b>		
MS & MSP leadership layer	183	21%
MoO leadership layer	16	12%
MoM leadership layer	4	10%



### How do we connect this to the SDGs?

We provide our employees with decent working conditions and demand ethical behavior from all of our business partners via our Anti-corruption policy and Competition policy.



### As a responsible business partner, we care about our customers' satisfaction

We are in contact with our business partners on a daily basis, selling them our product directly. Taking their feedback into account is crucial to establish long-term and successful cooperation. We make efforts to maintain continuous dialogue with our partners, and we channel the results of our customer surveys and feedback provided during bilateral consultations back into our operations. We provide courses and professional career development to our sales colleagues, so that they meet the requirements of high customer expectations.

We conduct customer satisfaction surveys on an annual basis.

## Direct and Indirect Economic Impacts

Coca-Cola HBC is committed to responsible and sustainable economic performance. We pursue a sustainable growth strategy that makes us a successful, value-creating company and business partner. In order to have dynamic growth potential we are continuously working on improving our market position and consumer satisfaction. We introduce new products and product categories that are produced at high quality levels using our expanding, efficient production capacities. Adhering to our strategy, we set out our business and financial targets, breaking them down to sub-goals and action plans. We are committed to complying with all national financial and accounting standards – this is the responsibility of our Finance director.

The year 2018 was very successful for our company, we were able to surpass our business targets this year as well. Keeping

our costs low is a growing challenge with the increasing expenses due to constantly rising wages and raw material prices. However, our technological and operational efficiency, and the domestic and foreign growth potential of our product portfolio has led to economic success that is sustainable in the long term.

Our domestic sales revenue increased by 11% in 2018. Thanks to the continuous improvement of our production technology, our operating costs have been reduced compared to the 2017 level; hence, with the enlarged sales volume, the rate of return on the average product is also increased.

Beside domestic sales, our export activities also increased compared to 2017, by 9%, largely thanks to the Central and Eastern European region – and our economic indicators are outstanding both at regional and global level within the Hellenic Group.

In addition to our successful business performances, our operations have positive indirect economic effects that we are proud of. By working with a significant proportion of domestic suppliers, as one of Hungary's largest taxpayer companies, and by constantly keeping our investments at a high level, we have remained very active in the development of the domestic economy this year as well. By increasing our export activities, we continue to have a positive influence on the country's foreign trade balance and public finances.

Beside our commitment to our long-term presence in Hungary, in order to meet our ambitious business goals we implemented a record-level investment of approximately HUF 7.5 billion in 2018, which exceeded even the 2017 level.



### How do we connect this to the SDGs?

We continue to develop domestic production capacity and potential with outstanding investments.

*This year, our local investments as an all time record, exceeded HUF 7.5 billion*

## Total economic value generated and distributed (HUF million)

	2015	2016	2017	2018
<b>Direct economic value generated</b>	<b>99,452,930</b>	<b>106,926,678</b>	<b>116,432,746</b>	<b>131,505,113</b>
Revenue	99,452,930	106,926,678	116,432,746	131,505,113
<b>Direct economic value distributed</b>	<b>52,126,605</b>	<b>41,413,312</b>	<b>42,358,212</b>	<b>46,506,657</b>
Operating costs	23,629,356	23,639,330	24,714,812	26,267,074
Employee wages and benefits	9,909,474	10,323,771	10,148,495	10,420,748
Payments to providers of capital	16,237,393	5,176,436	5,471,980	7,451,702
Payments to government	2,350,382	2,273,775	2,022,925	2,367,133



### Our constant investments lead to dynamic expansion

Since 2012, our company has invested more than HUF 20 billion in Hungary. After its expansion in 2017, our warehouse in Dunaharaszti became the largest food warehouse in the country. Breaking the investment record of last year, in 2018 we expanded the area of the central manufacturing base in Dunaharaszti by purchasing a 13-hectare site. Development is continuing in order to ensure the expansion of domestic and export supplies. We are going to implement further investments by 2020, thus ensuring that Coca-Cola HBC's Dunaharaszti base is the largest modern manufacturing base in Central Europe.

## Product Quality and Integrity

We are constantly working on assuring that all of our 90 different products maintain high quality and unblemished food safety levels, fully meeting our consumers' expectations. The trust in our products, the value of our brands and our business productivity all require us to ensure food safety throughout our entire supply chain.

We aim to minimise any risks or customer complaint potential related to quality or food safety. To this end, we apply quality control systems (ISO 9001 and FSSC 22000) that are audited by an independent party, and we have our internal guidelines and commitments set out in our Quality and Food Safety Policy. All of these arrangements enable us to comply with the regulatory requirements, but we also strive to go beyond standards. Compliance is ensured by internal and external control system audits and continuous microbiological tests, all of which fall under the joint responsibility of plant managers and quality control managers.

The number of customer and food safety complaints, which we seek to minimise, are our key indicators for performance. We follow-up on customer complaints in line with our own detailed internal policies.



### Continuous quality control with the involvement of our employees

At our manufacturing plant we have our own laboratory, where more than 100 motivated staff run organoleptic testing. After having completed our internal training course, these colleagues test the flavour, colour and odour of the products in order to ensure their constantly high quality. In our well-equipped microbiological and analytical lab we carry out regular tests on products, raw ingredients, packaging materials and intermediate samples.



### Audits to ensure quality and integrity

We pay close attention to quality and food safety during the procurement of raw materials. All of our new suppliers have to go through quality risk assessment so that we are able to ensure their compliance with our high quality standards. In the course of our regular supply chain audits, regulatory compliance and compliance with the Coca-Cola HBC Group policies are checked by independent third party auditors.

As we are part of the Coca-Cola system, TCCC performs regular audits of our company and our supply chain, following these same criteria.



### Modern Factories' Night

In 2018, we again participated in the Modern Factory Night, where visitors could visit our bottling plants at Zalaszentgrót and Dunaharaszti.

This year, our two factories hosted a total of 220 people who heard presentations from our colleagues about the history of the company, our production activities and the technology used in our factories, and then they could observe our production processes at first hand.

# ENVIRONMENTAL ISSUES

## Efficient and Green Energy Consumption

Our core processes, i.e. the production and distribution of our products would not be possible without a significant amount of energy. As part of our responsible and sustainable operation plan, we are committed to efficient energy usage and to continuously decrease the CO<sub>2</sub> and other greenhouse gas (GHG) emissions of our energy consumption.

Since 2016 we have been applying the ISO 50001 energy management system at national level, by which we can track our energy consumption. The system was assured by an independent third-party organization, SGS Hungária. As part of this system we set targets and action plans annually to reduce our energy consumption and improve the efficiency of our operations. Our devotion to this issue is set in our Energy Policy, and our Country Sustainability Manager is responsible for tracking our progress.

*Since 2017 both of our plants have been operating with 100% green electricity*

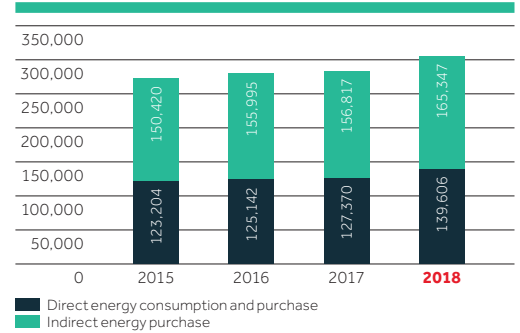
We consider it an important step that since 2016, our plant in Zalaszentgrót, and since this year also our Dunaharaszti site operate using only green electricity. The plant at Zalaszentgrót is equipped with heat pumps to supply the plant with green heat energy. As a result, the plant is almost completely carbon neutral.

We are committed to implementing further efficiency improvements, thus we are continuously looking into possibilities for energy efficiency and renewable energy investments. We also raise the attention of our employees to the importance of energy efficiency and sustainability via an annual training.

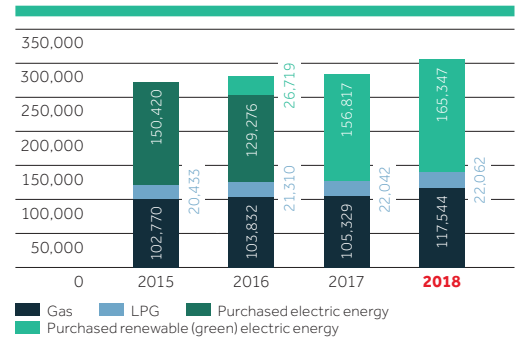
The distribution of our energy consumption reflects our continued ambition for more environmentally friendly operations. Our increased use of natural gas in 2018 is due to the introduction of our GLACEAU smartwater product, which required increased production capacity at our Zalaszentgrót plant.

In line with our growing production, our absolute energy consumption is increasing as well. In order to better track our performance, we use intensity indicators. Our most important KPI is the amount of electricity used per average unit produced. Our target for 2017 was 0.46 MJ/liter (0.128 kWh/liter) which we were able to meet.<sup>(2)</sup> Compared to the previous year's performance of 0.45 MJ/liter (0.118 kWh/liter), we achieved higher specific energy consumption in 2018, mostly due to our newly introduced products and due to the use of new technologies and more frequent switches in the production line.

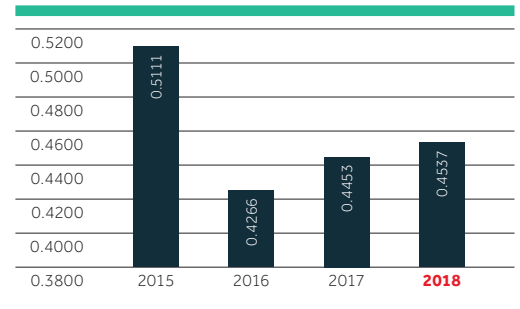
Total energy consumption (GJ)



Distribution of energy consumption by sources (GJ)



Energy intensity (MJ/L)



### How do we connect this to the SDGs?

By using only green sources to cover the power needs of our power plants, much of our energy use is based on renewable, clean energy.

(2) The indicator is calculated as the energy used for production (gas, electricity, LPG) divided by the produced volume of product. The standard unit is MJ/liter.



## Packaging, Recycling and Waste Management

Appropriate packaging is essential to keep our products fresh and guarantee their safety. We work hard to provide sustainable packaging and waste management solutions so that we can reduce the environmental impact of our products.

First and foremost our goal is to reduce and manage the amount of waste generated during production, and to minimize the amount that is landfilled. Moreover, we strive to reduce the environmental impact at the end of the product life-cycle by modifying the design (lighter and thinner), collecting and recycling our packaging. Our final goal is to close the recycling loop and reuse old packaging materials.

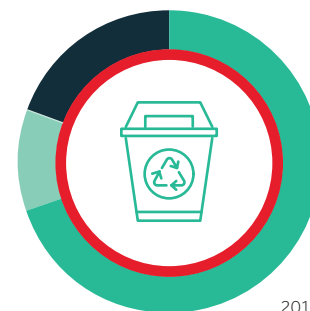
As part of the ISO 14001 Environmental management system, we continuously monitor our waste management. In terms of the amount of waste generated and recycled we set annual targets at Group level, which are monitored by our local sustainability team. We organize annual training courses for our employees about the importance of waste recycling. We also strive to find new ways to reduce, reuse or recycle waste.

In our production line, the primary waste materials generated are plastic and cardboard, while hazardous waste is generated by our cold drink vending services. In all of our plants and distribution centres we collect waste separately. We want to avoid disposing of our waste at landfills, therefore we send waste that cannot be recycled to incineration plants to generate energy.

*80%: our proportion of recycled non-hazardous waste*

In 2018, we were able to reduce our total waste by 18% compared to the previous year, as a result of the sale of waste as wrapping package and the reduction of the weight of PET bottles. In recent years, we have put a greater focus on selective waste collection, which has allowed us to minimize the volume of landfilling waste.

		2015	2016	2017	2018
<b>Total volume of waste (tonnes) <sup>(3)</sup></b>		5,079	3,380	4,007	<b>3,396</b>
<b>Non-hazardous waste</b>		4,302	2,967	3,489	<b>2,744</b>
Recycle	●	4,050	2,726	3,203	<b>2,372</b>
Incineration	●	240	234	282	<b>369</b>
Landfill	●	12	6	4	<b>2</b>
<b>Hazardous waste</b>		777	413	518	<b>652</b>
Incineration	●	777	413	518	<b>652</b>



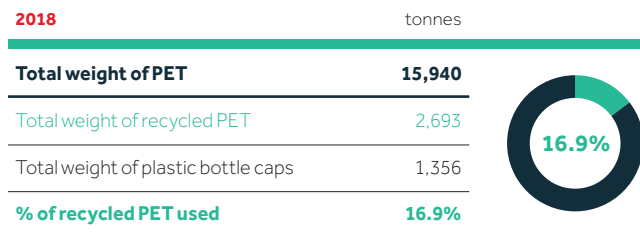
(3) Figures in the table refer to waste generated at our plants in Dunaharaszti and Zalaszentgrót.

At Coca-Cola HBC Hungary we treat packaging waste reduction and reaching higher recycling rates as a clear priority.

## We increase the share of rPET to 50% until 2030

Over the last couple of years, the long-term effects of humanity's plastic use on the environment and wildlife has become evident. Hence, in 2018 The Coca-Cola Company (TCCC) announced its World Without Waste commitment to which the Coca-Cola HBC Group also joined. The key objectives of the program are to reclaim packaging waste equal to 100% of our packing material and increase the recycled content in our PET bottles to 50% by 2030. In the case of our GLACEAU smartwater product, we already use plastic bottles with 50% recycled material content.

We sell most of our products in PET (polyethylene terephthalate) bottles that we manufacture at our plants. Besides bottles, screw caps lead to significant plastic waste at the end of the life-cycle. As part of our efforts to decrease the amount of waste, for certain products we reduced the weight of the screw caps by 32%. In 2018 we put altogether 428,143,037 PET bottles onto the market which is a 14% decrease on last year.



## 100% of our bottles can be recycled

100% of our bottles can be recycled, and thanks to our recent developments, today we need 15% less plastic to manufacture one PET bottle than in 2010. We continuously seek to increase the percentage of recycled plastics (rPET) used in our beverage packaging. We offer several products in multipacks with print-shrink film. We work together with our packaging suppliers, and by using the latest innovative technologies, we are able to reduce the thickness and weight of the film to further decrease waste volumes.

Beside PET bottles, the second most common packaging material for our products is aluminum, from which we produce smaller packages than the PET bottles. In 2018 we put a total of 252 tonnes of aluminum cans onto the market in Hungary. One of the advantages of aluminum packaging is that after melting it the waste can be easily recycled across many industries. The spread of aluminum packaging will be supported by the fact that from 2018 the environmental tax for aluminum beverage packaging will be dropped by 80%. We soon plan to replace the plastic foil used for the transport of our aluminum containers with environmentally friendly paper packaging.

Glass bottles are the third largest group of our product packages. Although the production of glass is an extremely energy-intensive task, this material has a very low environmental load after production, since it can be reused for bottling after collection and washing.



### How do we connect this to the SDGs?

**By our plastic recollection commitment, we strive to decrease the amount of plastic waste in the environment. For the same reason, we are continuously increasing the proportion of recycled plastic in our packages.**



### Innovative packaging design for waste reduction

In 2018, we spent a total of HUF 500 million on developing and introducing new, environmentally friendly packaging technologies. As a result, last year the weight of the bottles of NaturAqua's mineral water fell by 10%, and the weight of other 0.5 liter soft drinks by 13%, and on average the amount of plastic used for a bottle fell by 4%.

## Sustainable Materials and Sourcing

The ingredients used to produce our products are mainly natural raw materials, their sourcing and safety is a global issue of concern. Our procurement process significantly contributes to our economic, operational and environmental footprint. In this regard, the performance of our suppliers has a direct impact on our own performance on a social, economic and environmental level as well. We are committed to working only with suppliers who can assure and prove that the agricultural materials come from sustainable sources.

In addition to budget and efficiency considerations, it is crucial for us to choose our suppliers independently without any external influence, taking into account only the highest quality and the economic price levels.

We created internal regulations that make our tendering process auditable. After collecting the required number and quality of proposals, we select our suppliers during the evaluation process in a fair and transparent way. Our policy is to invite a wide range of potential suppliers to all tenders. During the selection process, our procurement team cooperates with other relevant departments and offer their professional expertise to ensure impartiality. In our Supplier Guiding Principles we described not only the process but the guiding principles that enable us to control and monitor the process. Its efficiency is supported by the outcomes of regular audits performed at our company.



### What kind of materials do we use?



## Our Key Ingredient: Water

Water has a priority role in our production, it is the core ingredient in our products, and is also essential for the agricultural activities needed to grow our other input materials. Responsible water management is present in every process we have, and plays a crucial role in our supply chain.

We track our environmental performance, including our water consumption with the ISO 14001 Environmental Management System. The system was audited by SGS Hungária as an independent third-party. We set annual targets for water usage, define action plans and launch projects to reduce and manage our water consumption. For the sustainable water management system our plants received the gold European Water Stewardship (EWS) certification: Zalaszentgrót in 2014 and Dunaharaszti in 2016.

Due to the significant growth in our production in 2017, our water consumption also increased in absolute terms. We track our performance primarily with an intensity indicator (water used to produce one unit of product), which we aim to reduce to 1.61 litres/litre by 2020.

In 2018, the levels of our specific water consumption showed an increase compared to the previous year. The difference can be explained by both the increased production volume and the introduction of new products. As our production portfolio expands it also increases the complexity of production: enhanced and expanded technologies and processes have to be operated in parallel. The number of system cleanings grew; therefore the water need is also increasing.

We have been able to improve the quantity and proportion of recycled and re-used water compared to the total water use. This is largely due to the optimization of the technology used to clean our production equipment.



### How do we connect this to the SDGs?

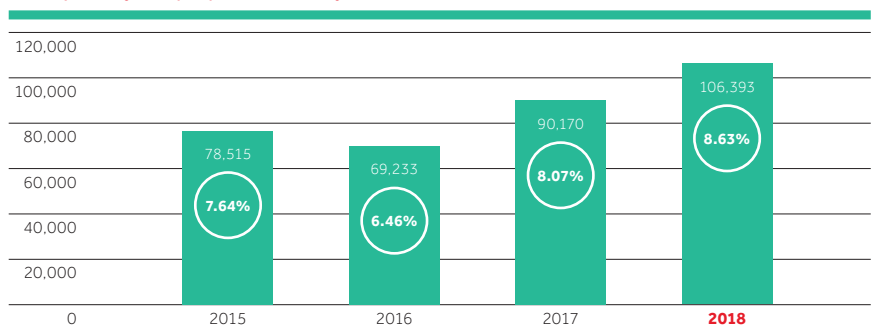
**By increasing the proportion of recycled and re-used water, we try to reduce the amount of water we use to maintain a more responsible production practice.**

*In 2018 we used 1.83 litres of water to produce 1 litre of product*

*2017: 1.75 litres 2010: 2.20 litres*

Water withdrawal (m <sup>3</sup> )	2015	2016	2017	2018
<b>Municipal water supplies</b>	64,456	60,777	53,864	<b>50,792</b>
Dunaharaszti	61,761	58,120	51,371	<b>48,172</b>
Zalaszentgrót	955	896	1,026	<b>1,232</b>
Distribution centres	1,740	1,761	1,467	<b>1,388</b>
<b>Ground water</b>	963,191	1,011,729	1,062,917	<b>1,182,478</b>
Dunaharaszti	818,301	889,570	884,851	<b>1,008,867</b>
Zalaszentgrót	144,890	122,159	178,066	<b>173,611</b>
Distribution centres	-	-	-	-
<b>Total water withdrawal</b>	<b>1,027,647</b>	<b>1,072,506</b>	<b>1,116,781</b>	<b>1,233,270</b>

The quantity and proportion of recycled and reused water (m<sup>3</sup>, %)



# SOCIAL ISSUES

## Health and Nutrition of Our Consumers

At Coca-Cola HBC Hungary we aim to offer a product portfolio that satisfies all the needs and preferences of our consumers. At the same time, we are aware of the global problems caused by excessive calorie intake, unhealthy lifestyle and obesity.

We integrate our responsibility towards these issues into our operations, i.e. into our product portfolio and marketing activities. We believe that our products, when aligned with a balanced diet, can be part of a healthy lifestyle. We are committed to offering diversified alternatives to our customers and to help them make conscious choices to have a balanced and healthy diet.



### INTRODUCING NEW PRODUCTS

We are continuously improving our product portfolio and increasing the proportion of low calorie, sugar and calorie-free products. Between 2015 and 2018, we introduced 28 new sugar- or calorie-free products, including sugar-free versions of already known products. In 2018 amongst others we introduced Coca Cola Zero Lemon and Zero Ginger, strawberry-kiwi taste Fanta Zero, pickle tasted Sprite Zero, and the sugar-free variants of FuzeTea.



### EVOLVING OUR RECIPES

We are continuously assessing options to evolve recipes to reduce our products' sugar and calorie contents. Between 2015 and 2018 we managed to reduce the sugar content in 13 leading products, including the most popular brands. After the recipe change of Coca-Cola Cherry, Sprite and Fanta Shokata in 2017, we also reduced the sugar concentration of Fanta in 2018.



### REDUCING PACK SIZES

A way to control the calorie intake is to reduce our products' pack sizes. We encourage the distribution of packs of less than 300ml via our business and sales strategy as well.

250ml units of our Coca-Cola and Fanta products entered the market in 2018.



### INFORMATION AND AWARENESS RAISING

We help make conscious choices through business and marketing activities. This includes our labelling policies (clear and understandable labels indicating the daily reference intake), the development of our shelf display guidelines or our commercials, of which 50% now relate to calorie-free products.

We introduced the front-of-pack marking of calorie content and guideline daily amounts in 2009.

*13 new recipes and 23 new products developed to offer lower calorie intake between 2015-2018*

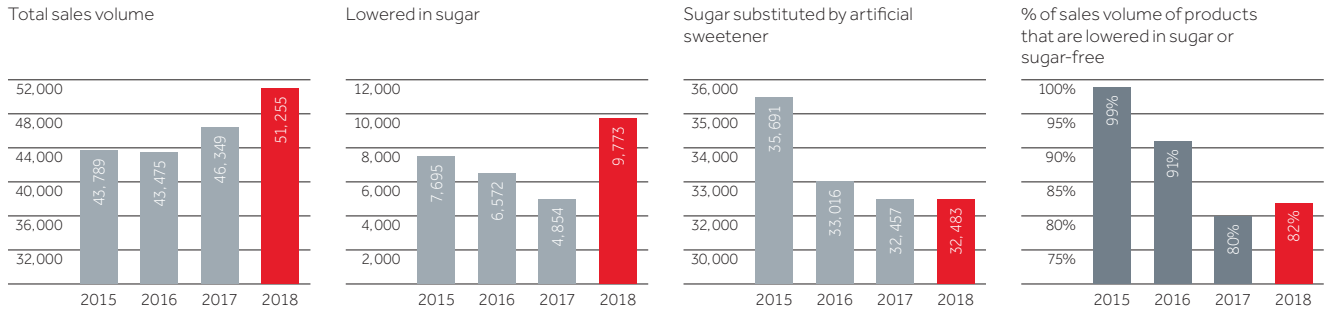
*Calorie content of our products decreased by 19% between 2015-2018*

*By 2019 52% of our product portfolio is of low calorie content or calorie free (2015: 35%)*

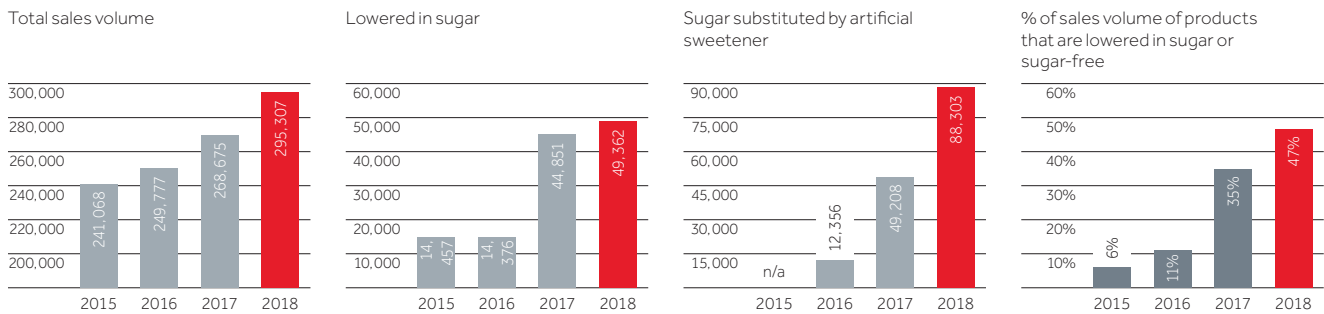
Together with industry participants, we committed to a 50% sugar and calorie content reduction in our products between 2010-2020

By 2018, we had already reached a reduction of 43%

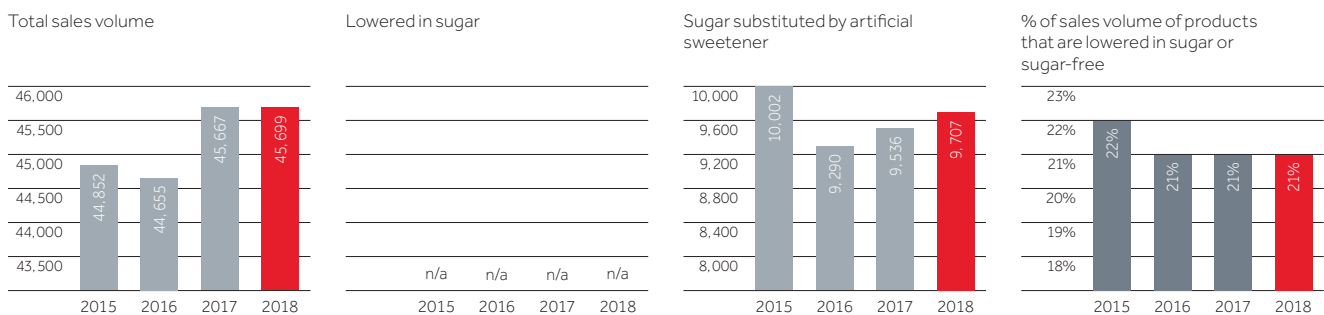
**Tea (1,000 litres)**



**Carbonated Soft Drink (1,000 litres)**

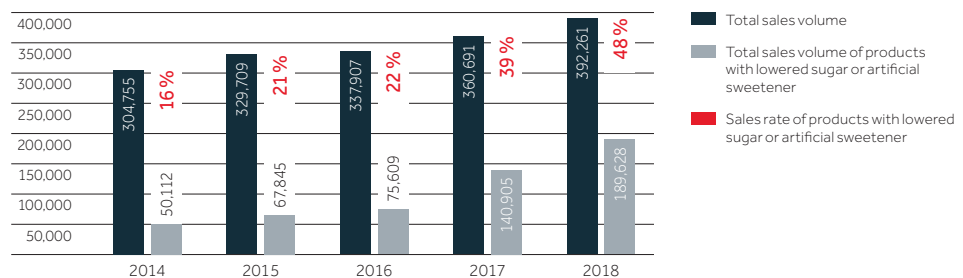


**Juice (1,000 litres)**



**Total sales volume and rate of products with lowered sugar or artificial sweetener**

(1,000 litres, %)





**Industry cooperation to reduce sugar intake**

Coca-Cola HBC Hungary and members of the Association of Hungarian Mineral Water, Juice and Beverages Association committed to reducing sugar content in products by 50% by 2020 compared to the 2010 baseline. This objective is in line with our own commitments to reduce the calorie content of products, and means a new step forward. We are working on continuously developing our recipes and product portfolio to support conscious choice and healthy lifestyle of our consumers.



**Safe sweeteners to replace sugar**

Sweeteners play a key role in meeting our commitments to lower sugar content: they help our customers reduce their sugar and calorie intake and they provide high quality flavour experience. All sweeteners we use are rigorously controlled and approved as certified ingredients by international authorities, including the European Food Safety Authority (EFSA). Our products make up only a small proportion of the Acceptable Daily Intake (ADI) set out by the EU authority, hence they are safe to consume and can fit to a balanced diet even in the case of long-term consumption.

The packaging and labels of our products are organic parts of our brands, but they also act as a key information source for our consumers regarding the list of ingredients, their origin and the nutritional value of our products. We are aligned with and in close cooperation with The Coca-Cola Company in terms of labelling, and it is our common objective to go beyond regulatory compliance and always provide relevant and precise information to consumers. The brand owner, TCCC is responsible for designing product labels, while we cooperate and take corrective measures jointly in cases of customer complaint. In 2018 we had no non-compliance issues regarding product description or labelling in relation to regulatory obligations or our voluntary commitments.



**How do we connect this to the SDGs?**

**By continuously reducing the sugar and calorie content of our products, and communicating in a transparent way, we contribute to a balanced nutrition and lifestyle for our customers.**



**How do we connect this to the SDGs?**

**We aim to increase consumer awareness with the information on our product labels and with our okoscimke.hu website.**



In 2018, we conducted a national survey about the food-related habits of Hungarian consumers. The purchasing decisions of most people are affected by the preservative, sugar, coloring matter and carbohydrate content of products. Customers consider it important to know what they are consuming. In the selection of soft drinks, few people are aware that, for example, in the case of soft drinks, sugar-free drinks are also calorie-free. In order to help consumers make more informed decisions, our company aims to make our customers more aware of the sugar and nutrient content of our products in a transparent and clear manner.

From the results of our representative research it's clear to us that, although conscious product choices are important to our consumers, the knowledge they base it upon is quite limited. Based on our findings, the company launched the Okoscimke.hu knowledge base website. Among other things, with scientific articles the website provides answers to questions about the consumption of sugar and sugar substitutes, the effects of the product ingredients, misconceptions about these, and how to use and understand the information on food labels.

## Responsible Marketing Communications

Our products can be found in more than two thirds of Hungarian households, and our customers come across our commercials on a daily basis. Our sustainable business operations require our marketing activity to be efficient, while at the same time responsible. We continuously strive to provide fair, authentic and clear information about our products, while we lay emphasis on selecting the appropriate target groups and conveying proper messages. When we recently expanded our portfolio to include spirits, we placed even more emphasis on responsible marketing communications. Exceeding regulatory requirements, we made voluntary commitments to ensure we deliver responsibly to consumers.

As a member of the Union of European Beverages Associations (UNESDA) we made voluntary commitments concerning responsible advertising and commercial communication. Subsequently we do not advertise in any media or channels aimed at an audience under 12 years of age. We avoid directly influencing children, hence we distribute only mineral water and juice products in school canteens. We do not sell any drinks with high sugar concentration in proximity of any school. Beyond that, we always take into consideration the aspects of a healthy and balanced lifestyle in the course of promotional activities run either by ourselves or by our partners.

Our responsible marketing directives concerning alcoholic beverages set out voluntary commitments that are beyond the expected regulatory provisions. Our policies provide guidance in relation to the promotion, advertisement and marketing of all alcoholic drinks in our portfolio. Our policies prohibit any advertisement activity directed to minors, they align with the obligation of delivering the message of responsible alcohol consumption, and comply with detailed rules concerning the content and messages presented in our commercials.

Regarding marketing communication, in 2018 we did not have any non-compliance issues with regards regulatory obligations or our voluntary commitments.

### The development of our product placement policy

In our distribution units and shops, our products are placed into many different types of refrigerators, where the shop placement of the products itself is a way of communication as well. Of course, our placement strategy is determined by the demand for the products, but the demand itself is also influenced by the placement. Our strategy is reassessed every year, and there have been major shifts in product placement over the past decade. On our shelves, we are giving more and more space to sugar-free and low-calorie drinks, as well as our products with smaller packages. Along with the transformation of our portfolio, consumers are increasingly encouraged to choose healthier and a more moderate consumption through our products placement.



### How do we connect this to the SDGs?

**Our sales rules for children contribute to a healthy diet for those under the age of 12.**



## Responsibility towards our Employees



### Well-being and engagement of our employees

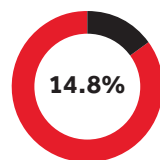
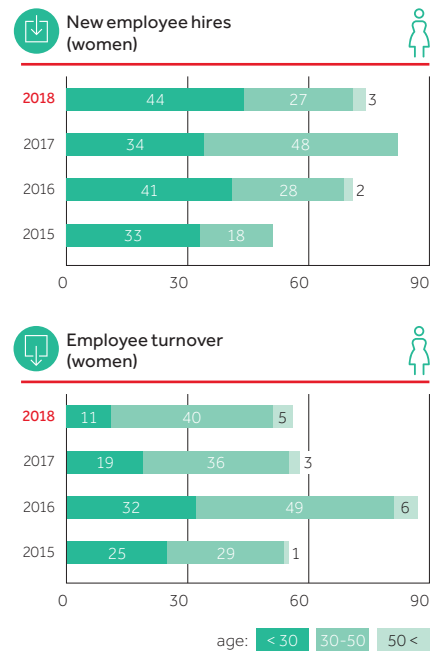
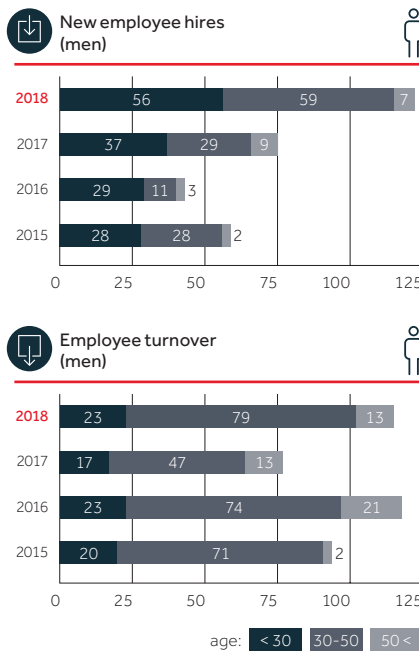
The key to long-term sustainable growth and success of Coca-Cola HBC Hungary is our employees. The main factors in our colleagues' top performance are their satisfaction, continuous development, safety, and attractive career path, all of which bring value to our company, but also indirectly to our business partners and consumers. We aim to ensure their physical, financial and social well-being. Our HR Director is responsible for implementing our relevant policies and actions.

Nowadays, one of the biggest challenges for companies in the Hungarian market is to cope with the effects of the labour shortage. The reduction of the available workforce is a general tendency, therefore the competition among employers in attracting and retaining a workforce is becoming more and more intense. The labor shortage is expected to be a decisive factor in the coming years too, and it will be a major challenge not only for our company but for the entire market sector. This trend requires the conscious planning of continuous improvement of employee welfare and satisfaction measures.

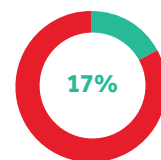
We measure our employees' satisfaction and engagement every year according to international standards. Based on the results, we prepare company-wide and functional action plans. This year, we paid special attention to improving managerial culture and skills, and to increasing the energy and commitment of our employees

One of our main goals with these measures is to retain our employees. We consider it an important result that the turnover rate in our company was below the overall Hungarian and FMCG market average. <sup>(4)</sup>

*We are proud that 81% of our employees were satisfied with our company in 2018*



**Turnover rate**  
2017: 10.7%



**New hires rate**  
2017: 12.5%

(4) According to turnover rate data of Hay for 2018.

Our Workplace Wake Your Body program encourages our employees' well-being and health, also providing opportunities for sports activities at or near the workplace.

We fully support flexible working opportunities, and employees in certain positions have the opportunity to work from home 4 times a month.

This year we organized the Energy Days event series for the third time at our Dunaharaszti and Zalaszentgrót plants and our distribution centers. The program of the Energy Days was compiled based on an employee needs assessment survey. The aim of the program was to increase the energy levels of our employees, which is an important element regarding their commitment, and mental and physical health. During the two-week program, we ran memorable and fun activities to engage our colleagues in terms of physical and mental balance, energy levels, and a healthy lifestyle. Besides relaxation and gymnastics programs, we had a special food and drink offering (including our own products) for our employees. We used a survey to measure their satisfaction with the program, which showed that 62% of our colleagues felt that the events brought a positive change to their daily lives. Building on the feedback, we will further improve the program in the future.



**Bureaucracy Killers for effectiveness and engagement**

To increase the satisfaction of our employees, we announced a competition to simplify our internal processes. In this competition, our employees were asked to share different process development ideas for any department of the company. 68 people participated in the survey and the best 10 ideas were rewarded. Thanks to the implementation of best ideas, our employees have been able to save about 10,000 minutes per month by process optimization.

**Some programs of Energy Days 2018**



—  
MESSAGE



—  
FREE FRUIT AND PRODUCT SAMPLES



—  
ROOM FOR RELAXATION AND GAMES



—  
MORNING GYMNASTICS



—  
DISCUSSIONS ABOUT STRESS MANAGEMENT



—  
HEALTHY FOOD OFFERING



—  
DIETETICS CONSULTING

## Employee recognition and development

We respect and value the performance of our employees. Our employees' motivation and recognition are supported by our wage and benefit system. This year, we implemented salary increases exceeding the market average.

From 2017, in the framework of the WoW (World of Winners) program we rewarded those employees and teams who delivered exceptional performance on a quarterly basis. In 2018, 419 employees received such recognition which was given in 3 categories.

We believe in open professional relationships based on feedback, and this is the culture we promote inside and outside the company. We expect our leaders to pay attention to employees' suggestions and needs, supporting them in their development. We organise all-staff forums on a quarterly basis where our managers can answer our employees' questions directly. Since 2018 we have been organising monthly forums for our sales staff, where we liaise with them about corporate strategy and priorities, so they can then represent our company with up-to-date information. In addition, we organise forums multiple times a year for our 60 most senior leaders, and for our top 150 leaders once a year, where, besides discussing business strategy, they have the opportunity to share their feedback and opinions, and hold focused discussions.

We pay special attention to attracting and developing talents and future employees. We offer traineeships and management trainee programs, and, as part of our dual training program, we offer engineering students opportunities to gain practical experience.

We also put a great emphasis on training our existing and new employees. The development of our new hires is assisted by a personal mentor, and beyond the initial period we provide further coaching opportunities for employees interested in this. Through our Development Week program, we provide a number of tools and forums to our employees all of which greatly support them in their individual learning processes. From 2018, we have been striving for fewer, but higher quality courses. However, this does not mean that our employees have less chance for development, since our e-learning system is constantly being developed and expanded with new content that is available to all our employees.

Our managers can also take part in our leadership development program, by which they get personalized support to develop their skills and improve their performances.

We would like to help our colleagues in leadership positions to become even better leaders, thus empowering our corporate culture. In 2018, we organized our Leadership Role Model program, which was designed to inspire our managers by sharing knowledge of existing competencies and to build a unified leadership profile based on trust. Prior to the program, we identified the key skills we expect from our leaders within the company. Expectations were recorded and communicated along four dimensions (team, communication, learning, inspiration). Leaders who applied for this training course were also helped by external consultants to develop the skills required to have an ideal leadership style in an all-day workshop.



### How do we connect this to the SDGs?

**By continuously monitoring and improving our employees' satisfaction, we strive to create exemplary workplace conditions.**

## Providing a safe work environment

We are committed to continuously revising and minimising occupational health and safety risks, therefore we strive to provide an ever safer working environment and conditions for all our employees.

Since 2015 the number of missed days has fallen by 78%

At all of our sites, we operate in accordance with the OHSAS 18001 (MEBIR 28001) standard and in line with current legislation, The Coca-Cola Company's and our Group's internal regulations. Our Occupational health & safety policy is revised and assured regularly by the external independent organization SGS Hungária. Moreover, we perform regular internal audits in line with our annual internal audit plan. As a part of the workplace safety system we define the key tasks and responsibilities annually.

Days without an accident\*  
224 Dunaharaszti, 2,134 Zalaszentgrót  
as of 31 December 2018

\* concerning our manufacturing plant in Dunaharaszti and the Zala plant

We secure the occupational health and safety knowledge and mindfulness of our colleges by providing education at every level of the organization. We organise our Occupational Safety week every year, in which our employees take part in training courses and presentations to raise their awareness of the importance of this topic

The Occupational Health and Safety Committee operates at national level. The 16 members of the committee are appointed and elected by our employees, and they represent 100% of our colleagues. The Committee sits at least once a year, and they take part in the investigation of safety incidents and accidents and in the decision-making about the developments of our occupational safety system.

We are committed to preventing and minimizing the chances of vehicle risks, injuries, and fatal accidents related to our activities - via our Vehicle Safety Policy.



### Further empowering of our safety culture

In order to further strengthen our safety culture, we were among the first within the Coca-Cola HBC Group to start a pilot project for the Behavior Based Safety programme at our Dunaharaszti plant in 2017.

After the success of the test period, in 2018 we extended the program to our entire plants at Dunaharaszti and Zalaszentgrót. We plan to introduce the system in our warehouse area as well, and we are currently preparing for this.

The BBS system focuses on building safety awareness and prevention by monitoring and improving the risks and tendencies of employee behavior. In order to make the bottom-up system effective, we prepared our employees for the changes through courses and workshops.

	2015	2016	2017	2018
<b>Number of injuries <sup>(5)</sup></b>	6	12	7	<b>6</b>
Male	5	11	5	<b>4</b>
Female	1	1	2	<b>2</b>
Of which: injuries resulting in lost work days	5	1	3	<b>4</b>
<b>Number of lost days</b>	376	40	68	<b>83</b>
Male	369	40	62	<b>75</b>
Female	7	0	6	<b>8</b>
<b>Number of missed (absentee) days</b>	4,947	5,321	6,122	<b>6,094</b>
<b>Incidents of occupational diseases</b>	N/A	0	0	<b>0</b>
<b>Number of fatalities</b>	0	0	0	<b>0</b>

(5) Figures in the table refer to our employees. In cases of workers who are not employed by our company (temporary agency workers), there were 6 incidents of injury in 2018.

## Human Rights and Diversity

Day by day we are in touch with people from different social and cultural backgrounds. One of our core values is to always respect human rights, diversity and equal opportunities. We are true to these values not only as an employer, but as a business partner throughout our entire supply chain.

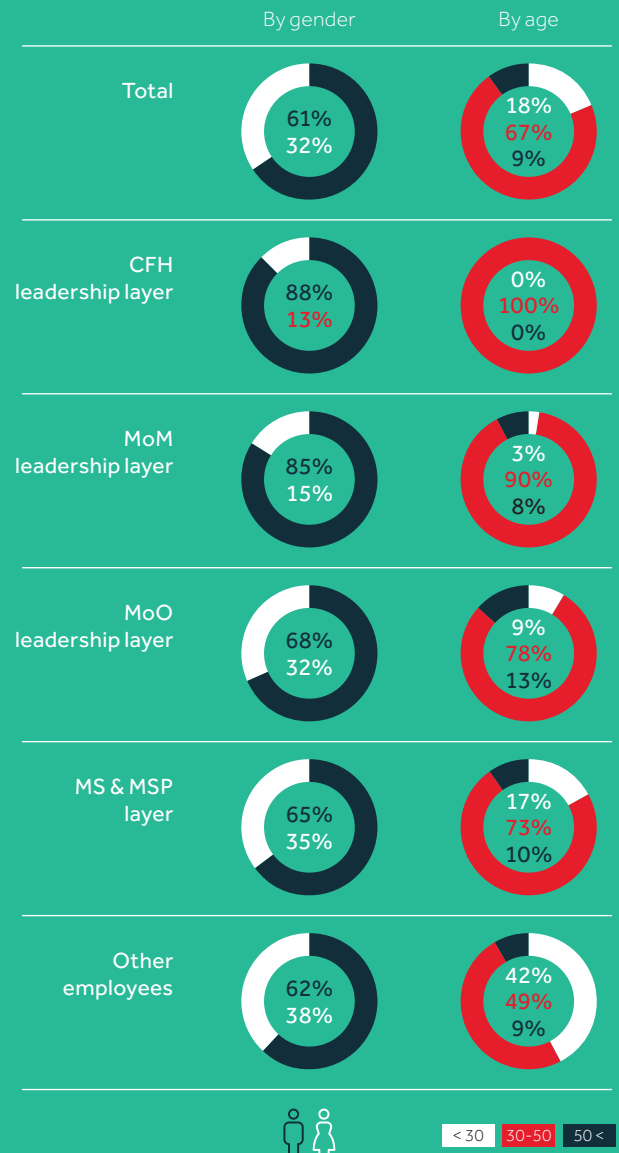
As an employer we are fully committed to ensuring equal opportunities, which is guaranteed by our Code of Business Conduct, Inclusion and diversity policy and Human rights policy. All of our employees are entitled to the same respect and esteem, and their career development should never be affected by any circumstances other than their professional performance. We proclaim zero tolerance for any discrimination based on ethnicity, religion, gender, sexual orientation or similar. Any potential violation in this matter is investigated thoroughly in line with our ethical procedures. In 2018 a comprehensive external audit was carried out at our company, which also examined the matter of equal opportunities; it concluded that we were appropriate in every aspect.

We demand ethical behavior from our business partners as well. Each of our partners has to accept our Supplier guiding principles, which prescribes the respect of human and labor rights and the prohibition of any discrimination.



### How do we connect this to the SDGs?

We believe diversity at work is a central value, not only in terms of gender, but also of age and nationality. Our Inclusion and Diversity policy and Human rights policy help us to be a workplace completely free of any discrimination. We expect our business partners to comply with this, broadening the application of our principles of equal opportunities.



## Commitment to Local Communities

Our business success depends heavily on the well-being and strength of the communities where we are present. Our responsible operations demand that we react to the needs of the communities surrounding us. In 2018, we further improved our #youthempowered program launched last year, and we continued the employee volunteer program and our cooperation with the Food Bank.

Our Public Relations and Communications Director is responsible for these activities aiming to support our local communities, and these activities are reviewed if necessary in line with our business and sustainability strategy

### #YouthEmpowered program for the youth

In autumn 2017, we launched our #YouthEmpowered program which we then supplemented with digital content, also putting focus on helping young mothers in 2018.

## #YouthEmpowered in 2018

26 settlements

34 classroom trainings

498 participants

3,091 online user

The difficulties of the Hungarian labor market particularly affect the younger generation, the impact of which we feel not only in our own operations but also in our communities. With #YouthEmpowered, we want to improve the labor market opportunities of young people between the ages of 18 and 30: the program offers free courses for young people who are job seekers, are not currently working, but who are no longer studying. With this initiative, we want to help you acquire skills and a network of relationships that will improve the chances of young people in the labor market, providing better career prospects and life for them. Our goal is to successfully involve at least 8,000 young people by 2020.

This year, we organised 34 classroom courses with a total of 498 attendees. We are proud that the program has gained national level recognition: the courses were held in 26 different towns in Hungary and 10 NGOs helped us in the organisational process. Thanks to the contribution of the Fehér Bot Foundation, we were able to assist young people with visual impairments, for instance, in job interview preparation.

In 2018, our classroom #YouthEmpowered courses were supplemented by a flexible online opportunity. On the website of the program ([www.enjovom.hu](http://www.enjovom.hu)) we have created an e-learning curriculum consisting of 10 modules, which are available free of charge for everybody and partially cover and partially supplement our offline courses. Modules include, for example, a section on financial knowledge, time management, business planning and project management. The site also includes a self-assessment test

that helps users determine which area to focus on during their self-development. During this year, there have been 3,091 active online users of our online platform.

Since the launch of the #YouthEmpowered program, we have continued to experience that young mothers are particularly affected by the challenges of returning to the labor market, along with the difficulties of time and career management, thus their potential often remains untapped. Therefore, the target group of the program was extended to potential mothers under the name #jövőanyukája (#futuremom), opening a new chapter in the history of #YouthEmpowered.

During the #futuremum program series, we have been organizing events, workshops and meet-ups, where invited speakers share their experiences about the labor market and provide useful, practical knowledge to the participants. In 2018, our events shared information, inter alia, about how to launch your own business or how to use the experience of working with children in the labor market. At the interactive events, animators and carers took care of the children of the participants so that the mothers could devote their full attention to the course content.



### How do we connect this to the SDGs?

With the #YouthEmpowered program, we provide up-to-date knowledge to people who wish to get into the job market, encouraging continuous, lifelong learning and development.

## Our Employees for Local Communities

Our corporate volunteering program has existed since 2007 and forms a key part of our responsibility strategy. Via our voluntary activities we take an active part in the life of our communities, we integrate the mindset of social responsibility into our daily operation and we enhance our employee's sense of responsibility towards communities. As part of the program our employees engage with important local matters, and help NGOs, educational institutions and communities that do not have necessary resources or capacities.

*~120 of our employees did  
960 hours of voluntary work  
in 2018*

Participation in the volunteering program is open to every employee, and they can do these during official working hours. In 2016 we refreshed our program, and now our employees have the opportunity to initiate projects, which can be funded by our company through a tender program. Our partner in organizing and implementing the volunteering opportunities is the Önkéntes Központ Foundation (ÖKA).

In 2018, our employees visited the Dalmady Győző Kindergarten, Primary School and Unified Pedagogical Methodology Institute (all in Nagykőrös) for the second time. Our colleagues helped to paint the school's fence and furniture, made benches, and helped renovate the school's garden. In all, employees of Coca-Cola HBC Hungary spent 960 hours of voluntary work this year.

### Our cooperation with the Hungarian Food Bank

We have been cooperating with the Hungarian Food Bank Association for many years, and we regularly offer products to the organization that are within their expiration date and are suitable for human consumption, but cannot be marketed for some reason. The Food Bank delivers the donations to people in need, and besides the social benefits, by decreasing the amount of food waste we reduce our environmental burden as well.

In October 2018, we participated in the initiative organized at the World Food Day by the Hungarian Food Bank and the Food and Agriculture Organization of the United Nations (FAO). A fundraising convoy marched in Budapest to raise public awareness about conscious and economical consumerism. The convoy delivered up to 30 tons of food to families in need, provided by 21 companies, including Coca-Cola HBC Hungary.



### How do we connect this to the SDGs?

**Social responsibility is a core value for our company. Our corporate volunteering program encourages our employees to take responsibility, providing them with the opportunity to support issues they consider important.**



### How do we connect this to the SDGs?

**By our cooperation with the Food Bank, we reduce the amount of food waste and draw attention to the importance of conscious and economical consumerism.**



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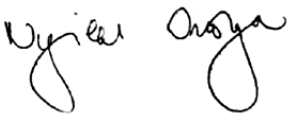
# ACKNOWLEDGMENT

We would like to thank our the sustainability experts of KPMG for their help and support in preparing this year's Sustainability Report. We also owe special thanks to the current and former Country Managing Director of Coca-Cola HBC Hungary, László Békefi and Minas Agelidis, and to our senior management.



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