

ACTION ON SUPPLY CHAIN - FAQ

We'll source our main ingredients and raw materials sustainably and responsibly.

Sourcing

Q. - Where do you source your ingredients from?

A. - We source products from over 14,000 suppliers. Our procurement covers commodities and services such as ingredients (with the exclusion of concentrate and juices), packaging, energy, capital equipment, building and facilities, fleet and logistics, sales and marketing, IT, telecoms, general administration and professional services. On average, 75.5% of our spend is with suppliers based in our countries of operation.

In 2016, The Coca-Cola Company developed a public [agricultural ingredients sourcing map](#), to promote improved sustainable agriculture practices across Coca-Cola's supply chain. The map reflects over 90% of The Coca-Cola Company's supply volume for 12 of its top agricultural ingredients. These include some of our suppliers of ingredients such as sugarcane and sugar beet.

Q. - Does CCEP source organic ingredients?

A. - Over the past year, together with The Coca-Cola Company and other brand owners, we have broadened the range of options available to consumers, including organic products. Our Honest Tea, Honest Coffee, ViO BiO, and Capri-Sun Bio brands are the organic options we offer within our portfolio, in total 52 products across the CCEP territories. These makes up 0.3% of our total sales volume.

Supplier Management

Q. - Who are your suppliers?

A. - We source products from over 14,000 suppliers, and spent €5.5 billion with them in 2018. Our procurement covers commodities and services such as ingredients (with the exclusion of concentrate and juices - see further below), packaging, energy, capital equipment, building and facilities, fleet and logistics, sales and marketing, IT, telecoms, general administration and professional services. On average, 75.5% of our spend is with suppliers based in our countries of operation.

We purchase the entire requirement of our concentrates and syrups for Coca-Cola trademark beverages from The Coca-Cola Company. Many of the purchases of our key agricultural ingredients, such as beet and cane sugar, orange, apple and lemon juice, coffee, pulp and paper, are done together with The Coca-Cola Company, and other Coca-Cola bottlers. As a result, we address many of the issues that we face in our supply chain as a joint Coca-Cola system.

Q. - What sustainability standards do you expect your suppliers to adhere to?

A. - All bottlers within The Coca-Cola system follow The Coca-Cola Company's [Supplier Guiding Principles](#). These set out the minimum requirements we expect of our suppliers in areas such as workplace policies and practices, health and safety, human rights, environmental protection and business integrity. The [Sustainable Agriculture Guiding Principles](#) (SAGPs), developed by The Coca-Cola Company, define what is meant by sustainable sourcing and include standards that agricultural suppliers are expected to meet in terms of human and workplace rights, the environment and farm management systems. The SGP and SAGPs also apply to other brands that we produce and distribute, such as Capri-Sun and our energy brands.

We work with suppliers to build SGP into all new contracts and into multi-year contracts as they renew. In addition, from 2017, we have built the SGP into our purchase order process, so that even informal suppliers will need to comply with these requirements. In 2018, 91% of our spend was with suppliers which are covered by the SGP – this includes juices and concentrates purchased from The Coca-Cola Company.

Together with The Coca-Cola Company, we are also developing sourcing guidelines to provide transparent criteria for our ingredient suppliers to outline the sustainability standards they should meet and the pathways by which they can do so.

ACTION ON PACKAGING - FAQ- CONTINUED

Q. - How do you manage your critical suppliers?

A. - Suppliers are broken into three tier levels based upon our internal segmentation – critical suppliers are identified and segmented based upon criteria including added value, supplier risk, and total spend.

Approximately 214 (1.45%) of our total supplier base make up 52% of our procurement spend – we identify this group as our critical tier 1 suppliers. These critical suppliers are then segmented further. Of the 214 critical tier 1 suppliers evaluated, 44 (32% of our total spend) are identified as "gold" suppliers, based upon their high spend, and potential to add value, or a high supply risk, or all three. Our silver suppliers represent 58 (10,25% of our total spend) of our core tier 1 suppliers, with the remaining 110 (10% of our total spend) at bronze level.

CCEP's most 'critical' suppliers are those direct suppliers which have the potential to directly impact our production (e.g., those which would result in a disruption to production if supply should fail). Risk levels are allocated to suppliers not only based upon their turnover, but also to aspects such as the uniqueness of the product/component/service they provide; or when our activities are intrinsically interlinked (e.g., our packaging suppliers). Therefore, even some relatively small suppliers could be deemed critical.

Q. - How do you manage and incentivise your suppliers?

A. - CCEP's Supplier Relationship Management (SRM) process provides a framework for evaluating our critical tier 1 suppliers' performance, enabling their continuous improvement. Since 2017, we work with a consolidated CCEP-wide SRM processes.

Under our SRM process, each supplier is given a score based on financial value, efficiency, innovation, risk and sustainability. The sustainability component of the score is rated by independent evaluation company [EcoVadis](#). It evaluates suppliers against a number of sustainability criteria such as environment, carbon management, human rights and fair business practices.

Our procurement teams are key to this process, working with suppliers, identifying opportunities for improvement and building long-term relationships so that we can work together with our suppliers towards common objectives. We make sure every buyer is aware of CCEP's expectations of suppliers, knows how to evaluate them under our SRM process and is familiar with the sustainability issues related to specific commodities.

Q. - How does EcoVadis assess CCEPs sustainability performance?

A. – Each year, our sustainability performance is assessed by EcoVadis, an external sustainability ratings agency. The assessment is focused on four key topics – environment, labour and human rights, ethics, and sustainable procurement. The EcoVadis assessment also plays a key role in our own approach to sustainability and CCEP's Procurement team works in close partnership with EcoVadis to assess and track the sustainability performance of our own suppliers.

In 2018, CCEP was once again awarded GOLD status by EcoVadis, with a total score of 85 out of 100 (2017 score was 81). This places CCEP in the top 1% of companies in our sector.

Q. - How do you work with suppliers to manage environmental issues?

A. – Our Tier 1 suppliers are evaluated through annual [EcoVadis](#) evaluations, and a quarter of their score is directly related to their work on sustainability, and carbon reduction. As the biggest impact to our value chain carbon footprint lies in our supply chain - in particular our ingredients (27%) and packaging (41%) - we monitor the carbon footprint of our PET, can and glass suppliers and we work with them to report and reduce their emissions. We invest in recycled PET, and lightweight packaging, to reduce our value chain carbon footprint. Click [here](#) for more info on our action on packaging strategy. Carbon management is also included in audits for our [Supplier Guiding Principles \(SGPs\)](#), and the certifications for our [Sustainable Agriculture Guiding Principles \(SAGPs\)](#). We also work with suppliers to invest in solutions in our distribution, cold drinks equipment, and manufacturing equipment to help reduce the carbon footprint across our value chain. Click [here](#) for more info on our action on climate strategy.

ACTION ON PACKAGING - FAQ- CONTINUED

Q. - How do you assess supplier risk?

A. - Supplier risk is assessed both at the initial sourcing phase, which includes evaluation on criteria including financial performance, value, innovation, as well as risk and sustainability. Supplier risk is assessed both at the initial sourcing phase, which includes evaluation on criteria including financial performance, value, innovation, as well as risk and sustainability.

We follow the principles of 7-step sourcing (7SS), which includes taking suppliers through a thorough selection process, with a Request for Information (RFI) being issued prior to creating a supplier shortlist. In addition to the usual commercial and technical information, the RFI also requests information on the potential supplier's sustainability strategy, compliance with the SGPs and/or SAGPs, as well as specific sustainability criteria related to their product or service category. In addition, we also request a Credit Safe Report to validate the financial stability of each supplier. In 2018, we undertook a commodity risk assessment, through [EcoVadis](#), an external sustainability ratings agency, which provides an online document-based supplier assessment platform. The commodity risk assessment has helped to identify supplier risk based upon commodity, source country and criticality to our business. We are now working to identify where there may be any gaps in managing risk with our suppliers, and how we can develop supplier-specific action plans to mitigate the risk.

Once selected, our critical suppliers are assessed through EcoVadis, and given a rating. EcoVadis evaluates suppliers through a supporting document-based questionnaire on four main areas: environment, labour practices & human rights, fair business practices and sustainable procurement. Supplier scorecards are provided to our procurement teams to assess performance and any risk areas. Our suppliers currently have an average overall score of 58.3, and we aim for our suppliers to achieve an average overall score of 65 by 2025. Suppliers that have a low score are asked to develop an action plan and improve their performance. If suppliers do not improve their performance within a set timeframe, they may not be used in the future.

Audit and Compliance

Q. - How do you monitor and audit supplier compliance with your SGPs?

A. - We expect our suppliers to develop and implement appropriate internal business processes to ensure compliance with the SGPs. Together with The Coca-Cola Company, we routinely verify compliance by using independent third parties to assess suppliers' compliance with the SGPs. As part of The Coca-Cola system, we have relied on independent audits commissioned by The Coca-Cola Company to monitor supplier compliance with the SGPs.

These audits include checks to ensure suppliers are not using child labour, forced labour, or any form of modern slavery, amongst the other covered areas of the SGPs. To date, the audits have covered over 95% of our suppliers of ingredients and primary packaging. These audits generally include confidential interviews with employees and on-site contract workers. The Coca-Cola Company guidelines require auditors to select employees from different production lines and duties within the facility, including those of different genders, ethnic or religious backgrounds, employees who are pregnant; union representatives if available, and contingent workers. For more information on the audit guidelines of The Coca-Cola Company, please see their [Human Rights Report](#).

The Coca-Cola Company is a member of the [AIM-PROGRESS](#) forum, a global forum promoting responsible sourcing practices and the harmonisation of supplier audits as a way of reducing duplication and costs for suppliers. The SGPs have been benchmarked against other members protocols and are recognised by AIM-PROGRESS members through a framework called Mutual Recognition.

If a supplier fails to uphold any aspect of the SGP requirements, the supplier is expected to implement corrective actions. The Coca-Cola Company reserves the right to conduct unannounced audits at their discretion and to terminate an agreement with any supplier that cannot demonstrate that it is upholding the SGP requirements.

ACTION ON PACKAGING - FAQ- CONTINUED

Q. - How do you track compliance with your SAGPs in general?

A. - Together with The Coca-Cola Company, we work together with third party organisations, such as [Rainforest Alliance](#), the [Sustainable Agricultural Initiative Platform \(SAI\)](#) and [Bonsucro](#), to develop pathways to compliance for our main agricultural suppliers.

In 2018, in partnership with The Coca-Cola Company, we conducted a risk assessment for our main ingredients. Together with The Coca-Cola Company, we are also developing sourcing guidelines to provide transparent criteria for our ingredient suppliers to outline the sustainability standards they should meet.

Audit and Compliance - Beet sugar

93.4% of the sugar we use at CCEP comes from sugar beet grown in North West Europe and Spain. In partnership with The Coca-Cola Company, we offer several routes by which beet sugar suppliers can comply with the SAGPs and meet third-party standards.

Our preferred method is the [SAI's Farm Sustainability Assessment \(FSA\)](#) whereby farmers can self-assess the sustainability of their agricultural practices against a range of environmental, social and economic indicators. Also applicable to other agricultural ingredients such as juices, the FSA provides farmers with the information they need to make their operations more sustainable. It also enables them to share their progress with customers and suppliers within their own supply chains. We intend that all our sugar beet suppliers should achieve compliance with the SAGPs through the FSA or similar programmes by 2020. In 2018, 88% of our sugar volumes are certified as compliant with our SAGPs.

Audit and Compliance - Cane sugar

Whilst cane sugar makes up 6.6% of the sugar we buy, there are several third-party standards under which a cane sugar supplier can be certified as meeting the SAGPs. These include the [Rainforest Alliance](#) Standard, [Fairtrade](#) and [Bonsucro](#).

Bonsucro certification is The Coca-Cola Company's preferred method for sugarcane mills and growers to demonstrate compliance with the SAGPs. Coca-Cola worked with Bonsucro members to create the first global metric standard for sustainable sugarcane production and was the first to purchase Bonsucro certified sugar in 2011. The Coca-Cola Company also achieved [Bonsucro Chain of Custody Standard](#) certification, which enables the tracking of claims on the sustainable production of Bonsucro sugarcane and all sugarcane-derived products along the entire supply chain.

Audit and Compliance - Coffee and Tea

We source tea and coffee for our [Honest](#), [Fuze Tea](#) and [Chagwa](#) brands, and work with The Coca-Cola Company to ensure compliance with our SAGPs. In 2018, 100% of tea and more than 95% of the sourced coffee met The Coca-Cola Company's required sustainable sourcing standards, with the majority adhering to the Company's SAGPs. This means that Coca-Cola is purchasing these products from farm locations and suppliers that meet one of the following standards: Fairtrade, [Rainforest Alliance](#), [SAI Platform Silver or Gold, 4C*](#), [Ethical Tea Partnership](#), or SAGP audit or validation.

In 2018, Fuze Tea, a premium iced tea brand with a fusion of flavours of fruits, botanicals and tea, was launched in Europe. The tea extracts in Fuze Tea come from 100% sustainably sourced tea leaves. All farms that supply tea extracts must be certified to demonstrate that they meet an independent standard such as Fairtrade International, Rainforest Alliance or SAI FSA Silver or Gold. From April 2019, the complete Fuze Tea range joined the Rainforest Alliance community and will be marked with the "green frog" seal, confirming that the tea has been sourced from Rainforest Alliance Certified™ farms.

ACTION ON PACKAGING - FAQ- CONTINUED

Audit and Compliance - Pulp and Paper

Pulp and paper are used in much of our packaging and point-of-sale material. Suppliers can attain a Sustainable Forest Management accreditation such as the [Forest Stewardship Council \(FSC\)](#) or a certification endorsed by the [Programme for the Endorsement of Forest Certification \(PEFC\)](#). The FSC-certified logo, or those from the PEFC, represent a global chain of custody system, supported by a chain of custody certification process and independent inspections. Every new paper, pulp and cardboard contract now includes a requirement for third-party certification and suppliers have until 2020 to comply. Card and board used for packaging makes up the majority of our pulp and paper, and in 2018, 94% of our cardboard for secondary and tertiary packaging was certified as SAGP compliant. We aim to expand reporting on this category to include additional areas such as printed and point of sales material over the coming years.

Audit and Compliance - Juices

For orange, lemon and apple juice, we're working with The Coca-Cola Company, our juice suppliers and other third-party frameworks to establish programmes to ensure compliance with our SAGPs. In particular, we work with partners such as the SAI, in areas where we source some of our products, such as Spain, to improve the sustainability of our juice supply.

Human Rights

Q. - What is CCEP doing to improve human rights within its supply chain?

A. - We consider human and workplace rights – as articulated in the [United Nation's Universal Declaration of Human Rights](#) and the [International Labour Organization's Declaration on Fundamental Rights at Work](#) – to be inviolable.

Respect for human rights is fundamental to the sustainability of CCEP and the communities in which we operate. We are committed to ensuring that all people are treated with dignity and respect. We support the 10 principles of the [UN Global Compact](#), and take a proactive approach to respecting these rights in our workplace, in our supply chain, and in the communities in which we operate. These principles have been ingrained within [CCEP's Human Rights Policy](#). We have a zero-tolerance approach to modern slavery of any kind within our operations and supply chain. Together with The Coca-Cola Company, we expressly prohibit any form of human trafficking within our system or by any company that directly supplies or provides services to our business. We prohibit the use of all forms of forced labour, including prison labour, indentured labour, bonded labour, military labour, slave labour and any form of human trafficking within our company and by any company that directly supplies or provides services to our business.

CCEP reviews risks annually through its risk assessment process. During 2017, we expanded this process to also include the risk of modern slavery within our supply chain. In October 2018, we hosted an internal human rights workshop with cross-functional participation from senior managers across our business, including support and engagement from our Executive Leadership Team. We also benefitted from input and advice from key external stakeholders including [UN OHCHR](#), [Institute of Employers](#), [Know The Chain](#) and industry peers. Our aim was to understand what human rights means for our own operations and our supply chain.

As a result, we committed to conduct a Human Rights Risk Assessment for CCEP in 2019 based on the salient issues identified during the workshop. The risk assessment process in Q1 2019 included interviews with senior leaders across the business, followed by a risk assessment workshop to develop more detailed action plans on key issues. We identified what human rights means for CCEP, namely protecting people's inherent and indivisible rights and freedoms both in our own operations and in our value chain; fair and equal treatment of people (no discrimination) and treating people with dignity and doing no harm to others. Throughout this process, there has been clear acknowledgment that human rights issues can and do present themselves in our own day-to-day operations in Western Europe and not just in the extended global value chain. During 2019, we will also deliver human rights training for our procurement function.

Our biggest potential exposure to modern slavery is within our key agricultural ingredient supply chains, and within the supply chains for some of our packaging materials. We are currently reviewing the risk for modern slavery, forced labour and child labour through an EcoVadis commodity assessment, and will be developing supplier-specific action plans based upon the assessment outcomes. We also track our suppliers' compliance with our SAGPs which includes prohibitions on modern slavery, forced labour, and child labour, through third party certification processes.

ACTION ON PACKAGING - FAQ- CONTINUED

Q. - Has CCEP done a risk assessment on human rights issues down to the farm level?

A. - We recognise that as a major user of sugar and other agricultural ingredients, we must take action and use our influence to help end human rights abuses across our supply chain.

As part of The Coca-Cola system, we rely on independent audits commissioned by The Coca-Cola Company to monitor supplier compliance with the SGPs and SAGPs. In 2018, in partnership with The Coca-Cola Company, we conducted a risk assessment for our main ingredients. We are also working with The Coca-Cola Company to develop sourcing guidelines to provide transparent criteria for our ingredient suppliers to outline the sustainability standards they should meet.

Together with third party organisations to assess compliance with the SAGPs, we are able to assess risks of modern slavery, child and forced labour.