



FACTSHEET: ACTION ON SUPPLY CHAIN



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Population growth, increased demand for food products and climate change are putting our supply chains under increasing pressure. We're committed to sourcing our agricultural ingredients and raw materials sustainably and responsibly.

OUR STRATEGY

To make our drinks, we have to ensure that all the ingredients we use, including water, sugar beet, sugar cane, coffee, tea and fruit juices, are of high quality and sourced sustainably. We also rely on other raw materials such as pulp and paper to make our packaging. We've made a joint commitment with The Coca-Cola Company (TCCC) to ensure that 100% of our main agricultural ingredients and raw materials are sourced sustainably.

We also have a duty to respect and protect the human rights of everyone working across our entire supply chain. We aim to ensure our suppliers respect our **Code of Conduct** and make a positive impact on society, in line with the **United Nations' Guiding Principles on Business and Human Rights**, the **International Labour Organization's Declaration on Fundamental Principles and Rights at Work** and the **United Nation's Global Compact**.

OUR ACTIONS

We track our progress by measuring compliance with our **Supplier Guiding Principles (SGPs)**, which apply to all our suppliers, and our **Sustainable Agriculture Guiding Principles (SAGPs)**, which apply to our suppliers of key agricultural ingredients and raw materials. We've made a commitment to ensure that all our suppliers comply with these principles by 2020. In 2019, 97% of our spend was with suppliers which are covered by our SGPs. In addition, 96% of our sugar and 100% of our paper and pulp was sourced sustainably from suppliers that comply with our SAGPs.

We evaluate the performance and sustainability of our suppliers on an ongoing basis. For our Tier 1 suppliers that are most critical, we carry out a financial assessment during the 7-Step Sourcing Process, perform an annual Supply Risk Analysis and have regular meetings to discuss performance, opportunities,

innovation and sustainability. The sustainability component is rated by independent evaluation company **EcoVadis**, which evaluates suppliers against criteria including environment, carbon management, human rights and fair business practices.

In 2019, we conducted a category risk mapping exercise with EcoVadis to better understand any risks associated with a particular supplier or ingredient. We focused on sugar, coffee and tea and have subsequently developed a sustainability risk management strategy.

Following a Global Water Risk Assessment, conducted by TCCC in 2018, we are working with our suppliers to further evaluate the water stress and quality data in the key sourcing regions for our agricultural ingredients. As a result, we have developed management and response plans which have been integrated into our sustainable agriculture programme.

Together with TCCC, we are 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. In 2019, in partnership with Ailimpo, the interprofessional organisation of lemon farmers in Murcia, Spain, we hosted a stakeholder visit to the organic lemon groves that we began working with seven years ago. Farmers are encouraged to care for the natural environment and protect biodiversity and are now one of the largest suppliers of organic lemons in Europe, supporting the production of our Honest Organic Lemonade.

In 2019, we conducted a Human Rights Risk Assessment based on salient issues identified during a series of workshops in 2018. These helped us to identify what we mean by human rights and formed the basis of our new Human Rights Action Plan.

Our progress

	2019	2018
Our spend with suppliers that are covered by our SGPs	97%	91%
Sugar sourced from suppliers that comply with our SAGPs	96%	88%

"AT OUR FIRST MEETING, SEVEN YEARS AGO, TCCC CONTINUED TO INSIST THAT SUSTAINABILITY AND ORGANIC PRODUCTS ARE THE FUTURE. OUR COLLABORATION HAS GIVEN A BOOST TO SUSTAINABLE AND ORGANIC LEMON FARMING IN MURCIA."

José Antonio Garcia Fernandez – Director of Ailimpo – Spain

FAQ

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

SUPPLIER MANAGEMENT

Who are your suppliers?

We source products from over 17,000 suppliers, and spent approximately €4.5 billion with them in 2019. Our procurement covers commodities and services such as ingredients (with the exclusion of concentrate and juices purchased from TCCC and other franchisors), packaging, energy, capital equipment, building and facilities, fleet and logistics, sales and marketing, IT, telecoms, general administration and professional services. On average, 86% 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 TCCC.

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 managed together with TCCC, 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.

What sustainability standards do you expect your suppliers to adhere to?

All bottlers within The Coca-Cola system follow TCCC'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 TCCC, 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 SGPs and SAGPs apply to all of our suppliers, including for those non-TCCC brands that we produce and distribute, such as Capri-Sun and our energy brands.

We work with suppliers to build SGPs into all new contracts and into multi-year contracts as they renew.

We require all of our suppliers to sign up to our SGPs as part of our purchase order process. In 2019, 97% of our spend was with suppliers which are covered by the SGPs – this includes juices and concentrates purchased from TCCC.

How do you identify your critical suppliers?

Our 288 critical suppliers represent 80% of our total spend. They include our ingredients and packaging suppliers. The majority of our critical suppliers are 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), or provide a unique product/component/service. Therefore, even some relatively small suppliers could be deemed critical.

How do you manage and incentivise your suppliers?

We continue to evaluate our suppliers based on financial value, efficiency, innovation and risk. Additionally for our critical suppliers, we assess their sustainability performance through the universal sustainability ratings provider EcoVadis. It evaluates suppliers against four key criteria – environment, labour and human rights, ethics, and sustainable procurement.

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 and is familiar with the sustainability issues related to specific commodities.

How does EcoVadis assess CCEPs sustainability performance?

Each year, our sustainability performance is assessed by EcoVadis. 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 2019, CCEP was awarded Platinum status by EcoVadis, with a total score of 78 out of 100. This places CCEP in the top 1% of companies in our sector.

How do you work with suppliers to manage environmental issues?

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 (25%) and packaging (43%) – we monitor the carbon footprint of our PET, can and glass suppliers and we work with them to reduce their emissions. We invest in recycled PET, and lightweight

packaging, to reduce our value chain carbon footprint. **Click here** for more information on our action on packaging strategy.

Carbon management is also included in audits for our SGPs, and the certifications for our SAGPs. We also work with suppliers to invest in solutions in our distribution, cold drink equipment, and manufacturing equipment to help reduce the carbon footprint across our value chain. **Click here** for more information on our action on climate strategy.

How do you assess supplier risk?

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 2019, we conducted a category risk mapping exercise with EcoVadis to better understand any risks associated with a particular supplier or ingredient. We focused on sugar, coffee and tea and have subsequently developed a sustainability risk management strategy. The mapping 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. Supplier scorecards are provided to our procurement teams to assess performance and any risk areas.

Our suppliers currently have an average overall score of 57.6 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.

SOURCING

Where do you source your ingredients from?

We source our sugar beet from Northwest Europe and from Spain, whilst we purchase our juices mainly from Spain and Portugal.

We purchase the entire requirement of coffee and tea for Coca-Cola trademark beverages from TCCC which asks suppliers to demonstrate compliance with our SAGP criteria by using global sustainable agriculture standards and assurance schemes, including Ethical Tea Partnership, Rainforest Alliance and Fairtrade.^(A)

Does CCEP source organic ingredients?

Together with TCCC and other franchisors, we have broadened our range of organic drinks. Today we have 94 organic products in our portfolio, making up 0.3% of our total sales volume. Our Honest Tea, Honest Coffee, ViO BiO, and Capri-Sun Bio are amongst the organic brand options we offer consumers.

AUDIT AND COMPLIANCE

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

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

These audits include checks to ensure suppliers are not using child labour, forced labour, or any form of modern slavery. To date, the audits have covered over 99% of our suppliers of ingredients and primary packaging. These audits generally include confidential interviews with employees and on-site contract workers. TCCC 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 TCCC, please see their **Human Rights Report**.

(A) Suppliers who want to show SAGP compliance based on other standards e.g. regional or national are required to show equivalence with one of the globally preferred standards or the SAGP through a **valid benchmark**.

TCCC 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. TCCC 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.

How do you track compliance with your SAGPs in general?

Together with TCCC, 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.

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Audit and compliance – Beet sugar

Over 90% of the sugar we use at CCEP comes from sugar beet grown in North West Europe and Spain. In partnership with TCCC, 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 2019, 96% of our sugar volumes were certified as compliant with our SAGPs.

Audit and compliance – Cane sugar

Whilst cane sugar makes up less than 10% of the sugar we buy, there are several third party standards under which a cane sugar supplier can be certified as meeting our SAGPs. These include the **Rainforest Alliance Standard**, **Fairtrade** and **Bonsucro**.

Bonsucro certification is TCCC'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. TCCC 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 coffee and tea for our Honest, Chaqwa and Fuze Tea brands through TCCC, with whom we work closely to ensure compliance with our SAGPs and other internationally recognised sustainable sourcing standards. In 2019, 90% of coffee sourced by TCCC at global level was SAGP-compliant – including the coffee in our Honest Coffee brand which was 100% SAGP-compliant, meeting Fairtrade and other third party certification standards.

82% of TCCC's global tea volumes were SAGP-compliant in 2019 – including our Fuze Tea brand, containing tea extracts from 100% sustainably sourced tea leaves, and achieving SAGP-compliance through Rainforest Alliance certification. As a result, the 'green frog' seal, confirming the tea has been sourced from Rainforest Alliance Certified™ farms, is included on all packaging for the complete Fuze Tea range.^(A)

Audit and compliance – Pulp and paper

By weight, pulp and paper accounts for approximately 9% of packaging used (e.g. cardboard secondary packaging, paper labels, Bag in Box).

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

(A) TCCC (2020) 2019 **Business & Sustainability Report**

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 2019, 100% 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

Oranges and citrus fruits are a key ingredient in a number of our products, such as Fanta, as well as a number of our juices.

For orange, lemon and apple juice, we're working with TCCC, 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

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

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 Principles and Rights at Work** – to be inviolable and fundamental to our sustainability as a business.

Respect for human rights is fundamental to the sustainability of CCEP and the communities in which we operate. We support the 10 principles of the **UN Global Compact**, and we are committed to ensuring that everyone working throughout our operations and within our supply chain is treated with dignity and respect.

Our principles regarding human rights are set out in our **Code of Conduct** and further detail is provided in our **Human Rights Policy**, which is aligned with accepted international standards such as the United Nations Guiding Principles on Business and Human Rights. We have a zero tolerance approach to modern slavery of any kind within our operations and supply chain. This includes 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. In 2017, we published our first Modern Slavery Statement, and continue to update this annually.

In 2018, we conducted our first internal human rights workshop with participation from senior managers across our business, including support and engagement from our leadership team. In 2019, we conducted an internal Human Rights Risk Assessment based on the salient issues identified during the workshop, involving some of our senior leaders. We also sought input and advice from key external stakeholders, including **UN OHCHR, Institute of Employers, KnowTheChain** and many industry peers.

We identified nine key areas as posing the greatest risk to people in our own operations and across our value chain. We have initially focused on the first four priority issues to ensure full compliance and that action is taken: health, safety and security; equality and non-discrimination; working hours; and migrant and temporary workers. We will develop actions for the remaining issues in 2020: freedom of association; right to privacy and data protection; forced labour; and wages.

All procurement managers who interact with suppliers are given training on the SGPs and SAGPs, as well as on Human Rights, as part of their induction.

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

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 TCCC to monitor supplier compliance with our SGPs and SAGPs.

In 2018, in partnership with TCCC, we conducted a risk assessment for our main ingredients. We are also working with TCCC 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 who assess compliance with our SAGPs, we are able to assess risks of modern slavery, child and forced labour.



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