



GLOBAL COMPACT REPORT

2017

KARLOVARSKÉ MINERÁLNÍ VODY, A.S.

# STATUTORY DIRECTOR'S STATEMENT OF CONTINUED SUPPORT



"I am pleased to confirm that the Karlovarské minerální vody, a.s. company is committed to supporting the ten basic principles of the United Nations Global Compact organization in the area of human rights, labour conditions, environment and anti-corruption actions."

In our Communication on Progress Report (COP) we describe activities by which we have integrated the Global Compact principles into our corporate strategy, culture and daily operations.

We want to share this information with our customers, employees, suppliers, and partners, as well as with the professional and general public.

With regards,

**Alessandro Pasquale**

Statutory Director  
Karlovarské minerální vody, a.s.



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# GENERAL INFORMATION ABOUT THE COMPANY KARLOVARSKÉ MINERÁLNÍ VODY, A.S.



We are the biggest producer of mineral and spring waters in the Central Europe. In addition to traditional Mattoni mineral water we produce Aquila spring water and Magnesia mineral water. We were founded Karlovy Vary-born Heinrich Mattoni in 1873. Our current establishment dates back to the 1990s when current owners, Italy-based Pasquale family, invested massively in the company, and the company later acquired some other companies, e.g. Poděbradka and Hanácká Kyselka.

At present, we export our products to 20+ countries of the world, and we are owners of mineral water brands in Austria and Hungary. We are dedicated to building of the world-famous, significant image brands to contribute to improved quality and drinking culture across the world. We are significantly active in the cultural, sport, as well as social life in the Czech Republic. We also support the projects associated with the

nature protection and environment. We are a member of the National Network of Global Compact Czech Republic, which unites companies and organizations involved in the UN Global Compact – the world's biggest social responsibility and sustainable business initiative under the auspices of the UN.

Karlovarské minerální vody employs about 450 employees (about 100 employees within the international holding). A team of experts jointly and with a clear vision in their minds significantly contributes to the success of the company. Professional approach of our employees in the product quality was awarded multiple times for the best commercial, design, and innovation not only in the Czech Republic but abroad as well. Our effort is further reflected in the awards from the Sodexo Regional Employer competitions. In 2016, we were even awarded by AIESEC, a student organization.



# SOCIAL RESPONSIBILITY



We understand the importance of the environment protection and therefore, we support the development of approaches and technologies resulting in achieving of the best results in this area. What is our long-range approach?

## 100% RECYCLING

All PET bottles we produce can be reused for further processing. Including the cap and label. Karlovarské minerální vody, a. s. became one of the founding member of EKOKOM, which appreciably participates in the waste sorting and recycling in municipalities.

## LESS PET

We consider not only usefulness and design but environmentally-friendly aspect when designing of the new bottles. To this end, we constantly reduce the amount of plastic needed for production of the bottles.

# HUMAN RIGHTS

## SUPPORT OF HANDICAPPED PERSONS

We have been supporting our handicapped fellow citizens in the Czech Republic for many years. With the supported Kampi Office company, we created 10+ new jobs for handicapped persons. We have increased the number to more than 89 persons from originally about 70 health handicapped employees – and what's more significant is that we've achieved the success thanks to quality work the people do. The employees produce top quality products being able to compete not only in the Czech Republic but abroad as well.



## SUPPORT OF SOCIALLY DISADVANTAGED AND HOMELESS PEOPLE

We regularly contribute both financially and in the form of products to homeless or socially disadvantaged people through Monastic Home of the Congregation of Franciscan Nuns – Holy Trinity Female Missionaries. In 2016, we organized a running race for the employees in which the company contributed CZK 10 for each kilometre covered to the Monastic Home. Not only actively doing something for his/her heart, but each employee contributed for a good cause.





# WORK CONDITIONS



## DEVELOPMENT AND BENEFITS OF THE EMPLOYEES

Our employees matter. We provide them a lot of opportunities for further education, professional and personal development and growth. We provide optimum conditions for full blooming and pursuing of their abilities to our colleagues. On the other hand, we require a pro-active approach to their development and further career growth. Quality work tools are always available to our employees with respect the work they do and position they occupy (a car, a notebook, a mobile phone).

We want the tools simplify their work and concentrate on it fully. We motivate our employees by means of fair remuneration regularly compared with the market conditions. We expand the offering of the benefits for the employees, and stability of their use through a benefit portal.

## QUALITY MANAGEMENT

Based on the united Food Quality and Safety Policy currently declared by Alessandro Pasquale, statutory director to all Karlovarské minerální vody Group companies, we approach responsibly not only towards our customers but to the human, technological sources, a well as mineral resources of water used. The evidence of compliance with the requirements, needs, and expectation of our customers are excellent business figures we achieve.

To guarantee the confidence in our products not only in the Czech Republic but also abroad, we audit our compliance with the requirements for quality and health safety through the certification audits.

In 2016, we successfully passed through the following audits:

- follow-up ISO 9001 audit at KMV a.s. and Poděbradka a.s.,
- re-certification IFS Food audit in our plants Poděbradka, Dobrá voda, and Hanácká Kyselka,
- and now brand new FSSC 22000 audit in the Kyselka and Mnichov plants.

Provision of quality, health safety, and safety of the products are the essential obligations of each employee. The top management gives foundations for continuous improvement of the liaison among the production plants, departments, and employees. The top management thus effectively supports education, training, and learning of the employees. Under the certified quality system we also pursue in our processes the responsible behaviour to environment, and occupational health and safety for our employees.



# WORK CONDITIONS

## FOOD QUALITY AND SAFETY POLICY

The statutory director of Karlovarské minerální vody, a.s. & Poděbradka a.s. & Hanácká kyselka a.s. hereby declares this Food Quality and Safety Policy being based on consistent use of human, technological, and mineral resources in the vproduction plants MATTONI, MAGNESIA, DOBRÁ VODA, PODĚBRADKA and HANÁCKÁ KYSELKA to meet the requirements, needs, and expectation of the customers, in particularly in the field of quality, safety and legality, delivery deadlines, and not in a small way prices of the products while making the company profitable.

The KMV Group companies aim at being profiled in long-range run as the top companies that produce the products and provide services of the highest quality in the area of bottled natural mineral waters, spring waters, infant waters, and soft drinks. We want to reinforce our long-term position No. 1 on these product markets in the Czech Republic with successive significant occupancy on the selected foreign markets.

Provision of quality, health safety, and safety of the products are the essential obligations of each employee. The top management gives foundations for continuous improvement of the liaison among the production plants, departments, and employees. The top management thus effectively supports education, training, and learning of the employees. The top management focuses the development quality of the new products to promising production and inspection processes that improve competitiveness of the products.

## UNION POLICY FOR THE EMPLOYEES

We regularly communicate with representatives of the employees in trade unions, and respond to their inputs.





# WORK CONDITIONS

## **By means of adopting of these principles, the top management agrees to:**

1. Establish and continuously maintain the Integrated quality and safety management system and through effective governing of the processes:
  - according to the applied provisions of standard ČSN EN ISO 22000, or
  - according to the one standard principle GFSI – IFS Food or FSSC 22000.
2. Follow the laws of the Czech Republic and the EU.
3. Continuously improve quality and utility properties of the products through innovation of the portfolio of products as one of the priority tasks towards the customers.
4. Focus attention to development of the organization of work, progressive techniques, technologies development, production and warehousing capacities and abilities of the contractors including the system of services.
5. Continuously pursue expertise and competences of the employees to perform finely, to support teamwork, and make the employees fully responsible for their work.
6. At system level, build the position of the company on the Czech and foreign markets, and to achieve continuous development of the company.
7. Continuously, with reference to emerged requirements, to improve efficiency and capability of the technical and technological equipment.
8. Provide unambiguous identification of the raw materials and backward traceability of the products, including documentation of the production process.
9. Arrange ongoing improvement of the quality system through regular audits.
10. Use ideas of the employees and customers for continuous improvement of the quality management system's efficiency, and improve the health safety.
11. Improve work conditions and environment, and to establish well-being among the direct reports and their good relations in the workgroups.
12. Continuously use legal and ethical principles in the work management principles for the direct reports, among others not to use child labour, consider condition and physical capabilities of minors and pregnant women, and to adhere to the legal conditions for work including permitted extent of working overtime.
13. Use environmentally friendly methods with minimum impact on environment and improve awareness of the employees about the environment in the provision and management of the production.

The adoption of this Policy makes all employees responsible for compliance with the principles of the established integrated quality management system and food safety as the paramount priority for all governing and organizational decisions for production of safe, sound, legal, and quality products while accepting full responsibility to our customers.

The statutory director hereby instructs the expert directors and production plant directors to inform all employees about the Policy in an adequate way to be understood and pursued correctly.

In Prague, date 11 November 2016



Alessandro Pasquale

Statutory Director

KMV, a.s. / Poděbradka a.s. / Hanácká kyselka a.s.

# ENVIRONMENT



## WE PROTECT SPRINGS

Pumping of water from the depths of the nature brings responsibility towards the surrounding of the spring and the mineral water itself. Our resources of mineral water are protected by the first protection zone and under continuous monitoring.

We constantly reduce our impact on the environment. Over last ten years we have reduced our environmental impact by twenty per cent in case of Mattoni mineral water. Innovations, cost-saving measures, more effective energy use, or railway transport, which can fully replace road transport, have helped us in it.

Reconstruction of the railway siding, originally developed by Heinrich Mattoni already in 1894, and which connected Kyselka municipality to the European railway network, started 10 May 2012. The recovery of the original local railway significantly increased environment quality, and reduced the number of heavy trucks by 3,700 each year.





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### WE PARTICIPATE IN CLEANING OF OHŘE RIVER

We have joined the nationwide initiative "Let's Clean the World - Let's Clean Czechia" under which we got down to cleaning of Ohře River in cooperation with other regional networks of the local action groups and the head organizer MAS Krušné, o.p.s. The initiative aimed at making the river banks clean from mess and other garbage. The initiative took place on Saturday 16 April 2016, and many people volunteered. The

stretch from Karlovy Vary up to Stráž nad Ohří was divided into several sub-stretches, and all municipalities along the river bank actively participated in cleaning and organization of the same. The river stretch is 32.8km long.

In total, 8.03t of garbage and 2 trucks full of old tyres were dumped. Stráž nad Ohří sorted out the waste by itself in it's collection yard (about 0.5t). In total, 233 volunteers participated.





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## WE SUPPORT RESEARCH AND EDUCATION

We funded the research led by the Faculty of Architecture of the Czech Technical University in Prague. The research aimed at long-term use of PET as a building material. The concept of a PET building unit is a unique and progressive project first exclusively presented in the Czech pavilion of EXPO 2015 in the form of a park bench made from PET.

Later in 2015, the second construction work appeared – a Christmas PETree to which pupils and students from elementary and high schools contributed.

This year, the official PET MAT was established as an institute. This institution being still fully financially supported by us, will continue in pursuing a brick made from recycled PET for further use in building industry and architecture.

One of the central projects of the institute in this year is start of the project for development of a mini-recyclate – a small recycling technology for use e.g. in schools.



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## WE TRY TO PRESERVE MANY BUILDINGS IN KYSELKA AREA IN COOPERATION WITH NATIONAL HERITAGE BOARD

We are the founding members of Lázně Kyselka o.p.s. for which our employees are also working under the volunteering activities. The activity of Lázně Kyselka o.p.s. is preservation, reconstruction, and protection of the protected area of former Kyselka spa in Kyselka municipality.

Stallburg House is now fully reconstructed, and houses seven modern flats. Late in 2015, we started construction of a public park near the House to spend leisure time here. Swings for kids, benches, and foliage plants are to be here after finishing of the park. We opened the small park in spring 2016. The new arrangement of the area will be beneficial to the location as well as local inhabitants, respects the nature of the protected Kyselka Spa zone, and makes the location aesthetically uplifted.

In 2015, reconstruction of the Löschner pavilion finished and the Mattoni Museum was ceremonially opened in this pavilion in July 2016 devoted to our founder Heinrich Mattoni, and history of bottling of the mineral waters. The attendance of the Museum has been growing during summer, and culminated at the moment of release of "Já, Mattoni" TV series, which instigated interests of the people to see the place where the Mattoni legend was born.



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In cooperation with Vladimír Lažanský, the City Authority of Karlovy Vary, Kyselka municipality, and Revitalizační investiční společnost, we participated in incorporation of the Lázně Kyselka charitable trust trying to preserve other protected structures of the former spa.

In total, we have already invested 75+ million Crowns in the reconstructions in Kyselka.

Late in 2015, we started construction of a public park near the Stallburg House to spend leisure time here. Swings for kids, benches, and foliage plants are be here after finishing

of the park. We opened the small park in spring 2016. The new arrangement of the area will be beneficial to the location as well as local inhabitants, respects the nature of the protected Kyselka Spa zone, and makes the location aesthetically uplifted.





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## WE CONTRIBUTE TO THE KARLOVY VARY'S HOSPITAL FOR BREATH MONITORS FOR NEW-BORNS

The future and quality of lives of the inhabitants, and in particular the youngest ones, matter. In cooperation with Nadace Křižovatka, we contributed under "Maminko, dýchám" project for procurement of the breath monitors for neonatology department of ICU in the hospital in Karlovy Vary. The breath monitor is the most effective way for protection of new-borns against SIDS.



## WE SUPPORT DEVELOPMENT OF THE CULTURE AND SOCIAL EVENTS

We systematically support development of the live culture, in particular literature and movies. We stood at the onset of annual Magnesia Litera prizes for literature, and we have been the general partner of the project for many years.

We cooperate in ceremonial awarding of the movie trophies Český lev under which we newly support in particular young and beginning moviemakers by Magnesia Prize.

We support significant social events. For example, the most popular pop-music competition Český slavík Mattoni. For nineteen years, we have been organizing Mattoni Grand Drink international barman competition, of which professionalism over last two years has brought the competition an official status of Soft Cocktail Mixing World Championship.

In cooperation with the City Authority of Karlovy Vary, we head to the 10th Karlovy Vary's Carnival, of which general partner we are, in 2017. Also with the help of our support, the visitors may enjoy munificent and entry-free programme.

For this summer, we prepare for the traditional Mattoni Kokteil Festival in Prague with the participation of many known Czech interprets. No admission fee is charged, as usually.



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## WE HELP TO PROMISING ATHLETES – FOND MAGNESIA GO

Fond MAGNESIA GO is the joint project of Karlovarské minerální vody, a.s. and Ondřej Vetchý. They jointly decided to distribute CZK 1 million donated by Karlovarské minerální vody among 6 gifted athletes.

It does not aim at replacing of the common financial support already available to the athletes based on their current performance. The support to Fond Magnesia GO should be a reward and an impulse to move the talented athletes to the next sport level. It is an encouragement and support for their journey to the sport goals and dreams. The Fond Magnesia GO assists them in their career to get ahead.

Among the sport fans we are also known for our long-term support of the series of prestigious marathons called Prague International Marathon.

## COMPANY'S INCIDENTS AND OUR ATTITUDE

In 2016, we created a special job position, which deals with handling of customer's quality and consumer complaints.

The specialist operates an info line being in the first contact with the customer. The specialist has a list of current contacts for our sales representatives, knows current composition of the customers, and has expert responses ready to common situations. The info line submits all information about the client to a specialist, who visits the complaining customer, gets the samples, and contacts a sales representative. The specialist communicates with the production plant and makes the final decision based on information collected.

However, we do not rely on the specialist only. Communication with the customer service department and logistics in the production plants is very important.

Speed, quality of handling, and approach to each complaint are the shop window of quality of our work being perceived most by the customer/consumer in dealing with a complaint. That's why we pay maximum attention to each complaint and

# ENVIRONMENT

try to remedy the complained fact so that each of them has (regardless its importance) minimum or no negative impact on the company's goodwill. Our experiences from the past show us that well-managed complaint process makes the company credible.

## ETHICAL TRADING POLICY

We play an important role in making people's life richer and we are aware on the other hand of our significant role in thorough and responsible governance of our business. That's why we adopted the system of key values and business principles that govern our activities and interactions with all parties involved, including our contractors.

We promote not only safe and fair work conditions and responsible environment management, but we also deal with the social issues across our supply chain. Hence, we declared the Ethical Trading Policy that includes the following principles:

### Child labour

No person under legal age for employment will be employed. We support and further develop the policies and programs for help to victims of the child labour.

### Coerced work

The coerced, bound, and involuntary work is not used, and the employees may quit their jobs at any time upon reasonable notice.

### Health and safety protection

During the introductory training for our employees we provide a pack of information and training in the field of the occupational health and safety. They have access to clean toilets, potable water and where appropriate, sanitary facilities to store foods.

### Freedom of gathering

All employees may join the trade unions.

### Discrimination

We prohibit negative discrimination, including racial or sexual discrimination.

### Disciplinary practices

We treat the employees with respect and dignity. We do not support physical or verbal attacks or other offensive behaviour and threats.

## Individual's behaviour

We do not tolerate any form of blackmailing, including inappropriate bribery attempts from or for an employee or organization.

## Environment

We have implemented processes that actively improve efficiency of use of the scarce sources such as energies, water, and resources.

Furthermore, we have implemented appropriate management of operation and technical controls to minimize release of pollutants to the environment.

We continuously improve operation of the technologies and use of the products with respect to the environment in use by the end consumer.

We support innovative development of the products that offers social benefits and the benefits with respect to the environment.

