

EU taxonomy

Supporting a more sustainable economy

As part of the EU's plan to direct investments towards a more sustainable economy that aligns with the European Green Deal, the European Commission defined a classification system of sustainable activities under taxonomy regulation in 2020. The EU taxonomy regulation creates a common definition of environmentally sustainable economic activities to be used by investors, corporates, policymakers and other stakeholders.

Climate change mitigation and climate change adaptation environmental objectives were set out in the Climate Delegated Acts¹, and apply since 2022, while the remaining four objectives came into force in June 2023 under the Environmental Delegated Act², and are effective from 2024 onwards. For each of these objectives, the Delegated Acts define which activities are eligible. For an economic activity to be considered aligned with EU taxonomy, however, it needs to meet all the below: a) to substantially contribute to at least one environmental objective; b) to meet the technical screening criteria (TSC) defined for per activity; c) to do no significant harm to any of the remaining objectives; and d) to comply with the minimum social safeguards.

Relevance to Coca-Cola HBC

As a company domiciled in Switzerland, we are not subject to the EU Non-Financial Reporting Directive and hence are not currently required to report following the EU taxonomy. However, in line with our practice to provide stakeholders with high-quality and value-adding ESG data, we have decided to voluntarily publish key information related to EU taxonomy for 2023. This is the result of the preparatory work we have been doing, in anticipation of the mandatory EU taxonomy disclosure next year, as CCH falls into the expanded scope of the Corporate Sustainability Reporting Directive, introduced in January 2024.

Taxonomy eligibility assessment

According to the EU taxonomy Delegated Acts, our main economic activity of 'Food and beverage manufacturing' is not considered eligible for EU taxonomy. It is important to note that non-eligibility simply refers to the fact that an economic activity is not in scope of the EU taxonomy and should not be considered as indicative of ESG performance. Following a thorough assessment of economic activities across territory, we have mapped some of our investments and operational expenses deriving from these investments with secondary activities under the objectives of 'transition to a circular economy' and 'climate change mitigation'.

According to the Environmental Delegated Act, the Gaglianico plant fits the criteria of eligibility under the '1.1 Manufacture of plastic packaging goods' economic activity, significantly contributing to the 'transition to a circular economy' environmental objective. To enable the transition of the Italian market to 100% rPET³, we have invested €30 million to convert the old Gaglianico factory into an innovative hub, which transforms up to

30,000 tonnes of post-consumer PET per year into new 100% recycled PET preforms, covering the beverage bottling needs in the country. The site is fully powered by electricity from 100% renewable sources, leading to a reduction in the CO₂ emissions of producing a preform by up to 70% compared with virgin plastic. Even if it is not required to disclose alignment for the first year of implementation of the Environmental Delegated Act, we have performed a preliminary assessment and are proud to share that the Gaglianico plant meets all technical screening criteria. In 2024, we will fully evaluate the Do No Significant Harm (DNSH) criteria and take necessary action to mitigate potential gaps, if any.

We are committed to achieving net zero emissions by 2040 across our value chain. One of the key drivers to reduce scope 3 emissions is the investment in energy-efficient coolers. At the end of 2023, 55% of all coolers in our markets excluding Egypt were energy efficient, reducing greenhouse gas emissions by 127,461 tonnes compared with our 2017 baseline. This activity qualifies as eligible for EU taxonomy purposes, under economic activity '7.3 Installation, maintenance and repair of energy efficiency equipment', significantly contributing to the climate change mitigation environmental objective. However, as coolers are purchased from third parties, we were not able to collect all information required to assess alignment with the relevant DNSH criteria, and we report zero alignment for this economic activity.

Our continuous investment in green fleet is also considered eligible for EU taxonomy under economic activity '6.5 Transport by motorbikes, passenger cars and light commercial vehicles', significantly contributing to the climate change mitigation environmental objective. In 2023, we

continued the transition to electric and hybrid vehicles, which now comprise 44% of our light fleet, compared with 28% in 2022. In total, we have reduced the carbon footprint of our fleet compared with our baseline (2017) by 43,743 tonnes of CO₂. Even if we could assess the relevant TSC for alignment, we were not able to obtain the required information for the implementation of the DNSH requirements from our suppliers. Thus, we will prudently consider zero alignment for this economic activity for 2023.

Investment in charging stations is also eligible as per economic activity '7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)', but not aligned.

Finally, Capex and Opex related to buildings owned or leased under right-of-use are captured in the '7.7 Acquisition and ownership of buildings' eligible activity.

Minimum social safeguards have also been assessed⁴ and any limited gaps regarding human rights due diligence, anti-corruption, taxation compliance, and fair competition will be addressed in view of the next reporting period.

The table below contains all our economic activities that have been identified as EU taxonomy eligible, whilst none can currently be considered EU taxonomy aligned. Given that our secondary economic activities are not revenue generating, the percentage of eligible turnover is zero. However, we are presenting the percentage of eligible Capex and Opex following the definitions of EU taxonomy regulation.

It is important to note that the Capex denominator in 2023 includes €204.4 million (out of total of €901.3 million) as additions in intangible assets coming from the acquisition of Finlandia.

1. Commission Delegated Regulation (EU) 2021/2139, Commission Delegated Regulation (EU) 2023/2485.

2. Commission Delegated Regulation (EU) 2023/2486.

3. Excluding Water.

4. Assessment based on the 'Final Report on Minimum Safeguards' published by the Platform on Sustainable Finance (PSF) in October 2022, in the absence of further guidance from the European Commission.

EU taxonomy continued

EU taxonomy-eligible but not taxonomy-aligned activities ¹	Substantial contribution to environmental objective	% turnover	% Capex	% Opex
1. Manufacturing				
1.1 Manufacture of plastic packaging goods	Transition to a circular economy	–	0.13%	0.11%
6. Transport				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Climate change mitigation	–	3.65%	7.73%
7. Construction and real estate activities				
7.3 Installation, maintenance and repair of energy efficiency equipment	Climate change mitigation	–	11.60%	16.68%
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Climate change mitigation	–	0.01%	–
7.7 Acquisition and ownership of buildings	Climate change mitigation	–	4.10%	11.18%
Total taxonomy-eligible but not taxonomy-aligned activities		–	19.49%	35.70%

Next steps

EU taxonomy regulation is still evolving, and we remain alert for any amendments to the existing Delegated Acts or the introduction of new ones. As we work towards meeting our NetZeroBy40 commitment, we aspire to improve alignment with EU taxonomy by cooperating closely with our suppliers and by addressing any gaps identified. Undoubtedly, in the case that our main economic activity of food and beverage manufacturing will be included in future Delegated Acts, it will be considered eligible, hence expanding the scope of the EU taxonomy application for CCH.

Finally, the implementation of the CSRD earlier this year will significantly increase the sustainability disclosure requirements. Building on the strong foundation of robust ESG reporting over many years, we are committed to carrying out all the necessary implementation activities that will facilitate and ensure CSRD compliance for financial year 2024.

1. Turnover, Capex and Opex % have been calculated following the EU taxonomy guidelines.