



The Coca-Cola System's 2021 impact in Bosnia and Herzegovina

Final report



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This study reports on the 2021 impact of the Coca-Cola System in Bosnia and Herzegovina

Introduction

The Coca-Cola System's impact spans beyond its factories and offices, across its local value chain

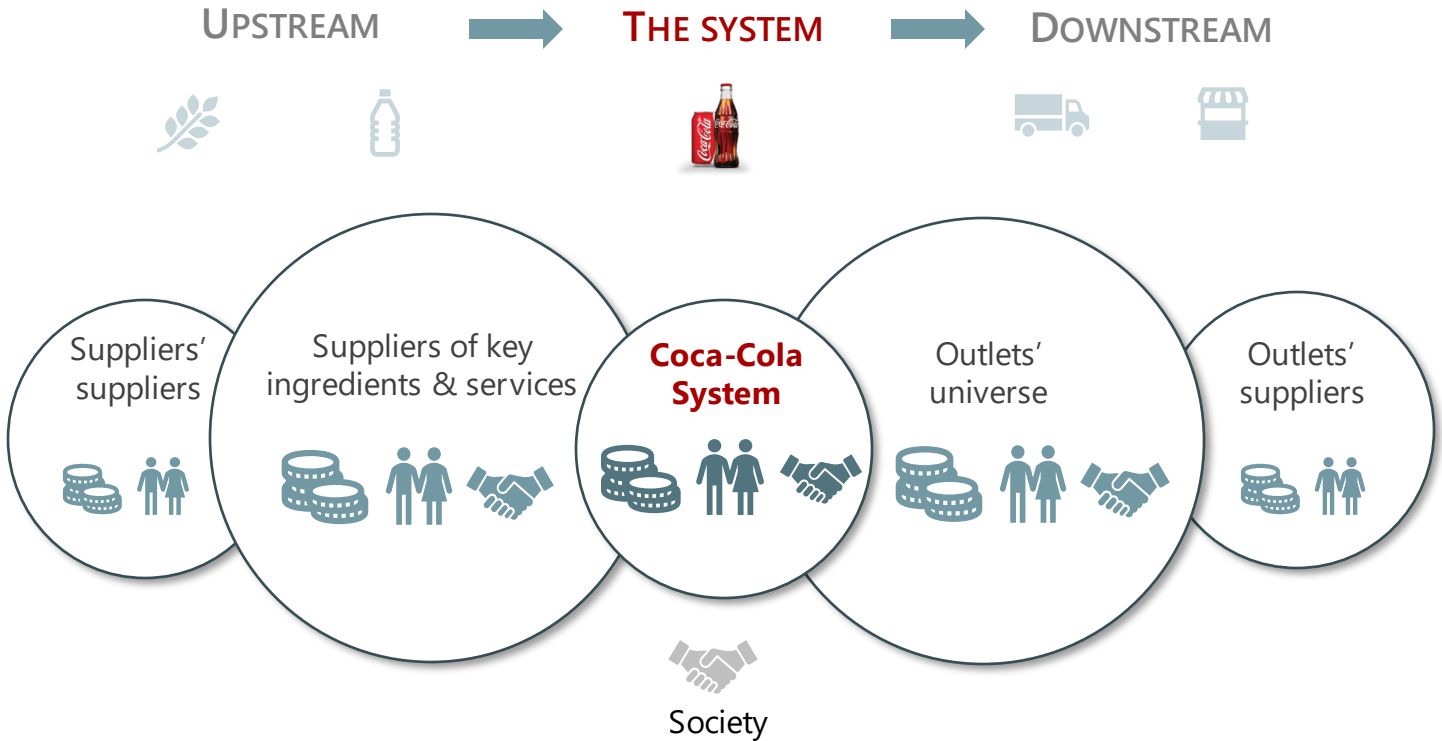
The Coca-Cola System (TCCS) commissioned this assessment to gain insights into the magnitude of its direct and indirect impact on incomes and employment in Bosnia and Herzegovina

The scope of this study covers the 2021 economic and sustainability impact of TCCS in Bosnia and Herzegovina

- This is the third study we execute for TCCS in BiH
- The study covers the activities of both the Coca-Cola Hellenic Bottling Company and The Coca-Cola Company
- This study's scope is not exhaustive; it does not quantify on social indicators

The assessment is based on the 'input-output' methodology which was developed by the Nobel Prize winning economist Wassily Leontief and is commonly used by economists worldwide for this type of analysis

The study quantifies the Coca-Cola System's impact along its value chain



Value added, comparable to GDP
Taxes, profits, salaries



Employment
Jobs supported



ESG contribution
Environmental and community programs

Key findings

TCCS adds value to the BiH's economy, supports quality employment opportunities, and invests in the community



€83 million

value added supported in the economy across the value chain



0.45 %

contribution to BiH's gross domestic product



€44 million

supported in tax payments across the value chain



280

people employed directly by the company in BiH



5,500

employment opportunities supported in the value chain



1:19

For each direct job at the system, there are 19 others supported elsewhere in BiH



€343 thousand

invested in community programs in the country over the past five years



55%

Decrease in scope 1 and 2 emissions over the past five years



74%

of TCCS' cooling devices are HFC free



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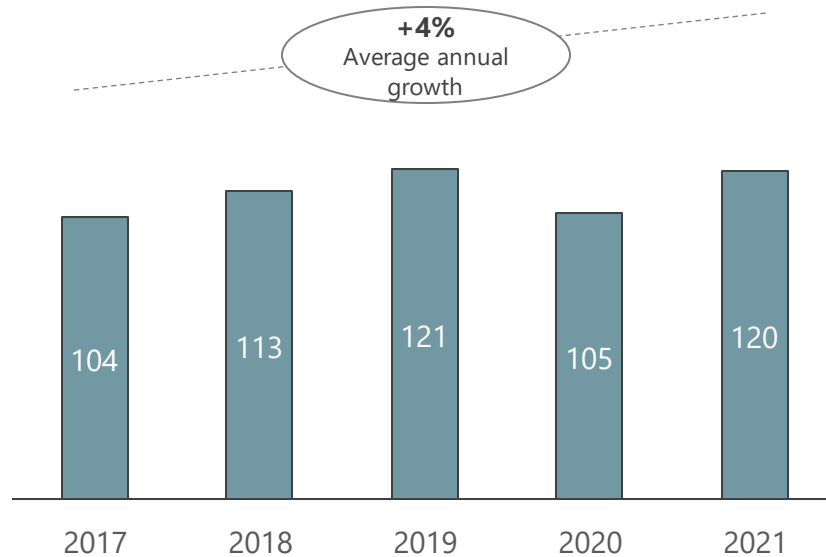
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Over the past five years, TCCS has grown in terms of volumes and revenues

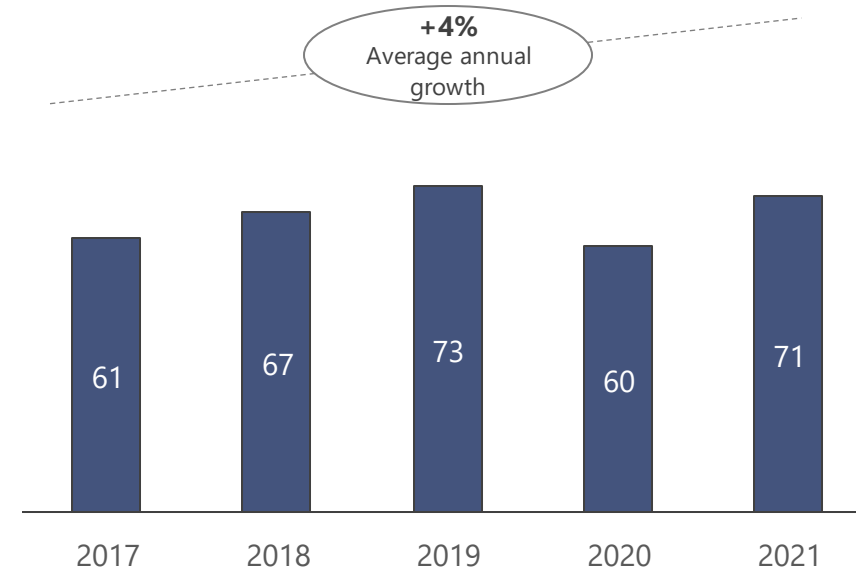
Volumes

Million litres



Net sales revenues

EUR million



Only in 2020, when the Covid-19 pandemic started, both sales volumes and revenues dropped (19% and 13% respectively). During most of that year, HORECA outlets were closed or open with limited capacity and/or opening hours.

However, both sales volumes and revenues recovered to almost the levels they were in 2019, indicating to a strong rebound of the sector to the difficulties posed by Covid-19.

In 2021 consumers spent EUR 139 million on TCCS's products

In 2021, consumers spent

EUR 139 million

on

126 million litres

of TCCS' beverages



EUR 20 m

Value added tax on final product price



EUR 46 m

Markups for outlets and distributors



EUR 71 m

HBC local sales revenues

+EUR 2m in export sale, and in The Coca-Cola Company expenditures

DRIVERS OF DOWNSTREAM IMPACT

- VAT on the final consumer price is collected by the government
- The money trade partners make allow them to hire people, pay taxes and salaries, and accumulate savings, and further purchase the goods and services required for their own operations

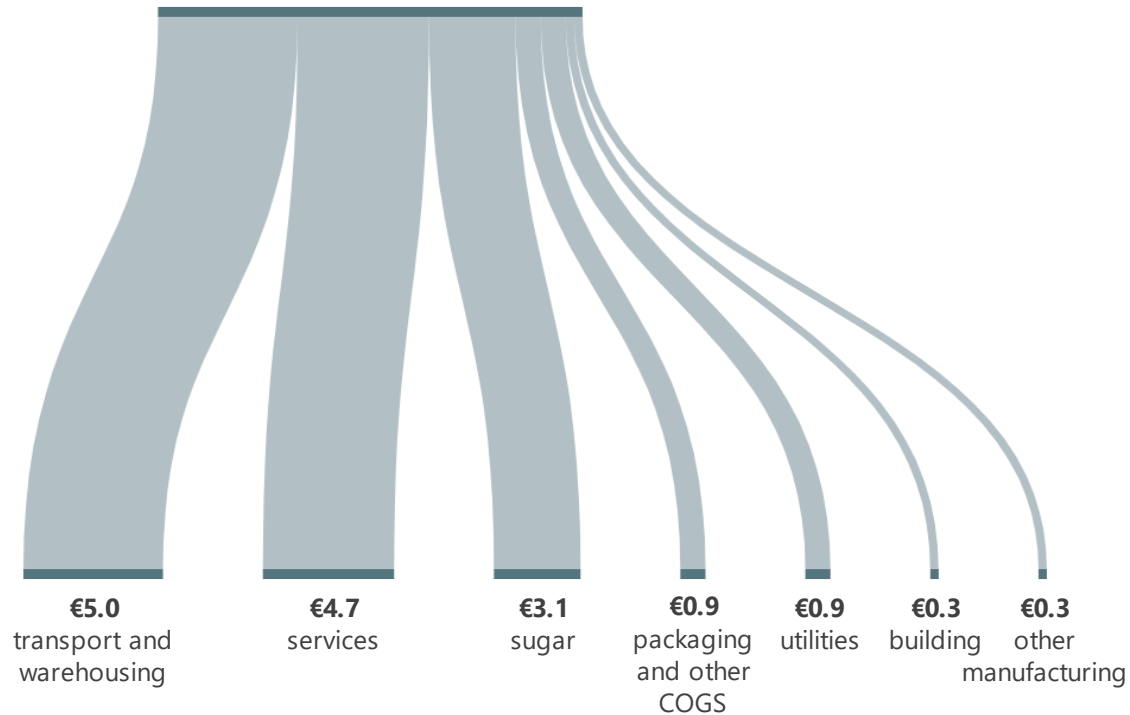
DRIVERS OF UPSTREAM IMPACT

- TCCS pays taxes and salaries, and hires people in BiH
- The money it spends on domestic vendors allow them to hire people, pay taxes and salaries, accumulate savings, and further purchase the goods and services required for their own production

34% of total procurement expenses of TCCS in 2021 was spent on domestic suppliers

Breakdown of local procurement

EUR million



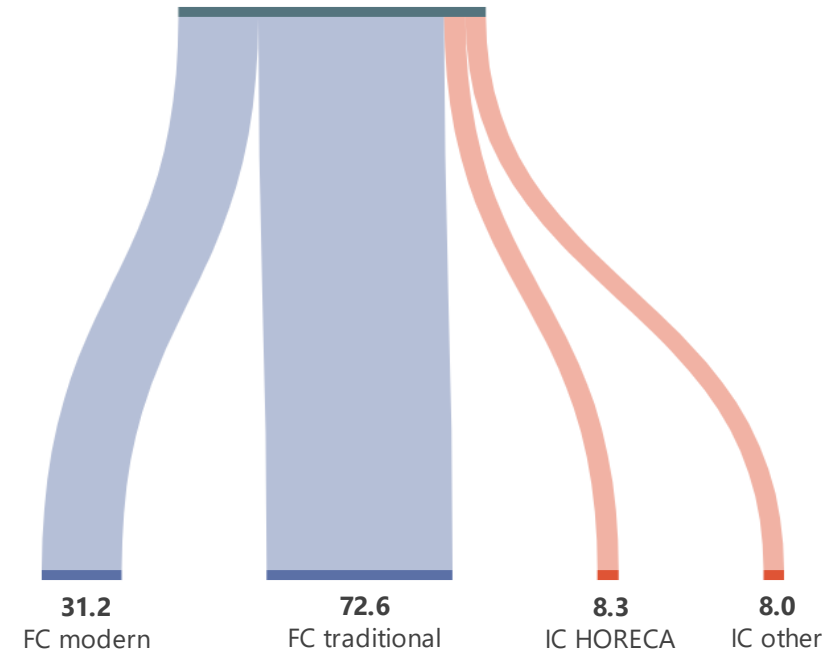
By sourcing goods and services locally, TCCS supports impact upstream in its value chain

In 2021, TCCS spent €15.1 million to purchase goods and services from domestic suppliers (34% domestic procurement)

The most expenses are in transport and warehousing, €5.0 million

Breakdown of volume

Million litres



Sales of beverages support impacts downstream in the value chain

In 2021, TCCS sold 120 million litres of beverages in Bosnia, of which 86% via FC channels and 14% via the IC channels

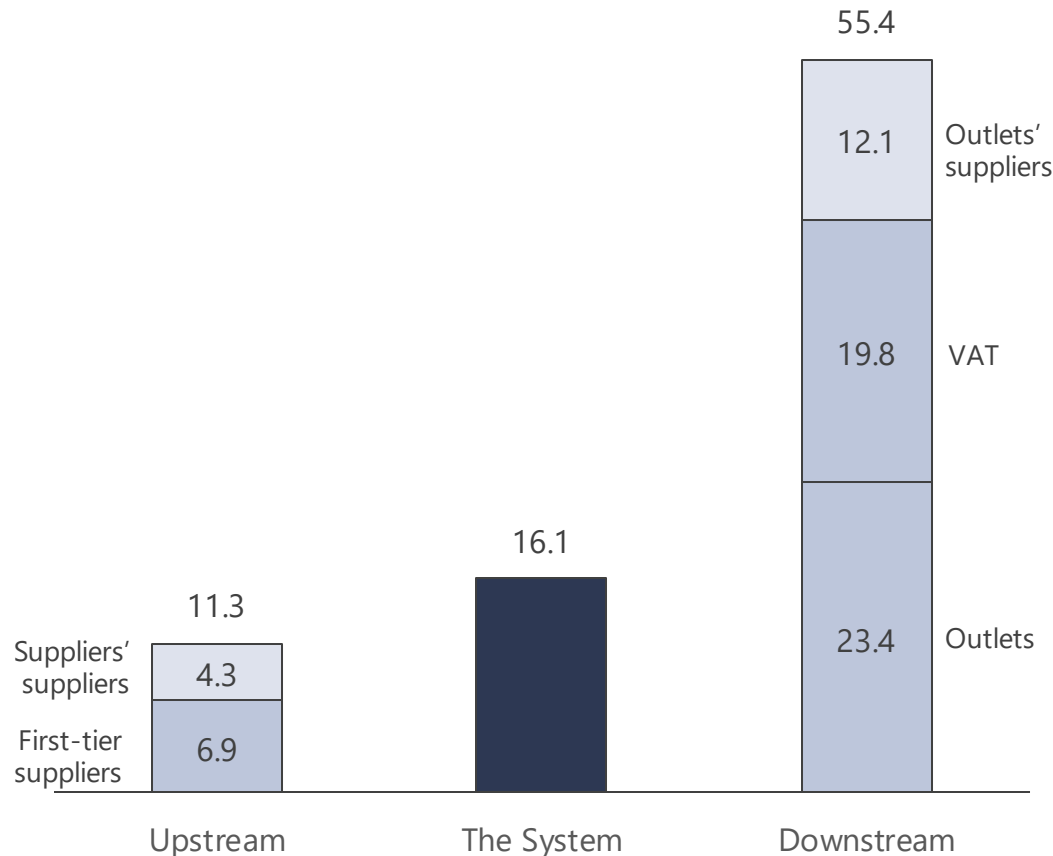
In terms of value, however, the picture looks different, as the FC sales are estimated to have generated mark-ups of €9.8 million as opposed to €35.7 million for IC (or 78% of total)



TCCS supports €83 million in value added across its value chain

Value added supported

EUR million



Highlights

TCCS directly generated €16 million in incomes

- These include the salaries paid and the taxes born by TCCS
- Profits are not included

Indirectly, TCCS supported €66.7 million

- The predominant impact is downstream (€55.4 million), where the System's sales enable VAT of €20 million, outlet partners benefit €23 million, and outlets' suppliers benefit another €12 million
- Another €11.3 million in value is supported upstream, at the level of its first-tier suppliers and at the level of their suppliers
- These figures only capture the incomes attributable to the Coca-Cola System (and not all the incomes at the System's suppliers and partnering outlets)

The total value added is equivalent to 0.45% of the country's GDP

Each € 1 spent by consumers on Coca-Cola beverages in BiH adds 60 cents in value to the economy

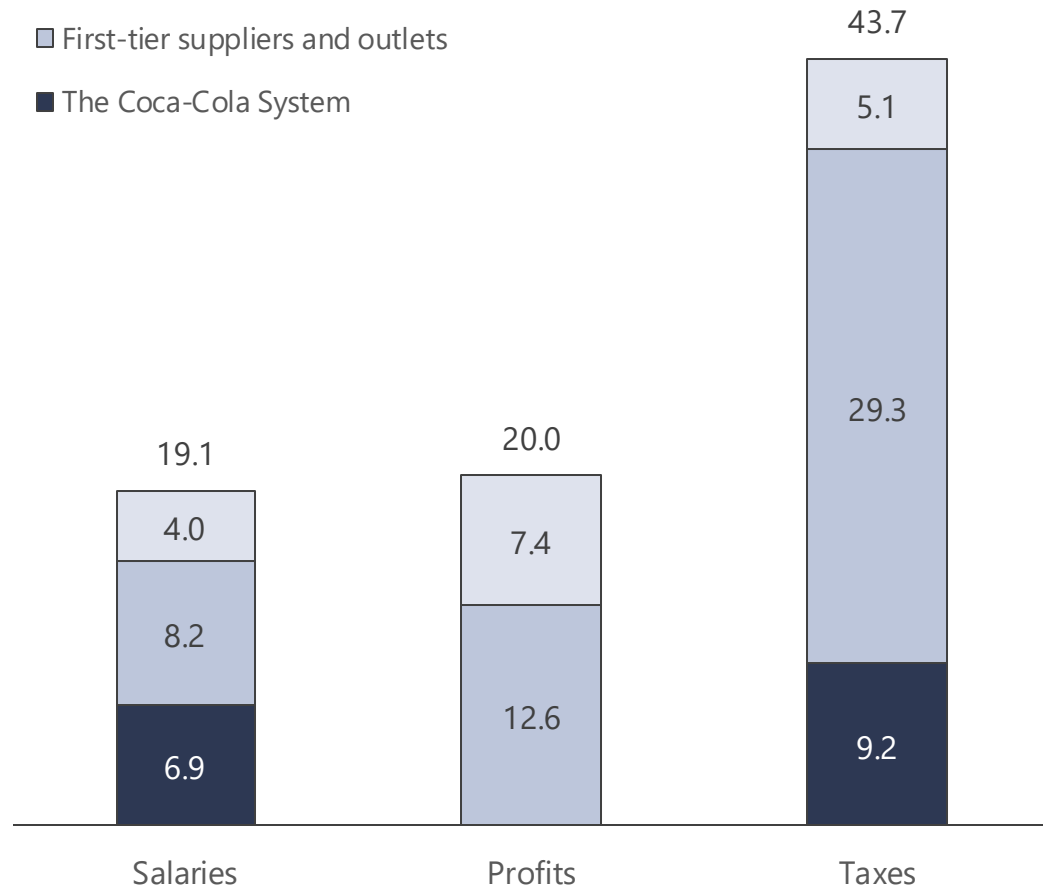


The biggest share of the value added is taxes for the state

Value added supported

EUR million

- Suppliers of suppliers and outlets
- ▒ First-tier suppliers and outlets
- The Coca-Cola System



Highlights

The total value added of €83 million can also be broken down by beneficiary

Tax payments supported by the Coca-Cola System throughout the value chains equal nearly €44 million, making the BiH state the biggest beneficiary from TCCS' activities in the country

- Taxes paid by the System include corporate income tax, payroll taxes, sugar taxes, customs duties, withholding taxes, property tax, water tax and environmental tax
- From the € 29 million first round taxes, €20 million is VAT related to the sales of TCCS' beverages; the other €9 million is taxes paid by TCCS' vendors and partner outlets
- The total value chain tax amount equals 1.2% of BiH's tax revenue; the amount is equivalent to €3.7 billion*

Domestic companies across TCCS' value chain made an estimated €20 million in profits from their cooperation with the System

Households across the value chain benefited €19 million, of which €7 million was earned by the System's own employees

- The reported direct salaries include net salaries, bonuses, social security and any other employee benefits

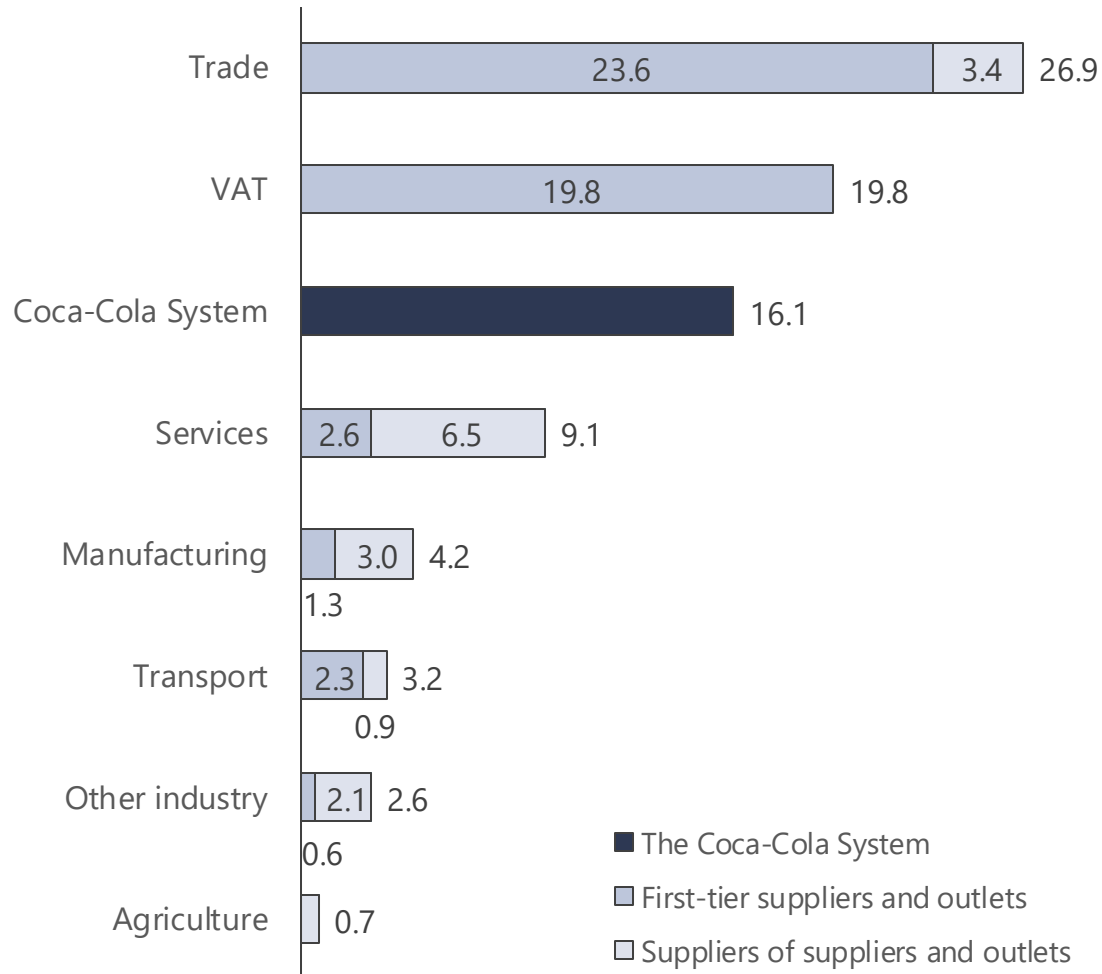
*This is estimated based on the 2019 share of government tax revenues as percentage of GDP from the World Bank



The impact of the System is spread throughout many sectors of the economy

Value added supported

EUR million



Highlights

The trade sector is one of the biggest beneficiaries of the Coca-Cola System's activities, with nearly €27 million in value added

The services sector benefited €9 million; of this € 2.6 million was at the level of the System's domestic vendors in the areas of marketing, advertising, and other professional services

The manufacturing sector benefited €4.2 million, of which €1.3 billion for the Coca-Cola System's first order suppliers of goods such as sugar, packaging materials, machinery parts

The agriculture sector benefited €0.7 million indirectly, due to the sourcing of agriculture products from the Coca-Cola System's supply chain partners*; these are, for example, farmers supported by the procurement of agri goods by outlets or other value chain partners

The value added per job for the System is with ~ €57,000 much higher than the average of ~€12,000 in the rest of the value chain, with services being the next most productive sector at ~ €21,000

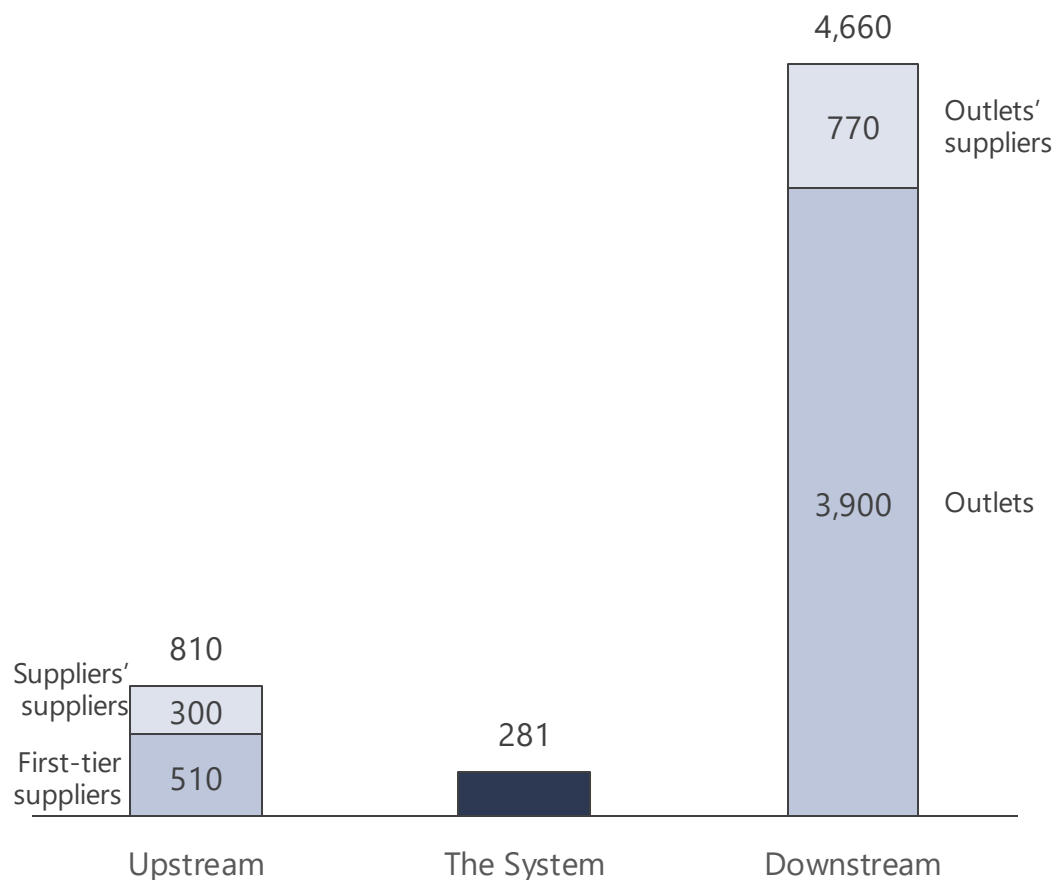
*Total Coca-Cola System itself does not procure agriculture products directly, therefore the results are in the 2nd level indirect effects, related to the procurement of the System's suppliers



TCCS supported 5,750 employment opportunities throughout its value chain

Employment

of people



Highlights

The value chain employment of TCCS is estimated at 5,750, representing 0.7% of total employment in BiH

The Coca-Cola System generated 281 direct jobs

Indirectly, the it supported additional estimated 5,470 employment opportunities, of which

- 810 upstream (510 across its own domestic suppliers, and 300 at the level of the suppliers of its suppliers)
- 4,660 downstream (3,900 across the outlets selling its beverages, and 770 across outlets' suppliers)
- These figures only capture the value chain jobs attributable to the Coca-Cola System (and not all the jobs at the Coca-Cola System's suppliers and partnering outlets)

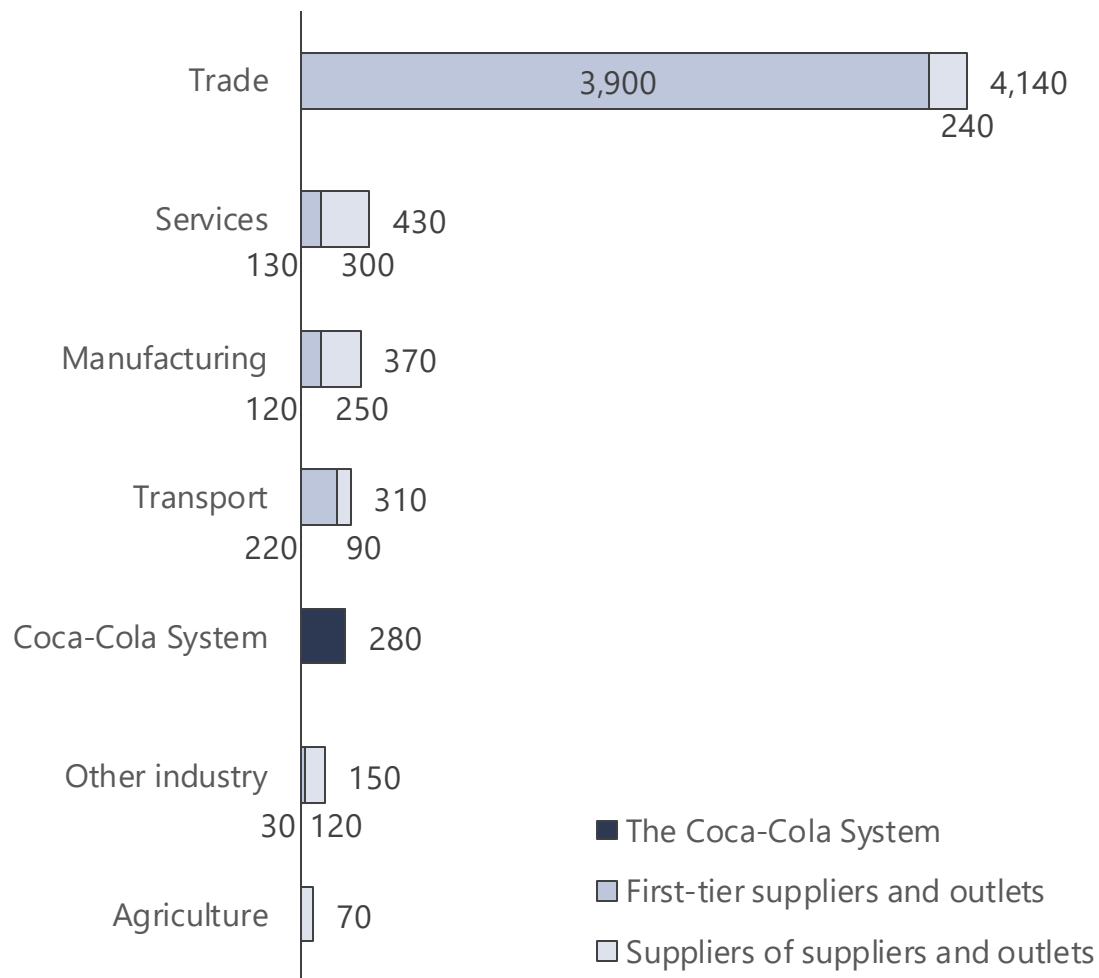
For each direct job at the Coca-Cola System, there were 19 jobs supported elsewhere across the BiH economy, of which 3 upstream via local procurement, and 16 downstream via sales



Most jobs are supported in the trade sector

Employment

of people



Highlights

Unsurprisingly, the largest impact in terms of employees is in the trade sector

- In total, some 4,100 jobs were supported in the sector, or 2.2% of the total people employed in the trade sector in the country
- 3,900 jobs were spread across distributors, and employees of outlets selling Coca-Cola beverages; 430 of these were at distributors, wholesalers and FC outlets (e.g. mom & pop stores, supermarkets), and 3,470 were in IC outlets (e.g. bars, hotels, restaurants)

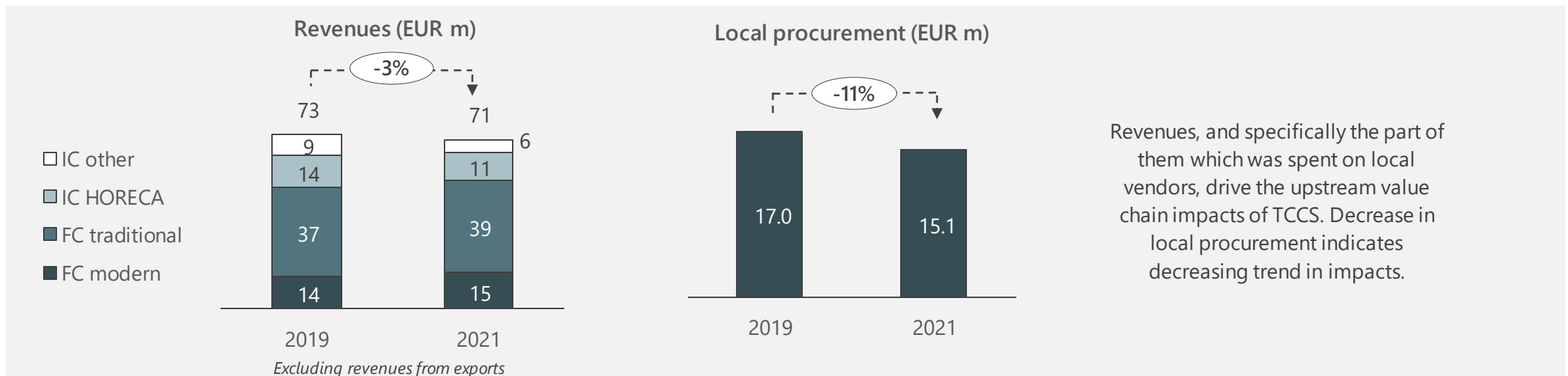
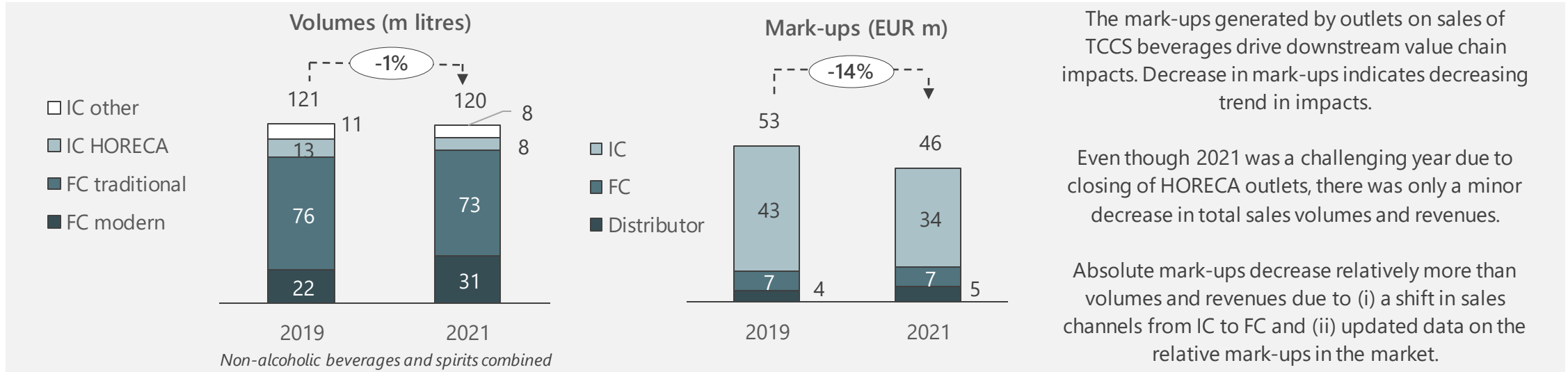
At the services, manufacturing and transport sectors some 1,100 employment opportunities were related to the System's procurement

The Coca-Cola System supported 70 jobs in the agriculture sector; as for the value added results, these are all at the level of the suppliers of the Coca-Cola System's direct domestic vendors and partnering outlets



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Between 2019 and 2021, sales volumes, revenues and retail mark-ups decreased

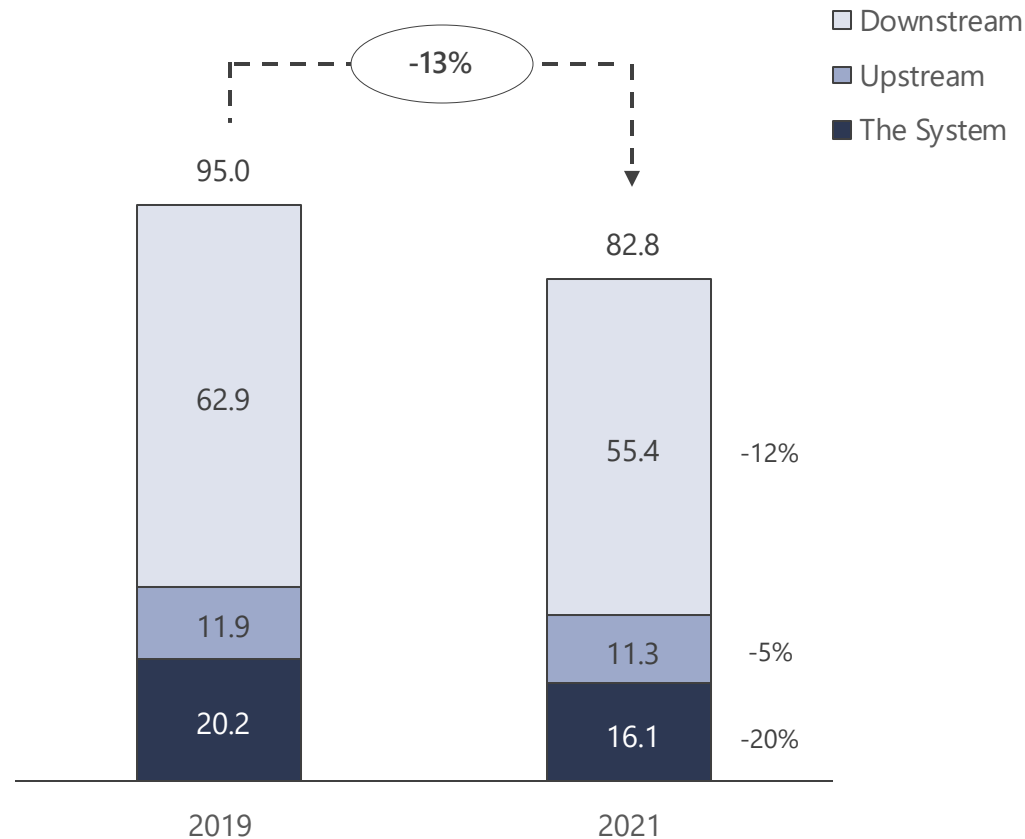


Next to these TCCS inputs, the results are influenced by the macro-economic changes in the economy, such as sectoral labour productivity, value addition and revised reporting methods of statistical organisations. These economic changes are reflected in our updated model used in the analysis

Due to changes in the System's financial results, value added impacts went down

Value added impacts

EUR million



Total value added contribution decreased by 13%

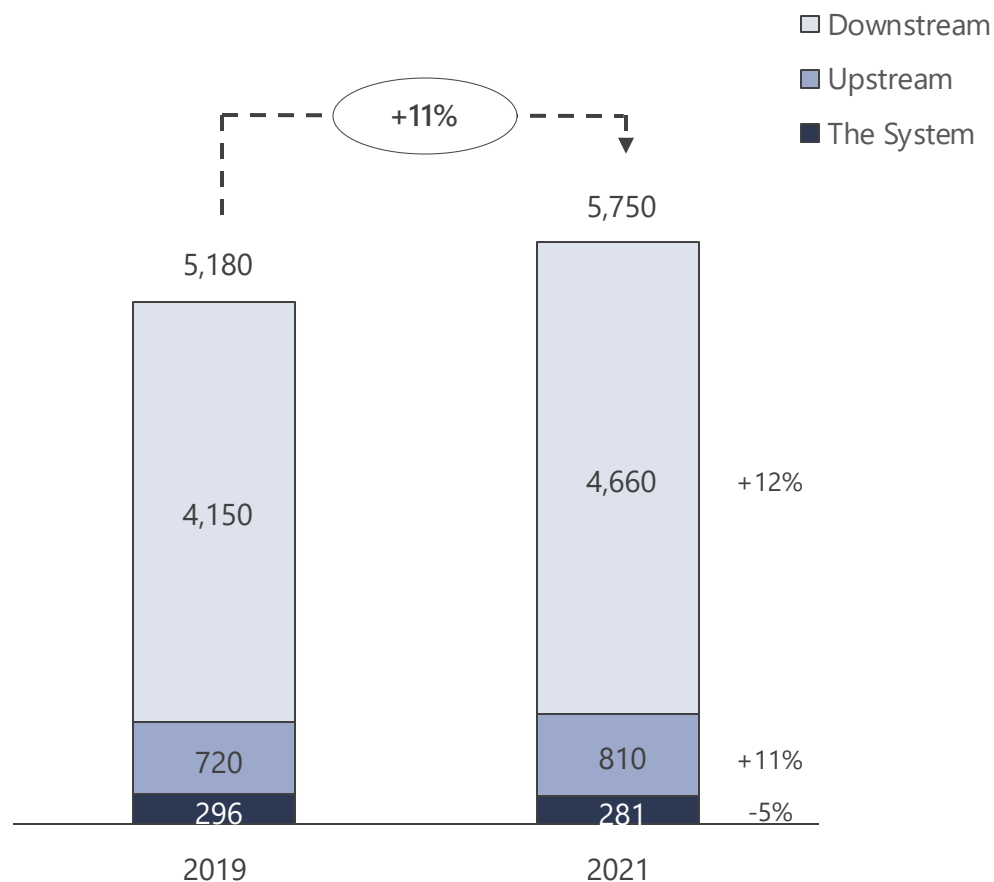
- The direct value added decreased by 20%
 - Reported TCCS tax payments went down by 3%
 - Reported TCCS expenses on household incomes* went down by 36%
 - This drop is due to a national reduction in social security rates, and not by a reduction in net wages paid by the System
- Upstream impacts decreased by 5% due to
 - An overall decrease in expenses on domestic suppliers (-10%), meaning less economic activity was supported at the level of local, direct suppliers
 - A strong increase of spending on domestic business services, such as marketing, that have a relatively high value addition compared to other sectors
- Downstream impacts decreased by 12% in line with the decrease in total downstream mark-ups

*Including net wages, cash bonuses, social security and other employee benefits

The increase in employment is due to the necessary change in employment data that best reflects the recent dynamics on the labour market

Employment impacts

of people



Total employment increased by 11%

- Direct employment slightly decreased from 296 to 281
- Changes in both upstream and downstream are due to the availability of data sets on employment
 - There is no detailed 2021 data on the employment intensity of sectors in Bosnia and Herzegovina which is needed for our economic modelling. The only detailed data is from 2020. This data shows a substantial 16% overall decrease in the labour productivity of the BiH economy. This is not due to actual labour market changes, but to a different statistical reporting method used by the *International Labor Organization (ILO)*
 - To reflect the differences between 2020 and 2021, we adjusted the 2020 employment intensities with 2021 productivity factor estimates derived from statistical data published by the Agency for Statistics of Bosnia and Herzegovina. Even with this adjustment the overall productivity level remained 13% lower than in 2019 (i.e. lower than used in the previous study)
 - The changes in the employment intensities are the strongest in the FC, IC and transportation sectors, which exhibit 6%, 31%, 35% decrease in productivity respectively
 - A lower productivity level means that there is more employment supported in TCCS's value chain – both on upstream and downstream level



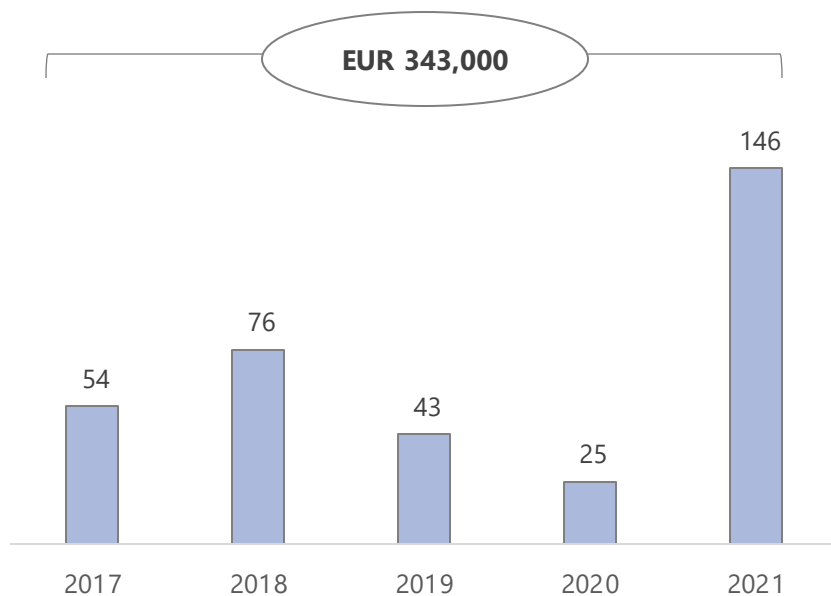
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TCCS is not only committed to growing its own operations, but also to contributing to local development, as indicated by its investments in recent years

Community investments

EUR thousand

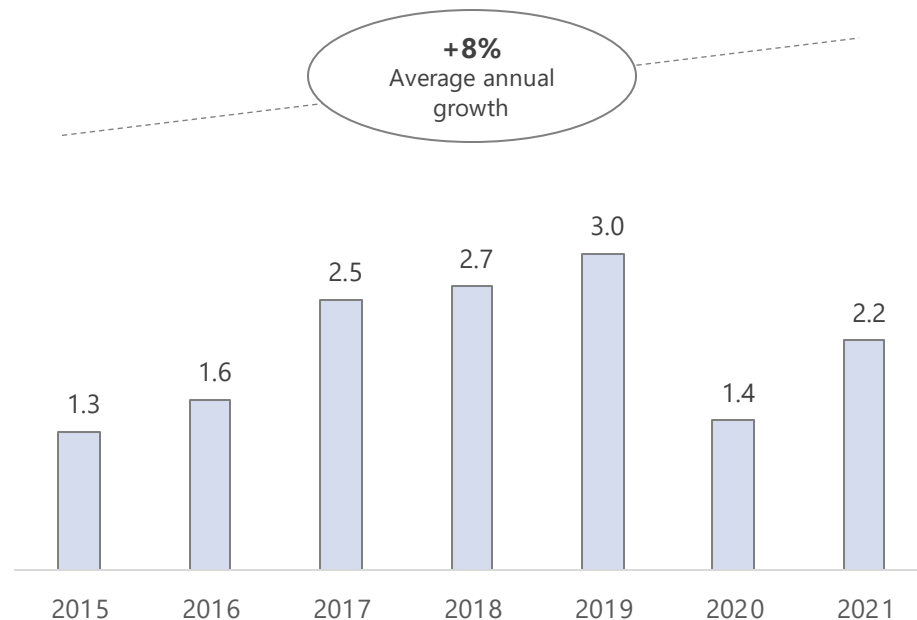


After a slight decrease during the start of the corona pandemic, in 2021 TCCS community investments were higher than the previous three years combined.

Community projects range from youth support initiatives to environmental protection.

CAPEX investments

EUR million



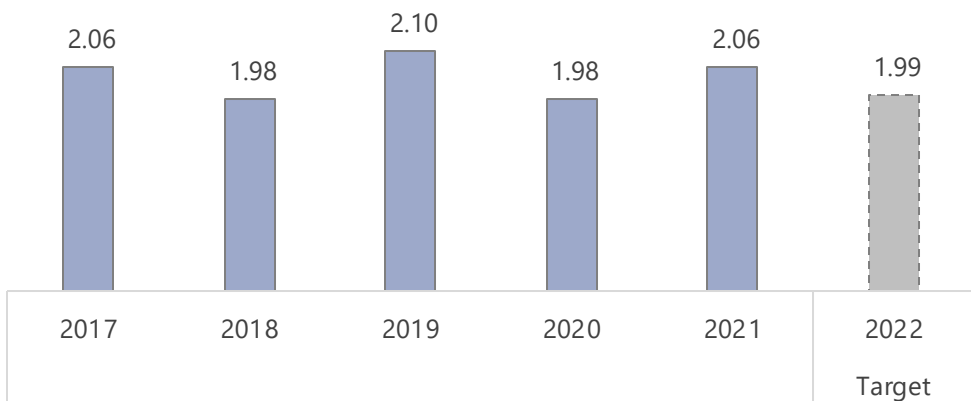
TCCS is dedicated to its operations in Bosnia and Herzegovina, which shows by its increased CAPEX investments into energy, water, packaging and waste management.



TCCS kept its water impacts low, its water savings constant and improved on its waste efficiency

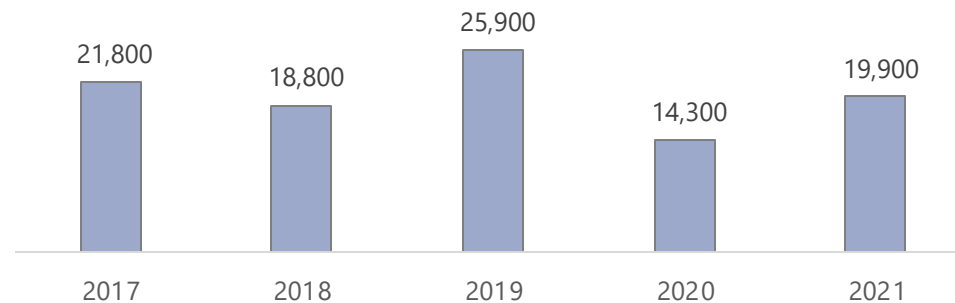
Water use

Litre used per litre produced



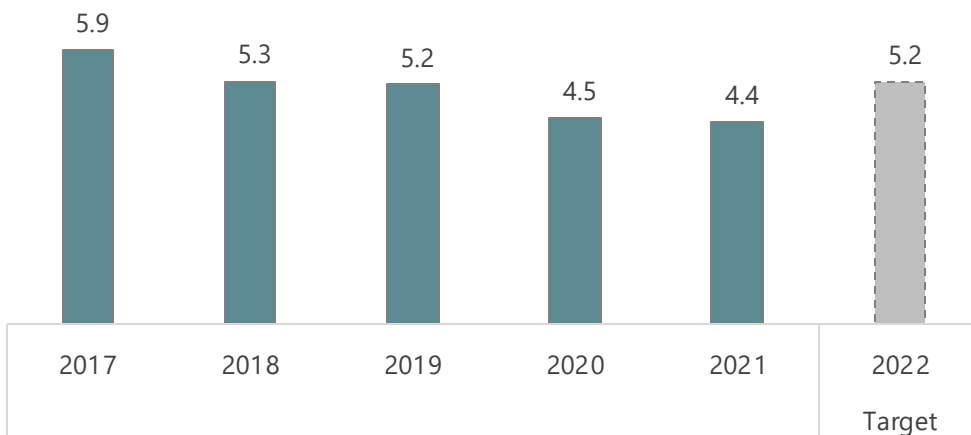
Water savings from recycled wastewater

m3



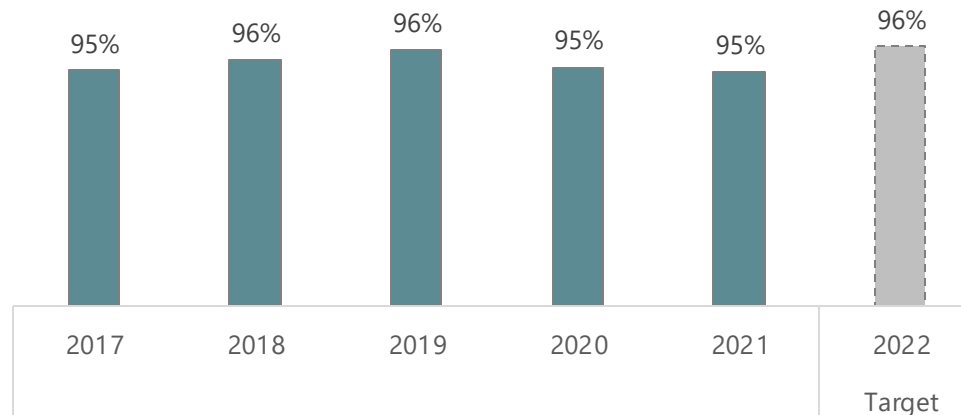
Waste

Grams per litre produced



Recycling

% of total waste



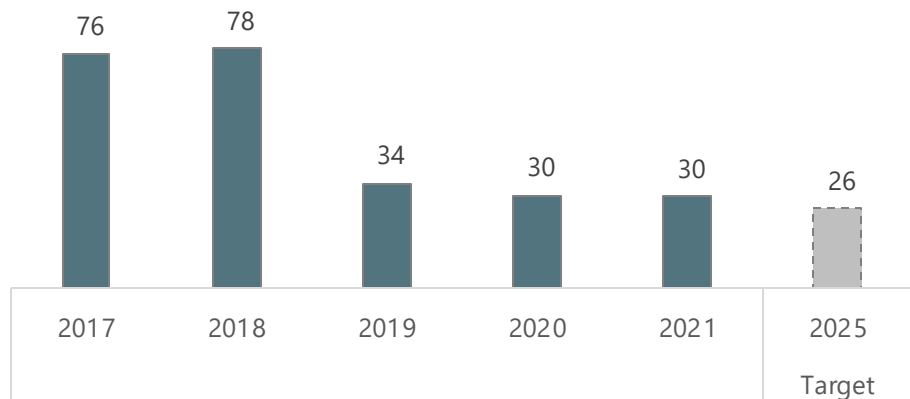


TCCS realized a drop in scope 1 & 2 emissions whilst it continuous to phase out its HFC free cooling equipment, reducing its impact on our climate

Scope 1 & 2 emissions

Grams per litre produced

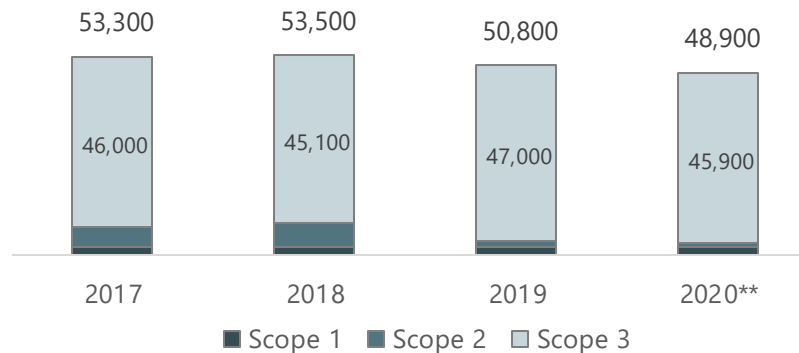
-61%



Scope 1, 2, 3 emissions*

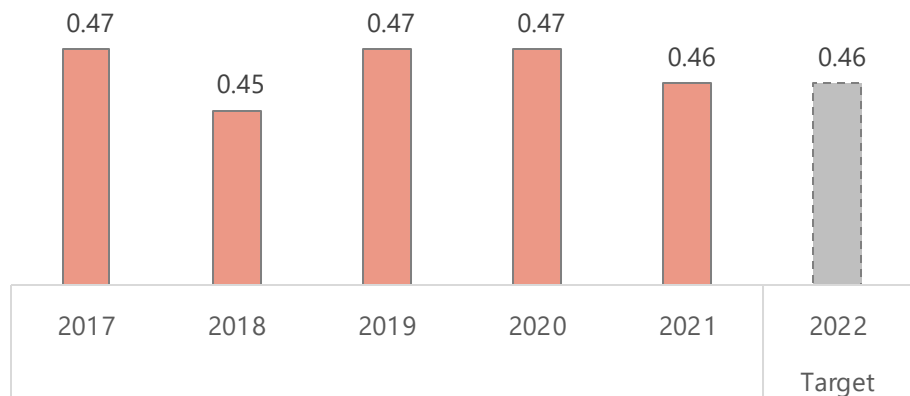
Tonnes

-8%



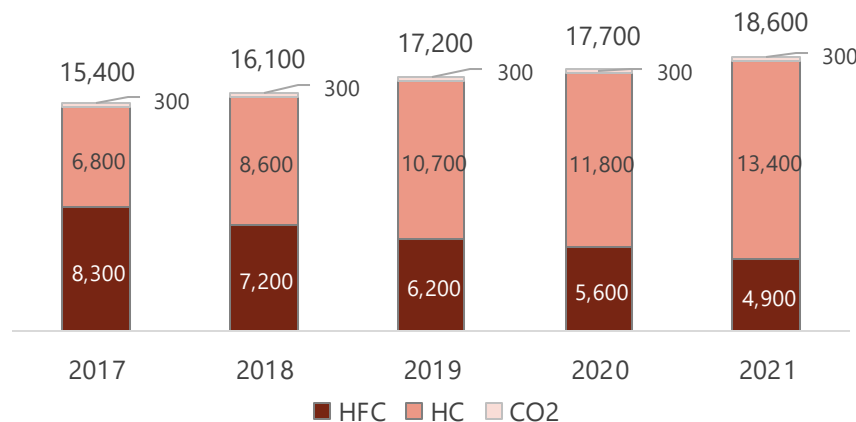
Energy use

MJ used per litre produced



Cooling devices

Number of devices



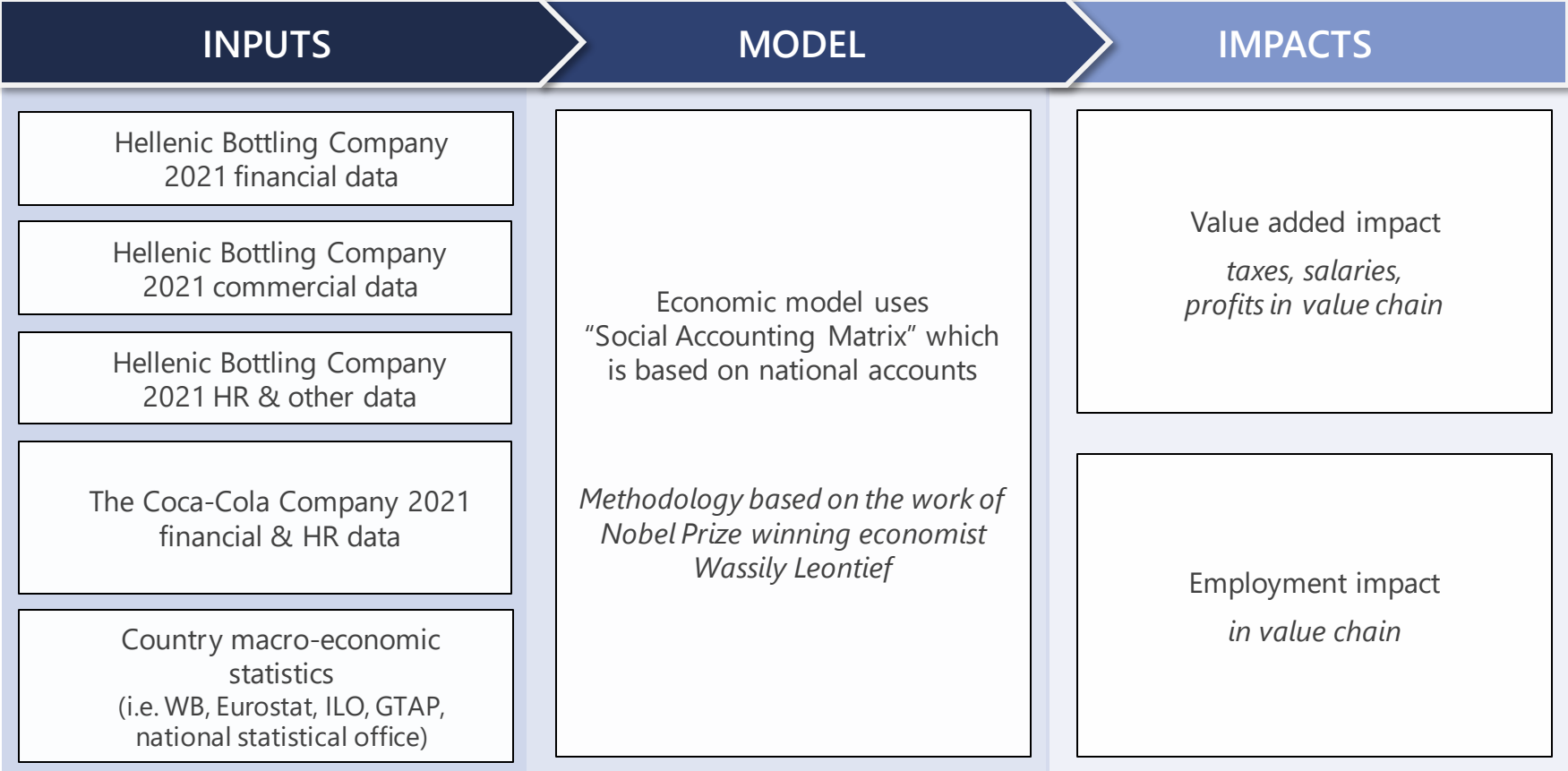
* Scope 3 data is reported by CCH, which follows standards as set out by the Greenhouse Gas Protocol (GHG Protocol) and includes packaging, ingredients, cooling equipment and related power usage and outsourced fleet

** 2021 scope 3 data was not available yet

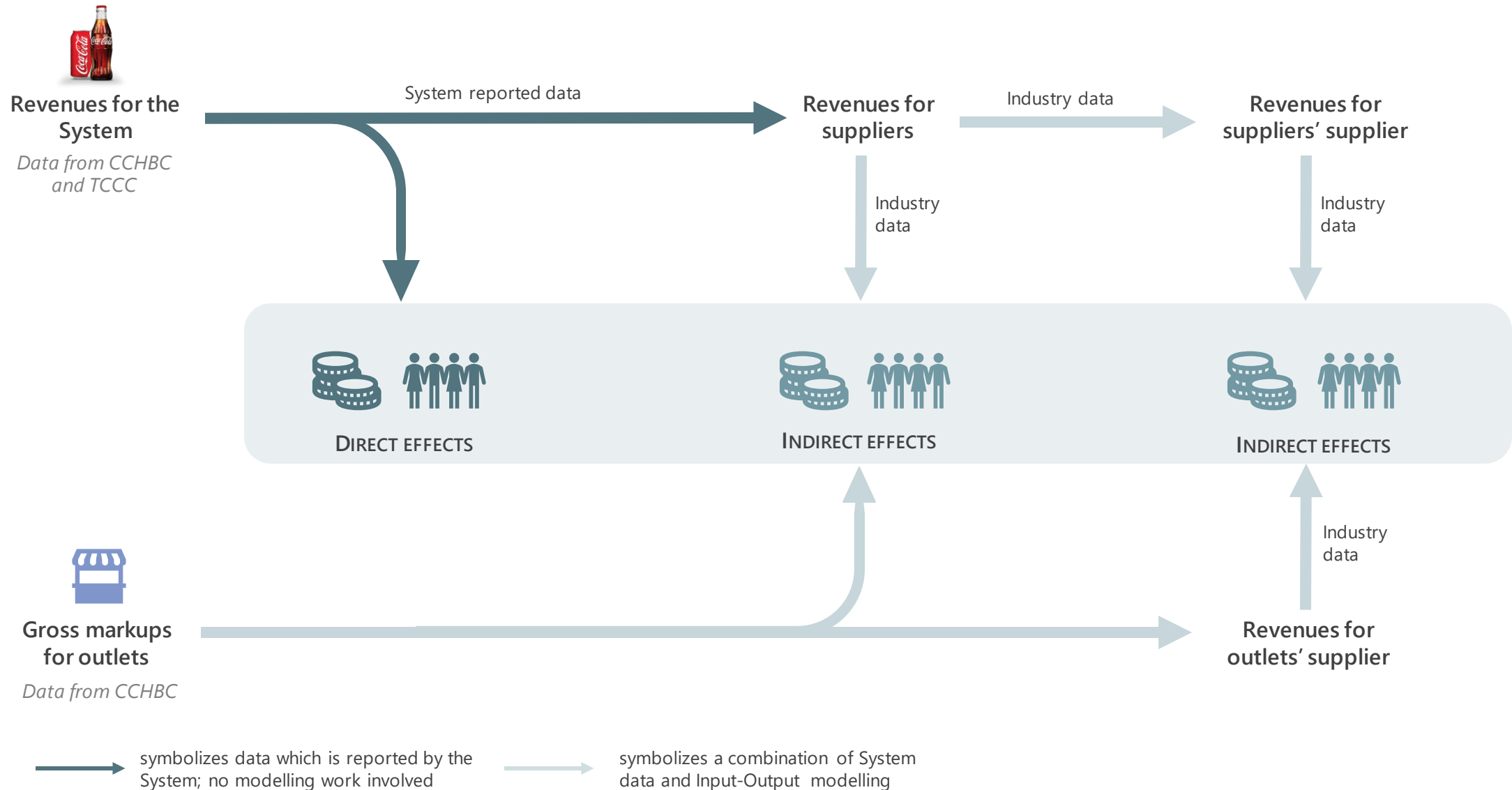


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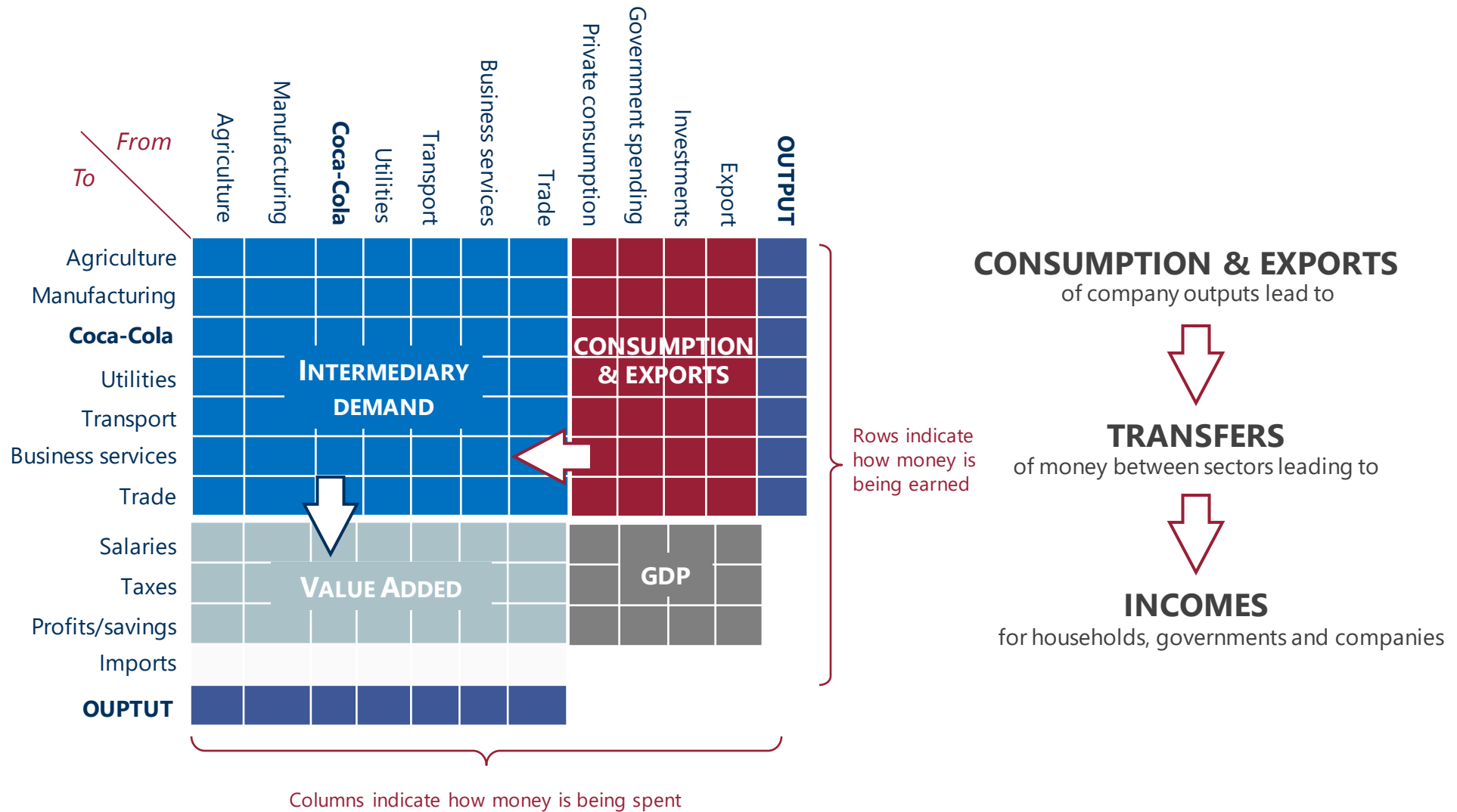
The model combines Coca-Cola System financials and official statistical data to quantify impacts



The methodology follows the revenues stream of the System and the outlets in the economy to trace direct and indirect effects



The Social Accounting Matrix is the heart of the methodology



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