

corporate governance

Board of Directors and corporate governance

We continually review our corporate governance standards and procedures in light of current developments and rulemaking projects in Greece, Europe and the United States in order to ensure that our corporate governance systems remain in line with international best practices.



Board composition and responsibilities

Our Board currently has twelve members of which only one, the Managing Director, is an executive of the Company. Mr. George A. David is Chairman and Mr. Doros Constantinou is Managing Director. The biographies of the Company's directors can be found on page 48.

The non-executive members of the Board include representatives of major shareholder interests as outlined in a shareholders' agreement between our largest shareholders, the Kar-Tess Group and The Coca-Cola Company. Based on this agreement, four directors are designated by the Kar-Tess Group and two are designated by The Coca-Cola Company. The remaining directors are independent and jointly designated by the Kar-Tess Group and The Coca-Cola Company.

We recognise the important role of independent non-executive Directors in ensuring continued high standards of corporate governance and have appointed five independent directors. The Company's independent directors are: Mr. Kent Atkinson, Sir Michael Llewellyn-Smith, Mr. Antonio D'Amato, Mr. Samir Toubassy and Mr. Nigel Macdonald. The role of the independent directors is to provide a clear, independent, non-executive influence and perspective within the Board. Our Board believes that all members of the Audit Committee are independent.

The Board and its committees meet at regular intervals. There are certain matters that are reserved for full consideration by the Board, including issues of policy, strategy and approval of the Chart of Authority and business plans. The Board members are supplied on a timely basis with comprehensive information, which the Board believes is in a form and of a quality to enable it to discharge its duties and carry out its responsibilities. All directors have access to our General Counsel, as well as independent professional advice at Company expense. All directors also have full access to the Managing Director, senior managers and our external and internal auditors.

Appointment and remuneration of directors

The Board believes that the level of remuneration offered to directors should be sufficient to attract and retain high calibre directors who will guide our Company successfully.

There is a formal procedure in place for appointments to the Board. The current term of Coca-Cola Hellenic's directors expires in 2008.

The remuneration of the directors is subject to the approval of shareholders. Consistent with the approach for Executive Directors, in order to be competitive, Coca-Cola Hellenic has compared remuneration of non-executive Directors against surveys of similar international businesses.

Our major shareholders entered into a relationship agreement prior to the listing of our shares on the London Stock Exchange. Under the terms of this agreement, directors nominated by such major shareholders are restricted from taking part in, and voting at, Board meetings in connection with matters in which the shareholder they represent has an interest.

Further to our objective to adopt international best practices in corporate governance, we have adopted a Code of Ethics for our directors and senior managers to prevent wrongdoing and promote honest and ethical conduct, full, fair, accurate, timely and understandable disclosure, and compliance with applicable governmental rules and regulations.

We also have in place a Code of Dealing in Company Securities, which applies to senior managers and employees as well as a Code of Business Conduct applicable to all our employees and directors.

The Human Resources Committee

The Human Resources Committee comprises three non-executive Directors: Sir Michael Llewellyn-Smith (Chairman), Mr. Alexander B. Cummings and Mr. George A. David. From Coca-Cola Hellenic's management, the Managing Director and Human Resources Director normally attend meetings except when the discussions concern matters affecting them personally.

The Human Resources Committee operates pursuant to written terms of reference and is responsible for:

- establishing the principles governing human resources policy and the compensation policy of the Company, which will guide management decision-making and action;
- overseeing succession planning, and approving the appointments and terminations of senior managers of the Company;
- overseeing talent management to ensure that there is a continuous development of talent for key roles;
- establishing the compensation strategy for the Company and approving Company-wide compensation and benefit plans and compensation for senior managers;
- making recommendations to the Board of Directors on compensation of the Managing Director; and
- making recommendations to the Board of Directors concerning potential non-executive directors.

The Audit Committee

The Audit Committee comprises three non-executive Directors: Mr. Kent Atkinson (Chairman), Mr. Nigel Macdonald and Mr. Samir Toubassy. Our Board believes that all members of the Audit Committee are independent. The Committee operates under a written charter and its duties include:

- providing recommendations to our shareholders in relation to the appointment, selection and termination of our external auditors and approving the remuneration and terms of engagement of the external auditors;
- discussing with the external auditors before the audit commences the nature and scope of the audit;
- reviewing our annual financial statements before submission to the Board, focusing particularly on any changes in accounting policies and practices, major decision areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards and compliance with any applicable stock exchange and legal requirements;
- discussing issues arising from the interim reviews and annual audits and any matters the external auditors may wish to discuss;
- approving the appointment or termination of the Head of Internal Audit;
- reviewing the internal audit plans and programme, receiving summaries of internal audit investigations and management's response and considering the responses of the internal audit department to any reports or communications submitted by the external auditors;
- reviewing the effectiveness of corporate governance and internal control systems and, in particular, the external auditors' management letter and management's response;
- reviewing and recommending approval to the Board of our Code of Business Conduct, as well as our Treasury Policy and Chart of Authority, which provide the control framework for all transactions;
- administering and enforcing, in conjunction with the Board of Directors, our Code of Ethics for senior executives and directors; and
- establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters or matters involving fraudulent behaviour, and for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

The committee meets at least four times a year. Our Chief Financial Officer, as well as our General Counsel, our external auditors and the Head of Internal Audit, normally attend all meetings of the Audit Committee. The Committee also meets with the external auditors without others being present.

The Audit Committee is also responsible for the oversight and monitoring of the Company in compliance with Sarbanes-Oxley Act, Section 404, regarding internal control over financial reporting.

Internal audit

The Company's internal audit department reports directly to the Audit Committee, which reviews and approves the internal audit work programme for each year. The internal audit department consists of 18 full-time internal staff covering a range of disciplines and business expertise. Its objective is to provide assurance to the Board of Directors on internal controls across the Group. For this purpose, the Head of Internal Audit makes regular presentations to the Audit Committee.

The internal audit function monitors the internal financial control system across all the countries in which the Company operates and reports to management and the Audit Committee on its findings. The work of the internal auditors is focused on the areas of greatest risk to the Company, determined by using a risk management approach to audit planning. As part of our commitment to best practice in corporate governance matters, we have implemented a number of measures to enhance internal control and risk management.

Audit reports and recommendations are prepared subsequent to each audit and appropriate measures are taken to implement such recommendations. A report setting forth a summary of all significant recommendations and relevant measures is provided to the Audit Committee and Board of Directors. The Managing Director, along with regional and country managers, as well as the Group's Chief Financial Officer, General Counsel and Corporate Controller receive a copy.

The Disclosure Committee

The Company has established a Disclosure Committee and adopted disclosure controls and procedures to ensure the accuracy and completeness of the Company's public disclosures. The Disclosure Committee comprises the Company's Chief Financial Officer, General Counsel, Director of Investor Relations and Corporate Controller.

Performance reporting

Reports on the annual performance and prospects of Coca-Cola Hellenic are given in the Annual Report and in the Form 20-F filed annually with the SEC. Interim financial information is also released on a quarterly basis to the stock exchanges on which the Company is listed and to the financial press. Internally, the financial results and key business indicators of the Company are circulated and reviewed by Senior Management on a monthly basis. This information gives comparisons against budgets, forecasts and previous year performance. The Board receives updates on performance at each Board meeting in addition to a monthly report on business and financial performance.

Internal control processes

The Board acknowledges that it has ultimate responsibility for ensuring that the Company has systems of financial control with respect to the various business environments in which it operates. It should be noted that such financial systems can provide only reasonable and not absolute assurance against material misstatements or loss.

In some of the environments in which Coca-Cola Hellenic operates, businesses like ours are exposed to a heightened risk of loss due to fraud and criminal activity. The Company reviews its financial systems regularly in order to minimise such losses. The Board has adopted a Chart of Authority for the Group defining financial and other authorisation limits and setting procedures for approving capital and investment expenditure. The Board approves three-year strategic and financial plans and detailed annual budgets. It subsequently reviews monthly performance against these targets. A key focus of the financial management strategy is the protection of Coca-Cola Hellenic's earnings stream and management of its cash flow.

The identification and management of risk

We have in place a risk management framework for the identification, assessment and control of key business risks. This risk management process has formed part of our annual Business Plan activities since 2001. It consists of four stages:

- pre-Business Plan workshop risk assessment at country and Group level involving all senior management;
- alignment of key identified business risks with specific Business Plan activities during Business Plan preparation;
- post-Business Plan country and Group level review of the effectiveness of risk management action plans; and
- regular audit of progress in management of key risks.

Our Company has insurance coverage in place to provide catastrophic level property damage or business interruption and liability protection. Local insurance policies have been arranged beneath the Company coverage to provide working loss protection and necessary legal compliance.

Accountability

Our Chart of Authority sets financial and other authorisation limits and procedures for approving capital and investment expenditures. The country is the basic unit for purposes of business performance and the Company's policy is to maintain accountability at the country level. Head office functions focus on policy and Group issues and provide support and expertise where it is not practical or efficient to provide these at a country level.

Certain differences with the New York Stock Exchange corporate governance listing standards

Greek corporate law and our corporate practices differ in certain respects from the listing rules of the New York Stock Exchange. US companies listed on the New York Stock Exchange are required to have a majority of independent directors on their board and to have a nominating/corporate governance committee and a compensation committee, both entirely composed of independent members.

Based on the shareholders' agreement between the Kar-Tess Group and The Coca-Cola Company, four of our directors are designated by The Kar-Tess Group, and two are designated by The Coca-Cola Company.

We have also appointed five Directors that our Board has determined to be independent: Mr. Kent Atkinson, Sir Michael Llewellyn-Smith, Mr. Antonio D'Amato, Mr. Nigel Macdonald and Mr. Samir Toubassy.

Our Human Resources Committee, which fulfils certain duties of both a nominating/corporate governance committee and a compensation committee, consists of Mr. Alexander B. Cummings, Mr. George A. David and Sir Michael Llewellyn-Smith. Our Human Resources Committee does not have sole authority to determine our Managing Director's compensation.

We continuously review our corporate governance standards and procedures in light of the ongoing debates and rulemaking projects in Greece, Europe and the United States in order to ensure that our corporate governance systems remain in line with international best practices.

The Social Responsibility Committee

The Social Responsibility Committee comprises three non-executive Directors: Sir Michael Llewellyn-Smith (Chairman), Mr. Alexander B. Cummings and Mr. George A. David. The Social Responsibility Committee takes responsibility for the development and supervision of procedures and systems to ensure our Company's pursuit of its social and environmental goals. Its written terms of reference cover the following areas:

- overseeing the development and supervision of procedures and systems to ensure the achievement of the Company's social and environmental goals;
- establishing principles governing corporate social responsibility and environmental goals;
- ensuring transparency and openness at all levels in the Company's business conduct in the context of the Company's pursuit of its corporate social responsibility and environmental goals;
- establishing an Operating Council responsible for developing and implementing appropriate policies and strategies to achieve the Company's social and environmental goals and ensuring Group-wide capabilities to execute such policies and strategies;
- ensuring and overseeing the Company's communication with stakeholders of its social and environmental policies, goals and achievements, including the level of compliance with internationally accepted standards; and considering other topics as appropriate.