Growth pillar: Highlights in 2022

3. FUEL GROWTH THROUGH COMPETITIVENESS AND INVESTMENT

Industry 4.0 in supply chain

by scaling 'vision picking' so that it covers more than 45% of Company picking volume, continuing to deploy automated yard management in addition to real-time transport visibility.

Deploying image-recognition technology

leading to improved market execution by activating image recognition in 24 of our markets, covering 265,000 outlets.

Reducing secondary packaging

and CO_2 emissions through our packaging optimisation initiatives.

Supporting our customers

with the implementation of the new customer relationship management platform, which delivered increased customer retention and satisfaction.

Increasing coolers in the market

by placing 99,000 new coolers in 2022.

Fuel growth through competitiveness and investment *continued*

KPIs

- Organic EBIT growth
- Comparable EBIT
- Comparable EBIT margin
- Capital Expenditure as % of NSR
- ROIC

Principal risks

- Competing in the digital marketplace
- Cost and availability of sustainable packaging
- Cyber incidents
- Managing our carbon footprint
- Water availability and usage

Stakeholders

Our customers

Shareholders

Our suppliers

In a challenging year with significant inflationary pressures across our business and supply chain, we continued to invest to support long-term growth. In the face of macroeconomic uncertainty and geopolitical turmoil, our business remained resilient. We maintained supply and had no disruption in our production, except for a brief shut-down in Ukraine, when our plant outside Kyiv was temporarily in occupied territory. We also continued expanding our use of new technological tools to improve efficiencies and reduce costs.

Supporting profitable growth

We continue investing in new and upgraded production lines to support our revenue growth management initiatives and the growth of key categories in our product portfolio.

In Austria, we invested in a refillable glass bottle line to support the production of our 1 litre and 400 ml sparkling proposition. This investment secures supply of refillable glass bottles and enables growth in sustainable packaging, helping us respond to market trends.

Energy is one of the fastest growing categories in non-alcoholic, ready-to-drink beverages. To meet demand, we are investing in new, dedicated can lines and syrup capability for Monster products at our plants. By increasing in-house production we can better satisfy growing demand for Monster products and also create a more efficient supply chain in our countries. We currently produce Monster products in five countries and six production lines, with plans to expand further with two additional lines in 2023.

The growth of our single-serve packages is a key strategic focus of our revenue growth management strategy. In this context we continued our investment in coolers, with 99,000 new coolers in our markets, to provide further support for single-serve growth.

Our newest coolers are connected online to provide better service to our customers and a better shopping experience for consumers, boosting brand recognition and market penetration. They are also energy-efficient, reducing emissions in our value chain.

Following our acquisition of the Coca-Cola Bottling Company of Egypt, with five production plants and a new mineral water plant in Serbia, we have now 62 production plants, compared with 56 at the end of 2021. To reduce our costs for maintenance and energy and limit production downtime, we expanded our use of digital production and predictive maintenance systems to twelve additional markets by the end of 2022.

Leveraging digital and technology

In 2022, we continued investing in effective digital tools and technology solutions, and expanded our capabilities focusing on customer and consumer-centricity, employee experience as well as operational productivity.

To improve market execution, we fully activated our in-store image recognition technology in 24 countries, with 265,000 outlets covered. We are processing over 1.7 million product execution images every month, continuing to free up salespeople to spend more time with customers and improving revenue per outlet.

We continued our efforts behind a technology-enabled route to market by further implementing business analytics tools to support segmented execution. Using extensive internal and external data to generate outlet-specific suggested orders and recommended activities, we have improved the order-taking process and execution.

Further benefits have been achieved through the pilot of an online customer relationship management platform leading to faster and more flexible customer interactions and greater customer satisfaction.

During 2022, we upgraded our talent acquisition digital capabilities by consolidating sourcing, candidate relationship management, selection and applicant tracking under the Avature Platform, with an aim to access a wider set of candidates, optimise the hiring process and improve speed of recruiting and candidate experience.

New digital tools are improving operational productivity and helping us serve customers in a more cost-effective way with better monitoring of insights and data. We introduced a range of solutions for digital transformation across many different business areas during the year, including planning, manufacturing and supply chain using Industry 4.0 principles. We developed a 'digital twin' of our Austrian physical manufacturing plant in the industrial metaverse. This pilot digital twin project led to a 9% reduction of energy usage and a reduction of CO_2 emissions in the piloted production line.

To identify opportunities for simplification, in 2022 we invested in process mining, using artificial intelligence to map core processes. Combining the analysis with process expertise, we have now defined priority areas where technology will be used to simplify and standardise for greater efficiency. For more information on our simplification drive, Project Oxygen, see page 39.

During the year we also continued to enhance and strengthen reporting and analytics capabilities, democratising data access using cloud technology and enhancing data insights with cross-functional management reporting. Business data combined with purchased data helps us leverage artificial intelligence, improving segmented execution, demand forecasting and product performance.

As our business continues to grow, we have integrated technology to a common standard set of solutions. This simplifies technology integration as our Company expands, adding operations in a new market, Egypt, and Three Cents adult sparkling in 2022. Technology integration is done in a phased manner, and is continuing into 2023.

Fuel growth through competitiveness and investment *continued*

Embedding sustainability

Sustainability is at the core of all our sourcing activities and our suppliers are critical partners in improving our impact. We monitor the performance of our critical suppliers through our internal supply base assessments, audits of compliance and the EcoVadis platform. EcoVadis helps us monitor a range of risks using 21 criteria from international standard setters including the UN Global Compact, ISO 26000, the Global Reporting Initiative (GRI) and the International Labour Organization.

In 2021, we revised our procurement assessment guidelines to implement stricter rules for supplier practices in regard to human rights, ethics and compliance practices. We also re-trained our buyers on the sustainability risk assessment tools available for supplier selection and governance. This training was repeated in 2022, and rolled out in Egypt, our newest market.

In 2022, over 1,400 of our critical suppliers were assessed using EcoVadis, an increase of 27% versus 2021. Our plan is to expand the use of these assessments for better, more objective supplier monitoring and to leverage our EcoVadis partnership across the Coca-Cola System to exchange intelligence. We are also investigating how to further extend the assessment of the risks in our supply base, leveraging new tools, artificial intelligence and customised alerts.

We recognise supplier certifications as per international standards including ISO 9001, ISO 14001, ISO 50001, FSSC 22000 and ISO 45001.

For agricultural commodities, we are aligning with the wider industry to recognise the Rainforest Alliance, Fair Trade, Bonsucro and the Sustainable Agriculture Initiative Platform (SAI- FSA) and Global GAP+GRASP. Through our workplace accountability audits, which have a three-year audit cycle, all long-term contractors and contracted services on-site are assessed in regard to human rights.

To achieve our NetZeroby40 commitment to reduce our emissions, together with the Coca-Cola System, we are engaging with our most critical suppliers to tackle emissions in our supply chain. This involves support for measuring greenhouse gas emissions and prompting public disclosure through CDP and development of suppliers' own commitments to science-based targets. We have teamed up with a reputable specialist consultancy to develop a methodology for capturing emissions data and calculating Supplier-Specific Emissions Factors (SSEFs). Through these efforts, we are helping our suppliers build a strong foundation to start reducing greenhouse gas emissions. In Greece and Poland, we piloted workshops with key suppliers, exchanging views on sustainability and exploring how we can work together to achieve emissions reduction and net zero.

Packaging and transport

Improving the sustainability of our packaging is one of our Mission 2025 sustainability objectives. To deliver on this, we undertook a number of targeted sustainability initiatives in 2022. These helped us to secure supplies of rPET and reduce packaging size and weight. We also took further steps in our Green Fleet initiative, reducing the impact of our fleet vehicles.

We expanded our ability to produce rPET in-house, with a €30 million investment for a dedicated facility in Gaglianico, Italy. It has the capacity to transform up to 30,000 tonnes of PET per year into new 100% rPET preforms, enough to meet our beverage bottling needs in the country.

You can read more about this in a case study on page 51.

"We expanded our ability to produce rPET in-house, with a €30 million investment for a dedicated facility in Gaglianico, Italy."

Fuel growth through competitiveness and investment *continued*

"Improving the sustainability of our packaging is one of our Mission 2025 objectives which also contributes to emissions reduction. To deliver on this, we undertook a number of targeted sustainability initiatives in 2022."

In Switzerland, we began using 100% rPET for all locally produced products. Italy and Austria also began transitioning their locally produced PET portfolios* to 100% rPET in Q4 2022. These steps reduce our annual use of virgin PET by approximately 20,000 tonnes. We will reduce our use of PET by another 127 tonnes annually after lightweighting the preforms used for products in Cyprus. Our cans are among the lightest in the market and, within the Coca-Cola System, we have already gained benchmark status for can-weight optimisations. BALL, a strategic partner that supplies over 25% of our total can volume, began using renewable electricity for all of cans supplied to Coca-Cola HBC in Europe, reducing emissions by more than 9,000 metric tonnes annually. Also with BALL's support, we further lightweighted our 25cl aluminium cans, cutting another 370 metric tonnes of CO_2 emissions per year.

We made progress in reducing secondary packaging in a number of markets during the year. In Poland, we piloted a new stretch film, reducing the amount of plastic needed annually by 35 tonnes, with a subsequent 73-tonne reduction in CO_2 emissions. Coca-Cola HBC Polska was recognised for this implementation, receiving the Golden Innovation Retail 2022 award. Further roll-out of this innovation is planned in 2023. We also took steps to optimise our shrink plastic film for packaging in Austria, Czech Republic, Ireland and Switzerland. Our efforts in these markets reduced CO_2 emissions by 238 tonnes, reducing also the related use of plastic materials.

We are working diligently towards fulfilling the requirements of the EU's Single-Use Plastics Directive. In 2022, we began introducing tethered closures, which help capture the entire package for recycling. In Greece, we introduced tethered closures for our aseptic fibre packages, along with plant-based packaging materials, reducing CO_2 emissions by 1,028 tonnes annually.

In Italy, we introduced tethered closures for aseptic packaging, used for AdeZ products for example, and sparkling products. In Bulgaria, we have done the same for our local water brands. In 2023, we will implement tethered closures for more products, in more markets. In conjunction with our customers, we are also evaluating alternatives to replace plastic drink lids with sustainable materials such as paper in advance of new requirements in the EU.

We also targeted reduction of plastic used in labels by reducing label size. An initiative to optimise label height was rolled out at the end of 2022 for core sparkling brands in four pilot markets: Cyprus, Greece, Italy and Poland. This will be rolled out across the Group in 2023. We aim to reduce costs while also decreasing annually our plastic use by 120 tonnes, and related CO_2 emissions by 300 tonnes.

We have also optimised our use of cardboard. As an example, Czech Republic optimised the weight of corrugated cardboard trays by 32%, saving 112 tonnes of paper raw materials. Implementation of our Keel Clip™, which replaces plastic film on can multipacks with an innovative paperboard solution was extended during the year. In Greece, Keel Clip™ use was expanded to an additional production line and in Hungary, Keel Clip™ was introduced in 2022.

We also continued rolling out our Green Fleet programme to achieve progress against our 2030 CO_2 emissions reduction roadmap. This programme is centred on transitioning our fleet to electric and more sustainable vehicles. In 2022 we reduced our carbon footprint compared to our baseline (2017) by 39%, which is a reduction of about 40,000 tonnes of CO_2 in comparison to the baseline. In addition, we introduced 1,157 green new vehicles in 2022, which now comprise 28% of our total light fleet, compared to 16% in 2021.

* Excluding water in Italy.

Priorities in 2023

- Continue to invest in new modernised production lines to support the growth of the business
- Expand in-house production of Monster products with additional production lines in our plants
- Scaling of our new customer relationship management platform across our countries to further support customer interaction and satisfaction
- Continue Egypt's integration in our systems and implementation of SAP's S/4HANA in the country
- Further improving sustainability of our packaging by even greater reduction of plastic used and CO_2 emissions

UN Sustainable Development Goals

Our sustained efforts to reduce our costs and improve our impact have generated significant results for our business, our communities, society and the environment. These results correspond to contributions to the Sustainable Development Goals for clean water and sanitation, clean energy, economic growth, industry innovation, sustainable communities, responsible production, climate action, life below water and life on land.