Integrated Annual Report 2020

Coca-Cola HBC

ADAPT TO WIN

OUR PEOPLE p.38

OUR SUPPLIERS p.34

THANK YOU

In a year of being apart, we have been more together.

OUR CUSTOMERS p.30

OUR COMMUNITIES p.42

OUR CONSUMERS p.26

2020 highlights

Volume (m unit cases)
2,135.6
2019: 2,264.5

Net sales revenue (€m)
6,131.8
2019: 7,026.0

Comparable EBIT[1] (€m)
672.3
2019:758.7

Comparable EBIT[1] **margin** (%)
11.0%
2019: 10.8%

Profit before tax (€m)
593.9
2019: 661.2

Net profit[2] (€m)
414.9
2019: 487.5

Comparable EPS[1] (€)
1.185
2019: 1.436

Basic EPS (€)
1.140
2019: 1.340

Primary packaging collected for recycling (equivalent)
44%
2019: 48%

In 2020, we started reporting against the SASB framework.

You can read more on page 132.

1. For details on APMs, refer to 'Alternative performance measures' section.
2. Net profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent.

Contents

Watch our video and learn more at https://coca-colahellenic.com/en/investors/2020-integrated-annual-report/.

In a year impacted by COVID-19, we adapted fast to ensure we could continue to create value for all our stakeholders. This meant:

- **Caring for our people and the communities we serve** page 2
- **Flexing our 24/7 portfolio** page 4
- **Adapting our routes to market** page 6
- **Driving operational efficiencies** page 8

The agility and commitment of our people allowed us to adapt to win, keeping us on course to become the leading 24/7 beverage partner.

Our strategy and purpose are supported by five growth pillars, each of which is a core strength or competitive advantage.

1. **Leverage our unique 24/7 portfolio**
go to pages 26-29.
2. **Win in the marketplace**
go to pages 30-33.
3. **Fuel growth through competitiveness & investment**
go to pages 34-37.
4. **Cultivate the potential of our people**
go to pages 38-41.
5. **Earn our licence to operate**
go to pages 42-47.

Throughout the 2020 Integrated Annual Report, we have identified areas which are relevant to each of these growth pillars.

CARING FOR OUR PEOPLE AND COMMUNITIES

Our company culture, which values the care we show to one another while embracing change and challenge, has proved vital in the face of the difficulties of 2020.

We are adapting for the communities we serve

We stayed close to our communities throughout 2020. Special thanks go to our people who went the extra mile by volunteering their time to support the vulnerable.

Global commitment, local action

Our number one priority throughout 2020 remained the safety of our people, as well as our customers, partners and communities.

Over the last 70 years, partnering with and investing in the communities we serve have always been a core part of the way we do business. In the face of the challenges of 2020, the community networks and partnerships that we have established over the years, including with the Red Cross and other NGOs, allowed us to support those in need, those fighting the COVID-19 pandemic on the front line and our customers who continue to serve our shared communities.

Globally, The Coca-Cola Company and The Coca-Cola Foundation together with Coca-Cola HBC and all other bottling partners provided a $120 million support package focused on the people and organisations engaged in the frontline fight against COVID-19. In addition, we donated approximately 5 million litres of beverages in our markets and used our supply chain to print protective masks and hand sanitiser bottles.

FLEXING OUR PORTFOLIO

We responded to changing consumer preferences quickly, taking smart risks to meet evolving trends and supporting more at-home occasions.

We are adapting to delight our consumers

Thanks to our adaptable category strategy, partnership with our customers and agile people, our consumers continued to enjoy their favourite beverage, even when drinking occasions changed.

Prioritising growing occasions

As movement and trading restrictions forced more people to spend more time at home, consumer preferences changed. For example, with no bars and restaurants open, people sought to recreate their favourite cocktails at home while spending time with family or friends or engaging remotely. We ensured that adult sparkling soft drinks, such as Schweppes and Kinley, were available in the appropriate packs to ensure they remained relevant to this trend.

With more chances to experiment in the kitchen with meals at home, we also saw sparkling soft drinks play an important role in making these home meals extra special family occasions.

Our Costa Coffee launch also supported our 24/7 vision, offering consumers a full range of high-quality coffee options to enjoy at home, on-the-go or at work in 14 of our markets so far.

With more people enjoying cocktails at home we prioritised our adult sparkling brands which offer consumers a range of sophisticated flavours that can be enjoyed on their own or as a mixer.

ADAPTING OUR ROUTES TO MARKET

In a rapidly changing environment, excellent customer service meant understanding their needs and collaborating quickly to make the necessary changes.

Supporting our customers

Throughout 2020 our sales teams continued to serve our customers, whilst staying close to those who were not able to operate. For our customers with overstretched supply chains and overworked personnel trying to keep up with demand and changing regulations, we offered flexible supply and merchandising services. When retail customers' central warehouses could not cope with the spikes in demand, we delivered supplies direct to outlets or offered employees to get the products onto the shelves.

As bars, restaurants and hotels gradually began to reopen, we deployed teams to support them, filling coolers and shelves and offering marketing assistance.

By far the most apparent shift in route to market was the use of e-commerce. We shared knowledge and insights with retailers to help simplify the online shopper journey and initiated strategic partnerships between customers who did not have the capabilities for quick home delivery service with others that did.

We are adapting to support our customers

Thanks to the efforts of our people in our markets we were able to adapt the support we provided to our customers almost overnight.

DRIVING OPERATIONAL EFFICIENCIES

Digital investments benefit employees, customers and consumers.

Remaining competitive

Prioritising safety from the beginning, our people were able to keep our supply chain fully operational.

Having secured safety, supply and service across our stakeholders, we prioritised investments behind our highest potential opportunities, allowing us to protect the financial health of our business while continuing to develop for the long term. We invested behind our growth markets, our largest and highest potential categories and growing consumer occasions. We embraced data and sophisticated digital technologies and our digital transformation helped us support our customers and address the needs of consumers in a fast-changing environment.

Structural improvements made to our cost base over many years have created a more flexible, resilient business which can withstand revenue declines while protecting profitability. We moved quickly to identify, and deliver, cost savings in 2020 and have found new digital ways of working which will enable us to continue to drive efficiencies and remain competitive.

By transforming our functional ordering platform into an effective customer portal, we enabled customers to order faster and around the clock to keep up with spikes in demand. Apart from easy navigation and an attractive user experience, this portal now offers a range of information to help our customers, including available promotions, customised portfolio recommendations and order analytics per category, brand and package type.

We are adapting to remain fit for the future

Thanks to our people's eagerness to advance digital tools and innovation, we were able to continue to drive value for our partners.

Chairman's letter

Winning partnerships

"Our vision for Coca-Cola HBC to be the leading 24/7 beverage partner and the strategy underpinning it have proven highly resilient."

Dear stakeholder,

The COVID-19 pandemic has caused the largest reduction in GDP since the Great Depression, the result of the largest lockdowns in human history and widespread upheaval in economic activity and daily life. As of early 2021 nearly 2.5 million people had died of the virus, bringing suffering and hardship to millions more. Our thoughts remain with the people and families who have lost their loved ones.

The ongoing challenges for our people, our Company and its stakeholders have been immense. Hospitality continues to be one of the most affected sectors, putting many of our customers under severe pressure. Despite this, we have been able to rise to many challenges. While protecting our people, we have maintained supply for our customers, protected the profitability of our business, grown market share and have continued to make progress on our strategic objectives. This was in large part due to the extraordinary efforts of our people. I want to express my heartfelt thanks to all our colleagues, and special thanks to our colleagues who have continued to work daily in our plants and on site with customers throughout the COVID-19 pandemic.

While 2020 was a uniquely challenging year, it was also a time in which we discovered the full measure of our strength, resilience as a Company and our capacity to adapt and improve. Our partnership with The Coca-Cola Company meant that we received early insight into what was coming from colleagues in China. The Board quickly identified its first priority: ensuring the safety of our people, customers, partners and communities.

The Board endorsed the establishment of a Group COVID-19 Operational Task Force to oversee the Company's response to both health and safety needs and adaptations made in response to the dramatic changes in our operating environment. To maintain alignment with the Company's culture, values and strategy during the COVID-19 pandemic, the Remuneration Committee oversaw adjustments to incentive arrangements.

This year, more than ever, we have seen the benefits of our Company culture which values the care we show to one another while embracing agility, change and challenge. This culture, which I have seen developed and nurtured under the leadership of Zoran Bogdanovic, will continue to play a crucial role in seizing the opportunities of the recovery period in a way that creates value for all of our stakeholders.

A proactive approach to big challenges

Coca-Cola HBC's long-term success is linked to our ability to manage all our principal risks, including critical sustainability issues. I am pleased to report that we were once again rated Europe's most sustainable beverage company by the Dow Jones Sustainability Index for 2020, achieving our highest ever score. In 2020, we also retained our leadership positions and top scores in other ESG indices and ratings, including CDP climate change and water ratings, MSCI ESG, FTSE4Good, ISS and Vigeo.

ESG ratings give us insight into our stakeholders' priorities and serve to galvanise action within our organisation, as do sustainability targets. Coca-Cola HBC was among the first companies to set and disclose science-based emissions targets in 2016, and in 2020, we set new 10-year science-based targets for further reductions across our value chain. In the next ten years, we will reduce – at a minimum – our absolute emissions for our direct operations and production, scope 1 and 2 emissions, by 55% compared with 2017 baseline levels.

The COVID-19 pandemic has spotlighted the deep interconnections between our business and stakeholders in the communities where we work. Along with our partner The Coca-Cola Company, it has been our privilege to provide those fighting the virus on the front lines with approximately 5 million litres of beverages, volunteer time and provide financial support with grants from the Coca-Cola Foundation. We also leveraged the capabilities of our supply chain, using our 3D printing capability to make protective face shields, producing special bottles for the dispense of hand sanitisers and loaning a microbiological detector to support laboratory testing for COVID-19.

Dividend

During the course of 2020 we were able to maintain our commitment to pay the 2019 dividend, of €0.62 per share. When considering the correct course of action in 2021, the Board carefully assessed a range of possible approaches weighing our continued balance sheet strength, improved financial performance in the second half of the 2020, emerging, and distribution of COVID vaccines and the degree of remaining uncertainty in the operating environment. After careful consideration, and in view of the strong long-term outlook and our confidence in the Company's strategy, the Board is proposing a full-year dividend payment of €0.64 per share, a 3.2% increase compared with the prior year. We are pleased to be able to propose this increase to the dividend even after a very challenging year.

Looking ahead

We welcomed Anna Diamantopoulou as a new member of the Board in 2020. Anna was European Commissioner for Employment and Social Affairs and a Minister of the Greek Government in the past. She brings a wealth of experience in regulatory matters and stakeholder relations, which we believe will be helpful in light of an increase in regulatory challenges. Meanwhile, let me also take this opportunity to thank John Sechi for his years of service.

The Board approved the creation of the role of Chief Operating Officer, with Naya Kalogeraki taking up the position. The new structure enables the CEO to focus more time on the long-term strategic direction of the business and partnerships, while enabling us to drive faster business growth.

In early 2021, we remain focused on ensuring the safety of our people, customers and communities as the COVID-19 pandemic continues. We will continue to adapt to capture the opportunities we see in 2021 and beyond. Meanwhile, with vaccine roll-outs progressing, we are eager for the new opportunities which will come once the recovery is underway. The progress on our strategy in 2020 has built a stronger business, even better positioned to achieve future growth.

Our vision for Coca-Cola HBC to be the leading 24/7 beverage partner, as well as the purpose and strategy underpinning it, have proven highly resilient, with the events of 2020 confirming the relevance of our plans. We firmly believe it provides the right path and sets the right milestones for the long-term success of our Company and its stakeholders.

On behalf of the Board, let me extend my good wishes to you and thank all of our stakeholders for your continued support.

Anastassis G. David
Chairman of the Board

Section 172 statement

Section 172 of the UK Companies Act 2006 requires directors to promote the success of the company for the benefit of the members as a whole, having regard for the interests of stakeholders in their decision-making. Engaging with stakeholders is an indispensable part of how Coca-Cola HBC does business. The Board considers the interests of the Group's employees and other stakeholders in its decision-making as a matter of good governance, and understands the importance, and value, of taking into account their views, as well as considering the impact of the Company's activities on the community, environment and the Group's reputation. The Board also considers what is most likely to promote the success of the Company for its shareholders in the long term. Although the Company is Swiss incorporated and as such the UK Companies Act 2006 has no legal effect, this approach is in accordance with the UK Corporate Governance Code 2018.

Read more about:
How we manage risks and materiality on pages 52 to 65.
How we engage with key stakeholders on pages 20-21.
Examples of how stakeholders were considered in specific decisions on pages 92-93.

Chief Executive Officer's letter

"I am proud of our teams' positive attitude and agility during this fast-changing time."

Dear stakeholder,

Nearly everyone on earth was impacted in some way by the COVID-19 pandemic in 2020. Across all of our markets, it brought challenges and disruption to our people, our ways of working, our customers and the communities we serve.

Throughout the year, the safety of our people remained our number one priority. With additional global best practice health and safety protocols in place, production continued uninterrupted throughout. This enabled us to sustain our business, avoid disruptions and continuously supply our customers and consumers.

Our experience in Italy, an early epicentre of the COVID-19 pandemic in Europe, and our close partnership with The Coca-Cola Company and other bottlers, enabled a fast exchange of effective practices. This meant that we were well positioned to ensure that the correct personal protective equipment was available, and we could quickly make the necessary changes to plans and processes.

Our people were committed, flexible and agile, adapting quickly to changes ranging from new regulations to adjusting to home working. We demonstrated the strength of our values-based culture, which empowers everyone to continually learn, take action and ownership, while serving our customers with passion and excellence. I continue to be inspired by the remarkable lengths that our people went to, as well as the genuine care they have for each other, our business and the communities we serve.

2020 performance

Our 2020 performance demonstrates how far we have come in building operational agility and lasting margin resilience into the business and the actions we took were fully in line with the strategic growth pillars we set out in 2019 as part of Growth Story 2025.

Clearly the COVID-19 pandemic had an impact on our performance. However, notable improvements in the second half contained volume declines and rigorous prioritisation of costs and investments ensured that EBIT margins were down only

20 basis points year-on-year and that Free Cash Flow was even stronger than the previous year. Thanks to the focused prioritisation of optimised market investments and the strong execution efforts of our people, we gained 40 basis points of value share in non-alcoholic ready to drink and 30 basis points of value share in Sparkling, with market share gains in the majority of our markets.

We saw the enduring strength and breadth of our portfolio with growth in Sparkling, Adult Sparkling and Energy and volume growth in four of our largest markets, Nigeria, Russia, Poland and Ukraine.

The biggest impact of the trading and movement restrictions imposed to reduce the spread of the COVID-19 pandemic was to the out-of-home channel. In the face of this, our teams showed the flexibility required to shift production quickly and provide the right packs and categories as consumers sought to replicate their out-of-home beverage occasions at home.

Adapting together

In addition to finding solutions for new occasions, we supported our customers by changing routes to market to deliver direct to stores where warehouses were overrun or as e-commerce and home delivery needs expanded rapidly.

We ensured that we were alongside them when they needed help to cope with new ways of working, supporting them in their warehouses and in stores. We also worked with our customers in the hotels, restaurants and cafés sector on a case-by-case basis to support them as they were forced to close their doors.

As different countries went into and out of lockdowns, we worked with The Coca-Cola Company to help customers drive trade back to their outlets as they re-opened in very different circumstances. We deployed teams to build displays, fill coolers and shelves and offer marketing support.

To ensure we understood what our people needed, we were quick to listen. This meant replacing the annual engagement survey with three pulse surveys so we could get a clearer picture of the views and experiences of our people throughout.

While the overall engagement scores continue to be at very high levels, we saw declines in a few countries, and our front line employees asked for more support from line managers. We learned from this feedback and were quick to provide new tools and resources where needed.

As our performance relies on the strength and capabilities of our teams, we ensured the continuity of learning and development, even in the most unusual circumstances of 2020. This meant that our people were able to leverage fully digitised learning platforms and participate in live developmental events, such as our first ever virtual learning festival, Learnfest.

We also made two notable announcements in regard to our leadership team in 2020. A new role of Chief Operating Officer was created with Naya Kalogeraki taking up the position. This role centres on strategy execution, high performance and people development, enabling me to focus more time on the long-term strategic direction of the business, the development of capabilities for the future and our ESG agenda. We also announced that Ben Almanzar will join the Company as Chief Financial Officer in April 2021 following Michalis Imellos' decision to leave the business after 12 years.

Safeguarding long-term success

Decisions taken to support our long-term strategy while navigating short-term concerns included prioritising investments in technology, including in-house production of recycled PET, temporarily cutting production of smaller, niche products to streamline supply and distribution and adjusting new product launches. Our roll out of the Costa Coffee brand, for example, continued largely as planned although some adjustments were made to prioritise at-home channels.

We were the first strategic bottling partner of The Coca-Cola Company to launch Costa Coffee at scale via a variety of packages suited for all trade channels. It is now available in 14 of our markets, meaning consumers from Ireland to Russia are enjoying it at home, on-the-go and at work, with the new range now listed in retail and hundreds of bars, restaurants, cafés and work locations. Towards the end of the year, we introduced Topo Chico Hard Seltzer to five markets. We are looking forward to driving both categories forward with more launches in 2021.

We know that our vision to be the leading 24/7 beverage partner cannot be achieved without integrating environmental, social and governance considerations into everything that we do. Despite the challenges of 2020, we continued to make steady progress towards our Mission 2025 sustainability commitments. For instance, we began our roll out of the innovative KeelClip™ paperboard solution for can multipacks. This change will be completed in our EU markets by early 2022, phasing out plastic wrap on our can portfolio.

Efficient and effective collection systems are crucial to ensuring that no package has only one life, but given the movement restrictions in many of our markets, collection systems were disrupted during the year. As part of our World Without Waste commitment to collect 100% of our primary packaging for recycling or reuse by 2030, we actively supported collection modelling studies in 10 countries to identify improvements and advocate for the optimal systems for the efficient collection of beverage containers.

2020 highlighted once again that we are a well-positioned and resilient business with a clear vision and purpose, as set out in last year's report. It has also forced each of us to ask ourselves what we need to change and further improve to ensure we remain relevant and successful. We will continue to take a disciplined approach to strengthening our prioritised capabilities, including innovation, as we consider additional opportunities to improve efficiencies and productivity.

Although we know that the recovery from the COVID-19 pandemic will not be simple or straightforward, my greatest source of confidence that we will emerge even stronger and smarter is the strength, adaptability, speed and passion for learning of our people.

I would like to thank our people for their extraordinary efforts during the year and our customers, suppliers and all of our stakeholders for their interest and partnership. Together, we move forward with confidence and resolve that we can continue to adapt to win and help our customers delight consumers 24/7.

Zoran Bogdanovic
Chief Executive Officer

Our business at a glance

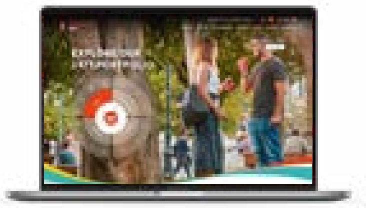
The leading 24/7 beverage partner

We have beverages for every consumer occasion, from waking up in the morning, to going to bed at night. Using this advantage, we can help our customers unlock their growth potential by ensuring they have the perfect product offering for their consumers.

Our 24/7 portfolio

Our portfolio is the strongest, broadest and most flexible in the beverage industry. Our products cater to a growing range of tastes with a wider choice of healthier options, premium products and increasingly sustainable packaging, giving us an undisputed ability to delight consumers across all consumption occasions.

More than
100
brands across nine categories



Watch our video and learn more about our 24/7 portfolio at www.coca-colahellenic.com.

Sparkling
74%
Percentage of Coca-Cola HBC revenue

Hydration
7%

Juice
5%

RTD Tea
3%

Energy
5%

Coffee
<1%

Plant-based
<1%

Premium Spirits
3%

In addition to this broad beverage portfolio, we benefit from a targeted snacks business which represented <2% of revenue in 2020. You can read more about this on page 28.

Winning in the marketplace

We have the scale and execution capability to create value for a wide range of customers with differentiated, segmented strategies.

At-home channel

- Supermarkets
- Convenience stores
- E-commerce

1.4m

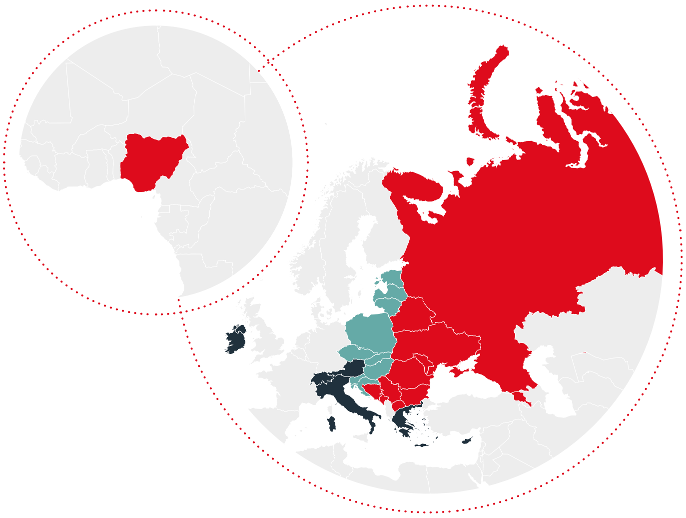
customers visited by 15,000 sales people

Out-of-home channel

- Hotels
- Restaurants
- Cafés
- Bars
- Food delivery platforms
- Petrol stations

Where we operate

We benefit from a diverse combination of countries across both growth and established markets.



Established markets	Developing markets	Emerging markets
35.5% of Group revenue in 2020	19.1% of Group revenue in 2020	45.4% of Group revenue in 2020
9.6% Comparable EBIT margin 2020	8.7% Comparable EBIT margin 2020	13.0% Comparable EBIT margin 2020

28

countries across three continents

27,722

employees

Earning our licence to operate

We believe that the only way to create long-term value for all our stakeholders is through sustainable growth. We contribute to the socio-economic development of the communities where we operate, integrate sustainability into every aspect of our strategy and strive to reduce our environmental impact.

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

CDP A LIST 2020 CLIMATE

CDP A LIST 2020 WATER

Sustainability Award Gold Class 2021 S&P Global

MSCI ESG RATINGS AAA

Performance, unless stated otherwise, is negatively impacted by the change in classification of our Russian juice business (Multon), from a joint operation to a joint venture, following its re-organisation, and positively impacted by the inclusion of H1 2020 performance of Bambi, the acquisition of which was cycled in H2 2020. In addition, profitability is positively impacted by the Group's election to classify share of results of integral equity method investments within operating profit. Like-for-like performance adjusts for all three impacts. For a table of performance measures excluding these impacts, please refer to the 'Supplementary information' section.

Our business model

Delivering value for our stakeholders

Our business model describes the essence of what we do: how we create value for all our stakeholders from the resources and relationships we use to operate the business.

1. Our resources and relationships

Human
Our success is dependent on the passion, engagement and customer focus of our talented people. We cultivate their potential and empower them to leverage opportunities for growth, both for themselves and our Company.

Natural
To produce our products, we use raw materials including water, sugar, fruit concentrate, energy, glass, aluminium, PET resin and paper. We source these using sustainable practices and seek to use them efficiently.

Social and relationships
Maintaining our reputation and the trust of our key stakeholders is essential to our business. Our most valuable stakeholder relationships are with The Coca-Cola Company, our people and the communities we operate in, our customers, suppliers, governments and regulators.

Financial
Our business activities require financial capital and we seek to allocate it efficiently. This capital is provided by our equity and debt holders, as well as cash flow earned from our operations.

Intellectual
Innovation is embedded in our culture and the intellectual property created from that includes new packaging, new products and improvements in manufacturing, logistics and sales execution. As we expand our 24/7 portfolio, the importance of innovation is increasing.

Manufacturing
As a strategic partner, our plant and logistics assets allow us to prepare, package and deliver our products to meet the demands of customers and consumers.

2. What we do

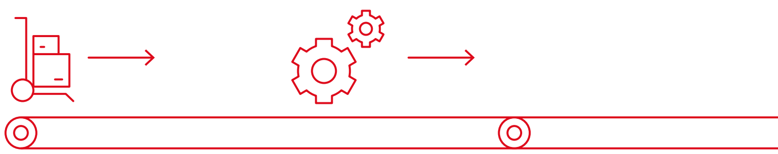
We are a strategic bottling partner of The Coca-Cola Company
We have the exclusive authorisation to bottle and sell the beverages of The Coca-Cola Company in our 28 markets. We also partner with other beverage businesses such as Monster, Brown-Forman, Campari and Edrington to sell their products in our markets.

How our partnership works
The Coca-Cola Company owns, develops and markets its brands to the end consumer. Coca-Cola HBC is responsible for producing, distributing, and selling these beverages. We work together to ensure we have the right portfolio for our customers and consumers in each market and to ensure excellent, efficient execution.

We buy concentrate from The Coca-Cola Company under an incidence-based pricing model. We also share marketing costs and responsibilities, with The Coca-Cola Company marketing to consumers while we take responsibility for trade marketing to our customers.

Read more about how we leverage our unique 24/7 portfolio and win in the marketplace on pages 26-33.

3. How we do it



1. Working with suppliers
We work with our suppliers to procure high-quality ingredients, sustainably sourced raw materials and equipment and services required to produce beverages.

2. Producing beverages efficiently and sustainably
Using concentrate from The Coca-Cola Company along with other ingredients, we prepare, package and deliver products with an optimised manufacturing infrastructure and logistics network.

We support the UN sustainability agenda and have linked our strategy pillars, material issues, sustainability commitments and the value created for our stakeholders to the UN Sustainable Development Goals (SDGs). You can find information on this in the table below, integrated into discussion on our five growth pillars and also on pages 46, 50-52 and 109.

3. Partnering with our customers

We grow by supporting our customers' growth. To do this, we leverage our 24/7 portfolio and segmented sales execution to grow the overall beverage industry, focusing on areas of high value opportunity and executing with excellence.

4. Serving our consumers and communities

Our 24/7 product portfolio caters to a growing range of tastes and preferences with a wider choice of healthier options and premium products, and we continually innovate to remain relevant.

4. Value created for our stakeholders in 2020

For our people

- We provided jobs directly to 27,722 people in 28 countries
- We provided 720,146 hours of training
- Median basic salary ratio women/men: 0.98

For customers

- We partnered with customers to address pandemic-related challenges and co-create value
- We increased the frequency of our customer engagement, providing customers the best support we could offer
- In the marketplace we achieved a new total number of almost 485,000 energy-efficient coolers

For the communities where we operate

- We trained 134,548 young people through our #YouthEmpowered programme to boost employability
- We invested €8 million in local community initiatives

For shareholders

- We controlled costs to support margins, finding, and delivering, €120 million of cost savings in 2020
- In recognition of our business' strength and future opportunities, the Board has proposed a dividend of €0.64, a 3.2% increase compared with last year

For wider stakeholders

- We paid a total of € 3.8 billion in taxes
- Our business activities generate revenue for our customers, suppliers and contractors as well as income for our employees

For consumers

- We provide high-quality beverages and healthy options, reducing calories per 100ml of sparkling soft drinks by 11.2% in 2020 compared to the 2015 baseline

For suppliers

- Our spend with suppliers was €3 billion
- We contributed to sustainable agricultural practices and farmer livelihoods by purchasing certified sustainable agricultural ingredients for 82% of key ingredients purchased

Making an impact

We believe that business has a responsibility to address the key global challenges affecting all of us and our shared planet. Now, more than ever, we strive for Coca-Cola HBC to be a force for positive change and a partner in building a more sustainable future.

"We support hundreds of thousands of jobs in our communities through direct and indirect employment."

Our impact

We believe that the only way to create long-term value for all our stakeholders is through sustainable growth. Coca-Cola HBC creates value for the societies in which we operate by producing delicious, high-quality products that delight consumers and create growth opportunities for our customers and suppliers, as well as through employment, investment and taxes. Measuring and striving to increase these contributions through the sustainable growth of our business is an important part of our purpose.

While the business model on pages 16-17 describes the value our business creates for all our stakeholders, this is an incomplete picture of impact and value. Just as we measure and manage CO_2 emissions generated both directly from our plants and production and indirectly from activities such as raw materials sourcing, we also seek to measure and understand the direct and indirect socio-economic impacts of our activities. Since 2010, we have conducted socio-economic impact studies in our markets to gain a better understanding of the range and extent of the value created in our ecosystem.

We support hundreds of thousands of jobs in our communities through direct and indirect employment. We nurture our people, offering opportunities for promotion and development. We have a wide ecosystem of suppliers and our demand helps to sustain their businesses, while at the same time we work with them to improve the sustainability of their supply chains. We invest in the markets in which we operate and we work with our customers to create shared value. Finally, taxes paid by us as well as by our suppliers and trade partners make an important contribution to the fiscal budgets of governments in the markets in which we operate.

Our socio-economic impact

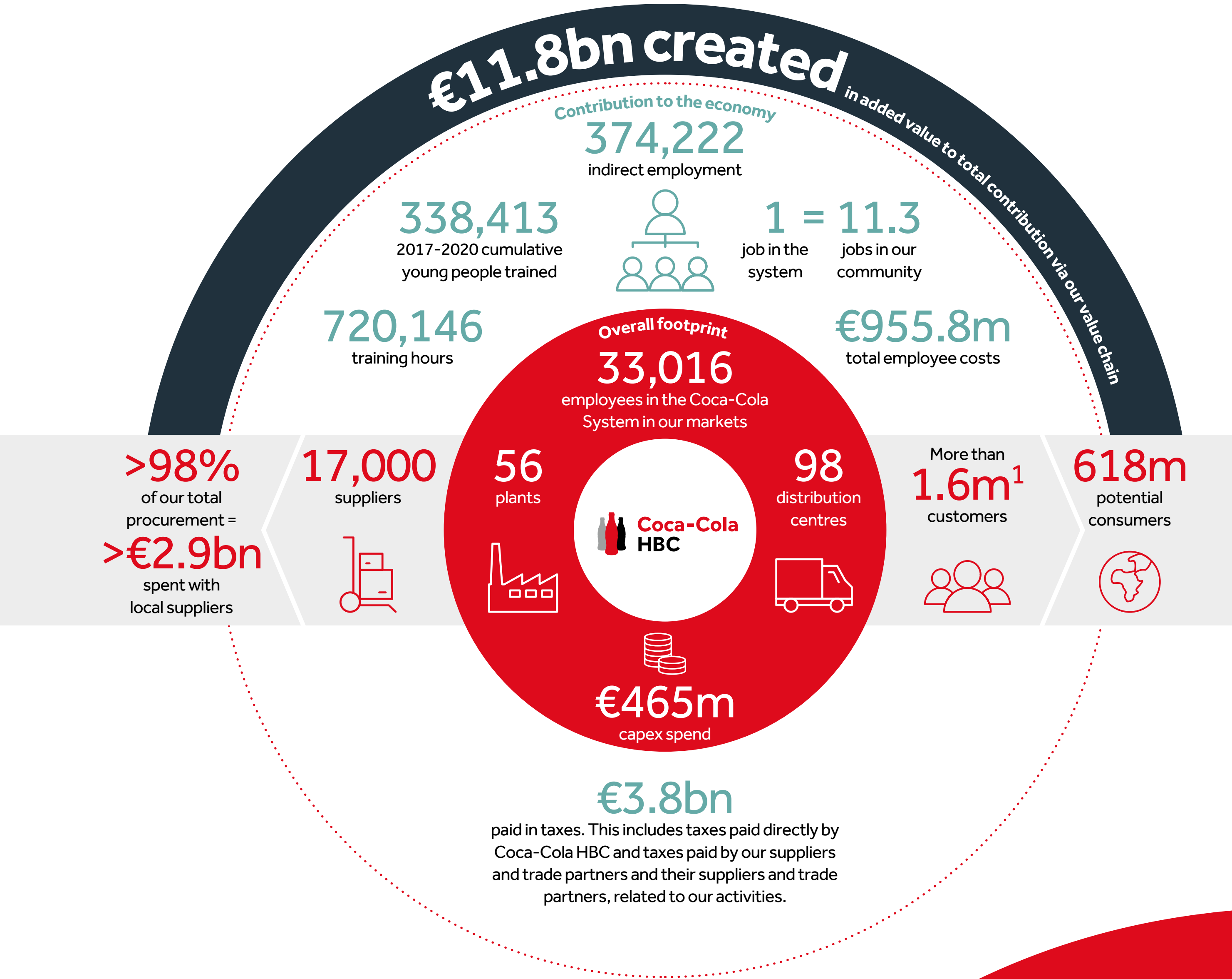
In conducting socio-economic studies, we use input-output modelling to generate estimates of jobs supported and economic value added. Data we use in this process includes our financial information (revenues, expenses, taxes, sales volume and profits) as well as some data from The Coca-Cola Company. While rigorous, the process involves statistical modelling, which should be considered when interpreting and using the results from the studies.

Modelling enables an assessment of three key dimensions of impact:

- **Direct:** immediate effect in terms of employment, wages and output
- **Indirect:** subsequent effect in the supply chain
- **Induced:** effect caused by staff spend on goods or services

Note that we do not conduct socio-economic studies for all of our markets every year; studies are conducted for each market on a rolling basis. In 2020, we conducted studies for five markets, adding this information to the aggregate results from all socio-economic impact studies for the period 2017-2020. As we continue this process in 2021, even more of the impact related to the COVID-19 pandemic will become evident.

How we contribute to the socio-economic development of our communities



Notes on methodology:

- Numbers presented are aggregated based on the local socio-economic studies from Coca-Cola HBC markets published between 2017 and 2020.
- All KPIs represent annual impact.
- Where applicable and relevant in local socio-economic studies, the impact of other entities of the Coca-Cola System is included.

1. As per our internal master data records, including both direct and indirect active outlets (December 2020 snapshot).

Our stakeholder ecosystem

Our people

Key issues

- Enhanced safety requirements
- Practicalities and security related to home working
- Mental wellbeing
- Building the best teams in the industry

How we engage

- Focused and continuous conversations related to new health and safety procedures
- Employee Assistance Programme
- Regular employee surveys to understand and act on needs and wellbeing
- Offering personalised experiences and opportunities for personal and professional growth
- Ongoing dialogue with employee representative bodies

Outcome of engagement

- Additional employee surveys enabled us to provide more support to people working under different conditions
- Ongoing dialogue with employees meant engagement levels stayed high, despite the COVID-19 pandemic

Growth pillar

4 5

Read more on pages 38-41, 93.

Our customers

Key issues

- Trading and movement restrictions
- Supply and delivery challenges
- New health and safety regulations
- Opportunities for growth and value creation
- Offering a 24/7 beverage portfolio that meets the changing preferences of consumers

How we engage

- Key account managers engage with our customers at a strategic level, also providing a vital link to support with pandemic-related regulatory changes
- Our business developers continued to make regular visits to outlets
- We provided additional support including financial, a free legal advisory service, online training, flexible supply and merchandising services

Outcome of engagement

- We increased engagement to provide the best support we could offer, but we suspended customer surveys to avoid over burdening them. While we do not have short-term data on the impact of our efforts, we believe that they will solidify long-term relationships

Growth pillar

1 2

Read more on pages 26-33, 53, 92.

Our partners in efficiency

Key issues

- Rising costs of ingredients, labour, packaging material, energy and water
- Minimising the environmental impact of water and energy resources, as well as emissions

How we engage

- These efforts were supported during the year by online Innovation Days for our suppliers where key strategic partners in packaging, manufacturing and digital supply chain applications shared their most innovative ideas
- Feedback received through our annual Group Stakeholder Forum
- Regular, ongoing interaction with the Coca-Cola System's Central Procurement Group and our technology and commodity suppliers

Outcome of engagement

- Our long-term work with technology partners meant we could easily expand the use of remote monitoring tools such as virtual and augmented reality smart glasses for remote quality, safety and environmental audits and virtual plant tours
- Our work with partners to reduce our water and energy use has also brought efficiencies

Growth pillar

3 5

Read more on pages 34-37, 42-47, 53.

Our communities

Key issues

- Financial and other support for frontline workers tackling COVID-19
- Climate change
- Waste from our packaging
- Water conservation
- Empowering youth and women

How we engage

- To understand what was needed by our communities and support those fighting COVID-19 on the frontlines, we partnered with NGOs, including the Red Cross
- We engaged with customers and partners to understand what skills and training young adults need in specific markets

Outcome of engagement

- We supported the frontline efforts to tackle the COVID-19 pandemic with financial support (via the Coca-Cola Foundation), product donations, and by leveraging our supply chain to produce safety equipment
- We re-purposed #YouthEmpowered tools to address employability to support the hard hit hospitality and tourism sectors in several markets, with new modules designed to build skills and re-train employees

Growth pillar

5

Read more on pages 18-19, 42-47.

The strength of our stakeholder ecosystem enabled us to ensure the safety of our people, partners and communities while maintaining production throughout the year.

Our consumers

- Ensuring product supply and safety
- Continuously evolving products and packages to meet consumers' needs for healthy hydration, quality, taste, innovation and convenience

- We understand consumers' needs and preferences through collecting consumer insights. While this is also part of The Coca-Cola Company's role, we gain access to these insights as well
- Consumers also provide feedback on social media and via the consumer hotlines

- To address changing consumer occasions, such as upscaled at-home experiences and greater affordability, we strengthened our single-serve multi-packs for aperitivo-at-home while also introducing entry packs with price points attractive to consumers
- While we strive to reduce consumer complaints, we also implement learnings from this feedback, including market specific improvement plans

1 5

Read more on pages 26-29.

Government

- COVID-19 related regulations in addition to consumer health policies
- Movement of people and goods across and between countries
- Industry and/or product-specific policies, such as taxes, restrictions or regulations
- Environmental policies

- Much of our engagement with governments is conducted at an industry level through trade associations. This continued throughout the COVID-19 pandemic. We partner with local governments to tackle waste collection challenges and water availability

- In response to regulations and levies on certain types of plastic packaging, we have lightweighted packages and used more sustainable materials, and we are on track to help collect the equivalent of 75% of primary packaging and make 100% of our consumer packaging recyclable by 2025
- To address health and nutrition concerns, we continue to add low- or no-sugar drink options in every market and provide transparent nutritional information

5

Read more on pages 18-19, 42-47.

Our shareholders

- Understanding the impact of COVID-19 and speed of recovery
- Quality and effectiveness of governance
- Profitability and growth potential of the business
- Increasing interest in the integration of ESG into strategy

- Through open, honest communication during our Annual General Meetings, investor roadshows, press releases and results briefings, and ongoing dialogue with analysts and investors
- Through providing disclosure on non-financial metrics to allow the monitoring of our progress on ESG issues

- Ongoing engagement allows a two-way dialogue between the Company and investors, ensuring both good understanding of Company strategy in the market and that investor concerns are considered in strategic decision-making
- Increased requirement for standardisation of ESG disclosures led us to start reporting against SASB in 2020, in addition to our existing disclosures aligned with GRI and TCFD among others

1 2 3 5

Read more on pages 53, 93, 94, 132.

The Coca-Cola Company

- Support for consumers, customers and communities
- Profitable growth opportunities
- Value share in our markets
- Sustainable sourcing

- Day-to-day interaction as business partners, joint projects, joint business planning, functional groups on strategic issues and 'top-to-top' senior management forums

- Our partnership added to the strength and depth of our 24/7 portfolio, by launching Topo Chico Hard Seltzer and Costa Coffee
- The new Open Like Never Before campaign also provided a call to action for communities to support their local businesses, and translated into tangible support for our retail partners

1 2 4 5

Read more on pages 26-33, 38-47, 92-93.

NGOs

- Climate adaptation, move toward net zero emissions and water and energy use
- Packaging waste
- Sustainable sourcing
- Partnerships with communities and grassroots organisations
- Diversity and human rights

- We include NGOs and community partners in our leadership development programmes, offering online training for managing virtual teams and leading in times of crisis
- We partner with specific NGOs for targeted projects
- We engage through our annual Group Stakeholder Forum and our annual materiality assessment, as well as through ad hoc meetings

- We provided direct support with grants from The Coca-Cola Foundation, product donation and volunteering support
- In partnership with NGOs, we include members of our communities in our training programmes; this made up 13% of our first-time managers training capacity in 2020

5

Read more on pages 42-47, 53.

Market review

Adapting to evolving trends

Market trends

Dynamic retail environment

2020 marked the biggest shift in retail in decades. The out-of-home channel has taken the biggest hit, with restrictions on its operations continuing into 2021. Online and discounters were the best performing channels and small formats/convenience were also on the rise, especially during the lockdown periods. To maintain their supply chains, retailers streamlined the options on offer in their stores. High-demand brands became even more prominent as a result. The economic effects of the COVID-19 pandemic led to a fall in disposable income, with shopper focus on value fuelling the growth of discounters.

Digital evolution

Trends toward digital channels, which were evident prior to 2020, drastically accelerated as consumers adopt faster virtual solutions and technology during the COVID-19 pandemic. The performance of daily tasks, such as working, getting education or banking online, has led consumers to become more comfortable with technology and to appreciate how much it is needed. Online shopping has seen important growth and online food orders have boomed, benefitting from restricted activity in the out-of-home channel.

Regulatory environment

In 2020, the regulatory environment was deeply affected by the onset of the COVID-19 pandemic. During the first phase, border management and supply chain continuity were the key challenges. The focus subsequently shifted to kickstarting the economy, protecting employment and lightening the burden on businesses through tax deferrals and the subsidisation of salaries and social contributions. In the EU, the Green Deal, a set of policy initiatives to make Europe climate neutral by 2051, remained high on the agenda. A new levy on non-recycled plastic packaging waste was introduced as part of the 2021-2027 EU Multiannual Financial Framework.

Consumer preferences

Consumer preferences shifted significantly as people adjusted to restrictions and lockdowns. The COVID-19 pandemic strengthened interest in health and wellness, with people looking not only for organic offerings, but also those with less sugar or fat and for functional products that can enhance immunity. Away-from-home needs are now fulfilled at home, including socialising, working or training. Many consumers are willing to spend more to replicate out-of-home experiences in their homes and consumers turn to iconic brands they trust. On the other hand, the economic disruption caused by the COVID-19 pandemic has also increased price-sensitivity, requiring brands to be agile to address both premiumisation and affordability needs.

Sustainability

Environmental, social and corporate governance (ESG) issues became even more prominent following the outbreak of the COVID-19 pandemic. Employee health & safety and community support gained notable importance. In addition, investors have become more activist on climate change issues and sustainable supply chains. While plastic waste has remained a key consideration, the focus on reducing emissions has also increased. Consumers are becoming increasingly aware of the impact their decisions can have on the environment, expecting more from manufacturers and governments. Effective solutions, along with transparency on ESG practices, will help inspire trust, build brand loyalty and eventually create competitive advantage.

How we are responding	Delivered through	Growth pillar
With a commitment to safety as our first and primary priority, we implemented best practices that allowed supply chains to remain fully operational and customers to be continuously served. We were quick to assess changing consumer needs, shifting package offerings to ensure that customers had the right product on their shelves, and maximising the impact of our sales force by redeploying them based on market needs. Demonstrating the customer centricity of our business, we supported and celebrated the reopening of the out-of-home customers with initiatives such as our inspirational Open Like Never Before campaign.	**+0.7pp** The non-alcoholic ready-to-drink (NARTD) category posted 11% value growth in discounters and we gained 0.7pp of value share to 20%	1, 2
E-commerce is one of our most dynamic channels and offers great growth potential. In 2020, we expanded our reach, partnering with many more customers including food delivery platforms. We have further invested in digital platforms, such as our B2B platform, Hybris, which allows for direct orders from our customers. With the success of our big data and advanced analytics (BDAA) pilot in Nigeria to identify customer needs, we are expanding the model in the rest of our territories. In addition, our investments in connected coolers continued despite the COVID-19 pandemic, enhancing our sales teams' productivity.	**+60%** Revenue in the e-commerce channel grew by 60% in 2020 compared with 2019	1, 2
We worked with key stakeholders to ensure the safe supply of products and to support key sectors of the economy. In parallel, we made good progress on the Coca-Cola System's World Without Waste initiative and we are on track to help collect the equivalent of 75% of primary packaging and make 100% of our consumer packaging recyclable by 2025. We continue to enrich our portfolio with low- or no-sugar drink options in every market, provide transparent nutritional information and have committed to a 25% calorie reduction per 100ml of sparkling beverage by 2025 compared with a 2015 baseline.	**44%** In 2020, we recovered 44% of the primary packaging we put in the marketplace	3, 5
The rising aperitivo-at-home occasion enabled us to further nurture premium propositions. In hydration, we introduced Aquarius functional water, in energy we broadened our portfolio to span affordable options such as Predator, as well as premium brands such as Coke Energy. Costa Coffee and Topo Chico Hard Seltzer expanded our 24/7 portfolio to capture more drinking moments. On top of innovation, a rigorous focus on the highest potential brands led to market share gains in most markets. To address consumer needs for both premium at-home experiences and greater affordability, we strengthened single-serve multi-pack offerings whilst leveraging entry packs with price points attractive to consumers.	**+8.5%** Single serve multi-packs in the at-home channel grew by 8.5% in the second half of 2020 compared with the respective period last year	1, 5
Amid a year of unique challenges, we protected our people and deployed multiple relief initiatives both for our communities, including medical staff and vulnerable people, and for our customers. Reducing our environmental footprint and supporting our communities is part of our vision to be the leading 24/7 beverage partner. Through Mission 2025, we pursue our strategic priorities on climate action, sustainable packaging, water stewardship, low- and no-calorie products and community engagement. In line with the goal of limiting global warming to 1.5°C above pre-industrial levels, we have established a new science-based target to reduce emissions across our entire value chain.	**-23%** Absolute carbon emissions in operations were lower by 23% in 2020 compared with 2017	1, 2, 3, 4, 5

Our purpose and strategy

We will deliver on our vision through a clear purpose and strategy

To deliver on our vision of being the leading 24/7 beverage partner, we introduced a new strategy in 2019. Growth Story 2025 gives us a roadmap to grow with our customers and to delight consumers across our 28 markets, around the clock.

Built on five key pillars of growth, each of which is a core strength or competitive advantage, our 2025 strategy is underpinned by new Growth Mindset Values and guided by clear targets. This plan to achieve our vision reflects the significant opportunities ahead that will help us deliver growth and value for our Company and all of our stakeholders.

Our purpose

We are devoted to growing every customer and delighting every consumer 24/7

By nurturing passionate & empowered teams of people

While enriching our communities & caring for the environment

Our growth pillars

1 LEVERAGE OUR UNIQUE 24/7 PORTFOLIO

Read more on pages 26-29.

2 WIN IN THE MARKETPLACE

Read more on pages 30-33.

3 FUEL GROWTH THROUGH COMPETITIVENESS & INVESTMENT

Read more on pages 34-37.

4 CULTIVATE THE POTENTIAL OF OUR PEOPLE

Read more on pages 38-41.

5 EARN OUR LICENCE TO OPERATE

Read more on pages 42-47.

Our Growth Mindset Values

WINNING WITH CUSTOMERS
We are the selling organisation devoted to providing innovative solutions to create shared value

NURTURING OUR PEOPLE
We believe in our people, and have a passion to develop ourselves and others

Read more about our values on pages 38-41.

While 2020 brought unprecedented challenges, Growth Story 2025 allowed us to be clear about what would enable our long-term success as well as what we needed to adapt in 2020 to ensure we kept on our path. The actions we took were fully in line with this vision and the strategic growth pillars which underpin it. In 2021, we will take a similar approach, adapting and prioritising the most relevant initiatives within our pillars as the situation requires. Our financial targets for the business in 2021 reflect the continuing impact of the COVID-19 pandemic.

We expect a strong recovery in FX-neutral revenues, along with a small increase in EBIT margin. Looking further ahead, beverages continue to be a high-potential industry and we see many growth opportunities within our evolving brand portfolio and our markets. We therefore believe that, once the recovery is underway, our business can return to the revenue and EBIT margin growth trajectory that we introduced alongside our Growth Story 2025 strategy.

How we are growing

- Offer the best 24/7 beverage portfolio on the planet in partnership with The Coca-Cola Company

- Build unrivalled teams of true partners for our customers, executing with excellence in every channel for prioritised drinking moments
- Fast-forward critical capabilities for growth

- Transform, innovate and digitalise our business to ensure that we are fit for the future

- Invest in building the best teams in the industry
- Develop an inclusive growth culture around our empowered people

- Be an environmental leader, engage our communities behind water and waste initiatives, and empower youth, together with our partners

Growth Story 2025 targets

This financial target will resume once recovery is underway

5-6%
FX-neutral revenue growth per annum, on average

This financial target will resume once recovery is underway

20-40bps
EBIT margin growth per annum, on average

Employee engagement
score greater than the high-performing norm

Accomplish
Mission 2025 sustainability commitments

EXCELLENCE
We strive for unparalleled performance by amazing customers with our passion and speed

INTEGRITY
We always do what is right, not just what is easy, and are accountable for the results

LEARNING
We listen, have a natural curiosity to learn and are empowered to take smart risks

PERFORMING AS ONE
We collaborate with agility to unlock the unique strength of diverse teams

1

GROWTH PILLAR

LEVERAGE OUR UNIQUE 24/7 PORTFOLIO

KPIs

- FX-neutral revenue growth
- Volume growth
- FX-neutral revenue per case growth

Stakeholders

- Our consumers
- Our customers
- Shareholders
- The Coca-Cola Company

Risks

- Consumer health and wellbeing
- Strategic stakeholder relationships
- Geopolitical & macroeconomic

Highlights in 2020

- Continued expanding to become the leading 24/7 beverage partner, creating shared value with our consumers and customers
- Maintained resilience in the sparkling category by leveraging low- and no-sugar variants, flavour and pack architecture
- Achieved another year of double-digit revenue growth in energy drinks and continued the roll-out of Coca-Cola Energy and Predator Energy
- Launched Costa Coffee in the first 14 countries
- Entered the hard seltzer category with the launch of Topo Chico in the first five markets

Priorities in 2021

- Continue our work on the rationalisation of our portfolio, prioritising scalable and profitable brands as well as products, whilst driving disciplined innovation
- Maximise our efforts to capture growing at-home occasions
- Increase the penetration of single-serves and affordable entry packs helping expand our price/mix
- Continue the roll-out of Costa Coffee, building our presence in one of the most attractive beverage categories
- Accelerate the expansion of Aquarius functional water in our markets

A resilient portfolio for a new reality

As the COVID-19 pandemic created upheaval in many aspects of daily life, our broad 24/7 portfolio gave us a wealth of options to continue to provide consumers with well-loved and trusted brands. We had the flexibility to shift production quickly, providing the right packs and categories to meet the changing needs and buying patterns of our consumer base.

We were able to capitalise on all the work we had already been doing to strengthen, broaden and flex our portfolio to capture more occasions and drinking moments. This gave us a particular advantage as consumption shifted from out-of-home to at-home during the lockdowns and restrictions were imposed across our markets.

As lifestyles changed, many consumer activities were brought home. We focused on helping consumers replicate out-of-home occasions at home, and capturing increased opportunities like 'socialising' and 'screen time' experiences. The changed landscape made affordability a greater factor, and we adjusted our activations in response, shifting towards packs with relevant price points for the consumer.

At the same time, premiumisation will continue to be an opportunity, particularly in at-home drinking occasions. This focus on creating upscale drinking experiences at home supported our revenue per case expansion.

Our broad and flexible portfolio, together with our expertise in adjusting our pack/price architecture, will continue to allow us to leverage these trends.

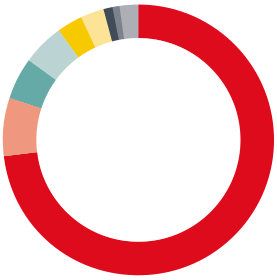
Well-loved brands support growth

As the COVID-19 pandemic hit our markets during 2020, we focused on key sparkling products as the main drivers of all our activities. Trademark Coke and Adult Sparkling were prioritised as the main growth and premiumisation drivers in the category. Our long-term efforts to provide healthier options across our portfolio also helped ensure the resilience of Sparkling, which was one of the best performing categories during the year.

We managed to gain share in the majority of our markets in the sparkling category. The power of our portfolio and the resilience of well-loved brands like Coke, supported by our unrivalled execution in our markets, allowed us to deliver strong market share performance.

Our focus in recent years on providing healthier new options across our portfolio of sparkling and still beverages, while emphasising low or no-sugar choices to our consumers, is reaping benefits. Overall our low- and no-sugar variants grew 2.7% during the year with brands like Coca-Cola Zero and Fanta Zero growing 2.5% and 67.8% respectively.

Percentage of Coca-Cola HBC revenue



- Sparkling **74%**
- Hydration **7%**
- Juice **5%**
- Energy **5%**
- RTD Tea **3%**
- Premium Spirits **3%**
- Plant-based **<1%**
- Coffee **<1%**
- Snacks **2%**

Leverage our unique 24/7 portfolio *continued*

To celebrate the emergence from lockdowns, the Coca-Cola System launched the new Open Like Never Before campaign. The message of emerging stronger and creating a better shared future, highlighted in a manifesto film featuring spoken word artist George the Poet, is an extension of our Company's purpose to partner with our customers, delight our consumers and enrich our communities. The call to action for communities to support their local businesses translated into tangible support for our retail partners.

Beyond Coke brand products, we continue to build our adult sparkling category which is composed of three diverse and complementary brands: Schweppes, Kinley and the recently acquired Lurisia. These products provide a variety of sophisticated flavours that can be consumed on their own or used as mixers. During 2020, we leveraged the rising trend of the socialising-at-home drinking occasion, advancing our joint activation of Premium Spirits with our adult sparkling products.

Still products with high relevance in 2020

As changing consumer patterns impacted on-the-go occasions and bottled water sales, we turned our focus to new growing segments with products highly relevant in the context of 2020. We have introduced Aquarius functional water, a hydration proposition enhanced with minerals, in 12 of our countries. We also rolled out innovations in the juice category, where we are capturing revenue opportunities through Cappy lemonades and Dobry Water+ juice.

Energy, one of the best performing categories during the year, delivered a fifth consecutive year of double-digit volume growth. Our growth came from both existing products and innovations, and the category benefited from both affordable brand options like Predator Energy and premium propositions such as Coca-Cola Energy. This enriched portfolio supported market share gains in the majority of our markets. We also achieved value share gains in the energy category during the year, with an increase of 1.5pp.

Adez, our plant-based, sugar-free beverage line, has continued to add to our revenue per case and recently expanded its range into new dairy-free, multi-seed variants. This new multi-seed range consists of two unsweetened propositions and provides a sophisticated flavour experience, offering health-conscious consumers the benefits of protein and fibre.

Within only six months, the AdeZ multi-seed range captured 8% of total AdeZ 2020 sales volume in countries where it was introduced, showing high potential for further growth.

We also continued to build on the introduction of FuzeTea, the differentiated and innovative ready-to-drink tea we launched three years ago. We introduced no-sugar formulas in several of our markets during the year, responding to consumer preferences and a renewed focus on health and wellness.

Expanding our offerings

At Coca-Cola HBC, we expanded into alcoholic beverages over a decade ago through our premium spirits distribution. Our spirits portfolio includes brands like Jack Daniels, Aperol, Macallan and Famous Grouse, and is distributed in 25 of our markets.

In line with our vision of becoming the leading 24/7 beverage partner, this is a strategic category for us, allowing us to expand our offerings into every consumer occasion. It provides us with strong cross-selling opportunities for our core beverage portfolio through mix activation and creates a compelling offering for hotels, restaurants and cafés, the HoReCa channel, offering a one-stop-shopping partner.

In 2020, we also entered into the dynamic hard seltzer category with the launch of Topo Chico in selected markets. The new drink, which is a sparkling water with alcohol and natural flavours, is inspired by the 125-year old Topo Chico sparkling mineral water brand, which has long been popular with mixologists in the US and Latin America. As we move forward, we plan to learn from the launch in our first markets and build our presence in this promising category.

Our targeted approach to Snacks saw the acquisition of Bambi, a leading Serbian confectionery business, in 2019. This acquisition added to our footprint in Snacks where we already had a presence through the Tsakiris business in Greece and Cyprus.

Bambi, with its iconic Plazma brand, is now present in 10 of our markets and offers a good complementary opportunity for our existing beverage portfolio. This portfolio has led to very strong performance in 2020 with products that were highly relevant for the consumer throughout the COVID-19 pandemic as well as through successful innovations.

Supporting consumer health and wellbeing

The COVID-19 pandemic strengthened existing trends related to health and wellness, with consumers looking for products with less sugar but also for functional products that support wellness. Consumers' tastes and preferences continue to evolve, and we continue to innovate to meet these needs. Our portfolio includes reformulated recipes to reduce added sugar and we offer diet, light and zero-calorie as well as functional drinks.

To help consumers make informed choices, we facilitate portion control through the introduction of smaller packages, and we provide clear and transparent nutritional information on all our packs. The Guideline Daily Amount labels provide at-a-glance information on calories as well as sugar and all key nutrients.

At the same time, we continue the trial of 'traffic-light' front-of-pack labels in several of our markets, a colour-coded evolution of the current monochrome Reference Intake model used across Europe.

The World Health Organization recommends that no more than 10% of total energy/calorie consumption comes from added sugars, and we have committed to reduce calories per 100ml of sparkling soft drinks by 25% between 2015 and 2025 across all of our markets. At the end of 2020, we achieved an 11.2% reduction compared with 2015 levels.

Responsible marketing

At Coca-Cola HBC we are focused on aligning our commercial practices with sustainability and business goals. The way we engage in direct commercial activity and the way we advertise and promote are central to cultivating a relationship of trust with all of our stakeholders.

We adhere to The Coca-Cola Company's Global Responsible Marketing Policy, as well as its Global School Beverage Guidelines, which means that we do not market directly to children under 12 and we do not offer our beverages in primary schools, except when required by local law, or requested by school authorities. In addition, through the European Soft Drinks Association (UNESDA) we remain committed not to offer added-sugar beverages in secondary schools across the EU and Switzerland.

Freshness and quality

Throughout the COVID-19 pandemic, we continued to offer the highest quality beverages by applying end-to-end quality and food safety standards. In order to further enhance this culture of excellence, we maintained a strong focus on capability building and development.

UN Sustainable Development Goals

We serve our consumers with a broad range of high-quality products. In doing so, we create value by contributing to global goals for good health and wellbeing, innovation, responsible production and consumption as well as partnerships.

Through increased collaboration with our suppliers of key ingredients and packaging materials, we further improved our partnerships, with only one critical non-compliance in the year.

As a result of the lockdowns in our markets, we replaced product age audits on the shopfloor with a delivery age measure, providing us with all relevant freshness information for products leaving our warehouses.

As every year, we carefully monitored consumer complaints. In 2020, we registered 19 complaints per 100 million bottles sold. Whilst our aspiration will always be zero complaints, we implemented market-specific improvement plans which we expect will help us limit the number of complaints to 17 per 100 million bottles sold in 2021.

Tackling food loss and food waste in our value chain

We are preventing food loss to preserve water and other natural resources, to avoid related carbon emissions and to mitigate the related social and economic effects in agriculture.

We set out a new policy to reduce food loss and food waste, or recycle or reuse food waste in manufacturing, warehouses and distribution as well as at a customer level. We also analyse the potential of food loss and waste per type and category.

In particular, we report the age of our finished beverages, and put into place actions to minimise the number of products which risk being expired. In the last five years, the trend of expired products has decreased from 0.5% to 0.3% in both juices and carbonated soft drinks.

While we made good progress in 2019 to reduce food loss from finished beverages, moving to 0.17% from 0.21% in 2018, this increased to 0.23% in 2020. The main reason behind this was the higher level of product expiries during the out-of-home channel lockdowns, in particular during the first wave of the COVID-19 pandemic.

Expanding our portfolio with Costa Coffee

In 2020, as part of our vision to become the leading 24/7 beverage partner, we launched Costa Coffee, bringing high-quality coffee to 14 of our markets with an ambitious plan to expand coverage to all our territories by 2023.

Coffee is a growing multibillion-dollar category across our geographies, forecast to grow 4% annually. The coffee category is allowing us to capture more consumer occasions, partner even more closely with our customers across all channels and strengthen our ability to address every drinking moment throughout the day.

Coffee is also on a premiumisation journey, providing an accretive revenue opportunity. In recent years, we have developed the required infrastructure, processes and capabilities around coffee. These assets, together with our best-in-class route to market, mean we are well positioned to capture this growth opportunity with a strong brand like Costa.

Our offering consists of a full range of Costa Coffee products covering diverse consumer needs and preferences. This includes: beans, roasted and ground coffee; Nespresso[1] and Nescafé Dolce Gusto[1] compatible coffee pods; ready-to-drink coffee; and Costa Express, a self-serve, barista-quality coffee on-the-go.

To secure a great in-cup result, a broad range of fully supported coffee machines are available to our out-of-home customers, along with other services to make Costa Coffee the best coffee experience. We help these customers avoid downtime and meet demand more efficiently with digital solutions, connecting all our professional and automatic coffee machines to a live data feed. By investing in top quality direct-to-consumer solutions, we are also enabling our non-HoReCa customers to offer barista-quality coffee to their shoppers.

As part of our commitment to sustainability and creating shared value, Costa Coffee is the only coffee brand which is 100% Rainforest Alliance certified. This certification ensures that coffee produced for us leads to improved livelihoods for farmers as well as protection of forests and climate change adaptation in forest communities.

During 2020, given the restrictions in place in the out-of-home channel due to the COVID-19 pandemic, our initial launch targeted primarily the at-home channel, later expanding into more channels as conditions allowed.

The positive impacts of these investments were already visible in 2020, as we managed to recruit several hundred customers in the out-of-home channel and we have developed a rich pipeline of prospective customers.

In the current year, we are continuing to build our Costa Coffee business by entering new markets and expanding into more channels and platforms in the markets where Costa launched in 2020.

1. Nespresso and Nescafé Dolce Gusto are both brands of Nestlé S.A.

GROWTH PILLAR 2

WIN IN THE MARKETPLACE

KPIs

- FX-neutral revenue growth
- Volume growth
- FX-neutral revenue per case growth

Stakeholders

- Our customers
- Shareholders
- The Coca-Cola Company

Risks

- Channel mix
- Geopolitical and macroeconomic

Highlights in 2020

- Ensured the safety of our people, customers, partners and communities and maintained business continuity through decisive, timely and effective action
- Provided customers with the best support we could offer as they faced challenges caused by rapidly shifting demand patterns
- Strengthened our relationship with e-retailers and started partnering with new channels, achieving higher market share online
- Accelerated the use of big data, advanced analytics and new technology, including sales force automation, image recognition and web-based ordering
- Launched the new sales academy to drive our salesforce's capability to deliver improved customer service, performance and execution
- 36% of all coolers in the marketplace are now energy efficient and eco-friendly

Priorities in 2021

- Continue to evaluate our revenue growth management approach to address consumer needs for affordability as well as premiumisation
- Further invest to improve our ability to serve online shoppers and respond to rapid growth
- Advance our big data and advanced analytics capabilities to further enhance our segmented execution model
- Continue our efforts to enhance our digital capabilities through B2B2C platforms (B2B platforms that reach the final consumer)
- Introduce the sales academy in all our markets by the end of the year

By the side of our customers

After first ensuring the safety of our people, customers, partners, and communities, our second priority during the year was to ensure business continuity through decisive, timely and effective action.

Throughout 2020 our salespeople continued to serve every one of our customers that was able to operate, whilst maintaining contact with our customers who were not. We have increased the frequency of our customer engagement, providing customers with the best support we could offer as they faced their own challenges caused by rapidly shifting demand patterns.

Excellent customer service remained our north star ambition. Achieving this in a rapidly changing environment meant listening to customers' concerns and collaborating quickly to make changes. For example, to reduce pressure on some supermarkets' supply chains, in some cases we arranged direct deliveries to stores rather than to the customers' central warehouses.

Efforts to help our customers navigate challenges fulfilling their shoppers' demands also generated value for our business. When our sales team in Serbia determined that an international client was experiencing product shortfalls from a private label supplier, we helped the customer close this supply gap with our products.

We subsequently determined that similar temporary supply issues were occurring in other markets, and we reached an agreement to support one of our most important customers with a listing of 15 additional products in five different countries, some of which have become permanent.

We redeployed salespeople from the out-of-home to at-home channels and increased the remote selling capabilities of our sales teams. In parallel we accelerated our activities in e-commerce, especially on our own sales platform for our customers, partnering with food delivery platforms and working with our wholesale customers to develop direct-to-consumer offerings.

Throughout the COVID-19 pandemic, we have been by the side of our customers, maintaining personal relationships and supporting them to deliver or to build online sales. Our ability to segment customers allowed us to efficiently shift investment to outlets which gained relevance, ensuring flawless execution.

As our customers re-opened during periods of lower restrictions, we continued to provide support and build trust, supplying masks and hand sanitiser for new hygiene needs. Safety was always our first priority, but we continued to prepare to capture the opportunities that will emerge once recovery begins.

Retail moves online

Although the dynamic e-commerce channel is still a small proportion of our overall revenue, it has doubled in value over the last two years. The channel offers great growth potential with high margins, and it also has a greater proportion of single-serve and low- and no-sugar mix compared with modern trade.

E-commerce growth during 2020 was fuelled by lockdowns and restrictions implemented across our markets. This encouraged customers that had never shopped online to try it for the first time. During the second and third quarters, 70% of our online shoppers were new to the channel, and we expect more than half will continue to order online. As a result, the number of customers we are collaborating with in e-commerce increased by over 80%.

Online shopping has allowed us to further expand our network of online food takeaway partnerships. We have co-operated with food delivery platforms, helping them increase the value of each transaction by including a beverage with every meal.

Win in the marketplace *continued*

Across our markets, we have designed combination meals, with a meal and beverage for a single price point, and improved product positioning in online menus.

During the COVID-19 pandemic, we also started connecting our brick-and-mortar customers with our food delivery platform partners to deliver grocery products, including our own, to consumers at home.

To support our e-commerce success, we accelerated capability development through various bootcamps, sharpening our digital skills, sharing best practices and aligning our system priorities. In 2021, we will continue to invest to improve our ability to serve online shoppers and respond to rapid growth.

Commercial capabilities as a competitive advantage

Accelerating our critical growth capabilities is a key driver of our Growth Story 2025 strategy. These capabilities have strengthened our response to the COVID-19 pandemic and will be even more relevant in the new environment that emerges.

Our business is equipped with five crucial capabilities: growth-focused big data and advanced analytics, value-led revenue growth management (RGM), tech-enabled route to market, customer-centric key account management and disciplined innovation.

These attributes enable us to better understand the real and changing needs of our customers and consumers, drive rapid revenue recovery in a profitable manner and anticipate or react to new challenges faster and smarter than our competition.

During 2020 we prioritised building the skills immediately required to best support our customers and our front-line employees in such volatile times. We also captured all the capability-related learnings from the COVID-19 pandemic in order to be better equipped to manage the changing environment.

As route-to-market plans and sales and distribution models shifted during the year, our people required new capabilities quickly. Our new sales academy is developing a sales force that constantly strives to improve our service, executing with excellence in every channel for prioritised drinking moments. In 2020 we piloted the sales academy in Russia, Romania and Poland, giving our sales force the experiences and the full curriculum to build the capabilities needed at each stage of their development. Developed as a transformative digital learning approach to help build our teams' capabilities on the job, the sales academy will be introduced in all of our markets in 2021.

While our capabilities are centrally led in an aligned way across our business, we make sure that each country has the flexibility to make their own choices, focusing on the development of capabilities that are most relevant to their local realities.

Big data and advanced analytics

We are accelerating our use of big data, advanced analytics and artificial intelligence capabilities across our business with the aim to cover our largest markets by 2021.

We use data and analytics capabilities to identify and capture value-creation opportunities, particularly for top-line acceleration and cost optimisation, and to improve our service and operations across all functions.

We are now able to analyse data at a granular level, allowing us to make decisions and implement focused initiatives that generate incremental value in targeted areas of the business. These capabilities greatly enhance our segmented execution model by identifying customer needs in different locations and different types of outlets. As a result, our sales force is able to have a bigger impact per customer visit. In the fragmented market of Nigeria, where we rolled out these enhanced analytics capabilities in 2019, we have continued to see promising results, including volume increases and improved outlet prioritisation for new product launches. We are currently expanding this model to the rest of our markets.

UN Sustainable Development Goals

As we build our business by helping our customers to grow and thrive, we make substantial contributions to the achievement of the Sustainable Development Goals related to ending poverty, decent work, sustainable communities, responsible production, justice and strong institutions, as well as partnerships.

We are driving operational excellence through machine learning, improving our forecasting for short and long-term customer demand in our markets. This streamlines inventory management and prevents out-of-stock incidents. We are also transforming our promotion management with increased capabilities to identify profitable promotion tactics and optimise investment. Our algorithms provide a holistic measurement of the return on investment for each promotion, including the negative impact of forward buying, competitive promotions and cross-brand cannibalisation.

To further scale our capabilities we are combining a number of data sets to develop a 360-degree view of each of our customers, while also maintaining strong data governance.

Revenue growth management

Our revenue growth management framework is key to ensuring profitable top-line growth. Through this capability we work to maximise the value and the number of our transactions. We deliver this by improving category and package mix as well as through pricing and increasing the return on investment on our promotions.

RGM continued to increase in importance during 2020 as a key growth catalyst and we continuously evaluated our approach to address consumer needs for affordability as well as premiumisation.

Our smaller multi-serve entry packs offer attractive price points for the consumer in a margin accretive way for us, while growing transactions in smaller baskets. Sales of the multi-serve entry pack format grew by 7.5% in the year, helped by the introduction of smaller PET packs in Russia and Poland.

When it comes to premiumisation, we have continued to expand our multi-pack offerings of single-serves, building on emerging opportunities like the socialising and meals-at-home occasions. These efforts have improved our single-serve mix in the at-home channel, growing volumes by +7.2% in 2020.

To further support premiumisation, we also increased the visibility of our glass packages and launched relevant innovations. We introduced Coke in returnable glass bottles in Austria and in Romania we increased the visibility of the 330 ml glass bottles. Our efforts in Romania have helped us drive more premium occasions at-home, achieving double-digit growth for the glass bottles for the second consecutive year.

Finally, we also continue to drive our portfolio price/mix, focusing on adult sparkling propositions which offer a higher revenue per case. In Russia, the introduction of new smaller packs for Schweppes, along with its expanded assortment, led to the brand growing 36.4% in the country during 2020.

Optimising sales and distribution models

In light of the changing landscape, we increased our efforts to strengthen our offering with existing customers as well as target new outlets. We were able to further optimise sales and distribution because our specialised sales force, intelligent cooler assets, ample use of technology and unparalleled execution make us the industry leader with the most extensive and flexible processes across our territory.

We employed external data and leveraged big-data advanced analytics capabilities in 2020 to update our outlet segmentation model and identify new high-potential outlets. We rolled out image recognition technology starting in Russia and expanding into Nigeria and Ireland, and we are ready to further scale it across our markets. This allows our salesforce to spend more time with customers, while obtaining more accurate and granular data from the outlets.

We have continued investing in new coolers to support our business growth and have reached 85% coverage of our top customer outlets. In parallel, we also continue to build our network of internet-connected coolers which help us drive the efficiency of our assets and enhance our sales teams' productivity. We have a total of 1.4 million coolers on customer premises, and more than a third, 39%, have online connections.

In 2020, we developed and evolved a range of digital solutions for customer service and ordering, and to provide solutions for our customers' shoppers. One of these solutions is our Hybris platform, which has been transformed from a functional ordering platform to a user-friendly customer portal for business owners who want to order regularly or who have requests. The re-designed platform is used in 22 of our markets and has been a notable success. In Russia, for example, active users increased from 2,000 to 46,000 during 2020, with 18% of all orders in the country coming through this channel.

We also supported our customers with their digital transformation. We created e-Partnershop, an exclusive selling platform providing direct home delivery for our wholesaler customers. This allowed them to shift their focus to online retailing due to the closures in the out-of-home channel.

In addition, we are investing further in the growth of our own direct-to-consumer platform in Switzerland, Qwell. The platform includes a web-based ordering system and a mobile application, which offers potential scaling opportunities.

Supporting customers through key account management

As we evolve into an even more customer-centric business, we need to ensure our people have the skills to build exceptional customer partnerships. We constantly assess our people's readiness and potential to take customer partnerships to the next level, and we address any gaps in skills.

In 2020, we designed and delivered a number of analytical tools in record time to help our key account managers analyse profitability in the new reality and take fast actions around investment, activities and assortment mix to drive improved profitability. This has enhanced and automated planning processes, in collaboration with our customers.

In light of the challenges our customers faced to maintain business continuity, we took the opportunity to redefine the role of our key account managers, better aligning our internal functions with those of our customers. This generated quicker actions and efficiencies on both sides, allowing for uninterrupted operations and delivering enhanced profitability.

We also supported our key account managers with training in negotiations. This helps them successfully build plans with our retail partners.

GROWTH PILLAR

3

FUEL GROWTH THROUGH COMPETITIVENESS & INVESTMENT

KPIs

- OpEx as % of NSR
- CapEx as % of NSR
- Comparable EBIT margin
- ROIC

Stakeholders

- Partners in efficiencies
- Shareholders

Risks

- Cyber incidents
- Foreign exchange and commodity costs
- Geopolitical and macroeconomic
- Quality
- Sustainability: Plastics and packaging waste

Highlights in 2020

- No disruption to the supply chain, with all production plants and warehouses remaining operational
- Cost savings of €120m versus original plan, supporting profitability
- KeelClip™ installations in Ireland and Austria, as a first step to replace shrink film from can multi-packs across Europe
- Digital transformation investments to improve serving our customers and consumers, enhance employee experience and increase operational productivity

Priorities in 2021

- Enhance flexibility in production to support our 24/7 portfolio and innovation
- Kick off in-house production of recycled PET pre-forms, ensuring availability at lower cost and boosting circular economy
- Continuous investment in packaging solutions that reduce carbon footprint and improve recyclability
- Enable Company-wide core processes digitisation leveraging SAP S4
- Further roll-out of augmented reality technologies and new production maintenance strategies

Prioritising safety from the beginning, Coca-Cola HBC demonstrated strong resilience, maintaining production and avoiding any supply interruptions in our territory. This success required a mindset that encourages innovation, a willingness to embrace data and sophisticated digital technologies, and a culture of investing in people and capabilities.

To support local communities, we used our facilities and equipment in ways that we had never tried before. Whether it was producing custom-made hand sanitiser bottles in our plant in Northern Ireland or printing face shields using our 3D technology in Russia, Nigeria, Poland and Romania, we did our best to address local needs by being agile and adaptable.

As the COVID-19 pandemic began in the first quarter of 2020, we took decisive and early action to reduce operating costs, delivering €120 millions of cost savings for 2020 versus our original plans. About 80% of these savings came from reduced direct marketing expenses as we worked with The Coca-Cola Company to prioritise in-store promotions and delay or adjust new product launches. There were also other sources of savings, including for business travel, meetings and events. This cost control helped support profitability as we faced lower revenues.

While spending will return to more normal levels as revenues recover, we do expect some cost reductions to be permanent.

One benefit of lockdown was learning we can operate effectively using new digital ways of working, with fewer physical meetings and less travel.

Optimising infrastructure

Despite a reduction in capital expenditure compared with our original 2020 plans, we continued upgrading production lines as required to keep up with our expanding 24/7 portfolio. Twelve production lines were installed in nine countries and we started installing equipment for KeelClip™, a minimalist paperboard packaging solution replacing shrink film for our can multi-packs. We intend to continue with these investments in 2021.

To improve manufacturing efficiency, we continued investing in automatic line changeovers to reduce idle time, expanding production line capacity by nearly 1% annually. This technology supports smaller runs of new products, helping us respond quickly to changing consumer needs and preferences.

We have launched a new maintenance strategy with a customised, condition-based approach to servicing important machinery. By replacing a standardised, planned maintenance approach with one that is more flexible, we have reduced maintenance costs by 10% over three years while limiting equipment downtime.

In 2020, we piloted new maintenance approaches in 25 production lines and we plan to implement this approach further in 2021.

Across the business, our optimisation efforts have resulted in a 30% reduction in plants across our territory, from 80 in 2008 to 56 at the end of 2020. At the same time, we increased our production lines per plant by 42% which allowed us to maintain our capacity and create more efficient and flexible facilities. To improve our service offering while reducing our costs, we have optimised our logistic network by reducing our distribution centres by 65% and our warehouses by 35% over the same time period. These structural improvements in the cost base and the shift of fixed costs to variable ones where possible, have created a lean and resilient operating model, able to maintain good profitability despite challenged revenues, as happened in 2020.

Fuel growth through competitiveness & investment *continued*

Leveraging technology and big data

Our ongoing investments in technology, together with the commitment of all our people, helped us move fast to tackle the challenges of the COVID-19 pandemic. Expanding our capabilities in this area, we introduced new digital tools in 2020 related to customer and consumer centricity, remote working for our employees and operational productivity.

Following the outbreak of COVID-19, we moved quickly to have as many employees as possible work from home. Even though the number of employees working remotely doubled overnight in early 2020, we achieved a smooth transition and ensured business continuity, exploiting in full our systems' functionalities. Processes such as order taking, production planning, delivery, settlements and invoicing can all be handled by employees working remotely.

In less than one month, we managed to roll-out a multi-factor authentication system and enforced a stronger password policy to protect our digital corporate identities. Overall, we have aligned our cyber strategic programme with the NIST Cyber Security Framework and we are continuously investing in cyber security in order to ensure business resilience. Our efforts have been recognised by the Dow Jones Sustainability Index which ranked Coca-Cola HBC at 2nd place in Europe and 3rd globally for the cyber security criterion in 2020. In addition, our two main IT centres (Sofia & Athens) have been awarded the ISO 27001 certification in recognition of our Information Security Management System (ISMS) credentials.

Technology has proved invaluable in maintaining a healthy supply chain in the face of lockdowns and other restrictions. Fortunately, we had already been working with remote monitoring tools, such as virtual and augmented reality smart glasses, and we were therefore able to quickly expand use of these tools for remote quality, safety and environmental audits and virtual plant tours.

Augmented reality technology allowed engineers and operators to complete installations and commissioning of new production lines remotely, even at the height of the COVID-19 pandemic. Augmented reality technology also aids our warehouse colleagues in picking inventory from stock and combining goods for customer delivery. It is currently used for a third of all picking orders, delivering near 100% accuracy and improving productivity.

The technology was introduced at eight additional sites in 2020, and we are working to introduce it in 11 more warehouses in 2021. We are also introducing a real-time transport tracking and traffic monitoring platform to step change supply chain visibility and give customers insight into the arrival time of our shipments.

As we expand our use of machine-learning algorithms for demand forecasting and planning, our next step is to combine all the elements of manufacturing into one digital platform for more insight into production lines, energy use and maintenance needs.

To transition our procurement online, we have completed the design of the SAP Ariba e-procurement solution with plans to launch in Romania in the first quarter of 2021 and roll out to additional countries by the end of the year. The Mercateo e-marketplace, offering significant cost-efficiencies in tail-spend activities, has been deployed in six countries while a new digital buying platform for trade marketing materials has gone live in 16 countries.

Our digital transformation also helped us support our customers and address the needs of consumers in a fast-changing environment. Our use of technology drove e-commerce solutions and helped us address new requirements for business-to-business and direct-to-consumer product distribution.

We acted to help wholesaler customers manage severe disruption to their businesses during the year. By analysing online delivery platforms, we identified difficulties in filling the increasing number of incoming orders. In response, we created a web shop in only two weeks for wholesalers, providing them with a direct path to consumers. This platform is now live in Armenia, Bosnia & Herzegovina, Greece, Italy, Ireland and Nigeria.

We also increased our investments in the Hybris business-to-business e-commerce platform. The new system design and functionalities transformed the platform into an easy-to-use customer portal for business owners who want to order regularly. The enhanced Hybris portal is available in 22 of our markets.

Innovations and investments reduce our environmental impact

Despite challenges and disruptions caused by the COVID-19 pandemic, we focused on our sustainability commitments and succeeded in improving and reducing product packaging. These efforts were supported during the year by online Innovation Days for our suppliers where key strategic partners in packaging, manufacturing and digital supply chain applications shared their most innovative ideas.

To ensure we have a reliable supply of recycled PET (rPET) to achieve our 2030 World Without Waste target, we are investing in innovative technology for our Krakow bottling plant in Poland. The installation of the SIPA EREMA system will allow us to produce ready-to-fill pre-form bottles from PET flakes we produce from pulverised PET waste. By skipping the production of PET pellets, the usual process for processing rPET, and finely pulverising PET to reduce the need for sorting, this technology cuts energy consumption, helps with ensuring rPET supply, decreases transport costs and boosts the circular economy. Our installation of the SIPA EREMA system in Poland is the first of its kind in Europe and will be completed in 2021.

In line with the EU's Directive on single-use plastic, we are on course to produce tethered caps for more than 90% of relevant packs by 2023, one year ahead of the deadline. We are also working to develop alternatives to plastic straws, cups and lids. We have already introduced paper straws in Italy and Croatia and will introduce these across Europe in 2021.

“Even though the number of employees working remotely doubled overnight in early 2020, we achieved a smooth transition and ensured business continuity, exploiting in full our systems’ functionalities.”

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.

To reduce our carbon footprint and improve recyclability, we introduced bio-based aseptic fibre packaging in Serbia with polymer-based internal layers derived from sugar cane, and continued with light-weighting initiatives, ensuring that all our packages are FSC (Forest Stewardship Council) certified. In addition, the cans we use are among the lightest in the market.

By the end of 2020, 50% of the material used for our corrugated cardboard was recycled content and we expect to use more than 70% recycled content in cardboard in 2021. KeelClip™ technology was installed in Austria and Ireland as a first step in our commitment to replace plastic wrap on all can multi-packs in our EU markets. This roll-out will be completed by early 2022, saving more than 3,000 metric tonnes of CO_2 emissions and avoiding 2,000 metric tonnes of plastic each year.

During 2020, we launched our Green Fleet programme centred on the aspiration to reduce our vehicle CO_2 emissions through new options of Electric, Compressed Natural Gas (CNG), Hybrids and Liquified Petroleum Gas (LPG) powertrains, where practical. We will continue with this initiative across the Company throughout 2021 and beyond, to support reductions in line with our science-based emissions targets while maintaining high-calibre fleet options at competitive pricing.

Managing sustainability risks in our supply chain

We consider our suppliers to be critical partners to the ongoing success of our business. We therefore consider sustainability within our supply chain to be as important as the management of sustainability issues within our own operations.

We monitor the performance of critical suppliers through supply base assessments, audits of compliance and an online platform from EcoVadis which helps us monitor risks using 21 criteria from international standard setters. In 2020, over 800 of our critical suppliers have been assessed using this platform, a 75% increase compared with 2019, and we plan to expand its use further for better supply chain monitoring.

In 2020, we revisited our procurement guidelines to implement stricter rules over human rights, ethics and compliance practices expected from our suppliers, and retrained our buyers’ community about the sustainability risk assessment tools available for supplier selection and governance.

We have made significant progress together with our suppliers to assure or certify the farms where our ingredients are cultivated, but we also recognise that there is more we need to do. Together with our partners, The Coca-Cola Company, we have a target for sourcing our priority ingredients, including natural sweeteners and fruit juices, according to our Sustainable Agriculture Guiding Principles (SAGP). We apply these principles with our suppliers through preferred external third-party verifications and encourage suppliers to use sustainable farming standards to maximise value and contain their costs. This framework is integrated into internal governance and procurement processes.

In 2020, we sourced over 82.4% of total key commodities for use as ingredients from certified farms, an increase from 74% the prior year. We will continue our work in this area to achieve our 2025 ingredient sourcing target of 100% certification against our sustainable agriculture principles for our key agricultural ingredients.

Looking beyond the current COVID-19 pandemic environment, it’s clear that connectivity based on augmented and virtual reality coupled with robotics and automated vehicles will become ever-more critical, allowing business supply chains to adapt quicker and react rapidly to all sources of disruption. To this end, we are working towards a truly end-to-end digital supply chain, which will strengthen planning, visibility and partnerships with suppliers, logistic providers and equipment manufacturers.

GROWTH PILLAR

4

CULTIVATE THE POTENTIAL OF OUR PEOPLE

KPIs

- Employee engagement
- Percentage of managers that are women
- Lost time accident rate

Stakeholders

Our people

Risks

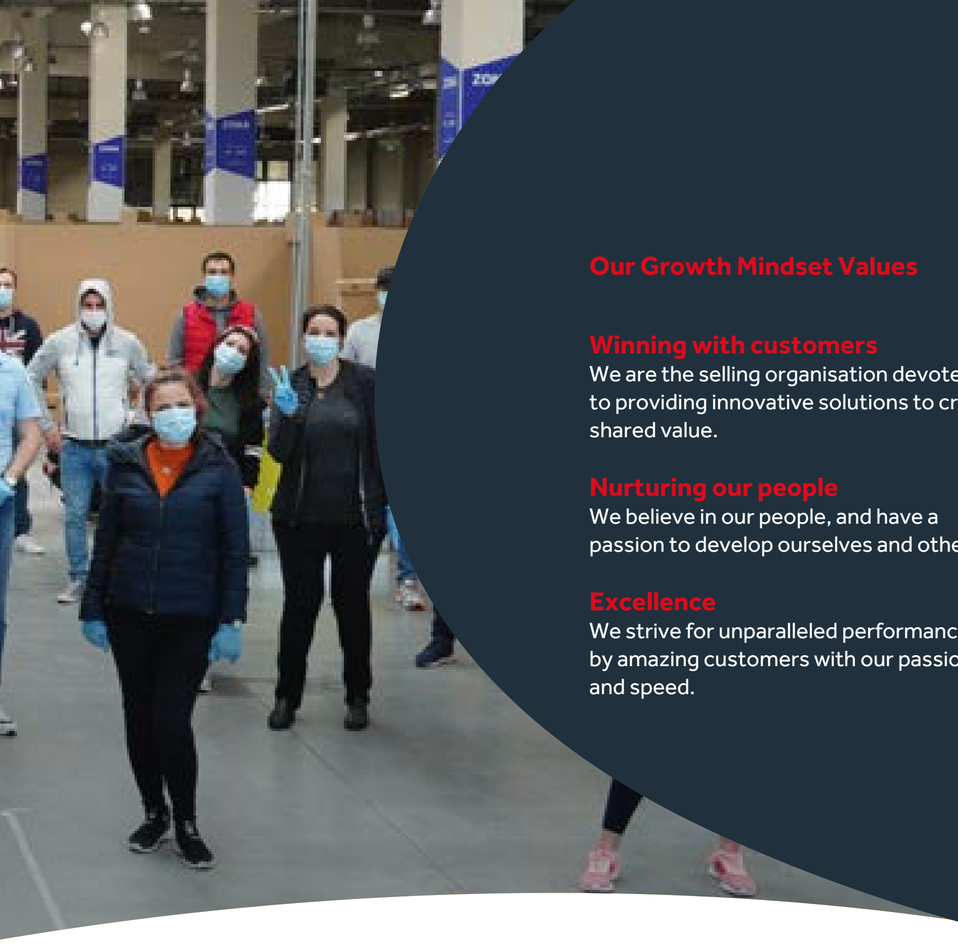
- Health and Safety
- People
- Geopolitical and macroeconomic

Highlights in 2020

- Protected our people's health and safety, and provided resources to cope in difficult times
- Listened to our people, acted on their feedback, strove to maintain morale, optimism and performance staying true to our Company values
- Prepared for the new normal, established and promoted new ways of working
- Prioritised development of talent and organisational capabilities that support our long-term growth

Priorities in 2021

- Accelerate the development of talent and the prioritised organisational capabilities for growth
- Drive new ways of working to enable our people to be more productive, resilient and adaptable, and provide care and support to preserve their wellbeing
- Continue building a diverse workforce that reflects our customer base and communities, and an inclusive workplace for all
- Nurture the mindset, skills and value-based behaviours of the evolving profile of leadership for the new era, invest in our leaders' development and inspire them to grow



Our Growth Mindset Values

Winning with customers
We are the selling organisation devoted to providing innovative solutions to create shared value.

Nurturing our people
We believe in our people, and have a passion to develop ourselves and others.

Excellence
We strive for unparalleled performance by amazing customers with our passion and speed.

Integrity
We always do what is right, not just what is easy, and are accountable for the results.

Learning
We listen, have a natural curiosity to learn and are empowered to take smart risks.

Performing as one
We collaborate with agility to unlock the unique strength of diverse teams.

A foundation of trust

In a period of tumultuous change, our strength was our ability to trust our people to do the right thing. Our most important decisions and actions in 2020 involved protecting our people and listening to find out what they needed to stay safe and to support and care for our customers, ensuring the continuity of our business. This was true across our markets struggling with pandemic-related restrictions, but also in war zones such as the conflict in Armenia.

Our trust in our people was re-confirmed in 2020 as we witnessed their impressive dedication and extraordinary efforts. By striving to create an irresistible place to work, where our people feel heard, valued and supported in their safety, wellbeing and personal and professional growth, we seek to re-confirm their trust in our Company.

Supporting our people in the COVID-19 pandemic

Our first and primary priority for 2020 was to ensure the safety of our people, as well as our customers, partners and communities. This was the focus of our Company leadership as well as the cross-functional teams leading our COVID-19 pandemic response across the Group and in each market.

There have been significant changes to how work is done and how we keep ourselves and others safe. Special guidelines and protocols were developed and implemented across all our facilities, including the use of personal protective equipment.

Very quickly, we encouraged approximately 10,000 employees to work from home. We upgraded connectivity and provided the digital collaboration tools they needed to continue to be productive and successful. We expanded communication channels to ensure that our people remained well-informed and our front-line leaders maintained a dialogue with their team members. For further support, we also set up webinars on remote working, resilience and wellbeing.

Family members were also offered support. We introduced a global employee assistance programme, providing 24/7 confidential support service for our people and their families, whereas previously only some markets had such a plan. Through an external partner, the programme offers trained specialists for challenges ranging from work-related issues and relationship difficulties to isolation and trauma support.

In early April, when the COVID-19 pandemic began to dramatically affect our markets, we were quick to adjust different rewards and benefit plans, while we maintained all incentives for employees working on the front lines with our customers as well as in our plants, to maintain supply. At the same time the Operating Committee forfeited their own merit increases and instituted pay increase freezes.

We were quick to find new ways to work with each other and to collaborate with each other and our customers. Beyond our short-term crisis management response, we used agile principles to work out our mid-term response to the changing commercial and talent market place, with 145 people collaborating across 14 cross-functional and cross-market teams.

This project, called Key Initiatives for Tomorrow, defined priorities regarding commercial activities and organisational capabilities as well as digital tools needed to navigate the coming period.

We were also very quick to listen. It was essential to really understand what our people needed in different markets, all with different restrictions but radically changed operating environments. We conducted three all-employee surveys, with special pandemic-related surveys in May and July 2020, in addition to our annual Employee Engagement Index Survey later in October.

Survey results helped us understand what worked, and where more help was needed. By October, results showed that 90% of respondents felt well-informed, 93% were satisfied with the protective equipment and 95% were aware of pandemic-related safety protocols. We found that 16% of our people required more support from their direct manager, and we took immediate action to address this need. In Hungary, our leaders publicly re-committed to supportive leadership behaviours and in Nigeria we re-trained our people through simulating typical situations where our people required support and showcasing the leaders' potential responses.

Cultivate the potential of our people *continued*

To increase support and peer learning, we built communities with virtual networking sessions for our people to connect and share their experiences. Our revived weekly Group-wide news bulletin, 'We Stay Connected,' offered tips on self-care and employee support, as well as other tools for peer learning and sharing. It was also used to share information about what we were doing across the markets to support our people, customers and communities and how our business was adapting to the new environment.

Health, safety and wellbeing

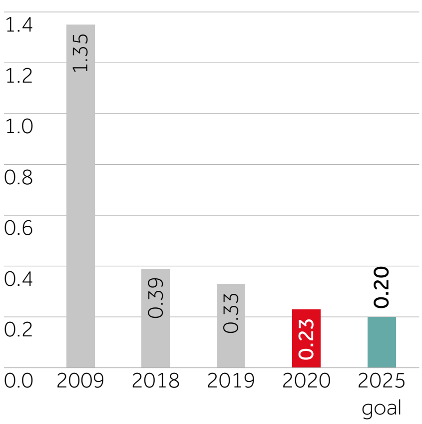
While we undertook many new measures to ensure the safety and continued health of our people in the extraordinary environment of 2020, our workplaces have become increasingly safe over the past few years and we aim for continual improvement. In 2020, we continued our focus on behaviour-based safety programmes implemented in 53 of our production plants and warehouses as well as in 18 markets for our sales employees. Of the barriers to safety identified under this programme in 2020, 72% have already been fully eliminated.

Employee accidents in our workplace fell for the 11th consecutive year in 2020. We achieved a Lost Time Accident Rate of 0.23 compared with 0.33 in 2019. This 30% improvement reflects the best result we have achieved as a Company. The overall Lost Time Incident Frequency Rate for Coca-Cola Hellenic contractors fell by 16% in 2020 compared with 2019.

While there were no employee fatalities, we regret to report that two contractors died in road accidents during the year. This compares with nine contractor fatalities in road incidents in 2019.

Our fleet safety training programmes aim to improve safety for all drivers within the Group. The number of accidents per million kilometres travelled fell to 2.20, compared with 2.63 in 2019.

Lost Time Accident Rate trend
(# LTA per 100 FTE)



We adapted our wellbeing framework and programmes early on in 2020 and quickly introduced changes addressing the COVID-19 pandemic. In some markets, we enhanced our insurance programmes, providing more consistency in coverage for all our people.

Different wellbeing programmes are available in different markets, but our employees are offered programmes for healthcare, dependant care, financial support and emotional wellbeing. Relevant initiatives include medical and health insurance benefits, preventative measures such as medical check-ups, a savings scheme and life insurance, as well as counselling and relaxation techniques.

A culture of sharing, learning and adaptation

One of our greatest strengths is our values-based culture. It was a source of resilience as our common beliefs helped us adapt with speed and flexibility as the COVID-19 pandemic spread. It also allowed us to prioritise our actions based on limited available data and most importantly to care for our people and their safety.

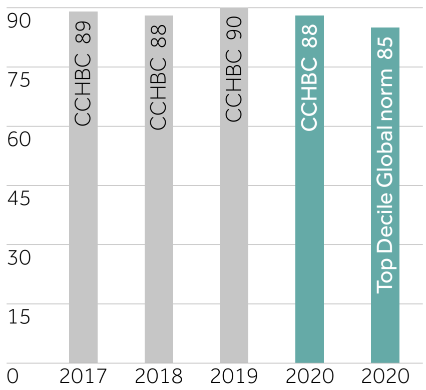
As we seek to increase support and sharing to empower our people, we have introduced storytelling tools like Red Talks to help our people connect and get inspired by each others' experiences. Importantly, this is as much about learning from failures as successes.

We introduced storytelling at our Top 300 leaders conference in 2020 with a subsequent roll-out across our markets. The COVID-19 pandemic required us to adapt tools for this, helping people use smart phones to film their stories about learning from failures and growing as a result of challenges. This approach helped with connection and supported peer learning. In addition, our Red Talks storytelling programme shares stories of personal transformations across the Group, inspiring our people to change, grow and adapt for success in a rapidly changing environment.

Our recent transition to ongoing performance conversations with mutual accountability served us well in the new working environment of 2020. We know that continuous feedback, as opposed to one-off annual reviews, makes us a better company, helping our people learn and adapt. More than 75% of our people with on-line access provided feedback to their managers in the last quarter of 2020.

We conducted three all-employee surveys during the year to better understand what our people needed. Our Employee Engagement Index score, the outcome of a survey conducted in October 2020, was 88%. This represents a drop of two percentage points compared with our 2019 survey

Employee engagement: outperforming peer companies (%)



results while participation remained high at 75% of our workforce.

The drop in 2020 reflected a change in responses from employees working on the front lines in production plants and warehouses. Survey responses from employees able to work remotely remained steady.

While respondents confirmed that they have the right resources and tools to perform their work, there was interest in even greater support from line managers. We immediately acted to address this important finding, introducing new tools to help leaders support our people.

We continue to benchmark our employee engagement against other high-performing companies, partnering with Qualtrics, our new partner in measuring company culture. Our 2020 results were three percentage points above the Qualtrics Global Top Decile Norm, which represents the top 10% of more than 15 million people from more than 350 companies.

Unlocking our unique strengths and building new capabilities

As a Company, we are focused on developing organisational capabilities that support our success and long-term growth. Half way through 2020, our Key Initiatives for Tomorrow project, which leveraged agile methods with cross functional teams, developed our mid-term responses to the changing operating environment and also highlighted the changing importance of certain organisational capabilities. This led us to a full review of all our organisational capabilities, and subsequent review of organisational design and resource allocation required for them. These works confirmed the relevance of our Growth Story strategy, including the capabilities needed to support it: big data and advanced analytics, revenue growth management, route to market, key account management, disciplined innovation and talent development.

UN Sustainable Development Goals

Efforts to foster an engaging workplace, nurture and develop the capabilities of our people, increase gender balance in our management ranks and reduce stress and support employee wellbeing all contribute toward global goals for development. The specific Sustainable Development Goals supported are those for: good health and wellbeing; gender equality; decent work and economic growth; reducing inequalities; and peace, justice and strong institutions.

To help our people adapt to evolving customer needs and based on the insights from the advanced analytics of business developers' performance and retention, we developed and launched a comprehensive developmental experience for our sales force. The new digital Sales Academy was successfully piloted in Poland, Romania and Russia in 2020 and roll out to other markets will take place in early 2021. More information about the Sales Academy is in the Win in the marketplace section of this report on pages 30 to 33.

With about half of our employees working remotely, digital tools became more necessary and important. Our digital capabilities, that we have been building for some years to democratise learning, helped us to adapt quickly to the new environment and move the majority of the volume of learning to a digital setup. More than 800 internally developed digital learning resources are available including, commercial and leadership skills, compliance training and tools relevant for the COVID-19 pandemic. Virtual learning events were popular in 2020, attended by 12,000 employees. This includes our first Learn Fest which was attended by 5,000 of our colleagues. New functionalities were added to our cloud-based platform for all online employees, HELO (hiring, empowering and learning online), which now also has a new digital assistant to quickly answer questions about programmes and policies.

Learning through conversations and knowledge-sharing complements formal learning. In 2020, 700 mentors and 70 newly certified internal coaches accelerated the development of more than 1,400 employees. Our mentoring programme was recognised as the 'Best coaching and mentoring initiative' by the CIPD People Management Awards 2020, which praised the initiative for its 'impressive rigour and scale'.

A passion for talent development

The COVID-19 pandemic provided valuable insights about the mindset, skills and tools required for our leaders in a changing business and talent environment. Our ability to internally develop the next generation of leaders to be ready for the future is more important than ever.

Even during the most difficult times of the COVID-19 pandemic, we continued to focus on and evolve our Talent Review Framework towrds ongoing, structured discussions on talent. We aim to identify future leaders earlier in their careers and to provide more opportunities for them to get important development experiences fast. Our focus also remains on building talent pools for key commercial roles across our territories, and in 2020 we continued mapping the market, sourcing new capabilities while working internally on strengthening the development of commercial leaders and their successors.

Leadership acceleration centres were fully digitalised in 2020 to support unlocking the potential of future leaders. The centres help our people improve their development plans through an understanding of their strengths and the areas of opportunity for progress in their current and future roles.

In 2020, our Fast Forward experiential learning programme accelerated the transition to new leadership roles for 490 people. This programme was recognised by the Global Association of Talent Development 'Excellence in Practice' award for its overall architecture and quality.

We have also increased our focus on cross-functional moves, which is enabling us to develop new organisational capabilities with new skills as we adapt to the changing world.

The pandemic created a new environment with many new projects. To match project opportunities with the right people and skills, we leveraged our Opportunity Market Place application. Nearly 500 people were appointed through this cloud-based tool, helping us grow our internal talent through new experiences and acquire new skills faster.

To support our efforts to recruit the best teams, we extended our social media presence in 2020 despite the pause in all activities between July and September, taking part in a larger movement against racism and hate speech on social media.

As a result of our Employee Advocacy programme launch, we are proud to see nearly 300 of our employees posting positive stories about their working experience, acting as ambassadors. We are particularly proud of the 77 (+28% vs. 2019) recognitions we received across 28 countries reflecting different measurements of employer attractiveness.

Championing diversity, inclusion and human rights

The percentage of management roles held by women edged up by half percent in 2020, to 38%. At the end of 2020, women made up 29% of our total workforce.

We foster diversity in our talent pipeline by aiming to recruit a balanced number of male and female candidates, particularly for our management trainee programme.

To enable our leaders to promote an inclusive environment, we continued the roll-out of Inclusive Leadership modules, with more than 1,000 participants by the end of 2020.

To support our long-term efforts to develop a workforce that reflects the diversity in our markets, we began training our human resources staff in 2020 to identify and disrupt bias in people decisions and to constructively intervene to ensure optimal talent decisions.

To mark International Women's Day in March 2020, we ran an internal communications campaign, also shared through social media, to promote our position challenging stereotypes at work: #nojobhasagender. We also stepped up efforts to engage with external organisations driving inclusion. Some 20 of our women leaders participated in the Women's Forum and Women's International Network in 2020, increasing our exposure to best practices.

In 2020, our CEO acted as a judge in the WeQual Awards, designed to recognise women at C-suite minus one level in FTSE companies, and participated in events of the EU LEAD Network in the retail and consumer goods industry, which promotes the acceleration of gender inclusion. Some 20 of our women leaders participated in the Women's Forum and Women's International Network, increasing our exposure to best practices.

Our Human Rights Policy and our Code of Business Conduct are on our website at https://www.coca-colahellenic.com/en/about-us/corporate-governance/policies. We regularly review these as well as our internal standards to ensure we adhere to all applicable laws and regulations and demonstrate best practice as stakeholder expectations evolve.

5

GROWTH PILLAR

EARN OUR LICENCE TO OPERATE

KPIs

- Mission 2025 sustainability commitments

Stakeholders

- Our people
- Our communities
- Our consumers
- Partners in efficiencies
- NGOs
- Our shareholders
- Government
- The Coca-Cola Company

Risks

- Sustainability: Plastics and packaging waste
- Sustainability: Climate change
- Sustainability: Water availability and usage
- Ethics and Compliance

Highlights in 2020

- Community support during the COVID-19 pandemic
- New science-based targets for 2030 set for emissions reduction across the value chain
- Solar panels installed in three plants in Nigeria
- Romanian Dorna water brand launched in 100% rPET
- KeelClip™ paperboard solution for can multi-packs launched in Northern Ireland, Republic of Ireland and Austria

Priorities in 2021

- Reduce emissions scope 1, 2 and 3 in line with 2030 science-based target
- Develop plan to reach net zero emissions by 2040
- Continue reduction of water consumed in priority plants
- New technologies for in-house recycled PET production
- Launch of KeelClip™ paperboard solution for can multi-packs in Italy, Switzerland, Romania, Poland and Greece

Community support during the COVID-19 pandemic

Our people and their safety are always our priority. Throughout the COVID-19 pandemic, we have operated under the World Health Organization's health and safety guidelines to avoid any health risk to our people. We are committed to continually improving safety in our workplace, and our efforts in 2020 achieved a 30% reduction in Lost Time Accidents (LTAs) compared with 2019.

The COVID-19 pandemic spotlighted the deep interconnections between our business and the communities where we work. To support vulnerable groups, medical staff and health care workers as well as our customers that continued serving our communities, we have partnered with The Coca-Cola Company, the Red Cross, Caritas Austria, the Bulgarian Donors' Forum, and the Bodossaki Foundation in Greece amongst other organisations.

Thanks to the Coca-Cola Foundation, we provided donations and support packages for those fighting COVID-19 on the frontlines in all of our markets and we have donated approximately 5 million litres of our products to hospitals, shelters, NGOs including the Red Cross, and food banks.

We have also leveraged our own supply chain, for instance using our 3D printers for protective face shields, producing special bottles used for hand sanitiser, or using a microbiological detector for laboratory tests in a hospital.

We also used vending machines to offer masks in shopping malls and smaller cities.

Our people supported communities by volunteering, for instance helping the Red Cross to pack care packages for those in need, supporting retail initiatives setting up medical units or participating in initiatives to help vulnerable people at home.

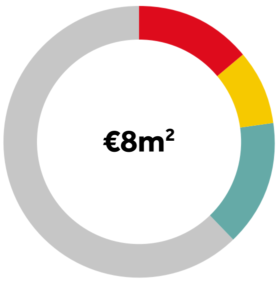
A comprehensive overview of our initiatives in different markets can be found on our website.

Employment skills for young people

With the grave economic disruption resulting from the COVID-19 pandemic, our #YouthEmpowered initiative to improve the employability of young people is more important than ever. We continued to accelerate our flagship programme in 2020. 134,548[1] young participants benefited from the programme's modules, with more than 330,000 participating since #YouthEmpowered was launched.

While many of our initial plans for improving the effectiveness and impact of the programme, including workshops and trainings were challenged by lockdown measures, we continued to make progress with digital formats.

Total community investment 2020



- #Youth Empowered: **14%**
- World Without Waste: **9%**
- Local initiatives: **15%**
- COVID-19 support: **62%**

1. In 2020, the definition of #YE was amended and we included specific requirement for the training duration.
2. Excluding donations from the Coca-Cola Foundation for specific COVID-19 pandemic frontline activities.

Earn our licence to operate *continued*

Modular #YouthEmpowered curriculum

Social skills
- Understanding & development of self
- Interaction
- Feedback
- Communication

Business skills
- Business planning
- Financial literacy
- Project management
- Sales skills
- Negotiation skills
- Time management

In Bulgaria, Hungary, Ukraine and various other markets, we were able to step up engagement with young people through digital platforms re-designed for a local approach. During the year, #YouthEmpowered was recognised as the best innovative project for Ukrainian youth. Our iLearn platform helps the country's students prepare for their graduation exams.

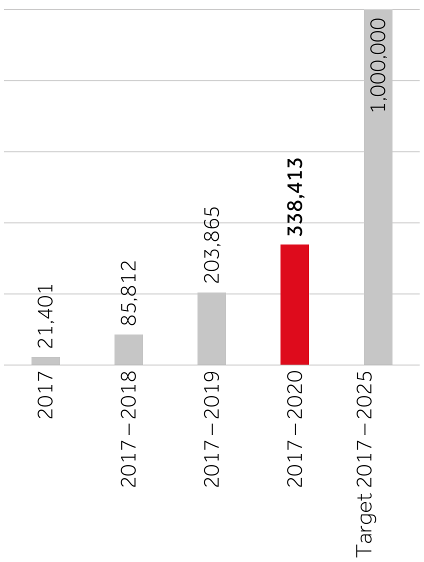
In Italy, we redesigned the #YouthEmpowered partnerships and turned physical workshops into online webinars and we continued our award programme recognising excellence and leadership for girls in science, technology, engineering and maths (STEM). In Croatia, Greece, Russia and Serbia, we re-oriented #YouthEmpowered tools to support the hard-hit hospitality and tourism sectors. In Russia, for example, we created a special edition of #YouthEmpowered for hotels, restaurants and cafés, with modules designed to build skills and re-train employees.

As the COVID-19 pandemic ends and economic recovery begins, we will continue to engage, refining our efforts for greater impact and seeking to reach one million young people across our markets by 2025.

Supporting our communities to learn

We include NGOs and community partners in our leadership development programmes. During 2020, we offered our managers and our partners online sessions for managing virtual teams and leading in times of crisis. We also offered special training in a few of our markets. In Nigeria, we partnered with the US Agency for International Development to offer a professional course called E-WASH (effective water, sanitation and hygiene services) combined with leadership skills, and in Russia, we offered online training in co-operation with the Moscow School for Professional Philanthropy. As a result of these efforts, we have already reached the 2025 target as 13% of the total trained participants in our development programmes were community partners.

Number of young people trained through #YouthEmpowered



#Weareinthistogether | Supporting our communities

Product donations
- Focused on frontline keyworkers & foodbanks

c.5m
litres

Volunteering
- Focused on the vulnerable and our customers

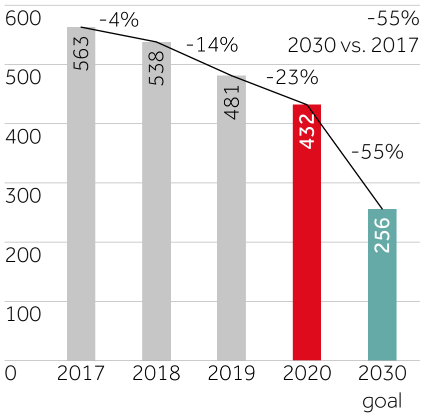
c.768
colleagues

Community relief fund
- Red Cross initiatives
- Support for the hotels, restaurants and cafés channel
- Donations to hospitals

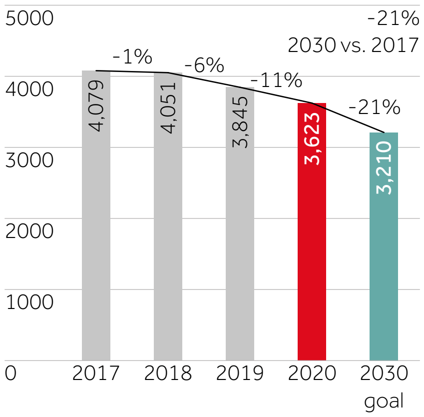
c.€5m

Supply chain leverage
- Sanitiser bottles
- 3D face shields
- Diagnostic tools
- Stocking masks in vending machines

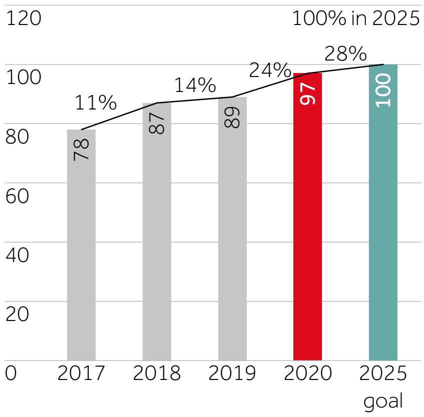
Absolute Scope 1 and 2 CO_2 eq emissions
('000 tonnes)



Absolute Scope 3 CO_2 eq emissions
('000 tonnes)



Renewable and clean* electricity in operations in the European Union and Switzerland (%)



* Clean source means CHP using natural gas.

New targets to reduce emissions by 2030

Coca-Cola HBC was among the first companies that committed to a science-based emissions target in 2016. In 2020, we set new 10-year targets across our value chain which will contribute to the aims of the Paris Agreement, to limit global temperature rises to 1.5°C.

In the next 10 years, we plan to reduce our absolute emissions for our direct operations and production, (scope 1 and 2) by 55% compared with the 2017 baseline levels. Indirect emissions categorised as scope 3, including those associated with distribution and our supply chain, will be reduced by 21%. Those targets have been reviewed and approved by the Science Based Targets initiative, external experts who assess our plans using a rigorous scientific methodology.

Transitioning energy across our operations

In 2020, we made progress against our Mission 2025 commitments despite the challenges arising from the COVID-19 pandemic. We made significant strides in ramping up the use of renewable and clean electricity in our operations with an increase of 7.4% in the EU and Switzerland, reaching 96.7% and an increase of 1.6% across all 28 markets, reaching 44%. We installed renewable energy projects in Nigeria, placing a total of 8,720 solar panels on the roofs of our bottling plants in Maiduguri, Abuja, Asejire and Challawa.

These installations are connected to the local electricity grids and have already saved 690 tonnes of CO_2 emissions in 2020. They will bring savings of 1,250 tonnes of CO_2 emissions per year. All of our electricity needs in Italy, Poland, Lithuania, Croatia, Austria, Switzerland, Northern Ireland, Hungary, Czech Republic and Greece, are generated from renewable sources, saving 87,500 tonnes of CO_2 emissions per annum. In Serbia, we switched to using 100% renewable electricity from the power grid. In Switzerland, our bottling plants were also certified by Swiss Climate as CO_2 optimised.

We have also continued to invest in energy optimisation projects across our markets, assessing and selecting projects using our defined internal cost of carbon:

1. In Austria, we have upgraded the hot water boiler, pumps and heat exchangers which will reduce annual use of electrical energy by 2 million kWh.
2. In Belarus, Romania and Czech Republic, we have introduced efficient LED lighting at our manufacturing sites (plant, offices and pathways), reducing the annual use of electrical energy by 290,000 kWh.
3. In our plants in Kostinbrod (Bulgaria), Timisora (Romania) and Sarajevo (Bosnia & Herzegovina) and Duna (Hungary), we have introduced new high-pressure compressors and optimised our equipment processing, delivering 1.4 million kWh of electrical power savings in 2020.
4. In our operations in Greece and Cyprus, we have optimised several operation systems by assessing air leaks and removing them, improving engines in the ventilation system for fillers, enhancing insulation for the hot water systems, advancing the performance of hot water boilers, as well as optimising the cold storage and handling areas. By means of these measures, we have the potential to lower the electrical power usage by 1.6 million kWh annually.

Green Fleet programme

Our efforts to tackle emission reductions extend throughout our value chain, including Company vehicles. In 2020, we launched a Group-wide Green Fleet programme in order to significantly reduce our scope 1 emissions and third-party fleet scope 3 emissions by 2030. As part of our logistics strategy, we will progressively transition the light and heavy fleet to more environmentally friendly powertrains.

Earn our licence to operate *continued*

UN Sustainable Development Goals

Our community initiatives contribute to the Sustainable Development Goals (SDGs). Our initiatives to empower youth and women contribute to the goals for quality education, decent work and economic growth, sustainable cities and communities, and partnerships. Our initiatives regarding water stewardship, CO_2 emissions reduction and waste reduction aid global progress towards the SDGs for clean water and sanitation, and climate action. Our initiatives in communities help advance the global objectives of good health and wellbeing, and sustainable cities and communities.

1. • bPET is PET made from biological or renewable resources (e.g. plant-based PET).
   • Our current approach favours the use of rPET over bPET. However, we remain open to the use of PET from renewable sources in the future.

Sustainable packaging

As part of The Coca-Cola System's World Without Waste initiative, in 2020 we continued to work with our suppliers to design more sustainable packaging and act to ensure that our packaging does not end up as waste.

Our commitments and action plans:

- Recover 75% of our primary packaging for recycling by 2025 and 100% by 2030
- Make 100% of our packaging fully recyclable by 2025
- Increase the percentage of recycled PET in our bottles from the current level of 10% to 35% by 2025 and to 50% by 2030. In our EU countries, we plan to reach 50% rPET by 2025
- Eliminate unnecessary packaging by light-weighting primary packaging and removing shrink film from multi-packs
- Expand reusable packaging in 'refillable'and in 'dispensed' formats from their current levels of 12% and 4% respectively
- Innovate to deliver new sustainable packaging solutions through partnerships and R&D

Packaging collection

A total of 44% of the bottles and cans that we placed on the market during the year were either refilled or collected for recycling.

To collect 100% of our packaging by 2030, significant change in national collection system infrastructure is required in most of our territories. To that end, we support well-designed, industry-led collection schemes. In 2020, we funded or contributed to 10 new modelling studies to help design the most efficient, high-performing collection systems.

Deposit Return Schemes (DRS) are an appropriate, workable solution – especially in the European Union, where 90% separate collection of PET bottles by 2029 is mandated by the Single Use Plastics Directive. A mandatory DRS typically takes two to three years to design and implement and a further three years before it reaches the high rates of collection that we see with existing schemes in countries such as Estonia or Lithuania.

Given the fact that many countries in our territories are beginning or considering a transition towards DRS, we expect to see future increases in our collection rates following the implementation timeline for these new schemes, with most significant changes anticipated in EU countries from 2022 to 2025.

In 2021, we will continue to advocate for collection infrastructure improvements through modelling work and ongoing support of recovery organisations in all our countries.

rPET

In 2020, 9% of the PET that we purchased was recycled (rPET). This is lower than the 12% reported for 2019, which was a combined figure for both rPET and bio PET (bPET). The decrease in 2020 was driven by several factors, which included:

- A move away from the use of bPET[1]
- Changes in pack mix, channel mix and volumes linked to COVID-related changes in purchasing habits, especially for packaged water.

In 2021, we expect to significantly accelerate our overall rPET usage, as we introduce new 100% rPET packs in several markets for water brands and key Coca-Cola packs.

This acceleration will be supported by the introduction of some innovative new technology. The SIPA/EREMA 'hot washed flake to pre-form' technology will allow us to manufacture 100% rPET pre-forms directly from hot washed PET flakes. Hot washed flakes, which are produced from washed and shredded post-consumer PET bottles, are widely available at a more affordable price than food-grade rPET pellets, thus having the potential to support easier access to recycled materials with a significantly lower price premium versus virgin PET. The technology will also help us to reduce energy consumption for 100% rPET pre-forms by 30% – a real win-win. Our first SIPA/EREMA system will be installed in our Krakow plant in Poland in 2021 and we expect to expand this technology to more countries in the future.

Secondary packaging

In 2020, together with our partners, we developed and launched the new plastic-free 'Grip & Go' pack for can multi-packs using the KeelClip™ technology, which requires 30% less carton than other solutions in the market and uses cardboard from sustainably managed forests. 'Grip & Go' packs were introduced in Ireland, Northern Ireland, and Austria with positive feedback from both consumers and customers. Italy, Switzerland, Poland, Romania, and Greece will follow in 2021 and all EU countries will have 'Grip & Go' packs by early 2022. The initiative will save more than 3,000 metric tonnes of CO_2 and 2,000 metric tonnes of plastic each year.

In 2021, we will also look at developing the next generation of multi-pack solutions for cans with 'ECO-KeelClip™'. This evolved format will further reduce carton usage, delivering an additional reduction in the carbon impact of can multi-packs.

Securing water availability

Coca-Cola HBC is supportive of The Coca-Cola Company's 2030 Water Framework. The objectives include reducing shared water challenges, improving watershed health and sustainable supply chains as well as enhancing community water resilience with a focus on women and girls.

As a result of the new framework, we have reclassified our water priority plants (production facilities in water stress areas, or in areas which lack access to drinking water). Based on this classification, 19 of our 54[1] bottling plants are water priority plants. These plants are in Bulgaria, Greece, Italy, Russia, Nigeria, Armenia and Cyprus. In line with our Mission 2025 and to act where it matters most, we are committed to improve water efficiency in these areas by 20% in 2025 versus the baseline of 2017 and to help to secure water availability for the communities and environment.

We have reduced our water use rate, which is the volume of water used per litre of beverage produced, in our water priority plants by 7.5% compared with the 2017 baseline. The improvement of the water use rate of all our plants has saved 256 million litres versus 2019. We achieved these reductions by optimising cooling towers, boilers and cleaning processes as well as through reuse of backwash water and package rinse water.

In 2020, we have also completed the certification of all of our bottling plants against the standards of the Alliance for Water Stewardship or the European Water Stewardship, with the exception of recent acquisitions (Lurisia and Natura plants), where certification is still ongoing. The certifications confirm that we meet the global benchmark for responsible water stewardship, with 31 bottling plants achieving a Gold or Platinum Standard certification.

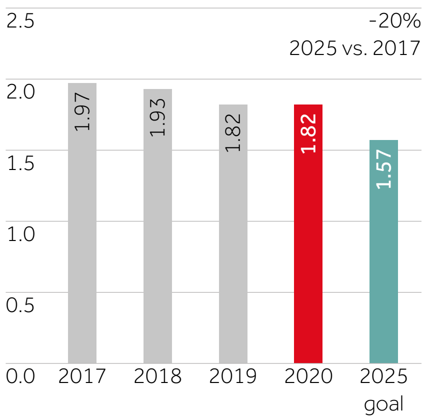
To secure water availability for local communities in Nigeria, we trained a total of 217 participants from five state municipal water suppliers. This training was done in partnership with the Research Triangle Institute (RTI International) and US Agency for International Development with the aim of developing technical and managerial capabilities, supporting the municipal supplier to secure water availability in the communities.

Leadership positions in ESG benchmarks

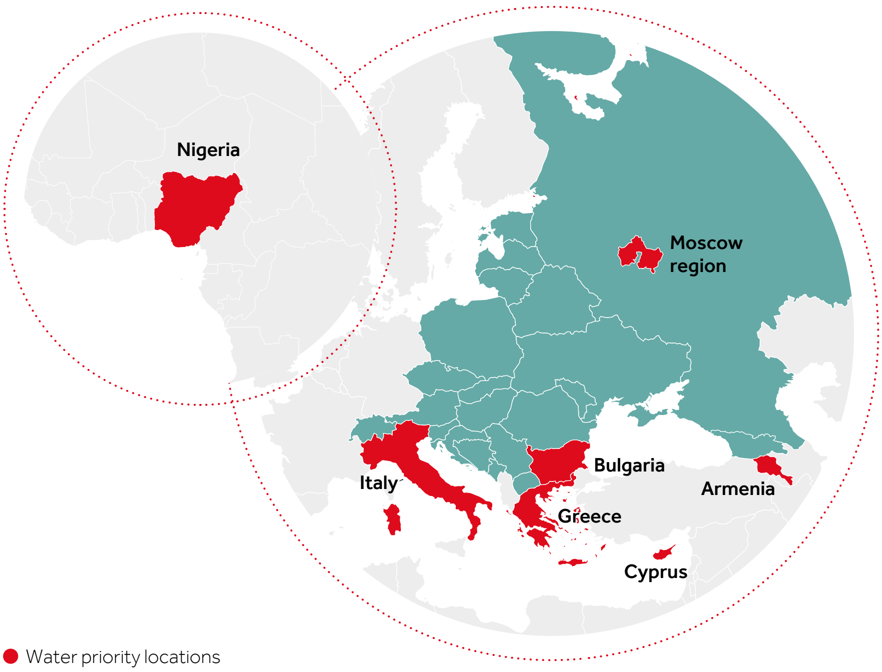
We were again rated Europe's most sustainable beverage company in the 2020 Dow Jones Sustainability Index. In addition we also received an 'A' score in the CDP ratings for climate change and water. In 2020, we also retained our leadership positions and scores in various other ESG benchmarks, for example MSCI ESG, FTSE4Good, ISS ESG and Vigeo Eiris.

Water use ratio in water priority plants

(litre/litre of produced beverage)



Locations with water priority[2] plants



● Water priority locations

1. This number only includes beverage producing plants.
2. Water priority locations are defined based on our comprehensive risk assessment (i.e. access to WASH, water stress and other local risks).

Key performance indicators

Tracking our progress

We measure our performance against our strategic objectives using specific KPIs. These KPIs allow us, and our stakeholders, to track our progress in delivering on our targets.

These are also the financial and operational milestones which we focus on in implementing our Growth Story 2025 strategy.

1 GROWTH PILLAR

LEVERAGE OUR UNIQUE 24/7 PORTFOLIO

2 GROWTH PILLAR

WIN IN THE MARKETPLACE

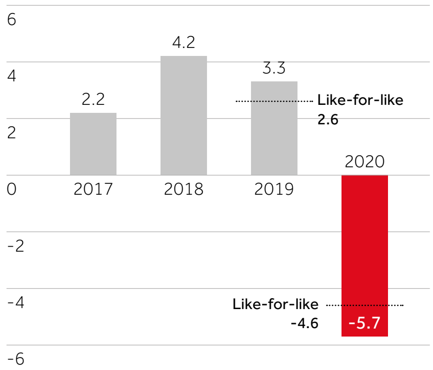
How we measure our progress
Volume is measured in unit cases, where one unit case represents 5.678 litres. For Bambi volume, one unit case corresponds to 1 kilogram. We grow volume as we expand per-capita consumption of our products.

What happened in the year
2020 volume declines were contained at 5.7%, or 4.6% like-for-like, after a notable improvement in the second half with good recovery in Q3 and resilience in Q4.

Link to remuneration
Although revenue will continue to be a measure for MIP awards (and thus volume too as a key component of revenue), for 2020 it was not. The only two KPIs for MIP awards in 2020 were Comparable EBIT and free cash flow.

Read more on page 124.

Volume growth (%)



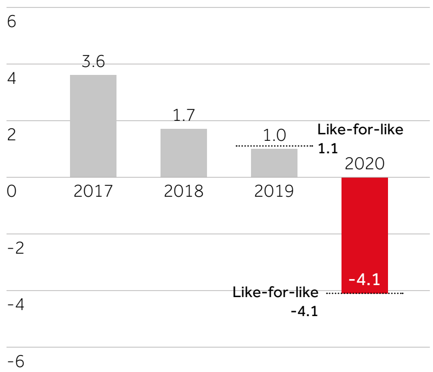
How we measure our progress
We measure revenues on a currency-neutral basis to allow better focus on the underlying performance of the business. We grow FX-neutral revenue per case through pricing as well as driving positive category and package mix.

What happened in the year
Currency-neutral revenue per case declined by 4.1%, seeing a stabilisation of trends in the second half with the benefit of improved trends in package mix. Currency-neutral revenue declined by 9.6%, or by 8.5% on a like-for-like basis.

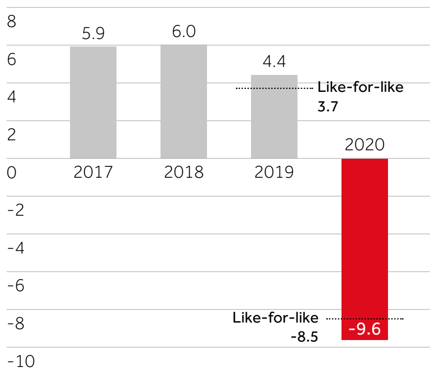
Link to remuneration
Although revenue will continue to be a measure for MIP awards, for 2020 it was not. The only two KPIs for MIP awards in 2020 were Comparable EBIT and free cash flow.

Read more on page 124.

Currency-neutral revenue per case growth (%)



Currency-neutral revenue growth (%)



Performance, unless stated otherwise, is negatively impacted by the change in classification of our Russian juice business (Multon), from a joint operation to a joint venture, following its re-organisation, and positively impacted by the inclusion of H1 2020 performance of Bambi, the acquisition of which was cycled in H2 2020. In addition, profitability is positively impacted by the Group's election to classify share of results of integral equity method investments within operating profit. Like-for-like performance adjusts for all three impacts. For a table of performance measures excluding these impacts, please refer to the 'Supplementary information' section.

3

GROWTH PILLAR

FUEL GROWTH THROUGH COMPETITIVENESS & INVESTMENT

How we measure our progress

We measure this by Comparable OpEx as a percentage of NSR and by Comparable EBIT margin. We generate positive operational leverage as we grow revenues on our efficient cost base.

What happened in the year

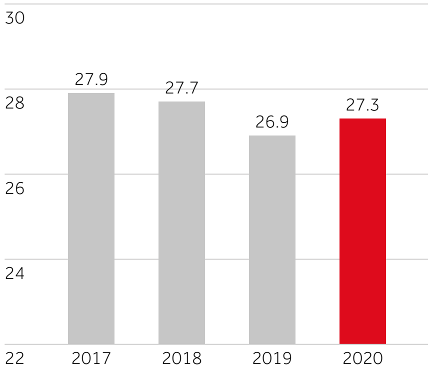
Comparable OpEx as a percentage of NSR increased by 40bps, closing the year at 27.3%. Comparable EBIT margins declined 20bps on a like-for-like basis, a strong performance considering the de-leverage from revenue decline.

Link to remuneration

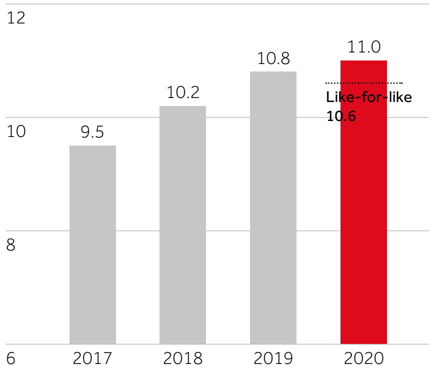
Comparable EBIT is a measure for MIP awards.

Read more on page 124.

Comparable OpEx as percentage of NSR (%)



Comparable EBIT margin (%)



How we measure our progress

We measure CapEx as a percentage of NSR, and ROIC, to ensure prudent capital allocation and efficient working capital management. Disciplined investment supports our growth.

What happened in the year

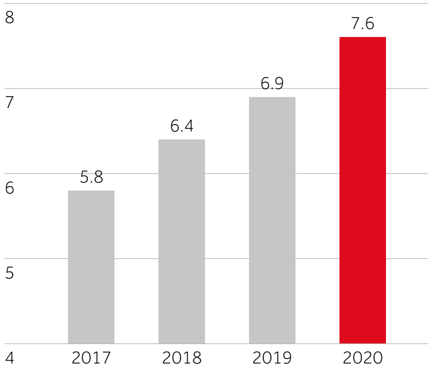
CapEx as a percentage of NSR expanded to 7.6%, while CapEx declined by 3.9% year on year. We reprioritised investments to focus on what mattered most in a year impacted by COVID-19. ROIC declined to 11.1% due to lower operating profit and a higher level of net debt.

Link to remuneration

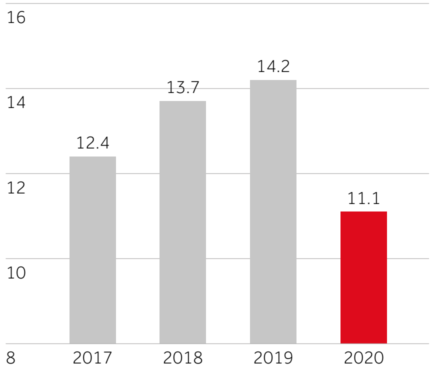
ROIC is a measure for PSP awards.

Read more on page 125.

CapEx as percentage of NSR (%)



ROIC (%)



4

GROWTH PILLAR

CULTIVATE THE POTENTIAL OF OUR PEOPLE

How we measure our progress

We conduct an engagement survey with an independent third party and measure our results against the norm for companies which perform highly on this metric.

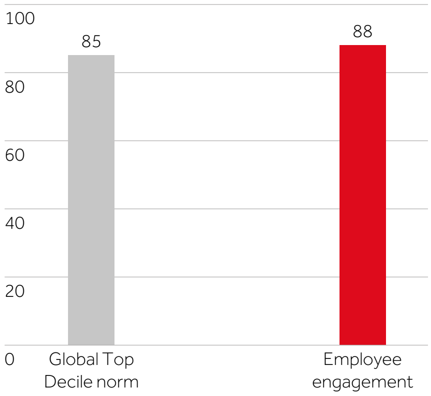
What happened in the year

Our employee engagement is above the high-performing norm.

Link to remuneration

Maintaining our high engagement score was previously a part of the CEO's individual performance metrics. However, as a result of COVID-19 individual performance metrics were not possible for our employees including the CEO and as such, maintaining our high engagement score did not form part of the CEO's remuneration in 2020.

Read more on page 124.



5

GROWTH PILLAR

EARN OUR LICENCE TO OPERATE

How we measure our progress

Progress on Mission 2025.

What happened in the year

Please see our performance on the following page.

Link to remuneration

As a result of COVID-19 individual performance metrics were not possible for our employees including the CEO. As such, maintaining our leadership of the beverage industry in the DJSI did not form part of the CEO's remuneration in 2020. We are introducing a sustainability KBI in the PSP from 2021 onwards.

Read more on page 124.

Sustainability performance

5 EARN OUR LICENCE TO OPERATE

Mission 2025 – our sustainability commitments

Sustainability is integrated across every aspect of our business. It is fundamental to our business strategy, which aims to create and share value with all of our stakeholders.

Our Mission 2025 approach is based on our stakeholder materiality matrix and is fully aligned with the United Nations Sustainable Development Goals (SDGs) and their targets. Our six key focus areas reflect our value chain: reducing emissions; water use and stewardship; packaging (World Without Waste); ingredient sourcing; nutrition; and our people and communities.

We are on track to meet our Mission 2025 commitments. The table provides data on the progress of each of the six sustainability pillars.

Sustainability areas	Material issues	UN's Sustainable Development Goals (SDGs) and their targets
Climate and renewable energy	• Climate change • Economic impact	7 Affordable and clean energy: 7.2, 7.3 9 Industry, innovation and infrastructure: 9.4 11 Sustainable cities and communities: 11.6 12 Responsible consumption and production: 12.2 13 Climate action: 13.1
Water reduction and stewardship	• Water stewardship • Economic impact	6 Clean water and sanitation: 6.1, 6.4, 6.5, 6.6 9 Industry, innovation and infrastructure: 9.4 11 Sustainable cities and communities: 11.6 12 Responsible consumption and production: 12.1, 12.2, 12.4 15 Life on land: 15.1 17 Partnerships for the goals: 17.17
World Without Waste	• Packaging and waste management • Economic impact	8 Decent work and economic growth: 8.4 9 Industry, innovation and infrastructure: 9.4 11 Sustainable cities and communities: 11.6 12 Responsible consumption and production: 12.1, 12.2, 12.5 14 Life below water: 14.1 17 Partnerships for the goals: 17.17
Ingredient sourcing	• Product quality • Human rights, diversity and inclusion • Economic impact • Sustainable sourcing	8 Decent work and economic growth: 8.3, 8.8 9 Industry, innovation and infrastructure: 9.4 12 Responsible consumption and production: 12.1, 12.2, 12.4, 12.6, 12.7 13 Climate action: 13.1
Nutrition	• Product quality • Nutrition • Responsible marketing	3 Good health and well-being: 3.4 12 Responsible consumption and production: 12.8
Our people and communities	• Human rights, diversity and inclusion • Employee wellbeing and engagement • Corporate citizenship • Packaging and waste management • Economic impact	3 Good health and well-being: 3.4, 3.6 4 Quality education: 4.3, 4.4 5 Gender equality: 5.5 8 Decent work and economic growth: 8.5, 8.6, 8.8 10 Reduced inequalities: 10.2, 10.4 11 Sustainable cities and communities: 11.6 12 Responsible consumption and production: 12.2, 12.4 16 Peace, justice and strong institutions: 16.7 17 Partnerships for the goals: 17.16, 17.17

Note: The 17 Sustainable Development Goals (SDGs) are an urgent call for action by all countries – developed and developing – in a global partnership. Each of the 17 goals has very specific targets, referenced by the numbers shown above. You can read more about the SDGs and these targets here: https://sustainabledevelopment.un.org/sdgs.

2025 Commitments[1]		2020 Performance	Status	
30%	reduce carbon ratio in direct operations	24%	✓	
50%	increase in energy-efficient refrigerators to half of our coolers in the market	36%	✓	
50%	of our total energy from renewable and clean[2] sources	44%	✓	
100%	total electricity used in the EU and Switzerland from renewable and clean[2] sources	97%	✓	
20%	water reduction in plants located in water-risk areas (water priority locations)	7%	✓	In 2020, we aligned the number of locations with The Coca-Cola Company and the total number was increased from 16 to 19.
100%	help secure water availability for all our communities in water-risk areas (water priority locations)	21%	✓	See the text above. Four projects out of 19 locations.
75%	help collect the equivalent of 75% of our primary packaging	44%	→	COVID-19 pandemic impact on: pack mix (less RGB more PET), and collection/sorting.
35%	of total PET used from recycled PET and/or PET from renewable material	9%	→	Move away from the use of bPET, COVID-19 pandemic-related changes in pack mix, channel mix, and lower volumes of packaged water.
100%	of consumer packaging to be recyclable[3]	99.9%	✓	
100%	of our key agricultural ingredients sourced in line with sustainable agricultural principles	82%	→	COVID-19 pandemic required to take alternative supply for sugar that was not certified.
25%	reduce calories per 100ml of sparkling soft drinks (all CCH countries)[4]	11%	→	Driven by the increase in sales of Coca-Cola Regular and introduction of Fanta PET 500ml in Nigeria.
10%	community participants in first-time managers' development programmes	13%	✓	We overachieved our 2025 target.
1 MLN	train one million young people through #YouthEmpowered	338,413	✓	Cumulative number 2017-2020, 2020-only number is 134,548.
20	engage in 20 zero waste partnerships (city and/or coast)	7[5]	✓	
10%	of employees take part in volunteering initiatives	6%	→	Due to the COVID-19 pandemic, no mass volunteering events were possible.
ZERO	target zero fatalities among our workforce	ZERO		
50%	reduced (lost time) accident rate per 100 FTE	43%		30% reduction vs. 2019. The main causes for the accidents were road traffic accidents, manual handling and contact with machinery.
50%	of managers are women	38%	→	Turnover in the target population fell, while hiring decreased by over 50% over the same period.

Key for performance status

Each of the Mission 2025 commitments is broken down into a series of annual targets that need to be met in order to be fully on track with our 2025 goal. The colour coding below reflects the current status in relation to the desired position at this point in time on the trajectory towards 2025, i.e.

- ✓ (green) We are fully ahead or on track to meeting the target
- → (yellow) We are not fully on track, but we do not believe there is risk to meeting the target
- → (red) We are not on track, and without corrective action there is risk that we will miss the target

1. Baseline 2017.
2. Clean source means CHP using natural gas.
3. Technical recyclability by design.
4. Baseline 2015.
5. Supported by The Coca-Cola Foundation.

Managing risk and materiality

Material issues

At Coca-Cola HBC we are assessing our material issues annually to fully understand how to manage the risks and opportunities they present and address the challenges we are facing. We ensure that we prioritise issues that have the greatest impact on the economy, society and the environment.

This process also informs our disclosure, including the content of this report. Our Integrated Annual Report is aligned with the principles and elements of the International Integrated Reporting Council's (IIRC) framework and prepared in accordance with the Global Reporting Initiative standards, amongst others. Periodically, we adjust our approach as standards and best practice evolve.

For instance, to improve the transparency of our disclosure for investors and other stakeholders, we have added content this year based on the recommendations from the Sustainability Accounting Standards Board (SASB) for non-alcoholic beverage companies. Enhanced reporting against the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) has also contributed to our approach to this report. For the complete list of frameworks and standards used to prepare our reporting, please see page 240.

In line with the Global Reporting Initiative, our material issues encompass those issues which have significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders.

In late 2020, we conducted our annual materiality survey amongst almost 900 internal and external stakeholders. For the first time, this survey was conducted together with The Coca-Cola Company. The outcome of the materiality survey is a ranking of material issues. By assessing the importance of these issues to our stakeholders and their decisions, combined with an assessment of the impact on society and the environment, we derive the relative materiality of each issue and prioritise them accordingly. The Social Responsibility Committee of the Board subsequently endorses the prioritised list of issues resulting in the materiality matrix below.

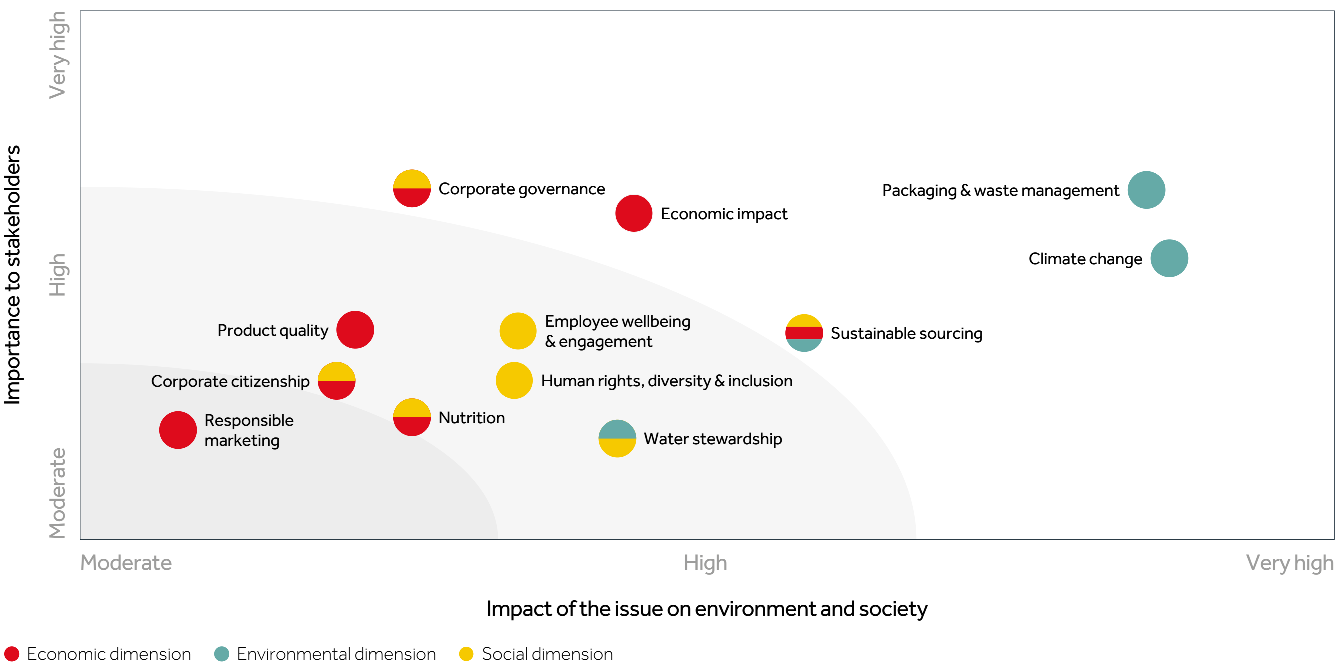
The COVID-19 pandemic impacted how the Company and our stakeholders assessed and prioritised material issues. The resulting economic disruption increased the importance of our economic impact and sustainable sourcing.

Health and safety concerns increased significantly, pushing up the prioritisation of employee wellbeing and engagement. Packaging and waste was again assessed as the number one topic, for the third year in a row, followed by climate change.

The Operating Committee (executive leadership of the Company) has responsibility for integrating our sustainability priorities into our business strategy and activities. Management of the potential risks, opportunities and impacts of our material issues takes place across the Company and is disclosed throughout this report. Additional information about our material issues is included in our GRI Content Index.

We support the UN sustainability agenda and align our efforts with the UN Sustainable Development Goals (SDGs). In 2018, when we published our Mission 2025 sustainability commitments, we linked all our material issues and 2025 targets with the UN SDGs and their underlying targets. You can find more about how our material issues and sustainability commitments link to the SDGs on pages 50-51 of this report and on our website.

2020 Materiality matrix



Recommendations from stakeholder forums inform our plans

As a result of travel restrictions caused by the COVID-19 pandemic, our annual stakeholder forum was held online in 2020. Approximately 100 stakeholders from 20 countries participated, brought together to discuss the forum theme of 'Climate Action in the New Normal'. Participants included our customers, industry associations, academia, non-governmental organisations, policy makers, investors and peer companies.

Climate-related topics discussed included:

- innovative solutions to accelerate emissions reduction;
- the 'triple bottom line' approach to people, planet and profit in the new environment; and
- stakeholders' role in regard to development of a net zero culture within business and communities.

During the forum, a special award was presented to the Nigerian recycle platform RecyclePoints, recognising their outstanding activities for climate action during the COVID-19 pandemic.

The primary outcome of the forum was input from stakeholders that faster decarbonisation is needed, requiring bigger, bolder decisions which will involve adaptation of the business model of the Coca-Cola Company and its bottling partners.
The consensus was that efforts should be targeted in two areas: partnerships and innovation, and leadership to move towards net zero emissions, including awareness-raising for relevant audiences.

Additional stakeholder recommendations included:

- increase use of recycled packaging and packaging alternatives to further reduce emissions;
- consider carbon footprint when promoting refillable packaging and package-free offerings;
- explore technological solutions to further reduce waste;
- inform consumers about alternative packaging and waste solutions;
- engage in power purchase agreements (PPA) to support financing of renewable energy generation sources;
- set standards for partners in the supply chain and source from local suppliers;
- engage in initiatives helping farmers use water more efficiently;
- offer customer awards and subsidies for renewable electricity use;
- work with grassroots communities; and
- engage with younger generations (employees and beyond) and leverage their energy and passion.

These outcomes and recommendations were subsequently discussed with the Social Responsibility Committee of the Board. They form the basis for detailed follow-up action, which will be shared with stakeholders in the first half of 2021.

Throughout 2020, we worked to implement recommendations from our 2019 stakeholder forum, which focused on water stewardship. We also engaged with our stakeholders, explaining the actions we are taking, in a webinar held during the year.

Actions highlighted include the adoption of the new 2030 Water Strategy Framework of The Coca-Cola Company and the related impact on Coca-Cola HBC. In addition, we shared updates about our implementation of key stakeholder proposals received during the 2019 forum. Key implementation activities reported are shown in the graphic below.

Implementation progress for 2019 forum recommendations

Supply chain/ agriculture

- Water use ratio: establish end-to-end monitoring
- Introduce context-based targets in high-risk areas
- Apply true cost of water
- Use big data and new technologies to mitigate risks
- Alliance for Water Stewardship (AWS) dialogue: include water use reduction in standards for agricultural suppliers
- Explore co-operation regarding Asejire reservoir in Nigeria (long-term project)

Partnerships

- Showcase leadership through innovative technologies at local scale
- Expand existing partnerships
- Develop more flexible partnership approach
- Better communicate impact of joint projects, go beyond conventional
- Influence local business, get governments on board

Mindset shift

- Take a 'brave & bold' stand
- Use power of brands, start campaigns through corporate and brand communications
- Position awareness messages on primary packaging
- Use powerful partnerships across markets to raise awareness and amplify achievements such as water use reduction, AWS certifications, etc.

Implemented

In progress

Parked

Managing risk and materiality *continued*

Effective management of risk

Our risk management programme

Our SmartRisk programme, which reflects our approach to enterprise risk management (ERM), drives cultural change by encouraging all employees to take informed risk to leverage opportunities for growth. By fully embedding risk discussions into existing monthly business routines, our leaders continue to boost their ability to identify risks and manage them in a timely manner.

The ERM programme is led by the Group Chief Risk Officer (CRO), who works in close collaboration with the risk owners across our business units and Group functions in assessing and managing business risks. The CRO is tasked with maintaining a wide-angled view of all business streams and emergent risks and opportunities and, through regular reporting, ensures that risk visibility is provided to the Operating Committee and our Board.

The Board retains overall accountability and responsibility for the Group's risk management and internal control systems, has defined the Group's risk appetite, and, through the Audit and Risk Committee, has reviewed the effectiveness of these systems. During the year, the Board considered the nature and extent of the principal risks that have the potential to impact the ability of the Group to achieve its strategic objectives. It reviewed its risk appetite statement to ensure that it remained not only aligned to our objectives but remained supportive of our robust enterprise risk management programme and internal control systems.

Our system of enterprise risk management and internal control monitors operational, strategic, financial, legal and regulatory risk and the Board endorses our risk transference and insurance strategy. Overall, our programme is designed to manage risk and opportunities and encourages our people to embrace the concept of taking smart risks which drive innovation and growth, rather than eliminate the risk of failure in achieving business objectives.

The ERM programme incorporates a variety of processes including:

- alignment to our business strategies, objectives and principles;
- integration in our Group statements on strategic direction, ethics and values;
- integration into the business planning cycle;
- continual monitoring of our internal and external environment for factors that may change our risk profile and create opportunities;
- robust training to increase risk awareness across all business units and functions which are focused on embedding the Smart Risk concepts into our DNA, creating informed risk-taking leaders across all management levels; and
- an annual evaluation of the type and amount of insurance purchased from the market for Group-wide policies while leveraging our captive insurance entity. In a hardening insurance market, our approach is influenced by the availability of insurance cover and cost, measured against the probability and magnitude of the relevant risks.

Programme review

Our internal audit department conducts an annual independent review of the ERM programme and its implementation. The audit team evaluates, across business units and functions, the risk management and business resilience programmes, the specific processes and their application against business best practices and the International Accounting Standards.

The Corporate Audit Director makes recommendations to improve the overall risk management programme, where required, with the findings submitted to the Audit and Risk Committee. Building on the review of our ERM programme, the Board and its committees also conduct annual reviews of the effectiveness of our internal controls and further details of that review are set out in the Audit and Risk Committee report on pages 100-105. Based on its reviews and evaluation, the Board has concluded that our risk management and internal control systems are effective.

The risk management and internal control systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

Aligning risk and materiality

Many of the issues that our stakeholders consider material are not just direct risks for our business but risks to the world that we share. As a result, we also share some collective responsibility for the management of those risks. That not only benefits our business over the longer term but contributes to resolving much broader problems for our communities.

As noted in the Materiality Index, packaging, recycling and waste management; and climate change featured as the top two material issues for our stakeholders. These, along with a number of other material issues, also represent the most significant longer-term risks – and opportunities, for our business as outlined in our principal risks.

This alignment reflects our view that we are a part of the fabric of the communities in which we operate and we need always to act accordingly.

Risk management in a challenging environment

In 2020, our risk management programme was given even greater emphasis with regular discussions on emergent risks and opportunities associated with COVID-19 and the enhanced monitoring and assessment of our principal risks.

Restrictions on physical access to our workplaces brought challenges for the implementation of our risk management programme. With the support of our IT colleagues, we were able to quickly adapt our working arrangements to an online environment. This enabled us to maintain all of our risk management routines and ensure continuity of the programme.

These new working arrangements provided opportunities for broadening participation in a number of key areas. In 2021, we will use these lessons to improve the level of engagement, and the insights that engagement provides, to improve our programme.

In response to the potential impact of COVID-19 on our business, very early in 2020 we leveraged our robust organisation-wide Incident Management and Crisis Resolution (IMCR) programme to establish a COVID-19 Taskforce that set clear priorities focused on protecting our people, safeguarding our product supply, responding to new patterns of customer and consumer demand, preserving cash and supporting the communities in which we operate.

In September 2020, the Company appointed a new CRO. Our new CRO has over 30 years' experience in risk and crisis management across a variety of organisations and industries, including The Coca-Cola Company. We expect our new CRO will seamlessly build on and continue to enhance our risk management and business resilience function into the future.

The ERM framework and underpinning process was reviewed in the last quarter of the year. An outcome of that review was to more closely align the programme with Growth Story 2025 so that all managers have a more direct line of sight between managing risks they have some responsibility for and achieving our Company growth targets. In addition, we identified opportunities to enhance cross-functional discussion and share best practices in risk mitigation across the business.

Principal risks

The cyclic review of our principal risks involves an assessment of the likelihood of their occurrence and their potential consequences to confirm the level of exposure and evaluate the strategies to manage them. Our list of principal risks, presented on pages 58-61, involves a long-term view which evolves over time.

In 2020, the COVID-19 pandemic had a significant impact on our business and particularly on two of our principal risks – channel mix and health and safety. As indicators of the broad impact that the COVID-19 pandemic might have on our business and our people began to emerge in early 2020, our Group COVID-19 Operational Task Force worked closely with Company business units to identify additional actions to be taken to reduce the impact on our business.

Restrictions across our markets saw hotels, restaurants and cafés close down for extended periods of time. This had a significant impact on one of our primary channels for providing our products to consumers.

Despite this, our strong relationships with partners and customers, together with the resilience and adaptability of our people and our business, enabled us to adjust to meet changing demand.

Many of our smaller customers, smaller cafés and restaurants for example, have been severely impacted by the COVID-19 pandemic. While it increased short-term credit risks, the Company took a long-term view of the situation, using this time to support many of our smaller customers and invest in building relationships which will pay dividends over time.

As noted in our viability statement, while the longer-term changes to our markets are still uncertain, we are confident that with the widespread distribution of vaccines and the focus of governments in our markets on economic recovery, the impact of the COVID-19 pandemic is likely to dissipate in the short to medium term.

The health and safety risks to our people of acquiring and transmitting COVID-19 were considerable, and our Board moved to prioritise safety in early 2020. Additional measures were put in place across offices and production & distribution facilities to reduce the risk of transmission and advice was provided to our people to reduce the risk of acquiring the disease. Contingency plans to manage potential staffing shortfalls were established but not required.

We continue to carefully monitor COVID-19 cases in each market and investigate increases or unusual concentrations. We have also learned from what has worked well in certain markets and shared best practices to safeguard the wellbeing of our employees, customers and communities.

The changing nature of the workplace, with a dramatic shift to working from home during 2020, also provided challenges as far as providing a safe workplace and ensuring additional support for family care and mental health concerns. The Company encouraged our employees to access our Employee Assistance Programme to help support our people through these trying times.

We saw an increase in political and social instability with hostilities in Armenia and protest activity in Belarus and Nigeria. This instability increased personal security risks to our people and had some short-term operational impacts on our business.

There is evidence of increasing social discontent and dissatisfaction with incumbent governments around the world, particularly amongst younger people who believe that political leaders are not listening to them or acting quickly enough on issues that are high on their agenda, including equality and climate change.

This dissatisfaction may be exacerbated by widening gaps between groups disproportionally impacted by COVID-19 and governments introducing additional measures to restore economies. This may lead to unrest and protest activity creating personal security risks for our people as well as disruptions to our business.

COVID-19 has led to higher levels of sovereign debt across our territories, that may slow economic growth and impact consumer spending. It may also lead to increased corporate taxes and additional discriminatory taxes such as sugar taxes and non-recyclable plastics and water levies as governments look to reduce debt, broaden the tax base and respond to consumer concerns around health and climate change.

The global geopolitical and macroeconomic environment remains volatile and complex, with the potential to adversely impact our business. It therefore remains a focus for our ERM programme.

Cyber security risks increased during the year and that was reflected in a number of well-publicised attacks against a variety of companies and industries. The increase in the number of people working from home increased opportunities for malicious acts. The Company continued to enhance its IT security programme to mitigate those risks by aligning with the NIST Cyber Security Framework and continuously increasing our ability to respond to increasingly sophisticated cyber attacks by improving our people capabilities, processes and technology.

In 2020, we retained our focus on managing our key sustainability risks with continued management attention and investment in new technologies. Our aim is to reduce the longer-term impact of climate change on the business, to improve efficiencies and to reduce our impact on the environment. This reflects our commitment to our long-term Mission 2025 strategy despite the shorter-term pressure on our financial resources resulting from the COVID-19 pandemic.

Managing risk and materiality *continued*

Access to water is fundamental for healthy communities and the environment as well as for our operations. Climate change is impacting the availability of water in some parts of the territories in which we operate. This may lead to increasing scarcity, production halts and generally higher costs associated with water. Failure to decrease our net use of water and contribute to resolving water challenges for our communities and the environment could lead to increasing regulatory attention and a decline in stakeholder trust.

Last year, we renewed our Water stewardship policy. We also continued to assess the potential impact of climate change on water availability in regions in which we operate.

We are using tools from recognised organisations, such as the World Wildlife Federation (WWF) and the World Resource Institute (WRI), to assess future water risks for different temperature scenarios. The outcomes are the basis for our long-term management plans to assure supply and business continuity as well as making a contribution to water challenges facing our communities.

A broader discussion on our climate-related risks, their link to materiality, and our risk management approach is provided as part of our statement on implementing the recommendations of the Task Force on Climate-related Financial Disclosures located on page 62-63.

Our robust risk management programme is integrated into monthly business routines and evaluates risks against our business and strategic priorities, ensuring we remain vigilant to the uncertainty in our operating environment and can react with greater speed.

The programme enables us to proactively identify new risks and opportunities, which in turn allows us to understand threats to our business viability. This analysis is the key component of our qualitative review process in support of our viability statement.

Emerging risks

It should be noted that the list of principal risks does not include all risks that can ultimately affect our Company as there are risks that are not yet known to us, and risks currently evaluated to be immaterial that could ultimately have an impact on our business or financial performance. We also monitor emerging risks, which may not yet be having a measurable impact on us and around which a significant amount of uncertainty exists and are therefore difficult to assess quantitatively. We establish and monitor early warning indicators to provide insights into how these risks are evolving.

E-commerce

COVID-19 has accelerated the acceptance and popularity of e-commerce and the development of new technologies that support that growth. We expect that growth to continue well after the current COVID-19 influenced environment.

Our products are already widely available on many e-commerce platforms. However, e-commerce is changing the path to purchase from traditional retailers to online platforms. This not only increases convenience for consumers, but also enables e-commerce platforms to build direct relationships with consumers and influence their purchasing decisions.

E-commerce provides significant opportunities for our business in direct to consumer as well as indirect to consumer delivery. It also creates new risks. Technology and business models supporting e-commerce are relatively new and changing rapidly. We expect some degree of obsolescence and potential failures as e-commerce continues to evolve.

Changes in technology

Changes in technology are contributing to disruption in many industries. Traditional barriers to entry that have provided our business with a competitive advantage – such as investment in research and development, manufacturing scale and capability, distribution networks, marketing capabilities, access to finance and retailer relationships – are still critical to our business but are increasingly less of a barrier to new, smaller entrants and existing competitors.

We mitigate this change by continually assessing and investing in new technologies to leverage the strength of our portfolio, enhance the capabilities of our people, improve the efficiency of our manufacturing and distribution and innovate in our route to market.

Supply chain integrity

Consumers, investors and other stakeholders are increasingly interested in knowing the origin and sustainability of our products and all ingredients used. Natural resource management is critical for the environment and the long-term sustainability of our business. The growing expectation of transparency leads to greater scrutiny of the integrity of our entire value chain.

Our Company has a well-established supply chain management system and robust set of Supplier Guiding Principles that all suppliers are expected to comply with to meet our high-quality standards and our expectations for the ways they operate. This includes adherence to stringent human rights and sustainable agricultural practices. As we deepen the assessment of supply chain practices, we may uncover practices that need to change either gradually or at a faster pace. Such changes may generate costs to our business as well as generate reputation risks.

To assess and monitor changes in transparency expectations, we support and participate in a number of reporting frameworks. We will include additional consideration of this key area in our assessment of strategic risks in the first half of 2021.

Viability statement

Business model and prospects

Our business model and strategy, outlined on pages 14-17 of this report, documents the key factors that underpin the evaluation of our prospects. These factors include our:

- attractive geographic diversity;
- strong sales and execution capabilities;
- ability to innovate;
- market leadership;
- global brands; and
- diverse beverage portfolio.

Like most companies, COVID-19 has created a challenging environment for the Group. Despite significant changes to how consumers purchase and consume our products and the impact on our customers, our strong cash position and ability to innovate has shown the Group's business to be robust. It is not yet clear how long the current conditions will continue to impact our business and will be affected by the efficacy of vaccines, the degree of uptake and achievement of herd immunity, and the ability of governments to manage the economic recovery.

The Board considers that there will be changes to our markets over the longer term but continues to believe that our diverse geographic footprint, including exposure to emerging markets with low per capita consumption, and a proven strategy in combination with our leading market position, offer significant opportunities for future growth. Our Board has historically applied and continues to apply a prudent approach to the Group's decisions relating to major projects and investments. From 2016 to 2020, we generated free cash flow of €433 million per year on average.

Key assumptions of the business plan and related viability period

The Group maintains a well-established strategic business planning process which has formed the basis of the Board's quantitative assessment of the Group's viability, with the plan reflecting our current strategy over a rolling five-year period.

The financial projections in the plan are based on assumptions for the following:

- key macroeconomic data that could impact our consumers' disposable income and consequently our sales volume and revenues;
- various scenarios relating to the ability of governments in some key markets to manage economic recovery from the impact of COVID-19;
- key raw material costs, including availability and cost of water;
- foreign currency rates;
- spending for production overhead and operating expenses;
- working capital levels; and
- capital expenditure.

The Board has assessed that a viability period of five years remains the most appropriate. This is due to its alignment with the Group's strategic business planning cycle, consistency with the evaluated potential impacts of our principal risks as disclosed on pages 58-61 and our impairment review process, where goodwill and indefinite-lived intangible assets are tested based on our five-year forecasts.

Assessment of viability

Qualitatively, we analysed the output of our robust enterprise risk management and internal business planning and liquidity management processes, to ensure that the risks to the Group's viability are understood and are being effectively managed.

The Board has concluded that the Group's well-established processes across multiple streams continues to provide a comprehensive framework that effectively supports the operational and strategic objectives of the Group. It also provides a robust basis for assessment and confirmation of the Group's ability to continue operations and meet its obligations as they fall due over the period of assessment.

Supporting the qualitative assessment was a quantitative analysis performed as part of strategic business planning. This assessment included, but was not limited to, the Group's ability to generate cash.

In the shorter term, our assessment was based on the assumption that implementation of broader COVID-19 vaccination programmes across our markets would see permanent lifting of restrictions and general recovery of out-of-home channels in the latter half of 2021. However, we also considered the effect of longer than expected recovery due to complications in the effective roll-out of vaccination programmes, market specifics and the impact of COVID-19 variants across our markets. We also considered higher levels of defaults brought about by an extended period of return to pre-COVID-19 levels.

In the medium to longer term we considered the impact of high levels of sovereign debt and negative growth rates in some of our key markets and the general impact these may have on economies and consumer spending.

We have continued to stress test the plan against several severe but plausible downside scenarios linked to certain principal risks as follows:

Scenario 1: The impact of changes to foreign exchange rates was considered, particularly the depreciation of foreign currencies including the Russian rouble and Nigerian naira. Principal risk: foreign exchange and commodity costs.

Scenario 2: Lower estimates for sales volumes for various reasons including the longer term, ongoing changes brought on by COVID-19 and the ability of a range of stakeholders, including governments, in several of our key markets to manage economic recovery. Principal risk: geopolitical and macroeconomic.

Scenario 3: Lower estimates for sales revenue for various reasons including the longer term, ongoing changes brought on by COVID-19 on consumer demand and preferred channels. Principal risk: channel mix.

Scenario 4: Continued stakeholder focus on issues relating to sugar and packaging resulting in the potential for discriminatory taxation. Principal risks: sustainability: plastics and packaging waste and consumer health and wellbeing.

Scenario 5: The impact of higher raw material costs, including cost of water, was also considered. Principal risk: foreign exchange and commodity costs; sustainability: water availability and usage.

The above scenarios were tested both in isolation and in combination. The stress testing showed that due to the stable cash generation of our business, the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts. This could be conducted by making adjustments, if required, to our operating plans within the normal course of business, including but not limited to temporary reductions in discretionary spending.

Following a thorough and robust assessment of the Group's risks that could threaten our business model, future performance, solvency or liquidity, the Board has concluded that the Group is well positioned to effectively manage its financial, operational and strategic risks.

Viability Statement

Based on our assessment of the Group's prospects, business model and viability as outlined above, the Directors can confirm that they have a reasonable expectation that the Group will be able to continue operating and meet its liabilities as they fall due over the five-year period ending 31 December 2025.

Managing risk and materiality *continued*

Principal risks	Description	Potential impact
1. Sustainability: Plastics and packaging waste V 3 5	Concerns related to packaging waste and plastic pollution.	• Decreased credibility in public discussions • Long-term damage to our reputation and licence to operate • Increased cost of doing business, including discriminatory taxes • Loss of consumer base
2. Sustainability: Climate change 5	The risks associated with unpredictable and more volatile effects of weather. Failure to reduce carbon emissions along the value chain.	• Commodity availability • Disruption of operations and distribution • Long-term damage to our reputation and licence to operate • Increased cost of doing business
3. Sustainability: Water availability and usage V 5	The risks in our operations, sourcing areas of raw materials, communities and the environment related to water availability, water stress and water quality.	• Availability of water for the communities that we operate within and the environment • Long-term damage to our reputation and licence to operate • Water shortage for our operations may lead to production interruptions • Increased cost of water sourcing and treatment
4. Consumer health and wellbeing V 1	Failure to adapt to changing consumer health trends, misconceptions about the health impact of our products.	• Failure to achieve our growth plans • Long-term damage to our reputation and licence to operate • Loss of consumer base • Potential imposition of discriminatory taxation
5. Cyber incidents 3	A cyber attack or data centre failure resulting in business disruption, or breach of corporate or personal data confidentiality.	• Financial loss • Operational disruption • Damage to corporate reputation • Non-compliance with data protection legislation (e.g. GDPR)
6. Health and safety 4	The risk of health and safety and occupational workplace incidents involving our employees, contractors or third-party logistics providers.	• Death, injury or disease of employees, contractors or members of the public • Employee engagement and motivation • Attraction of talent/prospective employees
7. Channel mix V 2	The immediate consumption channel remains under pressure and accelerated as consumers altered consumption habits and shifted occasions from out-of-home to at-home. A continued increase in the concentration of retailers and independent wholesalers on whom we depend to distribute our products.	• Reduced availability of our portfolio and overall profitability

Principal risks trend

Increasing

Stable

Decreasing

V Risk included in viability assessment

Link to growth pillars

1 2 3

4 5

Key mitigations	Link to material issues
• World Without Waste global vision • Mission 2025 packaging related commitments • Partnerships with local communities, NGOs, start-ups and academia to manage packaging recovery and minimise environmental impacts	• Packaging and waste management • Sustainable sourcing
• New science-based target for 2030 • Energy management programmes and transition to renewable and clean energy • Engagement and partnering with local and international stakeholders • Focus on sustainable procurement • Physical risk analysis including quantification and stress testing in line with TCFD recommendations • Natural disaster plans in place across the operations	• Climate change • Sustainable sourcing
• Source vulnerability assessments (SVAs) to identify and mitigate water supply risks are performed at all plants • Alliance for water stewardship certification, to identify and mitigate shared water risks in the catchment areas are performed at all plants • All key water-related risks are consolidated in the water-risk register and shared quarterly with Supply Chain Management • Water usage reduction plans and wastewater discharge monitoring is implemented in all plants • Water priority locations are identified, and context-based action plans are prepared • Water stewardship initiatives and other forms of engagement and partnering with local and international stakeholders	• Water stewardship • Sustainable sourcing
• Focus on product innovation and expansion to a 24/7 beverage portfolio • Expand our range of low- and no-calorie beverages • Introduce smaller packs • Reduce the calorie content of products in the portfolio • Clearer labelling on packaging • Promote active lifestyles through consumer engagement programmes focused on health and wellness • Address misconceptions about the health impacts of our products	• Nutrition • Product quality • Responsible marketing
• Implement a NIST-aligned cyber security and privacy control framework and monitor compliance • Safeguard critical IT and operational assets • Enhanced ability to detect, respond and recover from cyber incidents and attacks • Foster a positive culture of cyber security • Monitor threat landscape and remediate associated vulnerabilities • Integration of Cyber Incident Response Plan into IMCR Framework	• Economic impact
• COVID-19 prevention protocol in place across the organisation • Monitoring system for internal COVID-19 cases and enhanced rapid response to reduce risk of transmission • New Group-wide policy and supporting materials for improved mental health • Behavioural-based Safety Programme in place at all our facilities • Standardised programmes, policies and legislation applied locally • Group oversight by the Health and Safety (H&S) Team • H&S Board with mandate to accelerate the H&S step-change plan implementation	• Employee wellbeing & engagement
• Prioritisation of assortment per channel to drive higher margin packs • Enhanced marketing campaigns to capture growing occasions of socialising at home accelerated by COVID-19 restrictions • Refreshed and enhanced key account capabilities and tools to partner and grow profitable revenue with customers • Work closely with our out-of-home channel customers to drive transactions and support them selling online to more effectively manage the impact of COVID-19 or in their re-opening as restrictions ease • Accelerate Right Execution Daily (RED) to support our commitment to operational excellence • Develop our digital and e-commerce capabilities to capture opportunities associated with existing and new distribution channels • Localised management plans in specific countries dependent on channel impact and risk and including variance in the impact of COVID-19 restrictions	• Economic impact

Managing risk and materiality *continued*

Principal risks	Description	Potential impact
8. Foreign exchange and commodity costs (Increasing; V; 3)	Foreign exchange and commodity exposure arises from changes in exchange rates and commodity prices. Currency devaluation combined with capital controls restricts movement of funds and increases the risk of asset impairment.	• Financial loss • Increased cost base • Asset impairment • Limitations on cash repatriation
9. Geopolitical and Macroeconomic (Increasing; V; 1 2 3 4)	Volatile and challenging macroeconomic, security and geopolitical conditions together with adverse global events including health-related issues can affect consumer demand and create security risks across our diverse markets.	• Eroded consumer confidence affecting discretionary spending • Potential imposition of discriminatory taxation • Inflationary pressures • Social unrest • Safety of people and assets
10. People (Stable; 4)	Inability to attract, retain and engage sufficient numbers of qualified and experienced employees in highly competitive talent markets.	• Failure to achieve our growth plans
11. Quality (Stable; 3)	The occurrence of quality/food safety issues, or the contamination of our products across our diverse brand portfolio.	• Damage to brand and corporate reputation • Loss of consumer trust • Reduction in volume and net sales revenue
12. Ethics and compliance (Stable; 5)	The risk of fraud against the Company as well as risk of Anti-Bribery and Corruption (ABAC) fines or sanctions if our employees, or the third parties we engage to deal with governments, fail to comply with ABAC requirements. The risk of inadvertent non-compliance with international sanctions in certain countries.	• Damage to our corporate reputation • Significant financial penalties • Management time diverted to resolving legal issues • Economic loss because of fraud and reputational damages, fines and penalties, in the event of non-compliance
13. Strategic stakeholder relationships (Stable; 1)	We rely on our strategic relationships and agreements with The Coca-Cola Company (including Costa Coffee), Monster Energy and our premium spirits partners.	• Termination of agreements or unfavourable renewal terms could adversely affect profitability

Principal risks trend

- Increasing
- Stable
- Decreasing

V Risk included in viability assessment

Link to growth pillars

1 2 3 4 5

Key mitigations	Link to material issues
• Treasury policy requires, where possible, the hedging of 25% to 80% of rolling 12-month forecasted transactional foreign currency exposure • Hedging beyond 12 months may occur in exceptional cases, subject to approval of Group CFO • Treasury policy requires, where possible, the hedging of rolling three-year commodity exposures; different policy limits apply for each hedgeable commodity • Derivative financial instruments are used, where available, to reduce net exposure to currency and commodity price fluctuations	• Economic impact
• Seek to offer the right brand at the right price in the right package through the right channel • Robust security practices and procedures to protect people and assets • Crisis response and business continuity strategies that enable effective responses to adverse events	• Economic impact • Corporate citizenship • Employee well-being & engagement
• Upgrade our Employer Value Proposition and Employer Brand • Develop leaders and people for key positions internally, improve leaders' skills and commitment for talent development • Continuous employee listening to address culture and engagement effectively • Promote an inclusive environment that allows all employees to achieve their full potential • Create shared value with the communities in which we work to ensure we are seen and considered as an ethical business with an attractive purpose • Expand talent pool by hiring more diverse workforce	• Employee well-being & engagement • Human rights, diversity & inclusion • Corporate citizenship
• Stringent quality/food safety processes in place to minimise the likelihood of occurrence • Early warning systems that enable fast issue identification • Robust response processes and systems that enable us to quickly and efficiently deal with quality/food safety issues, ensuring customers and consumers retain confidence in our products	• Product quality
• Annual 'Tone from the Top' messaging • Code of Business Conduct, ABAC and commercial compliance training and awareness campaigns for our entire workforce, training on international sanctions for our employees exposed to this risk • All third parties that we engage must comply with our Supplier Guiding Principles, which include ABAC and international sanctions compliance • All third parties that we engage to deal with governments on our behalf are subject to ABAC due diligence. Screening of third parties and transactions potentially exposed to international sanctions risk • Cross-functional Joint Task Forces in Nigeria and Russia that proactively address risks in our key operations • Risk-based internal control framework and assurance programme with local management accountability • Periodic risk-based internal audits of ABAC compliance programme • 'Speak Up Hotline'	• Corporate governance
• Management focus on effective day-to-day interaction with our strategic partners • Working together as effective partners for growth • Engagement in joint projects and business planning with a focus on strategic issues • Participation in 'Top to Top' senior management forums	• Economic impact • Corporate governance

Managing risk and materiality *continued*

Managing climate change risk

Assessment and mitigation of climate-related risk is integrated into our enterprise risk management programme across our business units and Group functions. Using this framework, we take a robust risk-based approach in responding to the physical and transitional risks associated with climate change. We analyse our internal data points and work with recognised specialist agencies, our insurance brokers and insurers to obtain regional analysis of climate science which enables us to make informed decisions in respect to our business resilience and viability. This analysis also improves our understanding of the potential climate vulnerabilities in our operations and the communities in which we distribute our product portfolio.

This data is shared across our business units, enabling them to build climate resilience into their planning and operations.

The Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) with the aim of improving industry disclosure of climate-related risks and opportunities.

At Coca-Cola HBC we believe that the recommendations of the TCFD were an important step in the establishment of an accepted voluntary framework for reporting climate-related risks and their financial impacts. We support efforts to improve the quality and consistency of disclosures and have been a leader in the field having made our first carbon reduction commitments in 2006 and subsequently being one of the first companies in the world to introduce science-based targets.

Our TCFD working party continued to focus on the implementation of the core elements of the four pillars of governance, strategy, risk management and metrics and targets.

The Board continued to have oversight of climate-related risks and opportunities through the activities of the Social Responsibility Committee and the Audit and Risk Committee.

Moving forward, we will enhance our understanding of the quantitative impact of climate change by considering a variety of climate scenarios and timeframes and focusing on greater levels of detail on the financial impact.

Location of TCFD aligned disclosures	
Governance: Disclose the Company's governance around climate-related risks and opportunities	
a) Describe the Board's oversight of climate-related risks and opportunities	Social Responsibility Committee, pages 108-109
b) Describe management's role in identifying, assessing and managing climate-related risks and opportunities	Audit and Risk Committee, pages 100-105 Risk and materiality, pages 52, 54-56
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the Company's business, strategy and financial planning where material	
a) Describe the climate-related risks and opportunities that the organisation has identified over the short, medium and long term	Material issues, page 52; Principal risks, pages 58-59, 64-65
b) Describe the impact of climate-related risk and opportunity on the Company's business, strategy and financial planning	Principal risks, pages 58-59, 64-65 Earn our licence to operate, pages 42-47
c) Describe the resilience of the organisation's strategy considering different climate-related scenarios, including a 2-degree or lower scenario	Managing climate change risk, pages 62-63 2020 CDP Climate response
Risk management: Disclose how the Company identifies, assesses and manages climate-related risks and opportunities	
a) Describe the Company's process for identifying and assessing climate-related risks and opportunities	Risk and materiality, pages 52, 54-56
b) Describe the Company's process for managing climate-related risks and opportunities	Principal risks, pages 58-59, 64-65 Key performance indicators, pages 45,47, 50-51 2020 GRI Content Index
c) Describe how these processes are integrated into the overall risk management programme	Risk and materiality, pages 52, 54-56
Metrics and targets: Disclose the metrics and targets used to assess and manage climate-related risks and opportunities	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	New targets to reduce emissions by 2030, page 45 Charts on page 45 with all Scopes 2020 GRI Content Index, Environmental table, pages 34-35
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	

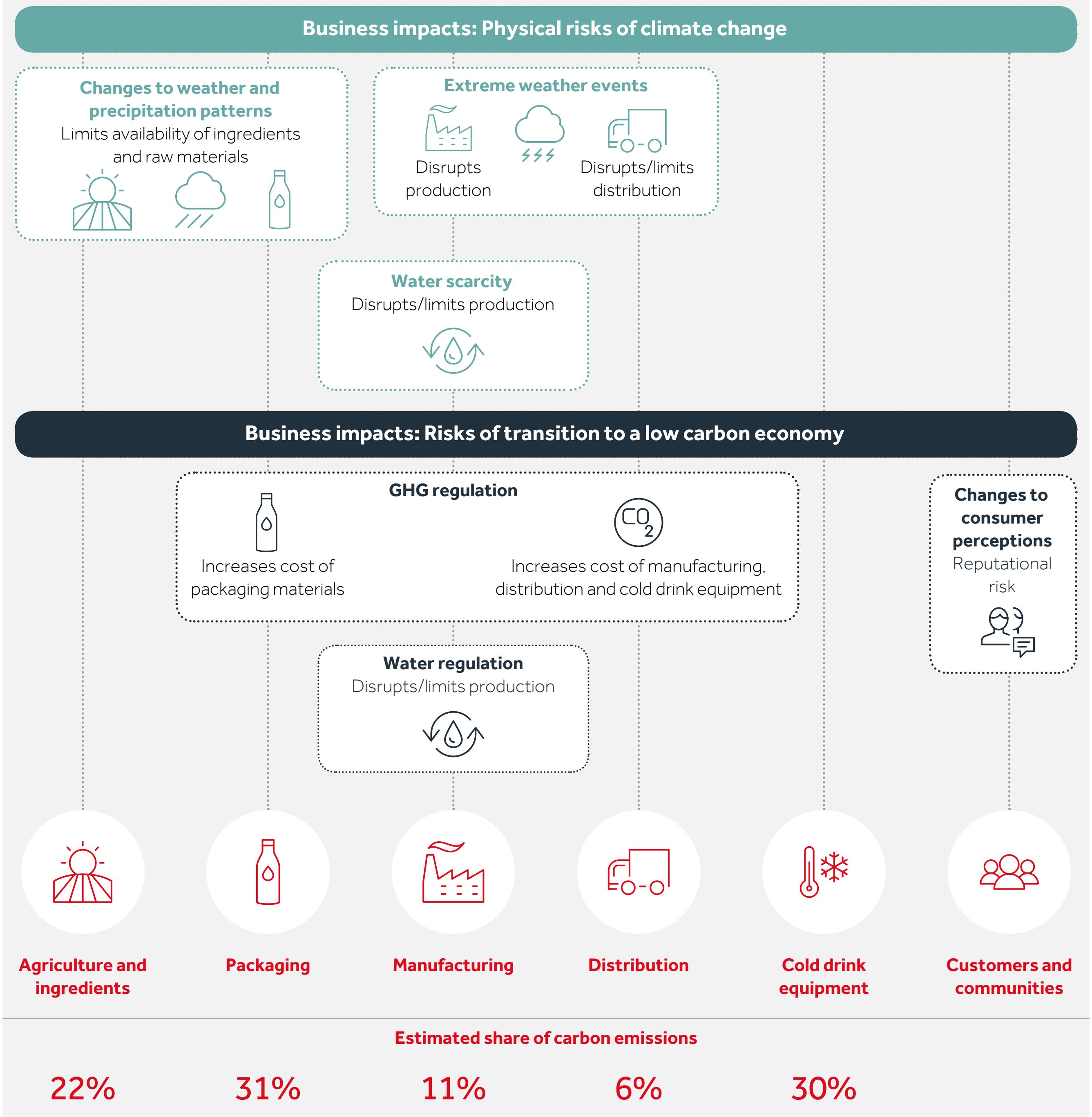
Given the complexity of this undertaking and the need for geographically specific data, some of which may not be available in sufficient detail, we have decided to take a staged approach, focusing first on one of the areas of highest priority to our business – the impact of climate change on water availability in key markets. For more about this, please see the description of water availability as a principal risk on pages 58-59.

The response to climate change transcends all areas of our strategy and operations and, as a result, our TCFD disclosures can be found throughout this report. The table on the left documents how our disclosures and discussions on climate change in this report align to the TCFD recommendations and where specific information can be found.

For additional information on our climate-related disclosures, see our 2020 CDP submission here: 2020 CDP Climate response.

The impact of climate change risk

The Coca-Cola Company and its global bottling partners, including Coca-Cola HBC, have identified eight material risks relating to the physical and transitional impact of climate change on our business and these are depicted in the following diagram. For more details on these eight risks, please see next page 64 and 65.



Managing risk and materiality *continued*

Physical risks

Physical risks are those caused by higher concentrations of greenhouse gases in the atmosphere which in turn lead to higher average temperatures, more acidic oceans, changing weather patterns and rising sea levels.

Extreme weather and changing weather and precipitation patterns can impact our business in the following ways:

1. Disruption to manufacturing from extreme weather

Extreme weather events including floods and storms can disrupt and/or damage our manufacturing facilities leading to an inability to supply products to our customers and significant costs associated with repairs. It can also lead to injuries to our people.

We currently mitigate the financial costs of extreme weather events through our property damage insurance programme. This includes annual surveys of our facilities by external risk engineers. We have also established a robust business continuity programme that includes management of extreme weather to protect our people and to minimise losses. During the year, we carried out additional assessments of plants and warehouses at risk due to extreme weather.

We recognise that much of the data we currently use in our assessments is based on historical information. Moving forward, we will increasingly include projected data using at least two different climate scenarios to enhance our understanding of the potential impact on our manufacturing.

2. Disruption to distribution caused by extreme weather

Extreme weather may impact key transport and logistics routes and reduce access to our fleets. This may impact our ability to distribute our products to markets as well as the safety of our employees and contractors.

We currently mitigate the financial costs through our insurance programme as well as use of third-party logistics providers. We have also established a robust business continuity programme that includes management of extreme weather to protect our people and to minimise losses.

We will increasingly include projected data using at least two different climate scenarios to enhance our understanding of the potential impact on our manufacturing.

3. Reduced ability to produce as result of water scarcity

Access to water is fundamental to our business and to the communities we operate in. Climate change is impacting the availability and quality of water in some of the areas where we need it and might have an impact on our communities and the environment.

We have assessed future water stress levels based on different global warming scenarios. A number of our plants are located in areas that are or will be facing water challenges. These plants are called water priority plants.

During the year, we assessed revenue at risk for water priority plants. We are reducing our water usage across our business and, as part of our Mission 2025 sustainability commitments, have committed to a 20% reduction for water priority plants.

In 2021, we will include a quantitative assessment of the impact of climate change on water availability in key markets under different climate scenarios.

4. Impact on the cost and availability of ingredients

The availability, quality and price of key ingredients are impacted by changes to weather and precipitation patterns.

During the year, we continued to assess the ability of our suppliers and alternates to continue to supply key ingredients at the quality, quantity and cost that we expect under different conditions.

Moving forward, we will undertake further work to assess how our suppliers may be impacted by changes in weather and precipitation patterns under different climate scenarios.

Transition risks

The physical effects of climate change will be limited if action is taken to force a transition to a low carbon economy. This will require regulatory, market and technological changes. The speed and severity of these changes will have an impact on our business. A faster and more aggressive approach by governments for example will have a more significant financial impact than a more gradual approach.

The transition to a low carbon economy also presents a number of opportunities for our business. Our investments in new technologies not only help us meet expectations of key stakeholders to do our part to reduce carbon emissions, but they also present opportunities for significant cost savings.

5. Increased costs across our value chain from GHG regulations

Our business emits greenhouse gases (GHG) across our value chain. Actions to introduce carbon pricing could increase costs of packaging, manufacturing, distribution and cold drink equipment.

During the year, we assessed the operational costs of carbon taxes on direct emissions and capital expenditures needed to reduce our carbon emissions based on a 1.5°C warming scenario. In December 2020, we received an approval of our carbon reduction targets by the Science Based Targets initiative and we are committed to reduce our scope 1 and 2 emissions by 55% by 2030 vs. 2017 and our scope 3 emissions by 21% for the same period.

6. Increased cost of packaging

Our business uses various types of packaging materials and delivery methods with different carbon footprints. Regulations designed to decrease the use of packaging materials that contribute to GHG emissions could increase our costs.

During the year, we continued to introduce more innovative ways to reduce packaging such as our KeelClip™ launch. As part of our World Without Waste initiative, we are making concerted efforts to increase the amount of recyclable packaging across our operations, use more recycled PET and refillable packaging and help collect the packaging materials we place on the market.

7. Increased costs and disruptions due to water regulations

As noted above, water is fundamental to our business. Any changes to the cost of water or placement of restrictions on the availability of water may impact our ability to produce or increase the cost of production.

We are reducing our water usage across our business and, as part of our Mission 2025 sustainability commitments, have committed to a 20% reduction in water usage in our water priority plants. We are also closely monitoring for potential additional taxes, levies or restrictions in the availability of water.

In 2021, we will include a quantitative assessment of the impact of climate change on water availability in key markets under different climate scenarios. We will also include potential shorter-term transitional costs in that assessment.

8. Damage to the reputation of the beverage sector

We are reliant on the brand value and positive reputation of Coca-Cola. Consumer perceptions of the beverage sector as a contributor to climate change may impact the reputation of our business and brands and ultimately demand for our products. In addition, being seen as part of the problem leads to the targeting of the beverage sector for new and/or increasing climate-related taxes.

Our Mission 2025 sustainability commitments and strong cultural commitment to being a contributor to the solutions to climate change are designed to take advantage of opportunities associated with those changes, protect our business and protect our reputation as a responsible company.

Financial review

"Despite the unprecedented impact on revenues, we delivered like-for-like[1] EBIT margins just 20bps below the all-time highs."

1. Performance, unless stated otherwise, is negatively impacted by the change in classification of our Russian juice business (Multon), from a joint operation to a joint venture, following its re-organisation, and positively impacted by the inclusion of H1 2020 performance of Bambi, the acquisition of which was cycled in H2 2020. In addition, profitability is positively impacted by the Group's election to classify share of results of integral equity method investments within operating profit. Like-for-like performance adjusts for all three impacts. For a table of performance measures excluding these impacts, please refer to the 'Supplementary information' section.

Resilient financial performance

During 2020, our business adapted quickly to changing consumer behaviour resulting from COVID-19 restrictions, delivering resilient financial performance.

Volume and revenue both saw improved trends in the second half of the year, reflecting the strength of our brand portfolio and market execution, while the structural improvements made to our cost base over several years allowed agility on costs which protected profitability.

Performance highlights for 2020 included:

- Like-for-like[1] volume decline was contained at 4.6%, while reported volumes declined by 5.7%, after a notable improvement in the second half with good recovery in Q3 and resilience in Q4;
- FX-neutral revenue per case declined by 4.1% for the year with signs of stabilisation in the second half due to improved trends in package mix;
- Early, decisive action allowed us to identify and deliver €120 million of cost savings in the year. Structural improvements made to the Group's cost base over several years drove efficiency and shifted fixed costs to variable, enabling outstanding cost control in 2020;
- Comparable EBIT margin on a like-for-like[1] basis closed at 10.6%, just 20bps down from the Company's all-time high achieved in 2007 and 2019. Reported EBIT margin expanded 60bps to 10.8%;
- Comparable EPS declined by 17.5% to €1.185, impacted by a higher effective tax rate and a small increase in financing costs. Basic EPS declined by 14.9% to €1.140;
- Strong free cash flow generation of €497 million, up €54.4 million compared to the prior year.

While the outlook for the global economy in 2021 remains uncertain, we are encouraged by our resilient performance and share gains in 2020. We believe that the business can achieve a strong recovery in FX-neutral revenues in 2021, along with a small increase in EBIT margin.

We continue to find high potential in the beverages industry and to see many growth opportunities within our evolving brand portfolio and the markets we operate in. Therefore, we believe that once the recovery is underway, the business can return to the growth trajectory we set out at our Capital Markets Day in 2019, which was for FX-neutral revenue growth of 5-6%, with 20-40 basis points of EBIT margin expansion annually, while maintaining strong cash flow generation and a robust and flexible balance sheet.

Income statement

Financial performance in 2020 was impacted by the restrictions put in place in response to the COVID-19 pandemic. The out-of-home channel, which typically accounts for slightly over 40% of our revenues, operated with severe restrictions during periods of lockdown, and below capacity even when operational. Consequently, as the degree of lockdown in place has varied across our markets and across the year, we have seen trade fluctuate in this channel.

As a result of lower volumes from the out-of-home channel, volume declined by 4.6% on a like-for-like basis. We saw improvements in trends in the second half due to growth in the at-home channel and resilience in the out-of-home channel. In terms of category performance, sparkling drinks (including energy) remained the most resilient and grew volumes by 0.7%, while still beverages declined by 21.2% or 17.3% on a like-for-like basis. Volume declined by 14.0% in the Established segment, by 4.4% in the Developing segment and grew by 0.3% in the Emerging segment on a like-for-like basis. Volume declined by 1.8% in the Emerging segment and by 5.7% for the Group, also impacted by the change in accounting treatment of our Russian juice business (Multon) following its reorganisation (detailed in Note 15 to the Consolidated financial statements).

FX-neutral revenue per case declined by 4.1%, with stabilising trends in the second half. The main driver of the decline was negative package mix due to lower volumes sold in the out-of-home channel. While channel mix was also negative, we benefited from positive category mix due the strong relative performance of the sparkling category as well as price increases taken in several markets at the start of the year.

Key financial information

	2020	2019	% change
Volume (million unit cases)	**2,136**	2,265	-5.7
Net sales revenue (€ million)	**6,132**	7,026	-12.7
Net sales revenue per unit case (€)	**2.87**	3.10	-7.5
Currency-neutral net sales revenue (€ million)	**6.132**	6.782	-9.6
Currency-neutral net sales revenue per unit case (€)	**2.87**	2.99	-4.1
Operating profit (EBIT) (€ million)	**661**	715	-7.6
Comparable EBIT (€ million)	**672**	759	-11.4
EBIT margin (%)	**10.8**	10.2	60bps
Comparable EBIT margin (%)	**11.0**	10.8	20bps
Net profit (€ million)	**415**	488	-14.9
Comparable net profit (€ million)	**431**	522	-17.4
Comparable basic earnings per share (€)	**1.185**	1.436	-17.5

Percentage changes are calculated on precise numbers.

Balance sheet

	2020 € million	2019 € million
Assets		
Total non-current assets	**5,046**	5,138
Total current assets	**2,527**	3,076
Total assets	**7,573**	8,214
Liabilities		
Total current liabilities	**2,026**	2,667
Total non-current liabilities	**2,914**	2,847
Total liabilities	**4,940**	5,514
Equity		
Owners of the parent	**2,631**	3,698
Non-controlling interests	**3**	3
Total equity	**2,633**	2,700
Total equity and liabilities	**7,573**	8,214

Figures are rounded.

FX-neutral net sales revenue declined by 8.5% on a like-for-like basis, reflecting an improved trend in the second half compared with a decline of 15.1% in the first half. We gained 40 basis points of value share in non-alcoholic ready-to-drink beverages in 2020, showing that our performance was superior to our competition. Reported revenues declined by 12.7%, which also reflects the negative impact of the change in accounting treatment of our Russian juice business (Multon) and the weakening of the Russian rouble versus the euro.

Comparable operating expenses as a percentage of revenue increased by 40 basis points in the full year to 27.3%. A strong performance in light of the revenue decline.

Net financing costs increased to €70.1 million, up €3.0 million compared with the prior year due to the change in accounting treatment of our Russian juice business (Multon) and lower deposit rates.

On a comparable basis, the effective tax rate was 28.7% for 2020 and 25.8% for 2019. On a reported basis, the effective tax rate was 30.1% compared with 26.2% in 2019. The significant growth year-on-year is attributable to the settlement of two multi-year tax audits in Nigeria and certain other non-recurring items. You can find more information on these Nigerian tax audits on page 233 of the Supplementary information section.

Comparable net profit decreased by 17.4% and net profit by 14.9% in 2020 compared to the prior year. The faster decline in net profit compared to EBIT was primarily due to the higher effective tax rate in the year.

Financial review *continued*

FX-NEUTRAL REVENUE GROWTH YEAR ON YEAR

-9.6 %

COMPARABLE EBIT

€672m

COMPARABLE EBIT MARGIN GROWTH YEAR ON YEAR

+20bps

Balance sheet

Despite difficult circumstances, our balance sheet strengthened in 2020, continuing to support investment in the business and allow for future inorganic expansion potential. At the balance sheet date, the Group had cash and cash equivalents and other financial assets of €1.3 billion.

Total non-current assets decreased by €91.7 million in 2020, mainly due to currency translation and the elimination of the non-current deferred tax asset resulting from the Nigerian tax audit. Net current assets increased by €91.8 million in 2020 mainly as a result of the repayment of the remaining portion of our bond which matured in June 2020.

Cash flow

Due to an improvement in working capital, net cash from operating activities increased by 3.8% during the year. This strong performance on working capital reflects careful operational management of receivables, as well as the decision of some large customers to pay invoices not yet due early, which created a phasing benefit expected to partly reverse in H1 2021.

As the COVID-19 pandemic hit our markets, we had made plans to preserve cash by deferring some capital expenditure, but the strong working capital performance allowed us to limit these deferrals. During the year we prioritised our capital allocation towards the markets with the highest potential, allowing us to continue to invest in the business for the long term. Capital expenditure, net of receipts from the disposal of assets and including principal repayments of lease obligations, decreased by 3.9% year-on-year. Capital expenditure represented 7.6% of net sales revenue, at the upper end of our 6.5%-7.5% target range, compared to 6.9% in 2019.
We expect that capital expenditure as a percentage of sales will remain at the high end of the guided range in the next few years as we continue to invest in cooler placement, expansion into the coffee category, capacity expansion in high growth markets and meeting our sustainability commitments around packaging.

We generated €497.0 million of free cash flow in 2020, up 12.3% from the €442.6 million generated in 2019. This result reflects working capital improvements and lower capital expenditure, partially offset by lower operating profitability.

Borrowings

Our medium- to long-term aim is to maintain a ratio of net debt to comparable adjusted EBITDA in the range of 1.5 – 2.0 times. In 2020, we ended the year with a ratio of 1.51 times. The slight reduction in this ratio from 1.54 times in 2019 is notable in such a challenging year.

Our primary funding strategy in the debt capital markets involves raising financing through our wholly owned Dutch financing subsidiary, Coca-Cola HBC Finance B.V.

We use our €5 billion Euro Medium Term Note (EMTN) and our €1 billion Euro Commercial Paper (ECP) programmes as the main basis for our financing.

During 2020 we made good use of the Commercial Paper Programme and finished 2020 with a €200 million outstanding balance. We did not issue any new notes under our Euro Medium Term Note programme but instead paid back the outstanding nominal value of bonds maturing in June 2020. Our next bond maturity is not due until November 2024.

The Group has €2.6 billion and €0.8 billion availabile under the EMTN and ECP programmes respectively and also €0.8 billion of undrawn revolving credit facilities (RCF), with none of these credit facilities carrying any financial covenants which would restrict the Group's access to capital.

Dividend

In view of the Group's progressive dividend policy, the strength of its balance sheet and liquidity position, as well as confidence in the future opportunities for the business, the Board of Directors has proposed a dividend of €0.64 per share. This is a 3.2% increase from the €0.62 per share for 2019. The dividend payment will be subject to shareholders' approval at our Annual General Meeting. We are pleased to be able to continue growing dividends, even following such a challenging year.

Cash flow

	2020 € million	2019 € million
Cash flow from operating activities	**962**	926
Payments for purchases of property, plant and equipment	**(419)**	(473)
Proceeds from sales of property, plant and equipment	**13**	35
Principal repayments of lease obligations	**59**	46
Free cash flow	**497**	443

Figures are rounded.

Economic value

Lower profits combined with an increase in average net borrowings in 2020 resulted in a decrease in return on invested capital (ROIC) from 14.2% in 2019 to 11.1% in 2020. At the same time, our weighted average cost of capital (WACC) increased from 6.9% in 2019 to 7.8% in 2020. We continued to grow the positive economic value generated by our operations.

Financial risk management

COVID-19 introduced an unprecedented level of volatility in the financial markets during 2020, which significantly affected both foreign exchange rates and commodity prices. The value of implementing our financial risk management strategy was apparent in this period of heightened uncertainty since especially in foreign exchange our hedging efforts contributed to the absorption of a large part of the negative impact.

In terms of foreign exchange risk, the Group is exposed to exchange rate fluctuation of the euro versus the US dollar and the local currency of each country of our operations. Our risk management strategy involves hedging transactional exposures arising from currency fluctuations, with available financial instruments on a 12-month rolling basis.

The Russian rouble had a particularly weak performance in 2020 both against the euro and the US dollar caused by the COVID-19 pandemic and the resulting collapse in oil prices. Our relatively high transactional exposure coverage built at the beginning of 2020 proved to be particularly effective during this period. Translational exposures are not hedged according to the Group's Treasury Policy and given the weakness of the rouble resulted to a negative impact on reported revenues.

Low oil prices also affected the Nigerian naira, which experienced sizeable depreciation in a market characterised by increasing scarcity of foreign currency liquidity after March 2020.

While our foreign exchange hedging strategy helped in counterbalancing part of the negative impact, the lack of liquidity in the foreign exchange market continued pushing the naira to weaker levels.

On the commodities front, the lower prices incurred on the back of suppressed global economic activity allowed us to benefit on the unhedged part of 2020 exposures and at the same time gave us good entry points for hedging future commodity exposures at very attractive levels.

Our general policy is to retain a minimum amount of liquidity reserves in the form of cash and cash equivalents on our balance sheet. During 2020, we invested our excess cash primarily in short-term time deposits.

Looking ahead

While the outlook for the global economy in 2021 remains uncertain, we are encouraged by our resilient performance and share gains in 2020.

We expect to see a strong FX-neutral revenue recovery in 2021 on the back of gradual volume recovery against the COVID-19 impact in 2020, as well as price/mix recovery led by improvements in package mix and price increases taken in relation to the Polish sugar tax. We plan to increase marketing investments in 2021, to fuel this top-line recovery.

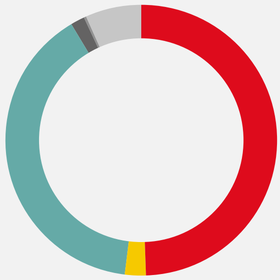
We believe that the actions taken over several years to improve our cost base will continue to benefit our margin resilience. We expect to be able to have another year in which we achieve strong cost control, which we will be able to adjust depending on the trading environment, allowing us to manage our profitability.

We expect high-single digit input cost per unit case inflation, largely driven by increased contribution in our volume mix from the coffee and energy categories, which also carry offsetting higher revenue per unit case. We expect an increase in the negative impact of foreign currency movements on EBIT in 2021 compared to 2020. With this in mind, we believe that we will be able to achieve a small expansion in our EBIT margin in 2021 versus 2020.

Looking further ahead, beverages continue to be a high-potential industry and we see many growth opportunities within our evolving brand portfolio and the markets we operate in. Therefore, we believe that once the recovery is underway, the business can return to the growth algorithm we set out at our Capital Markets Day in 2019, which was for FX-neutral revenue growth of 5-6%, with 20-40 basis points of EBIT margin expansion per year on average.

Michalis Imellos
Chief Financial Officer

Total tax by category in 2020 (%)



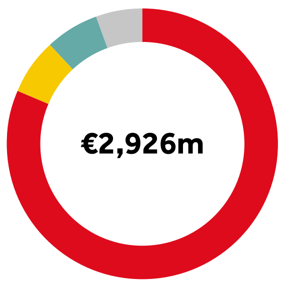
- Corporate income tax: **49.5%**
- Withholding tax: **2.7%**
- Payroll taxes: **39.2%**
- VAT (cost): **1.9%**
- Environmental taxes: **0.2%**
- Other taxes: **6.6%**

Taxes we contribute to our communities

When considering tax, Coca-Cola HBC gives due consideration to the importance of earning community trust. More specifically, we commit to continue paying taxes in the countries where value is created and ensure that we are fully compliant with tax laws across all relevant jurisdictions. In addition, we commit to being open and transparent with tax authorities about the Group's tax affairs and to disclose relevant information to enable tax authorities to carry out their reviews.

We support the communities in the countries where we operate directly, by creating economic wealth, and also indirectly, by paying taxes. These taxes include corporate income tax calculated on each country's taxable profit, employer taxes and social security contributions, net VAT cost and other taxes that are reflected as operating expenses. Excise taxes and taxes borne by employees are not included.

2020 Borrowing structure (€ m)



- Bonds issued: **2,384m**
- Commercial paper: **200m**
- Leases: **184m**
- Other: **158m**

Segment highlights

Established markets

Our Established markets have a higher relative exposure to the out-of-home channel, including tourism. As a result, our sales volumes in these markets were the most negatively impacted by lockdown restrictions, with volumes declining 14%. Despite this, price increases at the start of the year as well as the resilience of sparkling beverages, which had a positive impact on category mix, allowed the segment to achieve stable FX-neutral revenue per case. This stability was achieved in spite of weaker package and channel mix, primarily caused by lower volumes from the out-of-home channel. Comparable EBIT declined by 18.4% with comparable EBIT margins down by 60 basis points. The main driver of this was negative operating leverage given the revenue declines in the segment.

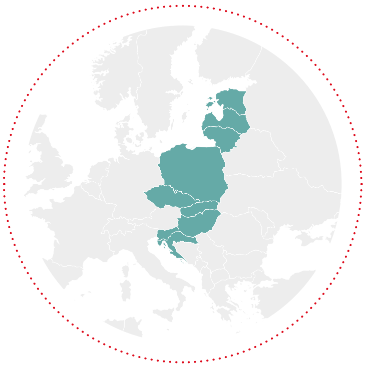
VOLUME vs. 2019

-14.0%

FX-NEUTRAL NET SALES REVENUE PER CASE vs. 2019

-0.1%

Developing markets



Our Developing segment volume performance reflects both exposure of these markets to the at-home channel as well as strong market share gains in some of the largest countries in the segment. FX-neutral revenue per case declined faster than volumes, reflecting the strategic decision taken prior to the outbreak of the COVID-19 pandemic to have less revenue growth from pricing in 2020 after several years of strong performance on this metric. Comparable EBIT declined by 30.3% and comparable EBIT margin was down by 210 basis points to 8.7%. The larger margin decline in the Developing segment compared with the Established segment is due to the larger decline in price/mix, since this has a greater adverse impact on margins than volume declines.

VOLUME vs. 2019

-4.4%

FX-NEUTRAL NET SALES REVENUE PER CASE vs. 2019

-6.2%

Emerging markets

Emerging segment volume grew by 0.3% on a like-for-like basis. On a reported basis, volumes declined by 1.8% since they were also impacted by the accounting treatment of our Russian juice business (Multon) following its reorganisation. Three of the largest countries in the segment achieved volume growth on a like-for-like basis, driven by fewer lockdown restrictions as well as strong market share gains. FX-neutral revenue per case declined by 3.6%, impacted by a decline in package and channel mix as well as the impact of better volume performance from countries with lower price/mix. Comparable EBIT increased by 1.4% and comparable EBIT margin expanded by 170 basis points to 13.0%. The Bambi acquisition, as well as the change in accounting treatment of our Russian Juice business and change in classification of our share of results of integral equity method investments account for 100 basis points of this growth. This was the result of strong top line leverage from Russia and Nigeria, as well as benefits from input costs and FX hedging.

VOLUME vs. 2019

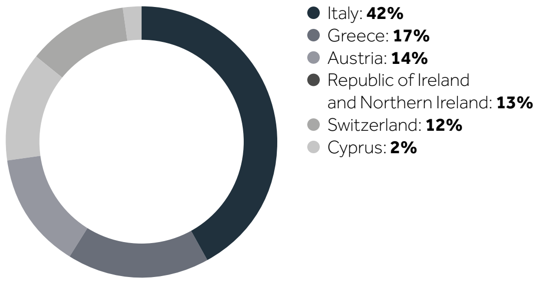
-1.8%

FX-NEUTRAL NET SALES REVENUE PER CASE vs. 2019

-3.6%

	2020	2019	% change
Volume (million unit cases)	**537**	**624**	-14.0
Net sales revenue (€ million)	**2,175**	**2,518**	-13.6
Operating profit (EBIT) (€ million)	**203**	**236**	-13.9
Comparable EBIT (€ million)	**209**	**256**	-18.4
Total taxes[1] (€ million)	**111**	**135**	-17.8
Population[2] (million)	**92**	**91**	0.3
GDP per capita (US$)	**38,394**	**40,285**	-4.7
Bottling plants (number)	**15**	**15**	–
Employees (number)	**6,407**	**6,624**	-3.3
Water footprint (billion litres)	**3.7**	**4.2**	-10.9
Carbon emissions (tonnes)	**67,450**	**80,919**	-16.6
Safety rate (lost time accidents >1 day per 100 employees)	**0.55**	**0.86**	-36%

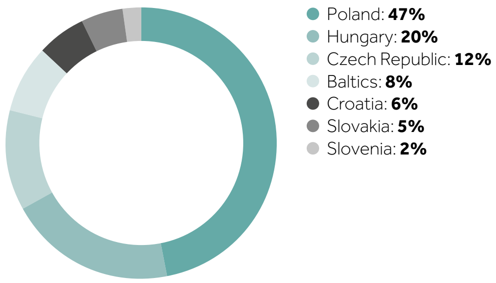
Volume breakdown by country (%)



1. Total taxes include corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.
2. Population source: International Monetary Fund, World Economic Outlook Database, October 2020. Northern Ireland: NISRA (Northern Ireland Statistics and Research Agency), Office for National Statistics, UK, Northern Ireland Economic Outlook, 2020. Italian data: data from ISTAT (Italian National Institute of Statistics), excluding Sicilian population.

	2020	2019	% change
Volume (million unit cases)	**412**	**431**	-4.4
Net sales revenue (€ million)	**1,171**	**1,352**	-13.4
Operating profit (EBIT) (€ million)	**97**	**139**	-30.2
Comparable EBIT (€ million)	**102**	**146**	-30.3
Total taxes[1] (€ million)	**63**	**65**	-3.1
Population[2] (million)	**76**	**76**	–
GDP per capita (US$)	**17,132**	**17,675**	-3.1%
Bottling plants (number)	**9**	**9**	–
Employees (number)	**4,581**	**4,738**	-3.3
Water footprint (billion litres)	**3.2**	**3.5**	-8.7
Carbon emissions (tonnes)	**44,927**	**70,453**	-36.2
Safety rate (lost time accidents >1 day per 100 employees)	**0.33**	**0.30**	9%

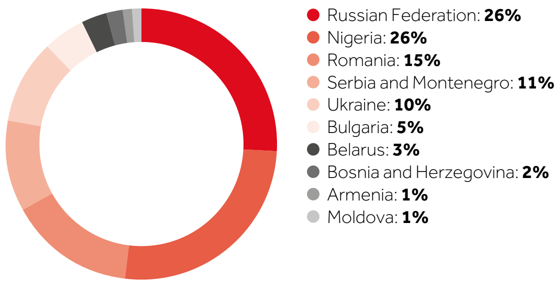
Volume breakdown by country (%)



1. Total taxes include corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.
2. Population source: International Monetary Fund, World Economic Outlook Database, October 2020.

	2020	2019	% change
Volume (million unit cases)	**1,187**	**1,209**	-1.8
Net sales revenue (€ million)	**2,786**	**3,156**	-11.7
Operating profit (EBIT) (€ million)	**360**	**340**	5.9
Comparable EBIT (€ million)	**361**	**356**	1.4
Total taxes[1] (€ million)	**169**	**149**	13.4
Population[2] (million)	**451**	**446**	1.1
GDP per capita (US$)	**5,645**	**6,304**	-10.4
Bottling plants (number)	**32**	**32**	–
Employees (number)	**16,734**	**17,027**	-1.7
Water footprint (billion litres)	**8.7**	**9.1**	-5.1
Carbon emissions (tonnes)	**319,544**	**330,118**	-3.2
Safety rate (lost time accidents >1 day per 100 employees)	**0.11**	**0.18**	-39%

Volume breakdown by country (%)



1. Total taxes include corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.
2. Population source: International Monetary Fund, World Economic Outlook Database, October 2020. Population includes N. Macedonia.

Figures are rounded. Percentage changes are calculated on precise numbers.

Non-financial reporting directive

Delivering 24/7 takes an integrated approach

Our purpose

Serving as our north star ambition to guide everything we do.

Policies and values

Underpinning our business and setting the direction for how we achieve our goals.

Effective oversight

Our Board and senior management ensure we stay on course to achieve our vision.

Our purpose pages 24-25

We are devoted to growing every customer and delighting every consumer 24/7 by nurturing passionate and empowered teams of people while enriching our communities and caring for the environment.

Values pages 24-25

- Winning with customers
- Nurturing our people
- Excellence
- Integrity
- Learning
- Performing as one

Policies (see our website)

Environmental matters
- Environmental policy
- Climate Change policy
- Packaging Waste & Recycling policy
- Sustainable Agricultural Guiding Principles
- Water Stewardship policy

Employees
- Code of Business Conduct
- Inclusion & Diversity policy
- Occupational Health & Safety policy
- Quality & Food Safety policy

Human rights
- Human Rights policy
- Supplier Guiding Principles
- Slavery & Human Trafficking statement

Social matters
- Health & Wellness policy
- HIV/AIDS policy
- Code of Business Conduct
- Supplier Guiding Principles
- GMO position statement
- Community Contributions policy
- Premium spirits Responsible Marketing policy
- Public policy engagement
- Quality & Food Safety policy

Anti-bribery & Corruption
- Code of Business Conduct
- Anti-bribery policy & compliance handbook
- Supplier Guiding Principles
- Community contributions policy

Principal risk
- Risk policy

Senior leadership pages 96-98

How our Board considers stakeholders in decision-making pages 92-94

Social Responsibility Committee pages 108-109

This spread constitutes our non-financial information statement. The below provides page references mapping out how our report complies with relevant regulation on non-financial information.

Positive influence

Being conscious of stakeholders, risks, market changes and material issues, while responding through our business model in a positive way.

Business model pages 16-17

Stakeholder engagement pages 20-21

Market review pages 22-23

- Regulatory environment
- Sustainability

Principal risks pages 58-61

Material issues page 52

GRI Content Index
https://www.coca-colahellenic.com/content/dam/cch/us/documents/oar/Coca-Cola-HBC-2020-GRI-Content-Index.pdf

Executing our vision

To fulfil our Growth Story 2025 we must consider all stakeholders at every step of our journey.

Strategic pillars pages 24-25

1 LEVERAGE OUR UNIQUE 24/7 PORTFOLIO

2 WIN IN THE MARKETPLACE

3 FUEL GROWTH THROUGH COMPETITIVENESS & INVESTMENT

4 CULTIVATE THE POTENTIAL OF OUR PEOPLE

5 EARN OUR LICENCE TO OPERATE

Defining our success

Operating in a sustainable way to ensure our remuneration and sustainability commitments are interlinked.

Remuneration report pages 110-131

Maintaining our leadership of the beverage industry in the DJSI was previously a part of the CEO's individual performance metrics. However, as a result of COVID-19 individual performance metrics were not possible for our employees including the CEO and as such, this was not the case. We are introducing a sustainability KBI in the PSP awards from 2021 onwards.
See page 127

CEO pay ratio
See page 127

2025 Sustainability commitments pages 50-51

- Emissions reduction
- Water reduction and stewardship
- World Without Waste
- Ingredient sourcing
- Nutrition
- Our people and communities