Integrated Annual Report 2020

Coca-Cola HBC

ADAPT TO WIN

THANK YOU

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

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.

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.

You can read more on page 132.

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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

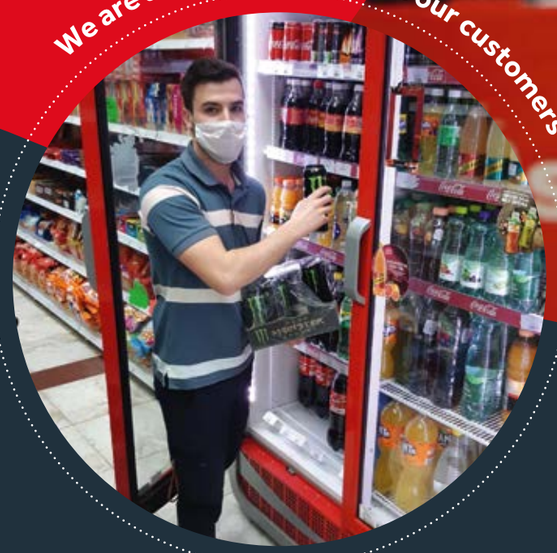
In a rapidly changing environment, excellent customer service meant understanding their needs and collaborating quickly to make the necessary changes.

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

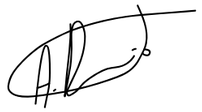
We welcomed Anna Diamantopoulou as a new member of the Board in 2020. Anna was European Commissioner for Employment and Social Affairs and a Minister of the Greek Government in the past. She brings a wealth of experience in regulatory matters and stakeholder relations, which we believe will be helpful 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

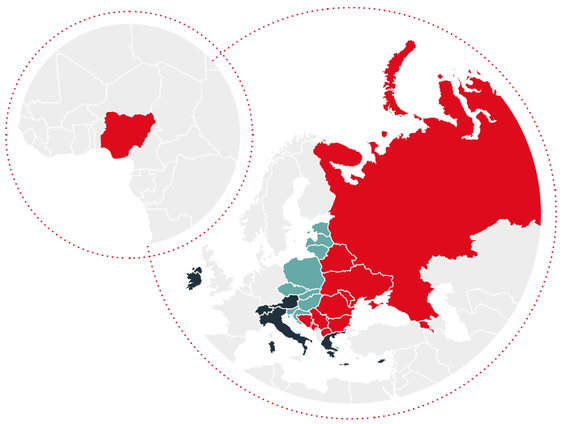
1.4m
customers visited by 15,000 sales people

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.

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.

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

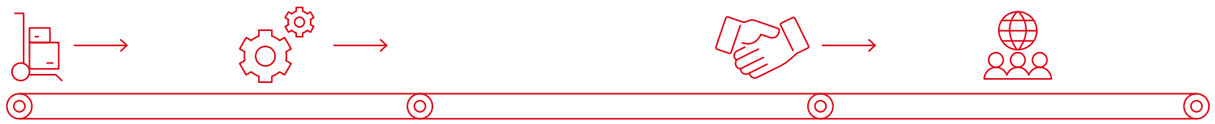
We are a strategic bottling partner of The Coca-Cola Company
We have the exclusive authorisation to bottle and sell the beverages of The Coca-Cola Company in our 28 markets. We also partner with other beverage businesses such as Monster, Brown-Forman, Campari and Edrington to sell their products in our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

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

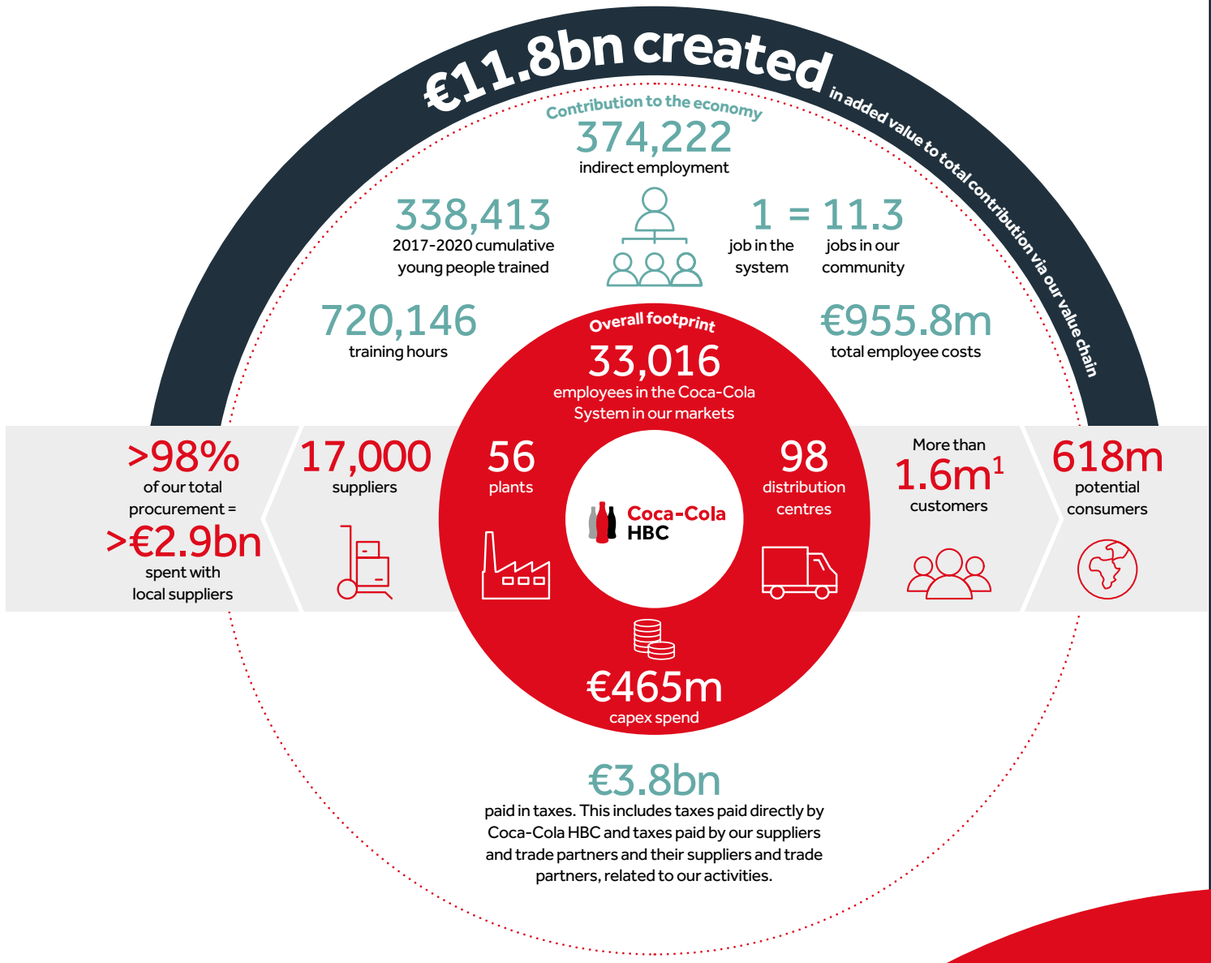
In conducting socio-economic studies, we use input-output modelling to generate estimates of jobs supported and economic value added. Data we use in this process includes our financial information (revenues, expenses, taxes, sales volume and profits) as well as some data from The Coca-Cola Company. While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

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 people	Our customers	Our partners in efficiency	Our communities	Our consumers	Government	Our shareholders	The Coca-Cola Company	NGOs
Key issues	• Enhanced safety requirements • Practicalities and security related to home working • Mental wellbeing • Building the best teams in the industry	• 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	• Rising costs of ingredients, labour, packaging material, energy and water • Minimising the environmental impact of water and energy resources, as well as emissions	• Financial and other support for frontline workers tackling COVID-19 • Climate change • Waste from our packaging • Water conservation • Empowering youth and women	• Ensuring product supply and safety • Continuously evolving products and packages to meet consumers' needs for healthy hydration, quality, taste, innovation and convenience	• 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	• 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	• Support for consumers, customers and communities • Profitable growth opportunities • Value share in our markets • Sustainable sourcing	• 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
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	• 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	• 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	• 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	• 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	• 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	• 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	• Day-to-day interaction as business partners, joint projects, joint business planning, functional groups on strategic issues and 'top-to-top' senior management forums	• 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
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	• 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	• 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	• 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	• 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	• 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	• 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	• 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	• 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
Growth pillar	4 5	1 2	3 5	5	1 5	5	1 2 3 5	1 2 4 5	5
	Read more on pages 38-41, 93.	Read more on pages 26-33, 53, 92.	Read more on pages 34-37, 42-47, 53.	Read more on pages 18-19, 42-47.	Read more on pages 26-29.	Read more on pages 18-19, 42-47.	Read more on pages 53, 93, 94, 132.	Read more on pages 26-33, 38-47, 92-93.	Read more on pages 42-47, 53.

Adapting to evolving trends

Market trends	How we are responding	Delivered through	Growth pillar
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.	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
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.	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
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.	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
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.	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
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.	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

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.

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.

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

How we are growing

1 LEVERAGE OUR UNIQUE 24/7 PORTFOLIO

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

Read more on pages 26-29.

2 WIN IN THE MARKETPLACE

- 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

Read more on pages 30-33.

3 FUEL GROWTH THROUGH COMPETITIVENESS & INVESTMENT

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

Read more on pages 34-37.

4 CULTIVATE THE POTENTIAL OF OUR PEOPLE

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

Read more on pages 38-41.

5 EARN OUR LICENCE TO OPERATE

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

Read more on pages 42-47.

Growth Story 2025 targets

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
This financial target will resume once recovery is underway

Employee engagement
score greater than the high-performing norm

Accomplish
Mission 2025 sustainability commitments

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

Read more about our values on pages 38-41.

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.

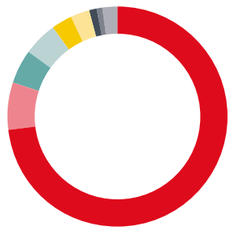
Well-loved brands support growth

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.

4

GROWTH PILLAR

CULTIVATE THE POTENTIAL OF OUR PEOPLE

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.

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

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

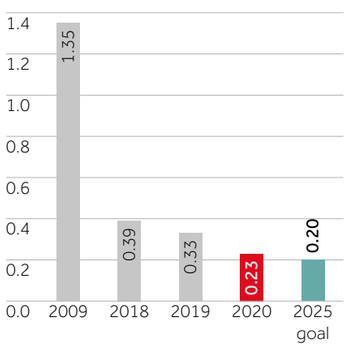
While we undertook many new measures to ensure the safety and continued health of our people in the extraordinary environment of 2020, our workplaces have become increasingly safe over the past few years and we aim for continual improvement. In 2020, we continued our focus on behaviour-based safety programmes 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.

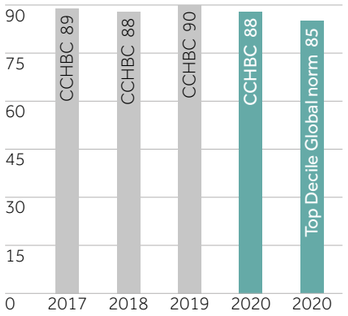
As we seek to increase support and sharing to empower our people, we have introduced storytelling tools like Red Talks to help our people connect and get inspired by each others' experiences. Importantly, this is as much about learning from failures as successes.

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.

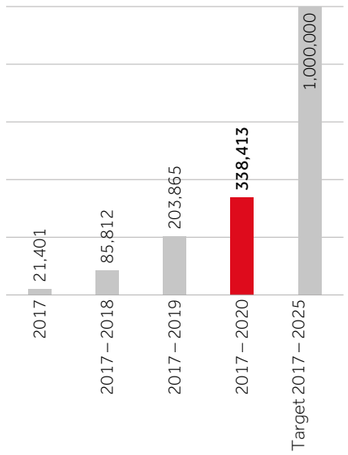
In Italy, we redesigned the #YouthEmpowered partnerships and turned physical workshops into online webinars and we continued our award programme recognising excellence and leadership for girls in science, technology, engineering and maths (STEM). In Croatia, Greece, Russia and Serbia, we re-oriented #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

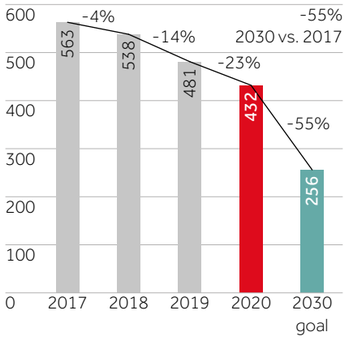
c.768
colleagues

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

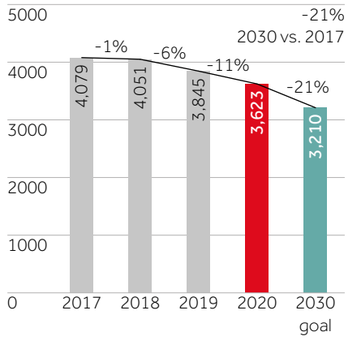
c.€5m

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

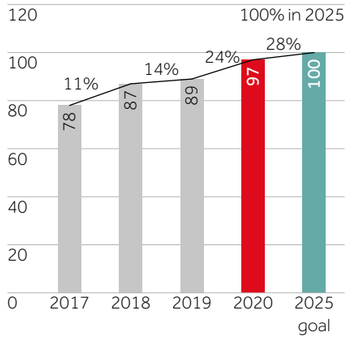
Absolute Scope 1 and 2 CO_2 eq emissions ('000 tonnes)



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.

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.

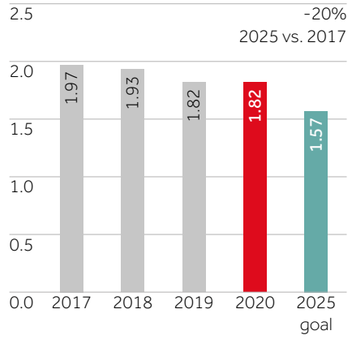
In 2020, we have also completed the certification of all of our bottling plants against the standards of the Alliance for Water Stewardship or the European Water Stewardship, with the exception of recent acquisitions (Lurisia and Natura plants), where certification is still ongoing. The certifications 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.

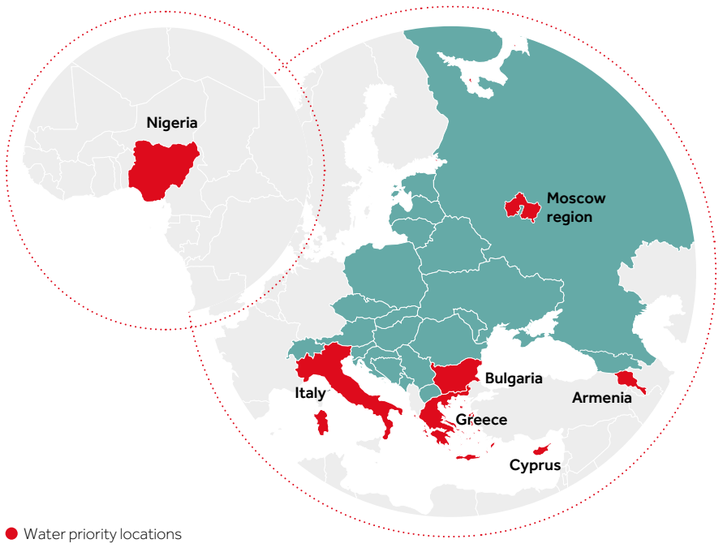
Leadership positions in ESG benchmarks

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. • 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.

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.

GROWTH PILLAR

1 LEVERAGE OUR UNIQUE 24/7 PORTFOLIO

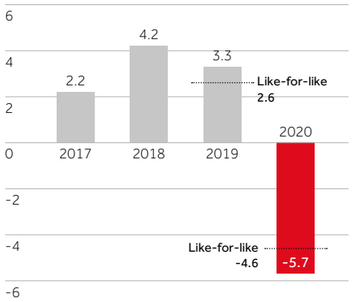
How we measure our progress
Volume is measured in unit cases, where one unit case represents 5.678 litres. For Bambi volume, one unit case corresponds to 1 kilogram. We grow volume as we expand per-capita consumption of our products.

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 (%)



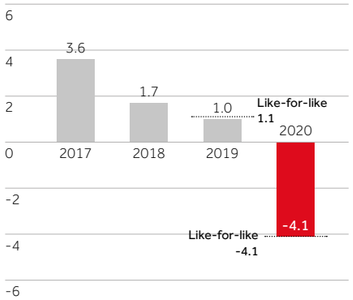
How we measure our progress
We measure revenues on a currency-neutral basis to allow better focus on the underlying performance of the business. We grow FX-neutral revenue per case through pricing as well as driving positive category and package mix.

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.

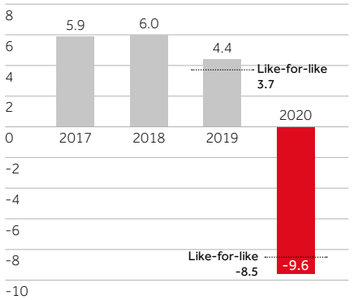
Link to remuneration
Although revenue will continue to be a measure for MIP awards, for 2020 it was not. The only two KPIs for MIP awards in 2020 were Comparable EBIT and free cash flow.

Read more on page 124.

Currency-neutral revenue per case growth (%)



Currency-neutral revenue growth (%)



GROWTH PILLAR

2 WIN IN THE MARKETPLACE

GROWTH PILLAR

3 FUEL GROWTH THROUGH COMPETITIVENESS & INVESTMENT

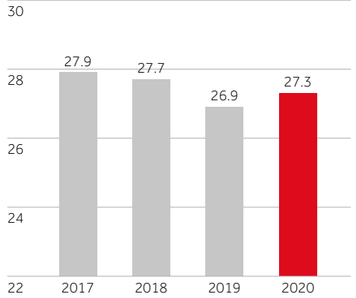
How we measure our progress
We measure this by Comparable OpEx as a percentage of NSR and by Comparable EBIT margin. We generate positive operational leverage as we grow revenues on our efficient cost base.

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.

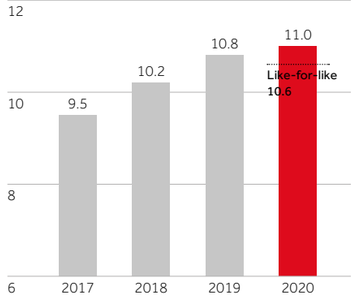
Link to remuneration
Comparable EBIT is a measure for MIP awards.

Read more on page 124.

Comparable OpEx as percentage of NSR (%)



Comparable EBIT margin (%)



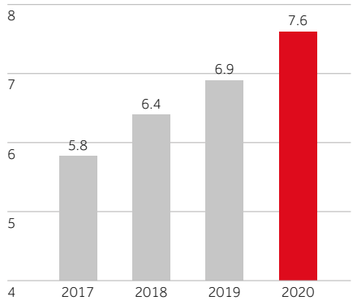
How we measure our progress
We measure CapEx as a percentage of NSR, and ROIC, to ensure prudent capital allocation and efficient working capital management. Disciplined investment supports our growth.

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.

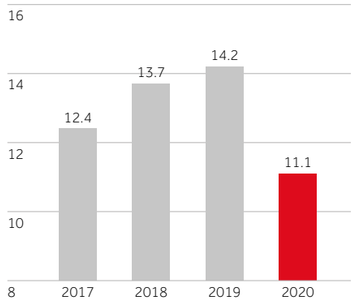
Link to remuneration
ROIC is a measure for PSP awards.

Read more on page 125.

CapEx as percentage of NSR (%)



ROIC (%)



GROWTH PILLAR

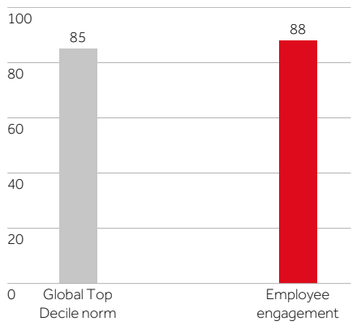
4 CULTIVATE THE POTENTIAL OF OUR PEOPLE

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.



GROWTH PILLAR

5 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.

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.

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.

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.

Sustainability areas	Material issues	UN's Sustainable Development Goals (SDGs) and their targets	2025 Commitments[1]		2020 Performance	Status	
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	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%	✓	
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	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.
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	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%	✓	
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	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.
Nutrition	• Product quality • Nutrition • Responsible marketing	3 Good health and well-being: 3.4 12 Responsible consumption and production: 12.8	10%	community participants in first-time managers' development programmes	13%	✓	We overachieved our 2025 target.
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	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.

- ✓ We are fully ahead or on track to meeting the target
- → We are not fully on track, but we do not believe there is risk to meeting the target
- → 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.

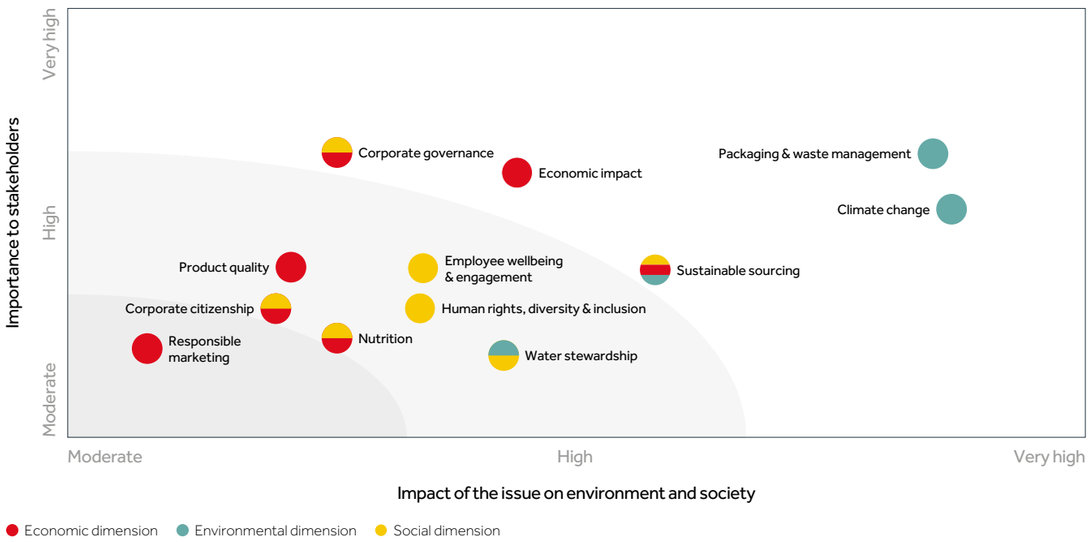
The COVID-19 pandemic impacted how the Company and our stakeholders assessed and prioritised material issues. The resulting economic disruption increased the importance of our economic impact and sustainable sourcing.

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

Partnerships

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

Mindset shift

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

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	Key mitigations	Link to material issues
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	• 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
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	• 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
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	• 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
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	• 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
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)	• 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
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	• 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
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	• 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

Principal risks trend

- ↑ Increasing
- ↔ Stable
- ↓ Decreasing

V Risk included in viability assessment

Link to growth pillars

1 2 3 4 5

Managing risk and materiality *continued*

Principal risks	Description	Potential impact	Key mitigations	Link to material issues
8. Foreign exchange and commodity costs ↑ 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	• 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
9. Geopolitical and Macroeconomic ↑ 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	• 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
10. People ↔ 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	• 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
11. Quality ↔ 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	• 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
12. Ethics and compliance ↔ 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	• 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
13. Strategic stakeholder relationships ↔ 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	• 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

Principal risks trend

- ↑ Increasing
- ↔ Stable
- ↓ Decreasing

V Risk included in viability assessment

Link to growth pillars

1 2 3 4 5

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	

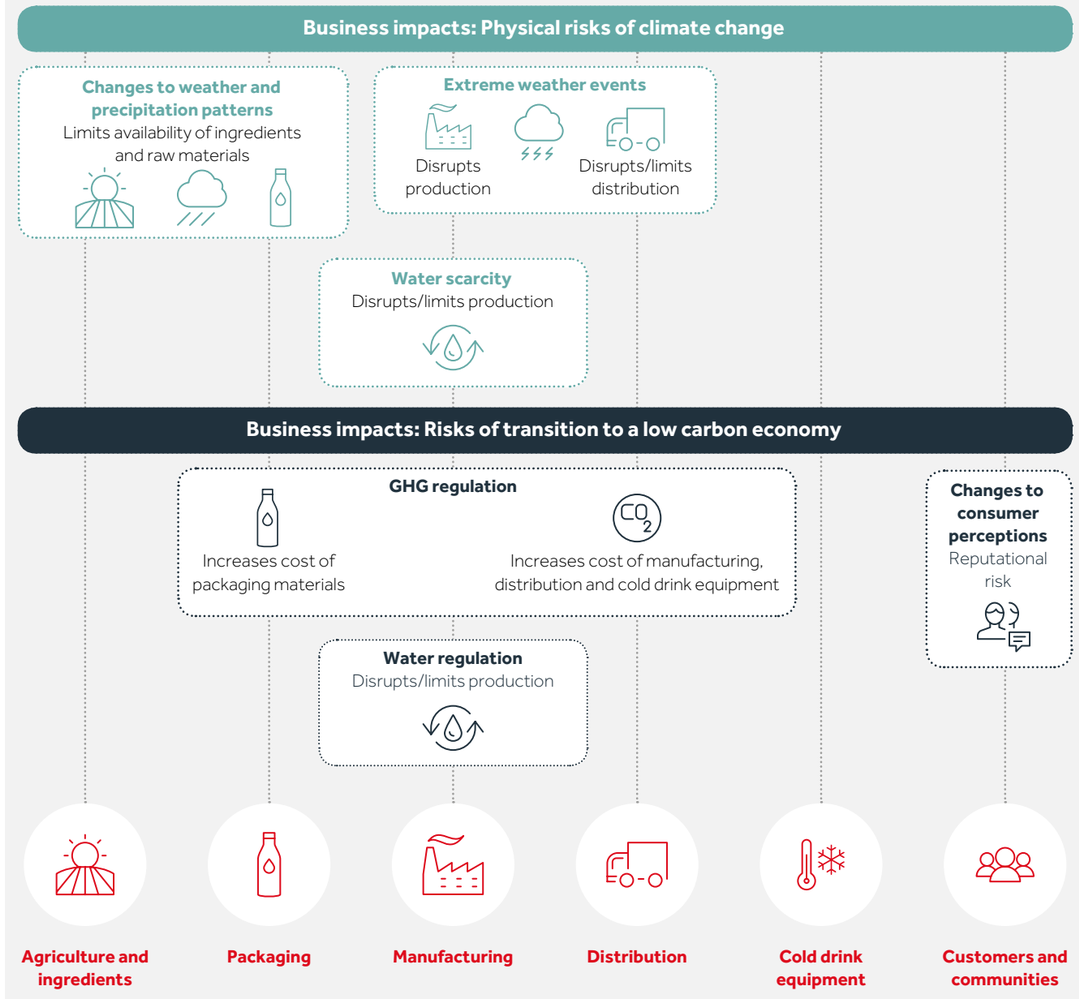
Given the complexity of this undertaking and the need for geographically specific data, some of which may not be available in sufficient detail, we have decided to take a staged approach, focusing first on one of the areas of highest priority to our business – the impact of climate change on water availability 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

Operational agility delivers resilient performance

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

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.

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.

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.

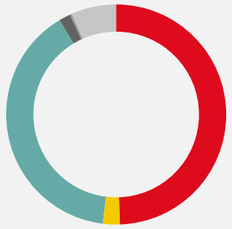
We believe that the actions taken over several years to improve our cost base will continue to benefit our margin resilience. We expect to be able to have another year in which we achieve strong cost control, which we will be able to adjust depending on the trading environment, allowing us to manage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



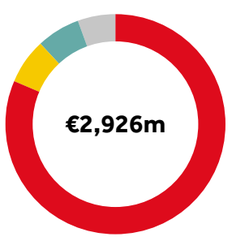
- Corporate income tax: **49.5%**
- Withholding tax: **2.7%**
- Payroll taxes: **39.2%**
- VAT (cost): **1.9%**
- Environmental taxes: **0.2%**
- Other taxes: **6.6%**

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%

	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%

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.

Volume breakdown by country (%)

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%

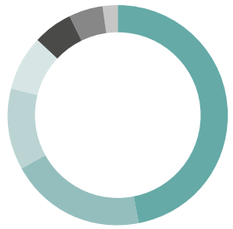
FX-NEUTRAL NET SALES REVENUE PER CASE vs. 2019

-6.2%

	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%

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.

Volume breakdown by country (%)



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

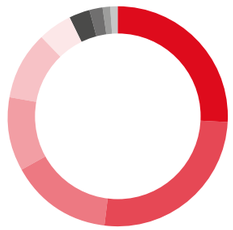
-3.6%

	2020	2019	% change
Volume (million unit cases)	**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%

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.

Volume breakdown by country (%)



Non-financial reporting directive

Delivering 24/7 takes an integrated approach

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.

Our purpose

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

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.

Policies and values

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

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

Effective oversight

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

Senior leadership pages 96-98

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

Social Responsibility Committee pages 108-109

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

Corporate Governance

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Corporate Governance	
76	Chairman's introduction to corporate governance
80	Board of Directors
84	Corporate Governance Report
110	Directors' Remuneration Report
131	Statement of Directors' Responsibilities

Chairman's introduction to corporate governance

Governing adaptation and change

Letter from the Chairman of the Board

Dear Shareholder

As Chairman, I am pleased to introduce our Corporate Governance Report for 2020. The results of our work this year overseeing implementation of our Growth Story 2025 strategy in the volatile environment of a COVID-19 pandemic are testament to the effectiveness of the Board. Our Board's independence and diverse range of skills helps keep us focused on long-term competitiveness. I believe the Board continues to demonstrate that it is working well together.

Protecting our people and our business

The COVID-19 pandemic created unprecedented change in the retail landscape and considerable challenges to our people and our business. This required agility and adaptation across the Group to face a wealth of challenges.

The Board quickly identified its first priority: ensuring the safety of our people, customers, partners and communities. In early 2020, the Board also supported management in establishing a Group COVID-19 Operational Task Force, as discussed in more detail in the section on Board oversight of COVID-19 response on pages 87-89. Initially, a crisis management team met daily to monitor the development of the COVID-19 pandemic. Weekly meetings of the Task Force were later established 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.

A number of steps were taken to support the physical and mental wellbeing and health of our people as they worked to maintain product supply and continue to serve our customers. These are discussed in detail in the cultivate the potential of our people section of this report on pages 38-41.

Closures of hotels, restaurants, cafés, bars, entertainment venues and in some cases, public spaces were implemented across our markets in 2020. In response to these restrictions and the sudden, dramatic change to the retail landscape, our priorities, spending and investment shifted. Changes were made regarding capital expenditures and new product launches. Adjustments were made to our route to market with the redeployment of salespeople from out-of-home to at-home selling. To support the increase in e-commerce activities, we rapidly shifted investment in new and enhanced business-to-business and direct-to-consumer platforms.

The wider community was also a priority and we partnered with NGOs including the Red Cross, food banks and charities as well as local governments to help people in need. We contributed cash funds and accessed additional cash funds via The Coca-Cola Foundation to enable the provision of free products to healthcare workers, the purchase of respirators for hospitals and the provision of personal protective equipment. Many of our own people supported this work in the community by volunteering to work for customers in their warehouses, on shop floors and with deliveries; and volunteering for NGOs (to help the elderly) and local government institutions in a number of countries.

Disruptions caused by the COVID-19 pandemic led the Board to devote more time and resources to short-term considerations in 2020. While the COVID-19 pandemic is ongoing as at the start of 2021, with the extraordinary efforts of our dedicated people we have thus far largely succeeded in protecting our employees and our business. We have also positioned the Company to take advantage of new, emerging opportunities in the post-pandemic recovery period.

Adapting to win

The long-term success of our business remains connected to the success of our customers and partners, and our ability to delight consumers with the beverages and brands they love. The theme of this year's report, "Adapt to Win" highlights our focus on continuing to provide better, faster service to our customers during a period of dramatic upheaval. We were able to accomplish this due to our well-embedded values-based culture, which highlights agility, empowerment and continual learning.

As a Board, we aimed to ensure the highest standards of corporate governance at the same time that we committed to doing the right thing, and putting safety first.

Importance of good governance

Our internal policies and procedures, which have been consistently effective since the Group was formed, are properly documented and communicated against the framework applicable to premium listed companies in the UK. As a Board, our aim is to ensure the highest standards of corporate governance, accountability and risk management and this was just as important during the challenges posed by the COVID-19 pandemic.

The Board and its committees conducted an annual review of the effectiveness of our risk management system and internal controls, further details of which are set out in the Audit and Risk Committee report on page 104. The Board confirms that it has concluded that our risk management and internal control systems are effective.

We are subject to the UK Corporate Governance Code 2018. It sets out the principles of good practice in relation to: board leadership and company purpose; division of responsibilities; composition, success and evaluation; audit, risk and internal controls; and remuneration.

Further information on our application of the UK Corporate Governance Code 2018 for the year ended 31 December 2020 can be found in this report on page 78.

Board meetings normally take place in Zug, Switzerland, but also in selected markets across our territory. These were moved online in 2020 as a result of travel restrictions and safety concerns. The Board and its committees were therefore able to meet as often as planned. Due to care being taken to ensure that Board members are not over committed, it was also possible to have a few additional updates in 2020 when this was warranted.

An engaged Board

Our strong corporate culture is fundamental to our business continuity and success, and the Board plays a critical role in shaping the culture of the Company by promoting a growth-focused and values-based conduct. As our business evolved faster than ever in 2020 in response to disruptions in our business environment, our enduring core values of excellence and customer service served us well while our increased focus on continued learning and smart risk taking supported the Company's adaptation.

We monitor our progress in integrating our values through various indicators, including our Employee Engagement Index, diversity indicators, and health and safety indicators. We understand the importance of the Board's role in establishing the Company's 'tone from the top' in terms of its culture and values, and our Directors lead by example as ambassadors of our values in order to cascade good behaviour throughout the organisation.

In 2020 it was even more critical to continually engage with our people to ensure we understood their needs and challenges. In addition to the annual survey for the Employee Engagement Index, two additional all-employee surveys were conducted in May and July 2020. While Charlotte Boyle is our designated non-Executive Director responsible for engaging with our people to provide feedback to the Board, feedback from our people through these surveys was brought to the full Board in 2020 to facilitate understanding and rapid response.

Board evaluation

In line with our commitment to adhere to best corporate governance practices, an externally facilitated Board effectiveness evaluation was conducted in the second half of 2020. We will do this once again in 2021 to build upon the learnings of the 2020 evaluation. Further details are disclosed in the Nomination Committee report on page 106.

Board composition and diversity

The composition and size of the Board will continue to be under review. We believe that our Board is well-balanced and diverse, with the right mix of international skills, experience, background, independence and knowledge in order to discharge its duties and responsibilities effectively. The Board is mindful of the overall length of service of the Board as a whole and is committed to recruiting Directors with diverse backgrounds, personalities, skills and experience.

We continue to attach great importance to all aspects of diversity in our nomination processes at Board and senior management levels, while appointing candidates with the credentials that are necessary for the continuing growth of our operations within a highly competitive and specialised industry. We believe that having a diverse Board is another factor in our resilience and are proud of our track record of female representation. As of the date of this report, female Directors comprise more than 30% of our Board.

At the 2020 Annual General Meeting, Anna Diamantopoulou was appointed to the Board as non-Executive Director and John Sechi retired on the same date. The skills and expertise each member brings to our Board can be found on pages 80-82.

Anastassis G. David
Chairman of the Board

How the Board oversaw strategy implementation during the COVID-19 pandemic

In spite of considerable upheaval in retail and changing consumer needs and preferences across our markets in 2020, we remain convinced that pursuing our vision to become the leading 24/7 beverage partner is the right long-term strategy for our Company. Safety was our first priority in 2020, followed by ensuring business continuity and positioning the Company to take advantage of emerging opportunities to achieve growth and success over the long term.

Decisions taken by the Board this year to support our long-term strategy while navigating short-term concerns included prioritising investments in technology, reducing CapEx spending, temporarily cutting production of niche products to streamline supply and distribution and adjusting new product launches. Our roll out of our Costa Coffee business, for example, continued largely as planned although some adjustments were made to prioritise at-home channels. Details about our Costa Coffee launch are reported on page 29. To maintain alignment between the Company's culture, values and strategy during the COVID-19 pandemic, the Remuneration Committee oversaw adjustments to our incentive arrangements. Details are reported in the Remuneration Committee report on pages 110-111.

See page 87 for more information.

The UK Corporate Governance Code 2018

As a Swiss corporation listed on the London Stock Exchange (LSE) with a secondary listing on the Athens Exchange, we aim to ensure that our corporate governance systems remain in line with international best practices. Our corporate governance standards and procedures are continuously reviewed in light of current developments and rulemaking processes in the UK, Switzerland and also the EU. Further details are available on our website.

In respect of the year ended 31 December 2020, the Company was subject to the UK Corporate Governance Code 2018 (a copy is available from: www.frc.org.uk).

Our Board confirms that the Company applied the principles and complied with the provisions of the UK Corporate Governance Code throughout the financial year ended December 2020, except for the following provisions: (1) the Chairman was not independent on appointment (provision 9) and has been a Board member for more than nine years (provision 19), and a full explanation for this departure is provided on page 84. On appointment the Board unanimously supported and continues to support Anastassis David's appointment as Chairman; (2) provision 38 requires alignment of executive director pension contributions with the wider workforce. As this is a new requirement of the UK Corporate Governance Code, it was difficult for us to comply with this provision due to existing contractual obligations. However, as explained on page 114 of the Directors' Remuneration Report, our timeline for compliance is that on the appointment of any new Executive Director their pension contributions will be aligned with the pension scheme for the wider workforce. Pursuant to our obligations under the Listing Rules, we intend to apply the principles and continually comply with the provisions of the UK Corporate Governance Code or to explain any instances of non-compliance in our Annual Report. The Company has applied the principles as far as possible and in accordance with and as permitted by Swiss law. Further information on appointment of Directors and compliance with the UK Corporate Governance Code can be found as follows:

Section 1: Board leadership and company purpose	**See page**
A. Effective and entrepreneurial board to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society B. Purpose, values and strategy with alignment to culture C. Resources for the company to meet its objectives and measure performance. Controls framework for management and assessment of risks D. Effective engagement with shareholders and stakeholders E. Consistency of workforce policies and practices to support long-term sustainable success	
• Chairman's letter	10-12
• Strategic report	10-72
• Board engagement with key stakeholders	83-93
• Shareholder engagement	94
• Audit and Risk Committee report	100-105
• Conflicts of interest	95
Section 2: Division of responsibilities	**See page**
F. Leadership of board by chair G. Board composition and responsibilities H. Role of non-executive directors I. Company secretary, policies, processes, information, time and resources	
• Board composition	84-85
• Key roles and responsibilities	85-86
• General qualifications required of all Directors	83
• Information and training	94
• Board appointments and succession planning	95

Section 3: Composition, succession and evaluation	**See page**
J. Board appointments and succession plans for board and senior management and promotion of diversity K. Skills, experience and knowledge of Board and length of service of board as a whole L. Annual evaluation of board and directors and demonstration of whether each director continues to contribute effectively	
• Board composition	83-84
• Diversity, tenure and experience	82-83
• Board, committee and director performance evaluation	94
• Nomination Committee report	106-107
Section 4: Audit, risk and internal controls	**See page**
M. Independence and effectiveness of internal and external audit functions and integrity of financial and narrative statements N. Fair, balanced and understandable assessment of the company's position and prospects O. Risk management and internal control framework and principal risks company is willing to take to achieve its long-term objectives	
• Audit and Risk Committee report	100-105
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• Fair, balanced and understandable Annual Report	102, 105, 131
• Going concern basis of accounting	103, 131
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Section 5: Remuneration	**See page**
P. Remuneration policies and practices to support strategy and promote long-term sustainable success with executive remuneration aligned to company purpose and values Q. Procedure for executive, director and senior management remuneration R. Authorisation of remuneration outcomes	
• Remuneration Committee report	110-130

Certain differences between the Company's corporate governance practices and the UK Corporate Governance Code

The Swiss Ordinance against Excessive Compensation in Listed Companies further limits the authority of the Remuneration Committee and the Board to determine compensation. The effective limitations include requiring that the Annual General Meeting approve the maximum total compensation of each of the Board and the Operating Committee, requiring that certain compensation elements be authorised in the Articles of Association and prohibiting certain forms of compensation, such as severance payments and financial or monetary incentives for the acquisition or disposal of firms. We are in compliance with the requirements of the Swiss Ordinance against Excessive Compensation in Listed Companies and have amended our Articles of Association to that effect.

Anastassis G. David was originally appointed as non-Executive Director in 2006 at the request of Kar-Tess Holding and was not, at the time of his appointment as Chairman, in 2016, independent as defined by the UK Corporate Governance Code. In view of Anastassis David's strong identification with the Company and its shareholder interests, combined with his deep knowledge and experience of The Coca-Cola System, the Board deemed it to be in the best interests of the Group and its shareholders for him to be appointed as Chairman, to continue to promote an effective and appropriately balanced leadership of the Group. In accordance with the established policy of appointing all Directors for one year at a time, the Board intends to continue to keep all positions under regular review and subject to annual election by shareholders at the Annual General Meeting. The Board is cognisant of the length of tenure of the Chairman and when he was first appointed to the Board. However, the Board continues to believe that the proven leadership of our Chairman in combination with his deep knowledge of The Coca-Cola System position him as unique to steer the Group at the current challenging time.

Application of governance codes

Other corporate governance codes

There is no mandatory corporate governance code under Swiss law applicable to the Company. The main source of law for Swiss governance rules is the company law contained in article 620 ff. of the Swiss Code of Obligations, as well as the Ordinance against Excessive Compensation in Listed Companies.

In addition, the UK's City Code on Takeovers and Mergers (the 'City Code') does not apply to the Company by operation of law, as the Company is not incorporated under English law. The Articles of Association include specific provisions designed to prevent any person acquiring shares carrying 30% or more of the voting rights (taken together with any interest in shares held or acquired by the acquirer or persons acting in concert with the acquirer) except if (subject to certain exceptions) such acquisition would not have been prohibited by the City Code or if such acquisition is made through an offer conducted in accordance with the City Code. For further details, please refer to the Company's Articles of Association, which are available on our website.

Amending the Articles of Association

The Articles of Association may only be amended by a resolution of the shareholders passed by a majority of at least two-thirds of the voting rights represented and an absolute majority of the nominal value of the shares represented.

Share capital structure

The Company has ordinary shares in issue with a nominal value of CHF 6.7 each. Rights attaching to each share are identical and each share carries one vote. The Company's Articles of Association also allow, subject to shareholder approval, for the conversion of registered shares into bearer shares and bearer shares into registered shares. Details of the movement in ordinary share capital during the year can be found on page 196. There are no persons holding shares that carry special rights with regard to the control of the Company.

Powers of Directors to issue and buy back shares

Subject to the provisions of the relevant laws and the Articles of Association, the Board acting collectively has the ultimate responsibility for running the Company and the supervision and control of its executive management. The Directors may take decisions on all matters which are not expressly reserved to the shareholders or by the Articles of Association. Pursuant to the provisions of the Articles of Association, the Directors require shareholder authority to issue and repurchase shares. At the Annual General Meeting on 16 June 2020, the shareholders authorised the Directors to repurchase ordinary shares of CHF 6.70 each in the capital of the Company up to a maximum aggregate number of 10,000,000 representing less than 10% of the Company's issued share capital as at 6 May 2020. The authority will expire at the conclusion of the 2021 Annual General Meeting on 22 June 2021. Total shares held in treasury are 6,189,415 of which 2,759,280 shares are held by Coca-Cola HBC AG and 3,430,135 shares are held by its subsidiary, Coca-Cola HBC Services MEPE.

Board of Directors

Anastassis G. David
Non-Executive Chairman

Appointed: January 2016. He joined the Board of Coca-Cola HBC as a non-Executive Director in 2006 and was appointed Vice Chairman in 2014.

Skills and experience: Anastassis brings to his role more than 20 years' experience as an investor and non-executive director in the beverage industry. Anastassis is also a former Chairman of Navios Corporation. He holds a BA in History from Tufts University.

External appointments: Anastassis is active in the international community. He serves as vice-chairman of Aegean Airlines S.A., vice-chairman of the Cyprus Union of Shipowners and chairman of the Board of Sea Trade Holdings Inc, a shipowning company of dry cargo vessels. He is also a member of the Board of Trustees of College Year in Athens.

Nationality: British

Zoran Bogdanovic
Chief Executive Officer, Executive Director

Appointed: June 2018.

Skills and experience: Zoran was previously the Company's Region Director responsible for operations in 12 countries, and has been a member of the Operating Committee since 2013. He joined the Company in 1996 and has held a number of senior leadership positions, including as General Manager of the Company's operations in Croatia, Switzerland and Greece. Zoran has a track record of delivering results across our territories and demonstrating the values that are the foundation of our Company culture.

External appointments: None

Nationality: Croatian

Charlotte J. Boyle
Independent non-Executive Director

Appointed: June 2017.

Skills and experience: After 14 years with The Zygos Partnership, an international executive search and board advisory firm, including nine years as a partner, she retired from her position in July 2017. Prior to that, Charlotte worked at Goldman Sachs International, and at Egon Zehnder International, an international executive search and management assessment firm. Charlotte obtained an MBA from the London Business School and an MA from Oxford University, and was a Bahrain British Foundation Scholar.

External appointments: Charlotte serves as an independent non-executive director and chair of the Environment, Sustainability and Community Committee and the Remuneration Committee of Capco plc, a non-executive adviser to the Group Executive Board of Knight Frank LLP and as member of the board and chair of the finance committee of Alfanar, the venture philanthropy organization.

Nationality: British

Olusola (Sola) David-Borha
Independent non-Executive Director

Appointed: June 2015.

Skills and experience: Sola has more than 30 years' experience in financial services and held several senior roles within the Stanbic Group, including the position of Chief Executive of Stanbic IBTC Bank from May 2011 to November 2012. She also served as Deputy Chief Executive Officer of Stanbic IBTC Bank and Head of Investment Banking Coverage Africa (excluding South Africa). Stanbic IBTC Holdings is listed on the Nigerian Stock Exchange and is a member of Standard Bank group. Sola holds a first degree in Economics, and obtained an MBA degree from Manchester Business School. Her executive education experience includes the Advanced Management Programme of the Harvard Business School and the Global CEO Programme of CEIBS, Wharton and IESE.

External appointments: Since January 2017, Sola has been the Chief Executive of the Africa Regions (excluding South Africa) for Standard Bank Group, Africa's largest bank by assets with operations in 20 countries across the continent, Sola serves also as non-executive director on the boards of Stanbic IBTC Holdings Plc and Stanbic Uganda Holdings Limited, listed entities that are members of the Standard Bank Group.

Nationality: Nigerian

Anna Diamantopoulou
Independent non-Executive Director

Appointed: June 2020.

Skills and experience: Anna, as a former European Commissioner, brings to the Group a unique expertise on matters of employment and equal opportunity together with deep knowledge of European CSR agenda. Anna was an elected Member of the Greek Parliament for over a decade and during that time she served as Deputy Minister for Industries, Minister of Education, Lifelong Learning and Religious Affairs and Minister of Development, Competitiveness and Shipping of the Hellenic Republic. Anna served as a member of the European Commission in charge of Employment, Social Affairs and Equal Opportunities (1999-2004).

External appointments: Founder and President of DIKTIO-Network for Reform in Greece and Europe, a leading Athens-based independent, non-partisan policy institute. A Council Member of the European Council on Foreign Relations, an Advisory Board Member of Delphi Economic Forum and a member of the Honorary Board of the Bussola Institute, a foundation aiming to strengthen cooperation between the EU and the GCC.

Nationality: Greek

William W. (Bill) Douglas III
Independent non-Executive Director

Appointed: June 2016.

Skills and experience: Bill is a former Vice President of Coca-Cola Enterprises, a position in which he served from July 2004 until his retirement in June 2016. From 2000 until 2004, Bill served as Chief Financial Officer of Coca-Cola HBC. Bill has held various positions within the Coca-Cola System since 1985, including positions with responsibility for the IT function. Before joining the Coca-Cola System, Bill was associated with Ernst & Whinney, an international accounting firm. He received his undergraduate degree from the J.M. Tull School of Accounting at the University of Georgia.

External appointments: Bill is the Lead Director and Chairman of the Audit Committee of SiteOne Landscape Supply, Inc. He is also a member of the Board of Directors and Chair of the Audit Committee for The North Highland company. Finally, he is on the Board and past Chair of the University of Georgia Trustees.

Nationality: American

Reto Francioni
Senior Independent non-Executive Director

Appointed: June 2016.

Skills and experience: Reto has been Professor of Applied Capital Markets Theory at the University of Basel since 2006 and is the author of several highly respected books on capital market issues. From 2005 until 2015, Reto was Chief Executive Officer of Deutsche Börse AG and from 2002 until 2005, he served as Chairman of the Supervisory Board and President of the SWX Group, which owns the Swiss Stock Exchange and has holdings in other exchanges. Between 2000 and 2002, Reto was Co-Chief Executive Officer and Spokesman for the Board of Directors of Consors AG. Between 1993 and 2000, he held various management positions at Deutsche Börse AG, including that of Deputy Chief Executive Officer. He earned his Doctorate of Law at the University of Zurich.

External appointments: Reto serves as a member of the Board of Directors of UBS Group and also as the Chairman of the Supervisory Board of Swiss International Airlines. Reto is also a Vice Chairman at the Board of Directors of Medtech Innovation Partners AG, Basel.

Nationality: Swiss

Anastasios I. Leventis
Non-Executive Director

Appointed: June 2014.

Skills and experience: Anastasios began his career as a banking analyst at Credit Suisse and then American Express Bank. He has previously served on the boards of the Cyprus Development Bank and Papoutsanis SA. He holds a BA in Classics from the University of Exeter and an MBA from New York University's Leonard Stern School of Business.

External appointments: Anastasios is a board member of A.G. Leventis (Nigeria) Ltd. He is also a director of Alpheus Administration, a private company that administers assets for private clients and charitable foundations. In addition, he serves as a trustee of the A.G. Leventis Foundation, a member of the Board of Overseers of the Gennadius Library in Athens and a member of the Campaign board of the University of Exeter. He is a co-founder of the Cyclades Preservation Fund.

Nationality: British

Christo Leventis
Non-Executive Director

Appointed: June 2014.

Skills and experience: Christo worked as an Investment Analyst with Credit Suisse Asset Management from 1994 to 1999. In 2001, he joined J.P. Morgan Securities as an Equity Research Analyst focusing on European beverage companies. From 2003 until March 2014, Christo was a member of the Board of Directors of Frigoglass S.A.I.C., a leading global manufacturer of commercial refrigeration products for the beverage industry. Christo holds a BA in Classics from University College London and an MBA from the Kellogg School of Management in Chicago.

External appointments: Christo is the Chairman of Alpheus Capital, a single family private equity investment office.

Nationality: British

Alexandra Papalexopoulou
Independent non-Executive Director

Appointed: June 2015.

Skills and experience: Alexandra worked previously for the OECD and the consultancy firm Booz, Allen & Hamilton, in Paris. From 2003 until February 2015, she served as a member of the board of directors of Frigoglass S.A.I.C. From 2010 to 2015, she served as a member of the board of directors of National Bank of Greece and from 2007 to 2009, she served as a member of the board of directors of Emporiki Bank. Alexandra holds a BA in Economics and Mathematics from Swarthmore College, USA, and an MBA from INSEAD, France.

External appointments: Alexandra is the Strategic Planning Director at Titan Cement Company S.A., where she has been employed since 1992 and has served as Executive Director since 1995. Alexandra is treasurer and a member of the board of directors of the Paul and Alexandra Canellopoulos Foundation, a member of the board of directors of the INSEAD business school and a member of the board of trustees of the American College of Greece.

Nationality: Greek

Board committees

- Audit and Risk Committee page 100
- Nomination Committee page 106
- Social Responsibility Committee page 108
- Remuneration Committee page 110
- Committee Chair

Board of Directors *continued*

José Octavio Reyes
Non-Executive Director

Appointed: June 2014.

Skills and experience: José is the former Vice Chairman of The Coca-Cola Export Corporation, a position in which he served from January 2013 until his retirement in March 2014. He was president of the Latin America Group of The Coca-Cola Company from December 2002 to December 2012. Following various managerial positions in Mexico, Brazil and in The Coca-Cola Company headquarters in Atlanta, José was named President of the North Latin America Division of Coca-Cola in 2002. Prior to joining Coca-Cola, José spent five years with Grupo IRSA, a Monsanto Company joint venture. José holds a BSc in Chemical Engineering from the Universidad Nacional Autónoma de México and an MBA from the Instituto Tecnológico de Estudios Superiores de Monterrey.

External appointments: José has been a member of the board of directors of MasterCard WorldWide since January 2008. He has been a Director of Coca-Cola FEMSA S.A.B. de C.V. since 2016.

Nationality: Mexican

Alfredo Rivera
Non-Executive Director

Appointed: June 2019.

Skills and experience: From 2013 to 2016, Alfredo was President of the Latin Center Business Unit for The Coca-Cola Company. Before joining the Latin Center, from September 2006 to December 2012, Alfredo was Sparkling Beverages General Manager for the Mexico Business Unit of The Coca-Cola Company. Alfredo joined The Coca-Cola Company in the Central America and Caribbean Division in 1997 as District Manager for Guatemala and El Salvador. From 1999 to 2003 he was appointed Southeast Region Manager in the Brazil Division and from 2004 to 2006, he served as General Manager of the Ecuador business, leading the turnaround of the business under challenging circumstances. Prior to joining The Coca-Cola Company, Alfredo worked for two independent Coca-Cola bottlers in Honduras and El Salvador for 13 years. Alfredo holds a BA in History and an MBA from the University of Mississippi.

External appointments: Alfredo is president of North America for The Coca-Cola Company, helping lead the company's transformation to emerge stronger as a total beverage company, enabled by a globally-networked organization. Prior to his current role, Alfredo served as president of TCCC's Latin America group, where he oversaw the operations of four business units across nearly 40 Latin and Caribbean countries. A veteran of the global Coca-Cola system for more than 35 years, Alfredo is a seasoned operator with proven ability to develop winning strategies and inspire teams to achieve sustainable growth.

Nationality: Honduran

Ryan Rudolph
Non-Executive Director

Appointed: June 2016.

Skills and experience: From 2006 until 2019 Ryan was an attorney and partner at the law firm Oesch & Rudolph. From 1993 until 2006, he worked as an attorney at the business law firm Lenz & Staehelin in Zurich. Prior to that, he worked as a public relations consultant at the public relations agency Huber & Partner in Zurich, as marketing assistant and subsequently as manager at Winterthur Life Insurance as well as part-time with D&S, the Institute for Marketing and Communications Research in Zurich. Ryan obtained an LLM from the University of Zurich and is admitted to the Zurich bar. Ryan also studied at the Faculté des Lettres of the University of Geneva, as well as the Ecole Polytechnique in Lausanne.

External appointments: Ryan is an attorney and partner at the Zurich-based law firm RCS Trust & Legal A.G. In addition, he serves as a member of the Foundation Board of the A.G. Leventis Foundation and as a member of the board of various privately-held companies and charitable foundations.

Nationality: Swiss

Board committees

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- Nomination Committee page 106
- Social Responsibility Committee page 108
- Remuneration Committee page 110
- Committee Chair

Diversity, tenure and experience of the Board

Board gender diversity

Board tenure

0-1 years	1
1-2 years	1
2-3 years	1
3-4 years	1
4-5 years	3
5-6 years	2
6-7 years	3
13-14 years	1

Board experience

General qualifications required of all Directors

Coca-Cola HBC's Board Nomination Policy requires that each Director is recognised as a person of the highest integrity and standing, both personally and professionally. Each Director must be ready to devote the time necessary to fulfil his or her responsibilities to the Company according to the terms and conditions of his or her letter of appointment. Each Director should have demonstrable experience, skills and knowledge which enhance Board effectiveness and will complement those of the other members of the Board to ensure an overall balance of experience, skills and knowledge on the Board. In addition, each Director must demonstrate familiarity with and respect for good corporate governance practices, sustainability and responsible approaches to social issues.

Business characteristics	Qualifications, skills and experience	Directors
Our business is extensive and involves complex financial transactions in the various jurisdictions where we operate	Experience in finance, investments and accounting	12
Our business is truly international with operations in 28 countries, at different stages of development, on three continents	Broad international exposure, and emerging and developing markets experience	13
Our business involves the preparation, packaging, sale and distribution of the world's leading non-alcoholic beverage brands	Extensive knowledge of our business and the fast-moving consumer goods industry, as well as experience with manufacturing, route to market and customer relationships	6
Our Board's responsibilities include the understanding and oversight of the key risks we are facing, establishing our risk appetite and ensuring that appropriate policies and procedures are in place to effectively manage and mitigate risks	Risk oversight and management expertise	12
Building community trust through the responsible and sustainable management of our business is an indispensable part of our culture	Expertise in sustainability and experience in stakeholder engagement	8
Our business involves compliance with many different regulatory and corporate governance requirements across a number of countries, as well as relationships with national governments and local authorities	Expertise in corporate governance and/or government relations	7

		Board	Audit and Risk	Remuneration	Nomination	Social Responsibility
Director	Appointed	Attended/ Total meetings	Attended/ Total meetings	Attended/ Total meetings	Attended/ Total meetings	Attended/ Total meetings
Anastassis G. David[4]	January 2016	6/6				
Zoran Bogdanovic	June 2018	6/6				
Charlotte J. Boyle	June 2017	6/6		4/4	4/4	
Anna Diamantopoulou[1]	June 2020	4/4		2/3	2/3	3/3
Olusola (Sola) David-Borha	June 2015	6/6	8/8			
William W. (Bill) Douglas III	June 2016	6/6	8/8			
Reto Francioni	June 2016	6/6		4/4	4/4	
Anastasios I. Leventis	June 2014	6/6				4/4
Christo Leventis	June 2014	6/6				
Alexandra Papalexopoulou[2]	June 2015	6/6	5/5	1/1	1/1	1/1
José Octavio Reyes	June 2014	6/6				4/4
Alfredo Rivera	June 2019	6/6				
Ryan Rudolph	June 2016	6/6				
John P. Sechi[3]	June 2014	2/2	3/3			

1. Anna Diamantopoulou was appointed to the Board at the Annual General Meeting on 16 June 2020. She was unable to attend the Remuneration and Nomination Committees meetings in December due to a long-standing prior engagement.
2. Alexandra Papalexopoulou became a member of the Audit and Risk Committee at the Annual General Meeting on 16 June 2020.
3. John Sechi retired from the Board and from the Audit and Risk Committee at the Annual General Meeting on 16 June 2020.
4. Anastassis David was appointed as Chairman in 2016.

Corporate governance report

Board composition

Membership of the Board

On 31 December 2020, our Board comprised 13 Directors: the Chairman, one Senior Independent Director, 10 non-Executive Directors and one Executive Director. The biographies of each member of the Board are set out on pages 80 to 82.

The non-Executive Directors, of whom six (representing half of the members excluding the Chairman) are determined by the Board to be independent, are experienced individuals from a range of backgrounds, countries and industries. The composition of the Board complies with the UK Corporate Governance Code's recommendation that at least half of the Board, excluding the Chairman, comprise independent Directors. At the Annual General Meeting held on 16 June 2020, Anna Diamantopoulou was appointed as a non-Executive Director and became a member of the Nomination Committee, the Remuneration Committee and the Social Responsibility Committee. John Sechi retired as a non-Executive Director and as a member of the Audit and Risk Committee on the same date. There were no other changes to the Board during 2020. The changes to committee membership are set out in each committee report.

Outside appointments

The Articles of Association of the Company (article 36) set limits on the maximum number of external appointments that members of our Board and executive management may hold. In addition, if a Board member wishes to take up an external appointment he or she must obtain prior Board approval. The Board will assess all requests on a case-by-case basis, including whether the appointment in question could negatively impact the Company or the performance of the Director's duties to the Group.

The nature of the appointment and the expected time commitment are also assessed to ensure that the effectiveness of the Board would not be compromised.

Details of the external appointments of our non-Executive Directors are contained in their respective biographies set out on pages 80-82.

Our Chairman serves as vice-chairman of Aegean Airlines S.A., vice-chairman of the Cyprus Union of Shipowners and chairman of the Board of Sea Trade Holdings Inc., a shipowning company of dry cargo vessels. He is also a member of the Board of Trustees of College Year in Athens. In this context, the Board considers that fewer than four of the positions held by the Chairman are considered to be significant.

A number of our other Directors also have other external roles but having considered the scope of the external appointments of all Directors, including the Chairman, our Board is satisfied that they do not compromise the effectiveness of the Board as each Director has sufficient time to devote to his or her role on the Board as the Board requires. According to the terms of appointment the Directors are expected to devote such time as necessary for the performance of their duties. This will include attendance at approximately 10 Board meetings, Annual General Meetings and other ad hoc meetings. As can be seen in the table of attendance of Board and Board Committee meetings on page 83, the Directors were able to devote the time required of them to their role on the Board. In 2020 the Board was able to adjust schedules to participate in several additional updates regarding the pandemic and its impact. The Board has determined that each member of the Board commits sufficient time and energy to the role and continues to make a valuable contribution to the Board and its committees.

Independence

Our Board has concluded that Charlotte J. Boyle, Olusola (Sola) David-Borha, Anna Diamantopoulou, William W. (Bill) Douglas III, Reto Francioni and Alexandra Papalexopoulou are deemed to be independent in accordance with the criteria set out in the UK Corporate Governance Code, with such individuals being independent in both character and judgement.

The other non-Executive Directors, Anastassis G. David (Chairman), Anastasios I. Leventis, Christo Leventis, José Octavio Reyes, Alfredo Rivera and Ryan Rudolph, were appointed at the request of shareholders of the Company: Kar-Tess Holding and The Coca-Cola Company. They are therefore not considered, by the Board, to be independent as defined by the UK Corporate Governance Code.

Anastassis G. David was appointed as Chairman on 27 January 2016. The Board firmly believes that Anastassis David embodies the Company's core values, heritage and culture and that these attributes, together with his strong identification with the Company and its shareholders' interests, and his deep knowledge and experience of The Coca-Cola System, ensure an effective and appropriately balanced leadership of the Board and the Company. Anastassis David was first appointed as a member of the Board in 2006 before being appointed Chairman in 2016. Prior to his appointment as Chairman, major shareholders were consulted and an external search consultancy engaged to find suitable candidates. The consensus and recommendation was that Anastassis David was the appropriate candidate to become Chairman and that he continues to be effective in his leadership of the Board. Anastassis David has the continuing support of the Board and major shareholders to remain as Chairman.

Shareholders' nominees

As described under the heading 'Major shareholders' on page 237, since the main listing of the Company on the Official List of the London Stock Exchange in 2013, Kar-Tess Holding, The Coca-Cola Company and their respective affiliates have no special rights in relation to the appointment or re-election of nominee Directors, and those Directors of the Company who were originally nominated at the request of The Coca-Cola Company or Kar-Tess Holding will be required to stand for re-election on an annual basis in the same way as the other Directors. The Nomination Committee is responsible for identifying and recommending persons for subsequent nomination by the Board for election as Directors by the shareholders on an annual basis.

As our Board currently comprises 13 Directors, neither Kar-Tess Holding nor The Coca-Cola Company is in a position to control (positively or negatively) decisions of the Board that are subject to simple majority approval. However, decisions of the Board that are subject to the special quorum provisions and supermajority requirements contained in the Articles of Association, in practice, require the support of Directors nominated at the request of at least one of either The Coca-Cola Company or Kar-Tess Holding in order to be approved. In addition, based on their current shareholdings, neither Kar-Tess Holding nor The Coca-Cola Company is in a position to control a decision of the shareholders (positively or negatively), except to block a resolution to wind up or dissolve the Company or to amend the supermajority voting requirements. The latter requires the approval of 80% of shareholders where all shareholders are represented and voting. Depending on the attendance levels at Annual General Meetings, Kar-Tess Holding or The Coca-Cola Company may also be in a position to control other matters requiring supermajority shareholder approval.

Anastassis G. David, Anastasios I. Leventis, Christo Leventis and Ryan Rudolph were all originally appointed at the request of Kar-Tess Holding. José Octavio Reyes and Alfredo Rivera have been appointed at the request of The Coca-Cola Company.

Separation of roles

There is a clear separation of the roles of the Chairman and the Chief Executive Officer. The Chairman is responsible for the operation of the Board and for ensuring that all Directors are properly informed and consulted on all relevant matters. The Chairman, in the context of the Board meetings and as a matter of practice, also meets separately with the non-Executive Directors without the presence of the Chief Executive Officer and promotes the culture of openness and debate within the Board sessions as well as outside the formal sessions.

The Chairman is also actively involved in the work of the Nomination Committee concerning succession planning and the selection of key people. The Chief Executive Officer, Zoran Bogdanovic, is responsible for the day-to-day management and performance of the Company and for the implementation of the strategy approved by the Board.

Key roles and responsibilities

Board of Directors

Our Board has ultimate responsibility for our long-term success and for delivering sustainable shareholder value as well as contributing to wider society. The Board is responsible for setting the Company's purpose, values and strategy and ensures the alignment with its culture; this includes ensuring that workforce policies and practices are consistent with the Company's values and support its long-term sustainable vision. Further details are set out on pages 86-90. This is achieved by approving the corporate strategy, monitoring performance toward strategic objectives, overseeing implementation of the strategy by the Operating Committee and approving matters reserved by the Articles of Association for decision by the Board. Specific tasks are delegated by the Board to its committees for audit and risk, nomination, remuneration and social responsibility.

The governance process of the Board is set out in our Articles of Association and the Organisational Regulations. These regulations define the role and responsibilities of the Board and its committees, and can be found at https://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/. In addition, the Swiss Ordinance against Excessive Compensation in Listed Companies imposes certain obligations on the Board, including a requirement to prepare and make available a remuneration report pursuant to Swiss law.

Chairman

- leads the Board, sets the agenda and promotes a culture of openness and debate;
- is responsible for overall effectiveness in leading the Company and setting the culture;
- ensures the highest standards of corporate governance;
- is the main point of contact between the Board and management; and
- ensures effective communication with shareholders and stakeholders.

Chief Executive Officer

- leads the business, implements strategy and chairs the Operating Committee; and
- communicates with the Board, shareholders, employees, government authorities, other stakeholders and the public.

Senior Independent Director

- acts as a sounding board for the Chairman and appraises his performance;
- leads the independent non-Executive Directors on matters that benefit from an independent review; and
- is available to shareholders if they have concerns which have not been resolved through the normal channels of communication.

Non-Executive Directors

- contribute to developing Group strategy;
- scrutinise and constructively challenge the performance of management in the execution of the Group's strategy; and
- oversee succession planning, including the appointment of Executive Directors.

Company Secretary

- ensures that correct Board procedures are followed and ensures the Board has full and timely access to all relevant information;
- facilitates induction and training programmes, and assists with the Board's professional development requirements; and
- advises the Board on governance matters.

Board committees

Our Board has delegated specific tasks to its committees as set out in the Organisational Regulations and reports from these committees are set out in this Corporate Governance Report. Biographies of the Chairs of the Board committees and the other members of the Board, the Audit and Risk Committee, the Nomination Committee, the Remuneration Committee and the Social Responsibility Committee are set out on pages 80-82.

Audit and Risk Committee

Responsibilities

- Oversight of the accounting policies, financial reporting and disclosure controls; the Group's approach to internal controls and risk management; and the quality, adequacy and scope of internal and external audit functions.
- Oversight of the Company's compliance with legal, regulatory and financial reporting requirements, and the work programme of the internal audit function.
- External auditor reports directly to the Committee.

Remuneration Committee

Responsibilities

- Establishment of the remuneration strategy for the Group; determines and agrees with the Board the remuneration of Group Executives and approves remuneration for the Chairman and the Chief Executive Officer.
- Makes recommendations to the Board regarding remuneration matters to be approved at the Annual General Meeting.
- Implementation or modification of any employee benefit plan resulting in an increased annual cost of €5 million or more.

Nomination Committee

Responsibilities

- Identification and nomination of new Board members, including recommending Directors to be members of each Board committee.
- Ensuring adequate Board training; supporting the Board and each committee in conducting a self-assessment.
- Oversight of the establishment of a talent development framework for the Group.
- Oversees effective succession planning for the Chief Executive Officer, in consultation with the Chairman, and for the Operating Committee, in consultation with the Chief Executive Officer.

Social Responsibility Committee

Responsibilities

- Supports the Board in its responsibilities to safeguard the Group's reputation for responsible and sustainable operations.
- Oversight of the Group's engagement with stakeholders to assess their expectations, and the possible consequences of these expectations for the Group.
- Establishes principles governing social and environmental management, and oversees development of performance management to achieve social and environmental goals.

Operating Committee

The Operating Committee, led by the Chief Executive Officer, meets 12 times each year and provides the Group with executive leadership. The Committee has responsibility for: the development of long-term strategies and the implementation of strategies approved by the Board; providing adequate head-office support for each of the Group's countries; working closely with the country General Managers, as set out in our operating framework; and the setting of annual targets and approval of annual business plans which form the basis of the Group's performance management.

Applied governance

Summary of key Board activities for 2020 and priorities for 2021

Topic	2020 activity	2021 priority
Strategy	• Monitoring progress towards our Growth Story 2025 • Ongoing support on product innovation and new product and package launches • Continued close alignment with The Coca-Cola Company • Monitoring progress towards our 2025 sustainability commitments	• Review the progress towards becoming the leading 24/7 beverage partner and leveraging the unique 24/7 portfolio • Close monitoring of plans to address packaging challenges and reduce one-way plastic packaging • Continued alignment with key stakeholders
Performance	• Regular performance reviews with focus on the Group's key business indicators • Deep dive reviews of regions and key functions • Review of the performance of the Company's innovation initiatives	• Periodic reviews of the business performance in specific markets and monitoring the launch of the coffee business • Considering the outcome of the Group's Innovation for Growth competition and follow-up plans • Acceleration of the sales capabilities across the organisation based on the insights from the Group's big data and advanced analytics work
Risk management and internal control	• Continued review of emerging principal risks and mitigation programmes • Reviewing mitigation plans for COVID-19 pandemic • Monitoring the performance of the Group's COVID-19 Operational Task Force • Reviewing information technology plans, including cyber security	• Ongoing review of key principal risks, including risks relating to the COVID-19 pandemic • Reviewing the liquidity and financing status of the Group • Implementing the Group's COVID-19 response plans and execution initiatives in modern trade, e-commerce and management reporting systems • Enhancing the cyber security programme in order to meet the needs for the accelerated digitalisation of the business
Operational	• Ongoing review of the Group's cost optimisation and investment programmes • Consolidation of new acquisitions • Review of material capital expenditure projects	• Implementation of cost optimisation programmes and CapEx investments • Continued focus on projects involving the in-house production of PET from recycled PET flakes and production of CO_2 collected from the air
Culture and values	• Monitoring the engagement surveys and people plans • Continuing working with the designated non-Executive Director on issues that are identified through the employee engagement process	• Discussing talent and people capability plans • Ongoing review of the Performance for Growth, the Group's new performance management process
Succession planning and diversity	• Reviewing the succession planning work for Board and senior management, including the on-boarding plan for the Group's new Chief Financial Officer • Reviewing the Company's talent development plans	• Ongoing succession planning work and preparing succession planning and bench strength initiatives for senior management and Board vacancies • Discussing Board effectiveness and succession pipeline

APPLIED GOVERNANCE

Board oversight of COVID-19 response

The COVID-19 pandemic which impacted our markets beginning in the first quarter of 2020 had a profound impact on all our stakeholders and on the way people around the world live their lives. The Board and Operating Committee were required to make significant decisions and adjustments, sometimes on a daily basis. The Company had to adapt to an uncertain situation that was constantly changing. The Company's COVID-19 pandemic response to date focuses on: our people, customers, partners and communities; business continuity and financial resilience.

The Board

The Board led the Company's COVID-19 pandemic response and helped direct and guide the senior management team to consider all potential scenarios associated with the COVID-19 pandemic. The Board identified a number of key priorities and, in early 2020, announced that its primary focus was to support our people, our customers, partners and the communities where the Group operates. It also authorised the implementation of contingency plans to mitigate the impact on our people as far as possible.

In a number of market updates, the Board set out its key priorities:

- Ensure the safety of our people, customers, partners, consumers and products including actively supporting those who continue to have their lives changed and impacted by the COVID-19 pandemic, and those who tirelessly and selflessly care and serve the affected;
- Ensure business continuity and continued and uninterrupted product supply to customers by decisive, timely and effective actions;
- Implementation of appropriate contingency and business continuity plans in order to safeguard production plants and enable our supply chain to remain fully operational;
- Financial resilience; and
- Through our established community networks and partnerships to support those in need, those fighting the COVID-19 pandemic on the front line and our customers that continue to serve our shared communities.

During the crisis the Board was mindful of ensuring the long-term resilience and strength of the business, and positioning the business to capitalise on opportunities emerging from the turmoil of the COVID-19 pandemic.

Operating Committee

As the Company's senior management team with responsibility for the day-to-day operation of the Group's business, the Operating Committee has overseen the business's COVID-19 pandemic response under the guidance of, and directed by, the Board. The Operating Committee continued to make operational decisions in line with the Board's key priorities to enable the Board to focus on the long-term strategic issues and decisions associated with the COVID-19 pandemic.

Timely and effective business decisions, and insights, were enabled and assisted by a strong collaboration with the Company's partners and network across the Coca-Cola System. Senior management benefited from insights from our Coca-Cola System colleagues in China as well as early learnings from our Italian operations. These were shared with the broader Coca-Cola System and partners, particularly for markets impacted slightly later in 2020.

Workforce safety was key. Whenever it was possible, the Operating Committee actively supported those who continued to have their lives changed or impacted by the COVID-19 pandemic, and those across the Coca-Cola System who tirelessly and selflessly supported the affected.

To assist the senior management team with its operational tasks and ensure actions were decisive, timely and effective, a new committee was established at the start of the COVID-19 pandemic: the Crisis Management Committee.

Crisis Management Committee

This committee was established at the start of the COVID-19 pandemic to assist the Operating Committee with a focus on business operations. It is a team comprising some members of the Operating Committee but also other senior leaders including the head of risk and representatives from a number of functions. In its operational role, it has been responsible for monitoring the COVID-19 pandemic throughout the countries where the Group operates to ensure the business is reacting to the COVID-19 pandemic in a timely manner and to ensure the safety of all of our people, customers, partners and communities. To ensure continuity of supply chain operations and in keeping all production facilities open, this committee has overseen the implementation of global best-practice precautionary and hygiene measures at all locations, including even stricter sanitisation protocols, social distancing, travel restrictions and, where possible, working from home. It met daily at the start of the COVID-19 pandemic, reporting to the Operating Committee. Subsequently, the Group COVID-19 Operational Task Force was formed to react to pandemic-related developments.

Group COVID-19 Operational Task Force

The Group COVID-19 Operational Task Force was established to assist the Operating Committee by focusing on developing and co-ordinating in a more structured manner the Company's COVID-19 response across three pillars: "Now", "Rest of the Year" and "Tomorrow". In its operational role, it has been responsible for monitoring the pandemic throughout the countries where the Company operates to ensure that the local business operations are reacting to the COVID-19 pandemic in a timely manner and prioritising the safety of our people, customers, partners and the surrounding communities. It has met weekly and reports to the Operating Committee.

APPLIED GOVERNANCE

Taking action to ensure resilience

Actions to support identified priorities

With oversight and guidance from the Board and regular reports to the Operating Committee, the Group COVID-19 Operational Task Force was the "nerve centre" for implementing timely and decisive actions to ensure not only the business and financial resilience of the Group across the markets in which it operates, but also in providing appropriate support by financial and other means to the wider communities.

Business and finance resilience

The Board reviewed and approved proposals from the Operating Committee and Group COVID-19 Operational Task Force and, where required, updated the market on changes to business and finance resilience covering cash, EBIT and competitiveness:

- Capital expenditure – initially a significant reduction of €100 million compared to plan was approved, however, given stronger than expected cash generation, this level of reduction was not required and some projects, initially postponed, were brought forward to 2020;
- 2020 discretionary expenditure reduced by over €120 million compared to our original plans for the year;
- Maximisation of revenue by ensuring supply chain continuity and, where necessary, redeploying business development ambassadors to assist with immediate customer needs;
- Accelerating roll-out of our e-commerce platform, a web shop for wholesalers and distributors to drive business-to-consumer growth and to ensure operational capacity where local travel restrictions and lockdowns were imposed. It also accelerated online sales offerings with the Company's own online direct-to-consumer platform (Q-Well Switzerland);
- No salary increases were paid to members of the Operating Committee; also travel restrictions imposed and hiring freeze of personnel;
- Review of spending on shop floor displays and ordering to ensure no over-supply and ease cash flow to assist customers when re-opening businesses following closed period due to lockdown, including approval of updated trade investment guidelines;
- Enhancing the Group's cyber security program in order to meet the accelerated digitalization of the business and protection from increased sophistication of cyber-attacks;
- Promotional shift to growing high priority channels, including e-commerce and convenience; and
- Revised innovation plan.

The Audit and Risk Committee received regular briefings from the Chief Risk Officer on business resilience and, where required, approved changes to budgets and plans due to the impact of the COVID-19 pandemic. Further detail around financial business resilience is set out in the Audit and Risk Committee report on pages 100-103.

Reprioritising investments

As the COVID-19 pandemic began, we took decisive and early action to reduce discretionary operating costs and capital expenditure. This cost control helped support profitability as we faced lower revenues, but also required us to make certain trade-offs.

During the year, we prioritised spending on digital sales channels and tools to support remote working, and we shifted capital allocation towards the highest potential channels, brands and markets balancing short term performance while continuing to invest in long-term growth. We also continued to invest in our sustainability commitments, investing for instance in in-house capacity to produce recycled PET.

The trade-off was less investment in product launches. Roughly 75-80% of the discretionary cost savings in 2020 came from reduced direct marketing expenses as we reprioritised promotional activities and, working together and in alignment with The Coca-Cola Company, delayed or adjusted new product launches. We progressed with Costa Coffee and Topo Chico but adjusted our plans for other less strategic launches. Meanwhile the prioritisation of focus on Sparkling can be seen in the relative performance of Sparkling compared to still beverages.

Responsibility and commitment to society

In considering its actions to support the Group's commitment to society, the Board, the Operating Committee and the Group COVID-19 Operational Task Force focused on: employees, customers and the wider community.

Employees

The Chief Executive Officer ("CEO") led regular communications to our people to ensure the appropriate 'tone' was set in responding to the constantly changing and challenging COVID-19 pandemic. Communications included CEO letters and video messages, virtual townhall meetings and weekly functional calls as well as other newsletters and information material. The Crisis Management Committee and the Group COVID-19 Operational Task Force were proactive and efficient in the implementation of global best practice on precautionary and hygiene measures across all locations. This included the provision of face masks, gloves and sanitisation equipment as well as guidance on social distancing measures and other restrictions to keep people safe. An Employee Assistance Programme was introduced, as well as online training, to support the physical and mental health and wellbeing of our people.

Customers

Connectivity with our customers was key and the Group COVID-19 Operational Task Force provided guidance around business continuity to our customers to assure them that business would operate as normal even with our employees working remotely. It was important to keep regular contact with customers to understand their concerns and the issues they faced. Customer service and flexibility were of paramount importance with employees being advised to "never leave a day without calling a client". The main concerns and issues for customers resulted in: the supply chain being flexed to allow for a shift to store delivery rather than central warehouse delivery when needed; helping to minimise the strain on customer operations; and flexing our commercial policy, including the provision of extended credit for solvent customers.

Community

Across all markets, we took our commitment to engaging with wider society seriously and encouraged various community initiatives. These resulted in a mixture of cash donations, free products, purchase of equipment, assisting with delivery of products and volunteering to support our customers, the vulnerable, hospitals, front line medical staff, care workers, emergency services, patients, school children, consumers and many others.

The Board was fully supportive of proposals to significantly increase support provided to our communities. The Operating Committee and Group COVID-19 Operational Task Force worked with The Coca-Cola Company and The Coca-Cola Foundation and all other bottling partners in providing a $120 million support package focused on people and organisations engaged in the frontline fight against the COVID-19 pandemic. As a result each of the Company's markets was able to make a significant donation to support our communities, which was primarily achieved through partnering with the Red Cross and other NGOs and in making product donations. The Company, with help from The Coca-Cola Foundation, provided funding to all 28 markets in which the Company operates with the funding used to support front line work or to purchase medical equipment.

The Company donated its beverages and other products to support hospitals, quarantine centres, food banks, emergency services, NGOs and vulnerable people in need of this support. For example, in Nigeria the Company donated over 130,000 litres of beverages to COVID-19 response teams, emergency medical facilities and quarantine centres; and in Italy, delivered over 600,000 beverages to the Italian foodbank Banco Alimentare Civil Protection, NGOs and hospitals. The Board was supportive of these types of activities being replicated across all 28 markets and the Company has worked towards providing this support.

The Company leveraged the capabilities in its own supply chain to support the provision of protective and medical equipment to communities around the world, for example using 3D printing capability to produce protective face masks in Russia, producing 10,000 bottles for hand sanitiser to be dispensed in Ireland and lending a microbiological detector to support laboratory testing for COVID-19 in Romania. We worked with local governments and NGOs throughout our markets to identify and help provide essential equipment and supplies.

APPLIED GOVERNANCE

Oversight of the Company's culture

How the Board measures and assesses culture

The Board is responsible for monitoring and assessing our culture. The Chairman ensures that the Board is operating appropriately and sets the Board's culture which in turn forms the culture of the Company. The Chief Executive Officer supported by members of the Operating Committee is responsible for ensuring culture is embedded throughout the business and its operations and in all our dealings with our stakeholders.

The Board measures the culture of the Group using internal and external metrics which also enable it to identify further actions to ensure culture remains appropriate. The Board also monitors the Group's performance against its peer group within the same sector. The Board considers the following:

- Health and safety – an area of paramount importance to our people, customers, partners, and consumers of our products. We actively supported those who continued to have their lives impacted by the COVID-19 pandemic. We adapted business operations to ensure all were kept safe while continuing to perform their roles. We closely monitored the developing situation and challenges to ensure we provided the appropriate requirements and support.
- Employee retention – our employees are our greatest asset and it is important that we do everything we can to retain them. We conduct an annual employee engagement survey of the workforce, although during 2020 a total of three all-employee surveys were conducted to provide feedback to senior management to identify whether further actions were required. The answers were reviewed by the Operating Committee with the findings reported to the Board.
- Customer retention – assessments of customer satisfaction and ongoing conversations with regulators and non-governmental organisations. Our regular customer surveys to more than 15,000 customers to assess satisfaction and identify areas for improvement were suspended in 2020. We made extraordinary efforts to stand by and support our customers as they adapted to changing conditions. However, we did not wish to burden customers in 2020 with survey requests, we worked more closely with them than ever before, helping them solve problems and address challenges most had never experienced before. Many of our customers were severely impacted by lockdowns and restrictions on their ability to operate. The Coca-Cola System launched the inspirational 'Open Like Never Before' campaign to celebrate re-openings and drive support for local businesses.

We continue to work with our customers, consumers, suppliers, local community representatives and other business partners across the value chain every day. Their input, cooperation and trust factors in to Board decision-making and the success of the business. Examples of governance in action are on pages 92-93.

Culture in action

Doing the right thing

The Company is a well-positioned and a resilient business prepared to adapt and emerge to take on new opportunities. We entered the COVID-19 pandemic from a position of strength in terms of our portfolio, market execution focus and our relationships, including our relations with customers and our partnerships with The Coca-Cola Company and others. Our culture of adaptability, which embraces change and challenge, has been and will continue to be a crucial factor, as can be seen in the speed and innovation of the Company's response to the COVID-19 pandemic with the tireless dedication of our workforce.

Throughout, our actions have been guided by our values. Below are some examples of culture in action during 2020:

- A Coca-Cola System-wide partnership with the Red Cross
- For those on the front lines fighting the COVID-19 virus we provided beverages as well as grants through The Coca-Cola Foundation
- In Romania, 40 volunteers helped build a medical facility
- In Russia and Nigeria, we used our 3D-printing capabilities to produce protective face shields
- All employees were offered support to maintain physical and mental wellbeing

Customer care

- Offered and provided extensions to credit facilities
- Collaborated to assist with re-opening businesses, including understanding customer priorities and requirements
- Supported customers with product placement and marketing
- Delivered direct to customers' stores rather than to customers' warehouses
- Helped customers fill supply gaps when needed

Resilience, adaptability and agility

- Efficiently and effectively moved employees to remote working arrangements at the onset of the COVID-19 pandemic
- Maintained supply chain operations with no disruptions at production facilities
- Fast, agile adaptation to new protocols and enhanced safety procedures which allowed us to maintain production with no interruptions, ensuring business continuity
- Upgraded connectivity and provided the digital collaboration tools needed to continue to be productive and successful
- Expanded communication channels to ensure that our people remained well informed
- Increased e-commerce activities and partnerships, including on our own business-to-business sales platform, partnering with food delivery platforms and working with our wholesale customers to develop direct-to-consumer offerings

Sustainability

- Moved #YouthEmpowered programmes online in certain markets to continue to support youth employability
- Installed technology to produce our own supply of recycled PET in the face of disruptions in recycling collection and sorting

APPLIED GOVERNANCE

Workforce engagement

Engagement with key stakeholder groups strengthens our relationships and is an ongoing part of the operational management of the Group. This includes employee surveys, assessing customer satisfaction and ongoing conversations with regulators and non-governmental organisations. The challenges of the COVID-19 pandemic resulted in a change to the form of engagement with some of our stakeholder groups. The Board receives regular updates from senior management on insights and feedback from stakeholders, which allows the Board to understand and consider the perspectives of key stakeholders in decision-making. This is a standing agenda item for Board meetings.

Our employees are one of our most important stakeholder groups and the Company's success largely depends on the passion of our people and our ability to attract, retain and develop the best talent. The Board therefore understands the importance of engaging with its workforce. To meet the ongoing challenges for the business during 2020 was of paramount importance. Thus we focused first to ensure the safety of our workforce and provide the appropriate means to continue in their roles and that we are supporting a healthy working environment. Our workforce remained core to the Company's strategy, but we also ensured that we are making appropriate business decisions. Our workforce went to extraordinary efforts to support and aid our customers and consumers during uncertain times.

The Board closely monitors and reviews the results of the Company's Employee Engagement, Values and Ambassadorship surveys. During 2020, engagement surveys were run more frequently to provide direct feedback from our people to enable the Company to meet and resolve the challenges across its markets.

In addition, the Board reviews talent development initiatives designed to support long-term success. For further details please see below and growth pillar 4.

Charlotte Boyle, our designated non-Executive Director for workforce engagement, attended a number of virtual meetings with our European Works Council (EWC). Despite, not being able to meet physically in 2020, meetings continued with the EWC virtually, including meetings in June, September and December 2020. Senior leadership present key information on business and other changes at these meetings and hear feedback directly from employee representatives. All meetings are attended by selected members of the senior leadership team, depending on subjects covered, and our annual plenary meeting, with the full Council, is attended by the CEO. For more information about this engagement, see the cultivate the potential of our people section on pages 39-41.

Workforce engagement mechanism

Charlotte Boyle, our designated non-Executive Director for workforce engagement, attended a number of virtual meetings during the year with our European Works Council. During the course of these meetings Charlotte met with elected employee representatives from our businesses in EU countries. These meetings allow employee representatives to hear from senior leaders – including the CEO – about significant matters affecting our people, and to ask questions and give feedback. Charlotte was able to hear from employee representatives about topics raised by employees and their experience of the Company's approach to the workforce, particularly during the COVID-19 pandemic. During 2020, this was of great importance, ensuring the appropriate support and resources for our people, not only for their own safety but to aid them in their roles in helping our customers and consumers.

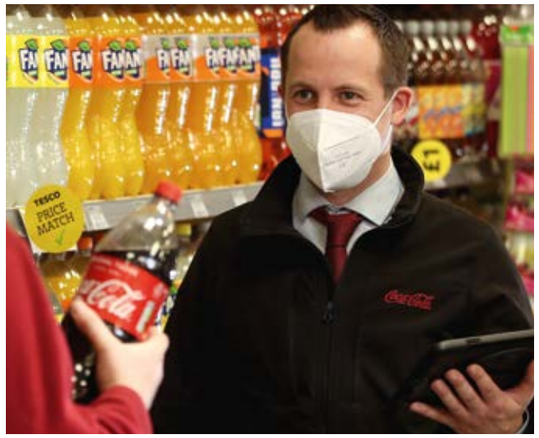
Charlotte also frequently interacted with our Group Employee Relations Director, who has responsibility for diversity and inclusion, to better understand the steps that the Company is taking to become more diverse and inclusive (see page 41 for activities in this area). To embed these attributes within the Company's culture, initiatives including a communication campaign and training have been launched to increase awareness and understanding. The Company is also promoting employee affinity groups, such as women's networks. The Board takes the lead by recognising good practices and driving accountability.

Charlotte reported back to the Board on her observations and matters raised by employees, ensuring Board deliberations and decision-making are fully informed.

Engaging with our stakeholders

Listening to our stakeholders, and making a meaningful response, is crucial for continued success

Description	How the Board is kept informed	Read more
Our people	To understand what our people needed to work in rapidly changing circumstances, the Company conducted special pandemic-related employee surveys in May and July 2020. There is a designated non-Executive Director for engagement with our people, but the COVID-19 pandemic response was considered so critical that survey results were presented to the full Board. The CEO also held engagement sessions with employees during the year, as well as several calls with Q&A sessions.	Pages 20, 39-41, 89, 90
Our communities	Plant visits, community meetings, partnerships on common issues, sponsorship activities, lectures at universities, training opportunities and support to young people currently not in education, training or employment.	Page 20, 43-44
Our consumers	Consumer hotlines, local websites, plant tours, research, surveys, focus groups.	Page 21
Our customers	Regular visits, dedicated account teams, joint business planning, joint value-creation initiatives, customer care centres, customer satisfaction surveys.	Page 30
Partners in efficiency	Engagement with our suppliers, consultants and counterparts in related industries.	Pages 20, 34
NGOs	Dialogue, policy work, partnerships on common issues, membership of business and industry associations.	Pages 21, 43-44, 52
Shareholders	Annual General Meetings, investor roadshows and results briefings, webcasts, ongoing dialogue with analysts and investors.	Pages 21, 94
Governments	Recycling and recovery initiatives, EU Platform for Action on Diet, Physical Activity and Health, foreign investment advisory councils, chambers of commerce.	Pages 21, 28-29, 45-47
The Coca-Cola Company	Day-to-day interaction as business partners, joint projects, joint business planning, functional groups on strategic issues, 'top-to-top' senior management meetings.	Pages 16, 21



GOVERNANCE IN ACTION

Customer engagement

The COVID-19 pandemic created many issues and it was apparent from regular contact with a number of our customers that having products in the right location was logistically problematic. Therefore, in some markets, our teams helped our customers with their supply chain issues. In order to reduce the pressure on some supermarket customers' supply chains we delivered direct to store rather than to the customers' central warehouses.

In many of our markets, some customers remained closed for significant periods in 2020. Once lockdown measures were eased, the priority was for our teams to connect with these customers to offer support and assistance to enable re-opening of their businesses. Our business development ambassadors engaged with customers to understand their key priorities and requirements as they prepared to re-open after a period of perhaps three to four months' closure. We offered and, in many cases, provided extended credit; helped with product placement and marketing; and staggered ordering to ensure no over-supply and to ease cash flow. By understanding our customers' needs and taking a collaborative approach, we could plan and adjust accordingly. Together, we adapted our strategy to aide customers' business recovery and viability rather than focusing solely on our own financial targets.

GOVERNANCE IN ACTION

How the Board put our people first

Since the start of the COVID-19 pandemic the Board's top priority has been the safety and wellbeing of our people, customers, partners and communities. Keeping our colleagues safe and healthy lies at the heart of our ability to continue serving our customers and operating the business for the shared benefit of our stakeholders. Therefore, wherever they are working, our teams have the right protocols and equipment to keep themselves and others safe. Whilst it was an important and necessary decision to make, putting people first and implementing new protocols did result in a reduction in the number of employees working on the ground with customers. This in turn had an effect on business development opportunities and opportunities to strengthen customer relationships. However, the Board and management looked at other ways for sales people to engage and communicate effectively with customers. A number of sales people from the out-of-home channel were also redeployed to the at-home channel, concentrating focus where it was needed most.

GOVERNANCE IN ACTION

How the Board prioritised innovation, growth and the interests of shareholders

The roll out of Costa Coffee across our markets is an important priority, and an area of strategic alignment with The Coca-Cola Company. Despite the challenging environment in 2020, the Board decided to continue with the planned introduction of Costa Coffee at the scale and speed that was originally set out. Given the circumstances, the Board also recognised that not everything could be done at once and smaller opportunities were therefore not captured during the year.

Investors and shareholders were considered as part of this decision, particularly the short term versus long term interests of shareholders. The Board decided that the roll out was strategically important for the long term. The roll out of Costa in 2020 allowed us to maintain and build a presence in the coffee category, one the Board views as important to achieve the Company's 24/7 vision.

Corporate governance report *continued*

Shareholder engagement

The Chairman, the Senior Independent Director and the Chair of the Audit and Risk Committee will be available at the Annual General Meeting of the Company to answer questions from shareholders. The Board encourages shareholders to attend as it provides an opportunity to engage with the Board. However, the 2020 Annual General Meeting was not held in the usual format with no shareholders were permitted to attend due the COVID-19 pandemic and restrictions in place under Swiss law. The Chief Executive Officer chaired the meeting with a number of other Directors, including the Chairman, as well as members of the Operating Committee and the statutory auditors participating remotely.

Pursuant to Swiss law and the Articles of Association, shareholders annually elect an independent proxy and we have adopted an electronic proxy voting system for our Annual General Meetings.

The Company has a dedicated investor relations function which reports to the Chief Financial Officer. Through the investor relations team, the Company and Board maintain a dialogue with institutional investors and financial analysts on operational financial performance and strategic direction items. We engaged with the investment community and our shareholders throughout the year, as outlined in the diagram below. The feedback from shareholders has been regularly considered by the Board and, where necessary, appropriate action to further engage with shareholders was taken.

Key investor relations activities in 2020

February
- Management Roadshow Europe & UK

April
- Management Virtual Roadshow

May
- IR Virtual Roadshow

June
- Annual General Meeting in Zug
- Deutsche Bank Access Global Consumer conference
- Exane BNP Paribas 22nd European CEO Conference
- Goldman Sachs Global Consumer ESG Conference

September
- Barclays Global Consumer Staples Conference
- Annual Greek Roadshow

November
- J.P. Morgan Global Consumer & Retail Conference
- Jefferies Virtual West Coast Consumer Conference
- Berenberg West Coast Consumer & E-Commerce Conference
- Management Virtual Roadshow

December
- Citi's Global Consumer Conference
- Morgan Stanley Virtual Global Consumer & Retail Conference

Board, committee and Director performance evaluation

At least annually, on the basis of an assessment conducted by the Nomination Committee, the Board reviews its own performance as well as the performance of each of the Board committees. This review seeks to determine whether the Board and its committees function effectively and efficiently. During the year, the Chairman meets with the Directors to receive feedback on the functioning of the Board and its committees, the boardroom dynamics, and the Group's strategy.

Particular focus is given to areas where a Director believes the performance of the Board and its committees could be improved. A report is prepared for the Board on its effectiveness and that of its committees.

For the past five years, the evaluation of the Board's effectiveness has been facilitated by Lintstock, and details of the 2020 Lintstock report are set out on page 95. A summary of the Board evaluation findings for 2019, the actions taken in response to improve Board effectiveness in 2020, the Board evaluation findings for 2020, and the resulting priorities for 2021 is as follows:

2019 Board evaluation findings	2020 actions
• Focus on strategy • Broaden exposure to colleagues throughout the Company • Continued focus on risk oversight	• Leveraging the Company's unique 24/7 portfolio • Continued alignment with key stakeholders • Considering implications of COVID-19
2020 Board evaluation findings	**2021 priorities**
• Oversight of talent • Understanding of technological developments • Considering implications of COVID-19	• Undertaking site visits • Close alignment with key stakeholders • Oversight of our 2025 growth strategy

The independent Directors meet separately at every regular Board meeting to discuss a variety of issues, including the effectiveness of the Board. An evaluation of each Director, other than the Chairman, is conducted by the Chairman and the Senior Independent Director. The Senior Independent Director leads the evaluation of the Chairman in conjunction with the non-Executive Directors, taking into account the views of the Chief Executive Officer, and, as a matter of practice, meets with the other independent non-Executive Directors when each Board meeting is held to discuss issues together, without the Chief Executive Officer or other non-Executive Directors present.

Information and training

The practices and procedures adopted by our Board ensure that the Directors are supplied on a timely basis with comprehensive information on the business development and financial position of the Company, the form and content of which is expected to enable the Directors to discharge their duties and carry out their responsibilities. All Directors have access to our General Counsel, as well as independent professional advice at the expense of the Company. All Directors have full access to the Chief Executive Officer and senior management, as well as the external auditor and internal audit team.

The Board has in place an induction programme for new Directors. Generally, it involves meeting with the Chairman, members of the Operating Committee and other senior executives, as well as receiving orientation training in relation to the Group and its corporate governance practices. The induction programme also includes meetings with representatives of our sales force, customers and major shareholders, and visits to our production plants. Anna Diamantopoulou participated in the induction programme during 2020 as part of her onboarding process, although much of this was by virtual means.

All Directors are given the opportunity to attend training to ensure that they are kept up to date on relevant legal, accounting and corporate governance developments. The Directors individually attend seminars, forums, conferences and working groups on relevant topics. The Nomination Committee reviews our Director training activities regularly. Finally, as part of the continuing development of the Directors, the Company Secretary ensures that our Board is kept up to date with key corporate governance developments. The Board appoints the Company Secretary, who acts as secretary to the Board.

Board appointments and succession planning

Our Board has in place plans to ensure the progressive renewal of the Board and appropriate succession planning for senior management and these are regularly reviewed. Appointments and succession plans are based on merit and objective criteria to ensure the Company is promoting diversity (including gender), social and ethnic backgrounds, cognitive and personal strengths.

Pursuant to our Articles of Association, the Board consists of a minimum of seven and a maximum of 15 members, and the Directors are elected annually for a term of one year by the Company's shareholders, which is also in accordance with the UK Corporate Governance Code. In case of resignation or death of any member of the Board, the Board may elect a permanent guest, whom the Board will propose for election by the shareholders at the next Annual General Meeting. In accordance with the Organisational Regulations, the Board proposes for election at the shareholders' meeting new Directors who have been recommended by the Nomination Committee after consultation with the Chairman.

In making such recommendations, the Nomination Committee and the Board must consider objective criteria including the overall balance of skills, experience, independence and knowledge of the Board member, as well as diversity considerations including gender but also social and ethnic backgrounds. Consideration is also given to the overall length of service of the Board as a whole when refreshing its membership. See the Nomination Committee report on page 106 for further information on the role and work of the Nomination Committee, including the Board Diversity Policy. Through this process, the Board is satisfied that the Board and its committees have the appropriate balance of experience and skills, diversity, independence and knowledge of the Company to enable them to discharge their duties and responsibilities effectively, including sufficient time commitment.

Conflicts of interest

In accordance with the Organisational Regulations, Directors are required to arrange their personal and business affairs so as to avoid a conflict of interest with the Group.

Each Director must disclose to the Chairman the nature and extent of any conflict of interest arising generally or in relation to any matter to be discussed at a Board meeting, as soon as the Director becomes aware of its existence. In the event that the Chairman becomes aware of a Director's conflict of interest, the Chairman is required to contact that Director promptly and discuss with him or her the nature and extent of such a conflict of interest. Subject to exceptional circumstances in which the best interests of the Company dictate otherwise, the Director affected by a conflict of interest is not permitted to participate in discussions and decision-making involving the interest at stake.

Lintstock report

In 2020, we once again engaged the advisory firm Lintstock to facilitate an evaluation of the performance of the Board. Lintstock specialises in Board performance reviews and has no other connection with Coca-Cola HBC.

The first stage of the review involved Lintstock engaging with the Company Secretary to set the context for the evaluation, and to tailor survey content to the specific circumstances of Coca-Cola HBC. The surveys were designed to follow up on and further explore key themes identified in last year's evaluation, so that year-on-year progress can be tracked.

The surveys commenced with a case study, which considered the Board's response to the COVID-19 pandemic, including the adequacy of the updates provided by management as the COVID-19 pandemic developed, the effectiveness of Board meetings conducted using video-conferencing technology, and the long-term implications of the COVID-19 pandemic on the Company's operations and markets.

The surveys also addressed core aspects of the Board's performance, and had a particular focus on the following areas:

- The appropriateness of the Board's composition in the context of the Company's strategic ambitions, including the skills represented and the diversity among members
- The Board's engagement with key stakeholders (including shareholders, customers and suppliers), and the effectiveness of the Board's workforce engagement mechanisms
- The relationships and atmosphere in the boardroom, and the extent to which the Board provides effective support and constructive challenge to management
- The effectiveness with which the Board makes decisions, and subsequently follows up on the implementation of decisions
- The Board's focus, including the extent to which meeting agendas strike the right balance between strategic and financial / operational items
- The Board's contribution to the development of the 'Growth Story 2025' strategy, as well as the progress made with regard to each of the Company's growth pillars
- The Board's understanding of the competitive landscape and relevant technological developments, in terms of the opportunities and threats they represent for the business
- The Board's visibility of potential successors to key positions from within the business, and oversight of the Company's processes for talent management and succession

The performance of the committees of the Board was also evaluated, as was the performance of the Chairman. The anonymity of all responses was guaranteed throughout the process to promote open and honest feedback.

Lintstock subsequently analysed the results and delivered reports on the performance of the Board, the committees and the Chairman, which were considered at a subsequent Board meeting.

The results of the review were positive overall, with improvements identified in a number of key areas compared to 2019. While the COVID-19 pandemic has clearly presented challenges to the Board's oversight, there was broad satisfaction with the frequency and quality of management updates as the COVID-19 pandemic developed. As in previous years, there is a strong desire on the part of the Board to maintain its focus on forward-looking and strategic matters, including: the Company's processes for developing and retaining senior talent; technological developments, and their implications for the business; growth and acquisitions; and the company's sustainability agenda.

Corporate governance report *continued*

From left to right

Row one
Zoran Bogdanovic, Michalis Imellos, Naya Kalogeraki

Row two
Marcel Martin, Minas Angelidis, Sean O'Neill

Row three
Jan Gustavsson, Sanda Parezanovic, Mourad Ajarti

Row four
Nikos Kalaitzidakis, Vitaliy Novikov

The Operating Committee represents the executive leadership of the Company

The Operating Committee is chaired by Zoran Bogdanovic, Chief Executive Officer, and his biography is set out on page 80.
Other members of the Operating Committee:

Michalis Imellos

(52) Group Chief Financial Officer
Senior management tenure: Appointed April 2012 (8 years) (to step down at the end of March 2021)

Previous Group roles: Region Finance Director responsible for Nigeria, Romania, Moldova, Bulgaria, Greece, Cyprus, Serbia and Montenegro; General Manager, Romania and Moldova.

Previous relevant experience: Michalis held a number of finance positions in the UK-based European headquarters of Xerox, including those of European Mergers & Acquisitions Director and Finance Director of the Office Europe Division. He managed the financial, tax and legal aspects of Xerox's sponsorship of the Athens 2004 Olympic Games, as well as the finance function of the company's operations in Greece. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and started his career at Ernst & Young.

Nationality: Greek

Naya Kalogeraki

(51) Group Chief Operating Officer
Senior management tenure: Appointed July 2016 (4 years), appointed Chief Operating Officer September 2020

Previous Group roles: Group Chief Customer and Commercial Officer from 2016 to 2020. From 1998, when Naya joined the Company, she built her career assuming roles of increased scale and scope, including Marketing Director, Trade Marketing Director, Sales Director and Country Commercial Director, Greece. She has been heavily involved in Group strategic projects and task forces addressing mission-critical business imperatives. In September 2013, Naya was appointed to the role of General Manager, Greece and Cyprus.

Previous relevant experience: Naya joined the Company in 1998 from The Coca-Cola Company where she held a number of marketing positions up to Marketing Manager.

Nationality: Greek

Marcel Martin

(62) Group Supply Chain Director
Senior management tenure: Appointed January 2015 (6 years)

Previous Group roles: Marcel joined the Group in 1993, holding positions with increasing responsibility in the supply chain and commercial functions. Since 1995, he has held general management assignments in several of our markets, including as General Manager for Eastern Romania, Regional Manager Russia, Country General Manager Ukraine and General Manager Nigeria. He became General Manager of our Irish operations in 2010 and is now our Group Supply Chain Director.

Nationality: Romanian

Minas Angelidis

(51) Region Director: Austria, Belarus, Czech Republic, Estonia, Hungary, Island of Ireland, Latvia, Lithuania, Poland, Slovakia, Switzerland
Senior management tenure: Appointed April 2019 (1 year)

Previous Group roles: Minas joined the Group in 1999 holding positions with increasing responsibility in the commercial function in Greece (National Account Manager, Athens Region Sales Manager, National Wholesale Manager, Country Sales Director). Since 2008, Minas has held general management assignments in a number of our markets, including those of Country General Manager Cyprus, Country General Manager Bulgaria and Country General Manager Hungary.

Previous relevant experience: Prior to joining the Group, Minas spent seven years in Unilever Greece in managerial positions in sales and marketing including those of Brand Manager, Trade Marketing Manager and National Account Manager.

Nationality: Greek

Corporate governance report *continued*

Sean O'Neill

(56) Group Public Affairs and Communication Director
Senior management tenure: Appointed January 2019 (2 years)

Previous Group roles: None.

Previous relevant experience: Sean joined Coca-Cola HBC in January 2019 as Group Public Affairs and Communication Director. His previous roles include 12 years as Chief Corporate Relations Officer for Heineken NV in the Netherlands, where he was a member of the company's global executive committee with responsibility for public and government affairs, sustainability, communication and consumer public relations. Prior to that, Sean held senior international corporate affairs leadership roles with Diageo and Guinness. This followed a variety of international management roles in the UK, Russia, Egypt and Australia with the communication and corporate affairs consultancy, Burson-Marsteller. Sean is an ex-Chairman of ICAP, the drinks industry's main international organisation, a former adviser to the Russian and Egyptian governments and a board member of Try for Change, the charity of the England Rugby Football Union.

Nationality: British

Jan Gustavsson

(55) General Counsel, Company Secretary and Director of Strategic Development
Senior management tenure: Appointed August 2001 (19 years)

Previous Group roles: Jan served as Deputy General Counsel for Coca-Cola Beverages plc from 1999-2001.

Previous relevant experience: Jan started his career in 1993 with the law firm White & Case in Stockholm, Sweden. In 1995, he joined The Coca-Cola Company as Assistant Division Counsel in the Nordic and Northern Eurasia Division. From 1997 to 1999, Jan was Senior Associate in White & Case's New York office, practising securities law and M&A.

Nationality: Swedish

Sanda Parezanovic

(56) Group Human Resources Director
Senior management tenure: Appointed June 2015 (5 years)

Previous Group roles: Sanda's previous roles in the Group include: Public Affairs & Communications Manager, Serbia and Montenegro from 2003 to 2006; Country Human Resources and Public Affairs & Communications Manager, Serbia and Montenegro from 2006 to 2010; and Region Human Resources Director, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Northern Ireland, the Republic of Ireland, North Macedonia, Moldova, Montenegro, Nigeria, Romania, Serbia and Slovenia from 2010 to 2015.

Previous relevant experience: Sanda started in 1989 as Market Researcher and later Strategic Planner working for various local research and marketing agencies in SFR Yugoslavia. She joined Saatchi & Saatchi Balkans in 1994, holding various senior management positions in several Balkan countries, including Managing Director of two start-up agencies, first in North Macedonia and later in Serbia. In 1999 she relocated to London, where she worked for Saatchi & Saatchi and Marketing Drive on a number of pan-European and business development projects, before she joined our Group in 2003.

Nationality: Serbian

Mourad Ajarti

(44) Chief Information Officer
Senior management tenure: Appointed October 2019 (1 year)

Previous Group roles: None.

Previous relevant experience: Mourad holds an MSc in Computer Systems Networking & Tele-communications from L'École Mohammadia d'Ingénieurs. He has 20 years' experience with two fast moving consumer goods industry leaders, Procter & Gamble and L'Oréal. Mourad started with Procter & Gamble leading SAP implementation in Morocco, Saudi Arabia and Europe, and later was CIO for different lines of business. From 2014 to 2019, Mourad was CIO for the Asia and Pacific region for L'Oréal, leading consumer and customer journey transformation and enabling the use of big data and advanced analytics.

Nationality: British

Nikos Kalaitzidakis

(51) Region Director: Armenia, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Moldova, Montenegro, Republic of North Macedonia, Romania, Serbia, Slovenia, Ukraine
Senior management tenure: Appointed May 2018 (2 years)

Previous Group roles: Nikos joined the Group in 2006 as Regional Manager for Northwest Russia and then moved to General Manager roles in Croatia (2008), Bulgaria (2010), Hungary (2013) and Poland (2014).

Previous relevant experience: Prior to joining the Group, Nikos spent five years in technology and telecommunications and seven years with Phillip Morris International in various roles and geographies across Europe and Central Asia.

Nationality: Greek

Vitaliy Novikov

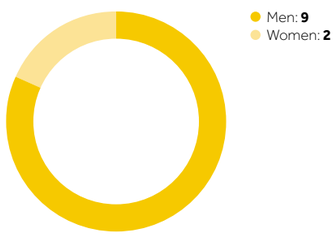
(41) Group Customer and Commercial Director
Senior management tenure: Appointed September 2020 (less than 1 year)

Previous Group roles: Vitaliy joined the Group in 2011 as General Manager of the Baltics business unit. Since then he has held General Manager roles in Poland and Italy.

Previous relevant experience: Prior to joining the Group, Vitaliy spent four years at Johnson & Johnson as Managing Director of the Ukrainian operation and prior to this he spent seven years at Henkel in managerial positions of growing responsibility in Austria and Ukraine.

Nationality: Ukrainian

Operating Committee gender diversity



Operating Committee tenure

0-1 years	1
1-2 years	2
2-3 years	3
4-5 years	1
5-6 years	2
8-9 years	1
19-20 years	1

Key responsibilities of the Operating Committee

The key responsibilities and elements of the Operating Committee's role are:

- the day-to-day executive management of the Group and its businesses, including all matters not reserved for the Board or other bodies;
- the development of Group strategies and implementation of the strategies approved by the Board;
- providing adequate head-office support for each of the Group's countries;
- the setting of annual targets and approval of annual business plans which form the basis of the Group's performance management, including a comprehensive programme of strategies and targets agreed between the Country General Managers and the Regional Directors;
- working closely with the Country General Managers, as set out in the Group's operating framework, in order to capture benefits of scale, ensuring appropriate governance and compliance, and managing the performance of the Group; and
- leading the Group's talent and capability development programmes.

Key activities and decisions in 2020

Long-term direction setting

- Evaluating and evolving our 24/7 portfolio strategy together with our brand partners;
- Optimising the Group's organisational and reporting structure by introducing the COO role;
- Working on the launch and sequential roll out of Costa Coffee in the Group's markets;
- Reviewing and updating our revenue growth management strategies and implementing these in our local commercialisation plans;
- Rebooting our route-to-market approach in selected markets;
- Assessing our sustainability priorities and initiatives on the way to deliver 2025 commitments;
- Setting long-term capability building priorities and programmes; and
- Approving and reviewing deployment of major automation and digitalisation initiatives.

Business planning

- Setting priorities, aligning targets and adjusting operating framework as a response to the COVID-19 pandemic;
- Aligning key priorities and investment strategy with The Coca-Cola Company as a response to the COVID-19 pandemic challenges;
- Reviewing progress of the aligned priorities, investments and spending in light of the COVID-19 pandemic impact;
- Reviewing and approving annual business plans for 2021 for all operations and central functions; and
- Approving Group and country talent, capabilities development and succession plans.

Risk, safety and business resilience

- Evaluating the Group's business resilience strategies;
- Evaluating the Group's Risk Register of major business risks as well as associated risk response plans;
- Reviewing the Group's health & safety policies and material incidents; and
- Reviewing the corporate audit plan for 2021.

Business case reviews and approvals

- Assessing strategic revenue-generating initiatives and product / packaging innovation business cases;
- Reviewing and approving big data advanced analytics (BDAA) business cases and roll out plans;
- Overseeing the strategic evolution of Supply Chain, Human Resources, Commercial, Finance and BSS departments;
- Optimisation and expansion of our logistics and manufacturing infrastructure; and
- Capital expenditure proposals review and approval.

Priority projects

- Costa Coffee
- Key Initiatives for Tomorrow
- Sustainability (packaging and recycling) initiatives
- Route-to-market initiatives
- Big data and advanced analytics (BDAA)
- Sales Academy
- S4HANA
- Management Reporting System EDGE
- Capabilities for Growth
- Employee engagement

2020

Corporate governance report *continued*

Monitoring liquidity and emerging risks

Letter from the Chair of the Audit and Risk Committee

Highlights this year

- Response to COVID-19 pandemic and business resilience.
- Activation and development of Business Continuity strategies and the stream-lining of the Group's risk management processes.

Priorities for 2021

- monitoring the developments in accounting and regulatory matters, including potential changes to IFRS accounting standards;
- ongoing monitoring of risks as well as impairment testing of goodwill and intangible assets;
- ongoing monitoring of internal financial controls, anti-fraud systems and Code of Business Conduct compliance; and
- ongoing monitoring of the Group's enterprise risk management and quality assurance, and information system security processes.

Dear Stakeholder

The Audit and Risk Committee focused its work during 2020 on enhancing and strengthening the Group's existing financial controls, risk management and compliance systems, which the Board recognises as essential components of effective corporate governance. During 2020, the Audit and Risk Committee worked closely with the internal audit and finance teams in overseeing the implementation of the Group's internal control framework.

COVID-19 pandemic

The COVID-19 pandemic has impacted many countries in which the Group operates, with measures implemented by governments to contain the spread of the virus, including closure of non-essential services, travel bans, quarantines and social distancing; disrupting business activities and resulting in a severe economic slowdown. Early on in the COVID-19 pandemic we received a report from our senior management which explained the actions being implemented to ensure the Group remained fully operational, including details on the Group's finances, the trading environment and implications of the COVID-19 pandemic on the resilience of the Group's business. We received a detailed update about the Group's business resilience in June 2020 from the Group Chief Risk Officer.

A number of significant issues relating to the COVID-19 pandemic were the focus of our discussions during 2020. We received updates on, and reviewed, the IMCR process activated by all business units for the initial response to the COVID-19 pandemic crisis with local team responses monitored and guided by the Crisis Management Committee and Group COVID-19 Operational Task Force, as well as the development of business continuity strategies and the streamlining of the Group's risk management processes. The Crisis Management Committee and the Group COVID-19 Operational Task Force actively liaised with other IMCR teams across the Coca-Cola System to leverage best practices. This has resulted in a number of IMCR innovations including process and training enhancements.

We have monitored and discussed our risk management processes, including our risk profile and mitigation but also principal risks and risk appetite. The COVID-19 pandemic materially changed our risk profile. In March modified practices were applied by all business units in line with government expectations. In May, we reviewed current and emerging risks, together with updating the strategic risks (and action plans) for the Group to mitigate risks, including COVID-19 and integrating COVID-19 as a factor that potentially impacts a number of risks. We reviewed the 'top 10' risks for each region, each tagged with a level of risk. We reviewed an elevated number of reported incidents during 2020, including those related to the outbreak of the COVID-19 pandemic. We received updates about the Group's impairment assessment processes regarding goodwill and other indefinite-lived intangibles, in light of the COVID-19 pandemic. We also considered the potential impact of the COVID-19 pandemic on revenues and the carrying amount of assets.

The COVID-19 pandemic meant there were revisions to the 2020 internal audit plan, including the remote delivery of audits, and the support of internal audit by seconding personnel to the BSO and Internal Control Teams.

Other areas of focus during 2020 are included in the sections about the work and activities of the Audit and Risk Committee and the areas of key significance in the preparation of the Financial Statements in this report.

The Audit and Risk Committee report describes in more detail the work of the Audit and Risk Committee during 2020. In performing its work, the Committee balances independent oversight with support and guidance to management. I am confident to report that the Committee supported by senior management and the external auditor consistently carried out its duties to a high standard during the reporting year. Finally, we acknowledge and thank Michalis Imellos, our Group Chief Financial Officer, for his dedication and hard work over the years with the Company and wish him well when he steps down from his role and leaves at the end of March 2021.

William W. (Bill) Douglas III
Committee Chair

Role and responsibilities

The Audit and Risk Committee monitors the effectiveness of our financial reporting, internal control and risk management systems, and processes. The role of the Audit and Risk Committee is set out in the charter for the committees of the Board of Directors in Annex C to the Company's Organisational Regulations. This is available at https://www.coca-colahellenic.com/en/about-us/corporate-governance.The key responsibilities and elements of the Audit and Risk Committee's role are:

- providing advice to the Board on whether the Annual Report including the consolidated Financial Statements, taken as a whole, is a fair, balanced and understandable assessment of the Company's position and prospects and provides the information necessary for shareholders to assess the Group's position and performance, including whether there is consistency throughout the report including the financial reporting, whether the report will form a good basis of information for the shareholders, and that important messages are highlighted appropriately throughout the report;
- monitoring the quality, fairness and integrity of the consolidated Financial Statements of the Group, and reviewing significant financial reporting issues and judgements contained in them;
- reviewing the Group's internal financial control and anti-fraud systems as well as the Group's broader enterprise risk management and legal and ethical compliance programmes (including computerised information system controls and security) with the input of the external auditor and the internal audit department;
- reviewing and evaluating the Group's major areas of financial risk and the steps taken to monitor and control such risk, as well as guidelines and policies governing risk assessment; and
- monitoring and reviewing the external auditor's independence, quality, adequacy and effectiveness, taking into consideration the requirements of all applicable laws in Switzerland and the UK, the listing requirements of the London Stock Exchange and Athens Stock Exchange, and applicable professional standards.

Members	Membership status
William W. (Bill) Douglas III (Chair)	Member since 2016 Chair since 2016
Olusola (Sola) David-Borha	Member since 2015
Alexandra Papalexopoulou	Member since 2020

The Audit and Risk Committee comprises three independent non-Executive Directors: Bill Douglas (Chair), Olusola (Sola) David-Borha and Alexandra Papalexopoulou, who were each re-elected for a one-year term by the shareholders at the Annual General Meeting on 16 June 2020. John P. Sechi retired as a non-Executive Director, and member of the Audit and Risk Committee, at the 2020 Annual General Meeting.

The Board remains satisfied that Bill Douglas, Sola David-Borha and Alexandra Papalexopoulou possess recent and relevant financial and sector experience in compliance with the UK Corporate Governance Code. Bill Douglas was formerly Executive Vice President and Chief Financial Officer of Coca-Cola Enterprises, Sola David-Borha has held a number of senior financial positions and Alexandra Papalexopoulou has served as a treasurer.

Further details on their experience are set out in their respective biographies on pages 80 to 82.

The Group Chief Financial Officer, as well as the General Counsel, external auditor, the Director of Corporate Audit, and the Group Financial Controller, normally attend all meetings of the Audit and Risk Committee. Other officers and employees are invited to attend meetings when appropriate. The Director of Corporate Audit, and, separately, the external auditor, meet regularly with the Audit and Risk Committee without the presence of management to discuss the adequacy of internal controls over financial reporting and any other matters deemed relevant to the Audit and Risk Committee. The Chair of the Audit and Risk Committee attended our AGM in June 2020 and regularly interacts with representatives of our shareholders.

Corporate governance report *continued*

Work and activities

The Audit and Risk Committee met eight times, all by video conference call, during 2020 and discharged the responsibilities defined under Annex C of the Organisational Regulations. The work of the Audit and Risk Committee during the accounting year included evaluation of and review of the respective matters, as well as assessment of management's mitigating actions and response plans, in the areas below:

- the Integrated Annual Report including the consolidated Financial Statements and the full year results announcement for the year ended 31 December 2019 prior to their submission to the Board for approval, and compliance with Group policies;
- the interim consolidated Financial Statements and interim results announcement for the six-month period ended 26 June 2020, prior to their submission to the Board for approval;
- the trading updates for the three-month period ended 27 March 2020 and the nine-month period ended 25 September 2020;
- areas of significance in the preparation of the consolidated Financial Statements;
- the internal control environment, principal risks and risk management systems (including the nature and extent of the principal risks resulting from the COVID-19 pandemic), and the Group's statement on the effectiveness of its internal controls prior to endorsement by the Board,concluding that management has carried out a robust risk assessment process;
- the Viability Statement scenarios and underlying assumptions and recommendations to the Board that the Viability Statement be approved, including discussion of management's conclusions with respect to Going Concern and the Viability Statement;
- the external auditor's report on the Group's IFRS earnings release for the financial year ended 31 December 2019; including assessment of the auditor's enhanced audit report and key audit matters and conclusion that there was nothing that warranted the attention of the Board; and review of external auditor's report on the Group's interim report for the six-month period ended 26 June 2020;
- report on tax audits undertaken during 2019 in a number of territories;
- integration of acquired Lurisia plant facility;
- quarterly reports on internal audit matters across the Group's business regions, concluding that no material failings were identified;
- the FRC's annual quality inspection report for PwC published in July 2020;
- consideration and discussion of the guidance to FRC's Practice Aid on audit quality;
- direct procurement matters and initiatives for 2020, including contingency plans for COVID-19 and a hard Brexit, as well as commodity exposure for 2020;
- regular reports on health and safety, GDPR compliance, cybersecurity, business continuity, security, quality assurance, environmental protection, asset protection, treasury and financial risks, anti-bribery and fraud control, insurance (including placing strategy), enterprise risk management processes and internal control framework (including any adjustments to the 2020 schedule and updates to the controls as a result of the COVID-19 pandemic and the new environment);
- project for the optimisation of the Internal Control Framework Risk Matrix and updates on progress and timing of project;
- reports on litigation and regulatory investigations;
- matters arising under the Group's Code of Business Conduct and the actions taken to address any identified issues;
- an internal quality assessment of the internal audit function, in accordance with the Institute of Internal Auditors Attribute Standards 1311;
- impact of the COVID-19 pandemic on trading and revenue and regular updates on developments, potential risks and mitigating actions, including updates on the Group's response to the COVID-19 pandemic in the Group's territories;
- implemented changes to the 2020 internal audit plan resulting from the COVID-19 pandemic, including the remote delivery of audits, revisions to the internal audit plan and the support to the business by seconding internal audit personnel to the BSO and Internal Control Teams;
- report on the internal assessment against the new Internal Audit Code of Practice launched in January 2020 by the UK Institute of Internal Auditors. Approval of the forward-looking action plan in line with the new code and confirming of the Internal Auditor's quality, experience and expertise for the business;
- updates on risk management and business resilience, including the Group's response to the COVID-19 pandemic, the activation of the Group's IMCR procedure, the activation and development of Business Continuity strategies and the stream-lining of the Group's risk management processes. Review of a description of the top 10 risks per region and the Group's updated Strategic Risk Summary;
- reports on the Group's impairment assessment processes in connection with goodwill and other indefinite-lived intangible assets for the interim financial report and noted revisions in light of the COVID-19 pandemic;
- regular updates from the external auditor on accounting and regulatory developments, including a summary of the CMA Market Study, the Kingman review, the Brydon review and the BEIS Select Committee report on the future of audits. Also an update on Swiss regulatory developments, including relating to the 2019 tax reform and the Financial Markets Infrastructure Act;
- tax issues including:
  - an update on increasing substance, coherence and transparency requirements and the compliance measures that the Group was taking, including an overview of the Group's tax governance and risk management framework, an upgrade of its tax capabilities, a Group-wide approach to tax controversy and the continued simplification of the Group's legal structure;
  - updates on ongoing cases in Italy and Romania;
  - report on the introduction, and potential impact, of digital services taxes by several countries in the Group's territories; and
  - reviewing a bench-marking study by PwC ranking the Group high compared to industry peers on its efforts to establish tax transparency;
- approval of chart of authority and delegation for operational activities;
- external audit plan and pre-approval of audit fees for 2021;
- consideration of the external auditor's independence, quality, adequacy and effectiveness of its audit of the financial statements; and
- assessed the Company's external reporting to ensure it is fair, balanced and understandable as a result of the Board's obligation under the Corporate Governance Code. The Committee was responsible for the review of the 2020 Integrated Annual Report including the Consolidated Financial Statements and associated reports and information. The Committee received assurances from management and details on the processes underlying the preparation of published financial information. Following evaluation of all available information, including consideration of the uncertainties around the COVID-19 pandemic, the Committee concluded and advised the Board that the 2020 Integrated Annual Report including the Consolidated Financial Statements is fair, balanced and understandable.

Areas of key significance in the preparation of the Financial Statements

The Audit and Risk Committee considered a number of areas of key significance in the preparation of the Financial Statements in 2020, including the following:

- appropriateness of critical accounting judgements and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the consolidated Financial Statements, including income taxes (detailed in Notes 5, 10, 13, 15 and 21 to the consolidated Financial Statements), identified by management;
- review of the trading environment and resilience of the Group's business in light of the COVID-19 pandemic and strategic actions implemented to mitigate risks;
- review of impairment testing performed by management and reviewed by the external auditor under IAS 36 as well as the related sensitivity analysis with confirmation that management had undertaken a robust impairment testing process, relying on both internal information, and other publicly available metrics to perform their assessment;
- review of the contingencies, legal proceedings, competition law and regulatory procedures, including cases involving the national competition authorities of Greece and Switzerland and litigation matters in Nigeria and Greece, and the impact of these on the consolidated Financial Statements and accompanying notes;
- review of management's report that considered the potential impact of the COVID-19 pandemic on revenues and carrying amounts of assets;
- assessment of management's judgement on relevant areas for additional disclosures, to address IAS 34 requirement for explanation of significant events, in light of the COVID-19 pandemic;
- review of accounting standard IAS 34 that required an explanation of significant events implying that additional disclosure should be made to reflect the financial impact of the COVID-19 pandemic and mitigating measures;
- discussion of the following accounting pronouncements, taking effect on 1 January 2020: IFRS 3 (Definition of a Business), IAS 1 and IAS 8 (Definition of Material), IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform-Phase 1), as well as the Revised Conceptual Framework for Financial Reporting;
- review of updates provided on guidance from the FCA, FRC and ESMA relating to the impact of COVID-19;
- review of interim impairment assessment and relevant judgements performed by management and in alignment with the external auditor, in light of the COVID-19 pandemic;
- consideration of quality and safety incidents in Ireland, Greece, Romania, Nigeria and Bulgaria;
- assessed management's work in conducting a robust assessment of the risks that impact the Viability and Going Concern Statements, including review of scenarios and underlying assumptions;
- recommended to the Board to approve the Viability Statement; and
- deemed appropriate that the Group continues to apply the going concern basis for the preparation of the financial statements.

External auditor

PricewaterhouseCoopers AG, Birchstrasse 160, CH 8050 Zurich, Switzerland ('PwC AG') has been elected by the shareholders as the statutory auditor for the Group's statutory consolidated and standalone Financial Statements. Signing partner for the statutory Financial Statements on behalf of PwC AG is Michael Foley, who has held this role since the year ended 31 December 2016.

The Board, at the recommendation of the Audit and Risk Committee, has retained PricewaterhouseCoopers S.A., 268 Kifissias Avenue – 15232 Halandri, Greece ('PwC S.A.'), an affiliate of PwC AG, to act as the Group's independent registered public accounting firm for the purposes of reporting under the UK rules for the year ended 31 December 2020. Signing partner for the Financial Statements on behalf of PwC S.A. is Konstantinos Michalatos, who has held this role since the year ended 31 December 2018.

The appointment of PwC has been approved by the shareholders until the next Annual General Meeting by way of advisory vote. 'PwC' refers to PwC AG or PwC S.A., as applicable, in this Annual Report.

During the accounting period, the members of the Audit and Risk Committee met separately with PwC on a regular basis to question and be satisfied as to the quality of the audit work performed by PwC, as well as the appropriate focus on PwC's professional scepticism and challenge, and the Audit and Risk Committee took an active role in reviewing the scope of the audit, the independence, objectivity and effectiveness of PwC, and the negotiations relating to audit fees. The Audit and Risk Committee also met with the management team, which led the discussions with PwC, including the Director of Corporate Audit, to review the performance of PwC without PwC being present. Following this review process, the Audit and Risk Committee has recommended to the Board that a proposal to reappoint PwC be put to a shareholders' vote at the next Annual General Meeting.

PwC has acted as the Group's sole external auditor since 2003. The Company ran a competitive tender for the external auditor services in 2015 which was overseen by the Audit and Risk Committee. Following the evaluation of the proposals, the Audit and Risk Committee concluded in 2015 that the best interests of the Group and its shareholders would be served by retaining PwC as external auditor and made such recommendation to the Board. PwC was reappointed by the Board as the Group's external auditor with effect from 11 December 2015. Currently, the Audit and Risk Committee anticipates that the audit contract will be put out to tender again in 2025. There are no contractual or other obligations restricting the Group's choice of external auditor.

Non-audit services provided by the external auditor

The Audit and Risk Committee considers the independence, in both fact and appearance, of the external auditor as critical and has long had an auditor independence policy providing definitions of the services that the external auditor may and may not provide. In line with the relevant FRC Guidance, the policy requires the Audit and Risk Committee's pre-approval of all audit and permissible non-audit services provided by the external auditor, and only for matters that are clearly trivial to the Company. Such services include audit, work directly related to audit, and certain tax and other services as further explained below. In practice, the Audit and Risk Committee applies the policy restrictively, and approval for work other than audit and audit-related services is rarely granted.

Under the policy, pre-approval may be provided for work associated with: statutory or other financial audit work under IFRS or according to local statutory requirements; attestation services not required by statute or regulation; accounting and financial reporting consultation and research work necessary to comply with generally accepted accounting and auditing standards; internal control reviews and assistance with internal control reporting requirements; review of information systems security and controls; tax compliance and related tax services, excluding any tax services prohibited by regulatory or other oversight authorities; expatriates' and other individual tax services; and assistance and consultation on questions raised by regulatory agencies.

For each proposed service, the external auditor is required to provide detailed back-up documentation at the time of approval to permit the Audit and Risk Committee to make a determination whether the provision of such services would impair the external auditor's independence.

PwC has complied with the policy for the financial year ended on 31 December 2020, and there have been no changes to the policy during the year.

Corporate governance report *continued*

Audit fees and all other fees

Audit fees

The total fees for audit services paid to PwC and affiliates were approximately €4.5 million for the year ended 31 December 2020, compared to approximately €4.9 million for the year ended 31 December 2019. The total fees for 2020 include fees associated with the annual audit and review of the Group's half-year reports, prepared in accordance with IFRS and local statutory audits.

Audit-related fees

Fees for audit-related services paid to PwC and affiliates for the year ended 31 December 2020 were €0.6 million, compared to €0.4 million for the year ended 31 December 2019.

Tax-related fees

No fees were paid to PwC and affiliates for tax services for the year ended 31 December 2020 or for the year ended 31 December 2019.

All other fees

Fees for non-audit services paid to PwC or affiliates for the year ended 31 December 2020 were €nil million. There were €nil million in fees for non-audit services paid to PwC or affiliates during the year ended 31 December 2019.

Risk management

During 2020, the Company continued to revise and strengthen its approach to risk management as described in detail on pages 52-65. The primary aim of this framework is to minimise our exposure and ensure that the nature and significance of all risks we are facing are properly identified, reviewed, managed and, where necessary, escalated. A quarterly risk assessment is undertaken by the countries and corporate office support functions, and significant risks are then reported to the Chief Risk Officer for review by the CEO and Region Directors. The Company's Group Risk Forum reviews the emerging as well as the identified risks biannually and presents issues of critical exposure to the Operating Committee. The latter, after careful review, reports to the Audit and Risk Committee emerging and material risks as well as mitigating actions. This process is both top-down and bottom-up and is designed to ensure that risks arising from business activities are appropriately managed. The Audit and Risk Committee confirms that the risk management and internal control systems have been in place for the year under review and up to the approval of the annual report and accounts.

Finally, we have in place third-party insurance to cover residual insurable risk exposure such as property damage, business interruption and liability protection, including Directors' and officers' insurance for our Directors and officers, as well as for the officers and directors of certain subsidiaries.

Internal control

The Board has ultimate responsibility for ensuring that the Company has adequate systems of financial reporting control. Systems of financial reporting control can provide only reasonable and not absolute assurance against material misstatements or loss. In certain of the countries in which we operate, our businesses are exposed to a heightened risk of loss due to fraud and criminal activity. We review our systems of financial control regularly in order to minimise such losses.

Internal audit

Our internal audit function reports directly to the Audit and Risk Committee, which reviews and approves the internal audit plan for each year. The internal audit function consists of approximately 40 full-time professional audit staff mainly based in Athens, Budapest, Sofia, Moscow and Lagos, covering a range of disciplines and business expertise. One of the responsibilities of the internal audit function is to provide risk-based and objective assurance to the Board as to whether the Group's framework of risk management, including internal control framework, is operating effectively. For this purpose, the Director of Corporate Audit makes quarterly presentations to the Audit and Risk Committee and meets regularly with the Audit and Risk Committee without the presence of our management.

In addition, the internal audit function reviews the internal financial, operational and compliance control systems across all the jurisdictions in which we operate and reports its findings to management and the Audit and Risk Committee on a regular basis. The internal audit function focuses its work on the areas of greatest risk to us, as determined by a risk-based approach to audit planning. As part of our commitment to maintaining and strengthening best practice in corporate governance matters, we also consistently seek to enhance our internal control environment and risk management capability.

The internal audit function carries out work across the Group, providing independent assurance, advice and insight to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. In December 2020, the Audit and Risk Committee agreed the FY21 audit plan to be undertaken by the internal audit team. The audit plan coverage is based on risk, strategic priorities and consideration of the strength of the control environment. The internal audit function prepares audit reports and recommendations following each audit, and appropriate measures are then taken to ensure that all recommendations are implemented. Significant issues, if any, are raised at once. There were no such issues in 2020.

The Board has adopted a chart of authority, defining financial and other authorisation limits and setting procedures for approving capital and investment expenditure. The Board also approves detailed annual budgets. It subsequently reviews quarterly performance against targets set forth in these plans and budgets. A key focus of the financial management strategy is the protection of our earnings stream and management of our cash flow.

We have conducted an annual review of the effectiveness of our risk management system and internal control systems in accordance with the UK Corporate Governance Code. Part of this review involves regular review of our financial, operational and compliance controls, following which we report back to the Board on our work and findings as described above. This allowed us to provide positive assurance to the Board to assist it in making the statements that our risk management and internal control systems are effective, as required by the UK Corporate Governance Code. Further information is set out on pages 54-61.

The key features of the Group's internal control systems that ensure the accuracy and reliability of financial reporting include: clearly defined lines of accountability and delegation of authority; policies and procedures that cover financial planning and reporting; preparation of monthly management accounts; and review of the disclosures within the Annual Report from function heads to ensure that the disclosures made appropriately reflect the developments within the Group in the year and meet the requirement of being fair, balanced and understandable.

The Audit and Risk Committee reviews the results of the internal audit reports during each meeting, focusing on the key observations of any reports where processes and controls require improvement. The Audit and Risk Committee was also provided with updates on the remediation status of management actions of internal audit findings and on the internal audit quality assurance and improvement programme at each meeting.

A particular focus during 2020 was the robustness of the internal control systems and processes around risk management, in light of the COVID-19 pandemic. The Audit and Risk Committee was kept informed of all changes or adaptations to ensure full functionality as the Company adapted to the circumstances and uncertainties of the COVID-19 pandemic.

The Group Chief Financial Officer and the Regional Finance Directors, Country General Managers and Country Chief Financial Officers have access to the implementation status of the recommendations at all times.

Where internal or external circumstances give rise to an increased level of risk, the audit plan is modified accordingly, as it was in 2020 in view of the COVID-19 pandemic. Any changes to the agreed audit plan are presented to and agreed by the Audit and Risk Committee. Detailed updates on specific areas were provided at the request of the Audit and Risk Committee, such as, for example, the progress on audit issues relating to a Health and Safety audit.

Whistleblowing measures

Business ethics and anti-corruption

We seek to grow our business by serving customers and consumers, and conduct all business activities with integrity and respect. The Board is responsible for ensuring appropriate procedures and processes are in place to enable our workforce to raise any issues of concern. The Board maintains zero-tolerance regarding breaches of our Code of Business Conduct and anti-bribery policies, as well as any attempts to retaliate against our people who report potential violations.

We have mandatory training for all our people so that everyone understands our Code of Business Conduct, and we hold targeted anti-bribery training for employees working in areas we assess as high risk. In 2018-2019 we trained on anti-corruption and COBC over 30,000 employees, which was 98.9% of total employees. In 2020 we planned to introduce a new mandatory COBC and Anti-Bribery e-learning. The new course is available on-line to all our employees. Due to the COVID-19 pandemic and systems preparation to move to mandatory digital training for all employees, we delayed the launch of the new training wave to 2021. We have also established an anti-bribery due diligence process for third parties who have contact with government authorities. We have established grievance mechanisms, including an independently operated whistleblower 'Speak Up Hotline', available in all Coca-Cola HBC countries in local languages to ensure any concerns can be raised.

In 2020, we investigated 322 allegations (2019: 311) of which 139 (2019: 166) were received through the 'Speak Up Hotline'. All allegations involving potential Code of Business Conduct violations were investigated in accordance with the Group Code of Business Conduct Handling Guidelines. Of those investigated, 105 (2019: 98) matters were substantiated as code violations of which 26 (2019: 20) involved an employee in a managerial position or involved a loss greater than €10,000. For details concerning the handling of allegations received in 2020, see our website.

You can find more on allegations investigated and violations uncovered in our GRI index: https://www.coca-colahellenic.com/content/dam/cch/us/documents/oar/Coca-Cola-HBC-2020-GRI-Content-Index.pdf.

Through the 'Speak Up Hotline' we receive, retain, investigate and act on employee complaints or concerns regarding accounting, internal control or ethical matters. This includes any matters regarding the circumvention or attempted circumvention of internal controls, including matters that would constitute a violation of our Code of Business Conduct or matters involving fraudulent behaviour by officers or employees of the Group. All such allegations, complaints or concerns may be communicated in a variety of ways, in local languages and on an anonymous basis, to our Director of Corporate Audit. Communications received by the Director of Corporate Audit, or directly through the 'Speak Up Hotline', are kept confidential and, where requested, anonymous. The Director of Corporate Audit liaises regularly with the General Counsel and communicates all significant allegations to the Chair of the Audit and Risk Committee.

All matters received via the 'Speak Up Hotline' or any other reporting mechanism are thoroughly investigated. The Audit and Risk Committee receives summary reports of escalated incidents and instances of whistleblowing together with the status of investigations and, where appropriate, management actions to remedy issues identified. The Committee reports to the Board on such matters.

Disclosure Committee

A Disclosure Committee has been established, and disclosure controls and procedures have been adopted to ensure the accuracy and completeness of our public disclosures. The Disclosure Committee is composed of the Group Chief Financial Officer, the General Counsel, the Director of Investor Relations and the Group Financial Controller.

Performance reporting

Reports on our annual performance and prospects are presented in the Annual Report following recommendation by the Audit and Risk Committee. In line with UK practice, we have adopted half-year and full-year reports, and Q1 and Q3 trading updates. Internally, our financial results and key performance indicators are reviewed by the Operating Committee on a monthly basis. This information includes comparisons against business plans, forecasts and prior-year performance. The Board of Directors receives updates on performance at each Board meeting, as well as a monthly report on our business and financial performance.

Corporate governance report *continued*

Ensuring business continuity and growth

Letter from the Chair of the Nomination Committee

Highlights this year

- The successful onboarding of our new non-Executive Director, Anna Diamantopoulou.

Priorities for 2021

- continuous work on succession plans for Board and senior management positions;
- close monitoring of the Group's talent and development frameworks in order to ensure the continued strength of the current talent pipeline;
- externally facilitated Board and committee assessments; and
- follow up actions on outcome of 2020 evaluation assessment.

Dear Stakeholder

The work of the Nomination Committee has continued to focus on the composition of the Board and the important task of Board and senior management succession planning.

In 2020, the Committee continued to review the balance of skills, experience and diversity of the Board and focused on the talent development, employee engagement and gender diversity initiatives necessary to ensure that the Group has the people and skills to deliver on its strategy. To this end, we proposed a new member to our Board, Anna Diamantopoulou, appointed as an independent non-Executive Director at the 2020 Annual General Meeting, following the retirement of John P. Sechi. The Committee also considers the overall length of service of the Board as a whole as part of its succession planning and keeps under review the need to refresh Board membership. In addition, the Committee oversaw an externally facilitated self-assessment process.

A summary of the Group's Nomination Policy for the recruitment of Board members is available online at: https://www.coca-colahellenic.com/content/dam/cch/us/documents/about-us/corporate-governance/summary-of-nomination-policy-for-recruitment-of-board-members.pdf.downloadasset.pdf The Board Diversity Policy is described on page 107.

Reto Francioni
Committee Chair

Role and responsibilities

The function of the Nomination Committee is to establish and maintain a process for appointing new Board members, to manage, in consultation with the Chairman, the succession of the Chief Executive Officer and to support the Board in fulfilling its duty to conduct a Board self-assessment. The formal role of the Nomination Committee is set out in the charter for the committees of the Board of Directors in Annex C of the Company's Organisational Regulations. This is available online at https://coca-colahellenic.com/en/about-us/corporate-governance/corporate-governance-overview/.

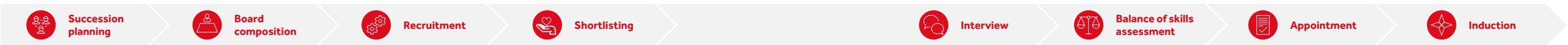
Key elements of the Nomination Committee's role are:

- reviewing the size and composition of the Board;
- identifying candidates and nominating new members to the Board;
- planning and managing, in consultation with the Chairman, a Board membership succession plan;
- ensuring, together with the Chairman, the operation of a satisfactory induction programme for new members of the Board and a satisfactory ongoing training and education programme for existing members of the Board and its committees as necessary to deliver on our strategy;
- setting the criteria for, and overseeing, the annual assessment of the performance and effectiveness of each member of the Board and each Board committee;
- conducting an annual assessment of the performance and effectiveness of the Board, and reporting conclusions and recommendations based on the assessment to the Board; and
- overseeing the employee and management talent development and succession plans of the Group.

Members	Membership status
Reto Francioni (Chair)	Member since 2016 Chair since 2016
Charlotte J. Boyle	Member since 2017
Anna Diamantopoulou	Member since 2020

The members of the Nomination Committee are Reto Francioni, Charlotte Boyle and Anna Diamantopoulou. All members of the Nomination Committee are independent non-Executive Directors.

Committee at work



At the Annual General Meeting on 16 June 2020, Reto Francioni and Charlotte Boyle were re-elected, and Anna Diamantopoulou was elected, for a one-year term by the shareholders. Alexandra Papalexopoulou resigned as a member of the Nomination Committee at the 2020 Annual General Meeting.

Work and activities

The Nomination Committee met four times by video conference call during 2020 and discharged the responsibilities defined under Annex C of the Company's Organisational Regulations. The Chief Executive Officer and the Group Human Resources Director regularly attend meetings of the Nomination Committee. In addition, the Chairman is actively involved in the work of the Nomination Committee concerning succession planning and the selection of key people. In 2020, the General Counsel also met with the Nomination Committee on several occasions. During 2020, the work of the Nomination Committee included consideration of:

- succession planning and development of plans for the recruitment of new Board members and senior management, including a non-executive Director and the Group's new Chief Financial Officer;
- the establishment of the Chief Operating Officer role and the appointment of Naya Kalogeraki to the position
- composition of the Board, including the appropriate balance of skills, knowledge, experience and diversity;
- review of the talent management framework;
- the performance evaluation and annual assessments of the committees and the Board;
- follow up actions arising from Board and committee evaluations;
- review of the Director induction process and training programmes; and
- review of the Group's Inclusion and Diversity Policy.

During 2020, the opportunity arose to consider a candidate as a potential Board member who could make significant and valuable contributions in support of the Company's strategic objectives, particularly in connection with employment, equal opportunities and CSR matters. The Nomination Committee determined that Anna Diamantopoulou's experience, unique skill set and personal strengths, would be a perfect fit and addition to the existing skills, experience and diversity of our Board and she was invited by this Committee to discuss the opportunity. A rigorous process was followed involving in depth interviews not only by members of this Committee but also by other Board members, as well as taking into account required attributes based on merit and objective criteria for the appointment of non-Executive Directors. Anna's experience from being a European Commissioner and Member of the Greek Parliament offered unique expertise in areas of social affairs and equal opportunities which aligns with the Group's diversity, inclusion and human rights agenda. Her in depth knowledge of the European CSR agenda is a significant support to our own CSR journey and strategic aims. Following the process, the Nomination Committee with the support of our Board nominated Anna to be elected as an independent non-Executive Director by the 2020 Annual General Meeting.

Performance evaluation of the Board

The Nomination Committee led the annual assessment of the performance of the Board and its committees during the year with the support of Lintstock, an external advisory firm. The key areas included in the assessment were Board structure and diversity, timeliness and quality of information, Board discussions, and effective contributions of each Director, the performance of the Board, committees, succession planning, risk appetite and risk management, and remuneration and performance. The scores were high overall and the results of the evaluation were presented at the December 2020 Board meeting. Further details on the internal Board evaluation are set out on page 94.

As with all employees, the Group offers training opportunities to the Board and senior management in order to improve their skills, and encourages all Board members and senior management to gain relevant experience and knowledge to fulfil their position's duties.

Diversity

The Group continues to have a firm commitment to policies promoting diversity, equal opportunity and talent development at every level throughout the organization, including at Board and management level, and is constantly seeking to attract and recruit highly qualified candidates for all positions in its business. The Group's Inclusion and Diversity Policy applies to all people who work for us. Further details on the Group's Inclusion and Diversity Policy are set out on page 41 in the Strategic Report.

The Group believes that diversity at the Board level acts as a key driver of Board effectiveness, helps to ensure that the Group can achieve its overall business goals especially in light of our geographical footprint, and is critical in promoting a diverse and inclusive culture across the whole Group. The Board has adopted a formal Board Diversity Policy.

The Group's Board Diversity Policy guides the Nomination Committee and the Board in relation to their approach to diversity in respect of succession planning and the selection process for the appointment of new Board members. The Nomination Committee is responsible for implementing this policy and for monitoring progress towards the achievement of its objectives.

Under the Board Diversity Policy, the Nomination Committee is required to take into account all aspects of diversity, including age, ethnicity, gender, educational and professional background and social background when considering succession planning and new Board appointments. Board appointments are evaluated on merit against objective criteria with due regard for diversity to ensure that candidates contribute to the balance of skills, experience, knowledge and diversity of the Board. The Board also considers the overall length of service of the Board as a whole when considering refreshment of the membership.

The Board recognises the importance of diversity in its business. It is the Board's responsibility to oversee senior management succession planning for a diverse pipeline of managers and talent identified from the management talent development programme. This links to our strategy to develop our people and ensure we attract and retain a diverse talent pool, and is one of the five pillars of our growth strategy. Further information on growth pillar 4 is set out on pages 38-41.

The Board understands the benefits of diversity of gender, ethnicity, knowledge and experience. Both the Board and Nomination Committee remain mindful of the targets set for FTSE 100 companies by the Hampton-Alexander Review (minimum of 33% of women on the board and 33% of women on the executive committee and direct reports by the end of 2020) and the Parker Review to increase ethnic diversity (at least 'one person of colour' on the board by 2021). The Board currently has 30% female representation and also meets the target set by the Parker Review having had a person of colour on the Board since 2015. The Board is committed to improving the Board gender balance. The Operating Committee has 18% female representation while 35% of our senior leaders are women. Figures showing Board and senior management gender diversity are shown on pages 82 and 98. The Board is committed to appointing the best people with the right skill set, regardless of gender, ethnicity, religion or disability, and as such does not think it is appropriate to set specific targets for Board appointments.

The Nomination Committee, in conjunction with the Operating Committee, will continue to monitor the proportion of women at all levels of the Group and ensure that all appointments are made with a view to having a high level of diversity within the workplace and in leadership positions.

Corporate governance report *continued*

Raising the level of ambition with 2025 sustainability commitments

Letter from the Chair of the Social Responsibility Committee

Highlights this year

- Close governance of our licence to operate pillar as part of our Growth Story 2025 including progress of public Mission 2025 commitments.
- Patronage of 'Key Initiatives for Tomorrow – Sustainability pillar'; three multi-functional strategic change projects with detailed business cases and rollout plans for climate action (new science-based climate related targets for 2030 in accordance with 1.5-degree scenario), sustainable packaging and community engagement.
- Deep-dive analysis of company results in various environmental, social and corporate governance (ESG) benchmarks.
- Regular check-ins on Company precautionary and hygiene measures (sanitation protocols, social distancing, travel restrictions, working from home and remote meetings) as well as community relief initiatives during COVID-19 pandemic and related market lockdowns.
- Adoption of new Water Stewardship Policy based on global water strategy 2030 of The Coca-Cola Company and related Mission 2025 scope.
- Ongoing updates on plastic packaging levies and product tax developments.
- Active involvement in annual Stakeholder Forum on 'Climate in the New Normal', including preparations and measurement/feedback.

Priorities for 2021

- progress of public Mission 2025 commitments with a focus on 'Key Initiatives for Tomorrow – Sustainability pillar';
- implementation of 2030 science-based target to reduce carbon emissions across the value chain;
- support activities for Company employees, medical staff, vulnerable communities and HoReCa customers during/post COVID-19 pandemic;
- stakeholder outreach activities including Forum 21;
- reviewing and streamlining of Company disclosure and reporting standards based on GRI, IIRC, TCFD and SASB frameworks;
- adoption of new corporate charitable contributions policy; and
- ongoing routines related to ESG benchmarking activities, plastic packaging levies and product tax developments.

Dear Stakeholder

In 2020, our predominant aim during the COVID-19 pandemic was to keep our people safe and, in close cooperation with The Coca-Cola Company, to support frontline workers, vulnerable people in the communities and our customers in the HoReCa. The Social Responsibility Committee has endorsed the team to take related actions and has regularly monitored the implementation of these actions.

The Committee has also continued focusing on the progress of our public Mission 2025 commitments and the overall integration of sustainability in the business strategy.

The Committee has monitored regulatory changes in the domain of sustainability, including the EU Green Deal, Recovery Fund and other developments related to the circular economy, single-use plastics and waste, deposit return systems and evolved nutrition labelling.

During 2020, the Company retained top scores in MSCI ESG ratings, CDP Climate and Water, ISS ESG, Video Eiris and FTSE4Good. The Committee is particularly proud that the Company was again rated as Europe's most sustainable beverage business in the S&P Corporate Sustainability Assessment (DJSI).

Going forward in 2021, the Committee will ensure that the business strategy is fully aligned with the ESG agenda and that the Company continues to create value for employees, communities, and the environment. Areas of specific attention will comprise of the diversity and inclusion agenda as well as human rights, supply chain transparency and the relevance of food waste standards for the business.

Anastasios I. Leventis
Committee Chair

Role and responsibilities

The Social Responsibility Committee is responsible for the development and supervision of procedures and systems to ensure the pursuit of the company's social and environmental goals, as set out in the charter for the committees of the Board of Directors in Annex C of the Company Organisational Regulations.

Key areas of responsibility are:

- establishing the principles governing the Group's policies on social responsibility, and the environment to guide management's decisions and actions;
- overseeing the development and supervision of procedures and systems to ensure the achievement of the Group's social responsibility and environmental goals;
- establishing and operating a council responsible for developing and implementing policies and strategies to achieve the Company's social responsibility and environmental goals (in all ESG pillars, such as climate change, water stewardship, packaging and waste, sustainable sourcing, health and nutrition, and our people and community), and ensuring Group-wide capabilities to execute such policies and strategies;
- ensuring the necessary and appropriate transparency and openness in the Group's business conduct in pursuit of its social responsibility and environmental goals;
- ensuring and overseeing the Group's interactions with stakeholders in relation to its social responsibility and environmental policies, goals, and achievements, including the level of compliance with internationally accepted standards; and
- reviewing Group policies on environmental issues, human rights, and other topics as they relate to social responsibility.

Members	Membership status
Anastasios I. Leventis (Chair)	Member since 2016 Chair since 2016
Anna Diamantopoulou	Member since June 2020
José Octavio Reyes	Member since 2014

Work and activities

The Social Responsibility Committee met four times during 2020 . Along with Committee members, the meetings were attended by other members of the Board, e.g. Charlotte Boyle and Ryan Rudolph, the Chief Executive Officer, the Group Public Affairs and Communication Director, the Group Director Sustainability & Community and additional senior leaders depending on the discussion topics.

During 2020, the Social Responsibility Committee reviewed and provided guidance and insights to advance the Group's sustainability approach in the following areas:

- Progress made against the 17 publicly communicated 2025 sustainability commitments and their six pillars and what was the effect of the COVID-19 crisis on them;
- Annual plans and long-term plans on the global Coca-Cola World Without Waste strategy, in all three pillars: packaging design, packaging collection, and partnering;
- Plans for net-zero emissions by 2040;
- Review of the Global Coca-Cola Water Strategy 2030 and our water initiatives;
- Low-sugar and zero-sugar products and reformulations as part of our calorie reduction and nutrition strategy;
- Health and safety protocols for assuring the safety of all our employees;
- Our response to support the communities during the COVID-19 crisis and our #YouthEmpowered digital programmes;
- Retail ESG partnership;
- Materiality process and results of the annual materiality survey.
- Review of stakeholder engagement plan and the feedback from the Annual Stakeholder Forum; and
- ESG reporting frameworks and benchmarks such as GRI Standards, UN SDGs, Dow Jones Sustainability Indices, CDP, Task Force on Climate-related Financial Disclosures (TCFD).

Directors' remuneration report

Maintaining our performance focus during a challenging year

Letter from the Chair of the Remuneration Committee

Highlights this year

- We adjusted the operation of our incentive arrangements to ensure that they continued to incentivise and retain our employees taking the impact of the COVID-19 pandemic into account.
- We are proposing adjustments in our remuneration policy to align with the Company's strategy and corporate governance best practice and to take into account feedback received as part of our ongoing engagement with shareholders and proxy advisers.

Dear Shareholder

2020 was a year when our Company rose to the challenges presented by the COVID-19 pandemic. In this environment, the health and safety of our workforce and especially our frontline employees was our first priority, followed by business continuity. Changes were instituted regarding merit increases and incentives to reflect this reprioritisation and change in our operating environment.

As the Chair of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2020. Our primary listing is on the London Stock Exchange, and our Company is domiciled in Switzerland. We therefore ensure, as described in this report, that we comply with UK regulations, except where these conflict with Swiss law. The format of this year's Remuneration Report is consistent with the format of last year's as there were no significant changes in relevant regulations. As always, I welcome your feedback and suggestions regarding anything we can do to improve the report further.

Free cash flow (€m)	Comparable EPS (€)	Comparable EBIT (€m)	ROIC
497	1.185	672	11.1%
(2019: 443)	(2019: 1.436)	(2019: 759)	(2019: 14.2%)

● Included in MIP ● Included in PSP

The Group's remuneration philosophy and policies are designed to attract, motivate and retain the talented people we need to meet the Company's strategic objectives, and to give them due recognition.

To this end, the Remuneration Committee has worked to ensure that the remuneration policy of the Group remains fair, transparent and competitive in comparison with our peers, and that remuneration helps drive our growth strategy and sustainable performance.

Remuneration in context

Financial performance

Our business adapted quickly to changing consumer behaviour as a result of COVID-19 restrictions, delivering resilient financial performance reflecting operational agility and strong execution by our employees. We are proud of the speed, flexibility and care with which our people responded to the COVID-19 pandemic and the results we have achieved. Our key financial highlights include:

- Improving volume trends in the second half, with Q4 like-for-like volume down 0.7% and full-year like-for-like volume decline contained at 4.6% year on year. Four of our largest markets grew volumes, on a like-for-like basis: Nigeria, Russia, Poland and Ukraine. At-home channel volumes up mid-single digit in the second half.
- FX-neutral revenue per case stabilised in the second half, improving to a 4.1% decline year on year (H1 2020 -6.1% year on year)
- We have created a more agile business; comparable EBIT margin at 11.0%, up 20bps year on year, or 10.6% like-for-like, down 20bps year on year.

Stakeholder experience

Our shareholders

While the economic outlook remains uncertain, we are clear on the opportunity and direction for our business and are investing to strengthen our capabilities which will drive our long-term performance, underpinned by further advances on sustainability. 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.

Our employees

Our most important decisions and actions in 2020 involved protecting our people and listening to find out what they needed. Read more on pages 18-21 about the ways in which we adapted to ensure their safety and listened to make sure we understood what they needed.

In relation to pay arrangements, we made no merit increases to salary levels across the board. This approach allowed us to ensure that there were no redundancies made as a result of the impact of COVID-19.

We made a few adjustments to our incentive arrangements that applied to the broader population, including our CEO. The decisions to adjust the incentive arrangements were made with the aim to reflect the new reality and provide the right incentive and retention to our broader workforce. Subsequent payouts will follow the same principles. We specifically protected the incentive opportunity level available to our frontline business development, production and support staff.

The table on page 110 illustrates Company performance achieved against the key performance indicators that are used in our Management Incentive Plan (MIP) and Performance Share Plan (PSP) variable pay schemes. Note that gross profit margin, operating expenses as % of NSR and net sales revenue have been used as MIP KPIs in previous years but, as described below, the Remuneration Committee responded to the impact of the COVID-19 pandemic by refocusing the MIP metrics to concentrate on comparable EBIT and free cash flow performance, as these KPIs became critical during the COVID-19 pandemic.

Applying the remuneration policy for Directors in 2020

As a result of the impact of the COVID-19 pandemic, the Committee decided to freeze the base salary of the Chief Executive Officer (and other Operating Committee members). This decision, taken at the Committee's June meeting, formalised a decision taken by the Operating Committee in April to forfeit their merit pay increases.

When the impact of the COVID-19 pandemic became evident, the Committee decided to make adjustments to the operation of our incentive arrangements to ensure that they continued to align with their original intent within the context of our operating environment and peers in our geographic footprint. The Committee made the adjustments presented below with careful thought, consultation with our major shareholders who were supportive, and with a view to balancing our various stakeholders, by using our established principles to apply appropriate stretch and a cap to avoid inappropriate benefits. The adjustments applied to all members of the plans, including the CEO. More specifically:

- MIP: No MIP opportunity was available in relation to H1 performance – i.e. the 2020 MIP opportunity level for the CEO was reduced by 50% from 130% of salary to 65%. The plan performance metrics were adjusted to focus on the two KPIs which the Committee considered to be most relevant in the circumstances: Comparable EBIT and free cash flow. This approach was consistent with the MIP arrangements used across our employee population. Details of the targets, performance against them and the plan outcomes are set out on page 124.
- PSP: The level of vesting for the 2018 award was capped at 50% of maximum. Targets were adjusted to reflect a level of performance which was attainable but still represented a significant degree of stretch and outperformance of external analyst expectations.

Our business performance in 2020 and the Committee's careful consideration of the wider stakeholder views have resulted in a payout of 51.5% of base salary under the MIP for the CEO, equivalent to an award of 39.6% of the normal maximum MIP opportunity or 79.2% of the reduced 2020 opportunity level. This reflects solid Company performance, with comparable EBIT performance between target and maximum and free cash flow performance significantly above target.

We continue to be committed to disclosing MIP targets retrospectively and you will find the 2020 performance targets and outcomes reported on page 124.

Performance against the revised targets over the period 2018 to 2020 resulted in a vesting level of 50% of the maximum PSP award granted in 2018. Details of the targets and outcomes are explained on page 126.

Looking ahead

The Remuneration Committee will continue to keep policies under review so as to ensure that plans and programmes relating to remuneration support the Company's strategy and objectives and are closely linked to shareholders' interests. We value the ongoing dialogue with shareholders and welcome views on this Remuneration Report. We were also pleased with the positive vote for the Company's remuneration policy and the Annual Report on Remuneration at the 2020 Annual General Meeting, and hope we will have your support again in 2021.

The Committee is mindful of the evolution in corporate governance requirements and will continue to review the application of these as it relates to aspects of remuneration.

At our forthcoming AGM we will be putting a revised Remuneration Policy to a shareholder vote. The changes from our current Policy will be as follows:

- Adjusting the operation of the Management Incentive Plan (MIP) to place greater weight on the Business Performance element. MIP payouts will be based on Business Performance and Individual Performance elements combined on a multiplicative basis so that both elements must be achieved in order for the plan to pay out. For 2021, Business Performance will be measured based on performance against three KPIs: revenue (40% weighting), comparable EBIT (40% weighting) and free cash flow (20% weighting). The proposed change will result in a small increase in the maximum MIP opportunity for the broader organisation. For the CEO, the maximum opportunity will increase marginally from 130% to 140% of base salary but this maximum opportunity will pay out only for both a stretch level of business performance and full achievement of the individual performance element. See page 126 for more details.
- Allow flexibility under the Policy for the Committee to determine the appropriate metrics and weightings for each award under the Performance Share Plan (PSP). From the 2021 award we are introducing, along with ROIC and EPS, an additional performance element, related to sustainability. The Committee believes that this additional metric will support the vitally important 'Earn our licence to operate' growth pillar described earlier in this annual report and is conscious to link our remuneration structure with our strategic focus on sustainability. See page 127 for more details.
- Introduce a 200% post-employment shareholding requirement for a period of two years, in response to developing corporate governance best practice and feedback from our shareholders.

The Committee believes that these changes carefully balance aligning the remuneration policy with the Company's strategy and responding to evolving corporate governance requirements.

The role of the Remuneration Committee

The main responsibilities of the Remuneration Committee are to establish the remuneration strategy for the Group and to approve compensation packages for Directors and senior management. Further, the Committee reviews wider workforce remuneration policies at Coca-Cola HBC and the alignment of incentives and rewards with strategy and culture, taking these into account when setting the remuneration policy. The Remuneration Committee operates under the Charter for the Committees of the Board of the Company set forth in Annex C to the Organisational Regulations of the Company, available on the Group's website at: https://www.coca-colahellenic.com/en/about-us/corporate-governance

Members	Membership status
Charlotte J. Boyle (Chair)	Member since 2017 Chair since June 2020
Reto Francioni	Appointed June 2016
Anna Diamantopoulou	Appointed June 2020

In accordance with the UK Corporate Governance Code, the Remuneration Committee consists of three independent non-Executive Directors: Charlotte J. Boyle (Chair), Reto Francioni and Anna Diamantopoulou, who were each elected by the shareholders for a one-year term on 16 June 2020. During the year, Alexandra Papalexopoulou, member of the Committee since 2015 and Chair since 2016, stepped down and Charlotte J. Boyle took on the role of Chair. Anna Diamantopoulou was appointed as a member in June 2020.

The Remuneration Committee met four times in 2020; in March, June, September and December. Please refer to the Corporate Governance Report on page 83 for details on the Remuneration Committee meetings.

Charlotte J. Boyle
Chair of the Remuneration Committee

Directors' remuneration report *continued*

Remuneration throughout the organisation – a snapshot

Attracting
Finding the people we want and need

Recognising
Adopting behaviours that produce exceptional performance

Retaining
Continuing to attract the best talent

Motivating
Achieving business, financial and non-financial targets

Reward strategy and objective

The objective of the Group's remuneration philosophy is to attract, retain and motivate employees who are curious, agile and committed to perform. Our reward strategy seeks to promote a growth mindset and reinforce desirable behaviours, ensuring that employees are fairly rewarded and that their individual contributions are linked to success of the Company.

Variable pay is an important element of our reward philosophy. A significant proportion of total remuneration for top managers (including the Chief Executive Officer and the members of the Operating Committee) is tied to the achievement of our business objectives. These objectives are defined by key business metrics that are consistent with our growth strategy and will deliver long-term shareholder value. The variable pay element increases or decreases based on the achieved business performance. Through equity-related long-term compensation, we seek to ensure that the financial interests of the Chief Executive Officer, the members of the Operating Committee and top managers are aligned with those of shareholders.

All of our remuneration plans, both fixed and variable, are designed to be cost-effective, taking into account market practice, business performance, and individual performance and experience where relevant. We pay close attention to our shareholders' views in reviewing our remuneration policy and programmes.

In line with the UK Corporate Governance Code, the following factors, which align well with our objectives, were also considered:

- clarity and simplicity: we believe that our policy provides transparency for executives and shareholders about what performance we are looking for across our portfolio;
- risk: we note the reputational and other risks that can result from excessive rewards and believe that our robust target-setting and long history of applying discretion to performance outcome addresses this;
- predictability and proportionality: we believe that the link between individual awards, the delivery of strategy and the long-term performance of the Company is clearly explained in this report and that our approach ensures proportionate pay outcomes that do not reward poor performance; and
- alignment to culture: we want our executives to make decisions that support the long-term performance and health of the business.

How we implement our reward strategy

The chart below illustrates how we put our reward strategy into practice, with the different remuneration arrangements that apply to different employee groups.

Chief Executive Officer and Operating Committee

Shareholding guidelines
Support the alignment with shareholder interests ensuring sustainable performance: Chief Executive Officer – required to hold shares in the Company equal in value to 300% of annual base salary within a five-year period and a post-employment shareholding requirement applying from this year.

Operating Committee – required to hold shares in the Company equal in value to 100% of annual base salary within a five-year period.

Chief Executive Officer, Operating Committee and selected senior management

Performance Share Plan
Performance share awards vest over three years. PSP awards are cascaded down to select senior managers, promoting a focus on long-term performance and aligning them to shareholders' interests.

Selected middle and senior management

Long-Term Incentive Plan
Cash long-term incentive awards vest over three years. LTIP awards are cascaded down to select middle and senior management to reinforce long-term performance and ensure retention of our talents.

All management

Management Incentive Plan
Management employees may be eligible to receive an award under the annual bonus scheme that promotes a high-performance culture. Performance conditions are bespoke to the role and business unit.

All employees

Employee Share Purchase Plan (dependent on country practice)
The Employee Share Purchase Plan encourages share ownership and aligns the interests of our employees with those of shareholders.

Fixed pay and benefits (base salary, retirement and other benefits – dependent on country practice)
Base salaries may reflect the market value of each role as well as the individual's performance and potential. Retirement and other benefits are subject to local market practice.

Note: Participants in the Performance Share Plan are not eligible to participate in the Long-Term Incentive Plan.

Remuneration arrangements for the Chief Executive Officer – at a glance

The table below summarises the remuneration arrangements in place for our Chief Executive Officer. See page 123 for total compensation figures.

Pay element	Detail
Base salary	The base salary of the Chief Executive Officer is €790,000. The salary is reviewed annually and any increase is typically effective 1 May each year.
Retirement benefits	The Chief Executive Officer participates in a defined benefit pension plan under Swiss law. Employer contributions are 15% of annual base salary.
Other benefits	Other benefits include (but are not limited to) medical insurance, housing allowance, company car/allowance, cost of living adjustment, trip allowance, partner allowance, exchange rate protection, tax equalisation and tax filing support and advice. Benefit levels vary each year depending on need.
ESPP (Employee Share Purchase Plan)	The Chief Executive Officer may participate in the Company's Employee Share Purchase Plan. As a scheme participant, the Chief Executive Officer has the opportunity to invest a portion of his base salary and/or MIP payments in shares. The Company matches employee contributions on a one-to-one basis up to 3% of base salary and/or MIP payout. Awards are subject to potential application of malus and clawback provisions.
MIP (Management Incentive Plan)	The MIP consists of a maximum annual bonus opportunity of up to 140% of base salary. Payout is based on business performance targets and individual performance. The Business Performance element will result in an outcome between 0% and 200% of the target MIP and the Individual Performance element will result in an outcome of up to 100%, with the overall payout as a percentage of salary being based on the multiplication of these two figures. For 2021, Business Performance will be measured based on performance against three KPIs: revenue (40% weighting), comparable EBIT (40% weighting) and free cash flow (20% weighting). 50% of any MIP payout will be deferred into shares for a further three-year period. Payments are subject to potential application of malus and clawback provisions.
PSP (Performance Share Plan)	The PSP is an annual share award which vests after three years. For the award in 2021, vesting will be based on performance conditions measured over a three-year period against: (i) comparable earnings per share (EPS) (42.5% weighting); (ii) return on invested capital (ROIC) (42.5% weighting); (iii) reduction of greenhouse gas (GHG) emissions (15% weighting). An additional two-year holding period will apply following vesting. Awards are subject to potential application of malus and clawback provisions.

Directors' remuneration report *continued*

Remuneration policy

Introduction

The following section (pages 114 to 116) sets out our proposed Directors' remuneration policy which will be put forward to shareholders on a voluntary basis at the next Annual General Meeting in June 2021. It is intended that this remuneration policy will apply from the next Annual General Meeting, subject to shareholder approval. The policy was last put to a shareholder vote at the 2020 AGM. As described in the Chair's introduction, the changes from the 2020 Policy relate to:

- Adjusting the operation of the Management Incentive Plan (MIP) to place greater weight on the business performance element. This will result in 0% payout if the business performance is not met.
- Allow flexibility within pre-set criteria for the Committee to determine the appropriate metrics and weightings for each award under the Performance Share Plan (PSP). For the award in 2021 the focus will remain on ROIC and EPS performance as in previous years but an additional sustainability element will be included – see page 127 for more details.
- Introduce a 200% post-employment shareholding requirement for a period of two years.

As a Swiss-incorporated company, we are not required to put forward our remuneration policy for a shareholder vote, but we intend to do so voluntarily at least every three years (or when there are changes). We continue to endeavour to make sure that our disclosure complies with UK regulations, except where these conflict with Swiss law.

Policy table – Chief Executive Officer

The Company currently has a single Executive Director, being the Chief Executive Officer. Therefore, for simplicity, this section refers only to the Chief Executive Officer. This remuneration policy would, however, apply for any new Executive Director role, in the event that one were created during the term of this remuneration policy. In that case, references in this section to the Chief Executive Officer should be read as being to each Executive Director.

Fixed

Base salary

Purpose and link to strategy

To provide a fixed level of compensation appropriate to the requirements of the role of Chief Executive Officer and to support the attraction and retention of the talent able to deliver the Group's strategy.

Operation

Salary is reviewed annually, with salary changes normally effective on 1 May each year.

The following parameters are considered when reviewing the base salary level:

- the Chief Executive Officer's performance, skills and responsibilities;
- economic conditions and performance trends;
- experience of the Chief Executive Officer;
- pay increases for other employees; and
- external comparisons based on factors such as: the industry of the business, revenue, market capitalisation, headcount, geographical footprint, stock exchange listing (FTSE) and other European companies.

Malus and clawback provisions do not apply to base salary.

Maximum opportunity

Whilst there is no maximum salary level, any increases awarded to the Chief Executive Officer will normally be broadly aligned with the broader employee population.

The salary increase made to the Chief Executive Officer may exceed the average salary increase under certain circumstances at the Remuneration Committee's discretion. For example, this may include: business and individual performance; material changes to the business; internal promotions; accrual of experience; changes to the role; or other material factors.

Performance metrics

Individual and business performance are key factors when determining any base salary changes.

The annual base salary for the Chief Executive Officer is set out on page 113.

Retirement benefits

Purpose and link to strategy

To provide competitive, cost-effective post-retirement benefits.

Operation

The Chief Executive Officer participates in a defined benefit pension plan under Swiss law. Until 2019, there was no obligation for employee contributions. However, we have adjusted the pension scheme to be co-contributory, in line with the pension scheme for the wider Swiss workforce, for new Executive Directors' appointments from 2020 onwards.

Normal retirement age for the Chief Executive Officer's plan is 65 years. In case of early retirement, which is possible from the age of 58, the Chief Executive Officer is entitled to receive the amount accrued under the plan as a lump sum.

Malus and clawback provisions do not apply to retirement benefits.

Maximum opportunity

The contributions to the pension plan are calculated as a percentage of annual base salary (excluding any incentive payments or other allowance/benefits provided) based on age brackets as defined by Federal Swiss legislation.

This percentage is currently 15% of base salary and increases to 18% for age above 55.

Performance metrics

None.

Other benefits

Purpose and link to strategy

To provide benefits to the Chief Executive Officer which are consistent with market practice.

Operation

Benefit provisions are reviewed by the Remuneration Committee which has the discretion to recommend the introduction of additional benefits where appropriate.

Typical provisions for the Chief Executive Officer include benefits related to relocation such as housing allowance, company car/allowance, cost of living adjustment, trip allowance, partner allowance, exchange rate protection, tax equalisation and tax filing support and advice. For all benefits, the Company will bear any income tax and social security contributions arising from such payments.

Malus and clawback provisions do not apply to benefits.

Maximum opportunity

There is no defined maximum as the cost to the Company of providing such benefits will vary from year to year.

Performance metrics

None.

ESPP (Employee Share Purchase Plan)

Purpose and link to strategy

The ESPP is an Employee Share Purchase Plan, encouraging broader share ownership, and is intended to align the interests of employees and the Chief Executive Officer with those of the shareholders.

Operation

This is a voluntary share purchase scheme across many of the Group's countries. The Chief Executive Officer as a scheme participant has the opportunity to invest from 1% to 15% of his base salary and/or MIP payout to purchase the Company's shares by contributing to the plan on a monthly basis.

The Company matches the Chief Executive Officer's contributions on a one-to-one basis up to 3% of the employee's base salary and/or MIP payout. Matching contributions are used to purchase shares one year after the matching. Matching shares are immediately vested.

Dividends received in respect of shares held under the ESPP are used to purchase additional shares and are immediately vested. The Chief Executive Officer is eligible to participate in the ESPP operated by the Company on the same basis as other employees.

Malus and clawback provisions apply. Further details may be found in the Additional notes to the remuneration policy table section on page 118.

Maximum opportunity

Maximum investment is 15% of gross base salary and MIP payout. The Company matches contributions up to 3% of gross base salary and MIP payout. Matching contributions are used to purchase shares after one year from the matching. Matching shares are immediately vested.

Performance metrics

The value is directly linked to the share price performance.

It is therefore not affected by other performance criteria.

Variable pay

MIP (Management Incentive Plan)

Purpose and link to strategy

To support profitable growth and reward annually for contribution to business performance. The plan aims to promote a high-performance culture with stretching business and individual targets linked to our key strategies.

Operation

Annual cash bonus awarded under the MIP is subject to business and individual performance metrics and is non-pensionable.

The Chief Executive Officer's individual objectives are regularly reviewed to ensure relevance to business strategy and are set and approved annually by the Chair of the Remuneration Committee and Chairman of the Board of Directors.

Stretching targets for business performance are set annually, based on the business plan of the Group as approved by the Board of Directors. The Remuneration Committee will determine the business performance metrics and weightings on an annual basis.

Performance against these targets and bonus outcomes is assessed by the Remuneration Committee, which may recommend an adjustment to the payout level where it considers the overall performance of the Company or the individual's contribution warrants a higher or lower outcome.

Malus and clawback provisions apply. Further details may be found in the Additional notes to the remuneration policy table section on page 118.

PSP (Performance Share Plan)

Purpose and link to strategy

To align the Chief Executive Officer's interests with the interests of shareholders, and increase the ability of the Group to attract and reward individuals with exceptional skills.

Operation

The Chief Executive Officer is granted conditional awards of shares which vest after three years, subject to the achievement of performance metrics and continued service. Grants take place annually, normally every March.

Performance metrics and the associated targets are reviewed and determined around the beginning of each performance period to ensure that they support the long-term strategy and objectives of the Group and are aligned with shareholders' interests.

Dividends may be paid on vested shares where the performance metrics are achieved at the end of the three-year period.

Malus and clawback provisions apply. Further details may be found in the Additional notes to the remuneration policy table section on page 118.

Directors' remuneration report *continued*

Variable pay continued

MIP (Management Incentive Plan)

Maximum opportunity

The Chief Executive Officer's maximum MIP opportunity is set at 140% of annual base salary. The Business Performance element will result in an outcome between 0% and 200% of the target MIP and the Individual Performance element will result in an outcome of up to 100%, with the overall payout as a percentage of salary being based on the multiplication of these two figures.

Threshold, target and maximum achievement for the Business Performance element will result in an outcome as follows:

- Threshold: 0% of base salary
- Target: 70% of base salary
- Maximum: 140% of base salary
- The maximum opportunity level will therefore only pay out for both a stretch level of business performance and full achievement of the individual performance element.

Performance metrics

The MIP awards are based on business metrics linked to our business strategy. These may include, but are not limited to, measures of revenue, profit, profit margins and operating efficiencies. The weighting of individual performance metrics shall be determined by the Remuneration Committee around the beginning of the MIP performance period.

Details related to the key performance indicators can be found in the Annual Report on Remuneration on page 124.

Deferral of MIP

50% of any MIP award is to be deferred into shares which will be made available after a three-year deferral period which commences on the first day on the fiscal year in which the deferred share award is made.

Deferred shares may be subject to malus and clawback (for a period of two years following this incentive award) to the extent deemed appropriate by the Remuneration Committee, in line with best practice.

PSP (Performance Share Plan)

Maximum opportunity

Awards (normally) have a face value up to 330% of base salary.

In exceptional circumstances only, the Remuneration Committee has the discretion to grant awards up to 450% of base salary.

Performance metrics

Vesting of awards is subject to the three-year Group performance metrics. For each award, the Remuneration Committee will determine the applicable metrics, weightings and target calibration making up the performance condition.

Following the end of the three-year period, the Remuneration Committee will determine the extent to which performance metrics have been met and, in turn, the level of vesting. Participants may receive vested awards in the form of shares or a cash equivalent.

For each performance metric, achieving threshold performance results in vesting of 25% of the award and maximum performance results in vesting of 100% of the award. There will be a straight-line vesting between these performance levels.

Performance share awards will lapse if the Remuneration Committee determines that the performance metrics have not been met. The Remuneration Committee will have discretion to reduce or negate PSP award vesting, in case of significant adverse environmental, social or governance impacts regarding the Company's activities.

Holding period

Any vested award (net of shares sold to cover tax liability) is subject to a further two-year holding period following the end of the three-year performance period. During this two-year period, these beneficially owned shares are subject to a no-sale commitment.

Any shares subject to the holding period count towards the shareholding requirement.

Adjustments

In the event of an equity restructuring, the Remuneration Committee may make an equitable adjustment to the terms of the performance share award by adjusting the number and kind of shares which have been granted or may be granted and/or making provision for payment of cash in respect of any outstanding performance share award.

Where exceptional circumstances exist such that the original targets no longer meet the intent at the time of grant, the Committee will have the discretion to adjust targets in a manner that is considered to be no less stretching than the original performance condition. Where any such adjustment is made, the details will be fully disclosed in the following Remuneration Report.

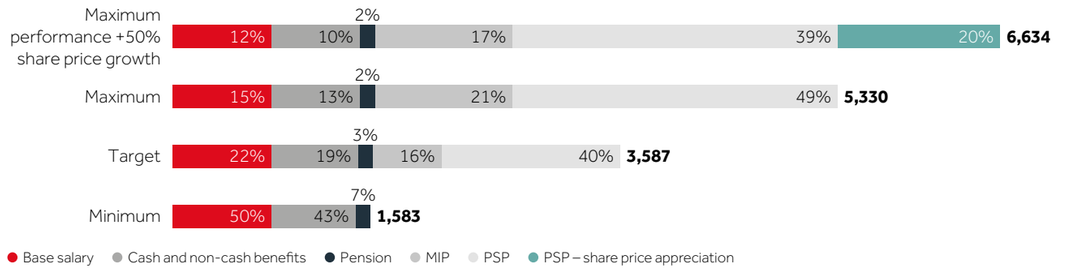
Change of control

In the event of change of control, unvested performance share awards held by participants vest immediately on a pro-rated basis if the Remuneration Committee determines that the performance metrics have been satisfied or would have been likely to be satisfied at the end of the performance period, unless the Remuneration Committee determines that substitute performance share awards may be used in place of the previous awards. For vested shares subject to the additional holding period, the holding period will lapse and the participants are no longer subject to the no-sale commitment.

Additional notes to the Executive Director's remuneration policy table

Chief Executive Officer's remuneration policy illustration

The graph below provides estimates of the potential reward opportunity for the Chief Executive Officer and the split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'. In line with the reporting regulations, a scenario assuming 50% share price growth over the three-year PSP performance period is also shown below. The assumptions used for these charts are set out in the table below (€ 000s).



Minimum performance	Fixed remuneration only, i.e. base salary, pension and other benefits (including ESPP participation). No payout under the MIP or PSP.
Target performance	Fixed remuneration. MIP payout of 70% of base salary. PSP vesting at 181.5% of base salary.
Maximum performance	Fixed remuneration. MIP payout of 140% of base salary. PSP vesting at 330% of base salary.
Maximum performance + 50% share price growth	Fixed remuneration. MIP payout of 140% of base salary. PSP vesting at 330% of base salary. 50% assumed share price growth over three-year PSP performance period.

Other than in the 'Maximum performance + 50% share price growth' scenario, no share price growth or dividend assumptions have been included in the charts above.

	Component	Minimum (€ 000s)	Target (€ 000s)	Maximum (€ 000s)	Maximum performance + 50% share price growth (€ 000's)
Fixed	Base salary[1]	€790	€790	€790	€790
	Pension	€119	€119	€119	€119
	Cash and non-cash benefits[2]	€674	€691	€708	€708
Variable	MIP	–	€553	€1,106	€1,106
	PSP	–	€1,434	€2,607	€2,607
	PSP – 50% share price appreciation	–	–	–	€1,304
Total		**€1,583**	**€3,587**	**€5,330**	**€6,634**

1. Represents the annual base salary as at the last review in May 2019.The salary level was not increased in 2020.
2. ESPP employer contributions may vary depending on the MIP payout provided that the Chief Executive Officer decides to contribute a portion of the MIP towards the ESPP. The figures provided have been calculated on the basis of the applicable MIP payout and the Chief Executive Officer deciding to contribute 3% to the ESPP.

Directors' remuneration report *continued*

ESOP (Employee Stock Option Plan)

The ESOP was replaced by the PSP in 2015 and the last grant under the ESOP took place in December 2014. Although the Remuneration Committee does not intend to award under the ESOP going forward, there are still outstanding stock option awards which may be exercised in future years. Awards vest in one-third increments each year for three years and can be exercised for up to 10 years from the date of the award.

Malus and clawback provision for variable pay plans

The MIP, PSP, ESOP and ESPP plans include malus provisions which give the Remuneration Committee and/or the Board discretion to judge that an award should lapse wholly or partly in event of material misstatement of financial results and/or misconduct, significant reputational risk and corporate failure.

The Remuneration Committee and/or Board also has the discretion to determine that clawback should be applied to awards under the MIP, PSP, ESOP and ESPP plans for the Chief Executive Officer and members of the Operating Committee. Clawback can potentially be applied to payments or vested awards for up to a two-year period following the payment or vesting.

Shareholding guidelines

In order to strengthen the link with shareholders' interests, the Chief Executive Officer is required to hold shares in the Company equal in value to 300% of annual base salary. Members of the Operating Committee are required to hold 100% of annual base salary. The Chief Executive Officer has five years from appointment to accumulate shares equal to 300% of annual base salary (with shares acquired from PSP awards and shares resulting from the deferral of the 50% of the MIP counting towards fulfilment of the shareholding requirement). The Committee continues to review the need for stronger shareholding requirements in the long term and this is subject to further review in the future.

With effect from 2021, a post-employment shareholding requirement will be in place. Under this arrangement, the Chief Executive Officer would, if leaving the Company, be required to hold shares equivalent to 200% of base salary (or actual shareholding at termination date if lower than this) for a period of two years after leaving employment.

Remuneration arrangements across the Group

The remuneration approach for the Chief Executive Officer, the members of the Operating Committee and senior management is similar. The Chief Executive Officer's total remuneration has a significantly higher proportion of variable pay in comparison with the rest of our employees. The Chief Executive Officer's remuneration will increase or decrease in line with business performance, aligning it with shareholders' interests.

The structure of the remuneration package for the wider employee population takes into account local market practice and is intended to attract and retain the right talent, be competitive and remunerate employees for promoting a growth mindset while contributing to the Group's performance. As part of the Performance for Growth framework introduced in 2019, we revised and updated the remuneration framework with features such as each business unit having more flexibility on target positioning, managers having the flexibility to retain key talents and guidance provided for increased awards for high-potential and/or exceptional performance.

Policy table – non-Executive Directors

Base fees

Purpose and link to strategy

To provide a fixed level of compensation appropriate to the requirements of the role of non-Executive Director and to attract and retain high-quality non-Executive Directors with the right talent, values and skills necessary to provide oversight and support to management to grow the business, support the Company's strategic framework and maximise shareholder value.

Operation

Non-Executive Directors' pay is set at a level that will not call into question the objectivity of the Board. When considering market levels, comparable companies typically include those in the FTSE index with similar positioning as the Company, other Swiss companies with similar market capitalisation and/or revenues, and other relevant European listed companies.

Maximum opportunity

Fee levels for non-Executive Directors include an annual fixed fee plus additional fees for membership of Board committees when applicable, as summarised below:

- Base non-Executive Director's fee: €73,500
- Senior Independent Director's fee: €15,800
- Audit and Risk Committee Chair fee: €28,900
- Audit and Risk Committee member fee: €14,500
- Remuneration, Nomination and Social Responsibility Chair fees: €11,600
- Remuneration, Nomination and Social Responsibility member fees: €5,800

Fee levels are subject to periodic review and approval by the Chairman of the Board and the Chief Executive Officer.

Other benefits

Non-Executive Directors do not receive any benefits in cash or in kind. They are not entitled to severance payments in the event of termination of their appointment. They are entitled to reimbursement of all reasonable expenses incurred in the interests of the Group.

Variable remuneration

Non-Executive Directors do not receive any form of variable compensation.

Legacy arrangements

For the avoidance of doubt, it is noted that the Company will honour any commitments entered into that have previously been disclosed to shareholders.

Policy on recruitment/appointment

Executive Directors

Annual base salary arrangements for the appointment of an Executive Director will be set considering market relevance, skills, experience, internal comparisons and cost. The Remuneration Committee may recommend an appropriate initial annual base salary below relevant market levels. In such situations, the Remuneration Committee may make a recommendation to realign the level of base salary in the forthcoming years. As highlighted above, annual base salary 'gaps' may result in higher rates of salary increase in the short term, subject to an individual's performance. The discretion is retained to offer an annual base salary necessary to meet the individual circumstances of the recruited Executive Director and to enable the hiring of an individual with the necessary skills and expertise.

The maximum level of variable pay that may be offered will follow the rules of the MIP and is capped at 140% of the relevant individual's annual base salary. The maximum level of equity-related pay that may be offered will follow the PSP rules and is capped at 450% of the relevant individual's annual base salary. The typical award is not expected to surpass 330% of base salary. Different performance measures may be set initially for the annual bonus taking into consideration the point in the financial year that a new Executive Director joins. The above limits do not include the value of any buyout arrangements.

Benefits will be provided in line with those offered according to the Group's policy for other employees. If an Executive Director is required to relocate, benefits may be provided as per the Group's international transfer policy which may include transfer allowance, tax equalisation, tax advice and support, housing, cost of living, schooling, travel and relocation costs.

The Remuneration Committee may consider recommending the buying out of incentive awards that an individual would forfeit by accepting the appointment up to an equivalent value in shares or in cash. In the case of a share award, the Remuneration Committee may approve a grant of shares under the PSP. When deciding on a potential incentive award buyout and in particular the level and value thereof, the Remuneration Committee will be informed of the time and performance pro-rated level of any forfeited award.

It is expected that Executive Directors appointed during the remuneration policy period will be appointed on similar notice provisions to the Chief Executive Officer, allowing for termination of office by either party on six months' notice.

Non-Executive Directors

It is expected that non-Executive Directors appointed during the remuneration policy period will receive the same basic fee and, as appropriate, committee fee or fees as existing non-Executive Directors and will be entitled to reimbursement of all reasonable expenses incurred in the interests of the Group.

It is expected that non-Executive Directors appointed during the remuneration policy period will be appointed on a one-year term of appointment, in the same manner as existing non-Executive Directors.

The Company does not compensate new non-Executive Directors for any forfeited share awards in previous employment.

Termination payments

The Swiss Ordinance against Excessive Compensation in Listed Companies limits the authority of the Remuneration Committee and the Board to determine compensation. Limitations include the prohibition of certain types of severance compensation.

Our governance framework ensures that the Group uses the right channels to support reward decisions. In the case of early termination, the non-Executive Directors would be entitled to their fees accrued as of the date of termination, but are not entitled to any additional compensation. The Chief Executive Officer's employment contract does not contain any provisions for payments on termination. Notice periods are set for up to six months and non-compete clauses are 12 months. The notice period anticipates that up to six months' paid garden leave may be provided. Similarly, up to 12 months of base salary may be paid out in relation to the non-compete period.

In case of future terminations, payments will be made in accordance with the termination policy on page 120.

Directors' remuneration report *continued*

Pay element	Good leaver (retirement at 55 or later/at least 10 years' continued service)	Good leaver (injury, disability)	Bad leaver (resignation, dismissal)	Death in service
Base salary and other benefits / non-Executive Directors' fees	Payment in lieu of notice is not permissible. The Company could ask the Chief Executive Officer to be on paid garden leave for up to six months.			
ESPP	Unvested cash allocations held in the ESPP will vest upon termination.		Unvested cash allocations under the ESPP are forfeited.	Available ESPP shares will be transferred to heirs.
MIP	A pro-rated payout as of the date of retirement will be applied. Deferred shares will continue to vest as normal.	A pro-rated payout as of the date of leaving will be applied. Deferred shares will continue to vest as normal.	In the event of resignation or dismissal, as per Swiss law, the Chief Executive Officer is entitled to a pro-rated MIP payout. Any outstanding deferred shares will lapse.	A pro-rated payout will be applied and will be paid immediately to heirs, based on the latest rolling estimate. Deferred shares will continue to vest as normal.
PSP/ESOP	All unvested options and performance share awards continue to vest as normal subject to time pro-rating and are subject to the additional holding period. For vested shares that are subject to the additional holding period, they will continue to be subject to the no-sale commitment until the end of the relevant two-year period. Under Swiss law, share awards are considered annual compensation and as such when time pro-rating is required, the year of grant (12 months) and not the vesting period (36 months) for time pro-rating calculations is considered.	All unvested options and performance share awards immediately vest to the extent that the Remuneration Committee determines that the performance conditions have been met, or are likely to be met at the end of the three-year performance period and are subject to the additional holding period. Any options that vest are exercisable within 12 months from the date of termination. For vested shares that are subject to the additional holding period, they will continue to be subject to the no-sale commitment until the end of the relevant two-year period.	All unvested options and performance share awards immediately lapse without any compensation. In the event of resignation, all vested options must be exercised within six months from the date of termination. Upon dismissal, all vested options must be exercised within 30 days from the date of termination. For vested shares that are subject to the additional holding period, they will continue to be subject to the no-sale commitment until the end of the relevant two-year period.	All unvested options and performance share awards immediately vest subject to time and performance pro-rating. Any options that vest are exercisable within 12 months from the date of termination. For vested shares that are subject to the additional holding period, the no-sale commitment will cease immediately. Under Swiss law, share awards are considered annual compensation and as such when time pro-rating is required, the year of grant (12 months) and not the vesting period (36 months) for time pro-rating calculations is considered.

Corporate events

In the event of an equity restructuring, the Remuneration Committee may make an equitable adjustment to the terms of the performance share award by adjusting the number and kind of shares that have been granted or may be granted and/or making provision for payment of cash in respect of any outstanding performance share award.

In the event of a change of control, unvested performance share awards held by participants vest immediately on a pro-rated basis if the Remuneration Committee determines that the performance conditions have been satisfied or would have been likely to be satisfied at the end of the performance period, unless the Remuneration Committee determines that substitute performance share awards may be used in place of the previous awards.

Service contracts

Zoran Bogdanovic, the Chief Executive Officer, has a service contract with the Company with a six-month notice period. As noted under Termination payments on page 119, the Chief Executive Officer's employment contract does not include any termination benefits, other than as mandated by Swiss law. The Swiss Code of Obligations requires employers to pay severance when an employment relationship ends with an employee of at least 50 years of age after 20 years or more of service.

The Chief Executive Officer is also entitled to reimbursement of all reasonable expenses incurred in the interests of the Company. In accordance with the Swiss Ordinance against Excessive Compensation in Listed Companies, there are no sign-on policies/provisions for the appointment of the Chief Executive Officer.

The table below provides details of the current service contracts and terms of appointment for the Chief Executive Officer and other Directors.

Name	Title	Date originally appointed to the Board of the Company	Date appointed to the Board of the Company	Unexpired term of service contract or appointment as non-Executive Director
Anastassis G. David	Chairman and non-Executive Director	27 July 2006	16 June 2020	One year
Zoran Bogdanovic	Chief Executive Officer	11 June 2018	16 June 2020	Indefinite, terminable on six months' notice
Charlotte J. Boyle	Non-Executive Director	20 June 2017	16 June 2020	One year
Olusola (Sola) David-Borha	Non-Executive Director	24 June 2015	16 June 2020	One year
Anna Diamantopoulou	Non-Executive Director	16 June 2020	16 June 2020	One year
William W. (Bill) Douglas III	Non-Executive Director	21 June 2016	16 June 2020	One year
Reto Francioni	Senior Independent non-Executive Director	21 June 2016	16 June 2020	One year
Anastasios I. Leventis	Non-Executive Director	25 June 2014	16 June 2020	One year
Christo Leventis	Non-Executive Director	25 June 2014	16 June 2020	One year
Alexandra Papalexopoulou	Non-Executive Director	24 June 2015	16 June 2020	One year
José Octavio Reyes	Non-Executive Director	25 June 2014	16 June 2020	One year
Alfredo Rivera	Non-Executive Director	18 June 2019	16 June 2020	One year
Ryan Rudolph	Non-Executive Director	21 June 2016	16 June 2020	One year

The Chief Executive Officer's service contract and the terms and conditions of appointment of the non-Executive Directors are open for inspection by the public at the registered office of the Group.

Consideration of employee views

The Remuneration Committee does not currently consult specifically with employees on policy for the remuneration of the Chief Executive Officer. Pay movement for the wider employment group is considered when making pay decisions for the Chief Executive Officer. The Chair of the Remuneration Committee is also the designated non-Executive Director for workforce engagement. As such, she attends meetings of our European Works Council and meets with elected employee representatives from our businesses in EU countries. She then reports back to the Board on her observations and matters raised by employees, ensuring Board and Remuneration Committee deliberations and decision-making are fully informed.

Consideration of shareholder views

Shareholder views and the achievement of the Group's overall business strategies have been taken into account in formulating the remuneration policy. Following shareholder feedback before and after the Annual General Meeting, the Remuneration Committee and the Board consult with shareholders and meet with the largest institutional investors to gather feedback on the Company's remuneration strategy and corporate governance. The Company would be happy to engage with shareholders in the future to discuss the outcomes of the remuneration policy.

In reviewing and determining remuneration, the Remuneration Committee takes into account the following:

- the business strategies and needs of the Company;
- the views of shareholders on Group policies and programmes of remuneration;
- the alignment of remuneration policy with principles of clarity, simplicity, risk, predictability, proportionality and alignment with culture;
- market comparisons and the positioning of the Group's remuneration relative to other comparable companies;
- input from employees regarding our remuneration programmes;
- the need for similar, performance-related principles for the determination of executive remuneration and the remuneration of other employees; and
- the need for objectivity. Board members, the Chief Executive Officer and Operating Committee members play no part in determining their own remuneration. The Chair of the Remuneration Committee and the Chief Executive Officer are not present when the Remuneration Committee and the Board discuss matters that pertain to their remuneration.

This ensures that the same performance-setting principles are applied for executive remuneration and other employees in the organisation.

Directors' remuneration report *continued*

Annual Report on Remuneration

Introduction

This section of the report provides detail on how we have implemented our remuneration policy in 2020 which, in accordance with the UK remuneration reporting regulations, will be subject to an advisory shareholder vote at our 2021 Annual General Meeting.

Activities of the Remuneration Committee during 2020

During 2020, the key Remuneration Committee activities were to:

- review and sign off the 2019 Directors' Remuneration Report;
- review the 2020 base salary for the Chief Executive Officer (proposed adjustment later suspended due to the COVID-19 pandemic);
- review and approve the 2020 base salaries for the Operating Committee members and general managers (proposed adjustments later suspended due to the COVID-19 pandemic);
- review and approve the 2019 MIP payout for the Chief Executive Officer;
- review and approve payout levels for the 2019 MIP in relation to Operating Committee members and general managers;
- review and approve the performance achievement of the 2017 PSP award, number of shares vesting and dividend equivalents;
- set and approve 2020 PSP targets;
- review award levels for 2020 PSP awards;
- determine the adjustments to the operation of the MIP and PSP to ensure that they continued to align with their original intent taking the impact of the COVID-19 pandemic into account;
- review the assets of the Company's Irish defined benefit pension plans; and
- review and approve changes to the Executive Directors' remuneration policy.

Advisers to the Remuneration Committee

The Group Human Resources Director, the Group Rewards Director and the General Counsel regularly attend meetings of the Remuneration Committee.

While the Remuneration Committee does not have external advisers, in 2020 it authorised management to work with external consultancy firm Willis Towers Watson, to provide independent advice on ad hoc remuneration issues during the year. These services are considered to have been independent, objective and relevant to the market. Other than employee engagement benchmarking services, Willis Towers Watson does not provide any other services to the Company. The total cost in connection with this work was €24,438, invoiced on a time spent basis. Willis Towers Watson is a member of the Remuneration Consultants Group and provides advice in line with its Code of Business Conduct. Considering this, and the level and nature of the service received, the Committee remains satisfied that the advice is objective and independent.

Non-Executive Directors' remuneration for the years ended 31 December 2020 and 2019

	Financial year	Base fee[1] (€)	Audit and Risk Committee (€)	Remuneration Committee (€)	Nomination Committee (€)	Social Responsibility Committee (€)	Senior Independent Director (€)	Social security contributions[2] (€)	Total (€)
Anastassis G. David	**FY2020**	**73,500**	–	–	–	–	–	–	**73,500**
	FY2019	73,500	–	–	–	–	–	–	73,500
Ahmet C. Bozer[3]	**FY2020**	–	–	–	–	–	–	–	–
	FY2019	36,750	–	–	–	–	–	–	36,750
Charlotte J. Boyle	**FY2020**	**73,500**	–	8,700	5,800	–	–	–	**88,000**
	FY2019	73,500	–	5,800	5,800	–	–	–	85,100
Olusola (Sola) David-Borha	**FY2020**	**73,500**	14,500	–	–	–	–	7,134	**95,134**
	FY2019	73,500	14,500	–	–	–	–	7,001	95,001
Anna Diamantopoulou[4]	**FY2020**	**36,750**	–	2,900	2,900	2,900	–	3,685	**49,135**
	FY2019	–	–	–	–	–	–	–	–
William W. (Bill) Douglas III	**FY2020**	**73,500**	28,900	–	–	–	–	–	**102,400**
	FY2019	73,500	28,900	–	–	–	–	–	102,400
Reto Francioni	**FY2020**	**73,500**	–	5,800	11,600	–	15,800	7,700	**114,400**
	FY2019	73,500	–	5,800	11,600	–	15,800	8,489	115,189
Anastasios I. Leventis	**FY2020**	**73,500**	–	–	–	11,600	–	–	**85,100**
	FY2019	73,500	–	–	–	11,600	–	–	85,100
Christo Leventis	**FY2020**	**73,500**	–	–	–	–	–	–	**73,500**
	FY2019	73,500	–	–	–	–	–	–	73,500
Alexandra Papalexopoulou	**FY2020**	**73,500**	7,250	5,800	2,900	2,900	–	3,263	**95,613**
	FY2019	73,500	–	11,600	5,800	5,800	–	–	96,700
José Octavio Reyes	**FY2020**	**73,500**	–	–	–	5,800	–	4,456	**83,756**
	FY2019	73,500	–	–	–	5,800	–	4,434	83,734
Alfredo Rivera[5]	**FY2020**	**73,500**	–	–	–	–	–	–	**73,500**
	FY2019	36,750	–	–	–	–	–	–	36,750
Ryan Rudolph	**FY2020**	**73,500**	–	–	–	–	–	5,958	**79,458**
	FY2019	73,500	–	–	–	–	–	5,848	79,348
John P. Sechi[6]	**FY2020**	**36,750**	7,250	–	–	–	–	–	**44,000**
	FY2019	73,500	14,500	–	–	–	–	–	88,000

1. Non-Executive Director fees for 2020 were in line with the fees that were last revised in 2018.
2. Social security employer contributions as required by Swiss legislation.
3. Ahmet C. Bozer retired from the Board of Directors on 18 June 2019. The Group applied a half-year period base fee for 2019.
4. Anna Diamantopoulou was appointed to the Board of Directors on 16 June 2020. The Group applied a half-year period base fee.
5. Alfredo Rivera was appointed to the Board of Directors on 18 June 2019. The Group applied a half-year period base fee for 2019.
6. John P. Sechi retired from the Board of Directors on 16 June 2020. The Group applied a half-year period base fee.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement or other taxable benefits. Fee levels were last reviewed in 2018 and no change was made in 2020.

Single figure table

Single total figure of remuneration for the Chief Executive Officer for the years ended 31 December 2020 and 2019.

	Base pay[1] € 000s		Cash and non-cash benefits[2] € 000s		Annual bonus[3] € 000s		Employee Share Purchase Plan[4] € 000s		Long-term incentives[5] € 000s		Retirement benefits[6] € 000s		Total single figure € 000s	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Zoran Bogdanovic	**790**	777	**651**	450	**407**	572	**32**	30	**1,141**	543	**135**	127	**3,156**	2,499

1. The base salary for the Chief Executive Officer has not been increased between 2019 and 2020. The variance presented above is attributable to the calculation method required for the single figure table and the phasing of the last salary increase which was in May 2019. 'Base pay' includes the monthly instalments linked to the base salary for 2020 and 2019.
2. 'Cash and non-cash benefits' includes the value of all benefits paid during 2020. These are outlined in the 'Cash and non-cash benefits' section on page 124 and include any gross-ups for the tax benefit.
3. Annual bonus for 2020 includes the MIP payout, receivable early in 2021 for the 2020 performance year, including the amount deferred in shares.
4. 'Employee Share Purchase Plan' reflects the value of Company matching share contributions under the ESPP.
5. 'Long-term incentives' for 2020 reflects the 2018 awards made under the Performance Share Plan and the dividend equivalent shares paid on PSP shares that will vest in early 2021. This is the first award vesting for Zoran Bogdanovic that was granted to him under his capacity as Chief Executive Officer, at 330% of base salary award level. The 2017 award that is included in the 2019 figure was granted to him under his Region Director capacity, and as such, had a lower award level. The number of shares due to vest to the Chief Executive Officer for the 2018 award is 45,879. The Chief Executive Officer will also get 2,950 shares representing the dividend equivalents for the awarded shares for 2018, 2019 and 2020. The value reflects the number of shares multiplied by the average market price over the last three months of the financial year. The figure will be restated in next year's report based on the share price at vesting (as has been done for the 2017 award in the 2019 figure above). The €1,140,615 total vested value of the 2018 award was reduced by €176,303 due to the decrease in share price since date of grant.
6. 'Retirement benefits' includes the pension plan under Swiss law. Employer contributions are 15% of annual base salary. The disclosed figure also includes risk and administration costs of €16,092.

Directors' remuneration report *continued*

Fixed pay for 2020

Base salary

As a result of the impact of the COVID-19 pandemic, the Committee decided to freeze the base salary of the Chief Executive Officer (and other Operating Committee members) rather than make an adjustment as part of the normal annual review process. This decision, taken at the Committee's June meeting, formalised a decision taken by the Operating Committee in April to forfeit their merit pay increases.

Retirement benefits

Zoran Bogdanovic is to receive an annual retirement benefit of 15% of base salary, aligning to the retirement benefit provided under Swiss law and based on the age brackets defined by federal Swiss legislation. During the year, €134,592 of retirement benefit was received inclusive of €16,092 for risk and administration costs.

Cash and non-cash benefits

Zoran Bogdanovic received additional benefits during 2020. These included cost of living and foreign exchange rate adjustment (€270,989), private medical insurance (€17,541), partner allowance (€1,000), home trip allowance (€3,094), tax support (€29,076), company car (€17,581), housing allowance (€105,952), Company matching contribution related to the ESPP (€32,280 – reflecting the maximum match of 3% under the plan), tax equalisation (€94,800), and the value of social security contributions (€110,697).

Variable pay for 2020

MIP performance outcomes – 2020

As outlined above, when the impact of the COVID-19 pandemic became evident, the Committee decided to make adjustments to the operation of our incentive arrangements to ensure that they continued to incentivise and reward the broader employee group and especially our frontline employees for their operational agility and strong execution focusing their priorities on the most important measures of performance for the year. In respect of the MIP, the Committee determined that opportunity would be available in relation to H2 performance for all eligible employees. For the CEO the 2020 MIP opportunity level was reduced by 50% from 130% of salary to 65%. The plan performance metrics were also adjusted to focus on the two KPIs which the Committee considered most relevant in the circumstances: Comparable EBIT and free cash flow. This approach ensured that all eligible employees will receive a payout rewarding their extraordinary efforts. During the year, the Company received very small amounts of government support in some of our countries. This supported any furloughed employees and secured that there were no COVID-19 related layoffs. While the government support received did not have an impact on the PSP metrics, it had a small impact on one of the MIP metrics. Therefore, the Committee, took the decision to apply discretion to reduce the formulaic outcome of the MIP for the CEO and the Operating Committee members. The Committee was comfortable that this downward discretion was both fair and appropriate given the Company's resilient performance during 2020 and wider stakeholder views (both for our shareholders and employees) as outlined earlier in this report.

- Comparable EBIT: This element was the primary metric with an opportunity level of 60% of salary for maximum performance (30% of salary for target performance).
- Free cash flow: There was an opportunity level of 5% of salary for target performance and no additional opportunity for performance above this level.

The financial metrics, the associated targets and level of achievement are set out below.

Metric	Performance level (payout % of Target opportunity) Threshold (0%)	Target (100%)	Maximum (200%)	Achievement	Payout (% of base salary)
Comparable EBIT (€m)	**561.3**	**610.1**	**707.7**	**672.3**	**49.2%**
Free Cash Flow (€m)	**248.7**	**270.4**	**–**	**497.0**	**5.0%**
Total (formulaic outcome)					**54.2%**

As described above, the Committee applied downwards discretion to the formulaic outcome of the MIP shown in the table above, giving a final payout level of 51.5% of salary for the Chief Executive Officer.

The annual bonus award in respect of the 2020 financial year for the Chief Executive Officer was therefore €406,850. In accordance with the terms of the MIP, 50% of this will be paid out in March 2021 and the remaining 50% will be deferred into shares for a period of three years. MIP payouts are not driven by share price appreciation.

Performance Share Plan (PSP) awards – 2020

The PSP is the primary long-term incentive vehicle. In March 2020, the Chief Executive Officer was granted a performance share award over 145,927 shares under the PSP, representing 330% of base salary at date of grant. Although the share price at the date of grant was affected by the fall in markets generally in late February / early March 2020, the Committee determined not to adjust the normal level of award. The Committee is mindful of investor opinion in relation to the potential for windfall gains and has committed to reviewing the formulaic outcome at the end of the performance period and will consider if it would be appropriate to apply any adjustment to the vested value at that time.

The award is subject to a three-year performance period, aligned to the Company's financial year, with performance measured to the end of financial year 2022, and vesting anticipated in March 2023.These vested shares will then be subject to a further two-year holding period, whereby the Chief Executive Officer agrees to a no-sale commitment during this time.

The following table sets out the details of the performance share award made to the Chief Executive Officer under the PSP for 2020.

Type of award made	Performance share award over 145,927 shares, receivable for nil cost
Share price at date of grant	€17,87 (£14.94)
Date of grant	17 March 2020
Performance period	1 January 2020 to 31 December 2022
Face value of the award (The maximum number of shares that would vest if all performance measures and targets are met, multiplied by the share price at the date of grant)	€2,607,000
Face value of the award as a % of annual base salary	330%
Percentage that would be distributed if threshold performance was achieved in both PSP key performance indicators	25% of maximum award
Percentage that would be distributed if threshold performance was achieved only in one PSP key performance indicator	12.5% of maximum award

Similar to the award made in March 2019, the 2020 award was subject to comparable earnings per share (EPS) and return on invested capital (ROIC), targets as outlined below.

Measure	Description	Weighting	Threshold Target	Threshold Vesting (% of max)	Maximum Target	Maximum Vesting (% of max)
Comparable EPS	Calculated by dividing the comparable net profit attributable to the owners of the parent by the weighted average number of outstanding shares during the period.	50%	1.79	25%	1.98	100%
Return on invested capital (ROIC)	ROIC is the percentage return that a company makes over its invested capital. More specifically, we define ROIC as the percentage of comparable net profit excluding net finance costs divided by the capital employed. Capital employed is calculated as the average of net debt and shareholders' equity attributable to the owners of the parent through the year.	50%	13.9%	25%	15.9%	100%

The vesting schedule for PSP performance conditions is a straight line between the threshold and maximum performance levels.

Directors' remuneration report *continued*

Performance Share Plan (PSP) outcomes – 2020

When the impact of the COVID-19 pandemic became evident, the Committee decided to make adjustments to the operation of the PSP award made in 2018 so that it continued to align with the original intent to retain key talents and senior managers across our operations.

- The original 2018 PSP award targets were based on comparable EPS and ROIC performance. The original targets are set out below. Prior to the impact of COVID-19, performance had been such that the award was expected to vest at 50% of the maximum.
- The Committee determined to cap the maximum potential vesting of the 2018 PSP award at 50% of maximum.
- The performance condition was adjusted to reflect targets which represented an attainable but still significantly stretching performance level. In considering these targets, the Committee considered the range of analyst forecasts and calibrated based on outperformance of these external expectations.

The Committee considered that such an adjustment was appropriate to reflect performance achieved during the performance period and maintain the incentive effect by focusing participants on critical performance measures for the remainder of the vesting period. Similar adjustments were made to cash long-term incentives operated below the Operating Committee and General Manager level.

			Threshold		Maximum	
	Measure	Weighting	Target	Vesting (% of max)	Three-year target	Vesting (% of max)
Original targets of 2018 award	Comparable EPS	50%	1.51	25%	1.82	100%
	ROIC	50%	13.7%	25%	16.4%	100%

			Threshold		Maximum		Actual		Total (% of max)
	Measure	Weighting	Target	Vesting	Target	Vesting	Achievement	Vesting	
Revised targets of 2018 award	Comparable EPS	50%	0.86	25%	1.05	50%	1.185	50%	50%
	ROIC	50%	7.9%	25%	9.8%	50%	11.1%	50%	

The overall vesting level based on performance against the revised targets was 50% of the original award maximum. The Committee believes that this outcome is an appropriate reflection of the performance achieved during the period and so made no further adjustment.

If no adjustment had been made to the performance conditions, there would not be a payout under the 2018 PSP award.

Dilution limit

Usage of shares under all share plans and executive share plans adheres to the dilution limits set by the Investment Association Principles of Remuneration (10% for all share plans and 5% for all executive share plans, in any 10-year period).

Implementation of policy in 2021

For 2021, subject to shareholder approval, we will apply the amended remuneration policy outlined on pages 114 to 116.

Base salary and fees

The Chief Executive Officer's base salary was reviewed in March 2021. The base salary will be increased by 3.2% to €815,000 effective 1 May 2021. Although 2021 salary increase levels for employees have not been confirmed at the date of this report, it is anticipated that the Chief Executive Officer's increase will be in line with the increases provided for the wider workforce.

The fee levels for the Chairman and other non-Executive Directors were last reviewed in 2018, as outlined on page 118. Fee levels have not been reviewed in 2020.

Management Incentive Plan (MIP)

From 2021, the operation of the MIP will be adjusted. This change is consistent for the wider employee group, including the CEO and Operating Committee. The key change will be that the MIP will operate on a multiplicative rather than additive basis – i.e. the outcome will be determined by Business Performance multiplied by Individual Performance. The intention behind the change is to place greater weight on business performance – i.e. unless the business performance targets are achieved no bonus will be payable, whereas under the previous MIP design it would have been possible for a bonus of up to 10% of salary to be paid solely based on the individual performance element.

Business Performance will be measured based on performance against three KPIs: revenue (40% weighting), comparable EBIT (40% weighting) and free cash flow (20% weighting). Targets are considered to be commercially sensitive but will be disclosed on a retrospective basis in next year's remuneration report. For target performance against this element the outcome will be 70%, rising to 140% for maximum performance. For the CEO, Individual Performance will be assessed based on the achievement of defined strategic objectives. Based on the Remuneration Committee's assessment of performance against these strategic objectives, the outcome for the Individual Performance element may be up to 100%.

The maximum opportunity level (which would reflect both a stretch level of business performance and full achievement of the individual strategic objectives) for the CEO will therefore be 140% of base salary. This represents a modest increase in maximum opportunity level (compared to 130% prior to 2021). The Remuneration Committee has made this change based on a desire to maintain the same level of target opportunity as in previous years and ensure that the MIP structure for the CEO is consistent with the arrangements in place for employees across the Group.

Performance Share Plan (PSP)

The levels of PSP awards for 2021 are anticipated to be in line with those awarded in 2020 – i.e. 330% of base salary for the Chief Executive Officer. It is intended that, as in past years, the three-year performance conditions applicable to the award will be based on ROIC and EPS, and that this year these measures will be supplemented by a sustainability metric, which aligns with the Group's sustainability strategy set out on page 50. The sustainability metric will be the reduction of greenhouse gas (GHG) emissions. With our GHG emissions reduction target, aligned with science and 1.5 degree Celsius scenarios, and approved by the Science Based Target initiative (SBTi), we will pay our fair share in global emissions reduction and we will achieve net zero absolute GHG emissions by 2040. The weightings will be ROIC: 42.5%, EPS: 42.5%, reduction of GHG emissions 15%. However, due to uncertainty caused by the impact of the COVID-19 pandemic, the calibration of targets has not been finalised as at the date of this report. In line with Investment Association guidance, the Committee intends to make awards at the normal time in March 2021 but delay confirmation of the performance conditions for a period of no more than six months. When the targets have been confirmed, they will be included in an RNS announcement.

The performance period for 2021 awards will be the three years to the end of December 2023 and vesting will occur in March 2024. These vested shares will then be subject to a further two-year holding period, whereby the Chief Executive Officer agrees to a no-sale commitment during this time.

Changes to Chief Executive Officer and employee pay

The table below sets out the percentage change in base salary, taxable benefits and annual bonus for the Chief Executive Officer and the average pay for Swiss-based employees. We have chosen to make a comparison with employees in Switzerland as this is the market in which our Chief Executive Officer is based. MIP payouts for the Swiss workforce are primarily based on Swiss business unit results.

	Annual base salary	Benefits	Annual bonus
Chief Executive Officer % change from 2019 to 2020	1.7%	42.3%	-28.9%
Average employee % change for the Swiss workforce from 2019 to 2020	1.0%	-37.2%	-14.5%

The base salary for the Chief Executive Officer has not been increased between 2019 and 2020. The variance presented above is attributable to the calculation method required for the single figure table and the phasing of the last salary increase which was in May 2019. 'Base salary' includes the monthly instalments linked to the base salary for 2020 and 2019.

CEO pay ratio

Coca-Cola HBC is domiciled in Switzerland. We are therefore not required to report a CEO pay ratio under UK regulations; however, we are voluntarily disclosing ratios below. Similar to the section 'Changes to Chief Executive Officer and employee pay' above, we have chosen to make a comparison with employees in Switzerland as this is the market in which our CEO is based. The international nature of our business means that we operate in countries with a significant range in terms of market practice for levels of remuneration and cost of living. Switzerland, for example, has a substantially higher cost of living and employment remuneration compared to other countries. For this reason, comparisons with our Swiss workforce are likely to be more informative about the pay distribution of our workforce.

The table below compares the 2020 single figure of remuneration for the CEO with that of the employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of the Company's workforce based in Switzerland ranked based on total remuneration.

Year	Method	25th percentile pay ratio (P1)	Median pay ratio (P2)	75thercentile pay ratio (P3)
2020	Option A	39:1	33:1	26:1
2019	Option A	33:1	29:1	23:1

The methodology used to identify the lower quartile, median and upper quartile employees was by ranking all employees of the Swiss workforce on total remuneration (for employees who were in employment for the full calendar year). Two employees around each percentile were identified to ensure they accurately represent the relevant percentile ranking. The total remuneration for each of these employees was then calculated consistent with the methodology applied for deriving the CEO's single figure remuneration.

The table below sets out the total pay and benefits for the lower quartile, median and upper quartile:

	25th percentile in €	Median in €	75th percentile in €
Annual base salary	68,533	77,979	99,212
Total remuneration	80,562	96,537	119,794

Directors' remuneration report *continued*

Total remuneration of Swiss employees includes base salary, annual bonuses, other cash compensation (e.g. overtime), other cash and non-cash benefits (e.g. company car, tax support, relocation etc.), pension employer contributions and employer social security contributions during 2020.

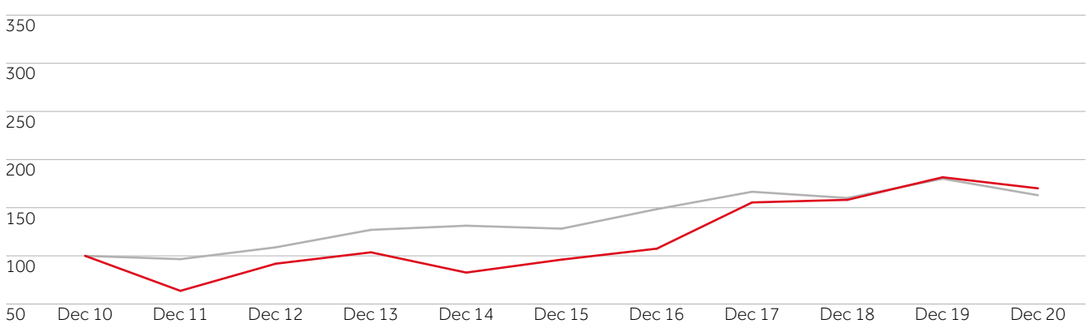
We are satisfied that the pay ratios reported this year are consistent with our wider pay, reward and progression policies for employees. As described on page 112, we have an overall remuneration philosophy that operates throughout the Group, ensuring that employees are fairly rewarded and that their individual contributions are linked to the success of the Company.

Variable pay is an important element of our reward philosophy and a significant proportion of total remuneration for top managers (including the CEO) is tied to the achievement of our business objectives. As employees advance through the Company there will be the opportunity to receive higher rewards commensurate with increased accountability and market practice. The increase in the CEO pay ratio in 2020 is driven by the 2018 PSP award that vested in early 2021. This is the first award vesting for the CEO that was granted to him under his capacity as CEO. The 2017 award that vested in early 2020 and was included in the 2019 CEO pay ratio was granted to him under his Region Director capacity, and as such had a lower award level. The CEO's total remuneration has a significantly higher proportion of variable pay in comparison with the rest of our employees. The CEO's remuneration will therefore increase or decrease in line with business performance, aligning it with shareholders' interests.

Chief Executive Officer pay and performance comparison

The graph below shows the Total Shareholder Return (TSR) of the Company compared with the FTSE 100 index over a 10-year period to 31 December 2020. The Remuneration Committee believes that the FTSE 100 Index is the most appropriate index to compare historic performance due to the size of the Company and our listing location.

Total Shareholder Return versus FTSE 100



	2011		2012	2013	2014	2015	2016	2017		2018	2019	2020
	Doros Constantinou	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Zoran Bogdanovic	Zoran Bogdanovic	Zoran Bogdanovic	Zoran Bogdanovic
Total remuneration – single figure (€ 000s)	4,708	711	1,524	1,928	1,918	3,012	2,923	15,378	410	3,710	2,499	3,156
MIP (% of maximum)	9%	24%	68%	49%	45%	75%	55%	53%	5%	48%	56%	40%
PSP (% of maximum)	–	–	–	–	–	–	–	90%	–	100%	75%	50%

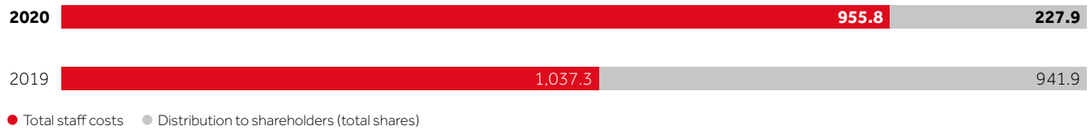
On 4 July 2011, Doros Constantinou retired from service, and Dimitris Lois succeeded him. The amounts for 2011 include the remuneration of Doros Constantinou up to the retirement date and the remuneration of Dimitris Lois for the remainder of the year. For 2011, the remuneration of Doros Constantinou includes termination benefits due to retirement.

Dimitris Lois sadly passed away on 2 October 2017. The 2017 total remuneration values above reflect the period 1 January 2017 to 2 October 2017. The total remuneration value for Zoran Bogdanovic reflects the period from his appointment as Chief Executive Officer to the end of the financial year, 7 December 2017 to 31 December 2017.

As the Company listed on the London Stock Exchange in April 2013, the amounts included in respect of the period before that date relate to the remuneration the previous Chief Executive Officers received in their capacity as Chief Executive Officer of Coca-Cola Hellenic Bottling Company S.A.

Relative importance of spend on pay (€m)

The graphic below presents the year-on-year change in total expenditure for all employees across the Group and distributions made to shareholders in the form of dividends, share buy-backs and/or capital returns.



Compared with the prior year, the total staff costs have decreased by 8%, while dividends distributed to shareholders have decreased by 76% mainly driven by the extraordinary dividend of €2.00 per share in 2019.

Shareholder voting outcomes

The table below sets out the result of the vote on the remuneration-related resolutions at the Annual General Meeting held in June 2020.

Resolution	Votes for	Votes against	Abstentions	Total votes cast	Voting rights represented
Advisory vote on the UK Remuneration Report	261,130,154 97.32%	5,744,287 2.14%	1,455,672 0.54%	268,330,113	73.70%
Advisory vote on the Swiss Remuneration Report	261,453,104 99.44%	6,799,039 2.53%	77,970 0.03%	268,330,113	73.70%
Advisory vote on the remuneration policy	251,002,866 93.54%	17,250,378 6.43%	76,869 0.03%	268,330,113	73.70%
Approval of the maximum aggregate amount of remuneration for the Board until the next Annual General Meeting	267,895,965 99.87%	347,298 0.13%	86,850 n.a	268,243,263	73.68%
Approval of the maximum aggregate amount of remuneration for the Operating Committee for the next financial year	265,205,431 98.98%	1,660,130 0.62%	1,464,552 n.a.	266,865,561	73.30%

The Remuneration Committee was pleased that shareholders supported our remuneration-related resolutions so strongly. We value our ongoing dialogue with shareholders and welcome any views on this report.

Payments to past Directors and payments for loss of office

There were no payments made to past Directors of the Group or loss of office payments made during the year.

Payments to appointed Directors

There were no payments made to appointed Directors during the year.

Outside appointments for the Chief Executive Officer

Zoran Bogdanovic does not hold any appointments outside the Company.

Total Directors' and Operating Committee members' remuneration

The table below outlines the aggregated total remuneration figures for Directors and Operating Committee members in the year.

	2020 € million	2019 € million
Total remuneration paid to or accrued for Directors, the Operating Committee and the Chief Executive Officer	**21.6**	21.3
Salaries and other short-term benefits	**15.9**	14.9
Amount accrued for performance share awards	**4.9**	5.5
Pension and post-employment benefits for Directors, the Operating Committee and the Chief Executive Officer	**0.8**	0.9

Credits and loans granted to governing bodies

In 2020, no credits or loans were granted to active or former members of the Company's Board, members of the Operating Committee or any related persons.

Directors' remuneration report *continued*

Share ownership

The table below summarises the total shareholding as at 31 December 2020, including any outstanding shares awarded through our incentive plans, for the Chief Executive Officer and other Directors. There have been no changes in the interests of any Directors in shares in the period to 16 March 2021.

		With performance measures			Without performance measures						
		PSP			ESOP			ESPP			
Name	Share interests	Performance shares granted in 2020	Unvested and subject to performance conditions	Vested	Number of stock options outstanding	Fully vested	Vesting at the end of 2020	Number of outstanding shares held as at 31 December 2020	Beneficially owned	Current shareholding as % of base salary[1]	Shareholding guideline met[1]
Zoran Bogdanovic[2]	Yes	147,015	324,932	21,376	206,015	206,015	–	40,912	144,113	478%	Yes
Anastassis G. David[3]		–	–	–	–	–	–	–	–	–	–
Ahmet C. Bozer		–	–	–	–	–	–	–	–	–	–
Anna Diamantopoulou		–	–	–	–	–	–	–	–	–	–
Charlotte J. Boyle	Yes	–	–	–	–	–	–	–	1,017	–	–
Olusola (Sola) David-Borha		–	–	–	–	–	–	–	–	–	–
William W. (Bill) Douglas III	Yes	–	–	–	–	–	–	–	10,000	–	–
Reto Francioni	Yes	–	–	–	–	–	–	–	7,000	–	–
Anastasios I. Leventis[4]		–	–	–	–	–	–	–	–	–	–
Christo Leventis[5]		–	–	–	–	–	–	–	–	–	–
Alexandra Papalexopoulou		–	–	–	–	–	–	–	–	–	–
José Octavio Reyes		–	–	–	–	–	–	–	–	–	–
Alfredo Rivera		–	–	–	–	–	–	–	–	–	–
Ryan Rudolph		–	–	–	–	–	–	–	–	–	–
John P. Sechi		–	–	–	–	–	–	–	–	–	–

1. The shareholding requirement was introduced from the date of the 2015 PSP award, 10 December 2015 and has been updated to 300% in 2020.
2. Zoran Bogdanovic holds 19,113 stock options with an exercise price of £15.50 dating from the Stock Option 2010 Grant. This grant was originally due to expire on 9 December 2020. However, due to a restriction on trading in company shares, these options were not able to be exercised. The Remuneration Committee therefore agreed a temporary extension in the expiration date of these options of 30 days after the end of the restricted period, in line with the provisions of the relevant plan rules.
3. Anastassis G. David is a beneficiary of:
   (a) a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, whereby he has an indirect interest with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.;
   (b) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Sari Management (PTC) Ltd. is the Trustee, whereby he has an indirect interest with respect to 823,008 shares held by Ari Holdings Limited, and;
   (c) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Ramana Company Ltd. is the Trustee, whereby he has an indirect interest with respect to 27,780 shares held by Tanaca Holdings Limited.
4. Anastasios I. Leventis is a beneficiary of:
   (a) a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, whereby he has an indirect interest with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.;
   (b) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, whereby he has an indirect interest with respect to 286,880 shares held by Selene Treuhand AG;
   (c) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Rimec (PTC) Ltd. is the Trustee, whereby he has an indirect interest with respect to 24,028 shares held by Distian Investments Limited, and;
   (d) a further private discretionary trust for the primary benefit of present and future members of the family of the late Christodoulos Papaneokleus Leventis, of which Mervail Company (PTC) Limited is the Trustee, whereby he has an indirect interest with respect to 757,307 shares held by Carlcan Holding Limited.
5. Christo Leventis is a beneficiary of:
   (a) a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, whereby he has an indirect interest with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.
   (b) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, whereby he has an indirect interest with respect to 482,228 shares held by Selene Treuhand AG.
   (c) a further private discretionary trust for the primary benefit of present and future members of the family of the late Christodoulos Papaneokleus Leventis, of which Mervail Company (PTC) Limited is the Trustee, whereby he has an indirect interest with respect to 623,664 shares held by Carlcan Holding Limited.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report set out on pages 110 to 130 was approved by the Board of Directors on 16 March 2021 and signed on its behalf by Charlotte J. Boyle, Chair of the Remuneration Committee.

Charlotte J. Boyle
Chair of the Remuneration Committee
16 March 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, including the consolidated Financial Statements, and the Corporate Governance Report including the Remuneration Report and the Strategic Report, in accordance with applicable law and regulations.

The Directors, whose names and functions are set out on pages 80-82, confirm to the best of their knowledge that:

(a) The Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

(b) The consolidated Financial Statements, which have been prepared in accordance with International Financial Reporting Standards, as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation of the Group taken as a whole.

(c) The Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated Coca-Cola HBC Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

The activities of the Group, together with the factors likely to affect its future development, performance, financial position, cash flows, liquidity position and borrowing facilities are described in the Strategic Report (pages 10 to 72). In addition, Notes 24 'Financial risk management and financial instruments', 25 'Net debt', and 26 'Equity' include: the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources, together with long-term contracts with a number of customers and suppliers across different countries. The Directors have also assessed the principal risks and the other matters discussed in connection with the Viability Statement on page 57. The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the annual Financial Statements and have not identified any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of these financial statements.

By order of the Board

Anastassis G. David
Chairman of the Board
March 2021

Disclosure of information required under Listing Rule 9.8.4R

For the purposes of Listing Rule 9.8.4CR, the information required to be disclosed by premium listed companies in the United Kingdom is as follows:

Listing Rule	Information to be included	Reference in report
9.8.4(1)	Interest capitalised by the Group and an indication of the amount and treatment of any associated tax relief	Not applicable
9.8.4(2)	Details of any unaudited financial information required by LR 9.2.18	Not applicable
9.8.4(4)	Details of any long-term incentive scheme described in LR 9.4.3	Not applicable
9.8.4(5)	Details of any arrangement under which a Director has waived any emoluments	Not applicable
9.8.4(6)	Details of any arrangement under which a Director has agreed to waive future emoluments	Not applicable
9.8.4(7)	Details of any allotments of shares by the Company for cash not previously authorised by shareholders	Not applicable
9.8.4(8)	Details of any allotments of shares for cash by a major subsidiary of the Company	Not applicable
9.8.4(9)	Details of the participation by the Company in any placing made by its parent company	Not applicable
9.8.4(10)	Details of any contracts of significance involving a Director	Not applicable
9.8.4(11)	Details of any contract for the provision of services to the Company by a controlling shareholder	Not applicable
9.8.4(12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends	Not applicable
9.8.4(13)	Details of any arrangement under which a shareholder has agreed to waive future dividends	Not applicable
9.8.4(14)	Agreements with a controlling shareholder	Not applicable

2020 SASB Index

Our 2020 Integrated Annual Report (IAR) is the first time that Coca-Cola HBC AG has reported to the Sustainability Accounting Standards Board (SASB) framework. The majority of the information is included in the 2020 IAR and 2020 GRI Content Index. Part of the information refers to our public website https://www.coca-colahellenic.com/

Coca-Cola HBC AG 2020 IAR has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, Core level. It has been independently assured by denkstatt. Independent assurance statement is on pages 234-236 of the 2020 IAR.

Currently, we do not track all metrics included in the Non-Alcoholic Beverages Standards and will work towards including more data in the future.

Table 1. Sustainability disclosure topics & accounting metrics

Topic	Accounting metric	Category	Unit of measure	Code	Response
Fleet fuel management	Fleet fuel consumed	Quantitative	Gigajoules (GJ)	FB-NB-110a.1	1,060,629
	Percentage renewable		Percentage (%)		0%
Energy management	Operational energy consumed	Quantitative	Gigajoules (GJ)	FB-NB-130a.1	6,495,806
	Percentage grid electricity		Percentage (%)		40%
	Percentage renewable		Percentage (%)		14%
Water management	Total water withdrawn	Quantitative	Thousand cubic metres (m³)	FB-NB-140a.1	23,069
	Total water consumed		Thousand cubic metres (m³)		13,939
	and percentage of each in regions with High or Extremely High Baseline Water Stress		Percentage (%)		34%
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and analysis	n/a	FB-NB-140a.2	2020 IAR, Securing water availability, and Risk sections pages 47; 54-59 2020 GRI Content Index (Water and Effluents standard). CCHBC website_Sustainability section_ Water stewardship
Health & nutrition	Revenue from: zero- and low-calorie	Quantitative	EUR	FB-NB-260a.1	€890.3 million (14.5% of total) Only from sparkling soft drinks portfolio
	no added sugar beverages		EUR		Not reported.
	artificially sweetened beverages		EUR		CCHBC website_Sustainability section_ Nutrition Not reported.
Product labelling & marketing	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines	Quantitative	Percentage (%)	FB-NB-270a.1	Not reported. As a member of both the Coca-Cola System and UNESDA, we abide by the respective responsible marketing guidelines. In addition, our approach towards marketing to children is covered by our health and wellness policy. CCHBC website_Sustainability section_ Responsible marketing tab UNESDA_Marketing to children statement
	Revenue from products labelled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	Quantitative	Reporting currency	FB-NB-270a.2	(1) None – we don't produce/sell GMO products. (2) non-GMO: €6,131.8 million (100% of the portfolio). CCHBC website_GMO Policy
	Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes	Quantitative	Number	FB-NB-270a.3	Zero incidents of non-compliance in 2020. Refer to the 2020 GRI Content Index (417-2 and 417-3).
	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labelling practices	Quantitative	Reporting currency	FB-NB-270a.4	Zero incidents of non-compliance in 2020. Refer to the 2020 GRI Content Index (417-2 and 417-3).

Table 1. Sustainability disclosure topics & accounting metrics *(continued)*

Topic	Accounting metric	Category	Unit of measure	Code	Response
Packaging lifecycle management	Total weight of packaging	Quantitative	Metric tonnes (t)	FB-NB-410a.1	704,445
	(2) percentage made from recycled and/or renewable materials		Percentage (%)		8.2% recycled PET; 34.5% glass; 50.6% aluminium
	(3) percentage that is recyclable, reusable, and/or compostable		Percentage (%)		99.9%
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and analysis	n/a	FB-NB-410a.2	CCHBC website_Sustainability section_ World without waste
Environmental & social impacts of ingredient supply chain	Suppliers' social and environmental responsibility audit: non-conformance rate	Quantitative	Rate	FB-NB-430a.1	2020 GRI Content Index (205-2, 308-1, 407-1, 408-1, 409-1, 414-1) CCHBC website_Sustainable sourcing and Our suppliers sections
	and associated corrective action rate for (a) major and (b) minor non-conformances				CCHBC website_Sustainability section_ Sourcing CCHBC website_Supplier Guiding Principles
Ingredient sourcing	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by cost	FB-NB-440a.1	3.9% of suppliers locations are in high water-risk as per our assessment by using WWF Water Risk Filter.
	List of priority beverage ingredients and description of sourcing risks due to environmental and social considerations	Discussion and analysis	n/a	FB-NB-440a.2	CCHBC website_Sustainability section_ Sourcing 2020 GRI Content Index (205-2, 308-1, 407-1, 408-1, 409-1, 414-1) CCHBC website_Sustainable sourcing and Our suppliers sections

Table 2. Activity metrics

Activity metric	Category	Unit of measure	Code	Response
Volume of products sold	Quantitative	Millions of hectolitres (Mhl)	FB-NB-000.A	126.38 (total CCHBC, excluding N.Macedonia and Multon from May 2020 onwards).
Number of production facilities	Quantitative	Number	FB-NB-000.B	56 manufacturing sites, 54 of them producing beverages.
Total fleet road miles travelled	Quantitative	Kilometres	FB-NB-000.C	331,157,846

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Independent auditor's report

Report on the audit of the consolidated financial statements

Opinion

In our opinion:

- Coca-Cola HBC AG's ('Coca-Cola HBC' or the 'Group') consolidated financial statements (the 'financial statements') give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB').

We have audited the financial statements, included within the 2020 Integrated Annual Report (the 'Annual Report'), which comprise: the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2020, the consolidated balance sheet as at 31 December 2020, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31 December 2020, and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under ISAs are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, which include the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other applicable laws and regulations.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the IESBA Code and other applicable laws and regulations were not provided to the Group.

Other than those disclosed in Note 8 of the financial statements, we have provided no non-audit services to the Group in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview

Audit scope	• We have performed full scope audit procedures on the financial information of 18 subsidiary undertakings and one joint venture in 13 countries spread across all of the Group's reportable segments. • We also conducted procedures around specific account balances and transactions and analytical review procedures for other subsidiary undertakings and Group functions. • Taken together, the undertakings which were in scope for the purpose of our audit accounted for 83% of consolidated net sales revenue, 90% of consolidated profit before tax and 88% of consolidated total assets of the Group. • Due to the current restrictions on travel and social distancing measures put in place in response to the COVID-19 global pandemic, the group engagement team held frequent virtual meetings to oversee the work performed by the component audit teams and had remote discussions with the management of 9 subsidiary undertakings, one joint venture and the shared service centre in Bulgaria.
Key audit matters	• Goodwill and indefinite-lived intangible assets impairment assessment. • Uncertain tax positions. • Impact of the COVID-19 global pandemic.
Materiality	• Overall materiality: €29.6 million (2019: €33 million) based on 5% of profit before tax. • Performance materiality: €22.2 million (2019: €24.8 million)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and the industry in which it operates, we considered the extent to which non-compliance with applicable laws and regulations might have a material effect on the financial statements, including, but not limited to, the Listing Rules of the Financial Conduct Authority ('FCA'), tax laws and regulations applicable to Coca-Cola HBC and its subsidiaries and regulations relating to unethical and prohibited business practices. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and where management made subjective judgements in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, internal audit, internal legal counsel and external legal advisors, where relevant, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of goodwill and indefinite-lived intangible assets and uncertain tax positions (see related key audit matters below);
- Identifying and testing journal entries, in particular any entries posted with unusual account combinations, journal entries posted by senior management and consolidation entries.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditor's report *continued*

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite-lived intangible assets impairment assessment Refer to Note 13 Intangible assets. Goodwill and indefinite-lived intangible assets as at 31 December 2020 amount to €1,704.2 million and €269.6 million, respectively. The above amounts have been allocated to individual cash-generating units ('CGUs'), which require the performance of an impairment assessment at least annually or whenever there is an indication of impairment. The impairment assessment involves the determination of the recoverable amount of the CGU, being the higher of the value-in-use and the fair value less costs to dispose of. This area was a key matter for our audit due to the size of goodwill and indefinite-lived intangible assets balances and because the determination of whether elements of goodwill and of indefinite-lived intangible assets are impaired involves complex and subjective estimates and judgements made by management about the future results of the CGUs. These estimates and judgements include assumptions surrounding revenue growth rates, costs, foreign exchange rates and discount rates. Furthermore, the COVID-19 pandemic, macroeconomic volatility, competitor activity and regulatory/fiscal developments could adversely affect each CGU and potentially the carrying amount of goodwill and indefinite-lived intangible assets. Management has identified the Italy and Nigeria CGUs to be sensitive to possible changes in the assumptions used, which could result in the calculated recoverable amount being lower in future periods than the carrying value of the CGU. Additional sensitivity disclosure has been included in the financial statements in respect of these CGUs. No impairment charge was recorded in 2020.	We evaluated the appropriateness of management's identification of the Group's CGUs, related control activities and the process by which management prepared the CGUs' value-in-use calculations which we found to be satisfactory for the purposes of our audit. We tested the mathematical accuracy of the CGUs' value-in-use calculations and compared the cash flow projections included therein to the financial budgets, approved by the directors, covering a one-year period, and management's projections for the subsequent four years. In addition, we evaluated the reliability of the cash flow projections by comparing key elements of the prior year projections with actual results. We challenged management's cash flow projections around the key drivers of value-in-use calculations focusing on future performance in light of the COVID-19 outbreak with respect to short-term and long-term revenue growth rates and the level of costs. With the support of our valuation specialists, we assessed the appropriateness of certain assumptions including discount, perpetuity growth and foreign exchange rates. We also performed our independent sensitivity analyses on the key drivers of the value-in-use calculations for the CGUs with significant balances of goodwill and indefinite-lived intangible assets. For the Nigeria CGU, given the sensitivity of the key drivers, we performed additional analysis. As a result of our work, we found that the determination by management that no impairment was required for goodwill and indefinite-lived intangible assets was supported by assumptions within reasonable ranges. We assessed the appropriateness and completeness of the related disclosures in Note 13, as regards goodwill and indefinite-lived intangible assets including the sensitivities disclosed for Nigeria and Italy, and considered them to be reasonable.
Uncertain tax positions Refer to Note 10 Taxation and Note 29 Contingencies. The Group operates in numerous tax jurisdictions and is subject to periodic tax audits, in the normal course of business, by local tax authorities on a range of tax matters in relation to corporate tax, transfer pricing and indirect taxes. As at 31 December 2020, the Group has current tax liabilities of €58.6 million, which include €37.2 million of provisions for tax uncertainties. The impact of changes in local tax regulations and ongoing inspections by local tax authorities could materially impact the amounts recorded in the financial statements as in the case of the Nigeria transfer pricing audit, that was settled in 2020. Where the amount of tax payable is uncertain, the Group establishes provisions based on management's estimates with respect to the likelihood of material tax exposures and the probable amount of the liability. We consider this area as a key audit matter given the level of judgement and uncertainty involved in estimating tax provisions and the complexities of dealing with tax rules and regulations in numerous jurisdictions.	In order to understand and evaluate management's judgements, we considered the status of current tax authority audits and enquiries, the outcome of previous tax authority audits, judgemental positions taken in tax returns and current year estimates as well as recent developments in the tax jurisdictions in which the Group operates. We challenged management's key assumptions, particularly in cases where there had been significant developments with tax authorities such as in the case of the Nigeria transfer pricing audit. Our component audit teams through the use of tax specialists with local knowledge, assessed the tax positions taken by the subsidiary undertakings in scope, in the context of applying local tax laws and evaluating the local tax assessments. Additionally, with our group engagement team tax specialists we further evaluated management's judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. We held virtual meetings with the local management to discuss the individual tax position of the in-scope subsidiary undertakings and with the Group tax team for the Group's overall tax exposure. From the evidence obtained we consider the provisions in relation to uncertain tax positions as at 31 December 2020 to be reasonable. We also evaluated the related disclosures provided in the financial statements in Note 10 and Note 29 and concluded that these are appropriate.

Key audit matter	How our audit addressed the key audit matter
Impact of the COVID – 19 global pandemic Refer to Note 2 Basis of preparation and consolidation, Note 13 Intangible assets, Note 18 Trade, other receivables and assets, Note 24 Financial risk management and financial instruments and Note 25 Net debt. The impact of the COVID-19 global pandemic is considered a key audit matter as it has been one of unprecedented scale. It has affected the global economy and businesses across all industries as a result of the restrictions put in place in response to the virus. Notwithstanding the restrictions, the Group continued to operate in all its markets; however, its financial performance has been affected. In addition, given the uncertainty over the effective containment of the pandemic and the potential for future restrictions, there continues to exist a risk of short to medium-term impact on the markets in which the Group operates. Management identified that the impact of COVID-19 on the financial statements relates to the goodwill and indefinite-lived intangible assets impairment assessment, which has been updated to reflect management's best estimate. The goodwill and indefinite-lived intangible assets impairment calculations and related assumptions also form the basis for management's going concern and viability assessments. As part of the consideration of whether to adopt the going concern basis in preparing the financial statements, management reviewed a range of scenarios and forecasts, including severe but plausible scenarios. Having considered these calculations and related assumptions, along with management's assessment of available and possible mitigating actions, management has concluded that the Group has the ability to continue to adopt the going concern basis of accounting and that there is no material uncertainty in respect of this conclusion. In addition, the Group has actively monitored both the recoverability of trade receivables and its liquidity to ensure that the loss allowance reflects on a timely basis management's best estimate of potential losses and that the Group will be able to meet its liabilities as they fall due respectively.	Our procedures in respect of the goodwill and indefinite-lived intangible asset impairment assessments are covered in the related key audit matter above. Our conclusions in respect of going concern and liquidity are set out separately within this report. With respect to management's assessment of the impairment provision relating to the recoverability of trade receivables, the audit procedures performed included obtaining an understanding of the credit control policies and procedures and testing relevant controls applicable to trade debtors. Additionally our component audit teams, with the support of the audit team responsible for the procedures performed at the shared services centre in Bulgaria where relevant, analysed the ageing of trade receivables, tested a sample of the data used in the impairment model to the accounting records, and assessed recoverability with reference to subsequent cash collections. Our teams further evaluated the Expected Credit Loss (ECL) calculations applied to the impairment model, agreeing the data used to historical information and checking the mathematical accuracy of the calculations and existence of cash collections. As a result of our work, we found that management's determination of the impairment provision relating to trade receivables is appropriate. Based on the work performed, as summarised above, we concluded that the Group's assessment with respect to the impact of COVID-19 is reasonable and that the related disclosures in the financial statements are appropriate.

The Impact of the COVID-19 global pandemic is a new key audit matter this year. Provisions and contingent liabilities, which was a key audit matter last year, did not require increased audit effort given that there were no substantial developments in 2020 and to the date of this audit report, and is therefore no longer included as a key audit matter.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed sufficient work to be able to provide an opinion on the financial statements as a whole, taking into account the operating structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates through its trading subsidiary undertakings in 27 European countries and in Nigeria, as set out in Notes 1 and 6 of the financial statements. The processing of the accounting records for these subsidiary undertakings is largely centralised in a shared services centre in Bulgaria, except for the subsidiary undertakings in Russia, Ukraine, Belarus, Armenia and North Macedonia, which process their accounting records locally. The Group also operates centralised treasury functions in the Netherlands and in Greece and a centralised sourcing function in the Netherlands, for the procurement of key raw materials.

Based on the significance to the financial statements and in light of the key audit matters as noted above, we identified 18 subsidiary undertakings and one joint venture in 13 countries spread across all of the Group's reportable segments (including the trading subsidiary undertakings in Russia, Italy, Nigeria, Poland, Romania and Switzerland) which, based on our scoping analysis, required a full scope audit of their financial information. In addition, audit procedures were performed with respect to the centralised treasury functions by the group engagement team and with respect to the centralised procurement function by the component audit team in the Netherlands. The group engagement team also performed analytical review and other procedures on balances and transactions of subsidiary undertakings not covered by the procedures described above.

Independent auditor's report *continued*

At the planning phase of the year end audit process we held a two-half-day virtual audit planning workshop focusing on planning and risk assessment activities, fraud assessment, COVID-19 global pandemic considerations, auditor independence and centralised testing procedures. This audit planning workshop was attended by all audit teams, including those responsible for the Group's subsidiary undertakings that are subject only to a statutory audit. The group engagement team was also responsible for planning, designing and overseeing the audit procedures performed at the shared services centre in Bulgaria. In addition, we performed work centrally on IT general controls and shared comfort with the component teams while the group engagement team performed audit procedures with respect to the Group consolidation, financial statement disclosures and a number of areas of significant judgement, including goodwill and intangible assets and the Group's overall going concern assessment.

Due to the travel and other restrictions put in place in response to the COVID-19 global pandemic, the group engagement team held frequent virtual meetings to oversee the work performed by the component audit teams. In addition to holding formal periodic meetings the group engagement team had ongoing informal interactions with the component audit teams to be continuously updated and to monitor their progress and results of their procedures. Furthermore, the group engagement team remotely reviewed component auditor working papers and undertook other forms of interaction as considered necessary, depending on the significance of the component and the extent of accounting and audit issues arising.

In addition to the above interactions with the component audit teams, the group engagement team held remote meetings and discussions with the management of the trading subsidiary undertakings in Russia, Italy, Nigeria, Poland, Romania, Greece, Switzerland and Ireland (Republic of Ireland and Northern Ireland), and the management of the joint venture in Russia, to discuss business performance, matters relating to the business outlook in the COVID-19 environment, regulation and taxation, and any specific accounting and auditing matters identified, including internal controls.

Based on the above, the undertakings which were in scope for the purpose of our audit accounted for 83% of consolidated net sales revenue, 90% of consolidated profit before tax and 88% of consolidated total assets of the Group. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Throughout the Group, our work was performed almost exclusively remotely and we managed to timely perform our audit testing and to obtain the required evidence to support our audit conclusions.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole, as follows:

Overall group materiality	€29.6 million (2019: €33 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We chose profit before tax as the benchmark because, in our view, it is one of the principal measures considered by users and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in generally accepted auditing practice.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was from €2.7 million to €11 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €22.2 million for the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above €1.0 million (2019: €1.0 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- We verified that the cash flow projections used in the goodwill impairment, going concern and viability assessments were consistent.
- We reviewed management's assessment supporting the Group's ability to continue to adopt the going concern basis of accounting, ensuring appropriate stress test scenarios were considered.
- We evaluated management's assumptions used in the cash flow projections for reasonableness.
- We tested the mathematical integrity of the cash flow forecasts and reconciled these to the Board approved budget and management's projections for the subsequent periods.
- In order to evaluate the Group's liquidity for the assessment period we considered the Group's available cash resources, committed undrawn credit facilities and other debt instruments in place as well as the maturity profile of the Group's debt.
- We assessed the reasonableness of management's planned or potential mitigating actions.

Based on the work performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's ability to continue as a going concern.

In relation to the Group's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements, our auditor's report thereon and the Swiss statutory reporting, which we obtained prior to the date of this auditor's report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Listing Rules of the FCA require us also to report on certain matters as described below.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information, are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties relating to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit & Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Group's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent auditor's report *continued*

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in the Annual Report, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Those charged with governance are responsible for overseeing the Group's financial reporting process.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for Coca-Cola HBC AG for the purpose of the Disclosure Guidance and Transparency Rules sourcebook and the Listing Rules of the FCA and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Other required reporting

Appointment

We have been the Group's auditors since 2003 and following a tender process that the Group conducted in 2015, at the recommendation of the Audit & Risk Committee, we were reappointed by the directors on 11 December 2015 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods.

Other matter

PwC Switzerland has reported separately on the Group and Company financial statements of Coca-Cola HBC AG for the year ended 31 December 2020 for Swiss statutory purposes. The reports are available in pages 204 and 210.

Konstantinos Michalatos
the Certified Auditor, Reg. No. 17701
for and on behalf of PricewaterhouseCoopers S.A.
Certified Auditors, Reg. No. 113
Athens, Greece

18 March 2021

Notes:
a. The maintenance and integrity of the Coca-Cola HBC AG website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
b. Legislation in the UK and Switzerland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated financial statements

Consolidated income statement

For the year ended 31 December

	Note	2020 € million	2019 € million
Net sales revenue	6,7	**6,131.8**	7,026.0
Cost of goods sold		**(3,810.3)**	(4,380.4)
Gross profit		**2,321.5**	**2,645.6**
Operating expenses	8	**(1,682.2)**	(1,930.3)
Share of results of integral equity-method investments	15	**21.4**	–
Operating profit	6	**660.7**	**715.3**
Finance income		**3.8**	6.3
Finance costs		**(73.9)**	(73.4)
Finance costs, net	9	**(70.1)**	**(67.1)**
Share of results of equity-method investments	15	**–**	13.0
Share of results of non-integral equity-method investments	15	**3.3**	–
Profit before tax		**593.9**	**661.2**
Tax	10	**(178.9)**	(173.2)
Profit after tax		**415.0**	**488.0**
Attributable to:			
Owners of the parent		**414.9**	487.5
Non-controlling interests		**0.1**	0.5
		415.0	488.0
Basic earnings per share (€)	11	**1.14**	1.34
Diluted earnings per share (€)	11	**1.14**	1.33

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December

	Note	2020 € million	2019 € million
Profit after tax		**415.0**	488.0
Other comprehensive income:			
Items that may be subsequently reclassified to income statement:			
Cost of hedging	24	**(2.2)**	(11.1)
Net gain on cash flow hedges	24	**22.7**	2.5
Foreign currency translation	12	**(254.9)**	123.4
Share of other comprehensive (loss) / income of equity-method investments	12, 15	**(25.4)**	0.7
Income tax relating to items that may be subsequently reclassified to income statement	12	**(2.4)**	1.4
		(262.2)	**116.9**
Items that will not be subsequently reclassified to income statement:			
Valuation (loss) / gain on equity investments at fair value through other comprehensive income		**(0.2)**	0.2
Actuarial losses		**(12.5)**	(17.0)
Income tax relating to items that will not be subsequently reclassified to income statement	12	**2.0**	1.8
		(10.7)	(15.0)
Other comprehensive (loss) / income for the year, net of tax (refer to Note 12)		**(272.9)**	**101.9**
Total comprehensive income for the year		**142.1**	**589.9**
Total comprehensive income attributable to:			
Owners of the parent		**142.0**	589.4
Non-controlling interests		**0.1**	0.5
		142.1	**589.9**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated financial statements *continued*

Consolidated balance sheet

As at 31 December

	Note	2020 € million	2019 € million
Assets			
Intangible assets	13	**1,986.1**	2,105.4
Property, plant and equipment	14	**2,616.6**	2,742.2
Equity-method investments	15	**313.7**	148.5
Other financial assets	24	**14.0**	5.8
Deferred tax assets	10	**35.1**	64.5
Other non-current assets	18	**80.5**	71.3
Total non-current assets		**5,046.0**	**5,137.7**
Inventories	17	**417.6**	488.1
Trade, other receivables and assets	18	**773.9**	1,025.6
Other financial assets	24,25	**106.6**	734.9
Current tax assets		**13.2**	4.1
Cash and cash equivalents	25	**1,215.8**	823.0
		2,527.1	**3,075.7**
Assets classified as held for sale	19	**–**	0.6
Total current assets		**2,527.1**	**3,076.3**
Total assets		**7,573.1**	**8,214.0**
Liabilities			
Borrowings	25	**315.2**	761.8
Other financial liabilities	24	**10.0**	11.6
Trade and other payables	20	**1,542.8**	1,666.1
Provisions and employee benefits	21	**99.6**	102.1
Current tax liabilities		**58.6**	125.6
Total current liabilities		**2,026.2**	**2,667.2**
Borrowings	25	**2,610.3**	2,562.9
Other financial liabilities	24	**1.3**	0.1
Deferred tax liabilities	10	**182.5**	159.5
Provisions and employee benefits	21	**113.3**	117.6
Other non-current liabilities		**6.2**	6.5
Total non-current liabilities		**2,913.6**	**2,846.6**
Total liabilities		**4,939.8**	**5,513.8**
Equity			
Share capital	26	**2,014.4**	2,010.8
Share premium	26	**3,321.4**	3,545.3
Group reorganisation reserve	26	**(6,472.1)**	(6,472.1)
Treasury shares	26	**(155.5)**	(169.8)
Exchange equalisation reserve	26	**(1,242.1)**	(964.7)
Other reserves	26	**266.7**	256.3
Retained earnings		**4,897.9**	4,491.7
Equity attributable to owners of the parent		**2,630.7**	**2,697.5**
Non-controlling interests		**2.6**	2.7
Total equity		**2,633.3**	**2,700.2**
Total equity and liabilities		**7,573.1**	**8,214.0**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to owners of the parent									
	Share capital € million	Share premium € million	Group reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2019	2,021.2	4,547.9	(6,472.1)	(184.1)	(1,088.8)	269.0	4,018.0	**3,111.1**	5.3	**3,116.4**
Shares issued to employees exercising stock options	8.0	13.4	–	–	–	–	–	**21.4**	–	**21.4**
Share-based compensation:										
Performance shares	–	–	–	–	–	9.9	–	**9.9**	–	**9.9**
Cancellation of shares	(18.4)	(74.1)		92.5	–	–	–	**–**	–	**–**
Appropriation of reserves	–	–	–	27.9	–	(27.5)	(0.4)	**–**	–	**–**
Movement of treasury shares	–	–	–	(106.1)	–	–	–	**(106.1)**	–	**(106.1)**
Acquisition of shares held by non-controlling interests	–	–	–	–	–	–	(7.0)	**(7.0)**	(2.5)	**(9.5)**
Dividends	–	(941.9)	–	–	–	–	8.8	**(933.1)**	(0.6)	**(933.7)**
Transfer of cash flow hedge reserve, including cost of hedging to inventories, net of tax[1]	–	–	–	–	–	11.9	–	**11.9**	–	**11.9**
	2,010.8	**3,545.3**	**(6,472.1)**	**(169.8)**	**(1,088.8)**	**263.3**	**4,019.4**	**2,108.1**	**2.2**	**2,110.3**
Profit for the year, net of tax	–	–	–	–	–	–	487.5	**487.5**	0.5	**488.0**
Other comprehensive income for the year, net of tax	–	–	–	–	124.1	(7.0)	(15.2)	**101.9**	–	**101.9**
Total comprehensive income for the year, net of tax[2]	–	–	–	–	124.1	(7.0)	472.3	**589.4**	0.5	**589.9**
Balance as at 31 December 2019	**2,010.8**	**3,545.3**	**(6,472.1)**	**(169.8)**	**(964.7)**	**256.3**	**4,491.7**	**2,697.5**	**2.7**	**2,700.2**

1. The amount included in other reserves of €11.9m loss for 2019 represents the cash flow hedge reserve, including cost of hedging, transferred to inventory of €15.1m loss, and the deferred tax income thereof amounting to €3.2m.
2. The amount included in the exchange equalisation reserve of €124.1m gain for 2019 represents the exchange gain attributed to the owners of the parent, including €0.7m gain relating to share of other comprehensive income of equity-method investments.
   The amount of other comprehensive income net of tax included in other reserves of €7.0m loss for 2019 consists of gain on valuation of equity investments at fair value through other comprehensive income of €0.2m, cash flow hedges loss of €8.6m and the deferred tax income thereof amounting to €1.4m.
   The amount of €472.3m gain attributable to owners of the parent comprises profit for the year of €487.5m, plus actuarial losses of €17.0m, minus deferred tax income of €1.8m.
   The amount of €0.5m gain included in non-controlling interests for 2019 represents the share of non-controlling interests in profit for the year.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated financial statements *continued*

	Attributable to owners of the parent									
	Share capital € million	Share premium € million	Group reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2020	2,010.8	3,545.3	(6,472.1)	(169.8)	(964.7)	256.3	4,491.7	**2,697.5**	2.7	**2,700.2**
Shares issued to employees exercising stock options	3.6	4.0	–	–	–	–	–	**7.6**	–	**7.6**
Share-based compensation:									–	
Performance shares	–	–	–	–	–	9.5	–	**9.5**	–	**9.5**
Appropriation of reserves	–	–	–	14.3	–	(13.9)	(0.4)	**–**	–	**–**
Dividends	–	(227.9)	–	–	–	–	2.2	**(225.7)**	(0.2)	**(225.9)**
Transfer of cash flow hedge reserve, including cost of hedging to inventories, net of tax[3]	–	–	–	–	–	(0.2)	–	**(0.2)**	–	**(0.2)**
	2,014.4	**3,321.4**	**(6,472.1)**	**(155.5)**	**(964.7)**	**251.7**	**4,493.5**	**2,488.7**	**2.5**	**2,491.2**
Profit for the year, net of tax	–	–	–	–	–	–	414.9	**414.9**	0.1	**415.0**
Other comprehensive loss for the year, net of tax	–	–	–	–	(277.4)	15.0	(10.5)	**(272.9)**	–	**(272.9)**
Total comprehensive income for the year, net of tax[4]	–	–	–	–	(277.4)	15.0	404.4	**142.0**	0.1	**142.1**
Balance as at 31 December 2020	**2,014.4**	**3,321.4**	**(6,472.1)**	**(155.5)**	**(1,242.1)**	**266.7**	**4,897.9**	**2,630.7**	**2.6**	**2,633.3**

3. The amount included in other reserves of €0.2m gain for 2020 represents the cash flow hedge reserve, including cost of hedging, transferred to inventory of €0.1m loss, and the deferred tax income thereof amounting to €0.3m.
4. The amount included in the exchange equalisation reserve of €277.4m loss for 2020 represents the exchange loss attributed to the owners of the parent, including €22.5m loss relating to the share of other comprehensive income of equity-method investments.
The amount of other comprehensive income net of tax included in other reserves of €15.0m gain for 2020 consists of loss on valuation of equity investments at fair value through other comprehensive income of €0.2m, cash flow hedges gain of €20.5m, share of other comprehensive income of equity-method investments of €2.9m loss and the deferred tax expense thereof amounting to €2.4m.
The amount of €404.4m gain attributable to owners of the parent comprises profit for the year of €414.9m plus actuarial losses of €12.5m, minus deferred tax income of €2.0m.
The amount of €0.1m gain included in non-controlling interests for 2020 represents the share of non-controlling interests in profit for the year.

For further details, refer to Note 24 'Financial risk management and financial instruments', Note 26 'Equity' and Note 28 'Share-based payments'.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December

	Note	**2020 € million**	2019 € million
Operating activities			
Profit after tax		**415.0**	488.0
Finance costs, net	9	**70.1**	67.1
Share of results of equity-method investments	15	**–**	(13.0)
Share of results of non-integral equity-method investments	15	**(3.3)**	–
Tax charged to the income statement	10	**178.9**	173.2
Depreciation of property, plant and equipment	14	**372.5**	374.8
Impairment of property, plant and equipment	14	**15.6**	10.0
Employee performance shares		**9.5**	9.9
Amortisation of intangible assets	13	**0.9**	0.7
		1,059.2	**1,110.7**
Share of results of integral equity-method investments	15	**(21.4)**	–
Gain on disposals of non-current assets	8	**(1.4)**	(6.2)
Decrease in inventories		**9.4**	14.2
Decrease/(increase) in trade and other receivables		**178.5**	(18.0)
(Decrease)/increase in trade and other payables		**(79.6)**	37.0
Tax paid		**(183.2)**	(211.5)
Net cash inflow from operating activities		**961.5**	**926.2**
Investing activities			
Payments for purchases of property, plant and equipment		**(419.2)**	(473.2)
Proceeds from sales of property, plant and equipment		**13.4**	35.1
Payments for business combinations, net of cash acquired	23	**–**	(138.2)
Payment for acquisition of equity-method investment		**–**	(42.5)
Net payment for acquisition of integral equity-method investment	15	**(0.5)**	–
Net receipts from integral equity-method investments	27	**27.1**	–
Payments for acquisition of non-integral equity-method investments	15	**(2.4)**	–
Net receipts from non-integral equity-method investments	27	**1.3**	–
Joint arrangement reclassification	15	**(13.1)**	–
Net receipts from equity-method investments		**–**	8.9
Net proceeds from / (payments for) investments in financial assets at amortised cost		**264.4**	(113.4)
Net proceeds from / (payments for) investments in financial assets at fair value through profit or loss		**370.4**	(337.3)
Loans to related parties		**(2.5)**	–
Interest received		**0.2**	5.9
Proceeds from loans		**–**	5.8
Net cash inflow/(outflow) from investing activities		**239.1**	**(1,048.9)**
Financing activities			
Proceeds from shares issued to employees, exercising stock options	26	**7.6**	21.4
Purchase of shares from non-controlling interests		**–**	(9.5)
Purchase of own shares	26	**–**	(192.8)
Proceeds from borrowings		**211.8**	1,840.0
Repayments of borrowings		**(655.8)**	(372.2)
Principal repayments of lease obligations		**(58.7)**	(45.5)
Dividends paid to owners of the parent	26	**(225.7)**	(933.1)
Dividends paid to non-controlling interests		**(0.2)**	(0.6)
Payments for settlement of derivatives regarding financing activities		**(1.1)**	(8.3)
Interest paid		**(64.7)**	(71.8)
Net cash (outflow)/inflow from financing activities		**(786.8)**	**227.6**
Net increase in cash and cash equivalents		**413.8**	**104.9**
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		**823.0**	712.3
Net increase in cash and cash equivalents (excl. joint arrangement reclassification)		**426.9**	104.9
Joint arrangement reclassification	15	**(13.1)**	–
Effect of changes in exchange rates		**(21.0)**	5.8
Cash and cash equivalents at 31 December	25	**1,215.8**	**823.0**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Description of business

Coca-Cola HBC AG and its subsidiaries (the 'Group' or 'Coca-Cola HBC' or 'the Company') are principally engaged in the production, sales and distribution of primarily non-alcoholic ready-to-drink beverages, under franchise from The Coca-Cola Company. The Company distributes its products in Nigeria and 27 countries in Europe. Information on the Company's operations by segment is included in Note 6.

On 11 October 2012, Coca-Cola HBC, a Swiss stock corporation (Aktiengesellschaft / Société Anonyme) incorporated by Kar-Tess Holding (a related party of the Group, refer to Note 27), announced a voluntary share exchange offer to acquire all outstanding ordinary registered shares and all American depositary shares of Coca-Cola Hellenic Bottling Company S.A. As a result of the successful completion of this offer, on 25 April 2013 Coca-Cola HBC acquired 96.85% of the issued Coca-Cola Hellenic Bottling Company S.A. shares, including shares represented by American depositary shares, and became the new parent company of the Group. On 17 June 2013, Coca-Cola HBC completed its statutory buy-out of the remaining shares of Coca-Cola Hellenic Bottling Company S.A. that it did not acquire upon completion of its voluntary share exchange offer. Consequently, Coca-Cola HBC acquired 100% of Coca-Cola Hellenic Bottling Company S.A. which was eventually delisted from the Athens Exchange, from the London Stock Exchange where it had a secondary listing and from the New York Stock Exchange where American depositary shares were listed.

The shares of Coca-Cola HBC started trading in the premium segment of the London Stock Exchange (Ticker symbol: CCH) and on the Athens Exchange (Ticker symbol: EEE) and regular way trading in Coca-Cola HBC American depositary shares commenced on the New York Stock Exchange (Ticker symbol: CCH) on 29 April 2013. On 24 July 2014, the Group proceeded to the delisting of its American depositary shares from the New York Stock Exchange and terminated its reporting obligations under the US Securities Exchange Act of 1934. The deregistration of Coca-Cola HBC shares under the US Securities Exchange Act of 1934 and the termination of its reporting obligations became effective on 3 November 2014.

2. Basis of preparation and consolidation

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

These consolidated financial statements were approved for issue by the Board of Directors on 17 March 2021 and are expected to be verified at the Annual General Meeting to be held on 22 June 2021.

The Group has considered the impact of the COVID-19 pandemic on the consolidated financial statements, including critical accounting estimates and judgements (refer to Note 5). Refer to Note 13 for impairment testing of indefinite-lived intangible assets, Note 18 for trade receivables analysis and Note 24 for financial risk management considerations.

Going concern

The outbreak of the COVID-19 pandemic during the year has been an unprecedented event that, in varying degrees, has impacted people around the world and created, and continues to create, a high degree of uncertainty as to future financial performance of many companies. The implications of this, and particularly the implications of the enforced lockdowns in almost all of our markets during the year and the related impact on the Group's trading, have been considered by the Directors in assessing the ability of the Group to continue trading as a going concern. As the COVID-19 lockdown restrictions ease and vaccinations progress, the Group's markets are expected to resume their economic activities.

As part of the consideration of whether to adopt the going concern basis in preparing the consolidated financial statements, management reviewed a range of scenarios and forecasts. The assumptions have been modelled on the estimated potential impact of severe but plausible scenarios, that consider our principal risks, including that relating to climate change, along with the Group's proposed responses as a result of the COVID-19 pandemic.

The Group's strong balance sheet and liquidity position, its leading market shares and largely variable cost base, together with its unique portfolio of brands and resilient and talented people will, management believe, allow the Group to successfully face these uncertain times. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different countries.

Following the assessment based on a quantitative viability exercise and the performance of various stress tests, it is deemed appropriate that the Group continues to adopt the going concern basis for the preparation of the consolidated financial statements under the historical cost convention, as modified by the revaluation of money market funds, investments in equity instruments classified at fair value through other comprehensive income and derivative financial instruments.

Change in accounting policy

The Group re-assessed the presentation of its share of results of equity-method investments. The Group had previously presented its share of results from all equity-method investments in a single line after operating profit. As of 1 January 2020, the Group elected to change the classification of its investments in joint ventures and associates to integral and non-integral investments and present its share of results from integral equity-method investments within operating profit.

Integral investments in joint ventures and associates are those which are considered to be part of the Group's core operations and strategy; therefore including the Group's share of results from integral equity-method investments within operating profit better reflects the relevance of their underlying activities to the Group. The share of results of non-integral equity method investments (i.e. investments that are not considered to be part of the Group's core operations and strategy) continue to be presented below operating profit. Furthermore, as of 1 January 2020, the Group presents cash flows in respect of its investments in integral and non-integral associates and joint ventures separately within investing activities, to reflect the distinction in the income statement.

For 2019, the share of results of equity-method investments amounted to €13.0m of which €8.5m was attributable to integral equity-method investments and €4.5m to non-integral equity-method investments. As the amounts are not material, comparatives have not been restated.

Basis of consolidation

Subsidiary undertakings are those companies over which the Group, directly or indirectly, has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. Subsidiary undertakings are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Inter-company transactions and balances between Group companies are eliminated. The subsidiaries' accounting policies are consistent with policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when such control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income, if any, are reclassified to profit or loss.

3. Foreign currency and translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the presentation currency for the consolidated financial statements.

The assets and liabilities of foreign subsidiaries are translated into Euro at the exchange rate prevailing at the balance sheet date. The results of foreign subsidiaries are translated into Euro using the average monthly exchange rate (being a reasonable approximation of the rates prevailing on the transaction dates). The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are recognised as a component of the gain or loss on disposal.

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the balance sheet date. All gains and losses arising on remeasurement are included in the income statement, except for exchange differences arising on assets and liabilities classified as cash flow hedges which are deferred in equity until the occurrence of the hedged transaction, at which time they are recognised in the income statement. Share capital denominated in a currency other than the functional currency is initially stated at spot rate of the date of issue but is not retranslated.

The principal exchange rates used for translation purposes in respect of one Euro are:

	Average 2020	Average 2019	**Closing 2020**	Closing 2019
US Dollar	**1.14**	1.12	**1.22**	1.12
UK Sterling	**0.89**	0.88	**0.91**	0.85
Polish Zloty	**4.44**	4.30	**4.54**	4.26
Nigerian Naira	**435.06**	405.07	**480.68**	406.66
Hungarian Forint	**350.65**	325.10	**364.83**	330.46
Swiss Franc	**1.07**	1.11	**1.08**	1.09
Russian Rouble	**82.23**	72.54	**90.55**	69.43
Romanian Leu	**4.84**	4.74	**4.88**	4.79
Ukrainian Hryvnia	**30.66**	29.03	**34.64**	25.81
Czech Koruna	**26.45**	25.67	**26.21**	25.46
Serbian Dinar	**117.58**	117.87	**117.57**	117.55

Notes to the consolidated financial statements *continued*

4. Accounting pronouncements

a) Accounting pronouncements adopted in 2020

The Group has adopted the following amendments which were issued by the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2020:

- Definition of a Business – Amendments to IFRS 3;
- Revised Conceptual Framework for Financial Reporting;
- Definition of Material – Amendments to IAS 1 and IAS 8;
- Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9, IAS 39 and IFRS 7.

The above amendments that came into effect on 1 January 2020 did not have a material impact on the consolidated financial statements of the Group.

b) Accounting pronouncements not yet adopted

At the date of approval of these consolidated financial statements, the following amendments relevant to the Group's operations were issued but not yet effective and not early-adopted:

- COVID 19-Related Rent Concessions – Amendments to IFRS 16;
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Annual Improvements to IFRS Standards 2018-2020;
- Disclosure of Accounting Policies – Amendments to IAS 1; and
- Definition of Accounting Estimates – Amendments to IAS 8.

The above amendments and improvements are not expected to have a material impact on the consolidated financial statements of the Group.

5. Critical accounting estimates and judgements

In conformity with IFRS, the preparation of the consolidated financial statements for Coca-Cola HBC requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Although these estimates and judgements are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

Estimates

The key items concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

- Income taxes (refer to Note 10);
- Impairment of goodwill and indefinite-lived intangible assets (refer to Note 13);
- Employee benefits – defined benefit pension plans (refer to Note 21).

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations as described above, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Joint arrangements (refer to Note 15).

6. Segmental analysis

The Group has essentially one business, being the production, sale and distribution of ready-to-drink, primarily non-alcoholic, beverages. The Group operates in 28 countries, which are aggregated in reportable segments as follows:

Established markets:	Austria, Cyprus, Greece, Italy, Northern Ireland, the Republic of Ireland and Switzerland.
Developing markets:	Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.
Emerging markets:	Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Moldova, Montenegro, Nigeria, North Macedonia, Romania, the Russian Federation, Serbia (including the Republic of Kosovo) and Ukraine.

The Group's operations in each of the three reportable segments have been aggregated on the basis of their similar economic characteristics, assessed by reference to their net sales revenue per unit case as well as disposable income per capita, exposure to political and economic volatility, regulatory environments, customers and distribution infrastructures. The accounting policies of the reportable segments are the same as those adopted by the Group. The Group's chief operating decision maker is its Operating Committee, which evaluates performance and allocates resources based on volume, net sales revenue and operating profit.

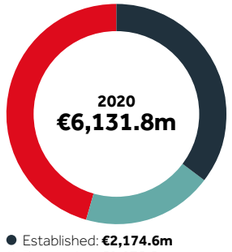
a) Volume and net sales revenue

The Group sales volume in million unit cases[1] for the years ended 31 December was as follows:

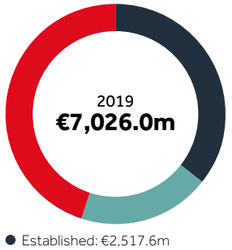
	2020	2019
Established	**536.9**	624.5
Developing	**412.1**	431.1
Emerging	**1,186.6**	1,208.9
Total volume	**2,135.6**	**2,264.5**

1. One unit case corresponds to approximately 5.678 litres or 24 servings, being a typically used measure of volume. For biscuits volume, one unit case corresponds to 1 kilogram. Volume data is derived from unaudited operational data.

Net sales revenue per reportable segment for the years ended 31 December is presented in the graphs below:



- Established: **€2,174.6m**
- Developing: **€1,170.9m**
- Emerging: **€2,786.3m**



- Established: €2,517.6m
- Developing: €1,352.1m
- Emerging: €3,156.3m

Sales or transfers between the Group's segments are not material, nor are there any customers who represent more than 10% of net sales revenue for the Group.

Notes to the consolidated financial statements *continued*

6. Segmental analysis *continued*

In addition to non-alcoholic, ready-to-drink beverages ('NARTD'), the Group sells and distributes premium spirits. An analysis of volume and net sales revenue per product type for the years ended 31 December is presented below:

Volume in million unit cases[1]:	2020	2019
NARTD[2]	**2,133.2**	2,261.8
Premium spirits	**2.4**	2.7
Total volume	**2,135.6**	**2,264.5**
Net sales revenue in € million:		
NARTD	**5,974.4**	6,845.7
Premium spirits	**157.4**	180.3
Total net sales revenue	**6,131.8**	**7,026.0**

1. One unit case corresponds to approximately 5.678 litres or 24 servings, being a typically used measure of volume. For premium spirits volume, one unit case also corresponds to 5.678 litres. For biscuits volume, one unit case corresponds to 1 kilogram. Volume data is derived from unaudited operational data.
2. NARTD: non-alcoholic, ready-to-drink beverages.

Net sales revenue from external customers attributed to Switzerland (the Group's country of domicile), Russia, Italy and Nigeria was as follows for the years ended 31 December:

	2020 € million	2019 € million
Switzerland	**368.0**	399.6
Russia	**773.3**	1,059.5
Italy	**751.5**	897.6
Nigeria	**509.0**	512.9
All countries other than Switzerland, Russia, Italy and Nigeria	**3,730.0**	4,156.4
Total net sales revenue from external customers	**6,131.8**	**7,026.0**

b) Other income statement items

Year ended 31 December	Note	2020 € million	2019 € million
Operating profit:			
Established		**203.3**	236.0
Developing		**97.0**	139.0
Emerging		**360.4**	340.3
Total operating profit		**660.7**	**715.3**
Finance costs:			
Established		**(21.5)**	(25.7)
Developing		**(5.7)**	(6.0)
Emerging		**(13.2)**	(15.6)
Corporate[3]		**(138.0)**	(149.2)
Inter-segment finance cost		**104.5**	123.1
Total finance costs	9	**(73.9)**	**(73.4)**
Finance income:			
Established		**1.1**	1.0
Developing		**0.7**	1.6
Emerging		**10.1**	23.4
Corporate[3]		**96.4**	103.4
Inter-segment finance income		**(104.5)**	(123.1)
Total finance income	9	**3.8**	**6.3**
Income tax expense:			
Established		**(41.8)**	(61.4)
Developing		**(28.7)**	(27.0)
Emerging		**(89.0)**	(66.2)
Corporate[3]		**(19.4)**	(18.6)
Total income tax expense	10	**(178.9)**	**(173.2)**
Reconciling items:			
Share of results of equity-method investments	15	**–**	13.0
Share of results of non-integral equity-method investments	15	**3.3**	–
Profit after tax		**415.0**	**488.0**

3. Corporate refers to holding, finance and other non-operating subsidiaries of the Group.

Depreciation and impairment of property, plant and equipment, and amortisation of intangible assets included in the measure of operating profit, are as follows:

	Note	2020 € million	2019 € million
Depreciation and impairment of property, plant and equipment:			
Established		**(109.6)**	(103.3)
Developing		**(66.4)**	(65.0)
Emerging		**(212.1)**	(216.5)
Total depreciation and impairment of property, plant and equipment	14	**(388.1)**	**(384.8)**
Amortisation of intangible assets:			
Developing		**(0.2)**	(0.1)
Emerging		**(0.7)**	(0.6)
Total amortisation of intangible assets	13	**(0.9)**	**(0.7)**

c) Other items

The balance of non-current assets[4] attributed to Switzerland (the Group's country of domicile), Russia, Italy and Nigeria was as follows for the years ended 31 December:

	2020 € million	2019 € million
Switzerland	**540.0**	546.7
Russia	**307.4**	551.3
Italy	**1,108.8**	1,087.7
Nigeria	**553.3**	564.5
All countries other than Switzerland, Russia, Italy and Nigeria	**2,465.0**	2,297.2
Total non-current assets[4]	**4,974.5**	**5,047.4**

4. Excluding other financial assets, deferred tax assets, pension plan assets, trade and loans receivable.

Expenditure of property, plant and equipment per reportable segment was as follows for the years ended 31 December:

	2020 € million	2019 € million
Established	**108.2**	102.0
Developing	**69.3**	84.5
Emerging	**241.7**	286.7
Total expenditure of property, plant and equipment	**419.2**	**473.2**

7. Net sales revenue

Accounting policy

The Group essentially produces, sells and distributes ready-to-drink, primarily non-alcoholic, beverages. Under IFRS 15 'Revenue from contracts with customers', the Group recognises revenue when control of the products is transferred, being when the products are delivered to the customer.

Net sales revenue is measured at the fair value of the consideration received or receivable and is stated net of sales discounts and consideration paid to customers. These mainly take the form of promotional incentives and are amortised over the terms of the related contracts as a deduction in revenue.

The Group provides volume rebates to customers once the quantity of goods purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group uses the most likely amount method.

Net sales revenue includes excise and other duties where the Group acts as a principal but excludes amounts collected by third parties such as value-added taxes as these are not included in the transaction price. The Group assesses these taxes and duties on a jurisdiction-by-jurisdiction basis to conclude on the appropriate accounting treatment.

Coca-Cola HBC receives contributions from The Coca-Cola Company in order to promote sales of its brands. Contributions for price support, marketing and promotional campaigns in respect of specific customers are recognised as an offset to promotional incentives provided to those customers to which the contributions contractually relate. These contributions are accrued and matched to the expenditure to which they relate (refer to Note 27).

Refer to Note 6 for an analysis of net sales revenue per reportable segment.

Notes to the consolidated financial statements *continued*

8. Operating expenses

Operating expenses for the year ended 31 December comprised:

	2020 € million	2019 € million
Selling expenses	**799.7**	938.6
Delivery expenses	**484.3**	539.2
Administrative expenses	**388.4**	411.5
Restructuring expenses	**9.8**	37.8
Acquisition costs (refer to Note 23)	**–**	3.2
Operating expenses	**1,682.2**	**1,930.3**

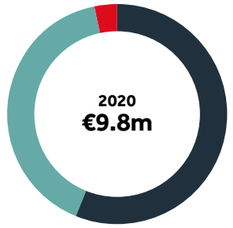
In 2020, operating expenses included net gain on disposals of non-current assets of €1.4m (2019: €6.2m net gain).

a) Restructuring expenses

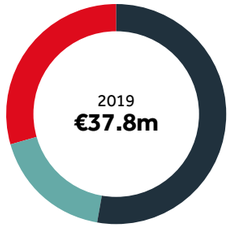
Accounting policy

Restructuring expenses are recorded in a separate line item within operating expenses and comprise costs arising from significant changes in the way the Group conducts its business such as significant supply chain infrastructure changes, outsourcing of activities and centralisation of processes. Restructuring provisions are recognised only when the Group has a present constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location, function and number of employees affected, a detailed estimate of the associated costs, as well as an appropriate timeline and the employees affected have been notified of the plan's main features.

As part of the effort to optimise its cost base and sustain competitiveness in the marketplace, the Company undertakes restructuring initiatives. The restructuring concerns mainly employees' costs (2019: employees' costs and impairment of property, plant and equipment, refer to Note 14). Restructuring expenses per reportable segment for the years ended 31 December are presented below:



- Established: **€5.5m**
- Developing: **€4.0m**
- Emerging: **€0.3m**



- Established: €20.0m
- Developing: €6.7m
- Emerging: €11.1m

b) Employee costs

Employee costs for the years ended 31 December comprised:

	2020 € million	2019 € million
Wages and salaries	**681.8**	732.4
Social security costs	**137.9**	145.0
Pension and other employee benefits	**116.8**	117.7
Termination benefits	**19.3**	42.2
Total employee costs	**955.8**	**1,037.3**

The average number of full-time equivalent employees in 2020 was 27,722 (2019: 28,389).

Employee costs for 2020 included in operating expenses and cost of goods sold amounted to €720.5m and €235.3m respectively (2019: €785.1m and €252.2m respectively).

c) Directors' and senior management remuneration

The total remuneration paid or accrued for Directors and the senior management team for the years ended 31 December comprised:

	2020 € million	2019 € million
Salaries and other short-term benefits	**15.9**	14.9
Performance share awards	**4.9**	5.5
Pension and post-employment benefits	**0.8**	0.9
Total remuneration	**21.6**	**21.3**

d) Fees and other services of the auditor

Audit and other fees charged in the income statement concerning the auditor of the consolidated financial statements, PricewaterhouseCoopers S.A. and affiliates were as follows for the years ended 31 December:

	2020 € million	2019 € million
Audit fees	**4.5**	4.9
Audit-related fees	**0.6**	0.4
Other fees	**–**	–
Total audit and all other fees	**5.1**	**5.3**

9. Finance costs, net

Accounting policy

Interest income and interest expense are recognised using the effective interest rate method, and are recorded in the income statement within 'Finance income' and 'Finance cost' respectively. Interest expense includes finance charges with respect to leases. Interest expense also includes amortisation of the loss on the forward starting swaps and the net impact from swaptions recorded in other comprehensive income (refer to Note 24).

Finance costs, net for the years ended 31 December comprised:

	2020 € million	2019 € million
Interest income	**3.8**	**6.3**
Interest expense	**(71.8)**	(71.3)
Other finance costs	**(1.8)**	(2.6)
Net foreign exchange remeasurement (loss) / gain	**(0.3)**	0.5
Finance costs	**(73.9)**	**(73.4)**
Finance costs, net	**(70.1)**	**(67.1)**

Other finance costs include commitment fees on loan facilities (for the part not yet drawn down) and other similar fees.

For the interest expense incurred with respect to leases refer to Note 16.

10. Taxation

Accounting policy

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Tax rates enacted or substantively enacted at the balance sheet date are those that are expected to apply when the deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the reduction of the future taxes is probable.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Critical accounting estimates

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination cannot be assessed with certainty in the ordinary course of business. The Group recognises a provision for potential cases that might arise in the foreseeable future based on assessment of the probabilities as to whether additional taxes will be due. Where the final tax outcome on these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made. The income tax provision amounted to €37.2m as at 31 December 2020 (2019: €95.1m) and is included in the line 'Current tax liabilities' of the consolidated balance sheet.

Notes to the consolidated financial statements *continued*

10. Taxation *continued*

The income tax charge for the years ended 31 December was as follows:

	2020 € million	2019 € million
Current tax expense	**111.5**	185.6
Deferred tax expense	**67.4**	(12.4)
Income tax expense	**178.9**	**173.2**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2020 € million	2019 € million
Profit before tax	**593.9**	661.2
Tax calculated at domestic tax rates applicable to profits in the respective countries	**119.8**	139.9
Additional local taxes in foreign jurisdictions	**10.3**	9.0
Tax holidays in foreign jurisdictions	**(6.1)**	(3.6)
Expenses non-deductible for tax purposes	**14.5**	23.8
Income not subject to tax	**(6.9)**	(5.1)
Changes in tax laws and rates	**(0.4)**	0.9
Movement of accumulated tax losses	**3.3**	3.5
Movement of deferred tax asset not recognised	**(0.2)**	0.4
Nigerian tax audit settlement	**16.5**	–
Other	**28.1**	4.4
Income tax expense	**178.9**	**173.2**

Non-deductible expenses for tax purposes include marketing and advertising expenses, service fees, bad debt provisions, entertainment expenses, certain employee benefits and other items that, partially or in full, are not deductible for tax purposes in certain of our jurisdictions.

In August 2020, Nigerian Bottling Company Ltd ('NBC'), the Group's subsidiary in Nigeria, settled the additional tax assessed by the Nigerian tax authorities ('FIRS') following the completion of their income tax audit for the years 2005–2019 and their transfer pricing ('TP') audit for the years 2011-2019. The net impact to the income tax expense, following the utilisation of provisions for uncertain tax positions, was €16.5m, out of which €7.2m is attributable to the results of the TP audit. As a result of the TP audit, the FIRS adjusted NBC's profitability, increasing its taxable base accordingly. This increase of NBC's taxable base resulted in the elimination of accumulated capital allowances and to the extent these were not sufficient to offset the full impact of the tax adjustment in a certain year, a tax payment was required to be made. Following the settlement, the total tax assessed by the FIRS in relation to the TP audit amounted to €62.7m, of which €7.6m was settled in cash and the remaining €55.1m was settled through the elimination of the deferred tax asset relating to the available capital allowances in NBC.

Deferred tax assets and liabilities presented in the consolidated balance sheet as at 31 December can be further analysed as follows:

	2020 € million	2019 € million
To be recovered after 12 months	**34.4**	47.6
To be recovered within 12 months	**67.8**	85.2
Gross deferred tax assets	**102.2**	**132.8**
Offset of deferred tax	**(67.1)**	(68.3)
Net deferred tax assets	**35.1**	**64.5**
Deferred tax liabilities:		
To be recovered after 12 months	**(237.6)**	(204.1)
To be recovered within 12 months	**(12.0)**	(23.7)
Gross deferred tax liabilities	**(249.6)**	**(227.8)**
Offset of deferred tax	**67.1**	68.3
Net deferred tax liabilities	**(182.5)**	**(159.5)**

A reconciliation of net deferred tax is presented below:

	2020 € million	2019 € million
As at 1 January	**(95.0)**	(83.9)
Taken to the income statement	**(67.4)**	12.4
Arising on acquisitions (refer to Note 23)	**–**	(17.5)
Joint arrangement reclassification (refer to Note 15)	**3.7**	–
Taken to other comprehensive income	**(0.4)**	3.2
Taken directly to equity	**(0.3)**	(3.2)
Foreign currency translation	**12.0**	(6.0)
As at 31 December	**(147.4)**	**(95.0)**

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction where applicable, are as follows:

Deferred tax assets	Provisions € million	Pensions and benefit plans € million	Tax losses carry-forward € million	Book in excess of tax depreciation € million	Leasing € million	Other deferred tax assets € million	**Total € million**
As at 1 January 2019	41.4	16.8	3.2	9.4	32.4	19.6	**122.8**
Arising on acquisitions (refer to Note 23)	0.4	0.1	–	–	–	0.1	**0.6**
Taken to the income statement	(3.3)	(2.8)	(1.9)	4.0	(3.5)	11.8	**4.3**
Taken to other comprehensive income	–	1.7	–	–	–	1.2	**2.9**
Taken directly to equity	–	–	–	–	–	(3.2)	**(3.2)**
Transfers between assets / liabilities	0.3	1.8	–	1.3	–	(1.2)	**2.2**
Foreign currency translation	2.4	0.1	0.1	0.2	0.1	0.3	**3.2**
As at 31 December 2019	**41.2**	**17.7**	**1.4**	**14.9**	**29.0**	**28.6**	**132.8**
Joint arrangement reclassification (refer to Note 15)	(0.1)	(0.2)	–	–	–	–	**(0.3)**
Taken to the income statement	(8.6)	(1.0)	0.5	(64.7)	(1.5)	(2.6)	**(77.9)**
Taken to other comprehensive income	–	1.3	–	–	–	(0.7)	**0.6**
Taken directly to equity	–	–	–	–	–	(0.3)	**(0.3)**
Transfers between assets / liabilities	–	(1.6)	–	56.7	–	(0.3)	**54.8**
Foreign currency translation	(4.1)	(0.1)	–	(1.2)	(1.0)	(1.1)	**(7.5)**
As at 31 December 2020	**28.4**	**16.1**	**1.9**	**5.7**	**26.5**	**23.6**	**102.2**

Deferred tax liabilities	Tax in excess of book depreciation € million	Derivative instruments € million	Other deferred tax liabilities € million	**Total € million**
As at 1 January 2019	(189.0)	(2.0)	(15.7)	**(206.7)**
Arising on acquisitions (refer to Note 23)	(18.2)	–	0.1	**(18.1)**
Taken to the income statement	10.4	0.1	(2.4)	**8.1**
Taken to other comprehensive income	–	0.3	–	**0.3**
Transfers between assets / liabilities	(0.6)	–	(1.6)	**(2.2)**
Foreign currency translation	(8.9)	–	(0.3)	**(9.2)**
As at 31 December 2019	**(206.3)**	**(1.6)**	**(19.9)**	**(227.8)**
Joint arrangement reclassification (refer to Note 15)	3.3	0.7	–	**4.0**
Taken to the income statement	7.7	0.3	2.5	**10.5**
Taken to other comprehensive income	–	(1.4)	0.4	**(1.0)**
Transfers between assets / liabilities	(56.7)	0.6	1.3	**(54.8)**
Foreign currency translation	19.2	–	0.3	**19.5**
As at 31 December 2020	**(232.8)**	**(1.4)**	**(15.4)**	**(249.6)**

Deferred tax assets recognised for tax losses carry-forward in accordance with the relevant local rules applying in the Group's jurisdictions can be analysed as follows:

	2020 € million	2019 € million
Attributable to tax losses that expire within five years	**0.5**	1.0
Attributable to tax losses that expire after five years	**0.1**	–
Attributable to tax losses that can be carried forward indefinitely	**1.3**	0.4
Recognised deferred tax assets attributable to tax losses	**1.9**	**1.4**

The Group has unrecognised deferred tax assets attributable to tax losses that are available to carry forward against future taxable income of €26.9m (2019: €24.3m). These are analysed as follows:

	2020 € million	2019 € million
Attributable to tax losses that expire within five years	**15.3**	16.1
Attributable to tax losses that expire after five years	**11.6**	8.2
Unrecognised deferred tax assets attributable to tax losses	**26.9**	**24.3**

The aggregate amount of distributable reserves arising from the realised earnings of the Group's operations was €2,651.3m in 2020 (2019: €2,389.4m). No deferred tax liabilities have been recognised on such reserves given that their distribution is controlled by the Group or in the event of plans to remit overseas earnings of subsidiaries, such distribution would not give rise to a tax liability.

Notes to the consolidated financial statements *continued*

11. Earnings per share

Accounting policy

Basic earnings per share is calculated by dividing the net profit attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. Diluted earnings per share incorporates stock options for which the average share price for the year is in excess of the exercise price of the stock option and which create a dilutive effect.

The calculation of the basic and diluted earnings per share attributable to the owners of the parent entity is based on the following data:

	2020	2019
Net profit attributable to the owners of the parent (€ million)	**414.9**	487.5
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**364.0**	363.7
Effect of dilutive stock options (million)	**1.3**	2.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**365.3**	365.9
Basic earnings per share (€)	**1.14**	**1.34**
Diluted earnings per share (€)	**1.14**	**1.33**

12. Components of other comprehensive income

The components of other comprehensive income for the years ended 31 December comprise:

	2020			2019		
	Before tax € million	**Income tax € million**	**Net of tax € million**	Before tax € million	Income tax € million	Net of tax € million
Cost of hedging (refer to Note 24)	**(2.2)**	**–**	**(2.2)**	(11.1)	–	(11.1)
Cash flow hedges (refer to Note 24)	**22.7**	**(2.4)**	**20.3**	2.5	1.4	3.9
Foreign currency translation	**(254.9)**	**–**	**(254.9)**	123.4	–	123.4
Valuation (loss) / gain on equity investments at fair value through other comprehensive income	**(0.2)**	**–**	**(0.2)**	0.2	–	0.2
Actuarial losses	**(12.5)**	**2.0**	**(10.5)**	(17.0)	1.8	(15.2)
Share of other comprehensive (loss) / income of equity-method investments	**(25.4)**	**–**	**(25.4)**	0.7	–	0.7
Other comprehensive (loss) / income	**(272.5)**	**(0.4)**	**(272.9)**	**98.7**	**3.2**	**101.9**

The foreign currency translation loss for 2020 primarily relates to the Russian Rouble and the Nigerian Naira, while the gain from the foreign currency translation for 2019 related primarily to the Russian Rouble but also the Swiss Franc and Ukrainian Hryvnia.

13. Intangible assets

Accounting policy

Intangible assets consist of goodwill, franchise agreements, trademarks and water rights. Goodwill and other indefinite-lived intangible assets are carried at cost less accumulated impairment losses, while intangible assets with finite lives are amortised over their useful economic lives. The useful lives, both finite and indefinite, assigned to intangible assets are evaluated on an annual basis.

Intangible assets with indefinite lives ('not subject to amortisation')

Intangible assets not subject to amortisation consist of goodwill, franchise agreements and trademarks.

Goodwill is the excess of the consideration transferred over the fair value of the share of net assets acquired. Goodwill and fair value adjustments arising on the acquisition of subsidiaries are treated as the assets and liabilities of those subsidiaries. These balances are denominated in the functional currency of the subsidiary and are translated to Euro on a basis consistent with the other assets and liabilities of the subsidiary.

The useful life of franchise agreements is usually based on the term of the respective franchise agreements. The Coca-Cola Company does not grant perpetual franchise rights outside the United States. However, given the Group's strategic relationship with The Coca-Cola Company and consistent with past experience, the Group believes that franchise agreements will continue to be renewed at each expiration date with no significant costs. The Group has concluded that the franchise agreements are perpetual in nature and they have therefore been assigned indefinite useful lives.

The Group's trademarks are assigned an indefinite useful life when they have an established sales history in the applicable region. It is the intention of the Group to receive a benefit from them indefinitely and there is no indication that this will not be the case.

Goodwill and other indefinite-lived intangible assets are tested for impairment annually and whenever there is an indication of impairment.

Accounting policy *continued*

Intangible assets with indefinite lives ('not subject to amortisation') *continued*

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the business combination in which the goodwill arose. Other indefinite-lived intangible assets are also allocated to the Group's cash-generating units expected to benefit from those intangibles. The cash-generating units ('unit') to which goodwill and other indefinite-lived intangible assets have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount (i.e. the higher of the value in use and fair value less costs to sell) of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit on the basis of the carrying amount of each asset in the unit. Impairment losses recognised against goodwill are not reversed in subsequent periods.

Intangible assets with finite lives

Intangible assets with finite lives mainly consist of water rights and certain brands, are amortised over their useful economic lives and are carried at cost less accumulated amortisation and impairment losses. Intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Critical accounting estimates

Determining whether goodwill or indefinite-lived intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated in order to determine the recoverable amount of the cash-generating units. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Additional estimates have been applied by management regarding the potential financial impact of the COVID-19 pandemic across markets. In this regard, a combination of the following factors was considered:

- the future development of the virus, including the duration, scale and geographic extent of the related restrictions;
- the expected scale and duration of the economic recovery;
- the exposure of the market to out-of-home consumption.

The movements in intangible assets by classes of assets during the year are as follows:

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	**Total € million**
Cost					
As at 1 January 2019	1,804.7	146.2	59.7	26.3	**2,036.9**
Intangible assets arising on current year acquisitions (refer to Note 23)	115.0	–	121.1	1.3	**237.4**
Foreign currency translation	36.4	0.2	6.3	–	**42.9**
As at 31 December 2019	**1,956.1**	**146.4**	**187.1**	**27.6**	**2,317.2**
Amortisation					
As at 1 January 2019	182.4	–	9.0	19.7	**211.1**
Charge for the year	–	–	0.3	0.4	**0.7**
As at 31 December 2019	**182.4**	**–**	**9.3**	**20.1**	**211.8**
Net book value as at 1 January 2019	1,622.3	146.2	50.7	6.6	**1,825.8**
Net book value as at 31 December 2019	**1,773.7**	**146.4**	**177.8**	**7.5**	**2,105.4**
Cost					
As at 1 January 2020	1,956.1	146.4	187.1	27.6	**2,317.2**
Disposals	(38.4)	–	(42.3)	(12.7)	**(93.4)**
Foreign currency translation	(31.1)	(1.6)	(7.5)	(0.1)	**(40.3)**
As at 31 December 2020	**1,886.6**	**144.8**	**137.3**	**14.8**	**2,183.5**
Amortisation					
As at 1 January 2020	182.4	–	9.3	20.1	**211.8**
Charge for the year	–	–	0.5	0.4	**0.9**
Disposals	–	–	(2.6)	(12.7)	**(15.3)**
As at 31 December 2020	**182.4**	**–**	**7.2**	**7.8**	**197.4**
Net book value as at 1 January 2020	1,773.7	146.4	177.8	7.5	**2,105.4**
Net book value as at 31 December 2020	**1,704.2**	**144.8**	**130.1**	**7.0**	**1,986.1**

Disposals of goodwill and trademarks in 2020 relate to the impact from the reorganisation of Multon (refer to Note 15), while the amount of €12.7m relates to write-off of fully amortised finite-lived other intangible assets.

Notes to the consolidated financial statements *continued*

13. Intangible assets *continued*

Intangible assets not subject to amortisation amounted to €1,973.8m (2019: €2,092.0m), and are presented in the charts below:

- Goodwill: **€1,704.2m**
- Franchise agreements: **€144.8m**
- Trademarks: **€124.8m**

- Goodwill: €1,773.7m
- Franchise agreements: €146.4m
- Trademarks: €171.9m

The carrying value of intangible assets subject to amortisation amounted to €12.3m (2019: €13.4m) and comprised water rights of €7.0m and trademarks of €5.3m (2019: €7.5m water rights and €5.9m trademarks).

Impairment tests for goodwill and other indefinite-lived intangible assets

The recoverable amount of each cash-generating unit was determined through a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Board of Directors covering a one-year period and cash projections for four additional years. Cash flows for years two to five were projected by management based on operation and market-specific high-level assumptions including growth rates, discount rates and forecast selling prices and direct costs. Management determined gross margins based on past performance, expectations for the development of the market and the key impacts of the COVID-19 pandemic to each operation, including restrictions, as well as expectations about raw material costs. The growth rates used in perpetuity reflect the forecasts in line with management beliefs. These forecasts exceeded, in certain cases, those expected for the industry in general, due to the strength of our brand portfolio. Management estimates discount rates using rates that reflect current market assessments of the time value of money and risks specific to the countries of operation. The Group applies post-tax discount rates to post-tax cash flows as the valuation calculated using this method closely approximates to applying pre-tax discount rates to pre-tax cash flows.

No impairment of goodwill and other indefinite-lived assets was identified from the impairment tests of 2020 and 2019.

The following table sets forth the carrying value of goodwill and other indefinite-lived intangible assets for those cash-generating units whose carrying value is greater than 10% of the total, as at 31 December 2020.

	Goodwill € million	Franchise agreements € million	Trademarks € million	**Total € million**
Italy	625.2	126.9	–	**752.1**
Switzerland	425.4	–	–	**425.4**
The Republic of Ireland and Northern Ireland	235.2	–	–	**235.2**
Koncern Bambi a.d. Požarevac	115.0		118.2	**233.2**
All other cash-generating units	303.4	17.9	6.6	**327.9**
Total	**1,704.2**	**144.8**	**124.8**	**1,973.8**

The carrying value percentage of intangible assets not subject to amortisation as at 31 December 2020 for the above cash-generating units is presented in the below graph. Also, for the above cash-generating units, cash flows beyond the five-year period (the period in perpetuity) have been extrapolated using the following estimated growth and discount rates:

Intangible assets not subject to amortisation as at 31 December 2020 (%)

- Italy: **38%**
- Switzerland: **22%**
- The Republic of Ireland and Northern Ireland: **12%**
- Koncern Bambi a.d. Požarevac: **12%**
- Other: **16%**

	Growth rate in perpetuity (%)		Discount rate (%)	
	2020	2019	**2020**	2019
Italy	**0.9**	2.5	**7.1**	6.9
Switzerland	**0.9**	1.5	**6.3**	5.2
The Republic of Ireland and Northern Ireland	**4.0**	3.0	**6.3**	5.3
Koncern Bambi a.d. Požarevac	**4.5**	4.5	**7.7**	7.7

Sensitivity analysis

In the cash-generating units of Nigeria and Italy, which held €17.9m and €752.1m of goodwill and franchise agreements as at 31 December 2020, possible changes in key assumptions of the 2020 impairment test would remove the remaining headroom. As at 31 December 2020, the recoverable amounts of the Nigerian and Italian cash-generating unit calculated based on value in use exceeded carrying value by €120.9m and €310.7m respectively; changes per assumption that would eliminate remaining headroom are summarised in the table below:

	Average gross profit margin	Growth rate in perpetuity	Discount rate
Nigeria	↓ 230bps	↓ 180bps	↑ 150bps
Italy	↓ 330bps	↓ 240bps	↑ 190bps

The Group will continue to closely monitor these cash-generating units in order to ensure that timely actions and initiatives are undertaken to minimise potential adverse impact on their expected performance, particularly in relation to potential currency volatility in Nigeria.

14. Property, plant and equipment

Accounting policy

All property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and impairment losses. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the operation and the costs can be measured reliably. All other subsequent expenditure is expensed in the period in which it is incurred.

Assets under construction are recorded as part of property, plant and equipment and depreciation on these assets commences when the assets are made available for use.

Depreciation is calculated on a straight-line basis to allocate the depreciable amount over the estimated useful life of the assets as follows:

Freehold buildings and improvements	40 years
Leasehold buildings and improvements	Over the lease term, up to 40 years
Production equipment	4 to 20 years
Vehicles	5 to 8 years
Computer hardware and software	3 to 10 years
Marketing equipment	3 to 10 years
Fixtures and fittings	8 years
Returnable containers	3 to 12 years

Freehold land is not depreciated as it is considered to have an indefinite life.

Deposits received for returnable containers by customers are accounted for as deposit liabilities (refer to Note 20).

Residual values and useful lives of assets are reviewed and adjusted if appropriate at each balance sheet date.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level of separately identifiable cash flows.

For accounting policy regarding right-of-use assets, refer to Note 16 'Leases'.

Notes to the consolidated financial statements *continued*

14. Property, plant and equipment *continued*

The movements of property, plant and equipment by class of assets are as follows:

	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	**Total € million**
Cost					
As at 1 January 2019	1,376.7	3,508.9	400.3	100.0	**5,385.9**
Additions	8.7	168.7	39.9	246.3	**463.6**
Arising from business combinations (refer to Note 23)	12.5	11.7	–	0.2	**24.4**
Disposals	(5.2)	(162.2)	(19.3)	–	**(186.7)**
Reclassified from assets held for sale (refer to Note 19)	–	0.1	–	–	**0.1**
Reclassified to assets held for sale (refer to Note 19)	(15.0)	(9.6)	–	–	**(24.6)**
Reclassifications	70.5	154.7	0.2	(225.4)	**–**
Foreign currency translation	42.2	135.6	4.0	2.4	**184.2**
As at 31 December 2019	**1,490.4**	**3,807.9**	**425.1**	**123.5**	**5,846.9**
Depreciation and impairment					
As at 1 January 2019	450.2	2,380.3	233.2	1.1	**3,064.8**
Charge for the year	41.6	254.0	26.7	–	**322.3**
Impairment	0.9	8.9	0.3	(0.1)	**10.0**
Disposals	(2.6)	(153.4)	(14.7)	–	**(170.7)**
Reclassified to assets held for sale (refer to Note 19)	(6.9)	(4.8)	–	–	**(11.7)**
Foreign currency translation	13.7	79.0	1.5	–	**94.2**
As at 31 December 2019	**496.9**	**2,564.0**	**247.0**	**1.0**	**3,308.9**
Net book value as at 31 December 2019 excluding right-of-use assets	**993.5**	**1,243.9**	**178.1**	**122.5**	**2,538.0**
Net book value of right-of-use assets as at 31 December 2019	**84.0**	**120.2**	**–**	**–**	**204.2**
Net book value as at 31 December 2019	**1,077.5**	**1,364.1**	**178.1**	**122.5**	**2,742.2**
Cost					
As at 1 January 2020	1,490.4	3,807.9	425.1	123.5	**5,846.9**
Additions	4.7	111.7	36.9	351.7	**505.0**
Disposals[1]	(18.8)	(202.6)	(17.3)	(3.5)	**(242.2)**
Reclassified from assets held for sale (refer to Note 19)	–	3.9	–	–	**3.9**
Reclassified to assets held for sale (refer to Note 19)	(3.1)	(0.7)	–	–	**(3.8)**
Reclassifications	54.1	202.6	–	(256.7)	**–**
Foreign currency translation	(114.6)	(325.8)	(24.0)	(15.2)	**(479.6)**
As at 31 December 2020	**1,412.7**	**3,597.0**	**420.7**	**199.8**	**5,630.2**
Depreciation and impairment					
As at 1 January 2020	496.9	2,564.0	247.0	1.0	**3,308.9**
Charge for the year	42.0	247.7	27.6	–	**317.3**
Impairment	3.9	10.7	0.8	0.2	**15.6**
Disposals[1]	(7.4)	(180.4)	(10.4)	–	**(198.2)**
Reclassified from assets held for sale (refer to Note 19)	–	3.8	–	–	**3.8**
Reclassified to assets held for sale (refer to Note 19)	(2.0)	(0.7)	–	–	**(2.7)**
Foreign currency translation	(34.8)	(204.3)	(9.9)	–	**(249.0)**
As at 31 December 2020	**498.6**	**2,440.8**	**255.1**	**1.2**	**3,195.7**
Net book value as at 31 December 2020 excluding right-of-use assets	**914.1**	**1,156.2**	**165.6**	**198.6**	**2,434.5**
Net book value of right-of-use assets as at 31 December 2020	**71.9**	**110.2**	**–**	**–**	**182.1**
Net book value as at 31 December 2020	**986.0**	**1,266.4**	**165.6**	**198.6**	**2,616.6**

1. Disposals line includes €29.8m on a net book value basis regarding the impact from the reorganisation of Multon (refer to Note 15).

Assets under construction at 31 December 2020 include advances for equipment purchases of €32.6m (2019: 22.7m). Depreciation charge for the year, including that for right-of-use assets (refer to Note 16), recognised in operating expenses and cost of goods sold amounted to €194.0m (2019: €193.2m) and €178.5m (2019: €181.6m) respectively.

Impairment of property, plant and equipment

In 2019, the Group recorded impairment losses of €2.5m, €1.5m and €8.2m and reversals of impairment of €0.4m, €0.2m and €1.6m relating to property, plant and equipment in the Established, Developing and Emerging segments respectively. These amounts include impairment related to restructuring initiatives. The impaired assets, being mainly buildings and production equipment, were written down based mainly on value-in-use calculations.

In 2020, the Group recorded impairment losses of €6.0m, €2.5m and €9.9m and reversals of impairment of €0.3m, €0.1m and €2.4m relating to property, plant and equipment in the Established, Developing and Emerging segments respectively. The impaired assets, being mainly buildings and production equipment, were written down based mainly on value-in-use calculations.

15. Interests in other entities

List of principal subsidiaries

The following are the principal subsidiaries of the Group as at 31 December:

		% of voting rights		% ownership	
	Country of registration	**2020**	2019	**2020**	2019
AS Coca-Cola HBC Eesti	Estonia	**100.0%**	100.0%	**100.0%**	100.0%
CCB Management Services GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Armenia CJSC	Armenia	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Bulgaria AD	Bulgaria	**99.4%**	99.4%	**99.4%**	99.4%
CCHBC Insurance (Guernsey) Limited[1]	Guernsey	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC IT Services Limited	Bulgaria	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Reinsurance Designated Activity Company	Republic of Ireland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Austria GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Beverages Belorussiya	Belarus	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Beverages Ukraine Ltd	Ukraine	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Imbuteliere Chisinau SRL	Moldova	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia and Herzegovina	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Česko a Slovensko, s.r.o.	Czech Republic	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Česká a Slovensko, s.r.o. – organizačná zložka	Slovakia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Cyprus Ltd	Cyprus	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Finance B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Greece S.A.I.C.	Greece	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Holdings B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Hrvatska d.o.o.	Croatia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Hungary Ltd	Hungary	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Ireland Limited	Republic of Ireland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Italia S.r.l.	Italy	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Kosovo L.L.C.	Kosovo	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Polska sp. z o.o.	Poland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Romania Ltd	Romania	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Services MEPE	Greece	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Slovenija d.o.o.	Slovenia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Sourcing B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Switzerland Ltd	Switzerland	**99.9%**	99.9%	**99.9%**	99.9%
Coca-Cola HBC-Srbija d.o.o.	Serbia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Bottling Company-Crna Gora d.o.o., Podgorica	Montenegro	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Business Service Organisation	Bulgaria	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Procurement GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
CC Beverages Holdings II B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Koncern Bambi a.d. Požarevac	Serbia	**100.0%**	100.0%	**100.0%**	100.0%
LLC Coca-Cola HBC Eurasia	Russia	**100.0%**	100.0%	**100.0%**	100.0%
Nigerian Bottling Company Ltd	Nigeria	**100.0%**	100.0%	**100.0%**	100.0%
SIA Coca-Cola HBC Latvia	Latvia	**100.0%**	100.0%	**100.0%**	100.0%
Star Bottling Limited[2]	Cyprus	**–**	100.0%	**–**	100.0%
UAB Coca-Cola HBC Lietuva	Lithuania	**100.0%**	100.0%	**100.0%**	100.0%

1. CCHBC Insurance (Guernsey) Limited was placed under liquidation as at 31 December 2020.
2. Star Bottling Limited was merged into Coca-Cola HBC Holdings B.V. as of 30 June 2020.

Notes to the consolidated financial statements *continued*

15. Interests in other entities *continued*

Associates and joint arrangements

Accounting policies

Equity-method investments comprise investments in associates and joint arrangements, and are classified into integral and non-integral on the basis of whether they are considered part of the Group's core operations and strategy.

Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. Associated undertakings are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights.

The equity method of accounting involves recognising the Group's share of the associates' post-acquisition profit or loss and movements in other comprehensive income for the period in the income statement and other comprehensive income respectively. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's interest in each associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

Investments in joint arrangements

Joint arrangements are arrangements in which the Group has contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent. Joint arrangements are classified as joint ventures or joint operations depending upon the rights and obligations arising from the joint arrangement.

The Group classifies a joint arrangement as a joint venture when the Group has rights to the net assets of the arrangement. The Group accounts for its interests in joint ventures using the equity method of accounting as described in the section above.

The Group classifies a joint arrangement as a joint operation when the Group has the rights to the assets, and obligations for the liabilities, of the arrangement and accounts for each of its assets, liabilities, revenues and expenses, including its share of those held or incurred jointly, in relation to the joint operation.

If facts and circumstances change, the Group reassesses whether it still has joint control and whether the type of joint arrangement in which it is involved has changed.

Critical accounting judgements

The Group participates in several joint arrangements. Judgement is required in order to determine their classification as a joint venture where the Group has rights to the net assets of the arrangement, or a joint operation where the Group has rights to the assets and obligations for the liabilities of the arrangement. In making this judgement, consideration is given to the legal form of the arrangement, and the contractual terms and conditions, as well as other facts and circumstances (including the economic rationale of the arrangement and the impact of the legal framework).

a) Equity-method investments

Changes in the carrying amounts of equity-method investments are as follows:

	Associates € million	Joint ventures € million	**Total € million**
As at 1 January 2019	24.8	74.5	**99.3**
Additions	–	44.5	**44.5**
Share of results of equity-method investments	4.6	8.4	**13.0**
Share of other comprehensive income of equity-method investments	0.5	0.2	**0.7**
Share of total comprehensive income	5.1	8.6	**13.7**
Return of capital	–	(0.8)	**(0.8)**
Dividends	(0.7)	(7.5)	**(8.2)**
As at 31 December 2019	**29.2**	**119.3**	**148.5**
Additions	**2.4**	**194.3**	**196.7**
Decrease	**–**	**(1.7)**	**(1.7)**
Share of results of equity-method investments	**3.3**	**21.4**	**24.7**
Share of other comprehensive income of equity-method investments	**(4.0)**	**(21.4)**	**(25.4)**
Share of total comprehensive income	**(0.7)**	**–**	**(0.7)**
Dividends	**(1.3)**	**(27.8)**	**(29.1)**
As at 31 December 2020	**29.6**	**284.1**	**313.7**

The carrying amount of the equity-method investments as at 31 December 2020 comprises integral and non-integral equity-method investments as follows:

	Associates € million	Joint ventures € million	**Total € million**
Integral equity-method investments	**–**	**279.9**	**279.9**
Non-integral equity-method investments	**29.6**	**4.2**	**33.8**
Total equity-method investments	**29.6**	**284.1**	**313.7**

Associates

In 2019, Frigoglass West Africa Ltd. merged with Frigoglass Industries (Nigeria) Limited. Frigoglass Industries (Nigeria) Limited, a non-integral associate in which the Group holds an effective interest of 23.9% (2019: 23.9%) through its subsidiary Nigerian Bottling Company Ltd, is guarantor under the amended banking facilities and notes issued by the Frigoglass Group, as part of the debt restructuring of the latter. The Group has no direct exposure arising from this guarantee arrangement, but the Group's investment in this associate, which stood at €23.9m as at 31 December 2020 (31 December 2019: €25.2m), would be at potential risk if there was a default under the terms of the amended banking facilities or the notes and the Frigoglass Group (including the guarantor) was unable to meet its obligations thereunder.

Additions in 2020 regarding associates relate to acquisitions of non-integral associates in our Established segment for a total consideration of €2.4m, including acquisition costs of €0.2m.

Joint Ventures

On 6 December 2019, the Group acquired, in conjunction with The Coca-Cola Company, Acque Minerali S.r.l, a mineral water and adult sparkling beverages business in Italy. The transaction resulted in the Group holding a 50% effective interest in Acque Minerali S.r.l. The relevant investment amounted to €44.5m, including acquisition costs of €0.7m, and was classified as an investment in a joint venture, in accordance with the requirements of IFRS 11 'Joint arrangements', as it provides the Group and The Coca-Cola Company with rights to the entity's net assets. The investment was further classified as an integral joint venture. As at 31 December 2019, consideration and acquisition costs of €1.8m and €0.2m were not yet paid. During 2020, the Group paid these amounts and further €0.2m consideration for the acquisition, while it received an amount of €1.7m as adjustment to the purchase price.

Investments in joint ventures

The Group has a 50% interest in the Multon Z.A.O. Group of companies ('Multon'), which is engaged in the production and distribution of juices in Russia and is jointly controlled by the Group and The Coca-Cola Company. The joint arrangement was classified as a joint operation, as it provided to the Group and The Coca-Cola Company rights to the assets and obligations for the liabilities of the joint arrangement. On 6 May 2020, following the completion of a reorganisation of Multon, the joint arrangement was reclassified from a joint operation to an integral joint venture, as the new structure provides to the Group and The Coca-Cola Company rights to the joint arrangement's net assets. As a result, the Group derecognised its share of the joint arrangement's assets and liabilities with a corresponding increase in equity-method investments of €194.1m, presented under line 'Additions' in the above table of changes in the carrying amount of equity-method investments. No gain or loss was recognised in the consolidated income statement as a result of the above reorganisation.

More specifically, intangible assets, property, plant and equipment (excluding right-of-use assets) and right-of-use assets, decreased by €78.1m, €29.8m and €1.1m respectively as a result of the above reorganisation (refer to Note 13 and Note 14 respectively). In addition, the decrease of cash and cash equivalents resulting from the reorganisation of Multon, amounting to €13.1m, was reported in line 'Joint arrangement reclassification' within investing activities in the consolidated cash flow statement.

Apart from Multon, the Group has a significant joint venture with Heineken that is conducted through a number of legal entities being the BrewTech B.V. Group of companies, which is engaged in the bottling and distribution of soft drinks and beer in North Macedonia. BrewTech B.V. is incorporated in the Netherlands and the Group owns 50% (2019: 50%) of its share capital. The structure of the joint venture provides the Group with rights to its net assets.

Notes to the consolidated financial statements *continued*

15. Interests in other entities *continued*

Summarised financial information of the Group's significant joint ventures are as follows (the information below reflects the amount presented in the IFRS financial statements of the joint venture, and not the Group's share in those amounts):

Multon Z.A.O. Group of companies	2020 € million
Summarised balance sheet:	
Long-term loans to related parties	**56.5**
Other non-current assets	**123.9**
Non-current assets	**180.4**
Cash and cash equivalents	**3.4**
Current loans to related parties	**20.8**
Other current assets	**111.6**
Total current assets	**135.8**
Other current liabilities (including trade payables)	**(52.8)**
Total current liabilities	**(52.8)**
Non-current other liabilities	**(7.0)**
Net assets	**256.4**
Summarised statement of comprehensive income:	
Revenue	**367.3**
Depreciation and amortisation	**(7.4)**
Interest income	**11.8**
Interest expense	**(4.6)**
Profit before tax	**62.0**
Income tax expense	**(12.8)**
Profit after tax	**49.2**
Other comprehensive income	**(105.0)**
Total comprehensive income	**(55.8)**
Dividends received (refer to Note 27)	**25.8**
Reconciliation of net assets to carrying amount:	
Closing net assets	**256.4**
Interest in joint venture at 50%	**128.2**
Goodwill	**34.7**
Carrying value	**162.9**

Following the reorganisation, the Group's share of results and share of other comprehensive income of Multon joint venture amounted to €16.4m income and €21.6m loss respectively.

BrewTech B.V. Group of companies	2020 € million	2019 € million
Summarised balance sheet:		
Non-current assets	**53.9**	54.7
Cash and cash equivalents	**2.5**	2.3
Current loans to related parties	**10.0**	–
Other current assets	**9.5**	11.1
Total current assets	**22.0**	**13.4**
Total current liabilities	**(15.7)**	**(18.1)**
Non-current other liabilities	**(0.8)**	**(0.5)**
Net assets	**59.4**	**49.5**
Summarised statement of comprehensive income:		
Revenue	**66.0**	74.6
Depreciation and amortisation	**(5.7)**	(5.1)
Profit before tax	**15.0**	18.4
Income tax expense	**(1.8)**	(2.2)
Profit after tax	**13.2**	16.2
Total comprehensive income	**13.2**	**16.2**
Dividends received and capital returns (refer to Note 27)	**1.3**	**7.7**
Reconciliation of net assets to carrying amount:		
Closing net assets	**59.4**	49.5
Interest in joint venture at 50%	**29.7**	24.8
Goodwill	**16.9**	16.9
Non-controlling interest	**(1.6)**	(1.6)
Carrying value	**45.0**	**40.1**

Summarised financial information of the Group's investment in other joint ventures is as follows:

	2020 € million	2019 € million
Carrying amount	**76.2**	79.2
Share of profit	**(1.6)**	0.3
Share of other comprehensive income	**0.2**	0.2
Share of total comprehensive income	**(1.4)**	**0.5**

b) Joint operations with TCCC

Other joint operations of the Group comprise mainly a 50% interest in each of the water businesses depicted below, which are engaged in the production and distribution of water in the respective countries.

Country	Joint operation
Austria	Römerquelle
Italy	Fonti del Vulture
Romania	Dorna
Baltics	Neptuno Vandenys
Poland	Multivita
Switzerland	Valser
Serbia	Vlasinka

16. Leases

Accounting policy

Leases for which the Group is in a lessee position are recognised as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a net-present-value basis and are recognised as part of 'Property, plant and equipment', 'Current borrowings' and 'Non-current borrowings' in the consolidated balance sheet, respectively.

Lease contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease component respectively. Consideration relevant to the non-lease component is recognised as an expense in the consolidated income statement over the period of the lease.

Lease liabilities include the net present value of the following lease payments:

a) fixed payments (including in-substance fixed payments) over the lease term, less any lease incentives receivable;

b) variable lease payments that are based on an index or a rate;

c) amounts expected to be payable by the lessee under residual value guarantees;

d) the exercise price of a purchase option if the Group is reasonably certain it will exercise that option; and

e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

When adjustments to lease payments based on an index or rate take effect, the lease liability is re-assessed and adjusted against the right-of-use asset.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease (if that rate can be determined), or the incremental borrowing rate of the lease, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions. In determining the incremental borrowing rate to be used, the Group applies judgement to establish the suitable reference rate and credit spread.

Each lease payment is allocated between the liability (principal) and finance cost. The interest expense is charged to the consolidated income statement as part of 'Finance cost' over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

a) the amount of the initial measurement of lease liability;

b) any lease payments made at or before the commencement date less any lease incentives received;

c) any initial direct costs; and

d) any restoration costs.

The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group utilises a number of practical expedients permitted by the standard, namely:

1) applying the recognition exemption to short-term leases (i.e. leases with a term of 12 months or less) that do not contain a purchase option; and

2) applying the recognition exemption to leases of underlying assets with a low value, which mainly comprise IT equipment.

Notes to the consolidated financial statements *continued*

16. Leases *continued*

Accounting policy *continued*

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is revised if a significant event or a significant change in circumstances occurs, which affects this assessment and which is within the control of the lessee.

Lease payments are presented as follows in the consolidated cash flow statement:

- short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities;
- payments for the interest element of recognised lease liabilities are included in 'Interest paid' within cash flows from financing activities; and
- payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

Leasing activities

The leases that are recorded on the consolidated balance sheet are principally in respect of vehicles and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Extension options considered reasonably certain to be exercised relate primarily to buildings and do not exceed six years. Most termination options have not been considered reasonably certain to be exercised.

The Group's carrying amount of lease liability is presented below as at 31 December:

	2020 € million	2019 € million
Current lease liability	**54.8**	56.3
Non-current lease liability	**129.4**	154.7
Total lease liability (refer to Note 25)	**184.2**	**211.0**

For carrying amount of right-of-use assets per class of underlying asset refer to Note 14.

The Group's additions to right-of-use assets for the years ended 31 December are as follows:

	2020 € million	2019 € million
Land and buildings	**17.4**	23.4
Plant and equipment	**36.2**	40.3
Total additions	**53.6**	**63.7**

The consolidated income statement includes the following amounts relating to depreciation of right-of-use assets:

	2020 € million	2019 € million
Land and buildings	**19.4**	18.2
Plant and equipment	**35.8**	34.3
Total depreciation charge	**55.2**	**52.5**

The following expenses have been included in cost of goods sold and operating expenses:

	2020 € million	2019 € million
Expense relating to short-term leases	**15.5**	18.4
Expense relating to leases of low-value assets	**1.3**	1.2
Expense relating to variable lease payments	**5.1**	9.9

Interest expense on leases in 2020 was €11.4m (2019: €12.8m) and is recorded within 'Finance Costs' (refer to Note 9).

The total cash outflow for leases in 2020 was €87.6m (2019: €77.9m).

Expenses relating to short-term leases in 2020 comprise consideration for leases with a term of 12 months or less used to cover seasonal business needs. The relevant amount in 2019 included also leases expiring within 2019, as per the practical expedient applied by the Group on transition to IFRS 16.

17. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value.

Cost for raw materials and consumables is determined on a weighted average basis. Cost for work in progress and finished goods is comprised of the cost of direct materials and labour plus attributable overhead costs. Cost of inventories includes all costs incurred to bring the product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete and sell the inventory.

Inventories consisted of the following at 31 December:

	2020 € million	2019 € million
Finished goods	**182.9**	230.9
Raw materials and work in progress	**175.7**	191.9
Consumables	**59.0**	65.3
Total inventories	**417.6**	**488.1**

The amount of inventories recognised as an expense during 2020 was €2,839.6m (2019: €3,328.5m). During 2020, provision of obsolete inventories recognised as an expense amounted to €23.9m (2019: €18.4m), whereas provision reversed in the year amounted to €0.6m (2019: €1.0m).

18. Trade, other receivables and assets

Accounting policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The normal credit terms are between 7-90 days upon delivery.

The Group applies the IFRS 9 simplified approach for trade and other receivables and follows an Expected Credit Losses ('ECLs') approach for measuring the allowance of its trade receivables. The expected loss rate is assessed on the basis of historical credit losses of 24 months before the year end and adjusted to reflect current and forward-looking information. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The carrying amount of the receivable is reduced by the loss allowance, which is recognised as part of operating expenses. If a trade receivable ultimately becomes uncollectible, it is written off initially against any loss allowance made in respect of that receivable with any excess recognised as part of operating expenses. Subsequent recoveries of amounts previously written off or loss allowance no longer required are credited against operating expenses.

As of July 2020, the Group has entered into a contract that provides insurance coverage against defaulted trade receivables. This contract meets the definition of a financial guarantee contract, which is in substance part of the contract terms (that is, integral to the trade receivables) and is not recognized separately. Therefore, the expected cash flows from the credit insurance are included in the measurement of ECLs of trade receivables.

Loans are initially recognised at the fair value net of transaction costs incurred. After initial recognition, all interest-bearing loans are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method whereby any discount, premium or transaction costs associated with a loan are amortised to the income statement over the lending period.

Trade, other receivables and assets consisted of the following at 31 December:

	Current assets		**Non-current assets**	
	2020 € million	2019 € million	**2020 € million**	2019 € million
Trade and other receivables:				
Trade receivables	**558.7**	772.9	**0.9**	2.0
Receivables from related parties (refer to Note 27)	**47.8**	65.6	**–**	–
Loans receivable	**1.8**	1.9	**0.5**	1.9
Receivables from sale of property, plant and equipment	**0.9**	3.3	**–**	–
Loans and advances to employees	**7.4**	5.9	**–**	–
Other receivables	**71.8**	82.0	**–**	–
Total trade and other receivables	**688.4**	**931.6**	**1.4**	**3.9**
Other assets:				
Prepayments	**61.4**	60.8	**21.2**	14.9
Pension plan assets (refer to Note 21)	**–**	–	**21.0**	16.1
Non-current income tax receivable	**–**	–	**36.9**	36.4
VAT and other taxes receivable	**24.1**	33.2	**–**	–
Total other assets	**85.5**	**94.0**	**79.1**	**67.4**
Total trade, other receivables and assets	**773.9**	**1,025.6**	**80.5**	**71.3**

Non-current trade receivables relate to renegotiated receivables, which are expected to be settled within the new contractual due date.

Refer to Note 22 for offsetting impact on trade receivables.

Notes to the consolidated financial statements *continued*

18. Trade, other receivables and assets *continued*

Trade receivables

Trade receivables classified as current assets consisted of the following at 31 December:

	2020 € million	2019 € million
Trade receivables	**646.5**	866.1
Less: Loss allowance	**(87.8)**	(93.2)
Total trade receivables	**558.7**	**772.9**

The ageing analysis of trade receivables classified as current assets is as follows:

	2020 € million			2019 € million		
	Gross carrying amount	**Loss allowance**	**Trade receivables**	Gross carrying amount	Loss allowance	Trade receivables
Within due date	**500.3**	**(2.4)**	**497.9**	671.4	(2.1)	669.3
Past due-Up to three months	**35.4**	**(2.1)**	**33.3**	82.1	(5.3)	76.8
Past due-Three to six months	**7.5**	**(1.4)**	**6.1**	12.3	(2.9)	9.4
Past due-Six to nine months	**2.7**	**(0.8)**	**1.9**	5.1	(0.9)	4.2
Past due-More than nine months	**100.6**	**(81.1)**	**19.5**	95.2	(82.0)	13.2
Total trade receivables	**646.5**	**(87.8)**	**558.7**	866.1	(93.2)	772.9

In the current COVID-19 impacted environment, the Group is actively monitoring the recoverability of trade receivables and ensures loss allowance reflects on a timely basis management's best estimate of potential losses in compliance with IFRS 9.

The movement in the loss allowance during the year is as follows:

	2020 € million	2019 € million
As at 1 January	**(93.2)**	(98.8)
Amounts written off during the year	**5.5**	13.8
Amounts recovered during the year	**5.5**	4.9
Increase in allowance recognised in income statement	**(7.9)**	(12.4)
Foreign currency translation	**2.3**	(0.7)
As at 31 December	**(87.8)**	**(93.2)**

Receivables from related parties

The related party receivables, net of the loss allowance, are as follows:

	2020 € million	2019 € million
Within due date	**44.5**	62.3
Past due	**3.6**	3.5
Less: Loss allowance	**(0.3)**	(0.2)
Total related party receivables	**47.8**	**65.6**

The ageing analysis of these receivables is as follows:

	2020 € million	2019 € million
Within due date	**44.5**	62.3
Past due – Up to three months	**2.3**	1.9
Past due – Three to six months	**0.3**	0.8
Past due – Six to nine months	**0.1**	0.2
Past due – More than nine months	**0.6**	0.4
Total	**47.8**	**65.6**

Net impairment

Net impairment loss on trade and other receivables recognised in the income statement is analysed as follows:

	2020 € million	2019 € million
Trade receivables	**2.8**	7.3
Receivables from related parties	**0.1**	0.1
Other receivables and assets	**1.2**	–
Net impairment loss	**4.1**	**7.4**

19. Assets classified as held for sale

Accounting policy

Non-current assets and disposal groups are classified as held for sale if it is considered highly probable that their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. In order for a sale to be considered highly probable, management must be committed to a plan to sell the asset, an active programme to locate a buyer and complete the plan must have been initiated, and the sale expected to be completed within one year from the date of classification.

In the event that the criteria for continued classification as held for sale are no longer met, the assets are reclassified to property, plant and equipment and the depreciation charge is adjusted for the depreciation that would have been recognised had the assets not been classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the individual assets' previous carrying amount and their fair value less costs to sell.

Changes in carrying amounts of assets classified as held for sale for the years ended 31 December are as follows:

	2020 € million	2019 € million
As at 1 January	**0.6**	3.0
Reclassified from property, plant and equipment (refer to Note 14)	**1.1**	12.9
Disposals	**(1.6)**	(15.2)
Reclassified to property, plant and equipment (refer to Note 14)	**(0.1)**	(0.1)
As at 31 December	**–**	**0.6**

Total assets classified as held for sale as at 31 December 2019 amounted to €0.6m comprising the net book value of property, plant and equipment in our Established segment that have been written down to fair value less cost to sell. The fair value of assets classified as held for sale was determined through the use of a sales comparison approach and is a non-recurring fair value measurement within Level 3 of the fair value hierarchy. The majority of these assets were disposed during 2020.

20. Trade and other payables

Accounting policy

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables consisted of the following at 31 December:

	2020 € million	2019 € million
Trade payables	**583.2**	605.5
Accrued liabilities	**427.1**	474.6
Payables to related parties (refer to Note 27)	**285.2**	291.2
Deposit liabilities	**78.6**	98.4
Other tax and social security liabilities	**84.9**	111.4
Salaries and employee-related payables	**45.8**	48.5
Contract liabilities	**10.5**	7.2
Other payables	**27.5**	29.3
Total trade and other payables	**1,542.8**	**1,666.1**

The Group facilitates a supply chain financing programme under which the supplier can elect on an invoice-by-invoice basis to receive a discounted early payment from the partner bank or continue to be paid in line with the agreed payment terms; in either case the value and due date of the liability payable by the Group remain unchanged and as such the liability remains classified as trade payables. At 31 December 2020, invoices included in the programme amounted to €90.9m (2019: €97.5m).

Accrued liabilities regarding volume, marketing and promotional incentives, as well as listing fees and other incentives provided to customers as at 31 December 2020, amounted to €200.7m (2019: €211.9m).

Revenue recognised in 2020 that was included in the contract liability balance at the beginning of the year amounted to €6.9m (2019: €4.1m).

Notes to the consolidated financial statements *continued*

21. Provisions and employee benefits

Provisions and employee benefits consisted of the following at 31 December:

	2020 € million	2019 € million
Current:		
Employee benefits	**66.2**	78.6
Restructuring provisions	**26.0**	14.6
Other provisions	**7.4**	8.9
Total current provisions and employee benefits	**99.6**	**102.1**
Non-current:		
Employee benefits	**110.8**	114.5
Other provisions	**2.5**	3.1
Total non-current provisions and employee benefits	**113.3**	**117.6**
Total provisions and employee benefits	**212.9**	**219.7**

a) Provisions

Accounting policy

Provisions are recognised when: the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when such reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

The movements in restructuring and other provisions comprise:

	2020 €million		2019 €million	
	Restructuring provision	**Other provisions**	Restructuring provision	Other provisions
As at 1 January	**14.6**	**12.0**	10.9	8.6
Arising during the year	**21.5**	**4.9**	36.4	11.8
Utilised during the year	**(9.2)**	**(4.9)**	(31.4)	(9.1)
Unused amount reversed	**(0.6)**	**(1.9)**	(1.3)	(0.1)
Arising on acquisitions	**–**	**–**	–	0.7
Foreign currency translation	**(0.3)**	**(0.2)**	–	0.1
As at 31 December	**26.0**	**9.9**	**14.6**	**12.0**

Other provisions primarily comprise provisions in relation to employee litigation and legal provisions.

b) Employee benefits

Accounting policies

The Group operates a number of defined benefit and defined contribution pension plans in its territories.

The defined benefit plans are made up of both funded and unfunded pension plans and employee leaving indemnities. The assets of funded plans are generally held in separate trustee-administered funds and are financed by payments from employees and / or the relevant Group companies.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets.

For defined benefit pension plans, pension costs are assessed using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Such actuarial gains and losses are not reclassified to the income statement in subsequent periods. The defined benefit obligations are measured at the present value of the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Past service cost is recognised immediately in the income statement. A number of the Group's operations have other long-service benefits in the form of jubilee plans. These plans are measured at the present value of the estimated future cash outflows with immediate recognition of actuarial gains and losses in the income statement.

The Group's contributions to the defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

Critical accounting estimates

The Group provides defined benefit pension plans as an employee benefit in certain territories. Determining the value of these plans requires several actuarial assumptions and estimates about discount rates, future salary increases and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Employee benefits consisted of the following at 31 December:

	2020 € million	2019 € million
Defined benefit plans:		
Employee leaving indemnities	**72.2**	66.8
Pension plans	**7.7**	14.6
Long-service benefits (jubilee plans) and other benefits	**12.0**	11.7
Total defined benefit plans	**91.9**	**93.1**
Other employee benefits:		
Annual leave	**4.4**	5.9
Other employee benefits	**80.7**	94.1
Total other employee benefits	**85.1**	100.0
Total employee benefits obligations	**177.0**	**193.1**

Other employee benefits are primarily comprised of employee bonuses which are linked to business and individual performance metrics.

Employees of Coca-Cola HBC's subsidiaries in Austria, Bulgaria, Croatia, Greece, Italy, Montenegro, Nigeria, Poland, Romania, Serbia and Slovenia are entitled to employee leaving indemnities, generally based on each employee's length of service, employment category and remuneration. These are unfunded plans where the Company meets the payment obligation as it falls due.

Coca-Cola HBC's subsidiaries in Austria, Northern Ireland, the Republic of Ireland and Switzerland sponsor defined benefit pension plans. Of the three plans in the Republic of Ireland, two have plan assets, as do the two plans in Northern Ireland and one plan out of the three in Switzerland. The Austrian plans do not have plan assets and the Company meets the payment obligation as it falls due. The defined benefit plans in Austria, Republic of Ireland and Northern Ireland are closed to new members.

Coca-Cola HBC provides long-service benefits in the form of jubilee plans to its employees in Austria, Croatia, Nigeria, Poland, Serbia, Slovenia and Switzerland.

Defined benefit obligation by segment is as follows for the years ended 31 December:

The average duration of the defined benefit obligations is 19 years and the total employer contributions expected to be paid in 2021 are €10.3m.

Notes to the consolidated financial statements *continued*

21. Provisions and employee benefits *continued*

The reconciliation of plan assets and plan liabilities for the years ended 31 December is as follows:

	Plan assets € million	Plan liabilities € million	Net (deficit) /surplus € million
As at 31 December 2018	**398.2**	**(467.3)**	**(69.1)**
Current service cost	–	(9.2)	**(9.2)**
Past service cost	–	1.2	**1.2**
Administrative expenses	(0.2)	–	**(0.2)**
Curtailment / settlement	–	(1.5)	**(1.5)**
Interest income / (expense)	6.4	(9.2)	**(2.8)**
Actuarial gains	–	0.1	**0.1**
Total income / (expense) recognised in income statement	**6.2**	**(18.6)**	**(12.4)**
Gain from change in demographic assumptions	–	2.4	**2.4**
Loss from change in financial assumptions	–	(59.4)	**(59.4)**
Experience adjustments	–	(4.2)	**(4.2)**
Return on plan assets excluding interest income	42.7	–	**42.7**
Total remeasurements recognised in other comprehensive income	**42.7**	**(61.2)**	**(18.5)**
Benefits paid	(25.5)	37.5	**12.0**
Employer's contributions	14.0	–	**14.0**
Participant's contributions	5.1	(5.1)	**–**
Increase in defined benefit obligation arising from acquisition	–	(0.4)	**(0.4)**
Net decrease in defined benefit obligation from other movements	4.5	(4.4)	**0.1**
Foreign currency translation	13.0	(13.4)	**(0.4)**
As at 31 December 2019	**458.2**	**(532.9)**	**(74.7)**
Current service cost	**–**	**(9.9)**	**(9.9)**
Past service cost	**–**	**9.1**	**9.1**
Administrative expenses	**(0.2)**	**–**	**(0.2)**
Curtailment / settlement	**(3.2)**	**2.5**	**(0.7)**
Interest income / (expense)	**3.6**	**(5.6)**	**(2.0)**
Actuarial losses	**–**	**(0.4)**	**(0.4)**
Total income / (expense) recognised in income statement	**0.2**	**(4.3)**	**(4.1)**
Loss from change in demographic assumptions	**–**	**(6.1)**	**(6.1)**
Loss from change in financial assumptions	**–**	**(35.0)**	**(35.0)**
Experience adjustments	**–**	**13.5**	**13.5**
Return on plan assets excluding interest income	**26.9**	**–**	**26.9**
Total remeasurements recognised in other comprehensive income	**26.9**	**(27.6)**	**(0.7)**
Benefits paid	**(24.8)**	**24.7**	**(0.1)**
Employer's contributions	**20.7**	**–**	**20.7**
Participant's contributions	**4.9**	**(4.9)**	**–**
Net increase in defined benefit obligation from other movements	**–**	**(0.3)**	**(0.3)**
Foreign currency translation	**(4.8)**	**7.2**	**2.4**
As at 31 December 2020	**481.3**	**(538.1)**	**(56.8)**

The effect of the asset ceiling on plan assets and net deficit for the years ended 31 December is as follows:

	2020 € million	2019 € million
Fair value of plan assets at 31 December excluding asset ceiling	**481.3**	458.2
Opening unrecognised asset due to the asset ceiling	**(2.3)**	(3.6)
Change in asset ceiling recognised in other comprehensive income	**(11.8)**	1.5
Exchange rate gain	**–**	(0.1)
Interest on unrecognised asset recognised in profit and loss	**–**	(0.1)
Fair value of plan assets at 31 December including asset ceiling	**467.2**	**455.9**

	2020 € million	2019 € million
Present value of funded obligations	**452.6**	453.1
Fair value of plan assets	**(481.3)**	(458.2)
Defined benefit obligations of funded plans	**(28.7)**	**(5.1)**
Present value of unfunded obligations	**85.5**	79.8
Unrecognised asset due to asset ceiling	**14.1**	2.3
Defined benefit obligations	**70.9**	**77.0**
Plus: Amounts recognised within non-current assets (refer to Note 18)	**21.0**	16.1
Total defined benefit obligations	**91.9**	**93.1**

Funding levels are monitored in conjunction with the agreed contribution rate. The funding level of the funded plans as at 31 December 2020 was 103% (2019: 101%).

Five of the plans have funded status surplus totalling €21.0m as at 31 December 2020 (2019: four plans, totalling €16.1m) that is recognised as an asset on the basis that the Group has an unconditional right to future economic benefits either via a refund or a reduction in future contributions.

Defined benefit plan expense is included in staff costs and presented in cost of goods sold and operating expenses.

The assumptions (weighted average for the Group) used in computing the defined benefit obligation comprised the following for the years ended 31 December:

	2020 %	2019 %
Discount rate	**0.7**	1.1
Rate of compensation increase	**2.2**	2.3
Rate of pension increase	**0.8**	0.9
Life expectancy for pensioners at the age of 65 in years:		
Male	**22**	22
Female	**24**	24

Asset liability matching: plan assets allocated to growth assets are monitored regularly to ensure they remain appropriate and in line with the Group's long-term strategy to manage the plans. As the plans mature, the level of investment risk will be reduced by investing more in assets such as bonds that better match the liabilities.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Group is exposed to a number of risks, as outlined below:

Asset volatility: the liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created. The Northern Ireland, the Republic of Ireland and Swiss plans hold a significant proportion of growth assets (equities) which are expected to outperform corporate bonds in the long term while being subject to volatility and risk in the short term.

Changes in bond yields: a decrease in corporate bond yields will increase the plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. Conversely, an increase in corporate bond yields will decrease the plan liabilities, although this will be partially offset by a decrease in the value of the plans' bond holdings.

Inflation: the Northern Ireland, the Republic of Ireland and Swiss plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy: the majority of the pension plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The sensitivity analysis presented below is based on a change in assumption while all other assumptions remain constant.

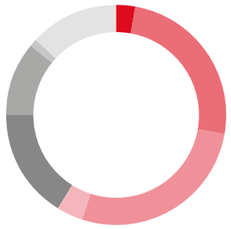
	Impact on defined benefit obligation as at 31 December 2020		
	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	0.50% ↓	8.7% ↑	10.0%
Rate of compensation increase	0.50% ↑	1.9% ↓	1.7%
Rate of pension increase	0.50% ↑	5.4% ↓	5.2%
Life expectancy	1 year ↑	2.8% ↓	2.9%

Notes to the consolidated financial statements *continued*

21. Provisions and employee benefits *continued*

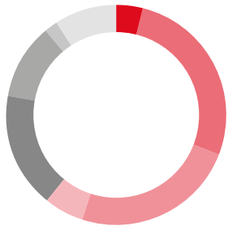
Plan assets are invested as follows:

Assets' categories 2020 (%)



- Equity securities – Eurozone: **3%**
- Equity securities – Non-Eurozone: **25%**
- Government bonds – Eurozone: **27%**
- Corporate bonds – Eurozone: **4%**
- Corporate bonds – Non-Eurozone: **16%**
- Real estate: **11%**
- Cash: **1%**
- Other: **13%**

Assets' categories 2019 (%)



- Equity securities – Eurozone: 4%
- Equity securities – Non-Eurozone: 27%
- Government bonds – Eurozone: 24%
- Corporate bonds – Eurozone: 6%
- Corporate bonds – Non-Eurozone: 17%
- Real estate: 11%
- Cash: 2%
- Other: 9%

The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or are insurance contracts. Plan assets held in trust are governed by local regulations and practice in each country. The category 'Other' mainly includes investments in funds holding a portfolio of assets. Plan assets relate predominantly to quoted financial instruments.

Equity securities were not invested in ordinary shares of the Company as at 31 December 2020 or 31 December 2019.

Defined contribution plans

The expense recognised in the income statement in 2020 for the defined contribution plans is €18.8m (2019: €18.0m). This is included in employee costs and recorded in cost of goods sold and operating expenses.

22. Offsetting financial assets and financial liabilities

Accounting policy

The Group offsets financial assets and financial liabilities to the net amount reported in the balance sheet when it currently has a legally enforceable right to offset the recognised amounts and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements or other similar agreements. In general, under such agreements the counterparties can elect to settle as one single net amount the aggregated amounts owed by each counterparty on a single day with respect to all outstanding transactions of the same currency and the same type of derivative. In the event of default or early termination, all outstanding transactions under the agreement are terminated and subject to any set–off. These agreements do not meet all of the IAS 32 criteria for offsetting in the balance sheet as the Group does not have any current legally enforceable right to offset amounts since the right can only be applied if elected by both counterparties.

The financial assets and financial liabilities presented below are subject to offsetting, enforceable master netting or similar agreements. The column 'Net amount' shows the impact on the Group's balance sheet if all set–off rights were exercised.

a) Financial assets

As at 31 December 2020

	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities set off in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	Net amount € million
Derivative financial assets	**16.2**	**–**	**16.2**	**(0.7)**	**15.5**
Cash and cash equivalents	**1,215.8**	**–**	**1,215.8**	**–**	**1,215.8**
Other financial assets (excluding loans to related parties and derivatives)	**92.9**	**–**	**92.9**	**–**	**92.9**
Trade receivables	**611.0**	**(52.3)**	**558.7**	**–**	**558.7**
Total	**1,935.9**	**(52.3)**	**1,883.6**	**(0.7)**	**1,882.9**

As at 31 December 2019

	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities set off in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	**Net amount € million**
Derivative financial assets	3.7	–	3.7	(0.1)	**3.6**
Cash and cash equivalents	823.0	–	823.0	–	**823.0**
Other financial assets (excluding loans to related parties and derivatives)	728.8	–	728.8	–	**728.8**
Trade receivables	820.2	(47.3)	772.9	–	**772.9**
Total	**2,375.7**	**(47.3)**	**2,328.4**	**(0.1)**	**2,328.3**

b) Financial liabilities

As at 31 December 2020

	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets set off in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	Net amount € million
Derivative financial liabilities	**11.3**	**–**	**11.3**	**(0.7)**	**10.6**
Trade payables	**635.5**	**(52.3)**	**583.2**	**–**	**583.2**
Total	**646.8**	**(52.3)**	**594.5**	**(0.7)**	**593.8**

As at 31 December 2019

	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets set off in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	**Net amount € million**
Derivative financial liabilities	11.7	–	11.7	(0.1)	**11.6**
Trade payables	652.8	(47.3)	605.5	–	**605.5**
Total	**664.5**	**(47.3)**	**617.2**	**(0.1)**	**617.1**

Notes to the consolidated financial statements *continued*

23. Business combinations and acquisition of non-controlling interest

Accounting policy

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the fair value of any asset transferred, shares issued and liabilities assumed. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the amount of any non-controlling interest over the net assets acquired and liabilities assumed is recorded as goodwill. Acquisition costs comprise costs incurred to effect a business combination such as finder's, advisory, legal, accounting, valuation and other professional or consulting fees. All acquisition-related costs are expensed as incurred.

For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Refer also to Note 2 for accounting policy regarding basis of consolidation.

a) Business combinations

On 18 June 2019, the Group acquired 100% of the issued shares of Koncern Bambi a.d. Požarevac ('Bambi'), Serbia's leading confectionery business, for a consideration of €148.8m net of borrowings of €125.9m. The acquisition adds a relevant, adjacent category to the Group's portfolio in Serbia and Western Balkans, which are among our fastest growing territories. Details of the acquisition with regards to the net assets acquired and goodwill are as follows:

	Fair value € million
Trademarks	121.1
Property, plant and equipment	19.3
Other non-current assets	0.1
Inventories	5.9
Other current assets	25.7
Cash and cash equivalents	18.3
Current borrowings	(125.9)
Other current liabilities	(10.3)
Non-current borrowings	(0.3)
Deferred tax liabilities	(17.5)
Other non-current liabilities	(2.2)
Net identifiable assets acquired	**34.2**
Goodwill arising on acquisition	114.6
Cash paid to former shareholders	**148.8**

The acquisition resulted in the Group recording €114.6m of goodwill and €121.1m of trademarks in its Emerging segment. The goodwill arising is attributable to Bambi's strong operating profitability and strong market position.

Net sales revenue and profit after tax contributed by the acquired business to the Group for the period from 18 June 2019 to 31 December 2019 amounted to €43.6m and €11.2m respectively. If the acquisition had occurred on 1 January 2019, consolidated Group revenue and consolidated Group profit after tax for the year ended 31 December 2019 would have been higher by €38.6m and €7.0m respectively.

Acquisition-related costs of €2.9m were included in 2019 operating expenses, as a result of the above acquisition.

On 1 September 2019, the Group acquired a water business in the Czech Republic for a cash consideration of €7.7m. The acquisition was of a group of assets that constituted a business, and which have been integrated into the Group's operations in the Czech Republic. The acquisition did not have a material effect on the Group's 2019 financial position and income statement. As a result of the acquisition, water rights of €1.3m and goodwill of €0.4m were recorded in the Group's Developing segment. Acquisition-related costs of €0.3m were included in 2019 operating expenses, as a result of the above acquisition.

b) Acquisition of non-controlling interest

On 12 November 2019, the Group acquired all the remaining shares of the non-controlling interest in its subsidiary Leman Beverages Holding S.àr.l., through which the Group controlled its operation in Armenia. The consideration paid for the acquisition of the non-controlling interest amounted to €9.5m.

24. Financial risk management and financial instruments

Accounting policies

Financial assets

On initial recognition, financial assets are recorded at fair value, plus in the case of financial assets not at fair value through profit or loss (FVTPL), any directly attributable transaction costs. Transaction costs of financial assets at FVTPL are expensed.

Financial assets are classified into three categories:

a) Financial assets at amortised cost (debt instruments)

The classification of debt instruments at amortised cost depends on two criteria: a) the Group's business model for managing assets and b) whether the instruments' contractual cash flows represent solely payments for principal and interest on the principal amount outstanding (the 'SPPI criterion'). If both criteria are met the financial assets of the Group are subsequently measured at amortised cost whereby any interest income is recognised using the effective interest method. This category includes trade receivables, treasury bills and time deposits. The accounting policy for trade receivables is described in Note 18.

b) Financial assets through other comprehensive income (FVOCI)

The Group also has investments in financial assets at FVOCI. These include equity investments that are not of a trading nature and which are subsequently recorded at fair value. The Group intends to hold these equity instruments for the foreseeable future and has irrevocably elected to classify them as FVOCI upon initial recognition. Subsequently, there is no recycling of gains or losses to profit or loss on derecognition.

c) Financial assets through profit or loss (FVTPL)

The Group also has investments in financial assets at FVTPL which are subsequently measured at fair value and where changes in fair value are recognised in the income statement. Financial assets at FVTPL mainly comprise money market funds.

For those financial assets that are not subsequently held at fair value, the Group assesses whether there is evidence of impairment at each balance sheet date.

Derivative financial instruments

The Group uses derivative financial instruments, including currency, commodity and interest rate derivatives, to manage currency, commodity price and interest rate risk associated with the Group's underlying business activities. The Group does not enter into derivative financial instruments for trading activity purposes.

All derivative financial instruments are initially recognised on the balance sheet at fair value and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised at each reporting date either in the income statement or in equity, depending on whether the derivative financial instrument qualifies for hedge accounting as a cash flow hedge.

Embedded derivatives in financial host contracts are recorded at fair value through profit or loss together with the host contracts.

All derivative financial instruments that are not part of an effective hedging relationship (undesignated hedges) are classified as assets or liabilities at fair value through profit or loss.

At the inception of a hedge transaction the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking the derivative financial instrument designated as a hedging instrument to the specific asset, liability, firm commitment or forecast transaction. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the hedging instruments are identical to the hedged risks component. The economic relationship between the hedged item and the hedging instrument is assessed on an ongoing basis. Ineffectiveness may arise if the timing or the notional of the forecast transaction changes or if the credit risk changes impacting the fair value movements of the hedging instruments.

Changes in the fair value of derivative financial instruments (both the intrinsic value and the aligned time value) that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement as the related hedged asset acquired or liability assumed affects the income statement.

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

Accounting policies *continued*

Derivative financial instruments *continued*

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Derivatives embedded in non-financial host contracts are accounted for as separate derivatives and recorded at fair value if:

- their economic characteristics and risks are not closely related to those of the host contracts;
- the host contracts are not designated as at fair value through profit or loss; and
- a separate instrument with the same terms as the embedded derivative meets the definition of a derivative.

These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Regular purchases and sales of investments are recognised on the trade date, which is the day the Group commits to purchase or sell. The investments are recognised initially at fair value plus transaction costs, except in the case of FVTPL. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, commodity price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's cash flows. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by Group Treasury in a controlled manner, consistent with the Board of Directors' approved policies. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's subsidiaries. The Board of Directors has approved the Treasury Policy, which provides the control framework for all treasury and treasury-related transactions.

Market risk

a) Foreign currency risk

The Group is exposed to the effect of foreign currency risk on future transactions, recognised monetary assets and liabilities that are denominated in currencies other than the local entity's functional currency, as well as net investments in foreign operations. Foreign currency forward, option and future contracts are used to hedge a portion of the Group's foreign currency risk. The majority of the foreign currency forward, option and future contracts have maturities of less than one year after the balance sheet date.

Management has set up a policy that requires Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future transactions and recognised monetary assets and liabilities, entities in the Group use foreign currency forward, option and future contracts transacted by Group Treasury. Group Treasury's risk management policy is to hedge, on an average coverage ratio basis, between 25% and 80% of anticipated cash flows for the next 12 months by using a layer strategy and 100% of balance sheet remeasurement risk in each major foreign currency for which hedging is applicable. Each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific monetary assets, monetary liabilities or future transactions on a gross basis. The impact of COVID-19 has been considered, in relation to the Group's cash flow hedges, in determining that the hedged forecast cash flows remain highly probable for the next 12 months.

The following tables present details of the Group's sensitivity to reasonably possible increases and decreases in the Euro and US Dollar against the relevant foreign currencies. In determining reasonable possible changes, the historical volatility over a 12-month period of the respective foreign currencies in relation to the Euro and the US Dollar has been considered. The sensitivity analysis determines the potential gains and losses in the income statement or equity arising from the Group's foreign exchange positions as a result of the corresponding percentage increases and decreases in the Group's main foreign currencies relative to the Euro and the US Dollar. The sensitivity analysis includes outstanding foreign-currency denominated monetary items, external loans, and loans between operations within the Group where the denomination of the loan is in a currency other than the functional currency of the local entity.

2020 exchange risk sensitivity to reasonably possible changes in the Euro against relevant other currencies

		Euro strengthens against local currency		Euro weakens against local currency	
	% historical volatility over a 12-month period	Loss / (gain) in income statement € million	(Gain) / loss in equity € million	(Gain) / loss in income statement € million	Loss / (gain) in equity € million
Nigerian Naira	**12.39%**	**0.6**	**–**	**(0.8)**	**–**
Russian Rouble	**21.02%**	**1.0**	**(0.7)**	**(1.4)**	**1.1**
UK Sterling	**8.91%**	**(0.2)**	**0.7**	**0.4**	**(0.9)**
Ukrainian Hryvnia	**10.48%**	**0.6**	**–**	**(0.7)**	**–**
Other	**–**	**(1.2)**	**(3.2)**	**1.4**	**3.6**
Total		**0.8**	**(3.2)**	**(1.1)**	**3.8**

2020 exchange risk sensitivity to reasonably possible changes in the US Dollar against relevant other currencies

		US Dollar strengthens against local currency		US Dollar weakens against local currency	
	% historical volatility over a 12-month period	Loss / (gain) in income statement € million	(Gain) / loss in equity € million	(Gain) / loss in income statement € million	Loss / (gain) in equity € million
Euro	**7.57%**	**2.0**	**–**	**(2.3)**	**–**
Nigerian Naira	**13.23%**	**5.0**	**–**	**(6.6)**	**–**
Russian Rouble	**19.48%**	**–**	**(3.9)**	**(0.1)**	**5.7**
Other	**–**	**(0.2)**	**–**	**0.3**	**–**
Total		**6.8**	**(3.9)**	**(8.7)**	**5.7**

2019 exchange risk sensitivity to reasonably possible changes in the Euro against relevant other currencies

		Euro strengthens against local currency		Euro weakens against local currency	
	% historical volatility over a 12-month period	(Gain) / loss in income statement € million	(Gain) / loss in equity € million	(Gain) / loss in income statement € million	Loss / (gain) in equity € million
Nigerian Naira	8.36%	(0.4)	–	0.5	–
Russian Rouble	7.98%	(1.3)	(1.6)	1.5	1.9
UK Sterling	7.49%	0.8	–	(1.0)	–
Ukrainian Hryvnia	10.28%	0.8	–	(1.0)	–
Other		0.7	(1.7)	(0.8)	1.8
Total		**0.6**	**(3.3)**	**(0.8)**	**3.7**

2019 exchange risk sensitivity to reasonably possible changes in the US Dollar against relevant other currencies

		US Dollar strengthens against local currency		US Dollar weakens against local currency	
	% historical volatility over a 12-month period	Loss / (gain) in income statement € million	(Gain) / loss in equity € million	(Gain) / loss in income statement € million	Loss / (gain) in equity € million
Euro	4.91%	1.3	–	(1.5)	–
Nigerian Naira	3.43%	(1.2)	–	2.1	–
Russian Rouble	8.25%	–	(4.4)	(0.1)	5.2
Total		**0.1**	**(4.4)**	**0.5**	**5.2**

b) Commodity price risk

The Group is affected by the volatility of certain commodity prices (being mainly sugar, aluminium, aluminium premium, PET and gas oil) in relation to certain raw materials necessary for the production of the Group's products.

Due to the significantly increased volatility of commodity prices, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. Although the Group continues to contract prices with suppliers in advance, to reduce its exposure to the effect of short-term changes in the price of sugar, aluminium, aluminium premium, PET and gas oil, the Group hedges the market price of sugar, aluminium, aluminium premium, PET and gas oil using commodity swap contracts based on a rolling forecast for a period up to 36 months. Group Treasury's Risk management policy is to hedge a minimum of 25% and a maximum of 80% of commodity exposure for the next 12 months except for PET where no minimum coverage is required and the maximum is at 50% for the first year.

The following table presents details of the Group's income statement and equity sensitivity to increases and decreases in sugar, aluminium, aluminium premium, PET and gas oil prices. The table does not show the sensitivity to the Group's total underlying commodity exposure or the impact of changes in volumes that may arise from increase or decrease in the respective commodity prices. The sensitivity analysis determines the potential effect on profit or loss and equity arising from the Group's commodity swap contract positions as a result of the reasonably possible increases or decreases of the respective commodity price.

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

2020 commodity price risk sensitivity to reasonably possible changes in the commodity price of relevant commodities

		Commodity price increases with all other variables held constant		Commodity price decreases with all other variables held constant	
	% historical volatility over a 12-month period per contract maturity	**(Gain) / loss in income statement € million**	**(Gain) / loss in equity € million**	**Loss / (gain) in income statement € million**	**Loss / (gain) in equity € million**
Sugar	**20.1%**	**(0.2)**	**(13.1)**	**0.2**	**13.1**
Aluminium	**16.6%**	**(0.4)**	**(6.7)**	**0.4**	**6.7**
Aluminium premium	**43.4%**	**–**	**(0.7)**	**–**	**0.7**
Gas oil	**59.8%**	**–**	**(5.6)**	**–**	**5.6**
PET	**26.3%**	**(8.9)**	**–**	**8.9**	**–**
Total		**(9.5)**	**(26.1)**	**9.5**	**26.1**

2019 commodity price risk sensitivity to reasonably possible changes in the commodity price of relevant commodities

		Commodity price increases with all other variables held constant		Commodity price decreases with all other variables held constant	
	% historical volatility over a 12-month period per contract maturity	(Gain) / loss in income statement € million	(Gain) / loss in equity € million	Loss / (gain) in income statement € million	Loss / (gain) in equity € million
Sugar	14.0%	(0.3)	(7.1)	0.3	7.1
Aluminium	15.0%	(0.2)	(4.6)	0.2	4.6
Aluminium premium	25.5%	(0.1)	(0.2)	0.1	0.2
Gas oil	26.3%	–	(2.1)	–	2.1
PET	14.4%	(3.6)	–	3.6	–
Total		**(4.2)**	**(14.0)**	**4.2**	**14.0**

c) Interest rate risk

The sensitivity analysis in the following table has been determined based on exposure to interest rates of both derivative and non-derivative instruments existing at the balance sheet date and assuming constant foreign exchange rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease for 2020 (2019:50 basis point) represents management's assessment of a reasonably possible change in interest rates.

Interest rate risk sensitivity to reasonably possible changes in interest rates

	Loss / (gain) in income statement	
	2020 € million	2019 € million
Increase in basis points	**0.4**	0.2
Decrease in basis points	**(0.4)**	(0.2)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligations under the contract or arrangement. The Group has limited concentration of credit risk across trade and financial counterparties. Credit policies are in place and the exposure to credit risk is monitored on an ongoing basis.

The Group's maximum exposure to credit risk in the event that counterparties fail to meet their obligations at 31 December 2020 in relation to each class of recognised financial asset is the carrying amount of those assets as indicated on the balance sheet.

Under the credit policies, before accepting any new credit customers, the Group investigates the potential customer's credit quality, using either external agencies and in some cases bank references and /or historic experience, and defines credit limits for each customer. Customers that fail to meet the Group's benchmark credit quality may transact with the Group only on a prepayment or cash basis. Customers are reviewed on an ongoing basis and credit limits are adjusted accordingly. There is no significant concentration of credit risk with regard to loans, trade and other receivables as the Group has a large number of customers which are geographically dispersed.

The Group has policies that limit the amount of credit exposure to any single financial institution. The Group only undertakes investment and derivative transactions with banks and financial institutions that have a minimum credit rating of 'BBB-' from Standard & Poor's and 'Baa3' from Moody's, unless the investment is in countries where the Sovereign Credit Rating is below the 'BBB- / Baa3'. The Group also uses Credit Default Swaps of a counterparty in order to measure in a timelier way the creditworthiness of a counterparty and set up its counterparties in tiers in order to assign maximum exposure and tenor per tier. If the Credit Default Swaps of certain counterparty exceed 400 basis points, the Group will stop trading derivatives with that counterparty and will try to cancel any deposits on a best-effort basis. In addition, the Group regularly makes use of time deposits and money market funds to invest excess cash balances and to diversify its counterparty risk. As at 31 December 2020, an amount of €795.5m (2019: €510.0m) is invested in time deposits and €nil (2019: €371.5m) in money market funds.

Liquidity risk

The Group actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. Bank overdrafts and bank facilities, both committed and uncommitted, are used to manage this risk.

The Group manages liquidity risk by maintaining adequate cash reserves and committed banking facilities, access to the debt and equity capital markets, and by continuously monitoring forecast and actual cash flows. In Note 25, the undrawn facilities that the Group has at its disposal to manage liquidity risk are discussed under the headings 'Commercial paper programme' and 'Committed credit facilities'.

This has been an area of focus due to the impact of COVID-19, however the Group maintains a healthy liquidity position and is able to meet its obligations as they fall due. As at 31 December 2020, the Group has a net debt of €1.6bn (refer to Note 25). The Group repaid the remaining bond of €563.4m which matured in June 2020, while there are no further bond maturities until November 2024. In addition, the Group has an undrawn revolving credit facility of €800m available, as well as more than €0.8bn available out of the €1.0 bn commercial paper facility.

The following tables detail the Group's remaining contractual maturities for its financial liabilities. The tables include both interest and principal undiscounted cash flows, assuming that interest rates remain constant from 31 December 2020.

	Up to one year € million	**One to two years € million**	**Two to five years € million**	**Over five years € million**	**Total € million**
Borrowings	**283.3**	**98.2**	**714.4**	**1,889.8**	**2,985.7**
Derivative liabilities	**10.0**	**1.3**	**–**	**–**	**11.3**
Trade and other payables	**1,447.4**	**0.3**	**1.0**	**4.9**	**1,453.6**
Leases	**63.4**	**50.7**	**71.0**	**35.5**	**220.6**
As at 31 December 2020	**1,804.1**	**150.5**	**786.4**	**1,930.2**	**4,671.2**

	Up to one year € million	One to two years € million	Two to five years € million	Over five years € million	Total € million
Borrowings	733.2	59.9	693.4	1,904.9	3,391.4
Derivative liabilities	11.6	0.1	–	–	11.7
Trade and other payables	1,547.8	0.4	0.9	4.8	1,553.9
Leases	67.7	54.7	86.8	52.5	261.7
As at 31 December 2019	**2,360.3**	**115.1**	**781.1**	**1,962.2**	**5,218.7**

Capital risk

The Group monitors its financial capacity and credit ratings by reference to a number of key financial ratios including net debt to comparable adjusted EBITDA, which provides a framework within which the Group's capital base is managed. This ratio is calculated as net debt divided by comparable adjusted EBITDA.

Adjusted EBITDA is calculated by adding back to operating profit the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee performance share costs and other non-cash items, if any. Comparable adjusted EBITDA refers to adjusted EBITDA excluding restructuring expenses, acquisition costs and the unrealised gains or losses resulting from the mark-to-market valuation of derivatives and embedded derivatives related to commodity hedging.

Refer to Note 25 for definition of net debt.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may increase or decrease debt, issue or buy back shares, adjust the amount of dividends paid to shareholders, or return capital to shareholders.

The Group's goal is to maintain a conservative financial profile. This is evidenced by the credit ratings maintained with Standard & Poor's and Moody's, which were reaffirmed in 2020.

Rating agency	**Publication date**	**Long-term debt**	**Outlook**	**Short-term debt**
Standard & Poor's	June 2020	BBB+	Stable	A2
Moody's	May 2020	Baa1	Stable	P2

The Group's medium-to long-term target is to maintain the net debt to comparable adjusted EBITDA ratio within a 1.5 to 2.0 range.

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

The ratios as at 31 December were as follows:

	2020 € million	2019 € million
Net debt (refer to Note 25)	**1,616.8**	**1,772.9**
Operating profit	**660.7**	715.3
Depreciation and impairment of property, plant and equipment	**388.1**	384.8
Amortisation of intangible assets	**0.9**	0.7
Employee performance shares	**9.5**	9.9
Adjusted EBITDA	**1,059.2**	**1,110.7**
Other restructuring expenses (primarily redundancy costs)	**10.0**	36.6
Unrealised loss on commodity derivatives	**1.6**	2.4
Acquisition costs	**–**	3.2
Total comparable adjusted EBITDA	**1,070.8**	**1,152.9**
Net debt / comparable adjusted EBITDA ratio	**1.51**	**1.54**

The reconciliation of other restructuring expenses to total restructuring expenses for the years ended 31 December was as follows:

	2020 € million	2019 € million
Total restructuring expenses included in operating expenses (refer to Note 8)	**9.8**	37.8
Total restructuring expenses included in share of results of integral equity-method investments	**0.2**	–
Less: Impairment of property, plant and equipment	**–**	(1.2)
Other restructuring expenses (primarily redundancy costs)	**10.0**	**36.6**

Hedging activity

The carrying amount of the derivative financial instruments are included in lines 'Other financial assets' and 'Other financial liabilities' of the consolidated balance sheet.

a) Cash flow hedges

The impact of the hedging instruments on the consolidated balance sheet was:

As at 31 December 2020	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**145.9**	**9.4**	
Non-current	**27.7**	**2.3**	
Commodity swap contracts	**27.7**	**2.3**	**Jan22-Nov22**
Current	**118.2**	**7.1**	
Foreign currency forward contracts	**62.1**	**1.1**	**Jan21-Oct21**
Commodity swap contracts	**56.1**	**6.0**	**Jan21-Dec21**
Contracts with negative fair values	**74.2**	**(3.3)**	
Non-current	**0.5**	**–**	
Commodity swap contracts	**0.5**	**–**	**Jan22-Nov22**
Current	**73.7**	**(3.3)**	
Foreign currency forward contracts	**44.0**	**(1.0)**	**Jan21-Jun21**
Commodity swap contracts	**29.7**	**(2.3)**	**Jan21-Dec21**

As at 31 December 2019	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**69.1**	**2.4**	
Non-current	**17.9**	**0.7**	
Commodity swap contracts	17.9	0.7	Jan21-Nov21
Current	**51.2**	**1.7**	
Foreign currency forward contracts	7.3	0.1	Jan20-Sep20
Interest rate contracts	9.5	0.2	Jul20-Sep20
Commodity swap contracts	34.4	1.4	Jan20-Dec20
Contracts with negative fair values	**141.8**	**(4.3)**	
Non-current	**6.4**	**(0.1)**	
Commodity swap contracts	6.4	(0.1)	Jan21-Nov21
Current	**135.4**	**(4.2)**	
Foreign currency forward contracts	104.7	(2.5)	Jan20-Nov20
Commodity swap contracts	30.7	(1.7)	Jan20-Dec20

The impact on the hedging reserve as a result of applying cash flow hedge accounting was:

	Spot component of foreign currency forward contracts	Intrinsic value of foreign currency option contracts	Cost of hedging reserve of currency derivatives	Commodity swap contracts	Interest rate swap contracts	**Total**
Opening balance 1 January 2019	**0.2**	**0.2**	**(0.5)**	**(10.5)**	**(39.4)**	**(50.0)**
Net gain of cash flow hedges	**(6.6)**	**0.5**	**–**	**2.8**	**5.8**	**2.5**
Change in fair value of hedging instruments recognised in OCI	(6.6)	0.5	–	2.8	(1.0)	**(4.3)**
Reclassified to profit or loss	–	–	–	–	6.8	**6.8**
Cost of hedging recognised in OCI	–	–	(4.5)	–	(6.6)	**(11.1)**
Reclassified to the cost of inventory	2.8	–	4.4	7.9	–	**15.1**
Closing balance 31 December 2019	**(3.6)**	**0.7**	**(0.6)**	**0.2**	**(40.2)**	**(43.5)**
Net gain of cash flow hedges	**19.0**	**0.1**	**–**	**(4.1)**	**7.7**	**22.7**
Change in fair value of hedging instruments recognised in OCI	19.0	0.1	–	(4.1)	–	**15.0**
Reclassified to profit or loss	–	–	–	–	7.7	**7.7**
Cost of hedging recognised in OCI	**–**	**–**	**(2.2)**	**–**	**–**	**(2.2)**
Reclassified to the cost of inventory	**(13.0)**	**(0.5)**	**3.2**	**10.4**	**–**	**0.1**
Appropriation of reserves	**(4.0)**	**(0.3)**	**0.3**	**–**	**–**	**(4.0)**
Closing balance 31 December 2020	**(1.6)**	**–**	**0.7**	**6.5**	**(32.5)**	**(26.9)**

An amount of €4.0m was reclassified from 'Hedging reserve' to 'Other reserves', as a result of change in classification of Multon (refer to Note 15).

The effect of the cash flow hedges in the consolidated income statement was:

	2020 Loss / (Gain) € million	2019 Loss / (Gain) € million
Net amount reclassified from other comprehensive income to cost of goods sold	**–**	–
Net amount reclassified from other comprehensive income to finance costs	**7.7**	6.8
Total	**7.7**	**6.8**

There was no significant ineffectiveness on the cash flow hedges during the years ended 31 December 2020 and 2019 in relation to cash flow hedges.

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

b) Undesignated hedges

The fair values of derivative financial instruments as at 31 December which economically hedge Group's risks and for which hedge accounting has not been applied were:

As at 31 December 2020	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**191.7**	**6.8**	
Non-current	**16.1**	**0.4**	
Embedded derivatives	**16.1**	**0.4**	**Jan21-Jun21**
Current	**175.6**	**6.4**	
Foreign currency forward contracts	**62.9**	**1.3**	**Jan21-Sep21**
Foreign currency future contracts	**110.0**	**4.9**	**Jan21-Mar21**
Commodity swap contracts	**2.7**	**0.2**	**Jan21-Dec21**
Contracts with negative fair values	**241.2**	**(8.0)**	
Non-current	**9.2**	**(1.3)**	
Commodity swap contracts	**9.2**	**(1.3)**	**Jan22-Nov22**
Current	**232.0**	**(6.7)**	
Foreign currency forward contracts	**198.6**	**(2.2)**	**Jan21-Sep21**
Commodity swap contracts	**33.4**	**(4.5)**	**Jan21-Dec21**

As at 31 December 2019	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**163.1**	**1.3**	
Non-current	**23.8**	**0.5**	
Embedded derivatives	23.8	0.5	Jan21-May21
Current	**139.3**	**0.8**	
Foreign currency forward contracts	139.3	0.8	Jan20-Dec20
Contracts with negative fair values	**189.3**	**(7.4)**	
Non-current	**2.7**	**–**	
Commodity swap contracts	2.7	–	Jan21-Nov21
Current	**186.6**	**(7.4)**	
Foreign currency forward contracts	74.9	(3.6)	Jan20-Dec20
Foreign currency future contracts	81.8	(0.1)	Jan20-Dec20
Commodity swap contracts	29.9	(3.7)	Jan20-Dec20

The effect of the undesignated hedges in the consolidated income statement was:

	2020 Loss / (Gain) € million	2019 Loss / (Gain) € million
Net amount recognised in cost of goods sold	**15.1**	11.4
Net amount recognised in operating expenses	**(1.2)**	(6.5)
Total	**13.9**	**4.9**

Financial instruments' categories

Categories of financial instruments as at 31 December were as follows (in € million):

2020

Assets	**Debt financial assets at amortised cost**	**Assets at FVTPL**	**Derivatives designated as hedging instruments**	**Equity financial assets at FVOCI**	**Total current and non-current**	**Analysis of total assets: Current**	**Analysis of total assets: Non-current**
Investments including loans to related parties	**100.8**	**–**	**–**	**3.6**	**104.4**	**93.1**	**11.3**
Derivative financial instruments	**–**	**6.8**	**9.4**	**–**	**16.2**	**13.5**	**2.7**
Trade and other receivables	**689.8**	**–**	**–**	**–**	**689.8**	**688.4**	**1.4**
Cash and cash equivalents	**1,215.8**	**–**	**–**	**–**	**1,215.8**	**1,215.8**	**–**
Total	**2,006.4**	**6.8**	**9.4**	**3.6**	**2,026.2**	**2,010.8**	**15.4**

Liabilities	**Liabilities held at amortised cost**	**Liabilities at FVTPL**	**Derivatives designated as hedging instruments**	**Total current and non-current**	**Analysis of total liabilities: Current**	**Analysis of total liabilities: Non-current**
Trade and other payables	**1,453.6**	**–**	**–**	**1,453.6**	**1,447.4**	**6.2**
Borrowings	**2,925.5**	**–**	**–**	**2,925.5**	**315.2**	**2,610.3**
Derivative financial instruments	**–**	**8.0**	**3.3**	**11.3**	**10.0**	**1.3**
Total	**4,379.1**	**8.0**	**3.3**	**4,390.4**	**1,772.6**	**2,617.8**

2019

Assets	Debt financial assets at amortised cost	Assets at FVTPL	Derivatives designated as hedging instruments	Equity financial assets at FVOCI	Total current and non-current	Analysis of total assets: Current	Analysis of total assets: Non-current
Investments including loans to related parties	361.8	371.5	–	3.7	737.0	732.4	4.6
Derivative financial instruments	–	1.3	2.4	–	3.7	2.5	1.2
Trade and other receivables	935.5	–	–	–	935.5	931.6	3.9
Cash and cash equivalents	823.0	–	–	–	823.0	823.0	–
Total	**2,120.3**	**372.8**	**2.4**	**3.7**	**2,499.2**	**2,489.5**	**9.7**

Liabilities	Liabilities held at amortised cost	Liabilities at FVTPL	Derivatives designated as hedging instruments	Total current and non-current	Analysis of total liabilities: Current	Analysis of total liabilities: Non-current
Trade and other payables	1,553.9	–	–	1,553.9	1,547.8	6.1
Borrowings	3,324.7	–	–	3,324.7	761.8	2,562.9
Derivative financial instruments	–	7.4	4.3	11.7	11.6	0.1
Total	**4,878.6**	**7.4**	**4.3**	**4,890.3**	**2,321.2**	**2,569.1**

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

Interest rate swap contracts

The Group entered into forward starting swap contracts of €500.0m in 2014 to hedge the interest rate risk related to its Euro-denominated forecast issuance of fixed rate debt in March 2016. In August 2015, the Group entered into additional forward starting swap contracts of €100.0m. In March 2016, the forward starting swap contracts were settled and at the same time the new note was issued, the accumulated loss of €55.4m recorded in other comprehensive income is being amortised to the income statement over the term of the new note (refer to Note 25).

The Group entered into swaption contracts of €350.0m in 2018 and €1,050.0m in 2019 to hedge the interest rate risk related to its Euro-denominated forecast issuance of fixed rate debt in 2019 and formally designated them as cash flow hedges. In May and November 2019, the swaption contracts were settled and, at the same time, the new notes were issued. The accumulated loss of €9.6m recorded in other comprehensive income is being amortised to the income statement over the relevant period.

Embedded derivatives

During 2015, the Group recognised embedded derivatives whose risks and economic characteristics were not considered to be closely related to the commodity contract in which they were embedded. The fair value of the embedded derivatives as at 31 December 2020 amounted to a financial asset of €0.4m (2019: €0.5m).

Fair values of financial assets and liabilities

For financial instruments such as cash, deposits, debtors and creditors, investments, loans payable to related parties, short-term borrowings (excluding the current portion of bonds and notes payable) and other financial liabilities (other than bonds and notes payable), carrying values are a reasonable approximation of their fair values. According to the fair value hierarchy, the financial instruments measured at fair value are classified as follows:

Level 1

The fair value of FVOCI listed equity securities as well as FVTPL securities is based on quoted market prices at the reported date. The fair value of bonds is based on quoted market prices at the reported date.

Level 2

The fair value of foreign currency forward, option and futures contracts, commodity swap contracts, bonds and notes payable, interest rate swap contracts, forward starting swap contracts and embedded foreign currency derivatives is determined by using valuation techniques. These valuation techniques maximise the use of observable market data. The fair value of the foreign currency forward, option and futures contracts, commodity swap contracts, embedded foreign currency derivatives and cross-currency swap contracts is calculated by reference to quoted forward exchange, deposit rates and forward rate curve of the underlying commodity at the reported date for contracts with similar maturity dates. The fair value of interest rate option contracts is calculated by reference to the Black-Scholes valuation model and implied volatilities. The fair value of interest rate swap contracts is determined as the difference in the present value of the future interest cash inflows and outflows based on observable yield curves.

Level 3

The fair value of FVOCI unlisted equity securities as well as certain undesignated derivatives and foreign currency futures contracts is determined through the use of estimated discounted cash flows or other valuation techniques. These valuation techniques estimate the fair value of undesignated derivatives using settlement and forward prices received from counterparty banks and subscription-based publications and the fair value of foreign currency futures contracts by using adjusted quoted prices.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

The following table provides the fair value hierarchy levels into which fair value measurements are categorised for assets and liabilities measured at fair value as at 31 December 2020:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets at FVTPL				
Foreign currency forward contracts	–	1.3	–	**1.3**
Foreign currency futures contracts	–	–	4.9	**4.9**
Embedded derivatives	–	0.4	–	**0.4**
Commodity swap contracts	–	0.2	–	**0.2**
Derivative financial assets used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	1.1	–	**1.1**
Commodity swap contracts	–	8.3	–	**8.3**
Assets at FVOCI				
Equity securities	0.8	–	2.8	**3.6**
Total financial assets	**0.8**	**11.3**	**7.7**	**19.8**
Financial liabilities at FVTPL				
Foreign currency forward contracts	–	(2.2)	–	**(2.2)**
Commodity swap contracts	–	–	(5.8)	**(5.8)**
Derivative financial liabilities used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	(1.0)	–	**(1.0)**
Commodity swap contracts	–	(2.3)	–	**(2.3)**
Total financial liabilities	**–**	**(5.5)**	**(5.8)**	**(11.3)**

There were no transfers between Level 1 and Level 2 in the year. During 2020, the Group reclassified foreign currency derivatives relating to the Nigerian Naira from Level 2 into Level 3. This reclassification resulted from the use of a more relevant valuation technique which incorporates greater use of the unobservable inputs and more appropriately approximates their fair values as at 31 December 2020. The fair value of these derivatives as at 31 December 2020 amounted to a financial asset of €4.9m (31 December 2019: financial liability of €0.1m).

The following table provides the fair value hierarchy levels into which fair value measurements are categorised for assets and liabilities measured at fair value as at 31 December 2019:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets at FVTPL				
Foreign currency forward contracts	–	0.8	–	**0.8**
Embedded derivatives	–	0.5	–	**0.5**
Money market funds	371.5	–	–	**371.5**
Derivative financial assets used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	0.1	–	**0.1**
Foreign currency option contracts	–	0.2	–	**0.2**
Commodity swap contracts	–	2.1	–	**2.1**
Assets at FVOCI				
Equity securities	0.9	–	2.8	**3.7**
Total financial assets	**372.4**	**3.7**	**2.8**	**378.9**
Financial liabilities at FVTPL				
Foreign currency forward contracts	–	(3.6)	–	**(3.6)**
Foreign currency futures contracts	–	(0.1)	–	**(0.1)**
Commodity swap contracts	–	–	(3.7)	**(3.7)**
Derivative financial liabilities used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	(2.5)	–	**(2.5)**
Commodity swap contracts	–	(1.8)	–	**(1.8)**
Total financial liabilities	**–**	**(8.0)**	**(3.7)**	**(11.7)**

There were no transfers between Level 1, Level 2 and Level 3 in the year.

Notes to the consolidated financial statements *continued*

25. Net debt

Accounting policy

Borrowings are initially recognised at the fair value net of transaction costs incurred.

After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method whereby any discount, premium or transaction costs associated with a borrowing are amortised to the income statement over the borrowing period.

Refer also to Note 16 for accounting policy on leases.

Cash and cash equivalents comprise cash balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Bank overdrafts are classified as short-term borrowings in the balance sheet and for the purpose of the cash flow statement. Time deposits and treasury bills which do not meet the definition of cash and cash equivalents are classified as short-term investments at amortised cost. Money market funds are classified as short-term investments at fair value through profit or loss.

Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents, and certain other financial assets.

Net debt for the year ended 31 December comprised:

	2020 € million	2019 € million
Current borrowings	**315.2**	761.8
Non-current borrowings	**2,610.3**	2,562.9
Less: Cash and cash equivalents	**(1,215.8)**	(823.0)
• Financial assets at amortised cost	**(92.9)**	(357.3)
• Financial assets at fair value through profit or loss	**–**	(371.5)
Less: Other financial assets	**(92.9)**	(728.8)
Net debt	**1,616.8**	**1,772.9**

The financial assets at amortised cost comprise of time deposits amounting to €92.9m (31 December 2019: €349.8m) and also include an amount of €nil (31 December 2019: €7.5m) invested in Nigerian Treasury Bills. The financial assets at fair value through profit and loss in 2019 related to money market funds. The line item 'Other financial assets' of the balance sheet includes derivative financial instruments of €13.5m (31 December 2019: €2.5m) and related party loans receivable of €0.2m (31 December 2019: €3.6m).

a) Borrowings

The Group held the following borrowings as at 31 December:

	2020 € million	2019 € million
Bonds, bills and unsecured notes	**–**	563.1
Commercial paper	**200.0**	100.0
Loans payable to related parties (refer to Note 27)	**29.8**	20.1
Other borrowings	**30.6**	22.3
	260.4	**705.5**
Obligations under leases falling due within one year	**54.8**	56.3
Total borrowings falling due within one year	**315.2**	**761.8**
Borrowings falling due within one to two years		
Loans payable to related parties (refer to Note 27)	**56.5**	27.2
Borrowings falling due within two to five years		
Bonds, bills and unsecured notes	**597.9**	597.4
Borrowings falling due in more than five years		
Bonds, bills and unsecured notes	**1,785.5**	1,783.6
Other borrowings	**41.0**	–
	2,480.9	**2,408.2**
Obligations under leases falling due in more than one year	**129.4**	154.7
Total borrowings falling due after one year	**2,610.3**	**2,562.9**
Total borrowings	**2,925.5**	**3,324.7**

Reconciliation of liabilities to cash flows arising from financing activities:

	Borrowings		**Leases**			
	due within one year € million	**due in more than one year € million**	**due within one year € million**	**due in more than one year € million**	**Derivative assets/ (liabilities) € million**	**Total € million**
Balance at 1 January 2019	129.9	1,408.5	46.4	165.0	–	1,749.8
Cash flows						**–**
Proceeds from borrowings	16.7	1,823.3	–	–	–	**1,840.0**
Repayments of borrowings	(135.6)	(236.6)	–	–	–	**(372.2)**
Principal repayments of lease obligations	–	–	(45.5)	–	–	**(45.5)**
Interest paid	(43.7)	(17.0)	(11.1)	–	–	**(71.8)**
Proceeds from/(payments for) settlement of derivatives regarding financing activities	–	–	–	–	(8.3)	**(8.3)**
Total cash flows	**(162.6)**	**1,569.7**	**(56.6)**	**–**	**(8.3)**	**1,342.2**
Arising from business combination	125.6	–	0.3	0.3	–	**126.2**
Leases increase	–	–	13.7	50.0	–	**63.7**
Effect of changes in exchange rates	0.1	3.4	0.9	1.7	–	**6.1**
Other non-cash movements	612.5	(573.4)	51.6	(62.3)	8.3	**36.7**
Balance at 31 December 2019	**705.5**	**2,408.2**	**56.3**	**154.7**	**–**	**3,324.7**
Cash flows						
Proceeds from borrowings	113.8	98.0	–	–	–	**211.8**
Repayments of borrowings	(619.6)	(36.2)	–	–	–	**(655.8)**
Principal repayments of lease obligations	–	–	(58.7)	–	–	**(58.7)**
Interest paid	(53.3)	(0.4)	(11.0)	–	–	**(64.7)**
Proceeds from/(payments for) settlement of derivatives regarding financing activities	–	–	–	–	(1.1)	**(1.1)**
Total cash flows	**(559.1)**	**61.4**	**(69.7)**	**–**	**(1.1)**	**(568.5)**
Leases increase	–	–	5.1	48.5	–	**53.6**
Effect of changes in exchange rates	(3.3)	–	(3.1)	(6.6)	–	**(13.0)**
Other non-cash movements	117.3	11.3	66.2	(67.2)	1.1	**128.7**
Balance at 31 December 2020	**260.4**	**2,480.9**	**54.8**	**129.4**	**–**	**2,925.5**

The 'Other non-cash movements' primarily include the transfer from long-term to short-term liabilities and interest incurred. Also, 'Other non-cash movements' in 2020 are impacted by the change in classification of Multon (refer to Note 15), which resulted in an increase to borrowings for the Group.

Commercial paper programme

In October 2013, the Group established a €1.0bn Euro-commercial paper programme ('CP programme') which was updated in September 2014, in May 2017 and then in May 2020, to further diversify its short-term funding sources. The Euro-commercial paper notes may be issued either as non-interest-bearing notes sold at a discount or as interest-bearing notes at a fixed or floating rate. All commercial paper issued under the CP programme must be repaid within 7 to 364 days. The CP programme has been granted the Short Term Euro Paper label ('STEP') and commercial paper is issued through Coca-Cola HBC's fully owned subsidiary Coca-Cola HBC Finance B.V. and is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The outstanding amount under the CP programme as at 31 December 2020 was €200.0m (2019: €100.0m).

Committed credit facilities

In April 2019, the Group updated its then-existing €500.0m syndicated revolving credit facility, which was set to expire in June 2021. The updated syndicated revolving credit facility has been increased to €800.0m and has been extended to April 2024 with the option to be extended up for two more years until April 2026. In March 2020, the Company exercised its extension option and the facility has been extended to April 2025. This facility can be used for general corporate purposes and carries a floating interest rate over EURIBOR and LIBOR. No amounts have been drawn under the syndicated revolving credit facility since inception. The borrower in the syndicated revolving credit facility is Coca-Cola HBC's fully owned subsidiary Coca-Cola HBC Finance B.V. and any amounts drawn under the facility are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In December 2019, the Group established a loan facility of US Dollar 85m to finance the purchase of production equipment by the Group's subsidiary in Nigeria. The facility is being drawn down by Nigerian Bottling Company (NBC) over the course of 2020 and 2021, maturing in 2027. The obligations under this facility are guaranteed by Coca-Cola HBC AG. As at 31 December 2020, the outstanding liability amounted to €48.2m (2019: €nil).

Notes to the consolidated financial statements *continued*

25. Net debt *continued*

Euro medium-term note programme

In June 2013, the Group established a new €3.0bn Euro medium-term note programme (the 'EMTN programme'). The EMTN programme was updated in September 2014, September 2015, April 2019, when it was increased to € 5.0bn, and then April 2020. Notes are issued under the EMTN programme through Coca-Cola HBC's 100%-owned subsidiary Coca-Cola HBC Finance B.V. and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In June 2013, Coca-Cola HBC Finance B.V. completed the issue of €800m, 2.375%, seven-year fixed rate, Euro-denominated notes. The net proceeds of the new issue were used to repay the US$500m notes due in September 2013 and partially repay €183.0m of the 7.875% five-year fixed rate notes due in January 2014.

In March 2016, Coca-Cola HBC Finance B.V. completed the issue of a €600m Euro-denominated fixed rate bond maturing in November 2024. The coupon rate of the new bond is 1.875% which, including the amortisation of the loss on the forward starting swap contracts over the term of the fixed rate bond, results in an effective interest rate of 2.99%. The net proceeds of the new issue were used to partially repay €214.6m of the 4.25%, €600m seven-year fixed rate notes due in November 2016. The remaining €385.4m was repaid in November 2016 upon its maturity.

In May 2019, Coca-Cola HBC Finance B.V. completed the issue of a €700m Euro-denominated fixed rate bond maturing in May 2027 with a coupon rate of 1% and the issue of a €600m Euro-denominated fixed rate bond maturing in May 2031 with a coupon rate of 1.625%. The net proceeds of the new issue were used to partially repay €236.6m of the 2.375% €800m, seven-year fixed rate bond due in June 2020. The remaining €563.4m was repaid in June 2020 upon its maturity.

In November 2019, Coca-Cola HBC Finance B.V. completed the issue of a €500m Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%.

As at 31 December 2020, a total of €2.4bn in notes issued under the EMTN programme were outstanding.

Summary of notes outstanding as at 31 December

				Book Value		Fair Value	
Notes	Start date	Maturity date	Fixed coupon	**2020 € million**	2019 € million	**2020 € million**	2019 € million
€800	18 June 2013	18 June 2020	2.375%	**–**	563.1	**–**	566.6
€600	10 March 2016	11 November 2024	1.875%	**597.9**	597.4	**648.2**	652.3
€700	14 May 2019	14 May 2027	1.000%	**695.9**	695.2	**741.5**	721.5
€500	21 November 2019	21 November 2029	0.625%	**494.0**	493.2	**518.3**	489.7
€600	14 May 2019	14 May 2031	1.625%	**595.6**	595.2	**678.2**	643.4
Total				**2,383.4**	**2,944.1**	**2,586.2**	**3,073.5**

The weighted average effective interest rate of the Euro-denominated fixed rate bonds is 1.69% and the weighted average maturity is 7.3 years. The fair values are within Level 1 of the value hierarchy.

None of our debt facilities are subject to any financial covenants that would impact the Group's liquidity or access to capital.

Total borrowings at 31 December, were held in the following currencies:

	Current		Non-current	
	2020 € million	2019 € million	**2020 € million**	2019 € million
Euro	**251.8**	709.2	**2,444.2**	2,442.5
Russian Rouble	**24.4**	21.8	**61.3**	37.6
US Dollar	**13.0**	1.5	**59.6**	22.0
Nigerian Naira	**6.3**	9.4	**11.5**	15.3
Bulgarian Lev	**5.4**	5.0	**8.9**	12.9
Czech Koruna	**3.5**	2.9	**7.3**	9.1
Swiss Franc	**4.4**	4.5	**5.8**	6.1
UK Sterling	**1.8**	1.9	**5.3**	7.4
Romanian Leu	**1.6**	1.4	**1.9**	3.5
Polish Zloty	**1.1**	1.7	**1.0**	1.6
Croatian Kuna	**0.9**	1.0	**0.9**	1.2
Hungarian Forint	**0.5**	0.7	**0.5**	1.2
Bosnian Mark	**0.3**	0.3	**0.6**	0.3
Belarusian Rouble	**–**	–	**0.7**	1.2
Other	**0.2**	0.5	**0.8**	1.0
Total borrowings	**315.2**	**761.8**	**2,610.3**	**2,562.9**

The carrying amounts of interest-bearing borrowings held at fixed and floating interest rate as at 31 December 2020, were as follows:

	Fixed interest rate € million	**Floating interest rate € million**	**Total € million**
Euro	**2,679.5**	**16.5**	**2,696.0**
Russian Rouble	**8.3**	**77.4**	**85.7**
US Dollar	**68.3**	**4.3**	**72.6**
Nigerian Naira	**17.8**	**–**	**17.8**
Bulgarian Lev	**14.3**	**–**	**14.3**
Czech Koruna	**10.8**	**–**	**10.8**
Swiss Franc	**10.2**	**–**	**10.2**
UK Sterling	**0.7**	**6.4**	**7.1**
Romanian Leu	**3.1**	**0.4**	**3.5**
Polish Zloty	**2.1**	**–**	**2.1**
Croatian Kuna	**1.8**	**–**	**1.8**
Hungarian Forint	**1.0**	**–**	**1.0**
Bosnian Mark	**0.9**	**–**	**0.9**
Belarusian Rouble	**0.7**	**–**	**0.7**
Other	**1.0**	**–**	**1.0**
Total interest-bearing borrowings	**2,820.5**	**105.0**	**2,925.5**

b) Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise the following:

	2020 € million	2019 € million
Cash at bank, in transit and in hand	**513.2**	662.8
Short-term deposits	**702.6**	160.2
Total cash and cash equivalents	**1,215.8**	**823.0**

Cash and cash equivalents are held in the following currencies:

	2020 € million	2019 € million
Euro	**1,020.9**	683.5
Nigerian Naira	**102.0**	33.1
Ukrainian Hryvnia	**15.6**	5.3
Serbian Dinar	**9.9**	20.0
Romanian Leu	**9.3**	11.1
Russian Rouble	**8.3**	16.3
US Dollar	**8.2**	8.1
Swiss Franc	**8.2**	1.0
Polish Zloty	**7.3**	18.2
Moldovan Leu	**6.3**	2.1
Bosnian Mark	**4.8**	2.9
Hungarian Forint	**3.6**	5.0
UK Sterling	**2.0**	6.7
Belarusian Rouble	**2.7**	4.1
Croatian Kuna	**2.5**	2.1
Czech Koruna	**0.4**	1.1
Other	**3.8**	2.4
Total cash and cash equivalents	**1,215.8**	**823.0**

As at 31 December 2020, time deposits of €92.9m (2019: €349.8m), which do not meet the definition of cash and cash equivalents, and investment in Nigerian Treasury Bills of €nil (2019: €7.5m), which in 2019 related to the outstanding balance held for the repayment of Nigerian Bottling Company former minority shareholders following the 2011 acquisition of non-controlling interests, are recorded as other financial assets.

Cash and cash equivalents of €102.0m (2019: €33.1m) equivalent in Nigerian Naira include an amount of €11.0m (2019: €6.4m) which relates to the outstanding balance held for the repayment of Nigerian Bottling Company former minority shareholders, following the 2011 acquisition of non-controlling interests.

The amount of dividends payable to the Company by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws and exchange control restrictions of the respective jurisdictions where those subsidiaries are organised and operate. Also, there are fund transfer restrictions in certain countries in which we operate, in particular Belarus, Nigeria, Serbia and Ukraine, where these restrictions do not have a material impact on the Group's liquidity, as the amounts of cash and cash equivalents held in such countries are generally retained for capital expenditure, working capital and dividend distribution purposes. Intra-group dividends paid by certain of our subsidiaries are also subject to withholding taxes.

Notes to the consolidated financial statements *continued*

26. Equity

Accounting policies

Share capital

Coca-Cola HBC has only one class of shares, ordinary shares. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. Incremental external costs directly attributable to the issue of new shares or to the process of returning capital to shareholders are recorded in equity as a deduction, net of tax, in the share premium reserve.

Dividends

Dividends are recorded in the Group's consolidated financial statements, against the relevant equity component, in the period in which they are approved by the Group's shareholders.

a) Share capital, share premium and Group reorganisation reserve

	Number of shares (authorised and issued)	Share capital € million	Share premium € million	Group reorganisation reserve € million
Balance as at 1 January 2019	371,827,229	2,021.2	4,547.9	(6,472.1)
Shares issued to employees exercising stock options (refer to Note 28)	1,352,731	8.0	13.4	–
Cancellation of shares	(3,249,803)	(18.4)	(74.1)	–
Dividends	–	–	(208.9)	–
Special dividend	–	–	(733.0)	–
Balance as at 31 December 2019	**369,930,157**	**2,010.8**	**3,545.3**	**(6,472.1)**
Shares issued to employees exercising stock options (refer to Note 28)	582,440	3.6	4.0	–
Dividends	–	–	(227.9)	–
Balance as at 31 December 2020	**370,512,597**	**2,014.4**	**3,321.4**	**(6,472.1)**

The Group reorganisation reserve relates to the impact from adjusting share capital, share premium and treasury shares to reflect the respective statutory amounts of Coca-Cola HBC on 25 April 2013, together with the transaction costs incurred by the latter, relating primarily to the re-domiciliation of the Group and its admission to listing in the premium segment of the London Stock Exchange, following successful completion of the voluntary share exchange offer (refer also to Note 1). These transactions were treated as a reorganisation of an existing entity that has not changed the substance of the reporting entity.

In 2020, the share capital of Coca-Cola HBC increased by the issue of 582,440 (2019: 1,352,731) new ordinary shares following the exercise of stock options pursuant to the Coca-Cola HBC AG's employees' stock option plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €7.6m (2019: €21.4m).

Following the above changes, on 31 December 2020 the share capital of the Group amounted to €2,014.4m and comprised 370,512,597 shares with a nominal value of CHF 6.70 each.

b) Dividends

On 18 June 2019, the shareholders of Coca-Cola HBC AG at the Annual General Meeting approved the 2018 dividend distribution of €0.57 per share as well as a special dividend of €2.00 per share. The total dividend amounted to €941.9m and was paid on 30 July 2019. Of this an amount of €8.8m related to shares held by the Group.

The shareholders of Coca-Cola HBC AG approved the 2019 dividend distribution of €0.62 per share at the Annual General Meeting held on 16 June 2020. The total dividend amounted to €227.9m and was paid on 28 July 2020. Of this, an amount of €2.2m related to shares held by the Group.

The Board of Directors of Coca-Cola HBC AG has proposed a €0.64 dividend per share in respect of 2020. If approved by the shareholders of Coca-Cola HBC AG, this dividend will be paid in 2021.

c) Treasury shares and reserves

The reserves of the Group at 31 December were as follows:

	2020 € million	2019 € million
Treasury shares	**(155.5)**	**(169.8)**
Exchange equalisation reserve	**(1,242.1)**	**(964.7)**
Other reserves		
Hedging reserve, net	**(27.5)**	(42.6)
Tax-free reserve	**163.8**	163.8
Statutory reserves	**28.4**	28.0
Stock option and performance share reserve	**80.1**	84.9
Financial assets at fair value through other comprehensive income reserve, net	**0.6**	0.8
Other	**21.3**	21.4
Total other reserves	**266.7**	**256.3**
Total reserves	**(1,130.9)**	**(878.2)**

Treasury shares

Treasury shares held by the Group represent shares acquired following approval of share buy-back programmes, forfeited shares under the equity compensation plan operated by the Group, as well as shares representing the initial ordinary shares of Coca-Cola HBC acquired from Kar-Tess Holding.

On 11 June 2018, the Annual General Meeting adopted a proposal for share buy-back of up to 7,500,000 ordinary shares of Coca-Cola HBC for the purpose of neutralising the dilution resulting from shares issued under Coca-Cola HBC's equity compensation plans and meeting the requirements of the Company's employee incentive scheme. The programme was completed in full in May 2019 for a total consideration of €220.6m. This resulted in a movement to treasury shares within the consolidated statement of changes in equity of €106.1m, being the consideration paid in 2019 of €192.8m adjusted for the impact from the €85.5m UK Sterling denominated liability recognised as at 31 December 2018, further adjusted by €1.2m recorded on settlement of the arrangement.

On 18 June 2019, the Annual General Meeting approved the proposal to reduce the share capital of Coca-Cola HBC AG by cancelling the 3,249,803 treasury shares acquired as part of the share buy-back programme described above. The respective reduction of the share capital was completed in August 2019.

An amount of €14.3m in 2020 (2019: €27.9m) relates to treasury shares provided to employees in connection with vested performance share awards under the Group's employee incentive scheme, which was reflected as an appropriation of reserves between 'Treasury shares' and 'Other reserves', more specifically the 'Stock option and performance share reserve', in the consolidated statement of changes in equity.

As at 31 December 2020, 6,189,415 (2019: 6,658,233) treasury shares were held by the Group.

Exchange equalisation reserve

The exchange equalisation reserve comprises all foreign exchange differences arising from the translation of the financial statements of Group entities with functional currencies other than the Euro.

Other reserves

Hedging reserve

The hedging reserve reflects changes in the fair values of derivatives accounted for as cash flow hedges, net of the deferred tax related to such balances.

Tax-free and statutory reserves

The tax-free reserve includes investment amounts exempt from tax according to incentive legislation, other tax-free income or income taxed at source. Statutory reserves are particular to the various countries in which the Group operates. The amount of statutory reserves of the parent entity, Coca-Cola HBC AG, is €nil. During 2020, an amount of €0.4m (2019: €0.4m) was reclassified to statutory reserves relating to the establishment of additional reserves by the Group's subsidiaries.

Stock option and performance share reserve

The stock option and performance share reserve represents the cumulative charge to the income statement for employee stock option and performance share awards less the vested performance share awards.

Other

Other reserves are particular to the various countries in which the Group operates and include shares held for the Group's employee share purchase plan, which is an equity compensation plan in which eligible employees may participate as well as the Group's share of changes in other reserves of equity-method investments.

27. Related party transactions

a) The Coca-Cola Company

As at 31 December 2020, The Coca-Cola Company indirectly owned 23.0% (2019: 23.0%) of the issued share capital of Coca-Cola HBC. The Coca-Cola Company considers Coca-Cola HBC to be a 'key bottler' and has entered into bottlers' agreements with Coca-Cola HBC in respect of each of the Group's territories. All the bottlers' agreements entered into by The Coca-Cola Company and Coca-Cola HBC are Standard International Bottlers' ('SIB') agreements. The terms of the bottlers' agreements grant Coca-Cola HBC the right to produce and the exclusive right to sell and distribute the beverages of The Coca-Cola Company in each of the countries in which the Group operates. Consequently, Coca-Cola HBC is obliged to purchase all concentrate for The Coca-Cola Company's beverages from The Coca-Cola Company, or its designee, in the ordinary course of business. On 10 October 2012, The Coca-Cola Company agreed to extend the term of the bottlers' agreements for a further 10 years until 2023.

The Coca-Cola Company owns or has applied for the trademarks that identify its beverages in each of the countries in which the Group operates. The Coca-Cola Company has authorised Coca-Cola HBC and certain of its subsidiaries to use the trademark 'Coca-Cola' in their corporate names.

Notes to the consolidated financial statements *continued*

27. Related party transactions *continued*

The below table summarises transactions with The Coca-Cola Company and its subsidiaries:

	2020 € million	2019 € million
Purchases of concentrate, finished products and other items	**1,374.6**	1,596.5
Net contributions received for marketing and promotional incentives	**90.7**	119.2
Sales of finished goods and raw materials	**3.5**	15.7
Other income	**6.3**	3.3
Other expenses	**5.6**	5.6

The Coca-Cola Company makes discretionary marketing contributions to Coca-Cola HBC's operating subsidiaries. The participation in shared marketing agreements is at The Coca-Cola Company's discretion and, where co-operative arrangements are entered into, marketing expenses are shared. Such arrangements include the development of marketing programmes to promote The Coca-Cola Company's beverages. Contributions received from The Coca-Cola Company for marketing and promotional incentives during the year amounted to €90.7m (2019: €119.2m): contributions made by The Coca-Cola Company to Coca-Cola HBC for price support and marketing and promotional campaigns in respect of specific customers in 2020 totalled €63.9m (2019: €92.6m), while contributions made by The Coca-Cola Company to Coca-Cola HBC for general marketing programmes in 2020 totalled €26.8m (2019: €26.6m). The Coca-Cola Company has also customarily made additional payments for marketing and advertising directly to suppliers as part of the shared marketing arrangements. The proportion of direct and indirect payments, made at The Coca-Cola Company's discretion, will not necessarily be the same from year to year.

As at 31 December 2020, the Group had a total amount due from The Coca-Cola Company of €40.9m (2019: €61.4m), and a total amount due to The Coca-Cola Company of €196.4m (2019: €309.4m including loan payable of €43.3m).

b) Frigoglass S.A. ('Frigoglass'), Kar-Tess Holding and AG Leventis (Nigeria) Plc

Truad Verwaltungs AG currently indirectly owns 48.6% of Frigoglass and 62.8% of AG Leventis (Nigeria) Plc and also indirectly controls Kar-Tess Holding, which holds approximately 23.0% (2019: 23.1%) of Coca-Cola HBC's total issued share capital.

The below table summarises transactions with the above entities:

Frigoglass & subsidiaries	2020 € million	2019 € million
Purchases of coolers, cooler parts, glass bottles, crowns and raw and other materials	**92.7**	131.2
Maintenance and other expenses	**21.1**	24.0
AG Leventis (Nigeria) Plc		
Purchases of finished goods and other items	**5.1**	7.5
Other expenses	**0.7**	0.3

Frigoglass, a company listed on the Athens Exchange, is a manufacturer of coolers, cooler parts, glass bottles, crowns and plastics.

Frigoglass has a controlling interest in Frigoglass Industries (Nigeria) Limited, a company in which the Group has a 23.9% effective interest, through its investment in Nigerian Bottling Company Ltd. Furthermore, during 2015 the Group acquired through its investment in Nigerian Bottling Company Ltd a 23.9% effective interest in Frigoglass West Africa Ltd. In 2019, Frigoglass West Africa Ltd. merged with Frigoglass Industries (Nigeria) Limited.

The Group entered into a supply agreement with Frigoglass for the purchase of cooling equipment in 1999. The supply agreement was extended in 2004, 2008, 2013, 2018 and, most recently, in 2021, on substantially similar terms. Coca-Cola HBC has the status of most favoured customer of Frigoglass, on a non-exclusive basis, provided that it obtains at least 60% (at prices which are agreed on an annual basis and which must be competitive) of its annual requirements for cooling equipment from Frigoglass. The current agreement expires on 31 December 2025.

As at 31 December 2020, Coca-Cola HBC owed €11.8m (2019: €16.4m) to and was owed €0.8m (2019: €0.9m) by Frigoglass and its subsidiaries.

As at 31 December 2020, the Group owed €1.8m (2019: €1.9m) to AG Leventis (Nigeria) Plc.

Capital commitments to Frigoglass and its subsidiaries as at 31 December 2020 amounted to €14.1m (€32.4m as at 31 December 2019) including the Group's share of its joint ventures' capital commitments to Frigoglass.

c) Other related parties

The below table summarises transactions with other related parties:

	2020 € million	2019 € million
Purchases	**1.8**	2.1
Other expenses	**16.4**	17.5

During 2020, the Group incurred subsequent expenditure for fixed assets of €1.8m (2019: €2.1m) from other related parties. Furthermore, during 2020, the Group incurred expenses of €16.4m (2019: €17.5m) mainly related to maintenance services for cold drink equipment and installations of coolers, fountains, vending and merchandising equipment from other related parties.

As at 31 December 2020, the Group owed €1.9m (2019: €1.2m) to and was owed €nil m (2019: €0.1m) by other related parties.

During 2020, the Group received dividends of €1.3m from BevService S.r.l. (2019: €nil), which are included in line 'Net receipts from non-integral equity-method investments' of the consolidated cash flow statement.

d) Joint ventures

During 2020, the Group purchased €10.9m of finished goods (2019: €18.3m) from joint ventures. In addition, during 2020 the Group recorded sales of finished goods and raw materials of €2.8m (2019: €3.8m) to joint ventures. Furthermore, the Group recorded other income of €10.2m (2019: €4.2m) and other expenses of €11.5m (2019: €3.9) from joint ventures.

As at 31 December 2020, the Group owed €159.6m including loans payable of €86.3m (2019: €9.6m including loans payable €4.0m) to and was owed €13.1m including loans receivable of €7.0m (2019: €6.8m including loans receivable of €3.6m) by joint ventures. During 2020, the Group received dividends of €27.1m from integral joint ventures (dividends and capital returns from joint ventures of €7.7m in the respective prior-year period), which are included in line 'Net receipts from integral equity-method investments' (2019: 'Net receipts from equity investments') of the consolidated cash flow statement.

e) Directors and senior management

Anastassis G. David, Anastasios I. Leventis, Christo Leventis and Ryan Rudolph have all been nominated by Kar-Tess Holding to the Board of Coca-Cola HBC. José Octavio Reyes has been nominated by TCCC to the Board of Coca-Cola HBC and Alfredo Rivera has been elected to the Board of Coca-Cola HBC following a proposal by TCCC. There have been no transactions between Coca-Cola HBC and the Directors and senior management except for remuneration (refer to Note 8).

28. Share-based payments

Accounting policies

Stock option and performance share award plan

Coca-Cola HBC provides equity-settled share-based payments to its senior managers in the form of an employee stock option and performance share award plan (the 'Plan').

Stock options under the Plan are measured at fair value at the date of grant. Fair value reflects the parameters of the compensation plan, the risk-free interest rate, the expected volatility, the dividend yield and the early exercise experience under the Plan. Expected volatility is determined by calculating the historical volatility of Coca-Cola HBC's share price over previous years. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period.

The Plan offers a specified number of performance share awards that vest three years after the grant. The fair value is determined at the grant date and reflects the parameters of the compensation plan, the dividend yield and the closing share price on the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on non-market conditions, and recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Employee Share Purchase Plan

The Group operates an employee share purchase plan (the 'ESPP'), an equity compensation plan in which eligible employees can participate. The Group makes contributions to the plan for participating employees and recognises expenses over the vesting period of the contributions.

The charge included in employee costs regarding share-based payments for the years ended 31 December is analysed as follows:

	2020 € million	2019 € million
Performance share awards	**10.0**	12.7
Employee Share Purchase Plan	**5.5**	4.8
Total share-based payments charge	**15.5**	**17.5**

Terms and conditions

Stock option and performance share award plan

Based on Plan rules, senior managers are granted awards of stock options, based on performance, potentiality and level of responsibility. Options are granted at an exercise price equal to the closing price of the Company's shares trading on the London Stock Exchange on the day of the grant. Options vest in one-third increments each year for three years and can be exercised for up to 10 years from the date of award. When the options are exercised, the proceeds received by the Group, net of any transaction costs, are credited to share capital (at the nominal value) and share premium. The Group has not issued any new stock options since 2014.

Since 2015, performance shares are the primary long-term award. Senior managers are granted performance share awards, which have a three-year vesting period and are linked to Group-specific key performance indicators. The closing price of the Company's shares trading on the London Stock Exchange on the day of the grant is used to determine the number of performance share awards granted. In 2018, the Group modified the performance share plan, in order for eligible employees to receive upon vesting, additionally to the specific number of shares, the value of dividends corresponding to the years from grant until vest date, subject to the approval of the Remuneration Committee.

Notes to the consolidated financial statements *continued*

Employee Share Purchase Plan

The Employee Share Purchase Plan is administered by a Plan Administrator. Under the terms of this plan, employees have the opportunity to invest 1% to 15% of their salary in ordinary Coca-Cola HBC shares by contributing to the plan through a payroll deduction. Employee deductions are used monthly to purchase ordinary Coca-Cola HBC shares in the open market (London Stock Exchange).

Coca-Cola HBC will match employee contributions up to a maximum of 3% of the employee's salary. Employer matching cash contributions vest one year after the grant, at which time they are used to purchase matching shares on the open market that are immediately vested. Dividends received in respect of shares held under this plan are used to purchase additional shares at the time of dividend distribution. Shares are held under the Plan Administrator. For employees resident in Greece, Coca-Cola HBC matches the employees' contribution with an annual employer contribution of up to 5% of the employees' salary that vests annually in December of each year.

Stock option activity

The outstanding stock options are fully vested and are exercisable until 2026.

A summary of stock option activity in 2020 under all grants is as follows:

	Number of stock options 2020	**Weighted* average exercise price 2020 (EUR)**	**Weighted average exercise price 2020 (GBP)**
Outstanding at 1 January	**4,204,144**	**16.45**	**14.05**
Exercised	**(582,440)**	**12.53**	**11.37**
Expired	**(28)**	**17.09**	**15.50**
Outstanding at 31 December	**3,621,676**	**15.97**	**14.49**
Exercisable at 31 December	**3,621,676**	**15.97**	**14.49**

A summary of stock option activity in 2019 under all grants is as follows:

	Number of stock options 2019	Weighted* average exercise price 2019 (EUR)	Weighted average exercise price 2019 (GBP)
Outstanding at 1 January	5,299,467	16.29	14.73
Equitable adjustment	257,408	17.39	14.86
Exercised	(1,352,731)	16.59	14.17
Outstanding at 31 December	**4,204,144**	**16.45**	**14.05**
Exercisable at 31 December	**4,204,144**	**16.45**	**14.05**

* For convenience purposes, the prices are translated at the closing exchange rate.

As a result of the special dividend distribution in 2019 (refer to Note 26) and following the related approval of the Remuneration Committee, an equitable adjustment was made to the exercise price of each unexercised stock option as well as to the outstanding number of stock options under each grant. This equitable adjustment ensured the intrinsic value of each stock option was retained and did not result in incremental fair value for any of the unexercised stock options.

Total proceeds from the issuance of the shares under the stock option plan in 2020 amounted to €7.6m (2019: €21.4m).

The weighted average remaining contractual life of stock options outstanding at 31 December 2020 was 3.2 years (2019: 2.5 years).

Performance shares activity

A summary of performance shares activity is as follows:

	Number of performance shares 2020	Number of performance shares 2019
Outstanding at 1 January	**1,894,023**	2,277,871
Granted[1]	**1,138,829**	739,237
Equitable adjustment	**–**	115,706
Vested	**(468,818)**	(1,037,024)
Forfeited / Cancelled	**(269,556)**	(201,767)
Outstanding at 31 December	**2,294,478**	**1,894,023**

1. Includes dividend equivalent shares.

As a result of the special dividend distribution in 2019 (refer to Note 26) and following the related approval of the Remuneration Committee, an equitable adjustment was made to the number of outstanding shares under the Plan. This equitable adjustment did not result in incremental fair value for the outstanding shares.

The weighted average remaining contractual life of performance shares outstanding at 31 December 2020 was 1.5 years (2019: 1.3 years).

The fair value for the 2020 performance share plan is £14.94 per share (2019: £26.17). Relevant inputs into the valuation are as follows:

	2020	2019
Weighted average share price	**£14.94**	£26.17
Dividend yield	**nil**	nil
Weighted average exercise period	**3.0 years**	3.0 years

29. Contingencies

In relation to the Greek Competition Authority's decision of 25 January 2002, one of Coca-Cola Hellenic Bottling Company S.A.'s competitors had filed a lawsuit against Coca-Cola Hellenic Bottling Company S.A. claiming damages in an amount of €7.7m. The court of first instance heard the case on 21 January 2009 and subsequently rejected the lawsuit. The plaintiff appealed the judgment and on 9 December 2013 the Athens Court of Appeals rejected the plaintiff's appeal. Following the spin-off, Coca-Cola HBC Greece S.A.I.C. substituted Coca-Cola Hellenic Bottling Company S.A. as defendant in this lawsuit. The 2013 Court of Appeals decision has been rendered final and irrecoverable and the case was closed. On 19 April 2014, the same plaintiff filed a new lawsuit against Coca-Cola Hellenic Bottling Company S.A. (following the spin-off, Coca-Cola HBC Greece S.A.I.C.) claiming payment of €7.5m as compensation for losses and moral damages for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. between 1994 and 2013. The two lawsuits partially overlap in the time period for which damages are sought by the plaintiff. The hearing of the new lawsuit was scheduled for 17 January 2019. On 21 December 2018, the plaintiff served their withdrawal from the lawsuit. However, on 20 June 2019, the same plaintiff filed another new lawsuit against Coca-Cola HBC Greece S.A.I.C. claiming payment of €10.1m as compensation for losses and moral damages again for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. for the same period between 1994 and 2013. The parties filed their briefs and exhibits with the Court and the hearing date of the case took place on 18 November 2020 and the court decision is pending to be issued. Coca-Cola HBC Greece S.A.I.C. has not provided for any losses related to this case.

With respect to the ongoing investigation of the Greek Competition Commission initiated on 6 September 2016, regarding Coca-Cola HBC Greece S.A.I.C.'s operations in certain commercial practices in the non-alcoholic beverages market, on 29 May 2019 the Greek Competition Commission issued a Statement of Objections to Coca-Cola HBC Greece S.A.I.C. and certain former and current employees, for obstruction of its on-site investigation. Coca-Cola HBC Greece S.A.I.C. collaborated fully with the Commission. In connection with this Statement of Objections, a hearing took place on 24 July 2019. On 4 March 2020, Coca-Cola HBC Greece S.A.I.C. was served with the decision of the Greek Competition Commission in respect of this Statement of Objections and the procedural case regarding the obstruction of the on-site investigation, based on which a fine amounting to €0.8m was imposed on and paid by Coca-Cola HBC Greece S.A.I.C. The Greek Competition Commission in this decision accepted the proposal for active co-operation and settlement of the case, which was submitted by Coca-Cola HBC Greece S.A.I.C. in line with its policy of full compliance with the principles of competition law and co-operation with the regulatory authorities. The Greek Competition Commission's investigation on Coca-Cola HBC Greece S.A.I.C.'s commercial practices, is still ongoing.

In 1992, our subsidiary Nigerian Bottling Company ('NBC') acquired a manufacturing facility in Nigeria from Vacunak, a Nigerian company. In 1994, Vacunak filed a lawsuit against NBC, alleging that a representative of NBC had orally agreed to rescind the sale agreement and instead enter into a lease agreement with Vacunak. As part of its lawsuit, Vacunak sought compensation for rent and loss of business opportunities. NBC discontinued all use of the facility in 1995. On 19 August 2013, NBC received the written judgment of the Nigerian court of first instance issued on 28 June 2012 providing for damages of approximately €17.2m. NBC has filed an appeal against the judgment. Based on advice from NBC's outside legal counsel, we believe that it is unlikely that NBC will suffer material financial losses from this case. We have consequently not provided for any losses in relation to this case.

The tax filings of the Group and its subsidiaries are routinely subjected to audit by tax authorities in most of the jurisdictions in which the Group conducts business. These audits may result in assessments of additional taxes. The Group provides for additional tax in relation to the outcome of such tax assessments, to the extent that a liability is probable and estimable.

The Group is also involved in various other legal proceedings. Management believes that any liability to the Group that may arise as a result of these pending legal proceedings will not have a material adverse effect on the results of operations, cash flows, or the financial position of the Group taken as a whole.

30. Commitments

Capital commitments

As at 31 December2020, the Group had capital commitments for property, plant and equipment amounting to €115.4m (2019: €221.7m). Of this, €nil and €3.0m are related to the Group's share of the commitments arising from joint operations and joint ventures respectively (2019: €1.1m and €0.9m respectively).

Capital commitments for 2020 include total future minimum lease payments under leases not yet commenced to which the Group was committed at 31 December 2020 of €11.9m (2019:16.8m).

31. Post balance sheet events

On 16 March 2021 the Remuneration Committee granted 817,515 performance share awards under the performance share plan, which have a three-year vesting period.

In January 2021, a demerger of Acque Minerali S.r.l., our mineral water and adult sparkling beverages integral joint venture with TCCC in Italy, was completed. As part of the demerger certain operating activities were transferred to the Group, resulting in the recognition of €15.6m of goodwill as part of our Italian cash-generating unit. There was no significant impact to the Group's net assets or income statement. Also, there was no cash flow impact for the Group as a result of the transaction.

Swiss Statutory Reporting

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Swiss statutory reporting

Report of the statutory auditor
to the General Meeting of
Coca-Cola HBC AG
Steinhausen/Zug

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Coca-Cola HBC AG and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2020, the consolidated balance sheet as at 31 December 2020 and the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, including the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements (pages 144 to 201) give a true and fair view of the consolidated position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: € 29.6 million

Audit scope	We conducted full scope audit procedures on the financial information of 18 subsidiaries and one joint venture in 13 countries spread across all of the Group's reportable segments. We also conducted procedures around specific account balances and transactions and analytical review procedures for other subsidiaries and Group functions. Our audit scope addressed 83% of consolidated net sales revenue, 90% of consolidated profit before tax and 88% of consolidated total assets of the Group.
Key audit matters	As key audit matters the following areas of focus have been identified: • Goodwill and indefinite-lived intangible assets assessment • Uncertain tax positions • Impact of the COVID-19 global pandemic

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	€ 29.6 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds for this benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements above € 1.0 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the operating structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates through its trading subsidiaries in 27 European countries and in Nigeria, as set out in Notes 1 and 6 to the consolidated financial statements. The processing of the accounting records for these subsidiaries is largely centralised in a shared services centre in Bulgaria, except for the subsidiaries in Russia, Ukraine, Belarus, Armenia and North Macedonia, which process their accounting records locally. The Group also operates centralised treasury functions in the Netherlands and in Greece and a centralised sourcing function in the Netherlands for the procurement of key raw materials.

Based on the significance to the consolidated financial statements and in light of the key audit matters as noted below, we identified 18 subsidiaries and one joint venture in 13 countries spread across all of the Group's reportable segments (including the trading subsidiaries in Russia, Italy, Nigeria, Poland, Romania, and Switzerland) which, based on our scoping analysis, required a full scope audit of their financial information. In addition, audit procedures were performed with respect to the centralised treasury functions by the group engagement team in Greece and with respect to the centralised procurement function by the component audit team in the Netherlands. The group engagement team also performed analytical review and other procedures on balances and transactions of subsidiaries not covered by the procedures described above.

As the Swiss statutory auditor, we issued group audit instructions to PwC Greece, who has the responsibility as the group audit engagement team for the Company's reporting requirements for the London Stock Exchange. These instructions covered the scope of our group audit to enable us to fulfil our responsibilities under Swiss law. As the ultimate group engagement team, we had ongoing interactions with the group engagement team in Greece to be continuously updated and to monitor their progress and results of their procedures. We reviewed the instructions which PwC Greece issued to component audit teams regarding centralised audit procedures performed at the shared services centre in Bulgaria and shared audit comfort with component teams as it related to IT general controls. We reviewed working papers and undertook additional interactions as considered necessary depending on the significance of the component, accounting and audit matters. The Group consolidation, financial statement disclosures and a number of areas of significant judgement, including goodwill and intangible assets, material provisions and contingent liabilities, were audited by the group engagement team together with PwC Greece.

Due to the travel and other restrictions put in place in response to the COVID-19 global pandemic, the group engagement team held frequent virtual meetings to oversee the work performed by the group and component audit teams. As the ultimate group engagement team, we held remote meetings and discussions with the management of the trading subsidiaries in Russia, Italy, Nigeria, Poland, Romania, Switzerland and the management of the joint venture in Russia to discuss business performance, matters relating to the business outlook in the COVID-19 environment, regulation and taxation, and any specific accounting and auditing matters identified, including internal controls.

Based on the above, the subsidiaries and joint venture which were in the scope for the purposes of the group audit accounted for 83% of consolidated net sales revenue, 90% of consolidated profit before tax and 88% of consolidated total assets of the Group. This, together with the additional procedures performed by us as group engagement team, provided us with sufficient appropriate evidence for our audit opinion on the consolidated financial statements.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Swiss statutory reporting *continued*

Goodwill and indefinite-lived intangible assets assessment

Key audit matter	How our audit addressed the key audit matter
Refer to Note 13 for intangible assets including goodwill. Goodwill and indefinite-lived intangible assets (franchise agreements and trademarks) as at 31 December 2020 amount to €1,704.2 million and €269.6 million, respectively. The above amounts have been allocated to individual cash-generating units ('CGUs'), which require the performance of an impairment assessment at least annually, or whenever there is an indication of impairment. The impairment assessment involves the determination of the recoverable amount of the CGU, being the higher of the value-in-use and the fair value less costs to sell. This area was a key matter for our audit due to the size of the goodwill and indefinite-lived intangible assets balances and because the determination of whether elements of goodwill and of indefinite-lived intangible assets are impaired involves complex and subjective estimates and judgements made by management about the future results of the CGUs. These estimates and judgements include assumptions surrounding revenue growth rates, costs, foreign exchange rates and discount rates. Furthermore, the COVID-19 pandemic, macroeconomic volatility, competitor activity and regulatory/fiscal developments could adversely affect each CGU and potentially the carrying amount of goodwill and indefinite-lived intangible assets. Management has identified the Italy and Nigeria CGUs to be sensitive to possible changes in the assumptions used, which could result in the calculated recoverable amount being lower in future periods than the carrying value of the CGU. Additional sensitivity disclosure has been included in the consolidated financial statements in respect of these CGUs. No impairment charge was recorded in 2020.	We evaluated the appropriateness of management's identification of the Group's CGUs, related control activities and the process by which management prepared the CGUs' value-in-use calculations. We tested the mathematical accuracy of the CGUs' value-in-use calculations and compared the cash flow projections included therein to the financial budgets approved by the Board of Directors, covering a one-year period and management's projections for the subsequent four years. In addition, we assessed the reliability of the cash flow projections by comparing key elements of the prior year projections with actual results. We challenged management's cash flow projections around the key drivers of the value-in-use calculations focusing on future performance in light of the COVID-19 outbreak with respect to short-term and long-term revenue growth rates and the level of costs. With the support of our valuation specialists, we assessed the appropriateness of certain key assumptions including discount, perpetuity growth and foreign exchange rates. We also performed our independent sensitivity analyses on the key drivers of value-in-use calculations for the CGUs with significant balances of goodwill and indefinite-lived intangible assets. For the Nigeria CGU, given the sensitivity of the key drivers, we performed additional analysis. As a result of our work, we found that the determination by management that no impairment was required for goodwill and indefinite-lived intangible assets was supported by assumptions within reasonable ranges. We assessed the appropriateness and completeness of the related disclosures in Note 13, as regards to goodwill and indefinite-lived intangible assets, including the sensitivities disclosed for Nigeria and Italy, and considered them to be reasonable.

Uncertain tax positions

Key audit matter	How our audit addressed the key audit matter
Refer to Note 10 for taxation and Note 29 for contingencies. The Group operates in numerous tax jurisdictions and is subject to periodic tax audits by local tax authorities, in the normal course of business, on a range of tax matters in relation to corporate tax, transfer pricing and indirect taxes. As at 31 December 2020, the Group has current tax liabilities of €58.6 million, which include €37.2 million of provisions for tax uncertainties. The impact of changes in local tax regulations and ongoing inspections by local tax authorities could materially impact the amounts recorded in the consolidated financial statements as in the case of the Nigeria transfer pricing audit, that was settled in 2020. Where the amount of tax payable is uncertain, the Group establishes provisions based on management's estimates with respect to the likelihood of material tax exposures and the probable amount of the liability. We consider this a key audit matter given the level of judgements and uncertainty involved in estimating tax provisions and the complexity of dealing with tax rules and regulations in numerous jurisdictions.	In order to understand and evaluate management's judgements, we considered the status of current tax authority audits and enquiries, the outcome of previous tax authority audits, judgemental positions taken in tax returns and current year estimates as well as recent developments in the various tax jurisdictions in which the Group operates. We challenged management's key assumptions, particularly in cases where there had been significant developments with tax authorities such as in the case of the Nigeria transfer pricing audit. Our component audit teams, through the use of tax specialists with local knowledge, assessed the tax positions taken by the subsidiary in scope, in the context of applying local tax laws and evaluating the local tax assessments. Additionally, with our group tax specialists, we further evaluated management's judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. We held virtual meetings with local management to discuss the individual tax position of the in-scope subsidiaries and with the Group tax team for the Group's overall tax exposure. From the evidence obtained we consider the provisions in relation to uncertain tax positions as at 31 December 2020 to be reasonable. We also assessed the related disclosures provided in Notes 10 and 29 to the consolidated financial statements and concluded that these are appropriate.

Impact of the COVID-19 global pandemic

Key audit matter	How our audit addressed the key audit matter
Refer to Note 2 for basis of preparation and consolidation, Note 13 for intangible assets including goodwill, Note 18 for trade, other receivables and assets, Note 24 for financial risk management and financial instruments and Note 25 for net debt. The impact of the COVID-19 global pandemic is considered a key audit matter as it has been one of unprecedented scale. It has affected the global economy and businesses across all industries as a result of the restrictions put in place in response to the pandemic. Notwithstanding the restrictions, the Group continued to operate in all its markets; however, its financial performance has been affected. In addition, given the uncertainty over the effective containment of the pandemic and the potential for future restrictions, there continues to exist a risk of short- to medium-term impact on the markets in which the Group operates. Management has considered the impact of the COVID-19 global pandemic on the consolidated financial statements including its goodwill and indefinite-lived intangible assets impairment assessment. The goodwill and indefinite-lived intangible assets impairment calculations and related assumptions also form the basis for management's going concern and viability assessments. As part of the consideration of whether to adopt the going concern basis in preparing the consolidated financial statements, management reviewed a range of scenarios and forecasts, including severe but plausible scenarios. Having considered these calculations and related assumptions, along with management's assessment of available and possible mitigating actions, management has concluded that the Group has the ability to continue to adopt the going concern basis of accounting and that there is no material uncertainty in respect of this conclusion. In addition, the Group has actively monitored both the recoverability of trade receivables and its liquidity to ensure that the loss allowance reflects on a timely basis management's best estimate of potential losses and that the Group will be able to meet its liabilities as they fall due respectively.	Our procedures in respect of the goodwill and indefinite-lived intangible asset impairment assessments are covered in the related key audit matter above. Our evaluation of the Board of Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included: • We verified that the cash flow projections used in the goodwill impairment, going concern and viability assessments were consistent. • We reviewed management's assessment supporting the Group's ability to continue to adopt the going concern basis of accounting, ensuring appropriate stress test scenarios were considered. • We evaluated management's assumptions used in the cash flow projections for reasonableness. • We tested the mathematical integrity of the cash flow projections and reconciled these to the Board approved budget and management's projections for the subsequent periods. • In order to evaluate the Group's liquidity for the assessment period, we considered the Group's available cash resources, operational cash requirements, committed undrawn credit facilities and other debt instruments in place as well as the maturity profile of the Group's debt. • We assessed the reasonableness of management's planned or potential mitigating actions. Having performed the above, we satisfied ourselves that, even though the impact of the COVID-19 global pandemic on the Group is expected to negatively impact the Group's operating results and cash flows, management's use of the going concern basis of accounting was appropriate. With respect to management's assessment of the impairment provision relating to the recoverability of trade receivables, the audit procedures performed, included obtaining an understanding of the credit control policies and procedures and testing relevant controls applicable to trade debtors. Additionally our component audit teams, with the support of the audit team responsible for the procedures performed at the shared services centre in Bulgaria where relevant, analysed the ageing of trade receivables, tested a sample of the data used in the impairment model to the accounting records, and assessed recoverability with reference to subsequent cash collections. The component audit teams further evaluated the expected credit loss (ECL) calculations applied to the impairment model, agreed the data used to historical information and tested the mathematical accuracy of the calculations and existence of cash collections. As a result of our work, we found that management's determination of the impairment provision relating to trade receivables is appropriate. Based on the work performed, as summarised above, we have concluded that the Group's assessment with respect to the impact of the COVID-19 global pandemic is reasonable and that the related disclosures in the consolidated financial statements are appropriate.

Swiss statutory reporting *continued*

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Coca-Cola HBC AG and our auditor's reports thereon.

Our opinion on the consolidated financial information does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion as Swiss statutory auditor.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

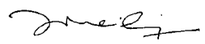
From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Michael Foley
Audit Expert
Auditor In Charge

Mei Ling Ow
Audit Expert

Zurich, 18 March 2021

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Swiss statutory reporting *continued*

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Report of the statutory auditor
to the General Meeting of
Coca-Cola HBC AG
Steinhausen/Zug

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Coca-Cola HBC AG (the Company), which comprise the balance sheet as at 31 December 2020, statement of income and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 213 to 223) as at 31 December 2020 comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 33,500,000

Audit scope	We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls and the industry in which the entity operates.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 33,500,000
How we determined it	0.5% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark which reflects the actual substance of the entity. This is a generally accepted benchmark for ultimate holding companies.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
Refer to Notes 1 and 2.2 for the related accounting policy and the detailed information on the valuation of the investments in subsidiaries. The investments in subsidiaries as at 31 December 2020 amount to CHF 6,966 million. The valuation of the investments in subsidiaries is inherently a matter of judgement as it relies on forecasts of future profitability and cash flows. Macroeconomic volatility, competitor activity and regulatory/fiscal developments can adversely affect the group's performance and potentially the carrying amount of the total investments. The Company's market capitalisation is subject to share price volatility. Management tests the carrying value of the Company's investments annually by comparing the market capitalisation of the Company with the carrying value of the investments.	We reperformed the market capitalisation comparison test performed by management. In addition, we obtained comfort over the valuation of investments in subsidiaries by reviewing management's goodwill impairment analysis performed for the purposes of the IFRS consolidated financial statements. As a result of our work, we found management's assumptions and their determination that no impairment was required to be reasonable, after having recorded the reduction of the investment to reflect the dividend received from Coca-Cola HBC Holdings B.V. of CHF 247.4 million.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Swiss statutory reporting *continued*

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of reserves complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Michael Foley
Audit Expert
Auditor In Charge

Mei Ling Ow
Audit Expert

Zurich, 18 March 2021

Enclosures:

- Financial statements (balance sheet, statement of income and notes)
- Proposed appropriation of reserves

Coca-Cola HBC AG, Steinhausen (Zug)

Balance sheet

		As at 31 December CHF thousands	
	Note	2020	2019
ASSETS			
Cash and cash equivalents		**1,880**	48
Short-term receivables from direct and indirect participations	2.1	**13,948**	14,874
Short-term receivables from third parties		**2,900**	1,402
Total current assets		**18,728**	**16,324**
Investments in subsidiaries	2.2	**6,966,457**	7,213,865
Property, plant and equipment (incl. right-of-use assets)		**1,875**	2,354
Total non-current assets		**6,968,332**	**7,216,219**
Total assets		**6,987,060**	**7,232,543**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade payables due to third parties		**1,192**	1,590
Short-term liabilities to direct and indirect participations	2.3	**4,140**	5,078
Short-term lease liabilities		**397**	445
Accrued expenses	2.3	**28,735**	38,339
Total short-term liabilities		**34,464**	**45,452**
Long-term interest-bearing liabilities to indirect participations	2.4	**223,668**	216,277
Long-term lease liabilities		**507**	900
Provisions	2.5	**10,519**	7,329
Total long-term liabilities		**234,694**	**224,506**
Share capital	2.6	**2,482,434**	2,478,532
Legal capital reserves			
Reserves from capital contributions		**4,229,620**	4,470,097
Reserves for treasury shares	2.7	**85,298**	85,298
Retained earnings			
Results carried forward		**42,803**	66,092
Loss for the year		**(24,543)**	(23,289)
Treasury shares	2.7	**(97,710)**	(114,145)
Total shareholders' equity	2.8	**6,717,902**	**6,962,585**
Total liabilities and shareholders' equity		**6,987,060**	**7,232,543**

Swiss statutory reporting *continued*

Coca-Cola HBC AG, Steinhausen (Zug)

Statement of income

		Year ended 31 December	
		CHF thousands	
	Note	2020	2019
Dividend income		**247,408**	1,050,991
Other operating income	2.9	**23,938**	25,294
Total operating income		**271,346**	**1,076,285**
Employee costs	2.10	**(27,428)**	(26,242)
Other operating expenses	2.11	**(13,114)**	(15,469)
Write down of investments	2.2	**(247,408)**	(1,050,991)
Depreciation on property, plant and equipment (incl. right-of-use assets)		**(565)**	(570)
Total operating expenses		**(288,515)**	**(1,093,272)**
Operating loss		**(17,169)**	**(16,987)**
Finance income		**–**	995
Finance costs		**(7,199)**	(7,118)
Loss before tax		**(24,368)**	**(23,110)**
Direct taxes		**(175)**	(179)
Loss for the year		**(24,543)**	**(23,289)**

Notes to the Financial Statements of Coca-Cola HBC AG, Steinhausen (Zug)

Introduction

Coca-Cola HBC AG ('the Company') was incorporated on 19 September 2012 by Kar-Tess Holding. On 11 October 2012, the Company announced a voluntary share exchange offer to acquire all outstanding ordinary registered shares and all American depositary shares of Coca-Cola Hellenic Bottling Company S.A., Maroussi (GR) ('CCHBC SA'). As a result of the successful completion of this offer, on 25 April 2013 the Company acquired 96.85% of the issued CCHBC SA shares, including shares represented by American depositary shares, and became the new parent company of the Group (the Company and its direct and indirect subsidiaries). On 17 June 2013, the Company completed its statutory buy-out of the remaining shares of CCHBC SA that it did not acquire upon completion of its voluntary share exchange offer.

1. Accounting principles

Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO). Significant accounting and valuation principles are described below:

Dividend income

Dividend income is recognised when the right to receive payment is established.

Other operating income

The Company provides management services to its principal subsidiaries and acts as guarantor to its principal subsidiary, Coca-Cola HBC Finance B.V. The income from these services is recognised in the accounting period in which the service is provided.

Exchange rate differences

The accounting records of the Company are retained in Euro and translated to Swiss francs (CHF) for presentation purposes. Except for investments in subsidiaries, property, plant and equipment, long-term liabilities and equity, which are translated at historical rates, all assets and liabilities denominated in foreign currencies are translated into CHF using the closing exchange rate as at 31 December 2020. Income and expenses are translated into CHF at the average exchange rate of the reporting year except for dividend income and related write down of investments (see Note 2.2) which are valued at the transaction date exchange rate. Net unrealised exchange losses are recorded in the income statement, while net unrealised gains are deferred within accrued expenses.

	Balance sheet as at		Income statement for the year ended	
Exchange rates	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019
EUR	**1.08**	1.09	**1.07**	1.11
USD	**0.88**	0.97	**–**	–
GBP	**1.19**	1.27	**–**	–

Leasing disclosure

Management has applied an economic-view approach to the disclosure of lease contracts considering the underlying usage rights. Right-of-use assets are presented within property, plants and equipment and depreciated over their useful life. The short- and long-term lease liabilities are adjusted for interest and lease payments.

Investments in subsidiaries

Investments in subsidiaries are valued at historical cost and evaluated for impairment if identified triggering events occur.

Property, plant and equipment

Right-of-use assets are included within property, plant and equipment.

Depreciation is calculated on the basis of the following useful lives and in accordance with the following methods:

Property, plant and equipment	**Useful life**	**Method**
Leasehold improvement (building)	20 years	5% linear
Leasehold improvement (office infrastructure)	10 years	10% linear
Building infrastructure	12 years	8.33% linear
Right-of-use buildings and company cars	Shorter of useful life and lease term	Linear
Furniture and fixtures, office equipment and other tangible fixed assets	8 years	12.5% linear
Telephony infrastructure	7 years	14.29% linear
Communication equipment, computers and PCs	4 years	25% linear
Tablets	3 years	33.33% linear

Swiss statutory reporting *continued*

Treasury shares

Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition. If treasury shares are sold, the gain or loss arising is recognised in the income statement as finance income or finance cost as appropriate.

2. Information relating to the balance sheet and statement of income

2.1 Short-term receivables from direct and indirect participations

The short-term receivables from direct and indirect participations do not bear interest.

	As at 31 December CHF thousands	
Name of participation	2020	2019
Coca-Cola HBC Schweiz AG, Brüttisellen	–	79
CCB Management Services GmbH, Vienna	**13,177**	14,185
Coca-Cola HBC Finance B.V., Amsterdam	**668**	149
Coca-Cola HBC Italia S.r.l	–	381
Coca-Cola HBC Business Services Organisation, Sofia	**103**	80
Short-term receivables from direct and indirect participations	**13,948**	**14,874**

2.2 Investments in subsidiaries

			As at 31 December CHF thousands	
Direct subsidiary	Share of capital	Share of votes	2020	2019
Coca-Cola HBC Holdings B.V., Amsterdam[1]	100%	100%	**7,213,865**	8,264,856
Write down of investment			**(247,408)**	(1,050,991)
Investments in subsidiaries	**100%**	**100%**	**6,966,457**	**7,213,865**

1. Coca-Cola HBC Holdings B.V., Amsterdam was incorporated on 26 June 2013.

In 2015 the Company adopted a practice of reducing the value of its investment in Coca-Cola HBC Holdings B.V. by an amount equal to the dividend received from that subsidiary. The amount of the write down in 2020 is equal to the dividend received in July 2020 from Coca-Cola HBC Holdings B.V. of CHF 247,408 thousand.

The principal direct and indirect participations of the Company are disclosed in Note 15 to the consolidated financial statements.

2.3 Short-term liabilities to direct and indirect participations and accrued expenses

The short-term liabilities to the direct and indirect participations do not bear interest except for the liability to Coca-Cola HBC Finance B.V., which is interest bearing.

	As at 31 December CHF thousands	
Name of participation	2020	2019
CCB Management Services GmbH, Vienna	**2,469**	3,224
Coca-Cola Hellenic Business Service Organisation, Sofia	**16**	29
Coca-Cola HBC Česko o Slovensko, Prague	–	4
Coca-Cola HBC Finance B.V., Amsterdam	**1,633**	1,792
Coca-Cola HBC Northern Ireland Ltd., Lisburn	**6**	13
Coca-Cola HBC Services MEPE, Athens	**16**	16
Total short-term liabilities to direct and indirect participations	**4,140**	**5,078**

	As at 31 December CHF thousands	
Accrued expenses	2020	2019
Direct taxes	**215**	263
Management incentive plan and Performance Share Plan for own employees	**7,097**	11,487
Employee-related costs (social security & insurance, payroll taxes)	**3,779**	1,998
Provision for acquiring treasury shares to satisfy subsidiaries' Performance Share Plan rights	**4,293**	9,830
Other accrued expenses	**6,360**	4,116
Net unrealised gains from foreign currency translation	**6,991**	10,645
Total accrued expenses	**28,735**	**38,339**

Following the publication of circular letter 37a by Swiss Federal Tax Administration in May 2018, the Company recognised a provision of CHF 7,848 thousand (2019: CHF 7,665 thousand) that relates to the Company's employees Performance Share Plan, of which CHF 3,672 thousand (2019: CHF 4,994 thousand) is short-term and is disclosed in the line item Management incentive plan and Performance Share Plan for own employees; while CHF 4,176 thousand (2019: CHF 2,671 thousand) is long-term and disclosed in Note 2.5, Provisions. The provision for acquiring treasury shares to satisfy subsidiaries' Performance Share Plan rights amounts to CHF 10,152 thousand (2019: CHF 14,151 thousand) of which CHF 4,293 thousand (2019: CHF 9,830 thousand) is short-term and disclosed in accrued expenses while CHF 5,859 thousand (2019: CHF 4,321 thousand) is long-term and disclosed in Note 2.5, 'Provisions'.

2.4 Long-term interest-bearing liabilities

	As at 31 December CHF thousands	
	2020	2019
Coca-Cola HBC Finance B.V. Amsterdam	**223,668**	216,277
Long-term interest-bearing liabilities	**223,668**	**216,277**

Long-term interest-bearing liabilities comprise loans from Coca-Cola HBC Finance B.V. received in 2019 and 2020 for CHF 207,577 thousands and CHF 16,091 thousands, maturing on 8 November 2024 and 21 November 2029 respectively.

2.5 Provisions

	As at 31 December CHF thousands	
	2020	2019
Long-term incentive Plan	**171**	137
Provision for acquiring treasury shares to satisfy subsidiaries' Performance Share Plan rights (refer to Note 2.3)	**5,859**	4,321
Performance Share Plan Coca-Cola HBC AG employees (refer to Note 2.3)	**4,176**	2,671
Provision for social security costs of Performance Share Plan	**313**	200
Provisions	**10,519**	**7,329**

2.6 Share capital

	Number of shares	Nominal value CHF	Total CHF thousands
Share capital as at 1 January 2019	371,827,229	6.70	2,491,242
Cancellation of shares[1]	(3,249,803)	6.70	(21,773)
Shares issued to employees exercising stock options	1,352,731	6.70	9,063
Share capital as at 31 December 2019	**369,930,157**	**6.70**	**2,478,532**

	Number of shares	Nominal value CHF	Total CHF thousands
Share capital as at 1 January 2020	369,930,157	6.70	2,478,532
Shares issued to employees exercising stock options	582,440	6.70	3,902
Share capital as at 31 December 2020	**370,512,597**	**6.70**	**2,482,434**

1. The Company reduced the share capital of Coca-Cola HBC AG by cancelling 3,249,803 registered shares which were held by Coca-Cola HBC AG in treasury and were acquired as part of the share buy-back programme. Refer to Note 2.7 'Treasury shares'.

Swiss statutory reporting *continued*

2. Information relating to the balance sheet and statement of income *continued*

2.7 Treasury shares

The number of treasury shares held by Coca-Cola HBC AG and its subsidiaries qualifying under article 659b of the Swiss Code of Obligations and their movements are as follows:

Treasury shares (held by subsidiaries)	Number of shares	Acquisition cost per share	Total
		CHF	CHF thousands
Total treasury shares at 31 December 2019	3,430,135	24.8673	85,298
Total treasury shares at 31 December 2020	**3,430,135**	24.8673	**85,298**

Treasury shares held by the Company	Number of shares	Acquisition cost per share	Total
		CHF	CHF thousands
Treasury shares held by the Company at 31 December 2019	**3,228,098**	**35.3599**	**(114,145)**
Treasury shares held by the Company as at 1 January 2020	3,228,098	35.3599	(114,145)
Vested PSP shares[1]	(468,818)	35.0561	16,435
Treasury shares held by the Company at 31 December 2020	**2,759,280**	**35.4115**	**(97,710)**

1. In March 2020, following the vesting of the 2017 PSP plan, 468,818 treasury shares were transferred to relevant participants.

2.8 Shareholders' equity

	Share capital	Legal capital reserves		Retained earnings	Treasury shares	Total
		Reserves from capital contributions	Reserves for treasury shares[1]			
			CHF thousands			
Balance as at 1 January 2019	**2,491,242**	**5,601,593**	**85,298**	**66,092**	**(33,603)**	**8,210,622**
Shares issued to employees exercising stock options	9,063	15,162	–	–	–	24,225
Dividends	–	(1,059,123)	–	–	–	(1,059,123)
Own shares bought back	–	–	–	–	(221,626)	(221,626)
Vested PSP shares	–	–	–	–	31,776	31,776
Cancellation of shares	(21,773)	(87,535)	–	–	109,308	–
Loss for the year	–	–	–	(23,289)	–	(23,289)
Balance as at 31 December 2019	**2,478,532**	**4,470,097**	**85,298**	**42,803**	**(114,145)**	**6,962,585**
Balance as at 1 January 2020	**2,478,532**	**4,470,097**	**85,298**	**42,803**	**(114,145)**	**6,962,585**
Shares issued to employees exercising stock options	3,902	4,260	–	–	–	8,162
Dividends[2]	–	(244,737)	–	–	–	(244,737)
Vested PSP shares	–	–	–	–	16,435	16,435
Loss for the year	–	–	–	(24,543)	–	(24,543)
Balance as at 31 December 2020	**2,482,434**	**4,229,620**	**85,298**	**18,260**	**(97,710)**	**6,717,902**

1. Represents the book value of treasury shares held by subsidiaries.
2. On 16 June 2020 the shareholders of the Company at the Annual General Meeting approved the distribution of a gross dividend of €0.62 on each ordinary registered share. The dividend was paid on 28 July 2020 and amounted to CHF 244,737 thousand.

2.9 Other operating income

	2020	2019
	CHF thousands	
Management fees	**20,971**	22,493
Guarantee fee	**2,967**	2,801
Total other operating income	**23,938**	**25,294**

Management fees relate to service income earned from services provided to the Company's direct and indirect participations.

Guarantee fee is the income the Company receives for the services provided as guarantor to Coca-Cola HBC Finance B.V. and Nigerian Bottling Company Ltd.

2.10 Employee costs

	2020	2019
	CHF thousands	
Wages and salaries	**12,858**	10,708
Social security costs	**2,853**	1,323
Pensions and employee benefits	**11,717**	14,211
Total employee costs	**27,428**	**26,242**

Pension and employee benefits mainly include Performance Share Plan expenses for CCHBC AG employees of the amount of CHF 6,458 thousand (2019: CHF 5,850 thousand). Refer to Note 2.3 for more information.

2.11 Other operating expenses

Other operating expenses that amount to CHF 13,114 thousand for 2020 (2019: CHF 15,469 thousand) mainly include CHF 11,323 thousand (2019: CHF 12,476 thousand) for management fees to CCB Management Services GmbH.

3. Other information

3.1 Net release of hidden reserves

No hidden reserves were released for the years ended 31 December 2020 or 31 December 2019.

3.2 Number of employees

In 2020 and 2019 on an annual average basis, the number of full-time-equivalent employees did not exceed 50.

3.3 Contingent liabilities

Euro medium-term note programmes

In June 2013, the Group established a new €3.0bn Euro medium-term note programme (the 'EMTN programme'). The EMTN programme was updated in September 2014, September 2015 and then April 2019, when it was increased to €5.0bn. The EMTN programme was further updated in April 2020. Notes are issued under the EMTN programme through the Company's wholly owned subsidiary Coca-Cola HBC Finance B.V., a private limited liability company established under the laws of the Netherlands, and are fully, unconditionally and irrevocably guaranteed by the Company.

In June 2013, Coca-Cola HBC Finance B.V. issued €800m, 2.375%, Euro-denominated notes due 18 June 2020 under the EMTN programme, which were guaranteed by the Company and were fully repaid in June 2020.

In March 2016, Coca-Cola HBC Finance B.V. issued €600m, 1.875% Euro-denominated notes due in November 2024, which are guaranteed by the Company.

In May 2019, Coca-Cola HBC Finance B.V. issued €700m, 1%, Euro-denominated notes due in May 2027 and issued €600m, 1.625%, Euro-denominated notes due in May 2031, which are guaranteed by the Company.

In November 2019, Coca-Cola HBC Finance B.V. completed the issue of a €500m Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%, which is guaranteed by the Company.

As at 31 December 2020, a total of €2.4bn (2019: €3.0bn) in notes issued under the EMTN programme were outstanding.

Swiss statutory reporting *continued*

3. Other information *continued*

Committed credit facilities

In April 2019, the Group updated its then-existing €500.0m syndicated revolving credit facility, which was set to expire in June 2021. The updated syndicated revolving credit facility has been increased to €800.0m and has been extended to April 2024 with the option to be extended for up to two more years until April 2026. In March 2020, Coca-Cola HBC Finance B.V. exercised its extension option and the facility has been extended to April 2025.This facility can be used for general corporate purposes and carries a floating interest rate over EURIBOR and LIBOR. No amounts have been drawn under the syndicated loan facility since inception. The borrower in the syndicated loan facility is the Company's wholly owned subsidiary Coca-Cola HBC Finance B.V. and any amounts drawn under the facility are fully, unconditionally and irrevocably guaranteed by the Company.

Commercial paper programme

In October 2013 the Group established a new €1.0bn Euro-commercial paper programme (the 'CP Programme'). The CP Programme was updated in September 2014, May 2017 and then again in May 2020. Notes are issued under the CP Programme by Coca-Cola HBC Finance B.V. and guaranteed by the Company. The outstanding amount under the CP Programme was €200m as at 31 December 2020 (2019: €100m).

Nigerian Bottling Company Ltd

In December 2019 the Group established a loan facility of US dollar 85m to finance the purchase of production equipment by the Group's subsidiary in Nigeria. The facility is being drawn down by Nigerian Bottling Company ('NBC') over the course of 2020 and 2021 maturing in 2027. The obligations under this facility are guaranteed by the Company.

Credit support provider

On 18 July 2013 the Company signed as credit support provider to Deutsche Bank AG, J.P. Morgan Securities plc, Credit Suisse International, Credit Suisse AG, ING Bank N.V., Société Generale, Merrill Lynch International and to The Royal Bank of Scotland plc in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreements.[1]

On 24 July 2013 the Company signed as credit support provider to the Governor and Company of the Bank of Ireland, in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 8 August 2013 the Company signed as credit support provider to Citibank N.A. in favour of CCHBC Bulgaria AD for the obligations as defined in the ISDA Master Agreement.[1]

On 8 August 2013 the Company signed as credit support provider to Citibank N.A. in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 24 June 2014 the Company signed as credit support provider to Intesa Sanpaolo S.p.A. in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 5 October 2015 the Company signed as credit support provider to Macquarie Bank International Limited in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 22 June 2016 the Company signed as credit support provider to UniCredit Bank AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 31 August 2016 the Company signed as credit support provider to BNP Paribas in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 1 November 2017 the Company signed as credit support provider to Goldman Sachs Global International in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 22 December 2017 the Company signed as credit support provider to Citigroup Global Markets Limited in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 14 February 2018 the Company signed as credit support provider to Morgan Stanley & Co. International PLC in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 25 March 2019 the Company signed as credit support provider to Citigroup Global Markets Europe AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 1 July 2019 the Company signed as credit support provider to Credit Suisse Securities, Sociedad de Valores, S.A. in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 10 July 2019 the Company signed as credit support provider to Macquarie Bank Limited (London Branch) in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 12 November 2019 the Company signed as credit support provider to UBS AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 2 November 2020 the Company signed as credit support provider to J.P. Morgan AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 13 November 2020 the Company signed as credit support provider to Goldman Sachs Bank Europe SE in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

1. The ISDA (International Swap Dealers Association) Master Agreement is a standardised form issued by the International Swap Dealers Association Inc. to be used for credit support transactions.

3.4 Significant shareholders

As at 31 December 2020 and 2019, there were two shareholders exceeding the threshold of 5% voting rights in the Company's share capital.

	Date	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]
Total Kar-Tess Holding	31.12.2019	85,355,019	23.1%	23.5%
Total Kar-Tess Holding	31.12.2020	85,355,019	23.0%	23.4%
Total shareholdings related to The Coca-Cola Company	31.12.2019	85,112,078	23.0%	23.4%
Total shareholdings related to The Coca-Cola Company	31.12.2020	85,112,078	23.0%	23.4%

1. Basis: total issued share capital including treasury shares. Share basis 370,512,597 as at 31 December 2020 (2019: 369,930,157).
2. Basis: total issued share capital excluding treasury shares. Share basis 364,323,182 as at 31 December 2020 (2019: 363,271,924).

3.5 Shareholdings, conversion and option rights

The table below sets out a comparison of the interests in the Company's total issued share capital that the members of the Board of Directors ('Directors') and Operating Committee hold (all of which, unless otherwise stated, are beneficial interests or are interests of a person connected with a Director or a member of the Operating Committee) and the interests in the Company's share capital.

	31 December 2020			31 December 2019		
	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]
Directors						
Anastassis G. David[3]	–	–	–	–	–	–
Zoran Bodganovic	**144,113**	**0.04%**	**0.04%**	100,229	0.03%	0.03%
Charlotte J. Boyle	**1,017**	**0.00%**	**0.00%**	1,017	0.00%	0.00%
Olusola (Sola) David-Borha	–	–	–	–	–	–
Anna Diamantopoulou[4]	–	–	–	–	–	–
William W. (Bill) Douglas III	**10,000**	**0.00%**	**0.00%**	10,000	0.00%	0.00%
Reto Francioni	**7,000**	**0.00%**	**0.00%**	–	–	–
Anastasios I. Leventis[5]	–	–	–	–	–	–
Christo Leventis[6]	–	–	–	–	–	–
Alexandra Papalexopoulou	–	–	–	–	–	–
José Octavio Reyes	–	–	–	–	–	–
Alfredo Rivera	–	–	–	–	–	–
Ryan Rudolph	–	–	–	–	–	–
John P. Sechi[7]	–	–	–	–	–	–

	31 December 2020			31 December 2019		
	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]
Operating Committee						
Minas Agelidis	**42,492**	**0.01%**	**0.01%**	30,911	0.01%	0.01%
Mourad Ajarti	**10,716**	**0.00%**	**0.00%**	–	–	–
Alain Brouhard[8]	–	–	–	84,467	0.02%	0.02%
Jan Gustavsson	**144,343**	**0.04%**	**0.04%**	135,877	0.04%	0.04%
Michael Imellos	**156,970**	**0.04%**	**0.04%**	97,568	0.03%	0.03%
Nikolaos Kalaitzidakis	**35,409**	**0.01%**	**0.01%**	20,994	0.01%	0.01%
Naya Kalogeraki	**35,864**	**0.01%**	**0.01%**	22,195	0.01%	0.01%
Marcel Martin	**82,212**	**0.02%**	**0.02%**	66,817	0.02%	0.02%
Vitaliy Novikov[9]	**30,797**	**0.01%**	**0.01%**	–	–	–
Sean O'Neill	**1,805**	**0.00%**	**0.00%**	127	0.00%	0.00%
Sanda Parezanovic	**68,817**	**0.02%**	**0.02%**	49,476	0.01%	0.01%
Keith Sanders[10]	–	–	–	77,888	0.02%	0.02%
Sotiris Yannopoulos[11]	–	–	–	61,703	0.02%	0.02%

Footnotes are presented at the end of Note 3.5.

Swiss statutory reporting *continued*

3. Other information *continued*

The following table sets out information regarding the stock options and performance shares held by members of the Operating Committee as at 31 December 2020:

	Stock options ('ESOP')			Performance shares ('PSP')		
	Number of stock options	Already vested	Vesting at the end of 2020	Granted in 2020	Unvested and subject to performance conditions	Vested
Zoran Bodganovic[12]	206,015	206,015	–	147,015	324,932	21,376
Minas Agelidis	–	–	–	27,924	56,061	9,805
Mourad Ajarti	–	–	–	22,401	22,401	–
Jan Gustavsson	400,358	400,358	–	38,935	85,122	22,835
Michael Imellos	254,868	254,868	–	43,323	94,750	25,300
Nikolaos Kalaitzidakis	11,680	11,680	–	29,587	59,095	11,656
Naya Kalogeraki	47,784	47,784	–	36,134	74,726	17,100
Martin Marcel	75,090	75,090	–	33,592	73,496	19,515
Vitaliy Novikov[9]	15,927	15,927		22,790	48,837	12,291
Sean O'Neill	–	–	–	19,311	31,472	–
Sanda Parezanovic	51,497	51,497	–	30,982	67,200	17,502

1. Basis: total issued share capital including treasury shares. Share basis 370,512,597 as at 31 December 2020 (2019: 369,930,157).
2. Basis: total issued share capital excluding treasury shares. Share basis 364,323,182 as at 31 December 2020 (2019: 363,271,924).
3. Mr. Anastassis G. David is a beneficiary of:
   (a) a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, whereby he has an indirect interest with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.
   (b) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Sari Management (PTC) Ltd. is the Trustee, whereby he has an indirect interest with respect to 823,008 shares held by Ari Holdings Limited, and
   (c) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Ramana Company Ltd. is the Trustee, whereby he has an indirect interest with respect to 27,780 shares held by Tanaca Holdings Limited.
4. Mrs. Anna Diamantopoulou was appointed to the Board of Directors on 16 June 2020.
5. Mr. Anastasios I. Leventis is a beneficiary of:
   (a) a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, whereby he has an indirect interest with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.
   (b) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, whereby he has an indirect interest with respect to 286,880 shares held by Selene Treuhand AG.
   (c) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Rimec (PTC) Ltd. is the Trustee, whereby he has an indirect interest with respect to 24,028 shares held by Distian Investments Limited, and
   (d) a further private discretionary trust for the primary benefit of present and future members of the family of the late Christodoulos Papaneokleus Leventis, of which Mervail Company (PTC) Limited is the Trustee, whereby he has an indirect interest with respect to 757,307 shares held by Carlcan Holding Limited.
6. Mr. Christo Leventis is a beneficiary of:
   (a) a private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Truad Verwaltungs AG is the Trustee, whereby he has an indirect interest with respect to the 85,355,019 shares held by Kar-Tess Holding S.A.
   (b) a further private discretionary trust for the primary benefit of present and future members of the family of the late Anastasios George Leventis, of which Selene Treuhand AG is the Trustee, whereby he has an indirect interest with respect to 482,228 shares held by Selene Treuhand AG.
   (c) a further private discretionary trust for the primary benefit of present and future members of the family of the late Christodoulos Papaneokleus Leventis, of which Mervail Company (PTC) Limited is the Trustee, whereby he has an indirect interest with respect to 623,664 shares held by Carlcan Holding Limited.
7. Mr. John P. Sechi retired from the Board of Directors on 16 June 2020.
8. Mr. Alain Brouhard stepped down from the Operating Committee on 31 October 2019 and left the Company on 30 June 2020.
9. Mr. Vitaliy Novikov joined the Operating Committee on 1 September 2020.
10. Mr. Keith Sanders stepped down from the Operating Committee on 31 March 2019 and left the Company on 30 September 2019.
11. Mr. Sotiris Yannopoulos stepped down from the Operating Committee on 31 March 2019 and left the Company on 30 September 2019.
12. The Remuneration Committee determined at its meeting in 16 March 2021 that, in line with the terms of the PSP, PSP awards granted to Zoran Bogdanovic in 2018 vested over in aggregate 48,829 shares (including the dividend equivalent shares paid on PSP shares that vested in 2021).

3.6 Fees paid to the auditor

The audit and other fees paid to the auditor are disclosed in Note 8 of the consolidated financial statements.

3.7 Conditional capital

On 25 April 2013, the shareholders' meeting agreed to the creation of conditional capital in the maximum amount of CHF 245,601 thousand, through issuance of a maximum of 36,657 thousand fully paid-in registered shares with a par value of CHF 6.70 each upon exercise of options issued to members of the Board of Directors, members of the management, employees or advisers of the Company, its subsidiaries and other affiliated companies. The share capital of CHF2,482,434 thousand as disclosed in the balance sheet differs from the share capital in the commercial register of CHF 2,478,532 thousand as per 31 December 2020 due to the exercise of management options in the course of full year 2020.

Conditional capital	Number of shares	Book value per share CHF	Total CHF thousands
Agreed conditional capital as per shareholders' meeting on 25 April 2013	36,656,843	6.70	245,601
Shares issued to employees exercising stock options until 31 December 2016	(3,149,493)	6.70	(21,102)
Shares issue to employees exercising stock options in 2017	(4,122,401)	6.70	(27,620)
Shares issue to employees exercising stock options in 2018	(1,064,190)	6.70	(7,130)
Shares issue to employees exercising stock options in 2019	(1,352,731)	6.70	(9,063)
Remaining conditional capital as at 31 December 2019	**26,968,028**	**6.70**	**180,686**
Shares issue to employees exercising stock options in 2020	(582,440)	6.70	(3,902)
Remaining conditional capital as at 31 December 2020	**26,385,588**	**6.70**	**176,784**

Proposed appropriation of available earnings and reserves / declaration of dividend

1. Proposed appropriation of available earnings

Available earnings and reserves	CHF thousands
Balance brought forward from previous years	42,803
Net loss for the year	(24,543)
Total available retained earnings to be carried forward	**18,260**
Reserves from capital contributions before distribution	4,229,620
Total available retained earnings and reserves	**4,247,880**

2. Proposed declaration of dividend from reserves

The Board of Directors proposes to declare a gross dividend of EUR 0.64 on each ordinary registered share with a par value of CHF 6.70 from the general capital contribution reserve. Own shares held directly by the Company are not entitled to dividends. The total aggregate amount of the dividends shall be capped at an amount of CHF 300,000 thousand (the 'Cap'), and thus will reduce the general capital contribution reserve of CHF 4,229,620 thousand, as shown in the financial statements as of 31 December 2020, by a maximum of CHF 300,000 thousand. To the extent that the dividend calculated on EUR 0.64 per share would exceed the Cap on the day of the Annual General Meeting, due to the exchange rate determined by the Board of Directors in its reasonable opinion, the Euro per share amount of the dividend shall be reduced on a pro-rata basis so that the aggregate amount of all dividends paid does not exceed the Cap. Payment of the dividends shall be made at such time and with such record date as shall be determined by the Annual General Meeting and the Board of Directors.

3. Proposed appropriation of reserves / declaration of dividend

Variant 1: Dividend of EUR 0.64 at current exchange rate

As of 31 December 2020	CHF thousands
Reserves from capital contributions before distribution	4,229,620
Proposed dividend of EUR 0.64[1]	(256,545)
Reserves from capital contributions after distribution	**3,973,075**

Variant 2: Dividend if Cap is triggered

As of 31 December 2020	CHF thousands
Reserves from capital contributions before distribution	4,229,620
(Maximum) dividend if cap is triggered[2]	(300,000)
(Minimum) Reserves from capital contributions after distribution	**3,929,620**

1. Illustrative at an exchange rate of CHF 1.09 per EUR. Assumes that the shares entitled to a dividend amount to 367,753,317.
2. Dividend is capped at a total aggregate amount of CHF 300,000 thousand.

Swiss statutory reporting *continued*

Report of the statutory auditor
to the General Meeting of
Coca-Cola HBC AG
Steinhausen/Zug

Report of the statutory auditor to the General Meeting on the remuneration report 2020

We have audited the remuneration report of Coca-Cola HBC AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 225 to 228 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Coca-Cola HBC AG for the year ended 31 December 2020 complies with Swiss law and articles 14-16 of the Ordinance.

PricewaterhouseCoopers AG

Michael Foley
Audit Expert
Auditor In Charge

Mei Ling Ow
Audit Expert

Zurich, 18 March 2021

Statutory Remuneration Report

Additional disclosures regarding the Statutory Remuneration Report

The section below is in line with the Ordinance against Excessive Compensation in Listed Stock Companies, which requires disclosure of the elements of compensation paid to the Company's Board of Directors and the Operating Committee. The numbers relate to the calendar years of 2020 and 2019. In the information presented below, the exchange rate used for conversion of 2020 remuneration data from Euro to CHF is 1/1.0689 and the exchange rate used for conversion of 2019 remuneration data from Euro to CHF is 1/1.1138.

As the Company is headquartered in Switzerland, it is required for statutory purposes to present compensation data for two consecutive years, 2020 and 2019. The applicable methodology used to calculate the value of stock option and performance shares follows Swiss standards. In 2020 and 2019, the fair value of performance shares from the 2020 and 2019 grants is calculated based on the performance share awards that are expected to vest. Below is the relevant information for Swiss statutory purposes.

Remuneration for acting members of governing bodies

The Company's Directors believe that the level of remuneration offered to Directors and the members of the Operating Committee should reflect their experience and responsibility as determined by, among other factors, a comparison with similar multinational companies and should be sufficient to attract and retain high-calibre Directors who will lead the Group successfully. In line with the Group's commitment to maximise shareholder value, its policy is to link a significant proportion of remuneration for its Operating Committee to the performance of the business through short- and long-term incentives. Therefore, the Operating Committee members' financial interests are closely aligned with those of the Company's shareholders through the equity-related long-term compensation plan.

The total remuneration of the Directors and members of the Operating Committee of the Company, including performance share grants, during 2020 amounted to CHF 22.4m (2019: CHF 22.1m). Out of this, the amount relating to the expected value of performance share awards granted in relation to 2020 was CHF 4.5m (2019: CHF 4.4m). Pension and post-employment benefits for Directors and the Operating Committee of the Company during 2020 amounted to CHF 0.9m (2019: CHF 1.0m).

Swiss statutory reporting *continued*

Remuneration of the Board of Directors

	2020 CHF					
	Fees	Cash and non-cash benefits[1]	Cash performance incentives	Pension and post-employment benefits	Total fair value of performance shares at the date granted	Total compensation
Anastassis G. David	**78,564**	**–**	**–**	**–**	**–**	**78,564**
Charlotte J. Boyle	**94,063**	**–**	**–**	**–**	**–**	**94,063**
Olusola (Sola) David-Borha[2]	**94,063**	**–**	**–**	**–**	**–**	**94,063**
Anna Diamantopoulou[3]	**48,582**	**–**	**–**	**–**	**–**	**48,582**
William W. (Bill) Douglas III	**109,455**	**–**	**–**	**–**	**–**	**109,455**
Reto Francioni[4]	**114,052**	**–**	**–**	**–**	**–**	**114,052**
Anastasios I. Leventis	**90,963**	**–**	**–**	**–**	**–**	**90,963**
Christo Leventis	**78,564**	**–**	**–**	**–**	**–**	**78,564**
Alexandra Papalexopoulou[5]	**98,713**	**–**	**–**	**–**	**–**	**98,713**
José Octavio Reyes[6]	**84,764**	**–**	**–**	**–**	**–**	**84,764**
Alfredo Rivera	**78,564**	**–**	**–**	**–**	**–**	**78,564**
Ryan Rudolph[7]	**78,564**	**–**	**–**	**–**	**–**	**78,564**
John P. Sechi[8]	**47,032**	**–**	**–**	**–**	**–**	**47,032**
Zoran Bogdanovic[9]	**–**	**–**	**–**	**–**	**–**	**–**
Total Board of Directors	**1,095,943**	**–**	**–**	**–**	**–**	**1,095,943**

1. Allowances consist of cost of living allowance, housing support, employee share purchase plan, private medical insurance, relocation expenses, home trip allowance, lump sum expenses and similar allowances.
2. For Olusola (Sola) David-Borha, on top of her fees, the Group paid CHF 7,625 in social security contributions as required by Swiss legislation.
3. Anna Diamantopoulou was appointed to the Board of Directors on 16 June 2020. The Group has applied a half-year period fee of CHF 48,582. On top of her fees, the Group paid CHF 3,939 in social security contributions as required by Swiss legislation.
4. For Reto Francioni, on top of his fees, the Group paid CHF 8,230 in social security contributions as required by Swiss legislation.
5. For Alexandra Papalexopoulou, on top of her fees, the Group paid CHF 3,488 in social security contributions as required by Swiss legislation.
6. For José Octavio Reyes, on top of his fees, the Group paid CHF 4,763 in social security contributions as required by Swiss legislation.
7. For Ryan Rudolph, on top of his fees, the Group paid CHF 6,369 in social security contributions as required by Swiss legislation.
8. John P. Sechi retired from the Board of Directors on 16 June 2020. The Group has applied a half-year period base fee of CHF 47,032.
9. Zoran Bogdanovic's compensation was based on his role as CEO, member of the Operating Committee, and his employment agreement. Zoran Bogdanovic was not entitled and did not receive additional compensation as a Director.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement benefits.

Remuneration of the Board of Directors

	2019 CHF					
	Fees	Cash and non-cash benefits[1]	Cash performance incentives	Pension and post-employment benefits	Total fair value of performance shares at the date granted	Total remuneration
Anastassis G. David	81,864	–	–	–	–	81,964
Ahmet C. Bozer[2]	40,932	–	–	–	–	40,932
Charlotte J. Boyle	94,784	–	–	–	–	94,784
Olusola (Sola) David-Borha[3]	98,014	–	–	–	–	98,014
William W. (Bill) Douglas III	114,053	–	–	–	–	114,053
Reto Francioni[4]	118,842	–	–	–	–	118,842
Anastasios I. Leventis	94,784	–	–	–	–	94,784
Christo Leventis	81,864	–	–	–	–	81,864
Alexandra Papalexopoulou	107,704	–	–	–	–	107,704
José Octavio Reyes[5]	88,324	–	–	–	–	88,324
Alfredo Rivera[6]	40,932	–	–	–	–	40,932
Ryan Rudolph[7]	81,864	–	–	–	–	81,864
John P. Sechi	98,014	–	–	–	–	98,014
Zoran Bogdanovic[8]	–	–	–	–	–	–
Total Board of Directors	**1,141,975**	**–**	**–**	**–**	**–**	**1,141,975**

1. Allowances consist of cost of living allowance, housing support, employee share purchase plan, private medical insurance, relocation expenses, home trip allowance, lump sum expenses and similar allowances.
2. Ahmet C. Bozer retired from the Board of Directors on 18 June 2019. The Group has applied a half-year period base fee of CHF 40,932.
3. For Olusola (Sola) David-Borha, on top of her fees, the Group paid CHF 7,798 in social security contributions as required by Swiss legislation.
4. For Reto Francioni, on top of his fees, the Group paid CHF 9,455 in social security contributions as required by Swiss legislation.
5. For José Octavio Reyes, on top of his fees, the Group paid CHF 4,901 in social security contributions as required by Swiss legislation.
6. Alfredo Rivera was appointed to the Board of Directors on 18 June 2019. The Group has applied a half-year period base fee of CHF 40,932.
7. For Ryan Rudolph, on top of his fees, the Group paid CHF 6,513 in social security contributions as required by Swiss legislation.
8. Zoran Bogdanovic's compensation was based on his role as CEO and member of the Operating Committee, and his employment agreement. Zoran Bogdanovic was not entitled to and did not receive additional compensation as a Director.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement benefits.

Swiss statutory reporting *continued*

Remuneration of the Operating Committee

The total remuneration paid to or accrued for the Operating Committee for 2020 amounted to CHF 21.3 million.

2020 CHF	Base salary	Cash and non-cash benefits[1]	Cash employment incentives[2]	Pension and post-employment benefits[3]	Total fair value of performance shares at the date granted[4]	Total remuneration
Zoran Bogdanovic, Chief Executive Officer	844,431	730,070	611,368	150,885	1,532,642	3,869,396
Other members[5]	5,216,319	5,926,381	2,548,950	751,594	2,972,080	17,415,324
Total Operating Committee	**6,060,750**	**6,656,451**	**3,160,318**	**902,479**	**4,504,722**	**21,284,720**

1. Cash and non-cash benefits consist of cost of living allowance, housing support, schooling, employee share purchase plan, private medical insurance, relocation expenses, home trip allowance, employer social security contributions, lump sum expenses and similar allowances.
2. The cash performance incentives represent the monetary value that was paid under MIP in 2020, reflecting the 2019 business performance.
3. Members of the Operating Committee participate in the pension plan of their employing entity, as appropriate.
4. Values under long-term incentives represent the fair value of performance shares that are expected to vest for the 2020 grant in order to comply with Swiss reporting guidelines.
5. Naya Kalogeraki was appointed to the role of Chief Operating Officer on 1 September 2020. Vitaliy Novikov was appointed to the role of Group Commercial and Customer Director on 1 September 2020. Alain Brouhard's employment ceased on 30 June 2020.

The total remuneration paid to or accrued for the Operating Committee for 2019 amounted to CHF 20.9 million.

2019 CHF	Base salary	Cash and non-cash benefits[1]	Cash employment incentives[2]	Pension and post-employment benefits[3]	Total fair value of performance shares at the date granted[4]	Total remuneration
Zoran Bogdanovic, Chief Executive Officer	865,051	534,675	517,917	141,715	1,378,328	3,437,686
Other members[5]	5,041,738	6,315,793	2,163,334	872,247	3,052,625	17,445,737
Total Operating Committee	**5,906,789**	**6,850,468**	**2,681,251**	**1,013,962**	**4,430,953**	**20,883,423**

1. Cash and non-cash benefits consist of cost of living allowance, housing support, schooling, Employee Share Purchase Plan, private medical insurance, relocation expenses, home trip allowance, employer social security contributions, lump sum expenses and similar allowances.
2. The cash performance incentives represent the monetary value that was paid under MIP in 2019, reflecting the 2018 business performance.
3. Members of the Operating Committee participate in the pension plan of their employing entity, as appropriate.
4. Values under long-term incentives represent the fair value of performance shares that are expected to vest for the 2019 grant in order to comply with Swiss reporting guidelines.
5. Minas Angelidis was appointed to the role of Region Director on 1 April 2019. Sotiris Yannopoulos and Keith Sanders stepped down from their roles as Region Directors on 1 April 2019. Their employment ceased on 30 September 2019. Mourad Ajarti was appointed to the role of Group Business Solutions and Systems Director on 1 October 2019. Alain Brouhard stepped down from his role as Group Business Solutions and Systems Director on 1 November 2019. His employment will cease on 30 June 2020.

Credits and loans granted to governing bodies

In 2020, similar to 2019, there were no credits or loans granted to active or former members of the Company's Board of Directors, members of the Operating Committee or to any related persons. There are no outstanding credits or loans.

Definitions and reconciliations of Alternative Performance Measures (APMs)

1. Comparable APMs[1]

In discussing the performance of the Group, 'comparable' measures are used, which are calculated by deducting from the directly reconcilable IFRS measures the impact of the Group's restructuring costs, the mark-to-market valuation of the commodity hedging activity, acquisition costs and certain other tax items, which are collectively considered as items impacting comparability, due to their nature. More specifically, the following items are considered as items that impact comparability:

1. Restructuring costs

Restructuring costs comprise costs arising from significant changes in the way the Group conducts business, such as significant supply chain infrastructure changes, outsourcing of activities and centralisation of processes. These costs are included within the income statement line 'Operating expenses'. However, they are excluded from the comparable results in order for the user to obtain a better understanding of the Group's operating and financial performance achieved from underlying activity.

2. Commodity hedging

The Group has entered into certain commodity derivative transactions in order to hedge its exposure to commodity price risk. Although these transactions are economic hedging activities that aim to manage our exposure to sugar, aluminium, gas oil and PET price volatility, hedge accounting has not been applied in all cases. In addition, the Group recognises certain derivatives embedded within commodity purchase contracts that have been accounted for as stand-alone derivatives and do not qualify for hedge accounting. The fair value gains and losses on the derivatives and embedded derivatives are immediately recognised in the income statement in the cost of goods sold and operating expenses line items. The Group's comparable results exclude the gains or losses resulting from the mark-to-market valuation of these derivatives to which hedge accounting has not been applied (primarily PET) and embedded derivatives. These gains or losses are reflected in the comparable results in the period when the underlying transactions occur, to match the profit or loss to that of the corresponding underlying transactions. We believe this adjustment provides useful information related to the impact of our economic risk management activities.

3. Acquisition costs

Acquisition costs comprise costs incurred to effect a business combination such as finder's fees, advisory, legal, accounting, valuation and other professional or consulting fees. These costs are included within the income statement line 'Operating expenses'. However, to the extent that they relate to business combinations that have completed or are expected to be completed, they are excluded from the comparable results in order for the user to obtain a better understanding of the Group's operating and financial performance achieved from underlying activity.

4. Other tax items

Other tax items represent the tax impact of: (a) changes in income tax rates affecting the opening balance of deferred tax arising during the year; and (b) certain tax related matters selected based on their nature. Both (a) and (b) are excluded from comparable after-tax results in order for the user to obtain a better understanding of the Group's underlying financial performance.

1. Comparable APMs refer to comparable cost of goods sold, comparable gross profit, comparable operating expenses, comparable EBIT, comparable EBIT margin, comparable Adjusted EBITDA, comparable tax, comparable net profit and comparable EPS.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both periods for which these measures are presented.

The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows:

Reconciliation of comparable financial indicators (numbers in € million except per share data)

2020	Cost of goods sold	Gross profit	Operating expenses	EBIT[1]	Adjusted EBITDA	Tax	Net profit[2]	EPS (€)
As reported	**(3,810)**	**2,322**	**(1,682)**	**661**	**1,059**	**(179)**	**415**	**1.140**
Restructuring costs	**–**	**–**	**10**	**10**	**10**	**(2)**	**8**	**0.022**
Commodity hedging	**2**	**2**	**–**	**2**	**2**	**–**	**1**	**0.004**
Other tax items[3]	**–**	**–**	**–**	**–**	**–**	**7**	**7**	**0.019**
Comparable	**(3,809)**	**2,323**	**(1,672)**	**672**	**1,071**	**(174)**	**431**	**1.185**

2019	Cost of goods sold	Gross profit	Operating expenses	EBIT	Adjusted EBITDA	Tax	Net profit[2]	EPS (€)
As reported	(4,380)	2,646	(1,930)	715	1,111	(173)	487	1.340
Restructuring costs	–	–	38	38	37	(9)	29	0.080
Commodity hedging	2	2	–	2	2	–	2	0.005
Acquisition costs	–	–	3	3	3	–	3	0.008
Other tax items	–	–	–	–	–	1	1	0.003
Comparable	(4,378)	2,648	(1,889)	759	1,153	(182)	522	1.436

Figures are rounded.

1. EBIT for 2020 includes €0.2 million from restructuring within share of results of integral equity-method investments (2019: €nil).
2. Net profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent.
3. Amount includes €7.2 million regarding net impact from the settlement of transfer pricing audit for years 2011-2019 in Nigeria (detailed in 'Other supplementary information' section).

Alternative performance measures

Reconciliation of comparable EBIT per reportable segment (numbers in € million)

	2020			
	Established	**Developing**	**Emerging**	**Consolidated**
EBIT[1]	**203**	**97**	**360**	**661**
Restructuring costs	**6**	**4**	**1**	**10**
Commodity hedging	**–**	**1**	**–**	**2**
Comparable EBIT	**209**	**102**	**361**	**672**

	2019			
	Established	Developing	Emerging	Consolidated
EBIT	236	139	340	715
Restructuring costs	20	7	11	38
Commodity hedging	–	1	2	2
Acquisition costs	–	–	3	3
Comparable EBIT	256	146	356	759

Figures are rounded.

1. EBIT for 2020 includes €0.2 million from restructuring within share of results of integral equity-method investments (2019: €nil).

2. FX-neutral APMs

The Group also evaluates its operating and financial performance on an FX-neutral basis (i.e. without giving effect to the impact of variation of foreign currency exchange rates from year to year). FX-neutral APMs are calculated by adjusting prior year amounts for the impact of exchange rates applicable to the current year. FX-neutral measures enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from year to year. The most common FX-neutral measures used by the Group are:

1. FX-neutral net sales revenue and FX-neutral net sales revenue per unit case
   FX-neutral net sales revenue and FX-neutral net sales revenue per unit case are calculated by adjusting prior year net sales revenue for the impact of changes in exchange rates applicable in the current year.
2. FX-neutral comparable input costs per unit case
   FX-neutral comparable input costs per unit case is calculated by adjusting prior year commodity costs and more specifically, sugar, resin, aluminium and fuel commodity costs, excluding commodity hedging as described above; and other raw materials costs for the impact of changes in exchange rates applicable in the current year.

The calculations of the FX-neutral APMs and the reconciliation to the most directly related measures calculated in accordance with IFRS is as follows:

Reconciliation of FX-neutral net sales revenue per unit case (numbers in € million unless otherwise stated)

	2020			
	Established	**Developing**	**Emerging**	**Consolidated**
Net sales revenue	**2,175**	**1,171**	**2,786**	**6,132**
Currency impact	**–**	**–**	**–**	**–**
FX-neutral net sales revenue	**2,175**	**1,171**	**2,786**	**6,132**
Volume (m unit cases)	**537**	**412**	**1,187**	**2,136**
FX-neutral net sales revenue per unit case (€)	**4.05**	**2.84**	**2.35**	**2.87**

	2019			
	Established	Developing	Emerging	Consolidated
Net sales revenue	2,518	1,352	3,156	7,026
Currency impact	13	(46)	(211)	(244)
FX-neutral net sales revenue	2,531	1,306	2,945	6,782
Volume (m unit cases)	624	431	1,209	2,265
FX-neutral net sales revenue per unit case (€)	4.05	3.03	2.44	2.99

Figures are rounded.

2. FX-neutral APMs *continued*

Reconciliation of FX-neutral input costs per unit case (numbers in € million unless otherwise stated)

	2020	2019
Input costs	**1,554**	1,824
Commodity hedging	**(2)**	(2)
Comparable input costs	**1,553**	1,822
Currency impact	**–**	(62)
FX-neutral comparable input costs (€)	**1,553**	1,760
Volume (m unit cases)	**2,136**	2,265
FX-neutral comparable input costs per unit case (€)	**0.73**	0.78

Figures are rounded.

3. Other APMs

Adjusted EBITDA

Adjusted EBITDA is calculated by adding back to operating profit the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and performance share costs and items, if any, reported in line 'Other non-cash items' of the consolidated cash flow statement. Adjusted EBITDA is intended to provide useful information to analyse the Group's operating performance excluding the impact of operating non-cash items as defined above. It is also intended to measure the level of financial leverage of the Group by comparing Adjusted EBITDA to Net debt. The Group also uses comparable Adjusted EBITDA, which is calculated by deducting from Adjusted EBITDA the impact of the Group's restructuring costs, acquisition costs and the mark-to-market valuation of the commodity hedging activity. Comparable Adjusted EBITDA is intended to measure the level of financial leverage of the Group by comparing comparable Adjusted EBITDA to Net debt.

Adjusted EBITDA and comparable Adjusted EBITDA are not measures of profitability and liquidity under IFRS and have limitations, some of which are as follows: Adjusted EBITDA and comparable Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; Adjusted EBITDA and comparable Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs; although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA and comparable Adjusted EBITDA do not reflect any cash requirements for such replacements. Because of these limitations, Adjusted EBITDA and comparable Adjusted EBITDA should not be considered as measures of discretionary cash available to us and should be used only as supplementary APMs.

Free cash flow

Free cash flow is an APM used by the Group and defined as cash generated by operating activities after payments for purchases of property, plant and equipment net of proceeds from sales of property, plant and equipment and including principal repayments of lease obligations. Free cash flow is intended to measure the cash generation from the Group's business, based on operating activities, including the efficient use of working capital and taking into account its net payments for purchases of property, plant and equipment.

The Group considers the purchase and disposal of property, plant and equipment as ultimately non discretionary since ongoing investment in plant, machinery, technology and marketing equipment, including coolers, is required to support the day-to-day operations and the Group's growth prospects. The Group presents free cash flow because it believes the measure assists users of the financial statements in understanding the Group's cash-generating performance as well as availability for interest payment, dividend distribution and own retention. The free cash flow measure is used by management for its own planning and reporting purposes since it provides information on operating cash flows, working capital changes and net capital expenditure that local managers are most directly able to influence.

Free cash flow is not a measure of cash generation under IFRS and has limitations, some of which are as follows: free cash flow does not represent the Group's residual cash flow available for discretionary expenditures since the Group has debt payment obligations that are not deducted from the measure; free cash flow does not deduct cash flows used by the Group in other investing and financing activities; and free cash flow does not deduct certain items settled in cash. Other companies in the industry in which the Group operates may calculate free cash flow differently, limiting its usefulness as a comparative measure.

Capital expenditure

The Group uses capital expenditure as an APM to ensure that the cash spending is in line with its overall strategy for the use of cash. Capital expenditure is defined as payments for purchases of property, plant and equipment plus principal repayments of lease obligations less proceeds from sale of property, plant and equipment.

Alternative performance measures *continued*

The following table illustrates how Adjusted EBITDA, free cash flow and capital expenditure are calculated:

	2020 € million	2019 € million
Operating profit (EBIT)	**661**	715
Depreciation and impairment of property, plant and equipment, including right-of-use assets	**388**	385
Amortisation of intangible assets	**1**	1
Employee performance shares	**10**	10
Adjusted EBITDA	**1,059**	1,111
Share of results of integral equity-method investments	**(21)**	–
Gain on disposals of non-current assets	**(1)**	(6)
Cash generated from working capital movements	**108**	33
Tax paid	**(183)**	(212)
Net cash from operating activities	**962**	926
Payments for purchases of property, plant and equipment	**(419)**	(473)
Principal repayments of lease obligations	**(59)**	(46)
Proceeds from sales of property, plant and equipment	**13**	35
Capital expenditure	**(465)**	(484)
Net cash from operating activities	**962**	926
Capital expenditure	**(465)**	(484)
Free cash flow	**497**	443

Figures are rounded.

Net debt

Net debt is an APM used by management to evaluate the Group's capital structure and leverage. Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents and financial assets (time deposits, treasury bills and money market funds), as illustrated below:

	As at 31 December	
	2020 € million	2019 € million
Current borrowings	**315**	762
Non-current borrowings	**2,610**	2,563
Other financial assets	**(93)**	(729)
Cash and cash equivalents	**(1,216)**	(823)
Net debt	**1,617**	1,773

Figures are rounded.

Other supplementary information

Effective May 2020, following a re-organisation of our Russian Juice business (Multon) structure, the joint arrangement was reclassified from a joint operation to a joint venture. Also, in H2 2020 we cycled the acquisition of Bambi and as of 1 January 2020, the Group elected to classify its share of results from integral equity-method investments within operating profit. The table below depicts these impacts to the Group's growth compared to the prior year:

	Net sales revenue per unit case											
2020 vs 2019	Volume				FX-neutral				Reported			
Growth (%)	Total CCH	Excl. Bambi	Incl. Multon	Like-for-like	Total CCH	Excl. Bambi	Incl. Multon	Like-for-like	Total CCH	Excl. Bambi	Incl. Multon	Like-for-like
Total Group	-5.7	-6.3	-3.9	-4.6	-4.1	-4.1	-4.1	-4.1	-7.5	-7.5	-7.4	-7.4
Established	-14.0	-14.0	-14.0	-14.0	-0.1	-0.1	-0.1	-0.1	0.5	0.5	0.5	0.5
Developing	-4.4	-4.4	-4.4	-4.4	-6.2	-6.2	-6.2	-6.2	-9.4	-9.4	-9.4	-9.4
Emerging	-1.8	-3.0	1.5	0.3	-3.6	-3.9	-2.8	-3.1	-10.1	-10.3	-9.4	-9.6

	Net sales revenue							
2020 vs 2019	FX-neutral				Reported			
Growth (%)	Total CCH	Excl. Bambi	Incl. Multon	Like-for-like	Total CCH	Excl. Bambi	Incl. Multon	Like-for-like
Total Group	-9.6	-10.2	-7.9	-8.5	-12.7	-13.3	-11.1	-11.7
Established	-14.1	-14.1	-14.1	-14.1	-13.6	-13.6	-13.6	-13.6
Developing	-10.3	-10.3	-10.3	-10.3	-13.4	-13.4	-13.4	-13.4
Emerging	-5.4	-6.8	-1.4	-2.8	-11.7	-13.1	-8.0	-9.4

	EBIT									
2020 vs 2019	Reported					Comparable				
Growth (%)	Total CCH	Excl. Bambi	Incl. Multon	Excl. Share of results[1]	Like-for-like	Total CCH	Excl. Bambi	Incl. Multon	Excl. Share of results[1]	Like-for-like
Total Group	-7.6	-9.5	-7.3	-8.3	-9.9	-11.4	-13.1	-11.1	-12.1	-13.5
Established	-13.9	-13.9	-13.9	-13.3	-13.3	-18.4	-18.4	-18.4	-17.9	-17.9
Developing	-30.2	-30.2	-30.2	-30.0	-30.0	-30.3	-30.3	-30.3	-30.1	-30.1
Emerging	5.9	2.1	6.6	4.0	0.3	1.4	-2.3	2.0	-0.4	-3.5

1. The impact to share of integral equity-method investments from the change in accounting treatment of Multon, is considered in the context of the 'Incl. Multon' adjustment.

In August 2020, Nigerian Bottling Company Ltd ('NBC'), the Group's subsidiary in Nigeria, settled the additional tax assessed by the Nigerian tax authorities ('FIRS') following the completion of their income tax audit for the years 2005-2019 and transfer pricing ('TP') audit for the years 2011-2019. The net impact to the Tax line item in the income statement, following the utilisation of provisions for uncertain tax positions, was €16.5 million, out of which €7.2 million is attributable to the results of the TP audit. This additional tax charge of €16.5 million resulted in a 2.8pp increase of the Group's effective tax rate on a reported basis, for 2020.

NBC was audited by the FIRS with respect to TP for the first time since the inception of the TP rules and principles in the country. The TP audit focused on the transactions between NBC and The Coca-Cola Company Group entities ('TCCC') over a 9-year period (2011-2019). The FIRS challenged the prices of concentrate purchased from and the charges for services provided by TCCC to NBC. As a result, the FIRS adjusted NBC's profitability, increasing its taxable base accordingly. The TP audit concluded with a settlement between FIRS and NBC.

This increase of NBC's taxable base over this 9-year period amounted to €195 million and resulted in the elimination of accumulated capital allowances of €183 million. In addition, to the extent that the available capital allowances were not sufficient to offset the full impact of the tax adjustment in a certain year, a tax payment was required to be made. Following the settlement, the total tax assessed by the FIRS amounted to €62.7 million, of which €7.6 million was settled in cash and €55.1 million was settled through the elimination of the deferred tax asset relating to the available capital allowances.

The FIRS applied Nigerian TP rules and principles to assess tax on a portion of the income earned by TCCC from its transactions with NBC which, the FIRS determined, should have been subject to taxation in Nigeria. The outcome of the TP audit and the additional related tax that was assessed by the FIRS, is therefore not associated with the operations of NBC. Consequently, we consider that the income statement impact of this TP audit (net income statement charge of €7.2 million after the utilisation of provisions for uncertain tax positions) distorts users' understanding of the Group's underlying financial performance for 2020 and therefore have excluded it from the comparable after-tax results, by reporting it under 'Other tax matters' for comparability purposes. Adjusting for this TP audit charge, the Group's effective tax rate on a comparable basis was 28.7% for 2020, an increase of 2.9pp year on year.

Assurance statement

Independent assurance statement for the 2020 Integrated Annual Report

To the management and stakeholders of Coca-Cola Hellenic Bottling Company AG:

denkstatt GmbH was commissioned by Coca-Cola Hellenic Bottling Company AG (hereinafter referred to as "the Company") to provide independent third-party assurance for the printed and downloadable pdf versions of the Company's 2020 Integrated Annual Report (hereinafter referred to as "the Report") in accordance with the AA1000 Assurance Standard. We have reviewed sustainability-related data and content in the Report. Financial data were not reviewed as part of this engagement. The assurance engagement covered the nature and extent of the Company's application of the principles of inclusivity, materiality, responsiveness and impact, as described in the AA1000 Series of Standards (AA1000AP, 2018). The application level of the Global Reporting Initiative (GRI) Standards (core option) was verified.

denkstatt is an independent professional services company. Our team of experts has extensive professional experience of assurance engagements related to non-financial information and sustainability management, meaning it is qualified to conduct this independent assurance engagement. denkstatt has implemented a certified quality and environmental management system which complies with the requirements of ISO 9001:2015 and ISO 14001:2015, and accordingly maintains a comprehensive quality control system.

Management responsibilities

The Company's management (Management) is responsible for preparing the Report, statements within it and related online content. Management is also responsible for identifying stakeholders and material issues, defining commitments with respect to sustainability performance, and establishing and maintaining appropriate performance management and internal control systems, from which reported information is derived.

Additionally, Management is responsible for establishing data collection and internal control systems to ensure reliable reporting, for specifying acceptable reporting criteria and for selecting data to be collected for the purposes of the Report. Management responsibilities also extend to preparing the Report in accordance with the GRI Standards.

Assurance provider's responsibilities

Our responsibilities are to:

- express our conclusions and make recommendations regarding the nature and extent of the Company's adherence to the AA1000 Accountability Principles (2018), and
- express our conclusions on the reliability of the information in the Report, and whether it is in accordance with the criteria in the GRI Standards.

During 2020 we did not perform any tasks or services for the Company or other clients which would lead to a conflict of interest. We were not responsible for the preparation of any part of the Report.

Scope of assurance, standards and criteria used

We have fulfilled our responsibilities to provide appropriate assurance that the information in the Report is free from material misstatements. We planned and carried out our work based on the GRI Standards and the AA1000 Series of Standards. We used the criteria in AA1000AS (AA1000 Assurance Standard v3) to perform a Type 2 engagement and to provide high level of assurance regarding the nature and extent of the Company's adherence to the principles of impact, inclusivity, materiality and responsiveness. During the assurance process the application level of the Global Reporting Initiative Standards (GRI) was amended to the core option and verified accordingly.

Methodology, approach, limitations and scope of work

We planned and carried out our work in order to obtain all evidence, information and explanations that we considered necessary to fulfil our responsibilities. We completed a wide range of activities in order to gather necessary evidence, including:

- Gathering information regarding the Company's adherence to the principles of impact, inclusivity, materiality, sustainability context, completeness and responsiveness as required by GRI and AA1000, and conducting interviews with members of the executive management, staff from the Human Resources Department, the Legal Affairs Department, the Commercial Department, the Supply Chain Department (including the Procurement team and the Product Quality, Safety and Environment team) and the Public Affairs and Communication Department (including the Sustainability team), as well as managers from other Group functions. In particular, we verified the management commitment to the above-mentioned principles, and whether they are also embedded at market level as well as whether systems and procedures are in place to support compliance with these principles.
- The key topics during the interviews conducted at Group level related to the materiality analysis, i.e. health and nutrition, employee wellbeing and engagement, vehicle fleets, corporate governance, business ethics and anti-corruption, energy and climate change, water stewardship, the World Without Waste initiative, sourcing, #YouthEmpowered and other community programmes, human rights and diversity, business risks and opportunities, and social impact.
- Conducting interviews at country headquarters in Armenia, the Czech Republic, Nigeria, Poland, Romania, Russia and Switzerland in order to assure that the information required for the engagement was complete.
- Performing audits in nine bottling plants, the majority of which were located in emerging markets: Yerevan (Armenia), Asejire (Nigeria), Timisoara (Romania), Moscow, Novosibirsk and Krasnoyarsk (Russia), Staniatki (Poland), Dietlikon (Switzerland) and Prague (Czech Republic).
- Making enquiries and conducting spot checks to assess the implementation of Company policies (at plant, market and Group level).
- Making enquiries and conducting spot checks regarding necessary documentation for assessing the current data collection systems, and the procedures in place to ensure reliable and consistent reporting from the plants to Group level.
- Verifying all three inventory scopes (scopes 1, 2 and 3) as defined by the GHG Protocol (Corporate Standard), including progress against emission reduction targets, reported changes in emissions compared with the baseline years (2010 and 2017) and the figures for emissions intensity in 2020.
- Verifying the GRI content index, which was published in a separate section of the Company website, to ensure consistency with the requirements of the GRI Standards (core option).
- Conducting additional interviews with four external stakeholders representing different stakeholder groups (i.e. business partners, customers, investors and non-governmental organisations) on the margins of the annual stakeholder forum in autumn 2020.

The scope of assurance covers all information relevant to sustainability in the Report and focuses on Company systems and activities during the reporting period. Conversely, the following chapters were not covered in the sustainability assurance process:

- Financial Statements and Swiss Statutory Reporting.

Due to the COVID-19 pandemic all audits and interviews were conducted virtually, and for tours of manufacturing plants we used smart glasses technology and MS Teams.

Conclusions

On the basis of our work, we found nothing to suggest that the information in the 2020 Integrated Annual Report is inaccurate or contains material misstatements. Any errors or misstatements identified during the engagement were corrected prior to the Report being published.

Positive developments

- Sustainability is deeply embedded in the Company culture. This is evident in well-structured, easily accessible guidelines which ensure proper implementation of Company-wide standards, e.g. the Code of Business Conduct, the Inclusion and Diversity Policy or the Mission 2025 Guidebook. It is also reflected in the organisational structure and across all functions, with a clear set of responsibilities for sustainability strategy, from factory-level to senior management.
- The Company demonstrates a very strong commitment to its goals. Most operations have a strong track record of collecting and documenting sustainability data. Data traceability has significantly improved over recent years, due to well-structured monitoring and reporting processes at plant, market and Group level, and specialised software.
- The Company fully understands the links between business risks and sustainability issues. An excellent risk management system has been developed over recent years. Procedures for identifying and mitigating risks comprehensively cover sustainability-related risks, e.g. by applying the TCFD framework.
- The Company understands the social context in which it operates and runs projects that meet the needs of local communities. Meaningful projects and targeted support generate positive impacts (e.g. educational programmes for young people covering soft and/or business skills that also target the hospitality industry; context-based water targets; Company response to the pandemic situation).

Findings and conclusions regarding adherence to the AA1000 principles of inclusivity, materiality, responsiveness, impact, and specific performance-related information:

Inclusivity

- Group level: The Company has implemented a comprehensive and efficient stakeholder engagement process at Group level. Its cornerstones are the annual internal and external materiality survey and the Annual Stakeholder Forum (held online in 2020).
- Market and plant level: Stakeholder engagement activities at market and plant level are further emerging – and, especially during the COVID-19 pandemic, resulted in new approaches to stakeholder engagement (e.g. virtual stakeholder forums). The Company is well aware of stakeholder concerns and it consistently integrates the views of stakeholders at all levels.

Materiality

- Group level: A robust process for defining topics material to the Company is in place. The materiality assessment process considers stakeholder expectations with regard to relevant topics. Moreover, the Company considers its impact on society and the environment in the materiality assessment, as required by GRI Standards. The material topics identified during the assessment in 2020 provided the basis for the sustainability strategy and reporting.
- Market and plant level: As various markets are publishing sustainability reports in combination with socio-economic impact studies, formalised processes for carrying out the materiality assessment have been more strongly implemented throughout the organisation. It should be ensured that all materiality assessments comply with the same basic rules (e.g. by using harmonised assessment criteria for the materiality assessment), so that they follow a consistent approach.

Assurance statement *continued*

Responsiveness

- The Company demonstrated a proactive, fast and professional response to the health and safety challenges that arose due to the pandemic, in order to protect employees and business partners.
  - Measures taken specifically to better understand newly arising needs of employees during the pandemic have been very effective, i.e. the dynamic adaptation of the employee engagement survey (the "pulse survey", conducted three times in 2020) and increasing the frequency of performance reviews to a quarterly routine.
  - External stakeholders were also supported by e.g. focussing the "#YouthEmpowered" programme on hospitality industry workers, or donating products and financial contributions to emergency relief during the COVID-19-related lockdown.

Impact

- Group level: The Company has robust processes in place for understanding, assessing and managing its impacts, including risk management and strategy development.
- Market level: Sound socio-economic impact studies are conducted in individual markets, on a local cycle of maximum three years, to measure the organisational impact on communities. Results from these studies are summarised at Group level to disclose the organisation's impact on stakeholders, the society and on the Company itself.
- As part of the "Mission 2025" strategy, the Company has published a strong set of commitments with a long-term perspective, covering a wide range of environmental and social impact areas along the value chain. In particular, the Company's commitment to the "Science based target initiative" demonstrates their ambitious climate related roadmap. In order to shape sustainability commitments further, streamlining the variety of topics covered is recommended, for closer alignment with the Company's core business.

Additional conclusions and recommendations

- The Company demonstrates excellent engagement and know-how in relation to packaging waste management. This competence, combined with a structured approach, reflects ambitious targets in this area. The newly released food waste policy is another positive step within the "World Without Waste" programme. However, efforts need to be increased, since the Company's 2025 targets for use of recycled PET and/or PET from renewables, as well as packaging collection for recycling, do not appear to be within reach currently.
- The product portfolio is under development, with the integration of completely new product and service segments such as coffee drinks and coffee vending machines. The social and environmental impacts of these new segments should be assessed and integrated into the Company's sustainability management approach.
- The Company has established a data monitoring and reporting system at a high level of maturity in general. These approaches should also be applied to data processes where data gaps or discrepancies occur.
- The Company has made progress in raising the number of suppliers that undergo an environmental, social and corporate governance (ESG) assessment using EcoVadis and other tools. In order to further increase positive developments along the value chain, supplier-specific dialogues on sustainability-related expectations and areas for improvement should be implemented, as well as monitoring for actions taken.

Willibald Kaltenbrunner
Lead Auditor

denkstatt GmbH
Advisory for Sustainable Development

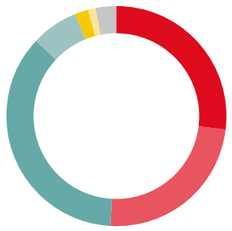
Vienna, 8 March 2021

AA1000
Licensed Assurance Provider
000-86

Shareholder information

We take great pride in being regarded as a transparent and accessible company in all our communications with investment communities around the world. We engage with key financial audiences, including institutional investors, sell-side analysts and financial journalists, as well as our Company's shareholders. The investor relations department manages the interaction with these audiences by attending ad hoc meetings and investor conferences throughout the year, in addition to the regular meetings and presentations held at the time of our results announcements.

Geographic concentration (%)



- Western Europe: **27%**
- North America: **24%**
- UK: **36%**
- Nordic: **7%**
- Asia: **2%**
- Middle East: **1%**
- Other: **3%**

Listings

Coca-Cola HBC AG (LSE: CCH) was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 29 April 2013. With effect from 29 April 2013, Coca-Cola HBC AG's shares are also admitted on the Athens Exchange (ATHEX: EEE). Coca-Cola HBC AG has been included as a constituent of the FTSE 100 and FTSE All-Share Indices from 20 September 2013.

London Stock Exchange
Ticker symbol: CCH
ISIN: CH019 825 1305
SEDOL: B9895B7
Reuters: CCH.L
Bloomberg: CCH LN

Athens Exchange
Ticker symbol: EEE
ISIN: CH019 825 1305
Reuters: EEEr.AT
Bloomberg: EEE GA

Credit rating

Standard & Poor's: L/T BBB+, S/T A2, stable outlook
Moody's: L/T Baa1, S/T P2, stable outlook

Share price performance

LSE: CCH	2020	2019	2018
In £ per share			
Close	**23.77**	25.65	24.52
High	**28.83**	30.74	28.01
Low	**14.94**	22.99	22.16
Market capitalisation (£ million)	**8,660**	9,318	9,007

ATHEX: EEE	2020	2019	2018
In € per share			
Close	**26.42**	30.17	27.11
High	**34.24**	35.09	31.90
Low	**16.99**	26.93	24.99
Market capitalisation (€ million)	**9,625**	10,960	9,959

Source: Bloomberg

Share capital

In 2020, the share capital of Coca-Cola HBC increased by the issue of 582,440 new ordinary shares following the exercise of stock options pursuant to the Group's employee stock option plan.

Total proceeds from the issuance of the shares under the stock option plan amounted to €7.6 million.

Following the above changes, and including 6,189,415 ordinary shares held as treasury shares, on 31 December 2020 the share capital of the Group amounted to €2,014.4 million and comprised 370,512,597 shares with a nominal value of CHF 6.70 each.

Major shareholders

The principal shareholders of the Group are Kar-Tess Holding (a Luxembourg company), which holds approximately 23%, and The Coca-Cola Company, which indirectly holds approximately 23% of the Group's issued share capital.

Dividends

For 2020, the Board of Directors has proposed a €0.64 dividend per share in line with the Group's progressive dividend policy.

This compares with a dividend payment of €0.62 per share in 2019. For more information on our dividend policy and dividend history, please visit our website at www.coca-colahellenic.com.

Financial calendar

12 May 2021	First quarter trading update
22 June 2021	Annual General Meeting
12 August 2021	Half-year financial results
3 November 2021	Third quarter trading update

Corporate website

www.coca-colahellenic.com

Shareholder and analyst information

Shareholders and financial analysts can obtain further information by contacting:

Investor Relations
Tel: +30 210 618 3100
Email: investor.relations@cchellenic.com
IR website: www.coca-colahellenic.com/en/investor-relations

Glossary

Basis points (bps)
One hundredth of one percentage point (used chiefly in expressing differences)

BSO
Business services organisation

BSS
Business solutions and systems

CAGR
Compound annual growth rate

Capital expenditure or CapEx
Gross CapEx is defined as payments for purchase of property, plant and equipment. Net CapEx is defined as payments for purchase of property, plant and equipment less receipts from disposals of property, plant and equipment plus principal repayment of lease obligations

Carbon emissions (scope 1 and 2)
Emissions of CO_2 and other greenhouse gases from fuel combustion and energy use in Coca-Cola HBC's own operations in bottling, storage, distribution and in offices

Carbon footprint
Global emissions of CO_2 and other greenhouse gases from Coca-Cola HBC's wider value chain (raw materials, product cooling, etc.)

CHP
Combined heat and power plants

Coca-Cola brands
Includes Coca-Cola, Coca-Cola Zero and Coca-Cola Light brands

Coca-Cola HBC
Coca-Cola HBC AG, and, as the context may require, its subsidiaries and joint ventures; also, the Group, the Company

Coca-Cola System
The Coca-Cola Company and its bottling partners

Cold drink equipment
A generic term encompassing point-of-sale equipment such as coolers (refrigerators), vending machines and post-mix machines

Comparable adjusted EBITDA
We define comparable adjusted EBITDA as operating profit before deductions for depreciation and impairment of property, plant and equipment (included both in cost of goods sold and in operating expenses), amortisation and impairment of intangible assets, stock option compensation and other non-cash items, if any; and further adjusted for restructuring costs, acquisition costs and mark to market valuation of commodity hedging activity

Comparable net profit
Refers to net profit after tax attributable to owners of the parent adjusted for restructuring costs, acquisition costs, mark to market valuation of commodity hedging activity and certain other tax items

Comparable operating profit (EBIT)
Comparable operating profit (EBIT) refers to profit before tax excluding finance income/(costs) and share of results of equity-method investments and adjusted for restructuring costs, acquisition costs and mark to market valuation of commodity hedging activity

Comparable operating expenditure
Comparable operating expenditure refers to operating expenditure adjusted for restructuring costs, acquisition costs and mark to market valuation of certain commodity hedging activity

Customer
Retail outlet, restaurant or other operation that sells or serves Coca-Cola HBC products directly to consumers

Dividend policy
Our Board of Directors approved a dividend policy, effective from 2013, aiming to increase dividend payments progressively with a medium-term target payout ratio of 35-45% on comparable net profits

DME
Direct marketing expenses

Energy use ratio
The KPI used by Coca-Cola HBC to measure energy consumption in the bottling plants, expressed in megajoules of energy consumed per litre of produced beverage (MJ/lpb)

FMCG
Fast-moving consumer goods

Future consumption
A distribution channel where consumers buy multi-packs and larger packages from supermarkets and discounters which are not consumed on the spot

GDP
Gross domestic product

GRI
Global Reporting Initiative, a global standard for sustainability reporting

HoReCa
Distribution channel encompassing hotels, restaurants and cafés

IFRS
International Financial Reporting Standards, issued by the International Accounting Standards Board

IIRC
The International Integrated Reporting Council, a global coalition of regulators, investors, companies, standard-setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting

Immediate consumption
A distribution channel where consumers buy chilled beverages in single-serve packages and fountain products for immediate consumption, away from home

Inventory days
We define inventory days as the average number of days an item remains in inventory before being sold, using the following formula: average inventory ÷ cost of goods sold x 365

Ireland
The Republic of Ireland and Northern Ireland

Italy
Territory in Italy served by Coca-Cola HBC (excludes Sicily)

Joint value creation (JVC)
An advanced programme and process to collaborate with customers in order to create shared value

Litre of produced beverage (lpb)
Unit of reference to show environmental performance relative to production volume

Market
When used in reference to geographic areas, a country in which Coca-Cola HBC does business

NARTD
Non-alcoholic ready-to-drink

NGOs
Non-governmental organisations

NIST
NIST is the US National Institute of Standards and Technology – a non-regulatory agency of the United States Department of Commerce.

Nm^3
Normal cubic metre

NSR
Net sales revenue

Operational leverage
Operational leverage is the degree to which an increase in a company's revenues will result in an increase in comparable EBIT

Organised trade
Large retailers (e.g. supermarkets, discounters etc.)

PET
Polyethylene terephthalate, a form of polyester used in the manufacturing of beverage bottles

Ready-to-drink (RTD)
Drinks that are pre-mixed and packaged, ready to be consumed immediately with no further preparation

Right Execution Daily (RED)
Major Group-wide programme to ensure in-outlet excellence

Receivable days
The average number of days it takes to collect receivables using the following formula: average accounts receivable ÷ net sales revenue x 365

ROIC
Return on invested capital. ROIC is the percentage return that a company makes over its invested capital. We define ROIC as the percentage of comparable net profit excluding net finance costs divided by the capital employed. Capital employed is calculated as the average of net debt and shareholders' equity attributable to the owners of the parent through the year

SAP
A powerful software platform that enables us to standardise key business processes and systems

SDG
UN Sustainable Development Goals. On 25 September 2015, countries adopted a set of 17 goals to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved by 2030

Serving
237ml or 8oz of beverage, equivalent to 1/24 of a unit case

Shared services
Centre to standardise and simplify key finance and human resources processes

Sparkling beverages
Non-alcoholic carbonated beverages containing flavourings and sweeteners, but excluding, among others, waters and flavoured waters, juices and juice drinks, sports and energy drinks, teas and coffee

SKU
Stock Keeping Unit

Still and water beverages
Non-alcoholic beverages without carbonation including, but not limited to, waters and flavoured waters, juices and juice drinks, sports and energy drinks, teas and coffee

TCFD
Task Force on Climate-related Financial Disclosures

Territory
The 28 countries where Coca-Cola HBC operates and in which we have bottling agreements with The Coca-Cola Company to be their exclusive distribution partner

UNESDA
Union of European Soft Drinks Associations

Unit case (u.c.)
Approximately 5.678 litres or 24 servings, a typical volume measurement unit. For Bambi volume, one unit case corresponds to 1 kilogram

UN Global Compact (UNGC)
The world's largest corporate citizenship initiative which provides a framework for businesses to align strategies with its 10 principles promoting labour rights, human rights, environmental protection and anti-corruption

Volume
Amount of physical product produced and sold, measured in unit cases

Volume share
Share of total unit cases sold

Value share
Share of total revenue

Waste ratio
The KPI used by Coca-Cola HBC to measure waste generation in its bottling plants, expressed in grammes of waste generated per litre of produced beverage (g/lpb)

Waste recycling
The KPI used by Coca-Cola HBC to measure the percentage of production waste at bottling plants that is recycled or recovered

Water footprint
A measure of the impact of water use, in operations or beyond, as defined by the Water Footprint Network methodology

Water use ratio
The KPI used by Coca-Cola HBC to measure water use in its bottling plants, expressed in litres of water used per litre of produced beverage (l/lpb)

Working capital
Operating current assets minus operating current liabilities excluding financing and investment activities

#YE – Youth Empowered
Flagship programme from our Mission 2025 sustainability commitments, that aims to support young people and increase their employability by providing modular education of soft and/or business skills. It is delivered via classroom sessions, virtual training, self e-learning modules, mentoring sessions and other channels handled locally by our markets.

Special note regarding forward-looking statements

This document contains forward-looking statements that involve risks and uncertainties. These statements may generally, but not always, be identified by the use of words such as 'believe', 'outlook', 'guidance', 'intend', 'expect', 'anticipate', 'plan', 'target', 'seek', 'estimates', 'potential' and similar expressions to identify forward-looking statements. All statements other than statements of historical fact, including, among others, statements regarding the future financial position and results; Coca-Cola HBC's outlook for 2020 and future years; business strategy and the effects of the global economic slowdown; the impact of the sovereign debt crisis, currency volatility, Coca-Cola HBC's recent acquisitions, and restructuring initiatives on Coca-Cola HBC's business and financial condition; Coca-Cola HBC's future dealings with The Coca-Cola Company; budgets; projected levels of consumption and production; projected raw material and other costs; estimates of capital expenditure; free cash flow; and effective tax rates and plans and objectives of management for future operations, are forward-looking statements. You should not place undue reliance on such forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they reflect Coca-Cola HBC's current expectations and assumptions about future events and circumstances that may not prove accurate. Forward-looking statements speak only as of the date they are made. Coca-Cola HBC's actual results and events could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in the Risk and materiality section. Although Coca-Cola HBC believes that, as of the date of this document, the expectations reflected in the forward-looking statements are reasonable, Coca-Cola HBC cannot assure that Coca-Cola HBC's future results, level of activity, performance or achievements will meet these expectations. Moreover, neither Coca-Cola HBC, nor its Directors, employees, advisers nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements. After the date of this Integrated Annual Report, unless Coca-Cola HBC is required by law or the rules of the UK Financial Conduct Authority to update these forward-looking statements, Coca-Cola HBC makes no commitment to update any of these forward- looking statements to conform them either to actual results or to changes in Coca-Cola HBC's expectations.

About our report

The 2020 Integrated Annual Report (the 'Annual Report') consolidates Coca-Cola HBC AG's (also referred to as 'Coca-Cola HBC' or the 'Company' or the 'Group') UK and Swiss disclosure requirements, while meeting the disclosure requirements for its secondary listing on the Athens Exchange. In addition, the Annual Report aims to deliver against the expectations of the Company's stakeholders and sustainability reporting standards, providing a transparent overview of the Group's performance and progress in sustainable development for 2020.

Our strategy is designed to deliver responsible, sustainable and profitable growth. Our strategic objectives of driving volume growth, focusing on value, improving efficiency and investing in the business are supported by our people and our commitment to sustainability. The initiatives we implemented to achieve our objectives and the evidence of our success during the year form the basis of the narrative in the Annual Report, which is structured around our stakeholders: our people, communities, consumers, customers and other stakeholders, with whom we work to enhance efficiencies in the business.

The Annual Report is for the year ended 31 December 2020, and its focus is on the primary core business of non-alcoholic ready-to-drink beverages across the 28 countries in which we operate. Our website and any other website referred to in the Annual Report are not incorporated by reference and do not form part of the Annual Report.

The consolidated financial statements of the Group, included on pages 144-201, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Coca-Cola HBC AG's statutory financial statements, included on pages 213-223, have been prepared in accordance with the Swiss Code of Obligations. Unless otherwise indicated or required by context, all financial information contained in this document has been prepared in accordance with IFRS. For Swiss law purposes, the annual management report consists of the sections entitled 'Strategic Report', 'Corporate Governance' (without the sub-section 'Director's Remuneration Report'), 'Supplementary Information' and 'Glossary'.

The Group uses certain Alternative performance measures ('APMs') which provide additional insights and understanding to the Group's underlying operating and financial performance, financial condition and cash flows. A full list of these APMs, their definition and reconciliation to the respective IFRS measures can be found on pages 229-232.

This report is prepared in accordance with the Global Reporting Initiative (GRI) standards, core option. In addition, the sustainability aspects of this Annual Report comply with the AA1000AS Assurance Standard, and the advanced level requirements for communication on progress against the 10 Principles of the United Nations Global Compact. In addition, the report is aligned with the principles and elements of the International Integrated Reporting Council's (IIRC) framework. Carbon emissions are calculated using the GHG Protocol Corporate Accounting and Reporting Standard methodology. Furthermore, Coca-Cola HBC supports the Task Force on Climate-related Financial Disclosures (TCFD) and for the first time in 2020 reports to the Sustainability Accounting Standards Board (SASB) framework. The sustainability aspects of the Integrated Annual Report have been verified by an independent professional assurance provider as dictated by the Company's Operating and Sustainability Steering Committees, and you can find the relevant assurance statement on pages 234-236. As with the rest of the information provided, the sustainability aspects of this Annual Report are for the full year ended 31 December 2020 and the related information presented is based on an annual reporting cycle.

We remain committed to strong corporate governance and leadership as well as transparency in our disclosures. We will continue to review our reporting approach and routines, to ensure they meet best practice reporting standards and the expectations of our stakeholders, and provide visibility on how we create sustainable value for the communities we serve.

1. Co-packers are excluded from environmental reporting and data.

Visit us

www.coca-colahellenic.com

The Group site features all the latest news and stories from around our business and communities, as well as an interactive online version of this report.

Write to us

We have dedicated email addresses which you can use to communicate with us:

investor.relations@cchellenic.com
sustainability@cchellenic.com

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Coca-Cola HBC

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