



New technology is driving dramatic improvements in accuracy and productivity, and cost savings.



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Growth pillar

Fuel growth through competitiveness and investment

Highlights in 2021

- Supply chain costs as % of net sales revenue decreased by 1.4 basis points in comparison to prior year
- Further implementation of advanced analytics supported roll-out of segmented execution to all markets
- Automation and digitalisation of manufacturing process
- Successful implementation of SAP's S/4HANA for greater productivity

Priorities in 2022

- Continued focus and investment in digital commerce, underpinned by next generation digital marketing capabilities
- Smooth integration of IT systems for Egypt
- Introduce digital solutions for supply chain and demand planning
- Reduce the use of PET, accelerating package-less and refillable options and eliminating plastic from secondary packaging
- Expand predictive maintenance

KPIs

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

Stakeholders

-  Our suppliers
-  Shareholders

Principal risks

- Plastics and packaging waste
- Changing retail environment
- Cyber incidents
- Foreign exchange fluctuations
- Water availability
- Managing our carbon footprint
- Suppliers and sustainable sourcing

Fuel growth through competitiveness and investment *continued*

We demonstrated our resilience and adaptability during the year, maintaining production continuity and avoiding any supply interruptions for our customers while continuing to make health and safety our top priority.

This required us to embrace innovation, data and sophisticated digital technologies, while investing in our people to develop new capabilities.

As trading levels rebounded, so too did direct marketing expenses. However, with fewer physical meetings and less travel, some operational cost reductions were maintained. New technology is driving dramatic improvements in accuracy and productivity, and cost savings.

Optimising infrastructure

By expanding and optimising our production and warehouses, we support our expanded 24/7 portfolio and improve our ability to serve our customers and address changing consumer needs and preferences.

We continued our investments to increase the capacity of our plants by installing six new production lines in Nigeria, Ukraine and Romania to address increasing demand and avoid out-of-stock issues. Six warehouses were constructed or renovated in 2021, adding capacity and increasing efficiency. Our warehouse projects support better customer service, cost efficiencies and volume growth in five markets, including Nigeria.

We also increased our investments in innovative KeelClip™ equipment, adding installations in Romania, Italy, Greece and Hungary. KeelClip™ is a minimalist paperboard packaging solution which replaces plastic packaging for multi-packs, helping us achieve our sustainability objectives. By improving our manufacturing efficiency with additional investment in automated production lines, we reduced idle time and expanded our production capacity by nearly 3% while achieving cost savings.

To streamline maintenance in our production facilities, we introduced a digital manufacturing platform in several markets in 2021. This platform allows better monitoring of production, gives higher visibility of energy consumption and allows us to use a more flexible, predictive maintenance approach. Shifting to predictive maintenance has helped us to achieve better control of our



maintenance costs, limiting equipment downtime. In 2022, we will expand the new maintenance approaches to five additional markets.

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 2021. At the same time, we increased our production lines per plant by 44% 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 logistics network by reducing our distribution centres by 66% and our warehouses by 65% over the same time period. These structural improvements support a lean and resilient operating model.

Leveraging technology and big data

Our continued investment in technology has supported our business resilience throughout the COVID-19 pandemic. Our successful implementation of SAP's newest enterprise application suite, S/4HANA, in 2021 is already increasing productivity across our Group while providing a solid foundation for the deployment of additional technological tools. The S/4HANA implementation brought better support to business needs, and provides new insights by improving access to data in our systems. This is helping us serve customers in a more segmented way and streamline order taking, helping us provide better service to our customers faster.

We continued to digitally transform our route-to-market capabilities, achieving significant increases in sales through our enhanced Customer Portal. See the Digitalisation section for more details

on page 30. Technology is also helping us improve market execution. We fully activated our in-store image recognition technology in seven business units, more than doubling the number of outlets covered to 350,000. We are processing over two million product execution images every month with 98% accuracy, freeing up sales people to spend more time with customers and improving revenue per outlet.

New digital tools are improving operational productivity and helping us serve customers cost-effectively with better monitoring of insights and data. We introduced a range of solutions for digital transformation across many different business areas during the year, including planning, logistics and procurement. Automation, for example of quality and safety, has helped us be more flexible to meet fast-changing customer needs.

We made progress digitising our procurement, implementing the SAP Ariba e-procurement tool in 12 markets in 2021, with plans to expand this to all our markets in 2022. This supports greater standardisation of our procurement activities. We are also piloting the integration of SAP Ariba with third-party assessments of financial, environmental and social risk.

We are also reducing costs and streamlining processes with new digital platforms for internal purchases, such as our buying platform for trade marketing activities. Launched in 16 markets in 2021, this improves our marketing activities while generating economies of scale to drive down costs.

As our business generates more data, we are also getting better at deriving value from this important asset. We are establishing a long-term data strategy and vision, implementing a data governance process, democratising data access through a new Azure cloud enterprise data warehouse and enhancing data insights with cross-functional management reporting. Business data used with purchased data helps us leverage artificial intelligence to improve segmented execution, demand forecasting and product performance. By rolling out segmented execution powered by big data and advanced analytics to all of our markets during 2021, we achieved incremental revenue and business growth.

Improving our impact

In 2021, we started to track our business performance based on our newly validated 2030 science-based carbon emission targets and, looking beyond 2030, committed to achieve net zero across our value chain by 2040. In support of these goals, we continued to increase our use of renewable and clean energy and invest in energy reduction and decarbonisation projects across our markets. In Nigeria, we installed additional solar panels at four of our bottling plants. These installations are connected to the local electricity grid and provided 1,500 tonnes of CO₂ emissions savings in 2021. In Cyprus and at 10 of our production sites in Russia, we began using 100% renewable electricity. Combined with our use of energy from clean or renewable sources in 12 additional markets, we are achieving savings of 67.5 kilo tonnes of CO₂ emissions annually.

Approximately 90% of Coca-Cola HBC's carbon footprint comes from Scope 3 emissions in our value chain, which are linked to our operations but generated from sources we do not control. As we cannot achieve our ambitious sustainability objectives on our own, our work with suppliers is ever more critical. Our procurement team began working in 2021 with our key packaging partners on greenhouse gas emission reductions. We also launched collaborations with additional critical suppliers. Together with The Coca-Cola Company and other bottlers, we are now working on emissions reduction with 20 critical suppliers who represent over 50% of our Scope 3 emissions.

In 2021, we expanded our work with the farms where our priority ingredients, including natural sweeteners and fruit, are grown to improve productivity, compliance, transparency and resiliency. We source using the System-wide Principles for Sustainable

Agriculture (PSA). These principles are aligned with leading third-party sustainable farming standards and assurance schemes such as the Farm Sustainability Assessment of the Sustainable Agriculture Initiative Platform (SAI-FSA), Bonsucro, Fairtrade International and Rainforest Alliance.

By working to implement practices that align with the PSA, such as efficient farm management practices, we manage supply and reputational risks while delivering value for all stakeholders, including farm workers. Along with The Coca-Cola Company, we issued a PSA supplier guide as a reference to support implementation of sustainable, ethical practices.

To ensure our principles are being upheld, we use external third-party verification while encouraging our suppliers to follow sustainable practices to maximise value and contain their costs. Our 2025 target for ingredient sourcing is to achieve 100% certification of our key agricultural ingredients against the Principles for Sustainable Agriculture. Due to accelerating demand and limited availability of sugar crops, we were forced to turn to new suppliers in 2021. This disruption meant 80% of key agricultural ingredients purchased in 2021 were certified, a drop from 82% in 2020. We are working to stabilise supply and introduce improved practices with new suppliers.

Packaging and transport

Improving the sustainability of our packaging is one of our Mission 2025 sustainability objectives. In 2020, we installed new in-house PET recycling and preform manufacturing technology at our plant in Krakow, with the objective of improving our access to food grade, recycled PET (rPET). In 2021 we commenced the installation of additional in-house recycling technology in Italy and plan for an expansion to Romania in 2022.

In Switzerland, we have received approval to use green rPET for our sparkling and water portfolio together with additional rPET bottle lightweight activities.

This will close the Swiss recycling loop for green bottles sold to market, increase the availability of rPET feedstock and support lowering recycling costs. These bottles will be in the market in Q1 2022.

As new single-use plastic regulations came into effect in the second half of 2021 in the EU, we are now supplying paper straws. We are also investigating options to replace plastic lids on our paper cups.

We had success piloting a new stretch film used on pallets in Poland in 2021, reducing plastic used on pallets by 40% while improving product stability. We plan to implement this on a larger scale during 2022. We also made progress with cardboard packaging, incorporating more than 80% recycled content for the first time.



Fuel growth through competitiveness and investment *continued*

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Beyond our green fleet achievements for passenger cars for our salespeople, described on page 48, in Serbia we introduced new heavy trucks fuelled by liquid natural gas in 2021. These have 50% lower emissions than conventional models. We also increased the capacity of our light-weight trailers by 6%, reducing trips needed and further contributing to emission reduction. We imported bulk resin to Nigeria for the first time via sea cargo, moving away from containerised deliveries in vessels. Doing so resulted in a 55Mt reduction in CO₂ emissions. We plan to expand our purchases of bulk resin in 2022 to further increase emission reductions. As sugar supply was disrupted, we focused on the optimisation of sugar deliveries in 2020 and 2021.

Sustainable procurement

Our suppliers are important partners and contributors to the ongoing and sustainable success of our business, and we held our first Group supplier sustainability event in 2021, with 300 participants, to support collaboration. During the virtual event, company and external experts provided context regarding the environmental, social and governance (ESG) factors facing the industry, as well as examples of best practices and new opportunities arising from sustainability.

We also made improvements to requirements for our suppliers, significantly strengthening the human rights, ethics and compliance practices we expect. Our buyers were retrained during the year on the sustainability risk assessment tools available for supplier selection and governance.

We use internal supply base assessments, audits of compliance and the EcoVadis platform to monitor and assess performance of critical suppliers. EcoVadis gives us information to monitor a range of risks using 21 criteria from international standard-setters such as ISO 26000 and the International Labour Organization. In 2021, over 1,100 of our critical suppliers were assessed using EcoVadis, an increase of about 40% compared with 2020. Our plan is to expand the use of these assessments for better, more objective supplier monitoring going forward and leverage our EcoVadis partnership across the Coca-Cola System to improve information sharing between bottlers.



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.

