Coca-Cola HBC Issue Brief #4

October 2015

It's good **to share**

Building trust, inspiring a better future

Direct and Indirect Economic Impacts

Coca-Cola Hellenic Bottling Company

Coca-Cola Central & Southern Europe

EXPO MILANO 2015

FEEDING THE PLANET ENERGY FOR LIFE

Issue Brief on

Direct and Indirect Economic Impacts

THE ISSUE

Coca-Cola HBC and its partner, The Coca-Cola Company, operate in 28 countries, spanning 3 continents with a geographic footprint stretching from County Kerry, Ireland to Vladivostok, Russia and from the Russian Arctic Circle to the delta region of Nigeria. Our business serves 589 million consumers, 2.1 million customers and partners with approximately 130,000 suppliers. We maintain our social license to operate in our territories by generating a positive socio-economic contribution and improving the quality of life in the communities in which we operate. We measure on progress against this key objective through the income we generate in communities, specifically: employee wages, taxes paid, supplier and contractor payments and investing in community partnerships to improve environmental and social issues.

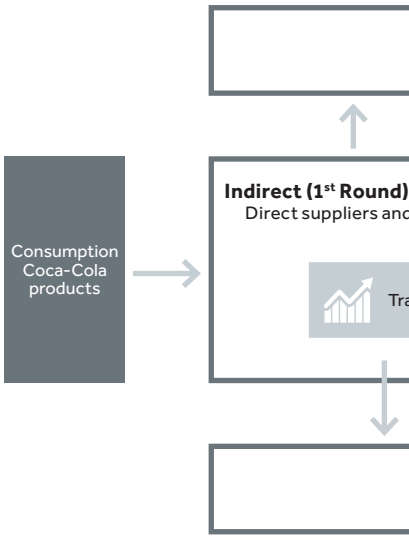
OUR APPROACH AND OUR PROGRESS TO DATE

We know that the success of our business depends on the strength and wellbeing of the communities in which we operate. As a business, we contribute to our communities through our core business activities which generate income for employees, pay our suppliers and contractors, improve our customers' profitability and support the public wellbeing and infrastructure through tax payments, dues and fees.

Economic value added

Business activity contributes to national economies in part through its generation of incomes, profits, and taxes, which constitute "value added". One of the key economic beneficiaries of the Coca-Cola system's[1] activities (including production, sales and consumption of beverages) are national governments, which receive tax revenues. The Coca-Cola system, our suppliers, our trade partners and other companies in the value chain of our products pay various kinds of income, payroll and other taxes. Jobs and salaries provided by the Coca-Cola system, our suppliers and the retailers (direct and indirect employment) is another major impact in the local communities. One could also consider the re-spending of salaries that are paid by the Coca-Cola system, our trade partners and suppliers (i.e. induced effects). Profits and savings in the corporate sector make up the remainder of the value added.

The following diagram illustrates the business activities of the Coca-Cola system and the corresponding economic impacts on the community.

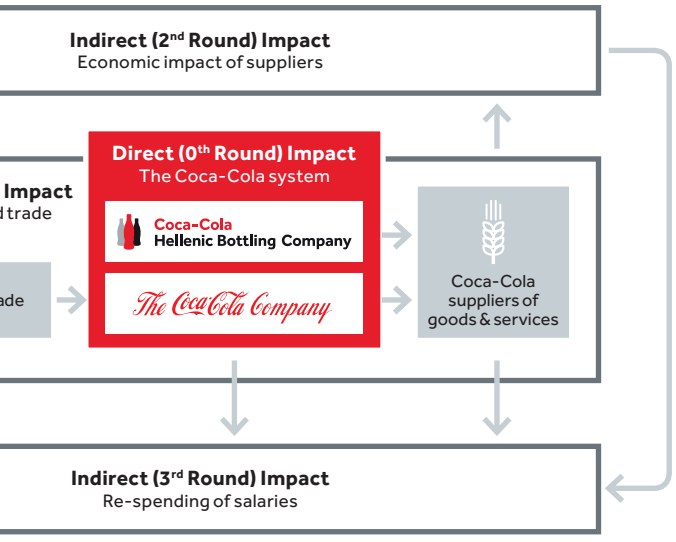


(1) The Coca-Cola system is used as a term comprising The Coca-Cola Company and its bottling partner Coca-Cola HBC operating in a market.

Coca-Cola Hellenic employs more than 36.000 employees. Each worker employed directly by the Coca-Cola system provides additional jobs throughout the economies where we are present. Within the EU, for example, the Coca-Cola system supports more than 600,000 direct and indirect jobs in our value chain. Industries that contribute most to the production and sale of Coca-Cola products are sugar manufacturing, transport and trade. Socio-economic impact studies[2] conducted in a number of key markets revealed that the jobs supported by the Coca-Cola system directly and through its value chain are high in value added.

Coca-Cola HBC 2014 Impact Data[3]

VOLUME (m unit cases) **2,003**	NET SALES REVENUE (€ m) **6,510**	FX-NEUTRAL NET SALES REVENUE PER UNIT CASE (€ m) **3.25**
EBIT (€ m) **361**	NET PROFIT (€ m) **295**	COMPARABLE EARNINGS PER SHARE (€) **0.761**
CUSTOMERS SERVED **2.1 million**	CONSUMERS SERVED **589 million**	DIRECT EMPLOYMENT **36,362**
SPEND ON COMMUNITY PROGRAMMES (€ m) **8.7**	VOLUNTEER HOURS **31,296**	PACKAGING RECOVERY **73%**	RECYCLED WASTE FROM OUR OPERATIONS **91%**
TOTAL INCOME TAX CHARGE (€ m) **57.8**	TOTAL STAFF COSTS (€ m) **1,103.9**	WAGES AND SALARIES (€ m) **766.5**	SOCIAL SECURITY COSTS (€ m) **168.8**
PENSION AND OTHER EMPLOYEE BENEFITS (€ m) **135.5**	TERMINATION BENEFITS (€ m) **33.1**		



Socio-economic impact studies (SEIS)

As of 2011 a series of studies on the impacts of the Coca-Cola system in markets where Coca-Cola HBC operates were carried out by Prof. Ethan B. Kapstein of INSEAD in collaboration with the firm Steward Redqueen (The Netherlands). The economic model used to run the financials of the Coca-Cola system through the input-output tables of the given country distinguishes between the direct (related to the Coca-Cola system itself), indirect (related to trade partners and suppliers), and induced impacts (related to household spending). Impact was defined in terms of value added (defined as household income, tax revenues, and company profits and savings) and employment generation.

(2) Reference to SEIS, INSEAD, Prof. Nathan Kapstein methodology, explained later in the issue brief.

(3) Source: Integrated Annual Report 2014: http://www.coca-colahellenic.com/investorrelations/annualreports.

Sourcing, supply chain, promoting quality culture

We source ingredients, raw materials, equipment and services from approximately 130,000 supply points to produce sparkling beverages, fruit juices, mineral waters, sports and energy drinks and ready-to-drink teas. Sugar, plastic (PET) for bottles and metal for cans are our most important commodity inputs accounting collectively for 25% of our cost of goods sold. In 2014, our direct procurement spend was €1.3 billion.

Our suppliers range from small independent firms to large international companies. Although we do not own or control these entities, we are working with them to build a sustainable supply chain as this is where the bulk of our environmental and socio-economic impacts lie. We invest in joint value programmes, ranging from developing climate-friendly cold drink equipment to increasing local beet sugar production in Russia[4].

Our local manufacturing plants source apple, orange, apricot, blackcurrant and peach juice from local producers in six countries. We also work closely with our local sugar and High Fructose Starch Syrup (HFSS) suppliers in 15 countries.

In our own business, we have a 100% quality culture with zero tolerance for failure to meet standards and this also applies to our suppliers. Coca-Cola HBC requires tier 1 suppliers to gain certification to the following standards: ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (health and safety). Ingredient and packaging suppliers must also achieve certification to FSSC 22000 certification for food safety and the Global Food Safety Initiative (GFSI).

In addition, all suppliers are required to comply with the Coca-Cola Supplier Guiding Principles, which encompass workers' rights, human rights, diversity, health and safety and environment. We audited 44 production sites and supply points against these principles in 2014 and we also joined Sedex, the non-profit membership organisation driving improvements in ethical and responsible business practices in global supply chains.

By introducing these standards in the markets where we operate, we promote knowledge and technology transfer. Our focus on sustainable and responsible sourcing has delivered excellent results. We are very proud that we received the maximum scores in the Raw Material Sourcing indicator of the Dow Jones Sustainability Index assessment in 2014 and in 2015, and overall we were named beverage industry leaders on the World and Europe Indices for 2 years in a row.

Community investment

The Coca-Cola system is well-known for actively participating in the lives of the communities in every market of operations. Our investment in strategic corporate social responsibility (CSR) and community programmes, such as the continued support of public active lifestyle and sports events provide "public goods" that benefit all citizens, whether or not they consume our products, contributing to consumer wellbeing in every market. We invest in community partnerships and initiatives that address environmental and social issues. In 2014, we contributed more than €8.7 million to these programmes: 2.5% of our pre-tax profit.

€8.7 million community investment by contribution type

Community investment	**55,1%**
Commercial investment	**40,9%**
Charitable gifts	**4,0%**

From a strategic standpoint, water stewardship, support for active lifestyles and youth development are particular focus areas. We also strive to be among the first to support communities in times of natural disasters, providing emergency relief contributions directly and through stakeholder partnerships. In 2014, 83% of our community investment was spent on programs in these strategic areas. On top of contributing to finance social and environmental causes, our employees also devote many hundreds of hours to volunteer service, in fact, volunteerism is a hallmark of our culture.

(4) Source: Integrated Annual Report 2014, pages 15 and 50.

Youth development

Unemployment among young people remains a significant challenge in many of our markets. We seek to address this issue by partnering with non-governmental organizations and educational institutions, including universities offering enterprise education. We also offer internships in all of our business functions and our graduate trainee programs provide opportunity for young managers to understand our business in a holistic way and lead key projects to develop both professional and leadership capabilities. In Nigeria, we provide training and access to funding to support women to become entrepreneurs. This initiative is part of The Coca-Cola Company's 5 by 20 women empowerment platform, and helps women entrepreneurs become part of our value chain, and provide for their families.

FUTURE OUTLOOK

In all countries where it does business, The Coca-Cola system operates very similarly to domestic enterprises. On top of providing a full portfolio of alcohol free beverages ranging from natural mineral waters, through sparkling soft drinks to nectars and juices of the highest quality, we also are a source of economic growth and vitality. Therefore we constantly seek new opportunities to include local partners into our supply chain in the countries where we are present.

By improving our stakeholder engagement and materiality assessment programmes (see Issue Brief #1 in the series), we would like to learn even more from our local stakeholders on issues material to them, to understand how we can be more relevant locally.

SOME FLAGSHIP ACTIVITIES

Sugar procurement in Russia

We continued to work with the Russian sugar industry to develop its beet sugar capacity, with the goal of eliminating the need to import sugar for our Russian operations by 2015. As a result, Russian beet sugar comprised 57% of our Russian sugar needs in 2013, 85% in 2014 and is expected to reach 100% in 2015.

In addition to the cost benefit of eliminating imports and the associated import duties, there are significant benefits from a sustainability perspective and the local farming communities.

Business Services Organization (BSO) in Sofia, Bulgaria

Our Shared Services Centre in Sofia, Bulgaria houses many of our back office processes. Having implemented the first two phases, which involved the transfer of finance, human resources, transactional and data management activities for the significant majority of our markets, we are in the process of starting the final phase.
The BSO currently employs more than 370 people who provide back office services for 22 of the 28 countries in our operating region and the corporate offices. We expect the BSO team to grow to approximately 600 people by 2016. We are very pleased to see that the Centre is becoming an incubator for talent in addition to its primary role, which is to streamline and centralize our back office procedures, gain efficiencies and apply best practice.

BUSINESS SERVICES ORGANISATION
Partnership. Standardisation. Efficiency.

Coca-Cola Hellenic Bottling Company

28 countries | **136** brands | **2** billion unit cases | **€785** m EBITDA | **36,000** employees

OUR PUPOSE

"Bring togetherness, spread happiness and inspire a better future" motivates our employees to make a meaningful contribution to business and society.

OUR MISSION

We seek to refresh our consumers, partner with our customers, reward our stakeholders and enrich the lives of the people in our local communities.

OUR VISION

To become the undisputed leader in every market in which we compete.

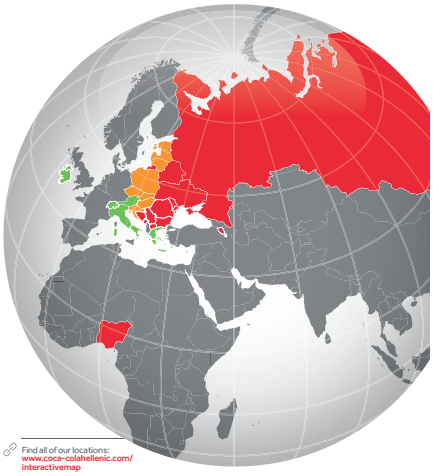
Established markets
- Austria
- Cyprus
- Greece
- Italy
- Northern Ireland
- Republic of Ireland
- Switzerland

Developing markets
- Croatia
- Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Poland
- Slovakia
- Slovenia

Emerging markets
- Armenia
- Belarus
- Bosnia & Herzegovina
- Bulgaria
- FYROM
- Moldova
- Montenegro
- Nigeria
- Romania
- Russia
- Serbia
- Ukraine

Our broad geographic footprint

We operate across 28 countries and three continents. Our territories extend from as far west as the Dingle Peninsular in County Kerry, Ireland, to Petropavlovsk, the easternmost point of Russia, and from the Arctic Circle to the tropics of Nigeria. This breadth provides attractive growth opportunities and reduces our dependence on any particular market.



Find all of our locations: www.coca-colahellenic.com/interactivemap

3 continents

66 bottling plants

302 filling lines

307 warehouses and distribution centres

589 million consumers

DELIVERING SHARED VALUE

Capitals

We carefully manage inputs to our business with a focus on preserving the resources available to us.

Financial
Shareholders' equity, debt

Manufactured
Plants, warehouses, distribution centres

Human
Employees, partners

Natural
Water, energy, eco-system services, biodiversity

Intellectual
Brands, standards, processes, corporate reputation

Social
Communities, customers, suppliers, diverse groups of stakeholders, NGOs, IGOs, industry coalitions

Partnering
With The Coca-Cola Company

Value added by

Optimising our production infrastructure continuously

Broadening our distribution while gaining efficiencies through outsourcing

Joining forces with our customers for flawless execution

Winning the trust of our consumers

Manufacturing
We use these inputs to manufacture our beverages

Distribution
We distribute the final products through our unique logistics infrastructure.

Community engagement
We engage with consumers, employees and communities. Our aim is to build a solid foundation of trust in our Company so that our business can thrive.

Distribution
We distribute the final products through our unique logistics infrastructure.

Value created

We endeavour to deliver value through desired outputs with maximum efficiency and care.

Unit cases of beverages
2 billion

Customers served
2.1 million

Consumers served
589 million

Direct employment
36,362

Spend on community programmes
€8.7 million

Volunteer hours
31,296 hours

Water footprint reduced to
18.4 billion litres

Carbon footprint reduced to
718,766 tonnes

Packaging recovery
73%

Recycled waste from our operations
91%

Value shared with

We create value for our stakeholders which, in turn, builds value for our business over time.

Employees
Rewarding our people
Secures a skilled and motivated workforce

The Coca-Cola Company
Investing in our business and executing flawlessly
Ensures a fruitful partnership for years to come

Communities and environment
Enriching the lives of communities, contributing to the public good and safeguarding the environment
Makes us local and earns us the trust of our communities

Customers
Helping customers increase sales
Provides us with channel diversity

Consumers
Meeting consumer needs by offering them choice and quality
Generates revenue, contributing to the sustainability of the business

Shareholders
Delivering strong sustainable earnings and dividends
Establishes a supportive shareholder base

Find out more about how we're sharing value with our partners on the following pages

FEEDBACK

We appreciate your feedback on this report and on any other aspect of our sustainability performance.

PLEASE CONTACT US AT

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Coca-Cola HBC has a premium listing on the London Stock Exchange (LSE: CCH) and its shares are listed on the Athens Exchange (ATHEX: EEE). Coca-Cola HBC is included in the Dow Jones Sustainability Index ("Industry Leader Amongst Beverage Companies in 2014 and 2015") and the FTSE4Good Index. The company also has an AAA rating on its ESG performance by MSCI.
For more information, please visit http://www.coca-colahellenic.com/.