



OUR VALUES IN PRACTICE
COCA-COLA HBC BALTICS
SUSTAINABILITY REPORT



Coca-Cola HBC
Baltics



Coca-Cola

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14%

1

19%

4



3

31%

1. ABOUT OUR REPORT

1.1 Entities included into reporting:

Coca-Cola HBC Eesti in Estonia
Coca-Cola HBC Latvija in Latvia
Coca-Cola HBC Lietuva in Lithuania

1.2 Reporting aspects

This report contains the consolidated information of three different business operations in Estonia, Latvia and Lithuania, operating as one Baltic Business Unit of the Coca-Cola Hellenic Bottling Company AG Group.

The report is prepared in accordance with the core option of the Global Reporting Initiative (GRI) standards. For the materiality aspect, data collection and analysis, Stakeholder Surveys for both external and internal stakeholders were carried out for the first time across our operations. Additionally, the first ever Stakeholder Forums were held in all three Baltic countries. The Management Team of our Baltic business unit participated in the evaluation workshop, providing input from its perspective. This process was in line with the Group's approach

to sustainability reporting, in terms of Material Issues. Policies and other relevant material. Unless otherwise stated, all information included in this report refers to the full year ended 31 December 2017 and is based on an annual reporting cycle.

1.3 Sustainability performance overview

In 2017, Coca-Cola HBC in the Baltics made good progress against all its key sustainability focus areas, contributing to the Group's sustainability performance:

2020 sustainability targets status update

<p>Avg. 40% of total packaging recovered for recycling</p> <p>41%</p> <p>✓</p>	<p>20% of PET sourced from rPET and/or PET from renewable materials</p> <p>9%</p> <p>↘</p>	<p>25% less packaging per litre of beverage produced*</p> <p>18%</p> <p>✓</p>	<p>30% water use reduction in operations*</p> <p>-21%</p> <p>✓</p>	<p>Water stewardship certification for all plants</p> <p>26</p> <p>✓</p>	<p>10% reduction in added sugar per 100 ml of sparkling beverage in EU&CH</p> <p>-5%</p> <p>✓</p>
<p>Community investment at 2% of pre-tax profit</p> <p>1.3%</p> <p>↘</p>	<p>10% of our people volunteering during work hours</p> <p>11%</p> <p>✓</p>	<p>>95% of key agricultural ingredients sustainably sourced</p> <p>33%</p> <p>✓</p>	<p>50% less direct carbon emissions*</p> <p>-42%</p> <p>✓</p>	<p>25% less carbon emissions in value chain *</p> <p>-23%</p> <p>✓</p>	<p>40% of total energy from clean and renewable energy sources</p> <p>34%</p> <p>✓</p>

Status at the end of 2017 ✓ Fully on track ↘ Partly on track ↻ Step-up required

(*) versus baseline year



2. GENERAL MANAGER'S STATEMENT

2017 – a Year of new Beginnings

The future is unknowable. Naturally, businesses try to leverage the collective experience of its people and in-depth analyses to project what is to come as precisely as possible. Some of it is foreseeable, some not. There are also always new trends and topics that businesses must address, either to turn to their advantage or to change the course as they can.

One thing is clear: every business must be flexible when facing the new and unexpected. The new challenges and expectations our organization encountered in 2017 in the Baltics were similar to those across the Coca-Cola HBC Group. However, local conditions meant different emphasis and focuses. Our task was to take the local situation into consideration and act, sometimes in a quick and specific manner.

The overall strategies of the Baltic business unit are same as the central strategies, but with a strong local approach: we aim to reach our local stakeholders addressing relevant expectations for Estonia, Latvia and Lithuania. The new Renewing Category Growth strategy, or RCG in the internal language, answers the dialogue with our partners here as well. The expectation of addressing

sugar content, calorie consumption and obesity-related health issues are of concern as well. Thus, marketing and sales strategies now focus on low- or no-calorie options more aggressively, and our responsible marketing policy is being prepared for extension beyond its previous areas of application. Our portfolio development and choices for the local markets are closely connected to these realities.

After closing the CSD bottling plant in Alytus, Lithuania in 2016, there was once again a new beginning with the acquisition of Lithuania's popular home-grown beverage: the Neptunas natural mineral water plant in Varena. Acquiring a new brand and new operations is a new experience for the Baltic business unit. In addition to taking over production, there was also the responsibility to manage the high expectations to care for the popular local brand that provides employment for numerous families in the small community. Thus far, we hope we have managed expectations in a respectful manner, introducing these local products to the market in neighbouring Latvia in 2017, and then to Estonia.

Our Baltic Management Team has also changed, sending off some long-term members to more challenging markets. There are also several newcomers that have brought new perspectives, which are welcome in the conservative

environment of a large corporation. The renewed team has renewed energy, hopefully with a significant accompanying effect on our employees, customers and other partners, and of course on our business results as well.


From the point of view of sustainability, there was another new beginning, with the launch of the Group-wide youth educational program "Youth Empowered" in all 3 Baltic countries. Through this, we hope to make a difference for those young people that are still working out their desired trajectory in life, as well as how to take the first steps towards achieving their goals. Our teams are dedicated to mentoring and sharing what we know and what we have encountered in our careers thus far. On a personal note, there was an unexpected side for me too – I would have never expected that meeting young people, with this excitement sparkling in their eyes when focusing on their future, could energize and inspire me in the same way. However, it did and it still does – there are things we can learn from each other!


Wish you all an inspiring 2018,


Konstantin Chouchokhov
General Manager
Coca-Cola HBC Baltics


3. ABOUT THE COMPANY¹


Our resources and relationships


- Human**


- Natural**


- Social and relationship**


- Financial**


- Intellectual**


- Manufactured**


1 See more on page 20

What we do

We are a bottling partner of The Coca-Cola Company.

This means that we use the concentrates, or syrups, from The Coca-Cola Company to manufacture, package, merchandise and distribute the final branded products to our trade partners and consumers.

The Coca-Cola Company creates demand

- Trademark ownership
- Concentrate supply
- Brand development
- Consumer marketing



Coca-Cola HBC delivers demand

- Bottling
- Sales and distribution
- Customer management
- In-outlet execution
- Investment in production facilities, equipment, vehicles

How we do it

Sourcing sustainable materials

We work with 35,000 suppliers to procure the finest ingredients, raw materials, equipment and services.

Serving consumers and communities

We continue to innovate our product portfolio to meet the changing consumer preferences in the market.

Leveraging our growth model

Marketing	● Brand investment – The Coca-Cola Company	● In-store activation – Coca-Cola HBC
In-market execution	● Growth in category volume	● Share gains
Cost efficiencies	● Investment in production optimisation	● Operating expense reduction
Use of cash	● Working capital management	● Disciplined CapEx investment

1 See more on our growth model on page 20

Coca-Cola HBC (Coca-Cola Hellenic Bottling Company) is a bottling partner of The Coca-Cola Company, meaning that The Coca-Cola Company

manufactures concentrates, bases and syrups, sells them to its bottling partners, owns the brands, and is responsible for consumer brand marketing initiatives.

We use the concentrates and syrups to manufacture, package, merchandise and distribute the final branded products to our trade partners and consumers.

Value created

Manufacturing and packaging

Using concentrate from The Coca-Cola Company, and other ingredients, we produce, package and distribute products.



Delivering to our customers

We manage customer relationships as well as promotions and displays at the point of sale.

Direct and indirect economic impacts

Operating in 28 countries, we are an important contributor to local economies. Our business has an impact either directly through our core operating activities, or indirectly through the value we create in our communities. For more financial performance details see pages 64-67.

28
countries in
Europe and Africa

Our activities generate income for employees, provide revenue for suppliers and contractors, improve our customers' profitability, and support public well-being and infrastructure. In 2017, we met or exceeded our customers' expectations 94.2% of the time. We paid €313 million in total taxes, contributing to our communities.

€313m
paid in total
taxes

According to a survey conducted within the European Union, the Coca-Cola System supports more than 500,000 direct and indirect jobs across our value chain through the sourcing of ingredients, raw materials, equipment and services. In 2017, our total supplier spend reached €2,687 million.

500,000
direct and indirect jobs
supported
€2,687m
supplier spend

We measure our impact through the regular conduct of socio-economic impact studies (SEIS) across our markets. In 2017, we published SEIS in seven of our countries and we expect to conduct them in six more by the end of 2018.

7
number of countries
where we conducted SEIS

Through the process of managing all inputs to our business well, we also create profits which benefit shareholders through dividend payments and share value.

€426m
net profit achieved

GRI topics: economic performance; market presence; indirect economic impacts.
UN SDGs: 8, 11, 17

Create demand

Price and mix improvements

Grow the top line

Leverage top-line growth

Expand margins

Enhanced EBITDA growth

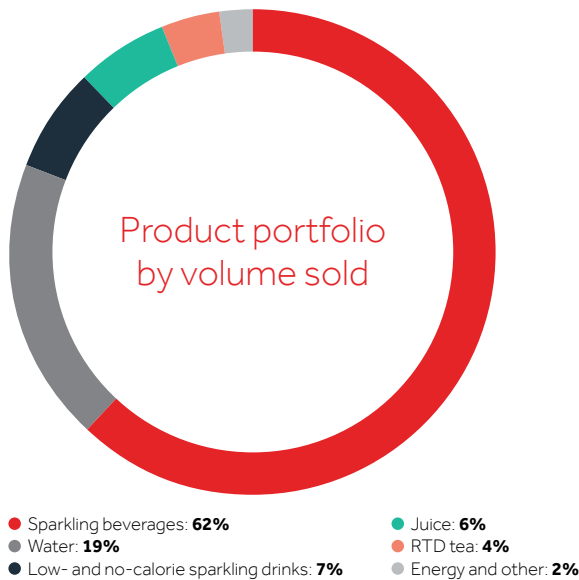
Invest in the business

3.1. Profile and scope¹

The Coca-Cola HBC Group operates in 28 countries, from Ireland in the west to the Pacific coast of Russia in the east, and from the Arctic Circle in the north to the tropics of Nigeria in the south. The three Baltic countries have operations managed under one Business Unit, but run as three different local business entities in Estonia, Latvia and Lithuania.

We sell and distribute the world's most recognizable soft drink brand, Coca-Cola. Along with Coke Zero, Sprite and Fanta, which are also licensed to us by The Coca-Cola Company, these make up some of the world's best-selling non-alcoholic ready-to-drink beverages. In addition, the Baltic business unit locally produces and distributes the Lithuanian natural mineral water, Neptunas.

In addition, we are the distributor for Monster- and Burn-branded energy drinks in Baltics, and we also import and distribute a selection of premium spirits brands owned by Brown-Forman and the Edrington Group.



3.2. Business model¹

Our business model forms the focus of all our activities. It defines the activities in which we take part, the relationships on which we depend and the priorities that we want to achieve in order to create value for all our stakeholders in the short, medium and long term.

1. We manage the resources available to our business carefully:

- Human: our people
- Natural: water, energy and other natural resources
- Social and relationship: including our reputation and the ability to earn and retain the trust of key stakeholders
- Financial: all funds, whether obtained through financing or generated from operations or investments
- Intellectual: including our brands and those that we license, as well as proprietary technology, standards, licenses and processes
- Manufactured: equipment and buildings

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

- Employees: developing, recognizing and rewarding our people secures a skilled and motivated workforce
- The Coca-Cola Company: investing in leading brands and our business, coupled with flawless execution in production and the marketplace, ensures a fruitful partnership in years to come
- Communities and environment: enriching the lives of communities, contributing to the public good and safeguarding the environment enhances our local presence and earns the trust of communities
- Customers: supporting our trading partners in building their businesses provides us with diverse range of channels
- Consumers: meeting consumer needs by offering choice and quality generates revenue, contributing to the sustainability of our business
- Shareholders: delivering strong sustainable earnings and dividends establishes a supporting shareholder base.

3.3. Economic Performance

Owing to the Coca-Cola HBC Group's listing on the London and Athens Stock Exchanges, the three entities of the Baltic business unit comply with all relevant requirements as well as local legislation in terms of financial reporting.

Combined Baltic entities' consolidated and audited results *	2016	2017
Total volume growth (in %) compared to previous financial year	-6%	8%
Total taxes paid	958,907	886,236
Suppliers' spend		
Capitalized expenses change (in %) compared to previous financial year**	-70%	-15%
Operational expenses change (in %) compared to the previous financial year	3%	2%
Operational expenses percentage of Net Sales Revenue compared to previous financial year	1.6 pp	-1.3 pp
Sales volume in total, in Unit Cases	24,615,253	26,508,723

* without acquired Lithuanian brand Neptunas data

** including the proceeds from sales of fixed assets



4. BUSINESS STRATEGY

Coca-Cola HBC Baltics all 3 entities follow the overall strategy of Group described below. Also the key impacts, risks and opportunities are quite similar across the territories.

4.1 Overview of the business strategy and outlook¹

INNOVATING OUR PORTFOLIO FOR OUR CONSUMERS

Growth in Coke Zero in 2017

22.4%

Number of product reformulations or conversion to no-sugar formulas planned for 2018

12

Share of single-serve packs in volume

42%

BUILDING TRUST WITH OUR COMMUNITIES

Invested in community programs and initiatives

€7.4m

Employee volunteering during work time

18,118h

38% of total Community investment behind Youth development

€2.9m

EVOLVING WITH THE CHANGING NEEDS OF OUR CUSTOMERS

DIFOTAI Deliver in full, on time and accurately invoiced

97.2%

Met or exceeded customer expectations

94.2%

Employee engagement score in commercial team

89%

CREATING AN INSPIRING WORKPLACE FOR OUR PEOPLE

Direct employment

29,427

Key people in key positions

92%

Employee Engagement Index

89%

REMAINING FOCUSED ON COST EFFICIENCIES

Reduction in number of plants since 2008

-31%

Improvement in water use ratio

6%

Packaging recovered for recycling

41%



4.2 Key impacts, risks and opportunities

Dynamic retail environment

The retail landscape keeps shifting as lifestyles and shopping habits change. Smaller and more frequent shopping trips and the increase of smaller households is driving growth in the proximity and convenience channel. E-commerce is also seeing rapid growth. We expect these channels to be the highest incremental revenue contributors in our industry by 2020. Socializing occasions such as 'Away from home' show signs of growth and recovery in most of our markets, following an upward trend in consumer sentiment. This places increased emphasis on sales through hotels, restaurants and cafes (HoReCa).

Digital evolution

We notice a consistently growing reliance on digital communications which affects the way consumers connect with brands. The total shopping experience is being digitalized, from market research for the most appropriate product to online orders and home delivery. Social media is increasingly powerful for shaping

category and brand perceptions. Mobile phones and wearables allow constant connectivity, providing opportunities for companies to disseminate information on promotional activities, new launches and brands.

Regulatory environment

The regulatory environment for the food and beverage industry is becoming increasingly prescriptive. Tax on products with added sugar, especially beverages, is a reality in several countries and is a trend that is gaining strength. To guide consumers and address public health concerns, the World Health Organization recommends that added sugars be limited to 10% of daily calorie intake. Product labelling regulations and packaging and environmental legislation are also higher on regulators' agendas.

Changing consumer preferences

Health and wellness is becoming a greater priority, triggering a clear shift towards natural, organic and functional offerings that contain less

sugar, have pure ingredients and are sourced locally. The demand for more differentiation and more choice provides an opportunity for the creation and growth of smaller brands. The European population is ageing, leading to an increase in adult consumers looking for more sophisticated offers focusing on taste and premiumization.

Sustainability

Consumers have become more conscious of the social and environmental impact of consumption decisions. Sustainability considerations shape choice, especially among those who are less price-sensitive. As this preference is more pronounced among younger consumers, we expect this trend to accelerate. Companies that follow sustainable practices can develop greater brand loyalty and customer engagement, strengthening their competitive advantage. In addition, as natural resources become more scarce and environmental regulations stricter, companies that engage in sustainable practices benefit from financial incentives and reduced supply chain risk.

5. SUPPLY CHAIN

5.1 Overview

Our supply chain function is responsible for the procurement of raw materials, as well as the planning, manufacturing and engineering processes and sustainability practices. It plays a central role in managing this responsibly, making sure that in all our processes, we minimize our environmental impact and consider sustainability in our value chain – from sourcing raw materials and manufacturing the end product to distributing it to our customers.

Our focus is to maximize utilization of resources in production, haulage, distribution, and warehousing with LEAN approach, thereby reducing waste, our carbon footprint, and accidents, and engaging with and supporting Baltic suppliers.

Key processes within Baltic Supply Chain

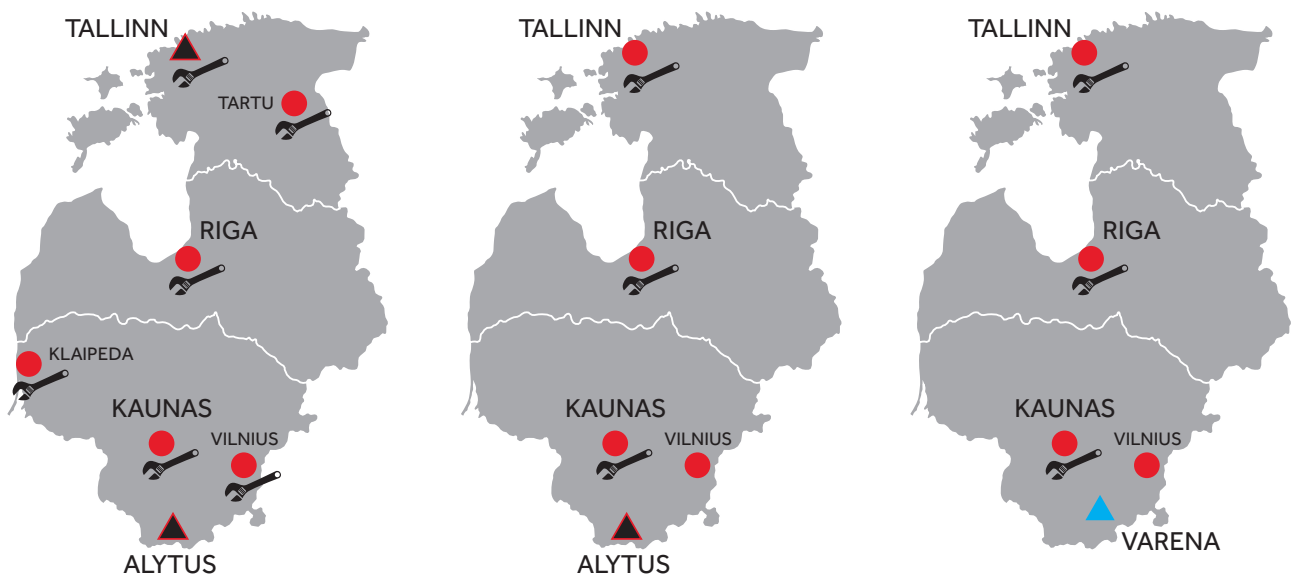


- Forecast, actual inventory and capacity define the production plans
- Imports agreed on Coca-Cola Hellenic level (central planning)
- Planning of transport needs to replenish all WHs
- Checking the stock levels of all RM
- Beverage and Container preparation
- Filling, Capping, Labelling of different packaging
- Packing and Palletizing
- Storage at the production location or direct shipment to destination WH, directly to Customer
- Picking products to orders
- Delivery to Customers
- Joint collaboration with Customers
- Develop Customers Capabilities

The Baltic Supply Chain function is a part of Coca-Cola HBC's Integrated Competitive Supply Chain (ICSC). ICSC is our Group's internal transformation initiative, which optimizes our operating model, enabling our organization to achieve excellent customer service levels and effective cost management. The supply chain model in the Baltics has transformed rapidly in line with the business operations, adapting to the local environment.

The Coca-Cola HBC Baltic supply chain integrates the Neptūnas natural mineral water production plant in Lithuania (Varėna), intercompany deliveries within Baltics, warehousing (partly outsourced), cold drink equipment operations, and distribution (fully outsourced) with distribution centres in Kaunas, Riga and Tallinn.

Baltic Supply Chain evolution since 2008



REDUCE COMPLEXITY, INCREASE FLEXIBILITY, DECREASE COST

2008

- 2 production sites (Tallinn & Alytus)
- 7 Warehouses
- 6 CDO Workshops
- 56 own trucks (own DSD)

2008

- 1 production site (Alytus)
- 1 CCH owned warehouse
- 1 CCH operated WH in rented facility
- 1 3PL warehouse
- 3 CDO Workshops
- 0 own trucks (3PL distribution)

2008

- 1 water plant (Varena)
- 1 CCH owned warehouse
- 1 CCH operated WH in rented facility
- 1 3PL warehouse
- 3 CDO Workshops
- 0 own trucks (3PL distribution)

● CCH Warehouse 🔧 CDO Workshop

▲ CCH Production site & Warehouse

▲ CCH Water plant and Warehouse

Coca-Cola HBC in the Baltics operates primarily as a distributor of The Coca-Cola Company products, Monster, as well as Brown Forman-, Edrington-, and Campari-owned brand products. Of the soft drinks, juices and energy drinks imported, 84 per cent are produced in Poland (accounting for 66 per cent of the total volume), with the remaining 16 per cent

being produced in Hungary, Romania, Austria, Italy, the Czech Republic, and the Netherlands. The premium spirit beverages distributed by CCHBC Baltics are imported from Finland, the USA, Belgium, France, Netherland, Scotland, the Dominican Republic and Italy.



5.2 Production plant

As part of the renewed ICSC framework, soft drink production for the Baltics was moved from the plant in Lithuania (Alytus) to Poland in 2017. During the same period (2016-2017), the Neptūnas natural mineral water production plant in Lithuania was acquired jointly by Coca-Cola HBC and The Coca-Cola Company. The operation consists of the bottling plant and four wells in Varėna, and in 2017 accounted for 16 per cent of the total volume sold by Coca-Cola HBC Baltics. Currently, only one of the wells is used for production.

Neptūnas mineral water is included in the official list of mineral waters recognized by the European Union.

In 2017, the Coca-Cola system launched an ongoing investment of 1.4 million Euros to develop plant infrastructure.

The company aims to expand and further strengthen the popular Lithuanian brand Neptūnas. We are constantly improving the plant's working conditions, management and infrastructure, so that we can provide natural mineral water products of the very highest quality to consumers.



History of the plant

- 1999** – Birth of Neptūnas Company
- 2002** – New company location (current)
- 2002** – New PET production line (2.400 bph)
- 2006** – Warehouse expansion (up to 2.000m²)
- 2010** – Introduction of Neptūnas Lemon
- 2010** – Warehouse expansion (up to 5.000m²)
- 2013** – New PET production line (10.800 bph)
- 2013** – New Glass production line (1.000–3.000 bph)
- 2013** – Introduction of Neptūnas Mint, Sport & NRGB
- 2016 April** – new era together with CCHBC

As part of this investment, we have built a new laboratory and boiler, and the water extraction installations are being updated. Furthermore, a smart monitoring system will be installed in the wells to improve the safety and effectiveness of water extraction operations. In an effort to save water and energy and to reduce consumption in the production process, an advanced pipe rinsing system was installed in 2017. This allows the time needed for cleaning the network of pipes to be reduced by 50 per cent, with a corresponding drop in consumption of water of five to ten per cent.

5.3 Cold drink operations

We are aligned with the Group's Eco cooler strategy, which dictates that all new coolers are equipped with electrical management devices. Moreover, all cold drink equipment purchases must use HFC-free (hydrofluorocarbon) refrigerant and SMART technology (a device that measures door openings, lighting time, temperature etc.) in as many new coolers as possible. The target is to decrease energy consumption and minimize the CO₂ footprint.

In 2017, we installed 816 new coolers in the Baltic markets, all with electrical management devices for CO₂ footprint control. In 2018, we will install an additional 1 800 environment friendly coolers and retrofit 690 with Smart tag devices.

*Starting in 2018, our ICOOLs will be supplied with **low-charge refrigerant**.*

Annual figures:

- 7 000 Breakdown calls
- 3 500 Placements
- 3 500 Removals
- 3 400 Refurbishments
- Coolers delivery with FG

Coolers in the market	
EST	5 151
LV	7 031
LT	7 616
TOTAL	19 798

PostMix in the market	
EST	173
LV	148
LT	171
TOTAL	500

New cold drink equipment in 2017	Coolers	Fountains (post-mix equipment)
Estonia	206	38
Latvia	300	57
Lithuania	310	26
Baltics	816	121



5.4 Vehicle fleet

The supply chain function is also responsible for the management of approximately 200 light fleet vehicles operating under an operational lease model. In 2017, we reduced the fuel consumption of our logistics operations by 5.8 per cent compared to 2016, due to the efficiency programs for the fleet (safe driving courses, economical driving training, tracking of fuel consumption, fleet renewal initiatives). In distribution, our employees on average drove 1.8 per cent fewer kilometres after re-routing activities and optimization of client visits in 2017.

Some facts about CCHBC fleet

**95% of CCHBC
Baltics fleet is leased**

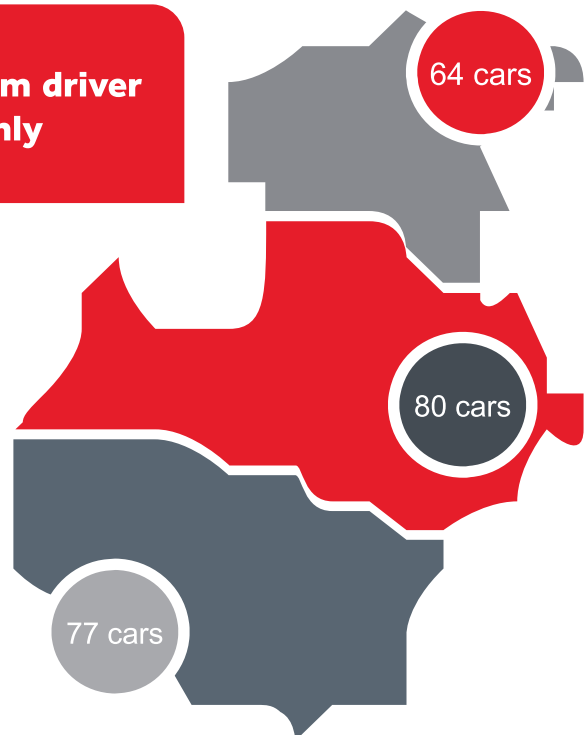
**Regional market
developer monthly
mileage is on average by
40% larger (~1000km)**

**40% of fleet is used
by Market Developers**

217 light fleet

**Fleet as a brand
awareness tool– new
Coca Cola Zero cars**

**> 500 000 km driver
monthly**



5.5 Suppliers

Coca-Cola HBC Lithuania supply chain currently engages approximately 40 suppliers on a regular basis; for Coca-Cola HBC Latvia the number is approximately 25 and for Coca-Cola HBC Estonia approximately 25.

Most vendors supply our Lithuanian production plant. Vendors range from raw material suppliers to distribution, warehousing, haulage, and fleet management services. Approximately 85 per cent of suppliers are local companies, based in the Baltics.

Raw material suppliers for the Neptūnas plant are primarily based locally in Lithuania (9 out of 13). They have a proven record of accomplishment and cooperation with former Alytus plant. The plant has two suppliers from Poland, one from Spain, and one from Germany, which have all been contracted by Neptūnas's previous owners and which have continued their partnerships after acquisition by the Coca-Cola System.

Coca-Cola HBC requires suppliers to obtain certification of compliance to the following standards:

- ISO 9001 (quality)
- ISO 14001 (environment)
- OHSAS 18001 (health and safety).
- Ingredient and packaging suppliers must also achieve certification to FSSC 22000 for food safety and the Global Food Safety Initiative (GFSI).
- Ingredient and packaging suppliers must also achieve certification to FSSC 22000 certification for food safety and the Global Food Safety Initiative (GFSI).
- A prerequisite to become listed as a new Coca-Cola HBC supplier is to accept the Coca-Cola HBC Supplier Guiding Principles. These Principles make clear the values and behaviour we expect, and audit, in our value chain.

When selecting suppliers (especially raw materials) during procurement procedures, we ask suppliers to provide information confirming their commitment to sustainability. This is not only a list of sustainability certifications, but also description of sustainability programmes (e.g. waste reduction), information on usage of renewable energy in manufacturing processes, waste recycling, and so on.



6. ENGAGING AND PARTNERING WITH STAKEHOLDERS

We engage with our stakeholders to listen, understand and gain their insights on the issues that matter most to our communities and our business. Collaborating with people, businesses and organizations that share our interest in a sustainable future and have a stake in our business is essential for our success. Engaging with our stakeholders strengthens our relationships and helps us make better business decisions in order to deliver on our commitments.

- We work with our customers, suppliers, and other business partners across the value chain every day, as well as with government representatives, civil organizations, academia, intergovernmental organizations, local community representatives, and our consumers.
- Our business leaders at the Group level engage with a variety of international organizations and business associations such as the UN Global Compact and UNESDA. At the same time, the management team of the Baltic BU represent our company in local organizations and forums.



MEMBERSHIPS

ESTONIA

- **Estonian Chamber of Commerce and Industry**

The Estonian Chamber of Commerce and Industry (ECCI) is the oldest organization representing Estonian entrepreneurs. It was founded to represent and protect the common interests of Estonian merchants, manufacturers, bankers, and ship-owners in 1925. Today, the ECCI, with almost 3,200 members, is the largest organization representing businesses in the country.

- **Estonian Soft Drinks Association**

The Estonian Soft Drinks Association is a non-profit organization that encourages transparent and timely communication between producers, consumers, and the public sector. The organization has three members, which are the largest producers and importers of soft drinks in Estonia. The Association is one of the founders of Eesti Pandipakend (EPP) and a member of the Supervisory Board. EPP is a producer responsibility organization, established in 2005, that organizes packaging recycling. EPP administers and organizes the collection, transport, sorting, counting, and recycling of deposit-subjected packaging in all Estonia, i.e. it handles plastic, glass and metal packaging of water, carbonized drinks, beer, and low-alcohol beverages.

- **Estonian Association of Alcohol Producers and Importers**

This non-profit organization raises awareness around responsible alcohol consumption; it has 12 members who are either producers or importers of alcoholic beverages. Coca-Cola HBC Eesti AS is a member as we represent several products from Brown-Forman, the Edrington Group and Lucas Bols in Estonia.

- **Estonian Food Industry Association**

The Estonian Food Industry Association is a non-profit organization that promotes

food products and production in Estonia. It also supports members' communications with both consumers and the public sector. The organization offers a broad range of services to members, being a respected counterpart for both the public and private sectors.

- **American Chamber of Commerce**

AmCham Estonia is a non-profit, non-political association of business executives interested in facilitating trade between the United States and Estonia, increasing US investment in Estonia and developing relationships with suitable business partners locally and internationally. Members of AmCham Estonia include both businesses and individuals from the United States, Estonia and neighbouring countries who are conducting business in or trade with Estonia. The Chamber has over 140 members.

LATVIA

- **Employer's Confederation of Latvia**

LDDK is the largest employers' organization in Latvia. LDDK was founded in 1993 and currently its members employ 43 per cent of Latvia's workforce. LDDK is a partner of the Cabinet of Ministers of Latvia and the Free Trade Union Confederation of Latvia. LDDK unites and represents 110 industry leaders, companies with more than 50 employees, as well as 66 industry and regional business associations and federations.

- **Latvian Packaging Association**

The Latvian Packaging Association represents the interests of Latvian entrepreneurs – packaging producers, traders, users, and experts – as well as lawyers and private individuals. It represents members' common interests, ensures packaging sector development and advanced packaging technologies, supports packaging waste management systems in the country, and maintains

communications with legislators, consumers and the public, as well as between member organizations.

- **Latvian Federation of Food Companies**

The Latvian Federation of Food Companies is the only multi-sector NGO in the Latvian food processing industry. The Federation brings together food companies and professional associations, represents food producers to state and non-governmental organizations, and defends the interests of its members during the process of drawing up national and international standards, as well as providing information to LFFC members.

LITHUANIA

- **Lithuania Food Industry Association**

The Lithuania Food Industry Association is a non-profit organization of local and international food producers and raw material producers and importers. It represents the interests of 11 food companies to both the state and to non-governmental organizations.

- **Lithuania Beverages Association**

The Lithuania Beverages Association is a non-profit organization that supports transparent and timely communication between producers, consumers, and the public sector. The organization has four members and six associate members that are producers and importers of various drinks in Lithuania.

- **American Chamber of Commerce**

The American Chamber of Commerce in Lithuania (AmCham Lithuania) is a non-profit, non-governmental business association representing more than 120 US, international and local companies in Lithuania. AmCham is a leading international business organization in Lithuania.

- Our leaders are active members of local business alliances such as business leaders' forums, local networks, business councils for sustainable development and other industry associations, participating in conferences, working with civil organizations and influencing public policy that is related to key sustainability issues such as health and well-being, packaging, water and the climate, and matters concerning social sustainability such as labour relations and talent attraction and retention.
- We work with local communities on sustainable solutions that support local and global sustainable development goals.
- Through our partnership with The Coca-Cola Company, we have access to consumer insights globally and locally, and we also make sure our partnerships and actions related to sustainable development are aligned with theirs.

Stakeholder group	How we engage
Employees	Sustainable engagement and values index surveys, quarterly Management calls, Annual Leadership Conference, employee communications channels such as intranet, individual development plans, internal communications campaigns, community and active lifestyle projects, volunteerism, Employee Works Council, whistle-blower hotline
Customers	Regular visits, dedicated account teams, joint business planning, joint value creation initiatives, customer satisfaction surveys
Consumers	Consumer hotlines, local websites, plant tours, research, surveys, focus groups
Suppliers	Joint value creation initiatives, annual supplier conference, sustainable sourcing, Supplier Guiding Principles, packaging associations, whistle-blower hotline
Governments and regulatory authorities	Recycling and recovery, quality regulation, reformulation-related initiatives
Non-governmental and inter-governmental organizations (NGOs and iGOs)	Dialogue, policy work, partnerships on common issues, memberships of business and industry associations
Communities	Plant visits, community meetings, partnerships on common issues, sponsorship activities, lectures at universities
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

6.1 Stakeholder engagement

- Coca-Cola HBC Baltics has organized Annual Stakeholder Forums and online surveys since 2017. Feedback is used in business planning. These surveys and events give our stakeholders the opportunity to prioritize our material issues based on their own interests and their relevance to our business.
- We also ask what they think by providing open-ended questions so they can share with us anything we might have missed or that needs more attention.
- We publish a summary of the findings in the GRI report and make sure we learn from and put into practice the feedback we receive.
- Because of this feedback, we are setting longer-term performance targets and increasing the focus on consumer health and sustainability in our supply chain, taking into account the unique characteristics of local environment. We have also made significant changes to our reporting to address stakeholder information needs: seeking a higher level of external assurance and consolidating issues on our materiality list to better reflect global trends.

6.2 Materiality matrix



	Number in Matrix	Topic name	CCHBC	Stakeholders
Management	2	Corporate governance, business ethics and anti-corruption	3,88	3,58
	6	Promoting excellent leadership and business culture	3,50	3,24
	10	Sustainable sourcing	3,38	3,19
	14	Direct and indirect economic impacts	3,13	3,05
Product	1	Product quality and integrity	4,00	3,64
	4	Responsible marketing	3,69	3,38
	5	Health and nutrition (product information and supply)	3,38	3,40
	11	Client and customer satisfaction	3,38	3,13
Employee	7	Employee well-being and engagement	3,63	3,16
	15	Attractive employer brand and employment	3,38	2,77
	8	Occupational health and safety	3,25	3,32
	9	Human rights	3,13	3,30
Community	17	Community investment and engagement	2,98	2,74
Environment	12	Water stewardship	3,25	3,10
	3	Sustainable packaging and waste management	4,00	3,43
	13	Energy efficiency	3,00	3,10
	16	Logistics and transport	3,13	2,83

<https://coca-colahellenic.com/en/sustainability/sustainability-approach-and-performance/stakeholder-engagement/>

The Group (Coca-Cola Hellenic Bottling Company) list of material issues was used as a base and was complemented with issues that are particularly relevant to the Baltics operations.



7. PRODUCT AND MARKET RELATIONS

7.1 Product quality and integrity

Product quality, safety and integrity are crucial in building and maintaining consumer trust and market leadership. For our Company, product integrity means offering the highest quality beverages satisfying customer and consumer expectations in every regard, and in addition to product functionality, quality, safety, taste and design, integrity also includes intangibles such as brand equity. We have zero tolerance for quality and food safety non-compliance.¹

In 2017, there were no confirmed incidents of non-compliance with regulations or voluntary codes concerning health and safety impacts of products and services within the reporting period, and no incidents of non-compliance with regulations resulting in a fine or penalty in the Baltics. Overall consumer complaints in 2017 remained at a low level, showing that our beverages are of high quality and people trust our products and brands.



7.2 Health and nutrition

Consumers around the world are changing, with reductions in sugar consumption becoming increasingly important. People are more health-conscious than ever and living "healthier" is the new normal for consumers. In addition, there are concerns about artificial ingredients and a preference for natural alternatives. Finally, consumers expect to have more choice and look for beverages with new functional features, more health benefits and more natural ingredients.²

Within this context, The Coca-Cola Company announced a series of commitments in 2013³ that our global business system follows. These include:

- **Expanding our range of low- or no-calorie beverages, reducing the calorie content of products in our portfolio:**

To provide greater choice, we are

providing zero-calorie and more low-calorie drinks in our portfolio, and we have already reformulated many of our drinks to contain less sugar and fewer calories. For example, since 2017, Sprite has up to 30 per cent fewer calories.

We have also recently launched the new and improved Coca-Cola Zero Sugar, which tastes and looks more like Regular Coca-Cola. This was the most recent step in our strategy to encourage people to choose sugar-free options. With our move to adopt a 'one brand' strategy, uniting the four Coca-Cola brands under one, we have also increased our media investment in no-sugar and -calorie variants.

-12,4% less calories put to market compared with 2016

- **Introducing smaller packages:**

We are committed to innovation and reformulation to offer a greater choice of products, in a range of pack sizes, to suit all diets and lifestyles and meet expectations and increased interest in reducing sugar and calorie intake.

We focus on innovating through the products we offer and their ingredients, including expanding the range of reduced calorie soft drinks in our portfolio.

- **Providing transparent nutritional information on product labelling:**

We believe people should see clear, transparent nutritional information on the front of all our packaging. As balance and moderation are key to a healthy diet, we aim to give people comprehensive information to make appropriate choices to live an active, healthy lifestyle.

¹ Coca-Cola HBC 2017 Integrated Annual Report, p.42

² https://coca-colahellenic.com/media/2967/issue_brief_10_health_nutrition.pdf, p.1

³ <http://www.coca-colacompany.com/press-center/press-releases/coca-cola-announces-global-commitments-to-help-fight-obesity>



Our front-of-pack labels clearly show calorie, sugar, fat, saturated fat and salt content, both as absolute values and as a percentage of daily intake. These are reported per serving and as a proportion of a healthy diet, helping consumers understand the exact contribution of a specific drink to their daily intake of energy (calories) and sugars, with a view to controlling weight.

Our partner in the Coca-Cola system, The Coca-Cola Company, is also committed to providing factual, substantive and understandable nutrition information on the products we produce and distribute. In 2009, we became the first company in the drinks industry to make front-of-package energy labelling a global commitment for nearly all products by the end of 2011. In 2012, we were one of 12 companies that signed up to the new EU Regulation on Food Information to Consumers, a voluntary framework for labelling Guideline Daily Amounts.

• **Marketing responsibly, including no marketing to children under 12:**

Marketing our brands responsibly but effectively is of great importance to our business. Offering a wide range of products and providing clear and transparent information is at the heart of our approach.

We comply with The Coca-Cola Company's Global Responsible Marketing Policy and are signatories to the UNESDA commitments. Compliance is checked regularly by external third-party auditors contracted by UNESDA.

As part of UNESDA's school sales commitment, we do not offer our products for sale in primary schools. In addition, we will ensure from 2018 onwards that only no- and low-calorie drinks are offered in secondary schools as a complement to water, which remains the primary drink available for schoolchildren and adolescents. We not only comply with the letter of these policies; we strive to follow the spirit of them as well. Therefore, we do not place advertising in media where the target audience includes a substantial

portion of children. This applies to all media including television shows, print media, websites, social media, movies, SMS/email marketing, animation, third-party characters, celebrities/games/contests, branded toys/merchandise, talent selection, point of sale, and merchandise items. Moreover, we do not design our marketing communications in a way that directly appeals to children younger than 12.⁴

We will voluntary cease sales of drinks containing added sugars to secondary schools, expanding our existing policy – first introduced in 2006 – not to sell added-sugar beverages in primary schools or advertise any beverages to children under 12.

We lead the implementation of voluntary industry codes of conduct like the EU Pledge on Advertising to Children, Global Guidelines on Marketing to Children restricting targeted marketing to children younger than 12, and UNESDA commitments to school sales restrictions, removing sales of added-sugar soft drinks from secondary schools across Europe by the end of 2018.⁵ For over a decade and across all markets, Coca-Cola HBC has not advertised any of our products to children under 12, soft drinks have been completely taken out of primary schools, and now we have committed to stop sales of sugary drinks in secondary schools across the European Union.

Coca-Cola HBC has been committed to limiting direct sales of added-sugar beverages, including ice teas and flavoured waters, in primary schools since 2006, and in 2018 we announced the extension of direct sales limitations of added-sugar beverages to secondary schools across the Baltic States to address the concerns regarding the increasing daily intake of added sugars by children.

The General Manager of Coca-Cola HBC Baltics, Konstantin Choukchoukov, said, "Although our company strongly believes in parental guidance on child nutrition, we would like to support parents where it is possible for us to do so. We also encourage other companies to join us in this pursuit to have a stronger impact," added Choukchoukov.

In addition to limiting direct sales to all primary and secondary schools and gymnasiums, CCHBC has also reached out to our customers, asking them to join in our common goal and prevent potential indirect sales to children's educational institutions.



Looking ahead

In January 2018, the Lithuanian Ministry of Health and responsible food producers signed a cooperation memorandum agreeing to improve food products by decreasing the amount of sugar, salt and fat. This agreement with the food industry is one of the steps to improving nutritional conditions among the population. Other food producers have been invited to join the agreement as well.

Coca-Cola HBC Lietuva and Coca-Cola Baltija were among the first to join this voluntary initiative and sign the agreement.

⁵ Further information about the commitment:
http://www.unesda.eu/wp-content/uploads/2017/09/UNESDA-SchoolSoftDrinks_PressRelease.pdf
* World Health Organization

7.3 Customer and consumer satisfaction

The goal of our company is to provide the best experience to our consumers and customers. Consistent monitoring of customer satisfaction allows us to determine how we can become better and where to focus in order to do so. Winning with customers is one of our six core corporate values, and we work hard to build strong customer relationships and create shared value. In the Baltics, we monitor customer satisfaction through an annual survey developed by the market research company, Growth For Knowledge (GFK). In 2017, more than 450 customers evaluated our performance through this channel. This allowed us to identify key drivers for satisfaction or dissatisfaction and compare ourselves to other beverage suppliers. Through this survey, we measure and analyse gaps between customer expectations and the current levels of service to constantly improve our performance in the market.

According to the results of 2017 survey, we see significant growth, and for the Outlet Execution survey, we won on the Baltic level – ranked No. 1 Supplier by our customers. We believe this increase reflects our responsiveness to feedback and the value that customers find in bespoke improvement plans.

No. 1 supplier in Baltics with best relationship with customers according to GFK survey results in 2017

Moreover, Narvesen, the Norwegian convenience store chain, has awarded Coca-Cola HBC Baltics the title of Partner of the Year for two consecutive years. More information on our awards is available in the Community chapter.

Ensuring excellent in-store execution

Ensuring that elementary aspects are done correctly is critical to building strong relationships with our customers.

For Coca-Cola HBC, this means that we seek to always deliver in full, on time and accurately invoiced, what we call internally DIFOTAI. We track our success in achieving this each day, for each customer, and constantly work to improve our performance. Our overall DIFOTAI score for 2017 was 98.4 per cent, slightly improving on the 2016 result of 98.2 per cent.

DIFOTAI result for full year improved – 98.47% in 2017 vs. 98.28% in 2016

To ensure that the right product is presented in the right location, we track real-time execution in our customers' stores and use that data to evaluate and improve in-store operations. We use an approach called Right Execution Daily, referred to by the acronym RED, which measures aspects required for strong execution and awards a score to each customer and channel. These scores reflect our execution level relative to our internal targets, and we use this data for continuous improvement.

Right Execution Daily: target for 2017 – 72%; results achieved – 73.62 %





Customers and consumers complaints

Overall consumer complaints in 2017 remained low – in total, there were nine customer and 12 consumer complaints in the Baltics. The continued low rate of consumer complaints shows that our beverages are of high quality and people trust our products and brands.

There were no confirmed incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, including no incidents of non-compliance with regulations resulting in a fine or penalty, incidents of non-compliance with regulations resulting in a warning, or incidents of non-compliance with voluntary codes.

0 confirmed incidents concerning health and safety impacts of products and services within the reporting period in Baltics in 2017

	Consumer complaints	Customer complaints
Estonia	5	5
Latvia	3	3
Lithuania	4	1

Looking ahead

In 2018, we will continue to focus on ways to shape our portfolio to better satisfy existing and emerging consumer preferences. We plan to continue our efforts to reduce the sugar content of our sparkling drinks. Our new product, FUZE tea, is the fastest-growing billion-dollar brand in the Coca-Cola System, and we believe that launching it in our markets in January 2018 will enhance our proposition in a high-value and high-growth category.



8. WORKPLACE MANAGEMENT AND INDICATORS

In 2017, Coca-Cola HBC Baltics employed over 350 employees in Estonia, Latvia and Lithuania. The company aims to ensure that our people enjoy their work as much as our consumers enjoy our products. Coca-Cola HBC Baltics is dedicated to bringing out the best in our people and to ensure that it contributes to enhancing working conditions, training and benefits:

- Respect for human rights is fundamental to creating a sustainable business for Coca-Cola HBC Baltics and in serving the communities in which we operate. The company ensures that people are treated with dignity and respect.
 - The Company devotes special attention to Occupational Health & Safety through the development and implementation of effective Occupational Health & Safety (OH&S) systems, standards and practices appropriate to its business activities.
 - Every year, a risk assessment analysis is carried out to evaluate the working environment.
 - The company has clear policies and standardized activities with regards to acquisitions, training, development, career and succession planning of human resources, ensuring clarity and equal opportunities for everyone.
 - Our company pays special attention to employee well-being, offering a variety of benefits from flexible working time and free personal products for consumption to supporting an active lifestyle for employees and offering compensation bonuses for special occasions.
- The company has been recognized with multiple awards; for example, Coca-Cola HBC Latvija has received the title of Family-Friendly Company for the second consecutive year.
- The most noteworthy HR initiatives in 2017 include:**
- The MMLE (Make My Life Easier) initiative, which included introducing new office rules and remote work opportunities, and reducing e-mails and time spent in meetings, thus having a positive effect of the work-life balance of the employees.
 - The LAP programme and increased efficiency of training courses and meetings: workshops within teams to increase engagement and help focus on activities that add value for the team.
 - Introduction of a new Helo online platform, which offers unlimited remote learning opportunities for employees at any time and everywhere.
 - Ambassador Days for employees and their families to become acquainted with CCHBC products in order to have increased ambassadorship and stronger values.



8.1 Employees at Coca-Cola HBC Baltics in 2017

In addition, there are workers connected to the Coca-Cola HBC Baltics who are not part of the employee headcount: receptionists in the offices (one in each country), warehouse checkers (four in total) and seasonal warehouse and production workers.



	Full-Time Employees	Full-Time Employees temporary	Part-Time Employees
Estonia total	96	4	
Female	41	3	
Male	55	1	
Latvia total	117	2	
Female	34	1	
Male	83	1	
Lithuania total	124	6	2
Female	38	2	2
Male	86	4	
BALTICS total	337	12	2

8.2 New Employee Hires and Turnover in 2017

The year 2017 brought a lot of fresh energy to the company, as a total of 94 new people joined Coca-Cola HBC Baltics. The increase in the number of new hires in Lithuania was due to the fact that in September 2017, employees of the Neptūnas mineral water plant in Varėna officially came under Coca-Cola HBC Lietuva. At that time, the plant had 28 employees, all from the local Alytus area.

Plant manager Tadas Narankevicius said after signing the new working contracts on 28 September the following: *"Although we have worked side by side for more than a year, this is a milestone in really officially becoming one family. I hope we have been able to provide everybody with a warm welcome and we will take good care of all the employees here in Neptūnas plant as well as the facility and production itself."*

New Hires by Region and Gender

Estonia total	21
Female	9
Male	12
Latvia total	27
Female	8
Male	19
Lithuania total	46
Female	20
Male	26
BALTICS total	94

New Hires by Age Group

Age group	Estonia	Latvia	Lithuania
Below 30	15	12	22
30-50 years old	6	15	18
Over 50 years old	0	0	6

Total Number and Rate of Employee Turnover in 2017

RATE (%)		Estonia	Latvia	Lithuania	Baltics total
	Female	9.8%	2.6%	23.7%	12.2%
	Male	19.7%	16.8%	24.7%	20.6%
	Total	15.0%	12.3%	24.4%	17.5%
TOTAL NR		Estonia	Latvia	Lithuania	Baltics total
	Female	5.0	1.0	10.0	16.0
	Male	11.0	14.0	22.0	47.0
	Total	16.0	15.0	32.0	63.0



8.3 Employee Engagement

Coca-Cola HBC Baltics is committed to listening and receiving feedback from employees in order to focus on the right areas, develop the right culture, and contribute to our Growth Story. Based on feedback from engagement surveys, there are many projects and initiatives ongoing in response to the expectations of the employees on the development in the areas of the workplace, learning and restoring energy levels after larger work projects.

Our People Engagement Survey was carried out between 11 and 29 September 2017 by Willis Towers Watson.

In total, 87 per cent of employees responded to the survey, rating a variety of areas including involvement, customer focus, leadership, learning and development etc.

Overall, the Sustainable Engagement Index totalled 88 points and Values Index totalled 86. In specific categories, the highest were rated (80 per cent favourability or above) the following:

- Corporate Responsibility and Sustainability 90%
- Ambassadorship 90%
- Safety and Work Environment 89%
- Line Manager 88%
- Efficiency and Collaboration 85%
- Involvement 84%
- Customer Focus 83%
- Ethics and Compliance 83%

With regards to differences between the Baltic countries, the results were the following:

	SEI Index	Values Index
Estonia	85	85
Latvia	90	88
Lithuania	90	84

8.4 Training and Education

The company invests in learning and supporting home-grown talent, so there are numerous career success stories at Coca-Cola HBC. This is executed through the inclusion of strong personal development practices, wide-ranging programmes

and the experience of working with inspiring leaders as well as training programs. Training has included topics such as Capability Development, Sustainability and Compliance, among others.

8.4.1 Hours of Training

In 2017, employees in the Baltics conducted almost 5,000 hours of training combined.

Average hours of training employees have undertaken in the reporting period by gender and region.		
	Female	Male
Estonia	7.9	16.6
Latvia	8.9	13.6
Lithuania	13.3	18.5
Baltic average	10.1	16.2

Average hours of training employees have undertaken in reporting period by employee category.

Function	Hours	Employees	Ave
Distribution	15	11	1,4
Finance	173	36	4,8
Human Resources	53	9	5,7
Information Systems	19	6	3,1
Marketing	238	19	12,8
Other Administration	73	12	6,2
Production	59	39	1,5
Sales	4,301	170	25,4
Warehouse	367	50	0,7
Grand Total	4968	351	14,1

8.4.2 Performance and Career Development Reviews

There are specific processes during the year to assess the strengths and areas of improvement of each employee, in order to help them develop and grow both personally and professionally:

Step 1: Performance discussion & appraisal (summary of previous business year)

Step 2: Personal Development Forum (PDF)

Step 3: Performance feedback after PDF session

Step 4: Objective (MBO) setting through Individual Development Plan (IDP)

Step 5: Review of development activities

The purpose of the Annual Performance review is to evaluate the previous business year and provide feedback on an employee's career. For example, in the performance discussion, employees evaluate themselves based on performance standards and technical competence, set development needs, and suggest options. Managers, on the other hand, evaluate performance and competencies and support development while securing continuous feedback and instructions.

8.4.3 Training on Human Rights

Coca-Cola HBC's Human Rights Policy is committed to the international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.

In 2017, the company organized an ethics and compliance week focusing on human rights policy. During the week, every employee was trained on our human rights policy with posters, quizzes and other activities. The Human Rights Policy is a part of the CCHBC Policies and Guidelines that all employees cover during their induction period.

Percentage of total of employees by gender and region with Performance Review in 2017

	Estonia	Latvia	Lithuania
Female	83%	89%	65%
Male	66%	67%	59%
Total	73%	74%	61%

Percentage of total of employees by leadership layer with Performance Review in 2017

	Estonia	Latvia	Lithuania
Function Head	100%	100%	100%
Manager of Managers	86%	75%	77%
Manage Others	87%	100%	82%
Manage Self / Manage Self Professional	68%	67%	54%
Total	73%	74%	61%

The company is fully compliant with local human rights legislation; no incidents were reported or allegations raised in Estonia, Latvia or Lithuania in the reporting period.

Total number of hours devoted to training on CCHBC Policies and Guidelines, including human rights and diversity topics:

Estonia	204
Latvia	261
Lithuania	295
Baltics total	760





8.4.4 Programmes for enhancing employee skills and transition assistance programs

Employees who are starting in the company or transitioning from one position to another are assisted induction plans specifically tailored to their roles and needs. In addition, they are assigned mentors that help them integrate into the company.

In 2017, to ensure the continuous professional skills development of all employees, Coca-Cola HBC Baltics introduced the new Helo web-based portal, which provides a wide range of remote learning possibilities at any time and everywhere. The courses range from different internal corporate initiatives and programmes to Harvard Business Review webinars.

In addition, there are two specific programmes aimed at developing promising talent:

- Management Trainee programme
- Fast Forward programme

The **Management Trainee programme** is an 18–24-month programme aimed at young talents (university graduates) that supports them in their development towards becoming experts and future leaders. It has a functional approach, and participants have rotations within the country's functions, thus combining the aspects of formal learning, experiential learning, and collaborative learning.

In 2017, the Baltic States had six management trainees (one in Estonia, four in Latvia, one in Lithuania), with four women and two men, based in a variety of functions.

The Fast Forward programme is an 18-month programme that is aimed at helping to accelerate leaders to the next management level. It is intended for employees within the company who have been identified as top talents and have potential for more. As part of the Fast Forward programme, participants receive coaching sessions and take part in peer-learning groups, virtual sessions, assessments and different modules in order to get to know themselves better and learn new skills.

In 2017, Coca-Cola HBC Baltics invested over €125,000 in training (€64,455 in Estonia, €20,622 in Latvia and €40,590 in Lithuania), including talent development, leadership development, human resources training and functional training.

During 2017, the 28 employees of the Neptūnas mineral water plant in Varėna officially became employees of Coca-Cola HBC Lietuva. To ensure a smooth transition for them and integrate them into the company, they were all offered a specially designed transition programme.

8.5 Diversity of Governance Bodies and Employees

8.5.1 Senior Leadership Team

Coca-Cola HBC Baltics has a senior leadership team that sets and drives strategy for the business unit, consisting of ten leaders across functions. It is very well balanced in terms of gender, as 50 per cent of the team are men, and 50 per cent are women. Geographically, the senior leadership team is also well diversified, as well as three are based in Estonia, five in Latvia and two in Lithuania. All of them are within the 30-50 year range. In terms of origin, the majority (60 per cent) are originally from the local region, and 40 per cent are from areas outside the Baltic States.

Division by Gender in the various Leadership Layers

	Female	Male
Manage Self	40.22%	59.78%
Manage Self Professional	38.46%	61.54%
Manager of Others	44.00%	56.00%
Manager of Managers	22.73%	77.27%

8.5.2 Other leadership layers

Based on the number of employees in the Baltics (including those on maternity leave), 40.3 per cent are women and 59.7 per cent are men.

Excluding the senior leadership team, the diversity of the employees according to leadership layers is as follows:

Division by Age in the various Leadership Layers

	Below 30 years	30 to 50 years	Over 50 years
Manage Self	29.52%	62.73%	7.75%
Manage Self Professional	0%	100.00%	0%
Manager of Others	24.00%	68.00%	8.00%
Manager of Managers	9.09%	86.36%	4.55%

8.6 Remuneration

The ratio of the basic salary and remuneration of women to that of men for each employee category, divided by significant operational locations and leadership layer is provided below:

	Estonia	Latvia	Lithuania
Management Positions (JG 10+)	1.05	n/a	n/a
First-line Management (MoO)	1.52	1.17	1.06
Management Trainees	1.25	1.29	1.43

As can be seen, the female employees in these categories earn higher salaries in all categories compared to their male counterparts in similar positions.

Significant operational locations are defined as the countries of operation (Estonia; Latvia, Lithuania).

8.7 Collective Bargaining

Collective bargaining agreements are not applicable for employees of Coca-Cola HBC Baltics.



8.8 Health and Well-being

In Coca-Cola HBC Baltics, we pay close attention to our employees' health and well-being through specific initiatives, such as the examples set out below:

- Health checks are done when employees commence work and later as per an H&S doctor's prescription, but not more than once every 3 years for all full-time employees. The health conditions that are monitored are selected based on the risks evaluated in their role risk assessment. For example, in addition to general health indicators, eye checks are performed for all employees who spend more than 50% of their workday in front of a computer.
- Sport activities are supported and compensated by the Company through gym memberships and other benefits. These benefits extend to family members.
- In the office, there is a communal kitchen where employees can eat and make their own meals. Employees have tea, coffee and, during the flu season, honey and lemon available. Once a week, there are vitamin days – different fruits and vegetables are provided by the company at no cost to the employees.
- To make sure that employees are properly hydrated, they all have unlimited free water, juices and soft drinks in all facilities.
- Work environment measurements are carried out according to local legislative requirements.
- The company offers a relaxation room with a massage chair for unlimited use.
- In addition, a special Health & Safety Week is held each year to review some of the best practices and introduce new information to employees to maintain health.

8.8.1 Types and Rates of Injury, Lost Days, Absenteeism

In 2017, across all Baltic operations (in Estonia, Latvia, and Lithuania), there was only one injury, including also first aid incidents, which took place in February 2017 in Latvia, in which a male employee was injured.

In total, the combined number of absences due to illness in each country was as follows (counting from the day after).

	Absences due to illness YTD	Total working days YTD	Number of employees	12M Rolling Sick Days per FTE
Estonia	1,141	252	99	11.47
Latvia	660	252	120	5.48
Lithuania	576	252	132	4.38

The high number of absences in Estonia is due to the high number of employees taking maternity/paternity leave in 2017 (around 15 people), whereas in Latvia and Lithuania the numbers were six and four, respectively.





9. ENVIRONMENT

9.1 General approach

Coca-Cola HBC Baltics, as a business unit of Coca-Cola Hellenic Bottling Company group, follows the same principles of the holding company, conducting all its business activities responsibly with due regard to environmental impact and sustainable performance. We seek to achieve steady improvement in meeting the Group's environmental standards, while working to minimize any negative impacts on the local and global environment as the company grows its business.



Coca-Cola HBC commitments¹:

- Conduct operations in compliance with all applicable laws and regulations and apply high internal environmental standards.
- Develop and certify an environmental management system compliant with ISO 14001 requirements, the Coca-Cola Company requirements (KORE) and Coca-Cola Hellenic specific standards to ensure accountability and continuous improvement. *
- Include environmental strategies and objectives in our business planning process to ensure that management of environmental impact remains an integral part of our business activities.
- Identify all environmental aspects, set environmental goals, monitor results, and audit processes to assess our performance against internal and external environmental standards. **

- Prevent pollution and protect the environment by promoting and implementing best available environmental practices, eliminating and neutralizing waste in a controlled manner, minimizing emissions, preserving natural resources (water and energy), and increasing waste recycling.
- Implement Coca-Cola Hellenic Policy regarding post-consumer packaging waste management by light weighting, recycling beverage packaging, and engaging our employees in awareness and waste collection campaigns.
- Implement the Coca-Cola Hellenic Water Stewardship Policy and commit to minimizing the impact of our operations by decreasing water use and ensuring that wastewater is treated to a level that sustains aquatic life.

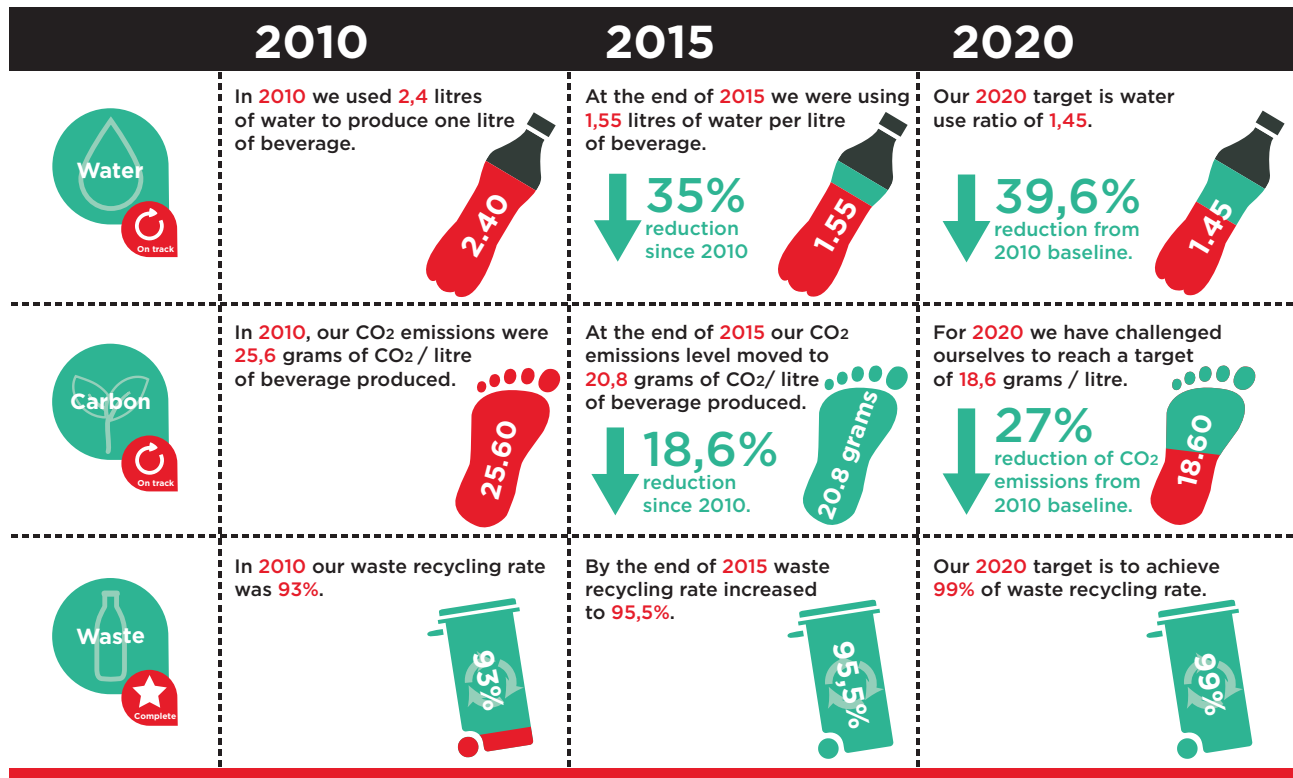
- Implement the Coca-Cola Hellenic Climate Change Policy and strive to limit our impact on climate change by reducing energy use and coolant emissions.
- Encourage and equip employees to identify and act upon opportunities to improve environmental performance and waste management in the areas where they work.
- Partner with stakeholders in seeking and developing solutions to those environmental problems in which the Company can make an effective and lasting contribution.
- Communicate its environmental requirements and performance to all stakeholders.

¹ Coca-Cola HBC Environmental Policy

* Coca-Cola HBC Baltics co-owns the natural mineral water bottling plant Neptūnas in Varena (Lithuania), which was jointly acquired with The Coca-Cola Company. In 2018, it will become ISO 14001 certified.

** Implementation of this Group commitment will take place in the Neptūnas plant in 2018.

Overview of Coca-Cola HBC Baltic achievements and targets:



Environmental impact assessments and monitoring

We have a responsible approach to every aspect of our business and we aim to minimize our environmental footprint and impact to nature. We have specific, measurable goals in place with respect to environmental impacts, and constantly aim to reduce the amount of water required to produce 1 litre of beverage and the amount of energy that we consume. We are always looking for possibilities to minimize our water consumption and to reduce our energy demands.

Looking ahead

In 2018 we plan to get certification regarding ISO 14001 Environmental management and ISO 45001 Occupational Health & Safety. We are investing in modern equipment; for example, a new CIP system is being installed, letting us use water and energy more efficiently. Water used to rinse bottles is collected and reused.

Some of our water reduction measures include:

- Water metering and calibration of our water sources
- Planning & implementing different water-saving projects:
 - Changing line lubrication from wet to dry / semi-dry to save water
 - Water reuse projects (bottles rinsing water, final rinsing water from Cleaning in place system (CIP))
- Extending the frequency of backwashing in water treatment filter systems
- Conducting regular water leak checks/ repairs

9.2 Precautionary principle

Our organization's approach to risk management when developing and process of introducing new products (categories, brands, flavours, packages, etc.) is defined by our Group-approved commercialization process, designed based on CCHBC Group guidelines. The launch of each innovation is structured in six stages:

- 1 Opportunity assessment (normally done during business planning);
- 2 Business case development;
- 3 Product proposition development;
- 4 Communication and operational execution plan;
- 5 Launch;
- 6 Post-launch evaluation.

This process covers innovations developed by The Coca-Cola Company and Coca-Cola HBC, for projects where both organizations are involved and project managers are assigned from both sides of the Coca-Cola System. Depending on the type of product and/or innovation, this process includes input from all relevant functions, such as Finance, Supply Chain, Sales, Commercial Excellence, Public and Affairs & Communication, to make sure that the launch is assessed from various perspectives and all risks and opportunities are evaluated. The process is set up in a way that allows for effective tracking, monitoring, and reporting on the course of the project.

9.3 Materials and packaging

Regarding sustainable packaging, the Baltic business unit has the same strategic approach and priorities as the Coca-Cola HBC Group.¹

In 2016 the Group announced three new commitments related to packaging with a 2020 horizon²:

- Source 20 per cent of total PET (polyethylene terephthalate) used from recycled PET and/or PET from renewable material.
- Reduce packaging by 25 per cent per litre of beverage produced.
- Recover for recycling an average of 40 per cent of the total packaging introduced to our markets.

At least 3 per cent of total PET used for products sold in the Baltic market was sourced from recycled PET material in 2017.

We continuously strive to reduce the amount of waste produced while increasing the proportion of recyclable waste. We integrate the most up-to-date sustainability standards into our business processes across our operations, following international standards and The Coca-Cola Company requirements.

Our waste reduction story

We gradually reduce the amount of waste generated via different initiatives:

Introducing bottles with reduced weight and shorter bottle necks. As a result, the weight of bottles was reduced by ca. 10 per cent.

Optimising secondary packaging materials (shrink and stretch film).

Removing cardboard layer pads from our pallets.

One plant in Baltics:

In 2017 (which is the first year after acquisition), Neptūnas natural mineral water plant production volumes reached 27 334 038 litres. The total weight of materials used to produce and package the primary products in 2016 and 2017 are as follows:

		2016	2017
Raw materials	Carbon dioxide	74442 kg	98951 kg
Packaging materials	PET preforms	582335 kg	499344 kg
	Glass bottles	94397 kg	135843 kg
	Aluminium caps	752 kg	1583 kg
	Plastic caps	44588 kg	67268 kg
	Labels	12827 kg	11785 kg
	Shrink film	64512 kg	72200 kg
	Cardboard	45556 kg	46975 kg

Lightened preforms are used to bottle our products, which is an environmentally friendly solution. The preforms are made from PET, which can be recycled. A light weighting process reduced the amount of PET used, and waste generation management was implemented as of 2015.

The preforms weight of our 1.5 L still water products were reduced from 32 g to 26.5 g (17 per cent less) and the respective preforms for carbonated products from 40 to 29.5 g (26 per cent less). For 0.5-litre products (both still and carbonated), weight was reduced to 15.9 g compared to 18.5 g previously. Finally, for sports products, the weight of preforms was reduced to 20.5 g from 22.5 g.

¹ Coca-Cola HBC Environmental Policy

² <https://coca-colahellenic.com/en/our-stories/coca-cola-hbc-announces-ambitious-new-sustainability-targets/>

9.4 Waste management

Across the Coca-Cola HBC Group, including in the Baltics, we are committed to continually improving our environmental performance in the area of packaging and packaging waste. The Company supports the implementation of post-consumer packaging schemes, in the most appropriate form, in all countries.

Coca-Cola HBC objectives³:

- Co-own the country packaging management scheme (recovery organization).
- Participate as an active member of the Management Board of Recovery Organizations with the appropriate participation at a senior level.
- Own and take responsibility for collected material as members of authorized recovery organizations.
- Implement efficient recovery organization schemes at the lowest sustainable costs.
- Develop and execute Business Plans according to the highest standards.

Package waste management

The Coca-Cola HBC package waste management in the Baltic countries is organized through the following Recovery Organizations:

Packaging	EE	LV	LT
Primary	Deposit system	Green Dot	Deposit system
Secondary, tertiary	Green Dot	Green Dot	Green Dot



	EE	LV	LT	BALTICS
Package put to market, kg	1,172,549	1,870,098	4,793,123	
Glass (primary)	85,494	288,697	62,783	436,974
Metal (primary)	66,963	134,430	162,240	363,633
Paper (primary)		103	46	149
Paper (tertiary)	74,220	171,151	139,918	385,289
PET (primary)	814,549	1,045,035	1,142,460	3,002,044
Paper (secondary)				-
Plastic (primary)	24,057	89,042	87,322	200,421
Plastic(tertiary)	89,696	141,594	155,694	386,984
Plastic/secondary				-
Wood	17,570	46	12,581	17,629

	LT	LV	EE	BALTICS	BALTICS
Recovered package, kg	1,528,245	923,104	215,515	2,666,864	56%
Glass (primary)	57,760	187,653	75,235	320,648	73%
Metal (primary)	149,261	68,559	40,178	257,998	71%
Paper (primary)	37	87	-	124	83%
Paper (tertiary)	111,934	143,767	-	255,701	66%
PET (primary)	1,051,063	428,464	-	1,479,527	49%
Paper (secondary)	-	-	-	-	
Plastic (primary)	80,337	36,507	21,170	138,014	69%
Plastic(tertiary)	77,847	58,054	78,932	214,833	56%
Plastic/secondary	-	-	-	-	
Wood	6	13	-	19	0%

Rauno Raal, CEO of Eesti Pandipakend AS, deposit system operator in Estonia

1. How would you evaluate the role of the deposit system in the country and perhaps also in wider sense?

It is clear that a beverage packages' deposit system can achieve very high tangible return rates and in relatively short period of time. This quite often means return rates of 70 per cent after the first year of operation of the DRS (deposit recovery system). Every package put on the market is registered, as is every package collected, which makes the system very transparent and reliable; return and recycling rate manipulations are not possible. High return rates of 85 per cent and more contribute significantly to concrete DRS country collection targets.

On a wider scale, DRS makes consumers act in an environmental manner because of the monetary incentive, but over the course of time this also starts to influence their behaviour as environmental awareness develops. Deposit systems affect package sorting and recycling patterns among consumers with regards to other materials and packages outside of DRS as well.

2. What has been the consumers' feedback on the work you are doing?

I think the high return rates (2017 data: PET 87,8%, OWG (one-way glass) 88,7%, CAN 73,5%) speak for themselves. Consumers have taken to the system well in Estonia. The golden rule of deposit value is it must be high enough to motivate returns, but at the same time low enough not to motivate fraud. In 2015, we carried out a survey in the three largest Estonian cities (Tallinn, Tartu, Narva) asking around 400 people for their feedback on the deposit system. Answers about the primary motivation for returning deposit packages were as follows: 50,18% to get deposit money, 28,78% the packaging waste takes too much room at home; 16,24% for environmental care.

3. Why is it important that Coca-Cola HBC is an active client of the deposit organization?

Active participation is beneficial for both the DRS and a market leader like CCHBC. On the one side, it gives first-

hand information about environmental issues and market trends, and creates open dialogue at the very early stages. For example, it is possible for DRS to share information about unrecyclable materials, such as aluminium and plastics not going together, and this can be important information for producer marketers. Such "early warnings" or open communication can also be financially important for the producer as such special packages (like plastic CAN with aluminium lid or aluminium CAN with plastic lid components, etc.) which are recycling nightmares, can be categorized under special packages with significantly higher handling fees.

4. How do you see the recovery organization developing further in the future?

In Estonia, we might have to include strong alcohol under deposit at some stage in the more distant future, as there have been many indications and some pressure from the government regarding it. In general, as an IT country, we are further putting energy into different technology solutions and automation, such as a special web solution for retailers, RFID tags (an electronic tag that exchanges data with an RFID reader through radio waves) for empty package bags, etc.

Gintaras Varnas, CEO of USAD, deposit system operator in Lithuania

1. How would you evaluate the role of the deposit system in the country and perhaps also in wider sense?

More than 500 million beverage containers are sold in Lithuania every year, and this type of packaging can become a major pollution and litter problem if not dealt with seriously. The deposit system very efficiently tackles this issue both from collection/recycling and from cost side perspectives. Lithuania's experience with deposit system was that 74 per cent of packaging was collected and recycled in first year, with the second year seeing 92 per cent.

2. What has consumer feedback been on the work you are doing?

A recent consumer survey shows that the deposit system is popular and supported by consumers:

- 97 per cent of consumers said that the deposit system is necessary;

- 97 per cent of consumers said they are satisfied in general with functioning of the deposit system for single-use packaging;
- 95 per cent of consumers said that after the introduction of the packaging deposit system, the amount of garbage left in parks, at lakes and in other natural places fell.

Even more importantly:

- 93 per cent of consumers said the introduction of the packaging deposit system encourages them to take sorting general waste more seriously.

Consumers ultimately pay to keep the deposit system running. When asked about cost side of the system:

- 62 per cent of consumers said that the cost is optimal for the service;
- 14 per cent of consumers said that the cost is not high and

Neptūnas plant waste management

Solid Waste Generation	2016	2017
Litter Waste (kg)	2196	2196
Hazardous Waste (kg)	583	863
PET bottle + preforms (kg)	12161	21988
PE (polyethylene) films (kg)		150
Carton (kg)	8056	7813
Plastic containers (kg)	350	742
Metal scrap (kg)	63	48.8
Glass scrap (kg)	1563	4434.5
Sum. Rec. Solid Waste (kg)	22193	35176.3
Sum. Solid Waste (kg)	24972	37372.3
Solid Waste Recycle, %	88,87	94.12

Remote property waste management

	2016		2017	
	Riga	Kaunas	Riga	Kaunas
Generated waste (tones)	121.89	112.50	124.16	114.06
Recycled waste (tones)	19.99	27.24	24.5	21.37

Cold drink equipment (CDE)

Coca-Cola HBC Baltics' electronic waste management in Baltic countries is organized through these Recovery organizations:

EE	LV	LT
EES Ringlus	Green Dot	EEPA

	EE	LV	LT	BALTICS
Disposed CDE (2017)	529	605	611	1745

would be willing to pay more if it contributed to even better collection of waste.

3. Why is it important that Coca-Cola HBC is an active client of the deposit organization?

Deposit systems are designed to meet producers' demands in terms of being convenient for their consumers, meeting recycling targets and being cost-efficient at the same time. Therefore, the active involvement and participation of producers in the system is the key to success.

4. How do you see the recovery organization developing further in the future?

Innovations and technological development will make deposit systems more convenient for consumers and more flexible in their extension to different type of packages in cost-efficient ways; that will further improve overall collection and recycling results.

9.5 Water⁴

The direct water impacts of Coca-Cola Hellenic operations result mostly from the use of water in bottling plants. Indirect impacts result from the virtual water embedded in its ingredients and, to a lesser extent, from its packaging. We report comprehensively and transparently on our water impacts and activities, under the guidance of key stakeholders.

Our commitments on the Group level:

- Minimize the impact from operations by decreasing water use and ensuring that wastewater is fully treated to levels that sustain aquatic life.
- Assess future water availability and reduce environmental and social risks linked to our use of water.
- Work with suppliers to understand the water footprint of raw materials and agricultural products such as sugar and fruit.
- Engage with communities to increase awareness and protection of water resources, through local and international partnership programs.
- Provide emergency supplies of water to communities in the aftermath of disasters.
- Contribute to the development of water standards and policies, locally and internationally, in partnership with key stakeholders.
- Work with organizations and initiatives such the UN Global Compact Water.
- Share and promote water stewardship practices.

Our plant in Lithuania, Neptūnas, owns four groundwater wells in the area, out of which one (constructed in 2002) is operational, currently used for production of NEPTUNAS mineral water. The well is approximately 60 metres deep. The Neptūnas well is not included in designated nature reserves or Natura 2000 sites mapped in the EU.

Water usage at the Neptunas plant was 1,87 L per litre of beverage produced (lbp) in 2017.

2017	Water usage, m ³	Well water usage, m ³	Total water usage, m ³
Neptūnas plant	1198	49919	51117
Kaunas (warehouse, office)	495	-	495
Vilnius (office)	198	-	198
Riga (warehouse, office)	1757	-	1757
Tallinn (office)	401	-	401

2017	Water usage, m ³	Well water usage, m ³	Total water usage, m ³
Lithuania	1891	49919	51810
Latvia	1757		1757
Estonia	401		401
Baltics total	4049	49919	53968

2016	Water usage, m ³	Well water usage, m ³	Total water usage, m ³
Neptūnas plant	576	40299	40875
Kaunas (warehouse, office)	494	-	494
Vilnius (office)	198	-	198
Riga (warehouse, office)	3408	-	3408
Tallinn (office)	421	-	421

2016	Water usage, m ³	Well water usage, m ³	Total water usage, m ³
Lithuania	1268	40299	41567
Latvia	3408		3408
Estonia	421		421
Baltics total	5097	40299	45396



9.6 Energy⁵

Reductions in energy consumption in our operations are a direct result of conservation and efficiency initiatives. Coca-Cola HBC strives to limit its impact on climate change and to carry out all its business activities in a responsible, sustainable and profitable manner. We believe that industry has a key role to play in finding sustainable solutions to today's climate challenges.

In 2017 our result is 0,21 MJ/L (megajoules per litre of beverage produced). In production, we invest in new technologies. In 2017, we implemented a number of significant investments in our facilities: we installed a CIP system, a municipal water treatment system, and an industrial boiler house. These have impacted our energy and gas usage.

	Electricity, MJ	Gas, MJ	Total Energy, MJ
	2017	2017	2017
Neptūnas plant	4478119	1169259	5647378
Kaunas (warehouse, office)	729473	2188868	2918341
Vilnius (office)	264189		264189
Riga (warehouse, office)	1670501	3560811	5231312
Tallinn (office)	264189		264189

MJ - megajoules

MJ/lpb - megajoules of energy consumed per litre of produced beverage

2017	Electricity, MJ		Gas, MJ		Total Energy, MJ	
	2016	2017	2016	2017	2016	2017
Lithuania	5194093	5471781	1910330	3358127	7104423	8829908
Latvia	1528774	1670501	2171790	3560811	3700564	5231312
Estonia	304011	264189			304011	264189
Baltics total	7026878	7406471	4082120	6918938	11108998	14325409

CO₂ emission

		2016	2017	2016	2017
Baltics (2017)	Neptunas plant, CDE, remote properties, cold drink, fleet	34,6 g/lpb	73,81 g/lpb	3088 tons	2018 tons
	Alytus plant, CDE, remote properties, fleet, raw material suppliers	414,2 g/lpb	940,3 g/lpb	36984 tons	25701 tons

g/lpb - grams per 1 litre of product



9.7 Transport and logistics

In 2017, we have reduced our CO₂ impact and fuel consumption compared with 2016 due to the increased efficiency of our fleet (safe driving courses, economical driving training, tracking of fuel consumption, fleet renewal initiatives).

	2016	2017	Reduction
Fuel consumption, litres	398699	373782	-6,7%
CO₂ emissions, g	158,6	151,8	-4,3%
Fuel consumption		373.782 litres	5,8%
Gas		5.749.679 MJ gas	
Electricity		2.399.974 MJ	
CO₂			4,8%



**Coca-Cola HBC
Lietuva**



Vitoldas Baškys, Business developer in Vilnius, Lithuania

How has it affected your driving habits?

Training helped me understand the vehicle's behaviour in extreme situations and how important it is to pay attention on the road. Losing concentration even for a split second or speeding even a little bit could have very serious consequences. Also, remember that fuel-efficient driving saves not only the environment, but money as well. So, stay focused and drive safely!

What exactly changed?

Before every trip, especially in the autumn/winter season, I check the condition of the road and periodically check tyre pressure. I always keep a safe distance from the car ahead of me and I do my best to avoid distractions, like eating, using my phone or texting, while driving.



10. COMMUNITY

10.1 Building trust with our communities

We are **an active member and a trusted partner of the local communities** in each of the 28 countries where the Coca-Cola HBC Group operates, **bringing economic benefits through our core business activities while also supporting community investment programmes.**

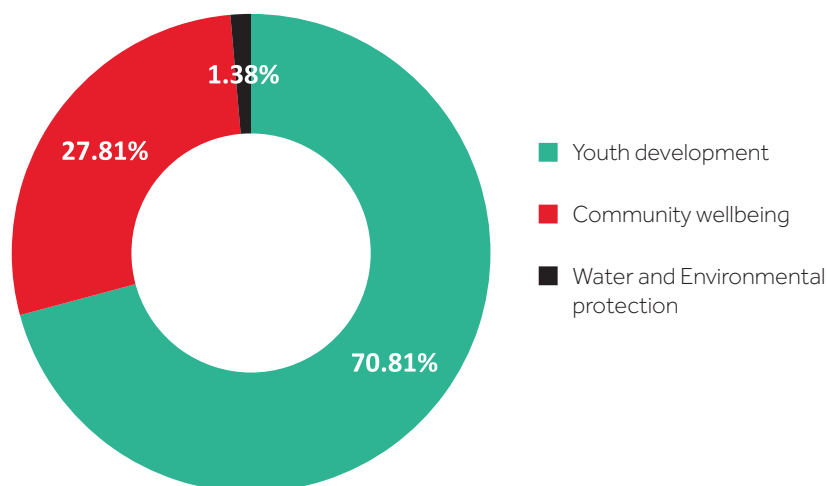
We aim to create value in the communities we are part of, and have integrated corporate responsibility and sustainability across our business. We strive to operate responsibly, engaging with stakeholders and communities to support their development.

Through our core business activities – which generate income for employees, supplier payments and government taxes – we keep our focus on investing in community partnerships and projects that address social and environmental issues in three key strategic areas, which have been identified based on the existing societal and environmental needs in the countries where we work: **youth development, community well-being and environmental protection.**

2017 investments

In 2017, we invested €121,464 in our communities in the Baltics. The biggest proportion of this investment was allocated to youth development, as seen in the chart below, the majority of which was dedicated to our flagship #YouthEmpowered programme.

Focus of community investment



Community investments across the Baltics in 2017: €121,464

Alongside financial investments, during 2017 in the Baltics we introduced the WeVolunteer initiative to encourage employees to volunteer a portion of their working time in support of community programmes. This not only positively impacts our communities, but also provides learning and development opportunities for our employees and supports employee engagement and well-being.

Our aim in the Baltic States in 2018 is to increase the number of employees participating in volunteering initiatives during work time to 25 per cent of our people, granting employees up to 4 hours, or half a working day, per annum for team or individual volunteering purposes.

10.2 Youth development

At Coca-Cola HBC, we passionately believe in the potential of young people and we know that they are the future leaders and bringers of change for the communities that we live in. Unfortunately, while levels of youth unemployment vary from country to country – in the Baltics, this ranges from 12% in Estonia and 15% in Lithuania to 17% in Latvia¹ – unemployment among young people remains a significant challenge in many markets, and not all young people have the same opportunity to realize their potential. Therefore, we support educational programmes, offer internships, and empower young people by providing skills training through our #YouthEmpowered initiative. This program was launched in all Baltic countries in 2017, aiming at supporting youth on their way to meaningful employment, by providing the most important life skills and entrepreneurship skills, and promoting the creation of a network of contacts. Our partners in this project are Junior Achievement Estonia and Lithuania and the Employer's Confederation of Latvia. Working together, we are organizing in-person workshops alongside mentoring sessions with our employees that will help participants complete a range of programme activities and enable young people to build valuable and long-lasting professional and personal networks creating employment and life opportunities.

Programme participants in our flagship community programme during launch year 2017 in Baltics: 1,321

Junior Achievement Estonia and Lithuania

Junior Achievement is the world's largest organization dedicated to giving young people the knowledge and skills they need to own their economic success, plan for their future, and make smart academic and economic choices.

The Junior Achievement branches in Estonia and Lithuania are prominent NGOs in their respective countries and implement common strategy of the organization.

Junior Achievement programmes are delivered by corporate and community volunteers and provide relevant, hands-on experiences that give students knowledge and skills in financial literacy, work readiness, and entrepreneurship. Through a dedicated volunteer network, Junior Achievement organizations provide in-school and after-school programmes for students focusing on three key areas: work readiness, entrepreneurship, and financial literacy.

Employer's Confederation of Latvia

The Employers' Confederation of Latvia is the largest employers' organization in Latvia, with the mission to establish an environment that supports entrepreneurship, facilitating the competitiveness of companies and representing employers in the framework of social dialogue.

Being the voice of employers in Latvia contributes to economic growth and labour market, also supporting youth education and development, to promote not only their personal growth, but to benefit the development of Latvia and the welfare of its people.

Main benefits reported by student workshop participants: inspiration, knowledge and new contacts².

Most participants claim that the #YouthEmpowered seminars have had a positive impact on their professional lives, and that networking at seminars can boost their chances of success in their careers.

"We are delighted that Coca-Cola HBC Latvia is thinking of providing additional knowledge to young people by sharing stories of success and failure, creating interesting tasks and thus motivating people for new projects. These kinds of seminars are not only a great experience for inspiring new ideas and motivating us to start something new; it is also a reminder that all of us can achieve more. You just have to do it," attendees Agnese and Jānis commented on the seminar.

Deputy Manager of the Liepāja Special Economic Zone, Uldis Hmieļevskis, reminded young people at the students' seminar that they should never be afraid to challenge themselves and they have to leave their comfort zones to achieve their goals. "We have many success-oriented people that are motivated, curious, and full of ideas. I urge young people who are building their careers to challenge themselves to explore new areas, because experience is the

one thing that enriches and shapes our personality. So I wish three things for all participants: dare to dream, be ready for failure, and just do it!"

#YouthEmpowered investments across Baltics in 2017 – €92,902

Elina, a student from Liepāja who came to the #YouthEmpowered seminar to gain new knowledge and advice, admitted that the inspiring stories by guest speakers would definitely help her not give up when facing the first difficulties. "Sometimes it is very hard to pull yourself together, you have to overcome your laziness. As I listened to their stories, I realized that the only way to truly gain experience is by actually doing things. Failures are inevitable, but you have to be aware of them. The most important thing is to love what you do."

¹ OECD 2017 data

² Survey completed after student workshops in autumn, 2017





10.3 Community well-being

We work with communities in every country to safeguard and enhance their well-being and quality of life, supporting events and social gatherings as well as encouraging physical activity and sponsoring sports events and social gatherings. Some of the initiatives we have undertaken have been carried out in cooperation with the local Olympic committees:

LTeam Winter Challenge

Around 2,000 participants – including young adults, families with children and local Olympic athletes – gathered together for the Winter Challenge event, which was organized by the Lithuanian Olympic Committee in February 2017. The goal of the project was to create an opportunity for people to get to know more about winter sports in practice: to try alpine skiing at the Snow Arena; play hockey on a frozen lake; run an Olympic mile (1988 m), 5 and 10 km races and other distances; and most importantly – spend quality time together!

Value of cash contributions: €10,000

Litres of beverages donated: 8,832

We have a long record of supporting meaningful community programs through in-kind donations. We carefully measure the value that we add and we are constantly looking for opportunities to partner with local stakeholders. In 2017, this led us to work with more than 100 non-governmental organizations and non-trade partners in Estonia, Latvia and Lithuania, including the World Wide Fund for Nature, Junior Achievement, Garage48, the Lithuanian Olympic Committee, the Latvian Paralympic Committee, FoodBank Estonia and many more.

102 non-governmental organizations and non-trade partners supported in the Baltics in 2017

Legendary Christmas Caravan in Lithuania

Since 1999, Coca-Cola HBC Lithuania has consistently implemented community investment programmes promoting an active, healthy lifestyle. The long-term partnership with Mrs Alma Adamkiene's foundation resulted in the renovation of sports facilities at eight small rural schools. Due to strong support from the Lithuanian Olympic Committee, our "Christmas Caravan" successfully hosted a significant number of events for local communities, where people in various regions had the opportunity to meet famous Olympic athletes and learn about the benefits of physical activity from their example.

Over the 18 years that we have run the Christmas Caravan campaign, workers from the public sector, local government, NGOs, and private organizations, as well as private individuals, have donated sports equipment to schools valued at €227,500. The sport facilities that have been renovated with the financial support of our Company serve as a place for physical activity not only for schoolchildren but the local communities as a whole.





10.4 Environmental stewardship

Minimising our environmental impact across the value chain is a priority for us, driving improvements in eco-efficiency in all aspects of our business, such as minimizing water consumption and reducing CO2 emissions through the introduction of next-generation energy-efficient cold drink equipment, and investments in a modern transport fleet with the lowest emissions levels possible, among others.

We have set annual improvement targets since 2004 and are working towards ambitious 2020 goals. We also promote and provide public awareness and educational activities around the issues of water conservation, engage our employees in nature preservation activities, and we are active stakeholders in promoting the separation and processing of solid household waste.

By implementing water stewardship programmes and environmental protection initiatives at the community level, we help clean up areas in local communities and invest in programmes to prevent environmental damage from packaging waste. All activities are done in partnership with key stakeholders in this area in the Baltic States.

Cooperation with WWF

Coca-Cola HBC Latvia and the World Wide Fund for Nature in Latvia have been partners in protecting the environment since 2013.

"Companies have a significant role in finding and introducing environmentally friendly and sustainable solutions. Participation in clean-ups with the aim of facilitating the renewal of nature helps staff understand the natural processes and promotes corporate social responsibility. We think that Coca-Cola

HBC Latvia's participation in the Nature Protection Weekend project is very commendable and demonstrates the company's understanding of the close relationship between entrepreneurship and natural processes. We encourage other companies to take part as well," says Jānis Rozītis, Director of the World Wide Fund for Nature in Latvia.

Cooperation with Let's Do It!

Let's Do It! is a civic-led mass movement that began in Estonia in 2008, when 50,000 people united together to clean up the entire country in just five hours. Since then, Let's Do It! has spread this model – one country in one day – around the world. The partnership with Let's Do It Estonia has been developing continually for years, since its establishment in 2008, and our employees have keenly participated in the clean-up events with their families. In Lithuania, there is also a tradition of participation by teams of Coca-Cola HBC employees in various cities around the country.

78 Lithuania Coca-Cola Ambassadors lead by example!

Volunteering is a strong tradition among our Lithuania branch employees, and this was proved during the 2017 national Let's Do It! event once again. Together with their families, friends and communities, our colleagues spent their free time cleaning areas in Vilnius, Kaunas, Panevėžys and Varėna!

Arūnas Andrijauskas, the Kaunas sales team leader, has taken part in all of the Let's Do It! events. "I do this each year

because I believe this is my duty – not only as a citizen of the city of Kaunas, but also as a Coke Ambassador. This is a great opportunity to build our team, to engage employees and simply do something that proves our values and what we stand for."

"My work is related to the area of sustainability, and I take care of our company's responsibilities in the environmental area each day," says Jovita Petrauskienė, Lithuania management system coordinator. "But I'm really glad to know that I'm not alone here – it was so great to see our combined Alytus and Varėna team in full force, cleaning the area around the Neptūnas plant. This is just one of the ways in which each of us can do our part for our company's sustainability, and do it simply." Jovita led our Alytus and Varėna team of 20 people – our colleagues from the Neptūnas plant gladly joined in with their families.

Looking ahead

We will continue to support environmental protection programmes together with our partners in every country, and we are looking forward to the biggest World Clean-up Day in September 2018, taking place around the world, starting in New Zealand and ending in Hawaii, with hundreds of millions of people taking positive action together on the very same day. Our partners in Estonia's Let's Do It! are the main coordinators, and they aim to raise awareness and implement true change to achieve our final goal – a clean and healthy planet while celebrating the centenary year of the Baltic States in 2018.

10.5 Partnering with stakeholders

Membership in local Associations

At Coca-Cola HBC Baltics we believe that by working with others, we can promote change and create a sustainable future for everyone. Coca-Cola HBC is an active member in all markets in building and developing business networks and opportunities among businesses and NGOs and sharing the experience we

have gained, being a sustainability leader in our sector across the 28 markets where we operate.

- In Estonia, Coca-Cola HBC is a member of the American Chamber of Commerce, Estonian Soft Drinks Association, Estonian Food Industry Association, Estonian Chamber of Commerce and Estonian Association of Alcohol Producers and Importers.

- In Latvia, Coca-Cola HBC is a member of the Employers' Confederation of Latvia, Latvian Federation of Food Companies, Latvian Soft Drink Association and Packaging Association.

- In Lithuania, Coca-Cola HBC is a member of the American Chamber of Commerce, Lithuanian Food Industry Association and Lithuanian Beverages Association.



Recognitions and awards

We are happy that our efforts to create a responsible and sustainable business has been recognized by our partners and the communities we are part of:

- Coca-Cola HBC Latvija has been included in the Gold category of Latvia's Sustainability Index for the second consecutive year.
- Coca-Cola HBC Latvija has been identified as one of the best employers

in Latvia, coming second in the Trade category in the Top Employer 2016 survey.

- Coca-Cola HBC Eesti AS was acknowledged to have the best, highest-quality light fleet in the country by the leading Fleet Executives forum. The criteria included safety and management practices for fleet operations.
- Narvesen, the Norwegian convenience

store chain, has awarded Coca-Cola HBC Baltics the title of Partner of the Year.

- For the second year in a row, Coca-Cola HBC Latvia has been awarded Family-Friendly status for complying with family-friendly business principles in its everyday operations.
- Coca-Cola HBC Lithuania received an Innovative Packaging Concept award for its Fanta spiral bottle.

11. CORPORATE GOVERNANCE

11.1 Code of Business Conduct and Business Ethics

Across the board, Coca-Cola HBC employees are committed to the highest standards of business conduct. Our Code of Business Conduct is the foundation for ensuring compliance across our company.

The Code allows managers to promote an ethical culture that is based on compliance and leadership by example. They can respond quickly and clearly to employees' concerns, drawing on the wealth of experience within the company.

We encourage our employees to speak up and look for guidance where needed, and to make sure that they have all necessary approval for key decisions. This minimizes the risk of deviation from or violation of the guidelines set out in the Code of Business Conduct.

We also lend our voice to matters that affect our communities, standing ready to bring our expertise and leadership to resolving matters among suppliers, customers, consumers and competitors.

This uncompromising pledge to integrity is one of the many ways in which we drive perfection.

By communicating our Code of Business Conduct effectively, we guarantee an efficient and equitable workplace and a competent and considerate workforce. All resources are easily accessible not only to our team but to anyone who would like to find out how they can become effective stewards of responsible business practice.

11.2 Anti-corruption and anti-competitive behaviour

At Coca-Cola HBC, we pride ourselves on being fair, open and honest. Whether we are dealing with our suppliers, customers or government officials, we follow a strict code of integrity, respect, and transparency.

Inappropriate business activities are by no means anything new, nor are they unique to any one business environment. We at Coca-Cola HBC recognize the risk of bribes – the

request or receipt of anything of value or advantage, whether directly or indirectly, to any person, in order to encourage that person or any other to perform a function or activity improperly.

Our attitude to corruption is clear: zero tolerance.

Our zero tolerance policy on corruption marks our company as a model for ethical behaviour in both business and personal life.

We expect our employees to show complete and absolute respect to these standards. Violations of our anti-bribery policy, regardless of location, role or level of seniority, are dealt with the utmost seriousness and to the full extent of our legal capacity.



11.2.1 Communication and training about anti-corruption policies and procedures

Our anti-bribery policy and compliance handbook provides our people with the essential knowledge and tools to detect and prevent bribery and corruption. It also shows them where they can find more information.

Governance body members

There are three board members in Estonia, three board members in Latvia, and six board members and one general manager in Lithuania.

100 % of CCHBC board members in Baltics are presented with and trained on the company's anti-corruption policies and procedures

New employees

CCHBC's anti-corruption policies and procedures are communicated to all new employees during the induction period.

	Estonia	Latvia	Lithuania	Total by employee category
Manage Self	19	23	43	85
Manage Self Professional	0	1	0	1
Manage Others	6	3	6	15
Manager of Managers	0	1	1	2
Function Head	2	2	0	4
Total by region	27	30	50	

Table: Total number of new employees by management layer that have received and acknowledged CCHBC's anti-bribery policy and compliance handbook during 2017.

Employees

98,12% of our 372 employees in the Baltics were trained online on anti-corruption policies and procedures in 2017.

All employees should go through the anti-corruption online training over a rolling two-year period.

Business partners

CCHBC works only with suppliers and partners that have accepted and agree to follow the company's anti-bribery policy and compliance handbook. The corresponding chapter is also included in legal agreements concluded with the company's partners and suppliers.

The CCHBC anti-bribery policy and compliance handbook is a public document and can be downloaded from the CCHBC homepage: <https://coca-colahellenic.com>¹

11.2.2 Confirmed incidents of corruption and actions taken

There were:

NO

- confirmed incidents of corruption during this time period.
- confirmed incidents in which employees were dismissed or disciplined for corruption during this time period.
- confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption during this time period.
- public legal cases regarding corruption brought against the organization or its employees during the reporting period.

11.2.3 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices

There were no legal actions during the reporting period regarding anti-competitive behaviour, and no violations of anti-trust and monopoly legislation.

11.3 Compliance

In 2017, no significant fines were levelled against Coca-Cola HBC in the Baltic States due to non-compliance with laws and regulations. In addition, no non-monetary sanctions were made.

11.4 Public policy

Coca-Cola HBC did not financially support any politician or political party in 2017.



11.5 Promoting excellent leadership and business culture

Our Company has a wide range of stakeholders, such as employees, consumers, customers, suppliers, government officials, regulators, policy makers, local municipalities and community groups; trade associations; educational institutions; media (also representing the broader public); NGOs and activists; community contribution partners, the Coca-Cola Company, shareholders and investors

among others, with whom we engage in dialogue on a regular basis. We consider that these groups have the most significant impact on the Company and are themselves affected by the activities of the Company the most.

GRI 202-2:

- In Estonia, 66,6 % of senior leaders are local.
- In Latvia, 40 % of senior leaders are local.
- In Lithuania, 100 % of senior leaders are local.
- In CCHBC Baltics as a whole, 60 % of senior leaders are local.

11.6 Membership of associations

In Estonia CCHBC is a member of following strategic associations and forums:

- Corporate Social Responsibility Business Forum
- Food Association
- American Chamber of Commerce
- Estonian Chamber of Commerce
- Soft Drinks Association
- Premium Spirits Producers and Importers Association

In Latvia CCHBC is a member of following strategic associations:

- Latvian Food Federation
- Latvian Packaging Association

In Lithuania CCHBC is a member of following strategic associations and forums:

- Lithuania Food Industry
- Lithuania Beverages
- American Chamber of Commerce
- Lithuania Free Market Institute

11.7 Data privacy

There were no substantiated complaints concerning breaches of customer privacy or losses of customer data during the reporting period.

11.8 Governance structure

Each of the three Baltic countries has a different business entity, following all local and international rules, regulations and legislation, including regarding governance. The governance structures in the local entities reflect the specifics of the local legislation.

- The Estonian business entity, Coca-Cola HBC Eesti AS, has three governance bodies: the Shareholders' General Meeting (highest governance body), the Supervisory Board and the Management Board.
- The Latvian business entity, Coca-Cola HBC Latvija, has two governance bodies: the Shareholders' General Meeting (highest governance body) and the Board.
- The Lithuanian business entity, Coca-Cola HBC Lietuva UAB, has three governance bodies: the Shareholders' General Meeting (highest governance body), the Board and the General Manager.

There are no separate Committees appointed for the individual Baltic business entities.

Overall, there are also governance bodies at the Group level: the Board and the Operating Committee. The Committees at the Group level are as follows: Audit and Risk, Nomination, Social Responsibility and Remuneration Committees.

Coca-Cola HBC Baltics Management team on 31 December 2017

General Manager
Konstantin Choukchoukov

CFO
Ernesto Vanoli

Sales Manager
Radomir Paunic

Human Resources Manager
Maria Kütt

Marketing Manager
Natalija Platonova

Commercial Excellence Manager
Marija Korolova

Legal Manager
Erika Jureviciute

Public Affairs and Communication
Manager
Luulea Lääne

Cluster Procurement Manager,
Poland and Baltics
Agnieszka Sitarska-Zalewska



zero SUGAR

Coca-Cola

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