Integrated Annual Report 2021

70 YEARS Coca-Cola HBC

Boldly embracing the future

70 years of Coca-Cola HBC

The early years 1951-1980

1951: Nigeria, where it all began
Coca-Cola HBC's early beginnings were in Nigeria, where A.G. Leventis established the Nigerian Bottling Company in Lagos.

1953: Coca-Cola production begins
Production of Coca-Cola began at a bottling facility in Ebute-Metta, Lagos, Nigeria, in 1953, with our first bottling plant opening in Apapa that same year.

1956: Honoured by royalty
An early honour for the new business came in 1956 when the young Queen Elizabeth II visited the Nigerian Bottling Company as part of her tour of Nigeria.

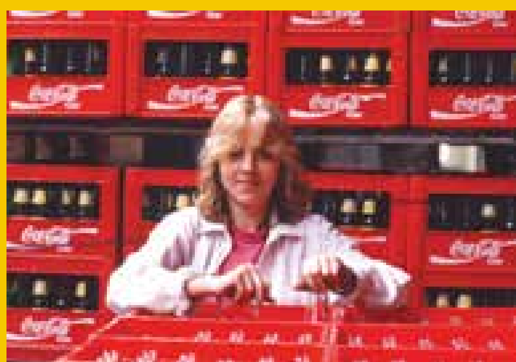
1977: From Africa to Ireland
In 1977 the company expanded outside of Africa, acquiring the Coca-Cola franchises in Ireland.

European consolidation 1981-1999

1981: Hellenic joins the family
Our company started the 1980s with a statement of ambition, acquiring the Hellenic Bottling Company (HBC) of Greece.

1991: A defining period
We reached an historic milestone as the Coca-Cola HBC group went public on the Athens stock exchange.

1990s: Eastern Europe
The dramatic collapse of the Soviet Union in 1991 saw a wave of change and new hope sweep across Eastern Europe and the former Soviet republics, presenting exciting new opportunities for Coca-Cola HBC across the region's fledgling democracies.



1999: Arriving in Russia
These heady days of the 1990s also saw Coca-Cola HBC take its first steps in Russia. It was a significant move for our business, which was completed in 2001.

European expansion 2000-2012

2000: New markets, new cultures

The start of the new millennium saw the merger of the Hellenic Bottling Company with Coca-Cola Beverages – forming Coca-Cola Hellenic Bottling Company S.A. This brought new territories, more cultures, and more opportunities to grow.

2001: Dreams really do come true

We acquired the remaining plants in Russia from The Coca-Cola Company, as well as the bottling rights that we didn't already own. We quickly invested in our Russia business, creating more jobs and opportunities for local communities.

2005: Pioneering sustainable technology

We took a big step on our sustainability journey by opening our first energy-efficient Combined Heat and Power plant in Hungary.

2005: Great Coke taste, zero sugar

As consumer preferences changed, The Coca-Cola Company introduced Coca-Cola Zero. It was a move that would go on to drive the Sparkling category to this day.

The Coca-Cola HBC we know today 2013 to the present day

2013: A listing in London, a proud moment

Coca-Cola HBC reached a landmark as it made its debut on the premium segment of the London Stock Exchange. It was also the year that the company was registered in Switzerland with new headquarters.

2016: Serving up an aperitivo icon

Adult Sparkling is a high-value, high-growth category. We are proud to have activated socialising away from home with our portfolio of mixers and straight-drinking flavours for almost two decades.

2020: Smell the coffee!

We made one of our biggest moves to expand our 24/7 portfolio in 2020 when we introduced COSTA Coffee, recently purchased by The Coca-Cola Company, to our first markets. In 2021 we strengthened our coffee offering with a 30% shareholding in Caffè Vergnano.

29 markets, one family

In 2021 we announced the acquisition of Coca-Cola Bottling Company of Egypt, our second market in Africa and the 29th in the Coca-Cola HBC family. The deal was completed in early 2022.

2021 highlights

Volume (m unit cases) 2,412.7 2020: 2,135.6	**Net sales revenue** (€m) 7,168.4 2020: 6,131.8
Comparable EBIT[1] (€m) 831.0 2020: 672.3	**Comparable EBIT**[1] **margin** (%) 11.6 2020: 11.0
Profit before tax (€m) 734.9 2020: 593.9	**Net profit**[2] (€m) 547.2 2020: 414.9
Comparable EPS[1] (€) 1.584 2020: 1.185	**Basic EPS** (€) 1.499 2020: 1.140
Primary packaging collected for recycling (equivalent) 46% 2020: 44%	**Energy-efficient coolers** 42% 2020: 36%

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

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Boldly embracing the future

Through the decisions that we have made over time and are making today, we are ensuring that our business is ready for what the future may hold

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Chairman's letter

Embracing new opportunities

"As always, we look to the long-term potential of the business to ensure that we are making the progress that would make those who passed its stewardship onto us proud, and with a view to the future generations who will take it over."

Dear Stakeholder,

Our Company celebrated the 70-year history of the business in 2021, a milestone which led us to reflect on what we have achieved even as we embrace new opportunities. The COVID-19 pandemic tested our entire business and every one of us. Now, at the start of 2022, in addition to COVID-19, the conflict between Russia and Ukraine is having a terrible impact on millions, including our own people. I have seen through the challenge of COVID-19 and now, through this current unimaginable tragedy, the amazing way that the people of this business care for each other and our stakeholders. It makes me immensely proud. Our resilience and adaptability are our greatest strengths.

The recovery in our Company's performance in 2021 was very strong. We finished 2021 with volumes, revenue and profitability all greater than in 2019. This rebound is largely due to the long-term and thoughtful approach the company took in the beginning of the pandemic in 2020. The Board and Management were clear that our people and business continuity were our top priorities. This meant that no one lost their job at Coca-Cola HBC as a direct result of the pandemic, we maintained supply for our customers, continuing to engage with them even when their businesses were closed, and we continued to invest in strategic priorities for the long-term health of the business.

From its origins as a bottling line in the basement of the Mainland Hotel in Lagos, Nigeria, it is incredible to reflect on the journey which has transformed this family-run business into a FTSE 100 company operating across 29 markets on three continents. With our roots in Africa, we are extremely pleased to be welcoming the team from another African market to the Group 70 years later. Egypt offers tremendous potential, with a young population of over 100 million people. I've been fortunate to meet many of the men and women of Coca-Cola Bottling Company of Egypt, and I know that they share our passion for excellence.

Our long history of geographic and portfolio expansion, often through acquisitions, will serve us well as we integrate the Egyptian business into our Group. Our Board also benefits from several members who have experience of large integrations and will be available to offer advice and guidance.

Bold decisions support resilience for the long term

In my time as chairman, I've seen how our Company benefits from the Board's great diversity of perspectives. Six of our 13 Board members were originally appointed by our two large, long-term shareholders: The Coca-Cola Company and Kar-Tess Holding, which gives the Board particularly relevant industry and partnership knowledge as well as a uniquely long-term perspective and sense of ownership. This is strengthened and complemented by the other independent directors' range of skills and experience ensuring a wide range of contributions and high-quality discussion.

In a period of upheaval and uncertainty, the Board has made decisions carefully and thoughtfully to ensure our Company is positioned for success for the long term. In 2020, and again in 2021, we ensured that we focused on our most critical people first, our business developers who are out in the market every day selling our portfolio of products. Decisions taken on remuneration, particularly for our long-term incentive plans, ensured awards cascaded throughout the organisation, reinforcing focus on strategic priorities to achieve long-term performance and the retention of our dedicated, high-performing people. Our remuneration decisions consider both the whole organisation and the long-term health of the business. During 2021 we embarked on a wide-ranging shareholder consultation process, which has helped us understand the full range of views on these decisions and informed our thinking.

In 2021, the Board approved our most ambitious environmental target to date, committing to achieve net-zero emissions by 2040. This commitment builds on our long history of integrating our social and environmental commitments into every decision and action we take. Because we believe that our environmental impact along with the socio-economic development of our communities are integral to our future growth, NetZeroby40 has been integrated into management incentives.

Dividend

During 2021 we paid the 2020 dividend of €0.64 per share. This was a 3.2% increase compared to the prior year and represented an increase in our pay-out ratio to 54%, above our usual targeted range of 35 to 45%.

We are pleased to be able to continue to make progressive dividend payments and are proposing a dividend of €0.71 per share for 2021. Furthermore, we have increased the targeted pay-out range to 40 to 50% of comparable EPS. This decision reflects our assessment of the ongoing risks combined with our confidence in business resilience and the Company's strong balance sheet, as well as our many growth opportunities.

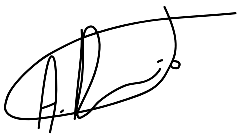
Looking ahead

As we welcome Egypt into the Group, I continue to have great confidence in our Company's future. In 2021 this company achieved a remarkable recovery while managing a volatile environment of changing restrictions due to COVID-19, global supply chain shocks and even geopolitical instability in our territory. As I write we have seen conflict bringing unimaginable suffering and hardship to millions.

Together with The Coca-Cola Company we took the difficult but necessary decision to suspend the production and sale of Coca-Cola brands in Russia. We have been operating in Russia for decades and will support our colleagues there as we work through the implementation of this. The company continues to provide support on the ground through product donations and in partnership with The Red Cross. I know I speak for the Board when I say that the people of Ukraine and our colleagues there are foremost in our thoughts. We hope that peace is soon restored in Ukraine.

In early 2022, we remain focused on supporting management as they operate in this incredibly challenging and rapidly changing environment as well as overseeing the Company's achievement of our Growth Story 2025 objectives. As always, we look to the long-term potential of the business to ensure that we are making the progress that would make those who passed its stewardship onto us proud, and with a view to the future generations who will take it over.

On behalf of the Board, I extend my thanks to all of our people who have built the Company into what it is today, and to all of our stakeholders for your continued support.



Anastassis G. David
Chairman of the Board

Section 172 statement

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

Read more about:
How we manage risks and materiality on pages 56 to 71
How we engage with key stakeholders on pages 10 to 13
Examples of how stakeholders were considered in specific decisions on pages 100-101

Chief Executive Officer's letter

Building partnerships

"I am especially proud that even in these most challenging of times, we are nurturing a strong team that genuinely cares for one another, underlined by resilience and belief in our future. We remain focused as one connected team on both what we are trying to achieve and how we will deliver it."

Dear Stakeholder,

As I write in March 2022, my thoughts are with our friends, colleagues, and their families in Ukraine. I speak from personal experience when I say that there is nothing worse than war. It is never a solution. It brings terrible suffering and pain, and it impacts the lives of people like nothing else. We are facing up to that now as we do all we can to support our people in Ukraine and the humanitarian relief efforts in the region. My overriding hope is for a fast and peaceful resolution.

This report looks back to 2021, a year that saw a very different challenge in the form of the continued disruption of the COVID-19 pandemic to communities and businesses across our territories.

It was also a special year for us as we marked 70 years of building partnerships since our early beginnings in Nigeria in 1951. This milestone provided an opportunity to celebrate the legacy of our business and reflect on how we define our Company for today and tomorrow. The spirit of partnership that has guided us for 70 years remains the cornerstone of our approach.

It has enabled us to adapt and evolve our business with a strong belief and commitment in our investments that will fuel our future growth. Our people remain the catalysts, making our Company stronger and better every day. We rely on their talent and diversity to set us apart – because the real magic happens when we work together as one inclusive team. By harnessing the collective talent across our markets, we are confident that we will achieve the speed and progress that will enable us to lead and to win for the long-term.

Delivering a strong recovery

We delivered a very strong recovery in 2021, with all key metrics above pre-pandemic levels. This was the result of consistent and disciplined focus on our strategic priorities over the last few years. We finished the year with strong revenue growth, our highest ever EBIT margin and free cash flow, while continuing to gain share. This performance demonstrates the strength of our 24/7 brand portfolio, revenue growth management capabilities, route to market and execution excellence in our markets.

It is thanks to the strong drive, creativity, adaptability, and passion of our people, who enabled us to navigate the volatile operating environment while embracing change, challenge and care, which are all central to our culture. Our results and future plans also reflect our partnership with The Coca-Cola Company, which remains stronger than ever.

Accelerating capabilities development

A critical driver of our growth is the accelerated development of our prioritised capabilities, which are increasingly proving to be our competitive advantage for building sustainable long-term growth. Talent development, Revenue Growth Management, Route to Market, Big Data Advanced Analytics and Key Account Management are now also complemented by the accelerated Digitalisation of our Company.

Targeted investment behind our Digital Commerce strategy, regarding both route to customer and route to consumer, is a key focus in this area. This is supported by a newly established and capable team that is driving an ambitious agenda. The Customer Portal, our main B2B platform, which saw significant development over the last 18 months, allows our customers to order direct from us 24 hours a day, 7 days a week. This now accounts for 8% of our transactions, up from 2% just a year ago. It is convenient for customers, and critically, it allows our business developers to spend more time on category strategy execution and customer relationships rather than order taking.

We also continue to add value to our customers in the broader e-marketplace. We have increased our digital shelf space, visibility, and activations on the e-commerce websites of our biggest customers, and we are now working extensively with newer, digital-only customers, such as food delivery platforms, which is driving strong growth.

New markets and brands

I am very pleased that during 2021 we completed two strategic transactions which are strengthening our growth potential. These demonstrate very well our focus on strategic additions to our territories alongside relevant bolt-on additions to our portfolio.

With our acquisition of Coca-Cola Bottling Company of Egypt (CCBCE), our Company has added a second market in Africa, 70 years after the Company was founded in Nigeria. This means that we now seek to refresh one quarter of the continent's population. Egypt's young and rapidly growing population of more than 100 million people brings our consumer base to over 715 million, while positioning us towards high-growth markets that will fuel our business for many years to come. I am grateful for the trust placed in us by The Coca-Cola Company and the previous shareholders of CCBCE, and am very excited about the potential of the business and its people.

We also acquired a 30% stake in Caffè Vergnano, a family-owned Italian coffee company, further strengthening our coffee portfolio. Caffè Vergnano is highly complementary to our existing Costa Coffee proposition and will allow us to address an even wider range of consumer tastes and segments, increasing our relevance in this fast-growing category.

Our boldest sustainability commitment to date

2021 was also a pivotal year in our sustainability journey with our commitment to net zero emissions across our value chain by 2040, a continuation of a journey we began many years ago. We are confident in our track record and our robust, action-based plan to achieve this commitment. But we will also need the support of our partners, with 90% of our emissions coming from suppliers throughout our value chain. Our commitment to net zero is now integrated into every business decision we take.

Our sustainable packaging strategy is a key driver towards net zero. We are committed to delivering our Mission 2025 targets and working towards a World Without Waste with The Coca-Cola Company, developing ways to collect more packages and design new sustainable ways of serving our beverages. In 2021, we transitioned to 100% rPET for all single serve Sparkling Soft Drinks and iced-tea in Italy and now sell five water brands in 100% rPET bottles. With targeted initiatives to increase our in-house production capacity for rPET, we are taking a meaningful step towards our target of increasing the percentage of rPET to 35% by 2025.

The Coca-Cola Company also made a global commitment to increase the percentage of beverages sold in reusable packaging to 25% by 2030. To support this goal, we have already started our journey together to increase our 'packageless' offerings through new dispensed solutions and this strategy will remain a focus for the coming years.

Our successful partnership with our suppliers saw us introduce KeelClip™ in 10 markets by the end of 2021, a paperboard packaging that replaces plastic shrink wrap on multipack cans. The roll out in our EU markets will be completed this year. We also continue to invest in infrastructure to collect and recycle our packaging to ensure a circular packaging economy. We now have deposit return schemes in place or in progress in 12 of our markets, and work with governments, NGOs and academic institutions to determine the right schemes everywhere we operate.

I am proud of the support that we continue to provide to our communities, particularly the opportunities we give to young people to help them develop their full potential. In 2018, we promised to train one million young people by 2025 via our flagship #YouthEmpowered programme, and to date have supported more than 548,000.

Investing in our people and nurturing our values-based culture

We also remain steadfast in our commitment to invest in our people, their potential, and support personal and professional growth through a variety of learning and developmental programmes. Our Sales Academy, Supply Chain Academy, Excel leadership programme and our annual LearnFest event are some examples of this. Today, more than 70% of our learning content is available online, and this has allowed us to innovate, adapt and accelerate to new ways of learning. The whole team is committed to building a more diverse workforce in an inclusive workplace environment. It is a commitment that I am personally passionate about and we have made some good progress. In 2021 56% of all appointments were women.

2021 also saw us conduct a comprehensive review of our business to ensure that our organisational structure and teams are designed to support our strategic big bets for future growth. To pursue our vision of being the leading 24/7 beverage partner, we enhanced our resources and expertise in coffee, digital commerce, data and analytics, and sustainability. And I was pleased to see that 85% of appointments were internal candidates.

The introduction of the COO role in 2020 has enabled us to strengthen our leadership capacity, performance edge and coordination as well as sharpen our focus on people development. The structure enables me to spend more time on our strategic partnerships, strategic agenda and targeted prioritised areas, like culture and D&I, which I oversee personally. I am also able to invest more time behind our sustainability and regulatory agenda.

We also created a new role of Strategy and Transformation Director in 2021. The role is designed to drive more efficient and better coordinated strategy execution by transforming our enterprise-wide processes and projects from the start. This will drive better simplification, prioritisation and create more time for customer focused initiatives.

Our 70th anniversary last year also gave me time to reflect on my 25 years with the Company. I am as proud today to work with my colleagues across Coca-Cola HBC as I was when I first walked through the doors of the Zagreb office all those years ago.

I am especially proud that even in these most challenging of times, we are nurturing a strong team that genuinely cares for one another, underlined by resilience and belief in our future. We remain focused as one connected team on both what we are trying to achieve and how we will deliver it. While we look back at our achievements, we recognise there is much more to learn and improve. I am truly grateful to be part of a team that is driven by deep values, continues to have ambitious bold dreams, and is committed to creating value in the market with our customers, while making a visible difference to the world we care for.

Zoran Bogdanovic
Chief Executive Officer

Our business at a glance

The leading 24/7 beverage partner

Coca-Cola HBC is a growth-focused consumer packaged goods business and strategic bottling partner of The Coca-Cola Company.

Our 24/7 portfolio

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

Sparkling

74%

Percentage of Coca-Cola HBC revenue

Hydration

7%

Juice

4%

RTD Tea

3%

Energy

6%

Coffee

<1%

Plant based

<1%

Premium spirits and flavoured alcoholic beverages

3%

Snacks

<2%

Winning in the marketplace

We produce and sell an unparalleled portfolio of beverage brands relevant to every customer, consumer and occasion. Our route to market is second to none across our markets since it includes a wide range of consumer channels – from supermarkets and convenience stores to hotels, cafés and restaurants – and encompasses more customers than any competitor. Customer service and focus is critical for our business and we are devoted to helping our customers grow their businesses, which in turn grows ours.

+90bps
value share gained in NARTD

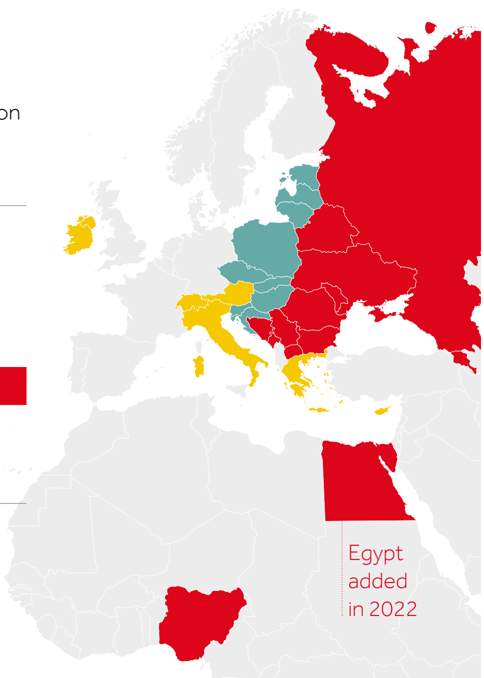
Where we operate

In 2021 we celebrated our 70th year. Our roots date back to 1951 when A.G. Leventis founded the Nigerian Bottling Company in Lagos. Since then the business has expanded across Europe and Russia, and in 2022 we added Egypt. Today we seek to refresh 715 million consumers in 29 markets, spanning three continents.

29
countries across three continents

36,000
employees

Established markets	Developing markets	Emerging markets
34.6% of Group revenue	**19.0%** of Group revenue	**46.4%** of Group revenue
12.1% Comparable EBIT margin	**7.8%** Comparable EBIT margin	**12.7%** Comparable EBIT margin



Earning our licence to operate

We create value for all stakeholders, making a strong contribution to the development of the societies in which we operate through employment and our wider supply chain, as well as through community projects which have long been a core way of doing business for us. We operate in a way that preserves our environment, integrating sustainability into our decision making and actions.

Member of Dow Jones Sustainability Indices

Sustainability Award S&P Global

MSCI ESG RATINGS AAA

CDP A LIST 2021

Our business model

Delivering value for our stakeholders

1. Our resources and relationships

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

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

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

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

Intellectual
Innovation is embedded in our culture and the intellectual property created from that includes new packaging, new products and improvements in manufacturing, logistics and sales execution.

Manufacturing
Our plant and logistics assets allow us to prepare, package and deliver our products to meet the needs of customers and consumers.

Read more about how we leverage our unique 24/7 portfolio and win in the marketplace on pages 18 to 29.

2. How we do it

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

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

56 plants

96 distribution centres

3. Partnering with our customers
We grow by supporting our customers' growth, leveraging our 24/7 portfolio, focusing on areas of high value opportunity and executing with excellence.

4. Serving our consumers and communities
Our 24/7 product portfolio caters to a range of tastes and preferences and we continually innovate to remain relevant.

3. What we do

We are a strategic bottling partner of The Coca-Cola Company
We have the exclusive right to bottle and sell the beverages of The Coca-Cola Company in our 29 markets. We also partner with other beverage businesses such as Monster Energy, Brown-Forman, Campari and Edrington to sell their products in our markets.

How our partnership works
The Coca-Cola Company owns and develops its brands while Coca-Cola HBC is responsible for producing, distributing, and selling these beverages, using concentrate we buy from The Coca-Cola Company under an incidence-based pricing model. We work together to ensure we have the right portfolio for our customers and consumers in each market and to ensure excellent, efficient execution. We also share marketing costs and responsibilities, with The Coca-Cola Company marketing to consumers while we take responsibility for trade marketing to our customers.

Our impact

We believe that the only way to create long-term value for all our stakeholders is through sustainable growth. We create socio-economic value for the societies in which we operate by creating jobs, training workers, building physical infrastructure, procuring raw materials, transferring technology, paying taxes, expanding access to products and services, and creating growth opportunities for our customers, distributors, retailers and suppliers.

Measuring and managing these contributions through the sustainable growth of our business is an important part of our purpose. Since 2010 we have conducted socio-economic impact studies in our markets to better understand the range and extent of the value created in our ecosystem.

4. Value created

Our people

- In 2021 we provided jobs directly to 27,211 people in 28 countries
- Median basic salary ratio women/men: 1.15

Our customers

- We increased the frequency of our customer engagement, providing customers with the best support
- In the marketplace we achieved a new total number of almost 577,000 energy-efficient coolers

Our communities

- We trained 210,422 young people through our #YouthEmpowered programme to boost employability
- We invested €6.8 million in local community initiatives

Our shareholders

- We continued to control costs and generate strong growth in profit
- In recognition of our business's strength and future opportunities, the Board has proposed a dividend of €0.71 per share, a +10.9% increase compared with last year

Our wider stakeholders

- Our business activities generate revenue for our customers, suppliers and contractors as well as income for our employees

Our consumers

- We provide high-quality beverages and healthy options, reducing calories per 100ml of sparkling soft drinks by 15% in 2021 compared to our 2015 baseline

Our suppliers

- We spent over €3.5 billion with local suppliers
- We are working with our suppliers to support their sustainable practices and emission reduction plans

5. Socio-economic contribution

796,942
training hours for our people

€1,015.2m
total employee costs

31,920
employees in the Coca-Cola System in our markets

1.7m
customers served

1 = 10
job in the System = jobs in our community

548,835
2017-2021 cumulative young people trained in our communities

320,311
indirect employment across the value chain

€11.5bn
created in added value across our value chain

€3.4bn
paid in taxes

€541m
CapEx spend in our markets

715*m
potential consumers refreshed

16,200
suppliers operating across our value chain

>€3.5bn
spent with local suppliers

To read the methodology behind our socio-economic impact numbers, please see page 247

* With the addition of Egypt.

Stakeholder engagement

Building on 70 years of stakeholder engagement for mutual benefit

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

Our people

Material issues
- Employee wellbeing and engagement
- Human rights, diversity and inclusion

Growth pillars

4 5

Key challenges
- Building the best teams in the industry
- Engagement as remote working continues
- Mental wellbeing

How we engage
- Focused and continuous conversations
- Employee Assistance Programme
- Regular employee surveys to understand and act on needs and wellbeing
- Offering personalised experiences and opportunities for personal and professional growth
- Ongoing dialogue with employee representative bodies

Outcomes of engagement
- Support for our people to maintain engagement levels, which remained high in 2021
- Higher levels of satisfaction with line manager support were reported as we addressed needs of people working under different conditions

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

Principal risks
- Health and safety
- People retention
- Geopolitical and security environment

Read more on pages 39-43.

Our customers

Material issues
- Economic impact
- Nutrition
- Packaging and waste management

Growth pillars

1 2

Key challenges
- Opportunities for growth and value creation
- Offering a 24/7 beverage portfolio that meets the changing preferences of consumers
- Pandemic-related trading and movement restrictions
- Supply and delivery challenges

How we engage
- Key account managers engage with our customers at a strategic level
- Our business developers continued to make regular visits to outlets
- We provided targeted support to out-of-home channel customers to reopen businesses once restrictions were lifted

Outcomes of engagement
- We increased direct engagement via our customers teams and via customer surveys

Relevant KPIs
- Volume and FX-neutral revenue growth
- Customer feedback from surveys
- High merchandising standards
- Cooler coverage of high potential outlets

Principal risks
- Changing retail environment
- Product quality and food safety

Read more on pages 25-29.

Our suppliers

Material issues
- Climate change
- Sustainable sourcing
- Water stewardship
- Economic impact

Growth pillars
3 5

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

How we engage
- Feedback received through our annual Group Stakeholder Forum
- Regular, ongoing interaction with the Coca-Cola System's Central Procurement Group and our technology and commodity suppliers

Outcomes of engagement
- Our long-term work with partners to reduce our water and energy use has also brought efficiencies. This is particularly important given our NetZeroby40 commitment
- Activities related to sustainable sourcing and certifications

Relevant KPIs
- % of key agricultural ingredients sustainably certified
- % of our suppliers adopting our Supplier Guiding Principles

Principal risks
- Plastics and packaging waste
- Water availability and usage
- Commodity costs
- Managing our carbon footprint

Read more on pages 34-36, 48.

Our communities

Material issues
- Climate change
- Corporate citizenship
- Economic impact
- Packaging and waste management
- Water stewardship

Growth pillars
3 5

Key challenges
- Climate change
- Waste from our packaging
- Water conservation
- Empowering youth and women

How we engage
- We engage with customers and partners to understand what skills and training young adults need in specific markets
- Via our #YouthEmpowered sessions we increase the employability of young people
- We participate actively to support the set-up and implementation of new packaging collection schemes

Outcomes of engagement
- We continued to support frontline efforts to tackle the COVID-19 pandemic via volunteering and product donations
- Our support of new collection schemes is translating into increased collection rates for packaging waste in many markets
- We have committed to NetZeroby40 across the entire value chain

Relevant KPIs
- #YouthEmpowered
- % absolute emissions reduction
- # water stewardship projects in water priority locations
- % primary packaging collected
- # volunteering hours

Principal risks
- Geopolitical and security environment
- Plastics and packaging waste
- Managing our carbon footprint
- Water availability and usage

Read more on pages 46-50.

Emission reductions in our supply chain

As part of our efforts to partner with our suppliers, we held our first ever supplier sustainability event in 2021. At the event we prompted our suppliers to establish their own science-based emissions targets by 2030 and collaborate with us to develop longer-term net zero aspirations with focus on several key packaging and ingredients partners. Better partnerships are crucial to achieve our ambitious NetZeroby40 target.

Approximately 90% of our Company's carbon footprint comes from Scope 3 emissions, which occur in the value chain, linked to our operations, but are generated from sources beyond our control. Together with the Coca-Cola System, we have so far initiated sustainability partnerships with about 20 critical suppliers, representing 50% of our Scope 3 emissions.

Stakeholder engagement *continued*

Our consumers

Material issues
- Nutrition
- Product quality
- Responsible marketing

Growth pillars

1 5

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

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

Outcomes of engagement
- We continued to evolve our portfolio offering to address changing consumer moments and invested further in digital and e-commerce to meet new shopper needs

Relevant KPIs
- % reduction of calories per 100ml SSD
- # consumer complaints

Principal risk
- Product quality and food safety

Read more on pages 20-22.

Government

Material issues
- Climate change
- Nutrition
- Packaging and waste management
- Water stewardship

Growth pillars

5

Key challenges
- Industry and/or product-specific policies, such as taxes, restrictions or regulations
- COVID-19-related regulations
- Environmental policies

How we engage
- Much of our engagement with governments is conducted at an industry level through trade associations
- We partner with local governments to tackle waste collection challenges and water availability

Outcomes of engagement
- In response to regulations and levies on certain types of plastic packaging, we have lightweighted packages and used more sustainable materials
- To address health and nutrition concerns, we continue to add low- or no-sugar drink options in every market and provide transparent nutritional information

Relevant KPIs
- % absolute emissions reduction
- % reduction of calories per 100ml SSD
- % packaging collected
- # water stewardship projects

Principal risks
- Product-related taxes and regulatory changes
- Ethics and compliance

Read more on pages 22, 47, 49-50.

Our shareholders

Material issues
- Corporate governance

Growth pillars

1 2 3 5

Key challenges
- Increasing focus on ESG
- Maintaining focus on long-term potential of the Group rather than short-term volatility

How we engage
- Communication during our Annual General Meetings, investor roadshows, press releases and results briefings, and ongoing dialogue with analysts and investors

Outcomes of engagement
- Stepped-up consultation efforts and strengthened two-way dialogue between the Company and investors, ensuring both good understanding of long-term Company strategy in the markets and that investor concerns are considered in decision-making

Relevant KPIs
- Management access and positive investor perceptions of strategy

Principal risks
- Plastics and packaging waste
- Changing retail environment
- Commodity costs
- Product-related taxes and regulatory changes
- Foreign exchange fluctuations
- Managing our carbon footprint
- Geopolitical and security environment
- Suppliers and sustainable sourcing

Read more on page 101.

The Coca-Cola Company

Material issues
- Nutrition
- Responsible marketing
- Sustainable sourcing
- Corporate citizenship

Growth pillars
1 2 4 5

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

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

Outcomes of engagement
- Our partnership added to the strength and depth of our 24/7 portfolio, especially thanks to the continued roll-out of Costa Coffee
- We increased implementation of sustainable, ethical practices in our supply chain through System-wide collaboration

Relevant KPIs
- % reduction of calories per 100ml SSD
- % of key agricultural ingredients sustainably certified
- Investments in community projects

Principal risks
- Suppliers and sustainable sourcing
- Strategic stakeholder relationships

Read more on pages 8, 22, 27, 35.

NGOs

Material issues
- Climate change
- Corporate citizenship
- Human rights, diversity and inclusion
- Packaging and waste management
- Water stewardship

Growth pillar
5

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

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

Outcomes of engagement
- 6% training capacity for our first-time managers went to NGO leaders in 2021

Relevant KPIs
- # partnering NGOs

Principal risks
- Plastics and packaging waste
- Managing our carbon footprint
- Suppliers and sustainable sourcing
- Water availability and usage
- Ethics and compliance

Read more on pages 46-47, 50.

Delivering value for the communities where we operate

Across all markets, we took our commitment to create value for wider society seriously, continuing to focus on COVID-19 support, disaster relief and our #YouthEmpowered programme. For COVID-19, we again provided a mixture of cash donations, free products and donations of equipment. We provided more than 300 refrigerators, for instance, to expand capacity for vaccine storage in Greece. In response to earthquakes, floods and wildfires, we contributed cash or donated products to support victims, governments, fire brigades, and the Red Cross in Croatia, Greece, North Macedonia and Russia.

Despite the pandemic, which has limited in-person programmes, we remain on track to support the employability of one million young people across our markets by 2025. In Italy and Greece we re-purposed #YouthEmpowered tools to address the needs of the hard-hit hospitality sector and delivered masterclasses for young people aspiring to a HoReCa career. In Czech Republic we helped young people from vulnerable backgrounds find high-quality jobs, while in Hungary we started training young people with disabilities.

Market trends

Adapting to evolving trends

Market trends

Dynamic retail environment

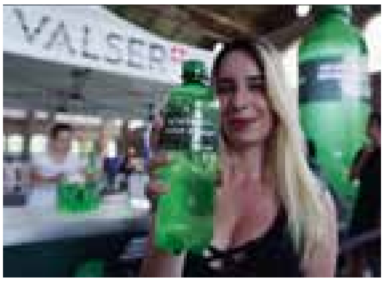
In 2021 we saw an improvement in private consumption, boosting performance across categories. The out-of-home channel recovered from 2020 closures, yet restrictions on its operations were not fully lifted in all countries and were dependent on vaccination rates and COVID-19 case evolution. Online retailers and discounters experienced strong growth again in 2021.

Consumer preferences

The COVID-19 pandemic strengthened interest in health and wellness, with people looking not only for organic offerings, but also those with less sugar or fat and for functional products that can enhance immunity. Consumers are getting accustomed to socialising, working or training at home. Many consumers are willing to spend more to replicate out-of-home experiences in their homes, turning to iconic brands they trust.

Digital evolution

Trends toward digital channels have further accelerated throughout the pandemic, as consumers adopt faster virtual solutions and technology. The performance of daily tasks online, such as working, getting education or banking, has led consumers to become more comfortable with technology and to appreciate how much it is needed. Online shopping has seen important growth and online food orders expanded, benefiting from periods of restricted activity in the out-of-home channel.



Sustainability

In 2021, the COVID-19 pandemic remained the world's biggest challenge. As the world gradually lifted lockdowns and rolled out vaccinations, employee health and safety and community support were high priorities. Climate change mitigation and adaptation, and commitments to cut emissions were in the spotlight of the UN Climate Change Conference in Scotland in November. Consequently, businesses have been announcing ambitious net zero emissions targets while investing in more sustainable packaging solutions. Equality and inclusion have been of increased concern in 2021. As a result, consumers and customers expect governments and businesses to take bolder action. Effective solutions to sustainability challenges, and transparent practices, help strengthen brand reputation, customer loyalty and competitive advantage.

Regulatory environment

Policy makers tried to balance the need to restart economies with fiscal gaps created by the ongoing pandemic. The European Commission proposed a number of policies and new mechanisms to achieve its target of drastically reducing net greenhouse gas emissions. At the same time, the Farm-to-Fork strategic framework and the new Code of Conduct for responsible business and marketing practices focus on creating sustainable food systems. Packaging remained on the agenda in the EU, through the transposition of the Single Use Plastic and the revision of the Plastic Packaging and Packaging Waste Directives.

How we are responding	Delivered through	Growth pillar
The COVID-19 pandemic has demonstrated the value of close customer partnerships. The flexibility of our route to market allowed us to actively support our customers so that they could drive more transactions and capture growth opportunities as markets began to reopen, which was particularly valuable for our out-of-home customers. The at-home channel performed strongly during 2021, as drinking occasions at home remained strong even as lockdowns eased. We remained a key partner to our at-home customers, ensuring product availability and adapting our offering.	**+0.9pp** We gained or maintained share in the majority of our markets in the non-alcoholic ready-to-drink (NARTD) category and gained 0.9pp of value share to 27%	1, 2
We continued to leverage the trend for out-of-home experiences at home, with our adult sparkling portfolio performing well through 2021, supported by our joint activation of Premium Spirits. Our increasingly broad portfolio of energy brands and innovations supported strong growth. Following the 2020 launch of Costa Coffee in 14 markets, we rolled out to an additional three markets in 2021. We also acquired a stake in Caffè Vergnano, a premium Italian coffee brand which complements our Costa Coffee offering. Our non-sparkling portfolio recovered, boosted by the reopening of hotels, restaurants and cafés as well as a return of on-the-go consumption.	**+14%** The at-home channel continued to grow in 2021 with volumes up 14% in comparison to 2019 and 10% above 2020 volumes	1, 5
Our business-to-business Customer Portal has transformed into an engagement-driven digital platform for businesses, allowing us to more than quadruple digital transactions to 8% of our total transactions in 2021. We have increasingly digitised our route to market in the e-commerce channel, partnering with e-retailers and food delivery platforms to maximise online sales. We also expanded the use of our data, advanced analytics and artificial intelligence capabilities, achieving coverage of advanced analytics solutions across all our largest markets during the year.	**+87%** Revenue in the e-commerce channel grew by 87% in 2021 compared with 2020	1, 2, 3
While unique challenges continued in 2021, protecting our people remained our top priority. We supported both our communities and our customers with numerous relief initiatives, including charitable and product donations. We stayed on track with our Mission 2025 sustainability commitments. We announced our most ambitious sustainability goal to date: a commitment to reduce emissions to net zero across our value chain by 2040. Moreover, we continue to make progress on creating a diverse and inclusive workplace and were ranked 8th of over 11,000 companies assessed globally by the Refinitiv D&I index.	**-24%** Absolute carbon emissions in operations were lower by 24% in 2021 compared with 2017	1, 2, 3, 4, 5
Our target to achieve net zero emissions across our entire value chain by 2040 is part of our commitment to create a sustainable food system. Additionally, we continued to progress towards achieving our Mission 2025 goals to help collect the equivalent of 75% of primary packaging, make 100% of our consumer packaging recyclable and achieve a 25% calorie reduction in our sparkling beverage portfolio. As part of the Coca-Cola System in Europe and the European Soft Drinks Association, we are also contributing to the EU's voluntary code of conduct for responsible food businesses.	**46%** In 2021, we recovered 46% of the primary packaging we put in the marketplace	3, 5

Our purpose and strategy

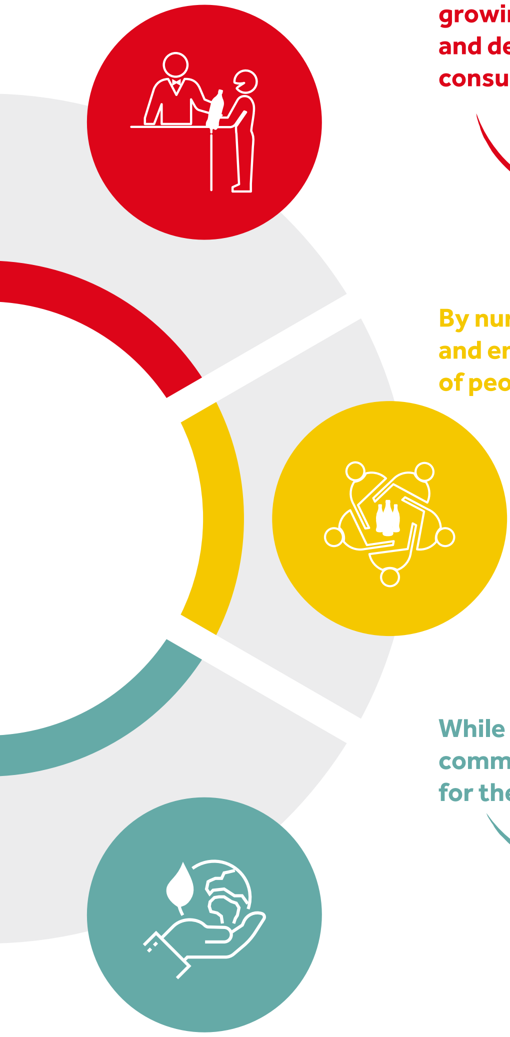
A year of progress towards Growth Story 2025

In 2021 we remained clear on our vision to be the leading 24/7 beverage partner, as well as on the strategy which will get us there.

This vision is grounded in our purpose to provide growth for our customers and delight consumers by nurturing passionate and empowered people as we enrich our communities and care for the environment.

Our purpose is directly linked to our strategy and to the five growth pillars that guide us as we pursue our objectives and targets.

Our purpose



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

By nurturing passionate and empowered teams of people

While enriching our communities and caring for the environment

Our growth pillars

1 Leverage our unique 24/7 portfolio

Read more on pages 18-23.

2 Win in the marketplace

Read more on pages 24-29.

3 Fuel growth through competitiveness and investment

Read more on pages 32-37.

4 Cultivate the potential of our people

Read more on pages 38-43.

5 Earn our licence to operate

Read more on pages 44-51.

Our growth mindset values

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

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

By remaining focused on our Growth Story 2025 strategy, we have been able to prioritise the actions and investments that are positioning the Company for sustained success. Continued focus on this strategy over the last two years has laid the groundwork for the strong performance we are now seeing as markets recover from the turbulence of the initial phases of the pandemic.

How we are growing

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

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

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

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

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

Growth Story 2025 targets

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

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

Employee engagement score greater than the high-performing norm

Accomplish Mission 2025 sustainability commitments

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

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

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

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

Our porfolio is stronger than ever with a true 24/7 offering.

1

Growth pillar

Leverage our unique 24/7 portfolio

Highlights in 2021

- Strong momentum across all segments and continued expansion to become the leading 24/7 beverage partner, creating shared value with our consumers
- Maintained resilience in the sparkling category by leveraging low- and no-sugar variants, Adult Sparkling, flavours and different pack formats
- Achieved another year of strong double-digit revenue growth in energy drinks, with continued new roll-outs and launches
- Rolled out Costa Coffee in additional markets, bringing the product to 17 markets in total
- Acquired a stake in Caffè Vergnano, a premium coffee brand to complement Costa

Priorities in 2022

- Continue to prioritise scalable and profitable brands as well as products, whilst driving disciplined innovation
- Continue driving excellence in execution to capture the growing at-home occasion, while maintaining focus behind the out-of-home channels
- Increase the penetration of single-serves and affordable entry packs helping expand our price/mix
- Continue to drive growth in energy
- Continue to grow organically and roll out Costa Coffee and Caffè Vergnano, building our presence in one of the most attractive beverage categories

KPIs

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

Stakeholders

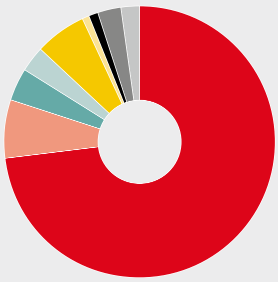
- Our consumers
- Our customers
- Shareholders
- The Coca-Cola Company

Principal risks

- Changing retail environment
- Product related taxes and regulatory changes
- Strategic stakeholder relationships

Leverage our unique 24/7 portfolio *continued*

Percentage of Coca-Cola HBC revenue



Sparkling	74%	Coffee	<1%
Hydration	7%	Plant based	<1%
Juice	4%	Premium Spirits and flavoured alcoholic beverages	3%
RTD Tea	3%	Snacks	<2%
Energy	6%		

UN Sustainable Development Goals

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

Strong momentum across the portfolio

We performed strongly, despite a challenging backdrop in 2021, with the COVID-19 pandemic still impacting all our markets through the year. Our broad and flexible 24/7 portfolio, together with our expertise in adjusting our pack/price architecture and our continuous execution excellence across channels, once again proved crucial.

Over the summer months, we saw a strong improvement in out-of-home consumption, as government measures eased, consumers started travelling, vaccination rates increased, and hotels, restaurants and cafés gradually reopened across most of our markets. While leveraging the recovery in the out-of-home channel, we maintained our focus on capturing at-home occasions. The breadth and relevance of our portfolio, brand strength and market leadership boosted our Group market share in excess of 2020 and 2019 levels.

With the pandemic still a significant issue across the globe and inflationary pressures growing, we saw consumer focus around both premium occasions and affordability. Our vast portfolio of offerings, propositions and initiatives provided tools to address both issues. We expect to continue to leverage these market trends in the years to come.

Sparkling growth driven by strategic focus areas

Our sparkling portfolio remained the key focus across our markets in 2021. The main growth and premiumisation drivers continued to be Trademark Coke and Adult Sparkling, which together with our flavoured sparkling portfolio, provided consumers with a variety of choices across the affordable and premium spectrum.

Our ongoing efforts to provide healthier options across our portfolio also helped ensure the resilience of Sparkling, which was one of the best performing categories during the year. The strength of our portfolio and the performance of well-loved brands like Coke, supported by unrivalled execution, allowed us to increase market share by 10 basis points in Sparkling. Our 2021 relaunch of Coke Zero, coupled with the launch of the new Coke Icon visual identity, with strong activations including sampling, demonstrated our commitment to adjust products to provide consumers with healthier options.

With a new flavour profile that is even closer to that of Trademark Coke, Coke Zero volumes increased by 20.0% during the year with low- and no-sugar Sparkling up 47.3% overall. Fanta and Sprite were also activated in select markets, and both delivered double-digit volume growth.

The Coca-Cola System capitalised on the long-awaited UEFA Euro 2020 tournament, with strong activations across our markets that drove both consumer and customer engagement. Towards the end of 2021 the Coca-Cola System also launched the new Real Magic platform and campaign, to bring to life a new marketing platform aimed at engaging with the Gen-Z audience. Real Magic was a core part of marketing activities in December, featuring Trademark Coke to re-connect with our consumers.

Beyond the core Coke brand products, we continued to build our adult sparkling business, providing a variety of sophisticated flavours for straight consumption and mixing. Socialising at home remained very relevant in 2021 and we continued to leverage this trend with our joint activation of Premium Spirits. As hotels, restaurants and cafés reopened, we supported our customers' recovery, building on the important occasion of socialising away from home.

Loosening of restrictions boosts still portfolio

After a challenging environment in 2020, our still portfolio rebounded significantly in 2021 as hotels, restaurants and cafés reopened and on-the-go consumption occasions returned.

The performance of water significantly improved, helped by greater sales of single-serve products, particularly through the summer months. In 2021 we continued to invest in a targeted way behind Aquarius functional water, meeting the growing demand for hydration enhanced with minerals. We continued to introduce sustainability initiatives in water, rolling out recycled plastic (rPET) bottles in the Czech Republic and further investing in dedicated marketing campaigns.

In Juice, we repositioned Cappy, rejuvenating the visual identity towards a more premium brand positioning and further developed the Cappy Lemonades range to drive profitable growth in our juice business. The strength of our portfolio, combined with the new visual identity and excellent execution in store, allowed us to increase value share by 60 bps.

In tea, we expanded the no-sugar portfolio for FUZETEA and launched a new label design across markets.

AdeZ, our plant-based, sugar-free beverage line, has continued to perform well in Italy, an important market for our plant-based business, delivering double-digit revenue growth in 2021 and value share growth of 30bps. The recently launched multi-seed variants made progress, increasing their volume contribution from 9% to 12% across markets.

Products for every occasion and demographic

Energy is one of the fastest growing non-alcoholic, ready-to-drink (NARTD) categories across our markets, driven by both new demographics and higher per capita consumption. Our broad portfolio continues to evolve, and we have been agile at responding to affordability and premiumisation trends that have emerged through the COVID-19 pandemic.

Energy was one of our best performing categories during the year and delivered a sixth consecutive year of double-digit volume growth. Revenue growth was 42% for the total energy portfolio, driven by clear strategic priorities for all markets. Our revenue growth came from existing products, as well as product innovations and brand launches into new markets during the year.

The category accounted for 6.4% of our Group revenues in 2021, up 100 basis points.

With new packs and flavours for existing brands, the expansion of newly introduced brands, impactful activations and increased product availability in the market, we increased value share for our energy brands by 40 basis points.

We have an increasingly broad portfolio of brands and our strong partnership with Monster supports our continued growth. To develop the category further into adjacent segments, after a successful launch in 2019 in Ireland we launched Reign, a performance energy beverage with caffeine and electrolytes, in Poland in 2021.

The coffee category is important to our efforts to become the leading 24/7 beverage partner. We launched Costa Coffee in three additional markets in 2021, bringing the product to 17 markets in all, and we continued to see market share growth. While the initial 2020 Costa launch primarily targeted the at-home channel, we expanded our efforts in 2021 as restaurants, cafés and offices reopened. Almost all the coffee machines we placed with out-of-home customers were digitally enabled, allowing us to share data and insights with customers.

We recruited 4,000 out-of-home customers during the year, ahead of our plans, with a strong pipeline for 2022.

In 2021 we also acquired a 30% stake in Caffè Vergnano, a premium Italian coffee brand, to complement our existing Costa Coffee proposition. The combination of the two coffee businesses gives us a total coffee portfolio, which addresses a broad range of consumer and customer needs in a fast-growing category. We started distributing Caffè Vergnano products in selected markets at the end of 2021 and we will continue rolling it out during 2022.

As part of our fully integrated 24/7 strategy, we sell premium spirits in 25 of our markets, working closely with partners to distribute world class brands like Jack Daniels, Aperol, Macallan and Famous Grouse. Our focus on mixability provides us with strong cross-selling opportunities with our core beverage portfolio and creates a compelling offering for our hotel, restaurant and café customers, positioning us as a preferred one-stop-shopping partner.

In 2021 we enjoyed strong double-digit growth in Premium Spirits, due to the continued expansion of our portfolio offerings in the markets we operate in, our core focus on premium and super premium products, and rigorous execution around the consumer trend for cocktails. We have made sure we are well set up for the future, further developing targeted capabilities through our Sales Academy.

In 2021, we also continued to pursue a targeted market approach with our hard seltzer proposition, Topo Chico, consistent with our objective to invest further in this category. Topo Chico was rolled out in Switzerland, where distribution was prioritised in out-of-home channels and online.

Growing responsibly by delivering on our commitments

We are advancing our business strategy to become a total beverage company by giving people more of the drinks they want. Consumers' tastes and preferences continue to evolve, and they are increasingly conscious of their calorie and sugar intake while still wanting more choice.

Leverage our unique 24/7 portfolio *continued*

An important aspect of our strategy includes changing recipes to reduce added sugar, promoting low- and no-calorie beverage options and making smaller packages more available to enable portion control. The Guideline Daily Amount labels on our packages provide at-a-glance information on calories, as well as sugar and all key nutrients.

We support the current recommendations of leading health authorities, including WHO, that individuals should not consume more than 10% of their total calories from added sugar. We are reducing added sugar in several products, including Sprite and Fanta, using our strength in innovation to meet our consumers' evolving needs. As part of our Mission 2025 sustainability targets, we have committed to reduce calories per 100ml of sparkling soft drinks by 25% between 2015 and 2025 across all our markets. By the end of 2021, we had achieved a 15% reduction. Through these efforts, we are contributing to the European Soft Drinks Association's (UNESDA's) target to reduce added sugar in beverages by 10% by 2025 from a 2019 baseline.

We are committed to making the healthier choice the easy choice for consumers, a commitment that spans across all our business activities. We seek to achieve this by delivering on our commitments, adhering to The Coca-Cola Company's Global Responsible Marketing and School Beverage Policies and UNESDA's pledges. We commit to not market directly to children under 13 and we do not offer any soft drinks in primary schools. In the EU and Switzerland, we offer only no- and low-calorie beverages in secondary schools. Through UNESDA and the Coca-Cola System in Europe we contribute to the European Commission's new code of conduct in support of a sustainable food system.

Managing freshness, quality and food waste

Throughout the COVID-19 pandemic, we maintained supply and continued to deliver the highest quality beverages to our customers and consumers. We increased investment in the capabilities of our employees in more innovative ways, while reinforcing the basics.

We worked closely with our trusted suppliers of key ingredients and packaging materials to overcome unexpected issues, with only two critical non-compliances in the year. These were both related to our packaging suppliers, resulting in a product recall in Italy and a product withdrawn from the market in Romania.

As the pandemic continued to disrupt business activity, we kept product age monitoring as a hybrid model for 2021. Across all operations we used warehouse age measures, which provide us with all the relevant freshness information for products leaving our warehouses. This was combined with regular product age monitoring during storage and transportation to ensure that product age in the market is below the established shelf-life specifications.

Despite accelerated changes in consumer behaviour and preferences, in 2021 we achieved a 22.4% reduction in consumer complaints compared with 2020.
We will continue with our efforts to reach zero complaints.

We strive to minimise food loss and food waste in our operations, focusing on all parts of our value chain. Preventing food loss helps us preserve water and other natural resources, avoid related carbon emissions, and mitigate the related social and economic effects in agriculture.

At our manufacturing sites we have targets for production yield, and in our markets we have targets for the age of finished beverage products in order to minimise the number of products at risk of expiration. The trend of expired products was unchanged relative to 2020 at 0.65% in carbonated soft drinks and 0.60% in juices, related to a shift in consumption habits through the pandemic.

Our food loss from finished beverages was 0.14% in 2021, compared with 0.23% in 2020 and 0.17% in 2019. The higher level in 2020 reflected product expirations during out-of-home channel lockdowns, while reopenings in 2021, as well as our continuous efforts, helped us stabilise food loss in 2021.

Future-focused portfolio

Mihaela Hoffman
Coffee & Premium Spirits Business Director, Romania

"The coffee category is increasingly important in Romania. We are excited to welcome Caffè Vergnano this year and will continue to create special experiences for our consumers."

Positioning our portfolio for the future

Our portfolio of brands and categories has shifted in the last five years, and is likely to shift further in the future. We are focused on making sure that our 24/7 beverage portfolio is relevant to every occasion at any time of the day – whether that's a morning coffee on the go, a lunchtime sparkling beverage or an evening cocktail. While our core sparkling category still makes up a significant portion of our portfolio, as we look to capture more consumption occasions we have increased focus on areas such as Adult Sparkling, Energy, Coffee, targeted Still propositions and Premium Spirits.

Coffee is a focus area we have expanded into in the last few years. Costa Coffee is now in 17 markets, and our aim is to reach all our markets by 2023. Our recent acquisition of the premium Caffè Vergnano brand allows us to focus on higher-end segments of the coffee category as well, complementing our Costa proposition. We have significant ambitions to increase our presence in coffee, supported by continuous investment in our capabilities, such as connected coffee machines and big data analytics, to better serve our customers.

We know that our success is dependent on the success of our customers.

2

Growth pillar

Win in the marketplace

Highlights in 2021

- Supported the reopening of hotels, restaurants and cafés
- Strengthened our relationship with e-retailers and developed our partnerships with new channels, achieving higher market share online
- Accelerated the use of big data, advanced analytics and new technology
- Introduced the new Sales Academy across all our markets, to drive our salesforce's capability to deliver improved customer service, performance and execution
- Deployed image recognition technology to five new markets and increased our connected cooler coverage by +3pp

Priorities in 2022

- Continue to execute our revenue growth management through both price and mix acceleration, while addressing consumer needs for affordability as well as premiumisation
- Advance our big data and advanced analytics capabilities to further enhance our segmented execution model
- Continue to invest to improve our digital commerce abilities and respond to rapid growth
- Improve our coverage of dynamic route-to-market solutions across markets, supported by the deployment of image recognition in all markets and an acceleration in the increase of coverage in connected coolers

KPIs

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

Stakeholders

Our consumers

Our customers

Shareholders

The Coca-Cola Company

Principal risks

- Changing retail environment
- Quality
- Geopolitical and security environment
- Cyber incidents

Win in the marketplace *continued*

Excellence in execution

We know that our success is dependent on the success of our customers. Throughout the global pandemic, we have prioritised safety and customer service, while avoiding supply disruptions. We stood by out-of-home customers as restrictions disrupted their operations and helped them reopen as restrictions eased. The COVID-19 pandemic demonstrated the value of our customer partnerships, while underlining the need to continue to further develop our core commercial capabilities to help us to address new and evolving consumer occasions and ways of shopping.

Accelerating our critical growth capabilities is a key driver of our Growth Story 2025 strategy. The key capabilities we are focusing on are big data and advanced analytics, value-led revenue growth management, tech-enabled route to market, and customer-centric key account management. Our digital transformation is accelerating within the business and is fundamental to all these capabilities, enabling us to better understand the real and changing needs of our customers and consumers, drive rapid revenue recovery in a profitable manner and anticipate or react to new challenges faster and smarter than our competition.

Generating value for our customers

The at-home channel performed strongly during 2021, as drinking occasions at home continued even as out-of-home channels reopened. We remained a key partner to our at-home customers, ensuring product availability and adapting our offering to focus on capturing growth opportunities. With one large international customer in Italy, we jointly launched an on-shelf availability project to improve the replenishment process, which is now being rolled out further. We have also been collaborating with a key retailer in Poland to implement a Costa Coffee Corner in their stores. This success is now being introduced in additional markets.

Our out-of-home customers have had a more mixed year, experiencing good recovery but not yet back to 2019 levels in all markets. There were lockdowns across many countries in Q1, followed by a strong rebound in the summer. In Q4, however, restrictions resumed in certain markets. We have stood by our out-of-home customers' sides throughout the crisis, providing them with consumer insights, targeted programmes and practical support as markets reopened.

As the hotel, restaurant and café (HoReCa) channel began to reopen, we introduced our HoReCa for tomorrow (H4T) framework to support channel acceleration. Through the H4T framework we focused on being a full-service partner to our customers, increasing the frequency of sales visits and helping to upgrade the HoReCa experience through both portfolio premiumisation and innovations. We are providing upskilling for customers and continuing to build our internal capabilities to support the channel. Our restart programmes took place through Q2 across all our markets, helping hotels, restaurants and cafés restart their business growth by addressing their specific needs.

Big data and advanced analytics

To improve insight and decision-making, we use data and analytics capabilities to identify and capture value-creation opportunities, particularly for top-line acceleration and cost optimisation. We are now able to analyse data at a granular level, allowing us to implement focused initiatives that generate incremental value in targeted areas of the business. We expanded the use of these capabilities and achieved coverage of advanced analytics solutions across all our largest markets in 2021.

There are four priority areas we have been focusing on. The first, segmented execution, is where we use our capabilities to identify customer needs in different locations and different types of outlets to better target product assortment and marketing activities.

Segmented execution has produced promising results across our largest markets in 2021, including volume increases and improved outlet prioritisation for new product launches. For the prioritisation of our Costa Coffee roll-out in Bulgaria, Hungary, Poland and Russia, we analysed a vast range of data, including demographics and traffic flow. In Bulgaria, for example, we targeted locations with proximity to city parks and those with outdoor seating areas.

The second priority is demand forecasting. We are driving operational excellence through machine learning, improving our forecasting for short- and long-term demand in our markets. This streamlines inventory management and prevents out-of-stock incidents.

Thirdly, we are transforming our promotion management with our algorithms providing a holistic measurement of the return on investment for each promotion, including the negative impact of forward buying, competitor promotions and cross-brand cannibalisation. Finally, we are using our data to help improve our retention efforts for business developers, as well as to understand drivers of successful performance.

To further scale our capabilities, we are combining a number of data sets to develop a 360-degree view of each of our customers, while also maintaining strong data governance. We have introduced leading data quality and governance tools to maintain the quality of our priority datasets, treating data as a strategic asset.

Revenue growth management

With The Coca-Cola Company, we have built a revenue growth management (RGM) framework that helps us maximise both the number and value of our transactions, supporting profitable top-line growth. We deliver this by improving mix across different levers, as well as through pricing and increasing the return on investment on our promotions. With these efforts, we help our customers meet consumer demand for affordability as well as premiumisation.

In 2021 we made progress with our smaller multi-serve entry packs, which allowed us to compete at attractive price points for the consumer and grow transactions in smaller baskets in a margin-accretive way. Sales of the multi-serve entry pack format grew by 16% in the year, driven by ongoing strong performance in Russia, Poland and Italy and the introduction of smaller packs in Hungary, Ireland and Czech Republic.

We also provide our customers with affordable options through our promotion strategy. Advanced analytics are helping us to quantify the incremental benefit from promotions at the customer and outlet level.

Premiumisation strategies have helped us sustain the increase in at-home consumption we saw during the first phases of the pandemic as consumers replicated out-of-home experiences at home. We drove greater sales of multi-pack single-serves, and this helped us to improve our single-serve mix in the at-home channel, with single-serve volumes growing 16% in 2021, 19% above 2019 levels.

Another driver of premiumisation is the growth of glass packages. We saw a good performance of our 1L returnable glass bottles in Austria, as well as sustained double-digit growth of 330ml glass packs in Romania.

Pricing is another critical lever of our RGM strategy. In 2021, we implemented price increases in 95% of our markets. To support these pricing moves and make the best decisions, we analyse data on elasticities per brand, pack and pack type.

Optimising our digitally enabled route to market

Our route-to-market capabilities showcase our wide beverage portfolio in every outlet, increasingly assisted by technology. In a challenging year, our agile operating model, built through investment over several years, enabled us to react quickly to the changing environment. We delivered impressive volume growth compared with 2019, even with most of our markets operating under restrictions for several months of the year and out-of-home visits much lower. The flexibility of our route to market allowed us to dynamically re-allocate our sales force, maximising opportunities in a changing marketplace. We actively supported our customers so that they could drive more transactions and capture growth opportunities as markets began to reopen.

Improvements made to our route to market, particularly through increased use of digital and data capabilities, are allowing for a more granular segmentation of our customer base, more targeted services and stronger execution. As explained in the digitalisation section on page 30, we further incorporated digital tools into our route to market, increasing our share of digital orders through our business-to-business platforms and increasing coverage of our Customer Portal across our markets.

UN Sustainable Development Goals

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

Win in the marketplace *continued*

With the reopening of our markets, we worked to reinforce our leadership through increased market execution in displays and the placement of connected coolers. On top of this we have enhanced our execution capabilities by the expansion of image recognition from three countries to eight.

To support our business growth and single-serve mix opportunities, we continued to invest in new coolers, reaching 88% coverage of our top customer outlets, up 3pp compared to last year. We now have a total of 1.4 million coolers on customer premises. Approaching half of these, 44%, have online connections, helping us drive the efficiency of our assets and enhance our sales teams' productivity.

Driving stronger capabilities across our salesforce

To deliver our strategy, our people need the right tools to address customer needs. This was the thinking behind the establishment of our Sales Academy in 2020, to build unmatched sales teams that constantly strive to improve our service and drive value with and for all our customers.

After a successful pilot in 2020, we launched the Sales Academy in all our markets in 2021. The Sales Academy has been developed as a transformative digital learning approach to help build our teams' capabilities on the job, allowing each country to have flexibility to focus on the capabilities that are most relevant to their market. Feedback from our pilot markets has been strong, with our customers in Russia appreciating that our sales force works collaboratively to drive better operational performance and offer solutions to drive sales.

Evolving our customer satisfaction approach

A key learning from 2020 and the COVID-19 pandemic was that being close to our customers is the most important way to win in the market. We were able to make significant advances through 2020 with our customer experience and brought in additional improvements in 2021.

To remain competitive, we ensure that we listen and respond to every customer. In 2021 we made step changes to empower our salespeople to drive customer-centric behaviours and 'close the loop' to resolve issues immediately.

When a customer raises an issue, we target a 48-hour response, listening carefully and improving their experience swiftly.

We launched CustomerGauge, a new digitally enabled customer experience feedback approach, across all our markets in 2021. We initiated a faster and simpler way of listening to our customers more frequently, and we enhanced our ability to capture more data and actionable insights to drive revenue growth. This is a key example of the digital transformation Coca-Cola HBC is undergoing in every aspect of the business. We expect CustomerGauge feedback to lead to more learnings and further improvement in 2022.

Future-focused route to market

Anton Salov
Business Developer, Russia

"Our upgraded Customer Portal helps me to spend more time working on customer and category development. Our platform really helps us lead the way in digitalisation in Russia."

Digitalisation is the focus within our route to market

Our route to market is increasingly digitally enabled, and the COVID-19 pandemic provided an additional boost to this trend. Our business-to-business Customer Portal was relaunched in 2020 and transformed from a functional order-taking platform to an engagement-driven digital experience for our customers. The improvement in the Customer Portal user experience helps our customers to be promptly notified on portfolio expansion, ongoing promotions and marketing activities, which translates to higher revenues and customer satisfaction.

Russia is leading the way in digitalisation and e-commerce for Coca-Cola HBC and now sees 32% of all orders come through the Customer Portal, the highest level across our markets. In the coming years we see further opportunity to improve functionality, deepen our customer reach, expand to all our markets and further increase business-to-business digital transactions.

Digitalisation across Coca-Cola HBC

Enhancing connections and accelerating growth through data and digitalisation

Investments in data and digital capabilities have consistently been prioritised across the Group because we know they are creating real opportunities for our business. We are benefiting from more targeted sales strategies, access to e-commerce channel growth, improved demand forecasting and even improved understanding of what is needed to increase employee retention.

Investing in digital commerce

We have been investing in and developing a suite of digital commerce platforms and solutions to serve the growing numbers of consumers and customers choosing to shop online, a trend that has picked up substantially since the start of the pandemic. Throughout 2021, we continued to refine our digital commerce strategy, and invested capital and management attention in this area to capture the significant growth opportunity.

When customers order online, it streamlines processes, freeing up our business developers to help our customers develop their growth opportunities in the beverage category. It also has the potential to open our portfolio to large numbers of smaller outlets which may not have been economic for business developers to serve.

Route to customer

Our business-to-business Customer Portal has been transformed from an order-taking system to an engagement-driven, digital experience for business owners who want to maximise growth efficiently. After introducing our customer portal to 22 of our markets in 2020, we increased engagement through 2021, increasing the number of customers reached through our platform. This investment has helped us achieve rapid growth in online ordering, with the Customer Portal's share of total orders quadrupling in 2021 to 8%.

We have also been investing behind several other business-to-business opportunities to better serve our customers, creating platforms where we can really leverage our existing physical route to market. WABI2B, for example, is a one-stop-shop for traditional trade and hotels, restaurants and cafés to buy products from us or from other consumer products groups. In 2021 we launched WABI2B in Nigeria and Russia.

Route to consumer

While beverages are an attractive product for consumers to buy online given their bulk, the category is still relatively early in this transition, particularly when compared to other consumer categories. This creates a significant longer-term opportunity to capture growth in this channel. We are partnering with e-retailers and our existing brick-and-click customers to increase our digital shelf space and visibility as well as direct shopper engagement.

The emergence of food delivery platforms has created a new growth opportunity. These platforms, which deliver restaurant or take-away food directly to consumers' homes, grew rapidly during the pandemic and allowed the hotel, restaurant and café channel to continue to operate even when they were not able to open their doors. We have been working to increase the presence of our products on these platforms and to increase the rate at which consumers purchase one of our beverages in combination with their meal.

Coca-Cola HBC has operated in the direct-to-consumer channel in Switzerland, one of our larger markets, for many years with Qwell. While the channel is still a small part of our business, we continue to learn a lot which is allowing us to understand what drives success and identify potential good ideas.

8%
Percentage of transactions through Customer Portal, our main B2B platform

87%
Revenue growth from e-retail in 2021

Understanding our opportunities better with data

Big data and advanced analytics are already creating real value across a range of use cases and have the potential to do much more as we continue to develop this critical capability. We use data and analytics to identify and capture value-creation opportunities, particularly for top-line acceleration and cost optimisation, and to improve our service and operations across all functions.

We are now able to analyse data at a granular level, allowing us to make decisions and implement focused initiatives that generate incremental value in targeted areas of the business. Our data capabilities are even being used to gain insights to support the performance and retention of new business developers.

In 2021, we achieved our aim to expand our use of big data, advanced analytics and artificial intelligence across our largest markets.

State-of-the-art manufacturing and logistics

To optimise our supply chain and finance functions, we have invested in a range of technologies.

In our manufacturing plants, we have improved efficiency by investing in new, automated production lines. These reduce idle time, thus expanding our capacity while reducing costs. In 2021, we introduced a new digital manufacturing platform with a monitoring system in seven markets. This has given us better insight into energy consumption and expanded our use of predictive maintenance, reducing costs and equipment downtime. In our warehouses, we have introduced augmented reality headsets to speed order packing and reduce error rates.

Digital transformation in our supply chain is also improving productivity and reducing costs. In 2021, we implemented an SAP e-procurement solution in many of our markets, with further roll-out planned for 2022.

Our successful implementation of SAP's newest enterprise application suite, S/4HANA, in 2021 is simplifying processes and increasing productivity across our commercial, supply chain and finance functions. This technology provides a solid foundation for future technological tools by increasing our ability to extract and use data.

A connected culture

As thousands of our people began working remotely for the first time in 2020, we accelerated our investment in new digital tools for learning and connection.

Our online Sales Academy, launched in 2020 and rolled out across our markets in 2021, offers development tools for all layers of our sales force.

It provides a great onboarding experience for new business developers as well as in-depth training in specific product categories and channels, including premium spirits and hotels, restaurants and cafés.

Throughout the onboarding process, new business developers are guided by our new ONBOARD app. We have also introduced an app for continuous performance conversations, embedding continuous feedback throughout our business.

While the COVID-19 pandemic reduced opportunities to meet in person, new digital tools keep our people connected and engaged. At our virtual leadership conference in 2021, participants shared personal stories and inspiration. Digital channels are also helping to drive the visibility and attractiveness of our employer brand. Over 550 of our employees post regularly on social media channels, and we encourage social media conversations around our products and specific events.

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

3

Growth pillar

Fuel growth through competitiveness and investment

Highlights in 2021

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

Priorities in 2022

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

KPIs

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

Stakeholders

- Our suppliers
- Shareholders

Principal risks

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

Fuel growth through competitiveness and investment *continued*

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

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

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

Optimising infrastructure

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

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

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

To streamline maintenance in our production facilities, we introduced a digital manufacturing platform in several markets in 2021. This platform allows better monitoring of production, gives higher visibility of energy consumption and allows us to use a more flexible, predictive maintenance approach. Shifting to predictive maintenance has helped us to achieve better control of our maintenance costs, limiting equipment downtime. In 2022, we will expand the new maintenance approaches to five additional markets.

Across the business, our optimisation efforts have resulted in a 30% reduction in plants across our territory, from 80 in 2008 to 56 at the end of 2021. At the same time, we increased our production lines per plant by 44% which allowed us to maintain our capacity and create more efficient and flexible facilities. To improve our service offering while reducing our costs, we have optimised our logistics network by reducing our distribution centres by 66% and our warehouses by 65% over the same time period. These structural improvements support a lean and resilient operating model.

Leveraging technology and big data

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

We continued to digitally transform our route-to-market capabilities, achieving significant increases in sales through our enhanced Customer Portal. See the Digitalisation section for more details on page 30. Technology is also helping us improve market execution. We fully activated our in-store image recognition technology in seven business units, more than doubling the number of outlets covered to 350,000. We are processing over two million product execution images every month with 98% accuracy, freeing up sales people to spend more time with customers and improving revenue per outlet.

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

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

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

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

Improving our impact

In 2021, we started to track our business performance based on our newly validated 2030 science-based carbon emission targets and, looking beyond 2030, committed to achieve net zero across our value chain by 2040. In support of these goals, we continued to increase our use of renewable and clean energy and invest in energy reduction and decarbonisation projects across our markets. In Nigeria, we installed additional solar panels at four of our bottling plants. These installations are connected to the local electricity grid and provided 1,500 tonnes of CO_2 emissions savings in 2021. In Cyprus and at 10 of our production sites in Russia, we began using 100% renewable electricity. Combined with our use of energy from clean or renewable sources in 12 additional markets, we are achieving savings of 67.5 kilo tonnes of CO_2 emissions annually.

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

In 2021, we expanded our work with the farms where our priority ingredients, including natural sweeteners and fruit, are grown to improve productivity, compliance, transparency and resiliency. We source using the System-wide Principles for Sustainable Agriculture (PSA). These principles are aligned with leading third-party sustainable farming standards and assurance schemes such as the Farm Sustainability Assessment of the Sustainable Agriculture Initiative Platform (SAI-FSA), Bonsucro, Fairtrade International and Rainforest Alliance.

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

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

Packaging and transport

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

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

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

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

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

Fuel growth through competitiveness and investment *continued*

"New digital tools are improving operational productivity and helping us serve customers cost-effectively with better monitoring, insight and data."

Beyond our green fleet achievements for passenger cars for our salespeople, described on page 48, in Serbia we introduced new heavy trucks fuelled by liquid natural gas in 2021. These have 50% lower emissions than conventional models. We also increased the capacity of our light-weight trailers by 6%, reducing trips needed and further contributing to emission reduction. We imported bulk resin to Nigeria for the first time via sea cargo, moving away from containerised deliveries in vessels. Doing so resulted in a 55Mt reduction in CO_2 emissions. We plan to expand our purchases of bulk resin in 2022 to further increase emission reductions. As sugar supply was disrupted, we focused on the optimisation of sugar deliveries in 2020 and 2021.

Sustainable procurement

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

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

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

UN Sustainable Development Goals

Our sustained efforts to reduce our costs and improve our impact have generated significant results for our business, our communities, society and the environment. These results correspond to contributions to the Sustainable Development Goals for clean water and sanitation, clean energy, economic growth, industry innovation, sustainable communities, responsible production, climate action, life below water and life on land.

Future-focused investment

Gerald Lewis
Head of Technology Strategy and Operations Group Digital and Technology Platform Services

"Our continuous investment in innovation and technology has delivered new digital products that are tightly integrated with our evolving technology platforms. These products have achieved improved operational productivity and help us serve our customers cost-effectively and in more flexible ways to meet their fast-changing needs."

Fueling growth by investing in new digital tools and sustainability

Automation is key for our business. It helps us to be more productive, enabling better, faster results, while improving the experience of our people, customers and partners.

Across our Company, investments in new digital tools are helping us to capture new growth opportunities, create more value for our customers and achieve our sustainability goals. As a result, our back-office systems and processes have been streamlined, we have achieved operating and cost efficiencies in our manufacturing plants and we have access to more relevant data insights to better serve our customers.

In 2021 we continued to listen to our people to understand how we could best support them to succeed while staying safe through the pandemic.

4

Growth pillar

Cultivate the potential of our people

Highlights in 2021

- Protected the health and wellbeing of our people as the COVID-19 pandemic continued, while further investing to support new ways of working
- Sought more feedback from our people, through the annual employee engagement survey and periodic pulse surveys, and acted on their feedback
- Strengthened the collaborative spirit and growth mindset values which underpin our culture and continued our efforts to make learning available to everyone
- Launched a unique development experience for all our frontline sales people to upgrade their critical capabilities and enhance customer support
- Continued working towards a more diverse and inclusive workforce

Priorities in 2022

- Build unmatched sales teams by strengthening our commercial talent pipeline
- Drive an inclusive and purpose-driven culture by redefining our culture narrative and updating our leadership model
- Continue simplifying processes and investing in capabilities necessary to achieve our growth strategy
- Continue efforts to build an inclusive workplace and a diverse workforce that reflects our customer base and communities

KPIs

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

Stakeholders

Our people

Principal risks

- Health and safety
- People retention
- Geopolitical and security environment

Cultivate the potential of our people *continued*

Strengthening our culture

We strive to create an irresistible place to work, where our people feel heard, valued and supported. In 2021 we continued applying what worked best during the early days of the pandemic: listening to our people to understand how we could best support them to succeed while staying safe in a period of rapid change.

Our teams have emerged from two years of a global pandemic even stronger. As a result of their dedication, perseverance and innovation, we helped our customers reopen quickly and adapt and grow sustainably despite the turbulent market conditions. We continue to unite around a common purpose, democratise learning for all our colleagues and build a resilient and agile organisation.

Support and engagement during the pandemic

Ensuring the safety of our people, as well as our customers, partners and communities, continued to be our top priority in 2021. This was the focus of our Company leadership as well as the cross-functional teams leading our COVID-19 pandemic response across the Group and in each market. We continuously adapted our guidelines and protocols as vaccines were rolled out and as new COVID variants emerged.

Due to the extraordinary circumstances in 2020, we conducted two employee pulse surveys in addition to our annual employee engagement survey to better understand what employees needed during the pandemic.

As the fast pace of change continues, we have made pulse surveys a permanent part of our internal communications, ensuring employees have multiple opportunities to provide feedback each year. This helps ensure that management and the Board really understand what our people need to succeed.

We once again conducted three all-employee surveys in 2021. The Company's Employee Engagement Index score, the outcome of our annual engagement survey conducted in October 2021, remained steady at 88% with 85% of the workforce participating. We continue to benchmark our employee engagement against other high-performing companies, partnering with Qualtrics, our partner in measuring company culture. Our 2021 results were three percentage points above the Qualtrics Global Top Decile Norm, which represents the top 10% of more than 15 million people from more than 350 companies.

Importantly, 96% of employees working directly with our customers feel they have all the necessary protective equipment they need and 96% of all employees are aware of the Company's health and safety policies. Many of our employees enjoy being able to work from home at least part of the time, but not everyone is the same. From survey responses in 2020, we learned that remote work arrangements increased the need for line manager support. In our 2021 engagement survey, 85% of our people reported feeling supported by their line manager. Through surveys conducted during the year, employees expressed their concerns about the complexity of processes and the resulting impact on workloads.

Improvement across all Cultural pillars (% of favourable replies by the employees)

To address this important finding, we have intensified our focus on simplification.

To support new ways of working, we conducted more meetings virtually to optimise time spent travelling and with our customers. In Poland and Austria, we streamlined and redesigned offices, improving the work experience for our people while reducing costs.

We continued offering support to family members through a global employee assistance programme, providing 24/7 confidential support for our people and their families. The programme features trained specialists through an external partner for help with challenges ranging from work-related issues and relationship difficulties to isolation and trauma. Help is available by phone, online or through an app. Specialised support is also provided to our line managers to help them support team members facing challenges.

Health, safety and wellbeing

We believe that a safe and healthy workplace is a fundamental right and also a business imperative. As the COVID-19 pandemic impacted markets across our territory for a second year, we continually updated our relevant guidelines and protocols. We also carefully monitored illness rates to monitor possible cases of transmission on our premises. While employees continued to become ill with COVID, we attempted to eliminate transmission within the workplace.

As hybrid working models combining remote and office-based work became the norm, we focused on new approaches to wellbeing and employee support. Our refreshed wellbeing framework addresses employees' physical, mental, emotional, financial and social needs. Each of our markets offers tools and resources in each area, tailored to market-specific needs. In Russia, where we have an extremely comprehensive wellbeing programme, our leaders act as role models, sharing their personal wellness stories.

To ensure a workplace that safeguards mental health and supports our people when mental wellbeing issues arise, we introduced a mental wellbeing policy and provided online access to useful resources. This addresses the risk of isolation some employees report with hybrid work arrangements. To help leaders understand how they can assist in safeguarding the mental wellbeing of their team, we created a guide for all managers.

For the fourth consecutive year, no employees lost their life at work during 2021. Regrettably however three contractors died in road incidents.

This compares with two contractor fatalities in road incidents during 2020. Our fleet safety training programmes blend classroom and on-the-road training elements. Safety training combined with ongoing installation of collision avoidance technology in fleet vehicles led to an 8.2% improvement of accidents per million kilometres travelled in 2021. This is our ninth consecutive year of improvement.

Overall, employee workplace-related accidents increased by three compared to a previous year. Our Lost Time Accident Rate was 0.25 for 2021, compared with 0.23 in the prior year. Meanwhile, the Lost Time Incident Frequency Rate for contractors improved by 7.05% vs 2020. Our behaviour-based safety programme was expanded from manufacturing plants and warehouses to 90% of our commercial function. During 2021, we eliminated 82.8% of barriers to safety identified under this programme. By the end of 2021, we are proud to report that 7,652 employees and 865 contractors were trained as behaviour-based safety observers supporting the programme.

We also successfully launched the Coca-Cola System's Life Saving Rules, with each of our sites taking corrective actions to achieve error-intolerant systems and processes by the end of 2022.

Building a sense of belonging and trust

Our values-based culture remains a strength and a source of resilience as our common beliefs help us adapt with speed and agility. Two important findings from our 2021 engagement survey were an increase in our people's understanding and belief in our overall purpose and vision and improvements in engagement scores across all of our cultural pillars. This reflects the success of our efforts to empower our people and foster the growth mindset needed to achieve our vision.

We believe inviting people to bring their true self to work and share their authentic stories is the best way to foster trust and behaviours that support our strategic goals. Storytelling is therefore used extensively across the business to strengthen connections.

Our Red Talks programme shares personal transformation stories across the Group, inspiring our people to change and grow. At our 2021 virtual leadership conference, stories were shared from different countries covering management of wellbeing to dealing with change.

Similar storytelling campaigns took place in all our markets, featuring personal, authentic stories from each region. To expand opportunities to share and connect, we built a community of over 100 colleagues organised in an informal virtual community. We have also organised virtual Coffee Corner sessions attracting over 700 colleagues, which feature podcast-like interviews on topics such as how to become a better colleague or finding strength to face difficulties.

Through our internal #thisisme campaign, we invite our people to bring their true self to work by sharing photos, quotes and sources of inspiration and motivation. Launched initially for Group employees, the programme proved extremely popular, growing organically with posts from colleagues across all countries, functions and layers.

To further enhance our growth mindset values and collaborative culture, a Culture Activation Toolkit was launched in 2021 giving our markets the ability to target local needs. To empower people in different settings, the toolkit includes guides on setting up and building communities or leading from within.

In our second year of continuous performance conversations with mutual accountability, nearly all of our people, 95%, completed quarterly snapshot discussions with their managers. More than 75% of our people gave feedback to their managers during the year. Usage data for our feedback app shows that continual feedback is becoming well established across the Group.

Achieving greater diversity and inclusion

As part of our Mission 2025 sustainability goals, our Company has committed to increase the proportion of women in management to 50%. The proportion of management roles held by women edged up 1pp to 39% in 2021. Despite continual progress, to achieve our ambition of a diverse workforce that reflects our customer base and communities we must do even more.

In 2021, we created a new Diversity, Equity and Inclusion (DEI) Steering Committee, sponsored by CEO Zoran Bogdanovic, to provide strategic direction and governance to our DEI efforts. To help us drive the right behaviours, we introduced new training to identify and act on potential instances of discrimination. Several hundred employees in our People & Culture and Legal, Ethics & Compliance functions participated. Our workshops on disrupting unconscious bias are also being rolled out to leadership teams of business units across the Group.

Together with our Coca-Cola System partners, we launched an International Coca-Cola System-wide series of women's network events. Quarterly events were held, including a panel discussion with our CEO and Chief People & Culture Officer on how leaders can drive inclusion. This role modelling was also seen in our CEO's continued participation as a judge in the WeQual awards for female leaders.

Newly introduced initiatives built on our existing Inclusive Leadership e-learning modules, available to all leaders. Every business unit has targets and action plans appropriate to their market to contribute to our gender diversity commitment and our DEI Community continues to ensure best practices to support diversity, equity and inclusion are shared across our territory.

To attract more women into our Company, we once again ran an International Women's Day campaign, #NoJobHasAGender, which was promoted through social media channels. We continued to increase our social media presence with a focus on female career experience, covering subjects such as career growth and leadership. Our series #WomenofCCHBC included 19 videos and was viewed by over two million people online.

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

Helping our people realise their potential and developing talent

To ensure that everyone in our Company has the ability to contribute to our purpose, vision and mission, we make learning accessible to every employee. We provide tools and encouragement for our employees to continue growing through self-learning, coaching and mentoring to develop both leadership and functional skills.

As we continued to strengthen our culture of continuous learning, digital learning is becoming more important. About 80% of our employees are self-driven active learners on our various digital platforms. We have expanded our Personal Learning Cloud, which now offers over 2,500 resources. For the second year, we organised a virtual LearnFest. Over 6,000 attendees and more than 40 internal and external speakers participated.

Cultivate the potential of our people *continued*

UN Sustainable Development Goals

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

In our efforts to boost the agility of our Company, we have completed more than 80 agile initiatives, trained over 700 people, and certified 135 Scrum Masters and 18 Agile coaches since 2019. As we evolve into a truly agile organisation, we are establishing mission-based, cross-functional, empowered and self-managed teams, which we call dynamic pods. These allow us to improve our speed and quality of delivery on critical missions through dynamic staffing of critical capabilities. To accelerate channel and category growth, we launched dynamic pods in eight of our business units in 2021.

Taking into account the global trends of increasing turnover and intensifying scarcity of talent, development of high-performing people is a top priority. We made notable progress accelerating the leadership development of more than 450 of our colleagues during the year. Learning from others continues to act as a multiplier of leadership development, with 80 new active internal coaches and 71 new coaching engagements. Mentoring is now technology-enabled, with 339 active mentors and 259 new mentoring engagements supported online during the year. The success of these initiatives is demonstrated by extremely high participant satisfaction rates. All of the leadership coaching participants and 97% of mentoring participants reported satisfaction with their learning experience.

In 2021 we further evolved our Talent Review Framework to accelerate development across functions and borders. We identified 20% more potential emerging leaders within our workforce than in 2020. We remain focused on maintaining bench strength, particularly in our commercial function, and building a strong, diverse pipeline of leaders. A majority of participants in many of our leadership development programmes, including our Fast Forward programmes, are female. This supports our ambition to achieve gender balance in senior management roles by 2025.

As employee turnover rebounded to pre-pandemic levels in 2021 to 13.1%, compared to 8.8% in 2020 and 12.3% in 2019, the higher rate of external hiring gave us the opportunity to recruit people with critical new capabilities. As 35.5% of all external hires during the year were female, and more than half of new hires for senior leadership roles were women, we also succeeded in strengthening gender diversity.

As the skills needed for our organisation to be successful in an ever-changing market are constantly evolving, this year we launched a skills-based talent marketplace, which enables us to better understand our employees' skills and capabilities, while matching them to the challenges of both today and tomorrow. The programme was successfully piloted in Austria in 2021 and will be rolled out to additional markets in the coming years.

Developing the critical capabilities of our sales teams

Following the 2020 launch of our digital Sales Academy, we continued to roll out this comprehensive developmental experience for our sales force across all our markets in early 2021. About 1,300 new business developers have completed our Licence to Start certification, which gives new hires a strong onboarding experience and ensures they are equipped to support our customers even faster. Over 8,500 members of the existing sales force have also benefited from Sales Academy modules. Building on this success, similar learning modules designed for supply chain management will be rolled out for 12,000 people in our supply chain function in 2022.

To enhance the onboarding experience for business developers, we have created a fully integrated onboarding experience that includes pre-onboarding activities, human resources information and country-specific content.

About 90% of new business developers report satisfaction with the onboarding experience, including feedback from their line managers about their progress and performance.

To identify the main drivers of business developer turnover in five selected business units, we performed an in-depth analysis using artificial intelligence in close collaboration with our Group Data, Insights & Analytics team. The main findings of this analysis, which include issues around complexity, compensation and line manager support, are now forming the basis of a holistic review of how we attract, select, develop and compensate our frontline sales people. As part of this effort, we are simplifying tasks so that they can spend more time with our customers.

An attractive and authentic employer brand

During 2021, we improved the visibility and attractiveness of our employer brand. We received 76 recognitions across 28 countries reflecting different measurements of employer attractiveness. The perception of our employer brand improved in 11 of our markets during the year, and our compounded average rank also improved according to Universum, an employer brand consultancy. We are especially proud of being recognised in the Forbes World's Best Employers 2021 list and, thanks to our progress on diversity and inclusion, we were ranked 8th in the Refinitiv D&I index.

Over 550 of our employees post regularly on social media, and we are ranked the 39th most active company on social media in the food and beverage sector in Europe, according to analysis by employee influencer platform DMSN8. We encouraged social media conversations through 24 campaigns around our products or around specific events. We also introduced monthly 'behind the scenes' features on LinkedIn and Facebook. The initial features shared, highlighting photos of unique employee experiences, received more than 100,000 views on each platform.

Looking ahead, we will continue strengthening our pipeline with a special focus on our commercial function and increasing retention through targeted career conversations. We will also support the development of our employees through more cross-functional, skills-based development, identify and accelerate the development of emerging leaders, and build a more inclusive and diverse workforce that reflects the communities we serve.

Future-focused teams

Mariam Oginni
Regional Sales Director,
Lagos Central, Nigeria

"Be kind, take a deep breath and remember: you miss 100% of shots that you do not take."

It wasn't easy to start a new job anywhere during the pandemic, but Mariam Oginni faced additional challenges when she became Coca-Cola HBC's first female Regional Sales Director in Nigeria in 2020. Despite working in northeast Nigeria, which has additional security concerns, she led her team to deliver 20% sales growth in the region, exceeding targets.

Mariam attributes this success to working smartly and tremendous support from colleagues and managers, but also the diversity of her team.

"When both genders work together," she says, "we can accomplish more than ever before."

We create value for all stakeholders, making a strong contribution to the development of the societies in which we operate

5

Growth pillar

Earn our licence to operate

Highlights in 2021

- Announced NetZeroby40, our most ambitious environmental target to date
- Reduced our Scope 1 and 2 carbon emissions by almost 137 kilo tonnes compared with 2017 baseline
- Established Italy as the first Coca-Cola HBC country to launch 100% rPET bottles for all 'on-the-go' sparkling drinks and iced tea
- Investing in on-site PET recycling technologies in Poland, Italy, and Romania
- Achieved once again the status of Europe's most sustainable beverage company in the 2021 Dow Jones Sustainability Index, and received 'A' ratings from the 2021 Carbon Disclosure Project (CDP) for climate change and water
- Continued to support the communities where we operate during the COVID-19 pandemic

Priorities in 2022

- Embed our net zero ambition across the business and in decision-making processes
- Continue reducing emissions from direct operations, and work with our suppliers to reduce Scope 3 emissions across our value chain
- Enter new partnerships in areas such as forestry and water replenishment to remove our residual emissions and meet our science-based targets for 2030
- Design a sustainable packaging strategy that will help us reach net zero, with a focus on test-and-learn for various package-less and refillable solutions across our markets
- Increase the share of rPET bottles in our portfolio for selected markets
- Continue to progress towards our collection targets by supporting the design and set-up of collection models with local market relevance

KPIs

- Absolute greenhouse gas emissions Scope 1, 2, 3
- Water usage in water-risk areas
- # young people trained through #YouthEmpowered
- % primary packaging collected

Stakeholders

- Our people
- Our communities
- Our consumers
- Our suppliers
- NGOs
- Our shareholders
- Government
- The Coca-Cola Company

Principal risks

- Plastics and packaging waste
- Managing our carbon footprint
- Water availability
- Suppliers and sustainable sourcing
- Ethics and compliance

Earn our licence to operate *continued*

Delivering results for all stakeholders

Over the 70 years that we have been in business, no challenge has tested all the communities in which we operate at such scale as the COVID-19 pandemic. As our customers, communities and partners faced additional disruptions in 2021 we continued to provide support to those in need.

We created value for all stakeholders by making significant contributions to the development of the societies in which we operate, while also finding ways to take care of our environment by integrating sustainability into our decision-making and actions.

During 2021, we began to track our business performance based on our newly validated, science-based carbon emission targets for 2030. We also set new and ambitious targets for sustainability beyond 2030, announcing our NetZeroby40 commitment to reduce the carbon emissions in all our activities across the entire value chain and reach net zero emissions by 2040. To achieve this goal, we will reduce our direct emissions to an absolute minimum over the coming decades, building on the 50% reduction we have already achieved over the last 10 years. Since 90% of our carbon footprint comes from our value chain, it is essential that we find new, more effective ways to collaborate to achieve our ambition.

Contributing to the communities where we operate

During the first half of 2021 and the disrupting lockdowns across our territories, we continued providing support for those fighting COVID-19 on the front lines in all our markets by making product, in-kind and in-cash contributions to hospitals, shelters and NGOs, including the Red Cross and food banks. In Greece we also supported the vaccination efforts of the health system and donated 301 refrigerators for vaccine storage. We also provided disaster relief support in Greece, Russia, Croatia and North Macedonia.

In 2021, we continued to provide learning opportunities to community partners from various non-governmental organisations across the countries in which we operate.

Supporting our communities

Product donations

- Focused on frontline keyworkers and food banks

c.3m

litres

Volunteering

- Focused on the vulnerable and our customers

c.2,042*

colleagues

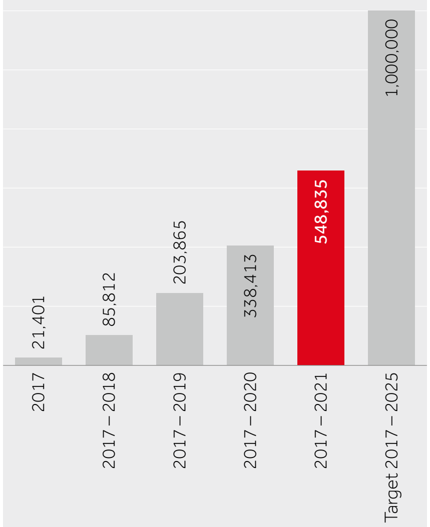
Community investments

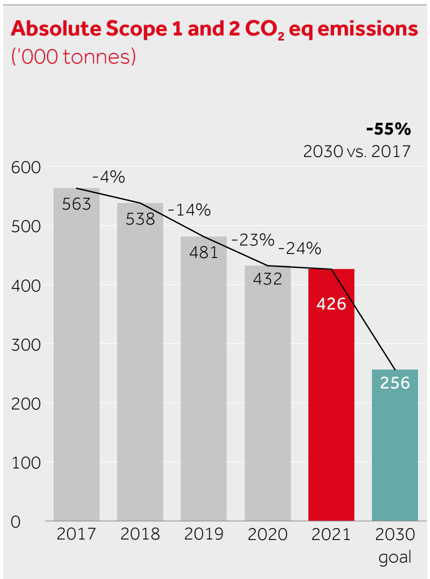
- Long-term community initiatives
- Continued COVID-19 recovery support
- Disaster relief (Greece, Russia, Croatia, and North Macedonia)

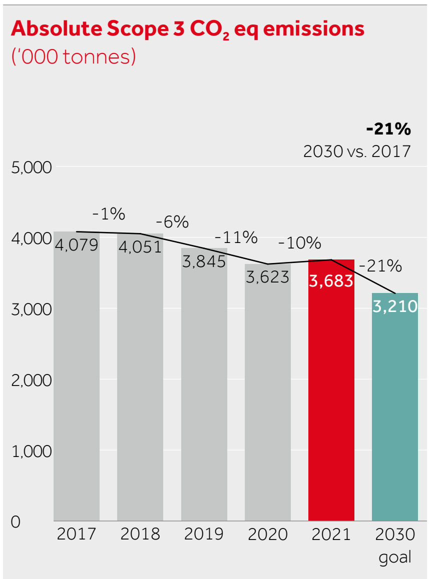
c.€6.8*m

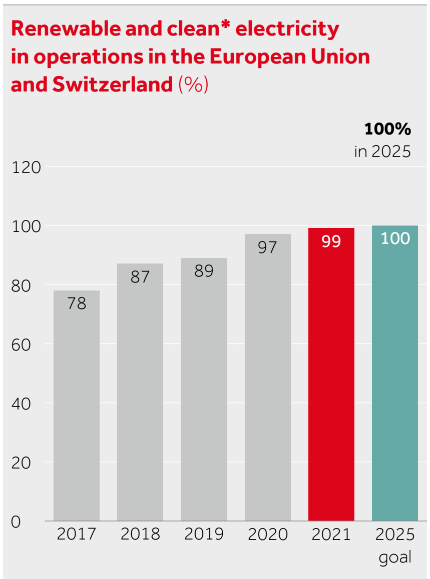
* Including Bambi

Number of young people trained through #YouthEmpowered









* Clean source means CHP using natural gas.

We invited over 100 partners to join our internal leadership training schemes and develop their skillsets by taking part in our programmes 'Communicating with impact', 'Design thinking' and 'Influencing skills'. By the end of the year, 6% of the participants in Coca-Cola HBC leadership programmes were our community partners.

#YouthEmpowered

With the COVID-19 pandemic still causing economic disruption, we accelerated our #YouthEmpowered programme using both in-person and online modules. The programme reached more than 210,000 young people in 2021, bringing the total number who have participated in the scheme since it was launched in 2017 to 548,000.

Italy has seen continuous growth in youth employment programmes thanks to its Ministry of Education's teaching scheme, which encourages high school students to gain additional training or do internships. There is also an increasing demand for online education in Italy and a long-standing partnership with several educational platforms, and this has helped almost 100,000 participants to benefit from our #YouthEmpowered programme. We also delivered masterclasses for hotel school students and continued running 'Girls in STEM', a programme that encourages female students to pursue careers in science, technology, engineering or math.

In Ukraine, we continued to support the iLearn platform, which provides free, high-quality education to more than 25,200 high school graduates. The platform was supplemented in 2021 with new webinars and mock exams that further enhanced learning. We also continued working with a major online educational platform in Armenia, enabling over 8,800 students to improve their social and business skills. In Poland, we reached out to over 22,500 young people with an educational application that boosts soft and business skills.

Climate and renewable energy achievements

In 2021, we continued to work towards our Mission 2025 commitments, addressing climate change by reducing our emissions and increasing our use of renewable energy. We reduced absolute emissions from our direct operations and production by a further 6 kilo tonnes, achieving a cumulative 24% reduction against our 2017 baseline.

We also increased the use of renewable and clean electricity in our operations in the EU and Switzerland to 99%. At the same time, we delivered on our 2025 renewable and clean energy goal, reaching 53% (9ppt increase compared to 2020). In support of this objective, we transitioned all 10 of our production sites in Russia and our operations in Cyprus to 100% renewable electricity, saving 66,000 tonnes of CO_2 emissions on an annual basis.

We continued to purchase renewable electricity to meet all of our needs in Italy, Poland, Lithuania, Croatia, Austria, Switzerland, Northern Ireland, Hungary, the Czech Republic, Greece, Serbia and Romania. We also continued to install solar panels at our Nigerian operations, generating renewable electricity for four of our bottling plants. These installations are connected to the local electricity grids and provided 1,500 tonnes of CO_2 emissions savings in 2021.

Earn our licence to operate *continued*

UN Sustainable Development Goals

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

Partnerships with suppliers to reduce emissions in our supply chain

Partnering with our suppliers is the key to achieving our ambitious NetZeroby40 target. In 2021, we held our first Group Supplier Sustainability event in which we discussed with more than 300 external experts globally how businesses can partner to face international challenges on environment, social and governance (ESG) factors. Additionally, we continued hosting the Supplier Innovation Days, where our key strategic partners share with us their freshest, smartest and most innovative ideas.

Tackling emissions in our supply chain

Managing our carbon footprint has been identified as a Principal risk for the company, (see page 62) and has also been identified as a key transitional risk in our climate change risk programme, (see page 69).

About 90% of our carbon footprint is made up of downstream emissions from our products and upstream emissions found in our supply chain, so we need to work with our suppliers to reduce our overall emissions. In 2021, we were awarded an 'A' ranking as a Supplier Engagement Leader for the sixth consecutive year by the Carbon Disclosure Project (CDP), an organisation that collects climate-related data. CDP assesses how effectively companies are engaging their suppliers on climate change, and issues letter grades to indicate their level of success. Our results placed us in the top 8% of companies, earning us an 'A' rating and a place on CDP's leader board. This rating builds on 'A List' rankings for our actions in addressing climate change and water security.

"*To build a more sustainable company and future, we have so far initiated sustainability partnerships with about 20 critical suppliers, representing 50% of our upstream, scope 3 emissions,*" says Marcel Martin, our Chief Corporate Affairs and Sustainability Officer, and former Chief Supply Chain Officer.

Green Fleet transition

To achieve our ambitious climate goals it is essential that we make a progressive transition towards more sustainable technologies for both our light and heavy fleet. To make this happen, we have launched our 'Green Fleet Programme' and set clear targets across our business territories, with a comprehensive roadmap to achieve our goals. We have accelerated our transition throughout 2021 by introducing battery and plug-in electric car models in 15 countries. In 13 of our markets, our fleet contains hybrid electric vehicles and vehicles powered with compressed natural gas or liquified petroleum gas. As a result, 16% of our light fleet is now made up of more environmentally friendly models, which have helped achieve a reduction of CO_2 emissions in grams per kilometre of 7% compared with a 2019 baseline, and a total reduction in CO_2 emissions of 11,130 tonnes. Across the heavy fleet, we have reduced our CO_2 footprint by 11% compared with the same 2019 baseline, equivalent to a reduction of 23,681 tonnes of CO_2.

Our Mission 2025 sustainable packaging commitments

Our commitments	2021 achievements
• Recover 75% of our primary packaging for recycling or reuse by 2025	**46%** of our total primary packaging was collected in 2021 for recycling or reuse
• Make 100% of our primary packaging fully recyclable by 2025	**99.9%** of our primary packaging is recyclable
• Increase the percentage of rPET in our bottles to 35% by 2025. In our EU countries, we plan to reach 50% rPET by 2025	**rPET:** **10%** of the PET that we used across total CCHBC markets was rPET **18%** of the PET that we used in CCHBC EU and Switzerland markets was rPET

Progress towards sustainable packaging

Plastics and packaging waste has been assessed as a Principal risk for the Company, (see page 62) and a key transitional risk under our climate change risk programme, (see page 69) given the additional costs we expect to incur in achieving our Mission 2025 targets as well as future long-term targets.

As part of our Mission 2025 targets, we have committed to collect 75% of our packaging for recycling or reuse by 2025. In addition, we support the Coca-Cola System World Without Waste ambition to reach 100% collection by 2030.

We believe that, wherever possible, collection systems should be established on a national level. Where effective systems do not exist, we participate actively to support the set-up and implementation of new packaging collection schemes. Delivering this sort of meaningful change takes time.

Looking beyond the +2ppt increase we achieved for packaging collection in 2021 compared with 2020, we have made substantial progress in developing sustainable national packaging collection solutions by playing a leading role in their design and set up across multiple markets.

We are actively engaged in supporting the implementation of deposit return schemes in seven of our markets (Austria, Cyprus, Greece, Ireland, Latvia, Romania and Slovakia). We expect these to go live between 2022 and 2025.

We have also played a leading role in aligning industry peers and advocating for well-designed collection schemes in an additional seven markets: Bulgaria, the Czech Republic, Hungary, Poland, Serbia, Slovenia and Northern Ireland. In Hungary, we expect a state-owned deposit return scheme to be implemented by 2024.

While we believe deposit return schemes are the right solution for many countries, especially EU markets, a first step is to set up well-functioning packaging recovery organisations, known as PROs, to organise the efficient implementation of fit-for-purpose national collection and recovery systems.

In several of our developing and emerging markets we are helping to establish or improve such packaging recovery organisations. In 2021, we supported successful pilots for new packaging recovery organisations in Ukraine and Moldova. In addition, we funded collection modelling studies or supported advocacy efforts in six markets, including Nigeria and Russia, while implementing the learnings from pilot projects and collection modelling.

We also support a circular economy for packaging by increasing our use of recycled plastic, or rPET, and reducing or eliminating plastic use where possible.

Our initiatives in packaging

On a Group level, efforts to increase the percentage of rPET used to manufacture our bottles led to a slight increase, up 1ppt compared with 2020. While we had several 100% rPET launches, their impact was diluted due to strong growth in markets which do not currently use rPET, such as Nigeria.

Italy became the first Coca-Cola HBC market to launch a 100% rPET bottle for sparkling brands in 2021. The 100% rPET packaging was introduced for all on-the-go packs of Coca-Cola, Fanta and Sprite, as well as FuzeTea. We also introduced 100% rPET bottles for a fifth Coca-Cola HBC water brand, Natura, in the Czech Republic.

We also expanded our use of KeelClipTM, which replaces plastic film on multi-can packs with an innovative paperboard solution. By the end of 2021, it had been rolled out in 10 markets. We aim to introduce KeelClipTM in Greece and Hungary in early 2022, and to replace plastic film on multi-can packs across all our EU markets for The Coca-Cola Company portfolio products. We expect these efforts to reduce our use of virgin plastic by 2,000 tonnes annually across the Group. We continue to pilot further methods of lightweighting or reducing packaging, and some of our successes will be implemented during 2022.

Partnerships help us achieve packaging objectives

In Austria, we are working with Reclay, a packaging recovery organisation, to fulfil our responsibility to support the sustainability of product packaging. In Vienna, consumers are rewarded through an app developed by Reclay and the Coca-Cola System to prevent littering. By checking in via geo-tagging at a recycling bin and scanning the product code, consumers are able to participate in a lottery with weekly and monthly draws to win prizes.

We began working with METRO, a leading international player in wholesale trade, which has launched an international collaboration to help clean up the world's oceans. METRO aims to recover millions of kilos of plastic waste before it reaches the oceans, and to improve the lives of vulnerable communities in coastal regions by promoting more sustainable packaging and recycling. This collaboration included numerous suppliers, including Coca-Cola HBC and Coca-Cola Europacific Partners. METRO also promoted products in recyclable or recycled plastic across countries.

Earn our licence to operate *continued*

Water stewardship

Water is the main component of our beverage production, which is why we have a special responsibility to protect this precious resource. Water availability and usage has been assessed as a Principal risk for the Company, see page 64; and both a physical risk, see page 68, and transitional risk under our climate change risk programme. We are reducing the amount of water we use in all our activities and paying significant attention to our impact in water-stressed areas. To achieve our 2025 goals, we are working to minimise water use by 20% in plants that are located in water risk zones. Together with our stakeholders and our communities in those watersheds, we also want to make sure that people in water risk zones where we operate have access to safe, clean water.

In 2021, all our bottling plants were certified to have met the standards of the Alliance for Water Stewardship (AWS), except for the Lurisia plant in Italy and the Natura plant in the Czech Republic (certification now covers 96% of our bottling plants and 99.6% of production volume).

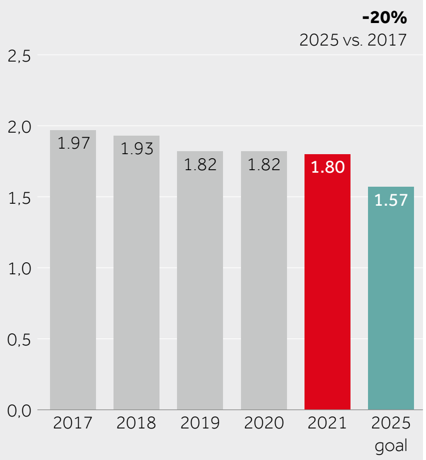
The certifications confirm that we meet the global benchmark for responsible water stewardship, with 52 bottling plants achieving a Gold or Platinum Standard certification.

The standards require certified businesses to use water as little as possible, as well as to reduce water consumption where possible across the entire value chain. Special emphasis is placed on working together with stakeholders and local communities to ensure that any water challenges are tackled successfully.

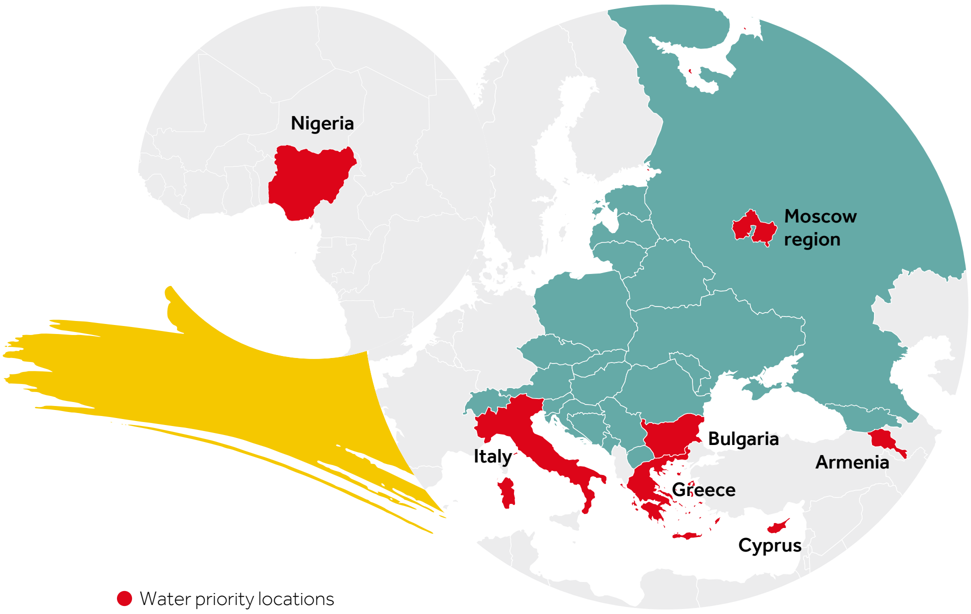
In Nigeria, one of the main water risk areas, we created a water task force to upgrade the water facilities in our operations. By the end of 2021, all water systems at our bottling plants in Nigeria had been upgraded with new installations and advancements, such as new sand and carbon filters, water tanks, and the drilling of new boreholes. These advancements will enable us to reduce our impact on precious water resources.

In 2022 we will further engage with two water stewardship projects. In Greece, together with our NGO partners, GWP-Med, we aim to make technical interventions that will turn Folegandros into a zero water loss island and save 10M litres of water every year. And in Russia, we will focus on modern monitoring technologies to improve the ecological state of the three most polluted rivers in the Moscow region.

Water use ratio in water priority plants
(litre/litre of produced beverage)



Locations with water priority[1] plants



● Water priority locations

1. Water priority locations are defined based on our comprehensive risk assessment (i.e. access to WASH, water stress and other local risks).

Future-focused packaging

Anna Gronostajska
Quality, Safety and Environment Manager

"It's exciting to work with new technologies that contribute to our NetZeroby40 target. Our efforts to increase rPET supply at our Krakow plant will impact emissions related to our product packaging, which is nearly a third of the Company's total carbon emissions."

The future of packaging towards net zero

Our business uses various packaging materials and delivery methods, each with different carbon footprints. Because nearly a third of our carbon emissions are attributable to our product packaging, it is essential that we innovate in this area to achieve our ambitious NetZeroby40 target. Bottles made from rPET have a much lower carbon footprint than PET bottles made from virgin material, but high-quality food-grade rPET is both scarce and expensive.

To improve our supply of rPET we have introduced innovative technology on-site at our Krakow plant in Poland which allows us to process non-food grade 'hot washed' PET flakes, which are readily available, to produce high-quality food-grade rPET. This helps get around the need for highly segregated recycling, which is currently rare. To further increase the use of rPET in our portfolio, we will also introduce this process in Italy in 2022 and Romania in 2023.

Key performance indicators

Tracking our progress

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

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

1 Growth pillar

Leverage our unique 24/7 portfolio

2 Growth pillar

Win in the marketplace

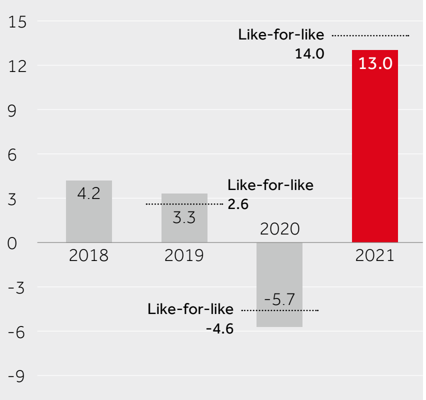
How we measure our progress
Volume is measured in unit cases, where one unit case represents 5.678 litres. We grow volume as we expand per capita consumption of our products and expand into new market or categories.

What happened in the year
Volume grew by 13%, or 14% on a like-for-like[1] basis. Volumes grew rapidly as our Established and Developing markets reopened and the Emerging markets benefited from strong recovery.

Link to remuneration
Revenue growth is used to assess business performance for the purpose of annual Management Incentive Plan (MIP) bonus awards, and volume is a key component of revenue.

See p123 for a full description of the MIP.

Volume growth (%)



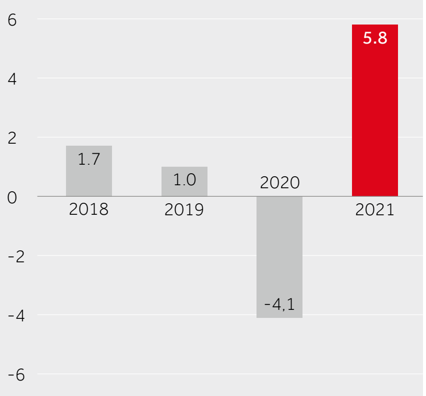
How we measure our progress
We measure revenues on a currency-neutral and like-for-like basis to allow better focus on the underlying performance of the business. We grow currency-neutral revenue per case through pricing and other RGM actions.

What happened in the year
Currency-neutral revenue per case grew by 5.8%, or by 3.9% excluding pricing taken to pass on the Polish sugar tax, as positive category mix and package mix as well as pricing actions drove improvement. Currency-neutral revenue grew by 19.6%, or by 20.6% on a like-for-like basis.

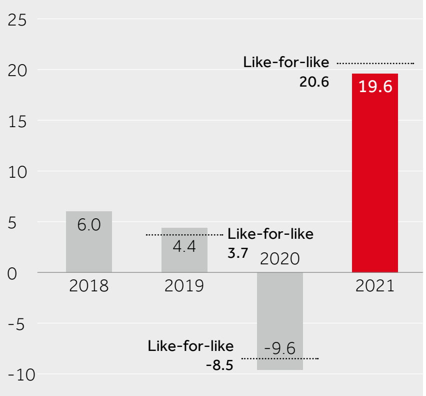
Link to remuneration
Revenue growth is used to assess business performance for the purpose of our MIP awards.

See p123 for a full description of the MIP.

Currency-neutral revenue per case growth (%)



Currency-neutral revenue growth (%)



1. Performance, unless stated otherwise, is negatively impacted by the change in classification of our Russian Juice business, Multon, from a joint operation to a joint venture, following its re-organisation in May 2020. Performance is also positively impacted by the acquisition of Bambi in June 2019, when compared to 2019. Unless stated otherwise, performance compared to 2019 is presented on a like-for-like basis.

3

Growth pillar

Fuel growth through competitiveness and investment

How we measure our progress

We measure this by comparable EBIT and comparable EBIT margin progress. We generate positive operational leverage as we grow revenues on our efficient cost base. Using a comparable measure allows us to adjust for one-off items which impact comparability of performance year on year.

What happened in the year

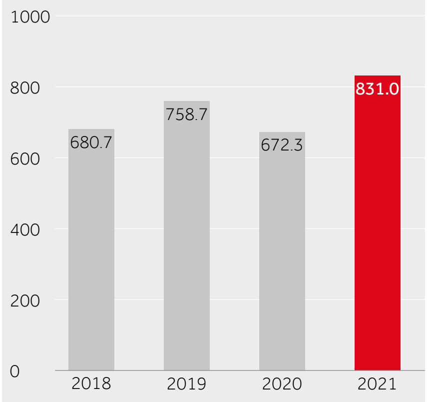
Comparable EBIT grew by 23.6%. Comparable EBIT margins grew by 60bps taking EBIT margins to 11.6% as revenue recovery generated operating leverage in the business. 30bps of the expansion was due to a property divestment in Cyprus.

Link to remuneration

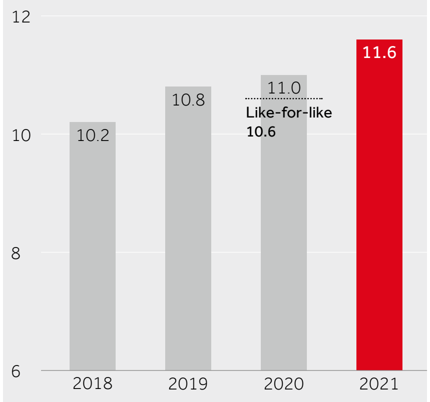
Comparable EBIT is used to assess business performance for the purpose of our MIP awards.

See p123 for a full description of the MIP.

Comparable EBIT (%)



Comparable EBIT margin (%)



How we measure our progress

We measure capital expenditure (CapEx) as a percentage of net sales revenue (NSR), and ROIC (return on invested capital), to ensure prudent capital allocation and efficient working capital management. Disciplined investment supports our growth.

What happened in the year

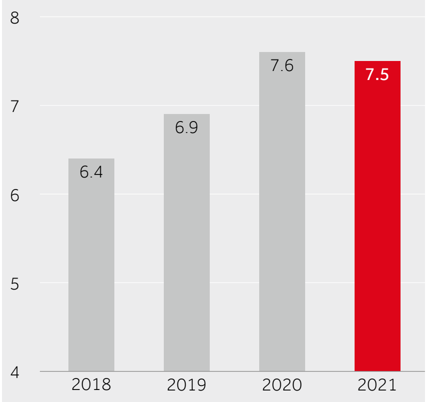
CapEx as a percentage of NSR reached 7.5%, within our targeted range for this metric. We prioritised investments based on our strategy, particularly focusing on growth markets, digital and sustainability. ROIC increased by 370bps to 14.8% as operating profit improved and we continued to carefully control net working capital. 40bps of the improvement was due to a property divestment in Cyprus.

Link to remuneration

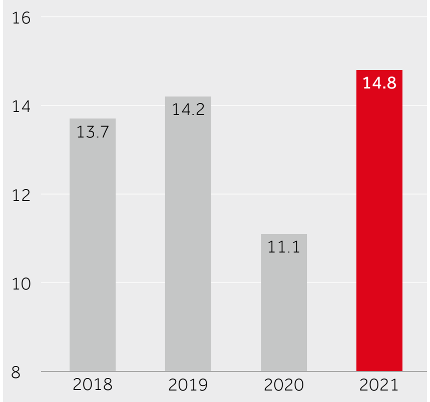
ROIC is given a 42.5% weighting in the assessment of performance conditions used to determine long-term Performance Share Plan (PSP) awards.

See p123 for a full description of the PSP.

CapEx as percentage of NSR (%)



ROIC (%)



4

Growth pillar

Cultivate the potential of our people

How we measure our progress

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

What happened in the year

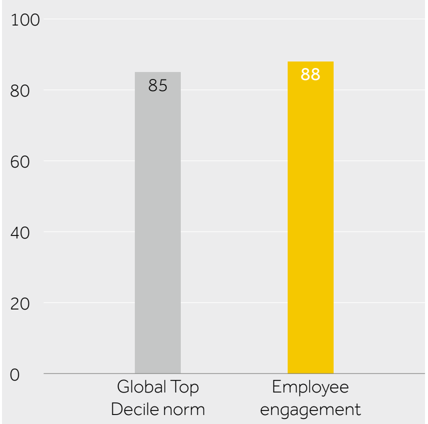
Our employee engagement is above the global top decile norm.

Link to remuneration

Maintaining our high engagement score is part of the CEO's individual performance metrics. These are used along with business performance measures to determine the CEO's annual MIP bonus award.

Read more on pages 39-43.

Employee engagement score (%)



5

Growth pillar

Earn our licence to operate

How we measure our progress

Progress on Mission 2025 as well as progress towards our NetZeroby40 ambition.

What happened in the year

We made progress against most areas of commitments; however, we need to accelerate our improvement in packaging. Please see details of our performance on the following page.

Link to remuneration

Our efforts and ambitions are long term and cumulative, therefore greenhouse gas reduction is used to determine long-term PSP awards. Greenhouse gas reductions have a 15% weighting in PSP determinations. The benefit of this KPI is that it is quantifiable, and several of our Mission 2025 commitments feed into its progress.

Read more on pages 54-55.

Sustainability targets

5 Earn our licence to operate

Mission 2025 – our sustainability commitments

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

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

The table provides data on the progress of each of the six sustainability pillars.

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

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

2025 commitments[1]		2021 performance	Status	
30%	reduction in carbon ratio in direct operations	36%	✓	Overachieved 2025 goal.
50%	increase in energy-efficient refrigerators to half of our coolers in the market	42%	✓	
50%	of our total energy from renewable and clean[2] sources	53%	✓	Overachieved 2025 goal.
100%	total electricity used in the EU and Switzerland from renewable and clean[2] sources	99%	✓	
20%	water reduction in plants located in water-risk areas (water priority locations)	8%	→	Further implementation of successful practices and innovations for those locations is planned.
100%	help secure water availability for all our communities in water-risk areas (water priority locations)	21%	→	Four projects out of 19 locations. Two more projects agreed and will start in 2022.
75%	help collect the equivalent of 75% of our primary packaging	46%	→	Action plan in place to deliver roadmap targets, see page 49.
35%	of total PET used from recycled PET and/or PET from renewable material	10%	→	While we had a number of 100% rPET launches, their impact was diluted due to strong growth in markets such as Nigeria which don't currently use rPET.
100%	of consumer packaging to be recyclable[3]	99.9%	✓	
100%	of our key agricultural ingredients sourced in line with sustainable agricultural principles	80%	→	Acceleration of 2021 volume required new suppliers to be added, who will be certified in the near future.
25%	reduce calories per 100ml of sparkling soft drinks (all CCH countries)[4]	15%	✓	
10%	community participants in first-time managers' development programmes	6%	✓	
1 MLN	train one million young people through #YouthEmpowered	548,835	✓	Cumulative number 2017-2021; 2021-only number is 210,422.
20	engage in 20 zero-waste partnerships (city and/or coast)	11[5]	✓	
10%	of employees take part in volunteering initiatives	7%	→	Due to continued COVID-19 restrictions, no mass volunteering events were possible.
ZERO	target zero fatalities among our workforce	ZERO	✓	
50%	reduced (lost time) accident rate per 100 FTE	38%	✓	The main causes for the accidents were falls, slips and trips.
50%	of managers are women	39%	✓	

Key to performance status

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

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

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

Managing risk and materiality

Material issues

To understand which issues matter most to our business, our stakeholders and the communities where we operate, we conduct a rigorous materiality assessment each year. As part of this process, we consider a broad range of issues including external trends in the food and beverage industry; issues identified in international standards and benchmarks; the UN Sustainable Development Goals; and input from stakeholders.

Our annual materiality assessment is carried out in four phases: 1) identify material issues; 2) assess impact on or importance to stakeholders; 3) assess impact on society and environment; and 4) review and validate findings. With this process we can manage the risks and opportunities material issues present and address the challenges we are facing.

In line with the Global Reporting Initiative (GRI) Standards, we define material issues as those having significant economic, environmental and social impacts or those which substantively influence the assessments and decisions of stakeholders.

Material issues are integrated in our strategy, our short-, medium-, and long-term goals, and are linked to management of our principal risks and opportunities.

This ensures that our approach to sustainability is focused on achieving the greatest impact and tackling the issues that matter most.

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

Our annual materiality survey, a key part of our materiality process, is performed together with The Coca-Cola Company. At the end of 2021 we approached around 1,860 external and internal stakeholders, including consumers, customers, suppliers, employees, communities, governments, non-governmental organisations, investors, trade associations and academics. The outcome of the survey is a ranking of material issues, plotted in the materiality matrix. By assessing the importance of these issues to our stakeholders and their decisions, combined with an assessment of the impact on society and the environment, we derive the relative materiality of each issue and prioritise them accordingly.

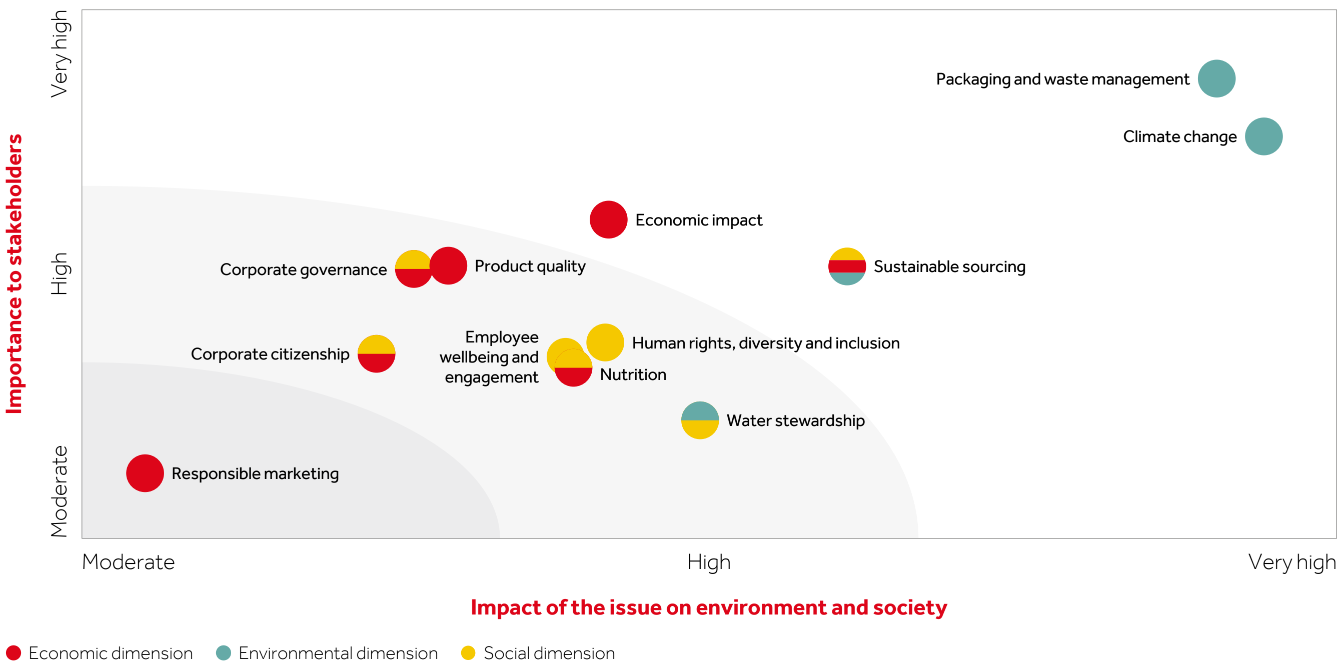
Although these are the material issues facing our business, they should not be viewed in isolation as they are interconnected and impacting each other. The Social Responsibility Committee of the Board subsequently endorses the prioritised list of issues, resulting in the materiality matrix below.

In our 2021 materiality survey, packaging and waste management was again assessed as the number one topic, for the fourth year in a row, followed by climate change (for the second consecutive year). For our stakeholders, the importance of sustainable sourcing and economic impact continue being very high, and the top five league is complemented by product quality.

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

We support the UN sustainability agenda and align our efforts with the UN Sustainable Development Goals (SDGs). Our Mission 2025 sustainability commitments, our short-, medium- and long-term ESG goals, and our material issues, are all linked to the UN SDGs and their underlying targets. You can find more about how our material issues and sustainability commitments link to the SDGs on pages 54-55 of this report and on our website.

2021 Materiality matrix



Recommendations from stakeholder forums inform our plans

Throughout 2021, we worked to implement recommendations from our 2020 stakeholder forum, which focused on climate action in the new normal. 2020 forum output was one of the drivers that inspired our bold NetZeroby40 commitment (please refer to the NetZeroby40 section of the report on page 46-48).

Due to the continuing impact of COVID-19, our 2021 stakeholder forum was yet again held online. While safeguarding everybody's health, it also allowed us to reduce our carbon footprint. Forum 21's theme was 'Winning ESG Partnerships: When One Plus One Exceeds Two', and the event placed special emphasis on sustainable packaging and climate action. Over 60 stakeholders from 24 countries attended to discuss better, stronger ESG partnerships. As in prior years, participants included our investors, customers, suppliers, NGOs, academia, policy makers, and other stakeholders.

The Forum sought to get input regarding several aspects of partnerships including:

- the key ingredients of successful partnerships;
- processes for creating shared value for partners or win-win situations; and
- ways to measure success.

The primary outcome of Forum 21 was recommended ingredients needed to create successful ESG partnerships. These include:

- shared vision, cultural alignment and passion;
- shared sustainability mindset, similar business models and strategies;
- successful thinking and long-term planning;
- a clearly defined picture of success and milestones; and
- flexibility and understanding between parties.

Stakeholders also had suggestions for creating impact through partnerships, such as advancing business and civil sector cooperation and bringing more disruptive, value-adding ideas with scalable, commercial potential. The consensus was that approaching objectives as a business case is linked with future success. Our stakeholders stressed the need to ensure goals for ESG partnerships are truly circular, with focus on impact and outcome, not just inputs and outputs. They also suggested that the Coca-Cola System continues sharing knowledge and resources and co-creating with partners.

Additional stakeholders suggestions included:

- driving improvements along the whole value chain, thus empowering local businesses, NGOs, customers and consumers;
- driving industry-level, collaborative business alliances;
- knowledge sharing and expert support for NGOs (e.g., training);
- working with local suppliers and motivating them to follow ESG standards to become a part of corporate supply chains; and
- partnering on empowering young women in STEM.

These outcomes and recommendations were subsequently discussed with the Social Responsibility Committee of the Board. They will also serve as a basis for creating a Partnership Model that will help us guide and design joint ESG initiatives. The Partnership Model will be shared with both our stakeholders and our markets in 2022.

At Forum 21, an ESG Partnership Award was presented to the Romanian packaging recovery organisation GreenPoint Management, a company we have partnered with for over three years. The award recognised GreenPoint Management's contribution to the development of infrastructure for separate waste collection and responsible waste management in Bucharest and other Romanian cities.

In 2022 we will continue expanding and strengthening partnerships in those areas prioritised as highly material.

Managing risk and materiality *continued*

Effective management of risk

Managing risk and uncertainty

In 2021, we continued to drive the principles of our SmartRisk programme through our business. SmartRisk, our approach to enterprise risk management (ERM), is designed to encourage managers to proactively identify and understand risks as early as possible and find ways of turning potential problems and incidents into opportunity – or at least reduce the impact if and when risks occur.

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

Risk and resilience in our business units and markets

Risk sponsors and risk and insurance coordinators in every business unit facilitate the continuous identification and assessment of operational and emerging risks on a country-by-country basis as set out in our ERM framework.

This assessment is discussed at senior leadership team meetings every month and risk registers, or lists of risks, are updated accordingly. All risk registers are visible to the Group's Business Resilience Team who review principal risks, emerging risks and key trends, providing benchmarking for risks across the business.

Twice a year the Business Resilience Team, led by the CRO, hosts a business resilience conference where all risk sponsors and risk and insurance coordinators are updated on key trends and emerging risks across the business. The CRO also facilitates a discussion with the regional management teams and General Managers twice each year in key markets to discuss risk and resilience issues and trends, and to benchmark risks across the business.

At least once every other year, business units participate in an incident management and crisis resolution (IMCR) validation exercise. This includes participation in a crisis simulation based on a relevant business risk.

Group management

The CRO also facilitates a discussion twice each year with Group Function Heads and their teams to review key operational, strategic and emerging risks across the business and identify best practices for mitigation plans to improve our risk and resilience response.

The outcome of these discussions and the reviews with the business units and region teams are reviewed by the Group's Risk and Compliance Committee. The Committee's comments are shared with the Executive Leadership Team and the Audit and Risk Committee of the Board.

The CRO presents an overview of key operational, strategic and emerging risks each quarter to both the Executive Leadership Team and the Board's Audit and Risk Committee. This quarterly overview includes risk mitigation approaches such as insurance coverage, and resilience programmes such as fraud prevention and crisis management.

The role of the Board

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

Our internal audit department conducts an annual independent review of the ERM programme and its implementation, assessing the Company's processes and their application against business best practices and International Accounting Standards. The Head of Corporate Audit makes recommendations to improve the overall risk management programme, where required, with the findings submitted to the Audit and Risk Committee of the Board. Building on this review, the Board and its Committees also conduct annual reviews of the effectiveness of our internal controls and further details of that review are set out in the Audit and Risk Committee Report on pages 108-109.

Principal risks in 2021

In 2021 the COVID-19 pandemic continued to have a significant impact on our business. While general market conditions improved as restrictions on hotels, restaurants and cafés lifted, we continued to see intermittent restrictions during the year as surges in COVID-19 cases continued and governments acted accordingly. Despite this volatility, our business remained agile, adjusting channel mix and customer support and service to ensure excellent business results.

The continued roll-out of vaccines across our territories and the lower severity of the now dominant Omicron variant reduced the health and safety risk to our people from the pandemic. However, we continued to see surges in case numbers across our markets. Despite numerous internal cases, we experienced no disruptions in our operations.

The final stages of 2021 saw tensions rise between Russia and Ukraine that led to conflict in early 2022. We focused on the health and safety of our people in all impacted countries. We also implemented several previously developed contingency plans to maintain business operations as border restrictions and sanctions were announced. On the 8th March 2022, The Coca-Cola Company (TCCC) announced that it is suspending its business in Russia. At the time of publication the Group is working closely with TCCC to implement this decision. In addition, economic sanctions imposed on Russia have had a significant impact on foreign exchange rates and the price of a number of commodities such as oil – which affects PET prices, and aluminum. Countersanctions imposed by Russia may have an impact on our Russian operations as well as other countries in our territory. We expect the geopolitical environment to remain volatile for some time.

Related at least in part to the COVID-19 pandemic, global commodities showed a great deal of volatility during the year putting pressure on our suppliers as well as our Company directly. The cost of most of the key commodities critical to our business increased during the year. Aluminium, for example, increased 40% as a result of supply chain constraints and lower production globally. In addition, shortages of some ingredients and supplies during the year threatened to impact our operations.

The number of cyber-attacks directed at companies continued to rise in 2021 with a significant increase in ransomware attacks.

Risk management in action:

Managing health and safety

We entered 2021 hoping to see a return to normal operations. However, the COVID-19 pandemic continued to affect global business conditions and posed continuing health and safety risks to our people.

To manage those health and safety risks as well as potential business disruptions, our Group Incident Management and Crisis Resolution Team continued to monitor case rates.

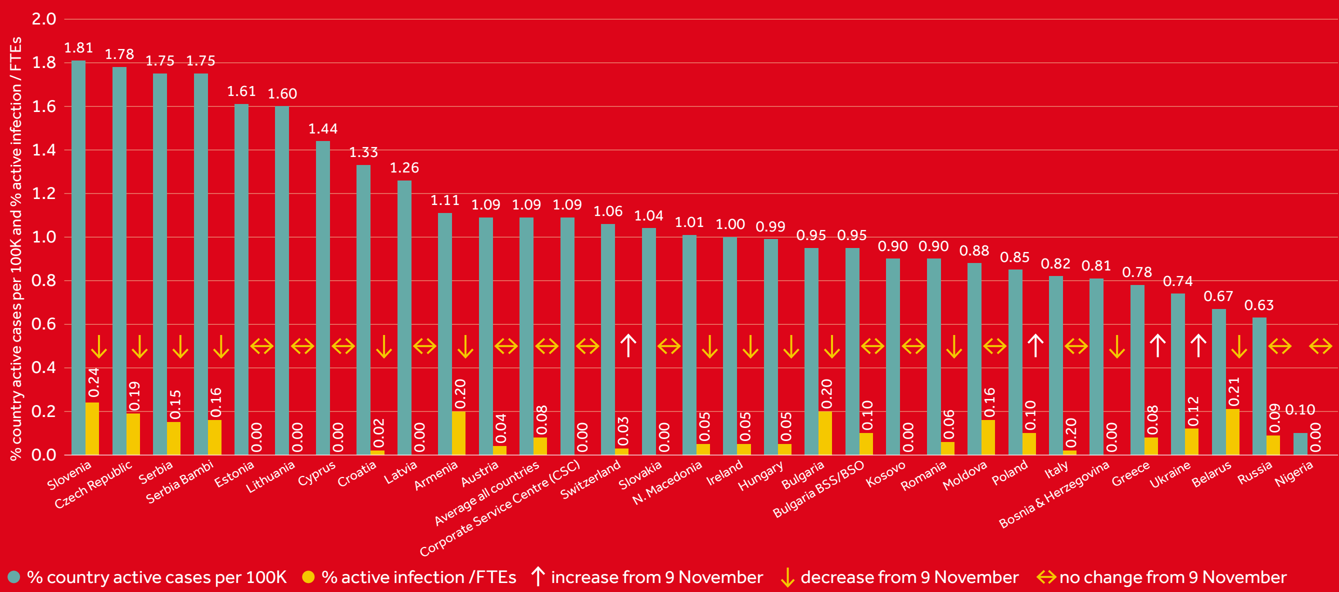
As depicted in the diagram below, we maintained weekly records of internal case rates against case rates in each market. We focused on controlling and reducing transmission within our workplace and ensuring our efforts to protect employees were effective.

We worked closely with The Coca-Cola Company to maintain additional safety protocols within our production facilities to protect staff and the integrity of our production.

Where consistent with legal requirements and government guidance, we actively encouraged employees to be vaccinated.

In Russia for example, governments mandated employees in certain industries, beverages being one, be fully vaccinated or risk closure of facilities. Through communication campaigns and facilitation of vaccination hubs, we met challenging government deadlines without disruption to our operations.

Country active cases per 100k vs Coca-Cola HBC active/FTEs (16 November 2021)



Resilient supply chain

2021 was a volatile year for securing supply of key ingredients, packaging and services at a reasonable cost, to maintain production and serve our customers.

Our treasury and procurement teams worked closely with our key suppliers to manage costs and supply by:

- contracting volumes of key ingredients and packaging materials;
- expanding our supplier base by introducing new/alternative suppliers;
- securing raw materials for our suppliers to provide them with security of supply; and
- hedging/fixing forward prices.

We expect 2022 will be another challenging year due to ongoing shortages and increasing costs of certain raw materials, supply chain disruptions and logistics challenges.

We will continue to partner with our new and existing suppliers to minimise costs and disruptions.

Managing risk and materiality *continued*

We moved to strengthen our cyber-security programme through improving identity protection, securing an increasingly remote workforce and reducing vulnerabilities by hardening our IT environment. In addition, we developed a cyber incident management and crisis resolution (IMCR) plan, fully integrating our cyber response with our well-established IMCR programme. The plan was tested using simulations at business unit, Group and Executive Leadership Team levels.

Many of our office-based employees continued to work from home in line with government guidelines and our processes for managing COVID-19 transmission risk. In 2021, the Company started to transition some offices to permanent flexible working arrangements enabling our employees, at their request, to continue to work from home for at least part of their working week. Several policies and procedures were implemented to ensure a safe working environment at home. As noted in the Emerging Risks section, we will continue to monitor the impact of these new working arrangements.

In 2021, we saw government initiatives aimed at introducing or increasing taxes in a number of areas relevant to our business. In Poland for example, the introduction of a broad-based beverage tax had a significant impact at a time when the business was already under pressure from input cost increases. Governments are increasingly turning to levying additional taxes to respond to economic conditions, including increased debt levels, as well as public concerns on matters such as the health impact of sugar and single-use plastics.

Sustainability remained top of mind for our business and our stakeholders in 2021, notably including our commitment to NetZero emissions by 2040.

We made significant progress on our quantitative assessment of climate change risks with the development of our 2021 water risk assessment (see page 71). Water is fundamental to our business and climate change will have a significant impact on the water sources that our local communities and our business rely upon. The water risk assessment better enables us to focus our investment and resources on water priority areas for our long-term management plans to assure supply and business continuity.

We continued to work to reduce and manage plastic packaging waste. We believe that, wherever possible, collection systems should be established at a national level. Where effective systems don't exist, we participate actively to support the set-up and implementation of new packaging collection schemes. However, delivering this sort of meaningful change takes time and our progress has been incremental.

A broader discussion on our climate-related risks, their link to materiality, and our risk management approach is provided as part of our statement on implementing the recommendations of the Task Force on Climate-related Financial Disclosures located on pages 66-67.

One of the fallouts of the COVID-19 pandemic was higher than normal resignation rates reported by many companies – often referred to as the 'Great Resignation'. We maintained good retention rates (85% in 2021 vs 89% in 2020) although we did see challenges in certain employee groups, primarily truck drivers and business developers in some countries.

Emerging risks

Employee health and engagement in new ways of working

One of the outcomes of the COVID-19 pandemic has been a rise in the number of our people working from home. As home working or hybrid arrangements are becoming more permanent, the Company has less direct control over the provision of safe and productive working conditions as we do in our office spaces. This increases the risk of occupational injuries impacting employee safety and our reputation as a caring, responsible employer; as well as increased costs of lost time and potential compensation claims.

In addition, the risk of our people feeling isolated and less engaged increases. This may impact their mental health and reduce the level of teamwork; and individual and group productivity which is critical to meeting one of our strategic Growth Pillars, see 'Cultivate the potential of our people' pages 40-42. It may decrease our attractiveness as an employer of choice and decrease our retention rates. It is critical that our line managers have the right skills to support our people to stay connected and engaged with the Company. We also need to utilize new technologies to support productive work, team building and engagement.

Risk management in action

Egypt in focus

In the second half of the year, the Company announced that it would acquire Coca-Cola Bottling Company of Egypt (CCBCE) and the acquisition was completed in January 2022

Although CCHBC has considerable experience in working in emerging markets, Egypt has a unique risk profile. We are working closely with the Egyptian team to better understand the risks and opportunities inherent in the business and to share best risk management practices. Coca-Cola HBC and CCBCE established a joint integration management team in late 2021 to ensure seamless transition of the Egyptian business into our ERM and IMCR programmes in 2022.

Political and security context

After a number of tumultuous years, the current Egyptian government has been very stable. The recent lifting of the state of emergency that had been in place since 2014 and a statement of support from the IMF on its macroeconomic reforms are indicators of a positive outlook.

Major infrastructure projects including the construction of rail networks, roads and bridges are also providing jobs and stability.

Our Egyptian business has a very robust security programme, led by an experienced management team that will continue to monitor the security environment and maintain effective mitigation programmes to protect our people and our key assets.

Competitive environment

As Egypt is one of the few countries in the world where Coca-Cola does not have leading market share, we expect our primary competitors to be concerned about the additional capability that Coca-Cola HBC will bring to support an already successful business. We expect them to respond strongly. We are very positive about the impact enhanced

We will continue to monitor the impact of new working arrangements through employee listening mechanisms, including regular employee surveys, as well as provide support through our employee assistance programme and Mental Wellbeing policy, guidance and other support materials.

Changing retail landscape

The Covid-19 pandemic has had both positive and negative impacts on retailers. We expect continuing changes as large retailers and buying groups grow and consolidate, increasing their pricing power. This can lead to increasing pricing pressure on our business which could reduce our profits.

Smaller retailers have continued to face challenging economic conditions and in some cases the removal of government subsidies in some countries may have further negative impact on them. Our business is significantly dependent on smaller retailers to deliver our products to consumers, particularly in emerging markets. If smaller retailers don't survive, we may lose part of an important channel for delivering our products to consumers which could reduce our revenue. It is important that we continue to assist smaller retailers by helping them build their capabilities and leveraging our growing e-Commerce expertise.

A significant part of changes in retail is the continuing growth of e-commerce. E-commerce provides exciting opportunities for our company to enhance our relationship with customers and consumers that can drive revenue growth. In 2021 for example, we more than quadrupled orders made on our online customer portal to over 8% of all transactions. Our e-Commerce sales grew by 87%.

As digital and e-commerce grows, competition from new entrants and existing industry competitors; or failing to invest sufficiently or implementing an effective digital commerce strategy could impact our revenue growth.

Sustainable sourcing

In the short to medium term, we expect increasing environmental, social and corporate governance (ESG) due diligence requirements across our supply chain, including new directives such as the EU Mandatory Due Diligence regime. While we have a good understanding of ESG performance in our larger suppliers, we may increasingly be held responsible for the actions or lack of compliance of suppliers deeper in our supply chain where we have less visibility. This increases the amount of management time spent in due diligence and can lead to reputation risks, and fines as well as additional costs in finding alternative suppliers.

Our relationships with suppliers are critical for us to meet our sustainability objectives as outlined in Growth pillar 'Earn our licence to operate' page 48 and 'Fuel growth through competitiveness and investment' on pages 35-36. To ensure that we are able to meet increasing stakeholder and regulatory expectations, we will continue to build our relationships with suppliers through initiatives such as our supplier sustainability forums as well as greater engagement to ensure more sustainable sourcing (e.g. training, joint initiatives, joint sustainable goal setting etc.)

In the longer term, many of our suppliers, particularly in key agricultural ingredients such as sugar and fruit juice, will be impacted by climate change. This could lead to increased costs due to increased scarcity or having to use alternative suppliers or ingredients. As part of our climate risk assessment process, we are conducting deeper assessments into the potential impact of climate change on our suppliers and the implications for our business. We will continue working with our suppliers to support them in setting and delivering science-based carbon reduction targets.

route-to-market and revenue growth management capabilities will have on our competitive position in the medium to longer term.

Economic conditions

Egypt has a relatively high inflation rate and also imports ingredients paid in US dollars. Exchange rate fluctuations and inflation may affect the profitability of the business. CCHBC has well developed capabilities to manage these uncertainties.

Sustainability

While the Coca-Cola business in Egypt has prioritised several key areas in its own sustainability strategy, such as packaging collection, community investment and water stewardship, there are other areas that will require focus and investment to bring them in line with our sustainability goals. CCHBC is committed to doing this as part of our long-term sustainability strategy.

Water

Egypt is almost entirely dependent on the River Nile as its source of water. Ethiopia's construction of the Great Renaissance Dam across the Blue Nile, which provides around 85% of the Nile's water, has led to tensions over water access. This is a key risk for Egypt. We remain optimistic that the countries impacted, primarily Egypt, Sudan and Ethiopia, will find a peaceful long-term solution that will allow Egypt to meet its water needs into the future.

Managing risk and materiality *continued*

Principal risks	Description	Potential impact
1. Plastics and packaging waste ↑ V 3 5	Concerns related to packaging waste and plastic pollution.	• Decreased credibility in public discussions • Long-term damage to our reputation and licence to operate • Increased cost of doing business, including discriminatory taxes • Loss of consumer base
2. Changing retail environment ↑ V 1 2 3	The risk of significant changes to consumer purchasing behaviour and customer requirements.	• Reduced availability of our portfolio and overall profitability
3. Commodity costs ↑ V 2	The risk of raw material pricing fluctuations, particularly resin, sugar, gasoil and aluminium.	• Increased input costs
4. Product-related taxes and regulatory changes ↑ V 1	The risk of governments imposing taxes and regulatory changes such as beverage taxes, sugar upper limits, sweetener restrictions, additional labelling requirements.	• Cost increases that cannot be passed on in price • Increased costs to meet additional regulatory requirements • Brand and reputation damage • Forced changes in the portfolio mix
5. Foreign exchange fluctuations ↑ V 3	The risk of foreign exchange volatility and rate fluctuations caused by uncertainty and complexity of macroeconomic environment and geopolitical developments, exacerbated by COVID-19.	• Financial loss • Increased cost base • Asset impairment • Limitations on cash repatriation
6. Cyber incidents ↑ 2 3	A cyber attack or data centre failure resulting in business disruption, or breach of corporate or personal data confidentiality.	• Financial loss • Operational disruption • Damage to corporate reputation • Non-compliance with data protection legislation (e.g. GDPR)
7. Geopolitical and security environment ↑ V 2 4	Volatile and challenging macroeconomic, security and geopolitical conditions. The risk of civil unrest and conflict with other countries.	• Safety of our people • Disruptions to our operations • Financial impact of economic and other sanctions
8. Managing our carbon footprint ↔ 3 5	The risks and opportunities associated with reducing carbon emissions along our value chain.	• Opportunity to reduce costs and enhance relationships with key stakeholders through increased use of renewable energy and new technologies • Reputation costs of not meeting our sustainability commitments • Costs associated with moving to low GHG emissions, low-emission coolers, vehicles • Future carbon taxes • Scarcity of resources impacting production

Principal risks trend

↑ Increasing
↔ Stable
↓ Decreasing

V Risk included in viability assessment

Link to growth pillars

1 2 3 4 5

Key mitigations	Link to material issues
• World Without Waste global vision • Mission 2025 packaging-related commitments • Partnerships with local communities, NGOs, start-ups and academia to manage packaging recovery and minimise environmental impacts	• Packaging and waste management • Sustainable sourcing
• Prioritisation of assortment per channel to drive higher margin packs • Enhanced marketing campaigns to capture growing occasions of socialising at home accelerated by COVID-19 restrictions • Refreshed and enhanced key account capabilities and tools to partner and grow profitable revenue with customers • Work closely with our out-of-home channel customers to drive transactions and support them selling online to more effectively manage the impact of COVID-19, or in their reopening as restrictions ease • Accelerate Right Execution Daily (RED) to support our commitment to operational excellence • Develop our digital and e-commerce capabilities to capture opportunities associated with existing and new distribution channels • Localised management plans in specific countries dependent on channel impact and risk and including variance in the impact of COVID-19 restrictions	• Economic impact
• Pricing volatility managed by Treasury/Procurement departments for hedgeable raw materials universe through hedging/fixing of forward prices • Protocols are in place under the Treasury and Procurement Policies endorsed by the Board • Reporting and visibility to the Financial Risk Management Committee and the Audit and Risk Committee • Recovery through pricing whilst maintaining growth, avoiding disruption and still being competitive	• Economic impact • Sustainable sourcing
• Focus on product innovation and expansion to a 24/7 beverage portfolio • Expand our range of low- and no-calorie beverages • Proactive approach to better understand concerns undertaken by Corporate Affairs and Sustainability in conjunction with our The Coca-Cola Company counterparts. • Country-specific response plans to address the specific localised nature of the risk. • Group strategy focusing on proactive and reactive advocacy with strategic plans, tax risk assessments, assets repository and targeted business unit support plans in place	• Corporate citizenship • Responsible marketing • Economic impact
• Treasury policy requires, where possible, the hedging of 25% to 80% of rolling 12-month forecasted transactional foreign currency exposure • Hedging beyond 12 months may occur in exceptional cases subject to approval of Group CFO • Derivative financial instruments are used, where available, to reduce net exposure to currency and commodity price fluctuations	• Economic impact
• Implement a NIST-aligned cyber security and privacy control framework and monitor compliance • Safeguard critical IT and operational assets • Enhanced ability to detect, respond and recover from cyber incidents and attacks • Foster a positive culture of cyber security • Monitor threat landscape and remediate associated vulnerabilities • Cyber-related crisis management (IMCR) exercise with Executive Leadership Team	• Economic impact
• Monitoring systems established with defined indicators to provide warning of escalation • Security risk assessments developed on a country-by-country basis to inform robust security plans • Business continuity programmes take into account risks associated with unrest and conflict and the impact of sanctions • Continued development and training in IMCR programme	• Employee wellbeing and engagement • Economic impact
• Approved science-based targets for 2030 and net zero commitment for 2040 • Energy management programmes and transition to renewable and clean energy • Engagement and partnering with local and international stakeholders • Focus on sustainable procurement • Areas of risk monitored by country risk teams and specific tactical plans in place across the operations. • Physical risk analysis including quantification and stress testing (consistent with TCFD requirements) and natural disaster plans in place across the operations • Review of Egyptian operations to understand impact on Group	• Climate change • Sustainable sourcing

Managing risk and materiality *continued*

Principal risks	Description	Potential impact
9. Water availability and usage Stable, V, 3, 5	The risks related to water availability, water stress and water quality in our areas of operation, exacerbated by the effects of climate change and excessive water consumption in a catchment area leading to unsustainable water availability.	• Lack of water for local communities which diminishes our licence to operate and damages our brand reputation • Insufficient water or increased costs to manufacture our products
10. Health and safety Stable, 4	The risk to the health and safety of our people as a result of occupational workplace accidents, incidents and illnesses (including COVID-19 management).	• Fatalities and/or serious injury and illness of employees, contractors, third parties and members of the public • Business continuity for people being absent from work due to infection or self-isolation due to COVID-19 • Mental wellbeing of our people
11. People retention Increasing, 4	Inability to attract, retain and engage sufficient numbers of qualified and experienced employees in highly competitive talent markets.	• Failure to achieve our growth plans
12. Suppliers and sustainable sourcing Increasing, 3, 5	Inability to secure supply of key ingredients, packaging and services at a reasonable cost because of supply-demand imbalances and/or crop yields.	• Production disruptions • Increased input costs
13. Ethics and compliance Stable, 5	The risk of fraud against the Company as well as risk of anti-bribery and corruption (ABAC) fines or sanctions if our employees, or the third parties we engage to deal with governments, fail to comply with ABAC requirements. The risk of inadvertent non-compliance with international sanctions in certain countries.	• Damage to our corporate reputation • Significant financial penalties • Management time diverted to resolving legal issues • Economic loss because of fraud and reputational damages, fines and penalties, in the event of non-compliance
14. Quality Stable, 2	The risk of serious product quality issues or contamination of our products.	• Illness to consumers • Reputation damage • Regulatory intervention • Adverse financial impact
15. Strategic stakeholder relationships Stable, 1	We rely on our strategic relationships and agreements with The Coca-Cola Company (including Costa Coffee), Monster Energy and our premium spirits partners.	• Termination of agreements or unfavourable renewal terms could adversely affect profitability

Principal risks trend

- Increasing
- Stable
- Decreasing

V Risk included in viability assessment

Link to growth pillars

1 2 3 4 5

Key mitigations	Link to material issues
• Identification and implementation of water stewardship programmes in water priority locations to mitigate shared water risks • Alliance for Water Stewardship certification for all plants • Source vulnerability assessment for all plants • Implement water usage reduction plans	• Water stewardship • Sustainable sourcing
• Deployment of Behaviour Based Safety (BBS) programmes • End-to-End (E2E) contractor management process • Health and Safety Board to continue • The Coca-Cola Company lifesaving rules in place and incorporated in CCHBC Baseline Assessment programme • COVID-19 pandemic protocols in place across the entire organisation and reviewed regularly • Business continuity plans updated and tested • Regular country and System lessons learned shared across the entire organisation • Increased focus on mental wellbeing in Employee Assistance Programme	• Employee wellbeing and engagement
• Upgrade our Employer Value Proposition and Employer Brand • Develop leaders and people for key positions internally, improve leaders' skills and commitment to talent development • Continuous employee listening to address culture and engage effectively • Promote an inclusive environment that allows all employees to achieve their full potential • Create shared value with the communities in which we work to ensure we are seen and considered as an ethical business with an attractive purpose • Expand talent pool by hiring more diverse workforce	• Employee wellbeing and engagement • Human rights, diversity and inclusion • Corporate citizenship
• Contracted volumes of key ingredients and packaging materials • Contracted prices when feasible • Ensure hedgeable contracts • Expand supplier base and introduce new/alternative suppliers • Secure raw materials for suppliers to provide security of supply	• Economic impact • Sustainable sourcing
• Annual 'Tone from the Top' messaging • Code of Business Conduct, ABAC and commercial compliance training and awareness campaigns for our entire workforce and training on international sanctions for our employees exposed to this risk • All third parties that we engage must comply with our Supplier Guiding Principles, which include ABAC and international sanctions compliance • All third parties that we engage to deal with governments on our behalf are subject to ABAC due diligence. Screening of third parties and transactions potentially exposed to international sanctions risk • Cross-functional joint task force in Nigeria that proactively addresses risks in our key operations • Risk-based internal control framework and assurance programme with local management accountability • Periodic risk-based internal audits of ABAC compliance programme • Speak Up! hotline	• Corporate governance
• Full implementation of CCHBC Quality and Food Safety prevention programmes • Quality and Food Safety management system certification. • Quality and Food Safety capabilities development programmes implementation as part of Maturity Matrix programme • Elevated supplier quality management • Continued development and training in IMCR programme	• Product quality
• Management focus on effective day-to-day interaction with our strategic partners • Working together as effective partners for growth • Engagement in joint projects and business planning with a focus on strategic issues • Participation in 'top-to-top' senior management forums	• Economic impact • Corporate governance

Managing climate change risk

Assessment and mitigation of climate-related risk is integrated into our enterprise risk management programme, which underpins our robust, risk-based approach to the physical and transitional risks associated with climate change.

We analyse our internal data and work with recognised specialist agencies, our insurance brokers and insurers to obtain regional analysis of climate science. This helps us make informed decisions and improves our understanding of the potential climate vulnerabilities in our operations and the communities in which we operate. This data and resulting analysis is shared across our business units, supporting climate resilience across our planning and operations.

At Coca-Cola HBC, we believe that the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are an important step in the establishment of a framework for reporting climate-related risks and their financial impacts. We support efforts to improve the quality and consistency of disclosures, having been a leader in the field with our first carbon reduction commitments in 2006 and an early adopter of science-based targets.

The Board continues to have oversight of climate-related risks and opportunities through the activities of the Social Responsibility Committee and the Audit and Risk Committee. The Coca-Cola System, including Coca-Cola HBC, has identified eight material risks relating to the physical and transitional impact of climate change on our business.

These are depicted in the diagram on page 70.

The eight risks are linked to Principal risks ''Plastics and packaging waste' and 'Managing our carbon footprint' see page 62; and 'Water availability and usage' and 'Suppliers and sustainable sourcing' page 64.

Water scarcity is classified as a physical risk while the potential impact of changing water regulations is classified as a transitional risk.

Access to good-quality water, a key ingredient in our products, is critical for the sustainability of our business as well as for the communities where we operate.

In 2021, we enhanced our understanding of climate-related risks by conducting a comprehensive quantitative assessment of water risk (see Managing water risk across our territory on page 71). We will continue to refine our water risk assessment annually. In 2022, we will also build on our experience in quantitative climate risk assessments by adding an assessment of risks associated with carbon emissions.

Our response to climate change transcends all areas of our strategy and operations and, as a result, our TCFD disclosures can be found throughout this report. The table on page 67 explains where our disclosures on climate change can be found in this report and how the information aligns to the TCFD recommendations.

For additional information on our climate-related disclosures, CCHBC makes an extensive, annual submission to the global environmental disclosure organisation,CDP. Our 2021 submission is publicly available at: 2021 CDP Climate response

Due to the size of this disclosure document, we do not include the full submission here.

Governance of climate-related risks and opportunities

To ensure that climate-related risks and opportunities are given the highest level of oversight and are embedded into the strategy and mission of our Company, our assessment and management of the potential impact of climate change is supervised by Board's Social Responsibility Committee (SRC).

The SRC is responsible for establishing the principles governing environment, climate impact and water security management; and for ensuring effective processes and systems are in place to implement our sustainability strategy. The SRC regularly reviews the Group's performance in achieving environment, climate, water and socially relevant goals and ensures that sustainability and climate objectives are fully integrated into the Group's business strategy.

The Chief Corporate Affairs and Sustainability Officer provides regular updates to the SRC on the Group's progress.

The assessment and management of climate-related risks and opportunities are integrated into the Group's enterprise risk management process, see page 58. The Board's Audit and Risk Committee oversees all business risks, including environmental and climate risks.

The Chief Risk Officer provides the Executive Leadership Team (ELT) and the Audit and Risk Committee with quarterly updates of these risks.

At management level, climate-related matters are supervised by the ELT which includes the Chief Corporate Affairs and Sustainability Officer. Led by the Chief Executive Officer, the ELT has responsibility for reviewing the assessment of the impact of climate-related risks and opportunities, the development of long-term strategies to manage the impact of climate change, the setting of annual targets and the approval of annual business plans which form the basis of the Company performance management. The ELT meets on a monthly basis and reviews the performance of the Company, including progress against the Group's strategic pillars, in which climate-related issues and their impact are embedded, as well as, progress against the Group's climate goals and targets.

We have also established a cross-functional working group with experts from different functions (Risk, Procurement, Finance, Environment, Supply Chain, Engineering, Sustainability) who have been studying different climate scenarios and assessing qualitatively and quantitatively the risks and opportunities inherent in those scenarios. A related cross-functional group has been working to develop our science-based carbon reduction targets and our NetZeroby40 goal and plans. They meet regularly (at least monthly) and present their work to the ELT.

Strategy and risk management

Climate-related risks and opportunities are assessed as part of our well-established enterprise risk management programme and our approach to managing our principal risks is holistic and integrated. The impact of climate change and emissions are linked to our water stewardship, sustainable sourcing and packaging waste agendas. In our Mission 2025 sustainability commitments, climate change and emissions reduction, water stewardship and water use reduction, ingredient sourcing, and packaging waste, together contribute to four of our total six sustainability pillars.

We consider all risks, including climate-related risks, over a range of timeframes and these are integrated into our business planning processes. Short-term risks (1-2 years) are linked with Company business planning yearly cycles; mid-term risks (3-5 years) are linked with our strategic planning process; and long-term risks (6-10 years) are linked with our long-term planning process.

As part of our ERM programme, our risk assessments include an assessment of the likelihood of the risk eventuating and the impact of a variety of factors including health and safety, financial impact, damage to reputation and brands, business interruption, and management effort.

Details of our analysis of climate-related risks and opportunities on the Group's business, strategy and financial planning in the whole value chain and identified eight risks are disclosed on the next pages.

Incentives for meeting our Mission 2025 sustainability goals are part of the compensation for members of the ELT. Targets related to energy usage, emissions reduction, water usage, sourcing and packaging are linked to annual bonuses for appropriate employees. We have introduced carbon reduction in the whole value chain as part of the long-term incentive plan (LTIP) for managers eligible for that plan.

Location of TCFD aligned disclosures

Governance: Disclose the Company's governance around climate-related risks and opportunities		Compliance status
a) Describe the Board's oversight of climate-related risks and opportunities	Social Responsibility Committee, pages 116-117	a) Fully consistent
b) Describe management's role in identifying, assessing and managing climate-related risks and opportunities	Audit and Risk Committee, pages 108-111 Risk and materiality, pages 56-65; Managing climate change risk, pages 66, 68-70	b) Fully consistent
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the Company's business, strategy and financial planning where material		
a) Describe the climate-related risks and opportunities that the organisation has identified over the short, medium and long term	Material issues, pages 56-57; Principal risks, pages 62-65 2021 CDP Climate response, pages 14-21	a) Fully consistent
b) Describe the impact of climate-related risk and opportunity on the Company's business, strategy and financial planning	Principal risks, pages 62-65 Earn our licence to operate, pages 44-51 2021 CDP Climate response, pages 21-37, 40-44	b) Work in progress – qualitative impact has been completed for the whole value chain; however, more work will be done on understanding the quantitative impact on business strategy and financial planning. We expect this work to be completed by end 2022.
c) Describe the resilience of the organisation's strategy considering different climate-related scenarios, including a 2-degree or lower scenario	Managing climate change risk, pages 66, 68-70 2021 CDP Climate response, pages 38-44 Managing water risk across our territory, page 71	c) Work in progress – work has been done with two scenarios related to physical and transitional risks associated with the impact on water availability and costs. More work will be done on the impact of other elements of climate change. We expect this work to be completed by end 2022.
Risk management: Disclose how the Company identifies, assesses and manages climate-related risks and opportunities		
a) Describe the Company's process for identifying and assessing climate-related risks and opportunities	Risk and materiality, pages 56-65	a) Fully consistent
b) Describe the Company's process for managing climate-related risks and opportunities	Principal risks, pages 62-65 Key performance indicators, pages 47, 50, 54-55 2021 CDP Climate response, pages 13-21 Managing climate change risk, pages 66-71	b) Fully consistent
c) Describe how these processes are integrated into the overall risk management programme	Risk and materiality, pages 56-65	c) Fully consistent
Metrics and targets: Disclose the metrics and targets used to assess and manage climate-related risks and opportunities		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	NetZeroby40 target across the whole value chain, page 46 Charts on page 47 with all Scopes	a) Work in progress. We have well-defined metrics on the impact of climate change on water and transition risk of carbon price, but other elements are largely qualitative at this stage. We expect this work to be completed by end 2022.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Mission 2025 commitments reated to the following pillars: climate and renewable energy, water reduction and stewardship and Word Without Waste on pages 54-55	b) Fully consistent
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	2021 GRI Content Index, Environmental table, pages 38-40	c) Fully consistent. Our Mission 2025 commitments, approved science-based targets and NetZeroby40 commitment provide clear targets.

Managing risk and materiality *continued*

Physical risks

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

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

1. Disruption to manufacturing from extreme weather

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

We assess the risk of business interruption from a range of causes as part of our strategic and operational risk reviews. We currently mitigate the financial costs of extreme weather events through our property damage insurance programme. This includes annual surveys of our facilities by external risk engineers. We have also established a robust business continuity programme to prevent and minimise losses. During the year, we carried out additional assessments of plants and warehouses at risk due to extreme weather. While there has been an increase in the number of extreme weather events that have been attributed to climate change, we have not identified a direct impact on our manufacturing at this stage and consider this a longer term risk.

We recognise that much of the data we currently use in our assessments is based on historical information. In 2022, we will include projected data using at least two different climate scenarios to enhance our understanding of the potential impact on our manufacturing.

2. Disruption to distribution caused by extreme weather

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

We assess the risk of business interruption from a range of causes as part of our strategic and operational risk reviews. We currently mitigate the financial costs through our insurance programme as well as use of third-party logistics providers. We have also established a robust business continuity programme that includes management of extreme weather to protect our people and to minimise losses.

While we have seen an increase in the number of extreme events such as storms and bushfires that have been attributed to climate change, we have not identified a direct impact on our distribution systems at this stage but we do expect this risk to increase over the longer term.

In 2022, we will include projected data using at least two different climate scenarios to enhance our understanding of the potential impact on our distribution system.

3. Reduced ability to produce as result of water scarcity

Access to water is fundamental to our business and to the communities we operate in.

We have assessed the impact that climate change may have on the cost and availability of water both for our needs and the needs of the local communities that we operate within as part of our assessment of Principal risk 'Water availability and usage',

A number of our plants are located in areas that are or will be facing water challenges. These plants are referred to as 'water priority' plants.

During the year, we conducted an extensive quantitative assessment of the impact of two different climate scenarios on the availability and cost of water by 2030 and 2040. This assessment is outlined on page 71.

As noted in this assessment, we do expect climate change to have an impact on our business over the longer term.

4. Impact on the cost and availability of ingredients

We continue to assess the impact of climate change on the availability, quality and price of key ingredients as part of our assessment of Principal risk 'Suppliers and sustainable sourcing'.

This impact is due primarily to predicted changes to weather and precipitation patterns. While we are currently seeing changes in weather patterns that have been attributed to climate change, and expect those changes to continue, we have not identified a direct impact on our business at this stage. We therefore consider this a longer term risk.

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

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

Transition risks

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

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

5. Increased costs across our value chain from GHG regulations

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

During the year, we assessed the impact of changing GHG regulations as part of our assessment of Principal risk 'Managing our carbon footprint'. We assessed the operational costs of carbon taxes on direct emissions and capital expenditures needed to reduce our carbon emissions based on a 1.5°C warming scenario. In December 2020, we received an approval of our carbon reduction targets by the Science Based Targets initiative and we are committed to reducing our Scope 1 and 2 emissions by 55% by 2030 vs 2017 and our Scope 3 emissions by 21% for the same period.

In 2022, we will extend our quantitative analysis of the impact of climate change to include the financial impact of managing our carbon footprint.

6. Increased cost of packaging

Our business uses various types of packaging materials and delivery methods with different carbon footprints. Regulations designed to decrease the use of packaging materials that contribute to GHG emissions could increase our costs. We are already starting to see governments considering additional taxes on single use plastics. This risk is therefore considered a short to medium term risk.

We include an assessment of the risk of increased cost of packaging resulting from climate change as part of our assessment of Principal risk 'Plastics and packaging waste'.

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

7. Increased costs and disruptions due to water regulations

As noted in Physical risk #3, water is fundamental to our business. We continually assess the impact of changes to the cost of water or placement of restrictions on the availability of water as part of the assessment of Principal risk 'Water availability and usage'. These changes may impact our ability to produce or increase the cost of production over the medium to longer term.

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

In 2021, we conducted an extensive quantitative assessment of the impact of two different climate scenarios on the availability and cost of water across our business by 2030 and 2040. Shorter-term transitional costs were considered as part of that assessment. For further information on our water risk assessment, see page 71.

8. Damage to the reputation of the beverage sector

We are reliant on the brand value and positive reputation of Coca-Cola. Consumer perceptions of the beverage sector as a contributor to climate change may impact the reputation of our business and brands and ultimately demand for our products.

In addition, being seen as part of the problem leads to the targeting of the beverage sector for new and/or increasing climate-related taxes. We constantly monitor the likelihood and impact of these changes as part of our assessment of Principal risk 'Product-related taxes and regulatory changes'. As some of our countries have introduced or are actively considering introducing additional taxes, we consider this to be a short-term risk.

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

Managing risk and materiality *continued*

The impact of climate change risk

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

For more details on these eight risks, please see previous pages 68 and 69, where the colour codes of the risks reflect the diagram below.

Cause	Risk	Agriculture and ingredients	Packaging	Manufacturing	Distribution	Cold drink equipment	Customers and communities
		Estimated share of carbon emissions					
		25%	31%	11%	6%	27%	
		Business impacts: Physical risks of climate change					
Changes to weather and precipitation patterns	Limits availability of ingredients and raw materials						
Extreme weather events	Disrupts production						
	Disrupts/limits distribution						
Water scarcity	Disrupts/limits production						
		Business impacts: Risks of transition to a low-carbon economy					
GHG regulation	Increases cost of packaging materials		CO_2				
	Increases cost of manufacturing, distribution and cold drink equipment			CO_2	CO_2	CO_2	
Changes to consumer perceptions	Reputational risk						
Water regulation	Disrupts/limits production						

Managing water risk across our territory

In 2021, we conducted a detailed assessment of the impact of climate change on the availability and cost of water across all of our markets under different climate scenarios.

We recognise that we have a responsibility over and above meeting our production needs. Access to clean water is a fundamental human right and we are committed to ensuring water security for local communities as well as our business in areas of water stress.

Climate change is expected to increase the level of water stress in a number of our countries, making water scarcer and more valuable in those countries. This means that our costs will increase, both to meet the needs of our business but also to ensure we can replenish the watersheds in those countries to support local communities.

In our 2021 water risk assessment, we focussed on our production facilities to determine which plants are more likely to be affected by climate change, the extent to which they may be affected and the financial impact of ensuring sustainable supply for both our production and the local community. In future years, we will gradually broaden the scope of our assessment to also consider water risks associated with our supply chain.

To conduct the 2021 assessment, we estimated annual production volumes up to 2030 and 2040 for each plant, based on long-range planning estimates. We then determined the water utilisation rates for each plant for normal and peak production as well as the capacity of our water sources without considering the impact of climate change. This allowed us to create a baseline model.

We then used data available from the World Resources Institute's (WRI) Aqueduct Water Risk Atlas to identify the impact of climate change on the watersheds supporting each plant using both an optimistic and a pessimistic scenario for climate change impact. In this assessment, the impact of climate change is the difference between water utilisation rates in our baseline and the WRI scenarios.

The additional increase in water utilization rates, converted into water volume, was multiplied by the 'true cost of water'[1] to provide an estimate of the financial impact of both increased production demand and climate change. For plants in water-stressed areas – our water priority plants – the cost of replenishing the watershed based on water withdrawal was added.

We estimated the additional operating expense required for each plant to meet additional water needs, as well as one-off CapEx requirements where appropriate to support our risk mitigation programme.

In general terms, our assessment indicated that climate change is not likely to increase the number of plants assessed as water priority plants in our existing territory, although it is expected to increase the level of water stress in those areas. Climate change is unlikely to impact the useful economic life of any of our plants; however we will need to invest in additional water infrastructure to meet our needs as well as maintain our commitments to replenish the local watershed in water priority areas.

Optimistic climate scenario

The optimistic scenario we used for assessment purposes represents a world with stable economic growth and global and national institutions making slow but steady progress towards achieving development goals. Globally, carbon emissions start declining by 2040 and temperature increases are limited to between 1.1 and 2.6 degrees (RCP4.5).

Under this scenario, our operations in Armenia, Bulgaria, Greece, Cyprus, Russia, Italy and Nigeria would be located in water-risk areas.

By 2030, average baseline water stress is expected to increase by 30%. To meet our production needs as well as replenish the local watersheds in our water priority areas, we estimate our annual water costs will increase by 40% over and above our baseline costs, and additional one-off CapEx costs in the lead-up to 2030 of €42million will be required.

By 2040 under this scenario, average baseline water stress is expected to increase by 47%. To address these risks, we estimate our annual water costs will increase by 42% over and above our baseline cost and additional one-off CapEx costs in the lead-up to 2040 of €79million will be required.

Pessimistic climate scenario

The pessimistic scenario used in our analysis represents a world with uneven economic development, including higher population growth but lower GDP growth. Globally, carbon emissions continue to rise and average temperature rises between 2.6 and 4.8 degrees (RCP8.5).

As with the optimistic scenario, our facilities in Armenia, Bulgaria, Greece, Cyprus, Russia, Italy and Nigeria would be located in water-risk areas under the pessimistic scenario.

By 2030, average baseline water stress is expected to increase by 27%. We estimate our annual water costs to meet our production needs as well as replenish the local watersheds in our water priority areas will increase by 45% over and above our baseline costs. Additional one-off CapEx costs in the lead-up to 2030 of €30million will be required.

By 2040, average baseline water stress is expected to increase by 46%. We estimate our annual water costs to meet our production needs as well as replenish the local watersheds in our water priority areas will increase by 41% over and above our baseline costs and additional one-off CapEx costs in the lead-up to 2040 of €78million will be required.

Note: The 'pessimistic' scenario has less impact on our business than the 'optimistic' scenario in a number of areas. This is because under the pessimistic scenario used in the Aqueduct modelling, there is less urban growth. As the majority of our plants are located in or near large urban areas, there is less stress on the local watersheds.

Mitigating water risk

Efforts to address the risks identified in this analysis could include watershed protection and restoration, rainwater harvesting, and infrastructure improvements to provide communities with greater access to water for drinking and sanitation. We will continue to implement water usage reduction plans and obtain certification for our plants under the Alliance for Water Stewardship programme.

1. The 'true cost of water' is a Coca-Cola system multiplier that is used to calculate both the internal costs of water but also a number of external factors such as potential for increased taxes and levies.

For more information on our efforts to address water challenges, see page 50.

Viability statement

Business model and prospects

Our business model and strategy, outlined on pages 6-9 of this report, documents the key factors that underpin the evaluation of our prospects. These factors include our:

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

As for many companies, the COVID-19 pandemic continued to present a challenging environment for the Group. Despite significant changes to how consumers purchase and consume our products and the impact on our customers, our strong cash position and ability to innovate has shown the Group's business to be robust. In 2021 we experienced a gradual recovery from the COVID-19 pandemic as restrictions on key channels lifted. There continues to be uncertainty associated with the risk of new variants and the ability of governments to manage the economic recovery.

In the latter stages of 2021, tensions increased between the governments of Russia and Ukraine, which led to military conflict in early 2022. Economic sanctions were imposed on Russia by the US, UK and EU as well as many other countries, and counter sanctions by the Russian government in retaliation. On the 8th March 2022, The Coca-Cola Company (TCCC) announced that it is suspending its business in Russia. At the time of publication the Group is working closely with TCCC to implement this decision.

In addition, economic sanctions imposed on Russia have had a significant impact on foreign exchange rates for the Rouble and the price of a number of commodities such as oil – which affects PET prices, and aluminum. Countersanctions imposed by Russia may have an impact on our Russian operations as well as other countries in our territory. Although there remains a lot of uncertainty around how and when this conflict may be resolved, we have considered as best we can, the potential impact in our financial projections in a number of the scenarios.

The Board considers that there will be changes to our markets over the longer term but continues to believe that our diverse geographic footprint, including exposure to emerging markets that have low per capita consumption and therefore greater opportunity for growth, and a proven strategy in combination with our leading market position, offer significant opportunities for future growth.

Our Board has historically applied and continues to apply a prudent approach to the Group's decisions relating to major projects and investments. From 2017 to 2021, we generated free cash flow of €467 million per year on average.

Key assumptions of the business plan and related viability period

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

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

- key macroeconomic data that could impact our consumers' disposable income and consequently our sales volume and revenues;
- various scenarios relating to the ability of governments in some key markets to manage economic recovery from the impact of COVID-19 pandemic;
- key raw material costs, including the impact of climate change on the availability and cost of water under two different climate scenarios (see also page 71 for more information on our quantitative assessment of the impact of climate change on water availability and cost. In addition to 2030 and 2040, we also included interim calculations to 2026 for the purpose of our viability assessment); and the impact of the Russia/Ukraine conflict on commodity costs;

- loss of sales volume and revenues as a result of TCCC's suspension of its operations for a period of time in Russia;
- foreign currency rates; including the impact of extended economic sanctions against Russia and the impact on foreign exchange rates as a result of the Russia/ Ukraine conflict;
- spending for production overhead and operating expenses;
- working capital levels; and
- capital expenditure.

The Board has assessed that a viability period of five years remains the most appropriate. This is due to its alignment with the Group's strategic business planning cycle, consistency with the evaluated potential impacts of our principal risks as disclosed on pages 62-65 and our impairment review process, where goodwill and indefinite-lived intangible assets are tested based on our five-year forecasts.

Assessment of viability

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

The acquisition and integration of Coca-Cola Bottling Company of Egypt ('CCBCE') will occur during the period covered by the viability statement. Considering the due diligence and operational review process performed as well as the acquisition business case, no risks to the Group's viability over the five-year period of this assessment have been identified as a result of the acquisition.

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

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

As part of our assessment, we considered the continuing impact of the COVID-19 pandemic to the business and found this to be limited, considering the strong performance throughout the development of the pandemic across our territories and the re-opening of global economies along with the progress of vaccination programmes. However, we also considered the potential effect of further economic disruption due to market specifics and the impact from emergence of COVID-19 variants, along with the Group's proposed responses. We also considered to the extent possible, the potential impact of TCCC's decision to suspend its operations in Russia for a period of time, as well as sanctions and counter sanctions as a result of the Russia/ Ukraine conflict.

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

Scenario 1: The impact of changes to foreign exchange rates was considered, particularly the depreciation of foreign currencies including the Russian Rouble, also considering effects from the Russia/ Ukraine conflict, and Nigerian Naira. Principal risks: foreign exchange fluctuations, commodity costs and geopolitical and security environment.

Scenario 2: Lower estimates for sales volumes for various reasons including the ability of a range of stakeholders, including governments, in several of our key markets to manage economic recovery from COVID-19 pandemic, and the potential impact of the Russia/Ukraine conflict. Principal risk: Geopolitical and security environment.

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

Scenario 4: Continued stakeholder focus on issues relating to sugar and packaging resulting in the potential for discriminatory taxation. Principal risks: Plastics and packaging waste and Product-related taxes and regulatory changes.

Scenario 5: The impact of higher raw material costs, was also considered. Principal risks: Foreign exchange fluctuations and Commodity costs.

Scenario 6: The impact of higher operational costs of water, as a result of the effects of climate change under two different climate scenarios, as well as the capital expenditure required to meet our water needs as well as the needs of local communities in water stressed areas. Principal risk: Water availability and usage.

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

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

Viability Statement

Based on our assessment of the Group's prospects, business model and viability as outlined above, the Directors can confirm that they have a reasonable expectation that the Group will be able to continue operating and meet its liabilities as they fall due over the five-year period ending 31 December 2026.

Financial review

Strong execution drives growth momentum

"The business delivered a very strong recovery in 2021, with all key metrics above pre-pandemic levels."

Strong recovery and momentum

The business delivered a very strong recovery in 2021, with all key metrics above pre-pandemic levels. This is the result of consistent focus on our strategic priorities and disciplined execution in a volatile environment.

Performance highlights included:

- FX-neutral revenue growth of 20.6% like-for-like[1]. Reported revenues +16.9%
- Volume growth of 14.0% like-for-like, or 13.0% on a reported basis, propelled by the Emerging and Established segments
- Revenue growth management initiatives, led by pricing drove FX-neutral revenue per case up to 5.8%
- Comparable EBIT grew by 23.6% with margins +60bps to 11.6%. Reported EBIT grew by 21.0%
- Operating costs as a percent of revenue improved by 2.2pp, driven by operating leverage, cost saves higher than plan; 30 bps benefit from the Cyprus property sale
- This improvement in EBIT and EBIT margins was achieved while increasing marketing expenditure by 63%, almost back to pre-pandemic levels
- Consistent investment behind our strategic priorities is building growth momentum. We expanded the roll out of Costa Coffee and launched Caffè Vergnano in Q4. We announced our geographical expansion into Egypt with the acquisition of Coca-Cola Bottling Company of Egypt, which closed in January 2022. And we announced our commitment to net zero emissions by 2040
- Strong earnings growth, record high free cash flow and increased dividend pay-out target range to 40-50%
- The balance sheet remains robust and flexible.

1. Performance, unless stated otherwise, is negatively impacted by the change in classification of our Russian Juice business, Multon, from a joint operation to a joint venture, following its re-organisation in May 2020. Performance is also positively impacted by the acquisition of Bambi in June 2019, when compared to 2019. Unless stated otherwise, performance compared to 2019 is presented on a like-for-like basis.
2. For details on APMs refer to 'Alternative Performance Measures' and 'Definitions and reconciliations of APMs' sections.
3. Refer to the condensed consolidated income statement.
4. Net Profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent.

Income statement

Category growth and ongoing market share gains drove full year volume up 14.0% on a like-for-like basis, while reported volume was up 13.0%, still impacted by the reorganisation in the structure of our Russian Juice business (Multon).

FX-neutral revenue per case expanded by 5.8%, or 3.9% excluding pricing taken to pass on the Polish sugar tax. The strength of our brand portfolio was evident, with price taken in 95% of our markets, while market share expanded.

Category mix improved as we drove the Sparkling and Energy categories. Package mix was also accretive thanks to single-serve incidence in the at-home channel, and the reopening of out-of-home. The rapid Emerging segment volume growth resulted in negative country mix at consolidated Group level.

2021 FX-neutral revenue increased by 20.6% on a like-for-like basis.

Prioritisation of the growth opportunities across our 24/7 portfolio continues to drive performance and has created a stronger and more resilient mix of categories. We accelerated market share gains in non-alcoholic ready-to-drink beverages (NARTD) adding 90bps in value share in 2021, while also improving or maintaining our Sparkling share position in the majority of markets.

Reported revenues increased by 16.9%, which also reflects the negative impact of the change in accounting treatment of our Russian juice business (Multon) and the weakening of the Russian Rouble versus the Euro.

Comparable gross profit grew by 11.7% while gross profit margins declined by 170 basis points to 36.2%. We saw headwinds from input cost inflation across all our key commodities of sugar, aluminium and PET resin in the second half of the year in particular.

Key financial information

	2021	2020	% change
Volume (million unit cases)	**2,412.7**	2,135.6	13.0
Net sales revenue (€ million)	**7,168.4**	6,131.8	16.9
Net sales revenue per unit case (€)	**2.97**	2.87	3.5
Currency-neutral net sales revenue[2] (€ million)	**7,168.4**	5.994.9	19.6
Currency-neutral net sales revenue per unit case[2] (€)	**2.97**	2.81	5.8
Operating profit (EBIT)[3] (€ million)	**799.3**	660.7	21.0
Comparable EBIT[2] (€ million)	**831.0**	672.3	23.6
EBIT margin (%)	**11.2**	10.8	40bps
Comparable EBIT margin[2] (%)	**11.6**	11.0	60bps
Net profit (€ million)	**547.2**	414.9	31.9
Comparable net profit[2,4] (€ million)	**578.1**	431.4	34.0
Comparable basic earnings per share[2,4] (€)	**1.584**	1.185	33.7

Percentage changes are calculated on precise numbers.

Balance sheet

	2021 € million	2020 € million
Assets		
Total non-current assets	**5,357.4**	5,046.0
Total current assets	**3,156.9**	2,527.1
Total assets	**8,514.3**	7,573.1
Liabilities		
Total current liabilities	**2,516.4**	2,026.2
Total non-current liabilities	**2,880.8**	2,913.6
Total liabilities	**5,397.2**	4,939.8
Equity		
Owners of the parent	**3,114.5**	2,630.7
Non-controlling interests	**2.6**	2.6
Total equity	**3,117.1**	2,633.3
Total equity and liabilities	**8,514.3**	7,573.1

Figures are rounded.

FX- neutral raw material cost per case increased by 8.0%, while comparable COGS per case increased by 6.3% in the year. Comparable operating costs increased by only 7.5% or €125.4 million as we retained careful cost discipline throughout the year. We invested behind growth opportunities incresing marketing spend by 63% in the year. Balancing investment in revenue generating activities with cost savings elsewhere, resulted in a 2.2 percentage point improvement in comparable operating costs as a percent of revenue, which reached 25.1%.

Comparable EBIT increased by 23.6% to €831.0 million,taking comparable EBIT margins up 60 basis points year on year, to 11.6%. This includes a 30-basis point benefit from the sale of a property in Cyprus in December. This divestment is part of our normal course of business of efficiently managing our fixed asset base. Nevertheless, we do not expect a disposal of this magnitude to repeat.

Comparable taxes amounted to €188.2 million, representing a comparable tax rate of 24.5%, 420bps lower than the rate in the prior year as we lapped one-off tax charges in 2020.

Net financing costs decreased to €67.6 million, €2.5 million lower compared with the prior year.This led to a 34% increase of comparable net profit to €578.1 million.

Financial review *continued*

FX-neutral revenue growth year on year

19.6%

Comparable EBIT

€831m

Comparable EBIT margin growth year on year

+60bps

Balance sheet

The balance sheet strengthened further in 2021, increasing the headroom to support investment in the business as well as the potential for future inorganic expansion.

Total non-current assets increased by €311.4 million, mainly driven by additions of property, plant and equipment, currency translation and the acquisition of a minority equity shareholding in Caffè Vergnano.

Net current assets rose by €139.6 million in 2021 mainly as a result of higher investments in financial assets. Trade receivables and inventory also increased, only partially offset by lower cash and cash equivalents and higher trade payables. Total non-current liabilities decreased by €32.8 million in 2021, largely due to the reclassification of the current portion of loans payable to joint ventures from non-current to current liabilities.

Cash flow

Due to an improvement in operating profit and working capital, net cash from operating activities increased by 18.8% during the year.

Capital expenditure, net of receipts from the disposal of assets and including principal repayments of lease obligations, increased by 16.4% year-on-year. Investment focused on four key areas: Building additional production capacity in priority markets and categories; expanding the coverage of our coolers in the market, which are a key driver of improved single-serve mix; accelerating investments in our digital agenda; and continued support of our sustainability commitments.

Capital expenditure represented 7.5% of net sales revenue, at the upper end of our 6.5%-7.5% target.

We generated €601.3 million of free cash flow in 2021, up 21.0% from the €497.0 million generated in 2020. This result reflects higher operating profitability, working capital improvements partially offset by higher capital expenditures.

Borrowings

Our medium- to long-term aim is to maintain a ratio of net debt to comparable adjusted EBITDA in the range of 1.5 – 2.0 times. In 2021, we ended the year with a ratio of 1.1 times. In January we completed the acquisition of Coca-Cola Bottling Company of Egypt, taking our leverage to 1.6 times.

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

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

We finished 2021 with an outstanding balance of €235 million on our Commercial Paper Programme. We did not issue any new notes under our Euro Medium Term Note programme. Our next bond maturity is not due until November 2024.

At the end of 2021, the Group had €2.6 billion and €0.8 billion available under the EMTN and ECP programmes respectively and also €0.8 billion of an undrawn revolving credit facility (RCF). None of the aforementioned credit facilities carry any financial covenants which would restrict the Group's access to capital.

Dividend

In view of the Group's progressive dividend policy, the strength of its balance sheet and healthy liquidity position, the Board of Directors has proposed a dividend of €0.71 per share. This is a 10.9% increase from the €0.64 per share for 2020. The dividend payment will be subject to shareholders' approval at our Annual General Meeting. Furthermore, we have increased the target payout ratio to 40 to 50% from 35 to 45% previously.

Cash flow

	2021 € million	2020 € million
Cash flow from operating activities	**1,142**	962
Payments for purchases of property, plant and equipment[1]	**(514)**	(419)
Proceeds from sales of property, plant and equipment	**36**	13
Principal repayments of lease obligations	**(63)**	(59)
Free cash flow	**601**	497

1. Payments for purchases of property, plant and equipment for 2021 include €7.1 million (2020: €nil) relating to repayment of borrowings undertaken to finance the purchase of production equipment by the Group's subsidiary in Nigeria, classified as 'Repayments of borrowings' in the condensed consolidated cash flow statement.

Figures are rounded.

Economic value

HIgher profits combined with lower average net borrowings in 2021 resulted in a significant increase in return on invested capital (ROIC) from 11.1% in 2020 to 14.8% in 2021. Adjusted for the property sale in Cyprus, ROIC was 14.4%.

At the same time, our weighted average cost of capital (WACC) increased from 7.8% in 2020 to 7.9% in 2021. We continued to grow the positive economic value generated by our operations.

Financial risk management

The gradual relaxation of COVID-19 – related mobility restrictions contributed to boost economic growth in many of the geographies where we operate. While this positively affected several currencies relevant to the Group, this strong recovery in demand, coupled with supply chain disruptions led to the rapid rise of commodity prices including oil, aluminium and sugar throught 2021.

Effective financial risk management proved successful in mitigating a material part of input cost increases for 2021. At the same time by adding new risk managed commodity prices and countries, we enlarged our application of financial risk management and secured good entry points for future commodity exposures as well.

In terms of foreign exchange risk, the Group is exposed to exchange rate fluctuation of the Euro versus the US Dollar and the local currency of each country of our operations. Our risk management strategy involves hedging transactional exposures arising from currency fluctuations, with available financial instruments on a 12-month rolling basis. As a matter of Group policy, translational exposures are not hedged.

Higher commdity prices,along with the strong Russian macroeconomic position and prompt tightening of monetary policy, supported the strong performance of the Russian Rouble until the fourth quarter of 2021. At that point, rising geopolitical tensions had a negative impact on the Rouble, which was mitigated by our active financial risk management strategy to a large extent in the year.

Following a devaluation early in 2021, the Nigerian Naira continued to weaken gradually. The market is still affected by lingering shortages of foreign currency in the local foreign exchange market. The Group continues to make use of risk management instruments offered in Nigeria, which compensate a part of the financial impact of the weakening Naira, albeit not assisting with the limited liquidity in hard currency.

Our general policy is to retain a minimum amount of liquidity reserves in the form of cash and cash equivalents on our balance sheet. During 2021, we invested our excess cash primarily in short-term time deposits and money-market funds.

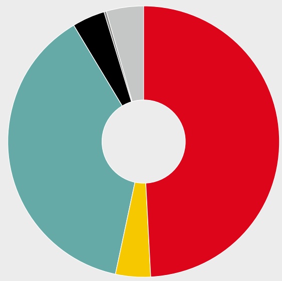
Looking ahead

With the release of our full year 2021 results announcement on 22nd February, Coca-Cola HBC set guidance for the year in a wide range that considered geopolitical risks, as well as headwinds from commodities and currencies. However, in the days that followed this, the conflict in Ukraine developed further and faster than anticipated.

As of the publication of our integrated annual report, we believe that it is still too early to quantify the impact that the evolving geopolitical crisis and many governments' developing reactions to it will have on our business or on our full year 2022 results. Given that we generated c. 20% of 2021 volumes and EBIT from Russia and Ukraine, combined with the uncertainty of the duration and economic impact, we no longer believe that it is prudent to provide guidance for our group's current financial year.

Ben Almanzar
Chief Financial Officer

Total tax by category in 2021 (%)



Corporate income tax	**49.3%**
Withholding tax	**4.2%**
Payroll taxes	**37.9%**
VAT (cost)	**4.0%**
Environmental taxes	**0.2%**
Other taxes	**4.4%**

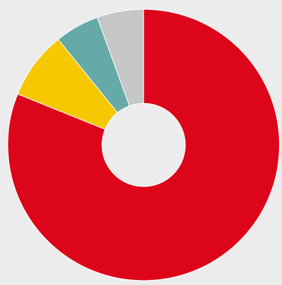
Taxes we contribute to our communities

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

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

2021 Borrowing structure (€ m)

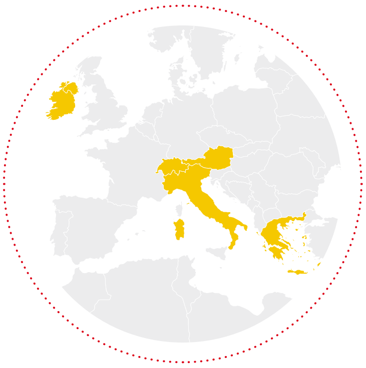
€2,937m



Bonds issued	**2,386m**
Commercial paper	**235m**
Leases	**160m**
Other	**156m**

Financial review *continued*

Segment highlights



Established markets

Established segment FX-neutral revenues grew by 13.9%, propelled by both volume and price/mix in 2021. The segment's revenues closed only 2.1% below 2019 levels.

Italy, Greece and Ireland all grew volumes by double digits thanks to a very good performance from the out-of-home channel enabled by strong execution. There is room for further improvements as we look ahead, considering that volumes in the out-of-home channel still remain below 2019 in every market in the segment. Meanwhile, the at-home channel finished with volumes 5% above 2019.

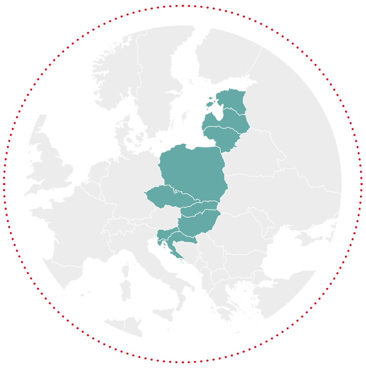
EBIT grew by 44% while margins expanded 250 basis points, of which 90 basis points was due to the property sale in Cyprus. The rest is mainly due to positive operational leverage on revenue growth.

Volume vs. 2020

9.9%

FX-neutral net sales revenue per case vs. 2020

3.7%



Developing markets

The Developing segment's currency-neutral revenue increased by 18.0% with price/mix expanding 17.0%. FX-neutral revenues are now 5.7% above 2019 levels.

Performance was impacted by the Polish sugar tax. Without it, the segment's price/mix growth was 5.8%, and volume growth was up 4.4%.

It should be noted that Poland's volume decline was in line with our expectations given the magnitude of the price increases to offset discriminatory taxation. We are particularly pleased with performance of single-serve formats, low- and no-sugar variants as well as our market share gains. We expect Poland's volumes to return to growth in 2022.

EBIT grew by 4.3% with EBIT margin weighed down by the sugar tax.

Volume vs. 2020

0.8%

FX-neutral net sales revenue per case vs. 2020

17.0%

Emerging markets

We saw sustained, strong momentum in the Emerging segment with like-for-like revenue up 27.1%. FX-neutral revenues are now 24% above 2019 levels propelled by Russia, Nigeria and Ukraine as well as recovery in the rest of the segment.

Nigerian volumes grew by nearly 30%. Strong performance in Sparkling and Energy is driving very healthy category mix. Combining this with the pricing taken throughout the year, allowed high-teens price/mix in Nigeria in 2021.

In Russia volume growth was 25% like for like. The category is benefiting from the healthy consumer demand. Our teams have harnessed these conditions, with strong activations in the premium part of the market.

EBIT grew by 17.3% and Emerging remains our highest margin segment.

Volume vs. 2020

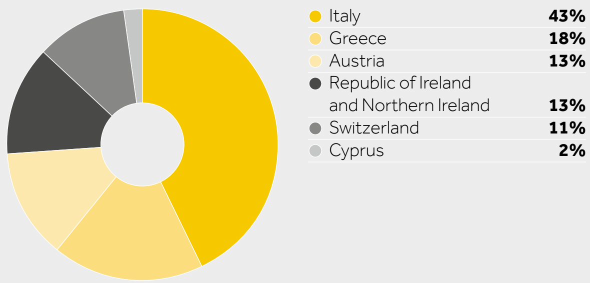
18.6%

FX-neutral net sales revenue per case vs. 2020

5.3%

	2021	2020	% change
Volume (million unit cases)	**590**	537	9.9
Net sales revenue (€ million)	**2,479**	2,175	14.0
Operating profit (EBIT) (€ million)	**286**	203	40.5
Comparable EBIT (€ million)	**301**	209	43.9
Total taxes[1] (€ million)	**131**	111	17.4
Population[2] (million)	**94**	94	–
GDP per capita (US$)	**44,414**	39,552	12.4
Bottling plants (number)	**15**	15	–
Employees (number)	**6,251**	6,407	(2.4)
Water footprint (billion litres)	**3.751**	3.744	0.2
Carbon emissions (tonnes)	**65,577**	67,450	(2.8)
Safety rate (lost time accidents >1 day per 100 employees)	**0.44**	0.55	(20.0)

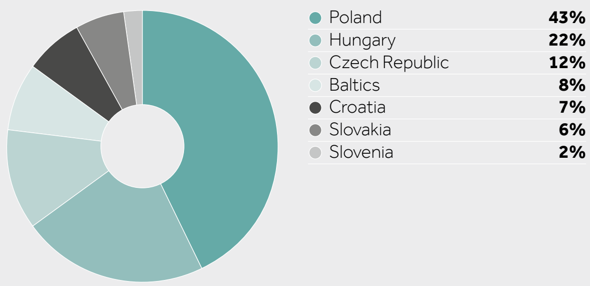
Volume breakdown by country (%)



1. Total taxes include corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.
2. Population source: International Monetary Fund, World Economic Outlook Database, October 2021.

	2021	2020	% change
Volume (million unit cases)	**416**	412	0.8
Net sales revenue (€ million)	**1,366**	1,171	16.6
Operating profit (EBIT) (€ million)	**105**	97	7.9
Comparable EBIT (€ million)	**107**	102	4.3
Total taxes[1] (€ million)	**46**	63	(27.6)
Population[2] (million)	**76**	76	–
GDP per capita (US$)	**19,622**	17,494	12.0
Bottling plants (number)	**9**	9	–
Employees (number)	**4,261**	4,581	(7.0)
Water footprint (billion litres)	**3.214**	3.159	1.7
Carbon emissions (tonnes)	**45,633**	44,927	1.6
Safety rate (lost time accidents >1 day per 100 employees)	**0.47**	0.33	42.4

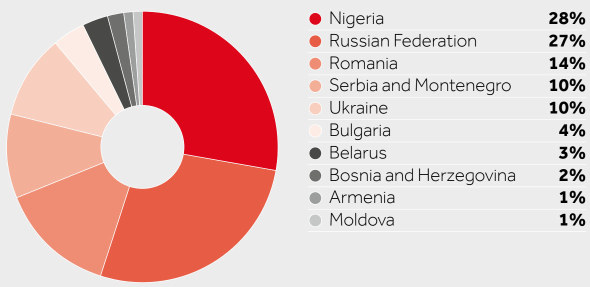
Volume breakdown by country (%)



1. Total taxes include corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.
2. Population source: International Monetary Fund, World Economic Outlook Database, October 2021.

	2021	2020	% change
Volume (million unit cases)	**1,407**	1,187	18.6
Net sales revenue (€ million)	**3,324**	2,786	19.3
Operating profit (EBIT) (€ million)	**409**	360	13.5
Comparable EBIT (€ million)	**424**	361	17.3
Total taxes[1] (€ million)	**189**	169	12.2
Population[2] (million)	**453**	448	1.1
GDP per capita (US$)	**6,334**	5,705	11.0
Bottling plants (number)	**32**	32	–
Employees (number)	**16,700**	16,734	(0.2)
Water footprint (billion litres)	**10.721**	8.654	23.9
Carbon emissions (tonnes)	**314,582**	319,544	(1.6)
Safety rate (lost time accidents >1 day per 100 employees)	**0.14**	0.11	27.3

Volume breakdown by country (%)



1. Total taxes include corporate income tax, withholding tax and deferred tax, as well as social security costs and other taxes that are reflected as operating expenses; as per IFRS accounts.
2. Population source: International Monetary Fund, World Economic Outlook Database, October 2021. Population includes N. Macedonia.

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

Non-financial reporting directive

Delivering 24/7 takes an integrated approach

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

This information is supplementary.

Our purpose

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

Our purpose pages 16-17

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

Policies and values

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

Values pages 16-17

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

Policies (see our website)

Environmental matters

- Environmental policy
- Climate Change policy
- Packaging waste management policy
- Sustainable Agricultural Guiding Principles
- Water Stewardship policy
- Biodiversity statement

Employees

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

Human rights

- Human Rights policy
- Supplier Guiding Principles
- Slavery and Human Trafficking statement

Social matters

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

Anti-bribery and Corruption

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

Principal risk

- Risk policy

Effective oversight

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

The Executive Leadership Team pages 104-106

How our Board considers stakeholders in decision making pages 100-101

Social Responsibility Committee pages 116-117

EU taxonomy

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. The EU Taxonomy, a classification system for sustainable activities in support of the EU's Green Deal, has been introduced this year, covering as of now two of the six environmental objectives in the supplementing Delegated Acts: climate change mitigation and climate change adaptation. Under the EU Taxonomy, non-financial companies are to disclose which percentage of their turnover, CapEx, and OpEx meets its criteria.

As a company domiciled in Switzerland, CCHBC is not in scope of the EU Non-Financial Reporting Directive (NFRD), thus we are not subject to reporting on the EU Taxonomy. However, we have been voluntarily complying with other requirements of the NFRD since 2018. An internal cross-functional team has been working to evaluate the Group's activities with regards to the EU taxonomy.

For 2021, we have examined the taxonomy-eligible economic activities listed in the Delegated Acts and concluded that the primary economic activity of CCHBC – manufacturing of beverages and food products – is not included in the EU Taxonomy annexes and that no other taxonomy-eligible activities have been identified.

In 2022, we will remain alert to the evolving EU legislation around corporate sustainability disclosure requirements, and we will continue our work to maintain top-quality ESG reporting.

Positive influence

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

Business model pages 8-9

Stakeholder engagement pages 10-13

Market trends pages 14-15
- Regulatory environment
- Sustainability

Principal risks pages 62-65

Material issues page 56

GRI Content Index
https://www.coca-colahellenic.com/content/dam/cch/us/documents/oar/Coca-Cola-HBC-2021-GRI-Content-Index.pdf.downloadasset.pdf

Executing our vision

To fulfil our Growth Story 2025 we will execute on each of our five growth pillars, considering all stakeholder at every step of the journey.

Growth pillars pages 16-17

1. **Leverage our unique 24/7 portfolio**
2. **Win in the marketplace**
3. **Fuel growth through competitiveness and investment**
4. **Cultivate the potential of our people**
5. **Earn our licence to operate**

Defining our success

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

Remuneration report pages 118-140

The CEO's individual performance is measured in key strategic areas and taken into account for MIP. These strategic areas include the Company's performance in ESG benchmarks. The Company received the highest scores in 8 of the 10 most recognized ESG benchmarks, DJSI, CDP, MSCI, ecoact, FTSE4GOOD, MSCI and Vigeo Eiris. The PSP contains metrics linked to a reduction in CO_2 emissions. The CO_2 emissions target in the PSP implicitly captures reduction in plastics, which was a key driver of its selection as a metric.

See pages 123, 134-135

CEO pay ratio
See page 137

Mission 2025 sustainability commitments pages 54-55
- Emissions reduction
- Water reduction and stewardship
- World Without Waste
- Ingredient sourcing
- Nutrition
- Our people and communities

Corporate Governance

Contents

Chairman's introduction to corporate governance

Governing adaptation and change

Letter from the Chairman of the Board

Dear Shareholder

Our Corporate Governance Report for 2021 details our robust governance arrangements throughout the Group and the key activities and decisions undertaken by the Board during the year. Against the backdrop of continued disruption in light of the COVID-19 pandemic, the Board has remained focused on our Growth Story 2025 to support the long-term sustainable success of our business while also overseeing the Company's expansion into Egypt and our commitment to achieving net zero emissions across the entire value chain by 2040.

Managing and mitigating the effects of the COVID-19 pandemic

2021 saw further disruption from the ongoing COVID-19 pandemic and, again, agility and adaptation were required across the Group to face a wealth of challenges. The Board's key priority in this regard remained the safety of our people, customers, partners and communities. A number of measures continue to be in place to support the physical and mental wellbeing and health of our people as they work to maintain product supply and continue to serve our customers. We are developing programmes to ensure safe and productive workplaces for our people as we transition into a post-COVID working environment.

We have also positioned the Company well to take advantage of new, emerging opportunities in the post-pandemic recovery period. In particular, we continue to invest in digital commerce channels where we are seeing revenue growth, boosted by shifting consumer habits amplified by the COVID-19 pandemic, and the Board intends to continue to invest capital and management attention in this area.

Coca-Cola Bottling Company of Egypt

In August 2021, we announced the acquisition of the Coca-Cola Bottling Company of Egypt S.A.E., a leading producer of non-alcoholic ready-to-drink beverages in Egypt.The Board is excited by the considerable opportunities arising from access to the second largest non-alcoholic ready-to-drink market in Africa by volume and the expansion of our emerging markets footprint.

The Board was actively engaged in the acquisition process which is discussed in the Applied Governance section of this report on page 96.

Net zero emissions

Building on our long history of ambitious sustainability targets, in 2021 the Board endorsed NetZeroby40, the Company's commitment of reaching net zero greenhouse gas emissions across our entire value chain by 2040.

Via an existing, approved science-based target, by 2030 the Company aims to reduce its value chain emissions in Scopes 1,2 and 3 by 25%. With our NetZeroby40 target, we have set our sights on a further 50% reduction in the following decade. To address the 90% of emissions in Scope 3 resulting from third party actions, we will broaden our existing partnership approach with suppliers. The detailed actions and initiatives required to achieve this ambition are reviewed by the Board's Social Responsibility Committee.

Celebrating our 70th year

70 years after our business was founded in Nigeria, in 1951, the Board is focused on ensuring the Company's enduring success for the next 70 years. The Board's priorities reflect our understanding of what is needed to ensure resilience while pursuing growth and expansion. Our ownership structure, featuring stable long-term shareholders, and our long-lasting core values help us make decisions and investments with long-term success in mind which represent the same well-rooted values.

Importance of good governance

As a Board, we aimed to ensure the highest standards of corporate governance at the same time that we committed to doing the right thing in 2021, putting safety first as COVID-19 restrictions continued to impact our people, customers and communities. Our aim is to always ensure the highest standards of corporate governance, accountability and risk management. Our internal policies and procedures, which have been consistently effective since the Group was formed, are properly documented and communicated against the framework applicable to companies with a premium listing in the UK.

The Board and its committees conducted an annual review of the effectiveness of our risk management system and internal controls, further details of which are set out in the Audit and Risk Committee report on page 112. The Board confirms that it has concluded that our risk management and internal control systems are effective.

We are subject to the UK Corporate Governance Code 2018. It sets out the principles of good practice in relation to: Board leadership and company purpose; division of responsibilities; composition, success and evaluation; audit, risk and internal controls; and remuneration. Further information on how we have applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 for the year ended 31 December 2021 can be found in this report on page 86.

Board meetings normally take place in Zug, Switzerland, but also in selected markets across our territories. As was the case in 2020, certain of these meetings continued to be held online in 2021 due to travel restrictions and safety concerns but the Board also met live in the second half of the year when COVID-19 related travel restrictions were lifted. The Board and its committees were therefore able to meet as often as planned.

Culture and values

The long-term success of our business remains connected to the success of our customers and partners, and our ability to delight consumers with the beverages and brands that they love. We were able to accomplish this due to our well-embedded, values-based culture. The Board plays a critical role in shaping the culture of the Company by promoting growth-focused and values-based conduct and ensuring increased focus on continued learning and the smart risk taking necessary for the Company's adaptation.

We monitor our progress in integrating our values through various indicators, including our employee engagement index, diversity indicators, and health and safety indicators, and our Directors lead by example as ambassadors of our values, cascading good behaviour throughout the organisation.

As pandemic-related disruptions continued across our territory, we maintained a stepped-up level of engagement with our people to ensure we understood their needs and challenges. Two all-employee pulse surveys and one Culture and Engagement survey were conducted in 2021. While Charlotte Boyle is our designated non-Executive Director responsible for engaging with our people to provide feedback to the Board, feedback from our people through these surveys was brought to the full Board's attention in 2021 to facilitate understanding the concerns raised and ensure rapid response.

Board evaluation

In line with our commitment to adhere to best corporate governance practices, an externally facilitated Board effectiveness evaluation was conducted in the second half of 2021. We will do this once again in 2022 to build upon the learnings of the 2021 evaluation. Key outcomes from the Board effectiveness evaluation conducted in 2021 included on page 102. Further details are disclosed in the Nomination Committee report on page 114.

Board composition and diversity

The composition and size of the Board continues to be kept under review. We believe that our Board is well-balanced and diverse, with the right mix of international skills, experience, background, independence and knowledge in order to discharge its duties and responsibilities effectively.

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

Bruno Pietracci and Henrique Braun were elected to the Board at the 2021 Annual General Meeting as new non-Executive Directors and José Octavio Reyes and Alfredo Rivera both retired from the Board with effect from the close of that meeting. The skills and expertise each member brings to our Board can be found on pages 88 to 90.

Anastassis G. David
Chairman of the Board

The UK Corporate Governance Code 2018

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

In respect of the year ended 31 December 2021, the Company was subject to the UK Corporate Governance Code 2018 (a copy is available at www.frc.org.uk).

Our Board confirms that the Company applied the principles and complied with the provisions of the UK Corporate Governance Code throughout the financial year ended December 2021, except for the following provisions: (1) The Chairman was not independent on appointment (provision 9) and has been a Board member for more than nine years (provision 19), and a full explanation for this departure is provided on pages 87 and 93. On appointment the Board unanimously supported Anastassis David's appointment as Chairman. The Board regularly reviews Anastassis David's position and considers that he continues to effectively lead the Board, that his deep knowledge of the Coca-Cola System position is invaluable and as such it remains appropriate for him to continue in his role as Chairman. (2) Provision 38 requires alignment of Executive Director pension contributions with the wider workforce. Our difficulties in compliance with this provision due to existing contractual obligations were outlined in the Annual Report published in 2021 and are explained on page 123 of the Directors' Remuneration Report. On the appointment of any new Executive Director, we intend that their pension contributions will be aligned with the pension scheme for the wider workforce.

Pursuant to our obligations under the Listing Rules, we apply the principles and comply with the provisions of the UK Corporate Governance Code or explain any instances of non-compliance in our Annual Report. The Company has applied the principles as far as possible and in accordance with and as permitted by Swiss law. Further information on appointment of Directors and compliance with the UK Corporate Governance Code can be found as follows:

Section 1: Board leadership and company purpose		See page
A.	Effective and entrepreneurial board to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society	
B.	Purpose, values and strategy with alignment to culture	
C.	Resources for the company to meet its objectives and measure performance. Controls framework for management and assessment of risks	
D.	Effective engagement with shareholders and stakeholders	
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•	Chairman's letter	2-3
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•	Shareholder engagement	100
•	Audit and Risk Committee report	108-113
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Section 2: Division of responsibilities		See page
F.	Leadership of board by chair	
G.	Board composition and responsibilities	
H.	Role of non-Executive Directors	
I.	Company secretary, policies, processes, information, time and resources	
•	Board composition	92-94
•	Key roles and responsibilities	94-95
•	General qualifications required of all Directors	91
•	Information and training	102
•	Board appointments and succession planning	102

Section 3: Composition, succession and evaluation		See page
J.	Board appointments and succession plans for board and senior management and promotion of diversity	
K.	Skills, experience and knowledge of board and length of service of board as a whole	
L.	Annual evaluation of board and directors and demonstration of whether each director continues to contribute effectively	
•	Board composition	92-94
•	Diversity, tenure and experience	91
•	Board, committee and Director performance evaluation	102
•	Nomination Committee report	114-115

Section 4: Audit, risk and internal controls		See page
M.	Independence and effectiveness of internal and external audit functions and integrity of financial and narrative statements	
N.	Fair, balanced and understandable assessment of the company's position and prospects	
O.	Risk management and internal control framework and principal risks company is willing to take to achieve its long-term objectives	
•	Audit and Risk Committee report	108-113
•	Strategic Report	2-79
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•	Going concern basis of accounting	111,141
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Section 5: Remuneration		See page
P.	Remuneration policies and practices to support strategy and promote long-term sustainable success with executive remuneration aligned to company purpose and values	
Q.	Procedure for executive, director and senior management remuneration	
R.	Authorisation of remuneration outcomes	
•	Remuneration Committee report	118-140

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

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

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

Application of governance codes

Other corporate governance codes

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

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

Amending the Articles of Association

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

Share capital structure

The Company has ordinary shares in issue with a nominal value of CHF 6.7 each. Rights attaching to each share are identical and each share carries one vote. The Company's Articles of Association also allow, subject to shareholder approval, for the conversion of registered shares into bearer shares and bearer shares into registered shares. Details of the movement in ordinary share capital during the year can be found on page 204. There are no persons holding shares that carry special rights with regard to the control of the Company.

Powers of Directors to issue and buy back shares

Subject to the provisions of the relevant laws and the Articles of Association, the Board acting collectively has the ultimate responsibility for running the Company and the supervision and control of its executive management. The Directors may take decisions on all matters which are not expressly reserved to the shareholders or by the Articles of Association. Pursuant to the provisions of the Articles of Association, the Directors require shareholder authority to issue and repurchase shares. At the Annual General Meeting on 22 June 2021, the shareholders authorised the Directors to repurchase ordinary shares of CHF 6.70 each in the capital of the Company up to a maximum aggregate number of 10,000,000 representing less than 10% of the Company's issued share capital as of 12 May 2021. The authority will expire at the conclusion of the 2022 Annual General Meeting on 21 June 2022 or at midnight on 30 June 2022, whichever is earlier. Total shares held in treasury are 5,894,583 of which 2,464,448 shares are held by Coca-Cola HBC AG and 3,430,135 shares are held by its subsidiary, Coca-Cola HBC Services MEPE.

Board of Directors

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1. Anastassis G. David
Non-Executive Chairman

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

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

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

Nationality: British

2. Zoran Bogdanovic
Chief Executive Officer, Executive Director

Appointed: June 2018.

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

External appointments: None

Nationality: Croatian

3. Charlotte J. Boyle
Independent non-Executive Director

Appointed: June 2017.

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

External appointments: Charlotte serves as Chair of UK for UNHCR, an independent non-executive director and chair of the Environment, Sustainability and Community Committee of Capco plc, a non-executive director of Thatchers Cider Company Ltd, a non-executive adviser to the Group Executive Board of Knight Frank LLP and as a Trustee and chair of the finance committee of Alfanar, the venture philanthropy organisation.

Nationality: British

4. Henrique Braun
Non-Executive Director

Appointed: June 2021.

Skills, experience and contribution: Henrique has vast experience in corporate functions as well as regional and business unit operations in The Coca-Cola Company. He joined The Coca-Cola Company in 1996 in Atlanta and progressed through increasing responsibilities in North America, Europe and Latin America. His career responsibilities have included supply chain, new business development, marketing, innovation, general management and bottling operations. From 2016 to 2020, Henrique served as the President of the Brazil business unit and from 2013 to 2016, he was the President for Greater China and Korea. His other roles in The Coca-Cola Company in the past include Vice President of Innovation and Operations in Brazil and Director for Still Beverages (non-carbonated beverages) in Europe. He first joined the Coca-Cola Company as a trainee in Global Engineering in the US. Henrique holds a bachelor's degree in agricultural engineering from the University Federal of Rio de Janeiro, a master's in industrial engineering from Michigan State University and an MBA from Georgia State University.

External appointments: Henrique currently serves as President of Latin America Operating Unit for The Coca-Cola Company, a role he has held since 2020.

Nationality: American and Brazilian

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

Appointed: June 2015.

Skills, experience and contribution: Sola has more than 30 years' experience in financial services and held several senior roles within the Stanbic Group, including the position of Chief Executive of Stanbic IBTC Bank from May 2011 to November 2012. She also served as Deputy Chief Executive Officer of Stanbic IBTC Bank and Head of Investment Banking Coverage Africa (excluding South Africa). Stanbic IBTC Holdings is listed on the Nigerian Stock Exchange and is a member of Standard Bank Group. Between January 2017 and March 2021, Sola has been the Chief Executive of the Africa Regions (excluding South Africa) for Standard Bank Group, Africa's largest bank by assets with operations in 20 countries across the continent.

Sola holds a first degree in Economics and obtained an MBA degree from Manchester Business School. Her executive education experience includes the Advanced Management Programme of the Harvard Business School and the Global CEO Programme of CEIBS, Wharton and IESE.

External appointments: Sola serves as non-executive director on the boards of Stanbic IBTC Holdings Plc and Stanbic Uganda Holdings Limited, listed entities that are members of the Standard Bank Group. Finally, Sola was appointed Chairman of Stanbic IBTC Bank Plc, a non-listed subsidiary of Stanbic IBTC Holdings Plc in October 2021.

Nationality: Nigerian

6. Anna Diamantopoulou

Independent non-Executive Director

Appointed: June 2020.

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

External appointments: Founder and President of DIKTIO-Network for Reform in Greece and Europe, a leading Athens-based independent, non-partisan policy institute. A Council Member of the European Council on Foreign Relations, an Advisory Board Member of Delphi Economic Forum and a member of the Honorary Board of the Bussola Institute, a foundation aiming to strengthen cooperation between the EU and the GCC. Finally, Anna is the Chair of the European Commission's High Level Group on the future of social protection and the welfare state in the EU.

Nationality: Greek

7. William W. (Bill) Douglas III

Independent non-Executive Director

Appointed: June 2016.

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

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

Nationality: American

8. Reto Francioni

Senior Independent non-Executive Director

Appointed: June 2016.

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

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

Nationality: Swiss

9. Anastasios I. Leventis

Non-Executive Director

Appointed: June 2014.

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

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

Nationality: British

10. Christo Leventis

Non-Executive Director

Appointed: June 2014.

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

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

Nationality: British

Board of Directors *continued*

11. Alexandra Papalexopoulou

Independent non-Executive Director

Appointed: June 2015.

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

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

Nationality: Greek

12. Bruno Pietracci

Non-Executive Director

Appointed: June 2021.

Skills, experience and contribution: Bruno has a more than 20-year track record of transforming businesses, people and communities and brings experience and knowledge of the Coca-Cola system, having held a number of roles at The Coca-Cola Company since 2008. From 2018 to 2020, he was President of The Coca-Cola Company's Southern and East Africa Business Unit and from 2016 to 2018, he served as the Vice-President of Operations in Europe, Middle East and Africa. Prior to that, he was the General Manager for Colombia, Venezuela and Ecuador (from 2014 to 2016) and General Manager of FU Center in Brazil (from 2012 to 2014). From 2010 to 2012, he was the General Manager of FU South in Brazil. Bruno joined The Coca-Cola Company in 2008 as Vice-President of Strategy, Insights and Innovation in Brazil. Prior to that he worked at McKinsey & Company in Brazil and Portugal from 1997 to 2008, working in marketing and sales with consumer-packaged goods and telecommunications clients. He has served on the board of Coca-Cola Beverages Africa since 2017 and has also served on the boards of Toni Corp in Ecuador (2016) and Matte Leão in Brazil (2009). In 2016, he was the Chairman of Corporación Juego y Niñez in Colombia. Bruno holds a bachelor's degree in mechanical engineering from the Universidade Estadual de Campinas in Brazil and an MBA from INSEAD in France.

External appointments: Bruno currently serves as President of the Africa Operating Unit for The Cola-Cola Company, a role which he has held since 2020.

Nationality: Brazilian and Italian

13. Ryan Rudolph

Non-Executive Director

Appointed: June 2016.

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

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

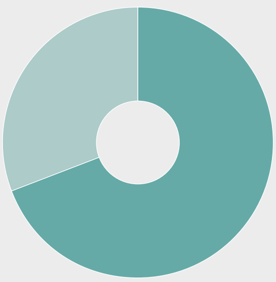
Nationality: Swiss

Board committees

- Audit and Risk Committee page 108
- Nomination Committee page 114
- Social Responsibility Committee page 116
- Remuneration Committee page 118
- Committee Chair

Diversity, tenure and experience of the Board

Board gender diversity



Men	9
Women	4

Board tenure

0-1 years	2
1-2 years	1
3-4 years	1
4-5 years	1
5-6 years	3
6-7 years	2
7-8 years	2
14-15 years	1

Board age profile

40 to 49 years old	3
50 to 59 years old	5
60 to 69 years old	5
70 years old or more	0

Board nationality profile

American	1
American/Brazilian	1
Brazilian/Italian	1
British	4
Croatian	1
Greek	2
Nigerian	1
Swiss	2

Board experience

Finance, investments and accounting	12
International exposure	13
FMCG knowledge/ experience	6
Risk oversight and management	12
Sustainability and community engagement	8
Corporate governance	7

General qualifications required of all Directors

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

Business characteristics	Qualifications, skills and experience	Directors
Our business is extensive and involves complex financial transactions in the various jurisdictions where we operate	Experience in finance, investments and accounting	12
Our business is truly international with operations in 29 countries, at different stages of development, on three continents	Broad international exposure, and emerging and developing markets experience	13
Our business involves the preparation, packaging, sale and distribution of the world's leading non-alcoholic beverage brands	Extensive knowledge of our business and the fast-moving consumer goods industry, as well as experience with manufacturing, route-to-market and customer relationships	6
Our Board's responsibilities include the understanding and oversight of the key risks we are facing, establishing our risk appetite and ensuring that appropriate policies and procedures are in place to effectively manage and mitigate risks	Risk oversight and management expertise	12
Building community trust through the responsible and sustainable management of our business is an indispensable part of our culture	Expertise in sustainable sourcing and packaging, CO_2 emissions and experience in wider stakeholder engagement	8
Our business involves compliance with many different regulatory and corporate governance requirements across a number of countries, as well as relationships with national governments and local authorities Environmental, social and corporate governance (ESG) are prominent in our business, in particular workforce matters, environmental and climate change issues and supply chain sustainability	Expertise in corporate governance and/or government relations Expertise in ESG matters and sustainable and responsible business practices	7

Environmental, social and corporate governance (ESG) skills and experience

As evidenced by our commitment to achieve net zero emissions by 2040, which was announced in October 2021, the Company's approach to managing our environmental impact is ambitious. In support of this ambition, which builds on our long history of sustainability management, the Board approved a robust plan in 2021 in order to achieve its targets by 2040.

As part of this effort, the Social Responsibility Committee proposed and the Board approved science-based targets for the Company to reduce its value chain emissions in Scopes 1, 2 and 3 by 2040. Anna Diamantopoulou's familiarity with the social protection and welfare state at the EU Commission High-Level Group, in addition with the expertise of a number of our Board members, that sit at the Boards of other multi-nationals that face similar challenges and have similar concerns on the ESG agenda, helped us identifying the commitments that we want to make in the area and set the relevant targets.

Corporate governance report

Director	Appointed	Board Attended/ Total meetings	Audit and Risk Attended/ Total meetings	Remuneration Attended/ Total meetings	Nomination Attended/ Total meetings	Social Responsibility Attended/ Total meetings
Anastassis G. David[4]	January 2016	7/7				
Zoran Bogdanovic	June 2018	7/7				
Charlotte J. Boyle	June 2017	7/7		4/4	4/4	
Henrique Braun[1]	June 2021	4/4				
Anna Diamantopoulou	June 2020	7/7		4/4	4/4	4/4
Olusola (Sola) David-Borha	June 2015	7/7	8/8			
William W. (Bill) Douglas III	June 2016	7/7	8/8			
Reto Francioni	June 2016	7/7		4/4	4/4	
Anastasios I. Leventis	June 2014	7/7				4/4
Christo Leventis	June 2014	7/7				
Alexandra Papalexopoulou	June 2015	7/7	8/8			
Bruno Pietracci[1]	June 2021	4/4				3/3
José Octavio Reyes[2]	June 2014	3/3				1/1
Alfredo Rivera[3]	June 2019	3/3				
Ryan Rudolph	June 2016	7/7				

1. Henrique Braun and Bruno Pietracci were appointed to the Board at the Annual General Meeting on 22 June 2021.
2. José Octavio Reyes retired from the Board and from the Social Responsibility Committee at the Annual General Meeting on 22 June 2021.
3. Alfredo Rivera retired from the Board at the Annual General Meeting on 22 June 2021.
4. Anastassis David was appointed as Chairman in 2016 having been appointed to the Board in 2006.

Board composition

Membership of the Board

On 31 December 2021, our Board comprised 13 Directors: the Chairman, one Senior Independent Director, 10 non-Executive Directors and one Executive Director. The biographies of each member of the Board are set out on pages 88 to 90.

The non-Executive Directors, of whom six (representing half of the members of the Board, excluding the Chairman) are determined by the Board to be independent, are experienced individuals from a range of backgrounds, countries and industries. The composition of the Board complies with the UK Corporate Governance Code's recommendation that at least half of the Board, excluding the Chairman, comprise independent Directors. At the Annual General Meeting held on 22 June 2021, Henrique Braun and Bruno Pietracci were appointed as non-Executive Directors. José Octavio Reyes and Alfredo Rivera retired as non-Executive Directors, and José Octavio Reyes retired as a member of the Social Responsibility Committee on the same date. There were no other changes to the Board during 2021. The changes to committee membership are set out in each committee report.

Outside appointments

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

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

Details of the external appointments of our non-Executive Directors are contained in their respective biographies set out on pages 88 to 90.

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

A number of our other Directors also have other external roles but having considered the scope of the external appointments of all Directors, including the Chairman, our Board is satisfied that they do not compromise the effectiveness of the Board as each Director has sufficient time to devote to his or her role on the Board as the Board requires. According to the terms of appointment the Directors are expected to devote such time as necessary for the performance of their duties. This will include attendance annually at approximately 10 Board meetings, Annual General Meetings and other ad hoc meetings. As can be seen in the table of attendance of Board and Board Committee meetings on page 92, the Directors were able to devote the time required of them to their role on the Board. The Board has determined that each member of the Board commits sufficient time and energy to the role and continues to make a valuable contribution to the Board and its committees.

Independence

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

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

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

Shareholders' nominees

As described under the heading 'Major shareholders' on page 245, since the main listing of the Company on the Official List of the London Stock Exchange in 2013, Kar-Tess Holding, The Coca-Cola Company and their respective affiliates have no special rights in relation to the appointment or re-election of nominee Directors, and those Directors of the Company who were originally nominated at the request of The Coca-Cola Company or Kar-Tess Holding will be required to stand for re-election on an annual basis in the same way as the other Directors. The Nomination Committee is responsible for identifying and recommending persons for subsequent nomination by the Board for election as Directors by the shareholders on an annual basis.

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

Anastassis G. David, Anastasios I. Leventis, Christo Leventis and Ryan Rudolph were all originally appointed at the request of Kar-Tess Holding. Henrique Braun and Bruno Pietracci have been appointed at the request of The Coca-Cola Company.

Separation of roles

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

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

Corporate governance report *continued*

Key roles and responsibilities

Board of Directors

Our Board has ultimate responsibility for our long-term success and for delivering sustainable shareholder value as well as contributing to wider society. The Board is responsible for setting the Company's purpose, values and strategy and ensures the alignment with its culture; this includes ensuring that workforce policies and practices are consistent with the Company's values and support its long-term sustainable vision. Further details are set out on pages 95 to 97. This is achieved by approving the corporate strategy, monitoring performance toward strategic objectives, overseeing implementation of the strategy by the Executive Leadership Team and approving matters reserved by the Articles of Association for decision by the Board. Specific tasks are delegated by the Board to its committees for audit and risk, nomination, remuneration and social responsibility.

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

Chairman

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

Chief Executive Officer

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

Senior Independent Director

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

Non-Executive Directors

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

Company Secretary

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

Board committees

Our Board has delegated specific tasks to its committees as set out in the Organisational Regulations and reports from these committees are set out in this Corporate Governance Report. Biographies of the Chairs of the Board committees and the other members of the Board, the Audit and Risk Committee, the Nomination Committee, the Remuneration Committee and the Social Responsibility Committee are set out on pages 108 to 140.

Audit and Risk Committee

Responsibilities

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

Remuneration Committee

Responsibilities

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

Nomination Committee

Responsibilities

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

Social Responsibility Committee

Responsibilities

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

Executive Leadership Team

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

Applied governance

Summary of key Board activities for 2021 and priorities for 2022

Topic	2021 activity	2022 priority
Strategy	• Review the progress towards becoming the leading 24/7 beverage partner and leveraging our unique 24/7 portfolio • Close monitoring of plans to address packaging challenges and reduce one-way plastic packaging • Review of the strategic acquisitions in Egypt and the coffee business expansion through the minority stake investment in Caffè Vergnano • Endorsing the Group's NetZeroby40 targets	• On-going review of the integration plans in Egypt and monitoring the launches of Caffè Vergnano in our markets • Continued close alignment with The Coca-Cola Company • Monitoring progress towards our Growth Story 2025 • Monitoring progress towards our NetZeroby40 commitments
Performance	• Deep dive reviews of regions and key functions • Regular reviews of the business performance by reporting segments and monitoring of the performance of the coffee and snack businesses • Acceleration of commercial execution capabilities across the organisation based on insights from the Group's big data and advanced analytics work • Following the Group's Innovation for Growth plans	• Periodic performance reviews with focus on the Group's key business indicators • Review of the performance of the Company's innovation initiatives and focusing on the e-commerce performance • Focusing on the performance of the Revenue Growth Management, Route-to-Market and big data and advanced analytics programme in order to build the necessary insight capabilities
Risk management and internal control	• Continued review of principal and emerging risks and mitigation programmes • Reviewing the liquidity, financing status and commodity exposure of the Group • Reviewing information technology plans, including cyber security • Ongoing review of key principal risks, including risks relating to the COVID-19 pandemic • Reviewing the execution initiatives in modern trade, e-commerce and growth results	• Enhancing the cyber security programme in order to meet the needs for the accelerated digitalisation of the business • Monitoring the progress of the new sales academy for the Group's business developers • Review of the digital strategy and its key priorities around consumer and customer centricity, employee experience and operational productivity
Operational	• Implementation of cost optimisation programmes and CapEx investments • Review of projects involving the in-house production of PET from recycled PET flakes and production of CO_2 collected from the air	• Review of material capital expenditure projects • Consolidation and integration of new acquisitions • Ongoing review of the Group's cost optimisation and investment programmes
Culture and values	• Discussing the employee engagement surveys and people plans • Overviewing the plans to adapt the Group's organisational design to make it stronger for the future. • Working with the designated non-Executive Director on issues that are identified through the employee engagement process	• Monitoring talent and people capability plans • Ongoing review of Performance for Growth, the Group's new performance management process • Reflecting on the implementation of the Group's organisational design
Succession planning and diversity	• Reviewing succession planning for Board and senior management • Reviewing the Company's talent development plans	• Ongoing succession planning work and preparing succession planning and bench strength initiatives for senior management and Board vacancies • Discussing Board effectiveness and succession pipeline

Corporate governance report *continued*

Applied governance

Board oversight of territory expansion to Egypt

In August 2021, we announced the acquisition of approximately 94.7% of Coca-Cola Bottling Company of Egypt S.A.E. (CCBCE), a leading producer of non-alcoholic ready-to-drink beverages in Egypt. The transaction completed in January 2022. The remaining shares in CCBCE are held by some minority holders and we intend to acquire these shares in due course. This is a strategically significant transaction for the Group which expands our emerging markets footprint and increases our exposure to high-growth geographies.

Strategically significant

The Board considered the acquisition of CCBCE to be a good strategic fit for the Group as it supports the vision of being the leading 24/7 beverage partner and the Growth Story 2025 strategy. In particular, the Board took into account that the transaction would give the Group access to the second largest non-alcoholic ready-to-drink market in Africa by volume and would expand the Group's exposure to high-growth, emerging markets. It was also felt that there was significant opportunity to leverage the Group's proven route-to-market capabilities and 70 years of experience operating in emerging markets to increase penetration of The Coca-Cola Company's brand portfolio in the country. Overtime the Group is also confident that it will mange to create further value by moving CCBCE's margins towards the Group average.

Timeline and key board activities

The Board first considered the acquisition in 2019. Following these initial discussions it authorised management to analyse and consider this opportunity further with particular emphasis on negotiating the transaction with CCBCE's majority shareholder and The Coca-Cola Company.

Following discussions with CCBCE and its major shareholders, and having undertaken a due diligence process, a headline proposal was put to the Board for approval in March 2021 for consideration. The Board approved that proposal and authorised management to negotiate the details of the transaction and final structure with the major shareholders of CCBCE.

The transaction was signed in August 2021 and was completed in January 2022.

Robust governance: managing conflicts of interest

One of the Group's major shareholders, The Coca-Cola Company, had a significant stake in CCBCE which was acquired as part of the acquisition. As such, enhanced governance and oversight arrangements were put in place in relation to the acquisition and the Group's conflicts of interest policies were followed. The Group's approach to conflicts of interest is discussed in the conflicts of interests section of this report on page 103. In particular, the members of the Board nominated by The Coca-Cola Company did not take part in the decision-making process in relation to the acquisition and recused themselves from the relevant Board meetings that discussed the progress of the acquisition and approved the transaction terms.

Given The Coca-Cola Company's holding in both CCBCE and the Group, the particular arrangements between The Coca-Cola Company and the Group were considered to be a smaller related party transaction for the purposes of the UK Financial Conduct Authority's Listing Rules. As required by the Listing Rules, the Board was required to seek the advice of its sponsor that the proposed terms of the transaction were fair and reasonable as far as the shareholders of the Group are concerned. The Board sought and carefully considered the fair and reasonable opinion received from its sponsor in connection with the acquisition before endorsing the same.

Key issues considered by the Board

The Board received regular updates and reports from both management and its legal advisers, accountants and financial advisers during the due diligence process in relation to the acquisition. The Board was keen to ensure that management had established a robust due diligence process that was designed to identify and assess potential risks and issues that could affect the valuation or underlying assumption of the acquisition, and considered potential mitigation actions and vice versa to those risks and issues. The Board questioned and challenged management on these issues.

Regulatory conditions

The acquisition was subject to certain regulatory and other conditions. Throughout the acquisition process, the Board has received updates from management on the status of the regulatory approvals required and the satisfaction of the various transaction conditions.

Stakeholders and stakeholder engagement

CCBCE is expected to continue doing business with its current suppliers, in line with the Group's supplier guiding principles. The Group also has established potential opportunities for local Egypt suppliers to service the wider Group. By leveraging the Group's knowledge and capabilities, as well as their experience in emerging markets, CCBCE can unlock further growth, reach category leadership positions and create value for all employees, customers and partners of the Coca-Cola System in Egypt.

Future-focused governance

"Several Board members, including myself, are connected to our Company's founders. This gives our Board a unique long-term perspective and sense of ownership."

Anastassis G. David,
Chairman of the Board

Our 70th year:
The Board's role in ensuring success over the next 70 years

As we reflect on our journey from our origins in Lagos, Nigeria, in 1951, we believe that it is the Board's role to safeguard the Company's future for the next 70 years and further. Coca-Cola HBC has a legacy of transparency and agility, and an ownership structure that has long-term accountability at its heart, allowing us to make investments for the long term.

The Board's priorities reflect its understanding of what is needed to ensure resilience while pursuing growth and expansion.

Our portfolio of well-loved, highly visible brands comes with obligations and responsibilities to earn and maintain the trust of our stakeholders, including the communities where we operate. To maximise the Company's impact and tackle complex problems, the Board is focused on increasing partnerships and collaboration. Our Company only succeeds when our customers, partners and communities are successful.

Purposeful organisations perform better and have advantages attracting the increasingly scarce talent and skills needed as more aspects of our industry are digitised.

Culture will continue to play a crucial role in our ability to seize opportunities, ensure customer centricity and maintain the agility needed to adapt swiftly. The Board understands that culture comes from the top, and must be actively demonstrated and cascaded to be fully embedded.

As guardians of enduring success in all its many forms, the Board seeks to ensure it has the right skills at Board level to ensure the right questions are asked and our long-term strategy remains relevant. We also view diversity, equality and inclusion as pre-requisites to achieve a fairer society and the broad range of perspectives needed to drive meaningful innovation.

Corporate governance report *continued*

Applied governance

Oversight of the Company's culture

How the Board measures and assesses culture

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

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

- Health and safety – an area of paramount importance to our people, customers, partners, and consumers of our products, especially given the continuing impact of the COVID-19 pandemic. We continue to adapt business operations to ensure that our people, customers and partners can perform their roles safely and effectively. We closely monitored the developing situation and challenges to ensure we provided the appropriate requirements and support.
- Employee retention – our employees are our greatest asset and it is important that we do everything we can to retain them. We conduct an annual employee engagement survey of the workforce, although during 2021 a total of three all-employee surveys were conducted to provide feedback to senior management to identify whether further actions were required. The feedback was reviewed by the Executive Leadership Team with the findings reported to the Board.
- Customer retention – assessments of customer satisfaction and ongoing conversations with regulators and non-governmental organisations. As we increased the number of all-employee surveys during the pandemic to ensure that we had adequate insight into employee needs, we also introduced a new customer feedback approach from Customer Gauge across all our markets to receive customer feedback on an ongoing basis. This software-as-a-service tool gives us deeper, more frequent insight than our annual customer survey, leading to more actionable insights which can be addressed quickly. Many of our customers were severely impacted by lockdowns and restrictions on their ability to operate. We continue to work with our customers, consumers, suppliers, local community representatives and other business partners across the value chain every day. Their input, cooperation and trust factors into Board decision-making and the success of the business. Examples of governance in action are on pages 95 to 96.

Culture in action

Doing the right thing

Throughout the global pandemic, our culture of adaptability has been the driving factor in our success. Ensuring the safety of our people, as well as customers, partners and communities, continued to be a top priority in 2021. The COVID-19 pandemic demonstrated the value of our customer partnerships, while underlining the need to continue to further develop our critical capabilities. Our teams have emerged from two years of a global pandemic even stronger.

Throughout, our actions have been guided by our values. Below are some examples of culture in action during 2021:

Resilience, adaptability and agility

- We protected the health and wellbeing of our people as the COVID-19 pandemic continued, while further investing to support the new ways of working.
- We stood by our out-of-home customers as restrictions disrupted their operations and helped them reopen as restrictions ease. We introduced our HoReCa (hotel, restaurant and café) for tomorrow framework to support channel acceleration, focusing on being a full-service partner to our customers.
- We introduced the new Sales Academy across all our markets, to drive our salesforce's capability to deliver improved customer service, performance and execution. This has been developed as a transformative digital learning approach to help build our teams' capabilities on the job.
- In 2021 we made step changes to empower our salespeople to drive customer-centric behaviours and 'close the loop' to resolve issues immediately.
- We increased the coverage of our business-to-business Customer Portal platform, which has transformed into an engagement-driven digital platform for businesses. We quadrupled digital transactions in 2021.
- We increasingly worked to digitise our route to market in the e-commerce channel, strengthening our partnerships with e-retailers and food delivery platforms

Sustainability

- We accelerated our #YouthEmpowered programme using both in-person and online modules. The programme reached more than 210,000 people in 2021
- To improve our supply of rPET we have introduced innovative technology on-site at our Krakow plant in Poland, and will introduce this into more markets in 2022-23

Applied governance

Workforce engagement

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

Our workforce is core to our strategy and is one of our most important stakeholder groups. The Company's success largely depends on the passion of our people and our ability to attract, retain and develop the best talent. The Board therefore understands the importance of engaging with its workforce. The safety of our workforce continued to be a focus throughout 2021, ensuring appropriate measures were in place so that they could continue in their roles and that we were supporting a healthy working environment. Our workforce continued extraordinary efforts to support and aid our customers and consumers during uncertain times caused by the pandemic.

The Board closely monitors and reviews the results of the Company's Employee Engagement, Values and Ambassadorship surveys.

In addition, the Board reviews talent development initiatives designed to support long-term success. For further details please see below and the Growth Pillar 4 section of the report on pages 39 to 44.

Charlotte Boyle, our designated non-Executive Director for workforce engagement, attended a number of virtual meetings with our European Works Council (EWC). Despite not being able to meet physically in 2021 until the end of October, meetings continued with the EWC virtually before that time, including virtual meetings in March and June 2021. Senior leadership present key information on business and other changes at these meetings and hear feedback directly from employee representatives. All meetings are attended by selected members of the senior leadership team, depending on subjects covered, including our CEO at our meeting in end October.

Workforce engagement mechanism

Charlotte Boyle, our designated non-Executive Director for workforce engagement, attended the meetings during the year with our European Works Council. During the course of these meetings Charlotte heard from elected employee representatives from our businesses in EU countries. These meetings allow employee representatives to understand business updates from senior leaders – including the CEO – about significant matters affecting our people, and to ask questions and give feedback. Charlotte was able to listen to employee representatives about topics raised by employees and their experience of the Company's approach to the workforce, particularly during the last couple of years, and was able to bring these insights to the Board's discussions.

During 2021, the insights gained from these engagement activities continued to be of great importance, contributing to the Board's decisions in relation to ensuring the appropriate support and resources for our people, not only for their own safety but to aid them in their roles in helping our customers and consumers.

Charlotte also frequently interacted with our Group Employee Relations Director, who is also responsible to monitor diversity, equity and inclusion, to better understand the steps that the Company is taking to become more diverse and inclusive (see page 41 for activities in this area). To embed these attributes within the Company's culture, multiple initiatives have been launched to increase awareness and understanding and improve policies and practices to create a more equitable and inclusive workplace for all. The Board takes the lead by recognising good practices and driving accountability.

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

Corporate governance report *continued*

Engaging with our stakeholders

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

Description	How the Board is kept informed	Read more
Our people	To understand what our people needed to work in continually changing circumstances, the Company conducted in total three all-employee surveys in 2021. There is a designated non-Executive Director for engagement with our people but given the continued impact of the COVID-19 pandemic, the practice of presenting survey results to the full Board continued. The CEO also held engagement sessions with employees during the year, including several calls with Q&A sessions.	10, 39-43
Our communities	Plant visits, community meetings, partnerships on common issues, sponsorship activities, lectures at universities, training opportunities and support to young people currently not in education, training or employment.	10, 46
Our consumers	Consumer hotlines, local websites, plant tours, research, surveys, insights, focus groups.	12, 24-29
Our customers	Regular visits, dedicated account teams, joint business planning, joint value-creation initiatives, customer care centres, customer satisfaction surveys.	10, 32-37
Our suppliers	Engagement with our suppliers, consultants and counterparts in related industries.	10, 32-37
NGOs	Dialogue, policy work, partnerships on common issues, membership of business and industry associations.	13, 44-51
Our shareholders	Annual General Meetings, investor roadshows and results briefings, webcasts, ongoing dialogue with analysts and investors.	12, 100
Governments	Trade Associations, recycling and recovery initiatives, EU Platform for Action on Diet, Physical Activity and Health, foreign investment advisory councils, chambers of commerce.	12, 44-51
The Coca-Cola Company	Day-to-day interaction as business partners, joint projects, joint business planning, functional groups on strategic issues, 'top-to-top' senior management meetings.	8, 13

Considering stakeholders in principal decisions

Putting our people and customers first

The ongoing COVID-19 pandemic continued to create many issues for the Group and in particular for its people and its customers.

Since the start of the COVID-19 pandemic the Board's top priority has been the safety and wellbeing of our people, customers, partners and communities. The Board has remained focussed on keeping our colleagues safe and healthy, ensuring that processes and procedures are adapted as appropriate and that the right equipment is in place. This was, and remains, key to our ability to continue to serve our customers and to operate the business for all of the Group's stakeholders.

Implementing certain new protocols resulted in a reduction in the number of employees working on the ground with customers which in turn had an effect on business development opportunities and opportunities to strengthen the Group's relationships with its customers. However, the Board and management looked at other ways for salespeople to engage and communicate effectively with customers. Through this engagement with our customers, it was apparent that having products in the right location was logistically problematic. Therefore, in some markets, our teams helped our customers with their supply chain issues. In order to reduce the pressure on some supermarket customers' supply chains we delivered direct to stores rather than to the customers' central warehouses.

In many of our markets, some customers remained closed for significant periods in 2021. Once lockdown measures were eased, the priority was for our teams to connect with these customers to offer support and assistance to enable reopening of their businesses. Our business developers engaged with customers to understand their key priorities and requirements as they prepared to reopen after a period of perhaps three to four months' closure. We offered and, in many cases, provided extended credit; helped with product placement and marketing; and staggered ordering to ensure no over-supply and to ease cash flow. By understanding our customers' needs and taking a collaborative approach, we could plan and adjust accordingly. Together, we adapted our strategy to aid customers' business recovery and viability rather than focusing solely on our own financial targets.

Stakeholder considerations in the context of acquisitions

Stakeholder interests and matters were carefully considered by the Board in the context of the proposed acquisition of the Coca-Cola Bottling Company of Egypt S.A.E. (CCBCE), a leading producer of non-alcoholic ready-to-drink beverages in Egypt. Investors and shareholders were particularly considered as part of this strategically important decision, especially the long-term benefits to the Group from increasing its exposure to high-growth geographies and the opportunities to create value through progressively moving the margins on CCBCE's products towards the Group's average margin. The Group expects that CCBCE will continue doing business with its current suppliers, in line with the Group's Supplier Guiding Principles. The Group also sees potential opportunities for local Egypt suppliers to service the wider CCHBC Group and vice versa. Finally the Group expects certain procurement efficiencies at CCBCE level by leveraging CCHBC's scale and optimisation of the production process and logistics in line with the Group's experience in other markets.

Similarly, stakeholder interests were also considered by the Board in the context of the acquisition of a minority shareholding in Caffè Vergnano, a premium Italian coffee company, which was announced in June 2021. The acquisition allowed the Group to further build its presence in the coffee category, one the Board views as important to achieve the Company's 24/7 vision and address an even wider range of consumer tastes and segments. The opportunities and benefits for the Group's customers was a key consideration. The Board considered that the Caffè Vergnano transaction would increase the Group's relevance with its customers within the most attractive segments of the coffee category, while providing Caffè Vergnano with significant expansion potential through the Group's leading route-to-market network and commercial capabilities.

Future stakeholder engagement

The Board regularly reviews the stakeholder engagement activities undertaken both by it and the Group as whole and is satisfied that the activities outlined above and on pages 10 to 13 remain effective for the mutual benefit of the Company and its stakeholders.

Shareholder engagement

The Chairman, the Senior Independent Director and the Chair of the Audit and Risk Committee will be available at the Annual General Meeting of the Company to answer questions from shareholders. The Board encourages shareholders to attend as it provides an opportunity to engage with the Board. However, the 2021 Annual General Meeting was not held in the usual format as no shareholders were permitted to attend due to pandemic-related restrictions in place under Swiss law. The Chief Executive Officer chaired the meeting with a number of other Directors, including the Chairman, as well as members of the Executive Leadership Team and the statutory auditors participating remotely.

At the 2021 Annual General Meeting, more than 20% of votes were cast against two resolutions being the advisory votes on the UK Remuneration Report (resolution 7) and on the Swiss Remuneration Report (resolution 9). In accordance with Provision 4 of the 2018 UK Corporate Governance Code, in December 2021 we published an update on the key actions that have been taken by the Board of Directors and Remuneration Committee in response to this. In addition to the comprehensive shareholder consultation subsequently undertaken, the Chair of the Remuneration Committee has further engaged with shareholders to understand their feedback regarding the votes. From this engagement, it is understood that the significant factor regarding the votes was the Committee's decision to adjust the performance metrics relating to PSP vesting in respect of performance up to 31 December 2020. More information on the actions taken in response to this vote is included in the Remuneration Report on page 118.

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

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

Key investor relations activities in 2021

February
- Management Roadshow Europe & UK

March
- UBS Global Consumer and Retail Virtual Conference
- Credit Suisse 2021 Consumer Retail Conference

May
- EU & US Management virtual roadshow
- IR virtual roadshow
- Investec virtual seminar: Beverages on the rebound – CCH's IR Director to participate in a panel discussion

June
- Goldman Sachs Global Consumer ESG Conference
- Exane BNP Paribas European CEO Conference
- Annual General Meeting in Zug
- Deutsche Bank Access Global Consumer conference
- Exane BNP Paribas 22nd European CEO Conference
- Goldman Sachs Global Consumer ESG Conference
- Evercore ISI Consumer & Retail Summit
- UBS Sustainable Finance Virtual Conference 2021: The Trajectory of Transition

September
- Barclays Global Consumer Staples Conference

November
- EU & US Management Virtual Roadshow

December
- Citi's Global Consumer Conference

Corporate governance report *continued*

Board, committee and Director performance evaluation

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

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

For the past six years, the evaluation of the Board's effectiveness has been facilitated by Lintstock, and details of the 2021 Lintstock report are set out on page 103. Lintstock has no other connection to the Company or individual directors. A summary of the Board evaluation findings for 2020, the actions taken in response to improve Board effectiveness in 2021, the Board evaluation findings for 2021, and the resulting priorities for 2022 is as follows:

2020 Board evaluation findings	2021 actions
• Oversight of talent • Understanding of technological developments • Considering implications of COVID-19	• Endorsing the geographic expansion of the Group to Egypt • Risk management response to the pandemic • Access to the global talent pool, and implementing a programme of formal / informal exposure to potential successors

2021 Board evaluation findings	2022 priorities
• Strengthening the technology expertise on the Board • Undertaking site visits and meeting in person • Understanding of broader stakeholder views	• Reviewing the acquisitions • Oversight of people and talent • Strategic discussions

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

Information and training

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

The Board has in place an induction programme for new Directors. Generally, it involves meeting with the Chairman, members of the Executive Leadership Team and other senior executives, as well as receiving orientation training in relation to the Group and its corporate governance practices. The induction programme also includes meetings with representatives of our sales force, customers and major shareholders, and visits to our production plants. Bruno Pietracci and Henrique Braun participated in the induction programme during 2021 as part of their onboarding process, although much of this was conducted virtually.

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

Board appointments and succession planning

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

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

In making such recommendations, the Nomination Committee and the Board must consider objective criteria including the overall balance of skills, experience, independence and knowledge of the Board member, as well as diversity considerations including gender but also social and ethnic backgrounds. Consideration is also given to the overall length of service of the Board as a whole when refreshing its membership. See the Nomination Committee report on page 114 for further information on the role and work of the Nomination Committee, including the Board Diversity Policy. Through this process, the Board is satisfied that the Board and its committees have the appropriate balance of experience and skills, diversity, independence and knowledge of the Company to enable them to discharge their duties and responsibilities effectively, including sufficient time commitment.

Conflicts of interest

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

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

As The Coca-Cola Company was a major shareholder of the Coca-Cola Bottling Company of Egypt S.A.E. (CCBCE), members of the Board appointed by The Coca-Cola Company did not take part in the decision-making process in relation to the Group's acquisition of CCBCE. For a detailed description of the enhanced governance procedures in place for the transaction see page 86.

Lintstock report

In 2021, we once again engaged the advisory firm Lintstock to facilitate an evaluation of the performance of the Board. Lintstock specialises in Board performance reviews and has no other connection with Coca-Cola HBC.

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

The 2021 surveys addressed core aspects of the Board's performance, and had a particular focus on the following areas:

- The Board's oversight of progress with regard to the Company's growth pillars, and the priorities for successfully delivering Growth Story 2025
- The Board's understanding of, and engagement with, key stakeholder groups, including shareholders, customers, regulators, and suppliers
- The effectiveness with which the Board monitors employee sentiment and the culture throughout the business
- The dynamics on the Board, and the extent to which the Board provides effective support and constructive challenge to management
- The effectiveness of the Board's virtual meetings, and the focus in meetings on key strategic areas such as sustainability and technology
- The Board's oversight of risk management, including the Company's response to the challenges associated with the pandemic
- The Board's exposure to potential successors for key positions from within the business, and the effectiveness of the Company's talent management processes
- The Board's composition in the context of the Company's strategic ambitions, including the skills represented and the diversity among members

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

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

The results of the review were positive overall, and the Board was felt to have performed effectively and maintained a strong working dynamic despite the challenging circumstances presented by the pandemic. While the Board's virtual meetings were seen to have been successful, resuming in-person meetings was identified as a top priority for the coming year. Other priority areas for 2022 were identified as continuing the Board's focus on: strategic matters, particularly growth; the integration of recent acquisitions; people issues, including succession planning and talent; strengthening technology expertise on the Board; and risk management, including any lessons that can be learned from the pandemic.

The Executive Leadership Team

1. The Executive Leadership Team is chaired by Zoran Bogdanovic, Chief Executive Officer, and his biography is set out on page 88.

Other members of the Executive Leadership Team:

2. Naya Kalogeraki
(52) Chief Operating Officer

Senior management tenure: Appointed July 2016 (5 years), appointed Chief Operating Officer September 2020

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

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

Nationality: Greek

3. Ben Almanzar
(47) Chief Financial Officer

Senior management tenure: Appointed April 2021 (less than 1 year)

Previous Group roles: None

Previous relevant experience: Ben has a proven track record and broad experience gained from senior financial positions in the global fast-moving consumer goods industry. This includes 10 years with Mars Incorporated, where he was Regional CFO, Europe & Southern Africa and most recently Vice President for Financial Planning, Analytics and Financial Strategy. Prior to joining Mars, Ben spent 10 years with Nestlé in a variety of finance roles in Europe, including CFO of Nestlé Czech-Slovak, and CFO for Nestlé Waters in the UK.

Nationality: Dominican Republic and British

4. Ivo Bjelis
(54) Chief Supply Chain Officer

Senior management tenure: Appointed January 2022 (less than 1 year)

Previous Group roles: Ivo joined the Group in 1996 as Plant Manager in Croatia, while in 2002 he took over the position of Country Supply Chain Manager. Since 2006 Ivo built his career assuming roles of increased scale and scope across the board, including Strategic Initiative Leader for Customer Centric Supply Chain, Group Supply Chain Processes and Capabilities Director, Regional Supply Chain Director, Group Supply Chain Services Director and Group Supply Chain Operations Director, leading the development and the transformation of the Supply Chain strategy over the years.

Nationality: Croatian

5. Sanda Parezanovic
(57) Chief People and Culture Officer

Senior management tenure: Appointed June 2015 (6 years)

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

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

Nationality: Serbian

From left to right
Row one
Zoran Bogdanovic, Naya Kalogeraki, Ben Almanzar, Marcel Martin, Minas Agelidis, Nikos Kalaitzidakis, Barbara Tönz
Row two
Ivo Bjelis, Sandra Parezanovic, Jan Gustavsson, Vitaliy Novikov, Mourad Ajarti, Spyros Mello

6. Jan Gustavsson

(56) General Counsel, Company Secretary and Chief Corporate Development Officer

Senior management tenure: Appointed August 2001 (20 years)

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

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

Nationality: Swedish

7. Marcel Martin

(62) Chief Corporate Affairs and Sustainability Officer

Senior management tenure: Appointed Chief Supply Chain Officer January 2015, appointed Chief Corporate Affairs & Sustainability Officer January 2022 (less than 1 year)

Previous Group roles: Marcel joined the Group in 1993, holding positions with increasing responsibility in the supply chain and commercial functions. Since 1995, he has held general management assignments in several of our markets, including as General Manager for Eastern Romania, Regional Manager Russia, Country General Manager Ukraine and General Manager Nigeria. He became General Manager of our Irish operations in 2010, Supply Chain Director in 2015 and is now our Chief Corporate Affairs and Sustainability Officer.

Nationality: Romanian

8. Minas Agelidis

(52) Region Director: Austria, Belarus, Czech Republic, Estonia, Hungary, Island of Ireland, Latvia, Lithuania, Poland, Slovakia, Switzerland

Senior management tenure: Appointed April 2019 (2 years)

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

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

Nationality: Greek

9. Nikos Kalaitzidakis

(52) Region Director: Armenia, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Moldova, Montenegro, Republic of North Macedonia, Romania, Serbia, Slovenia, Ukraine

Senior management tenure: Appointed May 2018 (3 years)

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

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

Nationality: Greek

Corporate governance report *continued*

10. Barbara Tönz
(50) Chief Customer and Commercial Officer

Senior management tenure: Appointed May 2021 (less than 1 year)

Previous Group roles: Barbara joined the Group in 1998, building her career first in Switzerland as Trade Marketing Director, Sales Director and Commercial Director, and then in Austria from 2012 as Commercial Director and Interim General Manager.

Previous relevant experience: In 2016 Barbara enriched her experience within the Cola-Cola System as Country Director Sweden for The Coca-Cola Company, with responsibility expanded to Norway and Iceland in 2019 before she assumed the role of Commercial Execution Director Europe. Prior to joining the Group in 1998, she held positions in brand and customer development at Unilever.

Nationality: Swiss

11. Vitaliy Novikov
(42) Digital Commerce Business Development Director

Senior management tenure: Appointed September 2020 (1 year)

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

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

Nationality: Ukrainian

12. Mourad Ajarti
(45) Chief Digital and Technology Officer

Senior management tenure: Appointed October 2019 (2 years)

Previous Group roles: None.

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

Nationality: British and Moroccan

13. Spyros Mello
(47) Strategy and Transformation Director

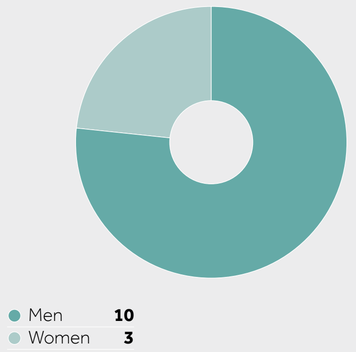
Senior management tenure: Appointed November 2021 (less than 1 year)

Previous Group roles: Spyros served as Deputy General Counsel and Chief Compliance Officer from 2010 to 2021. He was Deputy General Counsel from 2007 to 2009 and Senior Corporate Counsel from 2005 to 2007.

Previous relevant experience: Spyros was an associate with the law firm of Sullivan & Cromwell LLP practising securities law and M&A first in New York from 1999 to 2001 and then in London from 2001 to 2004.

Nationality: Greek

Executive Leadership Team gender diversity



Executive Leadership Team tenure

0-1 years	4
1-2 years	1
2-3 years	2
3-4 years	1
5-6 years	1
6-7 years	2
8-9 years	1
20-21 years	1

Key responsibilities of the Executive Leadership Team

The key responsibilities and elements of the Executive Leadership Team role are:

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

Key activities and decisions in 2021

Long-term direction setting

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

Business planning

- Aligning key priorities and investment strategy with TCCC.
- Reviewing progress of the aligned priorities, investments and spending.
- Reviewing and approving annual business plans for 2022 for all operations and central functions.
- Approving Group and country talent, capabilities development and succession plans.

Risk, safety and business resilience

- Evaluating the Group's business resilience strategies.
- Evaluating the Group's Risk Register of major business risks as well as associated risk response plans.
- Reviewing the Group's health & safety policies and material incidents.
- Reviewing the corporate audit plan for 2022.

Business case reviews and approvals

- Assessing strategic revenue-generating initiatives and product / packaging innovation business cases.
- Reviewing and approving progress of selected key initiatives – Data, Insights & Analytics (DIA), Digital Commerce, Digital & Technology, Sustainability, Diversity & Inclusion (D&I) and Culture.
- Overseeing the strategic evolution of Supply Chain, Human Resources, Commercial, Finance and BSS departments.
- Optimisation and expansion of our logistics and manufacturing infrastructure.
- Capital expenditure proposals review and approval.

Priority projects

- Costa Coffee
- Customer Satisfaction
- Sustainability initiatives
- S4HANA
- Engagement
- Diversity & Inclusion
- Cybersecurity
- Business Resilience
- Venturing

2021

Corporate governance report *continued*

Monitoring liquidity and emerging risks

Letter from the Chair of the Audit and Risk Committee

Highlights this year

- Risk management response to the on-going pandemic and business resilience.
- Transition to SAP S4/Hana and monitoring of Cyber Security Program

Priorities for 2022

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

Dear Stakeholder

The Audit and Risk Committee focused its work during 2021 on enhancing and strengthening the Group's existing financial controls, risk management and compliance systems, which the Board recognises as essential components of effective corporate governance. During 2021, the Audit and Risk Committee worked closely with the internal audit and finance teams in overseeing the implementation of the Group's internal control framework.

COVID-19 pandemic

The COVID-19 pandemic continued to impact many countries in which the Group operates, with measures implemented by governments to contain the spread of the virus, including closure of non-essential services, travel bans, quarantines and social distancing; disrupting business activities and resulting in a significant economic slowdown. We received regularly a report from our senior management which explained the actions being implemented to ensure the Group remained fully operational.

We have monitored and discussed our risk management processes, including our risk profile and mitigation but also principal risks and risk appetite. The COVID-19 pandemic materially changed our risk profile, especially in light of the changing workplace. We reviewed an elevated number of reported incidents during 2021, including those related to the ongoing impact of the pandemic. We received updates about the Group's impairment assessment processes regarding goodwill and other indefinite-lived intangibles, taking into consideration the continuing implications of the COVID-19 pandemic.

The on-going COVID-19 pandemic meant that in 2021 the majority of internal audits were delivered remotely.The Committee follows the FRC's Guidance on Risk Management and Internal Control and the Board is satisfied that the adequate control systems were in place throughout the year and up to the date of this report.

Other areas of focus during 2021 are included in the sections about the work and activities of the Audit and Risk Committee and the areas of key significance in the preparation of the Financial Statements in this report.

The Audit and Risk Committee report describes in more detail the work of the Audit and Risk Committee during 2021. In performing its work, the Committee balances independent oversight with support and guidance to management. I am confident to report that the Committee supported by senior management and the external auditor consistently carried out its duties to a high standard during the reporting year.

William W. (Bill) Douglas III
Committee Chair

Role and responsibilities

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

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

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

The Audit and Risk Committee comprises three independent non-Executive Directors: Bill Douglas (Chair), Olusola (Sola) David-Borha and Alexandra Papalexopoulou, who were each re-elected for a one-year term by the shareholders at the Annual General Meeting in June 2021.

The Board remains satisfied that Bill Douglas, Sola David-Borha and Alexandra Papalexopoulou possess recent and relevant financial and sector experience in compliance with the UK Corporate Governance Code. Bill Douglas was formerly Executive Vice President and Chief Financial Officer of Coca-Cola Enterprises, Sola David-Borha has held a number of senior financial positions and Alexandra Papalexopoulou has served as a treasurer. The Board is also satisfied that the members of the Committee as a whole have competence in the sector in which the Company operates in compliance with the UK Corporate Governance Code and UK listing regime requirements.

Further details on their experience are set out in their respective biographies on pages 88 to 90.

The Group Chief Financial Officer, as well as the General Counsel, external auditor, the Head of Corporate Audit, and the Group Financial Controller, normally attend all meetings of the Audit and Risk Committee. Other officers and employees are invited to attend meetings when appropriate. The Head of Corporate Audit, and, separately, the external auditor, meet regularly with the Audit and Risk Committee without the presence of management to discuss the adequacy of internal controls over financial reporting and any other matters deemed relevant to the Audit and Risk Committee. The Chair of the Audit and Risk Committee attended our AGM in June 2021 and regularly interacts with representatives of our shareholders.

Corporate governance report *continued*

Work and activities

The Audit and Risk Committee met eight times, all by video conference call, during 2021 and discharged the responsibilities defined under Annex C of the Organisational Regulations. The work of the Audit and Risk Committee during the accounting year included evaluation of and review of the respective matters, as well as assessment of management's mitigating actions and response plans, in the areas below:

- the Integrated Annual Report including the consolidated Financial Statements and the full-year results announcement for the year ended 31 December 2020 prior to their submission to the Board for approval, and compliance with Group policies;
- the interim consolidated Financial Statements and interim results announcement for the six-month period ended 2 July 2021, prior to their submission to the Board for approval;
- the trading updates for the three-month period ended 2 April 2021 and the nine-month period ended 1 October 2021;
- areas of significance in the preparation of the consolidated Financial Statements;
- the internal control environment, principal risks and risk management systems (including the nature and extent of the principal risks resulting from the COVID-19 pandemic), and the Group's statement on the effectiveness of its internal controls prior to endorsement by the Board, concluding that management has carried out a robust risk assessment process;
- the Viability Statement scenarios and underlying assumptions and recommendations to the Board that the Viability Statement be approved, including discussion of management's conclusions with respect to Going Concern and the Viability Statement;
- the external auditor's report on the Group's IFRS earnings release for the financial year ended 31 December 2020; including assessment of the auditor's enhanced audit report and key audit matters and conclusion that there was nothing that warranted the attention of the Board; and review of external auditor's report on the Group's interim report for the six-month period ended 2 July 2021;
- report on tax audits undertaken during 2021 in a number of territories;
- quarterly reports on internal audit matters across the Group's business regions, concluding that no material failings were identified;
- consideration and discussion of the guidance to FRC's Practice Aid on audit quality;
- direct procurement matters and initiatives for 2021, including contingency plans for COVID-19 as well as commodity exposure for 2021;
- regular reports on health and safety, GDPR compliance, transition to SAP S4/Hana, cybersecurity, business continuity, security, quality assurance, environmental protection, asset protection, treasury and financial risks, anti-bribery and fraud control, insurance (including placing strategy), enterprise risk management processes and internal control framework (including any adjustments to the 2021 schedule and updates to the controls as a result of the COVID-19 pandemic and the new environment);
- project for the optimisation of the Internal Control Framework Risk Matrix and updates on progress and timing;
- reports on litigation and regulatory investigations;
- matters arising under the Group's Code of Business Conduct and the actions taken to address any identified issues;
- an internal quality assessment of the internal audit function, in accordance with the Institute of Internal Auditors Attribute Standards 1311;
- impact of the COVID-19 pandemic on trading and revenue and regular updates on developments, potential risks and mitigating actions, including updates on the Group's response to the COVID-19 pandemic in the Group's territories;
- an assessment of the skills of the internal auditors and the sufficiency of the internal audit budget, confirming of the Internal Auditor's quality, experience and expertise for the business. The Audit & Risk Committee is satisfied that internal audit has the appropriate resources for the business;
- updates on risk management and business resilience, including the Group's response to the COVID-19 pandemic,the activation and development of Business Continuity strategies and the streamlining of the Group's risk management processes. Review of a description of the top 10 risks per region and the Group's updated Strategic Risk Summary;
- reports on the Group's impairment assessment processes in connection with goodwill and other indefinite-lived intangible assets for the interim financial report;
- regular updates from the external auditor on accounting and regulatory developments. Also, an update on Swiss regulatory developments,
- tax issues including:
  - an update on increasing substance, coherence and transparency requirements and the compliance measures that the Group was taking, including an overview of the Group's tax governance and risk management framework, an upgrade of its tax capabilities, a Group-wide approach to tax controversy and the continued simplification of the Group's legal structure;
  - reviewing the OECD new tax framework in the digital era
  - report on the introduction, and potential impact, of digital services taxes by several countries in the Group's territories; and
  - reviewing a bench-marking study by PwC ranking the Group high compared to industry peers on its efforts to establish tax transparency;
- approval of chart of authority and delegation for operational activities;
- external audit plan and pre-approval of audit fees for 2022
- consideration of the external auditor's independence, quality, adequacy and effectiveness of its audit of the financial statements; and
- assessed the Company's external reporting to ensure it is fair, balanced and understandable as a result of the Board's obligation under the Corporate Governance Code. The Committee was responsible for the review of the 2021 Integrated Annual Report including the Consolidated Financial Statements and associated reports and information. The Committee received assurances from management and details on the processes underlying the preparation of published financial information. Following evaluation of all available information, including consideration of the uncertainties around the COVID-19 pandemic, the Committee concluded and advised the Board that the 2021 Integrated Annual Report including the Consolidated Financial Statements is fair, balanced and understandable.

Finally, the Board receives and reviews a report from the Audit and Risk Committee on its activities and discussions at the Board meeting following each Audit and Risk Committee meeting.

Areas of key significance in the preparation of the Financial Statements

The Audit and Risk Committee considered a number of areas of key significance in the preparation of the Financial Statements in 2021, including the following:

- appropriateness of critical accounting judgements and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the consolidated Financial Statements, including income taxes (detailed in Notes 5, 10, 13, 15, 21 and 29 to the consolidated Financial Statements), identified by management;
- review of the trading environment and resilience of the Group's business in light of the COVID-19 pandemic and strategic actions implemented to mitigate risks;
- review of impairment testing performed by management and reviewed by the external auditor under IAS 36 as well as the related sensitivity analysis with confirmation that management had undertaken a robust impairment testing process, relying on both internal information, and other publicly available metrics to perform their assessment; review key assumptions for specific countries, challenging management drivers of relevant deviations and performance to date, as welll as countries WACC rates development vs prior year
- review of the contingencies, legal proceedings, competition law and regulatory procedures, including cases involving the national competition authorities of Greece and litigation matters in Nigeria and Greece, and the impact of these on the consolidated Financial Statements and accompanying notes;
- review of management's report that considered the potential impact of the COVID-19 pandemic on revenues and carrying amounts of assets;
- assessment of management's judgement on relevant areas for additional disclosures, to address IAS 34 requirement for explanation of significant events, in light of the ongoing COVID-19 pandemic;
- review of accounting standard IAS 34 that required an explanation of significant events implying that additional disclosure should be made to reflect the financial impact of the COVID-19 pandemic and mitigating measures;
- discussion of the following accounting pronouncements, taking effect on 1 January 2021: IFRS 9, IAS 39, IFRS 7 and IFRS 16 (Interest Rate Benchmark Reform-Phase 2), and IFRS 16 (Covid-19 related rent concessions);
- review of guidance provided from the UK Financial Conduct Authority and Financial Reporting Council related to areas of focus for the 2021/2022 financial reporting, climate change, and viability and going concerns and corporate governance matters;
- review of interim judgements performed by management and in alignment with the external auditor, regarding the impairment of indefinite-lived intangibles in light of the on-going Covid-19 pandemic;
- consideration of quality and safety incidents in Nigeria and Bulgaria;
- assessed management's work in conducting a robust assessment of the risks that impact the Viability and Going Concern Statements, including review of scenarios and underlying assumptions;
- recommended to the Board to approve the Viability Statement; and
- deemed appropriate that the Group continues to apply the going concern basis for the preparation of the financial statements.

External auditor

PricewaterhouseCoopers AG, Birchstrasse 160, CH 8050 Zurich, Switzerland ('PwC AG') has been elected by the shareholders as the statutory auditor for the Group's statutory consolidated and standalone Financial Statements. The signing partner for the statutory Financial Statements on behalf of PwC AG is Sandra Boehm Uglow, who has held this role for the first time with regards to the year ended 31 December 2021.

The Board, at the recommendation of the Audit and Risk Committee, has retained PricewaterhouseCoopers S.A., 268 Kifissias Avenue – 15232 Halandri, Greece ('PwC S.A.'), an affiliate of PwC AG, to act as the Group's independent registered public accounting firm for the purposes of reporting under the UK rules for the year ended 31 December 2021. The signing partner for the Financial Statements on behalf of PwC S.A. is Fotis Smyrnis, who has held this role for the first time with regards to the year ended 31 December 2021.

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

During the accounting period, the members of the Audit and Risk Committee met on a regular basis with the newly appointed PwC signing partners, both with and without management being present. This provided the Audit and Risk Committee with an opportunity for open dialogue, to question and be satisfied as to the quality of the audit work performed by PwC and challenge PwC's professional skepticism. During the meetings, the newly appointed PwC signing partners demonstrated their understanding of the group's business risks and the consequential impact on the financial statement risks, especially around areas of key significance in the preparation of the Financial Statements including but not limited to the annual impairment testing, contingencies and legal proceedings including taxes. The Audit and Risk Committee took an active role in reviewing the scope of the audit, the independence, objectivity and effectiveness of PwC, and the negotiations relating to audit fees. The Audit and Risk Committee also met with the management team, which led the discussions with PwC, including the Head of Corporate Audit, to review the performance of PwC without PwC being present. Following this review process, the Audit and Risk Committee has recommended to the Board that a proposal to reappoint PwC be put to a shareholders' vote at the next Annual General Meeting.

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

Non-audit services provided by the external auditor

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

Corporate governance report *continued*

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

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

PwC has complied with the policy for the financial year ended on 31 December 2021. The policy was updated on 1 January 2021 to refer to the FRC's Revised Ethical Standard 2019, however no significant changes were performed.

Audit fees and all other fees

Audit fees

The total fees for audit services paid to PwC and affiliates were approximately €4.8 million for the year ended 31 December 2021, compared to approximately €4.5 million for the year ended 31 December 2020. The total fees for 2021 include fees associated with the annual audit and review of the Group's half-year reports, prepared in accordance with IFRS and local statutory audits.

Audit-related fees

Fees for audit-related services paid to PwC and affiliates for the year ended 31 December 2021 were €0.7million, compared to €0.6 million for the year ended 31 December 2020.

Tax-related fees

No fees were paid to PwC and affiliates for tax services for the year ended 31 December 2021 or for the year ended 31 December 2020.

All other fees

No fees were paid to PwC or affiliates for non-audit services for the year ended 31 December 2021 or for the year ended 31 December 2020.

Risk management

During 2021, the Company continued to revise and strengthen its approach to risk management as described in detail on pages 58-71. The primary aim of this framework is to minimise our exposure and ensure that the nature and significance of all risks we are facing are properly identified, reviewed, managed and, where necessary, escalated. Risk assessments are conducted and discussed at monthly Senior Leadership Team meetings in all our business units. These assessments are reviewed by regional management teams and the Chief Risk Officer twice a year. In addition, corporate functions conduct broader risk assessments across the business with the Chief Risk Officer biannually. The Company's Group Risk and Compliance Committee reviews the emerging as well as the identified risks biannually and the emerging and material risks as well as mitigating actions is presented by the Chief Risk Officer to Executive Leadership Team and the Audit and Risk Committee. This process is both top-down and bottom-up and is designed to ensure that risks arising from business activities are appropriately managed. The Audit and Risk Committee confirms that the risk management and internal control systems have been in place for the year under review and up to the approval of the annual report and accounts. Finally, we have in place third- party insurance to cover residual insurable risk exposure such as property damage, business interruption and liability protection, including Directors' and officers' insurance for our Directors and officers, as well as for the officers and directors of certain subsidiaries.

Internal control

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

Internal audit

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

In addition, the internal audit function reviews the internal financial, operational and compliance control systems across all the jurisdictions in which we operate and reports its findings to management and the Audit and Risk Committee on a regular basis.

The internal audit function focuses its work on the areas of greatest risk to us, as determined by a risk-based approach to audit planning. As part of our commitment to maintaining and strengthening best practice in corporate governance matters, we also consistently seek to enhance our internal control environment and risk management capability.

The internal audit function carries out work across the Group, providing independent assurance, advice and insight to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. In December 2021, the Audit and Risk Committee agreed the FY22 audit plan to be undertaken by the internal audit team. The audit plan coverage is based on risk, strategic priorities and consideration of the strength of the control environment. The internal audit function prepares audit reports and recommendations following each audit, and appropriate measures are then taken to ensure that all recommendations are implemented. Significant issues, if any, are raised at once. There were no such issues in 2021.

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

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

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

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

A particular focus during 2021 was the robustness of the internal control systems and processes around risk management, in light of the on-going COVID-19 pandemic. The Audit and Risk Committee was kept informed of any changes or adaptations to ensure full functionality as the Company continued to operate under the circumstances and uncertainties of the COVID-19 pandemic.

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

Where internal or external circumstances give rise to an increased level of risk, the audit plan is modified accordingly. Nevertheless, no significant cases occurred this year. Any changes to the agreed audit plan are presented to and agreed by the Audit and Risk Committee. Detailed updates on specific areas were provided at the request of the Audit and Risk Committee, such as, for example, the progress on audit issues relating to a Health and Safety audit and to an Information Technology including Cyber Security audit .

Whistleblowing measures

Business ethics and anti-corruption

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

We have mandatory training for all our people, including our ELT, so that everyone understands our Code of Business Conduct, and we hold additional targeted anti-bribery training for employees working in areas we assess as high risk. In April 2021, a new consolidated e-learning program on our Code of Business Conduct and Anti-Bribery Policy was introduced. The course is available on-line to all employees and includes a knowledge test, acknowledgement and re-commitment to compliance with the Code and its related policies. As in the past, this training will be a regular requirement for all employees. At the end of the training wave over 26.300 employees, which was 97,7% of total employees, had completed the course. Since then, we continue to train every newly hired employee. In 2021 our communication plan on compliance included several initiatives to continue raising awareness on business ethics among our people, like our annual Ethics and Compliance Week that was rolled out across our Business Units. We have also an established anti-bribery due diligence process for third parties who have contact with public authorities on behalf of our Company. For further information please see the Anti-Bribery Policy and Code of Business Conduct on our website: https://www.coca-colahellenic.com/en/about-us/corporate-governance/policies. We have established grievance mechanisms, including an independently operated whistleblower 'Speak Up Hotline', available in all Coca-Cola HBC countries in local languages to ensure any concerns can be raised. In 2021, we investigated 344 allegations (2020: 322) of which 210 (2020: 139) were received through the 'Speak Up Hotline'. All allegations involving potential Code of Business Conduct violations were investigated in accordance with the Group Code of Business Conduct Handling Guidelines. Of those investigated, 105 (2020: 105) matters were substantiated as code violations of which 15 (2020: 26) involved an employee in a managerial position or involved a loss greater than €10,000. For details concerning the handling of allegations received in 2021, see our website.

You can find more on allegations investigated and violations uncovered in our GRI index: https://www.coca-colahellenic.com/content/dam/cch/us/documents/oar/Coca-Cola-HBC-2021-GRIContent-Index.pdf.downloadasset.pdf. Through the 'Speak Up Hotline' we receive, retain, investigate and act on employee complaints or concerns regarding accounting, internal control or ethical matters. This includes any matters regarding the circumvention or attempted circumvention of internal controls, including matters that would constitute a violation of our Code of Business Conduct or matters involving fraudulent behaviour by officers or employees of the Group. All such allegations, complaints or concerns may be communicated in a variety of ways, in local languages and on an anonymous basis, to our Head of Corporate Audit. Communications received by the Head of Corporate Audit, or directly through the 'Speak Up Hotline', are kept confidential and, where requested, anonymous. The Head of Corporate Audit liaises regularly with the General Counsel and communicates all significant allegations to the Chair of the Audit and Risk Committee.

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

Disclosure Committee

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

Performance reporting

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

Corporate governance report *continued*

Ensuring business continuity and growth

Letter from the Chair of the Nomination Committee

Highlights this year

- The successful onboarding of non-Executive Directors, Henrique Braun and Bruno Pietracci.

Priorities for 2022

- continuous work on succession plans for Board and senior management positions;
- close monitoring of the Group's talent and development frameworks in order to ensure the continued strength of the current talent pipeline;
- externally facilitated Board and committee assessments; and
- follow up actions on outcome of 2021 evaluation assessment.

Dear Stakeholder

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

In 2021, the Committee continued to review the balance of skills, experience and diversity of the Board and focused on the talent development, employee engagement and gender diversity initiatives necessary to ensure that the Group has the people and skills to deliver on its strategy. To this end the Committee oversaw the appointment process for Henrique Braun and Bruno Pietracci as non-Executive Directors in light of the retirement of José Octavio Reyes and Alfredo Rivera. The Committee also considers the overall length of service of the Board as a whole as part of its succession planning and keeps under review the need to refresh Board membership. In addition, the Committee oversaw an externally facilitated self-assessment process.

A summary of the Group's Nomination Policy for the recruitment of Board members is available online at: https://www.coca-colahellenic.com/content/dam/cch/us/documents/about-us/corporate-governance/summary-of-nomination-policy-for-recruitment-of-board-members.pdf.downloadasset.pdf. The Board Diversity Policy is described on page 115.

Reto Francioni
Committee Chair

Role and responsibilities

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

Key elements of the Nomination Committee's role are:

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

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

Committee at work

Succession planning → **Board composition** → **Recruitment** → **Shortlisting**

The members of the Nomination Committee are Reto Francioni, Charlotte Boyle and Anna Diamantopoulou. All members of the Nomination Committee are independent non-Executive Directors. At the Annual General Meeting in June 2021, Reto Francioni, Charlotte Boyle and Anna Diamantopoulou were re-elected for a one-year term by the shareholders.

Work and activities

The Nomination Committee met four times during 2021 and discharged the responsibilities defined under Annex C of the Company's Organisational Regulations. The Chief Executive Officer and the Group Human Resources Director regularly attend meetings of the Nomination Committee. In addition, the Chairman is actively involved in the work of the Nomination Committee concerning succession planning and the selection of key people. In 2021, the General Counsel also met with the Nomination Committee on several occasions. During 2021, the work of the Nomination Committee included consideration of:

- succession planning and development of plans for the recruitment of new Board members and senior management, including two non-Executive Directors (given that they were appointed at the request of The Coca-Cola Company, an external consultancy was not engaged in connection with these appointments, but is generally used for non-Executive Director appointments) and certain members of the Group's Executive Leadership Team;
- composition of the Board, including the appropriate balance of skills, knowledge, experience and diversity;
- review of the talent management framework;
- the performance evaluation and annual assessments of the committees and the Board;
- follow up actions arising from Board and committee evaluations;
- review of the Director induction process and training programmes; and
- review of the Group's Inclusion and Diversity Policy.

Performance evaluation of the Board

The Nomination Committee led the annual assessment of the performance of the Board and its committees during the year with the support of Lintstock, an external advisory firm. The key areas included in the assessment were Board structure and diversity, timeliness and quality of information, Board discussions, and effective contributions of each Director, the performance of the Board, committees, succession planning, risk appetite and risk management, and remuneration and performance. The scores were high overall, and the results of the evaluation were presented at the December 2021 Board meeting. Further details on the internal Board evaluation are set out on page 103.

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

Diversity

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

The Group believes that diversity at the Board level acts as a key driver of Board effectiveness, helps to ensure that the Group can achieve its overall business goals especially in light of our geographical footprint, and is critical in promoting a diverse and inclusive culture across the whole Group. The Board has adopted a formal Board Diversity Policy, which guides the Nomination Committee and the Board in relation to their approach to diversity in respect of succession planning and the selection process for the appointment of new Board members. The Nomination Committee is responsible for implementing this policy and for monitoring progress towards the achievement of its objectives.

The requirements and objectives of the Board Diversity Policy, include that the Nomination Committee is required to take into account all aspects of diversity, including age, ethnicity, gender, educational and professional background and social background when considering succession planning and new Board appointments; seek a wide pool of candidates, with a broad range of previous experience, skills and knowledge; and give preference to executive search firms that are accredited under the Enhanced Code of Conduct for Executive Search Firms. Board appointments are evaluated on merit against objective criteria with due regard for diversity to ensure that candidates contribute to the balance of skills, experience, knowledge and diversity of the Board. The Board also considers the overall length of service of the Board as a whole when considering refreshment of the membership.

The Board understands the benefits of diversity of gender, ethnicity, knowledge and experience, and this is reflected in the Board Diversity Policy. The objectives of the Board Diversity Policy include ensuring female representation on the Board and as such both the Board and Nomination Committee are mindful of the target set for FTSE 100 companies by the Hampton-Alexander Review (minimum of 33% of women on the Board and 33% of women on the executive committee and direct reports by the end of 2020). They are also mindful of the target set out in the Parker Review to increase ethnic diversity (at least 'one person of colour' on the Board by 2021). The Board currently has 30% female representation and also meets the target set by the Parker Review having had a person of colour on the Board since 2015. The Board is committed to improving the Board gender balance and the Nomination Committee has, and will continue to, consider this in the context of its continuous work on succession plans for the Board, as well as senior management. The Executive Leadership Team has 23% female representation while 30% of our senior leaders are women. Figures showing Board and senior management gender diversity are shown on pages 90 and 105. The Board is committed to appointing the best people with the right skill set, regardless of gender, ethnicity, religion or disability, and as such does not think it is appropriate to set specific targets for Board appointments.

The Board recognises the importance of diversity in its business. It is the Board's responsibility to oversee senior management succession planning for a diverse pipeline of managers and talent identified from the management talent development programme. This links to our strategy to develop our people and ensure we attract and retain a diverse talent pool, and is one of the five pillars of our growth strategy. Further information on pages 38-43. The Nomination Committee, in conjunction with the Executive Leadership Team, will continue to monitor the proportion of women at all levels of the Group and ensure that all appointments are made with a view to having a high level of diversity within the workplace and in leadership positions.

Interview → Balance of skills assessment → Appointment → Induction

Corporate governance report *continued*

Overseeing the journey to net zero

Letter from the Chair of the Social Responsibility Committee

Activity highlights 2021

- close governance of licence to operate pillar as part of our Growth Story 2025 including progress of public Mission 2025 commitments;
- endorsement and a detailed review of the actions, initiatives, and communication plans supporting NetZeroby40, the Company's commitment to reach net zero greenhouse gas emissions by 2040, combined with science-based carbon reduction targets by 2030;
- review of sustainable packaging agenda, progress, and action plan;
- deep-dive analysis of Company results in various environmental, social and governance (ESG) benchmarks and ratings;
- review of the new Sustainability department structure;
- adoption of new food loss policy and biodiversity statement;
- update of the packaging waste policy;
- ongoing updates on plastic packaging levies and product tax developments; and
- active involvement in annual Stakeholder Forum on 'Winning ESG Partnerships – When One Plus One Exceeds Two', including preparations and measurement/feedback.

Priorities for 2022

- Progress of public Mission 2025 commitments with a focus on NetZeroby40 and packaging initiatives;
- partnerships for innovation in the area of ESG;
- implementation of 2022 roadmap related to 2030 science-based carbon reduction targets to reduce carbon emissions across the value chain;
- plans for added sugar reduction across beverage categories aligned with the UNESDA commitment to sugar reduction;
- stakeholder outreach activities;
- reviewing and streamlining of Company disclosure and reporting standards based on GRI, IIRC, TCFD and SASB frameworks, and the EU Taxonomy; and
- ongoing activities related to ESG benchmarking activities, plastic packaging levies and product tax developments.

Dear Stakeholder

The Social Responsibility Committee continued its focus on the overall integration of sustainability in the business strategy and the Group's progress towards its Mission 2025 sustainability targets. To support the achievement of our very ambitious NetZeroby40 emissions reduction goal, we oversaw implementation of a new structure and new ways of working in the Group's Sustainability department. The key changes are: (1) a much extended and upgraded Head of Sustainability role in the Group team; (2) creating a cross-functional Sustainable Packaging team that will focus on developing an end-to-end approach; (3) a new governance model and supporting activities; (4) prioritisation of sustainability as the core theme for communication.

The Committee monitored sustainability-related regulatory developments, including the EU Green Deal and other regulations promoting a circular economy, single-use plastics and packaging waste, deposit return systems and evolving nutrition labelling requirements.

During 2021, the Company retained top scores in MSCI ESG ratings, CDP Climate and Water, ISS ESG, Video Eiris and FTSE4Good. The Committee is particularly proud that the Company was again rated as Europe's most sustainable beverage business in the S&P Corporate Sustainability Assessment (DJSI).

Going forward in 2022, the Committee will ensure that sustainability is fully integrated into the business strategy and that the company continues to create value for all of its stakeholders. Areas of specific attention will include focus on increasing diversity, inclusion and equity; sustainable sourcing; the relevance of biodiversity and deforestation for the business.

Anastasios I. Leventis
Committee Chair

Role and responsibilities

The Social Responsibility Committee is responsible for the development and supervision of procedures and systems to ensure the pursuit of the Company's social and environmental goals, as set out in the charter for the committees of the Board of Directors in Annex C to the Company's Organisational Regulations. This is available at https://www.coca-colahellenic.com/en/about-us/corporate-governance:

Key areas of responsibility are:

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

Members	Membership status
Anastasios I. Leventis (Chair)	Member since 2016 Chair since 2016
Anna Diamantopoulou	Member since June 2020
Bruno Pietracci	Member since June 2021

Work and activities

The Social Responsibility Committee met four times during 2021. Along with Committee members, those meetings were attended by other members of the Board, i.e., Charlotte J. Boyle and Ryan Rudolph, the CEO, the Chief Corporate Affairs & Sustainability Officer, and additional senior leaders subject to the discussion topics. The Chairman of the Board also attended some of the meetings.

During 2021, the Social Responsibility Committee reviewed and provided guidance and insights to advance the Group's sustainability approach in the following areas:

- progress and the action plans made against the 17 publicly communicated 2025 sustainability commitments;
- new Group Sustainability structure and introduction of Sustainable Packaging cross-functional team to manage agenda and track progress of accelerating a shift towards more sustainable packaging (rPET, packageless, refillables, and other) and packaging recovery;
- detailed plans and initiatives for delivery of science-based carbon reduction targets and NetZeroby40 commitment;
- innovative opportunities related to CO_2 capture from the air (CO_2 removal) and digital applications for incentivising consumers for bottling recycling;
- low-sugar and zero-sugar products and reformulations as part of the Group's commitment to reduce calories and added sugar;
- volunteering activities across our BUs;
- diversity, equity, and inclusion topics;
- health and safety protocols to ensure the safety of all our employees;
- support to our communities throughout the COVID-19 pandemic;
- #YouthEmpowered digital programmes and curriculum;
- established partnerships in the area of packaging, blockchain, packaging recycling and carbon;
- materiality process and review of outcomes of the annual materiality survey;
- opportunities for EU funds related to different environmental initiatives, mostly for renewable energy, carbon reduction and packaging optimisations;
- stakeholder engagement plan and outcomes of the Annual Stakeholder Forum; and
- use of relevant reporting frameworks including the Global Reporting Initiative (GRI) Standards, Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).

Directors' remuneration report

Maintaining our performance focus during a challenging year

Letter from the Chair of the Remuneration Committee

Highlights this year

- We developed a more comprehensive shareholder engagement programme, conducting a consultation between the Chair of the Remuneration Committee and an extensive number of shareholders for the first time.
- This followed the AGM and was directly in response to feedback received from shareholders as part of our consultations last year.
- The key decisions we made this year in relation to incentive outcomes and the implementation of our Remuneration Policy were informed by this shareholder consultation process.

Dear Shareholder

Our Company and employees continued to rise to the challenges of the COVID-19 pandemic during 2021, navigating reopenings and recovery while continuing to adapt to new ways of working. While we maintained business continuity, the health and safety of our workforce has always been our first priority. The Remuneration Committee's decisions during the year were considered in the context of the remuneration of all our employees and reflect the importance of incentivising and rewarding our most critical employees: those on the front lines serving our customers.

Free cash flow (€m)	Comparable EPS (€)	Comparable EBIT (€m)
601.3 (2020: 497)	1.584 (2020: 1.185)	831 (2020: 672)

ROIC	NSR (Net sales revenue)
14.8% (2020: 11.1%)	7,168 (2020: 6,132)

● Included in MIP ● Included in PSP

As the Chair of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2021. Our primary listing is on the London Stock Exchange, and our Company is domiciled in Switzerland. We therefore ensure, as described in this report, that we comply with UK regulations, except where these conflict with Swiss law. The format of this year's Remuneration Report is consistent with the format of last year's as there were no significant changes in relevant regulations. As always, I welcome your feedback and suggestions regarding anything we can do to improve the report further.

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

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

Remuneration in context

We achieved strong performance in 2021. In a volatile market environment, where in many of our countries we had customers who remained closed for several months, the business has achieved an acceleration of revenues and profitability as well as a faster pace of market share gains, with all key metrics above pre-pandemic levels. We have continued to invest in long-term opportunities including the acquisition of Coca-Cola Bottling Company of Egypt and the stake in Caffè Vergnano which expands our coffee strategy; and we have announced targets and funds to achieve net zero carbon emissions by 2040. Our key financial highlights include:

- FX-neutral revenue growth +20.6% like-for-like . Reported revenues +16.9%;
- Volume growth of 14.0% like-for-like, or 13% on a reported basis;
- FX-neutral revenue per case up to 5.8% driven by pricing and revenue growth management strategies;
- Comparable EBIT grew by 23.6% with margins +60bps to 11.6%. Reported EBIT grew by 21.0%;
- Operating costs as a percent of revenue improved by 2.2pp, driven by operating leverage, cost savings higher than plan; and
- Strong earnings growth, record high free cash flow and increased dividend pay-out target range to 40-50%.

Stakeholder experience

Our shareholders

The Committee acknowledges that, at our 2021 Annual General Meeting all resolutions were successfully passed with the requisite majority, however, there were significant minority votes against Resolutions 7 and 9, the advisory votes to approve the UK Remuneration Report and the Swiss Remuneration Report. Each were passed with the support of approximately 72% of the votes cast.

Following the AGM, we extended our engagement with shareholders and their proxy advisers on remuneration issues. We reached out to the top 20 shareholders as well as all those who had contacted the Board to express their views, particularly with regard to the targets for the 2018 Performance Share Plan awards. Whilst the Remuneration Committee had sought to ensure that these incentive arrangements continued to align with their original intent given the impact of COVID-19, we acknowledge that not all shareholders were supportive of such adjustments. Through the engagement process, shareholders did express a range of views on other actions the Committee might consider to provide retention and incentivisation to the workforce reflecting the different operating environment presented by COVID-19.

The Remuneration Committee believes that the decisions it took were necessary to retain and incentivise the broader management team, in addition to the executive leadership and CEO. These individuals were directly responsible for navigating the Company through the turbulence caused by the COVID-19 pandemic and ensuring the resilience and recovery of the business.

In terms of the shareholder experience, our investors have benefited from recent and historical strong financial performance. We have returned €4.1 billion to shareholders over the last two decades with a progressive dividend policy complemented by extraordinary returns through special dividends. In 2021, we paid a dividend of €0.64, a 3.2% increase despite the decline in EPS. This represented a payout ratio of 54%, ahead of our medium term target of 35-45%, and was proposed to ensure we rewarded shareholders and maintained our commitment to a progressive dividend. While the COVID-19 pandemic is a continuing source of uncertainty globally, based on our business's resilience and future opportunities, the Board has proposed a dividend of €0.71, a 10.9% increase compared with last year. We have committed to continue to make progressive dividend payments in the future.

Our employees and their remuneration

As a continuation to the improvements made in 2020 to enable our workforce to operate effectively, in 2021 we maintained our ongoing dialogue with our employees to listen and understand their needs.

I continue to attend the majority of the Works Council meetings and plenary during the year which covers approximately half of our population . I speak with the employee representatives to discuss their thoughts on the Company's relationship with them. The discussions and outcomes are shared in the Remuneration Committee meetings as input for taking wider decisions related to remuneration for the workforce and executives.

In reviewing our wider workforce remuneration practices, we prioritised the treatment of our front-line employees: we continue to focus on protecting them and ensuring that their remuneration is treated fairly. Annual increases were awarded to the wider population in 2021 as were incentives, and they are planned again for 2022.

We conducted two additional surveys to complement our annual engagement survey to ensure we remained abreast of the views of our employees at a time of significant change and uncertainty.

We adjusted our Wellbeing framework to take into account the new ways of working and needs of our employees.

Furthermore, we ensured that there were no redundancies made as a result of the impact of the COVID-19 pandemic. Full details of how we cultivated the potential of our people in 2021 can be found on page 41-42.

Applying the remuneration policy for Directors in 2021

In 2021, Zoran Bogdanovic's salary was increased to €815,000 representing an increase of 3.2%, effective 1 May 2021. Following the freeze in 2020, the Committee believed that as the Company emerged from the COVID-19 pandemic, an increase for the CEO in line with other employees was appropriate. The average increase for our other head office employees was 3.1%.

We signalled in last year's Annual Report that the adjustments made to employees and CEO incentive outcomes would continue to try to reflect appropriately the changed environment with the aim to incentivise and retain our broader workforce. The decisions in relation to PSP outcomes followed a similar reasoning to the decisions in 2020, albeit our business had stronger performance in 2021 compared to last year.

As mentioned in last year's report, the approach under the MIP changed in 2021, shifting to a multiplicative rather than additive calculation to give more emphasis on business performance over personal performance. The business performance KPIs were simplified to focus on three key metrics: revenue (40% weighting), comparable EBIT (40% weighting) and free cash flow (20% weighting).

The formulaic MIP outcome for the CEO was 100% of the maximum opportunity. The Committee applied downward discretion to adjust for the benefit of the sale of the Cyprus plant and to reflect the small amount of government aid due to COVID-19 received in a few countries outside the UK but for which there are no mechanisms available for repayment. The final MIP outcome was 91% of the maximum opportunity. The effect of this adjustment was to reduce the outcome for the CEO by 12.6% of salary. Details of the targets, performance against them and the plan outcomes are set out on page 134.

As described in more detail on page 135, the Committee took the decision to adjust targets for the 2019 PSP award. The original targets for this award were set prior to the onset of the pandemic and were no longer appropriate in light of that impact. At the time of revising the targets, the plan would have delivered zero vesting. The Committee took into consideration the financial, operational and strategic performance of the business over the three year period, as well as the shareholder experience including the dividend payouts. The Committee carefully considered the adjusted targets to ensure that they are equally stretched and still represented good performance at threshold and exceptional performance at maximum levels.

Performance against the revised targets over the period 2019 to 2021 resulted in a formulaic vesting level of 90% of the maximum PSP award granted in 2019, which excludes the benefit from the sale of the Cyprus plant. The Committee decided to apply downwards discretion to this figure, resulting in a final vesting level of 75% of the maximum. Details of the targets and outcomes are explained on page 135.

Directors' remuneration report *continued*

Looking ahead

The Remuneration Committee will continue to keep policies under review so as to ensure that plans and programmes relating to remuneration support the Company's strategy and objectives and are closely linked to shareholders' interests. The Committee is mindful of the evolution in corporate governance requirements and will continue to review the application of these as it relates to aspects of remuneration.

The Remuneration Committee believes that the amended Remuneration Policy approved by shareholders at the AGM in June 2021 remains appropriate and carefully balances alignment with the Company's business strategy and our response to evolving corporate governance requirements.

As in 2021, for the purposes of the 2022 MIP business performance will be measured based on performance against three KPIs: revenue (40% weighting), comparable EBIT (40% weighting) and free cash flow (20% weighting).

The Committee intends that 2022 PSP awards will be made subject to the same performance metrics as 2021 awards: ROIC (42.5%), EPS (42.5%) and reduction of CO_2 emissions (15%). However, the Committee has determined to temporarily postpone target setting in light of the heightened uncertainty as a result of the Russia-Ukraine war. The Group has significant operations in both countries. We intend to set targets as soon as possible, within six months from the standard date of grant and will fully disclose targets via RNS at that time.

We will proceed with providing the individual grants for the 2022 PSP in March as per usual process. Taking into account the share price volatility at the time of grant, the Remuneration Committee will retain the right to appropriately apply discretion to the share award outcome at the time of vesting, for example to safeguard against any inappropriate windfall gains.

In addition, the Committee has welcomed the discussions with shareholders and plans to build on our extensive consultation during 2021, continuing the productive dialogue with our shareholders this year.

The role of the Remuneration Committee

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

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

In accordance with the UK Corporate Governance Code, the Remuneration Committee consists of three independent non-Executive Directors: Charlotte J. Boyle (Chair), Reto Francioni and Anna Diamantopoulou, who were each last elected by the shareholders for a one-year term on 22 June 2021.

The Remuneration Committee met four times in 2021; in March, June, September and December. Please refer to the Corporate Governance Report on page 92 for details of the Remuneration Committee meetings.

Q&A

Chair of the Remuneration Committee

What was the reason behind the significant minority vote against the remuneration report last year and what has the Committee done to address any issues?

The Committee understands from our extensive consultation with shareholders that the primary reasons for the votes against the Annual Report on Remuneration (with 72% in favour) was the Committee's decision to adjust the performance metrics relating to PSP vesting in respect of performance up to 31 December 2020.

In reaction to the vote, the Committee decided for the first time to conduct an extensive shareholder consultation, reaching out to many shareholders and engaging with all shareholders who expressed concerns. As the Chair of the Committee, I met with 12 shareholders to discuss matters related to remuneration.

We reached out to the top 20 shareholders as well as all those who contacted the Board to express concerns, particularly regarding targets for 2018 Performance Share Plan awards. Whilst the Remuneration Committee had sought to ensure that these incentive arrangements continued to align with their original intent given the impact of the COVID-19 pandemic, we acknowledge that shareholders have a range of views as to the appropriateness of such adjustments.

The Remuneration Committee believes that the adjustments made were necessary to retain and incentivise the broader management team, in addition to the executive leadership and CEO. These individuals were directly responsible for navigating the Company through the turbulence caused by COVID-19 and ensuring the resilience and recovery of the business.

How was the impact of the COVID-19 pandemic factored into the target-setting process for 2021?

In respect of the long-term Performance Share Plan (PSP), which covers a three-year performance period, the Committee determined that given the uncertainty around the COVID-19 pandemic, it was prudent to delay the final calibration of targets for the awards for 2021 until there was greater certainty in the macroeconomic environment.

In line with guidance from the Investment Association, PSP awards were granted for 2021 in the usual timeframe in March 2021. PSP targets for 2021 were subsequently confirmed and publicly announced in the autumn of 2021.

Did the Company take government aid during the year and what were the views of shareholders on this?

The Company received a small amount of government aid (amounting to €4.7m in total) – mostly in Italy and Switzerland, and I note that there was no government aid received in the UK. There were different views from our shareholders regarding the consideration of government aid.

UK shareholders were firmly of the view that no incentives should pay out where support had been taken and not paid back. The Company notes that the mechanisms which are in place for repaying support in the UK are not necessarily in place in all geographies.

In general, our US shareholders placed more focus on the treatment of employees during the period and were pleased that the Company did not make any COVID-19 related redundancies during 2021.

MIP payouts in relation to 2021 as for 2020 were adjusted to exclude the benefits of the aid taken.

Did the Committee make any adjustments to incentive outcomes for 2021?

As described above, the Company received a small amount of government aid and the mechanisms are not place for repaying this in all geographies. As for 2020, the outcome of the 2021 MIP was reduced for the CEO and the Executive Leadership Team to take into account this support received and to remove the benefit from the sale of the Cyprus plant. The impact was to reduce the implied formulaic outcome from 100% to 91% of the maximum.

The performance period for the 2019 PSP contained two years (2020 and 2021) where the impact of the COVID-19 pandemic was felt. 2019 was a year with solid business performance.

Fx neutral revenue grew +4.4%. EBIT margin grew 330 basis points to 10.8%. OpEx improved by 80 bps. ROIC expanded by 50 bps to 14.2%. FCF increased by 20% year on year. EPS increased by 10% resulting in 1.436. In order to ensure the PSP continued to be effective in its core purpose – to motivate and retain employees (including executives) over a long period – the Committee determined to adjust the targets to maintain relevancy. In doing so, the Committee put in place safeguards to ensure the revised targets led to outcomes which were fair for all employees and considered the broader stakeholder environment.

The Committee considered analyst forecasts and adjusted the targets to deliver suitable stretch when considering these external reference points.

The Committee noted that, at the time when COVID-19 first impacted, it was anticipated that it would not be until 2022 that we caught up with the 2020 business plan. In fact, this was achieved in 2021, in spite of the fact that we have continued to oparate in a 'non-normal' environment and some of our channels notably HORECA has been impacted by lockdowns.

The Committee applied the same treatment to the 2019 PSP for all employees, with no preference given to any population.

Alternative approaches to the PSP were also considered such as using discretion to adjusting vesting or making a larger award in 2022. Feedback to these alternative approaches was mixed from our shareholders and there was not one approach that proved universally acceptable.

The formulaic outcome against the adjusted targets was vesting of 90% excluding the benefit from the sale of the Cyprus plant. Furthermore, the Committee also decided it was appropriate to apply downward discretion and the awards will vest at 75% of the original grant.

Is the Committee satisfied with the use of ESG metrics in its executive incentives?

The Company has used ESG metrics for either short-term or long-term incentives for a number of years, reflecting our approach to responsible, long-term management and the importance of ensuring our licence to operate. The CEO's individual performance is measured in key strategic areas and taken into account for MIP. These strategic areas include the Company's performance in ESG benchmarks. The Company received the highest scores in 8 of the 10 most recognized ESG benchmarks, DJSI, CDP, MSCI, ecoact, FTSE4GOOD, MSCI and Vigeo Eiris. The PSP contains metrics linked to a reduction in CO_2 emissions. The CO_2 emissions target in the PSP implicitly captures reduction in plastics, which was a key driver of its selection as a metric.

These selected metrics directly align with and incentivise delivery of the Company's ESG objectives, particularly our ambitious goal to achieve net zero emissions across our entire value chain by 2040.

The achievement of ESG metrics has an impact on the overall MIP opportunity and account for 15% of the PSP opportunity. The Committee is satisfied that this is sufficient focus in order to achieve our ambitious sustainability targets, without diluting focus on financial and growth objectives.

Charlotte J. Boyle
Chair of the Remuneration Committee

Directors' remuneration report *continued*

Remuneration throughout the organisation – a snapshot

Attracting
Finding the people we want and need

Recognising
Adopting behaviours that produce exceptional performance

Retaining
Continuing to attract the best talent

Motivating
Achieving business, financial and non-financial targets

Reward strategy and objective

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

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

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

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

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

How we implement our reward strategy

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

Chief Executive Officer and Executive Leadership Team	Chief Executive Officer, Executive Leadership Team and selected senior management	Selected middle and senior management	All management	All employees
Shareholding guidelines Support the alignment with shareholder interests ensuring sustainable performance: Chief Executive Officer – required to hold shares in the Company equal in value to 300% of annual base salary within a five-year period and a post-employment shareholding requirement applying from this year. Executive Leadership Team – required to hold shares in the Company equal in value to 100% of annual base salary within a five-year period.	**Performance Share Plan** Performance share awards vest over three years. PSP awards are cascaded down to select senior managers, promoting a focus on long-term performance and aligning them to shareholders' interests.	**Long-Term Incentive Plan** Cash long-term incentive awards vest over three years. LTIP awards are cascaded down to select middle and senior management to reinforce long-term performance and ensure retention of our talents.	**Management Incentive Plan** Management employees may be eligible to receive an award under the annual bonus scheme that promotes a high-performance culture. Performance conditions are bespoke to the role and business unit.	**Employee Share Purchase Plan (dependent on country practice)** The Employee Share Purchase Plan encourages share ownership and aligns the interests of our employees with those of shareholders. **Fixed pay and benefits (base salary, retirement and other benefits – dependent on country practice)** Base salaries may reflect the market value of each role as well as the individual's performance and potential. Retirement and other benefits are subject to local market practice.

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

Remuneration arrangements for the Chief Executive Officer – at a glance

Base salary | **Retirement benefits** | **Other benefits** | **ESPP** + **MIP** | **PSP** = **Total compensation**

Fixed pay (Base salary, Retirement benefits, Other benefits, ESPP)

Variable pay subject to performance (MIP, PSP)

The table below summarises the remuneration arrangements in place for our Chief Executive Officer. See page 133 for total compensation figures.

Pay element	Detail
Base salary	The base salary of the Chief Executive Officer is €815,000. The base salary of the Chief Executive Officer will be increased by 3.1% to €840,000 with effect from 1 May 2022.
Retirement benefits	The Chief Executive Officer participates in a defined benefit pension plan under Swiss law. Employer contributions are 15% of annual base salary.
Other benefits	Other benefits include (but are not limited to) medical insurance, housing allowance, company car/allowance, cost of living adjustment, trip allowance, partner allowance, exchange rate protection, tax equalisation and tax filing support and advice. Benefit levels vary each year depending on need.
ESPP (Employee Share Purchase Plan)	The Chief Executive Officer may participate in the Company's Employee Share Purchase Plan. As a scheme participant, the Chief Executive Officer has the opportunity to invest a portion of his base salary and/or MIP payments in shares. The Company matches employee contributions on a one-to-one basis up to 3% of base salary and/or MIP payout. Awards are subject to potential application of malus and clawback provisions.
MIP (Management Incentive Plan)	The MIP consists of a maximum annual bonus opportunity of up to 140% of base salary. Payout is based on business performance targets and individual performance. The Business Performance element will result in an outcome between 0% and 200% of the target MIP and the Individual Performance element will result in an outcome of up to 100%, with the overall payout as a percentage of salary being based on the multiplication of these two figures. For 2022, Business Performance will be measured based on performance against three KPIs: revenue (40% weighting), comparable EBIT (40% weighting) and free cash flow (20% weighting). 50% of any MIP payout will be deferred into shares for a further three-year period. Payments are subject to potential application of malus and clawback provisions.
PSP (Performance Share Plan)	The PSP is an annual share award which vests after three years. For the award in 2022, vesting will be based on performance conditions measured over a three-year period against: (i) comparable earnings per share (EPS) (42.5% weighting); (ii) return on invested capital (ROIC) (42.5% weighting); (iii) reduction of CO_2 emissions (15% weighting). An additional two-year holding period will apply following vesting. Awards are subject to potential application of malus and clawback provisions.

Directors' remuneration report *continued*

Remuneration policy

Introduction

The following section (pages 124 to 126) sets out our Directors' remuneration policy as approved by shareholders at the Annual General Meeting in June 2021. No changes are being proposed to the policy this year and the 2021 policy will continue to apply.

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

Policy table – Chief Executive Officer

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

Fixed

Base salary

Purpose and link to strategy

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

Operation

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

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

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

Malus and clawback provisions do not apply to base salary.

Maximum opportunity

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

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

Performance metrics

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

The annual base salary for the Chief Executive Officer is set out on page 123.

Retirement benefits

Purpose and link to strategy

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

Operation

The Chief Executive Officer participates in a defined benefit pension plan. However, we have adjusted the pension scheme to be co-contributory, in line with the pension scheme for the wider Swiss workforce, for new Executive Directors' appointments from 2020 onwards.

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

Malus and clawback provisions do not apply to retirement benefits.

Maximum opportunity

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

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

Performance metrics

None.

Other benefits

Purpose and link to strategy

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

Operation

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

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

Malus and clawback provisions do not apply to benefits.

Maximum opportunity

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

Performance metrics

None.

ESPP (Employee Share Purchase Plan)

Purpose and link to strategy

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

Operation

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

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

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

Malus and clawback provisions apply. Further details may be found in the Additional notes to the Executive Director's remuneration policy table section on page 128.

Maximum opportunity

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

Performance metrics

The value is directly linked to the share price performance.

It is therefore not affected by other performance criteria.

Variable pay

MIP (Management Incentive Plan)

Purpose and link to strategy

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

Operation

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

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

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

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

Malus and clawback provisions apply. Further details may be found in the Additional notes to the Executive Director's remuneration policy table section on page 128.

PSP (Performance Share Plan)

Purpose and link to strategy

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

Operation

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

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

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

Malus and clawback provisions apply. Further details may be found in the Additional notes to the Executive Director's remuneration policy table section on page 128.

Directors' remuneration report *continued*

Variable pay continued

MIP (Management Incentive Plan)

Maximum opportunity

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

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

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

Performance metrics

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

Details related to the key performance indicators can be found in the Annual Report on Remuneration on page 134.

Deferral of MIP

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

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

PSP (Performance Share Plan)

Maximum opportunity

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

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

Performance metrics

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

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

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

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

Holding period

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

Adjustments

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

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

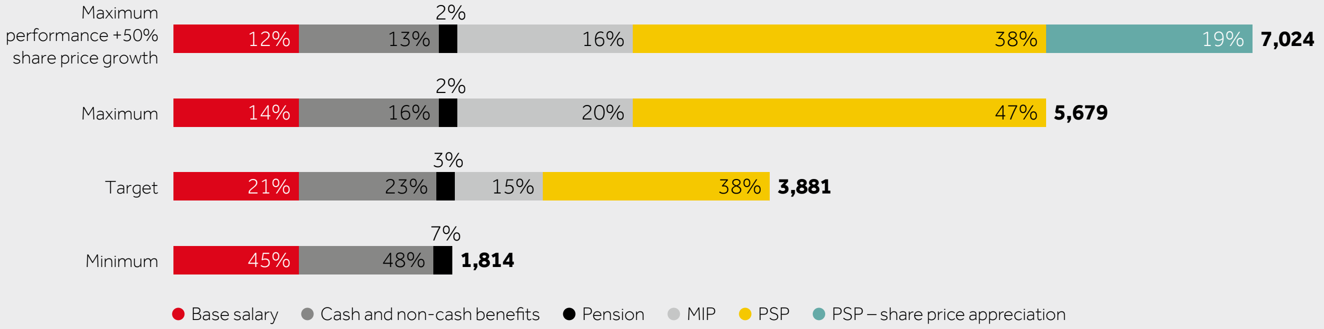
Change of control

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

Additional notes to the Executive Director's remuneration policy table

Chief Executive Officer's remuneration policy illustration

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



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

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

	Component	Minimum (€ 000s)	Target (€ 000s)	Maximum (€ 000s)	Maximum performance + 50% share price growth (€ 000's)
Fixed	Base salary[1]	€815	€815	€815	€815
	Pension	€122	€122	€122	€122
	Cash and non-cash benefits[2]	€877	€894	€911	€911
Variable	MIP	–	€571	€1,141	€1,141
	PSP	–	€1,479	€2,690	€2,690
	PSP – 50% share price appreciation	–	–	–	€1,345
Total		**€1,814**	**€3,881**	**€5,679**	**€7,024**

1. Represents the annual base salary as at the last review in May 2021.
2. ESPP employer contributions may vary depending on the MIP payout provided that the Chief Executive Officer decides to contribute a portion of the MIP towards the ESPP. The figures provided have been calculated on the basis of the applicable MIP payout and the Chief Executive Officer deciding to contribute 3% to the ESPP.

Directors' remuneration report *continued*

ESOP (Employee Stock Option Plan)

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

Malus and clawback provision for variable pay plans

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

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

Shareholding guidelines

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

The Policy contains a post-employment shareholding requirement whereby the Chief Executive Officer would, if leaving the Company, be required to hold shares equivalent to 200% of base salary (or actual shareholding at termination date if lower than this) for a period of two years after leaving employment.

Remuneration arrangements across the Group

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

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

Policy table – non-Executive Directors

Base fees

Purpose and link to strategy

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

Operation

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

Maximum opportunity

Fee levels for non-Executive Directors include an annual fixed fee plus additional fees for membership of Board committees when applicable, as summarised below for the period from the AGM June 22, 2021 to AGM June 2022. The proposed fees which will be voted on at the next AGM can be found on page 136:

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

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

Other benefits

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

Variable remuneration

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

Legacy arrangements

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

Policy on recruitment/appointment

Executive Directors

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

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

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

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

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

Non-Executive Directors

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

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

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

Termination payments

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

Our governance framework ensures that the Group uses the right channels to support reward decisions. In the case of early termination, the non-Executive Directors would be entitled to their fees accrued as of the date of termination, but are not entitled to any additional compensation. The Chief Executive Officer's employment contract does not contain any provisions for payments on termination.

Notice periods are set for up to six months and non-compete clauses are 12 months. The notice period anticipates that up to six months' paid garden leave may be provided. Similarly, up to 12 months of base salary may be paid out in relation to the non-compete period.

In case of future terminations, payments will be made in accordance with the termination policy on page 130.

Directors' remuneration report *continued*

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

Corporate events

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

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

Service contracts

Zoran Bogdanovic, the Chief Executive Officer, has a service contract with the Company with a six-month notice period. As noted in the Termination payments section on page 129, the Chief Executive Officer's employment contract does not include any termination benefits, other than as mandated by Swiss law. The Swiss Code of Obligations requires employers to pay severance when an employment relationship ends with an employee of at least 50 years of age after 20 years or more of service.

The Chief Executive Officer is also entitled to reimbursement of all reasonable expenses incurred in the interests of the Company.

In accordance with the Swiss Ordinance against Excessive Compensation in Listed Companies, there are no sign-on policies/provisions for the appointment of the Chief Executive Officer.

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

Name	Title	Date originally appointed to the Board of the Company	Date appointed to the Board of the Company	Unexpired term of service contract or appointment as non-Executive Director
Anastassis G. David	Chairman and non-Executive Director	27 July 2006	22 June 2021	One year
Zoran Bogdanovic	Chief Executive Officer	11 June 2018	22 June 2021	Indefinite, terminable on six months' notice
Charlotte J. Boyle	Non-Executive Director	20 June 2017	22 June 2021	One year
Henrique Braun	Non-Executive Director	22 June 2021	22 June 2021	One year
Olusola (Sola) David-Borha	Non-Executive Director	24 June 2015	22 June 2021	One year
Anna Diamantopoulou	Non-Executive Director	16 June 2020	22 June 2021	One year
William W. (Bill) Douglas III	Non-Executive Director	21 June 2016	22 June 2021	One year
Reto Francioni	Senior Independent non-Executive Director	21 June 2016	22 June 2021	One year
Anastasios I. Leventis	Non-Executive Director	25 June 2014	22 June 2021	One year
Christo Leventis	Non-Executive Director	25 June 2014	22 June 2021	One year
Alexandra Papalexopoulou	Non-Executive Director	24 June 2015	22 June 2021	One year
Bruno Pietracci	Non-Executive Director	22 June 2021	22 June 2021	One year
Ryan Rudolph	Non-Executive Director	21 June 2016	22 June 2021	One year

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

Consideration of employee views

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

Consideration of shareholder views

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

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

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

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

Directors' remuneration report *continued*

Annual Report on Remuneration

Introduction

This section of the report provides detail on how we have implemented our remuneration policy in 2021 which, in accordance with the UK remuneration reporting regulations, will be subject to an advisory shareholder vote at our 2022 Annual General Meeting.

Activities of the Remuneration Committee during 2021

During 2021, the key Remuneration Committee activities were to:

- undertake extensive shareholder consultation to understand different views on our remuneration approach and explain the Committee's decisions;
- review and sign off the 2020 Directors' Remuneration Report;
- review the 2021 base salary for the Chief Executive Officer;
- review and approve the 2021 base salaries for the Executive Leadership Team members and general managers;
- review and approve the 2020 MIP payout for the Chief Executive Officer;
- review and approve payout levels for the 2020 MIP in relation to Executive Leadership Team members and general managers;
- review and approve the performance achievement of the 2018 PSP award, number of shares vesting and dividend equivalents;
- set and approve 2021 PSP targets;
- review award levels for 2021 PSP awards;
- determine the adjustments to the operation of the MIP and PSP to ensure that they continued to align with their original intent taking the impact of the COVID-19 pandemic into account;
- review short and long-term incentives arrangements for the wider workforce; and
- review the assets of the Company's Irish defined benefit pension plans.

Advisers to the Remuneration Committee

The Chief People and Culture Officer, the Head of Rewards and the General Counsel regularly attend meetings of the Remuneration Committee.

While the Remuneration Committee does not have external advisers, in 2021 it authorised management to work with external consultancy firm Willis Towers Watson, which provided independent advice on ad hoc remuneration issues during the year. These services are considered to have been independent, objective and relevant to the market. Other than employee engagement benchmarking services, Willis Towers Watson does not provide any other services to the Company or to any individual director. The total cost in connection with this work was €31,622, invoiced on a time spent basis. Willis Towers Watson is a member of the Remuneration Consultants Group and provides advice in line with its Code of Business Conduct. Considering this, and the level and nature of the service received, the Committee remains satisfied that the advice is objective and independent.

Non-Executive Directors' remuneration for the years ended 31 December 2021 and 2020

	Financial year	Base fee[1] (€)	Audit and Risk Committee (€)	Remuneration Committee (€)	Nomination Committee (€)	Social Responsibility Committee (€)	Senior Independent Director (€)	Social security contributions[2] (€)	Total (€)
Anastassis G. David	**FY2021**	**73,500**	–	–	–	–	–	–	**73,500**
	FY2020	73,500	–	–	–	–	–	–	73,500
Charlotte J. Boyle	**FY2021**	**73,500**	–	11,600	5,800	–	–	–	**90,900**
	FY2020	73,500	–	5,800	5,800	–	–	–	88,000
Henrique Braun[3]	**FY2021**	**36,750**	–	–	–	–	–	2,988	**39,738**
	FY2020	–	–	–	–	–	–	–	–
Olusola (Sola) David-Borha	**FY2021**	**73,500**	14,500	–	–	–	–	7,156	**95,156**
	FY2020	73,500	14,500	–	–	–	–	7,134	95,134
Anna Diamantopoulou[4]	**FY2021**	**73,500**	–	5,800	5,800	5,800	–	7,392	**98,292**
	FY2020	36,750	–	2,900	2,900	2,900	–	3,685	49,135
William W. (Bill) Douglas III	**FY2021**	**73,500**	28,900	–	–	–	–	–	**102,400**
	FY2020	73,500	28,900	–	–	–	–	–	102,400
Reto Francioni	**FY2021**	**73,500**	–	5,800	11,600	–	15,800	6,399	**113,099**
	FY2020	73,500	–	5,800	11,600	–	15,800	7,700	114,400
Anastasios I. Leventis	**FY2021**	**73,500**	–	–	–	11,600	–	–	**85,100**
	FY2020	73,500	–	–	–	11,600	–	–	85,100
Christo Leventis	**FY2021**	**73,500**	–	–	–	–	–	–	**73,500**
	FY2020	73,500	–	–	–	–	–	–	73,500
Alexandra Papalexopoulou	**FY2021**	**73,500**	14,500	–	–	–	–	–	**88,000**
	FY2020	73,500	7,250	5,800	2,900	2,900	–	3,263	95,613
Bruno Pietracci[5]	**FY2021**	**36,750**	–	–	–	2,900	–	3,224	**42,874**
	FY2020	–	–	–	–	–	–	–	–
José Octavio Reyes[6]	**FY2021**	**36,750**	–	–	–	2,900	–	2,249	**41,899**
	FY2020	73,500	–	–	–	5,800	–	4,456	83,756
Alfredo Rivera[7]	**FY2021**	**36,750**	–	–	–	–	–	–	**36,750**
	FY2020	73,500	–	–	–	–	–	–	73,500
Ryan Rudolph	**FY2021**	**73,500**	–	–	–	–	–	5,977	**79,477**
	FY2020	73,500	–	–	–	–	–	5,958	79,458

1. Non-Executive Director fees for 2021 were in line with the fees that were revised in 2018.
2. Social security employer contributions as required by Swiss legislation.
3. Henrique Braun was appointed to the Board of Directors on 22 June 2021. The Group applied a half-year period base fee.
4. Anna Diamantopoulou was appointed to the Board of Directors on 16 June 2020. The Group applied a half-year period base fee.
5. Bruno Pietracci was appointed to the Board of Directors on 22 June 2021. The Group applied a half-year period base fee.
6. José Octavio Reyes retired from the Board of Directors on 22 June 2021. The Group applied a half-year period base fee.
7. Alfredo Rivera retired from the Board of Directors on 22 June 2021. The Group applied a half-year period base fee.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement or other taxable benefits. Fee levels in the table above were last reviewed in 2018 and no change was made for 2021.

Single figure table

Single total figure of remuneration for the Chief Executive Officer for the years ended 31 December 2021 and 2020.

	Base pay[1] € 000s		Cash and non-cash benefits[2] € 000s		Annual bonus[3] € 000s		Employee Share Purchase Plan[4] € 000s		Long-term incentives[5] € 000s		Retirement benefits[6] € 000s		Total single figure € 000s	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Zoran Bogdanovic	**807**	790	**853**	651	**1,038**	407	**30**	32	**2,061**	1,325	**133**	135	**4,921**	3,340

1. 'Base pay' includes the monthly instalments linked to the base salary for 2021 and 2020.
2. 'Cash and non-cash benefits' includes the value of all benefits paid during 2021. These are outlined in the 'Cash and non-cash benefits' section on page 134 and include any gross-ups for the tax benefit.
3. Annual bonus for 2021 includes the MIP payout, receivable early in 2022 for the 2021 performance year, including the amount deferred in shares.
4. 'Employee Share Purchase Plan' reflects the value of Company matching share contributions under the ESPP.
5. 'Long-term incentives' for 2021 reflects the 2019 awards made under the Performance Share Plan and the dividend equivalent shares paid on PSP shares that will vest in early 2022. The number of shares due to vest to the Chief Executive Officer for the 2019 award is 65,435. The Chief Executive Officer will also get 4,324 shares representing the dividend equivalents for the awarded shares for 2019, 2020 and 2021. The value reflects the number of shares multiplied by the average market price over the last three months of the financial year. The figure will be restated in next year's report based on the share price at vesting (as has been done for the 2018 award in the 2020 figure above). €81,574 of the €2,060,637 total vested value of the 2019 award was due to increase in share price since date of grant.
6. 'Retirement benefits' includes the pension plan under Swiss law. Employer contributions are 15% of annual base salary. The disclosed figure also includes risk and administration costs of €11,042.

Directors' remuneration report *continued*

Fixed pay for 2021

Base salary

In 2021, Zoran Bogdanovic's salary was increased to €815,000 representing an increase of 3.2% effective 1 May 2021. Following the freeze in 2020, the Committee believed that as the Company emerged from the COVID-19 pandemic, an increase for the CEO in line with other employees was appropriate. The average increase for our other head office employees was 3.1%.

Retirement benefits

Zoran Bogdanovic receives an annual retirement benefit of 15% of base salary, aligning to the retirement benefit provided under Swiss law and based on the age brackets defined by federal Swiss legislation. During the year, €133,042 of retirement benefit was received inclusive of €11,042 for risk and administration costs.

Cash and non-cash benefits

Zoran Bogdanovic received additional benefits during 2021. These included cost of living and foreign exchange rate adjustment (€281,406), private medical insurance (€17,841), partner allowance (€1,000), home trip allowance (€3,094), tax support (€16,239), company car (€26,439), housing allowance (€105,952), Company matching contribution related to the ESPP (€30,303 – reflecting the maximum match of 3% under the plan), tax equalisation (€292,134), and the value of social security contributions (€108,400).

Variable pay for 2021

MIP performance outcomes – 2021

2021 was the first year in which the Company operated a multiplicative annual bonus under which the payout is calculated by multiplying the outcome from the Business Performance element by the outcome for the Individual Performance element.

The Business Performance element for the 2021 MIP was based on the following metrics:

- Net Sales Revenue, with an opportunity of 56% of salary for maximum performance (28% of salary for target performance).
- Comparable EBIT, with an opportunity of 56% of salary for maximum performance (28% of salary for target performance).
- Free cash flow, with an opportunity level of 28% of salary for maximum performance (14% of salary for target performance).

The outcome of the Business Performance element is multiplied by the outcome for the Individual Performance element.

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

The CEO's individual performance was determined based on to receiving the highest scores in 8 out of the 10 most recognized ESG benchmarks, ranking 8 in Refinitiv's Diversity and Inclusion Index, Employee Sustainable Engagement maintained at the same level, completion of strategic M&A projects such as the acquisition of Coca-Cola Bottling Company of Egypt, the stake in Caffè Vergnano, and the financial results which surpassed the consensus and 2020 financial results.

A few of our business units received government in the first half of the year in 2021 amounting to 4.7m EUR. There was no mechanism in place to return those funds. In addition, the results were positively impacted by the sale of the Cyprus plant. Therefore, the Committee, took the decision to apply discretion to reduce the formulaic outcome of the MIP for the CEO and the Executive Leadership Team. As such the formulaic business results would have been 200% resulting in 140% of the salary.

	Performance level (payout % of Target opportunity)				
Metric	Threshold (0%)	Target (100%)	Maximum (200%)	Achievement	Payout (% of base salary)
Net Sales Revenue (€m)	**6,279.0**	**6,825.0**	**7,166.3**	**7,168.4**	**56%**
Comparable EBIT (€m)	**708.3**	**769.9**	**831.5**	**831.0**	**56%**
Free Cash Flow (€m)	**381.8**	**415.0**	**456.5**	**601.3**	**28%**
Total (Business Performance multiplied by Individual performance)					**140%**

Application of downward discretion by the Remuneration Committee (12.6%) Final outcome 127.4% of the base salary

The Remuneration Committee considered the above formulaic outcome to ensure that it was both fair and appropriate given the wider stakeholder experience described above. The Committee adjusted the outcome downwards in relation to the small amount of government support received and to offset the benefit from the sale of Cyprus plant to result in 127.4% of the salary of the Chief Executive Officer. The annual bonus award in respect of the 2021 financial year for the Chief Executive Officer was therefore €1,038,310.

In accordance with the terms of the MIP, 50% of the award will be paid out in March 2022 and the remaining 50% will be deferred into shares for a period of three years. MIP payouts are not driven by share price appreciation.

Performance Share Plan (PSP) awards – 2021

The PSP is the Company's primary long-term incentive vehicle. In March 2021, the Chief Executive Officer was granted a performance share award over 97,206 shares under the PSP, representing 330% of base salary at date of grant.

The award is subject to a three-year performance period, aligned to the Company's financial year, with performance measured to the end of financial year 2023, and vesting anticipated in March 2024. These vested shares will then be subject to a further two-year holding period, and the Chief Executive Officer agrees to a no-sale commitment during this time.

The following table sets out the details of the performance share award made to the Chief Executive Officer under the PSP for 2021.

Type of award made	Performance share award over 97,206 shares, receivable for nil cost
Share price at date of grant	€27.66 (£23.80)
Date of grant	18 March 2021
Performance period	1 January 2021 to 31 December 2023
Face value of the award (The maximum number of shares that would vest if all performance measures and targets are met, multiplied by the share price at the date of grant)	€2,688,718
Face value of the award as a % of annual base salary	330%
Percentage that would be distributed if threshold performance was achieved in both PSP key performance indicators	25% of maximum award
Percentage that would be distributed if threshold performance was achieved only in one PSP key performance indicator	12.5% of maximum award

Similar to the award made in March 2020, the 2021 award was subject to comparable earnings per share (EPS) and return on invested capital (ROIC) targets as outlined below, and for the 2021 award a sustainability metric was introduced as set out below.

The reduction in greenhouse gas emissions metric was selected to directly align with and incentivise delivery of the Company's ESG objectives, particularly our ambitious goal to achieve net zero emissions across our entire value chain by 2040. The CO_2 emissions target in the PSP implicitly captures reduction in plastics, which was a key driver of its selection as a metric.

			Threshold		Maximum	
Measure	Description	Weighting	Target	Vesting (% of max)	Target	Vesting (% of max)
Comparable EPS	Calculated by dividing the comparable net profit attributable to the owners of the parent by the weighted average number of outstanding shares during the period.	42.5%	1.63p	25%	1.89p	100%
Return on invested capital (ROIC)	ROIC is the percentage return that a company makes on its invested capital. More specifically, we define ROIC as the percentage of comparable net profit excluding net finance costs divided by the capital employed. Capital employed is calculated as the average of net debt and shareholders' equity attributable to the owners of the parent through the year.	42.5%	13.0%	25%	14.9%	100%
Reduction in CO_2 emissions	This target supports the Company's ambitious goal to achieve net zero emissions across its entire value chain by 2040. Aligned with science and 1.5 degree Celsius scenarios and approved by the Science Based Targets initiative (SBTi) and calculated as thousand tonnes of CO_2 emissions equivalent.	15%	3.973	25%	3.758	100%

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

Performance Share Plan (PSP) outcomes of the 2019-2021 award

- Due to the COVID-19 impact on the business, the Committee has considered that the stretch built into the target ranges for the 2019-2021 PSP awards prior to the onset of the pandemic were inappropriate in light of that impact. We wished to recognise our wider management team's efforts in achieving exceptional business outcomes and ensure their continued drive and commitment. The Committee therefore determined to adjust the targets to maintain relevance. In doing so, the Committee put in place safeguards to ensure the revised targets led to outcomes which were fair for all employees.
- The Committee considered analyst forecasts and adjusted the targets to be stretching when considering these external reference points.
- The Committee applied the same treatment to the 2019 PSP for all employees, with no preference given to any population.
- Alternative approaches to the PSP were considered, such as using discretion to adjust vesting or making a greater award in 2022. Ultimately, the Committee was of the view that a formulaic adjustment to targets best maintained the purpose of the PSP and did not lead to overall increases in future target pay.The revised targets are equally stretching and still represent good performance at threshold levels and exceptional performance at maximum levels, which would deliver superior returns to shareholders.

Directors' remuneration report *continued*

	Measure	Weighting	Threshold Target	Threshold Vesting (% of max)	Maximum Three-year target	Maximum Vesting (% of max)
Original targets of 2019 award	Comparable EPS	50%	1.62	25%	1.80	100%
	ROIC	50%	13.8%	25%	15.8%	100%

	Measure	Weighting	Threshold Target	Threshold Vesting	Maximum Target	Maximum Vesting	Actual Achievement	Actual Vesting	Total (% of max)
Revised targets of 2019 award	Comparable EPS	50%	1.39	25%	1.59	100%	1.54	81%	90%
	ROIC	50%	12.5%	25%	14.3%	100%	14.362	100%	

Application of downward discretion by the Remuneration Committee (15%) Final outcome 75% of max

In proposing these adjustments, the following is noted:

- Prior to the impact of the pandemic, targets were calibrated such that awards were expected to vest at around 50% of maximum for strong performance. The same stretch applied to revised targets, namely that these awards were expected to vest at around 50% of maximum for strong performance.
- We took into account analysts' consensus forecasts and ensured that targets were stretched beyond that (as we did in 2020) to reduce outcomes as if government aid monies had not been received.
- The changes in the table above would apply to all PSP participants throughout the organisation, which represents approximately 50 individuals (including the Executive Leadership Team and CEO) allowing them to be appropriately rewarded and share in the success of any future good performance.
- The Committee took into careful consideration the varied shareholder feedback we received during consultation and continues to be mindful of it in relation to subsisting awards. While some of our shareholders expressed concern over adjusting long-term incentive targets, others indicated they would not be averse to a change in the targets for the 2019 and 2020 awards – understanding our rationale for the need for change, provided that we explain clearly our thinking and apply equally rigorous and stretching targets as the ones we originally applied at the time of award. We have aimed to follow this as a a primary principle.

The formulaic outcome against the adjusted targets was vesting of 90% of the maximum with the exclusion of the benefit of the sale of the Cyprus plant. Furthermore, the Committee took a step back and considered all factors in the round, including both the shareholder experience and employee experience, and determined that it was appropriate to apply downward discretion and reduce the outcome to 75% of maximum for all 50 participants, including the CEO and Executive Leadership Team.

If no adjustment had been made to the performance conditions, the payout under the 2019 PSP award would have been 23%.

2020 PSP awards

Many of the same considerations outlined above in relation to the 2019 PSP awards apply in the same way to 2020 PSP awards. The Committee continues to keep under review the appropriateness of the targets for the 2020 PSP awards and whether adjustments should be made in light of the prevailing environment at the time. It is also mindful of ensuring any incentive outcomes are always fair and appropriate in the round. Any approach will ultimately intend to represent good performance at threshold levels and exceptional performance at maximum levels, which would deliver superior returns to shareholders.

Dilution limit

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

Implementation of policy in 2022

For 2022, we will continue to apply the remuneration policy approved by shareholders in 2021, as outlined on pages 124 to 126.

Base salary and fees

The Chief Executive Officer's base salary was reviewed in March 2022. The base salary will be increased by 3.1% to €840,000 effective 1 May 2022. Although 2022 salary increase levels for employees have not been confirmed at the date of this report, it is anticipated that the Chief Executive Officer's increase will be in line with the increases provided for the wider workforce.

Chairman and Board fees were reviewed for the first time since 2018 and the following increases shall apply, effective following the AGM:

Non-Executive Directors' fees	Current fees (unchanged since 2018)	With effect from the date of AGM
Chairman fee	€73,500	€150,000
Basic fee	€73,500	€82,000
Senior Independent Director	€15,800	€18,000
Audit and Risk Committee Chair	€28,900	€32,000
Audit and Risk Committee member	€14,500	€16,000
Remuneration/Nomination/Social Responsibility Committee Chair	€11,600	€13,000
Remuneration/Nomination/Social Responsibility Committee member	€5,800	€6,500

The increase for the Chairman better reflects the time commitment required for the role and the Committee notes that the new fees remain below market levels.

Management Incentive Plan (MIP)

As of 2021, the MIP operates on a multiplicative basis – i.e. the outcome will be determined by Business Performance multiplied by Individual Performance, which means that unless the business performance targets are achieved no bonus will be payable.

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

The maximum opportunity level (which would reflect both a stretch level of business performance and full achievement of the individual strategic objectives) for the CEO will be 140% of base salary, which is unchanged from 2021.

Performance Share Plan (PSP)

The levels of PSP awards for 2022 are anticipated to be in line with those awarded in 2021 – i.e. 330% of base salary for the Chief Executive Officer. It is intended that, as in past years, the three-year performance conditions applicable to the award will continue to be based on ROIC and EPS as well as the reduction of CO_2 emissions metric which was first introduced in 2021.

The weightings will be ROIC: 42.5%, EPS: 42.5%, reduction of CO_2 emissions 15% – i.e. unchanged from 2021.

The Committee has determined to temporarily postpone target setting in light of the current heightened uncertainty as a result of the Russia-Ukraine war. The Group has significant operations in both countries. We intend to set targets as soon as possible, within six months from the standard date of grant and will fully disclose targets via RNS at that time as well as in next year's annual report. We will proceed with providing the annual award for the the plan participants, including the CEO, in March 2022. Taking into account the share price volatility at the time of grant, the Remuneration Committee will retain the right to appropriately apply discretion to the share award outcome at the time of vesting, for example to safeguard against any inappropriate windfall gains.

The performance period for 2022 awards will be the three years to the end of December 2024 and vesting will occur in March 2025. These vested shares will then be subject to a further two-year holding period, and the Chief Executive Officer agrees to a no-sale commitment during this time.

Annual percentage change in remuneration of Directors and employees

The following table sets out the change in remuneration for each Director for the last two years compared with the average percentage change for other employees.

	Salary/fees		Taxable benefits		Annual bonus	
Director	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020
Anastassis G. David	(3.06%)	–	–	–	–	–
Charlotte J. Boyle	(3.06%)	–	–	–	–	–
Henrique Braun	(3.06%)	–	–	–	–	–
Olusola (Sola) David-Borha	(3.06%)	–	–	–	–	–
Anna Diamantopoulou	(3.06%)	–	–	–	–	–
William W. (Bill) Douglas III	(3.06%)	–	–	–	–	–
Reto Francioni	(3.06%)	–	–	–	–	–
Anastasios I. Leventis	(3.06%)	–	–	–	–	–
Christo Leventis	(3.06%)	–	–	–	–	–
Alexandra Papalexopoulou	(3.06%)	–	–	–	–	–
Bruno Pietracci	(3.06%)	–	–	–	–	–
Jose Octavio Reyes	(3.06%)	–	–	–	–	–
Alfredo Rivera	(3.06%)	–	–	–	–	–
Ryan Rudolph	(3.06%)	–	–	–	–	–

CEO pay ratio

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

The table below compares the 2021 single figure of remuneration for the CEO with that of the employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of the Company's workforce based in Switzerland, ranked based on total remuneration.

Year	Method	25th percentile pay ratio (P1)	Median pay ratio (P2)	75th percentile pay ratio (P3)
2021	Option A	65:1	52:1	42:1
2020	Option A	39:1	33:1	26:1
2019	Option A	33:1	29:1	23:1

Directors' remuneration report *continued*

Option A is based on a sample of full-time Swiss employees. Their pay and benefits is calculated, and every Swiss employee is ranked to determine P25, P50 and P75. Several Swiss employees around each percentile were identified to ensure that they accurately represent the relevant percentile ranking.

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

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

	25th percentile in €	Median in €	75th percentile in €
Annual base salary	64,112	76,352	94,833
Total remuneration	76,035	95,581	118,432

Total remuneration of Swiss employees includes base salary, annual bonuses, other cash compensation (e.g. overtime), other cash and non-cash benefits (e.g. company car, tax support, relocation etc.), pension employer contributions and employer social security contributions during 2021.

We are satisfied that the pay ratios reported this year are consistent with our wider pay, reward and progression policies for employees.

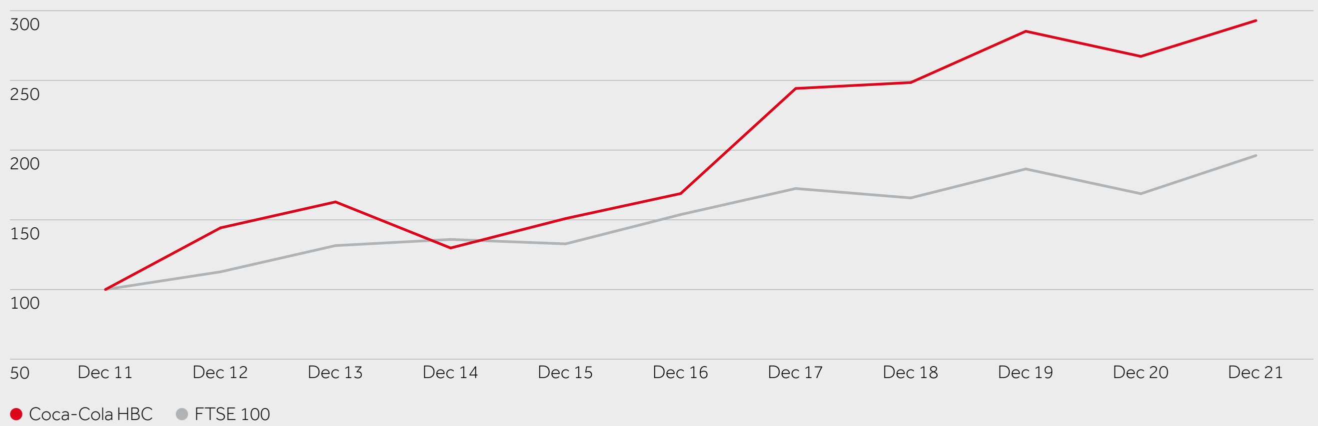
As described on page 122, we have an overall remuneration philosophy that operates throughout the Group, ensuring that employees are fairly rewarded and that their individual contributions are linked to the success of the Company.

Variable pay is an important element of our reward philosophy and a significant proportion of total remuneration for top managers (including the CEO) is tied to the achievement of our business objectives. As employees advance through the Company there will be the opportunity to receive higher rewards commensurate with increased accountability and market practice. The increase in the CEO pay ratio in 2021 is driven by business performance exceeding 2021 business plans impacting 2021MIP and 2019 PSP award. The 2018 PSP award that vested in early 2021 and was included in the 2020 CEO pay ratio was capped at 50% and the 2020 MIP was applicable for half year. The CEO's total remuneration has a significantly higher proportion of variable pay in comparison with the rest of our employees. The CEO's remuneration will therefore increase or decrease in line with business performance, aligning it with shareholders' interests.

Chief Executive Officer pay and performance comparison

The graph below shows the Total Shareholder Return (TSR) of the Company compared with the FTSE 100 index over a 10-year period to 31 December 2021. The Remuneration Committee believes that the FTSE 100 Index is the most appropriate index to use for historic performance due to the size of the Company and our listing location.

Total Shareholder Return versus FTSE 100



	2012	2013	2014	2015	2016	2017	2017	2018	2019	2020	2021
	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Dimitris Lois	Zoran Bogdanovic	Zoran Bogdanovic	Zoran Bogdanovic	Zoran Bogdanovic	Zoran Bogdanovic
Total remuneration – single figure (€ 000s)	1,524	1,928	1,918	3,012	2,923	15,378	410	3,710	2,499	3,340	4,921
MIP (% of maximum)	68%	49%	45%	75%	55%	53%	5%	48%	56%	40%	91%
PSP (% of maximum)	–	–	–	–	–	90%	–	100%	75%	50%	75%

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

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

Relative importance of spend on pay (€m)

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

Compared with the prior year, the total staff costs have increased by 6%, while dividends distributed to shareholders have increased by 3%.

Shareholder voting outcomes

The table below sets out the result of the vote on the remuneration-related resolutions at the Annual General Meeting held in June 2021.

Resolution	Votes for	Votes against	Abstentions	Total votes cast	Voting rights represented
Advisory vote on the UK Remuneration Report	188,898,393 72.10%	73,049,577 27.88%	48,575 0.02%	261,996,545	71.78%
Advisory vote on the Swiss Remuneration Report	189,272,983 72.24%	72,675,321 27.74%	48,241 0.02%	261,996,545	71.78%
Advisory vote on the remuneration policy	250,109,133 93.54%	17,250,378 6.43%	76,869 0.03%	268,330,113	73.70%
Approval of the maximum aggregate amount of remuneration for the Board until the next Annual General Meeting	267,895,965 99.87%	347,298 0.13%	86,850 n.a	268,243,263	73.68%
Approval of the maximum aggregate amount of remuneration for the Executive Leadership Team for the next financial year	265,205,431 98.98%	1,660,130 0.62%	1,464,552 n.a.	266,865,561	73.30%

In reaction to the 72% in favor vote, the Committee decided for the first time to conduct an extensive shareholder consultation, reaching out to many shareholders and engaging with all shareholders who expressed concerns. We value our ongoing dialogue with shareholders and welcome any views on this report.

Payments to past Directors and payments for loss of office

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

Payments to appointed Directors

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

Outside appointments for the Chief Executive Officer

Zoran Bogdanovic does not hold any appointments outside the Company.

Total Directors' and Executive Leadership Team members' remuneration

The table below outlines the aggregated total remuneration figures for Directors and Executive Leadership Team members in the year.

	2021 € million	2020 € million
Total remuneration paid to or accrued for Directors, the Executive Leadership Team and the Chief Executive Officer	**23.6**	**21.6**
Salaries and other short-term benefits	**16.3**	**15.9**
Amount accrued for performance share awards	**6.4**	**4.9**
Pension and post-employment benefits for Directors, the Executive Leadership Team and the Chief Executive Officer	**0.9**	**0.8**

Credits and loans granted to governing bodies

In 2021, no credits or loans were granted to active or former members of the Company's Board, members of the Executive Leadership Team or any related persons.

Directors' remuneration report *continued*

Share ownership

The table below summarises the total shareholding as at 31 December 2021, including any outstanding shares awarded through our incentive plans, for the Chief Executive Officer and other Directors. There have been no changes in the interests of any Directors in shares in the period to 16 March 2022.

		With performance measures			Without performance measures						
		PSP			ESOP			ESPP			
Name	Share interests	Performance shares granted in 2021	Unvested and subject to performance conditions	Vested	Number of stock options outstanding	Fully vested	Vesting at the end of 2021	Number of outstanding shares held as at 31 December 2021	Beneficially owned	Current shareholding as % of base salary[1]	Shareholding guideline met[1]
Zoran Bogdanovic[2]	Yes	97,206	327,430	48,829	162,477	162,477	–	47,641	193,729	722%	Yes
Anastassis G. David[3]		–	–	–	–	–	–	–	–	–	–
Charlotte J. Boyle	Yes	–	–	–	–	–	–	–	1,017	–	–
Henrique Braun		–	–	–	–	–	–	–	–	–	–
Olusola (Sola) David-Borha		–	–	–	–	–	–	–	–	–	–
Anna Diamantopoulou		–	–	–	–	–	–	–	–	–	–
William W. (Bill) Douglas III	Yes	–	–	–	–	–	–	–	10,000	–	–
Reto Francioni	Yes	–	–	–	–	–	–	–	7,000	–	–
Anastasios I. Leventis[4]		–	–	–	–	–	–	–	–	–	–
Christo Leventis[5]		–	–	–	–	–	–	–	–	–	–
Alexandra Papalexopoulou		–	–	–	–	–	–	–	–	–	–
Bruno Pietracci		–	–	–	–	–	–	–	–	–	–
José Octavio Reyes		–	–	–	–	–	–	–	–	–	–
Alfredo Rivera		–	–	–	–	–	–	–	–	–	–
Ryan Rudolph		–	–	–	–	–	–	–	–	–	–

1. The shareholding requirement was introduced from the date of the 2015 PSP award, 10 December 2015 and has been updated to 300% in 2020.
2. Zoran Bogdanovic holds 19,113 stock options with an exercise price of £15.50 dating from the Stock Option 2010 Grant. This grant was originally due to expire on 9 December 2020. However, due to a restriction on trading in company shares, these options were not able to be exercised. The Remuneration Committee therefore agreed a temporary extension in the expiration date of these options of 30 days after the end of the restricted period, in line with the provisions of the relevant plan rules. He exercised 43,538 options which were due to expire 2021.
3. Anastassis G. David is a beneficiary of:
   (a) a private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 85,355,019 shares held by Kar-Tess Holding and
   (b) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 832,268 shares held by Ari Holdings Limited.
4. Anastasios I. Leventis is a beneficiary of:
   (a) a private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 85,355,019 shares held by Kar-Tess Holding and
   (b) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 286,880 shares held by its trustee, Selene Treuhand AG and
   (c) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Avgie Leventis, that has an indirect interest with respect to 2,138,277 shares held by Carlcan Holding Limited.
5. Christo Leventis is a beneficiary of:
   (a) a private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 85,355,019 shares held by Kar-Tess Holding and
   (b) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 482,228 shares held by its trustee, Selene Treuhand AG and
   (c) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Avgie Leventis, that has an indirect interest with respect to 2,138,277 shares held by Carlcan Holding Limited.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report set out on pages 118 to 140 was approved by the Board of Directors on 16 March 2022 and signed on its behalf by Charlotte J. Boyle, Chair of the Remuneration Committee.

Charlotte J. Boyle
Chair of the Remuneration Committee
16 March 2022

Statement of Directors' responsibilities

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

The Directors, whose names and functions are set out on pages 88-90, confirm to the best of their knowledge that:

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

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

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

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

By order of the Board

Anastassis G. David
Chairman of the Board
March 2022

Disclosure of information required under Listing Rule 9.8.4R

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

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

2021 SASB Index

Majority of the information required by the Sustainability Accounting Standards Board (SASB) framework is included in the 2021 IAR and 2021 GRI Content Index. Part of the information refers to our public website https://www.coca-colahellenic.com/

Table 1. Sustainability disclosure topics & accounting metrics

Topic	Accounting metric	Category	Unit of measure	Code	Response
Fleet fuel management	Fleet fuel consumed	Quantitative	Gigajoules (GJ)	FB-NB-110a.1	1,078,121
	Percentage renewable		Percentage (%)		0%
Energy management	Operational energy consumed	Quantitative	Gigajoules (GJ)	FB-NB-130a.1	7,093,841
	Percentage grid electricity		Percentage (%)		42%
	Percentage renewable		Percentage (%)		23%
Water management	Total water withdrawn	Quantitative	Thousand cubic metres (m³)	FB-NB-140a.1	26,373
	Total water consumed		Thousand cubic metres (m³)		16,157
	and percentage of each in regions with High or Extremely High Baseline Water Stress		Percentage (%)		39%
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and analysis	n/a	FB-NB-140a.2	2021 IAR, Water stewardship, and Risk sections (pages 50; 58, 61-63) 2021 GRI Content Index (GRI 303: Water and Effluents).
					CCHBC website_Sustainability section_ Water stewardship
Health & nutrition	Revenue from: zero- and low-calorie	Quantitative	EUR	FB-NB-260a.1	€1,194.3 million only from Sparkling soft drinks (SSD) portfolio, 22.7% of total SSD revenue.
	no added sugar beverages		EUR		Not reported; we report towards our UNESDA commitment for added sugar reduction in the EU and the UK by 10% by 2025 vs. 2019: in 2021 we reduced the added sugar in our beverages by 3% vs 2019.
	artificially sweetened beverages		EUR		CCHBC website_Sustainability section_ Nutrition Not reported.
Product labelling & marketing	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines	Quantitative	Percentage (%)	FB-NB-270a.1	Not reported. As a member of both the Coca-Cola System and UNESDA, we abide by the respective responsible marketing guidelines. In addition, we have a responsible marketing policy for premium spirits, while our strategic approach towards marketing to children is covered by our health and wellness policy.
					https://www.coca-colahellenic.com/en/about-us/corporate-governance/policies/health-wellness-policy
	Revenue from products labelled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	Quantitative	Reporting currency	FB-NB-270a.2	(1) None – we don't produce/sell GMO products. (2) non-GMO: €7,168.4 million (100% of the portfolio).
					CCHBC website_GMO Policy
	Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes	Quantitative	Number	FB-NB-270a.3	Zero incidents of non-compliance in 2021. Refer to the 2021 GRI Content Index (417-2 and 417-3).

Coca-Cola HBC AG 2021 IAR has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, Core level. It has been independently assured by denkstatt. Independent assurance statement is on pages 242-244 of the 2021 IAR.

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

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

Topic	Accounting metric	Category	Unit of measure	Code	Response
Product labelling & marketing *continued*	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labelling practices	Quantitative	Reporting currency	FB-NB-270a.4	Zero incidents of non-compliance in 2021. Refer to the 2021 GRI Content Index (417-2 and 417-3).
Packaging lifecycle management	Total weight of packaging	Quantitative	Metric tonnes (t)	FB-NB-410a.1	739,321
	(2) percentage made from recycled and/or renewable materials		Percentage (%)		10.0 % rPET (placed on the market); 35.0% recycled glass; 50.0 % recycled aluminium
	(3) percentage that is recyclable, reusable, and/or compostable		Percentage (%)		99.9%
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and analysis	n/a	FB-NB-410a.2	CCHBC website_Sustainability section_ World without waste
Environmental & social impacts of ingredient supply chain	Suppliers' social and environmental responsibility audit: non-conformance rate and associated corrective action rate for (a) major and (b) minor non-conformances	Quantitative	Rate	FB-NB-430a.1	2021 GRI Content Index (205-2, 308-1,308-2, 407-1, 408-1, 409-1, 414-1 CCHBC website_Sustainable sourcing and Our suppliers sections CCHBC website_Sustainability section_ Sourcing CCHBC website_Supplier Guiding Principles
Ingredient sourcing	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by cost	FB-NB-440a.1	3.9% of supplier's locations are in high water risk as per our assessment by using WWF Water Risk Filter.
	List of priority beverage ingredients and description of sourcing risks due to environmental and social considerations	Discussion and analysis	n/a	FB-NB-440a.2	CCHBC website_Sustainability section_ Sourcing 2021 GRI Content Index (102-9, 205-2, 308-1, 308-2, 407-1, 408-1, 409-1, 414-1) CCHBC website_Sustainable sourcing and Our suppliers sections

Table 2. Activity metrics

Activity metric	Category	Unit of measure	Code	Response
Volume of products sold	Quantitative	Millions of hectolitres (Mhl)	FB-NB-000.A	143.58
Number of production facilities	Quantitative	Number	FB-NB-000.B	54 production facilities produce non-alcoholic beverages
Total fleet road miles travelled	Quantitative	Kilometres	FB-NB-000.C	335,886,412

Financial statements

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Independent auditor's report to Coca-Cola HBC AG

Report on the audit of the consolidated financial statements

Opinion

In our opinion:

- Coca-Cola HBC AG's ('Coca-Cola HBC' or the 'Group') consolidated financial statements (the 'financial statements') give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

We have audited the financial statements, included within the 2021 Integrated Annual Report (the 'Annual Report'), which comprise: the consolidated balance sheet as at 31 December 2021; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, which include the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code') and the FRC's Ethical Standard, as applicable to listed public interest entities. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than those disclosed in Note 8 of the financial statements, we have provided no non-audit services to the Group in the period from 1 January 2021 to 31 December 2021.

Our audit approach

Overview

Audit scope	• We performed full scope audit procedures on the financial information of 15 subsidiary undertakings and one joint venture in 14 countries spread across all of the Group's reportable segments. • We also conducted procedures around specific account balances and transactions and analytical review procedures for other subsidiary undertakings and Group functions. • Taken together, the undertakings which were in scope for the purpose of our audit accounted for 85% of consolidated net sales revenue, 84% of consolidated profit before tax and 87% of consolidated total assets of the Group.
Key audit matters	• Goodwill and indefinite-lived intangible assets impairment assessment. • Uncertain tax positions.
Materiality	• Overall materiality: €36.7 million (2020: €29.6 million) based on 5% of profit before tax. • Performance materiality: €27.5 million (2020: €22.2 million)

The scope of our audit

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite-lived intangible assets impairment assessment Refer to Note 13 Intangible assets. Goodwill and indefinite-lived intangible assets as at 31 December 2021 amount to €1,759.3 million and €269.6 million, respectively. The above amounts have been allocated to individual cash-generating units ('CGUs'), which in accordance with International Accounting Standard ('IAS') 36 require the performance of an impairment assessment at least annually or whenever there is an indication of impairment. The impairment assessment involves the determination of the recoverable amount of the CGU, being the higher of the value-in-use and the fair value less costs to dispose of. This area was a key matter for our audit due to the size of goodwill and indefinite-lived intangible assets balances and because the determination of whether elements of goodwill and of indefinite-lived intangible assets are impaired involves complex and subjective estimates made by management about the future results of the CGUs. These estimates include assumptions surrounding revenue growth rates, costs, foreign exchange rates and discount rates. Furthermore, the ongoing COVID-19 pandemic, macroeconomic volatility, competitor activity and regulatory/fiscal developments could adversely affect each CGU and potentially the carrying amount of goodwill and indefinite-lived intangible assets. Management has identified the Italy CGU to be sensitive to possible changes in the assumptions used, which could result in the calculated recoverable amount being lower in future periods than the carrying value of the CGU. Additional sensitivity disclosure has been included in the financial statements in respect of this CGU. No impairment charge was recorded in 2021.	We evaluated the appropriateness of management's identification of the Group's CGUs, related control activities and the process by which management prepared the CGUs' value-in-use calculations. We tested the mathematical accuracy of the CGUs' value-in-use calculations and compared the cash flow projections included therein to the financial budgets, approved by the directors, covering a one-year period, and management's projections for the subsequent four years. In addition, we evaluated the reliability of the cash flow projections by comparing key elements of the prior year projections with actual results. We challenged management's cash flow projections in relation to the assumptions applied to the value-in-use calculations focusing on future performance in light of the gradual recovery from COVID-19 global pandemic with respect to short-term and long-term revenue growth rates and the level of costs. With the support of our valuation specialists, we assessed the appropriateness of certain assumptions including discount, annual revenue growth, perpetuity revenue growth and foreign exchange rates. We also evaluated management's assessment of the potential effect of climate change to the cost of water. We performed our independent sensitivity analyses on the key drivers of the value-in-use calculations for the CGUs with significant balances of goodwill and indefinite-lived intangible assets. As a result of our work, we found that the determination by management that no impairment was required for goodwill and indefinite-lived intangible assets was supported by assumptions within reasonable ranges. We assessed the appropriateness and completeness of the related disclosures in Note 13, as regards to goodwill and indefinite-lived intangible assets and considered them to be reasonable.
Uncertain tax positions Refer to Note 10 Taxation and Note 29 Contingencies. The Group operates in numerous tax jurisdictions and is subject to periodic tax inspections, in the normal course of business, by local tax authorities on a range of tax matters in relation to corporate tax, transfer pricing and indirect taxes. As at 31 December 2021, the Group has current tax liabilities of € 80.1 million, which include €52.6 million of provisions for tax uncertainties. The impact of changes in local tax regulations and ongoing inspections by local tax authorities, could materially impact the amounts recorded in the financial statements. Where the amount of tax payable is uncertain, the Group establishes provisions based on management's estimates with respect to the likelihood of material tax exposures and the probable amount of the liability. We consider this area as a key audit matter given the level of judgement and uncertainty involved in estimating tax provisions and the complexities of dealing with tax rules and regulations in numerous jurisdictions.	In order to understand and evaluate management's judgements, we considered the status of current tax authority inspections and enquiries, the outcome of previous tax authority inspections, judgemental positions taken in tax returns and current year estimates as well as recent developments in the tax jurisdictions in which the Group operates. We challenged management's key assumptions, particularly in cases where there had been significant developments with tax authorities. Our component audit teams, through the use of tax specialists with local knowledge and relevant expertise, assessed the tax positions taken by the subsidiary undertakings in scope, in the context of applying local tax laws and evaluating the local tax assessments. Additionally, with our group engagement team tax specialists we further evaluated management's estimation of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. We held virtual meetings with the local management to discuss the individual tax position of the in-scope subsidiary undertakings and with the Group engagement tax team for the Group's overall tax exposure. From the evidence obtained we consider the provisions in relation to uncertain tax positions as at 31 December 2021 to be reasonable. We also evaluated the related disclosures provided in the financial statements in Note 10 and Note 29 and concluded that these are appropriate.

Independent auditor's report *continued*

The COVID-19 global pandemic, which was a key audit matter last year, continued to be an area of focus in light of uncertainty over the effective containment of the pandemic and any potential impact to the Group. The audit procedures performed did not identify any significant impact on the control environment, as a result of the COVID-19 global pandemic and remote working, the recoverability of trade receivables and management's assessment of the going concern basis of accounting. Having considered the gradual recovery from the COVID-19 global pandemic and the audit effort required in 2021 and to the date of this audit report, the impact of the COVID-19 global pandemic is no longer included as a key audit matter.

How we tailored the audit scope

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

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

Based on the significance to the financial statements and in light of the key audit matters as noted above, we identified 15 subsidiary undertakings and one joint venture in 14 countries spread across all of the Group's reportable segments (including the significant trading subsidiary undertakings in Russia, Italy, Nigeria, Poland, Romania and Switzerland) which, based on our scoping analysis, required a full scope audit of their financial information. In addition, audit procedures were performed with respect to the centralised treasury functions by the group engagement team and with respect to the centralised procurement function by the component audit team in the Netherlands. The group engagement team also performed analytical review and other procedures on balances and transactions of subsidiary undertakings not covered by the procedures described above.

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

We issued Group audit instructions to the component audit teams setting out the work to be performed and we had an active dialogue throughout the year. Due to the travel and other restrictions put in place in response to the ongoing COVID-19 global pandemic, the group engagement team held frequent virtual meetings to oversee the work performed. In addition to holding formal periodic meetings, the group engagement team had ongoing informal interactions with the component audit teams to be continuously updated and to monitor their progress and results of their procedures. Furthermore, the group engagement team remotely reviewed component auditor working papers and undertook other forms of interaction as considered necessary, depending on the significance of the component and the extent of accounting and audit issues arising. Moreover, the group engagement team participated in the virtual meetings and discussions between the component audit teams and the management of the trading subsidiary undertakings in Russia, Italy, Nigeria, Poland, Romania, Greece, and Switzerland, and the management of the joint venture in Russia, to discuss business performance and outlook, matters relating to the ongoing COVID-19 global pandemic, regulation and taxation, and any specific accounting and auditing matters identified, including fraud and internal controls.

Based on the above, the undertakings which were in scope for the purpose of our audit accounted for 85% of consolidated net sales revenue, 84% of consolidated profit before tax and 87% of consolidated total assets of the Group. This, together with the additional procedures performed at Group level, gave us appropriate audit evidence for our opinion on the financial statements.

Materiality

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

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

Overall group materiality	€36.7 million (2020: €29.6 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We chose profit before tax as the benchmark because, in our view, it is one of the principal measures considered by users and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in generally accepted auditing practice.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was from €2.7 million to €15.0 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €27.5 million.

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

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €1.5 million (2020: €1.0 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Verification that the cash flow projections used in the goodwill impairment, going concern and viability assessments were consistent;
- Review of management's assessment supporting the Group's ability to continue to adopt the going concern basis of accounting, ensuring appropriate stress test scenarios were considered;
- Assessment of the reasonableness of management's assumptions used in the cash flow projections.
- Testing of the mathematical integrity of the cash flow forecasts and reconciled these to the Board approved budget and management's projections for the subsequent periods;
- Evaluation of the Group's liquidity for the period under assessment by considering the Group's available cash resources, committed undrawn credit facilities and other debt instruments in place as well as the maturity profile of the Group's debt. We confirmed the outstanding amounts of the financing facilities and verified their nature, terms and conditions;
- Consideration whether climate change is expected to have any significant impact during the period of the going concern assessment; and
- Evaluation of the appropriateness of the related disclosures provided in the financial statements in Note 2 and Note 31.

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

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

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

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

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

Reporting on other information

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

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

Independent auditor's report *continued*

Corporate governance statement

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

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

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

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

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

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

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

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

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

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

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

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

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

Independent auditor's report *continued*

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

Other required reporting

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

Assurance Report on the European Single Electronic Format pursuant to the Athens Exchange listing requirements
We have examined the digital files of Coca-Cola HBC, which were compiled in accordance with the European Single Electronic Format (ESEF) defined by the Commission Delegated Regulation (EU) 2019/815, as amended by Regulation (EU) 2020/1989 (hereinafter "ESEF Regulation"), and which include the consolidated financial statements of the Group for the year ended 31 December 2021, in XHTML format 549300EFP3TNG7JGVE49-2021-12-31-en.xhtml, as well as the provided XBRL file 549300EFP3TNG7JGVE49-2021-12-31-en.zip with the appropriate marking up, on the aforementioned consolidated financial statements.

Regulatory framework
The digital files of the European Single Electronic Format (ESEF) are compiled in accordance with ESEF Regulation and 2020 / C 379/01 Interpretative Communication of the European Commission of 10 November 2020, as provided by the Greek Law 3556/2007 and the relevant announcements of the Hellenic Capital Market Commission and the Athens Exchange (hereinafter "ESEF Regulatory Framework").

In summary, this Framework includes the following requirements:

- All annual financial reports should be prepared in XHTML format.
- For consolidated financial statements in accordance with International Financial Reporting Standards, the financial information stated in the consolidated balance sheet, the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statements of changes in equity should be marked-up with XBRL 'tags', according to the ESEF Taxonomy, as in force. The technical specifications for ESEF, including the relevant classification, are set out in the ESEF Regulatory Technical Standards.

The requirements set out in the current ESEF Regulatory Framework are suitable criteria for formulating a reasonable assurance conclusion.

Responsibilities of the management and those charged with governance
Management is responsible for the preparation and submission of the consolidated financial statements of the Group, for the year ended 31 December 2021 in accordance with the requirements set by the ESEF Regulatory Framework, as well as for those internal controls that management identifies as necessary, to enable the compilation of digital files free of material error due to either fraud or error.

Auditor's responsibilities
Our responsibility is to plan and carry out this assurance work, in accordance with no. 214/4 / 11.02.2022 Decision of the Board of Directors of the Hellenic Accounting and Auditing Standards Oversight Board (HAASOB) and the "Guidelines in relation to the work and the assurance report of the Certified Public Accountants on the European Single Electronic Format (ESEF) of issuers with securities listed on a regulated market in Greece" as issued by the Board of Certified Auditors on 14/02/2022 (hereinafter "ESEF Guidelines"), providing reasonable assurance that the consolidated financial statements of the Group prepared by management in accordance with ESEF comply in all material respects with the applicable ESEF Regulatory Framework.

Our work was carried out in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standard Board for Accountants (IESBA Code).

The assurance work we conducted is limited to the procedures provided by the ESEF Guidelines and was carried out in accordance with International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information''. Reasonable assurance is a high level of assurance, but it is not a guarantee that this work will always detect a material misstatement regarding non-compliance with the requirements of the ESEF Regulation.

Conclusion
Based on the procedures performed and the evidence obtained, we conclude that the consolidated financial statements of the Group for the year ended 31 December 2021, in XHTML file format 549300EFP3TNG7JGVE49-2021-12-31-en.xhtml, as well as the provided XBRL file 549300EFP3TNG7JGVE49-2021-12-31-en.zip with the appropriate marking up, on the aforementioned consolidated financial statements have been prepared, in all material respects, in accordance with the requirements of the ESEF Regulatory Framework.

Other matter
PwC Switzerland has reported separately on the Group and Company financial statements of Coca-Cola HBC AG for the year ended 31 December 2021 for Swiss statutory purposes. The reports are available in pages 212 and 216.

Fotis Smyrnis
the Certified Auditor, Reg. No. 52861
for and on behalf of PricewaterhouseCoopers S.A.
Certified Auditors, Reg. No. 113
Athens, Greece

23 March 2022

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

Consolidated financial statements

Consolidated income statement

For the year ended 31 December

	Note	2021 € million	2020 € million
Net sales revenue	6, 7	**7,168.4**	6,131.8
Cost of goods sold		**(4,570.2)**	(3,810.3)
Gross profit		**2,598.2**	**2,321.5**
Operating expenses	8	**(1,833.3)**	(1,682.2)
Share of results of integral equity method investments	15	**34.4**	21.4
Operating profit	6	**799.3**	**660.7**
Finance income		**5.3**	3.8
Finance costs		**(72.9)**	(73.9)
Finance costs, net	9	**(67.6)**	**(70.1)**
Share of results of non-integral equity method investments	15	**3.2**	3.3
Profit before tax		**734.9**	**593.9**
Tax	10	**(187.4)**	(178.9)
Profit after tax		**547.5**	**415.0**
Attributable to:			
Owners of the parent		**547.2**	414.9
Non-controlling interests		**0.3**	0.1
		547.5	415.0
Basic earnings per share (€)	11	**1.50**	1.14
Diluted earnings per share (€)	11	**1.49**	1.14

Consolidated statement of comprehensive income

For the year ended 31 December

	Note	2021 € million	2020 € million
Profit after tax		**547.5**	415.0
Other comprehensive income:			
Items that may be subsequently reclassified to income statement:			
Cost of hedging	24	**(2.7)**	(2.2)
Net gain on cash flow hedges	24	**69.5**	22.7
Foreign currency translation gains/(losses)	12	**73.6**	(254.9)
Share of other comprehensive income/(loss) of equity method investments	12, 15	**14.6**	(25.4)
Income tax relating to items that may be subsequently reclassified to income statement	12	**(9.5)**	(2.4)
		145.5	**(262.2)**
Items that will not be subsequently reclassified to income statement:			
Valuation loss on equity investments at fair value through other comprehensive income		**–**	(0.2)
Actuarial gains / (losses)		**16.1**	(12.5)
Income tax relating to items that will not be subsequently reclassified to income statement	12	**(6.1)**	2.0
		10.0	(10.7)
Other comprehensive income/(loss) for the year, net of tax (refer to Note 12)		**155.5**	**(272.9)**
Total comprehensive income for the year		**703.0**	**142.1**
Total comprehensive income attributable to:			
Owners of the parent		**702.7**	142.0
Non-controlling interests		**0.3**	0.1
		703.0	**142.1**

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

Consolidated balance sheet

As at 31 December

	Note	2021 € million	2020 € million
Assets			
Intangible assets	13	**2,043.3**	1,986.1
Property, plant and equipment	14	**2,830.9**	2,616.6
Equity method investments	15	**365.8**	313.7
Other financial assets	24	**16.6**	14.0
Deferred tax assets	10	**31.0**	35.1
Other non-current assets	18	**69.8**	80.5
Total non-current assets		**5,357.4**	**5,046.0**
Inventories	17	**519.8**	417.6
Trade, other receivables and assets	18	**948.6**	773.9
Other financial assets	24, 25	**878.9**	106.6
Current tax assets		**26.7**	13.2
Cash and cash equivalents	25	**782.8**	1,215.8
		3,156.8	**2,527.1**
Assets classified as held for sale	19	**0.1**	–
Total current assets		**3,156.9**	**2,527.1**
Total assets		**8,514.3**	**7,573.1**
Liabilities			
Borrowings	25	**381.7**	315.2
Other financial liabilities	24	**11.6**	10.0
Trade and other payables	20	**1,885.8**	1,542.8
Provisions and employee benefits	21	**157.2**	99.6
Current tax liabilities		**80.1**	58.6
Total current liabilities		**2,516.4**	**2,026.2**
Borrowings	25	**2,555.7**	2,610.3
Other financial liabilities	24	**3.0**	1.3
Deferred tax liabilities	10	**197.7**	182.5
Provisions and employee benefits	21	**118.8**	113.3
Other non-current liabilities		**5.6**	6.2
Total non-current liabilities		**2,880.8**	**2,913.6**
Total liabilities		**5,397.2**	**4,939.8**
Equity			
Share capital	26	**2,022.3**	2,014.4
Share premium	26	**3,097.3**	3,321.4
Group reorganisation reserve	26	**(6,472.1)**	(6,472.1)
Treasury shares	26	**(146.6)**	(155.5)
Exchange equalisation reserve	26	**(1,154.0)**	(1,242.1)
Other reserves	26	**310.2**	266.7
Retained earnings		**5,457.4**	4,897.9
Equity attributable to owners of the parent		**3,114.5**	**2,630.7**
Non-controlling interests		**2.6**	2.6
Total equity		**3,117.1**	**2,633.3**
Total equity and liabilities		**8,514.3**	**7,573.1**

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

Consolidated financial statements *continued*

Consolidated statement of changes in equity

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

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

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

Consolidated statement of changes in equity *continued*

	Attributable to owners of the parent									
	Share capital € million	Share premium € million	Group reorganisation reserve € million	Treasury shares € million	Exchange equalisation reserve € million	Other reserves € million	Retained earnings € million	**Total € million**	Non-controlling interests € million	**Total equity € million**
Balance as at 1 January 2021	2,014.4	3,321.4	(6,472.1)	(155.5)	(1,242.1)	266.7	4,897.9	**2,630.7**	2.6	**2,633.3**
Shares issued to employees exercising stock options	7.9	11.7	–	–	–	–	–	**19.6**	–	**19.6**
Share-based compensation:										
Performance shares	–	–	–	–	–	15.1	–	**15.1**	–	**15.1**
Movement in shares held for equity compensation plan	–	–	–	–	–	(0.1)	–	**(0.1)**	–	**(0.1)**
Appropriation of reserves	–	–	–	8.9	–	(9.0)	0.1	**–**	–	**–**
Dividends	–	(235.8)	–	–	–	–	2.2	**(233.6)**	(0.3)	**(233.9)**
Transfer of cash flow hedge reserve, including cost of hedging to inventories, net of tax[3]	–	–	–	–	–	(19.9)	–	**(19.9)**	–	**(19.9)**
	2,022.3	**3,097.3**	**(6,472.1)**	**(146.6)**	**(1,242.1)**	**252.8**	**4,900.2**	**2,411.8**	**2.3**	**2,414.1**
Profit for the year, net of tax	–	–	–	–	–	–	547.2	**547.2**	0.3	**547.5**
Other comprehensive income for the year, net of tax	–	–	–	–	88.1	57.4	10.0	**155.5**	–	**155.5**
Total comprehensive income for the year, net of tax[4]	–	–	–	–	88.1	57.4	557.2	**702.7**	0.3	**703.0**
Balance as at 31 December 2021	**2,022.3**	**3,097.3**	**(6,472.1)**	**(146.6)**	**(1,154.0)**	**310.2**	**5,457.4**	**3,114.5**	**2.6**	**3,117.1**

3. The amount included in other reserves of €19.9 million gain for 2021 represents the cash flow hedge reserve, including cost of hedging, transferred to inventory of €24.0 million gain, and the deferred tax expense thereof amounting to €4.1 million.
4. The amount included in the exchange equalisation reserve of €88.1 million gain for 2021 represents the exchange gain attributed to the owners of the parent, primarily related to the Swiss Franc and the Russian Rouble, including €14.5 million gain relating to the share of other comprehensive income of equity method investments.
   The amount of other comprehensive income net of tax included in other reserves of €57.4 million gain for 2021 consists of cash flow hedges gain of €66.8 million, share of other comprehensive income of equity method investments of €0.1 million gain and the deferred tax expense thereof amounting to €9.5 million.
   The amount of €557.2 million gain attributable to owners of the parent comprises profit for the year of €547.2 million, actuarial gains of €16.1 million and deferred tax expense of €6.1 million.
   The amount of €0.3 million gain included in non-controlling interests for 2021 represents the share of non-controlling interests in profit for the year.

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

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

Consolidated financial statements *continued*

Consolidated cash flow statement

For the year ended 31 December

	Note	2021 € million	2020 € million
Operating activities			
Profit after tax		**547.5**	415.0
Finance costs, net	9	**67.6**	70.1
Share of results of non-integral equity method investments	15	**(3.2)**	(3.3)
Tax charged to the income statement	10	**187.4**	178.9
Depreciation of property, plant and equipment	14	**330.3**	372.5
Impairment of property, plant and equipment	14	**6.0**	15.6
Employee performance shares		**14.9**	9.5
Amortisation of intangible assets	13	**1.0**	0.9
		1,151.5	**1,059.2**
Share of results of integral equity method investments	15	**(34.4)**	(21.4)
Gain on disposals of non-current assets	8	**(28.4)**	(1.4)
(Increase)/decrease in inventories		**(114.5)**	9.4
(Increase)/decrease in trade and other receivables		**(109.0)**	178.5
Increase/(decrease) in trade and other payables		**419.3**	(79.6)
Tax paid		**(142.3)**	(183.2)
Net cash inflow from operating activities		**1,142.2**	**961.5**
Investing activities			
Payments for purchases of property, plant and equipment		**(506.5)**	(419.2)
Proceeds from sales of property, plant and equipment		**35.8**	13.4
Payments for business combinations	23	**(5.6)**	–
Payment for acquisition of joint operation		**(0.9)**	–
Net payment for acquisition of integral equity method investment	15	**–**	(0.5)
Net receipts from integral equity method investments	27	**47.8**	27.1
Payments for acquisition of non-integral equity method investments	15	**(87.0)**	(2.4)
Net receipts from non-integral equity method investments	27	**1.9**	1.3
Joint arrangement reclassification	15	**–**	(13.1)
Net (payments for)/proceeds from investments in financial assets at amortised cost		**(102.8)**	264.4
Net (payments for)/proceeds from investments in financial assets at fair value through profit or loss		**(640.6)**	370.4
Loans to related parties		**(0.9)**	(2.5)
Interest (paid)/received		**(0.3)**	0.2
Net cash (outflow)/inflow from investing activities		**(1,259.1)**	**239.1**
Financing activities			
Proceeds from shares issued to employees exercising stock options	26	**19.6**	7.6
Proceeds from borrowings		**129.3**	211.8
Repayments of borrowings		**(133.8)**	(655.8)
Principal repayments of lease obligations		**(63.1)**	(58.7)
Dividends paid to owners of the parent	26	**(233.6)**	(225.7)
Dividends paid to non-controlling interests		**(0.2)**	(0.2)
Proceeds from/(payments for) settlement of derivatives regarding financing activities		**4.9**	(1.1)
Interest paid		**(45.5)**	(64.7)
Net cash outflow from financing activities		**(322.4)**	**(786.8)**
Net (decrease)/increase in cash and cash equivalents		**(439.3)**	**413.8**
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		**1,215.8**	823.0
Net (decrease)/increase in cash and cash equivalents (2020: Net increase in cash and cash equivalents, excl. joint arrangement reclassification)		**(439.3)**	426.9
Joint arrangement reclassification	15	**–**	(13.1)
Effect of changes in exchange rates		**6.3**	(21.0)
Cash and cash equivalents at 31 December	25	**782.8**	**1,215.8**

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

Notes to the consolidated financial statements

1. Description of business

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

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

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

2. Basis of preparation and consolidation

Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and in compliance with Swiss law. The consolidated financial statements of the Group for the year ended 31 December 2020 were prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB') and in compliance with Swiss law. IFRS as adopted by the EU differ in certain respects from IFRS as issued by the IASB. These differences have no impact on the Group's consolidated financial statements for the periods presented.

These consolidated financial statements were approved for issue by the Board of Directors on 22 March 2022 and are expected to be verified at the Annual General Meeting to be held on 21 June 2022.

Going concern

In 2021, the Group experienced a gradual recovery from the COVID-19 pandemic as evidenced by the reopening of its markets and return to pre-pandemic levels of performance. However, COVID-19 continues to be a source of uncertainty for the near term and could potentially lead to further economic disruption.

As part of the consideration of whether to adopt the going concern basis in preparing the consolidated financial statements, management has reviewed a range of scenarios and forecasts as part of its continuous focus on risk management, including the potential financial impact of a slower COVID-19 pandemic recovery, along with the Group's proposed responses. The relevant assumptions have been modelled on the estimated potential impact of severe but plausible downside scenarios, linked to the Group's principal risks. The Group's strong balance sheet and liquidity position, its leading market shares and largely variable cost base, together with its unique portfolio of brands and resilient and talented people will, management believe, allow the Group to fully overcome the challenges posed by the ongoing COVID-19 pandemic. In addition, management considered the potential effect of climate change-related risks to the cost of water and concluded that there is no impact over the period of assessment.

Having considered the outcome of these assessments, based on a quantitative viability exercise, it is deemed appropriate that the Group continues to adopt the going concern basis for the preparation of the consolidated financial statements under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, investments in equity instruments classified at fair value through other comprehensive income and derivative financial instruments.

Change in accounting estimate

In the current financial year, the Group has applied a change in the estimate of useful lives applicable to certain categories of production equipment, included within the plant and equipment asset category (Note 14). As a result, effective 1 January 2021, the expected useful life of the specific categories of production equipment was extended by five years. The change was driven by the reassessment of the expected period of usage and has resulted in an approximately €33 million decrease in the depreciation expense in the current year. This is primarily reflected in the 'Cost of goods sold' line of the consolidated income statement.

Notes to the consolidated financial statements *continued*

2. Basis of preparation and consolidation *continued*

Basis of consolidation

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

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

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

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

3. Foreign currency and translation

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

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

On disposal of a foreign entity, accumulated exchange differences are recognised as a component of the gain or loss on disposal.

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

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

	Average 2021	Average 2020	**Closing 2021**	Closing 2020
US Dollar	**1.18**	1.14	**1.13**	1.22
UK Sterling	**0.86**	0.89	**0.84**	0.91
Polish Zloty	**4.56**	4.44	**4.60**	4.54
Nigerian Naira	**484.31**	435.06	**481.32**	480.68
Hungarian Forint	**358.49**	350.65	**370.08**	364.83
Swiss Franc	**1.08**	1.07	**1.04**	1.08
Russian Rouble	**87.23**	82.23	**83.87**	90.55
Romanian Leu	**4.92**	4.84	**4.95**	4.88
Ukrainian Hryvnia	**32.30**	30.66	**30.78**	34.64
Czech Koruna	**25.64**	26.45	**24.95**	26.21
Serbian Dinar	**117.57**	117.58	**117.56**	117.57

4. Accounting pronouncements

a) Accounting pronouncements adopted in 2021

The Group has adopted the following amendments which were endorsed by the EU that are relevant to its operations and effective for accounting periods beginning 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16; and
- COVID-19 – Related Rent Concessions – Amendments to IFRS 16.

The adoption of these amendments did not have a significant impact on the consolidated financial statements of the Group.

b) Accounting pronouncements not yet adopted

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

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Annual Improvements to IFRS Standards 2018-2020;
- COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16;
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (not endorsed by the EU);
- Disclosure of Accounting Policies – Amendments to IAS 1 (not endorsed by the EU);
- Definition of Accounting Estimates – Amendments to IAS 8 (not endorsed by the EU); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (not endorsed by the EU).

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

5. Critical accounting estimates and judgements

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

Estimates

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

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

Judgements

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

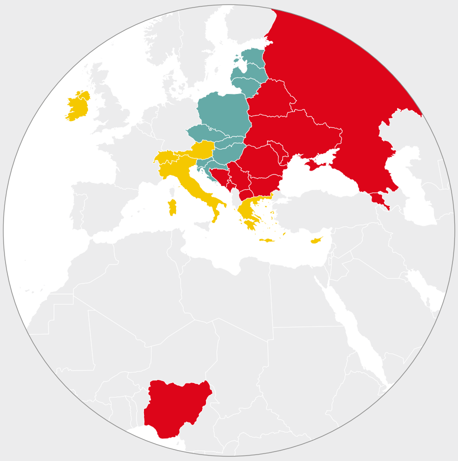
- Joint arrangements (refer to Note 15).

Notes to the consolidated financial statements *continued*

6. Segmental analysis

The Group has essentially one business, being the production, sale and distribution of ready-to-drink, primarily non-alcoholic, beverages.

The Group operates in 28 countries, which are aggregated into reportable segments as follows:



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

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

a) Volume and net sales revenue

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

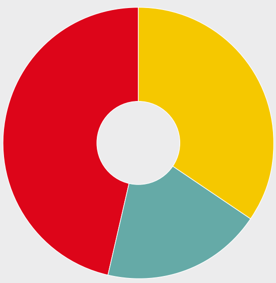
	2021	2020
Established	**589.9**	536.9
Developing	**415.5**	412.1
Emerging	**1,407.3**	1,186.6
Total volume	**2,412.7**	**2,135.6**

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

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

2021

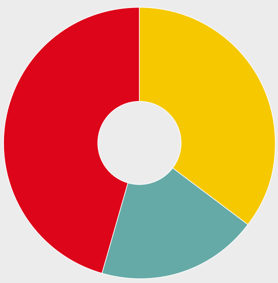
€7,168.4 million



Established	**€2,479.0m**
Developing	**€1,365.6m**
Emerging	**€3,323.8m**

2020

€6,131.8 million



Established	€2,174.6m
Developing	€1,170.9m
Emerging	€2,786.3m

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

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

Volume in million unit cases[1]:	2021	2020
NARTD[2]	**2,409.3**	2,133.2
Premium spirits	**3.4**	2.4
Total volume	**2,412.7**	**2,135.6**
Net sales revenue in € million:		
NARTD	**6,944.5**	5,974.4
Premium spirits	**223.9**	157.4
Total net sales revenue	**7,168.4**	**6,131.8**

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

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

	2021 € million	2020 € million
Switzerland	**354.3**	368.0
Russia	**953.3**	773.3
Italy	**901.6**	751.5
Nigeria	**702.0**	509.0
All countries other than Switzerland, Russia, Italy and Nigeria	**4,257.2**	3,730.0
Total net sales revenue from external customers	**7,168.4**	**6,131.8**

b) Other income statement items

Year ended 31 December	Note	2021 € million	2020 € million
Operating profit:			
Established		**285.6**	203.3
Developing		**104.7**	97.0
Emerging		**409.0**	360.4
Total operating profit		**799.3**	**660.7**
Finance costs:			
Established		**(17.7)**	(21.5)
Developing		**(7.9)**	(5.7)
Emerging		**(15.0)**	(13.2)
Corporate[3]		**(120.1)**	(138.0)
Inter-segment finance cost		**87.8**	104.5
Total finance costs	9	**(72.9)**	**(73.9)**
Finance income:			
Established		**1.2**	1.1
Developing		**0.5**	0.7
Emerging		**9.7**	10.1
Corporate[3]		**81.7**	96.4
Inter-segment finance income		**(87.8)**	(104.5)
Total finance income	9	**5.3**	**3.8**
Income tax expense:			
Established		**(57.6)**	(41.8)
Developing		**(10.6)**	(28.7)
Emerging		**(91.1)**	(89.0)
Corporate[3]		**(28.1)**	(19.4)
Total income tax expense	10	**(187.4)**	**(178.9)**
Reconciling items:			
Share of results of non-integral equity method investments	15	**3.2**	3.3
Profit after tax		**547.5**	**415.0**

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

Notes to the consolidated financial statements *continued*

6. Segmental analysis *continued*

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

Year ended 31 December	Note	2021 € million	2020 € million
Depreciation and impairment of property, plant and equipment:			
Established		(92.1)	(109.6)
Developing		(54.1)	(66.4)
Emerging		(190.1)	(212.1)
Total depreciation and impairment of property, plant and equipment	14	**(336.3)**	**(388.1)**
Amortisation of intangible assets:			
Developing		(0.3)	(0.2)
Emerging		(0.7)	(0.7)
Total amortisation of intangible assets	13	**(1.0)**	**(0.9)**

c) Other items

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

	2021 € million	2020 € million
Switzerland	557.5	540.0
Russia[5]	330.2	307.4
Italy	1,082.3	1,108.8
Nigeria	642.1	553.3
All countries other than Switzerland, Russia, Italy and Nigeria	2,654.6	2,465.0
Total non-current assets[4]	**5,266.7**	**4,974.5**

4. Excluding other financial assets, deferred tax assets, pension plan assets and trade and loans receivable.
5. Excluding the investment in Multon, the Group's Russian juice business (refer to Note 15).

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

	2021 € million	2020 € million
Established	104.7	108.2
Developing	89.5	69.3
Emerging[6]	319.4	241.7
Total expenditure on property, plant and equipment	**513.6**	**419.2**

6. Expenditure on property, plant and equipment for 2021 includes €7.1 million (2020: €nil) relating to repayment of borrowings undertaken to finance the purchase of production equipment by the Group's subsidiary in Nigeria, classified as 'Repayment of borrowings' in the consolidated cash flow statement.

7. Net sales revenue

Accounting policy

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

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

The Group provides volume rebates to customers once the quantity of goods purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group uses the most likely amount method and the amount is recognised in sales revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods to the customer).

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

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

Revenue recognised in 2021 that was included in the contract liability balance at the beginning of the year amounted to €10.4 million (2020: €6.9 million). Refer to Note 20 for contract liabilities as at 31 December 2021 and 2020.

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

8. Operating expenses

Operating expenses for the year ended 31 December comprised:

	2021 € million	2020 € million
Selling expenses	**879.1**	799.7
Delivery expenses	**533.0**	484.3
Administrative expenses	**385.7**	388.4
Restructuring expenses	**21.2**	9.8
Acquisition and integration costs (refer to Note 23)	**14.3**	–
Operating expenses	**1,833.3**	**1,682.2**

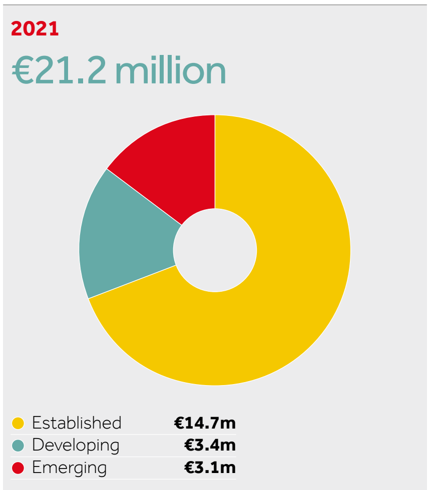
In 2021, operating expenses included net gain on disposals of non-current assets of €28.4 million (2020: €1.4 million net gain).

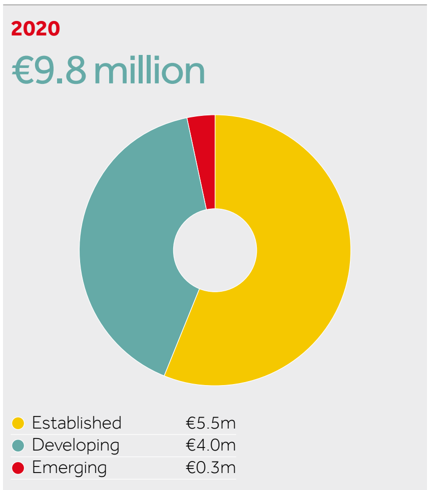
a) Restructuring expenses

Accounting policy

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

As part of the effort to optimise its cost base and sustain competitiveness in the marketplace, the Company undertakes restructuring initiatives. The restructuring concerns mainly employees' termination benefits. Restructuring expenses per reportable segment for the years ended 31 December are presented below:





b) Employee costs

Employee costs for the years ended 31 December comprised:

	2021 € million	2020 € million
Wages and salaries	**724.7**	681.8
Social security costs	**138.3**	137.9
Pension and other employee benefits	**132.3**	116.8
Termination benefits	**19.9**	19.3
Total employee costs	**1,015.2**	**955.8**

The average number of full-time equivalent employees in 2021 was 26,787 (2020: 27,722).

Employee costs for 2021 included in operating expenses and cost of goods sold amounted to €766.7 million and €248.5 million respectively (2020: €720.5 million and €235.3 million respectively).

c) Directors' and senior management remuneration

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

	2021 € million	2020 € million
Salaries and other short-term benefits	**16.3**	15.9
Performance share awards	**6.4**	4.9
Pension and post-employment benefits	**0.9**	0.8
Total remuneration	**23.6**	**21.6**

Notes to the consolidated financial statements *continued*

8. Operating expenses *continued*

d) Fees and other services of the auditor

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

	2021 € million	2020 € million
Audit fees	4.8	4.5
Audit-related fees	0.7	0.6
Total audit and audit-related fees	**5.5**	**5.1**

9. Finance costs, net

Accounting policy

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

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

	2021 € million	2020 € million
Interest income	**5.3**	3.8
Interest expense	(67.1)	(71.8)
Other finance costs	(1.7)	(1.8)
Net foreign exchange remeasurement losses	(4.1)	(0.3)
Finance costs	**(72.9)**	**(73.9)**
Finance costs, net	**(67.6)**	**(70.1)**

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

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

10. Taxation

Accounting policy

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

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

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

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

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

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

Critical accounting estimates

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination cannot be assessed with certainty in the ordinary course of business. The Group recognises a provision for potential cases that might arise in the foreseeable future, based on assessment of the probabilities as to whether additional taxes will be due. Where the final tax outcome on these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made. The income tax provision amounted to €52.6 million as at 31 December 2021 (2020: €37.2 million) and is included in the line 'Current tax liabilities' of the consolidated balance sheet.

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

	2021 € million	2020 € million
Current tax expense	**183.5**	111.5
Deferred tax expense	**3.9**	67.4
Income tax expense	**187.4**	**178.9**

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

	2021 € million	2020 € million
Profit before tax	**734.9**	593.9
Tax calculated at domestic tax rates applicable to profits in the respective countries	**155.7**	119.8
Additional local taxes in foreign jurisdictions	**13.0**	10.3
Tax holidays in foreign jurisdictions	**(5.8)**	(6.1)
Expenses non-deductible for tax purposes	**17.5**	14.5
Income not subject to tax	**(2.5)**	(6.9)
Changes in tax laws and rates	**3.1**	(0.4)
Movement of accumulated tax losses	**3.2**	3.3
Movement of deferred tax asset not recognised	**(0.6)**	(0.2)
Nigeria tax audit settlement	**–**	16.5
Other	**3.8**	28.1
Income tax expense	**187.4**	**178.9**

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

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

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

Deferred tax assets:	2021 € million	2020 € million
To be recovered after 12 months	**32.9**	34.4
To be recovered within 12 months	**71.5**	67.8
Gross deferred tax assets	**104.4**	**102.2**
Offset of deferred tax	**(73.4)**	(67.1)
Net deferred tax assets	**31.0**	**35.1**
Deferred tax liabilities:		
To be recovered after 12 months	**(255.0)**	(237.6)
To be recovered within 12 months	**(16.1)**	(12.0)
Gross deferred tax liabilities	**(271.1)**	**(249.6)**
Offset of deferred tax	**73.4**	67.1
Net deferred tax liabilities	**(197.7)**	**(182.5)**

A reconciliation of net deferred tax is presented below:

	2021 € million	2020 € million
As at 1 January	**(147.4)**	(95.0)
Taken to the income statement	**(3.9)**	(67.4)
Joint arrangement reclassification	**–**	3.7
Taken to other comprehensive income	**(15.6)**	(0.4)
Taken directly to equity	**4.1**	(0.3)
Foreign currency translation	**(3.9)**	12.0
As at 31 December	**(166.7)**	**(147.4)**

Notes to the consolidated financial statements *continued*

10. Taxation *continued*

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

Deferred tax assets	Provisions € million	Pensions and benefit plans € million	Tax losses carry-forward € million	Book in excess of tax depreciation € million	Leasing € million	Other deferred tax assets € million	**Total € million**
As at 1 January 2020	41.2	17.7	1.4	14.9	29.0	28.6	**132.8**
Joint arrangement reclassification (refer to Note 15)	(0.1)	(0.2)	–	–	–	–	**(0.3)**
Taken to the income statement	(8.6)	(1.0)	0.5	(64.7)	(1.5)	(2.6)	**(77.9)**
Taken to other comprehensive income	–	1.3	–	–	–	(0.7)	**0.6**
Taken directly to equity	–	–	–	–	–	(0.3)	**(0.3)**
Transfers between assets/liabilities	–	(1.6)	–	56.7	–	(0.3)	**54.8**
Foreign currency translation	(4.1)	(0.1)	–	(1.2)	(1.0)	(1.1)	**(7.5)**
As at 31 December 2020	**28.4**	**16.1**	**1.9**	**5.7**	**26.5**	**23.6**	**102.2**
Taken to the income statement	4.4	(5.5)	(0.1)	(0.6)	(2.8)	7.4	**2.8**
Taken to other comprehensive income	–	0.6	–	–	–	(0.5)	0.1
Transfers between assets/liabilities	–	–	–	(1.7)	–	–	**(1.7)**
Foreign currency translation	0.7	0.1	–	–	0.1	0.1	**1.0**
As at 31 December 2021	**33.5**	**11.3**	**1.8**	**3.4**	**23.8**	**30.6**	**104.4**

Deferred tax liabilities	Tax in excess of book depreciation € million	Derivative instruments € million	Other deferred tax liabilities € million	**Total € million**
As at 1 January 2020	(206.3)	(1.6)	(19.9)	**(227.8)**
Joint arrangement reclassification (refer to Note 15)	3.3	0.7	–	**4.0**
Taken to the income statement	7.7	0.3	2.5	**10.5**
Taken to other comprehensive income	–	(1.4)	0.4	**(1.0)**
Transfers between assets/liabilities	(56.7)	0.6	1.3	**(54.8)**
Foreign currency translation	19.2	–	0.3	**19.5**
As at 31 December 2020	**(232.8)**	**(1.4)**	**(15.4)**	**(249.6)**
Taken to the income statement	(14.5)	2.1	5.7	**(6.7)**
Taken to other comprehensive income	–	(9.0)	(6.7)	**(15.7)**
Taken directly to equity	–	4.1	–	**4.1**
Transfers between assets/liabilities	1.7	–	–	**1.7**
Foreign currency translation	(3.8)	–	(1.1)	**(4.9)**
As at 31 December 2021	**(249.4)**	**(4.2)**	**(17.5)**	**(271.1)**

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

	2021 € million	2020 € million
Attributable to tax losses that expire within five years	**0.5**	0.5
Attributable to tax losses that expire after five years	**–**	0.1
Attributable to tax losses that can be carried forward indefinitely	**1.3**	1.3
Recognised deferred tax assets attributable to tax losses	**1.8**	**1.9**

The Group has unrecognised deferred tax assets attributable to tax losses that are available to carry forward against future taxable income of €28.1 million (2020: €26.9 million). These are analysed as follows:

	2021 € million	2020 € million
Attributable to tax losses that expire within five years	**19.5**	15.3
Attributable to tax losses that expire after five years	**8.6**	11.6
Unrecognised deferred tax assets attributable to tax losses	**28.1**	**26.9**

The aggregate amount of distributable reserves arising from the realised earnings of the Group's operations was €3,111.0 million in 2021 (2020: €2,651.3 million). No deferred tax liabilities have been recognised on such reserves given that their distribution is controlled by the Group or, in the event of plans to remit overseas earnings of subsidiaries, such distribution would not give rise to a tax liability.

11. Earnings per share

Accounting policy

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

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

	2021	2020
Net profit attributable to the owners of the parent (€ million)	547.2	414.9
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	365.0	364.0
Effect of dilutive stock options (million)	1.3	1.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	366.3	365.3
Basic earnings per share (€)	**1.50**	**1.14**
Diluted earnings per share (€)	**1.49**	**1.14**

12. Components of other comprehensive income

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

	2021			2020		
	Before tax € million	Income tax € million	Net of tax € million	Before tax € million	Income tax € million	Net of tax € million
Cost of hedging (refer to Note 24)	(2.7)	–	(2.7)	(2.2)	–	(2.2)
Cash flow hedges (refer to Note 24)	69.5	(9.5)	60.0	22.7	(2.4)	20.3
Foreign currency translation gains/(losses)	73.6	–	73.6	(254.9)	–	(254.9)
Valuation loss on equity investments at fair value through other comprehensive income	–	–	–	(0.2)	–	(0.2)
Actuarial gains/(losses)	16.1	(6.1)	10.0	(12.5)	2.0	(10.5)
Share of other comprehensive income/(loss) of equity method investments	14.6	–	14.6	(25.4)	–	(25.4)
Other comprehensive loss	**171.1**	**(15.6)**	**155.5**	**(272.5)**	**(0.4)**	**(272.9)**

The foreign currency translation gain for 2021 primarily relates to the Russian Rouble and the Swiss Franc, while the loss from the foreign currency translation for 2020 primarily related to the Russian Rouble and the Nigerian Naira.

13. Intangible assets

Accounting policy

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

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

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

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

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

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

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

Notes to the consolidated financial statements *continued*

13. Intangible assets *continued*

Accounting policy *continued*

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

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

Critical accounting estimates

Determining whether goodwill or indefinite-lived intangible assets are impaired requires an estimation of the value-in-use of the cash-generating units to which they have been allocated in order to determine the recoverable amount of the cash-generating units. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit, discounted at an appropriate rate. Estimating the future cash flows involves a significant degree of uncertainty.

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

	Goodwill € million	Franchise agreements € million	Trademarks € million	Other intangible assets € million	**Total € million**
Cost					
As at 1 January 2020	1,956.1	146.4	187.1	27.6	**2,317.2**
Disposals	(38.4)	–	(42.3)	(12.7)	**(93.4)**
Foreign currency translation	(31.1)	(1.6)	(7.5)	(0.1)	**(40.3)**
As at 31 December 2020	**1,886.6**	**144.8**	**137.3**	**14.8**	**2,183.5**
Amortisation					
As at 1 January 2020	182.4	–	9.3	20.1	**211.8**
Charge for the year	–	–	0.5	0.4	**0.9**
Disposals	–	–	(2.6)	(12.7)	**(15.3)**
As at 31 December 2020	**182.4**	**–**	**7.2**	**7.8**	**197.4**
Net book value as at 1 January 2020	1,773.7	146.4	177.8	7.5	**2,105.4**
Net book value as at 31 December 2020	**1,704.2**	**144.8**	**130.1**	**7.0**	**1,986.1**
Cost					
As at 1 January 2021	1,886.6	144.8	137.3	14.8	**2,183.5**
Additions (refer to Note 15)	16.4	–	–	–	**16.4**
Arising from business combinations (refer to Note 23)	1.0	–	–	3.1	**4.1**
Foreign currency translation	37.7	–	–	–	**37.7**
As at 31 December 2021	**1,941.7**	**144.8**	**137.3**	**17.9**	**2,241.7**
Amortisation					
As at 1 January 2021	182.4	–	7.2	7.8	**197.4**
Charge for the year	–	–	0.4	0.6	**1.0**
As at 31 December 2021	**182.4**	**–**	**7.6**	**8.4**	**198.4**
Net book value as at 1 January 2021	1,704.2	144.8	130.1	7.0	**1,986.1**
Net book value as at 31 December 2021	**1,759.3**	**144.8**	**129.7**	**9.5**	**2,043.3**

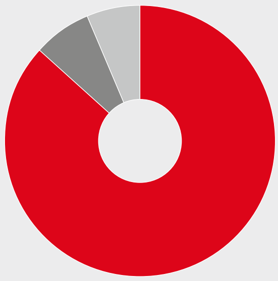
Disposals of goodwill and trademarks in 2020 relate to the impact from the reorganisation of Multon (refer to Note 15), while the amount of €12.7 million relates to the write-off of fully amortised finite-lived other intangible assets.

Additions of goodwill in 2021 are attributable to the demerger of the Group's mineral water and adult sparkling beverages integral joint venture in Italy as well as the formation of a joint operation in Romania, amounting to €15.6 million and €0.8 million respectively (refer to Note 15).

Intangible assets not subject to amortisation amounted to €2,028.9 million (2020: €1,973.8 million), and are presented in the charts below:

2021

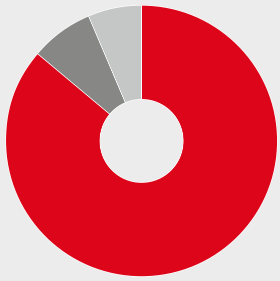
€2,028.9 million



Goodwill	**€1,759.3m**
Franchise agreements	**€144.8m**
Trademarks	**€124.8m**

2020

€1,973.8 million



Goodwill	€1,704.2m
Franchise agreements	€144.8m
Trademarks	€124.8m

The carrying value of intangible assets subject to amortisation amounted to €14.4 million (2020: €12.3 million) and comprised water rights of €6.4 million, trademarks of €4.9 million and other intangible assets of €3.1 million (2020: €7.0 million water rights, €5.3 million trademarks and €nil other intangible assets).

Impairment tests for goodwill and other indefinite-lived intangible assets

The recoverable amount of each cash-generating unit was determined through a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Board of Directors covering a one-year period and cash projections for four additional years. Cash flows for years two to five were projected by management based on operation and market-specific high-level assumptions including growth rates, discount rates and forecast selling prices and direct costs. Management determined gross margins based on past performance, expectations for the development of the market and expectations about raw material costs. Management has also considered the key impacts from the COVID-19 pandemic when determining the relevant assumptions and has found them to be limited considering the business's strong performance throughout the development of the pandemic across the Group's territories and the reopening of global economies along with vaccination programmes' progress. Management also considered the potential adverse impact arising from climate change on the cost of water, under different climate scenarios. The growth rates used in perpetuity reflect the forecasts in line with management beliefs. These forecasts exceeded, in certain cases, those expected for the industry in general, due to the strength of our brand portfolio. Management estimates discount rates using rates that reflect current market assessments of the time value of money and risks specific to the countries of operation. The Group applies post-tax discount rates to post-tax cash flows, as the valuation calculated using this method closely approximates to applying pre-tax discount rates to pre-tax cash flows.

No impairment of goodwill and other indefinite-lived assets was identified from the impairment tests of 2021 and 2020.

The following table sets forth the carrying value of goodwill and other indefinite-lived intangible assets for those cash-generating units whose carrying value is greater than 10% of the total, as at 31 December 2021.

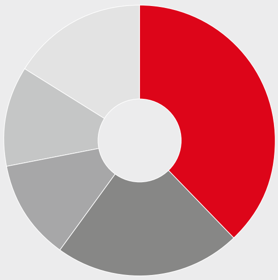
	Goodwill € million	Franchise agreements € million	Trademarks € million	**Total € million**
Italy	640.9	126.9	–	**767.8**
Switzerland	443.9	–	–	**443.9**
The Republic of Ireland and Northern Ireland	253.4	–	–	**253.4**
Koncern Bambi a.d. Požarevac	115.0	–	118.3	**233.3**
All other cash-generating units	306.1	17.9	6.5	**330.5**
Total	**1,759.3**	**144.8**	**124.8**	**2,028.9**

Notes to the consolidated financial statements *continued*

13. Intangible assets *continued*

The carrying value percentage of intangible assets not subject to amortisation as at 31 December 2021 for the above cash-generating units is presented in the below graph. Also, for the above cash-generating units, cash flows beyond the five-year period (the period in perpetuity) have been extrapolated using the following estimated growth and discount rates:

Intangible assets not subject to amortisation as at 31 December 2021 (%)



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

	Growth rate in perpetuity (%)		Discount rate (%)	
	2021	2020	**2021**	2020
Italy	**1.5**	0.9	**6.5**	7.1
Switzerland	**0.9**	0.9	**5.7**	6.3
The Republic of Ireland and Northern Ireland	**4.0**	4.0	**5.6**	6.3
Koncern Bambi a.d. Požarevac	**4.5**	4.5	**6.6**	7.7

Sensitivity analysis

In the cash-generating unit of Italy, which held €767.8 million of goodwill and franchise agreements as at 31 December 2021, possible changes in key assumptions of the 2021 impairment test would remove the remaining headroom. As at 31 December 2021, the recoverable amount of the Italian cash-generating units calculated based on value-in-use exceeded the carrying value by €427.8 million; changes per assumption that would eliminate remaining headroom are summarised in the table below:

	Average gross profit margin	Growth rate in perpetuity	Discount rate
Italy	↓ 300bps	↓ 250bps	↑ 200bps

As at 31 December 2021, the recoverable amount of the Nigerian cash-generating unit calculated based on value-in-use significantly exceeded its carrying value. As a result, the key assumptions of the Nigerian cash-generating unit's impairment test that were disclosed as at 31 December 2020, are not sensitive to possible changes to a degree that would remove the remaining headroom.

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

14. Property, plant and equipment

Accounting policy

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

Assets under construction are recorded as part of property, plant and equipment and depreciation on these assets commences when the assets are made available for use.

Depreciation is calculated on a straight-line basis to allocate the depreciable amount over the estimated useful life of the assets as follows:

Freehold buildings and improvements	40 years
Leasehold buildings and improvements	Over the lease term, up to 40 years
Production equipment	4 to 20 years
Vehicles	5 to 8 years
Computer hardware and software	3 to 10 years
Marketing equipment	3 to 10 years
Fixtures and fittings	8 years
Returnable containers	3 to 12 years

Accounting policy *continued*

Freehold land is not depreciated as it is considered to have an indefinite life.

Deposits received for returnable containers by customers are accounted for as deposit liabilities (refer to Note 20).

Residual values and useful lives of assets are reviewed and adjusted if appropriate at each balance sheet date.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's fair value less cost to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level of separately identifiable cash flows.

For the accounting policy regarding right-of-use assets refer to Note 16 'Leases'.

The movements of property, plant and equipment by class of asset are as follows:

	Land and buildings € million	Plant and equipment € million	Returnable containers € million	Assets under construction € million	**Total € million**
Cost					
As at 1 January 2020	1,490.4	3,807.9	425.1	123.5	**5,846.9**
Additions	4.7	111.7	36.9	351.7	**505.0**
Disposals[1]	(18.8)	(202.6)	(17.3)	(3.5)	**(242.2)**
Reclassified from assets held for sale (refer to Note 19)	–	3.9	–	–	**3.9**
Reclassified to assets held for sale (refer to Note 19)	(3.1)	(0.7)	–	–	**(3.8)**
Reclassifications	54.1	202.6	–	(256.7)	**–**
Foreign currency translation	(114.6)	(325.8)	(24.0)	(15.2)	**(479.6)**
As at 31 December 2020	**1,412.7**	**3,597.0**	**420.7**	**199.8**	**5,630.2**
Depreciation and impairment					
As at 1 January 2020	496.9	2,564.0	247.0	1.0	**3,308.9**
Charge for the year	42.0	247.7	27.6	–	**317.3**
Impairment	3.9	10.7	0.8	0.2	**15.6**
Disposals[1]	(7.4)	(180.4)	(10.4)	–	**(198.2)**
Reclassified from assets held for sale (refer to Note 19)	–	3.8	–	–	**3.8**
Reclassified to assets held for sale (refer to Note 19)	(2.0)	(0.7)	–	–	**(2.7)**
Foreign currency translation	(34.8)	(204.3)	(9.9)	–	**(249.0)**
As at 31 December 2020	**498.6**	**2,440.8**	**255.1**	**1.2**	**3,195.7**
Net book value as at 31 December 2020 excluding right-of-use assets	**914.1**	**1,156.2**	**165.6**	**198.6**	**2,434.5**
Net book value of right-of-use assets as at 31 December 2020	**71.9**	**110.2**	**–**	**–**	**182.1**
Net book value as at 31 December 2020	**986.0**	**1,266.4**	**165.6**	**198.6**	**2,616.6**
Cost					
As at 1 January 2021	1,412.7	3,597.0	420.7	199.8	**5,630.2**
Additions[2]	7.6	137.0	40.9	297.1	**482.6**
Arising from business combinations (refer to Note 23)	–	1.3	–	–	**1.3**
Disposals	(9.2)	(166.8)	(12.3)	(0.1)	**(188.4)**
Reclassified to assets held for sale (refer to Note 19)	–	(1.8)	–	–	**(1.8)**
Reclassifications	90.8	247.7	–	(338.5)	**–**
Foreign currency translation	28.1	76.2	1.6	0.8	**106.7**
As at 31 December 2021	**1,530.0**	**3,890.6**	**450.9**	**159.1**	**6,030.6**
Depreciation and impairment					
As at 1 January 2021	498.6	2,440.8	255.1	1.2	**3,195.7**
Charge for the year	42.9	206.5	27.6	–	**277.0**
Impairment	1.0	4.0	0.5	0.5	**6.0**
Disposals	(2.1)	(165.4)	(9.7)	–	**(177.2)**
Reclassified to assets held for sale (refer to Note 19)	–	(1.7)	–	–	**(1.7)**
Foreign currency translation	11.8	50.1	0.6	–	**62.5**
As at 31 December 2021	**552.2**	**2,534.3**	**274.1**	**1.7**	**3,362.3**
Net book value as at 31 December 2021 excluding right-of-use assets	**977.8**	**1,356.3**	**176.8**	**157.4**	**2,668.3**
Net book value of right-of-use assets as at 31 December 2021	**63.2**	**99.4**	**–**	**–**	**162.6**
Net book value as at 31 December 2021	**1,041.0**	**1,455.7**	**176.8**	**157.4**	**2,830.9**

1. Disposals line for 2020 includes €29.8 million on a net book value basis regarding the impact of the reorganisation of Multon (refer to Note 15).
2. Additions line for 2021 includes €13.8 million on a net book value basis regarding the impact of the demerger of the Group's mineral water and adult sparking beverages integral joint venture in Italy (refer to Note 15).

Notes to the consolidated financial statements *continued*

14. Property, plant and equipment *continued*

Assets under construction at 31 December 2021 include advances for equipment purchases of €41.8 million (2020: 32.6 million). The depreciation charge for the year, including that for right-of-use assets (refer to Note 16), recognised in operating expenses and cost of goods sold amounted to €181.4 million (2020: €194.0 million) and €148.9 million (2020: €178.5 million) respectively.

Impairment of property, plant and equipment

In 2020, the Group recorded impairment losses of €6.0 million, €2.5 million and €9.9 million and reversals of impairment of €0.3 million, €0.1 million and €2.4 million relating to property, plant and equipment in the Established, Developing and Emerging segments respectively. The impaired assets, being mainly buildings and production equipment, were written down based mainly on value-in-use calculations.

In 2021, the Group recorded impairment losses of €3.7 million, €0.9 million and €3.8 million and reversals of impairment of €0.2 million, €0.3 million and €1.9 million relating to property, plant and equipment in the Established, Developing and Emerging segments respectively. The impaired assets, being mainly buildings and production equipment, were written down based mainly on value-in-use calculations.

15. Interests in other entities

List of principal subsidiaries

The following are the principal subsidiaries of the Group as at 31 December:

		% of voting rights		% ownership	
	Country of registration	**2021**	2020	**2021**	2020
AS Coca-Cola HBC Eesti	Estonia	**100.0%**	100.0%	**100.0%**	100.0%
CCB Management Services GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Armenia CJSC	Armenia	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Bulgaria AD	Bulgaria	**99.4%**	99.4%	**99.4%**	99.4%
CCHBC Insurance (Guernsey) Limited[1]	Guernsey	**–**	100.0%	**–**	100.0%
CCHBC IT Services Limited	Bulgaria	**100.0%**	100.0%	**100.0%**	100.0%
CCHBC Reinsurance Designated Activity Company	Republic of Ireland	**100.0%**	100.0%	**100.0%**	100.0%
CCH CirculaRPET S.r.l.[2]	Italy	**100.0%**	–	**100.0%**	–
Coca-Cola HBC Austria GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Beverages Belorussiya	Belarus	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Beverages Ukraine Ltd	Ukraine	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Imbuteliere Chisinau SRL	Moldova	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC B-H d.o.o. Sarajevo	Bosnia and Herzegovina	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Česko a Slovensko, s.r.o.	Czech Republic	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Česká a Slovensko, s.r.o. – organizačná zložka	Slovakia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Cyprus Ltd	Cyprus	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Finance B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Greece S.A.I.C.	Greece	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Holdings B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Hrvatska d.o.o.	Croatia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Hungary Ltd	Hungary	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Ireland Limited	Republic of Ireland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Italia S.r.l.	Italy	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Kosovo L.L.C.	Kosovo	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Northern Ireland Limited	Northern Ireland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Polska sp. z o.o.	Poland	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Romania Ltd	Romania	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Services MEPE	Greece	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Slovenija d.o.o.	Slovenia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Sourcing B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola HBC Switzerland Ltd	Switzerland	**99.9%**	99.9%	**99.9%**	99.9%
Coca-Cola HBC-Srbija d.o.o.	Serbia	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Bottling Company-Crna Gora d.o.o., Podgorica	Montenegro	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Business Service Organisation	Bulgaria	**100.0%**	100.0%	**100.0%**	100.0%
Coca-Cola Hellenic Procurement GmbH	Austria	**100.0%**	100.0%	**100.0%**	100.0%
CC Beverages Holdings II B.V.	The Netherlands	**100.0%**	100.0%	**100.0%**	100.0%
Koncern Bambi a.d. Požarevac	Serbia	**100.0%**	100.0%	**100.0%**	100.0%
LLC Coca-Cola HBC Eurasia	Russia	**100.0%**	100.0%	**100.0%**	100.0%
Nigerian Bottling Company Ltd	Nigeria	**100.0%**	100.0%	**100.0%**	100.0%
SIA Coca-Cola HBC Latvia	Latvia	**100.0%**	100.0%	**100.0%**	100.0%
UAB Coca-Cola HBC Lietuva	Lithuania	**100.0%**	100.0%	**100.0%**	100.0%

1. CCHBC Insurance (Guernsey) Limited was placed under liquidation as at 31 December 2020 and dissolved on 19 February 2021.
2. CCH CirculaRPET S.r.l. was established on 3 May 2021.

Associates and joint arrangements

Accounting policies

Equity method investments comprise investments in associates and joint arrangements and are classified into integral and non-integral on the basis of whether they are considered part of the Group's core operations and strategy.

Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. Associated undertakings are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights.

The equity method of accounting involves recognising the Group's share of the associates' post-acquisition profit or loss and movements in other comprehensive income for the period in the income statement and other comprehensive income respectively. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's interest in each associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

Investments in joint arrangements

Joint arrangements are arrangements in which the Group has contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent. Joint arrangements are classified as joint ventures or joint operations depending upon the rights and obligations arising from the joint arrangement.

The Group classifies a joint arrangement as a joint venture when the Group has rights to the net assets of the arrangement. The Group accounts for its interests in joint ventures using the equity method of accounting as described in the section above.

The Group classifies a joint arrangement as a joint operation when the Group has the rights to the assets, and obligations for the liabilities, of the arrangement and accounts for each of its assets, liabilities, revenues and expenses, including its share of those held or incurred jointly, in relation to the joint operation.

If facts and circumstances change, the Group reassesses whether it still has joint control and whether the type of joint arrangement in which it is involved has changed.

Critical accounting judgements

The Group participates in several joint arrangements. Judgement is required in order to determine their classification as a joint venture where the Group has rights to the net assets of the arrangement, or a joint operation where the Group has rights to the assets and obligations for the liabilities of the arrangement. In making this judgement, consideration is given to the legal form of the arrangement, and the contractual terms and conditions, as well as other facts and circumstances (including the economic rationale of the arrangement and the impact of the legal framework).

a) Equity method investments

Changes in the carrying amounts of equity method investments are as follows:

	Associates € million	Joint ventures € million	**Total € million**
As at 1 January 2020	29.2	119.3	**148.5**
Additions	2.4	194.3	**196.7**
Decrease	–	(1.7)	**(1.7)**
Share of results of equity method investments	3.3	21.4	**24.7**
Share of other comprehensive income of equity method investments	(4.0)	(21.4)	**(25.4)**
Share of total comprehensive income	(0.7)	–	**(0.7)**
Dividends	(1.3)	(27.8)	**(29.1)**
As at 31 December 2020	**29.6**	**284.1**	**313.7**
Additions	**88.0**	**–**	**88.0**
Decrease	**–**	**(34.6)**	**(34.6)**
Share of results of equity method investments	**3.2**	**34.4**	**37.6**
Share of other comprehensive income of equity method investments	**–**	**14.6**	**14.6**
Share of total comprehensive income	**3.2**	**49.0**	**52.2**
Return of capital	**–**	**(6.1)**	**(6.1)**
Dividends	**(1.9)**	**(45.5)**	**(47.4)**
As at 31 December 2021	**118.9**	**246.9**	**365.8**

Notes to the consolidated financial statements *continued*

15. Interests in other entities *continued*

The carrying amount of equity method investments as at 31 December 2021 comprises integral and non-integral equity method investments as follows:

	Associates € million	Joint ventures € million	**Total € million**
Integral equity method investments	**–**	**242.7**	**242.7**
Non-integral equity method investments	**118.9**	**4.2**	**123.1**
Total equity method investments	**118.9**	**246.9**	**365.8**

Associates

Additions in 2020 regarding associates relate to acquisitions of non-integral associates in our Established segment for a total consideration of €2.4 million, including acquisition costs of €0.2 million.

Frigoglass Industries (Nigeria) Limited, a non-integral associate in which the Group holds an effective interest of 23.9% (2020: 23.9%) through its subsidiary Nigerian Bottling Company Ltd, is guarantor under the amended banking facilities and notes issued by the Frigoglass Group, as part of the debt restructuring of the latter. The Group has no direct exposure arising from this guarantee arrangement, but the Group's investment in this associate, which stood at €25.2 million as at 31 December 2021 (31 December 2020: €23.9 million), would be at potential risk if there was a default under the terms of the amended banking facilities or the notes and the Frigoglass Group (including the guarantor) was unable to meet its obligations thereunder.

On 7 October 2021, the Group acquired a 30% equity shareholding in Casa Del Caffè Vergnano S.p.A. ('Caffè Vergnano'), a premium Italian coffee company. The Group also entered into an exclusive distribution agreement for Caffè Vergnano's products in all its territories outside of Italy. The corresponding investment was classified as an associate in accordance with the requirements of IAS 28 'Investments in Associates and Joint Ventures' since the terms of the transaction give the Group significant influence over the investee. The investment is accounted for using the equity method and was further classified as a non-integral equity method investment in the consolidated financial statements of the Group, considering that the distribution agreement was separate to the shareholding. The total consideration paid amounted to €87.0 million, including acquisition costs of €0.1 million, and was presented in the line 'Payments for acquisition of non-integral equity method investments' within the consolidated cash flow statement, while acquisition costs of €1.0 million were incurred but not yet paid as at 31 December 2021. Consideration and acquisition costs were presented in the line 'Additions' of the table above detailing 2021 changes in the carrying amounts of equity method investments.

Joint ventures

In January 2021, a demerger of Acque Minerali S.r.l., our mineral water and adult sparkling beverages integral joint venture with The Coca-Cola Company in Italy, was completed. As part of the demerger, certain operating activities were transferred to the Group, resulting in the recognition of €15.6 million of goodwill and €14.0 million of property, plant and equipment, including right-of-use assets, as part of the Group's Italian cash-generating unit (refer to Note 13 and Note 14 respectively) and the decrease in equity method investments, by €34.6 million, presented in the line 'Decrease' within the table above detailing 2021 changes in the carrying amounts of equity method investments. There was no significant impact on the Group's net assets or income statement from this transaction. Also, there was no cash flow impact for the Group as a result of the transaction.

Investments in joint ventures

The Group has a 50% interest in the Multon Z.A.O. group of companies ('Multon'), which is engaged in the production and distribution of juices in Russia and is jointly controlled by the Group and The Coca-Cola Company. The joint arrangement was initially classified as a joint operation, as it provided to the Group and The Coca-Cola Company rights to the assets and obligations for the liabilities of the joint arrangement. On 6 May 2020, following the completion of Multon's reorganisation, the joint arrangement was reclassified from a joint operation to an integral joint venture, as the new structure gives the Group and The Coca-Cola Company rights to the joint arrangement's net assets. As a result, the Group derecognised its share of the joint arrangement's assets and liabilities with a corresponding increase in equity method investments of €194.1 million, presented in the line 'Additions' of the table above detailing changes in the carrying amount of equity method investments for 2020. No gain or loss was recognised in the 2020 consolidated income statement as a result of the above reorganisation.

More specifically, intangible assets, property, plant and equipment (excluding right-of-use assets) and right-of-use assets decreased by €78.1 million, €29.8 million and €1.1 million respectively in 2020 as a result of the above reorganisation (refer to Note 13 and Note 14 respectively). In addition, the decrease of cash and cash equivalents resulting from the reorganisation of Multon, amounting to €13.1 million, was reported in the line 'Joint arrangement reclassification' within investing activities in the 2020 consolidated cash flow statement.

Apart from Multon, the Group has a significant joint venture with Heineken, through its 50% interest in AD Pivara Skopje which is engaged in the bottling and distribution of soft drinks and beer in North Macedonia. The joint venture was previously conducted through a number of legal entities, being the BrewTech B.V. group of companies. BrewTech B. V. was incorporated in the Netherlands and the Group owned 50% of its share capital, up to its liquidation on 31 December 2021. As a result of the liquidation, BrewTech B.V.'s interest in AD Pivara Skopje was transferred by way of liquidation proceeds to its direct shareholders, being the Group and Heineken. The structure of the joint venture provides the Group with rights to its net assets.

Summarised financial information of the Group's significant joint ventures are as follows (the information below reflects the amount presented in the IFRS financial statements of the joint venture, and not the Group's share in those amounts):

Multon Z.A.O. group of companies	**2021 € million**	2020 € million
Summarised balance sheet:		
Non-current loans to related parties	**5.1**	56.5
Other non-current assets	**137.9**	123.9
Non-current assets	**143.0**	180.4
Cash and cash equivalents	**9.0**	3.4
Current loans to related parties	**54.1**	20.8
Other current assets	**131.5**	111.6
Total current assets	**194.6**	135.8
Other current liabilities (including trade payables)	**(76.0)**	(52.8)
Total current liabilities	**(76.0)**	(52.8)
Non-current other liabilities	**(7.4)**	(7.0)
Net assets	**254.2**	256.4
Summarised statement of comprehensive income:		
Revenue	**417.0**	367.3
Depreciation	**(5.4)**	(7.4)
Interest income	**7.7**	11.8
Interest expense	**(1.5)**	(4.6)
Profit before tax	**65.0**	62.0
Income tax expense	**(12.6)**	(12.8)
Profit after tax	**52.4**	49.2
Other comprehensive income	**29.0**	(105.0)
Total comprehensive income	**81.4**	(55.8)
Dividends received and capital returns (refer to Note 27)	**34.8**	25.8
Reconciliation of net assets to carrying amount:		
Closing net assets	**254.2**	256.4
Interest in joint venture at 50%	**127.1**	128.2
Goodwill	**37.6**	34.7
Carrying value	**164.7**	162.9

Following the reorganisation, the Group's share of results and share of other comprehensive income of the Multon joint venture for 2020 amounted to €16.4 million income and €21.6 million loss respectively.

AD Pivara Skopje[1]	**2021 € million**	2020 € million
Summarised balance sheet:		
Non-current assets	**56.7**	53.9
Cash and cash equivalents	**0.2**	2.5
Current loans to related parties	**–**	10.0
Other current assets	**13.6**	9.5
Total current assets	**13.8**	**22.0**
Total current liabilities	**(20.7)**	**(15.7)**
Non-current other liabilities	**(0.7)**	**(0.8)**
Net assets	**49.1**	**59.4**
Summarised statement of comprehensive income:		
Revenue	**79.3**	66.0
Depreciation	**(5.3)**	(5.7)
Profit before tax	**17.2**	15.0
Income tax expense	**(2.0)**	(1.8)
Profit after tax	**15.2**	13.2
Total comprehensive income	**15.2**	**13.2**
Dividends received (refer to Note 27)	**13.0**	**1.3**
Reconciliation of net assets to carrying amount:		
Closing net assets	**49.1**	59.4
Interest in joint venture at 50%	**24.6**	29.7
Goodwill	**16.9**	16.9
Non-controlling interest	**(1.6)**	(1.6)
Carrying value	**39.9**	**45.0**

1. Figures for 2020 relate to the BrewTech B.V. group of companies, which refers to the previous structure of the joint venture as described above.

Notes to the consolidated financial statements *continued*

15. Interests in other entities *continued*

Summarised financial information for the Group's investment in other joint ventures is as follows:

	2021 € million	2020 € million
Carrying amount	**42.3**	76.2
Share of profit	**0.6**	(1.6)
Share of other comprehensive income	**0.1**	0.2
Share of total comprehensive income	**0.7**	**(1.4)**

b) Joint operations

Other joint operations of the Group with The Coca-Cola Company comprise mainly a 50% interest in each of the water businesses listed below, which are engaged in the production and distribution of water in the respective countries.

Country	Joint operation
Austria	Römerquelle
Italy	Fonti del Vulture
Romania	Dorna
Baltics	Neptuno Vandenys

Country	Joint operation
Poland	Multivita
Switzerland	Valser
Serbia	Vlasinka

In addition, in April 2021 the Group acquired a 50% interest in Stockday S.R.L., an online business-to-business platform and distributor in Romania, which was up until that point wholly owned by HEINEKEN Romania S.A. The transaction resulted in the two shareholders jointly controlling Stockday S.R.L. The joint arrangement was classified as a joint operation in accordance with the requirements of IFRS 11 'Joint arrangements', as it provides to the shareholders rights to the assets and obligations for the liabilities of the joint arrangement. As a result of the above transaction, goodwill of €0.8 million was recognised within the Group's Emerging segment (refer to Note 13).

16. Leases

Accounting policy

Leases for which the Group is in a lessee position are recognised as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a net-present-value basis and are recognised as part of 'Property, plant and equipment', 'Current borrowings' and 'Non-current borrowings' in the consolidated balance sheet respectively.

Lease contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components respectively. Consideration relevant to the non-lease component is recognised as an expense in the consolidated income statement over the period of the lease.

Lease liabilities include the net present value of the following lease payments:

a) fixed payments (including in-substance fixed payments) over the lease term, less any lease incentives receivable;

b) variable lease payments that are based on an index or a rate;

c) amounts expected to be payable by the lessee under residual value guarantees;

d) the exercise price of a purchase option if the Group is reasonably certain it will exercise that option; and

e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease (if that rate can be determined), or the incremental borrowing rate of the lease, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions. In determining the incremental borrowing rate to be used, the Group applies judgement to establish the suitable reference rate and credit spread.

Each lease payment is allocated between the liability (principal) and finance cost. The interest expense is charged to the consolidated income statement as part of 'Finance cost' over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

a) the amount of the initial measurement of lease liability;

b) any lease payments made at or before the commencement date less any lease incentives received;

c) any initial direct costs; and

d) any restoration costs.

The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Accounting policy *continued*

The Group utilises a number of practical expedients permitted by the standard, namely:

1) applying the recognition exemption to short-term leases (i.e. leases with a term of 12 months or less) that do not contain a purchase option; and

2) applying the recognition exemption to leases of underlying assets with a low value, which mainly comprise IT equipment.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is revised if a significant event or a significant change in circumstances occurs, which affects this assessment and which is within the control of the lessee.

Lease payments are presented as follows in the consolidated cash flow statement:

- short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities;
- payments for the interest element of recognised lease liabilities are included in 'Interest paid' within cash flows from financing activities; and
- payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

Leasing activities

The leases which are recorded on the consolidated balance sheet are principally in respect of vehicles and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Extension options considered reasonably certain to be exercised relate both to buildings and motor vehicles and do not exceed six and three years respectively. Most termination options have not been considered reasonably certain to be exercised.

The Group's carrying amount of lease liability is presented below as at 31 December:

	2021 € million	2020 € million
Current lease liability	**50.9**	54.8
Non-current lease liability	**109.4**	129.4
Total lease liability (refer to Note 25)	**160.3**	**184.2**

For the carrying amount of right-of-use assets per class of underlying asset, refer to Note 14.

The Group's additions to right-of-use assets for the years ended 31 December are as follows:

	2021 € million	2020 € million
Land and buildings	**10.4**	17.4
Plant and equipment	**31.6**	36.2
Total additions	**42.0**	**53.6**

The consolidated income statement includes the following amounts relating to depreciation of right-of-use assets:

	2021 € million	2020 € million
Land and buildings	**19.5**	19.4
Plant and equipment	**33.8**	35.8
Total depreciation charge	**53.3**	**55.2**

The following expenses have been included in cost of goods sold and operating expenses:

	2021 € million	2020 € million
Expense relating to short-term leases	**15.1**	15.5
Expense relating to leases of low-value assets	**1.4**	1.3
Expense relating to variable lease payments	**7.4**	5.1

Interest expense on leases in 2021 was €9.9 million (2020: €11.4 million) and is recorded within 'Finance costs' (refer to Note 9).

The total cash outflow for leases in 2021 was €91.0 million (2020: €87.6 million).

Expenses relating to short-term leases in 2021 and 2020 comprise consideration for leases with a term of 12 months or less used to cover seasonal business needs.

Notes to the consolidated financial statements *continued*

17. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value.

Cost for raw materials and consumables is determined on a weighted average basis. Cost for work in progress and finished goods comprises the cost of direct materials and labour plus attributable overhead costs. Cost of inventories includes all costs incurred to bring the product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete and sell the inventory.

Inventories consisted of the following as at 31 December:

	2021 € million	2020 € million
Finished goods	**244.0**	182.9
Raw materials and work in progress	**208.0**	175.7
Consumables	**67.8**	59.0
Total inventories	**519.8**	**417.6**

The amount of inventories recognised as an expense during 2021 was €3,420.4 million (2020: €2,839.6 million). During 2021, provision for obsolete inventories recognised as an expense amounted to €16.2 million (2020: €23.9 million), whereas provision reversed in the year amounted to €0.6 million (2020: €0.6 million).

18. Trade, other receivables and assets

Accounting policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The normal credit terms are between 7-90 days upon delivery.

The Group applies the IFRS 9 simplified approach for trade and other receivables and follows an Expected Credit Losses ('ECLs') approach for measuring the allowance of its trade receivables. The expected loss rate is assessed on the basis of historical credit losses of 24 months before the year end and adjusted to reflect current and forward-looking information. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The carrying amount of the receivable is reduced by the loss allowance, which is recognised as part of operating expenses. If a trade receivable ultimately becomes uncollectible, it is written off initially against any loss allowance made in respect of that receivable with any excess recognised as part of operating expenses. Subsequent recoveries of amounts previously written off or loss allowance no longer required are credited against operating expenses.

As of July 2020, the Group has entered into a contract that provides insurance coverage against defaulted trade receivables.

This contract meets the definition of a financial guarantee contract, which is in substance part of the contract terms (that is, integral to the trade receivables) and is not recognised separately. Therefore, the expected cash flows from the credit insurance are included in the measurement of ECLs of trade receivables.

Loans are initially recognised at the fair value net of transaction costs incurred. After initial recognition, all interest-bearing loans are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method whereby any discount, premium or transaction costs associated with a loan are amortised to the income statement over the lending period.

Trade, other receivables and assets consisted of the following as at 31 December:

	Current assets		**Non-current assets**	
	2021 € million	2020 € million	**2021 € million**	2020 € million
Trade receivables	**705.5**	558.7	**0.1**	0.9
Receivables from related parties (refer to Note 27)	**60.4**	47.8	**–**	–
Loans receivable	**0.5**	1.8	**1.0**	0.5
Receivables from sale of property, plant and equipment	**0.5**	0.9	**–**	–
Loans and advances to employees	**6.0**	7.4	**–**	–
Other receivables	**89.3**	71.8	**–**	–
Total trade and other receivables	**862.2**	**688.4**	**1.1**	**1.4**
Prepayments	**69.4**	61.4	**10.4**	21.2
Pension plan assets (refer to Note 21)	**–**	–	**42.0**	21.0
Non-current income tax receivable	**–**	–	**16.3**	36.9
VAT and other taxes receivable	**17.0**	24.1	**–**	–
Total other assets	**86.4**	**85.5**	**68.7**	**79.1**
Total trade, other receivables and assets	**948.6**	**773.9**	**69.8**	**80.5**

An amount of €43.9 million (2020: €31.3 million) included in 'Other receivables' relates to receivables from brand partners in the sale and distribution of premium spirits and energy drinks.

Non-current trade receivables relate to renegotiated receivables, which are expected to be settled within the new contractual due date.

Refer to Note 22 for offsetting impact on trade receivables.

Trade receivables

Trade receivables classified as current assets consisted of the following as at 31 December:

	2021 € million	2020 € million
Trade receivables	**781.6**	646.5
Less: Loss allowance	**(76.1)**	(87.8)
Total trade receivables	**705.5**	**558.7**

The ageing analysis of trade receivables classified as current assets is as follows:

	2021 € million			2020 € million		
	Gross carrying amount	**Loss allowance**	**Trade receivables**	Gross carrying amount	Loss allowance	Trade receivables
Within due date	**636.7**	**(2.9)**	**633.8**	500.3	(2.4)	497.9
Past due – up to three months	**54.2**	**(1.2)**	**53.0**	35.4	(2.1)	33.3
Past due – three to six months	**6.9**	**(1.0)**	**5.9**	7.5	(1.4)	6.1
Past due – six to nine months	**3.3**	**(1.0)**	**2.3**	2.7	(0.8)	1.9
Past due – more than nine months	**80.5**	**(70.0)**	**10.5**	100.6	(81.1)	19.5
Total trade receivables	**781.6**	**(76.1)**	**705.5**	646.5	(87.8)	558.7

The movement in the loss allowance during the year is as follows:

	2021 € million	2020 € million
As at 1 January	**(87.8)**	(93.2)
Amounts written off during the year	**14.7**	5.5
Amounts recovered during the year	**3.7**	5.5
Increase in allowance recognised in income statement	**(6.1)**	(7.9)
Foreign currency translation	**(0.6)**	2.3
As at 31 December	**(76.1)**	**(87.8)**

Receivables from related parties

The related party receivables, net of the loss allowance, are as follows:

	2021 € million	2020 € million
Within due date	**57.3**	44.5
Past due	**3.3**	3.6
Less: Loss allowance	**(0.2)**	(0.3)
Total related party receivables	**60.4**	**47.8**

The ageing analysis of these receivables is as follows:

	2021 € million	2020 € million
Within due date	**57.2**	44.5
Past due – up to three months	**2.6**	2.3
Past due – three to six months	**0.4**	0.3
Past due – six to nine months	**–**	0.1
Past due – more than nine months	**0.2**	0.6
Total	**60.4**	**47.8**

Net impairment

Net impairment loss on trade and other receivables recognised in the income statement is analysed as follows:

	2021 € million	2020 € million
Trade receivables	**3.7**	2.8
Receivables from related parties	**–**	0.1
Other receivables and assets	**1.4**	1.2
Net impairment loss	**5.1**	**4.1**

Notes to the consolidated financial statements *continued*

19. Assets classified as held for sale

Accounting policy

Non-current assets and disposal groups are classified as held for sale if it is considered highly probable that their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. In order for a sale to be considered highly probable, management must be committed to a plan to sell the asset, an active programme to locate a buyer and complete the plan must have been initiated, and the sale must be expected to be completed within one year from the date of classification.

In the event that the criteria for continued classification as held for sale are no longer met, the assets are reclassified to property, plant and equipment and the depreciation charge is adjusted for the depreciation that would have been recognised had the assets not been classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the individual assets' previous carrying amount and their fair value less costs to sell.

As at 31 December 2021, the Group's assets classified as held for sale amounted to €0.1 million (2020: €nil), comprising the net book value of plant and equipment in our Emerging segment that has been written down to fair value less costs to sell (refer to Note 14). The fair value of assets classified as held for sale was determined through the use of a sales comparison approach and is a non-recurring fair value measurement within level 3 of the fair value hierarchy.

20. Trade and other payables

Accounting policy

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables consisted of the following as at 31 December:

	2021 € million	2020 € million
Trade payables	**678.3**	583.2
Accrued liabilities	**565.6**	427.1
Payables to related parties (refer to Note 27)	**326.1**	285.2
Deposit liabilities	**92.6**	78.6
Other tax and social security liabilities	**126.0**	84.9
Salaries and employee-related payables	**56.9**	45.8
Contract liabilities (refer to Note 7)	**11.8**	10.5
Other payables	**28.5**	27.5
Total trade and other payables	**1,885.8**	**1,542.8**

The Group facilitates a supply chain financing programme under which the supplier can elect on an invoice-by-invoice basis to receive a discounted early payment from the partner bank or continue to be paid in line with the agreed payment terms; in either case the value and due date of the liability payable by the Group remain unchanged and, as such, the liability remains classified as trade and other payables. At 31 December 2021, invoices included in the programme amounted to €139.9 million (2020: €90.9 million).

Accrued liabilities regarding volume, marketing and promotional incentives as well as listing fees and other incentives provided to customers as at 31 December 2021 amounted to €239.9 million (2020: €200.7 million).

21. Provisions and employee benefits

Provisions and employee benefits consisted of the following as at 31 December:

	2021 € million	2020 € million
Current:		
Employee benefits	**115.2**	66.2
Restructuring provisions	**23.6**	26.0
Other provisions	**18.4**	7.4
Total current provisions and employee benefits	**157.2**	**99.6**
Non-current:		
Employee benefits	**115.5**	110.8
Restructuring provisions	**1.2**	–
Other provisions	**2.1**	2.5
Total non-current provisions and employee benefits	**118.8**	**113.3**
Total provisions and employee benefits	**276.0**	**212.9**

a) Provisions

Accounting policy

Provisions are recognised when: the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when such reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of termination benefits (refer to Note 8). In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

The movements in restructuring and other provisions comprise:

	2021 € million		2020 € million	
	Restructuring provision	**Other provisions**	Restructuring provision	Other provisions
As at 1 January	**26.0**	**9.9**	14.6	12.0
Arising during the year	**21.7**	**13.5**	21.5	4.9
Utilised during the year	**(21.5)**	**(2.8)**	(9.2)	(4.9)
Unused amount reversed	**(1.4)**	**(0.1)**	(0.6)	(1.9)
Foreign currency translation	**–**	**–**	(0.3)	(0.2)
As at 31 December	**24.8**	**20.5**	**26.0**	**9.9**

Other provisions primarily comprise provisions in relation to employee litigation and legal provisions.

Notes to the consolidated financial statements *continued*

21. Provisions and employee benefits *continued*

b) Employee benefits

Accounting policies

The Group operates a number of defined benefit and defined contribution pension plans in its territories.

The defined benefit plans are made up of both funded and unfunded pension plans and employee leaving indemnities. The assets of funded plans are generally held in separate trustee-administered funds and are financed by payments from employees and/or the relevant Group companies.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets.

For defined benefit pension plans, pension costs are assessed using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Such actuarial gains and losses are not reclassified to the income statement in subsequent periods. The defined benefit obligations are measured at the present value of the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Past service cost is recognised immediately in the income statement. A number of the Group's operations have other long-service benefits in the form of jubilee plans. These plans are measured at the present value of the estimated future cash outflows with immediate recognition of actuarial gains and losses in the income statement.

The Group's contributions to the defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

Critical accounting estimates

The Group provides defined benefit pension plans as an employee benefit in certain territories. Determining the value of these plans requires several actuarial assumptions and estimates about discount rates, future salary increases and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Employee benefits consisted of the following as at 31 December:

	2021 € million	2020 € million
Defined benefit plans:		
Employee leaving indemnities	**78.9**	72.2
Pension plans	**6.2**	7.7
Long-service benefits (jubilee plans) and other benefits	**12.1**	12.0
Total defined benefit plans	**97.2**	**91.9**
Other employee benefits:		
Annual leave	**9.7**	4.4
Other employee benefits	**123.8**	80.7
Total other employee benefits	**133.5**	**85.1**
Total employee benefits obligations	**230.7**	**177.0**

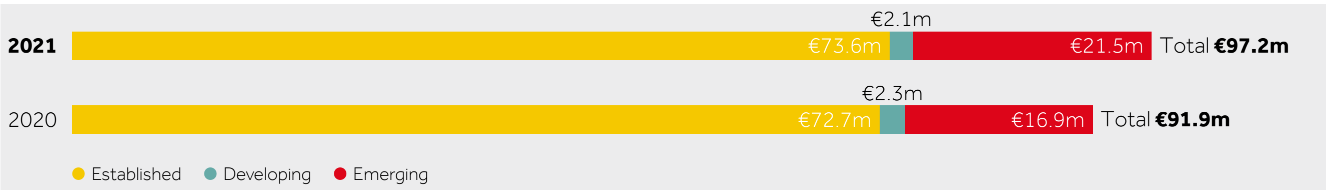
Other employee benefits primarily comprise employee bonuses which are linked to business and individual performance metrics.

Employees of Coca-Cola HBC's subsidiaries in Austria, Bulgaria, Croatia, Greece, Italy, Montenegro, Nigeria, Poland, Romania, Serbia and Slovenia are entitled to employee leaving indemnities, generally based on each employee's length of service, employment category and remuneration. These are unfunded plans where the Company meets the payment obligation as it falls due.

Coca-Cola HBC's subsidiaries in Austria, Northern Ireland, the Republic of Ireland and Switzerland sponsor defined benefit pension plans. Of the three plans in the Republic of Ireland, two have plan assets, as do the two plans in Northern Ireland, and one plan out of the three in Switzerland. The Austrian plans do not have plan assets and the Company meets the payment obligation as it falls due. The defined benefit plans in Austria, Republic of Ireland and Northern Ireland are closed to new members.

Coca-Cola HBC provides long-service benefits in the form of jubilee plans to its employees in Austria, Croatia, Nigeria, Poland, Serbia, Slovenia and Switzerland.

Defined benefit obligation by segment is as follows for the years ended 31 December:



The average duration of the defined benefit obligations is 18 years and the total employer contributions expected to be paid in 2022 are €10.4 million.

The reconciliation of plan assets and plan liabilities for the years ended 31 December is as follows:

	Plan assets € million	Plan liabilities € million	Net (deficit) / surplus € million
As at 1 January 2020	**458.2**	**(532.9)**	**(74.7)**
Current service cost	–	(9.9)	**(9.9)**
Past service cost	–	9.1	**9.1**
Administrative expenses	(0.2)	–	**(0.2)**
Curtailment/settlement	(3.2)	2.5	**(0.7)**
Interest income/(expense)	3.6	(5.6)	**(2.0)**
Actuarial losses	–	(0.4)	**(0.4)**
Total income/(expense) recognised in income statement	**0.2**	**(4.3)**	**(4.1)**
Loss from change in demographic assumptions	–	(6.1)	**(6.1)**
Loss from change in financial assumptions	–	(35.0)	**(35.0)**
Experience adjustments	–	13.5	**13.5**
Return on plan assets excluding interest income	26.9	–	**26.9**
Total remeasurements recognised in other comprehensive income	**26.9**	**(27.6)**	**(0.7)**
Benefits paid	(24.8)	24.7	**(0.1)**
Employer's contributions	20.7	–	**20.7**
Participant's contributions	4.9	(4.9)	**–**
Net increase in defined benefit obligation from other movements	–	(0.3)	**(0.3)**
Foreign currency translation	(4.8)	7.2	**2.4**
As at 31 December 2020	**481.3**	**(538.1)**	**(56.8)**
Current service cost	**–**	**(10.8)**	**(10.8)**
Past service cost	**–**	**(1.6)**	**(1.6)**
Administrative expenses	**(0.3)**	**–**	**(0.3)**
Curtailment/settlement	**(16.4)**	**14.2**	**(2.2)**
Interest income/(expense)	**2.3**	**(4.0)**	**(1.7)**
Actuarial gains	**–**	**0.6**	**0.6**
Total expense recognised in income statement	**(14.4)**	**(1.6)**	**(16.0)**
Gain from change in demographic assumptions	**–**	**1.4**	**1.4**
Gain from change in financial assumptions	**–**	**16.0**	**16.0**
Experience adjustments	**–**	**(2.4)**	**(2.4)**
Return on plan assets excluding interest income	**34.6**	**–**	**34.6**
Total remeasurements recognised in other comprehensive income	**34.6**	**15.0**	**49.6**
Benefits paid	**(23.1)**	**23.1**	**–**
Employer's contributions	**16.4**	**–**	**16.4**
Participant's contributions	**4.6**	**(4.6)**	**–**
Net increase in defined benefit obligation from other movements	**–**	**(0.7)**	**(0.7)**
Foreign currency translation	**20.0**	**(19.4)**	**0.6**
As at 31 December 2021	**519.4**	**(526.3)**	**(6.9)**

The effect of the asset ceiling on plan assets and net deficit for the years ended 31 December is as follows:

	2021 € million	2020 € million
Fair value of plan assets at 1 January excluding asset ceiling	**519.4**	481.3
Opening unrecognised asset due to the asset ceiling	**(14.1)**	(2.3)
Change in asset ceiling recognised in other comprehensive income	**(33.5)**	(11.8)
Exchange rate gain	**(0.7)**	–
Fair value of plan assets at 31 December including asset ceiling	**471.1**	**467.2**

	2021 € million	2020 € million
Present value of funded obligations	**434.1**	452.6
Fair value of plan assets	**(519.4)**	(481.3)
Defined benefit obligations of funded plans	**(85.3)**	**(28.7)**
Present value of unfunded obligations	**92.2**	85.5
Unrecognised asset due to asset ceiling	**48.3**	14.1
Defined benefit obligations	**55.2**	**70.9**
Plus: Amounts recognised within non-current assets (refer to Note 18)	**42.0**	21.0
Total defined benefit obligations	**97.2**	**91.9**

Notes to the consolidated financial statements *continued*

21. Provisions and employee benefits *continued*

Funding levels are monitored, in conjunction with the agreed contribution rate. The funding level of the funded plans as at 31 December 2021 was 109% (2020: 103%).

Five of the plans have funded status surplus totalling €42.0 million as at 31 December 2021 (2020: five plans, totalling €21.0 million) that is recognised as an asset on the basis that the Group has an unconditional right to future economic benefits either via a refund or a reduction in future contributions.

Defined benefit plan expense is included in employee costs and presented in cost of goods sold and operating expenses.

The assumptions (weighted average for the Group) used in computing the defined benefit obligation comprised the following for the years ended 31 December:

	2021 %	2020 %
Discount rate	**1.2**	0.7
Rate of compensation increase	**2.5**	2.2
Rate of pension increase	**1.0**	0.8
Life expectancy for pensioners at the age of 65 in years:		
Male	**22**	22
Female	**24**	24

Asset liability matching: Plan assets allocated to growth assets are monitored regularly to ensure they remain appropriate and in line with the Group's long-term strategy to manage the plans. As the plans mature, the level of investment risk will be reduced by investing more in assets such as bonds that better match the liabilities.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans the Group is exposed to a number of risks, as outlined below:

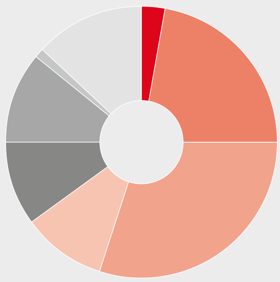
- Asset volatility: The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created. The Northern Ireland, Republic of Ireland and Swiss plans hold a significant proportion of growth assets (equities) which are expected to outperform corporate bonds in the long term while being subject to volatility and risk in the short term.
- Changes in bond yields: A decrease in corporate bond yields will increase the plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. Conversely an increase in corporate bond yields will decrease the plan liabilities, although this will be partially offset by a decrease in the value of the plans' bond holdings.
- Inflation: The Northern Ireland, Republic of Ireland and Swiss plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
- Life expectancy: The majority of the pension plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The sensitivity analysis presented below is based on a change in an individual assumption while all other assumptions remain constant.

	Impact on defined benefit obligation as at 31 December 2021		
	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	50bps	↓ 8.2%	↑ 9.4%
Rate of compensation increase	50bps	↑ 1.8%	↓ 1.5%
Rate of pension increase	50bps	↑ 5.2%	↓ 4.9%
Life expectancy	1 year	↑ 2.8%	↓ 2.8%

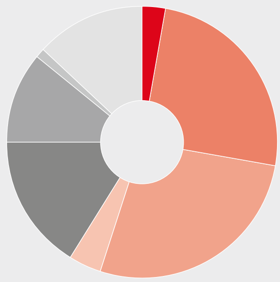
Plan assets are invested as follows:

Assets category 2021 (%)



Equity securities – Eurozone	**3%**
Equity securities – Non-Eurozone	**22%**
Government bonds – Eurozone	**30%**
Corporate bonds – Eurozone	**10%**
Corporate bonds – Non-Eurozone	**10%**
Real estate	**11%**
Cash	**1%**
Other	**13%**

Assets category 2020 (%)



Equity securities – Eurozone	3%
Equity securities – Non-Eurozone	25%
Government bonds – Eurozone	27%
Corporate bonds – Eurozone	4%
Corporate bonds – Non-Eurozone	16%
Real estate	11%
Cash	1%
Other	13%

The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or are insurance contracts. Plan assets held in trust are governed by local regulations and practice in each country. The category 'Other' mainly includes investments in funds holding a portfolio of assets. Plan assets relate predominantly to quoted financial instruments.

Equity securities were not invested in ordinary shares of the Company as at 31 December 2021 or 31 December 2020.

Defined contribution plans

The expense recognised in the income statement in 2021 for the defined contribution plans is €19.4 million (2020: €18.8 million). This is included in employee costs and recorded in cost of goods sold and operating expenses.

22. Offsetting financial assets and financial liabilities

Accounting policy

The Group offsets financial assets and financial liabilities to the net amount reported in the balance sheet when it currently has a legally enforceable right to offset the recognised amounts and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements or other similar agreements. In general, under such agreements the counterparties can elect to settle as one single net amount the aggregated amounts owed by each counterparty on a single day with respect to all outstanding transactions of the same currency and the same type of derivative. In the event of default or early termination, all outstanding transactions under the agreement are terminated and subject to any set-off. These agreements do not meet all of the IAS 32 criteria for offsetting in the balance sheet as the Group does not have any current legally enforceable right to offset amounts since the right can only be applied if elected by both counterparties.

The financial assets and financial liabilities presented below are subject to offsetting, enforceable master netting or similar agreements. The column 'Net amount' shows the impact on the Group's balance sheet assuming all set-off rights are exercised.

Financial liabilities offset against trade receivables mainly relate to accrued customer rebates.

Notes to the consolidated financial statements *continued*

22. Offsetting financial assets and financial liabilities *continued*

a) Financial assets

As at 31 December 2021

	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities set off in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	Net amount € million
Derivative financial assets	**48.2**	**–**	**48.2**	**(8.1)**	**40.1**
Cash and cash equivalents	**782.8**	**–**	**782.8**	**–**	**782.8**
Other financial assets (excluding loans to related parties and derivatives)	**834.9**	**–**	**834.9**	**–**	**834.9**
Trade receivables	**764.0**	**(58.5)**	**705.5**	**–**	**705.5**
Total	**2,429.9**	**(58.5)**	**2,371.4**	**(8.1)**	**2,363.3**

As at 31 December 2020

	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities set off in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	**Net amount € million**
Derivative financial assets	16.2	–	16.2	(0.7)	**15.5**
Cash and cash equivalents	1,215.8	–	1,215.8	–	**1,215.8**
Other financial assets (excluding loans to related parties and derivatives)	92.9	–	92.9	–	**92.9**
Trade receivables	611.0	(52.3)	558.7	–	**558.7**
Total	**1,935.9**	**(52.3)**	**1,883.6**	**(0.7)**	**1,882.9**

b) Financial liabilities

As at 31 December 2021

	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets set off in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	Net amount € million
Derivative financial liabilities	**14.6**	**–**	**14.6**	**(8.1)**	**6.5**
Trade payables	**736.8**	**(58.5)**	**678.3**	**–**	**678.3**
Total	**751.4**	**(58.5)**	**692.9**	**(8.1)**	**684.8**

As at 31 December 2020

	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets set off in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not set off in the balance sheet: Financial instruments € million	**Net amount € million**
Derivative financial liabilities	11.3	–	11.3	(0.7)	**10.6**
Trade payables	635.5	(52.3)	583.2	–	**583.2**
Total	**646.8**	**(52.3)**	**594.5**	**(0.7)**	**593.8**

23. Business combinations

Accounting policy

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the fair value of any asset transferred, shares issued and liabilities assumed. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the fair value of non-controlling interest over the net assets acquired and liabilities assumed is recorded as goodwill. Acquisition costs comprise costs incurred to effect a business combination, such as finder's, advisory, legal, accounting, valuation and other professional or consulting fees. Integration costs comprise direct incremental costs necessary for the acquiree to operate within the Group. All acquisition and integration-related costs are expensed as incurred.

For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Refer also to Note 2 for accounting policy regarding basis of consolidation.

On 31 October 2021, the Group acquired a self-serve coffee vending business in Poland (the 'Costa Express Business'). The acquisition was of a group of assets that constituted a business, which have been integrated into the Group's operations in Poland. Consideration paid for the acquisition amounted to €5.6 million and is included in the line 'Payments for business combinations' of the consolidated cash flow statement. As a result of the above acquisition, other intangible assets of €3.1 million, goodwill of €1.0 million and property, plant and equipment of €1.3 million were recorded in the Group's Developing segment (refer to Note 13 and Note 14 respectively). Acquisition-related costs of €0.4 million were included in the 2021 operating expenses, as a result of the above acquisition (refer to Note 8).

In addition, acquisition and integration costs of €13.9 million incurred in 2021 regarding the acquisition of Coca-Cola Bottling Company of Egypt S.A.E. (refer to Note 8 and Note 31) were included in operating expenses.

24. Financial risk management and financial instruments

Accounting policies

Financial assets

On initial recognition, financial assets are recorded at fair value plus, in the case of financial assets not at fair value through profit or loss (FVTPL), any directly attributable transaction costs. Transaction costs of financial assets at FVTPL are expensed.

Financial assets are classified into three categories:

a) Financial assets at amortised cost (debt instruments)

The classification of debt instruments at amortised cost depends on two criteria: a) the Group's business model for managing assets and b) whether the instruments' contractual cash flows represent solely payments for principal and interest on the principal amount outstanding (the 'SPPI criterion'). If both criteria are met, the financial assets of the Group are subsequently measured at amortised cost whereby any interest income is recognised using the effective interest method. This category includes trade receivables, treasury bills and time deposits. The accounting policy for trade receivables is described in Note 18.

b) Financial assets through other comprehensive income (FVOCI)

The Group also has investments in financial assets at FVOCI. These include equity investments that are not of a trading nature and which are subsequently recorded at fair value. The Group intends to hold these equity instruments for the foreseeable future and has irrevocably elected to classify them as FVOCI upon initial recognition. Subsequently, there is no recycling of gains or losses to profit or loss on derecognition.

c) Financial assets through profit or loss (FVTPL)

The Group also has investments in financial assets at FVTPL which are subsequently measured at fair value and where changes in fair value are recognised in the income statement. Financial assets at FVTPL mainly comprise money market funds.

For those financial assets that are not subsequently held at fair value, the Group assesses whether there is evidence of impairment at each balance sheet date.

Derivative financial instruments

The Group uses derivative financial instruments, including currency, commodity and interest rate derivatives, to manage currency, commodity price and interest rate risk associated with the Group's underlying business activities. The Group does not enter into derivative financial instruments for trading activity purposes.

All derivative financial instruments are initially recognised on the balance sheet at fair value and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised at each reporting date either in the income statement or in equity, depending on whether the derivative financial instrument qualifies for hedge accounting as a cash flow hedge.

Embedded derivatives in financial host contracts are recorded at fair value through profit or loss together with the host contracts.

All derivative financial instruments that are not part of an effective hedging relationship (undesignated hedges) are classified as assets or liabilities at fair value through profit or loss.

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

Accounting policies *continued*

Derivative financial instruments *continued*

At the inception of a hedge transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking the derivative financial instrument designated as a hedging instrument to the specific asset, liability, firm commitment or forecast transaction. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the hedging instruments are identical to the hedged risks component. The economic relationship between the hedged item and the hedging instrument is assessed on an ongoing basis. Ineffectiveness may arise if the timing or the notional value of the forecast transaction changes or if the credit risk changes, impacting the fair value movements of the hedging instruments.

Changes in the fair value of derivative financial instruments (both the intrinsic value and the aligned time value) that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement as the related hedged asset acquired or liability assumed affects the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Derivatives embedded in non-financial host contracts are accounted for as separate derivatives and recorded at fair value if:

- their economic characteristics and risks are not closely related to those of the host contracts;
- the host contracts are not designated as at fair value through profit or loss; and
- a separate instrument with the same terms as the embedded derivative meets the definition of a derivative.

These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required, or a reclassification of a financial asset out of the fair value through profit or loss.

Regular purchases and sales of investments are recognised on the trade date, which is the day the Group commits to purchase or sell. The investments are recognised initially at fair value plus transaction costs, except in the case of FVTPL. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, commodity price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's cash flows. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by Group Treasury in a controlled manner, consistent with the Board of Directors' approved policies. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's subsidiaries. The Board of Directors has approved the Treasury Policy which provides the control framework for all treasury and treasury-related transactions.

Market risk

a) Foreign currency risk

The Group is exposed to the effect of foreign currency risk on future transactions, recognised monetary assets and liabilities that are denominated in currencies other than the local entity's functional currency, as well as net investments in foreign operations. Foreign currency forward, option and futures contracts are used to hedge a portion of the Group's foreign currency risk. The majority of the foreign currency forward, option and futures contracts have maturities of less than one year after the balance sheet date.

Management has set up a policy that requires Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future transactions and recognised monetary assets and liabilities, entities in the Group use foreign currency forward, option and future contracts transacted by Group Treasury. Group Treasury's risk management policy is to hedge, on an average coverage ratio basis, between 25% and 80% of anticipated cash flows for the next 12 months by using a layer strategy, and 100% of balance sheet remeasurement risk in each major foreign currency for which hedging is applicable. Each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific monetary assets, monetary liabilities or future transactions on a gross basis. The impact of COVID-19 has been considered, in relation to the Group's cash flow hedges, in determining that the hedged forecast cash flows remain highly probable for the next 12 months.

The following tables present details of the Group's sensitivity to reasonably possible increases and decreases in the Euro and US Dollar against the relevant foreign currencies. In determining reasonable possible changes, the historical volatility over a 12-month period of the respective foreign currencies in relation to the Euro and the US Dollar has been considered. The sensitivity analysis determines the potential gains and losses in the income statement or equity arising from the Group's foreign exchange positions as a result of the corresponding percentage increases and decreases in the Group's main foreign currencies relative to the Euro and the US Dollar. The sensitivity analysis includes outstanding foreign-currency-denominated monetary items, external loans, and loans between operations within the Group where the denomination of the loan is in a currency other than the functional currency of the local entity.

2021 exchange risk sensitivity to reasonably possible changes in the Euro against relevant other currencies

		Euro strengthens against local currency		Euro weakens against local currency	
	% historical volatility over a 12-month period	Loss/(gain) in income statement € million	(Gain)/loss in equity € million	(Gain)/loss in income statement € million	Loss/(gain) in equity € million
Nigerian Naira	**16.03%**	**6.2**	**–**	**(8.5)**	**–**
Russian Rouble	**9.90%**	**(0.7)**	**(0.2)**	**0.9**	**0.3**
UK Sterling	**5.23%**	**0.9**	**–**	**(1.0)**	**–**
Ukrainian Hryvnia	**6.80%**	**0.3**	**–**	**(0.2)**	**–**
Other	**–**	**(0.2)**	**(1.5)**	**(0.2)**	**1.7**
Total		**6.5**	**(1.7)**	**(9.0)**	**2.0**

2021 exchange risk sensitivity to reasonably possible changes in the US Dollar against relevant other currencies

		US Dollar strengthens against local currency		US Dollar weakens against local currency	
	% historical volatility over a 12-month period	(Gain)/loss in income statement € million	(Gain)/loss in equity € million	Loss/(gain) in income statement € million	Loss/(gain) in equity € million
Euro	**5.72%**	**(1.8)**	**–**	**2.0**	**–**
Nigerian Naira	**5.89%**	**0.6**	**–**	**(0.5)**	**–**
Russian Rouble	**9.86%**	**0.1**	**(3.2)**	**(0.1)**	**3.9**
Other	**–**	**(0.4)**	**–**	**0.4**	**–**
Total		**(1.5)**	**(3.2)**	**1.8**	**3.9**

2020 exchange risk sensitivity to reasonably possible changes in the Euro against relevant other currencies

		Euro strengthens against local currency		Euro weakens against local currency	
	% historical volatility over a 12-month period	Loss/(gain) in income statement € million	(Gain)/loss in equity € million	(Gain)/loss in income statement € million	Loss/(gain) in equity € million
Nigerian Naira	12.39%	0.6	–	(0.8)	–
Russian Rouble	21.02%	1.0	(0.7)	(1.4)	1.1
UK Sterling	8.91%	(0.2)	0.7	0.4	(0.9)
Ukrainian Hryvnia	10.48%	0.6	–	(0.7)	–
Other	–	(1.2)	(3.2)	1.4	3.6
Total		**0.8**	**(3.2)**	**(1.1)**	**3.8**

2020 exchange risk sensitivity to reasonably possible changes in the US Dollar against relevant other currencies

		US Dollar strengthens against local currency		US Dollar weakens against local currency	
	% historical volatility over a 12-month period	Loss/(gain) in income statement € million	(Gain)/loss in equity € million	(Gain)/loss in income statement € million	Loss/(gain) in equity € million
Euro	7.57%	2.0	–	(2.3)	–
Nigerian Naira	13.23%	5.0	–	(6.6)	–
Russian Rouble	19.48%	–	(3.9)	(0.1)	5.7
Other	–	(0.2)	–	0.3	–
Total		**6.8**	**(3.9)**	**(8.7)**	**5.7**

b) Commodity price risk

The Group is affected by the volatility of certain commodity prices (being mainly sugar, aluminium, aluminium premium, plastic and gas oil) in relation to certain raw materials necessary for the production of the Group's products.

Due to the significantly increased volatility of commodity prices, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. Although the Group continues to contract prices with suppliers in advance, to reduce its exposure to the effect of short-term changes in the price of sugar, aluminium, aluminium premium, gas oil and plastic, the Group hedges the market price of sugar, aluminium, aluminium premium, plastic and gas oil using commodity swap contracts based on a rolling forecast for a period up to 36 months. Group Treasury's risk management policy is to hedge a minimum of 25% and a maximum of 80% of commodity exposure for the next 12 months, with the exception of certain types of plastic for which lower compliance ratios apply.

The following table presents details of the Group's income statement and equity sensitivity to increases and decreases in sugar, aluminium, aluminium premium, plastic and gas oil prices. The table does not show the sensitivity to the Group's total underlying commodity exposure or the impact of changes in volumes that may arise from an increase or decrease in the respective commodity prices. The sensitivity analysis determines the potential effect on profit or loss and equity arising from the Group's commodity swap contract positions as a result of the reasonably possible increases or decreases of the respective commodity prices.

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

2021 commodity price risk sensitivity to reasonably possible changes in the price of relevant commodities

		Commodity price increases with all other variables held constant		Commodity price decreases with all other variables held constant	
	% historical volatility over a 12-month period per contract maturity	(Gain)/loss in income statement € million	(Gain)/loss in equity € million	Loss/(gain) in income statement € million	Loss/(gain) in equity € million
Sugar	**20.8%**	**(0.4)**	**(22.6)**	**0.4**	**22.6**
Aluminium	**24.1%**	**(0.8)**	**(19.8)**	**0.8**	**19.8**
Aluminium premium	**46.1%**	**(0.2)**	**(3.0)**	**0.2**	**3.0**
Gas oil	**31.3%**	**–**	**(5.6)**	**–**	**5.6**
Plastic	**27.0%**	**(25.7)**	**–**	**25.7**	**–**
Total		**(27.1)**	**(51.0)**	**27.1**	**51.0**

2020 commodity price risk sensitivity to reasonably possible changes in the price of relevant commodities

		Commodity price increases with all other variables held constant		Commodity price decreases with all other variables held constant	
	% historical volatility over a 12-month period per contract maturity	(Gain)/loss in income statement € million	(Gain)/loss in equity € million	Loss/(gain) in income statement € million	Loss/(gain) in equity € million
Sugar	20.1%	(0.2)	(13.1)	0.2	13.1
Aluminium	16.6%	(0.4)	(6.7)	0.4	6.7
Aluminium premium	43.4%	–	(0.7)	–	0.7
Gas oil	59.8%	–	(5.6)	–	5.6
Plastic	26.3%	(8.9)	–	8.9	–
Total		**(9.5)**	**(26.1)**	**9.5**	**26.1**

c) Interest rate risk

The sensitivity analysis in the following table has been determined based on exposure to interest rates of both derivative and non-derivative instruments existing at the balance sheet date and assuming constant foreign exchange rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease for 2021 (2020: 50 basis point) represents management's assessment of a reasonably possible change in interest rates.

Interest rate risk sensitivity to reasonably possible changes in interest rates

	Loss/(gain) in income statement	
	2021 € million	2020 € million
Increase in basis points	**0.2**	0.4
Decrease in basis points	**(0.2)**	(0.4)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligations under the contract or arrangement. The Group has limited concentration of credit risk across trade and financial counterparties. Credit policies are in place and the exposure to credit risk is monitored on an ongoing basis.

The Group's maximum exposure to credit risk in the event that counterparties fail to meet their obligations at 31 December 2021 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated on the balance sheet.

Under the credit policies, before accepting any new credit customers the Group investigates the potential customer's credit quality, using either external agencies, in some cases bank references and/or historic experience, and defines credit limits for each customer. Customers that fail to meet the Group's benchmark credit quality may transact with the Group only on a prepayment or cash basis. Customers are reviewed on an ongoing basis and credit limits are adjusted accordingly. There is no significant concentration of credit risk with regard to loans, trade and other receivables as the Group has a large number of customers who are geographically dispersed.

The Group has policies that limit the amount of credit exposure to any single financial institution. The Group only undertakes investment and derivative transactions with banks and financial institutions that have a minimum credit rating of 'BBB-' from Standard & Poor's and 'Baa3' from Moody's, unless the investment is in a country where the sovereign credit rating is below BBB-/Baa3. The Group also uses credit default swaps of a counterparty in order to measure in a timelier way the creditworthiness of a counterparty and set up its counterparties in tiers in order to assign maximum exposure and tenor per tier. If the credit default swaps of a certain counterparty exceed 400 basis points the Group will stop trading derivatives with that counterparty and will try to cancel any deposits on a best-effort basis. In addition, the Group regularly makes use of time deposits, treasury bills and money market funds to invest excess cash balances and to diversify its counterparty risk. As at 31 December 2021, an amount of €423.9 million (2020: €795.5 million) is invested in time deposits, €6.2 million in treasury bills (2020: €nil) and €638.8 million (2020: €nil) in money market funds.

Liquidity risk

The Group actively manages liquidity risk to ensure there are sufficient funds available for any short-term and long-term commitments. Bank overdrafts and bank facilities, both committed and uncommitted, are used to manage this risk.

The Group manages liquidity risk by maintaining adequate cash reserves and committed banking facilities, access to the debt and equity capital markets, and by continuously monitoring forecast and actual cash flows. In Note 25, the undrawn facilities that the Group has at its disposal to manage liquidity risk are discussed under the headings 'Commercial paper programme' and 'Committed credit facilities'.

This has been an area of focus during the COVID-19 pandemic; however, the Group maintains a healthy liquidity position and is able to meet its obligations as they fall due. As at 31 December 2021, the Group has net debt of €1.3 billion (refer to Note 25). There are no bond maturities until November 2024. In addition, the Group has an undrawn revolving credit facility of €800 million available, as well as €0.8 billion available of the €1.0 billion commercial paper facility.

The following tables detail the remaining contractual maturities for financial liabilities. The tables include both interest and principal undiscounted cash flows, assuming that interest rates remain constant from 31 December 2021.

	Up to one year € million	One to two years € million	Two to five years € million	Over five years € million	Total € million
Borrowings	**365.2**	**48.4**	**707.3**	**1,875.2**	**2,996.1**
Derivative liabilities	**11.6**	**3.0**	**–**	**–**	**14.6**
Trade and other payables (excluding other tax & social security and contract liabilities)	**1,748.0**	**0.4**	**1.1**	**4.1**	**1,753.6**
Leases	**58.9**	**43.2**	**62.9**	**29.6**	**194.6**
As at 31 December 2021	**2,183.7**	**95.0**	**771.3**	**1,908.9**	**4,958.9**

	Up to one year € million	One to two years € million	Two to five years € million	Over five years € million	Total € million
Borrowings	283.3	98.2	714.4	1,889.8	2,985.7
Derivative liabilities	10.0	1.3	–	–	11.3
Trade and other payables (excluding other tax & social security and contract liabilities)	1,447.4	0.3	1.0	4.9	1,453.6
Leases	63.4	50.7	71.0	35.5	220.6
As at 31 December 2020	**1,804.1**	**150.5**	**786.4**	**1,930.2**	**4,671.2**

Capital risk

The Group monitors its financial capacity and credit ratings by reference to a number of key financial ratios, including net debt to comparable adjusted EBITDA which provides a framework within which the Group's capital base is managed. This ratio is calculated as net debt divided by comparable adjusted EBITDA.

Adjusted EBITDA is calculated by adding back to operating profit the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee performance share costs and other non-cash items, if any. Comparable adjusted EBITDA refers to adjusted EBITDA excluding restructuring expenses, acquisition and integration costs and the unrealised gains or losses resulting from the mark-to-market valuation of derivatives and embedded derivatives related to commodity hedging.

Refer to Note 25 for the definition of net debt.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may increase or decrease debt, issue or buy back shares, adjust the amount of dividends paid to shareholders, or return capital to shareholders.

The Group's goal is to maintain a conservative financial profile. This is evidenced by the credit ratings maintained with Standard & Poor's and Moody's, which were reaffirmed in 2021.

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard and Poor's	April 2021	BBB+	Stable	A2
Moody's	May 2021	Baa1	Stable	P2

The Group's medium- to long-term target is to maintain the net debt to comparable adjusted EBITDA ratio within a 1.5 to 2.0 range.

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

The ratios as at 31 December were as follows:

	2021 € million	2020 € million
Net debt (refer to Note 25)	**1,319.7**	**1,616.8**
Operating profit	**799.3**	660.7
Depreciation and impairment of property, plant and equipment, including right-of-use assets	**336.3**	388.1
Amortisation of intangible assets	**1.0**	0.9
Employee performance shares	**14.9**	9.5
Adjusted EBITDA	**1,151.5**	**1,059.2**
Other restructuring expenses (primarily redundancy costs)	**21.0**	10.0
Unrealised (gain)/loss on commodity derivatives	**(3.8)**	1.6
Acquisition and integration costs	**14.3**	–
Total comparable adjusted EBITDA	**1,183.0**	**1,070.8**
Net debt/comparable adjusted EBITDA ratio	**1.12**	**1.51**

The reconciliation of other restructuring expenses to total restructuring expenses for the years ended 31 December was as follows:

	2021 € million	2020 € million
Total restructuring expenses included in operating expenses (refer to Note 8)	**21.2**	9.8
Total restructuring expenses included in share of results of integral equity method investments	**–**	0.2
Less: Impairment of property, plant and equipment	**(0.2)**	–
Other restructuring expenses (primarily redundancy costs)	**21.0**	**10.0**

Hedging activity

The carrying amounts of the derivative financial instruments are included in the lines 'Other financial assets' and 'Other financial liabilities' of the consolidated balance sheet.

a) Cash flow hedges

The impact of the hedging instruments on the consolidated balance sheet was:

As at 31 December 2021	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**182.6**	**40.4**	
Non-current	**26.8**	**9.0**	
Commodity swap contracts	**26.8**	**9.0**	**Jan 23-Nov 23**
Current	**155.8**	**31.4**	
Foreign currency forward contracts	**48.3**	**1.3**	**Jan 22-Aug 22**
Commodity swap contracts	**107.5**	**30.1**	**Jan 22-Dec 22**
Contracts with negative fair values	**59.3**	**(1.2)**	
Non-current	**2.5**	**(0.1)**	
Commodity swap contracts	**2.5**	**(0.1)**	**Jan 23-Nov 23**
Current	**56.8**	**(1.1)**	
Foreign currency forward contracts	**37.9**	**(0.6)**	**Jan 22-Dec 22**
Commodity swap contracts	**18.9**	**(0.5)**	**Jan 22-Nov 22**

As at 31 December 2020	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**145.9**	**9.4**	
Non-current	**27.7**	**2.3**	
Commodity swap contracts	27.7	2.3	Jan 22-Nov 22
Current	**118.2**	**7.1**	
Foreign currency forward contracts	62.1	1.1	Jan 21-Oct 21
Commodity swap contracts	56.1	6.0	Jan 21-Dec 21
Contracts with negative fair values	**74.2**	**(3.3)**	
Non-current	**0.5**	–	
Commodity swap contracts	0.5	–	Jan 22-Nov 22
Current	**73.7**	**(3.3)**	
Foreign currency forward contracts	44.0	(1.0)	Jan 21-Jun 21
Commodity swap contracts	29.7	(2.3)	Jan 21-Dec 21

The impact on the hedging reserve as a result of applying cash flow hedge accounting was:

	Spot component of foreign currency forward contracts € million	Intrinsic value of foreign currency option contracts € million	Cost of hedging reserve of currency derivatives € million	Commodity swap contracts € million	Interest rate swap contracts € million	**Total € million**
Opening balance 1 January 2020	**(3.6)**	**0.7**	**(0.6)**	**0.2**	**(40.2)**	**(43.5)**
Net gain of cash flow hedges	**19.0**	**0.1**	**–**	**(4.1)**	**7.7**	**22.7**
Change in fair value of hedging instruments recognised in OCI	19.0	0.1	–	(4.1)	–	**15.0**
Reclassified to profit or loss	–	–	–	–	7.7	**7.7**
Cost of hedging recognised in OCI	–	–	(2.2)	–	–	**(2.2)**
Reclassified to inventory cost	(13.0)	(0.5)	3.2	10.4	–	**0.1**
Appropriation of reserves	(4.0)	(0.3)	0.3	–	–	**(4.0)**
Closing balance 31 December 2020	**(1.6)**	**–**	**0.7**	**6.5**	**(32.5)**	**(26.9)**
Net gain of cash flow hedges	**1.0**	**–**	**–**	**60.8**	**7.7**	**69.5**
Change in fair value of hedging instruments recognised in OCI	1.0	–	–	60.8	–	**61.8**
Reclassified to profit or loss	–	–	–	–	7.7	**7.7**
Cost of hedging recognised in OCI	**–**	**–**	**(2.7)**	**–**	**–**	**(2.7)**
Reclassified to inventory cost	**(0.8)**	**–**	**2.4**	**(25.6)**	**–**	**(24.0)**
Closing balance 31 December 2021	**(1.4)**	**–**	**0.4**	**41.7**	**(24.8)**	**15.9**

An amount of €4.0 million was reclassified from 'Hedging reserve' to 'Other reserves' during 2020, as a result of a change in the classification of Multon (refer to Note 15).

The effect of the cash flow hedges in the consolidated income statement was:

	2021 Loss/(gain) € million	2020 Loss/(gain) € million
Net amount reclassified from other comprehensive income to cost of goods sold	**–**	–
Net amount reclassified from other comprehensive income to finance costs	**7.7**	7.7
Total	**7.7**	7.7

There was no significant ineffectiveness on the cash flow hedges during the years ended 31 December 2021 and 2020.

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

b) Undesignated hedges

The fair values of derivative financial instruments as at 31 December which economically hedge the Group's risks and for which hedge accounting has not been applied were:

As at 31 December 2021	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**203.2**	**7.8**	
Current	**203.2**	**7.8**	
Embedded derivatives	**4.9**	**0.1**	**Jan 22-Aug 22**
Foreign currency forward contracts	**165.3**	**1.1**	**Jan 22-Nov 22**
Commodity swap contracts	**33.0**	**6.6**	**Jan 22-Dec 22**
Contracts with negative fair values	**431.3**	**(13.4)**	
Non-current	**33.4**	**(2.9)**	
Foreign currency future contracts	**13.9**	**(0.6)**	**Jan 23**
Commodity swap contracts	**19.5**	**(2.3)**	**Jan 23-Nov 23**
Current	**397.9**	**(10.5)**	
Foreign currency future contracts	**94.7**	**(3.3)**	**Apr 22-Oct 22**
Foreign currency forward contracts	**246.5**	**(2.6)**	**Jan 22-Nov 22**
Commodity swap contracts	**56.7**	**(4.6)**	**Jan 22-Nov 22**

As at 31 December 2020	Notional amount € million	Carrying amount € million	Period of maturity date
Contracts with positive fair values	**191.7**	**6.8**	
Non-current	**16.1**	**0.4**	
Embedded derivatives	16.1	0.4	Jan21-Jun21
Current	**175.6**	**6.4**	
Foreign currency forward contracts	62.9	1.3	Jan21-Sep21
Foreign currency future contracts	110.0	4.9	Jan21-Mar21
Commodity swap contracts	2.7	0.2	Jan21-Dec21
Contracts with negative fair values	**241.2**	**(8.0)**	
Non-current	**9.2**	**(1.3)**	
Commodity swap contracts	9.2	(1.3)	Jan22-Nov22
Current	**232.0**	**(6.7)**	
Foreign currency forward contracts	198.6	(2.2)	Jan21-Sep21
Commodity swap contracts	33.4	(4.5)	Jan21-Dec21

The effect of the undesignated hedges in the consolidated income statement was:

	2021 Gain € million	2020 Loss/(gain) € million
Net amount recognised in cost of goods sold	**(14.1)**	15.1
Net amount recognised in operating expenses	**(4.4)**	(1.2)
Total	**(18.5)**	**13.9**

Financial instruments' categories

Categories of financial instruments as at 31 December were as follows (in € million):

2021

Assets	Debt financial assets at amortised cost	Assets at FVTPL	Derivatives designated as hedging instruments	Equity financial assets at FVOCI	Total current and non-current	Analysis of total assets: Current	Analysis of total assets: Non-current
Investments including loans to related parties	204.9	638.8	–	3.6	847.3	839.7	7.6
Derivative financial instruments	–	7.8	40.4	–	48.2	39.2	9.0
Trade and other receivables	863.3	–	–	–	863.3	862.2	1.1
Cash and cash equivalents	782.8	–	–	–	782.8	782.8	–
Total	**1,851.0**	**646.6**	**40.4**	**3.6**	**2,541.6**	**2,523.9**	**17.7**

Liabilities	Liabilities held at amortised cost	Liabilities at FVTPL	Derivatives designated as hedging instruments	Total current and non-current	Analysis of total liabilities: Current	Analysis of total liabilities: Non-current
Trade and other payables (excluding other tax & social security and contract liabilities)	1,753.6	–	–	1,753.6	1,748.0	5.6
Borrowings	2,937.4	–	–	2,937.4	381.7	2,555.7
Derivative financial instruments	–	13.4	1.2	14.6	11.6	3.0
Total	**4,691.0**	**13.4**	**1.2**	**4,705.6**	**2,141.3**	**2,564.3**

2020

Assets	Debt financial assets at amortised cost	Assets at FVTPL	Derivatives designated as hedging instruments	Equity financial assets at FVOCI	Total current and non-current	Analysis of total assets: Current	Analysis of total assets: Non-current
Investments including loans to related parties	100.8	–	–	3.6	104.4	93.1	11.3
Derivative financial instruments	–	6.8	9.4	–	16.2	13.5	2.7
Trade and other receivables	689.8	–	–	–	689.8	688.4	1.4
Cash and cash equivalents	1,215.8	–	–	–	1,215.8	1,215.8	–
Total	**2,006.4**	**6.8**	**9.4**	**3.6**	**2,026.2**	**2,010.8**	**15.4**

Liabilities	Liabilities held at amortised cost	Liabilities at FVTPL	Derivatives designated as hedging instruments	Total current and non-current	Analysis of total liabilities: Current	Analysis of total liabilities: Non-current
Trade and other payables (excluding other tax & social security and contract liabilities)	1,453.6	–	–	1,453.6	1,447.4	6.2
Borrowings	2,925.5	–	–	2,925.5	315.2	2,610.3
Derivative financial instruments	–	8.0	3.3	11.3	10.0	1.3
Total	**4,379.1**	**8.0**	**3.3**	**4,390.4**	**1,772.6**	**2,617.8**

Notes to the consolidated financial statements *continued*

24. Financial risk management and financial instruments *continued*

Interest rate swap contracts

The Group entered into forward starting swap contracts of €500.0 million in 2014 to hedge the interest rate risk related to its Euro-denominated forecast issuance of fixed rate debt in March 2016. In August 2015, the Group entered into additional forward starting swap contracts of €100.0 million. In March 2016 the forward starting swap contracts were settled and at the same time a new note was issued. The accumulated loss of €55.4 million recorded in other comprehensive income is being amortised to the income statement over the term of the new note (refer to Note 25).

The Group entered into swaption contracts of €350.0 million in 2018 and €1,050.0 million in 2019 to hedge the interest rate risk related to its Euro-denominated forecast issuance of fixed rate debt in 2019, and formally designated these contracts as cash flow hedges. In May and November 2019, the swaption contracts were settled and, at the same time, new notes were issued. The accumulated loss of €9.6 million recorded in other comprehensive income is being amortised to the income statement over the relevant period.

Embedded derivatives

During 2015, the Group recognised embedded derivatives whose risks and economic characteristics were not considered to be closely related to the commodity contract in which they were embedded. The fair value of the embedded derivatives as at 31 December 2021 amounted to a financial asset of €0.1 million (2020: €0.4 million).

Fair values of financial assets and liabilities

For financial instruments such as cash, deposits, debtors and creditors, investments, loans payable to related parties, short-term borrowings (excluding the current portion of bonds and notes payable) and other financial liabilities (other than bonds and notes payable), carrying values are a reasonable approximation of the fair values. According to the fair value hierarchy, the financial instruments measured at fair value are classified as follows:

Level 1

The fair value of FVOCI listed equity securities as well as FVTPL securities is based on quoted market prices at the reported date. The fair value of bonds is based on quoted market prices at the reported date.

Level 2

The fair value of foreign currency forward, option and futures contracts, commodity swap contracts, bonds and notes payable, interest rate swap contracts, forward starting swap contracts and embedded foreign currency derivatives is determined by using valuation techniques. These valuation techniques maximise the use of observable market data. The fair value of the foreign currency forward, option and futures contracts, commodity swap contracts, embedded foreign currency derivatives and cross-currency swap contracts is calculated by reference to quoted forward exchange, deposit rates and forward rate curves of the underlying commodity at the reported date for contracts with similar maturity dates. The fair value of interest rate option contracts is calculated by reference to the Black-Scholes valuation model and implied volatilities. The fair value of interest rate swap contracts is determined as the difference in the present value of the future interest cash inflows and outflows based on observable yield curves.

Level 3

The fair value of FVOCI unlisted equity securities as well as certain undesignated derivatives and foreign currency futures contracts is determined through the use of estimated discounted cash flows or other valuation techniques. These valuation techniques estimate the fair value of undesignated derivatives using settlement and forward prices received from counterparty banks and subscription-based publications, and the fair value of foreign currency futures contracts by using adjusted quoted prices.

Any transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

The following table sets out the fair value hierarchy levels into which fair value measurements are categorised for assets and liabilities measured at fair value as at 31 December 2021:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets at FVTPL				
Foreign currency forward contracts	–	1.1	–	**1.1**
Embedded derivatives	–	0.1	–	**0.1**
Commodity swap contracts	–	0.6	6.0	**6.6**
Money market funds	638.8	–	–	**638.8**
Derivative financial assets used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	1.3	–	**1.3**
Commodity swap contracts	–	39.1	–	**39.1**
Assets at FVOCI				
Equity securities	0.7	–	2.9	**3.6**
Total financial assets	**639.5**	**42.2**	**8.9**	**690.6**
Financial liabilities at FVTPL				
Foreign currency forward contracts	–	(2.6)	–	**(2.6)**
Foreign currency futures contracts	–	–	(3.9)	**(3.9)**
Commodity swap contracts	–	–	(6.9)	**(6.9)**
Derivative financial liabilities used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	(0.6)	–	**(0.6)**
Commodity swap contracts	–	(0.6)	–	**(0.6)**
Total financial liabilities	**–**	**(3.8)**	**(10.8)**	**(14.6)**

There were no transfers between Level 1, Level 2 and Level 3 in the year.

The following table provides the fair value hierarchy levels into which fair value measurements are categorised for assets and liabilities measured at fair value as at 31 December 2020:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets at FVTPL				
Foreign currency forward contracts	–	1.3	–	**1.3**
Foreign currency futures contracts	–	–	4.9	**4.9**
Embedded derivatives	–	0.4	–	**0.4**
Commodity swap contracts	–	0.2	–	**0.2**
Derivative financial assets used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	1.1	–	**1.1**
Commodity swap contracts	–	8.3	–	**8.3**
Assets at FVOCI				
Equity securities	0.8	–	2.8	**3.6**
Total financial assets	**0.8**	**11.3**	**7.7**	**19.8**
Financial liabilities at FVTPL				
Foreign currency forward contracts	–	(2.2)	–	**(2.2)**
Commodity swap contracts	–	–	(5.8)	**(5.8)**
Derivative financial liabilities used for hedging				
Cash flow hedges				
Foreign currency forward contracts	–	(1.0)	–	**(1.0)**
Commodity swap contracts	–	(2.3)	–	**(2.3)**
Total financial liabilities	**–**	**(5.5)**	**(5.8)**	**(11.3)**

There were no transfers between Level 1 and Level 2 in 2020. During 2020, the Group reclassified foreign currency derivatives relating to the Nigerian Naira from Level 2 to Level 3. This reclassification resulted from the use of a more relevant valuation technique which incorporated greater use of the unobservable inputs and more appropriately approximated their fair values. The fair value of these derivatives as at 31 December 2020 amounted to a financial asset of €4.9 million.

Notes to the consolidated financial statements *continued*

25. Net debt

Accounting policy

Borrowings are initially recognised at the fair value net of transaction costs incurred.

After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method whereby any discount, premium or transaction costs associated with a borrowing are amortised to the income statement over the borrowing period.

Refer also to Note 16 for accounting policy on leases.

Cash and cash equivalents comprise cash balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Bank overdrafts are classified as short-term borrowings in the balance sheet and for the purpose of the cash flow statement. Time deposits and treasury bills which do not meet the definition of cash and cash equivalents are classified as short-term investments at amortised cost. Money market funds are classified as short-term investments at fair value through profit or loss.

Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents, and certain other financial assets.

Net debt for the year ended 31 December comprised:

	2021 € million	2020 € million
Current borrowings	**381.7**	315.2
Non-current borrowings	**2,555.7**	2,610.3
Less: Cash and cash equivalents	**(782.8)**	(1,215.8)
Financial assets at amortised cost	**(196.1)**	(92.9)
Financial assets at fair value through profit or loss	**(638.8)**	–
Less: Other financial assets	**(834.9)**	(92.9)
Net debt	**1,319.7**	1,616.8

The financial assets at amortised cost include time deposits amounting to €189.9 million (31 December 2020: €92.9 million) as well as Nigerian treasury bills of €6.2 million (31 December 2020: €nil). The financial assets at fair value through profit and loss in 2021 relate to money market funds. The line item 'Other financial assets' of the consolidated balance sheet includes derivative financial instruments of €39.2 million (31 December 2020: €13.5 million) and related party loans receivable of €4.8 million (31 December 2020: €0.2 million).

a) Borrowings

The Group held the following borrowings as at 31 December:

	2021 € million	2020 € million
Commercial paper	**235.0**	200.0
Loans payable to related parties (refer to Note 27)	**58.1**	29.8
Other borrowings	**37.7**	30.6
	330.8	**260.4**
Obligations under leases falling due within one year	**50.9**	54.8
Total borrowings falling due within one year	**381.7**	**315.2**
Borrowings falling due within one to two years		
Loans payable to related parties (refer to Note 27)	**5.1**	56.5
Borrowings falling due within two to five years		
Bonds, bills and unsecured notes	**598.5**	597.9
Borrowings falling due in more than five years		
Bonds, bills and unsecured notes	**1,787.2**	1,785.5
Other borrowings	**55.5**	41.0
	2,446.3	**2,480.9**
Obligations under leases falling due in more than one year	**109.4**	129.4
Total borrowings falling due after one year	**2,555.7**	**2,610.3**
Total borrowings	**2,937.4**	**2,925.5**

Reconciliation of liabilities to cash flows arising from financing activities:

	Borrowings		Leases		Derivative assets/ (liabilities)	Total
	Due within one year € million	Due in more than one year € million	Due within one year € million	Due in more than one year € million	€ million	€ million
Balance at 1 January 2020	**705.5**	**2,408.2**	**56.3**	**154.7**	**–**	**3,324.7**
Cash flows						
Proceeds from borrowings	113.8	98.0	–	–	–	**211.8**
Repayments of borrowings	(619.6)	(36.2)	–	–	–	**(655.8)**
Principal repayments of lease obligations	–	–	(58.7)	–	–	**(58.7)**
Interest paid	(53.3)	(0.4)	(11.0)	–	–	**(64.7)**
Proceeds from/(payments for) settlement of derivatives regarding financing activities	–	–	–	–	(1.1)	**(1.1)**
Total cash flows	**(559.1)**	**61.4**	**(69.7)**	**–**	**(1.1)**	**(568.5)**
Leases increase	–	–	5.1	48.5	–	**53.6**
Effect of changes in exchange rates	(3.3)	–	(3.1)	(6.6)	–	**(13.0)**
Other non-cash movements	117.3	11.3	66.2	(67.2)	1.1	**128.7**
Balance at 31 December 2020	**260.4**	**2,480.9**	**54.8**	**129.4**	**–**	**2,925.5**
Cash flows						
Proceeds from borrowings	77.0	52.3	–	–	–	**129.3**
Repayments of borrowings	(102.6)	(31.2)	–	–	–	**(133.8)**
Principal repayments of lease obligations	–	–	(63.1)	–	–	**(63.1)**
Interest paid	(36.2)	–	(9.3)	–	–	**(45.5)**
Proceeds from/(payments for) settlement of derivatives regarding financing activities	–	–	–	–	4.9	**4.9**
Total cash flows	**(61.8)**	**21.1**	**(72.4)**	**–**	**4.9**	**(108.2)**
Leases increase	–	–	0.8	41.2	–	**42.0**
Effect of changes in exchange rates	0.2	0.2	0.4	1.0	–	**1.8**
Other non-cash movements	132.0	(55.9)	67.3	(62.2)	(2.6)	**78.6**
Balance at 31 December 2021	**330.8**	**2,446.3**	**50.9**	**109.4**	**2.3**	**2,939.7**

The 'Other non-cash movements' primarily include transfers from long-term to short-term liabilities and interest incurred. Also, 'Other non-cash movements' in 2020 are impacted by the change in classification of Multon (refer to Note 15), which resulted in an increase in borrowings for the Group.

Commercial paper programme

In October 2013, the Group established a €1.0 billion Euro commercial paper programme (the 'CP programme') which was updated in September 2014, in May 2017 and in May 2020 to further diversify its short-term funding sources. The Euro-commercial paper notes may be issued either as non-interest-bearing notes sold at a discount or as interest-bearing notes at a fixed or floating rate. All commercial paper issued under the CP programme must be repaid within 7 to 364 days. The CP programme has been granted the Short Term Euro Paper label ('STEP') and the commercial paper is issued through Coca-Cola HBC's fully owned subsidiary Coca-Cola HBC Finance B.V. and is fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG. The outstanding amount under the CP programme as at 31 December 2021 was €235.0 million (2020: €200.0 million).

Committed credit facilities

In April 2019, the Group updated its then-existing €500.0 million syndicated revolving credit facility, which was set to expire in June 2021. The updated syndicated revolving credit facility has been increased to €800.0 million and has been extended to April 2024 with the option to be extended for up to two more years until April 2026. In March 2020, the Company exercised its extension option and the facility was extended to April 2025. In April 2021, the Company exercised its second option to further extend the maturity of the syndicated loan facility to April 2026. This facility can be used for general corporate purposes and carries a floating interest rate over EURIBOR. No amounts have been drawn under the syndicated revolving credit facility since inception. The borrower in the syndicated revolving credit facility is Coca-Cola HBC's fully owned subsidiary Coca-Cola HBC Finance B.V. and any amounts drawn under the facility are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In December 2019, the Group established a loan facility of US$85.0 million to finance the purchase of production equipment by the Group's subsidiary in Nigeria. The facility has been drawn down by Nigerian Bottling Company (NBC) over the course of 2020 and 2021 and matures in 2027. The obligations under this facility are guaranteed by Coca-Cola HBC AG. As at 31 December 2021, the outstanding liability amounted to €63.2 million (2020: €48.2 million).

Notes to the consolidated financial statements *continued*

25. Net debt *continued*

Euro medium-term note programme

In June 2013, the Group established a new €3.0 billion Euro medium-term note programme (the 'EMTN programme'). The EMTN programme was updated in September 2014, September 2015, April 2019 (when it was increased to €5.0 billion), April 2020 and September 2021. Notes are issued under the EMTN programme through Coca-Cola HBC's 100%-owned subsidiary Coca-Cola HBC Finance B.V. and are fully, unconditionally and irrevocably guaranteed by Coca-Cola HBC AG.

In March 2016, Coca-Cola HBC Finance B.V. completed the issue of a €600 million Euro-denominated fixed rate bond maturing in November 2024. The coupon rate of the bond is 1.875% which, including the amortisation of the loss on the forward starting swap contracts over the term of the fixed rate bond, results in an effective interest rate of 2.99%. The net proceeds of the issue were used to partially repay €214.6 million of the 4.25%, €600 million seven-year fixed rate notes due in November 2016. The remaining €385.4 million of these notes was repaid in November 2016 upon maturity.

In May 2019, Coca-Cola HBC Finance B.V. completed the issue of a €700 million Euro-denominated fixed rate bond maturing in May 2027 with a coupon rate of 1%, and the issue of a €600 million Euro-denominated fixed rate bond maturing in May 2031 with a coupon rate of 1.625%. The net proceeds of the new issue were used to partially repay €236.6 million of the 2.375%, €800 million seven-year fixed rate bond due in June 2020, while the remaining €563.4 million was repaid in June 2020 upon its maturity.

In November 2019, Coca-Cola HBC Finance B.V. completed the issue of a €500 million Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%.

As at 31 December 2021, a total of €2.4 billion in notes issued under the EMTN programme were outstanding.

Summary of notes outstanding as at 31 December

				Book Value		Fair Value	
Notes	Start date	Maturity date	Fixed coupon	2021 € million	2020 € million	2021 € million	2020 € million
€600 million	10 March 2016	11 November 2024	1.875%	**598.5**	597.9	**631.8**	648.2
€700 million	14 May 2019	14 May 2027	1.000%	**696.5**	695.9	**717.8**	741.5
€600 million	14 May 2019	14 May 2031	1.625%	**596.0**	595.6	**640.7**	678.2
€500 million	21 November 2019	21 November 2029	0.625%	**494.7**	494.0	**496.2**	518.3
Total				**2,385.7**	**2,383.4**	**2,486.5**	**2,586.2**

The weighted average effective interest rate of the Euro-denominated fixed rate bonds is 1.69% and the weighted average maturity is 6.3 years. The fair values are within Level 1 of the value hierarchy.

None of the Group's debt facilities are subject to any financial covenants that would impact the Group's liquidity or access to capital.

Total borrowings at 31 December, were held in the following currencies:

	Current		Non-current	
	2021 € million	2020 € million	2021 € million	2020 € million
Euro	**289.5**	251.8	**2,438.8**	2,444.2
US Dollar	**13.7**	13.0	**73.5**	59.6
Russian Rouble	**57.6**	24.4	**5.0**	61.3
Nigerian Naira	**7.5**	6.3	**15.5**	11.5
Swiss Franc	**4.6**	4.4	**4.4**	5.8
Bulgarian Lev	**2.2**	5.4	**5.0**	8.9
Czech Koruna	**1.5**	3.5	**5.3**	7.3
UK Sterling	**2.1**	1.8	**4.4**	5.3
Polish Zloty	**0.8**	1.1	**0.8**	1.0
Romanian Leu	**0.9**	1.6	**0.7**	1.9
Hungarian Forint	**0.6**	0.5	**0.4**	0.5
Belarusian Rouble	**–**	–	**0.8**	0.7
Bosnian Mark	**0.4**	0.3	**0.3**	0.6
Croatian Kuna	**0.1**	0.9	**–**	0.9
Other	**0.2**	0.2	**0.8**	0.8
Total borrowings	**381.7**	**315.2**	**2,555.7**	**2,610.3**

The carrying amounts of interest-bearing borrowings held at fixed and floating interest rate as at 31 December 2021, were as follows:

	Fixed interest rate € million	Floating interest rate € million	Total € million
Euro	**2,693.3**	**35.0**	**2,728.3**
US Dollar	**83.2**	**4.0**	**87.2**
Russian Rouble	**8.5**	**54.1**	**62.6**
Nigerian Naira	**23.0**	**–**	**23.0**
Swiss Franc	**9.0**	**–**	**9.0**
Bulgarian Lev	**7.2**	**–**	**7.2**
Czech Koruna	**6.8**	**–**	**6.8**
UK Sterling	**1.1**	**5.4**	**6.5**
Polish Zloty	**1.6**	**–**	**1.6**
Romanian Leu	**–**	**1.6**	**1.6**
Hungarian Forint	**1.0**	**–**	**1.0**
Belarusian Rouble	**0.8**	**–**	**0.8**
Bosnian Mark	**0.7**	**–**	**0.7**
Croatian Kuna	**0.1**	**–**	**0.1**
Other	**1.0**	**–**	**1.0**
Total interest-bearing borrowings	**2,837.3**	**100.1**	**2,937.4**

b) Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise the following:

	2021 € million	2020 € million
Cash at bank, in transit and in hand	**548.8**	513.2
Short-term deposits	**234.0**	702.6
Total cash and cash equivalents	**782.8**	**1,215.8**

Cash and cash equivalents are held in the following currencies:

	2021 € million	2020 € million
Euro	**518.4**	1,020.9
Nigerian Naira	**161.4**	102.0
Polish Zloty	**28.1**	7.3
Russian Rouble	**9.5**	8.3
US Dollar	**8.4**	8.2
Swiss Franc	**7.3**	8.2
Ukrainian Hryvnia	**7.2**	15.6
Hungarian Forint	**6.5**	3.6
Moldovan Leu	**6.5**	6.3
Romanian Leu	**6.0**	9.3
Belarusian Rouble	**5.8**	2.7
Serbian Dinar	**5.8**	9.9
Bosnian Mark	**3.3**	4.8
UK Sterling	**2.2**	2.0
Czech Koruna	**0.8**	0.4
Croatian Kuna	**0.7**	2.5
Other	**4.9**	3.8
Total cash and cash equivalents	**782.8**	**1,215.8**

As at 31 December 2021, time deposits of €189.9 million (2020: €92.9 million), which do not meet the definition of cash and cash equivalents, and investment in Nigerian treasury bills of €6.2 million (2020: €nil), which relate to the outstanding balance held for the repayment of Nigerian Bottling Company former minority shareholders following the 2011 acquisition of non-controlling interests, are recorded as other financial assets.

Cash and cash equivalents of €161.4 million (2020: €102.0 million) equivalent in Nigerian Naira include an amount of €8.9 million (2020: €11.0 million) which relates to the outstanding balance held for the repayment of Nigerian Bottling Company former minority shareholders, following the 2011 acquisition of non-controlling interests.

The amount of dividends payable to the Company by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws and exchange control restrictions of the jurisdictions where those subsidiaries are organised and operate. Also, there are fund transfer restrictions in certain countries in which we operate, in particular Belarus, Nigeria, Serbia and Ukraine, but these restrictions do not have a material impact on the Group's liquidity, as the amounts of cash and cash equivalents held in such countries are generally retained for capital expenditure, working capital and dividend distribution purposes. Intra-group dividends paid by certain of our subsidiaries are also subject to withholding taxes.

Notes to the consolidated financial statements *continued*

26. Equity

Accounting policies

Share capital

Coca-Cola HBC has only one class of shares, ordinary shares. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. Incremental external costs directly attributable to the issue of new shares or to the process of returning capital to shareholders are recorded in equity as a deduction, net of tax, in the share premium reserve.

Dividends

Dividends are recorded in the Group's consolidated financial statements, against the relevant equity component, in the period in which they are approved by the Group's shareholders.

a) Share capital, share premium and Group reorganisation reserve

	Number of shares (authorised and issued)	Share capital € million	Share premium € million	Group reorganisation reserve € million
Balance as at 1 January 2020	369,930,157	2,010.8	3,545.3	(6,472.1)
Shares issued to employees exercising stock options (refer to Note 28)	582,440	3.6	4.0	
Dividends	–	–	(227.9)	–
Balance as at 31 December 2020	**370,512,597**	**2,014.4**	**3,321.4**	**(6,472.1)**
Shares issued to employees exercising stock options (refer to Note 28)	1,282,821	7.9	11.7	–
Dividends	–	–	(235.8)	–
Balance as at 31 December 2021	**371,795,418**	**2,022.3**	**3,097.3**	**(6,472.1)**

The Group reorganisation reserve relates to the impact from adjusting share capital, share premium and treasury shares to reflect the respective statutory amounts of Coca-Cola HBC on 25 April 2013, together with the transaction costs incurred by the latter, relating primarily to the re-domiciliation of the Group and its admission to listing in the premium segment of the London Stock Exchange, following successful completion of the voluntary share exchange offer (refer also to Note 1). These transactions were treated as a reorganisation of an existing entity that has not changed the substance of the reporting entity.

In 2021, the share capital of Coca-Cola HBC increased by the issue of 1,282,821 (2020: 582,440) new ordinary shares following the exercise of stock options pursuant to the Coca-Cola HBC AG's employees' stock option plan. Total proceeds from the issuance of the shares under the stock option plan amounted to €19.6 million (2020: €7.6 million).

Following the above changes, on 31 December 2021 the share capital of the Group amounted to €2,022.3 million and comprised 371,795,418 shares with a nominal value of CHF 6.70 each.

b) Dividends

On 16 June 2020, the shareholders of Coca-Cola HBC AG at the Annual General Meeting approved a dividend distribution of €0.62 per share. The total dividend amounted to €227.9 million and was paid on 28 July 2020. Of this, an amount of €2.2 million related to shares held by the Group.

The shareholders of Coca-Cola HBC AG approved a dividend distribution of €0.64 per share at the Annual General Meeting held on 22 June 2021. The total dividend amounted to €235.8 million and was paid on 3 August 2021. Of this, an amount of €2.2 million related to shares held by the Group.

The Board of Directors of Coca-Cola HBC AG has proposed a €0.71 dividend per share in respect of 2021. If approved by the shareholders of Coca-Cola HBC AG, this dividend will be paid in 2022.

c) Treasury shares and reserves

The reserves of the Group as at 31 December were as follows:

	2021 € million	2020 € million
Treasury shares	**(146.6)**	(155.5)
Exchange equalisation reserve	**(1,154.0)**	(1,242.1)
Other reserves		
Hedging reserve, net	**9.9**	(27.5)
Tax-free reserve	**163.8**	163.8
Statutory reserves	**28.3**	28.4
Stock option and performance share reserve	**86.3**	80.1
Financial assets at fair value through other comprehensive income reserve, net	**0.6**	0.6
Other	**21.3**	21.3
Total other reserves	**310.2**	266.7
Total reserves	**(990.4)**	**(1,130.9)**

Treasury shares

Treasury shares held by the Group represent shares acquired following approval of share buy-back programmes, forfeited shares under the equity compensation plan operated by the Group, as well as shares representing the initial ordinary shares of Coca-Cola HBC acquired from Kar-Tess Holding.

An amount of €8.9 million in 2021 (2020: €14.3 million) relates to treasury shares provided to employees in connection with vested performance share awards under the Group's employee incentive scheme, which was reflected as an appropriation of reserves between 'Treasury shares' and 'Other reserves', more specifically the 'Stock option and performance share reserve' in the consolidated statement of changes in equity.

As at 31 December 2021, 5,894,583 (2020: 6,189,415) treasury shares were held by the Group.

Exchange equalisation reserve

The exchange equalisation reserve comprises all foreign exchange differences arising from the translation of the financial statements of Group entities with functional currencies other than the Euro.

Other reserves

Hedging reserve

The hedging reserve reflects changes in the fair values of derivatives accounted for as cash flow hedges, net of the deferred tax related to such balances.

Tax-free and statutory reserves

The tax-free reserve includes investment amounts exempt from tax according to incentive legislation, other tax-free income or income taxed at source. Statutory reserves are particular to the various countries in which the Group operates. The amount of statutory reserves of the parent entity, Coca-Cola HBC AG, is €nil.

Stock option and performance share reserve

The stock option and performance share reserve represents the cumulative charge to the income statement for employee stock option and performance share awards less the vested performance share awards.

Other

Other reserves are particular to the various countries in which the Group operates and include shares held for the Group's employee share purchase plan, which is an equity compensation plan in which eligible employees may participate, as well as the Group's share of changes in other reserves of equity method investments.

27. Related party transactions

a) The Coca-Cola Company

As at 31 December 2021, The Coca-Cola Company indirectly owned 21.0% (2020: 23.0%) of the issued share capital of Coca-Cola HBC. The Coca-Cola Company considers Coca-Cola HBC to be a 'key bottler' and has entered into bottlers' agreements with Coca-Cola HBC in respect of each of the Group's territories. All the bottlers' agreements entered into by The Coca-Cola Company and Coca-Cola HBC are Standard International Bottlers' ('SIB') agreements. The terms of the bottlers' agreements grant Coca-Cola HBC the right to produce and the exclusive right to sell and distribute the beverages of The Coca-Cola Company in each of the countries in which the Group operates. Consequently, Coca-Cola HBC is obliged to purchase all concentrate for The Coca-Cola Company's beverages from The Coca-Cola Company, or its designee, in the ordinary course of business. On 10 October 2012, The Coca-Cola Company agreed to extend the term of the bottlers' agreements for a further 10 years until 2023.

The Coca-Cola Company owns or has applied for the trademarks that identify its beverages in each of the countries in which the Group operates. The Coca-Cola Company has authorised Coca-Cola HBC and certain of its subsidiaries to use the trademark 'Coca-Cola' in their corporate names.

Notes to the consolidated financial statements *continued*

27. Related party transactions *continued*

The below table summarises transactions with The Coca-Cola Company and its subsidiaries:

	2021 € million	2020 € million
Purchases of concentrate, finished products and other items	**1,598.8**	1,374.6
Net contributions received for marketing and promotional incentives	**83.1**	90.7
Sales of finished goods and raw materials	**4.5**	3.5
Other income	**2.8**	6.3
Other expenses	**4.2**	**5.6**

The Coca-Cola Company makes discretionary marketing contributions to Coca-Cola HBC's operating subsidiaries. The participation in shared marketing agreements is at The Coca-Cola Company's discretion and, where co-operative arrangements are entered into, marketing expenses are shared. Such arrangements include the development of marketing programmes to promote The Coca-Cola Company's beverages. Contributions received from The Coca-Cola Company for marketing and promotional incentives during the year amounted to €83.1 million (2020: €90.7 million): contributions made by The Coca-Cola Company to Coca-Cola HBC for price support and marketing and promotional campaigns in respect of specific customers in 2021 totalled €52.6 million (2020: €63.9 million), while contributions made by The Coca-Cola Company to Coca-Cola HBC for general marketing programmes in 2021 totalled €30.5 million (2020: €26.8 million). The Coca-Cola Company has also customarily made additional payments for marketing and advertising directly to suppliers as part of the shared marketing arrangements. The proportion of direct and indirect payments, made at The Coca-Cola Company's discretion, will not necessarily be the same from year to year.

As at 31 December 2021, the Group had a total amount due from The Coca-Cola Company of €52.8 million (2020: €40.9 million), and a total amount due to The Coca-Cola Company of €223.1 million (2020: €196.4 million). The Group paid a total consideration of €5.6 million for the acquisition of the Costa Express Business (refer to Note 23).

b) Frigoglass S.A. ('Frigoglass'), Kar-Tess Holding and AG Leventis (Nigeria) Plc

Truad Verwaltungs AG currently indirectly owns 48.6% of Frigoglass and 99.3% of AG Leventis (Nigeria) Plc and also indirectly controls Kar-Tess Holding, which holds approximately 23.0% (2020: 23.0%) of Coca-Cola HBC's total issued share capital.

The below table summarises transactions with the above entities:

Frigoglass & subsidiaries	2021 € million	2020 € million
Purchases of coolers, cooler parts, glass bottles, crowns and raw and other materials	**117.6**	92.7
Maintenance and other expenses	**28.6**	21.1
AG Leventis (Nigeria) Plc		
Purchases of finished goods and other items	**9.3**	5.1
Other expenses	**0.1**	0.7

Frigoglass, a company listed on the Athens Exchange, is a manufacturer of coolers, cooler parts, glass bottles, crowns and plastics.

Frigoglass has a controlling interest in Frigoglass Industries (Nigeria) Limited, a company in which the Group has a 23.9% effective interest, through its investment in Nigerian Bottling Company Ltd.

The Group entered into a supply agreement with Frigoglass for the purchase of cooling equipment in 1999. The supply agreement was extended in 2004, 2008, 2013, 2018 and, most recently, in 2021, on substantially similar terms. The current agreement expires on 31 December 2025.

As at 31 December 2021, Coca-Cola HBC owed €14.9 million (2020: €11.8 million) to and was owed €0.8 million (2020: €0.8 million) by Frigoglass and its subsidiaries. During 2021, the Group received dividends of €1.4 million (2020: €nil) from Frigoglass Industries (Nigeria) Limited, which are included in the line 'Net receipts from non-integral equity method investments' in the consolidated cash flow statement.

As at 31 December 2021, the Group owed €0.9 million (2020: €1.8 million) and had a lease liability of €6.0 million (2020: €nil) to AG Leventis (Nigeria) Plc.

Capital commitments to Frigoglass and its subsidiaries as at 31 December 2021 amounted to €33.5 million (€14.1 million as at 31 December 2020) including the Group's share of its joint ventures' capital commitments to Frigoglass.

c) Other related parties

The below table summarises transactions with other related parties:

	2021 € million	2020 € million
Purchases	**1.5**	1.8
Other expenses	**15.1**	16.4

During 2021, the Group incurred subsequent expenditure for fixed assets of €1.5 million (2020: €1.8 million) from other related parties. Furthermore, during 2021, the Group incurred expenses of €15.1 million (2020: €16.4 million) mainly related to maintenance services for cold drink equipment and installations of coolers, fountains, vending and merchandising equipment from other related parties.

As at 31 December 2021, the Group had a total amount due to other related parties of €0.6 million (2020: €1.9 million) and a total amount of loans receivable from other related parties of €0.9 million (2020: €nil).

During 2021, the Group received dividends of €0.5 million from BevService S.r.l. (2020: €1.3 million), which are included in the line 'Net receipts from non-integral equity method investments' in the consolidated cash flow statement.

d) Joint ventures

During 2021, the Group purchased €5.2 million of finished goods (2020: €10.9 million) from joint ventures. In addition, during 2021 the Group recorded sales of finished goods and raw materials of €4.8 million (2020: €2.8 million) to joint ventures. Furthermore, the Group recorded other income of €16.2 million (2020: €10.2 million) from joint ventures and other expenses of €13.4 million (2020: €11.5 million) including €7.3 million (2020: €5.6 million) of interest charges from loans with joint ventures.

As at 31 December 2021, the Group owed €149.8 million including loans payable of €63.2 million (2020: €159.6 million including loans payable of €86.3 million) to and was owed €13.9 million including loans receivable of €7.1 million (2020: €13.1 million including loans receivable of €7.0 million) by joint ventures. During the full year ended 31 December 2021, the Group received dividends and capital returns of €47.8 million from integral joint ventures (2020: dividends of €27.1 million), which are included in the line 'Net receipts from integral equity method investments' in the consolidated cash flow statement.

e) Directors and senior management

Bruno Pietracci and Henrique Braun have been elected to the Board of Coca-Cola HBC following a proposal made by The Coca-Cola Company. There have been no transactions between Coca-Cola HBC and the Directors and senior management except for remuneration (refer to Note 8).

28. Share-based payments

Accounting policies

Stock option and performance share award plan

Coca-Cola HBC provides equity-settled share-based payments to its senior managers in the form of an employee stock option and performance share award plan (the 'Plan').

Stock options under the Plan are measured at fair value at the date of grant. Fair value reflects the parameters of the compensation plan, the risk-free interest rate, the expected volatility, the dividend yield and the early exercise experience under the Plan. Expected volatility is determined by calculating the historical volatility of Coca-Cola HBC's share price over previous years. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period.

The Plan offers a specified number of performance share awards that vest three years after grant. The fair value is determined at the grant date and reflects the parameters of the compensation plan, the dividend yield and the closing share price on the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. At the end of each reporting period the Group revises its estimates of the number of shares that are expected to vest based on non-market conditions, and recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Employee Share Purchase Plan

The Group operates an employee share purchase plan ('ESPP'), an equity compensation plan in which eligible employees can participate. The Group makes contributions to the plan for participating employees and recognises expenses over the vesting period of the contributions.

The charge included in employee costs regarding share-based payments for the years ended 31 December is analysed as follows:

	2021 € million	2020 € million
Performance share awards	**14.6**	10.0
Employee Share Purchase Plan	**5.5**	5.5
Total share-based payments charge	**20.1**	**15.5**

Terms and conditions

Stock option and performance share award plan

Based on Plan rules, senior managers are granted awards of stock options based on performance, potentiality and level of responsibility. Options are granted at an exercise price equal to the closing price of the Company's shares trading on the London Stock Exchange on the day of the grant. Options vest in one-third increments each year for three years and can be exercised for up to 10 years from the date of award. When the options are exercised, the proceeds received by the Group, net of any transaction costs, are credited to share capital (at the nominal value) and share premium. The Group has not issued any new stock options since 2014.

Since 2015, performance shares are the primary long-term award. Senior managers are granted performance share awards, which have a three-year vesting period and are linked to Group-specific key performance indicators. The closing price of the Company's shares trading on the London Stock Exchange on the day of the grant is used to determine the number of performance share awards granted. In 2018, the Group modified the performance share plan, in order for eligible employees to receive upon vesting, additional to the specific number of shares, the value of dividends corresponding to the years from grant till vest date, subject to the approval of the Remuneration Committee.

Notes to the consolidated financial statements *continued*

28. Share-based payments *continued*

Employee Share Purchase Plan

The Employee Share Purchase Plan is administered by a Plan Administrator. Under the terms of this plan, employees have the opportunity to invest 1% to 15% of their salary in ordinary Coca-Cola HBC shares by contributing to the plan through a payroll deduction. Employee deductions are used monthly to purchase ordinary Coca-Cola HBC shares in the open market (London Stock Exchange).

Coca-Cola HBC will match employee contributions up to a maximum of 3% of the employee's salary. Employer matching cash contributions vest one year after the grant, at which time they are used to purchase matching shares on the open market that are immediately vested. Dividends received in respect of shares held under this plan are used to purchase additional shares at the time of dividend distribution. Shares are held under the Plan Administrator. For employees resident in Greece, Coca-Cola HBC matches the employees' contribution with an annual employer contribution of up to 5% of the employees' salary that vests annually in December of each year.

Stock option activity

The outstanding stock options are fully vested and are exercisable until 2026.

A summary of stock option activity in 2021 under all grants is as follows:

	Number of stock options 2021	**Weighted[1] average exercise price 2021 (EUR)**	**Weighted average exercise price 2021 (GBP)**
Outstanding at 1 January	**3,621,676**	**15.97**	**14.49**
Exercised	**(1,282,821)**	**15.66**	**13.17**
Outstanding at 31 December	**2,338,855**	**18.08**	**15.21**
Exercisable at 31 December	**2,338,855**	**18.08**	**15.21**

A summary of stock option activity in 2020 under all grants is as follows:

	Number of stock options 2020	Weighted[1] average exercise price 2020 (EUR)	Weighted average exercise price 2020 (GBP)
Outstanding at 1 January	4,204,144	16.45	14.05
Exercised	(582,440)	12.53	11.37
Expired	(28)	17.09	15.50
Outstanding at 31 December	**3,621,676**	**15.97**	**14.49**
Exercisable at 31 December	**3,621,676**	**15.97**	**14.49**

1. For convenience purposes, the prices are translated at the closing exchange rate.

Total proceeds from the issuance of the shares under the stock option plan in 2021 amounted to €19.6 million (2020: €7.6 million).

The weighted average remaining contractual life of stock options outstanding at 31 December 2021 was 2.5 years (2020: 3.2 years).

Performance shares activity

A summary of performance shares activity is as follows:

	Number of performance shares 2021	Number of performance shares 2020
Outstanding at 1 January	**2,294,478**	1,894,023
Granted[2]	**835,477**	1,138,829
Vested	**(294,832)**	(468,818)
Forfeited/Cancelled	**(359,756)**	(269,556)
Outstanding at 31 December	**2,475,367**	**2,294,478**

2. Includes dividend equivalent shares.

The weighted average remaining contractual life of performance shares outstanding at 31 December 2021 was 1.3 years (2020: 1.5 years).

The fair value for the 2021 performance share plan is £23.80 per share (2020: £14.94). Relevant inputs into the valuation are as follows:

	2021	2020
Weighted average share price	**£23.80**	£14.94
Dividend yield	**nil**	nil
Weighted average exercise period	**3.0 years**	3.0 years

29. Contingencies

In relation to the Greek Competition Authority's decision of 25 January 2002, one of Coca-Cola Hellenic Bottling Company S.A.'s competitors had filed a lawsuit against Coca-Cola Hellenic Bottling Company S.A. claiming damages in an amount of €7.7 million. The court of first instance heard the case on 21 January 2009 and subsequently rejected the lawsuit. The plaintiff appealed the judgement and on 9 December 2013 the Athens Court of Appeals rejected the plaintiff's appeal. On 19 April 2014, the same plaintiff filed a new lawsuit against Coca-Cola Hellenic Bottling Company S.A. (following the spin-off, Coca-Cola HBC Greece S.A.I.C.) claiming payment of €7.5 million as compensation for losses and moral damages for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. between 1994 and 2013. On 21 December 2018, the plaintiff served their withdrawal from the lawsuit.

However, on 20 June 2019 the same plaintiff filed a new lawsuit against Coca-Cola HBC Greece S.A.I.C. claiming payment of €10.1 million as compensation for losses and moral damages again for alleged anti-competitive commercial practices of Coca-Cola Hellenic Bottling Company S.A. for the same period between 1994 and 2013. On 16 July 2021, the Athens Multimember Court of First Instance issued its judgment number 1929/2021 (hereinafter the 'Judgment'), which adjudicates that Coca-Cola HBC Greece S.A.I.C. is obliged to pay to the plaintiff an amount of circa €0.9 million plus interest as of 31 December 2003. Both Coca-Cola HBC Greece S.A.I.C. and the plaintiff have appealed against this decision to the court of appeals. Both appeals have been scheduled to be heard on 19 January 2023. Management believes that any liability to the Group that may arise as a result of these pending legal proceedings will not have a material adverse effect on the results of operations, cash flows, or the financial position of the Group taken as a whole.

With respect to the ongoing investigation of the Greek Competition Commission initiated on 6 September 2016, regarding Coca-Cola HBC Greece S.A.I.C.'s operations in certain commercial practices in the non-alcoholic beverages market, the Rapporteur of the Greek Competition Commission appointed for this case issued her Statement of Objections on 5 July 2021. According to this Statement of Objections, Coca-Cola HBC Greece S.A.I.C. has allegedly breached Article 2 of Law 3959/2011 and Article 102 of 'Treaty on the Functioning of the European Union' ('TFEU') in the Greek on-premise market for the sale of cola and non-cola beverages. In particular, according to this Statement of Objections, during the period 2015-2020, Coca-Cola HBC Greece S.A.I.C. allegedly undertook a series of anti-competitive practices in the relevant market, thereby excluding competitors and limiting their growth possibilities. The Statement of Objections recommends that the Greek Competition Commission should impose a fine upon Coca-Cola HBC Greece S.A.I.C., and that the latter is required to omit the allegedly anti-competitive practices in the future. The Statement of Objections is not binding on the Greek Competition Commission, which will decide on the case after it has taken into consideration all evidence, as well as the arguments put forward by all the parties involved. Coca-Cola HBC Greece S.A.I.C. has vigorously defended its commercial practices, in rebuttal of the allegations set out in the Statement of Objections. The hearing of the case, before the plenary session of the Greek Competition Commission, was concluded on 29 November 2021 and the supplementary briefs of the parties were submitted on 16 December 2021. At this stage, it is difficult to predict with certainty the outcome of the hearing and the timing of the decision by the Greek Competition Commission.

In 1992, our subsidiary Nigerian Bottling Company ('NBC') acquired a manufacturing facility in Nigeria from Vacunak, a Nigerian company. In 1994, Vacunak filed a lawsuit against NBC, alleging that a representative of NBC had orally agreed to rescind the sale agreement and instead enter into a lease agreement with Vacunak. As part of its lawsuit, Vacunak sought compensation for rent and loss of business opportunities. NBC discontinued all use of the facility in 1995. On 19 August 2013, NBC received the written judgment of the Nigerian court of first instance issued on 28 June 2012 providing for damages of approximately €17.2 million. NBC has filed an appeal against the judgment. Based on advice from NBC's outside legal counsel, we believe that it is unlikely that NBC will suffer material financial losses from this case. We have consequently not provided for any losses in relation to this case.

In May 2021, the European Commission sent CCH a questionnaire as part of a preliminary investigation into a possible infringement by a CCH subsidiary, Coca-Cola European Partners, and The Coca-Cola Company of EU competition rules through the granting of conditional rebates to 'off-trade' customers capable of foreclosing competition from other suppliers. CCH's subsidiary will vigorously defend its commercial practices and is actively co-operating with the European Commission. The fact that the European Commission is carrying out a preliminary investigation does not mean that it will open formal proceedings. It is not possible to predict how long the investigation will take and its ultimate outcome.

The tax filings of the Group and its subsidiaries are routinely subjected to audit by tax authorities in most of the jurisdictions in which the Group conducts business. These audits may result in assessments of additional taxes. The Group provides for additional tax in relation to the outcome of such tax assessments, to the extent that a liability is probable and estimable.

The Group is also involved in various other legal proceedings. Management believes that any liability to the Group that may arise as a result of these pending legal proceedings will not have a material adverse effect on the results of operations, cash flows, or the financial position of the Group taken as a whole.

30. Commitments

Capital commitments

As at 31 December 2021, the Group had capital commitments for property, plant and equipment amounting to €166.1 million (2020: €115.4 million). Of this, €9.0 million are related to the Group's share of the commitments arising from joint ventures (2020: €3.0 million).

Capital commitments for 2021 include total future minimum lease payments under leases not yet commenced to which the Group was committed at 31 December 2021 of €18.1 million (2020: €11.9 million).

31. Post balance sheet events

a) Acquisition of Coca-Cola Bottling Company of Egypt S.A.E.

On 12 August 2021, the Group entered into a sale and purchase agreement to acquire approximately 52.7% of Coca-Cola Bottling Company of Egypt S.A.E. ('CCBCE'), the bottling partner of The Coca-Cola Company ('TCCC') in Egypt, from MAC Beverages Limited and certain of its affiliated entities ('MBL acquisition'). The MBL acquisition was completed on 13 January 2022 and resulted in the Group obtaining control over CCBCE.

The acquisition of CCBCE expands the Group's existing footprint on the African continent and further increases its exposure to high-growth markets, as it provides access to one of the largest non-alcoholic ready-to-drink markets by volume in Africa. In addition, sharing of the Group's proven capabilities, experience and best practices with CCBCE is expected to unlock growth opportunities, creating value for all stakeholders.

Notes to the consolidated financial statements *continued*

31. Post balance sheet events *continued*

The operating results and assets and liabilities of CCBCE will be consolidated from 14 January 2022.

The fair value of the consideration for the MBL acquisition consists of €264.9 million, which has already been transferred, and an additional payment that is to be determined, following discussions and conditions agreed between the Group and MBL, based on CCBCE's past performance, net financial position and working capital movement.

As part of the MBL acquisition completion, a convertible loan which had been granted to CCBCE from a wholly-owned affiliate of TCCC, one of its major shareholders, was also transferred to the Group for a consideration of €19.1 million. The consideration was equal to the outstanding principal amount of the convertible loan and any unpaid interest at the time of its transfer. The loan is convertible at its maturity in March 2022 into new CCBCE shares at fair market value and was eliminated upon consolidation of CCBCE.

Details of the MBL acquisition with regard to provisionally determined fair values of the net assets acquired, non-controlling interests and goodwill are as follows:

	Fair Value € million
Franchise agreements	367.7
Property, plant and equipment	315.3
Inventories	59.2
Trade, other receivables and assets	65.2
Cash and cash equivalents	15.9
Borrowings	(217.0)
Trade and other payables	(127.4)
Net deferred tax liabilities	(121.9)
Net identifiable assets acquired	**357.0**
Less: Non-controlling interests	(169.0)
Add: Goodwill arising on acquisitions	76.9
Net assets acquired	**264.9**

The table above excludes the additional payment that may adjust the provisionally determined fair values of the net assets acquired, non-controlling interests and goodwill.

Fair values on acquisition are provisional due to the timing of the transaction and will be finalised within 12 months of the acquisition date. The goodwill is attributable to CCBCE's strong market position and growth potential. The line 'Borrowings' in the above table includes the convertible loan as well as third-party loans of €122.7 million, which have been repaid and replaced with intra-group borrowings. The Group has chosen to recognise the non-controlling interests at their proportionate share of the fair value of CCBCE's net identifiable assets acquired.

On 12 August 2021, the Group entered into an additional sale and purchase agreement to acquire approximately 42% of Coca-Cola Bottling Company of Egypt S.A.E. ('CCBCE'), from a wholly-owned affiliate of TCCC ('TCCC acquisition'). The TCCC acquisition was completed on 25 January 2022.

The fair value of the consideration paid for the TCCC acquisition amounted to €108.9 million. The transaction was treated as separate to the MBL acquisition, considering that whilst the transactions above were entered into at the same time and in contemplation of each other, they are separate from a commercial and contractual perspective and, as such, they are treated as two separate transactions. The TCCC acquisition was accordingly accounted for as an equity transaction.

Following the completion of both the transactions, the Group holds a 94.7% interest in CCBCE.

b) Other subsequent events

The events involving Ukraine and Russia during the first quarter of 2022 have, among other things, resulted in increased volatility in currency markets causing the Russian Rouble and the Ukrainian Hryvnia to depreciate significantly against some major currencies. As of 11 March 2022, the Russian Rouble and the Ukrainian Hryvnia had depreciated by approximately 72% and 8% respectively against the Euro, compared to the 31 December 2021 exchange rates.

On 8 March 2022, The Coca-Cola Company ('TCCC') announced that it is suspending its business in Russia. At the time of publication, the Group is working closely with TCCC to implement this decision.

The Group is currently assessing the financial effect of the above on its Russia and Ukraine operations. No impact to the Group's ability to continue as a going concern has been identified because of this event.

The 2021 operating profit from Ukraine and Russia (including share of results of Multon joint venture, our Russian juice business) represented approximately 2% and 18% respectively of the Group's consolidated operating profit, while non-current assets represented approximately 1% and 9% respectively of the Group's total non-current assets as at 31 December 2021.

Management is continuously monitoring developments in the area to ensure timely actions and initiatives are undertaken to minimise any adverse impact to the Group.

On 15 March 2022, the Remuneration Committee granted 1,220,231 performance share awards under the performance share plan, which have a three-year vesting period.

Swiss Statutory Reporting

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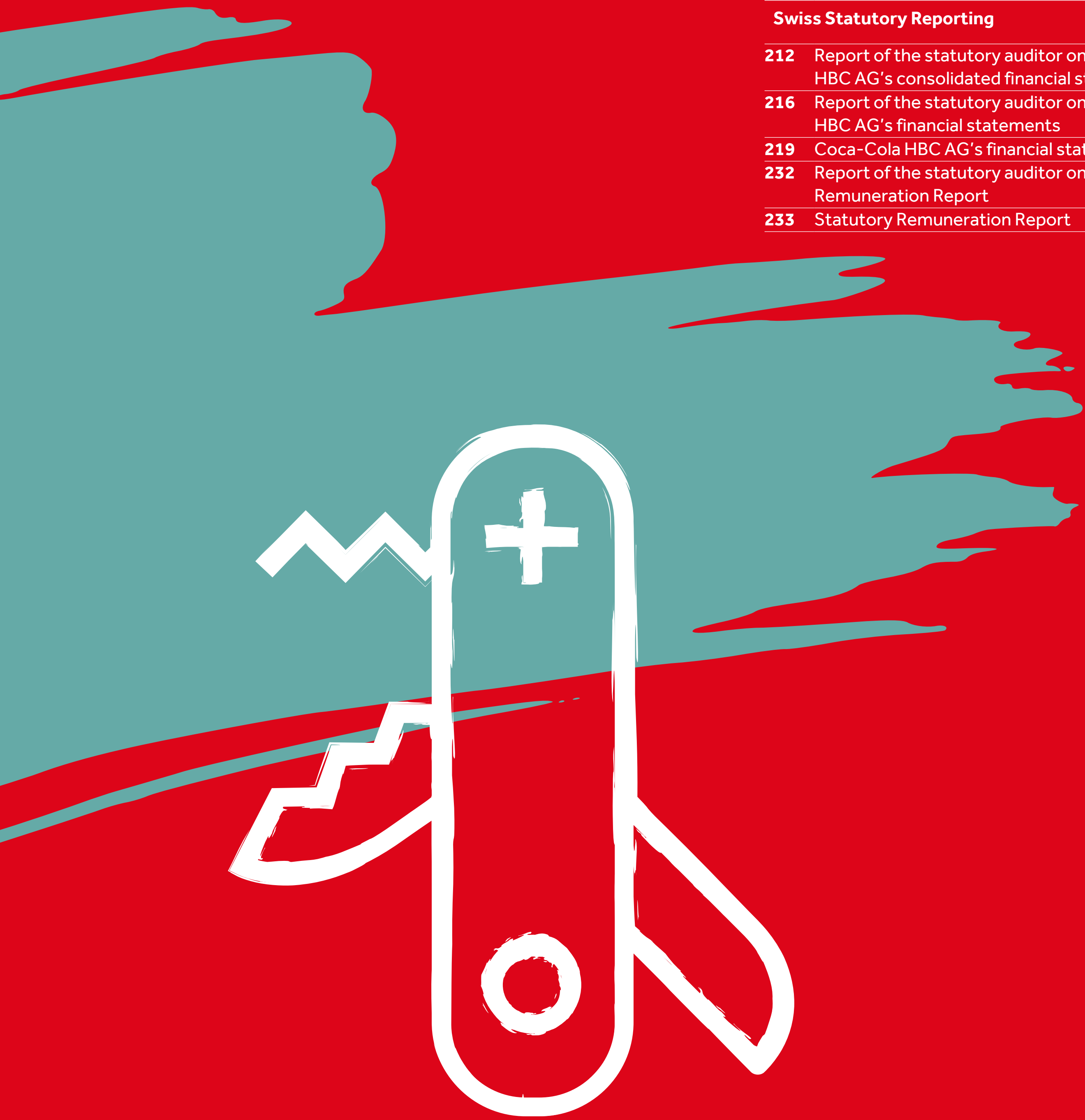

Swiss statutory reporting

Report of the statutory auditor
to the General Meeting of
Coca-Cola HBC AG
Steinhausen (Zug)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Coca-Cola HBC AG and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2021, the consolidated balance sheet as at 31 December 2021 and the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, including the notes to the consolidated financial statements and a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 154 to 210) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality:	€ 36.7 million
Audit scope	We conducted full scope audit procedures on the financial information of 15 subsidiaries and one joint venture in 14 countries spread across all of the Group's reportable segments. We also conducted procedures around specific account balances and transactions and analytical review procedures for other subsidiaries and Group functions. Our audit scope addressed 85% of consolidated net sales revenue, 84% of consolidated profit before tax and 87% of consolidated total assets of the Group.
Key audit matters	As key audit matters the following areas of focus have been identified: • Goodwill and indefinite-lived intangible assets impairment assessment • Uncertain tax positions

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	€ 36'700'000
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements above € 1.5 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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

Based on the significance to the consolidated financial statements and in light of the key audit matters as noted below, we identified 15 subsidiaries and one joint venture in 14 countries spread across all of the Group's reportable segments (including the trading subsidiaries in Russia, Italy, Nigeria, Poland, Romania, and Switzerland) which, based on our scoping analysis, required a full scope audit of their financial information. In addition, audit procedures were performed with respect to the centralised treasury functions by the group engagement team in Greece and with respect to the centralised procurement function by the component audit team in the Netherlands. The group engagement team also performed analytical review and other procedures on balances and transactions of subsidiaries not covered by the procedures described above.

As the Swiss statutory auditor, we issued group audit instructions to PwC Greece, who has the responsibility as the group audit engagement team for the Company's reporting requirements for the London Stock Exchange. These instructions covered the scope of our group audit to enable us to fulfil our responsibilities under Swiss law. As the ultimate group engagement team, we had ongoing interactions with the group engagement team in Greece to be continuously updated and to monitor their progress and results of their procedures. We reviewed the instructions which PwC Greece issued to component audit teams regarding centralised audit procedures performed at the shared services centres in Bulgaria and Greece and shared audit comfort with component teams as it relates to IT general controls, cybersecurity risks and the upgrade of the Group's ERP system. We reviewed working papers and undertook additional interactions as considered necessary depending on the significance of the component, accounting and audit matters. The Group consolidation, financial statement disclosures and a number of areas of significant judgement and estimates, including goodwill and intangible assets and the Group's overall going concern assessment, were audited by the group engagement team together with PwC Greece.

Due to the travel and other restrictions put in place in response to the COVID-19 pandemic, the group engagement team held frequent virtual meetings to oversee the work performed by the group and component audit teams. As the ultimate group engagement team, we held remote meetings and discussions with the management of the trading subsidiaries in Russia, Italy, Poland, Romania, Switzerland and the management of the joint venture in Russia to discuss business performance and outlook, matters relating to the ongoing COVID-19 pandemic, regulation and taxation, and any specific accounting and auditing matters identified, including fraud and internal controls.

Based on the above, the subsidiaries and joint venture which were in the scope for the purposes of the group audit accounted for 85% of consolidated net sales revenue, 84% of consolidated profit before tax and 87% of consolidated total assets of the Group. This, together with the additional procedures performed by us as group engagement team, provided us with sufficient appropriate evidence for our audit opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Swiss statutory reporting *continued*

Goodwill and indefinite-lived intangible assets impairment assessment

Key audit matter

Refer to Note 13 Intangible Assets including goodwill.

Goodwill and indefinite-lived intangible assets (franchise agreements and trademarks) as at 31 December 2021 amount to €1,759.3 million and €269.6 million, respectively.

The above amounts have been allocated to individual cash-generating units (CGUs), which in accordance with International Accounting Standard (IAS) 36 require the performance of an impairment assessment at least annually, or whenever there is an indication of impairment. The impairment assessment involves the determination of the recoverable amount of the CGU, being the higher of the value-in-use and the fair value less costs to sell.

This area was a key matter for our audit due to the size of the goodwill and indefinite-lived intangible assets balances and because the determination of whether elements of goodwill and of indefinite-lived intangible assets are impaired involves complex and subjective estimates and judgements made by management about the future results of the CGUs. These estimates and judgements include assumptions surrounding revenue growth rates, costs, foreign exchange rates and discount rates.

Furthermore, the COVID-19 pandemic, macroeconomic volatility, competitor activity and regulatory/fiscal developments could adversely affect each CGU and potentially the carrying amount of goodwill and indefinite-lived intangible assets.

Management has identified the Italy CGU to be sensitive to possible changes in the assumptions used, which could result in the calculated recoverable amount being lower in future periods than the carrying value of the CGU. Additional sensitivity disclosure has been included in the consolidated financial statements in respect of this CGU.

No impairment charge was recorded in 2021.

How our audit addressed the key audit matter

We evaluated the appropriateness of management's identification of the Group's CGUs, related control activities and the process by which management prepared the CGUs' value-in-use calculations.

We tested the mathematical accuracy of the CGUs' value-in-use calculations and compared the cash flow projections included therein to the financial budgets approved by the Board of Directors, covering a one-year period and management's projections for the subsequent four years. In addition, we assessed the reliability of the cash flow projections by comparing key elements of the prior year projections with actual results.

We challenged management's cash flow projections in relation to the assumptions applied to the value-in-use calculations focusing on future performance in light of the gradual recovery from the COVID-19 pandemic with respect to short-term and long-term revenue growth rates and the level of costs.

With the support of our valuation specialists, we assessed the appropriateness of certain assumptions including discount, annual revenue growth, perpetuity revenue growth and foreign exchange rates.We also evaluated management's assessment of the potential effect of climate change to the cost of water.

We performed our independent sensitivity analyses on the key drivers of the value-in-use calculations for the CGUs with significant balances of goodwill and indefinite-lived intangible assets.

As a result of our work, we found that the determination by management that no impairment was required for goodwill and indefinite-lived intangible assets was supported by assumptions within reasonable ranges.

We assessed the appropriateness and completeness of the related disclosures in Note 13, as regards to goodwill and indefinite-lived intangible assets, and considered them to be reasonable.

Uncertain tax positions

Key audit matter

Refer to Note 10 Taxation and Note 29 Contingencies.

The Group operates in numerous tax jurisdictions and is subject to periodic tax inspections by local tax authorities, in the normal course of business, on a range of tax matters in relation to corporate tax, transfer pricing and indirect taxes.

As at 31 December 2021, the Group has current tax liabilities of €80.1 million, which include €52.6 million of provisions for tax uncertainties.

The impact of changes in local tax regulations and ongoing inspections by local tax authorities could materially impact the amounts recorded in the consolidated financial statements.

Where the amount of tax payable is uncertain, the Group establishes provisions based on management's estimates with respect to the likelihood of material tax exposures and the probable amount of the liability.

We consider this a key audit matter given the level of judgements and uncertainty involved in estimating tax provisions and the complexity of dealing with tax rules and regulations in numerous jurisdictions.

How our audit addressed the key audit matter

In order to understand and evaluate management's judgements, we considered the status of current tax authority inspections and enquiries, the outcome of previous tax authority inspections, judgemental positions taken in tax returns and current year estimates as well as recent developments in the tax jurisdictions in which the Group operates.

We challenged management's key assumptions, particularly in cases where there had been significant developments with tax authorities.

Our component audit teams, through the use of tax specialists with local knowledge and relevant expertise, assessed the tax positions taken by the subsidiary in scope, in the context of applying local tax laws and evaluating the local tax assessments. Additionally, with our group engagement team tax specialists, we further evaluated management's judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions.

We held virtual meetings with local management to discuss the individual tax position of the in-scope subsidiaries and with the group engagement team tax specialist for the Group's overall tax exposure.

From the evidence obtained we consider the provisions in relation to uncertain tax positions as at 31 December 2021 to be reasonable. We also assessed the related disclosures provided in Notes 10 and 29 to the consolidated financial statements and concluded that these are appropriate.

The impact of the COVID-19 pandemic, which was a key audit matter last year, continued to be an area of focus in light of uncertainty over the effective containment of the pandemic and any potential impact to the Group. The audit procedures performed did not identify any significant impact on the control environment, as a result of the COVID-19 pandemic and remote working, the recoverability of trade receivables or management's assessment of the going concern basis of accounting. Having considered the gradual recovery from the COVID-19 pandemic and the audit effort required in 2021 and to the date of this audit report, the impact of the COVID-19 pandemic is no longer included as a key audit matter.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Coca-Cola HBC AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERT-suisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Boehm Uglow Audit Expert Auditor In Charge	**Mei Ling Ow** Audit Expert

Zurich, 23 March 2022

Swiss statutory reporting *continued*

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Report of the statutory auditor
to the General Meeting of
Coca-Cola HBC AG
Steinhausen (Zug)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Coca-Cola HBC AG (the Company), which comprise the balance sheet as at 31 December 2021, statement of income, cash flow statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 219 to 230) as at 31 December 2021 comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 32'300'000
Benchmark applied	Net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark which reflects the actual substance of the entity. This is a generally accepted benchmark for ultimate holding companies.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Swiss statutory reporting *continued*

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of reserves complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Boehm Uglow
Audit Expert
Auditor In Charge

Mei Ling Ow
Audit Expert

Zurich, 23 March 2022

Enclosures:

- Financial statements (balance sheet, statement of income, cash flow statement and notes)
- Proposed appropriation of reserves

Coca-Cola HBC AG, Steinhausen (Zug)

Balance sheet

		As at 31 December	
		CHF thousands	
ASSETS	Note	**2021**	2020
Cash and cash equivalents		**2,026**	1,880
Short-term receivables from direct and indirect participations	2.1	**12,047**	13,948
Receivables from related parties	1	**338**	1,677
Short-term receivables from third parties	1	**1,491**	1,223
Total current assets		**15,902**	**18,728**
Investments in subsidiaries	2.2	**6,710,376**	6,966,457
Property, plant and equipment (incl. right-of-use assets)		**4,936**	1,875
Total non-current assets		**6,715,312**	**6,968,332**
Total assets		**6,731,214**	**6,987,060**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade payables due to third parties		**1,713**	1,192
Short-term liabilities to direct and indirect participations	2.3	**3,149**	4,140
Short-term lease liabilities		**704**	397
Accrued expenses	2.3	**47,743**	28,735
Total short-term liabilities		**53,309**	**34,464**
Long-term interest-bearing liabilities to indirect participations	2.4	**204,482**	223,668
Long-term lease liabilities		**2,127**	507
Provisions	2.5	**15,987**	10,519
Total long-term liabilities		**222,596**	**234,694**
Share capital	2.6	**2,491,029**	2,482,434
Legal capital reserves			
Reserves from capital contributions		**3,982,078**	4,229,620
Reserves for treasury shares	2.7	**85,298**	85,298
Retained earnings			
Results carried forward		**18,260**	42,803
Loss for the year		**(33,852)**	(24,543)
Treasury shares	2.7	**(87,504)**	(97,710)
Total shareholders' equity	2.8	**6,455,309**	**6,717,902**
Total liabilities and shareholders' equity		**6,731,214**	**6,987,060**

Swiss statutory reporting *continued*

Coca-Cola HBC AG, Steinhausen (Zug)

Statement of income

		Year ended 31 December	
		CHF thousands	
	Note	**2021**	2020
Dividend income		**256,081**	247,408
Other operating income	2.9	**38,320**	23,938
Total operating income		**294,401**	**271,346**
Employee costs	2.10	**(48,278)**	(27,428)
Other operating expenses	2.11	**(16,585)**	(13,114)
Write down of investments	2.2	**(256,081)**	(247,408)
Depreciation on property, plant and equipment (incl. right-of-use assets)		**(743)**	(565)
Total operating expenses		**(321,687)**	**(288,515)**
Operating loss		**(27,286)**	**(17,169)**
Finance costs		**(6,403)**	(7,199)
Loss before tax		**(33,689)**	**(24,368)**
Direct taxes		**(163)**	(175)
Loss for the year		**(33,852)**	**(24,543)**

Coca-Cola HBC AG, Steinhausen (Zug)

Cash flow statement

	Note	2021	2020
		Year ended 31 December	
		CHF thousands	
Loss for the year		**(33,852)**	(24,543)
Depreciation property, plant and equipment		**743**	565
Finance costs		**6,403**	7,199
Write down of investments	2.2	**256,081**	247,408
Net change related to employee performance share plan		**22,376**	12,633
		251,751	243,262
Decrease/(increase) in receivables		**2,972**	(572)
Decrease in investments in subsidiaries	2.2	**(256,081)**	(247,408)
Decrease in short-term liabilities (excl. financial liabilities)		**(631)**	(1,977)
Increase/(decrease) in accrued expenses		**12,416**	(2,449)
Increase in provisions		**160**	35
Proceeds from dividends received from subsidiaries	2.2	**256,081**	247,408
Tax paid		**(181)**	(220)
Net cash inflow from operating activities		**266,487**	**238,079**
Payments for purchases of property, plant and equipment		**(1,471)**	(106)
Cash outflow from investing activities		**(1,471)**	**(106)**
Principal repayments of lease obligations		**(405)**	(421)
Proceeds from long-term financial liabilities		**5,708**	16,139
Repayments of long-term financial liabilities		**(24,894)**	(8,748)
Dividends paid to owners of the Company		**(260,250)**	(244,737)
Proceeds from shares issued to employees exercising stock options		**21,303**	8,162
Interest paid		**(6,244)**	(6,558)
Net cash outflow from financing activities		**(264,782)**	**(236,163)**
Net increase in cash and cash equivalents		**234**	**1,810**
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		**1,880**	48
Net increase in cash and cash equivalents		**234**	1,810
Effect of changes in exchange rates		**(88)**	22
Cash and cash equivalents at 31 December		**2,026**	**1,880**

Swiss statutory reporting *continued*

Notes to the Financial Statements of Coca-Cola HBC AG, Steinhausen (Zug)

Introduction

Coca-Cola HBC AG ('the Company') was incorporated on 19 September 2012 by Kar-Tess Holding. On 11 October 2012, the Company announced a voluntary share exchange offer to acquire all outstanding ordinary registered shares and all American depositary shares of Coca-Cola Hellenic Bottling Company S.A., Maroussi (GR) ('CCHBC SA'). As a result of the successful completion of this offer, on 25 April 2013 the Company acquired 96.85% of the issued CCHBC SA shares, including shares represented by American depositary shares, and became the new parent company of the Group (the Company and its direct and indirect subsidiaries). On 17 June 2013, the Company completed its statutory buy-out of the remaining shares of CCHBC SA that it did not acquire upon completion of its voluntary share exchange offer.

1. Accounting principles

Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO). From 1 January 2021, the Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in accordance with Art. 963b CO due to a requirement from the Athens Exchange, its primary listing in the EU. In accordance with Art. 961 para 2. CO, the Company is presenting a cash flow statement. Significant accounting and valuation principles are described below:

Dividend income

Dividend income is recognised when the right to receive payment is established.

Other operating income

The Company provides management services to its principal subsidiaries and acts as guarantor to its principal subsidiary, Coca-Cola HBC Finance B.V. The income from these services is recognised in the accounting period in which the service is provided.

Exchange rate differences

The accounting records of the Company are maintained in Euros and translated to Swiss francs (CHF) for presentation purposes. Except for investments in subsidiaries, property, plant and equipment, long-term liabilities and equity, which are translated at historical rates, all assets and liabilities denominated in foreign currencies are translated into CHF using the closing exchange rate as at 31 December 2021. Income and expenses are translated into CHF at the average exchange rate of the reporting year except for dividend income and related write down of investments (see Note 2.2) which are valued at the transaction date exchange rate. Net unrealised exchange losses are recorded in the income statement, while net unrealised gains are deferred within accrued expenses.

	Balance sheet as at		Income statement for the year ended	
Exchange rates	**31 December 2021**	31 December 2020	**31 December 2021**	31 December 2020
EUR	**1.04**	1.08	**1.08**	1.07
USD	**0.91**	0.88	**–**	–
GBP	**1.23**	1.19	**–**	–

Leasing disclosures

Management has applied an economic-view approach to the disclosure of lease contracts considering the underlying usage rights. Right-of-use assets are presented within property, plant and equipment and depreciated over their useful life. The short- and long-term lease liabilities are adjusted for interest and lease payments.

Investments in subsidiaries

Investments in subsidiaries are valued at historical cost and evaluated for impairment if identified triggering events occur.

Property, plant and equipment

Right-of-use assets are included within property, plant and equipment.

Depreciation is calculated on the basis of the following useful lives and in accordance with the following methods:

Property, plant and equipment	Useful life	Method
Leasehold improvement (building)	20 years	5% linear
Leasehold improvement (office infrastructure)	10 years	10% linear
Building infrastructure	12 years	8.33% linear
Right-of-use buildings and Company cars	Shorter of useful life and lease term	Linear
Furniture and fixtures, office equipment and other tangible fixed assets	8 years	12.5% linear
Telephony infrastructure	7 years	14.29% linear
Communication equipment, computers and PCs	4 years	25% linear
Tablets	3 years	33.33% linear

1. Accounting principles *continued*

Treasury shares

Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition. If treasury shares are sold, the gain or loss arising is recognised in the income statement as finance income or finance cost as appropriate.

Receivables from related parties

As at 31 December 2021 receivables from related parties are disclosed separate from short-term receivables from third parties. Comparative figures have been reclassified where necessary to conform with changes in presentation in the current year. More specifically, receivables from related parties of CHF 1,677 thousand have been reclassified from 'Short-term receivables from third parties' to 'Receivables from related parties'.

2. Information relating to the balance sheet and statement of income

2.1 Short-term receivables from direct and indirect participations

The short-term receivables from direct and indirect participations do not bear interest.

	As at 31 December	
	CHF thousands	
Name of participation	2021	2020
Coca-Cola Holdings II B.V., Amsterdam	14	–
CCB Management Services GmbH, Vienna	11,221	13,177
Coca-Cola HBC Finance B.V., Amsterdam	606	668
Coca-Cola Holdings B.V., Amsterdam	11	–
Coca-Cola Hellenic Business Service Organisation, Sofia	195	103
Short-term receivables from direct and indirect participations	**12,047**	**13,948**

2.2 Investments in subsidiaries

			As at 31 December	
			CHF thousands	
Direct subsidiary	Share of capital	Share of votes	2021	2020
Coca-Cola HBC Holdings B.V., Amsterdam[1]	100%	100%	6,966,457	7,213,865
Write down of investment			(256,081)	(247,408)
Investments in subsidiaries	100%	100%	**6,710,376**	**6,966,457**

1. Coca-Cola HBC Holdings B.V., Amsterdam was incorporated on 26 June 2013.

In 2015 the Company adopted a practice of reducing the value of its investment in Coca-Cola HBC Holdings B.V. by an amount equal to the dividend received from that subsidiary. The amount of the write down in 2021 is equal to the dividend received in August 2021 from Coca-Cola HBC Holdings B.V. of CHF 256,081 thousand (2020: CHF 247,408 thousand).

The principal direct and indirect participations of the Company are disclosed in Note 15 to the consolidated financial statements.

2.3 Short-term liabilities to direct and indirect participations and accrued expenses

The short-term liabilities to the direct and indirect participations do not bear interest except for the liability to Coca-Cola HBC Finance B.V., which is interest-bearing.

	As at 31 December	
	CHF thousands	
Name of participation	2021	2020
CCB Management Services GmbH, Vienna	1,724	2,469
Coca-Cola Hellenic Business Service Organisation, Sofia	74	16
Coca-Cola HBC Switzerland	4	–
Coca-Cola HBC Finance B.V., Amsterdam	1,338	1,633
Coca-Cola HBC Northern Ireland Ltd., Lisburn	–	6
Coca-Cola HBC Services MEPE, Athens	9	16
Total short-term liabilities to direct and indirect participations	**3,149**	**4,140**

	As at 31 December	
	CHF thousands	
Accrued expenses	2021	2020
Direct taxes	188	215
Management incentive plan and Performance Share Plan for own employees	15,871	7,097
Employee-related costs (social security & insurance, payroll taxes)	4,553	3,779
Provision for acquiring treasury shares to satisfy subsidiaries' Performance Share Plan rights	7,542	4,293
Other accrued expenses	7,291	6,360
Net unrealised gains from foreign currency translation	12,298	6,991
Total accrued expenses	**47,743**	**28,735**

Swiss statutory reporting *continued*

Following the publication of circular letter 37a by the Swiss Federal Tax Administration in May 2018, the Company has recognised a provision of CHF 13,563 thousand (2020: CHF 7,848 thousand) that relates to the Company's employees Performance Share Plan, of which CHF 6,975 thousand (2020: CHF 3,672 thousand) is short term and is disclosed in the line item Management Incentive Plan and Performance Share Plan for own employees; while CHF 6,588 thousand (2020: CHF 4,176 thousand) is long term and disclosed in Note 2.5, 'Provisions'. The provision for acquiring treasury shares to satisfy subsidiaries' Performance Share Plan rights amounts to CHF 16,117 thousand (2020: CHF 10,152 thousand) of which CHF 7,542 thousand (2020: CHF 4,293 thousand) is short term and disclosed in accrued expenses while CHF 8,575 thousand (2020: CHF 5,859 thousand) is long term and disclosed in Note 2.5, 'Provisions'.

2.4 Long-term interest-bearing liabilities

	As at 31 December	
	CHF thousands	
	2021	2020
Coca-Cola HBC Finance B.V., Amsterdam	**204,482**	223,668
Long-term interest-bearing liabilities	**204,482**	**223,668**

Long-term interest-bearing liabilities comprise loans from Coca-Cola HBC Finance B.V. received in 2019, 2020 and 2021 for CHF 184,637 thousand (2020: CHF 207,577 thousand) maturing on 8 November 2024; and CHF 19,845 thousand (2020: CHF 16,091 thousand) maturing 21 November 2029.

2.5 Provisions

	As at 31 December	
	CHF thousands	
	2021	2020
Long-term Incentive Plan	**330**	171
Provision for acquiring treasury shares to satisfy subsidiaries' Performance Share Plan rights (refer to Note 2.3)	**8,575**	5,859
Performance Share Plan Coca-Cola HBC AG employees (refer to Note 2.3)	**6,588**	4,176
Provision for social security costs of Performance Share Plan	**494**	313
Provisions	**15,987**	**10,519**

2.6 Share capital

	Number of shares	Nominal value	Total
		CHF	CHF thousands
Share capital as at 1 January 2020	369,930,157	6,70	2,478,532
Shares issued to employees exercising stock options	582,440	6,70	3,902
Share capital as at 31 December 2020	**370,512,597**	**6,70**	**2,482,434**

	Number of shares	Nominal value	Total
		CHF	CHF thousands
Share capital as at 1 January 2021	370,512,597	6,70	2,482,434
Shares issued to employees exercising stock options	1,282,821	6,70	8,595
Share capital as at 31 December 2021	**371,795,418**	**6,70**	**2,491,029**

2. Information relating to the balance sheet and statement of income *continued*

2.7 Treasury shares

The number of treasury shares held by Coca-Cola HBC AG and its subsidiaries qualifying under article 659b of the Swiss Code of Obligations and their movements are as follows:

Treasury shares (held by subsidiaries)	Number of shares	Acquisition cost per share	Total
		CHF	CHF thousands
Total treasury shares as at 31 December 2020	3,430,135	24,8673	85,298
Total treasury shares as at 31 December 2021	**3,430,135**	**24,8673**	**85,298**

Treasury shares held by the Company	Number of shares	Acquisition cost per share	Total
		CHF	CHF thousands
Treasury shares held by the Company as at 1 January 2020	**3,228,098**	**35,3599**	**(114,145)**
Vested PSP shares[1]	(468,818)	35,0561	16,435
Treasury shares held by the Company as at 31 December 2020	**2,759,280**	**35,4115**	**(97,710)**
Treasury shares held by the Company as at 1 January 2021	2,759,280	35,4115	(97,710)
Vested PSP shares[2]	(294,832)	34,6160	10,206
Treasury shares held by the Company as at 31 December 2021	**2,464,448**	**35,5066**	**(87,504)**

1. In March 2020, following the vesting of the 2017 PSP plan, 468,818 treasury shares were transferred to relevant participants.
2. In April 2021, following the vesting of the 2018 PSP plan, 294,832 treasury shares were transferred to relevant participants.

2.8 Shareholders' equity

	Share capital	Legal capital reserves		Retained earnings/ (accumulated losses)	Treasury shares	Total
		Reserves from capital contributions	Reserves for treasury shares[1]			
	CHF thousands					
Balance as at 1 January 2020	**2,478,532**	**4,470,097**	**85,298**	**42,803**	**(114,145)**	**6,962,585**
Shares issued to employees exercising stock options	3,902	4,260	–	–	–	8,162
Dividends	–	(244,737)	–	–	–	(244,737)
Vested PSP shares	–	–	–	–	16,435	16,435
Loss for the year	–	–	–	(24,543)	–	(24,543)
Balance as at 31 December 2020	**2,482,434**	**4,229,620**	**85,298**	**18,260**	**(97,710)**	**6,717,902**
Balance as at 1 January 2021	**2,482,434**	**4,229,620**	**85,298**	**18,260**	**(97,710)**	**6,717,902**
Shares issued to employees exercising stock options	8,595	12,708	–	–	–	21,303
Dividends[2]	–	(260,250)	–	–	–	(260,250)
Vested PSP shares	–	–	–	–	10,206	10,206
Loss for the year	–	–	–	(33,852)	–	(33,852)
Balance as at 31 December 2021	**2,491,029**	**3,982,078**	**85,298**	**(15,592)**	**(87,504)**	**6,455,309**

1. Represents the book value of treasury shares held by subsidiaries.
2. On 22 June 2021 the shareholders of the Company at the Annual General Meeting approved the distribution of a gross dividend of €0.64 (2020: €0.62) on each ordinary registered share. The dividend was paid on 3 August 2021 and amounted to CHF 260,250 thousand (2020: CHF 244,737 thousand paid 28 July 2020).

Swiss statutory reporting *continued*

2.9 Other operating income

	2021	2020
	CHF thousands	
Management fees	**35,488**	20,971
Guarantee fee	**2,832**	2,967
Total other operating income	**38,320**	**23,938**

Management fees relate to service income earned from services provided to the Company's direct and indirect participations, where of CHF 3,431 thousand is true-up from prior year.

Guarantee fee is the income the Company receives for the services provided as guarantor to Coca-Cola HBC Finance B.V. and Nigerian Bottling Company Ltd.

2.10 Employee costs

	2021	2020
	CHF thousands	
Wages and salaries	**21,422**	12,858
Social security costs	**3,172**	2,853
Pensions and employee benefits	**23,684**	11,717
Total employee costs	**48,278**	**27,428**

Pension and employee benefits mainly include Performance Share Plan expenses for CCHBC AG employees in the amount of CHF 18,999 thousand (2020: CHF 6,458 thousand). Refer to Note 2.3 for more information.

2.11 Other operating expenses

Other operating expenses amounting to CHF 16,585 thousand for 2021 (2020: CHF 13,114 thousand) mainly include CHF 14,352 thousand (2020: CHF 11,323 thousand) for management fees to CCB Management Services GmbH, whereof CHF 1,121 thousand is true-up from prior year.

3. Other information

3.1 Net release of hidden reserves

No hidden reserves were released for the years ended 31 December 2021 or 31 December 2020.

3.2 Number of employees

In 2021 and 2020, on an annual average basis, the number of full-time-equivalent employees did not exceed 50.

3.3 Contingent liabilities

Euro medium-term note programmes

In June 2013, the Group established a new €3.0bn Euro medium-term note programme (the 'EMTN programme'). The EMTN programme was updated in September 2014, September 2015 and April 2019, when it was increased to €5.0bn. The EMTN programme was further updated in April 2020 and September 2021. Notes are issued under the EMTN programme through the Company's wholly owned subsidiary Coca-Cola HBC Finance B.V., a private limited liability company established under the laws of the Netherlands, and are fully, unconditionally and irrevocably guaranteed by the Company.

In March 2016, Coca-Cola HBC Finance B.V. issued €600m, 1.875%, Euro-denominated notes due in November 2024, which are guaranteed by the Company.

In May 2019, Coca-Cola HBC Finance B.V. issued €700m, 1%, Euro-denominated notes due in May 2027 and also issued €600m, 1.625%, Euro-denominated notes due in May 2031, both of which are guaranteed by the Company.

In November 2019, Coca-Cola HBC Finance B.V. completed the issue of a €500m Euro-denominated fixed rate bond maturing in November 2029 with a coupon rate of 0.625%, which is guaranteed by the Company.

As at 31 December 2021, a total of €2.4bn (2020: €2.4bn) in notes issued under the EMTN programme were outstanding.

3. Other information *continued*

Committed credit facilities

In April 2019, the Group updated its then-existing €500.0m syndicated revolving credit facility (the 'RCF'), which was set to expire in June 2021. The updated RCF was increased to €800.0m and extended to April 2024 with the option to be further extended for up to two years until April 2026. Coca-Cola HBC Finance B.V. exercised its extension option and the RCF has been extended to April 2026. The RCF can be used for general corporate purposes and carries floating interest rates. No amounts have been drawn under the RCF since its inception. The borrower under the RCF is the Company's wholly owned subsidiary Coca-Cola HBC Finance B.V. and any amounts drawn under the RCF are fully, unconditionally and irrevocably guaranteed by the Company.

Commercial paper programme

In October 2013 the Group established a new €1.0bn Euro commercial paper programme (the 'ECP Programme'). The ECP Programme was updated in September 2014, May 2017 and May 2020. Notes are issued under the ECP Programme by Coca-Cola HBC Finance B.V. and guaranteed by the Company. The outstanding amount under the ECP Programme was €235m as at 31 December 2021 (2020: €200m).

Nigerian Bottling Company Ltd

In December 2019 the Group established an amortising loan facility of US dollar 85m with maturity in December 2027. The purpose of the facility is to finance the purchase of production equipment by Nigerian Bottling Company Ltd., the Group's subsidiary in Nigeria. Over the course of 2020 and 2021, the facility has been drawn down for approximately US dollar 78m. The obligations under this facility are guaranteed by the Company.

Credit support provider

On 18 July 2013, the Company signed as credit support provider to J.P. Morgan Securities plc, Credit Suisse International, Credit Suisse AG, ING Bank N.V., Societe Generale, Merrill Lynch International and The Royal Bank of Scotland plc in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreements.[1]

On 24 July 2013, the Company signed as credit support provider to the Governor and Company of the Bank of Ireland, in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 8 August 2013, the Company signed as credit support provider to Citibank N.A. in favour of CCHBC Bulgaria AD for the obligations as defined in the ISDA Master Agreement.[1]

On 8 August 2013, the Company signed as credit support provider to Citibank N.A. in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 24 June 2014, the Company signed as credit support provider to Intesa Sanpaolo S.pA. in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 5 October 2015, the Company signed as credit support provider to Macquarie Bank International Limited in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 22 June 2016, the Company signed as credit support provider to UniCredit Bank AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 31 August 2016, the Company signed as credit support provider to BNP Paribas in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 1 November 2017, the Company signed as credit support provider to Goldman Sachs Global International in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 22 December 2017, the Company signed as credit support provider to Citigroup Global Markets Limited in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 14 February 2018, the Company signed as credit support provider to Morgan Stanley & Co. International PLC in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 25 March 2019, the Company signed as credit support provider to Citigroup Global Markets Europe AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 1 July 2019, the Company signed as credit support provider to Credit Suisse Securities, Sociedad de Valores, S.A. in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 10 July 2019, the Company signed as credit support provider to Macquarie Bank Limited (London Branch) in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 12 November 2019, the Company signed as credit support provider to UBS AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 2 November 2020, the Company signed as credit support provider to J.P. Morgan AG in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

On 13 November 2020, the Company signed as credit support provider to Goldman Sachs Bank Europe SE in favour of Coca-Cola HBC Finance B.V. for the obligations as defined in the ISDA Master Agreement.[1]

1. The ISDA (International Swap Dealers Association) Master Agreement is a standardised form issued by the International Swap Dealers Association Inc. to be used for credit support transactions.

Swiss statutory reporting *continued*

3.4 Significant shareholders

As at 31 December 2021 and 2020, there were two shareholders exceeding the threshold of 5% voting rights in the Company's share capital.

	Date	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]
Total Kar-Tess Holding	31.12.2020	85,355,019	23.0%	23.4%
Total Kar-Tess Holding	31.12.2021	85,355,019	23.0%	23.3%
Total shareholdings related to The Coca-Cola Company	31.12.2020	85,112,078	23.0%	23.4%
Total shareholdings related to The Coca-Cola Company	31.12.2021	78,252,731	21.0%	21.4%

1. Basis: total issued share capital including treasury shares. Share basis 371,795,418 as at 31 December 2021 (2020: 370,512,597).
2. Basis: total issued share capital excluding treasury shares. Share basis 365,900,835 as at 31 December 2021 (2020: 364,323,182).

3.5 Shareholdings, conversion and option rights

The table below sets out a comparison of the interests in the Company's total issued share capital that the members of the Board of Directors ('Directors') and Executive Leadership Team hold (all of which, unless otherwise stated, are beneficial interests or are interests of a person connected with a Director or a member of the Executive Leadership Team) and the interests in the Company's share capital.

	31 December 2021			31 December 2020		
	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]	Number of shares	Percentage of issued share capital	Percentage of outstanding share capital
Directors						
Anastassis G. David[3]	–	–	–	–	–	–
Zoran Bogdanovic	193,729	0.05%	0.05%	144,113	0.04%	0.04%
Charlotte J. Boyle	1,017	0.00%	0.00%	1,017	0.00%	0.00%
Henrique Braun[4]	–	–	–	–	–	–
Olusola (Sola) David-Borha	–	–	–	–	–	–
Anna Diamantopoulou	–	–	–	–	–	–
William W. (Bill) Douglas III	10,000	0.00%	0.00%	10,000	0.00%	0.00%
Reto Francioni	7,000	0.00%	0.00%	7,000	0.00%	0.00%
Anastasios I. Leventis[5]	–	–	–	–	–	–
Christo Leventis[6]	–	–	–	–	–	–
Alexandra Papalexopoulou	–	–	–	–	–	–
Bruno Pietracci[7]	–	–	–	–	–	–
José Octavio Reyes[8]	–	–	–	–	–	–
Alfredo Rivera[9]	–	–	–	–	–	–
Ryan Rudolph	–	–	–	–	–	–
	Number of shares	Percentage of issued share capital[1]	Percentage of outstanding share capital[2]	Number of shares	Percentage of issued share capital	Percentage of outstanding share capital
Executive Leadership Team						
Minas Agelidis	50,112	0.01%	0.01%	42,492	0.01%	0.01%
Mourad Ajarti	12,496	0.00%	0.00%	10,716	0.00%	0.00%
Ben Almanzar[10]	636	0.00%	0.00%	–	–	–
Jan Gustavsson	169,298	0.05%	0.05%	144,343	0.04%	0.04%
Michael Imellos[11]	–	–	–	156,970	0.04%	0.04%
Nikos Kalaitzidakis	44,286	0.01%	0.01%	35,409	0.01%	0.01%
Naya Kalogeraki	49,127	0.01%	0.01%	35,864	0.01%	0.01%
Martin Marcel	102,403	0.03%	0.03%	82,212	0.02%	0.02%
Spyros Mello[12]	37,055	0.01%	0.01%	–	–	–
Vitaliy Novikov	29,818	0.01%	0.01%	30,797	0.01%	0.01%
Sean O'Neill	3,132	0.00%	0.00%	1,805	0.00%	0.00%
Sanda Parezanovic	80,442	0.02%	0.02%	68,817	0.02%	0.02%
Barbara Tönz[13]	3,020	0.00%	0.00%	–	–	–

Footnotes are presented at the end of Note 3.5.

3. Other information *continued*

The following table sets out information regarding the stock options and performance shares held by members of the Executive Leadership Team as at 31 December 2021:

	Stock options (ESOP)			Performance shares (PSP)		
	Number of stock options	Already vested	Vesting at the end of 2021	Granted in 2021	Unvested and subject to performance conditions	Vested
Zoran Bogdanovic[14]	162,477	162,477	–	97,206	327,430	48,829
Minas Agelidis	–	–	–	19,093	63,427	6,046
Mourad Ajarti	–	–	–	13,928	36,329	–
Ben Almanzar[10]	–	–	–	45,192	45,192	–
Jan Gustavsson	302,658	302,658	–	25,169	85,483	12,790
Michael Imellos[10]	–	–	–	28,009	81,564	14,239
Nikos Kalaitzidakis	11,680	11,680	–	19,139	64,995	6,825
Naya Kalogeraki	47,784	47,784	–	37,728	92,099	10,494
Martin Marcel	38,151	38,151	–	21,722	73,791	11,046
Spyros Mello[12]	–	–	–	11,006	37,300	5,541
Vitaliy Novikov	15,927	15,927	–	18,902	53,966	7,100
Sean O'Neill	–	–	–	12,473	43,945	–
Sanda Parezanovic	30,794	30,794	–	20,032	68,034	9,897
Barbara Tönz[13]	–	–	–	–	–	–

1. Basis: total issued share capital including treasury shares. Share basis 371,795,418 as at 31 December 2021 (2020: 370,512,597).
2. Basis: total issued share capital excluding treasury shares. Share basis 365,900,835 as at 31 December 2021 (2020: 364,323,182).
3. Anastassis G. David is a beneficiary of:
   (a) a private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 85,355,019 shares held by Kar-Tess Holding and
   (b) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 832,268 shares held by Ari Holdings Limited.
4. Mr. Henrique Braun was appointed to the Board of Directors on 22 June 2021.
5. Anastasios I. Leventis is a beneficiary of:
   (a) a private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 85,355,019 shares held by Kar-Tess Holding and
   (b) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 286,880 shares held by its trustee, Selene Treuhand AG and
   (c) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Avgie Leventis, that has an indirect interest with respect to 2,138,277 shares held by Carlcan Holding Limited.
6. Christo Leventis is a beneficiary of:
   (a) a private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 85,355,019 shares held by Kar-Tess Holding and
   (b) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Anastasios George Leventis, that has an indirect interest with respect to 482,228 shares held by its trustee, Selene Treuhand AG and
   (c) a further private discretionary trust, for the primary benefit of present and future members of the family of the late Avgie Leventis, that has an indirect interest with respect to 2,138,277 shares held by Carlcan Holding Limited.
7. Mr. Bruno Pietracci was appointed to the Board of Directors on 22 June 2021.
8. Mr. Jose Octavio Reyes retired from the Board of Directors on 22 June 2021.
9. Mr. Alfredo Riveria retired from the Borad of Directors on 22 June 2021.
10. Mr. Ben Almanzar joined the Executive Leadership Team on 1 February 2021.
11. Mr. Michael Imellos' employment ceased on 30 June 2021.
12. Mr. Spyros Mello joined the Executive Leadership Team on 1 November 2021.
13. Mrs. Barbara Tönz joined the Executive Leadership Team on 1 May 2021.
14. The Remuneration Committee determined at its meeting in 15 March 2022 that, in line with the terms of the PSP, PSP awards granted to Zoran Bogdanovic in 2019 vested over in aggregate 69,759 shares (including the dividend equivalent shares paid on PSP shares that vested in 2022).

Swiss statutory reporting *continued*

3.6 Fees paid to the auditor

The audit and other fees paid to the auditor are disclosed in Note 8 to the consolidated financial statements.

3.7 Conditional capital

On 25 April 2013, the shareholders' meeting agreed to the creation of conditional capital in the maximum amount of CHF 245,601 thousand, through issuance of a maximum of 36,657 thousand fully paid-in registered shares with a par value of CHF 6.70 each upon exercise of options issued to members of the Board of Directors, members of the management, employees or advisers of the Company, its subsidiaries and other affiliated companies. The share capital of CHF 2,491,029 thousand as disclosed in the balance sheet differs from the share capital in the commercial register of CHF 2,482,434 thousand as per 31 December 2021 due to the exercise of management options in the course of financial year 2021.

Conditional capital	Number of shares	Book value per share CHF	Total CHF thousand
Agreed conditional capital as per shareholders' meeting on 25 April 2013	36,656,843	6.70	245,601
Shares issued to employees exercising stock options up until 31 December 2016	(3,149,493)	6.70	(21,102)
Shares issued to employees exercising stock options in 2017	(4,122,401)	6.70	(27,620)
Shares issued to employees exercising stock options in 2018	(1,064,190)	6.70	(7,130)
Shares issued to employees exercising stock options in 2019	(1,352,731)	6.70	(9,063)
Shares issued to employees exercising stock options in 2020	(582,440)	6.70	(3,902)
Remaining conditional capital as at 31 December 2020	**26,385,588**	**6.70**	**176,784**
Shares issued to employees exercising stock options in 2021	(1,282,821)	6.70	(8,595)
Remaining conditional capital as at 31 December 2021	**25,102,767**	**6.70**	**168,189**

4. Subsequent events

The subsequent events in relation to financial year ended 31 December 2021 are disclosed in Note 31 to the consolidated financial statements.

Proposed appropriation of reserves/declaration of dividend

1. Total available reserves

Available reserves	CHF thousands
Balance brought forward from previous years	18,260
Net loss for the year	(33,852)
Total accumulated losses to be carried forward	**(15,592)**
Reserves from capital contributions before distribution	3,982,078
Total available reserves	**3,966,486**

2. Proposed declaration of dividend from reserves

The Board of Directors proposes to declare a gross dividend of €0.71 on each ordinary registered share with a par value of CHF 6.70 from the general capital contribution reserve. Own shares held directly by the Company are not entitled to dividends. The total aggregate amount of the dividends shall be capped at an amount of CHF 300,000 thousand (the 'Cap'), and thus will reduce the general capital contribution reserve of CHF 3,982,078 thousand, as shown in the financial statements as at 31 December 2021, by a maximum of CHF 300,000 thousand. To the extent that the dividend calculated on €0.71 per share would exceed the Cap on the day of the Annual General Meeting, due to the exchange rate determined by the Board of Directors in its reasonable opinion, the Euro per share amount of the dividend shall be reduced on a pro-rata basis so that the aggregate amount of all dividends paid does not exceed the Cap. Payment of the dividend shall be made at such time and with such record date as shall be determined by the Annual General Meeting and the Board of Directors.

3. Proposed appropriation of reserves/declaration of dividend

Variant 1: Dividend of €0.71 at current exchange rate

As at 31 December 2021	CHF thousands
Reserves from capital contributions before distribution	3,982,078
Proposed dividend of €0.71[1]	(280,581)
Reserves from capital contributions after distribution	**3,701,497**

Variant 2: Dividend if Cap is triggered

As of 31 December 2021	CHF thousands
Reserves from capital contributions before distribution	3,982,078
(Maximum) dividend if cap is triggered[2]	(300,000)
(Minimum) reserves from capital contributions after distribution	**3,682,078**

1. Illustrative at an exchange rate of CHF 1.07 per EUR. Assumes that the shares entitled to a dividend amount to 369,330,970.
2. Dividend is capped at a total aggregate amount of CHF 300,000 thousand.

Swiss statutory reporting *continued*

Report of the statutory auditor
to the General Meeting of
Coca-Cola HBC AG
Steinhausen (Zug)

Report of the statutory auditor to the General Meeting on the remuneration report 2021

We have audited the remuneration report of Coca-Cola HBC AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 233 to 236 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Coca-Cola HBC AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Sandra Boehm Uglow
Audit Expert
Auditor In Charge

Mei Ling Ow
Audit Expert

Zurich, 23 March 2022

Statutory Remuneration Report

Additional disclosures regarding the Statutory Remuneration Report

The section below is in line with the Ordinance against Excessive Compensation in Listed Stock Companies, which requires disclosure of the elements of compensation paid to the Company's Board of Directors and the Executive Leadership Team (formerly known as the Operating Committee). The amounts relate to the calendar years of 2021 and 2020. In the information presented below, the exchange rate used for conversion of 2021 remuneration data from Euro to CHF is 1/1.0833 and the exchange rate used for conversion of 2020 remuneration data from Euro to CHF is 1/1.0689.

As the Company is headquartered in Switzerland, it is required for statutory purposes to present compensation data for two consecutive years, 2021 and 2020. The applicable methodology used to calculate the value of stock option and performance shares follows Swiss Standards. In 2021 and 2020, the fair value of performance shares from the 2021 and 2020 grants is calculated based on the performance share awards that are expected to vest. Below is the relevant information for Swiss statutory purposes.

The Statutory Remuneration Report should be read in conjunction with the Directors' remuneration report presented in the Integrated Annual Report as the qualitative aspects of remuneration policy are described therein.

Remuneration for acting members of governing bodies

The Company's Directors believe that the level of remuneration offered to Directors and the members of the Executive Leadership Team should reflect their experience and responsibility as determined by, among other factors, a comparison with similar multinational companies and should be sufficient to attract and retain high-calibre Directors who will lead the Group successfully. In line with the Group's commitment to maximise shareholder value, its policy is to link a significant proportion of remuneration for its Executive Leadership Team to the performance of the business through short- and long-term incentives. Therefore, the Executive Leadership Team members' financial interests are closely aligned with those of the Company's shareholders through the equity-related long-term compensation plan.

The total remuneration of the Directors and members of the Executive Leadership Team of the Company, including performance share grants, during 2021 amounted to CHF 27.6m (2020: CHF 22.4m). Out of this, the amount relating to the expected value of performance share awards granted in relation to 2021 was CHF 5.5m (2020: CHF 4.5m). Pension and post-employment benefits for Directors and the Executive Leadership Team of the Company during 2021 amounted to CHF 1.0m (2020: CHF 0.9m).

Swiss statutory reporting *continued*

Remuneration of the Board of Directors

	2021 CHF					
	Fees	Cash and non-cash benefits[1]	Cash performance incentives	Pension and post-employment benefits	Total fair value of stock options at the date granted	Total compensation
Anastassis G. David	**79,623**	–	–	–	–	**79,623**
Zoran Bogdanovic[2]	–	–	–	–	–	–
Charlotte J. Boyle	**98,472**	–	–	–	–	**98,472**
Henrique Braun[3]	**39,811**	–	–	–	–	**39,811**
Olusola (Sola) David-Borha[4]	**95,330**	–	–	–	–	**95,330**
Anna Diamantopoulou[5]	**98,472**	–	–	–	–	**98,472**
William W. (Bill) Douglas III	**110,930**	–	–	–	–	**110,930**
Reto Francioni[6]	**115,588**	–	–	–	–	**115,588**
Anastasios I. Leventis	**92,189**	–	–	–	–	**92,189**
Christo Leventis	**79,623**	–	–	–	–	**79,623**
Alexandra Papalexopoulou	**95,330**	–	–	–	–	**95,330**
Bruno Pietracci[7]	**42,953**	–	–	–	–	**42,953**
José Octavio Reyes[8]	**42,953**	–	–	–	–	**42,953**
Alfredo Rivera[9]	**39,811**	–	–	–	–	**39,811**
Ryan Rudolph[10]	**79,623**	–	–	–	–	**79,623**
Total Board of Directors	**1,110,708**	–	–	–	–	**1,110,708**

1. Cash and non-cash benefits consist of cost-of-living allowance, housing support, Employee Stock Purchase Plan, Private Medical Insurance Relocation Expenses, Home Trip Allowance, lump sum expenses and similar allowances.
2. Zoran Bogdanovic's compensation was based on his role as CEO, member of the Executive Leadership Team, and his employment agreement. Zoran Bogdanovic was not entitled and did not receive additional compensation as a Director.
3. Henrique Braun was appointed to the Board of Directors on 22 June 2021. The Group has applied a half-year period fee of CHF 39,811. On top of his fees, the Group paid CHF 3,237 in social security contributions as required by Swiss legislation
4. For Olusola (Sola) David-Borha, on top of her fees, the Group paid CHF 7,752 in social security contributions as required by Swiss legislation.
5. For Anna Diamantopoulou, on top of her fees, the Group paid CHF 8,008 in social security contributions as required by Swiss legislation.
6. For Reto Francioni, on top of his fees, the Group paid CHF 6,932 in social security contributions as required by Swiss legislation.
7. Bruno Pietracci was appointed to the Board of Directors on 22 June 2021. The Group has applied a half-year period fee of CHF 42,953. On top of his fees, the Group paid CHF 3,493 in social security contributions as required by Swiss legislation.
8. José Octavio Reyes retired from the Board of Directors on 22 June 2021. The Group has applied a half-year period base fee of CHF 42,953. On top of his fees, the Group paid CHF 2,436 in social security contributions as required by Swiss legislation.
9. Alfredo Rivera retired from the Board of Directors on 22 June 2021. The Group has applied a half-year period base fee of CHF 39,811.
10. For Ryan Rudolph, on top of his fees, the Group paid CHF 6,475 in social security contributions as required by Swiss legislation.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement benefits.

Remuneration of the Board of Directors

	2020 CHF					
	Fees	Cash and non-cash benefits[1]	Cash performance incentives	Pension and post-employment benefits	Total fair value of performance shares at the date granted	Total compensation
Anastassis G. David	78,564	–	–	–	–	78,564
Zoran Bogdanovic[2]	–	–	–	–	–	–
Charlotte J. Boyle	94,063	–	–	–	–	94,063
Olusola (Sola) David-Borha[3]	94,063	–	–	–	–	94,063
Anna Diamantopoulou[4]	48,582	–	–	–	–	48,582
William W. (Bill) Douglas III	109,455	–	–	–	–	109,455
Reto Francioni[5]	114,052	–	–	–	–	114,052
Anastasios I. Leventis	90,963	–	–	–	–	90,963
Christo Leventis	78,564	–	–	–	–	78,564
Alexandra Papalexopoulou[6]	98,713	–	–	–	–	98,713
José Octavio Reyes[7]	84,764	–	–	–	–	84,764
Alfredo Rivera	78,564	–	–	–	–	78,564
Ryan Rudolph[8]	78,564	–	–	–	–	78,564
John P. Sechi[9]	47,032	–	–	–	–	47,032
Total Board of Directors	**1,095,943**	**–**	**–**	**–**	**–**	**1,095,943**

1. Allowances consist of cost of living allowance, housing support, employee share purchase plan, private medical insurance, relocation expenses, home trip allowance, lump sum expenses and similar allowances.
2. Zoran Bogdanovic's compensation was based on his role as CEO, member of the Executive Leadership Team, and his employment agreement. Zoran Bogdanovic was not entitled and did not receive additional compensation as a Director.
3. For Olusola (Sola) David-Borha, on top of her fees, the Group paid CHF 7,625 in social security contributions as required by Swiss legislation.
4. Anna Diamantopoulou was appointed to the Board of Directors on 16 June 2020. The Group has applied a half-year period fee of CHF 48,582. On top of her fees, the Group paid CHF 3,939 in social security contributions as required by Swiss legislation.
5. For Reto Francioni, on top of his fees, the Group paid CHF 8,230 in social security contributions as required by Swiss legislation.
6. For Alexandra Papalexopoulou, on top of her fees, the Group paid CHF 3,488 in social security contributions as required by Swiss legislation.
7. For José Octavio Reyes, on top of his fees, the Group paid CHF 4,763 in social security contributions as required by Swiss legislation.
8. For Ryan Rudolph, on top of his fees, the Group paid CHF 6,369 in social security contributions as required by Swiss legislation.
9. John P. Sechi retired from the Board of Directors on 16 June 2020. The Group has applied a half-year period base fee of CHF 47,032.

Non-Executive Directors do not participate in any of the Group's incentive plans, nor do they receive any retirement benefits.

Swiss statutory reporting *continued*

Remuneration of the Executive Leadership Team

The total remuneration paid to or accrued for the Executive Leadership Team for 2021 amounted to CHF 26.4m.

	2021 CHF					
	Base salary[1]	Cash and non-cash benefits[2]	Annual bonus accrual[3]	Pension and post-employment benefits[4]	Total fair value of performance shares at the date granted[5]	Total remuneration
Zoran Bogdanovic, Chief Executive Officer	873,862	956,346	992,326	150,796	1,553,290	4,526,620
Other current members[6]	4,745,415	6,881,649	4,324,931	814,544	3,973,231	20,739,770
Former members[7]	581,082	281,445	263,227	51,623	-	1,177,377
Total Executive Leadership Team	**6,200,359**	**8,119,440**	**5,580,484**	**1,016,963**	**5,526,521**	**26,443,767**

1. Base salary includes non-compete payments in 2021 to former members of the Executive Leadership Team.
2. Cash and non-cash benefits consist of cost-of-living allowance, housing support, schooling, employee share purchase plan, private medical insurance, relocation expenses, home trip allowance, employer social security contributions, lump sum expenses, all paid and unpaid sign-on bonus, equalisation amounts and similar allowances.
3. The annual bonus accrual for 2021 includes the accrued Management Incentive Plan (MIP) payout, receivable early in 2022 for the 2021 business performance, including amount deferred in shares, employer social security contribution and gross-up for the tax benefit, of CHF 5,580,484. The monetary value that was paid in 2021 under the MIP reflecting the 2020 business performance is approx. CHF 2,139,756.
4. Members of the Executive Leadership Team participate in the pension plan of their employing entity, as appropriate.
5. Values under long-term incentives represent the fair value of performance shares that are expected to vest for the 2021 grant in order to comply with Swiss reporting guidelines.
6. Ben Almanzar was appointed to the role of Chief Financial Officer on 1 February 2021. Barbara Tönz was appointed to the role of Chief Customer and Commercial Officer on 1 May 2021. Spyros Mello was appointed to the role of Strategy and Transformation Director on 1 November 2021.
7. Michalis Imellos' s employment ceased on 30 June 2021.

The total remuneration paid to or accrued for the Executive Leadership Team for 2020 amounted to CHF 21.3m.

	2020 CHF					
	Base salary	Cash and non-cash benefits[1]	Cash performance incentives[2]	Pension and post-employment benefits[3]	Total fair value of performance shares at the date granted[4]	Total remuneration
Zoran Bogdanovic, Chief Executive Officer	844,431	730,070	611,368	150,885	1,532,642	3,869,396
Other members[5]	5,216,319	5,926,381	2,548,950	751,594	2,972,080	17,415,324
Total Executive Leadership Team	**6,060,750**	**6,656,451**	**3,160,318**	**902,479**	**4,504,722**	**21,284,720**

1. Cash and non-cash benefits consist of cost-of-living allowance, housing support, schooling, employee share purchase plan, private medical insurance, relocation expenses, home trip allowance, employer social security contributions, lump sum expenses and similar allowances.
2. The cash performance incentives represent the monetary value that was paid under MIP in 2020 reflecting the 2019 business performance.
3. Members of the Executive Leadership Team participate in the pension plan of their employing entity, as appropriate.
4. Values under long-term incentives represent the fair value of performance shares that are expected to vest for the 2020 grant in order to comply with Swiss reporting guidelines.
5. Naya Kalogeraki was appointed to the role of Chief Operating Officer on 1 September 2020. Vitaliy Novikov was appointed to the role of Group Commercial & Customer Director on 1 September 2020. Alain Brouhard's employment ceased on 30 June 2020.

Credits and loans granted to governing bodies

In 2021, similar to 2020, there were no credits or loans granted to active or former members of the Company's Board of Directors, members of the Executive Leadership Team or to any related persons. There are no outstanding credits or loans.

Definitions and reconciliations of Alternative Performance Measures (APMs)

1. Comparable APMs[1]

In discussing the performance of the Group, 'comparable' measures are used, which are calculated by deducting from the directly reconcilable IFRS measures the impact of the Group's restructuring costs, the mark-to-market valuation of the commodity hedging activity, acquisition and integration costs and certain other tax items, which are collectively considered as items impacting comparability, due to their nature. More specifically, the following items are considered as items that impact comparability:

1. Restructuring costs

Restructuring costs comprise costs arising from significant changes in the way the Group conducts business, such as significant supply chain infrastructure changes, outsourcing of activities and centralisation of processes. These costs are included within the income statement line 'Operating expenses'. However, they are excluded from the comparable results so that the users can obtain a better understanding of the Group's operating and financial performance achieved from underlying activity.

2. Commodity hedging

The Group has entered into certain commodity derivative transactions in order to hedge its exposure to commodity price risk. Although these transactions are economic hedging activities that aim to manage our exposure to sugar, aluminium, gas oil and plastics price volatility, hedge accounting has not been applied in all cases. In addition, the Group recognises certain derivatives embedded within commodity purchase contracts that have been accounted for as stand-alone derivatives and do not qualify for hedge accounting. The fair value gains and losses on the derivatives and embedded derivatives are immediately recognised in the income statement in the cost of goods sold and operating expenses line items. The Group's comparable results exclude the gains or losses resulting from the mark-to-market valuation of those derivatives to which hedge accounting has not been applied (primarily plastics) and embedded derivatives. These gains or losses are reflected in the comparable results in the period when the underlying transactions occur, to match the profit or loss to that of the corresponding underlying transactions. We believe this adjustment provides useful information related to the impact of our economic risk management activities.

3. Acquisition and integration costs

Acquisition costs comprise costs incurred to effect a business combination such as finder's, advisory, legal, accounting, valuation and other professional or consulting fees as well as changes in the fair value of contingent consideration recorded in the income statement. Integration costs comprise direct incremental costs necessary for the acquiree to operate within the Group. These costs are included within the income statement line 'Operating expenses'. However, to the extent that they relate to business combinations that have completed or are expected to be completed, they are excluded from the comparable results so that users can obtain a better understanding of the Group's operating and financial performance achieved from underlying activity.

4. Other tax items

Other tax items represent the tax impact of (a) changes in income tax rates affecting the opening balance of deferred tax arising during the year and (b) certain tax-related matters selected based on their nature. Both (a) and (b) are excluded from comparable after-tax results so that users can obtain a better understanding of the Group's underlying financial performance.

1. Comparable APMs refer to comparable cost of goods sold, comparable gross profit, comparable operating expenses, comparable EBIT, comparable EBIT margin, comparable Adjusted EBITDA, comparable tax, comparable net profit and comparable EPS.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both periods for which these measures are presented.

Alternative performance measures *continued*

The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows:

Reconciliation of comparable financial indicators (numbers in € million except per share data)

2021	Cost of goods sold	Gross profit	Operating expenses	EBIT	Adjusted EBITDA	Tax	Net profit[1]	EPS (€)
As reported	**(4,570)**	**2,598**	**(1,833)**	**799**	**1,152**	**(187)**	**547**	**1.499**
Restructuring costs	**–**	**–**	**21**	**21**	**21**	**(5)**	**17**	**0.045**
Commodity hedging	**(4)**	**(4)**	**–**	**(4)**	**(4)**	**1**	**(3)**	**(0.008)**
Acquisition and integration costs	**–**	**–**	**14**	**14**	**14**	**–**	**14**	**0.039**
Other tax items	**–**	**–**	**–**	**–**	**–**	**3**	**3**	**0.009**
Comparable	**(4,574)**	**(2,594)**	**(1,798)**	**831**	**1,183**	**(188)**	**578**	**1.584**

2020	Cost of goods sold	Gross profit	Operating expenses	EBIT[2]	Adjusted EBITDA	Tax	Net profit[1]	EPS (€)
As reported	(3,810)	2,322	(1,682)	661	1,059	(179)	415	1.140
Restructuring costs	–	–	10	10	10	(2)	8	0.022
Commodity hedging	2	2	–	2	2	–	1	0.004
Other tax items[3]	–	–	–	–	–	7	7	0.019
Comparable	(3,809)	2,323	(1,672)	672	1,071	(174)	431	1.185

Figures are rounded.

1. Net profit and comparable net profit refer to net profit and comparable net profit respectively after tax attributable to owners of the parent.
2. EBIT for 2020 includes €0.2 million from restructuring within share of results of integral equity method investments.
3. Other tax items for 2020 include €7.2 million regarding net impact from the settlement of the transfer pricing audit for years 2011-2019 in Nigeria (detailed in the 'Other supplementary information' section).

Reconciliation of comparable EBIT per reportable segment (numbers in € million)

2021	Established	Developing	Emerging	Consolidated
EBIT	**286**	**105**	**409**	**799**
Restructuring costs	**15**	**3**	**3**	**21**
Commodity hedging	**(3)**	**(4)**	**3**	**(4)**
Acquisition costs	**3**	**3**	**8**	**14**
Comparable EBIT	**301**	**107**	**424**	**831**

2020	Established	Developing	Emerging	Consolidated
EBIT[4]	203	97	360	661
Restructuring costs	6	4	1	10
Commodity hedging	–	1	–	2
Comparable EBIT	209	102	361	672

Figures are rounded.

4. EBIT for 2020 includes €0.2 million from restructuring within share of results of integral equity method investments.

2. FX-neutral APMs

The Group also evaluates its operating and financial performance on an FX-neutral basis (i.e. without giving effect to the impact of variation of foreign currency exchange rates from year to year). FX-neutral APMs are calculated by adjusting prior year amounts for the impact of exchange rates applicable to the current year. FX-neutral measures enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from year to year.
The most common FX-neutral measures used by the Group are:

1. FX-neutral net sales revenue and FX-neutral net sales revenue per unit case
   FX-neutral net sales revenue and FX-neutral net sales revenue per unit case are calculated by adjusting prior year net sales revenue for the impact of changes in exchange rates applicable in the current year.
2. FX-neutral comparable input costs per unit case
   FX-neutral comparable input costs per unit case is calculated by adjusting prior year commodity costs, and more specifically sugar, resin, aluminium and fuel commodity costs, excluding commodity hedging as described above; and other raw materials costs for the impact of changes in exchange rates applicable in the current year.

The calculations of the FX-neutral APMs and their reconciliation to the most directly related measures calculated in accordance with IFRS is as follows:

Reconciliation of FX-neutral net sales revenue per unit case (numbers in € million unless otherwise stated)

	2021			
	Established	**Developing**	**Emerging**	**Consolidated**
Net sales revenue	**2,479**	**1,366**	**3,324**	**7,168**
Currency impact	**–**	**–**	**–**	**–**
FX-neutral net sales revenue	**2,479**	**1,366**	**3,324**	**7,168**
Volume (m unit cases)	**590**	**416**	**1,407**	**2,413**
FX-neutral net sales revenue per unit case (€)	**4.20**	**3.29**	**2.36**	**2.97**

	2020			
	Established	Developing	Emerging	Consolidated
Net sales revenue	2,175	1,171	2,786	6,132
Currency impact	1	(14)	(124)	(137)
FX-neutral net sales revenue	2,176	1,157	2,662	5,995
Volume (m unit cases)	537	412	1,187	2,136
FX-neutral net sales revenue per unit case (€)	4.05	2.81	2.24	2.81

Figures are rounded.

Reconciliation of FX-neutral input costs per unit case (numbers in € million unless otherwise stated)

	2021	2020
Input costs	**1,955**	1,554
Commodity hedging	**4**	(2)
Comparable input costs	**1,959**	1,553
Currency impact	**–**	10
FX-neutral comparable input costs (€)	**1,959**	1,562
Volume (m unit cases)	**2,413**	2,136
FX-neutral comparable input costs per unit case (€)	**0.81**	0.73

Figures are rounded.

3. Other APMs

Adjusted EBITDA

Adjusted EBITDA is calculated by adding back to operating profit the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and performance share costs, and items, if any, reported in the line 'Other non-cash items' of the consolidated cash flow statement. Adjusted EBITDA is intended to provide useful information to analyse the Group's operating performance excluding the impact of operating non-cash items as defined above. The Group also uses comparable Adjusted EBITDA, which is calculated by deducting from Adjusted EBITDA the impact of the Group's restructuring costs, acquisition and integration costs and the mark-to-market valuation of the commodity hedging activity. Comparable Adjusted EBITDA is intended to measure the level of financial leverage of the Group by comparing comparable Adjusted EBITDA to Net debt.

Adjusted EBITDA and comparable Adjusted EBITDA are not measures of profitability and liquidity under IFRS and have limitations, some of which are as follows: Adjusted EBITDA and comparable Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; Adjusted EBITDA and comparable Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs; although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA and comparable Adjusted EBITDA do not reflect any cash requirements for such replacements. Because of these limitations, Adjusted EBITDA and comparable Adjusted EBITDA should not be considered as measures of discretionary cash available to us and should be used only as supplementary APMs.

Free cash flow

Free cash flow is an APM used by the Group and defined as cash generated by operating activities after payments for purchases of property, plant and equipment net of proceeds from sales of property, plant and equipment and including principal repayments of lease obligations. Free cash flow is intended to measure the cash generation from the Group's business, based on operating activities, including the efficient use of working capital and taking into account its net payments for purchases of property, plant and equipment.

The Group considers the purchase and disposal of property, plant and equipment as ultimately non-discretionary since ongoing investment in plant, machinery, technology and marketing equipment, including coolers, is required to support day-to-day operations and the Group's growth prospects. The Group presents free cash flow because it believes the measure assists users of the financial statements in understanding the Group's cash-generating performance as well as the availability for interest payments, dividend distribution and own retention. The free cash flow measure is used by management for its own planning and reporting purposes since it provides information on operating cash flows, working capital changes and net capital expenditure that local managers are most directly able to influence.

Free cash flow is not a measure of cash generation under IFRS and has limitations, some of which are as follows: free cash flow does not represent the Group's residual cash flow available for discretionary expenditures since the Group has debt payment obligations that are not deducted from the measure; free cash flow does not deduct cash flows used by the Group in other investing and financing activities and free cash flow does not deduct certain items settled in cash. Other companies in the industry in which the Group operates may calculate free cash flow differently, limiting its usefulness as a comparative measure.

Alternative performance measures *continued*

3. Other APMs *continued*

Capital expenditure

The Group uses capital expenditure as an APM to ensure that its cash spending is in line with its overall strategy for the use of cash. Capital expenditure is defined as payments for purchases of property, plant and equipment plus principal repayments of lease obligations less proceeds from sale of property, plant and equipment.

The following table illustrates how Adjusted EBITDA, free cash flow and capital expenditure are calculated:

	2021 € million	2020 € million
Operating profit (EBIT)	**799**	661
Depreciation and impairment of property, plant and equipment, including right-of-use assets	**336**	388
Amortisation of intangible assets	**1**	1
Employee performance shares	**15**	10
Adjusted EBITDA	**1,152**	1,059
Share of results of integral equity method investments	**(34)**	(21)
Gain on disposals of non-current assets	**(28)**	(1)
Cash generated from working capital movements	**196**	108
Tax paid	**(142)**	(183)
Net cash from operating activities	**1,142**	962
Payments for purchases of property, plant and equipment[1]	**(514)**	(419)
Principal repayments of lease obligations	**(63)**	(59)
Proceeds from sales of property, plant and equipment	**36**	13
Capital expenditure	**(541)**	(465)
Net cash from operating activities	**1,142**	962
Capital expenditure	**(541)**	(465)
Free cash flow	**601**	497

Figures are rounded.

1. Payments for purchases of property, plant and equipment for 2021 include €7.1 million (2020: €nil) relating to repayment of borrowings undertaken to finance the purchase of production equipment by the Group's subsidiary in Nigeria, classified as 'Repayments of borrowings' in the condensed consolidated cash flow statement.

Net debt

Net debt is an APM used by management to evaluate the Group's capital structure and leverage. Net debt is defined as current borrowings plus non-current borrowings less cash and cash equivalents and financial assets (time deposits, treasury bills and money market funds), as illustrated below:

	As at 31 December	
	2021 € million	2020 € million
Current borrowings	**382**	315
Non-current borrowings	**2,556**	2,610
Other financial assets	**(835)**	(93)
Cash and cash equivalents	**(783)**	(1,216)
Net debt	**1,320**	1,617

Figures are rounded.

Other supplementary information

Effective May 2020, following a re-organisation of Multon's structure, the joint arrangement was reclassified from a joint operation to a joint venture. The table below depicts the Group's growth including the relevant performance of Multon as a joint operation in the current year ('like-for-like'), compared to the prior year:

2021 vs 2020	Volume		Net sales revenue per unit case FX-neutral		Net sales revenue per unit case Reported	
Growth (%)	Total CCH	Total CCH like-for-like	Total CCH	Total CCH like-for-like	Total CCH	Total CCH like-for-like
Established	9.9	9.9	3.7	3.7	3.8	3.8
Developing	0.8	0.8	17.0	17.0	15.7	15.7
Emerging	18.6	20.4	5.3	5.6	0.6	0.9
Total Group	**13.0**	**14.0**	**5.8**	**5.8**	**3.5**	**3.4**

2021 vs 2020	Net sales revenue FX-neutral		Net sales revenue Reported	
Growth (%)	Total CCH	Total CCH like-for-like	Total CCH	Total CCH like-for-like
Established	13.9	13.9	14.0	14.0
Developing	18.0	18.0	16.6	16.6
Emerging	24.9	27.1	19.3	21.5
Total Group	**19.6**	**20.6**	**16.9**	**17.9**

In August 2020, Nigerian Bottling Company Ltd ('NBC'), the Group's subsidiary in Nigeria, settled the additional tax assessed by the Nigerian tax authorities ('FIRS') following the completion of their income tax audit for the years 2005-2019 and transfer pricing ('TP') audit for the years 2011-2019. The net impact to the Tax line item in the income statement, following the utilisation of provisions for uncertain tax positions, was €16.5 million, out of which €7.2 million was attributable to the results of the TP audit. This additional tax charge of €16.5 million resulted in a 2.8pp increase of the Group's effective tax rate on a reported basis, for 2020.

NBC was audited by the FIRS with respect to TP for the first time since the inception of the TP rules and principles in the country. The TP audit focused on the transactions between NBC and The Coca-Cola Company Group entities ('TCCC') over a 9-year period (2011-2019). The FIRS challenged the prices of concentrate purchased from and the charges for services provided by TCCC to NBC. As a result, the FIRS adjusted NBC's profitability, increasing its taxable base accordingly. The TP audit concluded with a settlement between FIRS and NBC.

This increase of NBC's taxable base over this 9-year period amounted to €195 million and resulted in the elimination of accumulated capital allowances of €183 million. In addition, to the extent that the available capital allowances were not sufficient to offset the full impact of the tax adjustment in a certain year, a tax payment was required to be made. Following the settlement, the total tax assessed by the FIRS amounted to €62.7 million, of which €7.6 million was settled in cash and €55.1 million was settled through the elimination of the deferred tax asset relating to the available capital allowances.

The FIRS applied Nigerian TP rules and principles to assess tax on a portion of the income earned by TCCC from its transactions with NBC which, the FIRS determined, should have been subject to taxation in Nigeria. The outcome of the TP audit and the additional related tax that was assessed by the FIRS was therefore not associated with the operations of NBC. Consequently, we consider that the income statement impact of this TP audit (net income statement charge of €7.2 million after the utilisation of provisions for uncertain tax positions) distorted users' understanding of the Group's underlying financial performance for 2020 and we therefore excluded it from the comparable after-tax results, by reporting it under 'Other tax matters' for comparability purposes. Having adjusted for this TP audit charge, the Group's effective tax rate on a comparable basis was 28.7% for 2020.

Assurance statement

Independent assurance statement for the 2021 Integrated Annual Report

To the management and stakeholders of Coca-Cola HBC AG:

denkstatt GmbH was commissioned by Coca-Cola HBC AG (hereinafter referred to as "the Company") to provide independent third-party assurance for the printed and downloadable pdf versions of the Company's 2021 Integrated Annual Report (hereinafter referred to as "the Report") in accordance with the AA1000 Assurance Standard. We have reviewed sustainability-related data and content in the Report. Financial data were not reviewed as part of this engagement. The assurance engagement covered the nature and extent of the Company's application of the principles of inclusivity, materiality, responsiveness and impact, as described in the AA1000 Series of Standards (AA1000AP, 2018). The application level of the Global Reporting Initiative (GRI) Standards (2016, core option) was verified.

denkstatt is an independent professional services company. Our team of experts has extensive professional experience of assurance engagements related to non-financial information and sustainability management, meaning it is qualified to conduct this independent assurance engagement. denkstatt has implemented a certified quality and environmental management system which complies with the requirements of ISO 9001:2015 and ISO 14001:2015, and accordingly maintains a comprehensive quality control system.

Management responsibilities

The Company's management (Management) is responsible for preparing the Report, statements within it and related online content. Management is also responsible for identifying stakeholders and material issues, defining commitments with respect to sustainability performance, and establishing and maintaining appropriate performance management and internal control systems, from which reported information is derived.

Additionally, Management is responsible for establishing data collection and internal control systems to ensure reliable reporting, for specifying acceptable reporting criteria and for selecting data to be collected for the purposes of the Report. Management responsibilities also extend to preparing the Report in accordance with the GRI Standards.

Assurance provider's responsibilities

Our responsibilities are to:

- express our conclusions and make recommendations regarding the nature and extent of the Company's adherence to the AA1000 Accountability Principles (2018), and
- express our conclusions on the reliability of the information in the Report, and whether it is in accordance with the criteria in the GRI Universal Standards (2016).

We did not perform any tasks or services for the Company or other clients in 2021 which would lead to a conflict of interest. We were not responsible for the preparation of any part of the Report.

Scope of assurance, standards and criteria used

We have fulfilled our responsibilities to provide appropriate assurance that the information in the Report is free from material misstatements. We planned and carried out our work based on the GRI Standards and the AA1000 Series of Standards. We used the criteria in AA1000AS (AA1000 Assurance Standard v3) to perform a Type 2 engagement and to provide high level of assurance regarding the nature and extent of the Company's adherence to the principles of impact, inclusivity, materiality, and responsiveness. The core option was selected as the application level for the GRI Universal Standards (2016) and verified accordingly.

Methodology, approach, limitations and scope of work

We planned and carried out our work in order to obtain all evidence, information and explanations that we considered necessary to fulfil our responsibilities. We completed a wide range of activities in order to gather necessary evidence, including:

- Gathering information regarding the Company's adherence to the principles of impact, inclusivity, materiality, sustainability context, completeness and responsiveness as required by GRI and AA1000, and conducting interviews with members of the executive management, staff from the People and Culture Department, the Legal Affairs Department, the Commercial Department, the Supply Chain Department (including the Procurement team, the Product Quality, Safety and Environment team, the Fleet team and the Cold Drink Equipment team) and the Corporate Affairs and Sustainability Department as well as managers from other Group functions. In particular, we verified the management commitment to the above-mentioned principles, and whether they are embedded at market level, as well as whether systems and procedures are in place to support compliance with these principles.
- Key topics in the interviews conducted at Group level related to the materiality analysis, i.e. health and nutrition, responsible marketing, employee wellbeing and engagement, vehicle fleets, corporate governance, business ethics and anti-corruption, sourcing, energy and climate change, cold drink equipment (coolers), TCFD & climate risk assessment, packaging, recycling and waste management, water stewardship, the World Without Waste initiative, #YouthEmpowered and other community programmes, human rights and diversity, business risks and opportunities, and social impact.
- Conducting interviews at country headquarters in Belarus, Croatia, Cyprus, Greece, Italy, Nigeria and Russia in order to assure that the information required for the engagement was complete.
- Performing audits in nine bottling plants, the majority of which were located in emerging markets: Minsk (Belarus), Zagreb (Croatia), Nicosia (Cyprus), Aigio (Greece), Nogara (Italy), Abuja (Nigeria), Maiduguri (Nigeria), Samara (Russia) and Vladivostok (Russia).
- Making enquiries and conducting spot checks to assess the implementation of Company policies (at plant, market and Group level).
- Making enquiries and conducting spot checks regarding necessary documentation for assessing the current data collection systems, and the procedures in place to ensure reliable and consistent reporting from the plants to Group level.

- Verifying all three inventory scopes (Scope 1, 2 and 3) as defined by the GHG Protocol (Corporate Standard), including progress against emission reduction targets, reported changes in emissions compared with the baseline years (2010 and 2017) and the figures for absolute emissions and emissions intensity in 2021.
- Verifying the GRI content index, which was published in a separate section of the Company website, to ensure consistency with the requirements of the GRI Standards (core option).
- Conducting additional interviews with four external stakeholders representing different stakeholder groups (i.e., business partners, suppliers, and non-governmental organisations) at the annual stakeholder forum in autumn 2021.

The scope of assurance covers all information relevant to sustainability in the Report and focuses on Company systems and activities during the reporting period. Conversely, the following chapters were not covered in the sustainability assurance process:

- Financial Statements and Swiss Statutory Reporting.

Due to the Covid-19 pandemic, in-person audits were conducted in the following countries: Croatia, Cyprus, Greece and Russia. Other audits and interviews were conducted virtually, by using video conferencing solutions to facilitate virtual tours of manufacturing plants.

Conclusions

On the basis of our work, we found nothing to suggest that the information in the 2021 Integrated Annual Report or in the 2021 GRI content index is inaccurate or contains material misstatements. Any errors or misstatements identified during the engagement were corrected prior to the Report being published.

Positive developments

- Sustainability is deeply embedded in the Company culture. This is evident in well-structured, easily accessible guidelines which ensure proper implementation of Company-wide standards, e.g., the Code of Business Conduct, the Inclusion and Diversity Policy, and the Mission 2025 Guidebook. It is also reflected in the organisational structure and across all functions, with a clear set of responsibilities for sustainability strategy, from factory-level to senior management.
- The Company demonstrates a very strong commitment to its goals. Most operations have a strong track record of collecting and documenting sustainability data. Data traceability has significantly improved over recent years, due to well-structured monitoring and reporting processes at plant, market, and Group level, as well as specialised software.
- The Company fully understands the links between business risks and sustainability issues. An excellent risk management system has been developed in recent years. The detailed quantitative analysis of climate-related water risks performed by the Company in 2021, using established tools, can be considered an example of good practice. Procedures for identifying and mitigating risks comprehensively cover sustainability-related risks, e.g., by integrating the climate risk management process in enterprise risk management in line with TCFD recommendations. Specific plans for further progress in aligning with TCFD recommendations in the coming years, such as further quantitative climate risk assessments, demonstrate clear commitment to the issue.
- The Company has made great progress over the last year on increasing the number of suppliers that undergo environmental, social, and corporate governance (ESG) assessment using EcoVadis and other tools. In order to further increase positive developments along the value chain, supplier-specific dialogues on sustainability-related expectations and areas for improvement should be implemented, as well as monitoring for actions taken.
- In 2021 the Company further improved reporting procedures in respect of breaches of the Code of Business Conduct, such as discrimination. This included special training programmes. These efforts are reflected in the development of reporting and in the measures implemented.
- The Company has put great effort into developing the #YouthEmpowered programme by increasing numbers of participants as well as establishing a data monitoring and reporting system with a high level of maturity. #YouthEmpowered is the flagship social programme of the Company's Mission 2025 sustainability commitments. It aims to support young people and increase their employability by providing modular education opportunities in soft and/or business skills. In 2022 the Company will further refine the #YouthEmpowered programme with regard to the curriculum and training intensity.
- The deployment of Behaviour Based Safety (BBS) programmes throughout the Group is a highly positive, impactful development in the area of health and safety.

Findings and conclusions regarding adherence to the AA1000 principles of inclusivity, materiality, responsiveness, impact, and specific performance-related information:

Inclusivity

- Group level: The Company has implemented a comprehensive and efficient stakeholder engagement process at Group level. Its cornerstones are the annual internal and external materiality survey and the Annual Stakeholder Forum (held online in 2021).
- Market and plant level: Stakeholder engagement activities at market and plant level are in greater evidence – and, especially during the Covid-19 pandemic, resulted in new approaches to stakeholder engagement (e.g., virtual stakeholder forums). The Company is well aware of stakeholder concerns, and it consistently integrates the views of stakeholders at all levels.

Assurance statement *continued*

Materiality

- Group level: A robust process for defining topics material to the Company is in place. The materiality assessment process considers stakeholder expectations with regard to relevant topics. Moreover, the Company considers its impact on society and the environment in the materiality assessment, as required by the GRI Standards. The material topics identified during the assessment in 2021 provided the basis for the sustainability strategy and reporting.
- Market and plant level: As various markets are publishing sustainability reports in combination with socio-economic impact studies, formalised processes for carrying out the materiality assessment have been more strongly implemented throughout the organisation. Our recommendation is to continue with the 'double materiality' concept as well as work to combine the two perspectives – financial materiality, and environmental and social materiality – with a risks and opportunities assessment from both the financial and non-financial perspectives.

Responsiveness

- The Company demonstrated a proactive, fast, and professional response to the health and safety challenges that arose due to the pandemic, in order to protect employees and business partners.
  - Specific measures were taken to provide support for employees during the pandemic, including support for emotional, mental, and physical wellbeing, e.g., through the Employee Assistance Programme (EAP).
  - External stakeholders were also supported, e.g., by focussing the #YouthEmpowered programme on HORECA workers, or donating products and financial contributions to emergency relief during the Covid-19-related lockdown. New formats are being developed to adapt the #YouthEmpowered programme to the pandemic and the progress of digitalisation.

Impact

- Group level: The Company has robust processes in place for understanding, assessing, and managing its impacts, including risk management and strategy development.
- Market level: Sound socio-economic impact studies are conducted in individual markets, on a maximum three-year local cycle, to measure the organisational impact on communities. Results from these studies are summarised at Group level to disclose the organisation's impact on stakeholders, the society and on the Company itself.
- As part of the Mission 2025 strategy, the Company has published a strong set of commitments with a long-term perspective, covering a wide range of environmental and social impact areas along the value chain. In particular, the Company's commitment to NetZeroby40 demonstrates its ambitious environmental roadmap.

Additional conclusions and recommendations

- The Company demonstrates excellent engagement and know-how in relation to packaging waste management. This competence, combined with a structured approach, reflects ambitious targets in this area. However, efforts need to be increased, since the Company's 2025 targets for use of recycled PET and/or PET from renewables, as well as packaging collection for recycling, do not currently appear to be within reach.
- The product portfolio is under development, with the integration of new product and service segments such as coffee drinks, snacks, and premium spirits. The majority of the social and environmental impacts of these new segments have already been included in the scope of ESG assessment, and we recommend further assessment and even stronger integration into the Company's sustainability management approach.
- The Company has begun work to include biodiversity topics in its strategy. The newly released biodiversity statement is a very positive development. In order to make a greater impact, we recommend that the Company continues working on the strong implementation and integration of biodiversity in its strategy.
- Since implementation of the 2020 Green Fleet Program the Company has made great progress on transitioning to use of alternative vehicles. To make progress in future towards net-zero transport emissions, we recommend integrating medium and heavy-duty vehicles (trucks) into the Green Fleet roadmap and increasing collaboration in this area with third-party carriers.
- The Company should further strengthen workplace accountability practices within its operations, especially in developing markets, focusing on third-party contractors.

Willibald Kaltenbrunner
Lead Auditor

denkstatt GmbH
Advisory for Sustainable Development

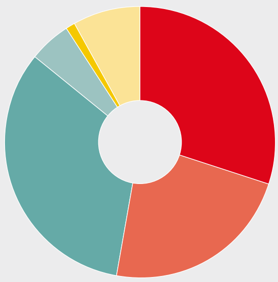
Vienna, 9 March 2022

AA1000
Licensed Report
000-86/V3-KTMLX

Shareholder information

We take great pride in being regarded as a transparent and accessible company in all our communications with investment communities around the world. We engage with key financial audiences, including institutional investors, sell-side analysts and financial journalists, as well as our Company's shareholders. The investor relations department manages the interaction with these audiences by attending ad hoc meetings and investor conferences throughout the year, in addition to the regular meetings and presentations held at the time of our results announcements.

Geographic concentration (%)



North America	**30%**
Western Europe	**23%**
UK	**33%**
Nordic	**5%**
Asia	**1%**
Other	**8%**

Listings

Coca-Cola HBC AG (LSE: CCH) was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 29 April 2013. With effect from 29 April 2013, Coca-Cola HBC AG's shares are also admitted on the Athens Exchange (ATHEX: EEE). Coca-Cola HBC AG has been included as a constituent of the FTSE 100 and FTSE All-Share Indices from 20 September 2013.

London Stock Exchange
Ticker symbol: CCH
ISIN: CH019 825 1305
SEDOL: B9895B7
Reuters: CCH.L
Bloomberg: CCH LN

Athens Exchange
Ticker symbol: EEE
ISIN: CH019 825 1305
Reuters: EEEr.AT
Bloomberg: EEE GA

Credit rating

Standard & Poor's: L/T BBB+, S/T A2, stable outlook
Moody's: L/T Baa1, S/T P2, stable outlook

Share price performance

LSE: CCH	**2021**	2020	2019
In £ per share			
Close	**25.55**	23.77	25.65
High	**27.84**	28.83	30.74
Low	**21.60**	14.94	22.99
Market capitalisation (£ million)	**9.348**	8,660	9,318

ATHEX: EEE	**2021**	2020	2018
In € per share			
Close	**30.26**	26.42	30.17
High	**32.80**	34.24	35.09
Low	**24.18**	16.99	26.93
Market capitalisation (€ million)	**11,071**	9,625	10,960

Source: Bloomberg

Share capital

In 2021, the share capital of Coca-Cola HBC increased by the issue of 1,282,821 new ordinary shares following the exercise of stock options pursuant to the Group's employee stock option plan.

Total proceeds from the issuance of the shares under the stock option plan amounted to €19.6 million.

Following the above changes, and including 5,894,583 ordinary shares held as treasury shares, on 31 December 2021 the share capital of the Group amounted to €2,022.3 million and comprised 371,795,418 shares with a nominal value of CHF 6.70 each.

Major shareholders

The principal shareholders of the Group are Kar-Tess Holding (a Luxembourg company), which holds approximately 23%, and The Coca-Cola Company, which indirectly holds approximately 21% of the Group's issued share capital.

Dividends

For 2022, the Board of Directors has proposed a €0.71 dividend per share a 10.9% increase from previous year and increased dividend pay-out ratio target to 40-50%, previously 35-45%.

This compares with a dividend payment of €0.64 per share in 2021. For more information on our dividend policy and dividend history, please visit our website at www.coca-colahellenic.com.

Financial calendar

12 May 2022	First quarter trading update
21 June 2022	Annual General Meeting
11 August 2022	Half-year financial results
10 November 2022	Third quarter trading update

Corporate website

www.coca-colahellenic.com

Shareholder and analyst information

Shareholders and financial analysts can obtain further information by contacting:

Investor Relations
Tel: +30 210 618 3100
Email: investor.relations@cchellenic.com
IR website: www.coca-colahellenic.com/en/investor-relations

Glossary

Basis points (bps)
One hundredth of one percentage point (used chiefly in expressing differences)

BSO
Business services organisation

BSS
Business solutions and systems

CAGR
Compound annual growth rate

Capital expenditure or CapEx
Gross CapEx is defined as payments for purchase of property, plant and equipment. Net CapEx is defined as payments for purchase of property, plant and equipment less receipts from disposals of property, plant and equipment plus principal repayment of lease obligations

Carbon emissions (Scope 1 and 2)
Emissions of CO_2 and other greenhouse gases from fuel combustion and energy use in Coca-Cola HBC's own operations in bottling, storage, distribution and in offices

Carbon footprint
Global emissions of CO_2 and other greenhouse gases from Coca-Cola HBC's wider value chain (raw materials, product cooling, etc.)

CHP
Combined heat and power plants

Coca-Cola brands
Includes Coca-Cola, Coca-Cola Zero and Coca-Cola Light brands

Coca-Cola HBC
Coca-Cola HBC AG, and, as the context may require, its subsidiaries and joint ventures; also, the Group, the Company

Coca-Cola System
The Coca-Cola Company and its bottling partners

Cold drink equipment
A generic term encompassing point-of-sale equipment such as coolers (refrigerators), vending machines and post-mix machines

Comparable adjusted EBITDA
We define comparable adjusted EBITDA as operating profit before deductions for depreciation and impairment of property, plant and equipment (included both in cost of goods sold and in operating expenses), amortisation and impairment of intangible assets, stock option compensation and other non-cash items, if any; and further adjusted for restructuring costs, acquisition costs and mark to market valuation of commodity hedging activity

Comparable net profit
Refers to net profit after tax attributable to owners of the parent adjusted for restructuring costs, acquisition costs, mark to market valuation of commodity hedging activity and certain other tax items

Comparable operating profit (EBIT)
Comparable operating profit (EBIT) refers to profit before tax excluding finance income/(costs) and share of results of equity-method investments and adjusted for restructuring costs, acquisition costs and mark to market valuation of commodity hedging activity

Comparable operating expenditure
Comparable operating expenditure refers to operating expenditure adjusted for restructuring costs, acquisition costs and mark to market valuation of certain commodity hedging activity

Customer
Retail outlet, restaurant or other operation that sells or serves Coca-Cola HBC products directly to consumers

Dividend policy
Our Board of Directors approved a dividend policy, effective from 2013, aiming to increase dividend payments progressively with a medium-term target payout ratio of 35-45% on comparable net profits

DME
Direct marketing expenses

Energy use ratio
The KPI used by Coca-Cola HBC to measure energy consumption in the bottling plants, expressed in megajoules of energy consumed per litre of produced beverage (MJ/lpb)

FMCG
Fast-moving consumer goods

Future consumption
A distribution channel where consumers buy multi-packs and larger packages from supermarkets and discounters which are not consumed on the spot

GDP
Gross domestic product

GRI
Global Reporting Initiative, a global standard for sustainability reporting

HoReCa
Distribution channel encompassing hotels, restaurants and cafés

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards, issued by the International Accounting Standards Board

IIRC
The International Integrated Reporting Council, a global coalition of regulators, investors, companies, standard-setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting

Inventory days
We define inventory days as the average number of days an item remains in inventory before being sold, using the following formula: average inventory ÷ cost of goods sold x 365

Ireland
The Republic of Ireland and Northern Ireland

Italy
Territory in Italy served by Coca-Cola HBC (excludes Sicily)

Joint value creation (JVC)
An advanced programme and process to collaborate with customers in order to create shared value

KPIs
Key Performance Indicators

Litre of produced beverage (lpb)
Unit of reference to show environmental performance relative to production volume

Market
When used in reference to geographic areas, a country in which Coca-Cola HBC does business

Mission 2025
2025 sustainability commitments with their 17 goals. Developed in late 2018, they are based on our stakeholder materiality matrix and aligned with the United Nations Sustainable Development Goals (SDGs) and their targets. The six key focus areas reflect our value chain: reducing emissions; water use and stewardship; packaging (World Without Waste); ingredient sourcing; nutrition; and our people and communities

NetZeroby40
Long-term commitment to achieving net zero emissions across our entire value chain (Scope 1, 2 and 3) by 2040. Commitment is endorsed by the "We Mean Business" coalition and published in October 2021

More details on our Scope 1, 2 and 3 emissions are disclosed on p. 38, from our 2021 GRI Content Index:

https://www.coca-colahellenic.com/content/dam/cch/us/documents/oar/Coca-Cola-HBC-2021-GRI-Content-Index.pdf.downloadasset.pdf

Please see also our 2021 CDP Climate response:

https://www.coca-colahellenic.com/content/dam/cch/us/documents/a-more-sustainable-future/strategic-pillars/CDP%20RESPONSE%202021_COCA-COLA%20HBC%20AG_CLIMATE_CHANGE.pdf.downloadasset.pdf

NetZeroby40 information from our website:

www.coca-colahellenic.com/en/a-more-sustainable-future/netzeroby40

NARTD
Non-alcoholic ready-to-drink

NGOs
Non-governmental organisations

NIST
NIST is the US National Institute of Standards and Technology – a non-regulatory agency of the United States Department of Commerce

Nm3
Normal cubic metre NSR

Net sales revenue

Operational leverage
Operational leverage is the degree to which an increase in a company's revenues will result in an increase in comparable EBIT

Organised trade
Large retailers (e.g. supermarkets, discounters etc.)

PET
Polyethylene terephthalate, a form of polyester used in the manufacturing of beverage bottles

Ready-to-drink (RTD)
Drinks that are pre-mixed and packaged, ready to be consumed immediately with no further preparation

Right Execution Daily (RED)
Major Group-wide programme to ensure in-outlet excellence

Receivable days
The average number of days it takes to collect receivables using the following formula: average accounts receivable ÷ net sales revenue x 365

ROIC
Return on invested capital. ROIC is the percentage return that a company makes over its invested capital. We define ROIC as the percentage of comparable net profit excluding net finance costs divided by the capital employed. Capital employed is calculated as the average of net debt and shareholders' equity attributable to the owners of the parent through the year

SAP
A powerful software platform that enables us to standardise key business processes and systems

SDG
UN Sustainable Development Goals. On 25 September 2015, countries adopted a set of 17 goals to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved by 2030

Serving
237ml or 8oz of beverage, equivalent to 1/24 of a unit case

Shared services
Centre to standardise and simplify key finance and human resources processes

Sparkling beverages
Non-alcoholic carbonated beverages containing flavourings and sweeteners, but excluding, among others, waters and flavoured waters, juices and juice drinks, sports and energy drinks, teas and coffee

SKU
Stock Keeping Unit

Still and water beverages
Non-alcoholic beverages without carbonation including, but not limited to, waters and flavoured waters, juices and juice drinks, sports and energy drinks, teas and coffee

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

- Direct: immediate effect in terms of employment, wages and output
- Indirect: subsequent effect in the supply chain
- Induced: effect caused by staff spend on goods or services
- We do not conduct socio-economic studies for all of our markets every year; studies are conducted for each market on a rolling basis. In 2021, we updated the studies for seven markets, adding this information to the aggregate results from all socio-economic impact studies for the period 2018-2021.

Notes to 2021 results from page 9:

- Numbers presented are aggregated based on the local socio-economic studies from Coca-Cola HBC markets published between 2018 and 2021, except for North Macedonia where the report is from 2017.
- All KPIs represent annual impact.
- Where applicable and relevant in local socio-economic studies, the impact of other entities of the Coca-Cola System is included

SSD
Sparkling soft drinks

TCFD
Task Force on Climate-related Financial Disclosures

Territory
The 28 countries where Coca-Cola HBC operates and in which we have bottling agreements with The Coca-Cola Company to be their exclusive distribution partner

UNESDA
Union of European Soft Drinks Associations

Unit case (u.c.)
Approximately 5.678 litres or 24 servings, a typical volume measurement unit. For Bambi volume, one unit case corresponds to 1 kilogram

UN Global Compact (UNGC)
The world's largest corporate citizenship initiative which provides a framework for businesses to align strategies with its 10 principles promoting labour rights, human rights, environmental protection and anti-corruption

Volume
Amount of physical product produced and sold, measured in unit cases

Volume share
Share of total unit cases sold

Value share
Share of total revenue

Waste ratio
The KPI used by Coca-Cola HBC to measure waste generation in its bottling plants, expressed in grammes of waste generated per litre of produced beverage (g/lpb)

Waste recycling
The KPI used by Coca-Cola HBC to measure the percentage of production waste at bottling plants that is recycled or recovered

Water footprint
A measure of the impact of water use, in operations or beyond, as defined by the Water Footprint Network methodology

Water use ratio
The KPI used by Coca-Cola HBC to measure water use in its bottling plants, expressed in litres of water used per litre of produced beverage (l/lpb)

Working capital
Operating current assets minus operating current liabilities excluding financing and investment activities

#YouthEmpowered (#YE)
Flagship programme from our Mission 2025 sustainability commitments, that aims to support young people and increase their employability by providing modular education of soft and/or business skills. It is delivered via classroom sessions, virtual training, self e-learning modules, mentoring sessions and other channels handled locally by our markets.

Special note regarding forward-looking statements

This document contains forward-looking statements that involve risks and uncertainties. These statements may generally, but not always, be identified by the use of words such as 'believe', 'outlook', 'guidance', 'intend', 'expect', 'anticipate', 'plan', 'target', 'seek', 'estimates', 'potential' and similar expressions to identify forward-looking statements. All statements other than statements of historical fact, including, among others, statements regarding the future financial position and results; Coca-Cola HBC's outlook for 2021 and future years; business strategy and the effects of the global economic slowdown; the impact of the sovereign debt crisis, currency volatility, Coca-Cola HBC's recent acquisitions, and restructuring initiatives on Coca-Cola HBC's business and financial condition; Coca-Cola HBC's future dealings with The Coca-Cola Company; budgets; projected levels of consumption and production; projected raw material and other costs; estimates of capital expenditure; free cash flow; and effective tax rates and plans and objectives of management for future operations, are forward-looking statements. You should not place undue reliance on such forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they reflect Coca-Cola HBC's current expectations and assumptions about future events and circumstances that may not prove accurate. Forward-looking statements speak only as of the date they are made. Coca-Cola HBC's actual results and events could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in the Risk and materiality section. Although Coca-Cola HBC believes that, as of the date of this document, the expectations reflected in the forward-looking statements are reasonable, Coca-Cola HBC cannot assure that Coca-Cola HBC's future results, level of activity, performance or achievements will meet these expectations. Moreover, neither Coca-Cola HBC, nor its Directors, employees, advisers nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements. After the date of this Integrated Annual Report, unless Coca-Cola HBC is required by law or the rules of the UK Financial Conduct Authority to update these forward-looking statements, Coca-Cola HBC makes no commitment to update any of these forward- looking statements to conform them either to actual results or to changes in Coca-Cola HBC's expectations.

About our report

The 2021 Integrated Annual Report (the 'Annual Report') consolidates Coca-Cola HBC AG's (also referred to as 'Coca-Cola HBC' or the 'Company' or the 'Group') UK and Swiss disclosure requirements, while meeting the disclosure requirements for its secondary listing on the Athens Exchange. In addition, the Annual Report aims to deliver against the expectations of the Company's stakeholders and sustainability reporting standards, providing a transparent overview of the Group's performance and progress in sustainable development for 2021.

Our strategy is designed to deliver responsible, sustainable and profitable growth. This strategy is grounded in our purpose to provide growth for our customers and delight our consumers by nurturing passionate and empowered people as we enrich our communities and care for the environment. Our purpose is directly linked to our strategy and the five growth pillars that guide us as we pursue our objectives and targets. Those growth pillars are: 1. Leverage our unique 24/7 portfolio; 2. Win in the marketplace; 3. Fuel growth through competitiveness and investments; 4. Cultivate the potential of our people; 5 Earn our license to operate. The initiatives we implemented within each of these pillars forms the basis of the narrative of the Integrated Annual Report, which is structured around these five pillars.

The Annual Report is for the year ended 31 December 2021, and its focus is on the primary core business of non-alcoholic ready-to-drink beverages across the 29 countries in which we operate. Our website and any other website referred to in the Annual Report are not incorporated by reference and do not form part of the Annual Report.

The consolidated financial statements of the Group, included on pages 154-210, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Coca-Cola HBC AG's statutory financial statements, included on pages 211-236, have been prepared in accordance with the Swiss Code of Obligations. Unless otherwise indicated or required by context, all financial information contained in this document has been prepared in accordance with IFRS. For Swiss law purposes, the annual management report consists of the sections entitled 'Strategic Report', 'Corporate Governance' (without the sub-section 'Director's Remuneration Report'), 'Supplementary Information' and 'Glossary'.

The Group uses certain Alternative performance measures (APMs) which provide additional insights and understanding to the Group's underlying operating and financial performance, financial condition and cash flows. A full list of these APMs, their definition and reconciliation to the respective IFRS measures can be found on pages 237-240.

This report has been prepared in accordance with the GRI Standards: Core option. In addition, the sustainability aspects of this Annual Report comply with the AA1000AS Assurance Standard, and the advanced level requirements for communication on progress against the 10 Principles of the United Nations Global Compact. In addition, the report is aligned with the principles and elements of the International Integrated Reporting Council's (IIRC) framework. Carbon emissions are calculated using the GHG Protocol Corporate Accounting and Reporting Standard methodology. Furthermore, Coca-Cola HBC supports the Task Force on Climate-related Financial Disclosures (TCFD) and reports to the Sustainability Accounting Standards Board (SASB) framework. The sustainability aspects of the Integrated Annual Report have been verified by an independent professional assurance provider as dictated by the Company's Executive Leadership Team (ELT), and you can find the relevant assurance statement on pages 242-244. As with the rest of the information provided, the sustainability aspects of this Annual Report are for the full year ended 31 December 2021 and the related information presented is based on an annual reporting cycle.

Scope of the report: environmental and social data includes North Macedonia and Multon joint venture. Snacks manufacturing operations are not included in the environmental and social reporting, unless stated otherwise (due to their very small impact, less than the internal materiality threshold). Relevant impact areas from coffee and premium spirits categories are included in the environmental and social data.

We remain committed to strong corporate governance and leadership as well as transparency in our disclosures. We will continue to review our reporting approach and routines, to ensure they meet best practice reporting standards and the expectations of our stakeholders, and provide visibility on how we create sustainable value for the communities we serve.

Visit us

www.coca-colahellenic.com

The Group site features all the latest news and stories from around our business and communities, as well as an interactive online version of this report.

Write to us

We have dedicated email addresses which you can use to communicate with us:

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sustainability@cchellenic.com

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Coca-Cola HBC

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